

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2015 (Based on Japanese GAAP)

February 5, 2016

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: February 12, 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 nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

(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 | % |
| Nine months ended December 31, 2015 | 15,502 | (12.6) | (80) | – | 18 | (95.8) | (13) | – |
| Nine months ended December 31, 2014 | 17,736 | 6.2 | 282 | (60.5) | 433 | (42.0) | 418 | (43.2) |

| | Earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Nine months ended December 31, 2015 | (1.09) | | – | |
| Nine months ended December 31, 2014 | 33.37 | | – | |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of December 31, 2015 | 25,970 | 16,596 | 63.9 | 1,324.90 |
| As of March 31, 2015 | 26,560 | 16,700 | 62.8 | 1,333.13 |

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, 2015 | – | 0.00 | – | 20.00 | 20.00 |
| Year ending March 31, 2016 | – | 0.00 | – | | |
| Year ending March 31, 2016 (Forecast) | | | | 20.00 | 20.00 |

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 | | Earnings per share |
|-----------|-----------------|-------|------------------|-----|-----------------|--------|---|--------|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 22,500 | (4.8) | 290 | 9.6 | 360 | (13.1) | 300 | (47.5) | 23.97 |

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2015
(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 December 31, 2015 | 12,548,134 shares | As of March 31, 2015 | 12,548,134 shares |
|-------------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|---------------|----------------------|---------------|
| As of December 31, 2015 | 30,716 shares | As of March 31, 2015 | 30,402 shares |
|-------------------------|---------------|----------------------|---------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Nine months ended December 31, 2015 | 12,517,568 shares | Nine months ended December 31, 2014 | 12,530,106 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2015 | As of December 31, 2015 |
|---|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,589 | 2,349 |
| Notes and accounts receivable - trade | 7,172 | 6,142 |
| Electronically recorded monetary claims - operating | 958 | 709 |
| Securities | 700 | 270 |
| Merchandise and finished goods | 252 | 310 |
| Work in process | 3,116 | 3,811 |
| Raw materials and supplies | 266 | 284 |
| Deferred tax assets | 166 | 165 |
| Other | 166 | 263 |
| Allowance for doubtful accounts | (12) | (1) |
| Total current assets | 15,377 | 14,305 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 2,705 | 2,603 |
| Other, net | 2,298 | 2,260 |
| Total property, plant and equipment | 5,003 | 4,863 |
| Intangible assets | 114 | 136 |
| Investments and other assets | | |
| Investment securities | 5,109 | 5,516 |
| Other | 1,036 | 1,224 |
| Allowance for doubtful accounts | (80) | (75) |
| Total investments and other assets | 6,065 | 6,665 |
| Total non-current assets | 11,183 | 11,664 |
| Total assets | 26,560 | 25,970 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,158 | 3,269 |
| Short-term loans payable | 435 | 317 |
| Current portion of bonds | 170 | 100 |
| Accounts payable - other | 249 | 83 |
| Accrued expenses | 960 | 790 |
| Income taxes payable | 53 | 21 |
| Accrued consumption taxes | 49 | 15 |
| Provision for bonuses | 421 | 210 |
| Provision for loss on construction contracts | 58 | 48 |
| Provision for environmental safety measures | 124 | - |
| Other | 149 | 327 |
| Total current liabilities | 5,831 | 5,185 |

(Millions of yen)

| | As of March 31, 2015 | As of December 31, 2015 |
|---|----------------------|-------------------------|
| Non-current liabilities | | |
| Bonds payable | 160 | 90 |
| Long-term loans payable | 239 | 621 |
| Deferred tax liabilities | 811 | 908 |
| Provision for environmental safety measures | 4 | 6 |
| Net defined benefit liability | 2,184 | 1,978 |
| Asset retirement obligations | 82 | 83 |
| Other | 547 | 499 |
| Total non-current liabilities | 4,028 | 4,187 |
| Total liabilities | 9,859 | 9,373 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 9,019 | 9,019 |
| Retained earnings | 5,725 | 5,461 |
| Treasury shares | (27) | (27) |
| Total shareholders' equity | 14,718 | 14,453 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,725 | 1,930 |
| Remeasurements of defined benefit plans | 244 | 199 |
| Total accumulated other comprehensive income | 1,969 | 2,130 |
| Non-controlling interests | 13 | 12 |
| Total net assets | 16,700 | 16,596 |
| Total liabilities and net assets | 26,560 | 25,970 |

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

Consolidated statements of income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2014 | Nine months ended December 31, 2015 |
|--|--|--|
| Net sales | 17,736 | 15,502 |
| Cost of sales | 15,141 | 13,243 |
| Gross profit | 2,595 | 2,259 |
| Selling, general and administrative expenses | 2,312 | 2,339 |
| Operating income (loss) | 282 | (80) |
| Non-operating income | | |
| Interest income | 0 | 3 |
| Dividend income | 111 | 123 |
| Subsidy income | 47 | 1 |
| Miscellaneous income | 98 | 46 |
| Total non-operating income | 257 | 175 |
| Non-operating expenses | | |
| Interest expenses | 6 | 4 |
| Insurance expenses | 22 | 18 |
| Maintenance cost for idle assets | 25 | 19 |
| Miscellaneous loss | 52 | 33 |
| Total non-operating expenses | 106 | 76 |
| Ordinary income | 433 | 18 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 64 | 11 |
| Insurance income | - | 11 |
| Gain on liquidation of subsidiaries and associates | - | 21 |
| Other | 0 | 0 |
| Total extraordinary income | 65 | 43 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 14 | 1 |
| Impairment loss | - | 27 |
| Compensation for damage | - | 14 |
| Provision for environmental safety measures | 4 | - |
| Other | 0 | - |
| Total extraordinary losses | 18 | 43 |
| Income before income taxes and minority interests | 480 | 18 |
| Income taxes | 69 | 33 |
| Profit (loss) | 410 | (14) |
| Loss attributable to non-controlling interests | (7) | (1) |
| Profit (loss) attributable to owners of parent | 418 | (13) |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2014 | Nine months ended December 31, 2015 |
|--|--|--|
| Profit (loss) | 410 | (14) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 329 | 205 |
| Deferred gains or losses on hedges | (0) | – |
| Remeasurements of defined benefit plans, net of tax | 29 | (45) |
| Total other comprehensive income | 358 | 160 |
| Comprehensive income | 769 | 146 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 776 | 147 |
| Comprehensive income attributable to non-controlling interests | (7) | (1) |