



3. Consolidated Forecasts for the Fiscal Year Ending September 30, 2020  
(October 1, 2019 - September 30, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	54,500	(1.6)	5,000	(15.5)	5,000	(18.0)	3,300	(21.1)	407.21

Note : Revisions of the Consolidated forecast since the latest announcement: No

No revision has been made to the consolidated forecast since the potential impact of the novel coronavirus outbreak is unclear.

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) Adoption of simplified accounting treatment for quarterly closing: Yes

(3) Changes in accounting treatment for quarterly consolidated financial statement:

1) Changes in accounting policies due to the revision of accounting standards: Yes

Note: "Leases" has been applied to consolidated subsidiaries applying IFRS from the beginning of the current fiscal year.

2) Changes in accounting policies other than 1) above: Yes

Note: ASBJ Statement No.29 (Accounting Standard for Revenue Recognition) has been applied to consolidated companies in Japan from the beginning of the current fiscal year.

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of the period (incl. treasury stock)

Mar. 2020: 8,615,269 shares                      Sept. 2019: 8,615,269 shares

2) Number of treasury stock at the end of the period

Mar. 2020: 522,562 shares                      Sept. 2019: 523,859 shares

3) Average number of shares in the fiscal year

Mar. 2020: 8,093,070 shares                      Mar. 2019: 8,116,408 shares

\* This quarterly consolidated financial statement is not subject to quarterly review procedures.

\* Explanation regarding appropriate use of earnings forecasts and other special notes

Note: The forecasts above are based on currently available information at the time of announcement. Actual results may differ from these forecasts for a number of factors.

## 5. Analysis about results of operation and financial status

### (1) Analysis about Results of 1<sup>st</sup> half year of FY2020

The global economy in the 1<sup>st</sup> half of this consolidated fiscal year been drastically impacted as a result of the coronavirus COVID-19. Every aspect of both business and social interactions has been impacted leaving financial uncertainty throughout the world.

In Europe, the infection of COVID-19 exploded in Italy and spread to other major countries such as Spain and Germany. Strict restrictions regarding travel, social restrictions have caused the highest deterioration in business since the Lehman Shock in 2008.

In the US, the unemployment rate is falling and crude oil prices have fallen which have negatively impacted the economy. In Japan, restriction of economic activity is expected to be minimal compared to other countries that have strict restrictions that remain on going, but the significant downturn in domestic and overseas demand, these events have negatively impacted financial results.

In the 1<sup>st</sup> half of FY2020 Booking were steady even under these unprecedented global economic conditions, but Sales fell short due to some large orders with long delivery times.

Consolidated bookings were 31.81 billion yen (an increase of 4.2% compared to the same period in the previous fiscal year), consolidated sales were 26.63 billion yen (a decrease of 5.9% compared to the previous corresponding period), and the order backlog was 27.52 billion yen (a decrease of 0.8% compared to the previous corresponding period).

Our Operating income was 1.87 billion yen (a decrease of 43.0% compared to the previous corresponding period). Ordinary income was 2.02 billion yen (a decrease of 40.0% compared to the previous corresponding period). Net income after corporate tax, attributable to the Stockholders was 1.22 billion yen (a decrease of 48.4% compared to the previous corresponding period).

From the beginning of FY2020, we applied a new accounting standard;" Accounting Standards for Revenue Recognition" (Corporate Accounting Standard No. 29, March 30, 2018; hereinafter referred to as "Revenue Recognition Accounting Standards") and "Application Guidelines for Accounting Standards for Revenue Recognition" (Corporate Accounting Standards Application Guideline 30 Issue (March 30, 2018)). Its positive influence was JPY741 million in sales and JPY149 million in Operating income, Ordinary Income and Pre-tax Income.

The results of each business segment are as follows.

#### < Powder Processing >

Powder Processing is the core business segment of the Hosokawa Micron Group. The Group develops, designs, manufactures, and sells equipment and systems used for milling, classification, mixing and drying of powders used in various industries. Air pollution control equipment, bag filters for product collection and precious air control equipment are also manufactured and sold in the Japanese market. The Group also participates in a Materials business which creates new materials, such as nanocomposite particles, and commercializes it. The Group's services include toll processing, and contract manufacturing and aftermarket services.

