

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2017
(Based on Japanese GAAP)**

May 12, 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 of ordinary general meeting of shareholders: June 28, 2017
 Scheduled date to file Securities Report: June 28, 2017
 Scheduled date to commence dividend payments: June 29, 2017
 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, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

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 | % |
| Year ended March 31, 2017 | 18,500 | (17.3) | (405) | – | (388) | – | (624) | – |
| Year ended March 31, 2016 | 22,364 | (5.3) | 31 | (88.0) | 130 | (68.4) | (66) | – |

| | Earnings per share | Diluted earnings per share | Profit attributable to owners of parent/equity | Ordinary profit/total assets | Operating profit/net sales |
|---------------------------|--------------------|----------------------------|--|------------------------------|----------------------------|
| | Yen | Yen | % | % | % |
| Year ended March 31, 2017 | (49.90) | – | (4.1) | (1.6) | (2.2) |
| Year ended March 31, 2016 | (5.32) | – | (0.4) | 0.5 | 0.1 |

(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, 2017 | 24,078 | 15,220 | 63.2 | 1,215.13 |
| As of March 31, 2016 | 25,177 | 15,583 | 61.8 | 1,243.97 |

(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, 2017 | 1,695 | (474) | (491) | 3,784 |
| Year ended March 31, 2016 | 84 | (297) | 224 | 2,963 |

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, 2016 | – | 0.00 | – | 20.00 | 20.00 | 250 | – | 1.6 |
| Year ended March 31, 2017 | – | 0.00 | – | 20.00 | 20.00 | 250 | – | 1.6 |
| Year ending March 31, 2018 (Forecast) | – | 0.00 | – | 20.00 | 20.00 | | 78.2 | |

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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, 2017 | 9,600 | 7.2 | (120) | – | (90) | – | (100) | – | (7.99) |
| Full year | 20,500 | 10.8 | 330 | – | 400 | – | 320 | – | 25.57 |

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(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, 2017 | 12,548,134 shares | As of March 31, 2016 | 12,548,134 shares |
|----------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|----------------------|---------------|----------------------|---------------|
| As of March 31, 2017 | 31,175 shares | As of March 31, 2016 | 30,821 shares |
|----------------------|---------------|----------------------|---------------|

Average number of shares during the period

| | | | |
|---------------------------|-------------------|---------------------------|-------------------|
| Year ended March 31, 2017 | 12,517,113 shares | Year ended March 31, 2016 | 12,517,506 shares |
|---------------------------|-------------------|---------------------------|-------------------|

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2016 | As of March 31, 2017 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,052 | 3,867 |
| Notes and accounts receivable - trade | 7,263 | 4,648 |
| Electronically recorded monetary claims - operating | 1,376 | 1,477 |
| Securities | 20 | 20 |
| Merchandise and finished goods | 206 | 369 |
| Work in process | 3,138 | 3,452 |
| Raw materials and supplies | 285 | 275 |
| Deferred tax assets | 146 | 22 |
| Other | 297 | 293 |
| Allowance for doubtful accounts | (5) | (5) |
| Total current assets | 15,780 | 14,421 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 11,804 | 11,896 |
| Accumulated depreciation | (9,249) | (9,428) |
| Buildings and structures, net | 2,555 | 2,468 |
| Machinery, equipment and vehicles | 12,481 | 12,757 |
| Accumulated depreciation | (11,223) | (11,664) |
| Machinery, equipment and vehicles, net | 1,258 | 1,092 |
| Tools, furniture and fixtures | 1,450 | 1,549 |
| Accumulated depreciation | (1,195) | (1,351) |
| Tools, furniture and fixtures, net | 254 | 197 |
| Land | 504 | 502 |
| Leased assets | 247 | 208 |
| Accumulated depreciation | (125) | (126) |
| Leased assets, net | 122 | 81 |
| Construction in progress | 6 | 0 |
| Total property, plant and equipment | 4,701 | 4,343 |
| Intangible assets | | |
| Other | 128 | 97 |
| Total intangible assets | 128 | 97 |
| Investments and other assets | | |
| Investment securities | 3,683 | 4,654 |
| Other | 953 | 625 |
| Allowance for doubtful accounts | (70) | (65) |
| Total investments and other assets | 4,566 | 5,215 |
| Total non-current assets | 9,396 | 9,656 |
| Total assets | 25,177 | 24,078 |

