



# Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2018

<Japanese GAAP>

July 31, 2017

Company name: Makino Milling Machine Co., Ltd.  
 Stock exchange listings: First section of Tokyo Stock Exchange  
 Securities code: 6135 URL: <http://www.makino.co.jp/>  
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(Figures are rounded off to the nearest million yen)

## 1. Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to June 30, 2017)

(1) Consolidated Results of Operations (cumulative) (% indicate changes from the same period of the previous fiscal year)

|                                  | Net sales   |       | Operating income |        | Ordinary income |        | Net income attributable to owners of the parent |        |
|----------------------------------|-------------|-------|------------------|--------|-----------------|--------|-------------------------------------------------|--------|
|                                  | (¥ million) | %     | (¥ million)      | %      | (¥ million)     | %      | (¥ million)                                     | %      |
| Three months ended June 30, 2017 | 31,855      | 3.0   | 197              | (80.6) | 696             | 69.1   | 314                                             | (3.3)  |
| June 30, 2016                    | 30,939      | (7.0) | 1,018            | (41.4) | 412             | (82.9) | 325                                             | (81.6) |

Note: Comprehensive income: Three months ended June 30, 2017: ¥581 million [ - %]

Three months ended June 30, 2016: ¥(4,575) million [ - %]

|                                  | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
|                                  | (¥)                  | (¥)                          |
| Three months ended June 30, 2017 | 2.86                 | 2.53                         |
| June 30, 2016                    | 2.96                 | 2.61                         |

## (2) Consolidated Financial Positions

|                     | Total assets | Net assets  | Capital adequacy ratio |
|---------------------|--------------|-------------|------------------------|
|                     | (¥ million)  | (¥ million) | %                      |
| As of June 30, 2017 | 246,091      | 126,887     | 51.3                   |
| March 31, 2017      | 247,606      | 127,190     | 51.1                   |

Note: Owner's equity as of June 30, 2017: ¥126,133 million March 31, 2017: ¥126,440 million

## 2. Dividends

|                                              | Annual dividends |                |               |                 |       |
|----------------------------------------------|------------------|----------------|---------------|-----------------|-------|
|                                              | First quarter    | Second quarter | Third quarter | Fiscal year end | Total |
|                                              | (¥)              | (¥)            | (¥)           | (¥)             | (¥)   |
| Fiscal year ended March 31, 2017             | -                | 8.00           | -             | 8.00            | 16.00 |
| Fiscal year ending March 31, 2018            | -                |                |               |                 |       |
| Fiscal year ending March 31, 2018 (Forecast) |                  | 8.00           | -             | 8.00            | 16.00 |

Note: Revisions of the forecast most recently announced : No

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to March 31, 2018)

(% indicate changes from the same period of the previous fiscal year)

|                             | Net sales   |      | Operating income |      | Ordinary income |       | Net income attributable to owners of the parent |       | Net income per share |
|-----------------------------|-------------|------|------------------|------|-----------------|-------|-------------------------------------------------|-------|----------------------|
|                             | (¥ million) | %    | (¥ million)      | %    | (¥ million)     | %     | (¥ million)                                     | %     | (¥)                  |
| Second Quarter (cumulative) | 72,000      | 11.5 | 3,000            | 40.4 | 3,300           | 126.3 | 2,500                                           | 181.0 | 22.72                |
| Full year                   | 159,500     | 3.8  | 10,500           | 8.7  | 10,800          | 8.0   | 8,200                                           | 7.9   | 74.51                |

Note: Revisions of the forecast most recently announced : Yes

\*Others

(1) Material changes in subsidiaries during this period (Changes in specified subsidiaries resulting in the changes in scope of consolidation): No

[ New: - Excluded: - ]

(2) Applying of specific accounting of the consolidated quarterly financial statements: Yes

(3) Changes in accounting policies, accounting estimates and retrospective restatement

1) Changes in accounting policies based on revisions of accounting standard: No

2) Changes in accounting policies other than ones based on revisions of accounting standard: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of issued and outstanding shares (common stock)

1) Number of issued and outstanding shares at the end of the period (including treasury stock)

|                      |                    |
|----------------------|--------------------|
| As of June 30, 2017  | 119,944,543 shares |
| As of March 31, 2017 | 119,944,543 shares |

2) Number of treasury stock at the end of the period

|                      |                  |
|----------------------|------------------|
| As of June 30, 2017  | 9,897,214 shares |
| As of March 31, 2017 | 9,897,144 shares |

3) Average number of shares

|                                  |                    |
|----------------------------------|--------------------|
| Three months ended June 30, 2017 | 110,047,382 shares |
| Three months ended June 30, 2016 | 110,051,116 shares |

\* This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Law.

