



Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 <Japanese GAAP>

April 28, 2016

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, 2016

(From April 1, 2015 to March 31, 2016)

(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, 2016	161,979	8.3	14,465	20.3	15,390	16.1	12,168	6.3
March 31, 2015	149,506	20.7	12,025	144.9	13,252	147.4	11,449	166.6

Note: Comprehensive income: Fiscal year ended March 31, 2016: ¥1,907million [(90.4) %]
 Fiscal year ended March 31, 2015: ¥19,796 million [110.9 %]

	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, 2016	109.56	96.97	10.4	6.4	8.9
March 31, 2015	102.93	91.11	10.6	5.7	8.0

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of March 31, 2016	234,264	117,133	49.7	1,058.09
March 31, 2015	245,456	117,836	47.7	1,053.58

Note: Owner's equity as of March 31, 2016: 116,444 million March 31, 2015: ¥117,192 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, 2016	24,879	(6,382)	(6,795)	52,364
March 31, 2015	10,606	(6,820)	(5,794)	42,232

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, 2015	-	6.00	-	8.00	14.00	1,557	13.6	1.4
Fiscal year ended March 31, 2016	-	8.00	-	8.00	16.00	1,770	14.6	1.5
Fiscal year ending March 31, 2017 (Forecast)	-	8.00	-	8.00	16.00		27.1	

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)	%	(¥)
Second quarter (cumulative)	66,700	(11.1)	1,500	(74.8)	1,500	(76.9)	1,000	(80.7)	9.09
Full year	150,000	(7.4)	9,200	(36.4)	9,200	(40.2)	6,500	(46.6)	59.06

*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, 2016	119,944,543 shares
As of March 31, 2015	119,944,543 shares

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

As of March 31, 2016	9,893,017 shares
As of March 31, 2015	8,712,596 shares

3) Average number of shares

Fiscal year ended March 31, 2016	111,063,447 shares
Fiscal year ended March 31, 2015	111,236,929 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.

4. Analyses of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Operating Results for Fiscal 2016

During fiscal 2016, the Company posted net sales of ¥161,979 million (up 8.3% year on year), operating income of ¥14,465 million (up 20.3% year on year), and net income attributable to owners of the parent of ¥12,168 million (up 6.3% year on year) on a consolidated basis.

Orders received on a consolidated basis amounted to ¥161,504 million (up 2.1% 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. increased in the first half of the year partly thanks to government policies and decreased in the second half in reaction to that increase. Orders received for the full year exceeded the level of the previous year as a moderate recovery continued.

MAKINO ASIA PTE LTD

In China, amid an economic slowdown, demand for machine tools and other industrial goods remained sluggish.

We received orders from various industries, centering on export industries, and as a result, orders received for the year slightly exceeded the level of the previous year, which comes from the initiatives to strengthen our sales network covering various parts of China.

MAKINO INC.

Demand for machine tools decreased despite the robust economic performance of the United States in the first half of the year, and orders received greatly decreased from the previous year. Contracts for auto and aircraft manufacturers were concentrated in the second half, and as a result, orders received for the full year exceeded the level of the previous year.

MAKINO Europe GmbH

Aircraft-related demand continued. Investment in the die and mold industry has also been robust.

However, orders received were below the previous year's level as general parts processing customers were cautious about investment.

2) Outlook (Fiscal 2017)

Fiscal 2017 started with soft demand for machine tools. Considering the situations in various regions, we expect demand to recover in the first half.

The Company forecasts orders received on a consolidated basis to be below the previous year's level because of appreciation of the yen.

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

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

Steady demand is continuing for the purpose of increasing production efficiency and responding to technological change.

We will endeavor to increase orders received by proposing to those customers that they upgrade to highly accurate and highly efficient machines.

MAKINO ASIA PTE LTD

Although the Chinese market remains lackluster, certain users are positive for capital investment.

Taking advantage of our sales network covering various parts of China, we intend to strengthen initiatives to cultivate customers responding to increasingly sophisticated domestic demand, in addition to export industries.

We anticipate recovery in other regions and orders received in local currencies exceed the previous year's level.

