



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

<Japanese GAAP>

November 1, 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 Six Months of the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to September 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)	%
Six months ended September 30, 2017	75,161	16.4	2,823	32.1	3,631	149.0	2,763	210.5
September 30, 2016	64,561	(14.0)	2,137	(64.1)	1,458	(77.6)	889	(82.8)

Note: Comprehensive income: Six months ended September 30, 2017: ¥6,924 million [- %]

Six months ended September 30, 2016: ¥(3,900) million [- %]

	Net income per share	Diluted net income per share
	(¥)	(¥)
Six months ended September 30, 2017	25.11	22.20
September 30, 2016	8.09	7.15

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	(¥ million)	(¥ million)	%
As of September 30, 2017	259,217	133,229	51.1
March 31, 2017	247,606	127,190	51.1

Note: Owner's equity as of September 30, 2017: ¥132,467 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	-	8.00			
Fiscal year ending March 31, 2018 (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, 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		Earnings per share attributable to owners of the parent
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full year	168,000	9.3	12,200	26.3	13,000	30.0	10,000	31.6	90.87

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 September 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 September 30, 2017	9,898,858 shares
As of March 31, 2017	9,897,144 shares

3) Average number of shares

Six months ended September 30, 2017	110,046,874 shares
Six months ended September 30, 2016	110,050,824 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 ¥75,161 million (up 16.4% year on year), operating income of ¥2,823 million, and net income attributable to owners of the parent of ¥2,763 million on a consolidated basis.

Orders received on a consolidated basis for the first half of the fiscal year amounted to ¥97,636 million (up 31.2% year on year). A large number of orders were concentrated in China and the United States.

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

Domestic orders received by Makino Milling Machine Co., Ltd. slightly increased compared to the previous corresponding period because of an increase in orders received from parts machining customers, including those for robots and semiconductor manufacturing equipment.

In the second half of the fiscal year, the Company will strengthen sales for new products for the die and mold industry. Demand from parts machining customers is expected to remain favorable and we forecast that orders will exceed the level of the previous corresponding period.

MAKINO ASIA PTE LTD

Orders received in Asia greatly exceeded the level of the previous corresponding period. In China, orders from the smartphone-related industry and automotive parts machining customers were settled.

In the second half of the fiscal year, we expect demand to remain robust in China for higher-quality design and functions of smartphones, and higher precision in line with automotive fuel efficiency improvement, and forecast that orders will exceed the level of the previous corresponding period.

MAKINO INC.

Orders received in North America were on a par with the previous corresponding period, led by orders received from the aircraft industry. Orders from automotive parts machining customers were mainly small.

We expect continued demand from the aircraft industry in the second half of the

fiscal year. We will promote sales and marketing activities targeting manufacturers of medical equipment and semiconductor manufacturing equipment and forecast that orders will exceed the level of the previous corresponding period.

MAKINO Europe GmbH

Orders received in Europe decreased compared to the previous corresponding period due to the absence of a major order from the aircraft industry, which we received in the previous corresponding period. Demand continued from parts machining customers in the auto industry in Italy and in general industries in Germany and Switzerland.

In the second half of the fiscal year, we will make efforts to win orders from the aircraft industry centering on Southern Europe in addition to orders from parts machining customers and we forecast that orders will exceed the level of the previous corresponding period.

(2) Qualitative Information on Consolidated Financial Position

Total assets on a consolidated basis at the end of the second quarter under review increased by ¥11,610 million from the end of fiscal 2017 to ¥259,217 million. Major changes included an increase of ¥10,617 million in inventories, a decrease of ¥5,717 million in notes and accounts receivable, and an increase of ¥2,889 million in investment securities.

Total liabilities increased by ¥5,572 million from the end of fiscal 2017 to ¥125,988 million. This was primarily attributable to an increase of ¥4,116 million in short-term loans, a decrease of ¥1,961 million in long-term debt, and an increase of ¥1,805 million in electronically recorded obligations-operating.

