



# Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2015

<Japanese GAAP>

July 31, 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 Three Months of the Fiscal Year Ending March 31, 2015

(From April 1, 2014 to June 30, 2014)

(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  |   |
|----------------------------------|-------------|--------|------------------|---|-----------------|---|-------------|---|
|                                  | (¥ million) | %      | (¥ million)      | % | (¥ million)     | % | (¥ million) | % |
| Three months ended June 30, 2014 | 24,828      | 15.3   | 79               | - | 69              | - | 59          | - |
| June 30, 2013                    | 21,534      | (13.0) | (1,802)          | - | (1,676)         | - | (1,543)     | - |

Note: Comprehensive income: Three months ended June 30, 2014: ¥(481) million [ - %]  
 Three months ended June 30, 2013: ¥(684) million [ - %]

|                                  | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
|                                  | (¥)                  | (¥)                          |
| Three months ended June 30, 2014 | 0.53                 | 0.47                         |
| June 30, 2013                    | (13.88)              | -                            |

## (2) Consolidated Financial Positions

|                     | Total assets | Net assets  | Capital adequacy ratio |
|---------------------|--------------|-------------|------------------------|
|                     | (¥ million)  | (¥ million) | %                      |
| As of June 30, 2014 | 212,915      | 98,289      | 45.9                   |
| March 31, 2014      | 218,499      | 99,246      | 45.1                   |

Note: Owner's equity as of June 30, 2014: ¥97,657 million March 31, 2014: ¥98,620 million

## 2. Dividends

|                                              | Annual dividends |                |               |                 |       |
|----------------------------------------------|------------------|----------------|---------------|-----------------|-------|
|                                              | First quarter    | Second quarter | Third quarter | Fiscal year end | Total |
|                                              | (¥)              | (¥)            | (¥)           | (¥)             | (¥)   |
| Fiscal year ended March 31, 2014             | -                | 5.00           | -             | 5.00            | 10.00 |
| Fiscal year ending March 31, 2015            | -                |                |               |                 |       |
| Fiscal year ending March 31, 2015 (Forecast) |                  | 6.00           | -             | 6.00            | 12.00 |

Note: Revisions of the forecast most recently announced : No

## 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                |

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

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

|                      |                  |
|----------------------|------------------|
| As of June 30, 2014  | 8,704,580 shares |
| As of March 31, 2014 | 8,702,060 shares |

3) Average number of shares

|                                  |                    |
|----------------------------------|--------------------|
| Three months ended June 30, 2014 | 111,241,335 shares |
| Three months ended June 30, 2013 | 111,250,216 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 ¥24,828 million (up 15.3% year on year), operating income of ¥79 million, and net income of ¥59 million.

The rate of progress in net sales was at a low level of 38.5% compared to planned net sales for the first half of ¥64,500 million and net income remained minimal.

Orders received stood at ¥37,946 million due to the concentration of a large number of project agreements on large machines for the aircraft industry and orders for the auto industry.

Orders received exceeded sales, and the order backlog stood at ¥54,664 million. The Company will make efforts so that it can steadily record orders received as sales in order to achieve planned net sales for the first half.

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

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

Orders for the domestic mold industry from the auto industry increased. In conjunction with this, capital investment rose. Domestic demand is in the process of recovery, but the Company believes that a full-scale recovery will require time.

#### MAKINO ASIA PTE LTD

Orders at MAKINO ASIA PTE LTD were in line with initial plans. In China, our largest market, there was demand from across a range of sectors, including the auto, IT and domestic appliance industries. Going forward, the Company will adapt to changes in Chinese economic conditions as it expands marketing activities.

#### MAKINO INC.

Orders received from the auto industry were stable. Orders received from the aircraft industry stood at extremely high levels. Orders received for the first quarter recorded a record high as a result of the Company meeting demand for machine tools, which is expanding across the Americas.

#### MAKINO Europe GmbH

MAKINO Europe GmbH was the only segment in which orders received were lower than initial plans because the company did not reach agreements on projects that had been scheduled for the aircraft and auto industries. The company has not revised its view that a recovery is underway.

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

Total assets on a consolidated business at the end of the first quarter under review decreased by ¥5,584 million from the end of fiscal 2014 to ¥212,915 million. Major changes included a decrease of ¥11,935 million in notes and accounts receivable and an increase of ¥6,125 million in inventories.

Total liabilities decreased by ¥4,626 million from the end of fiscal 2014 to ¥114,626 million, primarily due to a decrease of ¥3,075 million in notes and accounts payable.

Net assets decreased by ¥957 million from the end of fiscal 2014 to ¥98,289 million, mainly due to distribution of surplus of ¥556 million.

### (3) Qualitative Information on Consolidated Results Forecasts

The Company has not revised the consolidated results forecasts for the full year and the first half of the fiscal year under review it announced previously (on April 30, 2014).

