



Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2016

<Japanese GAAP>

October 30, 2015

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/>
 Representative: Jiro Makino, President, Representative Director
 Inquiries: Toshiyuki Nagano, Vice President, Director Phone: 046-284-1439

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2016

(From April 1, 2015 to September 30, 2015)

(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)	%
Six months ended September 30, 2015	75,045	22.8	5,952	112.6	6,503	99.4	5,175	97.6
September 30, 2014	61,091	20.7	2,799	-	3,261	-	2,619	-

Note: Comprehensive income: Six months ended September 30, 2015: ¥(609) million [- %]
 Six months ended September 30, 2014: ¥6,136 million [618.2%]

	Net income per share	Diluted net income per share
	(¥)	(¥)
Six months ended September 30, 2015	46.52	41.18
September 30, 2014	23.55	20.84

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	(¥ million)	(¥ million)	%
As of September 30, 2015	234,813	116,352	49.3
March 31, 2015	245,456	117,836	47.7

Note: Owner's equity as of September 30, 2015: ¥115,697 million March 31, 2015: ¥117,192 million

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2015	-	6.00	-	8.00	14.00
Fiscal year ending March 31, 2016	-	8.00			
Fiscal year ending March 31, 2016 (Forecast)			-	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, 2016

(From April 1, 2015 to March 31, 2016)

(% 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)	%	(¥)
Full year	161,000	7.7	13,000	8.1	13,600	2.6	11,000	(3.9)	98.89

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 September 30, 2015	119,944,543 shares
As of March 31, 2015	119,944,543 shares

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

As of September 30, 2015	8,690,633 shares
As of March 31, 2015	8,712,596 shares

3) Average number of shares

Six months ended September 30, 2015	111,244,589 shares
Six months ended September 30, 2014	111,239,422 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 six-month period under review, the Company posted net sales of ¥75,045 million (up 22.8% year on year), operating income of ¥5,952 million, and net income attributable to owners of the parent of ¥5,175 million.

The North American market has been leading the world demand for machine tools since the second half of fiscal 2013. However, since fiscal 2015, there has been a gradual decrease in that demand, and the decline continued in the second quarter of the current fiscal year. Accordingly, the Company received fewer orders than expected.

Despite unfavorable conditions looming over the Chinese economy, the drop in the volume of orders received was relatively small, and the target for the first half of the fiscal year was achieved.

In Japan, by virtue of the recovery in utilization rates of customers, the volume of domestic orders received exceeded initial plans.

As a result of the above, consolidated orders received for the first half of the fiscal year amounted to ¥78.8 billion. In particular, orders received for the second quarter was ¥37.1 billion, a decrease from ¥41.6 billion in the first quarter.

Orders from the North American market are expected to recover from the second half of the fiscal year. Also, we do not anticipate any significant drop in demand in other regions.

The details of orders by geographic region for the first half of the fiscal year are as follows:

Makino Milling Machine Co., Ltd. and its Consolidated Subsidiaries in Japan

By virtue of the recovery in domestic demand, coupled with positive effects of government policies, results surpassed the plans set at the beginning of the fiscal year.

The volume of orders received is expected to fall slightly in the third quarter.

However, as the deterioration of our customers' equipment continues and their equipment utilization rates remain high, demand is expected to go uphill.

MAKINO ASIA PTE LTD

Amid the deceleration of the Chinese economy, the demand for machine tools is also on a downward trend. However, in terms of high-quality and high-efficiency products, capital investments by customers remain robust.

The Company will continue strengthening its sales structure.

MAKINO INC.

In spite of a brisk economy in North America, the demand for machine tools remained stagnant. We believe one of the reasons for this is that reviews of customers' capital investment plans are still in progress, due to mergers and integrations of their companies, which stemmed from changes in the industrial structure of North America.

Some order inquiries that have continued for a long time have been materialized in the second quarter.

The volume of orders received is expected to recover from the third quarter.

MAKINO Europe GmbH

The volume of orders received by the Company was sluggish.

The recovery of the demand for machine tools has been negatively affected by complex political factors, such as the problems in Ukraine.

The Company will enhance sales activities in each region in order to facilitate the recovery of orders.

