

2. Dividends

	Dividends per share					Total Dividend Amount	Payout Ratio	per Net Assets
	1-Qtr.	2-Qtr.	3-Qtr.	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million¥	%	%
Year ended Sept. 2018	—	50.00	—	60.00	110.00	901	21.4	2.5
Year ended Sept. 2019	—	55.00	—	55.00	110.00	890	21.3	2.4
Year ended Sept. 2020 (forecast)	—	55.00	—	55.00	110.00		27.0	

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		Net income per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1st Half	24,000	(15.2)	1,200	(63.4)	1,200	(64.4)	800	(66.2)	98.72
Full Year	54,500	(1.6)	5,000	(15.5)	5,000	(18.0)	3,300	(21.1)	407.21

* Notes

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

(2) Changes in accounting treatment for consolidated financial statement:

1) Change in accounting policies due to changes in accounting standards: None

2) Change in accounting policies due to other than (a) above: None

3) Change in accounting estimates: None

4) Restatement: None

(3) Number of shares outstanding (common stock)

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

Sept. 2019: 8,615,269 shares Sept. 2018: 8,615,269 shares

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

Sept. 2019: 523,859 shares Sept. 2018: 423,532 shares

3) Average number of shares in the fiscal year

Sept. 2019: 8,103,913 shares Sept. 2018: 8,189,294 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for Sept. 2019 (Oct. 1, 2018 – Sept. 30, 2019)

(1) Operating results (% indication is the increase and decrease rate compared with the previous year)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of Parent	
	1 million Yen	%	1 million Yen	%	1 million Yen	%	1 million Yen	%
Sept. 2019	14,287	△4.4	1,802	△15.0	2,558	△7.3	1,909	△4.5
Sept. 2018	14,940	13.6	2,121	51.6	2,759	33.6	1,998	39.8
	Earnings per share (basic)		Diluted earnings per share					
	Yen		Yen					
Sept. 2019	235.57		234.75					
Sept. 2018	243.98		243.18					

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sept. 30, 2019	34,758	25,370	72.7	3,122.93
As of Sept. 30, 2018	34,692	25,240	72.5	3,070.88

(Reference) Shareholders' Equity(in million Yen) Sept. 2019: 25,268 Sept. 2018: 25,155

* Cautionary statement

-This Yearly Financial Results Report ("TANSHIN") is out of scope of annual audit under Financial Instruments and Exchange Act of Japan.

-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.

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1. Analysis about results of operation and financial status

(1) Analysis about Results of Operation

(Unit: 1 million Yen)

	Sales	Ordinary Profit	Current profit belongs to parent company	Current profit per 1 share
Previous term	56,852	6,656	4,205	513.52 Yen
Current term	55,381	6,099	4,182	516.12 Yen

(Note) US dollar exchange rate → Current term @ 110.08 Yen, Previous term @ 110.45 Yen
 EURO exchange rate → Current term @ 124.18 Yen, Precious term @ 131.48 Yen

The global economy in the 2019 consolidated fiscal year was in a synchronized sluggish mode under difficult circumstances such as the rising tension between the US and China in trade and technology, and the ongoing uncertainty in Britain's Post-Brexit future, and other factors.

In the US, the decreasing external demand and increasing uncertainty of the US-China trade friction caused weakness in business investment, though consumer spending increased due to higher average wages and lower unemployment rates.

In Europe, the UK economy slowed down in consumer spending and investment due to uncertainty for Brexit, but other European countries showed steady growth of their consumer spending supported by improvements in employment and a robust economic environment for the time being. In the manufacturing industry, the purchasing managers' economic index (PMI) has been on a downward trend, and recovery will still take time.

In China, both exports and domestic demand showed a slowdown in growth due to the strengthening of shadow banking regulations and trade friction with the US. Production and investment remained level in the manufacturing industries.

In Japan, the economic growth has continued since November 2012, but the government downgraded its keynote judgement to a "downturn" in March 2019 due to the lesser amount of exports attributed to a slowdown in overseas economies. Consumer spending has been steady, while corporate production demands are stagnant.

