



Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 <Japanese GAAP>

April 28, 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 Fiscal Year Ended March 31, 2017

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

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

	Net Sales		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal year ended March 31, 2017	153,641	(5.1)	9,660	(33.2)	10,000	(35.0)	7,596	(37.6)
March 31, 2016	161,979	8.3	14,465	20.3	15,390	16.1	12,168	6.3

Note: Comprehensive income: Fiscal year ended March 31, 2017: ¥11,823million [519.8 %]
 Fiscal year ended March 31, 2016: ¥1,907 million [(90.4) %]

	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, 2017	69.03	61.03	6.3	4.2	6.3
March 31, 2016	109.56	96.97	10.4	6.4	8.9

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of March 31, 2017	247,606	127,190	51.1	1,148.96
March 31, 2016	234,264	117,133	49.7	1,058.09

Note: Owner's equity as of March 31, 2017: 126,440 million March 31, 2016: ¥116,444 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
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Fiscal year ended March 31, 2017	14,026	(9,762)	(5,131)	51,128
March 31, 2016	24,879	(6,382)	(6,795)	52,364

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, 2016	-	8.00	-	8.00	16.00	1,770	14.6	1.5
Fiscal year ended March 31, 2017	-	8.00	-	8.00	16.00	1,760	23.2	1.4
Fiscal year ending March 31, 2018 (Forecast)	-	8.00	-	8.00	16.00		23.2	

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		Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Second quarter (cumulative)	70,000	8.4	2,500	17.0	2,600	78.3	2,000	124.8	18.17
Full year	156,000	1.5	9,700	0.4	10,000	0.0	7,600	0.0	69.06

*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) 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 the period (including treasury stock)

As of March 31, 2017	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 March 31, 2017	9,897,144 shares
As of March 31, 2016	9,893,017 shares

3) Average number of shares

Fiscal year ended March 31, 2017	110,049,824 shares
Fiscal year ended March 31, 2016	111,063,447 shares

Reference: Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

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

(1) Non-Consolidated Results of Operations

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

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal year ended March 31, 2017	78,657	(5.6)	1,713	(69.5)	3,203	(61.5)	2,831	(61.0)
March 31, 2016	83,311	6.3	5,622	43.8	8,321	50.6	7,256	19.1
	Net income per share		Diluted net income per share					
	(¥)		(¥)					
Fiscal year ended March 31, 2017	25.73		22.75					
March 31, 2016	65.33		57.82					

(2) Non-Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of March 31, 2017	161,411	77,961	48.3	708.43
March 31, 2016	156,496	73,254	46.8	665.63

Note: Owner's equity as of March 31, 2017: ¥77,961 million March 31, 2016: ¥73,254 million

* 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.

4. Overview of Operating Results, etc.

(1) Operating Results for Fiscal 2017

During fiscal 2017, the Company posted net sales of ¥153,641 million (down 5.1% year on year), operating income of ¥9,660 million (down 33.2% year on year), and net income attributable to owners of the parent of ¥7,596 million (down 37.6% year on year) on a consolidated basis.

Orders received on a consolidated basis amounted to ¥153,113 million (down 5.2% year on year).

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

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

Domestic orders received by Makino Milling Machine Co., Ltd. decreased from the previous year because of little increase in orders received from the die and mold industry.

MAKINO ASIA PTE LTD

Orders received in local currencies exceeded the level of the previous year. In China, orders received from the auto-related and smartphone-related industries remained buoyant. In India, orders received from the auto and motorcycle industries increased.

MAKINO INC.

Orders received were far lower than the level of the previous year, because of delay in receiving anticipated orders from the aircraft-related industry as well as a decrease in large orders from automotive parts machining customers.

MAKINO Europe GmbH

Demand from the aircraft industry remained brisk and we received a large number of orders in the second quarter. Strengthened sales and marketing in the parts machining market led to a recovery of orders. As a result, orders received exceeded the previous year's level.

(2) Financial Position

Total assets on a consolidated basis at the end of fiscal 2017 increased by ¥13,342 million from the end of fiscal 2016 to ¥247,606 million. This was primarily attributable to an increase of ¥5,887 million in notes and accounts receivable and an increase of ¥6,118 million in investment securities. Total liabilities increased by ¥3,285 million from the end of fiscal 2016 to ¥120,415 million. This was primarily attributable to an increase of ¥11,988 million in electronically recorded obligations-operating and a decrease of ¥6,148 million in notes and

accounts payable.