(Millions of yen)

| | As of March 31, 2016 | As of March 31, 2017 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 3,345 | 2,527 |
| Short-term loans payable | 637 | 443 |
| Current portion of bonds | 100 | 60 |
| Lease obligations | 45 | 37 |
| Accounts payable - other | 41 | 119 |
| Accrued expenses | 877 | 785 |
| Income taxes payable | 50 | 63 |
| Accrued consumption taxes | 51 | 254 |
| Deferred tax liabilities | – | 1 |
| Provision for bonuses | 361 | 291 |
| Provision for loss on construction contracts | 49 | 50 |
| Other | 157 | 178 |
| Total current liabilities | 5,718 | 4,814 |
| Non-current liabilities | | |
| Bonds payable | 60 | – |
| Long-term loans payable | 738 | 837 |
| Lease obligations | 89 | 51 |
| Deferred tax liabilities | 475 | 679 |
| Provision for environmental safety measures | 43 | 43 |
| Net defined benefit liability | 1,988 | 1,953 |
| Asset retirement obligations | 83 | 85 |
| Other | 397 | 392 |
| Total non-current liabilities | 3,875 | 4,042 |
| Total liabilities | 9,593 | 8,857 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 9,019 | 9,019 |
| Retained earnings | 5,408 | 4,407 |
| Treasury shares | (27) | (27) |
| Total shareholders' equity | 14,400 | 13,398 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,061 | 1,570 |
| Deferred gains or losses on hedges | (0) | 2 |
| Foreign currency translation adjustment | – | 106 |
| Remeasurements of defined benefit plans | 109 | 131 |
| Total accumulated other comprehensive income | 1,170 | 1,810 |
| Non-controlling interests | 12 | 10 |
| Total net assets | 15,583 | 15,220 |
| Total liabilities and net assets | 25,177 | 24,078 |

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

(Millions of yen)

| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 22,364 | 18,500 |
| Cost of sales | 19,271 | 15,804 |
| Gross profit | 3,093 | 2,695 |
| Selling, general and administrative expenses | 3,061 | 3,101 |
| Operating profit (loss) | 31 | (405) |
| Non-operating income | | |
| Interest income | 5 | 3 |
| Dividend income | 126 | 112 |
| Gain on sales of investment securities | 53 | – |
| Insurance income | 23 | 17 |
| Subsidy income | 1 | 14 |
| Miscellaneous income | 47 | 47 |
| Total non-operating income | 257 | 194 |
| Non-operating expenses | | |
| Interest expenses | 6 | 5 |
| Insurance expenses | 23 | 24 |
| Maintenance cost for idle assets | 24 | 23 |
| Foreign exchange losses | 62 | 69 |
| Miscellaneous loss | 41 | 54 |
| Total non-operating expenses | 158 | 177 |
| Ordinary profit (loss) | 130 | (388) |
| Extraordinary income | | |
| Gain on sales of non-current assets | 11 | 4 |
| Gain on sales of investment securities | 161 | – |
| Insurance income | 11 | – |
| Gain on liquidation of subsidiaries and associates | 21 | – |
| Other | 0 | 0 |
| Total extraordinary income | 204 | 5 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | – | 0 |
| Loss on disposal of non-current assets | 2 | 1 |
| Impairment loss | 27 | 67 |
| Loss on valuation of investments in capital of subsidiaries and associates | 247 | – |
| Compensation for damage | 14 | – |
| Provision for environmental safety measures | 37 | – |
| Total extraordinary losses | 329 | 68 |
| Profit (loss) before income taxes | 6 | (452) |
| Income taxes - current | 54 | 50 |
| Income taxes - deferred | 18 | 123 |
| Total income taxes | 73 | 173 |
| Loss | (67) | (626) |
| Loss attributable to non-controlling interests | (0) | (1) |
| Loss attributable to owners of parent | (66) | (624) |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 |
|--|-------------------------------------|-------------------------------------|
| Loss | (67) | (626) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (663) | 508 |
| Deferred gains or losses on hedges | (0) | 2 |
| Foreign currency translation adjustment | – | (14) |
| Remeasurements of defined benefit plans, net of tax | (135) | 22 |
| Total other comprehensive income | (799) | 519 |
| Comprehensive income | (866) | (106) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (865) | (105) |
| Comprehensive income attributable to non-controlling interests | (0) | (1) |

Consolidated statements of changes in equity

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) |
| 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) |
| 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 |