Net assets increased by ¥6,038 million from the end of fiscal 2017 to ¥133,229 million, mainly owing to an increase of ¥1,882 million in retained earnings and an increase of ¥2,541 million in unrealized gains on available-for-sale securities.

(3) Qualitative Information on Consolidated Performance Forecasts

In view of the increase in orders received in the first half of the fiscal year and the outlook for orders, the Company has revised the consolidated performance forecasts for the full year 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 full fiscal year	168,000	9.3	12,200	26.3	10,000	31.6

5. Consolidated Financial Statements (Unaudited)

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

	(in million yen)	
	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	51,668	53,723
Notes and accounts receivable-trade	44,569	38,852
Securities	39	39
Merchandise and finished goods	15,254	21,365
Work in process	11,874	15,269
Raw materials and supplies	24,946	26,057
Deferred tax assets	1,448	1,642
Other	5,345	5,657
Allowance for doubtful accounts	(671)	(764)
Total current assets	154,475	161,842
Noncurrent assets		
Buildings and structures, net	30,563	30,149
Machinery, equipment and vehicles, net	6,543	6,772
Tools, furniture and fixtures, net	4,138	4,088
Land	17,643	17,772
Lease assets, net	1,124	1,021
Construction in progress	683	2,057
Total property, plant and equipment	60,697	61,862
Intangible assets		
Other	3,340	3,355
Total intangible assets	3,340	3,355
Investments and other assets		
Investment securities	23,190	26,080
Long-term loans receivable	419	404
Deferred tax assets	3,455	3,262
Net defined benefit asset	181	172
Other	2,182	2,561
Allowance for doubtful accounts	(335)	(324)
Total investments and other assets	29,093	32,156
Total noncurrent assets	93,130	97,374
Total assets	247,606	259,217

(Continued)

(in million yen)

	As of March 31,2017	As of September 30,2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,100	14,965
Electronically recorded obligations - operating	15,112	16,917
Short-term loans payable	2,459	6,576
Current portion of bonds with subscription rights to shares	11,980	11,980
Current portion of long-term loans payable	8,578	8,753
Lease obligations	265	243
Income taxes payable	903	1,471
Other	20,896	21,864
Total current liabilities	75,296	82,771
Noncurrent liabilities		
Bonds payable	5,000	5,000
Long-term loans payable	26,783	24,821
Lease obligations	1,092	986
Deferred tax liabilities	5,924	6,285
Net defined benefit liability	4,960	4,752
Provision for directors' retirement benefits	70	78
Other	1,289	1,291
Total noncurrent liabilities	45,119	43,216
Total liabilities	120,415	125,988
Net assets		
Shareholders' equity		
Capital stock	19,263	19,263
Capital surplus	32,602	32,602
Retained earnings	71,090	72,973
Treasury stock	(5,633)	(5,634)
Total shareholders' equity	117,322	119,203
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,473	15,015
Foreign currency translation adjustment	(43)	1,343
Remeasurements of defined benefit plans	(3,312)	(3,095)
Total accumulated other comprehensive income	9,117	13,263
Non-controlling interests	750	761
Total net assets	127,190	133,229
Total liabilities and net assets	247,606	259,217

(2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

	Six month ended September 30, 2016	Six month ended September 30, 2017
Net sales	64,561	75,161
Cost of sales	46,162	53,003
Gross profit	18,399	22,158
Selling, general and administrative expenses	16,261	19,335
Operating income	2,137	2,823
Non-operating income		
Interest and dividends income	296	326
Rent income	115	119
Foreign exchange gains	-	322
Other	210	238
Total non-operating income	622	1,007
Non-operating expenses		
Interest expenses	203	160
Foreign exchange losses	1,025	-
Other	72	38
Total non-operating expenses	1,301	199
Ordinary income	1,458	3,631
Extraordinary income		
Gain on sales of noncurrent assets	69	24
Gain on sales of investment securities	7	41
Total extraordinary income	77	66
Extraordinary loss		
Loss on retirement of noncurrent assets	66	5
Total extraordinary losses	66	5
Income before income taxes and non-controlling interests	1,468	3,692
Income taxes	562	914
Net income	905	2,777
Net income attributable to non-controlling interests	16	14
Net income attributable to owners of the parent	889	2,763