Net assets increased by ¥10,056 million from the end of fiscal 2016 to ¥127,190 million. The principal items were an increase of ¥5,835 million in retained earnings and an increase of ¥3,677 million in unrealized gains on available-for-sale securities.

(3) Cash Flows

At the end of fiscal 2017, net cash provided by operating activities was ¥14,026 million. The principal items were income before income taxes amounting to ¥10,097 million, depreciation and amortization amounting to ¥5,699 million, an increase of ¥5,707 million in notes and accounts receivable, trade, and an increase of ¥5,873 million in notes and accounts payable, trade.

Net cash used in investing activities was ¥9,762 million. The principal item was purchases of property, plant and equipment amounting to ¥7,627 million.

Net cash used in financing activities was ¥5,131 million. The main items were redemption of bonds amounting to ¥10,000 million, repayment of long-term loans payable amounting to ¥1,405 million, proceeds from long-term loans payable amounting to ¥5,843 million, and dividends paid amounting to ¥1,763 million.

As a result, cash and cash equivalents on a consolidated basis at the end of fiscal 2017 decreased by ¥1,236 million from the end of fiscal 2016 to ¥51,128 million.

The table below shows trends in cash-flow indicators.

	74th term	75th term	76th term	77th term	78th term
	Term ended March 2013	Term ended March 2014	Term ended March 2015	Term ended March 2016	Term ended March 2017
Shareholders' equity ratio (%)	43.8	45.1	47.7	49.7	51.1
Shareholders' equity ratio on a market value basis (%)	30.4	37.0	46.3	32.4	42.9
Ratio of interest-bearing debt to cash flows (%)	5.8	8.1	5.9	2.3	3.9
Interest coverage ratio (times)	14.0	10.2	17.0	52.9	34.3

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.

(4) Outlook (Fiscal 2018)

The Company forecasts higher orders received on a consolidated basis than the level in fiscal 2017 because actual demand is expected to remain robust despite expectations of a stronger yen in fiscal 2018 than in fiscal 2017.

The details of the forecast by geographic region are as follows:

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

Capital investment by manufacturers of dies and molds for automobile applications and manufacturers of semiconductor manufacturing equipment is expected to increase.

We will enrich product lines, endeavoring to attune them to market needs, particularly in the die and mold market, so as to win orders.

MAKINO ASIA PTE LTD

In the Chinese market, we expect demand from the auto and smartphone industries to remain brisk. In India, we will implement initiatives to secure orders from the agricultural machine industry, which shows signs of recovery, as well as from the auto and motorcycle industries. We forecast higher orders received than the level in fiscal 2017.

MAKINO INC.

We anticipate capital investment in the automotive parts machining market to continue in fiscal 2018, albeit having few large-scale capital investment projects. We are receiving increasing inquiries from semiconductor manufacturing equipment manufacturers.

Regarding the aircraft industry, we anticipate an increase in demand for machines for engine parts in addition to those for machining aircraft structural components.

We forecast higher orders received than the level in fiscal 2017.

MAKINO Europe GmbH

We will continue our initiatives concerning machines for parts machining, strengthen our sales system targeting die and mold manufacturers, and strive to increase orders for machines for the aircraft industry. Through these measures, we aim to receive the same level of orders as for fiscal 2017 when we received a large number of orders.

The Group's consolidated performance forecasts for fiscal 2018 are as follows:

(Million yen)	Net sales	Operating income	Net income attributable to owners of the parent
Forecasts for the first six months (1st and 2nd quarters combined)	70,000 *1 up 8.4%	2,500 *1 up 17.0%	2,000 *1 up 124.8%
Forecasts for the full fiscal year	156,000 *2 up 1.5%	9,700 *2 up 0.4%	7,600 *2 0.0%

*1 Compared with the same period of fiscal 2017

*2 Year on year

5.Consolidated Financial Statements (Unaudited)

(1)Consolidated Balance Sheets (As of March 31, 2017 and March 31,2016)

(in million yen)