(2) Qualitative Information on Consolidated Financial Position

Total assets on a consolidated basis at the end of the second quarter under review decreased by ¥10,643 million from the end of fiscal 2015 to ¥234,813 million. Major changes included a decrease of ¥9,325 million in notes and accounts receivable, a decrease of ¥6,588 million in investment securities and an increase of ¥2,912 million in inventories.

Total liabilities decreased by ¥9,160 million from the end of fiscal 2015 to ¥118,460 million, primarily due to a decrease of ¥2,650 million in notes and accounts payable and a decrease of ¥2,051 million in deferred income taxes.

Net assets decreased by ¥1,483 million from the end of fiscal 2015 to ¥116,352 million, mainly due to an increase of ¥4,285 million in retained earnings, a decrease of ¥4,485 million in unrealized gains on available-for-sale securities, and a decrease of ¥1,468 million in foreign currency translation adjustments.

(3) Qualitative Information on Consolidated Results Forecasts

The Company has not revised the consolidated results forecasts for the full year announced previously (on April 30, 2015).

5. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets (As of March 31, 2015 and September 30, 2015)

(in million yen)

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	43,008	46,269
Notes and accounts receivable-trade	45,803	36,478
Securities	1,005	1,001
Merchandise and finished goods	20,239	20,519
Work in process	12,118	12,571
Raw materials and supplies	24,695	26,874
Deferred tax assets	3,445	3,356
Other	5,214	4,139
Allowance for doubtful accounts	(1,030)	(890)
Total current assets	154,500	150,321
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	28,565	28,790
Machinery, equipment and vehicles, net	7,231	7,251
Tools, furniture and fixtures, net	3,304	3,595
Land	16,767	17,290
Lease assets, net	1,193	1,192
Construction in progress	1,851	1,696
Total property, plant and equipment	58,914	59,816
Intangible assets		
Other	1,800	1,812
Total intangible assets	1,800	1,812
Investments and other assets		
Investment securities	24,669	18,081
Long-term loans receivable	526	477
Deferred tax assets	1,987	1,919
Net defined benefit asset	464	394
Other	3,013	2,373
Allowance for doubtful accounts	(420)	(383)
Total investments and other assets	30,240	22,863
Total noncurrent assets	90,956	84,492
Total assets	245,456	234,813

(Continued)

	(in million yen)	
	As of March 31,2015	As of September 30,2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	27,372	24,722
Short-term loans payable	8,071	8,351
Current portion of long-term loans payable	3,908	2,954
Lease obligations	283	287
Income taxes payable	1,706	1,263
Other	22,634	18,608
Total current liabilities	63,976	56,188
Noncurrent liabilities		
Bonds payable	10,000	10,000
Convertible bond-type bonds with subscription rights to shares	12,000	11,980
Long-term loans payable	28,219	29,017
Lease obligations	1,197	1,178
Deferred tax liabilities	6,689	4,637
Provision for directors' retirement benefits	52	56
Net defined benefit liability	3,367	3,195
Other	2,117	2,206
Total noncurrent liabilities	63,643	62,272
Total liabilities	127,620	118,460
Net assets		
Shareholders' equity		
Capital stock	19,263	19,263
Capital surplus	32,595	32,602
Retained earnings	54,866	59,151
Treasury stock	(4,794)	(4,783)
Total shareholders' equity	101,930	106,234
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,811	9,325
Deferred gains or losses on hedges	(4)	(0)
Foreign currency translation adjustment	4,269	2,800
Remeasurements of defined benefit plans	(2,814)	(2,662)
Total accumulated other comprehensive income	15,261	9,463
Non controlling interests	644	655
Total net assets	117,836	116,352
Total liabilities and net assets	245,456	234,813