In the 1<sup>st</sup> half of FY2020, bookings for electric material including secondary batteries increased significantly. Bookings for the Chemical market were steady, though bookings for minerals decreased after being robust in FY2019. Booking performance varies in each segment but the Consolidated Bookings in the Powder Processing Segment were 23.7 billion yen (an increase of 2.3% compared to the previous corresponding period). The backlog was 20.3 billion yen (an increase of 2.6% compared to the previous corresponding period). Consolidated Sales were 20.1 billion yen (a decrease of 3.2% compared to the previous corresponding period). Operating income was 2.1 billion yen (a decrease of 24.1% compared to the previous corresponding period).

#### < Blown Film >

The Blown Film Business segment develops, manufactures and sells blown film equipment and systems for all types of plastic films which include monolayer films and multi-layer films.

In the 1<sup>st</sup> half of FY2020, Bookings for USA, South Europe, and Asia remained robust, though there is a concern about the negative impact of spreading the new coronavirus through southern Europe including Italy and Spain and the United States. Consolidated Bookings were 8.15 billion yen (an increase of 9.9% compared to the previous corresponding period), Backlog was 7.27 billion yen (a decrease of 9.3% compared to the previous corresponding period). Consolidated Sales were 6.62 billion yen (a decrease of 13.2% compared to the previous corresponding period). Operating income was 520 million yen (a decrease of 55.2% compared to the previous corresponding period).

## (2) Analysis about Financial Status

The assets of our 1<sup>st</sup> half end of consolidated FY2020 were 61.68 billion yen, an increase of 1.57 billion yen compared to the previous consolidated fiscal year. This is mainly because purchasing additional real estate.

The liabilities of our 1<sup>st</sup> half end of FY2020 were 23.78 billion yen, an increase of 500 million yen compared to the previous consolidated fiscal year. This is mainly because the long-term debts were increased.

The net assets of our 1<sup>st</sup> half end of FY2020 were 37.90 billion yen, an increase of 1.07 billion yen compared to the previous consolidated fiscal year. This is mainly because the increase in retained earnings.

### Status of Cash Flow

The cash and cash equivalent of our consolidated fiscal year were 16.33 billion yen, a decrease of 444 million yen. The summary of each cash flow are as follows.

#### (Cash flows from Operating Activities)

The cash flow resulting from operating activities increased to 717 million yen (a decrease of 187 million yen compared to the previous corresponding period), mainly caused by an increase of Pre-Tax Income.

#### (Cash flows from Investment Activities)

The cash flow resulting from investment activities decreased to 1.95 billion yen (a decrease of 1.50 billion yen compared to the previous corresponding period), mainly due to the acquisition of property and equipment for operations.

#### (Cash flows from Financing Activities)

The cash flow resulting from financing activities increased 675 million yen (an increase of 2.08 billion yen compared to the previous corresponding period), mainly due to an inflow of proceeds from long-term debt.

## (3) Full Year Forecast

The full-year consolidated forecast which was announced on February 7<sup>th</sup>, 2020 remains unchanged because the negative impact caused by the spread of new coronavirus has been unpredictable.

## 6. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of Yen)

	As of September 30, 2019	As of March 31, 2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and deposits	15,867	14,472
Notes and accounts receivable-trade	12,236	12,599
Securities	1,999	1,999
Finished goods	2,516	3,158
Work in process	3,198	3,082
Raw materials and supplies	1,764	2,042
Other	1,197	1,332
Allowance for doubtful accounts	(156)	(151)
<b>Total Current Assets</b>	<b>38,623</b>	<b>38,535</b>
<b>Non-Current Assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	16,305	19,066
Machinery, equipment and vehicles	10,490	11,143
Land	4,845	4,930
Construction in progress	2,058	662
Other	2,028	2,335
Accumulated depreciation and impairment loss	(16,858)	(17,526)
<b>Total property, plant and equipment</b>	<b>18,868</b>	<b>20,612</b>
<b>Intangible assets</b>		
Goodwill	24	200
Other	278	356
<b>Total intangible assets</b>	<b>303</b>	<b>557</b>
<b>Investments and other assets</b>		
Investment securities	1,355	1,101
Deferred tax assets	795	700
Other	173	179
Allowance for doubtful accounts	(7)	(7)
<b>Total investments and other assets</b>	<b>2,317</b>	<b>1,975</b>
<b>Total Non-Current Assets</b>	<b>21,490</b>	<b>23,144</b>
<b>Total Assets</b>	<b>60,113</b>	<b>61,680</b>

(Millions of Yen)

