

Translation

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

November 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: November 16, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 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	%
Six months ended September 30, 2020	8,266	(15.3)	67	(82.7)	223	(42.0)	192	(29.9)
Six months ended September 30, 2019	9,761	(3.4)	388	26.3	385	14.8	274	(4.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	15.54		–	
Six months ended September 30, 2019	22.18		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	25,348	15,005	59.2	1,210.42
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	–	0.00			
Year ending March 31, 2021 (Forecast)			–	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	18,300	(9.9)	10	(98.7)	70	(91.5)	60	(89.9)	4.84

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2020	151,175 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)

Six months ended September 30, 2020	12,390,656 shares	Six months ended September 30, 2019	12,384,573 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	3,514	3,907
Notes and accounts receivable - trade	6,131	5,775
Electronically recorded monetary claims - operating	1,400	913
Investments in leases	–	1,174
Merchandise and finished goods	121	432
Work in process	4,747	5,143
Raw materials and supplies	400	446
Other	298	447
Allowance for doubtful accounts	(0)	(0)
Total current assets	16,614	18,240
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,439	2,175
Other, net	1,904	1,624
Total property, plant and equipment	4,343	3,800
Intangible assets	45	89
Investments and other assets		
Investment securities	2,580	2,681
Other	574	580
Allowance for doubtful accounts	(43)	(43)
Total investments and other assets	3,111	3,218
Total non-current assets	7,500	7,108
Total assets	24,114	25,348
Liabilities		
Current liabilities		
Accounts payable - trade	2,667	2,281
Electronically recorded obligations - operating	526	455
Short-term borrowings	748	1,659
Accounts payable - other	235	344
Accrued expenses	784	661
Income taxes payable	73	62
Accrued consumption taxes	232	18
Provision for bonuses	330	324
Provision for loss on construction contracts	2	11
Provision for environmental safety measures	57	60
Other provisions	–	3
Other	193	154
Total current liabilities	5,852	6,039

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Non-current liabilities		
Long-term borrowings	1,281	2,470
Deferred tax liabilities	202	248
Retirement benefit liability	1,084	1,040
Asset retirement obligations	89	90
Other	612	453
Total non-current liabilities	3,270	4,303
Total liabilities	9,122	10,342
Net assets		
Shareholders' equity		
Share capital	9,019	9,019
Retained earnings	5,551	5,494
Treasury shares	(152)	(140)
Total shareholders' equity	14,418	14,373
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	446	531
Deferred gains or losses on hedges	1	0
Foreign currency translation adjustment	102	103
Remeasurements of defined benefit plans	18	(3)
Total accumulated other comprehensive income	570	631
Non-controlling interests	2	–
Total net assets	14,991	15,005
Total liabilities and net assets	24,114	25,348

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	9,761	8,266
Cost of sales	7,841	6,715
Gross profit	1,920	1,551
Selling, general and administrative expenses	1,532	1,484
Operating profit	388	67
Non-operating income		
Interest income	0	0
Dividend income	59	52
Subsidy income	0	147
Miscellaneous income	16	15
Total non-operating income	77	215
Non-operating expenses		
Interest expenses	2	4
Maintenance cost for idle assets	12	9
Foreign exchange losses	39	21
Miscellaneous loss	26	23
Total non-operating expenses	80	59
Ordinary profit	385	223
Extraordinary income		
Gain on sales of investment securities	–	72
Gain on sales of non-current assets	0	10
Subsidies for employment adjustment	–	45
Gain on revision of retirement benefit plan	20	–
Other	0	0
Total extraordinary income	21	128
Extraordinary losses		
Loss related to COVID-19	–	110
Loss on product safety measures	11	–
Farewell ceremony expenses	23	–
Other	10	4
Total extraordinary losses	45	115
Profit before income taxes	360	236
Income taxes	90	44
Profit	269	192
Loss attributable to non-controlling interests	(4)	(0)
Profit attributable to owners of parent	274	192

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	269	192
Other comprehensive income		
Valuation difference on available-for-sale securities	(101)	84
Deferred gains or losses on hedges	(0)	(1)
Foreign currency translation adjustment	(0)	0
Remeasurements of defined benefit plans, net of tax	(51)	(22)
Total other comprehensive income	(154)	61
Comprehensive income	115	254
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	120	254
Comprehensive income attributable to non-controlling interests	(4)	(0)