Fiscal year ended March 31, 2017

(Millions of yen)

| | Shareholders' equity | | | |
|--|----------------------|-------------------|-----------------|----------------------------|
| | Capital stock | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 9,019 | 5,408 | (27) | 14,400 |
| Changes of items during period | | | | |
| Dividends of surplus | | (250) | | (250) |
| Loss attributable to owners of parent | | (624) | | (624) |
| Purchase of treasury shares | | | (0) | (0) |
| Change of scope of consolidation | | (126) | | (126) |
| Net changes of items other than shareholders' equity | | | | – |
| Total changes of items during period | – | (1,001) | (0) | (1,001) |
| Balance at end of current period | 9,019 | 4,407 | (27) | 13,398 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 1,061 | (0) | – | 109 | 1,170 | 12 | 15,583 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | – | | (250) |
| Loss attributable to owners of parent | | | | | – | | (624) |
| Purchase of treasury shares | | | | | – | | (0) |
| Change of scope of consolidation | | | | | – | | (126) |
| Net changes of items other than shareholders' equity | 508 | 2 | 106 | 22 | 640 | (1) | 638 |
| Total changes of items during period | 508 | 2 | 106 | 22 | 640 | (1) | (363) |
| Balance at end of current period | 1,570 | 2 | 106 | 131 | 1,810 | 10 | 15,220 |

Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 6 | (452) |
| Depreciation | 890 | 798 |
| Impairment loss | 27 | 67 |
| Increase (decrease) in allowance for doubtful accounts | (16) | (4) |
| Increase (decrease) in provision for bonuses | (59) | (69) |
| Increase (decrease) in net defined benefit liability | (331) | (12) |
| Increase (decrease) in provision for loss on construction contracts | (8) | 0 |
| Increase (decrease) in provision for environmental safety measures | (85) | – |
| Interest and dividend income | (132) | (115) |
| Interest expenses | 6 | 5 |
| Foreign exchange losses (gains) | 36 | 55 |
| Loss (gain) on sales of property, plant and equipment | (11) | (4) |
| Loss (gain) on disposal of property, plant and equipment | 2 | 0 |
| Loss (gain) on sales of short-term and long-term investment securities | (212) | 1 |
| 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 | (509) | 2,481 |
| Decrease (increase) in inventories | 5 | (392) |
| Increase (decrease) in notes and accounts payable - trade | 186 | (788) |
| Increase (decrease) in accrued consumption taxes | 1 | 203 |
| Decrease (increase) in other current assets | 0 | (79) |
| Increase (decrease) in other current liabilities | (17) | (77) |
| Other, net | 14 | 16 |
| Subtotal | 20 | 1,636 |
| Interest and dividend income received | 131 | 115 |
| Interest expenses paid | (6) | (6) |
| Income taxes paid | (60) | (50) |
| Net cash provided by (used in) operating activities | 84 | 1,695 |
| Cash flows from investing activities | | |
| Payments into time deposits | (229) | (74) |
| Proceeds from withdrawal of time deposits | 290 | 81 |
| Purchase of securities | (340) | – |
| Proceeds from sales and redemption of securities | 470 | – |
| Purchase of property, plant and equipment | (797) | (373) |
| Proceeds from sales of property, plant and equipment | 13 | 13 |
| Purchase of intangible assets | (45) | (4) |
| Purchase of investment securities | (671) | (306) |
| Proceeds from sales and redemption of investment securities | 1,144 | 262 |
| Purchase of shares of subsidiaries | – | (48) |
| Collection of loans receivable | – | 10 |
| Payments of loans receivable | (195) | (24) |
| Proceeds from liquidation of affiliates | 67 | – |
| Other, net | (4) | (9) |
| Net cash provided by (used in) investing activities | (297) | (474) |

(Millions of yen)

| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 80 | (300) |
| Proceeds from long-term loans payable | 730 | 500 |
| Repayments of long-term loans payable | (108) | (294) |
| Redemption of bonds | (170) | (100) |
| Proceeds from sales of treasury shares | 0 | – |
| Purchase of treasury shares | (0) | (0) |
| Cash dividends paid | (250) | (250) |
| Repayments of lease obligations | (55) | (45) |
| Net cash provided by (used in) financing activities | 224 | (491) |
| Effect of exchange rate change on cash and cash equivalents | (36) | (50) |
| Net increase (decrease) in cash and cash equivalents | (26) | 678 |
| Cash and cash equivalents at beginning of period | 2,989 | 2,963 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | – | 142 |
| Cash and cash equivalents at end of period | 2,963 | 3,784 |