



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

<Japanese GAAP>

October 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 Six Months of the Fiscal Year Ending March 31, 2015

(From April 1, 2014 to September 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)	%
Six months ended September 30, 2014	61,091	20.7	2,799	-	3,261	-	2,619	-
September 30, 2013	50,606	(17.4)	(595)	-	(700)	-	(808)	-

Note: Comprehensive income: Six months ended September 30, 2014: ¥6,136 million [618.2%]
 Six months ended September 30, 2013: ¥854 million [47.5 %]

	Net income per share	Diluted net income per share
	(¥)	(¥)
Six months ended September 30, 2014	23.55	20.84
September 30, 2013	(7.26)	-

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	(¥ million)	(¥ million)	%
As of September 30, 2014	225,942	104,847	46.1
March 31, 2014	218,499	99,246	45.1

Note: Owner's equity as of September 30, 2014: ¥104,253 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	-	6.00			
Fiscal year ending March 31, 2015 (Forecast)			-	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)	%	(¥)
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 September 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 September 30, 2014	8,708,285 shares
As of March 31, 2014	8,702,060 shares

3) Average number of shares

Six months ended September 30, 2014	111,239,422 shares
Six months ended September 30, 2013	111,249,267 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 first half of the fiscal year under review, the Company posted net sales of ¥61,091 million (up 20.7% year on year), operating income of ¥2,799 million, and net income of ¥2,619 million.

Of the results forecasts disclosed at the beginning of the fiscal year under review, there was a ¥3,400 million shortfall compared to the forecast of ¥64,500 million for the first half. The primary contributing factor was a decline in sales of ¥2,100 million in Makino Milling Machine Co., Ltd., despite recovery of the domestic market and the number of orders received being consistent with predictions. In addition, sales of small-scale machines with short delivery dates in the American market were ¥1,100 million lower than expected.

Net sales in the full-year results forecasts are ¥141,000 million.

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

There was replacement demand for equipment in the domestic mold industry. Marketing activities have also been strengthened in the growing aircraft and medical supplies fields, among others.

The Company expects a mild recovery in orders.

MAKINO ASIA PTE LTD

There is a mild recovery across the entire Asian region.

Orders in the Chinese market surpassed initial plans for the first half of the fiscal year from responding to demand from the auto, IT and domestic appliances industries.

The Company believes this to be a result of its advanced investments (expansion of bases and increase in numbers of employees).

MAKINO INC.

Demand was strong across a wide variety of industries, particularly in the aircraft and auto industries.

Particularly significant was to respond to increased automation in manufacturing using a combination of which includes robots. Demand is increasing in all regions of North America, which poses a challenge for the Company to improve engineering responsiveness.

MAKINO Europe GmbH

Orders received for the first half were lower than initial plans.

The aircraft manufacturing industry is in a busy period. The Company will expand marketing activities to achieve its plans for the full year, taking in the demand for investment in equipment in the industry.

(2) Qualitative Information on Consolidated Fiscal Position

Total assets on a consolidated basis at the end of the second quarter under review increased by ¥7,443 million from the end of fiscal 2014 to ¥225,942 million. Major changes included a decrease of ¥4,547 million in notes and accounts receivable and an increase of ¥9,503 million in inventories.

Total liabilities increased from the end of fiscal 2014 by ¥1,841 million to ¥121,094 million primarily due to an increase of ¥1,683 million in short-term loans and a decrease in notes and accounts payable of ¥1,101 million.

Net assets increased by ¥5,601 million from the end of fiscal 2014 to ¥104,847 million, mainly due to increases of ¥2,146 million in retained earnings and ¥2,386 million in foreign currency translation adjustments.

(3) Qualitative Information on Consolidated Results Forecasts

The Company has not revised the consolidated results forecasts for the full year it announced previously (on April 30, 2014).

5. Consolidated Financial Statements (Unaudited)

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

(in million yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	43,664	43,244
Notes and accounts receivable-trade	40,389	35,842
Securities	1,004	1,004
Merchandise and finished goods	14,384	19,966
Work in process	11,837	14,085
Raw materials and supplies	21,248	22,922
Deferred tax assets	1,839	2,034
Other	4,122	4,074
Allowance for doubtful accounts	(756)	(787)
Total current assets	137,735	142,386
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	28,039	28,288
Machinery, equipment and vehicles, net	6,222	6,417
Tools, furniture and fixtures, net	2,879	3,235
Land	16,479	16,630
Lease assets, net	1,585	1,268
Construction in progress	818	1,164
Total property, plant and equipment	56,024	57,005
Intangible assets		
Other	1,724	1,774
Total intangible assets	1,724	1,774
Investments and other assets		
Investment securities	17,539	19,211
Long-term loans receivable	531	525
Deferred tax assets	1,638	1,595
Net defined benefit asset	711	771
Other	3,044	3,126
Allowance for doubtful accounts	(451)	(452)
Total investments and other assets	23,013	24,777
Total noncurrent assets	80,763	83,556
Total assets	218,499	225,942

(Continued)

