

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2016 (Based on Japanese GAAP)

August 5, 2016

Company name: Howa Machinery, Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 6203 URL <http://www.howa.co.jp/>
 Representative: President, Managing Director Takahiro Tsukamoto
 Inquiries: Managing Director Hiromitsu Ishihara TEL 052-408-1001
 Scheduled date to file Quarterly Securities Report: August 10, 2016
 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, 2016 (from April 1, 2016 to June 30, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2016	4,294	(2.0)	(126)	–	(163)	–	(168)	–
Three months ended June 30, 2015	4,380	(12.3)	(162)	–	(105)	–	(115)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2016	(13.49)		–	
Three months ended June 30, 2015	(9.26)		–	

(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, 2016	24,577		14,884		60.5		1,188.18	
As of March 31, 2016	25,177		15,583		61.8		1,243.97	

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, 2016	–	0.00	–	20.00	20.00
Year ending March 31, 2017	–	–	–	–	–
Year ending March 31, 2017 (Forecast)	–	0.00	–	20.00	20.00

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	10,000	3.1	100	–	150	–	110	–	8.79
Full year	21,000	(6.1)	420	–	500	284.6	410	–	32.75

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2016
 (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, 2016	12,548,134 shares	As of March 31, 2016	12,548,134 shares
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Number of treasury shares at the end of the period

As of June 30, 2016	30,901 shares	As of March 31, 2016	30,821 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, 2016	12,517,263 shares	Three months ended June 30, 2015	12,517,682 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	3,052	2,633
Notes and accounts receivable - trade	7,263	6,625
Electronically recorded monetary claims - operating	1,376	1,919
Securities	20	20
Merchandise and finished goods	206	292
Work in process	3,138	3,806
Raw materials and supplies	285	287
Deferred tax assets	146	147
Other	297	263
Allowance for doubtful accounts	(5)	(4)
Total current assets	15,780	15,990
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,555	2,540
Other, net	2,145	2,195
Total property, plant and equipment	4,701	4,735
Intangible assets	128	120
Investments and other assets		
Investment securities	3,683	3,168
Other	953	632
Allowance for doubtful accounts	(70)	(70)
Total investments and other assets	4,566	3,730
Total non-current assets	9,396	8,586
Total assets	25,177	24,577
Liabilities		
Current liabilities		
Accounts payable - trade	3,345	2,988
Short-term loans payable	637	878
Current portion of bonds	100	60
Accounts payable - other	41	135
Accrued expenses	877	1,114
Income taxes payable	50	26
Accrued consumption taxes	51	30
Provision for bonuses	361	207
Provision for loss on construction contracts	49	45
Other	202	229
Total current liabilities	5,718	5,718

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Non-current liabilities		
Bonds payable	60	60
Long-term loans payable	738	992
Deferred tax liabilities	475	363
Provision for environmental safety measures	43	43
Net defined benefit liability	1,988	1,959
Asset retirement obligations	83	84
Other	486	471
Total non-current liabilities	3,875	3,974
Total liabilities	9,593	9,692
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	5,408	4,863
Treasury shares	(27)	(27)
Total shareholders' equity	14,400	13,854
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,061	795
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	–	113
Remeasurements of defined benefit plans	109	108
Total accumulated other comprehensive income	1,170	1,017
Non-controlling interests	12	11
Total net assets	15,583	14,884
Total liabilities and net assets	25,177	24,577

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, 2015	Three months ended June 30, 2016
Net sales	4,380	4,294
Cost of sales	3,764	3,667
Gross profit	615	626
Selling, general and administrative expenses	777	753
Operating loss	(162)	(126)
Non-operating income		
Interest income	0	1
Dividend income	63	57
Miscellaneous income	18	13
Total non-operating income	81	72
Non-operating expenses		
Interest expenses	1	1
Insurance expenses	6	6
Maintenance cost for idle assets	6	5
Foreign exchange losses	-	84
Miscellaneous loss	11	12
Total non-operating expenses	25	109
Ordinary loss	(105)	(163)
Extraordinary income		
Gain on sales of non-current assets	2	0
Other	0	0
Total extraordinary income	2	0
Extraordinary losses		
Other	0	0
Total extraordinary losses	0	0
Loss before income taxes	(103)	(163)
Income taxes	11	6
Loss	(115)	(169)
Profit (loss) attributable to non-controlling interests	0	(0)
Loss attributable to owners of parent	(115)	(168)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Loss	(115)	(169)
Other comprehensive income		
Valuation difference on available-for-sale securities	544	(266)
Deferred gains or losses on hedges	–	0
Foreign currency translation adjustment	–	(7)
Remeasurements of defined benefit plans, net of tax	(8)	(0)
Total other comprehensive income	536	(273)
Comprehensive income	420	(443)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	420	(442)
Comprehensive income attributable to non-controlling interests	0	(0)