	As of March 31,2016	As of March 31,2017
Assets		
Current assets		
Cash and deposits	52,240	51,668
Notes and accounts receivable-trade	38,682	44,569
Securities	1,102	39
Merchandise and finished goods	15,328	15,254
Work in process	12,203	11,874
Raw materials and supplies	23,867	24,946
Deferred tax assets	1,665	1,448
Other	4,636	5,345
Allowance for doubtful accounts	(806)	(671)
Total current assets	148,920	154,475
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	28,929	30,563
Machinery, equipment and vehicles, net	6,869	6,543
Tools, furniture and fixtures, net	3,390	4,138
Land	17,524	17,643
Lease assets, net	1,176	1,124
Construction in progress	2,173	683
Total property, plant and equipment	60,063	60,697
Intangible assets		
Other	1,840	3,340
Total intangible assets	1,840	3,340
Investments and other assets		
Investment securities	17,072	23,190
Long-term loans receivable	443	419
Deferred tax assets	3,102	3,455
Net defined benefit asset	273	181
Other	2,910	2,182
Allowance for doubtful accounts	(361)	(335)
Total investments and other assets	23,440	29,093
Total noncurrent assets	85,344	93,130
Total assets	234,264	247,606

(Continued)

(in million yen)

	As of March 31,2016	As of March 31,2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,249	15,100
Electronically recorded obligations - operating	3,124	15,112
Short-term loans payable	5,058	2,459
Current portion of bonds	10,000	-
Current portion of bonds with subscription rights to shares	-	11,980
Current portion of long-term loans payable	1,405	8,578
Lease obligations	279	265
Income taxes payable	1,543	903
Other	19,733	20,896
Total current liabilities	62,393	75,296
Noncurrent liabilities		
Bonds payable	-	5,000
Convertible bond-type bonds with subscription rights to shares	11,980	-
Long-term loans payable	29,591	26,783
Lease obligations	1,156	1,092
Deferred tax liabilities	4,275	5,924
Net defined benefit liability	5,616	4,960
Provision for directors' retirement benefits	61	70
Other	2,055	1,289
Total noncurrent liabilities	54,736	45,119
Total liabilities	117,130	120,415
Net assets		
Shareholders' equity		
Capital stock	19,263	19,263
Capital surplus	32,602	32,602
Retained earnings	65,254	71,090
Treasury stock	(5,629)	(5,633)
Total shareholders' equity	111,490	117,322
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,796	12,473
Foreign currency translation adjustment	971	(43)
Remeasurements of defined benefit plans	(4,814)	(3,312)
Total accumulated other comprehensive income	4,954	9,117
Non controlling interests	689	750
Total net assets	117,133	127,190
Total liabilities and net assets	234,264	247,606

(2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	161,979	153,641
Cost of sales	113,306	109,111
Gross profit	48,673	44,529
Selling, general and administrative expenses	34,208	34,868
Operating income	14,465	9,660
Non-operating income		
Interest income	99	175
Dividends income	627	382
Rent income	235	230
Subsidy income	762	89
Other	470	315
Total non-operating income	2,195	1,193
Non-operating expenses		
Interest expenses	368	296
Interest of bonds	100	68
Foreign exchange losses	559	368
Other	241	120
Total non-operating expenses	1,270	854
Ordinary income	15,390	10,000
Extraordinary income		
Gain on sales of noncurrent assets	87	189
Gain on sales of investment securities	33	24
Total extraordinary income	121	213
Extraordinary loss		
Loss on retirement of noncurrent assets	122	115
Total extraordinary losses	122	115
Income before income taxes	15,389	10,097
Income taxes-current	2,490	2,218
Income taxes-deferred	677	222
Total income taxes	3,167	2,441
Net income	12,221	7,656
Net income attributable to non controlling interests	53	59
Net income attributable to owners of the parent	12,168	7,596

<Comprehensive Income Statement>

(in million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net income	12,221	7,656
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,016)	3,679
Deferred gains or losses on hedges	4	-
Foreign currency translation adjustment	(3,297)	(1,015)
Remeasurement of defined benefit plans	(2,004)	1,502
Total other comprehensive income	(10,313)	4,167
Comprehensive income	1,907	11,823
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,861	11,760
Comprehensive income attributable to non controlling interests	46	63

(3) Consolidated Statements of Changes in Net Equity
Consolidated fiscal year (April 1, 2015 – March 31, 2016)

(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	54,866	(4,794)	101,930
Changes of items during the period					
Dividends of surplus			(1,779)		(1,779)
Net income attributable to owners of the parent			12,168		12,168
Purchase of treasury shares				(848)	(848)
Disposal of treasury shares		6		13	20
Net changes of items other than shareholders' equity					
Total changes of items other than shareholders' equity	-	6	10,388	(835)	9,559
Balance at the end of the period	19,263	32,602	65,254	(5,629)	111,490

