

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2016 (Based on Japanese GAAP)

February 7, 2017

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, 2017
 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, 2016 (from April 1, 2016 to December 31, 2016)

(1) Consolidated operating results (cumulative)

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	%
Nine months ended December 31, 2016	13,591	(12.3)	(357)	–	(386)	–	(476)	–
Nine months ended December 31, 2015	15,502	(12.6)	(80)	–	18	(95.8)	(13)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2016	(38.10)		–	
Nine months ended December 31, 2015	(1.09)		–	

(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, 2016	24,116	15,336	63.5	1,224.32
As of March 31, 2016	25,177	15,583	61.8	1,243.97

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, 2016	–	0.00	–	20.00	20.00
Year ending March 31, 2017	–	0.00	–		
Year ending March 31, 2017 (Forecast)				20.00	20.00

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
Full year	18,700	(16.4)	(470)	–	(460)	–	(550)	–	(43.94)

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2016
(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, 2016	12,548,134 shares	As of March 31, 2016	12,548,134 shares
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Number of treasury shares at the end of the period

As of December 31, 2016	31,135 shares	As of March 31, 2016	30,821 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, 2016	12,517,159 shares	Nine months ended December 31, 2015	12,517,568 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	3,052	3,106
Notes and accounts receivable - trade	7,263	4,814
Electronically recorded monetary claims - operating	1,376	1,777
Securities	20	20
Merchandise and finished goods	206	321
Work in process	3,138	3,556
Raw materials and supplies	285	285
Deferred tax assets	146	145
Other	297	295
Allowance for doubtful accounts	(5)	(7)
Total current assets	15,780	14,314
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,555	2,500
Other, net	2,145	1,997
Total property, plant and equipment	4,701	4,498
Intangible assets	128	106
Investments and other assets		
Investment securities	3,683	4,640
Other	953	627
Allowance for doubtful accounts	(70)	(70)
Total investments and other assets	4,566	5,197
Total non-current assets	9,396	9,802
Total assets	25,177	24,116
Liabilities		
Current liabilities		
Accounts payable - trade	3,345	2,558
Short-term loans payable	637	443
Current portion of bonds	100	60
Accounts payable - other	41	119
Accrued expenses	877	709
Income taxes payable	50	27
Accrued consumption taxes	51	194
Provision for bonuses	361	202
Provision for loss on construction contracts	49	50
Other	202	235
Total current liabilities	5,718	4,602

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Non-current liabilities		
Bonds payable	60	30
Long-term loans payable	738	915
Deferred tax liabilities	475	680
Provision for environmental safety measures	43	43
Net defined benefit liability	1,988	1,970
Asset retirement obligations	83	84
Other	486	452
Total non-current liabilities	3,875	4,177
Total liabilities	9,593	8,780
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	5,408	4,554
Treasury shares	(27)	(27)
Total shareholders' equity	14,400	13,546
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,061	1,561
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	–	107
Remeasurements of defined benefit plans	109	108
Total accumulated other comprehensive income	1,170	1,778
Non-controlling interests	12	11
Total net assets	15,583	15,336
Total liabilities and net assets	25,177	24,116

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, 2015	Nine months ended December 31, 2016
Net sales	15,502	13,591
Cost of sales	13,243	11,618
Gross profit	2,259	1,973
Selling, general and administrative expenses	2,339	2,331
Operating loss	(80)	(357)
Non-operating income		
Interest income	3	2
Dividend income	123	111
Miscellaneous income	47	33
Total non-operating income	175	147
Non-operating expenses		
Interest expenses	4	4
Insurance expenses	18	18
Maintenance cost for idle assets	19	17
Foreign exchange losses	2	84
Miscellaneous loss	31	52
Total non-operating expenses	76	176
Ordinary income (loss)	18	(386)
Extraordinary income		
Gain on sales of non-current assets	11	1
Insurance income	11	-
Gain on liquidation of subsidiaries and associates	21	-
Other	0	0
Total extraordinary income	43	1
Extraordinary losses		
Loss on disposal of non-current assets	1	1
Impairment loss	27	66
Compensation for damage	14	-
Other	-	0
Total extraordinary losses	43	67
Profit (loss) before income taxes	18	(452)
Income taxes	33	24
Loss	(14)	(477)
Loss attributable to non-controlling interests	(1)	(1)
Loss attributable to owners of parent	(13)	(476)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Loss	(14)	(477)
Other comprehensive income		
Valuation difference on available-for-sale securities	205	500
Deferred gains or losses on hedges	–	0
Foreign currency translation adjustment	–	(13)
Remeasurements of defined benefit plans, net of tax	(45)	(0)
Total other comprehensive income	160	486
Comprehensive income	146	8
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	147	9
Comprehensive income attributable to non-controlling interests	(1)	(1)