Under such a complex global economic environment, the business results for the current year are as follows: consolidated bookings were 53.76 billion yen (a decrease of 4.6% compared to the previous fiscal year), consolidated sales were 55.38 billion yen (a decrease of 2.6% compared to the previous year), and the order backlog was 22.94 billion yen (a decrease of 13.0% compared to the previous year end).

Our Operating income was 5.92 billion yen (a decrease of 9.5% compared to the previous year). Ordinary income was 6.10 billion yen (a decrease of 8.4% compared to the previous year). Net income after corporate tax, attributable to the Stockholders was 4.18 billion yen (a decrease of 0.5% compared to the previous year).

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.

In the FY2019, the Pharmaceutical segment recovered. The Mineral segment which had large-scale orders for Asia and Africa, Recycle segment and After-sales service were steady, but bookings from Food and Electrical materials market decreased in reaction to expanded investments during the previous fiscal year. The Consolidated bookings in the Powder Processing Segment were 41.7 billion yen (a decrease of 3.3% compared to the previous year). The fiscal year ending Backlog was 17.3 billion yen (a decrease of 3.0% compared to the previous year end). Consolidated Sales were 41.1 billion yen (a decrease of 4.4% compared to the previous year). Operating income was 5.3 billion yen (a decrease of 12.1% compared to the previous year).

< Blown Film >

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

In the FY2019, Bookings for Asia, Eastern and Southern Europe increased, but total bookings were decreased due to a slowdown of bookings in the USA, which was a driver of the market expansion from the previous fiscal year. Consolidated Bookings were 12.05 billion yen (a decrease of 8.9% compared to the previous year), Backlog was 5.68 billion yen (a decrease of 33.6% compared to the last fiscal year end). Shipments of the high level backlog proceeded

steadily and Consolidated Sales were 14.3 billion yen (an increase of 3.1% compared to the previous year). Operating income was 1.8 billion yen (an increase of 6.0% compared to the previous year).

(2) Analysis about Financial Status

The assets of our consolidated fiscal year were 60.1 billion yen, a decrease of 2.1 billion yen compared to the previous consolidated fiscal year. This is mainly because the notes and accounts receivable decreased by 4.2 billion yen.

The liabilities of our consolidated fiscal year were 23.3 billion yen, a decrease of 1.6 billion yen compared to the previous consolidated fiscal year. This is mainly because the income taxes payable decreased by 546 million yen and the advanced received decreased by 535million yen.

The net assets of our consolidated fiscal year were 36.8 billion yen, a decrease of 467 million yen compared to the previous consolidated fiscal year. This is mainly because the foreign currency translation adjustment decreased by 2.7 billion yen.

(3) Status of Cash Flow

The cash and cash equivalent of our consolidated fiscal year were 16.8 billion yen, a decrease of 3.0 billion yen. The summary of each cash flow are as follows.

(Cash flows from Operating Activities)

The cash flow resulting from operating activities increased to 3.2 billion yen (a decrease of 2.2 billion yen compared to the previous consolidated fiscal year), mainly caused by the foreign currency translation adjustment.

(Cash flows from Investment Activities)

The cash flow resulting from investment activities decreased to 3.0 billion yen (a decrease of 1.8 billion yen compared to the previous consolidated fiscal year), mainly due to the acquisition of property and equipment for operations.

(Cash flows from Financing Activities)

The cash flow resulting from financing activities decreased 1.9 billion yen (a decrease of 0.9 billion yen compared to the previous consolidated fiscal year), mainly due to payment of dividend.

(Reference) Trend in cash flow indices

	Sept. 2015	Sept. 2016	Sept. 2017	Sept. 2018	Sept. 2019
Equity Ratio (%)	59.7	59.7	59.6	59.8	61.1
Equity ratio on market value (%)	47.2	49.6	93.4	81.6	50.4
Debt repayment period (year)	1.4	0.6	0.3	0.3	0.4
Interest coverage ratio (times)	61.2	147.3	349.5	276.2	74.7

(Note) 1 Equity ratio: Total equity divided by total assets

Equity ratio on market value: market capitalization divided by total assets

Debt repayment period: Interest bearing debt divided by operating cash flow

Interest coverage ratio: Operating cash flow divided by interest expense

2 Each indicator is calculated based on consolidated figures.

3 Market capitalization is calculated by the year-end share price at the end of the term multiplied by the number of shares issued excluding treasury stocks at year-end.

