

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

May 11, 2022

Company name: Howa Machinery, Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 6203 URL <https://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 28, 2022
 Scheduled date to file Securities Report: June 28, 2022
 Scheduled date to commence dividend payments: June 29, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	19,697	5.0	988	78.3	1,300	41.6	1,062	9.7
Year ended March 31, 2021	18,765	(7.7)	554	(28.6)	918	12.0	968	63.9

	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, 2022	86.08	–	6.4	4.8	5.0
Year ended March 31, 2021	78.18	–	6.2	3.6	3.0

(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, 2022	27,673	16,890	61.0	1,403.57
As of March 31, 2021	26,461	16,114	60.9	1,299.91

(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, 2022	3,049	(544)	(1,608)	4,360
Year ended March 31, 2021	(1,270)	(635)	1,881	3,427

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, 2021	–	0.00	–	20.00	20.00	247	25.6	1.6
Year ended March 31, 2022	–	0.00	–	20.00	20.00	240	23.2	1.5
Year ending March 31, 2023 (Forecast)	–	0.00	–	20.00	20.00		107.4	

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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	19,700	0.0	230	(76.7)	280	(78.5)	230	(78.4)	18.63

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2022

(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: Yes

Changes in accounting policies due to other reasons: Yes

Changes in accounting estimates: No

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, 2022	12,548,134 shares	As of March 31, 2021	12,548,134 shares
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Number of treasury shares at the end of the period

As of March 31, 2022	514,353 shares	As of March 31, 2021	151,179 shares
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Average number of shares during the period

Year ended March 31, 2022	12,343,921 shares	Year ended March 31, 2021	12,393,783 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	3,462	4,419
Notes and accounts receivable - trade	5,536	–
Notes receivable - trade	–	1,232
Electronically recorded monetary claims - operating	3,218	2,140
Accounts receivable - trade	–	3,639
Contract assets	–	677
Investments in leases	1,159	1,129
Merchandise and finished goods	246	264
Work in process	4,203	4,933
Raw materials and supplies	427	495
Other	341	313
Allowance for doubtful accounts	(0)	(0)
Total current assets	18,595	19,248
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,711	11,708
Accumulated depreciation	(9,587)	(9,733)
Buildings and structures, net	2,123	1,975
Machinery, equipment and vehicles	12,601	12,628
Accumulated depreciation	(11,835)	(11,853)
Machinery, equipment and vehicles, net	766	775
Tools, furniture and fixtures	1,741	1,798
Accumulated depreciation	(1,607)	(1,638)
Tools, furniture and fixtures, net	133	160
Land	549	549
Leased assets	9	178
Accumulated depreciation	(8)	(19)
Leased assets, net	1	158
Construction in progress	210	109
Total property, plant and equipment	3,784	3,728
Intangible assets		
Software and other	54	58
Software in progress	256	510
Total intangible assets	310	568
Investments and other assets		
Investment securities	3,185	3,494
Retirement benefit asset	114	174
Other	511	496
Allowance for doubtful accounts	(40)	(37)
Total investments and other assets	3,770	4,127
Total non-current assets	7,865	8,425
Total assets	26,461	27,673

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,322	2,624
Electronically recorded obligations - operating	381	505
Short-term borrowings	1,799	882
Lease liabilities	1	14
Accounts payable - other	293	212
Accrued expenses	838	758
Income taxes payable	134	148
Accrued consumption taxes	20	30
Contract liabilities	–	1,182
Provision for bonuses	315	320
Provision for loss on construction contracts	13	26
Provision for loss on orders received	–	17
Other	113	55
Total current liabilities	6,233	6,778
Non-current liabilities		
Long-term borrowings	2,354	2,211
Lease liabilities	0	158
Deferred tax liabilities	157	278
Retirement benefit liability	1,065	954
Asset retirement obligations	91	92
Other	444	309
Total non-current liabilities	4,112	4,005
Total liabilities	10,346	10,783
Net assets		
Shareholders' equity		
Share capital	9,019	9,019
Retained earnings	6,271	7,062
Treasury shares	(140)	(427)
Total shareholders' equity	15,150	15,654
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	866	1,080
Deferred gains or losses on hedges	(3)	(0)
Foreign currency translation adjustment	101	102
Remeasurements of defined benefit plans	(1)	52
Total accumulated other comprehensive income	964	1,235
Total net assets	16,114	16,890
Total liabilities and net assets	26,461	27,673

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	18,765	19,697
Cost of sales	15,282	15,740
Gross profit	3,483	3,957
Selling, general and administrative expenses	2,928	2,968
Operating profit	554	988
Non-operating income		
Interest income	0	1
Dividend income	104	112
Subsidy income	298	150
Foreign exchange gains	–	73
Miscellaneous income	42	60
Total non-operating income	445	398
Non-operating expenses		
Interest expenses	11	12
Insurance expenses	19	19
Maintenance cost for idle assets	19	25
Foreign exchange losses	4	–
Settlement Money	–	8
Miscellaneous losses	26	20
Total non-operating expenses	81	86
Ordinary profit	918	1,300
Extraordinary income		
Gain on sale of investment securities	79	–
Gain on sale of non-current assets	15	3
Gain on disposal of non-current assets	0	0
Subsidies for employment adjustment	45	–
Other	2	–
Total extraordinary income	143	4
Extraordinary losses		
Impairment losses	2	1
Loss related to COVID-19	110	–
Loss on valuation of investment securities	–	4
Other	2	0
Total extraordinary losses	115	6
Profit before income taxes	946	1,299
Income taxes - current	170	196
Income taxes - deferred	(193)	39
Total income taxes	(22)	236
Profit	968	1,062
Loss attributable to non-controlling interests	(0)	–
Profit attributable to owners of parent	968	1,062

