

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2014 (Based on Japanese GAAP)

August 7, 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 to file Quarterly Securities Report: August 12, 2014  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: No  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

(1) Consolidated financial results (cumulative)

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	%
Three months ended June 30, 2014	4,996	7.1	18	(31.7)	120	87.4	110	34.2
Three months ended June 30, 2013	4,667	(15.9)	27	(86.2)	64	(68.9)	82	(10.6)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended June 30, 2014	8.81		–	
Three months ended June 30, 2013	6.56		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of June 30, 2014	26,628		15,959		59.5		1,265.36	
As of March 31, 2014	26,234		15,366		58.2		1,217.62	

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, 2014	–	0.00	–	20.00	20.00
Year ending March 31, 2015	–	–	–	–	–
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 three months ended June 30, 2014  
 (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: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- 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 June 30, 2014	12,548,134 shares	As of March 31, 2014	12,548,134 shares
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Number of treasury shares at the end of the period

As of June 30, 2014	17,693 shares	As of March 31, 2014	17,615 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2014	12,530,480 shares	Three months ended June 30, 2013	12,530,844 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,914	3,445
Notes and accounts receivable - trade	9,254	7,640
Electronically recorded monetary claims - operating	494	654
Securities	-	200
Merchandise and finished goods	240	323
Work in process	2,671	3,153
Raw materials and supplies	271	274
Deferred tax assets	180	182
Other	192	333
Allowance for doubtful accounts	(12)	(8)
<b>Total current assets</b>	<b>16,208</b>	<b>16,200</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	2,554	2,708
Other, net	1,920	1,911
<b>Total property, plant and equipment</b>	<b>4,474</b>	<b>4,619</b>
Intangible assets	41	55
<b>Investments and other assets</b>		
Investment securities	4,487	4,732
Other	1,111	1,108
Allowance for doubtful accounts	(88)	(88)
<b>Total investments and other assets</b>	<b>5,510</b>	<b>5,752</b>
<b>Total non-current assets</b>	<b>10,025</b>	<b>10,427</b>
<b>Total assets</b>	<b>26,234</b>	<b>26,628</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	3,072	3,430
Short-term loans payable	442	449
Current portion of bonds	247	247
Accounts payable - other	205	345
Accrued expenses	909	1,173
Income taxes payable	93	15
Accrued consumption taxes	201	19
Provision for bonuses	440	214
Provision for loss on construction contracts	10	50
Other	112	220
<b>Total current liabilities</b>	<b>5,734</b>	<b>6,166</b>

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Non-current liabilities		
Bonds payable	330	290
Long-term loans payable	225	205
Deferred tax liabilities	719	796
Provision for environmental safety measures	124	124
Net defined benefit liability	3,161	2,522
Asset retirement obligations	80	80
Other	493	483
Total non-current liabilities	5,133	4,502
Total liabilities	10,868	10,668
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	4,815	5,265
Treasury shares	(17)	(17)
Total shareholders' equity	13,817	14,267
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,311	1,450
Deferred gains or losses on hedges	0	-
Remeasurements of defined benefit plans	128	138
Total accumulated other comprehensive income	1,439	1,588
Minority interests	108	104
Total net assets	15,366	15,959
Total liabilities and net assets	26,234	26,628

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	4,667	4,996
Cost of sales	3,861	4,241
Gross profit	806	754
Selling, general and administrative expenses	778	736
Operating income	27	18
Non-operating income		
Interest income	0	0
Dividend income	53	59
Subsidy income	-	45
Miscellaneous income	19	34
Total non-operating income	72	138
Non-operating expenses		
Interest expenses	6	2
Maintenance cost for idle assets	11	9
Insurance expenses	7	8
Miscellaneous loss	10	16
Total non-operating expenses	35	36
Ordinary income	64	120
Extraordinary income		
Gain on sales of non-current assets	2	5
Other	0	0
Total extraordinary income	3	5
Extraordinary losses		
Other	0	0
Total extraordinary losses	0	0
Income before income taxes and minority interests	67	125
Income taxes	(14)	19
Income before minority interests	81	106
Minority interests in loss	(0)	(3)
Net income	82	110

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

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	81	106
Other comprehensive income		
Valuation difference on available-for-sale securities	92	138
Deferred gains or losses on hedges	0	(0)
Remeasurements of defined benefit plans, net of tax	-	9
Total other comprehensive income	92	148
Comprehensive income	174	255
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	174	259
Comprehensive income attributable to minority interests	(0)	(3)