## 5. Consolidated Financial Statements (Unaudited)

## (1) Consolidated Balance Sheets (As of March 31, 2014 and June 30, 2014)

(in million yen)

|                                        | As of<br>March 31, 2014 | As of<br>June 30, 2014 |
|----------------------------------------|-------------------------|------------------------|
| <b>Assets</b>                          |                         |                        |
| Current assets                         |                         |                        |
| Cash and deposits                      | 43,664                  | 44,311                 |
| Notes and accounts receivable-trade    | 40,389                  | 28,453                 |
| Securities                             | 1,004                   | 1,004                  |
| Merchandise and finished goods         | 14,384                  | 17,546                 |
| Work in process                        | 11,837                  | 14,935                 |
| Raw materials and supplies             | 21,248                  | 21,115                 |
| Deferred tax assets                    | 1,839                   | 1,897                  |
| Other                                  | 4,122                   | 3,495                  |
| Allowance for doubtful accounts        | (756)                   | (734)                  |
| Total current assets                   | 137,735                 | 132,025                |
| Noncurrent assets                      |                         |                        |
| Property, plant and equipment          |                         |                        |
| Buildings and structures, net          | 28,039                  | 27,564                 |
| Machinery, equipment and vehicles, net | 6,222                   | 6,532                  |
| Tools, furniture and fixtures, net     | 2,879                   | 3,043                  |
| Land                                   | 16,479                  | 16,472                 |
| Lease assets, net                      | 1,585                   | 1,344                  |
| Construction in progress               | 818                     | 1,114                  |
| Total property, plant and equipment    | 56,024                  | 56,072                 |
| Intangible assets                      |                         |                        |
| Other                                  | 1,724                   | 1,744                  |
| Total intangible assets                | 1,724                   | 1,744                  |
| Investments and other assets           |                         |                        |
| Investment securities                  | 17,539                  | 17,309                 |
| Long-term loans receivable             | 531                     | 525                    |
| Deferred tax assets                    | 1,638                   | 1,581                  |
| Net defined benefit asset              | 711                     | 806                    |
| Other                                  | 3,044                   | 3,300                  |
| Allowance for doubtful accounts        | (451)                   | (449)                  |
| Total investments and other assets     | 23,013                  | 23,073                 |
| Total noncurrent assets                | 80,763                  | 80,890                 |
| Total assets                           | 218,499                 | 212,915                |

(Continued)

|                                                                | (in million yen)        |                        |
|----------------------------------------------------------------|-------------------------|------------------------|
|                                                                | As of<br>March 31, 2014 | As of<br>June 30, 2014 |
| Liabilities                                                    |                         |                        |
| Current liabilities                                            |                         |                        |
| Notes and accounts payable-trade                               | 24,418                  | 21,342                 |
| Short-term loans payable                                       | 7,380                   | 7,619                  |
| Current portion of bonds                                       | 10,000                  | 10,000                 |
| Current portion of long-term loans payable                     | 646                     | 1,839                  |
| Lease obligations                                              | 432                     | 326                    |
| Income taxes payable                                           | 763                     | 329                    |
| Other                                                          | 16,756                  | 16,000                 |
| Total current liabilities                                      | 60,396                  | 57,458                 |
| Noncurrent liabilities                                         |                         |                        |
| Bonds payable                                                  | 10,000                  | 10,000                 |
| Convertible bond-type bonds with subscription rights to shares | 12,000                  | 12,000                 |
| Long-term loans payable                                        | 25,731                  | 24,422                 |
| Lease obligations                                              | 1,523                   | 1,355                  |
| Deferred tax liabilities                                       | 4,992                   | 4,923                  |
| Provision for directors' retirement benefits                   | 43                      | 45                     |
| Net defined benefit liability                                  | 2,270                   | 2,169                  |
| Negative goodwill                                              | 17                      | 11                     |
| Other                                                          | 2,276                   | 2,239                  |
| Total noncurrent liabilities                                   | 58,856                  | 57,167                 |
| Total liabilities                                              | 119,253                 | 114,626                |
| Net assets                                                     |                         |                        |
| Shareholders' equity                                           |                         |                        |
| Capital stock                                                  | 19,263                  | 19,263                 |
| Capital surplus                                                | 32,595                  | 32,595                 |
| Retained earnings                                              | 44,556                  | 44,143                 |
| Treasury stock                                                 | (4,785)                 | (4,787)                |
| Total shareholders' equity                                     | 91,630                  | 91,215                 |
| Accumulated other comprehensive income                         |                         |                        |
| Valuation difference on available-for-sale securities          | 8,547                   | 8,430                  |
| Deferred gains or losses on hedges                             | (8)                     | 0                      |
| Foreign currency translation adjustment                        | 208                     | (288)                  |
| Remeasurements of defined benefit plans                        | (1,757)                 | (1,698)                |
| Total accumulated other comprehensive income                   | 6,989                   | 6,442                  |
| Minority interests                                             | 626                     | 631                    |
| Total net assets                                               | 99,246                  | 98,289                 |
| Total liabilities and net assets                               | 218,499                 | 212,915                |

