



Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 <Japanese GAAP>

April 30, 2014

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 Fiscal Year Ending March 31, 2014

(From April 1, 2013 to March 31, 2014)

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

	Net Sales		Operating income		Ordinary income		Net income	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2014	123,896	(2.3)	4,910	(39.3)	5,356	(29.6)	4,294	(16.8)
March 31, 2013	126,809	14.8	8,084	39.1	7,602	50.7	5,159	39.5

Note: Comprehensive income: Fiscal year ended March 31, 2014: ¥9,384 million [(4.6) %]
 Fiscal year ended March 31, 2013: ¥9,836 million [97.7 %]

	Net income per share	Diluted net income per share	Net income to shareholders' equity ratio	Ordinary income to total assets ratio	Operating income to net sales ratio
Fiscal year ended	(¥)	(¥)	%	%	%
March 31, 2014	38.60	34.17	4.5	2.5	4.0
March 31, 2013	46.38	46.17	5.9	3.9	6.4

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2014	218,499	99,246	45.1	886.53
March 31, 2013	209,785	92,665	43.8	826.59

Note: Owner's equity as of March 31, 2014: ¥98,620 million March 31, 2013: ¥91,958 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents, end of period
Fiscal year ended	(¥ million)	(¥ million)	(¥ million)	(¥ million)
March 31, 2014	8,130	769	(10,418)	42,638
March 31, 2013	12,590	(19,806)	21,101	43,229

2. Dividends

	Annual dividends					Total dividend paid	Payout ratio (consolidated)	Ratio of total amount of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year end	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
Fiscal year ended March 31, 2013	-	4.00	-	5.00	9.00	1,001	19.4	1.1
Fiscal year ended March 31, 2014	-	5.00	-	5.00	10.00	1,112	25.9	1.2
Fiscal year ending March 31, 2015 (Forecast)	-	6.00	-	6.00	12.00		17.1	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2015

(From April 1, 2014 to March 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Second quarter (cumulative)	64,500	27.5	2,800	-	2,700	-	2,100	-	18.88
Full year	141,000	13.8	8,900	81.2	9,400	75.5	7,800	81.6	70.12

*Others

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

(2) 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

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

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

As of March 31, 2014	119,944,543 shares
As of March 31, 2013	119,944,543 shares

2) Number of treasury stock at the end of fiscal year

As of March 31, 2014	8,702,060 shares
As of March 31, 2013	8,693,435 shares

3) Average number of shares

Fiscal year ended March 31, 2014	111,246,981 shares
Fiscal year ended March 31, 2013	111,252,849 shares

* Indication regarding execution of audit procedures

This financial results report is not subject to the audit procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this financial results report, the audit procedures to the 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.

Analyses of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Operating Results for Fiscal 2014

During fiscal 2014, the Company achieved net sales of ¥123,896 million (down 2.3% year on year), operating income of ¥4,910 million (down 39.3% year on year), and net income of ¥4,294 million (down 16.8% year on year) on a consolidated basis.

Fiscal 2014 started under sluggish business conditions with a small order backlog at the beginning of the year. Although production volume declined, the net sales decreased by only 2.3% year on year as the amount of net sales increased as the exchange rate proceeded toward depreciation of the yen.

Due to a substantive reduction in production volume, operating income decreased by 39.3% year on year. Extremely low plant utilization rates in the first half lead to a small profit margin.

In addition to that, enhancement of engineering of overseas subsidiaries continued, and there was an impact of increase in personnel.

Consolidated orders received of the Company increased by 13.2% year on year to ¥132,720 million. Although the figure exceeded that of fiscal 2013, this is the result of depreciation of the yen.

The details of operating results by geographic region are as follows:

Makino Milling Machine Co., Ltd. and its subsidiaries in Japan

Domestic orders received by Makino Milling Machine Co., Ltd. rose slightly year on year.