	As of September 30, 2019	As of March 31, 2020
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable-trade	6,460	6,428
Current portion of long-term loans payable	142	396
Accrued expenses	2,508	2,231
Income taxes payable	312	248
Advances received	4,326	4,347
Provision for bonuses	474	347
Provision for directors' bonuses	75	58
Provision for product warranties	685	720
Provision for point card certificates	37	—
Provision for loss on factory reconstruction	86	86
Other	2,530	2,231
<b>Total Current Liabilities</b>	<b>17,641</b>	<b>17,096</b>
<b>Non-Current Liabilities</b>		
Long-term loans payable	1,040	1,913
Net defined benefit liability	4,422	4,454
Deferred tax liabilities	92	201
Other	85	116
<b>Total Non-Current Liabilities</b>	<b>5,639</b>	<b>6,685</b>
<b>Total Liabilities</b>	<b>23,281</b>	<b>23,781</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital stock	14,496	14,496
Capital surplus	5,124	5,122
Retained earnings	26,147	27,068
Treasury stock	(2,404)	(2,398)
<b>Total Shareholders' Equity</b>	<b>43,363</b>	<b>44,289</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	101	(133)
Deferred gains or losses on hedges	(24)	(17)
Foreign currency translation adjustment	(5,916)	(5,559)
Remeasurements of defined benefit plans	(794)	(785)
<b>Total accumulated other comprehensive income</b>	<b>(6,633)</b>	<b>(6,496)</b>
Subscription rights to shares	102	102
Non-controlling interests	—	2
<b>Total Net Assets</b>	<b>36,832</b>	<b>37,898</b>
<b>Total Liabilities and Net Assets</b>	<b>60,113</b>	<b>61,680</b>

## (2) Consolidated Statements of Income

(Millions of Yen)

	Oct. 1, 2018 - Mar. 31, 2019	Oct. 1, 2019- Mar. 31, 2020
Net sales	28,299	26,630
Cost of sales	18,002	17,325
Gross profit	10,296	9,305
Selling, general and administrative expenses	7,017	7,435
Operating profit	3,279	1,869
Non-operating income		
Interest income	27	29
Dividend income	15	15
Equity in earnings of affiliates	38	26
Foreign exchange gains	—	30
Gain on valuation of derivatives	41	35
Other	33	34
Total non-operating Income	156	171
Non-operating expenses		
Interest expenses	24	5
Foreign exchange losses	24	—
Other	19	15
Total non-operating Expenses	68	21
Ordinary profit	3,367	2,019
Extraordinary income		
Gain on sales of non-current assets	34	4
Gain on sales of investment securities	5	—
Total extraordinary income	40	4
Extraordinary losses		
Loss on sales and retirement of non-current assets	47	12
Loss on valuation of investment securities	—	3
Provision for loss on factory reconstruction	31	—
Extra retirement payments	—	37
Total extraordinary loss	78	53
Income before income taxes	3,328	1,969
Income taxes	962	749
Net income	2,366	1,220
Loss attributable to non-controlling interests	—	(0)
Profit attributable to owners of parent	2,366	1,220

(3) Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Oct. 1, 2018 - Mar. 31, 2019	Oct. 1, 2019 - Mar. 31, 2020
Net income	2,366	1,220
Other comprehensive income		
Valuation difference on available-for-sale securities	(305)	(235)
Deferred gains or losses on hedges	36	7
Foreign currency translation adjustment	(1,281)	356
Remeasurements of defined benefit plans, net of tax	39	8
Total other comprehensive income	(1,511)	136
Comprehensive income	854	1,356
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	854	1,357
Comprehensive income attributable to non-controlling interests	—	(0)

