

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended March 31, 2014  
(Based on Japanese GAAP)**

May 14, 2014

Company name: Howa Machinery, Ltd.  
 Stock exchange listing: Tokyo, Nagoya  
 Stock code: 6203 URL <http://www.howa.co.jp/>  
 Representative: President Kazuhide banno  
 Inquiries: Managing Director Hiromitsu Ishihara TEL 052-408-1001  
 Scheduled date of ordinary general meeting of shareholders: June 26, 2014  
 Scheduled date to file Securities Report: June 26, 2014  
 Scheduled date to commence dividend payments: June 27, 2014  
 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, 2014 (from April 1, 2013 to March 31, 2014)

(1) Consolidated financial results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2014	23,294	(2.4)	1,014	(26.0)	1,041	(23.7)	1,181	(5.5)
Year ended March 31, 2013	23,872	(0.8)	1,371	17.6	1,365	22.7	1,250	(44.1)

	Net income per share	Diluted net income per share	Net income/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2014	94.29	–	8.1	3.9	4.4
Year ended March 31, 2013	99.81	–	9.4	5.1	5.7

(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, 2014	26,234	15,366	58.2	1,217.62
As of March 31, 2013	26,729	14,113	52.4	1,117.16

(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, 2014	1,523	(461)	(1,159)	2,700
Year ended March 31, 2013	(905)	9	(1,284)	2,794

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, 2013	–	0.00	–	2.00	2.00	250	20.0	1.9
Year ended March 31, 2014	–	0.00	–	20.00	20.00	250	21.2	1.7
Year ending March 31, 2015 (Forecast)	–	0.00	–	20.00	20.00		–	

3. Forecast of consolidated financial results for the year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2014	11,000	0.4	350	(22.4)	350	(23.3)	370	(24.2)	29.53
Full year	23,000	(1.3)	950	(6.3)	960	(7.9)	930	(21.3)	74.22

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2014

(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: No

Changes in accounting estimates: No

Restatement of prior period financial statements after error corrections: 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, 2014	12,548,134 shares	As of March 31, 2013	12,548,134 shares
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Number of treasury shares at the end of the period

As of March 31, 2014	17,615 shares	As of March 31, 2013	17,287 shares
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Average number of shares during the period

Year ended March 31, 2014	12,530,683 shares	Year ended March 31, 2013	12,531,049 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	2,802	2,914
Notes and accounts receivable - trade	10,033	9,254
Electronically recorded monetary claims - operating	-	494
Securities	200	-
Merchandise and finished goods	257	240
Work in process	3,207	2,671
Raw materials and supplies	258	271
Deferred tax assets	41	180
Other	485	192
Allowance for doubtful accounts	(12)	(12)
Total current assets	17,274	16,208
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,019	11,790
Accumulated depreciation	(9,561)	(9,236)
Buildings and structures, net	2,457	2,554
Machinery, equipment and vehicles	12,176	12,477
Accumulated depreciation	(11,287)	(11,306)
Machinery, equipment and vehicles, net	889	1,170
Tools, furniture and fixtures	1,622	1,674
Accumulated depreciation	(1,525)	(1,562)
Tools, furniture and fixtures, net	96	111
Land	605	506
Leased assets	444	455
Accumulated depreciation	(290)	(339)
Leased assets, net	154	116
Construction in progress	10	15
Total property, plant and equipment	4,213	4,474
Intangible assets		
Other	23	41
Total intangible assets	23	41
Investments and other assets		
Investment securities	4,159	4,487
Other	1,149	1,111
Allowance for doubtful accounts	(92)	(88)
Total investments and other assets	5,216	5,510
Total non-current assets	9,454	10,025
Total assets	26,729	26,234

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,806	3,072
Short-term loans payable	901	442
Current portion of bonds	345	247
Accounts payable - other	156	205
Lease obligations	61	41
Accrued expenses	861	909
Income taxes payable	53	93
Accrued consumption taxes	76	201
Provision for bonuses	448	440
Provision for directors' bonuses	7	-
Provision for loss on construction contracts	-	10
Provision for loss on removal of fixed assets	52	-
Other	140	71
Total current liabilities	6,909	5,734
Non-current liabilities		
Bonds payable	577	330
Long-term loans payable	263	225
Lease obligations	97	88
Deferred tax liabilities	594	719
Provision for retirement benefits	3,545	-
Net defined benefit liability	-	3,161
Provision for environmental safety measures	124	124
Asset retirement obligations	78	80
Other	425	404
Total non-current liabilities	5,706	5,133
<b>Total liabilities</b>	<b>12,615</b>	<b>10,868</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	3,884	4,815
Treasury shares	(17)	(17)
Total shareholders' equity	12,887	13,817
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,111	1,311
Deferred gains or losses on hedges	(0)	0
Remeasurements of defined benefit plans	-	128
Total accumulated other comprehensive income	1,111	1,439
Minority interests	114	108
<b>Total net assets</b>	<b>14,113</b>	<b>15,366</b>
<b>Total liabilities and net assets</b>	<b>26,729</b>	<b>26,234</b>

