

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

February 6, 2018

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: February 14, 2018  
 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, 2017 (from April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	13,489	(0.7)	(195)	–	(108)	–	(184)	–
Nine months ended December 31, 2016	13,591	(12.3)	(357)	–	(386)	–	(476)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2017	(14.75)		–	
Nine months ended December 31, 2016	(38.10)		–	

(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, 2017	24,140	15,295	63.3	1,221.04
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	–	0.00	–		
Year ending March 31, 2018 (Forecast)				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
Full year	20,300	9.7	100	–	170	–	60	–	4.79

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2017	31,753 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)

Nine months ended December 31, 2017	12,516,646 shares	Nine months ended December 31, 2016	12,517,159 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	3,867	3,067
Notes and accounts receivable - trade	4,648	4,679
Electronically recorded monetary claims - operating	1,477	1,112
Securities	20	40
Merchandise and finished goods	369	249
Work in process	3,452	4,210
Raw materials and supplies	275	298
Deferred tax assets	22	22
Other	293	414
Allowance for doubtful accounts	(5)	(10)
Total current assets	14,421	14,083
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,468	2,370
Other, net	1,875	1,767
Total property, plant and equipment	4,343	4,138
Intangible assets	97	84
Investments and other assets		
Investment securities	4,654	5,250
Other	625	649
Allowance for doubtful accounts	(65)	(65)
Total investments and other assets	5,215	5,834
Total non-current assets	9,656	10,057
Total assets	24,078	24,140
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	2,527	2,853
Short-term loans payable	443	533
Current portion of bonds	60	30
Accounts payable - other	119	81
Accrued expenses	785	792
Income taxes payable	63	45
Accrued consumption taxes	254	20
Deferred tax liabilities	1	-
Provision for bonuses	291	142
Provision for loss on construction contracts	50	34
Other	216	234
Total current liabilities	4,814	4,768

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Non-current liabilities		
Long-term loans payable	837	862
Deferred tax liabilities	679	760
Provision for environmental safety measures	43	40
Net defined benefit liability	1,953	1,928
Asset retirement obligations	85	86
Other	444	398
Total non-current liabilities	4,042	4,076
Total liabilities	8,857	8,845
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	4,407	3,972
Treasury shares	(27)	(28)
Total shareholders' equity	13,398	12,963
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,570	2,079
Deferred gains or losses on hedges	2	(0)
Foreign currency translation adjustment	106	107
Remeasurements of defined benefit plans	131	132
Total accumulated other comprehensive income	1,810	2,319
Non-controlling interests	10	12
Total net assets	15,220	15,295
Total liabilities and net assets	24,078	24,140

**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, 2016	Nine months ended December 31, 2017
Net sales	13,591	13,489
Cost of sales	11,618	11,410
Gross profit	1,973	2,079
Selling, general and administrative expenses	2,331	2,274
Operating loss	(357)	(195)
Non-operating income		
Interest income	2	2
Dividend income	111	117
Miscellaneous income	33	39
Total non-operating income	147	158
Non-operating expenses		
Interest expenses	4	3
Insurance expenses	18	18
Maintenance cost for idle assets	17	17
Foreign exchange losses	84	1
Miscellaneous loss	52	30
Total non-operating expenses	176	71
Ordinary loss	(386)	(108)
Extraordinary income		
Gain on sales of non-current assets	1	42
Other	0	0
Total extraordinary income	1	42
Extraordinary losses		
Impairment loss	66	-
Loss on product safety measures	-	15
Environmental expenses	-	61
Other	1	1
Total extraordinary losses	67	78
Loss before income taxes	(452)	(144)
Income taxes	24	39
Loss	(477)	(183)
Profit (loss) attributable to non-controlling interests	(1)	1
Loss attributable to owners of parent	(476)	(184)

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Loss	(477)	(183)
Other comprehensive income		
Valuation difference on available-for-sale securities	500	509
Deferred gains or losses on hedges	0	(2)
Foreign currency translation adjustment	(13)	0
Remeasurements of defined benefit plans, net of tax	(0)	1
Total other comprehensive income	486	508
Comprehensive income	8	325
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9	324
Comprehensive income attributable to non-controlling interests	(1)	1