\* Proper use of the forecast of financial results, and other special matters

The forward-looking statements are based on currently available information and assumptions, contain risks and uncertainty, and do not constitute guarantees of future achievement. Please note that the future results may greatly vary by the changes of various factors.

#### **4. QUALITATIVE INFORMATION**

##### **(1) Qualitative Information Relating to Consolidated Quarterly Operating Results**

During the three-month period under review, the Company posted net sales of ¥31,855 million (up 3.0% year on year), operating income of ¥197 million (down 80.6% year on year), and net income attributable to owners of the parent of ¥314 million (down 3.3% year on year) on a consolidated basis.

Orders received on a consolidated basis amounted to ¥50,666 million (up 56.6% year on year) owing to increased orders received in China and the United States.

The details of orders by geographic region for the first quarter are as follows:

##### **Makino Milling Machine Co., Ltd. and Its Consolidated Subsidiaries in Japan**

Domestic orders received by Makino Milling Machine Co., Ltd. slightly decreased compared to the previous corresponding period due to a decrease in orders received from the aircraft industry.

Orders received from parts machining customers including semiconductor equipment manufacturers increased.

The Company will strive to win orders from the die and mold industry in line with automotive model changeovers.

##### **MAKINO ASIA PTE LTD**

Orders received in Asia greatly exceeded the level of the previous corresponding period. In China, in particular, orders from the smartphone-related industry were settled. In addition, orders received from the auto industry increased.

We expect demand to remain favorable for the second quarter onward. We will continue sales and marketing activities with a view to winning orders exceeding the level of the previous corresponding period.

##### **MAKINO INC.**

Orders received in North America greatly increased compared to the previous corresponding period.

We received major orders from the aircraft industry, which were delayed from the previous year, and several additional orders.

Regarding orders from parts machining customers, we benefited from capital investment to increase production capacity by certain automotive parts machining customers.

We will continue efforts to win orders mainly from the aircraft and auto industries

for the second quarter onward.

#### **MAKINO Europe GmbH**

Orders received in Europe increased compared to the previous corresponding period. This increase was attributable to recovery of orders received from parts machining customers mainly in Italy, reflecting a strengthening of our sales and marketing activities.

We will continue to strengthen sales initiatives for the second quarter onward to secure stable orders.

#### **(2) Qualitative Information on Consolidated Financial Position**

Total assets on a consolidated basis at the end of the first quarter under review decreased by ¥1,515 million from the end of fiscal 2017 to ¥246,091 million. Major changes included a decrease of ¥11,895 million in notes and accounts receivable and an increase of ¥5,179 million in cash and time deposits.

Total liabilities decreased by ¥1,211 million from the end of fiscal 2017 to ¥119,203 million. This was primarily attributable to a decrease of ¥2,262 million in notes and accounts payable and an increase of ¥1,006 million in short-term loans.

Net assets decreased by ¥303 million from the end of fiscal 2017 to ¥126,887 million, mainly owing to dividends paid amounting to ¥880 million.

#### **(3) Qualitative Information on Consolidated Performance Forecasts**

As the exchange rate is shifting to a weaker yen than the Company's projection, the Company has revised the consolidated performance forecasts for the full year and for the first six-month period of the fiscal year ending March 31, 2018 as follows:

% figures indicate changes from the same period of the previous fiscal year

|                                                                    | Net sales |      | Operating income |      | Net income attributable to owners of the parent |       |
|--------------------------------------------------------------------|-----------|------|------------------|------|-------------------------------------------------|-------|
|                                                                    | ¥ million | %    | ¥ million        | %    | ¥ million                                       | %     |
| Forecasts for the first six months (1st and 2nd quarters combined) | 72,000    | 11.5 | 3,000            | 40.4 | 2,500                                           | 181.0 |
| Forecasts for the full fiscal year                                 | 159,500   | 3.8  | 10,500           | 8.7  | 8,200                                           | 7.9   |