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

|                                                          | (in million yen)                   |                                    |
|----------------------------------------------------------|------------------------------------|------------------------------------|
|                                                          | Three month ended<br>June 30, 2013 | Three month ended<br>June 30, 2014 |
| Net sales                                                | 21,534                             | 24,828                             |
| Cost of sales                                            | 16,552                             | 17,315                             |
| Gross profit                                             | 4,981                              | 7,512                              |
| Selling, general and administrative expenses             | 6,784                              | 7,433                              |
| Operating income (loss)                                  | (1,802)                            | 79                                 |
| Non-operating income                                     |                                    |                                    |
| Interest and dividends income                            | 119                                | 136                                |
| Rent income                                              | 49                                 | 56                                 |
| Foreign exchange gains                                   | 148                                | -                                  |
| Other                                                    | 73                                 | 83                                 |
| Total non-operating income                               | 391                                | 276                                |
| Non-operating expenses                                   |                                    |                                    |
| Interest expenses                                        | 236                                | 155                                |
| Foreign exchange losses                                  | -                                  | 67                                 |
| Other                                                    | 29                                 | 62                                 |
| Total non-operating expenses                             | 265                                | 285                                |
| Ordinary income (loss)                                   | (1,676)                            | 69                                 |
| Extraordinary income                                     |                                    |                                    |
| Gain on sales of noncurrent assets                       | 14                                 | 33                                 |
| Gain on sales of investment securities                   | 28                                 | -                                  |
| Total extraordinary income                               | 42                                 | 33                                 |
| Extraordinary loss                                       |                                    |                                    |
| Loss on retirement of noncurrent assets                  | -                                  | 1                                  |
| Total extraordinary losses                               | -                                  | 1                                  |
| Income (loss) before income taxes and minority interests | (1,634)                            | 101                                |
| Income taxes                                             | (101)                              | 35                                 |
| Income (loss) before minority interests                  | (1,532)                            | 65                                 |
| Minority interests in income                             | 11                                 | 6                                  |
| Net income (loss)                                        | (1,543)                            | 59                                 |

(Continued)

|                                                           | (in million yen)  |                   |
|-----------------------------------------------------------|-------------------|-------------------|
|                                                           | Three month ended | Three month ended |
|                                                           | June 30, 2013     | June 30, 2014     |
| Loss before minority interests                            | (1,532)           | 65                |
| Other comprehensive income                                |                   |                   |
| Valuation difference on available-for-sale securities     | 232               | (116)             |
| Deferred gains or losses on hedges                        | (8)               | 9                 |
| Foreign currency translation adjustment                   | 624               | (498)             |
| Remeasurements of defined benefit plans, net of tax       | -                 | 58                |
| Total other comprehensive income                          | 848               | (546)             |
| Comprehensive income                                      | (684)             | (481)             |
| Comprehensive income attributable to                      |                   |                   |
| Comprehensive income attributable to owners of the parent | (696)             | (487)             |
| Comprehensive income attributable to minority interests   | 12                | 6                 |

## 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, 2013 |          |        |        |        | (Millions of yen) |
|----------------------------------|----------|--------|--------|--------|-------------------|
|                                  | I        | II     | III    | IV     | Total             |
| Net sales:                       |          |        |        |        |                   |
| External customers               | ¥5,771   | ¥5,816 | ¥8,084 | ¥1,861 | ¥21,534           |
| Intersegment                     | 6,657    | 1,792  | 51     | 13     | 8,514             |
| Total                            | 12,428   | 7,608  | 8,136  | 1,874  | 30,048            |
| Segment income (loss)            | (¥1,111) | (¥46)  | (¥44)  | (¥345) | (¥1,548)          |

| Three months ended June 30, 2014 |        |        |        |        | (Millions of yen) |
|----------------------------------|--------|--------|--------|--------|-------------------|
|                                  | I      | II     | III    | IV     | Total             |
| Net sales:                       |        |        |        |        |                   |
| External customers               | ¥7,463 | ¥5,917 | ¥8,552 | ¥2,894 | ¥24,828           |
| Intersegment                     | 9,934  | 2,169  | 55     | 31     | 12,190            |
| Total                            | 17,398 | 8,087  | 8,607  | 2,925  | 37,018            |
| Segment income (loss)            | ¥477   | ¥427   | (¥143) | (¥73)  | ¥687              |

|                                      | Three months ended June 30, |       |
|--------------------------------------|-----------------------------|-------|
|                                      | Millions of yen             |       |
|                                      | 2013                        | 2014  |
| Segment income (loss)                | (¥1,548)                    | ¥687  |
| Elimination                          | (254)                       | (608) |
| Consolidated operating income (loss) | (¥1,802)                    | ¥79   |