

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended March 31, 2015  
(Based on Japanese GAAP)**

May 14, 2015

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 25, 2015  
 Scheduled date to file Securities Report: June 25, 2015  
 Scheduled date to commence dividend payments: June 26, 2015  
 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, 2015 (from April 1, 2014 to March 31, 2015)

(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, 2015 | 23,623          | 1.4   | 264              | (73.9) | 414             | (60.2) | 570             | (51.7) |
| Year ended March 31, 2014 | 23,294          | (2.4) | 1,014            | (26.0) | 1,041           | (23.7) | 1,181           | (5.5)  |

|                           | 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, 2015 | 45.58                | –                            | 3.6               | 1.6                          | 1.1                        |
| Year ended March 31, 2014 | 94.29                | –                            | 8.1               | 3.9                          | 4.4                        |

(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, 2015 | 26,560          | 16,700          | 62.8         | 1,333.13             |
| As of March 31, 2014 | 26,234          | 15,366          | 58.2         | 1,217.62             |

(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, 2015 | 2,035                                | (1,181)                              | (569)                                | 2,989                                      |
| Year ended March 31, 2014 | 1,523                                | (461)                                | (1,159)                              | 2,700                                      |

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, 2014             | –                          | 0.00            | –               | 20.00           | 20.00 | 250                          | 21.2                                 | 1.7   |
| Year ended March 31, 2015             | –                          | 0.00            | –               | 20.00           | 20.00 | 250                          | 43.9                                 | 1.6   |
| Year ending March 31, 2016 (Forecast) | –                          | 0.00            | –               | 20.00           | 20.00 |                              | 38.0                                 |   |

3. Forecast of consolidated financial results for the year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

Percentages indicate year-on-year changes

|                                      | Net sales       |       | Operating income |       | Ordinary income |        | Profit attributable to owners of parent |        | Net income per share |
|--------------------------------------|-----------------|-------|------------------|-------|-----------------|--------|---|--------|----------------------|
|                                      | Millions of yen | %     | Millions of yen  | %     | Millions of yen | %      | Millions of yen                         | %      | Yen                  |
| Six months ending September 30, 2015 | 10,700          | (4.5) | 220              | 17.7  | 240             | (14.8) | 210                                     | (30.0) | 16.76                |
| Full year                            | 23,000          | (2.6) | 700              | 164.6 | 740             | 78.6   | 660                                     | 15.6   | 52.68                |

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2015

(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, 2015 | 12,548,134 shares | As of March 31, 2014 | 12,548,134 shares |
|----------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

|                      |               |                      |               |
|----------------------|---------------|----------------------|---------------|
| As of March 31, 2015 | 30,402 shares | As of March 31, 2014 | 17,615 shares |
|----------------------|---------------|----------------------|---------------|

Average number of shares during the period

|                           |                   |                           |                   |
|---------------------------|-------------------|---------------------------|-------------------|
| Year ended March 31, 2015 | 12,527,960 shares | Year ended March 31, 2014 | 12,530,683 shares |
|---------------------------|-------------------|---------------------------|-------------------|

**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

|   | As of March 31, 2014 | As of March 31, 2015 |
|---|----------------------|----------------------|
| Assets  |                      |                      |
| Current assets                                      |                      |                      |
| Cash and deposits                                   | 2,914                | 2,589                |
| Notes and accounts receivable - trade               | 9,254                | 7,172                |
| Electronically recorded monetary claims - operating | 494                  | 958                  |
| Securities  | –                    | 700                  |
| Merchandise and finished goods                      | 240                  | 252                  |
| Work in process                                     | 2,671                | 3,116                |
| Raw materials and supplies                          | 271                  | 266                  |
| Deferred tax assets                                 | 180                  | 166                  |
| Other   | 192                  | 166                  |
| Allowance for doubtful accounts                     | (12)                 | (12)                 |
| Total current assets                                | 16,208               | 15,377               |
| Non-current assets                                  |                      |                      |
| Property, plant and equipment                       |                      |                      |
| Buildings and structures                            | 11,790               | 11,700               |
| Accumulated depreciation                            | (9,236)              | (8,995)              |
| Buildings and structures, net                       | 2,554                | 2,705                |
| Machinery, equipment and vehicles                   | 12,477               | 12,435               |
| Accumulated depreciation                            | (11,306)             | (11,083)             |
| Machinery, equipment and vehicles, net              | 1,170                | 1,351                |
| Tools, furniture and fixtures                       | 1,674                | 1,324                |
| Accumulated depreciation                            | (1,562)              | (1,149)              |
| Tools, furniture and fixtures, net                  | 111                  | 175                  |
| Land  | 506                  | 504                  |
| Leased assets                                       | 455                  | 547                  |
| Accumulated depreciation                            | (339)                | (374)                |
| Leased assets, net                                  | 116                  | 172                  |
| Construction in progress                            | 15                   | 94                   |
| Total property, plant and equipment                 | 4,474                | 5,003                |
| Intangible assets                                   |                      |                      |
| Other   | 41                   | 114                  |
| Total intangible assets                             | 41                   | 114                  |
| Investments and other assets                        |                      |                      |
| Investment securities                               | 4,487                | 5,109                |
| Other   | 1,111                | 1,036                |
| Allowance for doubtful accounts                     | (88)                 | (80)                 |
| Total investments and other assets                  | 5,510                | 6,065                |
| Total non-current assets                            | 10,025               | 11,183               |
| Total assets  | 26,234               | 26,560               |