(Continued)

	(in million yen)	
	Six month ended September 30, 2016	Six month ended September 30, 2017
Net income	905	2,777
Other comprehensive income		
Valuation difference on available-for-sale securities	(141)	2,542
Foreign currency translation adjustment	(5,250)	1,387
Remeasurements of defined benefit plans, net of tax	587	217
Total other comprehensive income	(4,805)	4,147
Comprehensive income	(3,900)	6,924
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(3,916)	6,909
Comprehensive income attributable to non-controlling interests	16	15

(3) Consolidated Statements of Cash flows

	(in million yen)	
	Six month ended September 30, 2016	Six month ended September 30, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	1,468	3,692
Depreciation and amortization	2,664	2,785
Increase (decrease) in allowance for doubtful accounts	(196)	65
Increase (decrease) in provision for directors' retirement benefits	4	7
Increase (decrease) in net defined benefit liability	366	60
Interest and dividends income	(296)	(326)
Interest expenses	203	160
Foreign exchange losses (gains)	17	(1)
Loss (gain) on sales of investment securities	(7)	(41)
Loss (gain) on sales of property, plant and equipment	(69)	(24)
Loss on retirement of property, plant and equipment	66	5
Decrease (increase) in notes and accounts receivable-trade	4,597	6,610
Decrease (increase) in inventories	(5,764)	(9,536)
Increase (decrease) in notes and accounts payable-trade	3,170	763
Other, net	(1,660)	660
Subtotal	4,564	4,882
Interest and dividends income received	293	324
Interest expenses paid	(198)	(158)
Income taxes paid	(1,373)	(435)
Net cash provided by (used in) operating activities	3,285	4,612
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(300)	150
Purchase of property, plant and equipment	(3,639)	(3,593)
Proceeds from sales of property, plant and equipment	323	160
Purchase of investment securities	(1,002)	(2)
Proceeds from sales of investment securities	15	55
Other, net	(642)	(697)
Net cash provided by (used in) investing activities	(5,245)	(3,927)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(187)	3,935
Repayments of finance lease obligations	(147)	(166)
Proceeds from long-term loans payable	5,000	-
Repayment of long-term loans payable	(702)	(1,982)
Proceeds from issuance of bonds	5,000	-
Purchase of treasury stock	(0)	(1)
Cash dividends paid	(882)	(879)
Cash dividends paid to non controlling shareholders	(2)	(4)
Net cash provided by (used in) financing activities	8,077	901
Effect of exchange rate change on cash and cash equivalents	(2,059)	618
Net increase (decrease) in cash and cash equivalents	4,057	2,204
Cash and cash equivalents at beginning of period	52,364	51,128
Cash and cash equivalents at end of period	56,421	53,332

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, 2016 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥20,891	¥18,809	¥20,440	¥4,420	¥64,561
Intersegment	24,344	3,924	141	25	28,436
Total	45,236	22,733	20,581	4,446	92,997
Segment income (loss)	¥1,226	¥1,307	¥510	(¥414)	¥2,630

Six months ended September 30, 2017 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥22,282	¥25,527	¥21,279	¥6,072	¥75,161
Intersegment	27,521	4,581	368	22	32,493
Total	49,803	30,108	21,648	6,095	107,655
Segment income (loss)	¥1,944	¥2,388	(¥109)	(¥724)	¥3,497

	Six months ended September 30,	
	Millions of yen	
	2016	2017
Segment income	¥2,630	¥3,497
Elimination	(492)	(674)
Consolidated operating income	¥2,137	¥2,823