However, progress in increase of demand due to the return of manufacturing industry to Japan has not been seen even amid depreciation of the yen.

With rising plant utilization rates of users in Japan in the second half, movements to respond to modernization of production facilities and equipment has spread to respective industries.

MAKINO ASIA PTE LTD (Singapore)

Orders received by the subsidiary in Asia greatly fell year on year.

Although the Chinese market was expected to pick up in the middle of the year, actual orders received fell far below the expected orders received.

In India and ASEAN region, orders received remained flat over the course of the year.

MAKINO INC. (USA)

Brisk inquiries continued mainly from the auto and aircraft industries, but orders received stayed at the same level as fiscal 2013. This is due to delay in signing an agreement as scale of negotiations increased.

MAKINO Europe GmbH

Orders received gradually increased. However, an extensive decline in the first quarter resulted in results falling slightly below the level of fiscal 2013.

2) Outlook (Fiscal 2015)

The demands have continued to expand in all of our markets. We will strengthen our operating activities in each business establishment to gain demand.

Consolidated performance forecasts

(Million yen)	Net sales	Operating income	Net income
Forecasts for the first six months (1st and 2nd quarter combined)	64,500 * ¹ up 27.5%	2,800 -	2,100 -
Forecasts for the full fiscal year	141,000 * ² up 13.8%	8,900 * ² up 81.2%	7,800 * ² up 81.6%

*¹Compared to the same period of fiscal 2014

*²Year on year

The details of sales by geographic region are as follows:

Makino Milling Machine Co., Ltd. and its subsidiaries in Japan

The Company will focus on the die & mold industry which is a big market for the Company as recovery of competitiveness of domestic die manufacturers in international markets is anticipated. Capital investment in aircraft component manufacturing field is expected to be actively made. Domestic orders received by Makino Milling Machine Co., Ltd. are expected to gradually recover.

MAKINO ASIA PTE LTD (Singapore)

Although the entire Asia region is in the process of recovery, the pace is slow.

The whole economy of China, our largest market, has remained unstable, but the number of inquiries has been growing.

In sluggish Indian market, the demand is gradually on the way to recovery mainly for exporting companies.

Orders received by the subsidiary in Asia are expected to take an upward turn.

MAKINO INC. (USA)

Amid the drastic change of industrial structures along with revival of manufacturing industry in the United States, the demand for machine tools has been spreading into each region of the North American continent.

The Company continues to enhance its engineering section and is establishing a system to meet demand.

Orders received by the subsidiary in the United States are forecast to exceed a record high of 422 million dollars (fiscal 2014).

MAKINO Europe GmbH

The demand related to capital investment has slowly been recovering and we believe that orders received will slightly rise.

In order to respond to competing European machine tool manufacturers, our challenge is to reinforce our engineering section.

(2) Analysis of Financial Position

Total assets on a consolidated basis at the end of fiscal 2014 increased by ¥8,714 million from the end of fiscal 2013 to ¥218,499 million. This is primarily attributable to a decrease of ¥13,391 million in cash and time deposits, an increase of ¥5,938 million in notes and accounts receivable, an increase of ¥2,139 million in inventories, an increase of ¥8,282 million in property, plant and equipment and an increase of ¥3,374 million in investment securities.

Total liabilities increased by ¥2,133 million from the end of fiscal 2013 to ¥119,253 million. This is primarily attributable to redemption of bonds of ¥10,000 million, an increase of ¥6,244 million in notes and accounts payable and an increase of ¥2,130 million in short-term loans. Moreover, through the application of Accounting Standard for Retirement Benefits and others, net defined benefit liability of ¥2,270 million are included instead of allowance for employees' retirement benefits (¥740 million at the end of fiscal 2013).

Net assets increased by ¥6,580 million from the end of fiscal 2013 to ¥99,246 million, mainly due to an increase of ¥3,412 million in retained earnings, an increase of ¥2,343 million in unrealized gain on available-for-sale securities and an increase of ¥2,698 million in foreign currency translation adjustments.

