

**Translation**

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results  
for the Year Ended March 31, 2020  
(Based on Japanese GAAP)**

May 11, 2020

Company name: Howa Machinery, Ltd.  
 Stock exchange listing: Tokyo, Nagoya  
 Stock code: 6203 URL <http://www.howa.co.jp/>  
 Representative: President, Managing Director Takahiro Tsukamoto  
 Inquiries: Managing Director Hiromitsu Ishihara TEL 052-408-1001  
 Scheduled date of ordinary general meeting of shareholders: June 25, 2020  
 Scheduled date to file Securities Report: June 25, 2020  
 Scheduled date to commence dividend payments: June 26, 2020  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	20,321	(9.0)	776	(25.2)	820	(26.0)	591	(47.8)
Year ended March 31, 2019	22,323	14.7	1,038	-	1,108	-	1,132	570.5

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	47.75	-	3.9	3.4	3.8
Year ended March 31, 2019	91.10	-	7.5	4.6	4.6

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	24,114	14,991	62.2	1,210.30
As of March 31, 2019	24,354	15,279	62.7	1,232.96

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	1,192	(1,052)	35	3,445
Year ended March 31, 2019	690	312	(310)	3,275

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	-	0.00	-	20.00	20.00	247	22.0	1.7
Year ended March 31, 2020	-	0.00	-	20.00	20.00	247	41.9	1.6
Year ending March 31, 2021 (Forecast)	-	0.00	-	20.00	20.00		412.8	

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	19,100	(6.0)	10	(98.7)	70	(91.5)	60	(89.9)	4.84

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: Yes

Changes in accounting estimates: Yes

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2020	12,548,134 shares	As of March 31, 2019	12,548,134 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2020	163,798 shares	As of March 31, 2019	163,445 shares
----------------------	----------------	----------------------	----------------

Average number of shares during the period

Year ended March 31, 2020	12,384,485 shares	Year ended March 31, 2019	12,428,605 shares
---------------------------	-------------------	---------------------------	-------------------

**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	3,338	3,514
Notes and accounts receivable - trade	7,425	6,131
Electronically recorded monetary claims - operating	1,057	1,400
Merchandise and finished goods	149	121
Work in process	4,191	4,747
Raw materials and supplies	353	400
Other	224	298
Allowance for doubtful accounts	(15)	(0)
Total current assets	16,724	16,614
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,645	11,878
Accumulated depreciation	(9,333)	(9,439)
Buildings and structures, net	2,311	2,439
Machinery, equipment and vehicles	12,599	12,475
Accumulated depreciation	(11,829)	(11,774)
Machinery, equipment and vehicles, net	770	700
Tools, furniture and fixtures	1,633	1,671
Accumulated depreciation	(1,509)	(1,541)
Tools, furniture and fixtures, net	124	130
Land	558	549
Leased assets	144	9
Accumulated depreciation	(122)	(6)
Leased assets, net	22	2
Construction in progress	0	521
Total property, plant and equipment	3,787	4,343
Intangible assets		
Other	100	45
Total intangible assets	100	45
Investments and other assets		
Investment securities	3,264	2,580
Other	524	574
Allowance for doubtful accounts	(46)	(43)
Total investments and other assets	3,742	3,111
Total non-current assets	7,630	7,500
Total assets	24,354	24,114

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	3,131	2,667
Electronically recorded obligations - operating	–	526
Short-term borrowings	813	748
Lease obligations	20	1
Accounts payable - other	27	235
Accrued expenses	776	784
Income taxes payable	171	73
Accrued consumption taxes	22	232
Provision for bonuses	342	330
Provision for loss on construction contracts	26	2
demolition expenses for non-current assets	17	–
Provision for environmental safety measures	–	57
Other	234	191
<b>Total current liabilities</b>	<b>5,584</b>	<b>5,852</b>
<b>Non-current liabilities</b>		
Long-term borrowings	879	1,281
Lease obligations	3	1
Deferred tax liabilities	396	202
Provision for environmental safety measures	87	–
Retirement benefit liability	1,727	1,084
Asset retirement obligations	88	89
Other	309	611
<b>Total non-current liabilities</b>	<b>3,490</b>	<b>3,270</b>
<b>Total liabilities</b>	<b>9,075</b>	<b>9,122</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	9,019	9,019
Capital surplus	0	–
Retained earnings	5,207	5,551
Treasury shares	(151)	(152)
<b>Total shareholders' equity</b>	<b>14,075</b>	<b>14,418</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	911	446
Deferred gains or losses on hedges	(0)	1
Foreign currency translation adjustment	103	102
Remeasurements of defined benefit plans	179	18
<b>Total accumulated other comprehensive income</b>	<b>1,194</b>	<b>570</b>
<b>Non-controlling interests</b>	<b>9</b>	<b>2</b>
<b>Total net assets</b>	<b>15,279</b>	<b>14,991</b>
<b>Total liabilities and net assets</b>	<b>24,354</b>	<b>24,114</b>

**Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	22,323	20,321
Cost of sales	18,173	16,419
Gross profit	4,150	3,901
Selling, general and administrative expenses	3,112	3,125
Operating profit	1,038	776
Non-operating income		
Interest income	2	0
Dividend income	121	116
Insurance claim income	63	23
Miscellaneous income	31	41
Total non-operating income	220	181
Non-operating expenses		
Interest expenses	4	5
Financing commission fee	–	29
Insurance expenses	22	19
Maintenance cost for idle assets	28	22
Foreign exchange losses	29	29
Miscellaneous loss	65	30
Total non-operating expenses	149	138
Ordinary profit	1,108	820
Extraordinary income		
Gain on revision of retirement benefit plan	–	20
Reversal for environmental safety measures	241	29
Other	4	4
Total extraordinary income	246	54
Extraordinary losses		
Loss on product safety measures	19	11
Impairment loss	11	64
provision for demolition expenses for non-current assets	17	–
Farewell ceremony expenses	–	23
Loss on valuation of investment securities	–	60
Other	0	15
Total extraordinary losses	49	175
Profit before income taxes	1,306	699
Income taxes - current	194	114
Income taxes - deferred	(17)	(1)
Total income taxes	176	112
Profit	1,130	586
Loss attributable to non-controlling interests	(1)	(4)
Profit attributable to owners of parent	1,132	591

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	1,130	586
Other comprehensive income		
Valuation difference on available-for-sale securities	(370)	(464)
Deferred gains or losses on hedges	0	1
Foreign currency translation adjustment	(6)	(0)
Remeasurements of defined benefit plans, net of tax	4	(160)
Total other comprehensive income	(372)	(624)
Comprehensive income	757	(37)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	759	(33)
Comprehensive income attributable to non-controlling interests	(1)	(4)

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,019	–	4,325	(28)	13,316
Changes during period					
Dividends of surplus			(250)		(250)
Profit attributable to owners of parent			1,132		1,132
Purchase of treasury shares				(123)	(123)
Disposal of treasury shares		0		0	0
Net changes in items other than shareholders' equity					–
Total changes during period	–	0	881	(123)	758
Balance at end of period	9,019	0	5,207	(151)	14,075

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,281	(0)	109	175	1,566	12	14,895
Changes during period							
Dividends of surplus					–		(250)
Profit attributable to owners of parent					–		1,132
Purchase of treasury shares					–		(123)
Disposal of treasury shares					–		0
Net changes in items other than shareholders' equity	(370)	0	(6)	4	(372)	(2)	(374)
Total changes during period	(370)	0	(6)	4	(372)	(2)	383
Balance at end of period	911	(0)	103	179	1,194	9	15,279

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,019	0	5,207	(151)	14,075
Changes during period					
Dividends of surplus			(247)		(247)
Profit attributable to owners of parent			591		591
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)	(0)	0	0
Net changes in items other than shareholders' equity					–
Total changes during period	–	(0)	343	(0)	343
Balance at end of period	9,019	–	5,551	(152)	14,418

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	911	(0)	103	179	1,194	9	15,279
Changes during period							
Dividends of surplus					–		(247)
Profit attributable to owners of parent					–		591
Purchase of treasury shares					–		(0)
Disposal of treasury shares					–		0
Net changes in items other than shareholders' equity	(464)	1	(0)	(160)	(624)	(6)	(631)
Total changes during period	(464)	1	(0)	(160)	(624)	(6)	(287)
Balance at end of period	446	1	102	18	570	2	14,991

## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	1,306	699
Depreciation	599	475
Impairment loss	11	64
Increase (decrease) in allowance for doubtful accounts	6	(18)
Increase (decrease) in provision for bonuses	55	(12)
Increase (decrease) in retirement benefit liability	(119)	(803)
Increase (decrease) in accrued payments due to change in retirement benefit plan	–	450
Increase (decrease) in demolition expenses for non-current assets	17	(17)
Increase (decrease) in provision for loss on construction contracts	(19)	(24)
Increase (decrease) in provision for environmental safety measures	(241)	(29)
Interest and dividend income	(124)	(116)
Interest expenses	4	5
Financing commission fee	–	29
Loss (gain) on valuation of investment securities	–	60
Foreign exchange losses (gains)	9	2
Loss (gain) on sales of property, plant and equipment	(4)	(3)
Loss (gain) on disposal of property, plant and equipment	0	5
Decrease (increase) in trade receivables	(529)	943
Decrease (increase) in inventories	(635)	(580)
Increase (decrease) in trade payables	396	72
Increase (decrease) in accrued consumption taxes	(1)	209
Decrease (increase) in other current assets	164	(49)
Increase (decrease) in other current liabilities	(52)	(36)
Other, net	4	(39)
Subtotal	848	1,288
Interest and dividends received	125	116
Interest paid	(4)	(5)
Income taxes paid	(138)	(206)
Environmental expenses paid	(140)	–
Net cash provided by (used in) operating activities	690	1,192

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from investing activities		
Payments into time deposits	(65)	(60)
Proceeds from withdrawal of time deposits	92	54
Proceeds from sales and redemption of securities	20	–
Purchase of property, plant and equipment	(368)	(981)
Proceeds from sales of property, plant and equipment	4	1
Purchase of intangible assets	(24)	(7)
Purchase of investment securities	(8)	(7)
Proceeds from sales and redemption of investment securities	736	4
Purchase of shares of subsidiaries	(58)	(40)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(111)	–
Collection of loans receivable	61	10
Loan advances	(29)	(25)
Other, net	63	(1)
Net cash provided by (used in) investing activities	312	(1,052)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(213)	(20)
Proceeds from long-term borrowings	750	969
Repayments of long-term borrowings	(441)	(643)
Net decrease (increase) in treasury shares	(123)	(0)
Dividends paid	(249)	(247)
Dividends paid to non-controlling interests	(0)	(2)
Repayments of lease obligations	(31)	(20)
Net cash provided by (used in) financing activities	(310)	35
Effect of exchange rate change on cash and cash equivalents	(12)	(5)
Net increase (decrease) in cash and cash equivalents	680	169
Cash and cash equivalents at beginning of period	2,595	3,275
Cash and cash equivalents at end of period	3,275	3,445