## 5. Consolidated Financial Statements (Unaudited)

### (1) Consolidated Balance Sheets (As of March 31, 2017 and June 30, 2017)

|                                        | (in million yen)        |                        |
|----------------------------------------|-------------------------|------------------------|
|                                        | As of<br>March 31, 2017 | As of<br>June 30, 2017 |
| Assets                                 |                         |                        |
| Current assets                         |                         |                        |
| Cash and deposits                      | 51,668                  | 56,847                 |
| Notes and accounts receivable-trade    | 44,569                  | 32,673                 |
| Securities                             | 39                      | 39                     |
| Merchandise and finished goods         | 15,254                  | 19,554                 |
| Work in process                        | 11,874                  | 14,321                 |
| Raw materials and supplies             | 24,946                  | 25,026                 |
| Deferred tax assets                    | 1,448                   | 1,553                  |
| Other                                  | 5,345                   | 4,093                  |
| Allowance for doubtful accounts        | (671)                   | (714)                  |
| Total current assets                   | 154,475                 | 153,396                |
| Noncurrent assets                      |                         |                        |
| Buildings and structures, net          | 30,563                  | 30,388                 |
| Machinery, equipment and vehicles, net | 6,543                   | 6,578                  |
| Tools, furniture and fixtures, net     | 4,138                   | 4,157                  |
| Land                                   | 17,643                  | 17,681                 |
| Lease assets, net                      | 1,124                   | 1,072                  |
| Construction in progress               | 683                     | 924                    |
| Total property, plant and equipment    | 60,697                  | 60,803                 |
| Intangible assets                      |                         |                        |
| Other                                  | 3,340                   | 3,335                  |
| Total intangible assets                | 3,340                   | 3,335                  |
| Investments and other assets           |                         |                        |
| Investment securities                  | 23,190                  | 22,754                 |
| Long-term loans receivable             | 419                     | 406                    |
| Deferred tax assets                    | 3,455                   | 3,312                  |
| Net defined benefit asset              | 181                     | 176                    |
| Other                                  | 2,182                   | 2,231                  |
| Allowance for doubtful accounts        | (335)                   | (326)                  |
| Total investments and other assets     | 29,093                  | 28,556                 |
| Total noncurrent assets                | 93,130                  | 92,695                 |
| Total assets                           | 247,606                 | 246,091                |

(Continued)

|                                                             | (in million yen)        |                        |
|-------------------------------------------------------------|-------------------------|------------------------|
|                                                             | As of<br>March 31, 2017 | As of<br>June 30, 2017 |
| Liabilities                                                 |                         |                        |
| Current liabilities                                         |                         |                        |
| Notes and accounts payable-trade                            | 15,100                  | 12,838                 |
| Electronically recorded obligations - operating             | 15,112                  | 15,463                 |
| Short-term loans payable                                    | 2,459                   | 3,466                  |
| Current portion of bonds with subscription rights to shares | 11,980                  | 11,980                 |
| Current portion of long-term loans payable                  | 8,578                   | 8,390                  |
| Lease obligations                                           | 265                     | 253                    |
| Income taxes payable                                        | 903                     | 963                    |
| Other                                                       | 20,896                  | 20,896                 |
| Total current liabilities                                   | 75,296                  | 74,252                 |
| Noncurrent liabilities                                      |                         |                        |
| Bonds payable                                               | 5,000                   | 5,000                  |
| Long-term loans payable                                     | 26,783                  | 26,827                 |
| Lease obligations                                           | 1,092                   | 1,040                  |
| Deferred tax liabilities                                    | 5,924                   | 5,747                  |
| Net defined benefit liability                               | 4,960                   | 4,985                  |
| Provision for directors' retirement benefits                | 70                      | 72                     |
| Other                                                       | 1,289                   | 1,279                  |
| Total noncurrent liabilities                                | 45,119                  | 44,951                 |
| Total liabilities                                           | 120,415                 | 119,203                |
| Net assets                                                  |                         |                        |
| Shareholders' equity                                        |                         |                        |
| Capital stock                                               | 19,263                  | 19,263                 |
| Capital surplus                                             | 32,602                  | 32,602                 |
| Retained earnings                                           | 71,090                  | 70,524                 |
| Treasury stock                                              | (5,633)                 | (5,633)                |
| Total shareholders' equity                                  | 117,322                 | 116,756                |
| Accumulated other comprehensive income                      |                         |                        |
| Valuation difference on available-for-sale securities       | 12,473                  | 12,206                 |
| Foreign currency translation adjustment                     | (43)                    | 368                    |
| Remeasurements of defined benefit plans                     | (3,312)                 | (3,198)                |
| Total accumulated other comprehensive income                | 9,117                   | 9,376                  |
| Non-controlling interests                                   | 750                     | 753                    |
| Total net assets                                            | 127,190                 | 126,887                |
| Total liabilities and net assets                            | 247,606                 | 246,091                |