(Cash Flow)

Cash provided by operating activities at the end of fiscal 2014 was ¥8,130 million, principally reflecting ¥5,339 million in income before income taxes, ¥3,961 million in depreciation and amortization, an increase of ¥4,138 million in notes and accounts payable, trade, and an increase of ¥3,631 million in notes and accounts receivable, trade.

Cash provided by investing activities was ¥769 million, principally reflecting the effect of ¥12,800 million net decrease in time deposits and ¥11,884 million payment for purchases of property, plant and equipment.

Cash used in financing activities was ¥10,418 million. This resulted principally from ¥12,000 million for proceeds from long-term loans payable, ¥12,225 million for repayment of long-term loans payable and ¥10,000 million for redemption of bonds.

As a result of the above, cash and cash equivalents on a consolidated basis at the end of fiscal 2014 decreased by ¥591 million from the end of fiscal 2013 to ¥42,638 million.

The table below shows trends in cash-flow indicators.

	71st term	72nd term	73rd term	74th term	75th term
	Term ended March 2010	Term ended March 2011	Term ended March 2012	Term ended March 2013	Term ended March 2014
Shareholders' equity ratio (%)	47.6	47.0	46.6	43.8	45.1
Shareholders' equity ratio on a market value basis (%)	42.0	46.7	44.2	30.4	37.0
Ratio of interest-bearing debt to cash flows (%)	18.1	10.4	-	5.8	8.1
Interest coverage ratio (times)	3.4	4.2	-	14.0	10.2

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio on a market value basis: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payment

* Each indicator is calculated from consolidated financial data.

* Market capitalization is computed based on the number of shares issued, excluding treasury stock.

* Cash flows mean cash flows from operating activities.

* Interest-bearing debt includes all liabilities bearing interest posted in the consolidated balance sheets.

Interest payment is interest paid recorded in the consolidated statements of cash flows.

Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets (As of March 31, 2014 and March 31, 2013)

(in million yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	57,056	43,664
Notes and accounts receivable-trade	34,450	40,389
Securities	1,003	1,004
Merchandise and finished goods	15,938	14,384
Work in process	10,403	11,837
Raw materials and supplies	18,989	21,248
Deferred tax assets	1,190	1,839
Other	3,308	4,122
Allowance for doubtful accounts	(779)	(756)
Total current assets	141,562	137,735
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	21,804	28,039
Machinery, equipment and vehicles, net	3,915	6,222
Tools, furniture and fixtures, net	2,588	2,879
Land	15,090	16,479
Lease assets, net	1,810	1,585
Construction in progress	2,532	818
Total property, plant and equipment	47,742	56,024
Intangible assets		
Other	1,225	1,724
Total intangible assets	1,225	1,724
Investments and other assets		
Investment securities	14,164	17,539
Long-term loans receivable	583	531
Deferred tax assets	1,100	1,638
Net defined benefit asset	-	711
Other	3,857	3,044
Allowance for doubtful accounts	(451)	(451)
Total investments and other assets	19,254	23,013
Total noncurrent assets	68,223	80,763
Total assets	209,785	218,499

(Continued)