(2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

	Six month ended September 30, 2014	Six month ended September 30, 2015
Net sales	61,091	75,045
Cost of sales	42,459	52,259
Gross profit	18,631	22,785
Selling, general and administrative expenses	15,831	16,833
Operating income	2,799	5,952
Non-operating income		
Interest and dividends income	159	420
Rent income	116	117
Foreign exchange gains	328	-
Other	236	423
Total non-operating income	841	962
Non-operating expenses		
Interest expenses	305	246
Foreign exchange losses	-	46
Other	74	118
Total non-operating expenses	379	411
Ordinary income	3,261	6,503
Extraordinary income		
Gain on sales of noncurrent assets	44	22
Gain on sales of investment securities	-	33
Total extraordinary income	44	56
Extraordinary loss		
Loss on retirement of noncurrent assets	9	32
Total extraordinary losses	9	32
Income before income taxes	3,296	6,526
Income taxes	659	1,337
Net income	2,636	5,189
Net income attributable to non controlling interests	16	14
Net income attributable to owners of the parent	2,619	5,175

(Continued)

	(in million yen)	
	Six month ended September 30, 2014	Six month ended September 30, 2015
Net income	2,636	5,189
Other comprehensive income		
Valuation difference on available-for-sale securities	1,115	(4,487)
Deferred gains or losses on hedges	16	4
Foreign currency translation adjustment	2,391	(1,468)
Remeasurements of defined benefit plans, net of tax	(22)	152
Total other comprehensive income	3,500	(5,799)
Comprehensive income	6,136	(609)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,111	(622)
Comprehensive income attributable to non controlling interests	24	12

(3) Consolidated Statements of Cash flows

(in million yen)

	Six month ended September 30, 2014	Six month ended September 30, 2015
Net cash provided by (used in) operating activities		
Income before income taxes	3,296	6,526
Depreciation and amortization	2,400	2,718
Amortization of goodwill	(11)	-
Increase (decrease) in allowance for doubtful accounts	4	(178)
Increase (decrease) in provision for directors' retirement benefits	4	4
Increase (decrease) in net defined benefit liability	(27)	(41)
Interest and dividends income	(159)	(420)
Interest expenses	305	246
Foreign exchange losses (gains)	(26)	7
Loss (gain) on sales of investment securities	-	(33)
Loss (gain) on sales of property, plant and equipment	(44)	(22)
Loss on retirement of property, plant and equipment	9	32
Decrease (increase) in notes and accounts receivable-trade	5,757	8,992
Decrease (increase) in inventories	(7,899)	(3,186)
Increase (decrease) in notes and accounts payable-trade	(2,299)	(2,285)
Other, net	620	(2,837)
Subtotal	1,930	9,523
Interest and dividends income received	160	414
Interest expenses paid	(307)	(239)
Income taxes paid	(755)	(1,828)
Net cash provided by (used in) operating activities	1,026	7,870
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	-	500
Purchase of property, plant and equipment	(2,851)	(3,611)
Proceeds from sales of property, plant and equipment	135	176
Proceeds from sales of investment securities	1	49
Other, net	(194)	506
Net cash provided by (used in) investing activities	(2,908)	(2,378)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,358	273
Repayments of finance lease obligations	(196)	(154)
Proceeds from long-term loans payable	-	1,500
Repayment of long-term loans payable	(79)	(1,702)
Purchase of treasury stock	(5)	(2)
Cash dividends paid	(555)	(887)
Cash dividends paid to non controlling shareholders	(1)	(1)
Net cash provided by (used in) financing activities	520	(975)
Effect of exchange rate change on cash and cash equivalents	941	(756)
Net increase (decrease) in cash and cash equivalents	(420)	3,759
Cash and cash equivalents at beginning of period	42,638	42,232
Cash and cash equivalents at end of period	42,218	45,992

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.

Six months ended September 30, 2014

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥19,364	¥15,315	¥20,145	¥6,265	¥61,091
Intersegment	23,518	5,080	138	87	28,825
Total	42,883	20,396	20,283	6,353	89,916
Segment income	¥2,163	¥1,331	¥353	¥54	¥3,903

Six months ended September 30, 2015

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥24,637	¥22,057	¥21,416	¥6,932	¥75,045
Intersegment	24,902	4,746	277	63	29,989
Total	49,540	26,804	21,694	6,996	105,035
Segment income	¥4,001	¥1,713	¥633	¥161	¥6,509

	Six months ended September 30,	
	Millions of yen	
	2014	2015
Segment income	¥3,903	¥6,509
Elimination	(1,103)	(557)
Consolidated operating income	¥2,799	¥5,952