(Millions of yen)

|   | As of March 31, 2014 | As of March 31, 2015 |
|---|----------------------|----------------------|
| <b>Liabilities</b>                                    |                      |                      |
| <b>Current liabilities</b>                            |                      |                      |
| Notes and accounts payable - trade                    | 3,072                | 3,158                |
| Short-term loans payable                              | 442                  | 435                  |
| Current portion of bonds                              | 247                  | 170                  |
| Lease obligations                                     | 41                   | 55                   |
| Accounts payable - other                              | 205                  | 249                  |
| Accrued expenses                                      | 909                  | 960                  |
| Income taxes payable                                  | 93                   | 53                   |
| Accrued consumption taxes                             | 201                  | 49                   |
| Provision for bonuses                                 | 440                  | 421                  |
| Provision for loss on construction contracts          | 10                   | 58                   |
| Provision for environmental safety measures           | –                    | 124                  |
| Other   | 71                   | 93                   |
| <b>Total current liabilities</b>                      | <b>5,734</b>         | <b>5,831</b>         |
| <b>Non-current liabilities</b>                        |                      |                      |
| Bonds payable   | 330                  | 160                  |
| Long-term loans payable                               | 225                  | 239                  |
| Lease obligations                                     | 88                   | 134                  |
| Deferred tax liabilities                              | 719                  | 811                  |
| Provision for environmental safety measures           | 124                  | 4                    |
| Net defined benefit liability                         | 3,161                | 2,184                |
| Asset retirement obligations                          | 80                   | 82                   |
| Other   | 404                  | 413                  |
| <b>Total non-current liabilities</b>                  | <b>5,133</b>         | <b>4,028</b>         |
| <b>Total liabilities</b>                              | <b>10,868</b>        | <b>9,859</b>         |
| <b>Net assets</b>                                     |                      |                      |
| <b>Shareholders' equity</b>                           |                      |                      |
| Capital stock   | 9,019                | 9,019                |
| Retained earnings                                     | 4,815                | 5,725                |
| Treasury shares                                       | (17)                 | (27)                 |
| <b>Total shareholders' equity</b>                     | <b>13,817</b>        | <b>14,718</b>        |
| <b>Accumulated other comprehensive income</b>         |                      |                      |
| Valuation difference on available-for-sale securities | 1,311                | 1,725                |
| Deferred gains or losses on hedges                    | 0                    | –                    |
| Remeasurements of defined benefit plans               | 128                  | 244                  |
| <b>Total accumulated other comprehensive income</b>   | <b>1,439</b>         | <b>1,969</b>         |
| <b>Minority interests</b>                             | <b>108</b>           | <b>13</b>            |
| <b>Total net assets</b>                               | <b>15,366</b>        | <b>16,700</b>        |
| <b>Total liabilities and net assets</b>               | <b>26,234</b>        | <b>26,560</b>        |

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

(Millions of yen)

