

Translation

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

November 7, 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: November 14, 2016
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2016 (from April 1, 2016 to September 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	%
Six months ended September 30, 2016	8,959	(7.7)	(162)	–	(232)	–	(313)	–
Six months ended September 30, 2015	9,701	(13.4)	(123)	–	(79)	–	(98)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2016	(25.08)		–	
Six months ended September 30, 2015	(7.85)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	23,408	14,953	63.8	1,193.76
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	–	0.00			
Year ending March 31, 2017 (Forecast)			–	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
Full year	18,400	(17.7)	(160)	–	(190)	–	(290)	–	(23.17)

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2016	31,029 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)

Six months ended September 30, 2016	12,517,210 shares	Six months ended September 30, 2015	12,517,628 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	3,052	2,639
Notes and accounts receivable - trade	7,263	5,532
Electronically recorded monetary claims - operating	1,376	1,623
Securities	20	20
Merchandise and finished goods	206	330
Work in process	3,138	3,606
Raw materials and supplies	285	291
Deferred tax assets	146	145
Other	297	192
Allowance for doubtful accounts	(5)	(5)
Total current assets	15,780	14,377
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,555	2,488
Other, net	2,145	2,092
Total property, plant and equipment	4,701	4,580
Intangible assets	128	111
Investments and other assets		
Investment securities	3,683	3,779
Other	953	629
Allowance for doubtful accounts	(70)	(70)
Total investments and other assets	4,566	4,338
Total non-current assets	9,396	9,031
Total assets	25,177	23,408
Liabilities		
Current liabilities		
Accounts payable - trade	3,345	2,347
Short-term loans payable	637	443
Current portion of bonds	100	60
Accounts payable - other	41	84
Accrued expenses	877	665
Income taxes payable	50	55
Accrued consumption taxes	51	211
Provision for bonuses	361	352
Provision for loss on construction contracts	49	69
Other	202	133
Total current liabilities	5,718	4,423

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Non-current liabilities		
Bonds payable	60	30
Long-term loans payable	738	994
Deferred tax liabilities	475	452
Provision for environmental safety measures	43	43
Net defined benefit liability	1,988	1,965
Asset retirement obligations	83	84
Other	486	461
Total non-current liabilities	3,875	4,031
Total liabilities	9,593	8,455
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	5,408	4,717
Treasury shares	(27)	(27)
Total shareholders' equity	14,400	13,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,061	1,014
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	–	110
Remeasurements of defined benefit plans	109	108
Total accumulated other comprehensive income	1,170	1,232
Non-controlling interests	12	11
Total net assets	15,583	14,953
Total liabilities and net assets	25,177	23,408

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	9,701	8,959
Cost of sales	8,280	7,605
Gross profit	1,421	1,353
Selling, general and administrative expenses	1,545	1,516
Operating loss	(123)	(162)
Non-operating income		
Interest income	2	1
Dividend income	65	58
Miscellaneous income	33	26
Total non-operating income	101	87
Non-operating expenses		
Interest expenses	3	2
Insurance expenses	12	12
Maintenance cost for idle assets	12	10
Foreign exchange losses	6	108
Miscellaneous loss	22	23
Total non-operating expenses	56	157
Ordinary loss	(79)	(232)
Extraordinary income		
Gain on sales of non-current assets	7	1
Insurance income	11	–
Other	0	0
Total extraordinary income	18	1
Extraordinary losses		
Loss on disposal of non-current assets	1	0
Impairment loss	–	68
Compensation for damage	14	–
Other	–	0
Total extraordinary losses	15	69
Loss before income taxes	(76)	(299)
Income taxes	21	15
Loss	(98)	(315)
Loss attributable to non-controlling interests	(0)	(1)
Loss attributable to owners of parent	(98)	(313)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Loss	(98)	(315)
Other comprehensive income		
Valuation difference on available-for-sale securities	28	(47)
Deferred gains or losses on hedges	–	0
Foreign currency translation adjustment	–	(10)
Remeasurements of defined benefit plans, net of tax	(30)	(0)
Total other comprehensive income	(1)	(58)
Comprehensive income	(100)	(373)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(100)	(372)
Comprehensive income attributable to non-controlling interests	(0)	(1)