	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	13,811	(4)	4,269	(2,814)	15,261	644	117,836
Changes of items during the period							
Dividends of surplus							(1,779)
Net income attributable to owners of the parent							12,168
Purchase of treasury shares							(848)
Others							20
Net changes of items other than shareholders' equity	(5,014)	4	(3,297)	(1,999)	(10,306)	45	(10,261)
Total changes of items other than shareholders' equity	(5,014)	4	(3,297)	(1,999)	(10,306)	45	(702)
Balance at the end of the period	8,796	-	971	(4,814)	4,954	689	117,133

(3) Consolidated Statements of Changes in Net Equity
Consolidated fiscal year (April 1, 2016 – March 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	19,263	32,602	65,254	(5,629)	111,490
Changes of items during the period					
Dividends of surplus			(1,760)		(1,760)
Net income attributable to owners of the parent			7,596		7,596
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares				-	-
Net changes of items other than shareholders' equity					
Total changes of items other than shareholders' equity	-	-	5,835	(3)	5,833
Balance at the end of the period	19,263	32,602	71,090	(5,633)	117,322

	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	8,796	-	971	(4,814)	4,954	689	117,133
Changes of items during the period							
Dividends of surplus							(1,760)
Net income attributable to owners of the parent							7,596
Purchase of treasury shares							(3)
Others							-
Net changes of items other than shareholders' equity	3,677	-	(1,015)	1,501	4,163	60	4,223
Total changes of items other than shareholders' equity	3,677	-	(1,015)	1,501	4,163	60	10,056
Balance at the end of the period	12,473	-	(43)	(3,312)	9,117	750	127,190

(4) Consolidated Statements of Cash Flow:

(in million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	15,389	10,097
Depreciation and amortization	5,684	5,699
Increase (decrease) in provision for directors' retirement benefits	9	9
Increase (decrease) in net defined benefit liability	39	725
Increase (decrease) in allowance for doubtful accounts	(243)	(142)
Interest and dividends income	(727)	(557)
Interest expenses	469	365
Foreign exchange losses (gains)	22	6
Loss (gain) on sales and valuation of investment securities	(33)	(24)
Loss (gain) on sales of property, plant and equipment	(87)	(189)
Loss on retirement of property, plant and equipment	122	115
Decrease (increase) in notes and accounts receivable-trade	5,614	(5,707)
Decrease (increase) in inventories	4,306	(303)
Increase (decrease) in notes and accounts payable-trade	(1,852)	5,873
Other, net	(1,529)	677
Subtotal	27,182	16,646
Interest and dividends income received	728	557
Interest expenses paid	(470)	(409)
Income taxes (paid) refund	(2,560)	(2,768)
Net cash provided by (used in) operating activities	24,879	14,026
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	400	800
Purchase of property, plant and equipment	(7,264)	(7,627)
Proceeds from sales of property, plant and equipment	302	843
Purchase of investment securities	(4)	(1,004)
Proceeds from sales of investment securities	49	32
Other, net	134	(2,806)
Net cash provided by (used in) investing activities	(6,382)	(9,762)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,759)	(2,445)
Repayments of finance lease obligations	(302)	(355)
Proceeds from long-term loans payable	2,825	5,843
Repayment of long-term loans payable	(3,930)	(1,405)
Proceeds from issuance of bonds	-	5,000
Redemption of bonds	-	(10,000)
Purchase of treasury stock	(848)	(3)
Cash dividends paid	(1,777)	(1,763)
Cash dividends paid to minority shareholders	(1)	(2)
Net cash provided by (used in) financing activities	(6,795)	(5,131)
Effect of exchange rate change on cash and cash equivalents	(1,569)	(368)
Net increase (decrease) in cash and cash equivalents	10,132	(1,236)
Cash and cash equivalents at beginning of period	42,232	52,364
Cash and cash equivalents at end of period	52,364	51,128

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. 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, 2016 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥58,839	¥42,567	¥47,092	¥13,480	¥161,979
Intersegment	46,906	8,704	474	87	56,172
Total	105,745	51,271	47,566	13,568	218,152
Segment income	¥8,339	¥3,134	¥2,073	¥373	¥13,921
Segment assets	¥178,199	¥45,910	¥34,318	¥11,966	¥270,394

Year ended March 31, 2017 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥52,067	¥40,361	¥48,140	¥13,071	¥153,641
Intersegment	47,641	7,535	280	65	55,523
Total	99,708	47,896	48,420	13,137	209,164
Segment income	¥4,466	¥2,765	¥1,539	¥260	¥9,032
Segment assets	¥186,292	¥49,277	¥36,159	¥12,800	¥284,529