	(in million yen)	
	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,418	23,316
Short-term loans payable	7,380	9,063
Current portion of bonds	10,000	10,000
Current portion of long-term loans payable	646	2,285
Lease obligations	432	302
Income taxes payable	763	783
Other	16,756	17,895
Total current liabilities	60,396	63,647
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	23,982
Lease obligations	1,523	1,283
Deferred tax liabilities	4,992	5,622
Provision for directors' retirement benefits	43	47
Net defined benefit liability	2,270	2,207
Negative goodwill	17	5
Other	2,276	2,297
Total noncurrent liabilities	58,856	57,447
Total liabilities	119,253	121,094
Net assets		
Shareholders' equity		
Capital stock	19,263	19,263
Capital surplus	32,595	32,595
Retained earnings	44,556	46,703
Treasury stock	(4,785)	(4,790)
Total shareholders' equity	91,630	93,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,547	9,661
Deferred gains or losses on hedges	(8)	7
Foreign currency translation adjustment	208	2,595
Remeasurements of defined benefit plans	(1,757)	(1,782)
Total accumulated other comprehensive income	6,989	10,481
Minority interests	626	594
Total net assets	99,246	104,847
Total liabilities and net assets	218,499	225,942

(2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

	Six month ended September 30, 2013	Six month ended September 30, 2014
Net sales	50,606	61,091
Cost of sales	37,096	42,459
Gross profit	13,510	18,631
Selling, general and administrative expenses	14,106	15,831
Operating income (loss)	(595)	2,799
Non-operating income		
Interest and dividends income	147	159
Rent income	101	116
Foreign exchange gains	-	328
Other	189	236
Total non-operating income	438	841
Non-operating expenses		
Interest expenses	414	305
Foreign exchange losses	76	-
Other	53	74
Total non-operating expenses	544	379
Ordinary income (loss)	(700)	3,261
Extraordinary income		
Gain on sales of noncurrent assets	28	44
Gain on sales of investment securities	92	-
Total extraordinary income	121	44
Extraordinary loss		
Loss on retirement of noncurrent assets	2	9
Total extraordinary losses	2	9
Income (loss) before income taxes and minority interests	(581)	3,296
Income taxes	203	659
Income (loss) before minority interests	(785)	2,636
Minority interests in income	22	16
Net income (loss)	(808)	2,619

(Continued)

	(in million yen)	
	Six month ended September 30, 2013	Six month ended September 30, 2014
Loss before minority interests	(785)	2,636
Other comprehensive income		
Valuation difference on available-for-sale securities	1,373	1,115
Deferred gains or losses on hedges	(25)	16
Foreign currency translation adjustment	291	2,391
Remeasurements of defined benefit plans, net of tax		(22)
Total other comprehensive income	1,639	3,500
Comprehensive income	854	6,136
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	829	6,111
Comprehensive income attributable to minority interests	25	24

(3) Consolidated Statements of Cash flows

	(in million yen)	
	Six month ended September 30, 2013	Six month ended September 30, 2014
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(581)	3,296
Depreciation and amortization	1,824	2,400
Amortization of goodwill	(11)	(11)
Increase (decrease) in allowance for doubtful accounts	(163)	4
Increase (decrease) in provision for directors' retirement benefits	(10)	4
Increase (decrease) in provision for retirement benefits	38	—
Increase (decrease) in net defined benefit liability	—	(27)
Interest and dividends income	(147)	(159)
Interest expenses	414	305
Foreign exchange losses (gains)	290	(26)
Loss (gain) on sales of investment securities	(92)	—
Loss (gain) on sales of property, plant and equipment	(28)	(44)
Loss on retirement of property, plant and equipment	2	9
Decrease (increase) in notes and accounts receivable-trade	9,977	5,757
Decrease (increase) in inventories	(3,408)	(7,899)
Increase (decrease) in notes and accounts payable-trade	(1,827)	(2,299)
Other, net	(755)	620
Subtotal	5,521	1,930
Interest and dividends income received	147	160
Interest expenses paid	(454)	(307)
Income taxes paid	(1,129)	(755)
Net cash provided by (used in) operating activities	4,084	1,026
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	11,200	—
Purchase of property, plant and equipment	(3,727)	(2,851)
Proceeds from sales of property, plant and equipment	62	135
Proceeds from sales of investment securities	196	1
Other, net	(0)	(194)
Net cash provided by (used in) investing activities	7,731	(2,908)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,301	1,358
Repayments of finance lease obligations	(238)	(196)
Proceeds from long-term loans payable	2,000	—
Repayment of long-term loans payable	(3,587)	(79)
Redemption of bonds	(10,000)	—
Purchase of treasury stock	(2)	(5)
Purchase of treasury stock of subsidiaries in consolidation	(139)	—
Cash dividends paid	(525)	(555)
Cash dividends paid to minority shareholders	(0)	(1)
Net cash provided by (used in) financing activities	(11,192)	520
Effect of exchange rate change on cash and cash equivalents	(309)	941
Net increase (decrease) in cash and cash equivalents	314	(420)
Cash and cash equivalents at beginning of period	43,229	42,638
Cash and cash equivalents at end of period	43,544	42,218

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, 2013 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥14,648	¥12,181	¥18,193	¥5,582	¥50,606
Intersegment	18,150	3,511	108	57	21,827
Total	32,798	15,693	18,302	5,640	72,434
Segment income (loss)	(¥414)	¥561	¥138	(¥209)	¥75

Six months ended September 30, 2014 (Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥19,364	¥15,315	¥20,145	¥6,265	¥61,091
Intersegment	23,518	5,080	138	87	28,825
Total	42,883	20,396	20,283	6,353	89,916
Segment income (loss)	¥2,163	¥1,331	¥353	¥54	¥3,903

	Six months ended September 30,	
	Millions of yen	
	2013	2014
Segment income	¥75	¥3,903
Elimination	(671)	(1,103)
Consolidated operating income (loss)	(¥595)	¥2,799