4 The operating cash flow represents the cash flow from operating activities in the consolidated statement of cash flows. Interest bearing debt represents liabilities with interest payments are the corresponding figure on the consolidated balance sheets. Interest expense is the corresponding figure on the consolidated income statement.

(4) Forecast for the Coming Fiscal Year

(Unit: 1 million Yen)

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of parent	Net Income per share
1 st Half	24,000	1,200	1,200	800	98.72 Yen
Full Year	54,500	5,000	5,000	3,300	407.21 Yen

The Hosokawa Micron Group will continue to work to maintain its position as the world's leading company in the field of "powder technologies". Our focuses are: to provide new technologies and state of the art engineering expertise to solve the processing challenges facing our customers: expand our materials business including the further development of our cosmetics and hair tonic products which are created with our original nanoparticle compound technology, and to further strengthen our brand recognition in the blown film segment of our business.

Our business strategies will continue to focus on marketing high value added products and technologies and increasing the Group's profitability.

Exchange Rate assumptions for this forecast: US\$1=Yen105, Euro1=Yen120

* Cautionary statement

The forecasts above are based on currently available information at the time of announcement. Actual results might be significantly different from the forecasts depending on various factors.

(5) Dividend Policy

We will continue our stable profit distribution plan based upon our consolidated business results and intend to pay out dividends of 30% or more of the current consolidated net profit, taking into consideration performance and financial requirements. While emphasizing free cash flow and prioritizing development of new products and technologies to enhance corporate value in the future, we will allocate profits taking into consideration our long-term goals.

The yearend dividend for the current year will be 55 yen per share. Combined with the interim dividend of 55 yen per share, the total dividend for the current year will be 110 yen per share.

For the next fiscal year, we plan to pay a total dividend of 110 yen per share, including an interim dividend of 55 yen per share and a year-end dividend of 55 yen per share.

2. Accounting Method

We currently prepare consolidated financial statements based on Japanese standards due to the terms of the consolidated financial statements and comparability among companies. We will take appropriate measures for the applying International Financial Reporting Standards (IFRS), considering situations in Japan and overseas.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of September 30, 2018	As of September 30, 2019
Assets		
Current Assets		
Cash and deposits	20,087	15,867
Notes and accounts receivable-trade	12,329	12,236
Securities	—	1,999
Finished goods	2,984	2,516
Work in process	2,861	3,198
Raw materials and supplies	2,026	1,764
Other	940	1,197
Allowance for doubtful accounts	(154)	(156)
Total Current Assets	41,074	38,623
Non-Current Assets		
Property, plant and equipment		
Buildings and structures	17,067	16,305
Machinery, equipment and vehicles	11,113	10,490
Land	5,019	4,845
Construction in progress	193	2,058
Other	2,111	2,028
Accumulated depreciation & Impairment Loss	(17,493)	(16,858)
Total property, plant and equipment	18,012	18,868
Intangible assets		
Goodwill	71	24
Other	229	278
Total intangible assets	301	303
Investments and other assets		
Investment securities	1,874	1,355
Deferred tax assets	743	795
Other	218	173
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	2,828	2,317
Total Non-Current Assets	21,142	21,490
TOTAL ASSETS	62,216	60,113