MAKINO INC.

Demand for machines for structural components and for engine parts from the aircraft industry is on an upward trend.

For automotive parts manufacturers, we are reinforcing engineering systems geared to automation.

Orders received in local currencies are expected to exceed the previous year's level.

MAKINO Europe GmbH

We are reviewing our sales system, in view of low orders received for machines for general parts processing in the previous year.

With the expansion of sales offices in Germany, we are well prepared to respond more meticulously to needs of die and mold as well as aircraft industries.

The Group's consolidated performance forecasts for fiscal 2017 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)	66,700 *1 down 11.1%	1,500 *1 down 74.8%	1,000 *1 down 80.7%
Forecasts for the full fiscal year	150,000 *2 down 7.4%	9,200 *2 down 36.4%	6,500 *2 down 46.6%

*1 Compared with the same period of fiscal 2016

*2 Year on year

Both sales and profit will decrease compared with fiscal 2016 because the trend of currency exchange rates shifted to yen appreciation.

We expect demand for machine tools to remain at a standstill for some time. However, technological innovation requiring high-accuracy, high-efficiency processing is further accelerating.

In response to this trend, we are promoting investment in human resources and facilities so as to be prepared for the anticipated increase in demand.

(2) Analysis of Financial Position

Total assets on a consolidated basis at the end of fiscal 2016 decreased ¥11,192 million from the end of fiscal 2015 to ¥234,264 million. This was primarily attributable to a decrease of ¥7,121 million in notes and accounts receivable, a decrease of ¥5,653 million in inventories, a decrease of ¥7,597 million in investment securities, and an increase of ¥9,232 million in cash and deposits. Total liabilities decreased by ¥10,490 million from the end of fiscal 2015 to ¥117,130 million. This was primarily attributable to a decrease of ¥6,123 million in notes and accounts payable and a decrease of ¥3,013 million in short-term loans. The method for certain payments has changed to electronically recorded obligations-operating.

Net assets decreased by ¥702 million from the end of fiscal 2015 to ¥117,133 million. The principal items were an increase of ¥10,388 million in retained earnings, a decrease of ¥5,014 million in unrealized gains on available-for-sale securities, and a decrease of ¥3,297 million in foreign currency translation adjustments.

(Cash Flows)

At the end of fiscal 2016, net cash provided by operating activities was ¥24,879 million, principally reflecting ¥15,389 million in income before income taxes, ¥5,684 million in depreciation and amortization, a decrease of ¥4,306 million in inventories, and a decrease of ¥5,614 million in notes and accounts receivable, trade.

Net cash used in investing activities was ¥6,382 million. The principal items were a net decrease of ¥400 million in time deposits and purchases of property, plant and equipment amounting to ¥7,264 million.

Net cash used in financing activities was ¥6,795 million. This resulted principally from outflow of ¥3,930 million from long-term loans payable and dividends paid amounting to ¥1,777 million.

As a result, cash and cash equivalents on a consolidated basis at the end of fiscal 2016 increased by ¥10,132 million from the end of fiscal 2015 to ¥52,364 million.

The table below shows trends in cash-flow indicators.

	73rd term	74th term	75th term	76th term	77th term
	Term ended March 2012	Term ended March 2013	Term ended March 2014	Term ended March 2015	Term ended March 2016
Shareholders' equity ratio (%)	46.6	43.8	45.1	47.7	49.7
Shareholders' equity ratio on a market value basis (%)	44.2	30.4	37.0	46.3	32.4
Ratio of interest-bearing debt to cash flows (%)	—	5.8	8.1	5.9	2.3
Interest coverage ratio (times)	—	14.0	10.2	17.0	52.9

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.