	(in million yen)	
	As of March 31,2013	As of March 31,2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,173	24,418
Short-term loans payable	5,249	7,380
Current portion of bonds	10,000	10,000
Current portion of long-term loans payable	12,209	646
Lease obligations	504	432
Income taxes payable	1,318	763
Other	15,282	16,756
Total current liabilities	62,738	60,396
Noncurrent liabilities		
Bonds payable	20,000	10,000
Convertible bond-type bonds with subscription rights to shares	12,000	12,000
Long-term loans payable	14,145	25,731
Lease obligations	1,768	1,523
Deferred tax liabilities	3,799	4,992
Provision for retirement benefits	740	-
Net defined benefit liability	-	2,270
Provision for directors' retirement benefits	40	43
Negative goodwill	40	17
Other	1,846	2,276
Total noncurrent liabilities	54,381	58,856
Total liabilities	117,119	119,253
Net assets		
Shareholders' equity		
Capital stock	19,263	19,263
Capital surplus	32,595	32,595
Retained earnings	41,144	44,556
Treasury stock	(4,778)	(4,785)
Total shareholders' equity	88,224	91,630
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,203	8,547
Deferred gains or losses on hedges	20	(8)
Foreign currency translation adjustment	(2,489)	208
Remeasurements of defined benefit plans	-	(1,757)
Total accumulated other comprehensive income	3,734	6,989
Minority interests	706	626
Total net assets	92,665	99,246
Total liabilities and net assets	209,785	218,499

(2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Net sales	126,809	123,896
Cost of sales	91,763	89,707
Gross profit	35,046	34,188
Selling, general and administrative expenses	26,961	29,277
Operating income	8,084	4,910
Non-operating income		
Interest and dividends income	251	271
Foreign exchange gains	-	306
Other	788	732
Total non-operating income	1,040	1,310
Non-operating expenses		
Interest expenses	903	752
Foreign exchange losses	483	-
Other	135	112
Total non-operating expenses	1,522	865
Ordinary income	7,602	5,356
Extraordinary income		
Gain on sales of noncurrent assets	62	59
Gain on sales of investment securities	-	149
Total extraordinary income	62	208
Extraordinary loss		
Loss on retirement of noncurrent assets	34	58
Loss on valuation of shares of subsidiaries and associates	-	99
Provision of allowance for doubtful accounts for subsidiaries and associates	-	68
Total extraordinary losses	34	226
Income before income taxes and minority interests	7,630	5,339
Income taxes-current	1,738	1,161
Income taxes-deferred	662	(190)
Total income taxes	2,401	970
Income before minority interests	5,229	4,368
Minority interests in income	69	73
Net income	5,159	4,294

<Comprehensive Income Statement>

(in million yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Income before minority interests	5,229	4,368
Other comprehensive income		
Valuation difference on available-for-sale securities	619	2,343
Deferred gains or losses on hedges	23	(29)
Foreign currency translation adjustment	3,963	2,701
Total other comprehensive income	4,606	5,016
Comprehensive income	9,836	9,384
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,763	9,306
Comprehensive income attributable to minority interests	72	77

(3) Consolidated Statements of Changes in Net Equity
Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	19,263	32,595	36,887	(4,777)	83,969
Changes of items during the period					
Dividends of surplus			(890)		(890)
Net income			5,159		5,159
Purchase of treasury shares				(1)	(1)
Others			(13)		(13)
Net changes of items other than shareholders' equity					
Total changes of items other than shareholders' equity	-	-	4,256	(1)	4,254
Balance at the end of the period	19,263	32,595	41,144	(4,778)	88,224

	Other accumulated comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gain or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of the period	5,585	(2)	(6,451)	-	(869)	649	83,750
Changes of items during the period							
Dividends of surplus							(890)
Net income							5,159
Purchase of treasury shares							(1)
Others							(13)
Net changes of items other than shareholders' equity	618	23	3,961	-	4,603	57	4,660
Total changes of items other than shareholders' equity	618	23	3,961	-	4,603	57	8,915
Balance at the end of the period	6,203	20	(2,489)	-	3,734	706	92,665

(3) Consolidated Statements of Changes in Net Equity
Consolidated fiscal year (April 1, 2013 – March 31, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	19,263	32,595	41,144	(4,778)	88,224
Changes of items during the period					
Dividends of surplus			(1,112)		(1,112)
Net income			4,294		4,294
Purchase of treasury shares				(6)	(6)
Others			230		230
Net changes of items other than shareholders' equity					
Total changes of items other than shareholders' equity	-	-	3,412	(6)	3,406
Balance at the end of the period	19,263	32,595	44,556	(4,785)	91,630