## (4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Oct. 1, 2018 - Mar. 31, 2019	Oct. 1, 2019 - Mar. 31, 2020
Cash flows from operating activities;		
Income before income taxes	3,328	1,969
Depreciation and amortization	554	629
Amortization of goodwill	21	1
Increase (decrease) in allowance for doubtful accounts	(34)	(6)
Increase (decrease) in provision for bonuses	(135)	(127)
Increase (decrease) in provision for directors' bonuses	(12)	(16)
Increase (decrease) in provision for product warranties	41	26
Increase (decrease) in provision for point card certificates	(17)	(37)
Increase (decrease) in provision for loss on factory reconstruction	(95)	—
Increase (decrease) in net defined benefit liability	(34)	7
Interest and dividends income	(42)	(44)
Interest expenses	24	5
Equity in (earnings) losses of affiliates	(38)	(26)
Loss (gain) on valuation of derivatives	(41)	(35)
Loss (gain) on sales and retirement of non-current assets	12	7
Decrease (increase) in notes and accounts receivable-trade	(1,013)	1,075
Decrease (increase) in inventories	100	(723)
Increase (decrease) in notes and accounts payable-trade	(333)	(857)
Increase (decrease) in advances received	385	(46)
Increase (decrease) in accrued expenses	(525)	(305)
Other	(3)	(46)
Sub total	2,140	1,451
Interests and dividends income received	192	44
Interest expenses paid	(24)	(5)
Income taxes paid	(1,403)	(772)
Net cash provided by (used in) operating activities	905	717
Cash flows from investing activities;		
Payments into time deposits	(1)	(65)
Proceeds from withdrawal of time deposit	195	13
Proceeds from redemption of securities	—	999
Proceeds from sales of property, plant and Equipment	76	26
Purchase of property, plant and equipment	(661)	(2,346)
Proceeds from sales of investment securities	19	—
Purchase of intangible assets	(71)	(110)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(465)
Other	(13)	(5)
Net cash provided by (used in) investing activities	(457)	(1,952)
Cash flows from financing activities;		
Proceeds from long-term loans payable	—	1,198
Repayment of long-term loans payable	(376)	(59)
Purchase of treasury shares	(532)	(2)
Cash dividends paid	(491)	(445)
Repayments of lease obligations	—	(16)
Other	—	1
Net cash provided by (used in) financing activities	(1,401)	675
Effect of exchange rate change on cash and cash equivalents	(606)	113
Net increase (decrease) in cash and cash equivalents	(1,559)	(444)
Cash and cash equivalents at beginning of period	19,766	16,774
Cash and cash equivalents at end of period	18,206	16,329

## (5) Notes on Consolidated Financial Statements

(Notes relating to the assumptions of the going concern) Not applicable.

(Notes on significant changes in the amount of shareholders' equity) Not applicable.

(Application of Accounting Treatment Specific to the Preparation of Consolidated Quarterly Financial Statements)

The company, consolidated domestic subsidiaries and certain consolidated overseas subsidiaries make a reasonable estimate of the effective tax rate after the application of tax effect accounting to income before income taxes for the current fiscal year and multiply quarterly income before income taxes by the estimated effective tax rate. However, in case the result of calculation using the estimated effective tax rate is extremely unreasonable, the legal effective tax rate is used.

(Change in Accounting Policies)

(Application of IFRS 16, the Guidance on Accounting Standard for Lease Transactions)

The company has applied the "Guidance on Accounting Standard for Lease Transactions" in IFRS 16 from the 1<sup>st</sup> quarter of the current fiscal year. The cumulative impact by this new accounting standards was applied at the beginning of this fiscal year but this change had only minor impact on the quarterly consolidated financial statements.

(Application of accounting standard for recognizing revenues)

"Accounting Standards for Revenue Recognition" (Corporate Accounting Standard No. 29, March 30, 2018; hereinafter referred to as "Revenue Recognition Accounting Standards") and "Application Guidelines for Accounting Standards for Revenue Recognition" (Corporate Accounting Standards Application Guideline 30) No. (March 30, 2018) was applied from the beginning of this consolidated fiscal year. The revenue is recognized at the amount expected to be received in exchange for a promised good or service when the good or service is transferred to the customer. Until the last fiscal year, the Hosokawa Micron Corporation had recognized revenue at the time of shipment or inspection. From the beginning of this fiscal year, the company applies the percentage-of-completion method for performance obligations that are satisfied over a certain period of time. The company recognize revenue depend on the degree of progress related to the fulfillment of performance obligations is estimated, and revenue is calculated over a certain period of time based on the progress.

According to the rule for the transitional measures specified in the proviso of Paragraph 84 of Revenue Recognition Accounting Standards, the cumulative impact by this newly-applied accounting standard have been directly added to or subtracted from retained earnings and backlogs in the beginning of this fiscal year.

As a result, newly-applied accounting standard gave positive effects for the 1<sup>st</sup> half Consolidated Sales JPY741 million, Cost of Sales JPY592 million, and Operating Income, Ordinary Income and Net Income attributable to stockholders JPY149 million. The balance of retained earnings at the beginning of the year increased by 145 million yen. In addition, "Point Reserve" of domestic consolidated subsidiaries, which was previously shown as "Point Reserve" on the quarterly consolidated balance sheet, is now included in "Other" of current liabilities.