|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Net sales   | 23,294                              | 23,623                              |
| Cost of sales                                     | 19,039                              | 20,241                              |
| Gross profit                                      | 4,254                               | 3,382                               |
| Selling, general and administrative expenses      | 3,240                               | 3,117                               |
| Operating income                                  | 1,014                               | 264                                 |
| Non-operating income                              |                                     |                                     |
| Interest income                                   | 0                                   | 1                                   |
| Dividend income                                   | 98                                  | 111                                 |
| Insurance income                                  | 26                                  | 28                                  |
| Subsidy income                                    | –                                   | 57                                  |
| Foreign exchange gains                            | 10                                  | 39                                  |
| Miscellaneous income                              | 39                                  | 54                                  |
| Total non-operating income                        | 175                                 | 293                                 |
| Non-operating expenses                            |                                     |                                     |
| Interest expenses                                 | 17                                  | 8                                   |
| Insurance expenses                                | 27                                  | 28                                  |
| Maintenance cost for idle assets                  | 42                                  | 42                                  |
| Depreciation                                      | 16                                  | 20                                  |
| Miscellaneous loss                                | 43                                  | 43                                  |
| Total non-operating expenses                      | 148                                 | 143                                 |
| Ordinary income                                   | 1,041                               | 414                                 |
| Extraordinary income                              |                                     |                                     |
| Gain on sales of non-current assets               | 174                                 | 64                                  |
| Gain on sales of investment securities            | 0                                   | 193                                 |
| Other   | 2                                   | 1                                   |
| Total extraordinary income                        | 177                                 | 259                                 |
| Extraordinary losses                              |                                     |                                     |
| Loss on sales of non-current assets               | 12                                  | 2                                   |
| Loss on disposal of non-current assets            | 8                                   | 28                                  |
| Loss on product safety measures                   | 13                                  | –                                   |
| Compensation for damage                           | 19                                  | –                                   |
| Provision for environmental measures              | –                                   | 4                                   |
| Total extraordinary losses                        | 54                                  | 34                                  |
| Income before income taxes and minority interests | 1,164                               | 639                                 |
| Income taxes - current                            | 101                                 | 67                                  |
| Income taxes - deferred                           | (119)                               | 10                                  |
| Total income taxes                                | (17)                                | 77                                  |
| Income before minority interests                  | 1,182                               | 561                                 |
| Minority interests in income (loss)               | 1                                   | (9)                                 |
| Net income  | 1,181                               | 570                                 |

## Consolidated statements of comprehensive income

(Millions of yen)

|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Income before minority interests                        | 1,182                               | 561                                 |
| Other comprehensive income                              |                                     |                                     |
| Valuation difference on available-for-sale securities   | 199                                 | 413                                 |
| Deferred gains or losses on hedges                      | 0                                   | (0)                                 |
| Remeasurements of defined benefit plans, net of tax     | –                                   | 116                                 |
| Total other comprehensive income                        | 199                                 | 529                                 |
| Comprehensive income                                    | 1,382                               | 1,091                               |
| Comprehensive income attributable to                    |                                     |                                     |
| Comprehensive income attributable to owners of parent   | 1,380                               | 1,100                               |
| Comprehensive income attributable to minority interests | 1                                   | (9)                                 |

## Consolidated statements of changes in net assets

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                     |
| Cumulative effects of changes in accounting policies |                      |                   |                 | –                          |
| Restated balance                                     | 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           |
| Cumulative effects of changes in accounting policies |   |                                    |   | –  |                    | –                |
| Restated balance                                     | 1,111   | (0)                                | –                                       | 1,111  | 114                | 14,113           |
| Changes of items during period                       |   |                                    |   |  |                    |                  |
| Dividends of surplus                                 |   |                                    |   | –  |                    | (250)            |
| 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  | (5)                | 322              |
| 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           |

Fiscal year ended March 31, 2015

(Millions of yen)

|  | Shareholders' equity |                   |                 |                            |
|--|----------------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 9,019                | 4,815             | (17)            | 13,817                     |
| Cumulative effects of changes in accounting policies |                      | 589               |                 | 589                        |
| Restated balance                                     | 9,019                | 5,405             | (17)            | 14,407                     |
| Changes of items during period                       |                      |                   |                 |                            |
| Dividends of surplus                                 |                      | (250)             |                 | (250)                      |
| Net income   |                      | 570               |                 | 570                        |
| Purchase of treasury shares                          |                      |                   | (9)             | (9)                        |
| Net changes of items other than shareholders' equity |                      |                   |                 | -                          |
| Total changes of items during period                 | -                    | 320               | (9)             | 310                        |
| Balance at end of current period                     | 9,019                | 5,725             | (27)            | 14,718                     |

|  | 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               | 1,311   | 0                                  | 128                                     | 1,439  | 108                | 15,366           |
| Cumulative effects of changes in accounting policies |   |                                    |   | -  |                    | 589              |
| Restated balance                                     | 1,311   | 0                                  | 128                                     | 1,439  | 108                | 15,955           |
| Changes of items during period                       |   |                                    |   |  |                    |                  |
| Dividends of surplus                                 |   |                                    |   | -  |                    | (250)            |
| Net income   |   |                                    |   | -  |                    | 570              |
| Purchase of treasury shares                          |   |                                    |   | -  |                    | (9)              |
| Net changes of items other than shareholders' equity | 413   | (0)                                | 116                                     | 529  | (95)               | 434              |
| Total changes of items during period                 | 413   | (0)                                | 116                                     | 529  | (95)               | 745              |
| Balance at end of current period                     | 1,725   | -                                  | 244                                     | 1,969  | 13                 | 16,700           |

