

Translation

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## Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Based on Japanese GAAP)

May 12, 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 of ordinary general meeting of shareholders: June 28, 2016  
 Scheduled date to file Securities Report: June 28, 2016  
 Scheduled date to commence dividend payments: June 29, 2016  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated operating results

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	%
Year ended March 31, 2016	22,364	(5.3)	31	(88.0)	130	(68.4)	(66)	–
Year ended March 31, 2015	23,623	1.4	264	(73.9)	414	(60.2)	570	(51.7)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	(5.32)	–	(0.4)	0.5	0.1
Year ended March 31, 2015	45.58	–	3.6	1.6	1.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2016	25,177	15,583	61.8	1,243.97
As of March 31, 2015	26,560	16,700	62.8	1,333.13

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2016	84	(297)	224	2,963
Year ended March 31, 2015	2,035	(1,181)	(569)	2,989

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2015	–	0.00	–	20.00	20.00	250	43.9	1.6
Year ended March 31, 2016	–	0.00	–	20.00	20.00	250	–	1.6
Year ending March 31, 2017 (Forecast)	–	0.00	–	20.00	20.00		61.1	

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

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
Six months ending September 30, 2016	10,000	3.1	100	–	150	–	110	–	8.79
Full year	21,000	(6.1)	420	–	500	284.6	410	–	32.75

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2016

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2016	12,548,134 shares	As of March 31, 2015	12,548,134 shares
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Number of treasury shares at the end of the period

As of March 31, 2016	30,821 shares	As of March 31, 2015	30,402 shares
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Average number of shares during the period

Year ended March 31, 2016	12,517,506 shares	Year ended March 31, 2015	12,527,960 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	2,589	3,052
Notes and accounts receivable - trade	7,172	7,263
Electronically recorded monetary claims - operating	958	1,376
Securities	700	20
Merchandise and finished goods	252	206
Work in process	3,116	3,138
Raw materials and supplies	266	285
Deferred tax assets	166	146
Other	166	297
Allowance for doubtful accounts	(12)	(5)
Total current assets	15,377	15,780
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,700	11,804
Accumulated depreciation	(8,995)	(9,249)
Buildings and structures, net	2,705	2,555
Machinery, equipment and vehicles	12,435	12,481
Accumulated depreciation	(11,083)	(11,223)
Machinery, equipment and vehicles, net	1,351	1,258
Tools, furniture and fixtures	1,324	1,450
Accumulated depreciation	(1,149)	(1,195)
Tools, furniture and fixtures, net	175	254
Land	504	504
Leased assets	547	247
Accumulated depreciation	(374)	(125)
Leased assets, net	172	122
Construction in progress	94	6
Total property, plant and equipment	5,003	4,701
Intangible assets		
Other	114	128
Total intangible assets	114	128
Investments and other assets		
Investment securities	5,109	3,683
Other	1,036	953
Allowance for doubtful accounts	(80)	(70)
Total investments and other assets	6,065	4,566
Total non-current assets	11,183	9,396
Total assets	26,560	25,177

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	3,158	3,345
Short-term loans payable	435	637
Current portion of bonds	170	100
Lease obligations	55	45
Accounts payable - other	249	41
Accrued expenses	960	877
Income taxes payable	53	50
Accrued consumption taxes	49	51
Provision for bonuses	421	361
Provision for loss on construction contracts	58	49
Provision for environmental safety measures	124	–
Other	93	157
<b>Total current liabilities</b>	<b>5,831</b>	<b>5,718</b>
<b>Non-current liabilities</b>		
Bonds payable	160	60
Long-term loans payable	239	738
Lease obligations	134	89
Deferred tax liabilities	811	475
Provision for environmental safety measures	4	43
Net defined benefit liability	2,184	1,988
Asset retirement obligations	82	83
Other	413	397
<b>Total non-current liabilities</b>	<b>4,028</b>	<b>3,875</b>
<b>Total liabilities</b>	<b>9,859</b>	<b>9,593</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	9,019	9,019
Retained earnings	5,725	5,408
Treasury shares	(27)	(27)
<b>Total shareholders' equity</b>	<b>14,718</b>	<b>14,400</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,725	1,061
Deferred gains or losses on hedges	–	(0)
Remeasurements of defined benefit plans	244	109
<b>Total accumulated other comprehensive income</b>	<b>1,969</b>	<b>1,170</b>
<b>Non-controlling interests</b>	<b>13</b>	<b>12</b>
<b>Total net assets</b>	<b>16,700</b>	<b>15,583</b>
<b>Total liabilities and net assets</b>	<b>26,560</b>	<b>25,177</b>

**Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	23,623	22,364
Cost of sales	20,241	19,271
Gross profit	3,382	3,093
Selling, general and administrative expenses	3,117	3,061
Operating income	264	31
Non-operating income		
Interest income	1	5
Dividend income	111	126
Gain on sales of investment securities	0	53
Insurance income	28	23
Subsidy income	57	1
Foreign exchange gains	39	–
Miscellaneous income	54	47
Total non-operating income	293	257
Non-operating expenses		
Interest expenses	8	6
Insurance expenses	28	23
Maintenance cost for idle assets	42	24
Foreign exchange losses	–	62
Miscellaneous loss	63	41
Total non-operating expenses	143	158
Ordinary income	414	130
Extraordinary income		
Gain on sales of non-current assets	64	11
Gain on sales of investment securities	193	161
Insurance income	–	11
Gain on liquidation of subsidiaries and associates	–	21
Other	1	0
Total extraordinary income	259	204
Extraordinary losses		
Loss on sales of non-current assets	2	–
Loss on disposal of non-current assets	28	2
Impairment loss	–	27
Loss on valuation of investments in capital of subsidiaries and associates	–	247
Compensation for damage	–	14
Provision for environmental safety measures	4	37
Total extraordinary losses	34	329
Profit before income taxes	639	6
Income taxes - current	67	54
Income taxes - deferred	10	18
Total income taxes	77	73
Profit (loss)	561	(67)
Loss attributable to non-controlling interests	(9)	(0)
Profit (loss) attributable to owners of parent	570	(66)