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	968	1,062
Other comprehensive income		
Valuation difference on available-for-sale securities	420	213
Deferred gains or losses on hedges	(4)	2
Foreign currency translation adjustment	(0)	0
Remeasurements of defined benefit plans, net of tax	(20)	54
Total other comprehensive income	394	270
Comprehensive income	1,363	1,333
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,363	1,333
Comprehensive income attributable to non-controlling interests	(0)	–

Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity			
	Share capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,019	5,551	(152)	14,418
Changes during period				
Dividends of surplus		(247)		(247)
Profit attributable to owners of parent		968		968
Restricted stock payment			11	11
Purchase of treasury shares			(0)	(0)
Disposal of treasury shares		(1)	0	(1)
Net changes in items other than shareholders' equity				–
Total changes during period	–	719	11	731
Balance at end of period	9,019	6,271	(140)	15,150

	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	446	1	102	18	570	2	14,991
Changes during period							
Dividends of surplus					–		(247)
Profit attributable to owners of parent					–		968
Restricted stock payment					–		11
Purchase of treasury shares					–		(0)
Disposal of treasury shares					–		(1)
Net changes in items other than shareholders' equity	420	(4)	(0)	(20)	394	(2)	391
Total changes during period	420	(4)	(0)	(20)	394	(2)	1,123
Balance at end of period	866	(3)	101	(1)	964	–	16,114

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity			
	Share capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,019	6,271	(140)	15,150
Cumulative effects of changes in accounting policies		(21)		(21)
Restated balance	9,019	6,249	(140)	15,128
Changes during period				
Dividends of surplus		(247)		(247)
Profit attributable to owners of parent		1,062		1,062
Restricted stock payment			11	11
Purchase of treasury shares			(299)	(299)
Disposal of treasury shares		(1)	0	(1)
Net changes in items other than shareholders' equity				–
Total changes during period	–	813	(286)	526
Balance at end of period	9,019	7,062	(427)	15,654

	Accumulated other comprehensive income					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	866	(3)	101	(1)	964	16,114
Cumulative effects of changes in accounting policies					–	(21)
Restated balance	866	(3)	101	(1)	964	16,093
Changes during period						
Dividends of surplus					–	(247)
Profit attributable to owners of parent					–	1,062
Restricted stock payment					–	11
Purchase of treasury shares					–	(299)
Disposal of treasury shares					–	(1)
Net changes in items other than shareholders' equity	213	2	0	54	270	270
Total changes during period	213	2	0	54	270	796
Balance at end of period	1,080	(0)	102	52	1,235	16,890

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	946	1,299
Depreciation	455	431
Impairment losses	2	1
Subsidy income	(298)	(150)
Subsidies for employment adjustment	(45)	–
Increase (decrease) in allowance for doubtful accounts	(2)	(2)
Increase (decrease) in provision for bonuses	(14)	4
Decrease (increase) in net defined benefit asset/liability	(153)	(116)
Increase (decrease) in accrued payments due to change in retirement benefit plan	(182)	(142)
Increase (decrease) in provision for loss on construction contracts	11	13
Increase (decrease) in provision for environmental safety measures	(57)	–
Increase (decrease) in provision for loss on orders received	–	17
Interest and dividend income	(105)	(113)
Interest expenses	11	12
Financing commission fee	0	–
Loss (gain) on valuation of investment securities	–	4
Loss (gain) on sale of investment securities	(79)	–
Foreign exchange losses (gains)	(0)	(2)
Loss (gain) on sale of property, plant and equipment	(15)	(3)
Loss (gain) on disposal of property, plant and equipment	1	(0)
Decrease (increase) in trade receivables	(1,221)	–
Decrease (increase) in trade receivables and contract assets	–	1,128
Decrease (increase) in investments in leases	(509)	29
Decrease (increase) in inventories	391	(843)
Increase (decrease) in trade payables	(498)	341
Increase (decrease) in contract liabilities	–	1,111
Increase (decrease) in accrued consumption taxes	(211)	9
Decrease (increase) in other current assets	(37)	3
Increase (decrease) in other current liabilities	(30)	(77)
Other, net	46	32
Subtotal	(1,596)	2,987
Interest and dividends received	105	113
Subsidies received	327	161
Interest paid	(12)	(11)
Income taxes paid	(94)	(201)
Net cash provided by (used in) operating activities	(1,270)	3,049
Cash flows from investing activities		
Payments into time deposits	(57)	(57)
Proceeds from withdrawal of time deposits	72	51
Purchase of property, plant and equipment	(580)	(300)
Proceeds from sale of property, plant and equipment	17	154
Purchase of intangible assets	(173)	(364)
Purchase of investment securities	(314)	(23)
Proceeds from sale and redemption of investment securities	380	0
Proceeds from collection of loans receivable	25	–
Other, net	(5)	(3)
Net cash provided by (used in) investing activities	(635)	(544)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,000	(1,000)
Proceeds from long-term borrowings	1,799	600
Repayments of long-term borrowings	(676)	(659)
Net decrease (increase) in treasury shares	10	(288)
Dividends paid	(247)	(248)
Dividends paid to non-controlling interests	(2)	–
Repayments of lease liabilities	(1)	(12)
Net cash provided by (used in) financing activities	1,881	(1,608)
Effect of exchange rate change on cash and cash equivalents	7	36
Net increase (decrease) in cash and cash equivalents	(18)	932
Cash and cash equivalents at beginning of period	3,445	3,427
Cash and cash equivalents at end of period	3,427	4,360