## (2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

|                                                          | Three month ended<br>June 30, 2016 | Three month ended<br>June 30, 2017 |
|----------------------------------------------------------|------------------------------------|------------------------------------|
| Net sales                                                | 30,939                             | 31,855                             |
| Cost of sales                                            | 21,945                             | 22,661                             |
| Gross profit                                             | 8,994                              | 9,194                              |
| Selling, general and administrative expenses             | 7,975                              | 8,996                              |
| Operating income                                         | 1,018                              | 197                                |
| Non-operating income                                     |                                    |                                    |
| Interest and dividends income                            | 244                                | 271                                |
| Rent income                                              | 58                                 | 59                                 |
| Foreign exchange gains                                   | -                                  | 100                                |
| Other                                                    | 105                                | 167                                |
| Total non-operating income                               | 408                                | 599                                |
| Non-operating expenses                                   |                                    |                                    |
| Interest expenses                                        | 104                                | 75                                 |
| Foreign exchange losses                                  | 870                                | -                                  |
| Other                                                    | 39                                 | 24                                 |
| Total non-operating expenses                             | 1,014                              | 99                                 |
| Ordinary income                                          | 412                                | 696                                |
| Extraordinary income                                     |                                    |                                    |
| Gain on sales of noncurrent assets                       | 57                                 | 6                                  |
| Total extraordinary income                               | 57                                 | 6                                  |
| Extraordinary loss                                       |                                    |                                    |
| Loss on retirement of noncurrent assets                  | 5                                  | 1                                  |
| Total extraordinary losses                               | 5                                  | 1                                  |
| Income before income taxes and non-controlling interests | 464                                | 701                                |
| Income taxes                                             | 129                                | 379                                |
| Net income                                               | 334                                | 321                                |
| Net income attributable to non-controlling interests     | 9                                  | 7                                  |
| Net income attributable to owners of the parent          | 325                                | 314                                |

(Continued)

|                                                                | (in million yen)                   |                                    |
|----------------------------------------------------------------|------------------------------------|------------------------------------|
|                                                                | Three month ended<br>June 30, 2016 | Three month ended<br>June 30, 2017 |
| Net income                                                     | 334                                | 321                                |
| Other comprehensive income                                     |                                    |                                    |
| Valuation difference on available-for-sale securities          | (868)                              | (266)                              |
| Foreign currency translation adjustment                        | (4,424)                            | 411                                |
| Remeasurements of defined benefit plans, net of tax            | 382                                | 114                                |
| Total other comprehensive income                               | (4,910)                            | 259                                |
| Comprehensive income                                           | (4,575)                            | 581                                |
| Comprehensive income attributable to                           |                                    |                                    |
| Comprehensive income attributable to owners of the parent      | (4,585)                            | 573                                |
| Comprehensive income attributable to non-controlling interests | 9                                  | 7                                  |

## 6. Segment Information

### (1) Reportable segment information

The Group's reportable segments are defined as individual units where independent financial information is available and which are subject to regular review by the board of directors to evaluate their results and decide the allocation of management resources. The reportable segments are summarized as follows:

Reportable segment I is a segment for which Makino Milling Machine Co., Ltd. is responsible. Its main areas are Japan, the Republic of Korea, China, Oceania, Russia, Norway, the United Kingdom, and all other areas not included in reportable segments II, III or IV.

Reportable segment II is a segment for which MAKINO ASIA PTE LTD (Singapore) is responsible. Its main areas are China, ASEAN and India.

Reportable segment III is a segment for which MAKINO INC. (Mason, Ohio, the United States of America) is responsible. It covers all countries in North and South America.

Reportable segment IV is a segment for which MAKINO Europe GmbH (Hamburg, Germany) is responsible. It covers all countries in the European continent except Norway.

Income for each reportable segment denotes operating income, and intersegments are based on market prices in general.

Three months ended June 30, 2016 (Millions of yen)

|                       | I      | II     | III     | IV     | Total   |
|-----------------------|--------|--------|---------|--------|---------|
| Net sales:            |        |        |         |        |         |
| External customers    | ¥9,555 | ¥9,355 | ¥10,038 | ¥1,990 | ¥30,939 |
| Intersegment          | 12,620 | 2,088  | 87      | 12     | 14,807  |
| Total                 | 22,175 | 11,443 | 10,125  | 2,002  | 45,747  |
| Segment income (loss) | ¥645   | ¥768   | ¥162    | (¥211) | ¥1,366  |

Three months ended June 30, 2017 (Millions of yen)

|                       | I      | II      | III    | IV     | Total   |
|-----------------------|--------|---------|--------|--------|---------|
| Net sales:            |        |         |        |        |         |
| External customers    | ¥7,917 | ¥11,659 | ¥9,905 | ¥2,373 | ¥31,855 |
| Intersegment          | 12,594 | 2,047   | 266    | 14     | 14,922  |
| Total                 | 20,512 | 13,706  | 10,172 | 2,387  | 46,778  |
| Segment income (loss) | ¥373   | ¥1,128  | (¥327) | (¥525) | ¥649    |

|                               | Three months ended June 30, |       |
|-------------------------------|-----------------------------|-------|
|                               | Millions of yen             |       |
|                               | 2016                        | 2017  |
| Segment income                | ¥1,366                      | ¥649  |
| Elimination                   | (347)                       | (452) |
| Consolidated operating income | ¥1,018                      | ¥197  |