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit (loss)	561	(67)
Other comprehensive income		
Valuation difference on available-for-sale securities	413	(663)
Deferred gains or losses on hedges	(0)	(0)
Remeasurements of defined benefit plans, net of tax	116	(135)
Total other comprehensive income	529	(799)
Comprehensive income	1,091	(866)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,100	(865)
Comprehensive income attributable to non-controlling interests	(9)	(0)

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2015

(Millions of yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,019	4,815	(17)	13,817
Cumulative effects of changes in accounting policies		589		589
Restated balance	9,019	5,405	(17)	14,407
Changes of items during period				
Dividends of surplus		(250)		(250)
Profit (loss) attributable to owners of parent		570		570
Purchase of treasury shares			(9)	(9)
Net changes of items other than shareholders' equity				–
Total changes of items during period	–	320	(9)	310
Balance at end of current period	9,019	5,725	(27)	14,718

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,311	0	128	1,439	108	15,366
Cumulative effects of changes in accounting policies				–		589
Restated balance	1,311	0	128	1,439	108	15,955
Changes of items during period						
Dividends of surplus				–		(250)
Profit (loss) attributable to owners of parent				–		570
Purchase of treasury shares				–		(9)
Net changes of items other than shareholders' equity	413	(0)	116	529	(95)	434
Total changes of items during period	413	(0)	116	529	(95)	745
Balance at end of current period	1,725	–	244	1,969	13	16,700

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,019	5,725	(27)	14,718
Changes of items during period				
Dividends of surplus		(250)		(250)
Profit (loss) attributable to owners of parent		(66)		(66)
Purchase of treasury shares			(0)	(0)
Disposal of treasury shares		(0)	0	0
Net changes of items other than shareholders' equity				-
Total changes of items during period	-	(316)	(0)	(317)
Balance at end of current period	9,019	5,408	(27)	14,400

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,725	-	244	1,969	13	16,700
Changes of items during period						
Dividends of surplus				-		(250)
Profit (loss) attributable to owners of parent				-		(66)
Purchase of treasury shares				-		(0)
Disposal of treasury shares				-		0
Net changes of items other than shareholders' equity	(663)	(0)	(135)	(799)	(0)	(800)
Total changes of items during period	(663)	(0)	(135)	(799)	(0)	(1,117)
Balance at end of current period	1,061	(0)	109	1,170	12	15,583



## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	639	6
Depreciation	748	890
Impairment loss	–	27
Increase (decrease) in allowance for doubtful accounts	(7)	(16)
Increase (decrease) in provision for bonuses	(18)	(59)
Increase (decrease) in net defined benefit liability	(271)	(331)
Increase (decrease) in provision for loss on construction contracts	47	(8)
Increase (decrease) in provision for environmental safety measures	4	(85)
Interest and dividend income	(112)	(132)
Interest expenses	8	6
Foreign exchange losses (gains)	(4)	36
Loss (gain) on sales of property, plant and equipment	(61)	(11)
Loss (gain) on disposal of property, plant and equipment	26	2
Loss (gain) on sales of short-term and long-term investment securities	(193)	(212)
Loss on valuation of investments in capital of subsidiaries and associates-OpeCF	–	247
Gain on liquidation of subsidiaries and associates	–	(21)
Decrease (increase) in notes and accounts receivable - trade	1,618	(509)
Decrease (increase) in inventories	(449)	5
Increase (decrease) in notes and accounts payable - trade	85	186
Increase (decrease) in accrued consumption taxes	(152)	1
Decrease (increase) in other current assets	28	0
Increase (decrease) in other current liabilities	72	(17)
Other, net	17	14
Subtotal	2,026	20
Interest and dividend income received	113	131
Interest expenses paid	(8)	(6)
Income taxes paid	(95)	(60)
Net cash provided by (used in) operating activities	2,035	84
Cash flows from investing activities		
Payments into time deposits	(264)	(229)
Proceeds from withdrawal of time deposits	328	290
Purchase of securities	(150)	(340)
Proceeds from sales and redemption of securities	–	470
Purchase of property, plant and equipment	(1,155)	(797)
Proceeds from sales of property, plant and equipment	71	13
Purchase of intangible assets	(90)	(45)
Purchase of investment securities	(185)	(671)
Proceeds from sales and redemption of investment securities	267	1,144
Purchase of shares of subsidiaries	(52)	–
Payments of loans receivable	–	(195)
Proceeds from liquidation of affiliates	–	67
Other, net	50	(4)
Net cash provided by (used in) investing activities	(1,181)	(297)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	50	80
Proceeds from long-term loans payable	100	730
Repayments of long-term loans payable	(142)	(108)
Redemption of bonds	(247)	(170)
Proceeds from sales of treasury shares	–	0
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(248)	(250)
Dividends paid to non-controlling interests	(34)	–
Repayments of lease obligations	(45)	(55)
Net cash provided by (used in) financing activities	(569)	224
Effect of exchange rate change on cash and cash equivalents	4	(36)
Net increase (decrease) in cash and cash equivalents	289	(26)
Cash and cash equivalents at beginning of period	2,700	2,989
Cash and cash equivalents at end of period	2,989	2,963