

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2014 (Based on Japanese GAAP)

February 9, 2015

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 13, 2015
 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, 2014 (from April 1, 2014 to December 31, 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	%
Nine months ended December 31, 2014	17,736	6.2	282	(60.5)	433	(42.0)	418	(43.2)
Nine months ended December 31, 2013	16,702	(7.1)	715	(22.1)	746	(17.8)	735	16.1

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended December 31, 2014	33.37		–	
Nine months ended December 31, 2013	58.73		–	

(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, 2014	27,120		16,438		60.4		1,306.71	
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)	350	(65.5)	510	(51.0)	480	(59.4)	38.31

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2014	18,440 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)

Nine months ended December 31, 2014	12,530,106 shares	Nine months ended December 31, 2013	12,530,703 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	2,914	2,496
Notes and accounts receivable - trade	9,254	8,416
Electronically recorded monetary claims - operating	494	710
Merchandise and finished goods	240	345
Work in process	2,671	3,145
Raw materials and supplies	271	273
Deferred tax assets	180	180
Other	192	321
Allowance for doubtful accounts	(12)	(10)
Total current assets	16,208	15,878
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,554	2,701
Other, net	1,920	2,200
Total property, plant and equipment	4,474	4,901
Intangible assets	41	89
Investments and other assets		
Investment securities	4,487	5,277
Other	1,111	1,060
Allowance for doubtful accounts	(88)	(88)
Total investments and other assets	5,510	6,250
Total non-current assets	10,025	11,241
Total assets	26,234	27,120
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,072	3,858
Short-term loans payable	442	434
Current portion of bonds	247	200
Accounts payable - other	205	342
Accrued expenses	909	845
Income taxes payable	93	26
Accrued consumption taxes	201	36
Provision for bonuses	440	215
Provision for loss on construction contracts	10	8
Other	112	251
Total current liabilities	5,734	6,218

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Non-current liabilities		
Bonds payable	330	190
Long-term loans payable	225	260
Deferred tax liabilities	719	895
Provision for environmental safety measures	124	128
Net defined benefit liability	3,161	2,362
Asset retirement obligations	80	81
Other	493	544
Total non-current liabilities	5,133	4,462
Total liabilities	10,868	10,681
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	4,815	5,572
Treasury shares	(17)	(18)
Total shareholders' equity	13,817	14,574
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,311	1,640
Deferred gains or losses on hedges	0	–
Remeasurements of defined benefit plans	128	158
Total accumulated other comprehensive income	1,439	1,798
Minority interests	108	66
Total net assets	15,366	16,438
Total liabilities and net assets	26,234	27,120

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, 2013	Nine months ended December 31, 2014
Net sales	16,702	17,736
Cost of sales	13,564	15,141
Gross profit	3,137	2,595
Selling, general and administrative expenses	2,422	2,312
Operating income	715	282
Non-operating income		
Interest income	0	0
Dividend income	97	111
Subsidy income	–	47
Miscellaneous income	55	98
Total non-operating income	153	257
Non-operating expenses		
Interest expenses	14	6
Maintenance cost for idle assets	37	25
Insurance expenses	21	22
Miscellaneous loss	48	52
Total non-operating expenses	121	106
Ordinary income	746	433
Extraordinary income		
Gain on sales of non-current assets	87	64
Gain on disposal of non-current assets	0	0
Other	0	–
Total extraordinary income	88	65
Extraordinary losses		
Loss on sales of non-current assets	13	0
Loss on disposal of non-current assets	15	14
Compensation for damage	19	–
Provision for environmental safety measures	–	4
Total extraordinary losses	48	18
Income before income taxes and minority interests	787	480
Income taxes	48	69
Income before minority interests	738	410
Minority interests in income (loss)	2	(7)
Net income	735	418

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Income before minority interests	738	410
Other comprehensive income		
Valuation difference on available-for-sale securities	493	329
Deferred gains or losses on hedges	0	(0)
Remeasurements of defined benefit plans, net of tax	–	29
Total other comprehensive income	494	358
Comprehensive income	1,232	769
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,230	776
Comprehensive income attributable to minority interests	2	(7)