

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2018 (Based on Japanese GAAP)

August 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: August 10, 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 three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(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, 2018	5,083	19.1	157	–	207	–	183	–
Three months ended June 30, 2017	4,269	(0.6)	(99)	–	(59)	–	(67)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2018	14.64		–	
Three months ended June 30, 2017	(5.39)		–	

(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, 2018	24,154	14,678	60.7	1,171.81
As of March 31, 2018	24,205	14,895	61.5	1,189.13

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, 2018	–	0.00	–	20.00	20.00
Year ending March 31, 2019	–	–	–	–	–
Year ending March 31, 2019 (Forecast)	–	0.00	–	20.00	20.00

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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, 2018	10,900	18.5	290	–	340	–	280	–	22.37
Full year	22,600	16.1	700	–	780	–	670	–	53.53

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2018
 (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, 2018	12,548,134 shares	As of March 31, 2018	12,548,134 shares
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Number of treasury shares at the end of the period

As of June 30, 2018	31,866 shares	As of March 31, 2018	31,854 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, 2018	12,516,273 shares	Three months ended June 30, 2017	12,516,950 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	2,685	2,873
Notes and accounts receivable - trade	6,304	6,420
Electronically recorded monetary claims - operating	1,653	1,690
Securities	20	20
Merchandise and finished goods	90	241
Work in process	3,623	4,065
Raw materials and supplies	334	349
Other	1,090	233
Allowance for doubtful accounts	(5)	(8)
Total current assets	15,798	15,885
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,320	2,334
Other, net	1,686	1,718
Total property, plant and equipment	4,006	4,053
Intangible assets	80	132
Investments and other assets		
Investment securities	3,727	3,533
Other	642	599
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	4,319	4,082
Total non-current assets	8,407	8,268
Total assets	24,205	24,154
Liabilities		
Current liabilities		
Accounts payable - trade	2,738	3,155
Short-term loans payable	821	698
Accounts payable - other	110	74
Accrued expenses	766	990
Income taxes payable	114	33
Accrued consumption taxes	20	20
Provision for bonuses	285	146
Provision for loss on construction contracts	46	25
Provision for environmental safety measures	390	390
Other	336	346
Total current liabilities	5,630	5,881

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Non-current liabilities		
Long-term loans payable	773	772
Deferred tax liabilities	545	489
Provision for environmental safety measures	80	80
Net defined benefit liability	1,850	1,834
Asset retirement obligations	86	86
Other	342	330
Total non-current liabilities	3,678	3,594
Total liabilities	9,309	9,476
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	4,325	4,258
Treasury shares	(28)	(28)
Total shareholders' equity	13,316	13,249
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,281	1,145
Deferred gains or losses on hedges	(0)	(1)
Foreign currency translation adjustment	109	107
Remeasurements of defined benefit plans	175	166
Total accumulated other comprehensive income	1,566	1,417
Non-controlling interests	12	11
Total net assets	14,895	14,678
Total liabilities and net assets	24,205	24,154

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, 2017	Three months ended June 30, 2018
Net sales	4,269	5,083
Cost of sales	3,589	4,170
Gross profit	679	913
Selling, general and administrative expenses	779	755
Operating profit (loss)	(99)	157
Non-operating income		
Interest income	0	1
Dividend income	58	61
Miscellaneous income	13	14
Total non-operating income	73	76
Non-operating expenses		
Interest expenses	1	1
Maintenance cost for idle assets	5	6
Foreign exchange losses	9	2
Miscellaneous loss	16	17
Total non-operating expenses	33	27
Ordinary profit (loss)	(59)	207
Extraordinary income		
Gain on sales of non-current assets	0	2
Other	0	-
Total extraordinary income	0	2
Extraordinary losses		
Other	0	0
Total extraordinary losses	0	0
Profit (loss) before income taxes	(59)	209
Income taxes	7	26
Profit (loss)	(66)	182
Profit (loss) attributable to non-controlling interests	1	(0)
Profit (loss) attributable to owners of parent	(67)	183

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit (loss)	(66)	182
Other comprehensive income		
Valuation difference on available-for-sale securities	97	(136)
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustment	(4)	(2)
Remeasurements of defined benefit plans, net of tax	0	(9)
Total other comprehensive income	91	(149)
Comprehensive income	25	32
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24	33
Comprehensive income attributable to non-controlling interests	1	(0)