5.Consolidated Financial Statements (Unaudited)

(1)Consolidated Balance Sheets (As of March 31, 2016 and March 31,2015)

	(in million yen)	
	As of March 31,2015	As of March 31,2016
Assets		
Current assets		
Cash and deposits	43,008	52,240
Notes and accounts receivable-trade	45,803	38,682
Securities	1,005	1,102
Merchandise and finished goods	20,239	15,328
Work in process	12,118	12,203
Raw materials and supplies	24,695	23,867
Deferred tax assets	3,445	1,665
Other	5,214	4,636
Allowance for doubtful accounts	(1,030)	(806)
Total current assets	154,500	148,920
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	28,565	28,929
Machinery, equipment and vehicles, net	7,231	6,869
Tools, furniture and fixtures, net	3,304	3,390
Land	16,767	17,524
Lease assets, net	1,193	1,176
Construction in progress	1,851	2,173
Total property, plant and equipment	58,914	60,063
Intangible assets		
Other	1,800	1,840
Total intangible assets	1,800	1,840
Investments and other assets		
Investment securities	24,669	17,072
Long-term loans receivable	526	443
Deferred tax assets	1,987	3,102
Net defined benefit asset	464	273
Other	3,013	2,910
Allowance for doubtful accounts	(420)	(361)
Total investments and other assets	30,240	23,440
Total noncurrent assets	90,956	85,344
Total assets	245,456	234,264

(Continued)

	(in million yen)	
	As of March 31,2015	As of March 31,2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	27,372	21,249
Electronically recorded obligations - operating	-	3,124
Short-term loans payable	8,071	5,058
Current portion of bonds	-	10,000
Current portion of long-term loans payable	3,908	1,405
Lease obligations	283	279
Income taxes payable	1,706	1,543
Other	22,634	19,733
Total current liabilities	63,976	62,393
Noncurrent liabilities		
Bonds payable	10,000	-
Convertible bond-type bonds with subscription rights to shares	12,000	11,980
Long-term loans payable	28,219	29,591
Lease obligations	1,197	1,156
Deferred tax liabilities	6,689	4,275
Net defined benefit liability	3,367	5,616
Provision for directors' retirement benefits	52	61
Other	2,117	2,055
Total noncurrent liabilities	63,643	54,736
Total liabilities	127,620	117,130
Net assets		
Shareholders' equity		
Capital stock	19,263	19,263
Capital surplus	32,595	32,602
Retained earnings	54,866	65,254
Treasury stock	(4,794)	(5,629)
Total shareholders' equity	101,930	111,490
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,811	8,796
Deferred gains or losses on hedges	(4)	-
Foreign currency translation adjustment	4,269	971
Remeasurements of defined benefit plans	(2,814)	(4,814)
Total accumulated other comprehensive income	15,261	4,954
Non controlling interests	644	689
Total net assets	117,836	117,133
Total liabilities and net assets	245,456	234,264

(2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Net sales	149,506	161,979
Cost of sales	102,970	113,306
Gross profit	46,536	48,673
Selling, general and administrative expenses	34,511	34,208
Operating income	12,025	14,465
Non-operating income		
Interest and dividends income	336	727
Foreign exchange gains	964	-
Other	712	1,467
Total non-operating income	2,014	2,195
Non-operating expenses		
Interest expenses	612	468
Foreign exchange losses	-	559
Other	174	241
Total non-operating expenses	787	1,270
Ordinary income	13,252	15,390
Extraordinary income		
Gain on sales of noncurrent assets	85	87
Gain on sales of investment securities	-	33
Total extraordinary income	85	121
Extraordinary loss		
Loss on retirement of noncurrent assets	49	122
Impairment loss	140	-
Office transfer expenses	123	-
Total extraordinary losses	313	122
Income before income taxes	13,023	15,389
Income taxes-current	2,928	2,490
Income taxes-deferred	(1,420)	677
Total income taxes	1,508	3,167
Net income	11,515	12,221
Net income attributable to non controlling interests	65	53
Net income attributable to owners of the parent	11,449	12,168

<Comprehensive Income Statement>

(in million yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Income before minority interests	11,515	12,221
Other comprehensive income		
Valuation difference on available-for-sale securities	5,265	(5,016)
Deferred gains or losses on hedges	4	4
Foreign currency translation adjustment	4,065	(3,297)
Remeasurement of defined benefit plans	(1,055)	(2,004)
Total other comprehensive income	8,280	(10,313)
Comprehensive income	19,796	1,907
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	19,721	1,861
Comprehensive income attributable to non controlling interests	74	46

