



Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2017

<Japanese GAAP>

July 29, 2016

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, 2017

(From April 1, 2016 to June 30, 2016)

(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, 2016	30,939	(7.0)	1,018	(41.4)	412	(82.9)	325	(81.6)
June 30, 2015	33,273	34.0	1,738	-	2,405	-	1,766	-

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

Three months ended June 30, 2015: ¥3,159 million [- %]

	Net income per share	Diluted net income per share
	(¥)	(¥)
Three months ended June 30, 2016	2.96	2.61
June 30, 2015	15.88	14.06

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	(¥ million)	(¥ million)	%
As of June 30, 2016	223,756	111,674	49.6
March 31, 2016	234,264	117,133	49.7

Note: Owner's equity as of June 30, 2016: ¥110,978 million March 31, 2016: ¥116,444 million

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2016	-	8.00	-	8.00	16.00
Fiscal year ending March 31, 2017	-				
Fiscal year ending March 31, 2017 (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, 2017

(From April 1, 2016 to March 31, 2017)

(% 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)	66,700	(11.1)	1,500	(74.8)	1,500	(76.9)	1,000	(80.7)	9.09
Full year	150,000	(7.4)	9,200	(36.4)	9,200	(40.2)	6,500	(46.6)	59.06

Note: Revisions of the forecast most recently announced : No

*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: Yes

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, 2016	119,944,543 shares
As of March 31, 2016	119,944,543 shares

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

As of June 30, 2016	9,893,831 shares
As of March 31, 2016	9,893,017 shares

3) Average number of shares

Three months ended June 30, 2016	110,051,116 shares
Three months ended June 30, 2015	111,237,395 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this quarterly financial results report, the quarterly review procedures to the quarterly consolidated financial statements are in progress.

* 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 ¥30,939 million (down 7.0% year on year), operating income of ¥1,018 million (down 41.4% year on year), and net income attributable to owners of the parent of ¥325 million (down 81.6% year on year).

The main factors which led to a decrease in income were a decline in net sales due to the appreciation of the yen and loss incurred through currency exchange rates.

Based on how net sales for the first quarter progressed, no revision has been made to the consolidated performance forecasts for the first half of fiscal 2017.

Orders received on a consolidated basis for the three-month period under review amounted to ¥32,352 million (down 22.3% year on year).

In Japan, the volume of domestic orders received decreased in reaction to government subsidies implemented in the previous year.

As for overseas orders received, orders denominated in Asian local currencies remained at the same level as the previous corresponding period. However, orders from the United States and Europe decreased, The negative impact of the appreciation of the yen compounded this, leading to a significant decline in overall orders received from the previous corresponding period.

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 decreased from the previous corresponding period. However, it exceeded the numbers of the previous quarter. This is due to continued capital investment by customers including the die and mold industry, coupled with an increase in orders received from the aircraft industry.

The Company forecasts a similar trend will continue for the second quarter.

MAKINO ASIA PTE LTD

In China, we landed new orders from the IT and auto industries. We expect to see continued demand in the second quarter from customers who are aggressive towards capital investment.

In India, we are receiving an increasing number of orders, primarily from the auto industry.

MAKINO INC.

Orders received decreased compared to the previous corresponding period as customers in the auto-related industry were cautious about investment. However, orders from the aircraft industry remained robust. The Company forecasts a similar trend will continue for the second quarter.

MAKINO Europe GmbH

Orders received from the die and mold industry remained at the same level as the previous year's corresponding period, while orders from general parts processing customers decreased.

Orders received from the aircraft industry also decreased due to the delay of a deal that was scheduled to close in the first quarter. However inquiries are robust, and we expect to see an increase in orders received from the second quarter onward.

(2) Qualitative Information on Consolidated Financial Position

Total assets on a consolidated basis at the end of the first quarter under review decreased by ¥10,507 million from the end of fiscal 2016 to ¥223,756 million. Major changes included a decrease of ¥8,503 million in notes and accounts receivable and a decrease of ¥1,186 million in investment securities.

Total liabilities decreased by ¥5,048 million from the end of fiscal 2016 to ¥112,081 million primarily due to a decrease of ¥1,039 million in notes and accounts payable, trade and a decrease of ¥993 million in income taxes payable.

Net assets decreased by ¥5,458 million from the end of fiscal 2016 to ¥111,674 million, mainly due to a decrease of ¥4,424 million in foreign currency translation adjustments.

5. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets (As of March 31, 2016 and June 30, 2016)

	(in million yen)	
	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	52,240	54,525
Notes and accounts receivable-trade	38,682	30,179
Securities	1,102	482
Merchandise and finished goods	15,328	16,555
Work in process	12,203	12,171
Raw materials and supplies	23,867	23,006
Deferred tax assets	1,665	1,884
Other	4,636	3,496
Allowance for doubtful accounts	(806)	(638)
Total current assets	148,920	141,663
Noncurrent assets		
Buildings and structures, net	28,929	29,953
Machinery, equipment and vehicles, net	6,869	6,347
Tools, furniture and fixtures, net	3,390	3,379
Land	17,524	17,310
Lease assets, net	1,176	1,179
Construction in progress	2,173	745
Total property, plant and equipment	60,063	58,915
Intangible assets		
Other	1,840	1,952
Total intangible assets	1,840	1,952
Investments and other assets		
Investment securities	17,072	15,886
Long-term loans receivable	443	424
Deferred tax assets	3,102	2,806
Net defined benefit asset	273	265
Other	2,910	2,186
Allowance for doubtful accounts	(361)	(345)
Total investments and other assets	23,440	21,223
Total noncurrent assets	85,344	82,092
Total assets	234,264	223,756

(Continued)

	(in million yen)	
	As of	As of
	March 31,2016	June 30,2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,249	11,526
Electronically recorded obligations - operating	3,124	11,808
Short-term loans payable	5,058	5,694
Current portion of bonds	10,000	10,000
Current portion of long-term loans payable	1,405	1,405
Lease obligations	279	284
Income taxes payable	1,543	550
Other	19,733	17,989
Total current liabilities	62,393	59,258
Noncurrent liabilities		
Convertible bond-type bonds with subscription rights to shares	11,980	11,980
Long-term loans payable	29,591	29,192
Lease obligations	1,156	1,147
Deferred tax liabilities	4,275	3,888
Provision for directors' retirement benefits	61	63
Net defined benefit liability	5,616	5,352
Other	2,055	1,198
Total noncurrent liabilities	54,736	52,822
Total liabilities	117,130	112,081
Net assets		
Shareholders' equity		
Capital stock	19,263	19,263
Capital surplus	32,602	32,602
Retained earnings	65,254	64,699
Treasury stock	(5,629)	(5,630)
Total shareholders' equity	111,490	110,934
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,796	7,928
Foreign currency translation adjustment	971	(3,453)
Remeasurements of defined benefit plans	(4,814)	(4,431)
Total accumulated other comprehensive income	4,954	43
Non-controlling interests	689	696
Total net assets	117,133	111,674
Total liabilities and net assets	234,264	223,756

(2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

	Three month ended June 30, 2015	Three month ended June 30, 2016
Net sales	33,273	30,939
Cost of sales	23,063	21,945
Gross profit	10,209	8,994
Selling, general and administrative expenses	8,470	7,975
Operating income	1,738	1,018
Non-operating income		
Interest and dividends income	409	244
Rent income	58	58
Foreign exchange gains	270	-
Other	85	105
Total non-operating income	823	408
Non-operating expenses		
Interest expenses	125	104
Foreign exchange losses	-	870
Other	31	39
Total non-operating expenses	157	1,014
Ordinary income	2,405	412
Extraordinary income		
Gain on sales of noncurrent assets	15	57
Gain on sales of investment securities	33	-
Total extraordinary income	49	57
Extraordinary loss		
Loss on retirement of noncurrent assets	11	5
Total extraordinary losses	11	5
Income before income taxes and non-controlling interests	2,443	464
Income taxes	670	129
Net income	1,773	334
Net income attributable to non-controlling interests	6	9
Net income attributable to owners of the parent	1,766	325

(Continued)

	(in million yen)	
	Three month ended	Three month ended
	June 30, 2015	June 30, 2016
Net income	1,773	334
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(868)
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	1,373	(4,424)
Remeasurements of defined benefit plans, net of tax	22	382
Total other comprehensive income	1,386	(4,910)
Comprehensive income	3,159	(4,575)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,152	(4,585)
Comprehensive income attributable to non-controlling interests	7	9

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, 2015 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥9,863	¥9,098	¥11,351	¥2,959	¥33,273
Intersegment	11,841	2,189	125	38	14,194
Total	21,705	11,288	11,476	2,998	47,468
Segment income (loss)	¥1,113	¥823	¥308	(¥90)	¥2,155

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,	
	Millions of yen	
	2015	2016
Segment income	¥2,155	¥1,366
Elimination	(416)	(347)
Consolidated operating income	¥1,738	¥1,018