

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2014 (Based on Japanese GAAP)

November 11, 2014

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: November 14, 2014  
 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, 2014 (from April 1, 2014 to September 30, 2014)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2014	11,205	2.3	186	(58.6)	281	(38.3)	299	(38.5)
Six months ended September 30, 2013	10,955	(7.7)	451	(16.5)	456	(9.3)	488	58.7

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended September 30, 2014	23.94		–	
Six months ended September 30, 2013	38.95		–	

(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, 2014	26,793		16,120		59.8		1,278.43	
As of March 31, 2014	26,234		15,366		58.2		1,217.62	

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, 2014	–	0.00	–	20.00	20.00
Year ending March 31, 2015	–	0.00			
Year ending March 31, 2015 (Forecast)			–	20.00	20.00

3. Forecast of consolidated financial results for the year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	23,000	(1.3)	780	(23.1)	890	(14.6)	850	(28.1)	67.84

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2014  
(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, 2014	12,548,134 shares	As of March 31, 2014	12,548,134 shares
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Number of treasury shares at the end of the period

As of September 30, 2014	18,256 shares	As of March 31, 2014	17,615 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, 2014	12,530,198 shares	Six months ended September 30, 2013	12,530,812 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,914	3,514
Notes and accounts receivable - trade	9,254	6,889
Electronically recorded monetary claims - operating	494	398
Securities	–	1,200
Merchandise and finished goods	240	380
Work in process	2,671	3,306
Raw materials and supplies	271	275
Deferred tax assets	180	181
Other	192	207
Allowance for doubtful accounts	(12)	(8)
<b>Total current assets</b>	<b>16,208</b>	<b>16,343</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	2,554	2,706
Other, net	1,920	1,988
<b>Total property, plant and equipment</b>	<b>4,474</b>	<b>4,695</b>
Intangible assets	41	68
<b>Investments and other assets</b>		
Investment securities	4,487	4,702
Other	1,111	1,070
Allowance for doubtful accounts	(88)	(88)
<b>Total investments and other assets</b>	<b>5,510</b>	<b>5,685</b>
<b>Total non-current assets</b>	<b>10,025</b>	<b>10,449</b>
<b>Total assets</b>	<b>26,234</b>	<b>26,793</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	3,072	3,812
Short-term loans payable	442	432
Current portion of bonds	247	200
Accounts payable - other	205	366
Accrued expenses	909	772
Income taxes payable	93	47
Accrued consumption taxes	201	29
Provision for bonuses	440	420
Provision for loss on construction contracts	10	14
Other	112	146
<b>Total current liabilities</b>	<b>5,734</b>	<b>6,243</b>

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Non-current liabilities		
Bonds payable	330	230
Long-term loans payable	225	285
Deferred tax liabilities	719	783
Provision for environmental safety measures	124	124
Net defined benefit liability	3,161	2,445
Asset retirement obligations	80	81
Other	493	479
Total non-current liabilities	5,133	4,428
Total liabilities	10,868	10,672
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	4,815	5,454
Treasury shares	(17)	(18)
Total shareholders' equity	13,817	14,456
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,311	1,429
Deferred gains or losses on hedges	0	(15)
Remeasurements of defined benefit plans	128	148
Total accumulated other comprehensive income	1,439	1,562
Minority interests	108	101
Total net assets	15,366	16,120
Total liabilities and net assets	26,234	26,793

**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, 2013	Six months ended September 30, 2014
Net sales	10,955	11,205
Cost of sales	8,907	9,527
Gross profit	2,047	1,678
Selling, general and administrative expenses	1,596	1,491
Operating income	451	186
Non-operating income		
Interest income	0	0
Dividend income	53	59
Subsidy income	–	46
Miscellaneous income	35	64
Total non-operating income	89	170
Non-operating expenses		
Interest expenses	11	4
Maintenance cost for idle assets	24	16
Insurance expenses	14	15
Miscellaneous loss	35	39
Total non-operating expenses	84	76
Ordinary income	456	281
Extraordinary income		
Gain on sales of non-current assets	87	65
Other	0	0
Total extraordinary income	88	65
Extraordinary losses		
Loss on sales of non-current assets	12	0
Loss on disposal of non-current assets	2	8
Compensation for damage	19	–
Total extraordinary losses	34	8
Income before income taxes and minority interests	509	338
Income taxes	22	44
Income before minority interests	487	293
Minority interests in loss	(0)	(6)
Net income	488	299

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

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Income before minority interests	487	293
Other comprehensive income		
Valuation difference on available-for-sale securities	239	118
Deferred gains or losses on hedges	0	(15)
Remeasurements of defined benefit plans, net of tax	–	19
Total other comprehensive income	239	122
Comprehensive income	726	416
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	727	422
Comprehensive income attributable to minority interests	(0)	(6)

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	509	338
Depreciation	323	325
Increase (decrease) in allowance for doubtful accounts	2	(3)
Increase (decrease) in provision for bonuses	(6)	(19)
Increase (decrease) in provision for directors' bonuses	(7)	–
Increase (decrease) in provision for retirement benefits	(107)	–
Increase (decrease) in net defined benefit liability	–	(106)
Increase (decrease) in provision for loss on construction contracts	0	4
Increase (decrease) in provision for loss on removal of fixed assets	(8)	–
Interest and dividend income	(54)	(60)
Interest expenses	11	4
Foreign exchange losses (gains)	(0)	(3)
Loss (gain) on sales of property, plant and equipment	(75)	(64)
Loss (gain) on disposal of property, plant and equipment	2	7
Loss (gain) on sales of short-term and long-term investment securities	(0)	–
Decrease (increase) in notes and accounts receivable - trade	2,246	2,461
Decrease (increase) in inventories	56	(776)
Increase (decrease) in notes and accounts payable - trade	(692)	740
Increase (decrease) in accrued consumption taxes	(54)	(172)
Decrease (increase) in other current assets	36	(12)
Increase (decrease) in other current liabilities	(126)	(115)
Other, net	(76)	(12)
Subtotal	1,977	2,534
Interest and dividend income received	54	60
Interest expenses paid	(11)	(4)
Income taxes paid	(35)	(78)
Net cash provided by (used in) operating activities	1,985	2,511
Cash flows from investing activities		
Payments into time deposits	(128)	(138)
Proceeds from withdrawal of time deposits	125	125
Purchase of property, plant and equipment	(577)	(389)
Proceeds from sales of property, plant and equipment	155	69
Purchase of intangible assets	(1)	(33)
Purchase of investment securities	(10)	(31)
Proceeds from sales and redemption of investment securities	268	0
Other, net	13	37
Net cash provided by (used in) investing activities	(155)	(361)

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(50)	50
Proceeds from long-term loans payable	–	100
Repayments of long-term loans payable	(379)	(99)
Redemption of bonds	(197)	(147)
Cash dividends paid	(247)	(247)
Cash dividends paid to minority shareholders	(6)	(0)
Repayments of lease obligations	(40)	(21)
Proceeds from sales of treasury shares	0	–
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(922)	(366)
Effect of exchange rate change on cash and cash equivalents	0	3
Net increase (decrease) in cash and cash equivalents	909	1,786
Cash and cash equivalents at beginning of period	2,794	2,700
Cash and cash equivalents at end of period	3,703	4,486