(3) Consolidated Statements of Changes in Net Equity
Current consolidated fiscal year (April 1, 2014 – March 31, 2015)

(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	44,556	(4,785)	91,630
Cumulative effects of changes in accounting			83		83
Restated balance	19,263	32,595	44,640	(4,785)	91,713
Changes of items during the period					
Dividends of surplus			(1,223)		(1,223)
Net income			11,449		11,449
Purchase of treasury shares				(9)	(9)
Net changes of items other than shareholders' equity					
Total changes of items other than shareholders' equity	-	-	10,226	(9)	10,217
Balance at the end of the period	19,263	32,595	54,866	(4,794)	101,930

	Other accumulated comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale	Deferred gain or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total other accumulated comprehensive		
Balance at the beginning of the period	8,547	(8)	208	(1,757)	6,989	626	99,246
Cumulative effects of changes in accounting							83
Restated balance	8,547	(8)	208	(1,757)	6,989	626	99,329
Changes of items during the period							
Dividends of surplus							(1,223)
Net income							11,449
Purchase of treasury shares							(9)
Net changes of items other than shareholders' equity	5,263	4	4,060	(1,057)	8,271	17	8,289
Total changes of items other than shareholders' equity	5,263	4	4,060	(1,057)	8,271	17	18,506
Balance at the end of the period	13,811	(4)	4,269	(2,814)	15,261	644	117,836

(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			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							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

(4) Consolidated Statements of Cash Flow:

(in million yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	13,023	15,389
Depreciation and amortization	5,157	5,684
Amortization of goodwill	(17)	-
Increase (decrease) in provision for directors' retirement benefits	9	9
Increase (decrease) in net defined benefit liability	(112)	39
Increase (decrease) in allowance for doubtful accounts	166	(243)
Interest and dividends income	(336)	(727)
Interest expenses	612	469
Foreign exchange losses (gains)	(18)	22
Loss (gain) on sales and valuation of investment securities	-	(33)
Loss (gain) on sales of property, plant and equipment	(85)	(87)
Loss on retirement of property, plant and equipment	49	122
Impairment loss	140	-
Office transfer expenses	123	-
Decrease (increase) in notes and accounts receivable-trade	(2,841)	5,614
Decrease (increase) in inventories	(6,494)	4,306
Increase (decrease) in notes and accounts payable-trade	654	(1,852)
Other, net	2,874	(1,529)
Subtotal	12,906	27,182
Interest and dividends income received	337	728
Interest expenses paid	(622)	(470)
Income taxes (paid) refund	(2,014)	(2,560)
Net cash provided by (used in) operating activities	10,606	24,879
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	560	400
Purchase of property, plant and equipment	(7,062)	(7,264)
Proceeds from sales of property, plant and equipment	245	302
Purchase of investment securities	(142)	(4)
Proceeds from sales of investment securities	1	49
Other, net	(422)	134
Net cash provided by (used in) investing activities	(6,820)	(6,382)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(83)	(2,759)
Repayments of finance lease obligations	(345)	(302)
Proceeds from long-term loans payable	6,500	2,825
Repayment of long-term loans payable	(633)	(3,930)
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(9)	(848)
Cash dividends paid	(1,221)	(1,777)
Cash dividends paid to minority shareholders	(1)	(1)
Net cash provided by (used in) financing activities	(5,794)	(6,795)
Effect of exchange rate change on cash and cash equivalents	1,602	(1,569)
Net increase (decrease) in cash and cash equivalents	(405)	10,132
Cash and cash equivalents at beginning of period	42,638	42,232
Cash and cash equivalents at end of period	42,232	52,364

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, 2015 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥51,956	¥32,683	¥50,653	¥14,212	¥149,506
Intersegment	49,147	9,725	469	188	59,531
Total	101,104	42,409	51,122	14,401	209,037
Segment income	¥8,291	¥2,514	¥2,482	¥391	¥13,680
Segment assets	¥184,168	¥46,083	¥45,563	¥12,291	¥288,107

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