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

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net sales	23,872	23,294
Cost of sales	19,403	19,039
Gross profit	4,469	4,254
Selling, general and administrative expenses	3,097	3,240
Operating income	1,371	1,014
Non-operating income		
Interest income	1	0
Dividend income	99	98
Insurance income	35	26
Miscellaneous income	47	50
Total non-operating income	184	175
Non-operating expenses		
Interest expenses	39	17
Insurance expenses	27	27
Maintenance cost for idle assets	50	42
Miscellaneous loss	72	60
Total non-operating expenses	190	148
Ordinary income	1,365	1,041
Extraordinary income		
Gain on sales of non-current assets	2	174
Gain on sales of investment securities	237	0
Other	0	2
Total extraordinary income	240	177
Extraordinary losses		
Loss on product safety measures	93	13
subsidiary transfer cost	10	-
Provision for loss on removal of fixed assets	52	-
Loss on sales of investment securities	3	-
Loss on disposal of non-current assets	5	8
Loss on sales of non-current assets	0	12
Impairment loss	137	-
Compensation for damage	-	19
Other	2	-
Total extraordinary losses	306	54
Income before income taxes and minority interests	1,299	1,164
Income taxes - current	80	101
Income taxes - deferred	(46)	(119)
Total income taxes	34	(17)
Income before minority interests	1,264	1,182
Minority interests in income	13	1
Net income	1,250	1,181

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Income before minority interests	1,264	1,182
Other comprehensive income		
Valuation difference on available-for-sale securities	351	199
Deferred gains or losses on hedges	(0)	0
Total other comprehensive income	351	199
Comprehensive income	1,616	1,382
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,602	1,380
Comprehensive income attributable to minority interests	13	1

## Consolidated statements of changes in net assets

Fiscal year ended March 31, 2013

(Millions of yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,019	2,759	(17)	11,761
Changes of items during period				
Dividends of surplus		(125)		(125)
Net income		1,250		1,250
Purchase of treasury shares			(0)	(0)
Disposal of treasury shares				
Net changes of items other than shareholders' equity				
Total changes of items during period	-	1,125	(0)	1,125
Balance at end of current period	9,019	3,884	(17)	12,887

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	759	(0)	-	759	102	12,624
Changes of items during period						
Dividends of surplus						(125)
Net income						1,250
Purchase of treasury shares						(0)
Disposal of treasury shares						
Net changes of items other than shareholders' equity	351	(0)		351	11	363
Total changes of items during period	351	(0)		351	11	1,488
Balance at end of current period	1,111	(0)	-	1,111	114	14,113

Fiscal year ended March 31, 2014

(Millions of yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,019	3,884	(17)	12,887
Changes of items during period				
Dividends of surplus		(250)		(250)
Net income		1,181		1,181
Purchase of treasury shares			(0)	(0)
Disposal of treasury shares		(0)	0	0
Net changes of items other than shareholders' equity				
Total changes of items during period	-	930	(0)	930
Balance at end of current period	9,019	4,815	(17)	13,817

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,111	(0)	-	1,111	114	14,113
Changes of items during period						
Dividends of surplus					(6)	(257)
Net income						1,181
Purchase of treasury shares						(0)
Disposal of treasury shares						0
Net changes of items other than shareholders' equity	199	0	128	327	1	328
Total changes of items during period	199	0	128	327	(5)	1,252
Balance at end of current period	1,311	0	128	1,439	108	15,366

## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	1,299	1,164
Depreciation	661	672
Impairment loss	137	-
Increase (decrease) in allowance for doubtful accounts	(112)	(3)
Increase (decrease) in provision for bonuses	87	(8)
Increase (decrease) in provision for directors' bonuses	0	(7)
Increase (decrease) in provision for retirement benefits	(396)	(3,545)
Increase (decrease) in net defined benefit liability	-	3,289
Increase (decrease) in provision for loss on removal of fixed assets	52	(52)
Increase (decrease) in provision for loss on construction contracts	-	10
Interest and dividend income	(101)	(98)
Interest expenses	39	17
Loss (gain) on valuation of investment securities	0	-
Loss on valuation of golf club memberships	2	-
Foreign exchange losses (gains)	(7)	(3)
Loss (gain) on sales of property, plant and equipment	(1)	(161)
Loss on retirement of property, plant and equipment	4	7
Loss (gain) on sales of short-term and long-term investment securities	(234)	(0)
Decrease (increase) in notes and accounts receivable - trade	(772)	284
Decrease (increase) in inventories	(629)	536
Increase (decrease) in notes and accounts payable - trade	(634)	(733)
Increase (decrease) in accrued consumption taxes	(27)	125
Decrease (increase) in other current assets	(293)	24
Increase (decrease) in other current liabilities	106	(19)
Other, net	(65)	21
Subtotal	(884)	1,518
Interest and dividend income received	101	98
Interest expenses paid	(39)	(17)
Income taxes paid	(81)	(76)
Net cash provided by (used in) operating activities	(905)	1,523

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash flows from investing activities		
Payments into time deposits	(506)	(258)
Proceeds from withdrawal of time deposits	1,282	252
Purchase of property, plant and equipment	(465)	(972)
Proceeds from sales of property, plant and equipment	119	267
Purchase of intangible assets	(6)	(14)
Purchase of investment securities	(556)	(31)
Proceeds from sales and redemption of investment securities	365	277
Payments for investments in capital of subsidiaries and associates	(221)	-
Other, net	(0)	17
Net cash provided by (used in) investing activities	9	(461)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	50	(60)
Proceeds from long-term loans payable	30	200
Repayments of long-term loans payable	(1,074)	(637)
Proceeds from issuance of bonds	294	-
Redemption of bonds	(375)	(345)
Proceeds from sales of treasury shares	-	0
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(123)	(248)
Cash dividends paid to minority shareholders	(2)	(6)
Repayments of lease obligations	(83)	(62)
Net cash provided by (used in) financing activities	(1,284)	(1,159)
Effect of exchange rate change on cash and cash equivalents	7	3
Net increase (decrease) in cash and cash equivalents	(2,172)	(94)
Cash and cash equivalents at beginning of period	4,966	2,794
Cash and cash equivalents at end of period	2,794	2,700