## Consolidated statements of cash flows

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities                                   |                                     |                                     |
| Income before income taxes and minority interests                      | 1,164                               | 639                                 |
| Depreciation   | 672                                 | 748                                 |
| Increase (decrease) in allowance for doubtful accounts                 | (3)                                 | (7)                                 |
| Increase (decrease) in provision for bonuses                           | (8)                                 | (18)                                |
| Increase (decrease) in provision for directors' bonuses                | (7)                                 | –                                   |
| Increase (decrease) in provision for retirement benefits               | (3,545)                             | –                                   |
| Increase (decrease) in net defined benefit liability                   | 3,289                               | (271)                               |
| Increase (decrease) in provision for loss on removal of fixed assets   | (52)                                | –                                   |
| Increase (decrease) in provision for loss on construction contracts    | 10                                  | 47                                  |
| Increase (decrease) in provision for environmental safety measures     | –                                   | 4                                   |
| Interest and dividend income   | (98)                                | (112)                               |
| Interest expenses  | 17                                  | 8                                   |
| Foreign exchange losses (gains)  | (3)                                 | (4)                                 |
| Loss (gain) on sales of property, plant and equipment                  | (161)                               | (61)                                |
| Loss on retirement of property, plant and equipment                    | 7                                   | 26                                  |
| Loss (gain) on sales of short-term and long-term investment securities | (0)                                 | (193)                               |
| Decrease (increase) in notes and accounts receivable - trade           | 284                                 | 1,618                               |
| Decrease (increase) in inventories                                     | 536                                 | (449)                               |
| Increase (decrease) in notes and accounts payable - trade              | (733)                               | 85                                  |
| Increase (decrease) in accrued consumption taxes                       | 125                                 | (152)                               |
| Decrease (increase) in other current assets                            | 24                                  | 28                                  |
| Increase (decrease) in other current liabilities                       | (19)                                | 72                                  |
| Other, net   | 21                                  | 17                                  |
| Subtotal   | 1,518                               | 2,026                               |
| Interest and dividend income received                                  | 98                                  | 113                                 |
| Interest expenses paid   | (17)                                | (8)                                 |
| Income taxes paid  | (76)                                | (95)                                |
| Net cash provided by (used in) operating activities                    | 1,523                               | 2,035                               |
| Cash flows from investing activities                                   |                                     |                                     |
| Payments into time deposits  | (258)                               | (264)                               |
| Proceeds from withdrawal of time deposits                              | 252                                 | 328                                 |
| Purchase of securities   | –                                   | (150)                               |
| Purchase of property, plant and equipment                              | (972)                               | (1,155)                             |
| Proceeds from sales of property, plant and equipment                   | 267                                 | 71                                  |
| Purchase of intangible assets  | (14)                                | (90)                                |
| Purchase of investment securities                                      | (31)                                | (185)                               |
| Proceeds from sales and redemption of investment securities            | 277                                 | 267                                 |
| Purchase of shares of subsidiaries                                     | –                                   | (52)                                |
| Other, net   | 17                                  | 50                                  |
| Net cash provided by (used in) investing activities                    | (461)                               | (1,181)                             |

(Millions of yen)

|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from financing activities                        |                                     |                                     |
| Net increase (decrease) in short-term loans payable         | (60)                                | 50                                  |
| Proceeds from long-term loans payable                       | 200                                 | 100                                 |
| Repayments of long-term loans payable                       | (637)                               | (142)                               |
| Redemption of bonds   | (345)                               | (247)                               |
| Proceeds from sales of treasury shares                      | 0                                   | –                                   |
| Purchase of treasury shares                                 | (0)                                 | (0)                                 |
| Cash dividends paid   | (248)                               | (248)                               |
| Cash dividends paid to minority shareholders                | (6)                                 | (34)                                |
| Repayments of lease obligations                             | (62)                                | (45)                                |
| Net cash provided by (used in) financing activities         | (1,159)                             | (569)                               |
| Effect of exchange rate change on cash and cash equivalents | 3                                   | 4                                   |
| Net increase (decrease) in cash and cash equivalents        | (94)                                | 289                                 |
| Cash and cash equivalents at beginning of period            | 2,794                               | 2,700                               |
| Cash and cash equivalents at end of period                  | 2,700                               | 2,989                               |