



Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2017

<Japanese GAAP>

January 31, 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 Nine Months of the Fiscal Year Ending March 31, 2017

(From April 1, 2016 to December 31, 2016)

(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)	%
Nine months ended December 31, 2016	100,144	(11.7)	3,887	(56.6)	4,078	(60.3)	3,171	(61.4)
December 31, 2015	113,419	14.1	8,961	59.2	10,268	46.5	8,216	45.0

Note: Comprehensive income: Nine months ended December 31, 2016: ¥5,858 million [19.8 %]

Nine months ended December 31, 2015: ¥4,890 million [(60.7) %]

	Net income per share	Diluted net income per share
	(¥)	(¥)
Nine months ended December 31, 2016	28.82	25.48
December 31, 2015	73.86	65.38

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	(¥ million)	(¥ million)	%
As of December 31, 2016	235,958	121,227	51.1
March 31, 2016	234,264	117,133	49.7

Note: Owner's equity as of December 31, 2016: ¥120,508 million

March 31, 2016: ¥116,444 million

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2016	-	8.00	-	8.00	16.00
Fiscal year ending March 31, 2017	-	8.00	-		
Fiscal year ending March 31, 2017 (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, 2017

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

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full year	147,000	(9.2)	8,400	(41.9)	8,400	(45.4)	6,100	(49.9)	55.43

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: 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 December 31, 2016	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 December 31, 2016	9,895,702 shares
As of March 31, 2016	9,893,017 shares

3) Average number of shares

Nine months ended December 31, 2016	110,050,361 shares
Nine months ended December 31, 2015	111,246,992 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 nine-month period under review, the Company posted net sales of ¥100,144 million (down 11.7% year on year), operating income of ¥3,887 million, and net income attributable to owners of the parent of ¥3,171 million.

Orders received on a consolidated basis for the nine-month period under review amounted to ¥115,594 million (down 7.0% year on year).

This is due to the impact of foreign currency translation attributable to the appreciation of the yen and a reduction in demand in the North American market compared to the high level seen in the third quarter of the previous fiscal year.

The details of orders by geographic region for the third quarter are as follows:

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

Orders received increased from the previous corresponding period, owing to orders received at the 28th Japan International Machine Tool Fair held in Tokyo in November 2016, and a last-minute hike in orders received utilizing the capital expenditure tax incentive.

The Company forecasts that orders received in the fourth quarter will be on par with the previous corresponding period.

MAKINO ASIA PTE LTD

In Asia, orders received increased compared to the previous corresponding period, as we obtained a large number of orders in China from the electrical and electronic industry, as well as from the auto industry. In India, we received more orders than the previous corresponding period, owing to greater demand from the auto and motorcycle industries.

MAKINO INC.

In North America, orders received decreased compared to the previous corresponding period. This was due to the delay in the selection of parts suppliers for new aircrafts, which affected the orders received from the aircraft industry, and the limited number of inquiries of large-scale projects from the auto industry.

In the fourth quarter, there are several aircraft-related inquiries that are in progress, and we will endeavor to obtain these orders.

MAKINO Europe GmbH

In Europe, orders received increased compared to the previous corresponding period, as orders from parts machining customers recovered.

In the fourth quarter, we expect to receive orders from parts machining customers in Italy and Eastern Europe.

(2) Qualitative Information on Consolidated Financial Position

Total assets on a consolidated basis at the end of the third quarter under review increased by ¥1,693 million from the end of fiscal 2016 to ¥235,958 million. Major changes included an increase of ¥6,576 million in inventories, an increase of ¥3,658 million in investment securities, and a decrease of ¥6,597 million in notes and accounts receivable.

Total liabilities decreased by ¥2,399 million from the end of fiscal 2016 to ¥114,731 million, primarily due to a decrease in notes and accounts payable trade of ¥9,971 million, and an increase in electronically recorded obligations- operating of ¥11,403 million.

Net assets increased by ¥4,093 million from the end of fiscal 2016 to ¥121,227 million, mainly due to an increase of ¥1,411 million in retained earnings and an increase of ¥1,969 million in unrealized gains on available-for-sale securities.

(3) Qualitative Information on Consolidated Results Forecasts

The Company has revised the consolidated results forecasts for the full year announced on October 31, 2016.

