

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (Based on Japanese GAAP)

August 5, 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 to file Quarterly Securities Report: August 11, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(1) Consolidated operating results (cumulative)

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	%
Three months ended June 30, 2020	4,059	(14.0)	(43)	–	33	(77.8)	2	(98.3)
Three months ended June 30, 2019	4,721	(7.1)	112	(28.5)	150	(27.3)	124	(31.8)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2020	0.17		–	
Three months ended June 30, 2019	10.08		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2020	24,412	14,869	60.9	1,200.42
As of March 31, 2020	24,114	14,991	62.2	1,210.30

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2020	–	0.00	–	20.00	20.00
Year ending March 31, 2021	–	–	–	–	–
Year ending March 31, 2021 (Forecast)	–	0.00	–	20.00	20.00

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 three months ended June 30, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) 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: No
- Changes in accounting estimates: Yes
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2020	12,548,134 shares	As of March 31, 2020	12,548,134 shares
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Number of treasury shares at the end of the period

As of June 30, 2020	163,803 shares	As of March 31, 2020	163,798 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2020	12,384,333 shares	Three months ended June 30, 2019	12,384,604 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	3,514	3,927
Notes and accounts receivable - trade	6,131	4,912
Electronically recorded monetary claims - operating	1,400	1,765
Investments in leases	–	222
Merchandise and finished goods	121	309
Work in process	4,747	5,061
Raw materials and supplies	400	429
Other	298	770
Allowance for doubtful accounts	(0)	(0)
Total current assets	16,614	17,399
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,439	2,172
Other, net	1,904	1,556
Total property, plant and equipment	4,343	3,729
Intangible assets	45	41
Investments and other assets		
Investment securities	2,580	2,725
Other	574	560
Allowance for doubtful accounts	(43)	(43)
Total investments and other assets	3,111	3,242
Total non-current assets	7,500	7,013
Total assets	24,114	24,412
Liabilities		
Current liabilities		
Accounts payable - trade	2,667	2,509
Electronically recorded obligations - operating	526	562
Short-term borrowings	748	1,542
Accounts payable - other	235	303
Accrued expenses	784	987
Income taxes payable	73	22
Accrued consumption taxes	232	18
Provision for bonuses	330	167
Provision for loss on construction contracts	2	3
Provision for environmental safety measures	57	57
Other	193	176
Total current liabilities	5,852	6,350

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Non-current liabilities		
Long-term borrowings	1,281	1,342
Deferred tax liabilities	202	244
Retirement benefit liability	1,084	1,057
Asset retirement obligations	89	89
Other	612	457
Total non-current liabilities	3,270	3,192
Total liabilities	9,122	9,543
Net assets		
Shareholders' equity		
Share capital	9,019	9,019
Retained earnings	5,551	5,305
Treasury shares	(152)	(152)
Total shareholders' equity	14,418	14,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	446	580
Deferred gains or losses on hedges	1	1
Foreign currency translation adjustment	102	103
Remeasurements of defined benefit plans	18	7
Total accumulated other comprehensive income	570	693
Non-controlling interests	2	2
Total net assets	14,991	14,869
Total liabilities and net assets	24,114	24,412

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	4,721	4,059
Cost of sales	3,853	3,368
Gross profit	867	690
Selling, general and administrative expenses	754	734
Operating profit (loss)	112	(43)
Non-operating income		
Interest income	0	0
Dividend income	53	45
Subsidy income	–	74
Miscellaneous income	12	9
Total non-operating income	65	129
Non-operating expenses		
Interest expenses	1	1
Maintenance cost for idle assets	5	4
Foreign exchange losses	8	33
Miscellaneous loss	12	12
Total non-operating expenses	27	51
Ordinary profit	150	33
Extraordinary income		
Gain on sales of non-current assets	0	9
Gain on revision of retirement benefit plan	20	–
Other	–	0
Total extraordinary income	20	9
Extraordinary losses		
Loss on valuation of investment securities	–	35
Other	2	0
Total extraordinary losses	2	36
Profit before income taxes	169	7
Income taxes	45	4
Profit	124	2
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	124	2

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	124	2
Other comprehensive income		
Valuation difference on available-for-sale securities	(157)	133
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	0	1
Remeasurements of defined benefit plans, net of tax	(32)	(11)
Total other comprehensive income	(189)	123
Comprehensive income	(65)	125
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(64)	125
Comprehensive income attributable to non-controlling interests	(0)	(0)