	As of September 30, 2018	As of September 30, 2019
Liabilities		
Current Liabilities		
Notes and accounts payable-trade	6,718	6,460
Current portion of long-term loans payable	460	142
Accrued expenses	3,017	2,508
Income taxes payable	858	312
Advances received	4,861	4,326
Provision for bonuses	480	474
Provision for directors' bonuses	71	75
Provision for product warranties	782	685
Provision for point card certificates	61	37
Provision for loss on factory reconstruction	117	86
Other	1,760	2,530
Total Current Liabilities	19,191	17,641
Non-Current Liabilities		
Long-term loans payable	1,196	1,040
Provision for loss on factory reconstruction	86	—
Net defined benefit liability	4,177	4,422
Deferred tax liabilities	173	92
Other	91	85
Total Non-Current Liabilities	5,725	5,639
Total Liabilities	24,917	23,281
Net Assets		
Shareholders' Equity		
Capital stock	14,496	14,496
Capital surplus	5,124	5,124
Retained earnings	22,901	26,147
Treasury stock	(1,870)	(2,404)
Total Shareholders' Equity	40,651	43,363
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	426	101
Deferred gains or losses on hedges	(71)	(24)
Foreign currency translation adjustment	(3,257)	(5,916)
Remeasurements of defined benefit plans	(534)	(794)
Total accumulated other comprehensive income	(3,436)	(6,633)
Subscription rights to shares	84	102
Total Net Assets	37,299	36,832
Total Liabilities and Net Assets	62,216	60,113

(2) Consolidated Statements of Income

(Millions of Yen)

	Oct. 1, 2017 - Sept. 30, 2018	Oct. 1, 2018- Sept. 30, 2019
Net sales	56,852	55,381
Cost of sales	35,886	35,305
Gross profit	20,966	20,075
Selling, general and administrative expenses	14,424	14,157
Operating profit	6,541	5,918
Non-operating income		
Gain on valuation of derivatives	—	65
Interest income	34	60
Dividend income	22	29
Equity in earnings of affiliates	49	72
Foreign exchange gains	7	—
Other	74	73
Total non-operating Income	188	300
Non-operating expenses		
Interest expenses	19	42
Foreign exchange losses	—	24
Loss on valuation of derivatives	10	—
Other	42	51
Total non-operating Expenses	73	119
Ordinary profit	6,656	6,099
Extraordinary income		
Gain on sales of non-current assets	40	35
Gain on sales of investment securities	5	5
Gain on transfer of business	50	—
Other	0	—
Total extraordinary income	97	41
Extraordinary loss		
Loss on sales and retirement of non-current assets	27	50
Loss on valuation of investment securities	—	16
Provision for loss on factory reconstruction	55	26
Other	4	6
Total extraordinary loss	87	99
Income before income taxes	6,667	6,041
Income taxes - current	2,079	1,655
Income taxes – deferred	382	204
Total income taxes	2,461	1,859
Net income	4,205	4,182
Profit attributable to owners of parent	4,205	4,182

(3) Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Oct. 1, 2017- Sept. 30, 2018	Oct. 1, 2018 - Sept. 30, 2019
Net Income	4,205	4,182
Other comprehensive income		
Valuation difference on available-for-sale securities	117	(325)
Deferred gains or losses on hedges	(99)	46
Foreign currency translation adjustment	(71)	(2,658)
Remeasurements of defined benefit plans	(9)	(260)
Total other comprehensive income	(63)	(3,196)
Comprehensive income	4,141	985
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,141	985
Comprehensive income attributable to minority interests	—	—