(% indicate changes from the same period of the previous fiscal year)									
	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share attributable to owners of the parent
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full year	147,000	(9.2)	8,400	(41.9)	8,400	(45.4)	6,100	(49.9)	55.43

5. Consolidated Financial Statements (Unaudited)

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

	(in million yen)	
	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	52,240	49,391
Notes and accounts receivable-trade	38,682	32,084
Securities	1,102	39
Merchandise and finished goods	15,328	20,655
Work in process	12,203	13,177
Raw materials and supplies	23,867	24,142
Deferred tax assets	1,665	1,776
Other	4,636	5,342
Allowance for doubtful accounts	(806)	(591)
Total current assets	148,920	146,017
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	28,929	30,079
Machinery, equipment and vehicles, net	6,869	6,775
Tools, furniture and fixtures, net	3,390	3,875
Land	17,524	17,783
Lease assets, net	1,176	1,067
Construction in progress	2,173	1,868
Total property, plant and equipment	60,063	61,449
Intangible assets		
Other	1,840	2,138
Total intangible assets	1,840	2,138
Investments and other assets		
Investment securities	17,072	20,730
Long-term loans receivable	443	430
Deferred tax assets	3,102	2,972
Net defined benefit asset	273	251
Other	2,910	2,307
Allowance for doubtful accounts	(361)	(339)
Total investments and other assets	23,440	26,352
Total noncurrent assets	85,344	89,940
Total assets	234,264	235,958

(Continued)

	(in million yen)	
	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,249	11,277
Electronically recorded obligations - operating	3,124	14,527
Short-term loans payable	5,058	3,766
Current portion of bonds	10,000	-
Current portion of long-term loans payable	1,405	8,935
Lease obligations	279	262
Income taxes payable	1,543	348
Other	19,733	19,513
Total current liabilities	62,393	58,630
Noncurrent liabilities		
Bonds payable	-	5,000
Convertible bond-type bonds with subscription rights to shares	11,980	11,980
Long-term loans payable	29,591	26,042
Lease obligations	1,156	1,039
Deferred tax liabilities	4,275	4,969
Provision for directors' retirement benefits	61	68
Net defined benefit liability	5,616	5,696
Other	2,055	1,304
Total noncurrent liabilities	54,736	56,100
Total liabilities	117,130	114,731
Net assets		
Shareholders' equity		
Capital stock	19,263	19,263
Capital surplus	32,602	32,602
Retained earnings	65,254	66,665
Treasury stock	(5,629)	(5,631)
Total shareholders' equity	111,490	112,899
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,796	10,765
Foreign currency translation adjustment	971	1,217
Remeasurements of defined benefit plans	(4,814)	(4,373)
Total accumulated other comprehensive income	4,954	7,609
Non controlling interests	689	718
Total net assets	117,133	121,227
Total liabilities and net assets	234,264	235,958

(2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	113,419	100,144
Cost of sales	79,328	71,692
Gross profit	34,090	28,451
Selling, general and administrative expenses	25,128	24,563
Operating income	8,961	3,887
Non-operating income		
Interest and dividends income	682	508
Subsidy income	762	-
Foreign exchange gains	-	-
Other	553	475
Total non-operating income	1,997	983
Non-operating expenses		
Interest expenses	360	293
Foreign exchange loss	209	408
Other	121	90
Total non-operating expenses	691	792
Ordinary income	10,268	4,078
Extraordinary income		
Gain on sales of noncurrent assets	49	144
Gain on sales of investment securities	33	7
Total extraordinary income	83	152
Extraordinary loss		
Loss on retirement of noncurrent assets	66	97
Total extraordinary losses	66	97
Income before income taxes and minority interests	10,285	4,133
Income taxes	2,045	932
Net income	8,240	3,200
Net income attributable to non controlling interests	24	28
Net income attributable to owners of the parent	8,216	3,171

(Continued)

	(in million yen)	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net income	8,240	3,200
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,557)	1,970
Deferred gains or losses on hedges	4	-
Foreign currency translation adjustment	(1,015)	245
Remeasurements of defined benefit plans, net of tax	219	441
Total other comprehensive income	(3,350)	2,657
Comprehensive income	4,890	5,858
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,866	5,827
Comprehensive income attributable to non controlling interests	23	31

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.

Nine months ended December 31, 2015

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥40,822	¥31,284	¥31,441	¥9,871	¥113,419
Intersegment	34,855	6,644	385	78	41,964
Total	75,678	37,929	31,826	9,949	155,383
Segment income (loss)	¥6,035	¥2,271	¥995	(¥7)	¥9,295

Nine months ended December 31, 2016

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥34,610	¥26,610	¥31,394	¥7,527	¥100,144
Intersegment	32,504	5,550	202	42	38,299
Total	67,114	32,161	31,597	7,569	138,443
Segment income (loss)	¥1,468	¥1,921	¥976	(¥546)	¥3,819

	Nine months ended December 31,	
	Millions of yen	
	2015	2016
Segment income	¥9,295	¥3,819
Elimination	(333)	68
Consolidated operating income	¥8,961	¥3,887