

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2017 (Based on Japanese GAAP)

August 7, 2017

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, 2017
 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, 2017 (from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2017	4,269	(0.6)	(99)	–	(59)	–	(67)	–
Three months ended June 30, 2016	4,294	(2.0)	(126)	–	(163)	–	(168)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2017	(5.39)		–	
Three months ended June 30, 2016	(13.49)		–	

(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, 2017	23,400	14,995	64.0	1,197.09
As of March 31, 2017	24,078	15,220	63.2	1,215.13

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, 2017	–	0.00	–	20.00	20.00
Year ending March 31, 2018	–	–	–	–	–
Year ending March 31, 2018 (Forecast)	–	0.00	–	20.00	20.00

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		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, 2017	9,600	7.2	(120)	–	(90)	–	(100)	–	(7.99)
Full year	20,500	10.8	330	–	400	–	320	–	25.57

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2017
 (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: No
- 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, 2017	12,548,134 shares	As of March 31, 2017	12,548,134 shares
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Number of treasury shares at the end of the period

As of June 30, 2017	31,201 shares	As of March 31, 2017	31,175 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, 2017	12,516,950 shares	Three months ended June 30, 2016	12,517,263 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	3,867	3,772
Notes and accounts receivable - trade	4,648	3,831
Electronically recorded monetary claims - operating	1,477	1,634
Securities	20	20
Merchandise and finished goods	369	257
Work in process	3,452	3,630
Raw materials and supplies	275	278
Deferred tax assets	22	22
Other	293	259
Allowance for doubtful accounts	(5)	(6)
Total current assets	14,421	13,700
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,468	2,450
Other, net	1,875	1,808
Total property, plant and equipment	4,343	4,259
Intangible assets	97	89
Investments and other assets		
Investment securities	4,654	4,795
Other	625	620
Allowance for doubtful accounts	(65)	(65)
Total investments and other assets	5,215	5,351
Total non-current assets	9,656	9,699
Total assets	24,078	23,400
Liabilities		
Current liabilities		
Accounts payable - trade	2,527	2,291
Short-term loans payable	443	443
Current portion of bonds	60	60
Accounts payable - other	119	165
Accrued expenses	785	1,024
Income taxes payable	63	24
Accrued consumption taxes	254	49
Deferred tax liabilities	1	0
Provision for bonuses	291	146
Provision for loss on construction contracts	50	12
Other	216	209
Total current liabilities	4,814	4,427

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Non-current liabilities		
Long-term loans payable	837	759
Deferred tax liabilities	679	723
Provision for environmental safety measures	43	43
Net defined benefit liability	1,953	1,944
Asset retirement obligations	85	85
Other	444	421
Total non-current liabilities	4,042	3,977
Total liabilities	8,857	8,404
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	4,407	4,089
Treasury shares	(27)	(27)
Total shareholders' equity	13,398	13,081
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,570	1,668
Deferred gains or losses on hedges	2	0
Foreign currency translation adjustment	106	101
Remeasurements of defined benefit plans	131	131
Total accumulated other comprehensive income	1,810	1,902
Non-controlling interests	10	12
Total net assets	15,220	14,995
Total liabilities and net assets	24,078	23,400

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, 2016	Three months ended June 30, 2017
Net sales	4,294	4,269
Cost of sales	3,667	3,589
Gross profit	626	679
Selling, general and administrative expenses	753	779
Operating loss	(126)	(99)
Non-operating income		
Interest income	1	0
Dividend income	57	58
Miscellaneous income	13	13
Total non-operating income	72	73
Non-operating expenses		
Interest expenses	1	1
Insurance expenses	6	6
Maintenance cost for idle assets	5	5
Foreign exchange losses	84	9
Miscellaneous loss	12	10
Total non-operating expenses	109	33
Ordinary loss	(163)	(59)
Extraordinary income		
Other	0	0
Total extraordinary income	0	0
Extraordinary losses		
Other	0	0
Total extraordinary losses	0	0
Loss before income taxes	(163)	(59)
Income taxes	6	7
Loss	(169)	(66)
Profit (loss) attributable to non-controlling interests	(0)	1
Loss attributable to owners of parent	(168)	(67)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Loss	(169)	(66)
Other comprehensive income		
Valuation difference on available-for-sale securities	(266)	97
Deferred gains or losses on hedges	0	(1)
Foreign currency translation adjustment	(7)	(4)
Remeasurements of defined benefit plans, net of tax	(0)	0
Total other comprehensive income	(273)	91
Comprehensive income	(443)	25
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(442)	24
Comprehensive income attributable to non-controlling interests	(0)	1