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Oct. 1, 2017 - Sept. 30, 2018	Oct. 1, 2018 - Sept. 30, 2019
Cash flows from operating activities;		
Income before income taxes	6,667	6,041
Depreciation and amortization	1,102	1,105
Amortization of goodwill	43	43
Increase (decrease) in allowance for doubtful accounts	(19)	16
Increase (decrease) in provision for bonuses	52	(5)
Increase (decrease) in provision for product warranties	166	(29)
Increase (decrease) in provision for point card certificates	(3)	(24)
Increase (decrease) in provision for loss on factory reconstruction	38	(117)
Increase (decrease) in net defined benefit liability	(74)	166
Interest and dividends income	(56)	(89)
Interest expenses	19	42
Equity in (earnings) losses of affiliates	(49)	(72)
Loss (gain) on valuation of derivatives	10	(65)
Loss (gain) on sales and retirement of non-current assets	(14)	14
Loss (gain) on transfer of business	(50)	—
Decrease (increase) in notes and accounts receivable-trade	(581)	(656)
Decrease (increase) in inventories	(1,595)	(292)
Increase (decrease) in notes and accounts payable-trade	1,140	166
Increase (decrease) in advances received	(46)	(106)
Decrease (increase) in advance payments - trade	90	(483)
Increase (decrease) in accrued expenses	512	(235)
Other	18	(26)
Sub total	7,370	5,389
Interests and dividends income received	55	241
Interest expenses paid	(19)	(42)
Income taxes paid	(2,055)	(2,396)
Net cash provided by (used in) operating activities	5,351	3,191
Cash flows from investing activities;		
Payments into time deposits	(301)	(141)
Proceeds from withdrawal of time deposits	588	354
Purchase of securities	-	(999)
Purchase of property, plant and equipment	(1,559)	(2,217)
Proceeds from sales of property, plant and equipment	46	103
Purchase of intangible assets	(124)	(125)
Purchase of investment securities	(15)	(47)
Proceeds from sales of investment securities	29	37
Proceeds from transfer of business	50	—
Other	8	(12)
Net cash provided by (used in) investing activities	(1,278)	(3,048)
Cash flows from financing activities;		
Repayment of long-term loans payable	(293)	(458)
Purchase of treasury shares	(8)	(533)
Cash dividends paid	(818)	(936)
Net cash provided by (used in) financing activities	(1,119)	(1,928)
Effect of exchange rate change on cash and cash equivalents	(23)	(1,207)
Net increase (decrease) in cash and cash equivalents	2,929	(2,992)
Cash and cash equivalents at beginning of period	16,837	19,766
Cash and cash equivalents at end of period	19,766	16,774

(5) Notes on Consolidated Financial Statements

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

(Change to disclosure method)

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16, 2018) from the beginning of the current fiscal year. Accordingly, the Company presents deferred tax assets under investments and other assets and deferred tax liabilities under non-current liabilities.

As a result, “Deferred tax assets” in “Current assets” decreased by 570 million yen and “Deferred tax assets” in “Investments and other assets” increased by 516 million yen in the consolidated balance sheets for the previous fiscal year. “Deferred tax liabilities” in “Current liabilities” decreased by 45 million yen, and “Deferred tax liabilities” in “Fixed liabilities” decreased by 9 million yen. Since deferred tax liabilities are offset by deferred tax assets, total assets and total liabilities have decreased by 54 million yen compared to the past method.

(Segment Information)

1. The Group’s reportable segments are components of the Company for which separate financial information is available that is evaluated regularly by the Board of Directors to determine allocation of management resources and assess performance. The Group’s head office draws up comprehensive domestic strategies for each business, and the Group conducts business activities accordingly.

Consequently, the Group is made up of segments based on business, as determined by the head office, and has two reportable segments: “Powder Processing business” and “Blown Film business”.

In the “Powder Processing business” the Group develops, designs, manufactures, and sells equipment and systems for powder processing which includes milling, classification, mixing and drying. Air pollution control equipment, bag filters for product collection and containment booths 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.

In the “Blown Film business”, the company develops, manufactures and sells blown film equipment and systems for all type of plastic films which include monolayer films and multi-layer films.

2. Method for calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

Accounting policies of reported business segments are consistent with those disclosed in Accounting Policies for the Consolidated Financial Statements.

The reported segment profit is calculated on an operating income basis. Intersegment sales are based on actual market prices.

4. Other

(1) Changes of Directors of the Board

Following will be proposed at the annual general shareholders’ meeting held on December 17, 2019. (Present post)

① Change of Representative Directors

Representative Director, Executive Vice President Kohei Hosokawa (Executive Vice President)

② Other Directors

1) Candidate for Directors

Director, Executive Vice President Kohei Hosokawa (Executive Vice President)

Outside Director Satoshi Akiyama

2) Retire from position of director

Takeshi Miyazaki (Outside Director)