	Other accumulated comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gain or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of the period	6,203	20	(2,489)		3,734	706	92,665
Changes of items during the period							
Dividends of surplus							(1,112)
Net income							4,294
Purchase of treasury shares							(6)
Others							230
Net changes of items other than shareholders' equity	2,343	(29)	2,698	(1,757)	3,254	(80)	3,174
Total changes of items other than shareholders' equity	2,343	(29)	2,698	(1,757)	3,254	(80)	6,580
Balance at the end of the period	8,547	(8)	208	(1,757)	6,989	626	99,246

(4) Consolidated Statements of Cash Flows

(in million yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,630	5,339
Depreciation and amortization	3,789	3,961
Amortization of goodwill	(23)	(23)
Increase (decrease) in provision for directors' retirement benefits	8	3
Increase (decrease) in provision for retirement benefits	(52)	-
Increase (decrease) in net defined benefit liability	-	(482)
Increase (decrease) in allowance for doubtful accounts	(48)	(81)
Interest and dividends income	(251)	(271)
Interest expenses	903	752
Foreign exchange losses (gains)	93	209
Loss (gain) on sales and valuation of investment securities	-	(149)
Loss (gain) on sales of property, plant and equipment	(62)	(59)
Loss on retirement of property, plant and equipment	34	58
Loss on valuation of shares of subsidiaries and associates	-	99
Decrease (increase) in notes and accounts receivable-trade	(552)	(3,631)
Decrease (increase) in inventories	6,936	477
Increase (decrease) in notes and accounts payable-trade	(6,298)	4,138
Other, net	2,491	22
Subtotal	14,598	10,363
Interest and dividends income received	250	271
Interest expenses paid	(899)	(796)
Income taxes (paid) refund	(1,359)	(1,707)
Net cash provided by (used in) operating activities	12,590	8,130
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(12,780)	12,800
Purchase of property, plant and equipment	(6,451)	(11,884)
Proceeds from sales of property, plant and equipment	198	165
Purchase of investment securities	(105)	(3)
Proceeds from sales of investment securities	3	303
Other, net	(671)	(612)
Net cash provided by (used in) investing activities	(19,806)	769
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	553	1,542
Repayments of finance lease obligations	(496)	(477)
Proceeds from long-term loans payable	12,871	12,000
Repayment of long-term loans payable	(2,922)	(12,225)
Proceeds from issuance of bonds	12,000	-
Redemption of bonds	-	(10,000)
Purchase of treasury stock	(1)	(6)
Purchase of treasury stock of subsidiaries in consolidation	(14)	(139)
Cash dividends paid	(886)	(1,111)
Cash dividends paid to minority shareholders	0	0
Net cash provided by (used in) financing activities	21,101	(10,418)
Effect of exchange rate change on cash and cash equivalents	1,454	926
Net increase (decrease) in cash and cash equivalents	15,341	(591)
Cash and cash equivalents at beginning of period	27,888	43,229
Cash and cash equivalents at end of period	43,229	42,638

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. and its subsidiaries in Japan are 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.

Year ended March 31, 2013 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥44,394	¥36,846	¥34,934	¥10,633	¥126,809
Intersegment	44,014	6,071	197	165	50,448
Total	88,409	42,917	35,131	10,798	177,257
Segment Income	¥3,378	¥3,215	¥1,569	¥141	¥8,304
Segment assets	¥168,775	¥34,557	¥26,133	¥10,319	¥239,786

Year ended March 31, 2014 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥42,838	¥25,838	¥41,443	¥13,775	¥123,896
Intersegment	35,986	7,348	243	133	43,712
Total	78,825	33,187	41,687	13,909	167,608
Segment income	¥2,039	¥1,274	¥1,938	¥257	¥5,511
Segment assets	¥167,212	¥37,045	¥31,603	¥13,518	¥249,379