ANNUAL REPORT

Year Ended March 31, 2015

MAKINO

PROFILE

Makino Milling Machine Co., Ltd. is a manufacturer of advanced machine tools, founded in May 1937. Its corporate mission is to contribute to the development of industry in Japan and around the world by quickly discerning and responding to industrial trends with technological innovation.

Makino's state-of-the-art machine tools and machining technologies are used in the manufacturing systems of companies in a wide range of industries. Working with local partners possessing strong technical capabilities, Makino has built an extensive sales network in the United States, Europe and Asia, capable of responding to changes in global machine tool demand and structural changes in manufacturing operations.

Major products lines: Machining centers, Numerical control (NC) electrical discharge machines (EDM), Milling machines and other products

FIVE-YEAR FINANCIAL SUMMARY

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of dollars
	2011	2012	2013	2014	**2015**	**2015**
Net sales	¥95,164	¥110,460	¥126,809	¥123,896	**¥149,506**	**$1,244,120**
Net income	2,167	3,698	5,159	4,294	**11,449**	**95,273**
Net assets	79,704	83,750	92,665	99,246	**117,836**	**980,577**
Total assets	168,280	178,361	209,785	218,499	**245,456**	**2,042,573**
	Yen					Dollars
Net income per share						
Basic	¥19.32	¥33.24	¥46.38	¥38.60	**¥102.93**	**$0.85**
Diluted	—	—	46.17	34.17	**91.11**	**0.75**
Number of employees	3,834	3,992	4,207	4,178	**4,279**	

Note: US dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.17=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2015.

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1. Analyses of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Operating Results for Fiscal 2015

During fiscal 2015, the Company achieved net sales of ¥149,506 million (up 20.7% year on year), operating income of ¥12,025 million (up 144.9% year on year), and net income of ¥11,449 million (up 166.6% year on year) on a consolidated basis.

Orders received on a consolidated basis amounted to ¥158,139 million (up 19.2% year on year). Order-taking was led by demand for products for China and the United States. Coupled with the positive effect of the depreciation of the yen, orders received exceeded the level of the previous 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. grew only moderately. However, demand for test machining from customers in the die & mold industry has been increasing. We have expanded our systems to respond to this rising demand and are prepared to shift capital investment into high gear.

MAKINO ASIA PTE LTD

Orders were received from a wide range of industries in the Chinese market. This is considered to be the result of the development of a sales network covering various parts of China.

Although the situation in the Indian market is improving, the result was unsatisfactory compared with the previous boom.

MAKINO INC.

Brisk demand continued mainly for products for automotive parts and aircraft parts. Projects with high added value, such as automation and labor saving, are increasing.

MAKINO Europe GmbH

The European market appears to be on a recovery track although the situation varies greatly from one region to another. Meticulous responses geared to local needs led to recovery of orders received.

2) Outlook (Fiscal 2016)

We expect demand to increase moderately in each geographic region.

As the euro is depreciating compared with the previous fiscal year, the possibility of intensifying competition with European manufacturers is a concern. With an eye to winning more orders, we will strengthen systems and structures for selling high-value-added products and services.

The details of sales by geographic region are as follows:

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

The plan is to offer high-accuracy, high-efficiency machines attuned to the needs of die manufacturers, our main customers, in order to stimulate their investment in renewal of aged facilities. We will also endeavor to increase orders received by offering products that capitalize on our strengths also for automotive parts and aircraft parts.

MAKINO ASIA PTE LTD

In the Chinese market, we will promote cultivation of new customers to achieve more orders.

India has yet to reach a full-scale recovery. We will prepare for the recovery in demand, including opening of a training facility for service personnel in Bangalore.

MAKINO INC.

High growth in line with the return of manufacturers to the United States appears to have run its course. We expect demand to persist in line with economic expansion. Orders received for fiscal 2016 are expected to slightly increase year on year.

MAKINO Europe GmbH

We will enhance sales systems and structures for products for aircraft parts and emphasize the superiority of our products to secure demand.

The Group's consolidated performance forecasts for fiscal 2016 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 quarter combined)	70,000 *1 up 14.6%	4,000 *1 up 42.9%	3,900 *1 up 48.9
Forecasts for the full fiscal year	161,000 *2 up 7.7%	13,000 *2 up 8.1%	11,000 *2 down 3.9%

*1 Compared to the same period of fiscal 2015

*2 Year on year

Net sales will set a record for the second consecutive year, but operating income will not reach the level (¥16,829 million) attained in fiscal 2007.

Destinations of our products are expanding from developed countries to developing ones. Amid the trend toward distribution of production from the vicinity of major cities to second-tier cities, production bases of our customers are increasingly becoming cross-border due to reorganizations of companies.

As this trend is expected to become more pronounced, we need to invest in stronger technological capabilities at sales bases around the world, which will increase labor costs and other fixed costs. By rapidly exploiting the impact of investment, we will strive to increase profit.

(2) Analysis of Financial Position

Total assets on a consolidated basis at the end of fiscal 2015 increased by ¥26,957 million from the end of fiscal 2014 to ¥245,456 million. This was primarily attributable to an increase of ¥9,582 million in inventories, an increase of ¥5,414 million in notes and accounts receivable, and an increase of ¥7,130 million in investment securities. Total liabilities increased by ¥8,367 million from the end of fiscal 2014 to ¥127,620 million. This was primarily attributable to redemption of bonds amounting to ¥10,000 million, an increase of ¥5,749 million in long-term loans (including the current portion of long-term loans), and an increase of ¥2,954 million in notes and accounts payable.

Net assets increased by ¥18,589 million from the end of fiscal 2014 to ¥117,836 million, mainly due to an increase of ¥10,309 million in retained earnings, an increase of ¥5,263 million in unrealized gains on available-for-sale securities, and an increase of ¥4,060 million in foreign currency translation adjustments.

(Cash Flows)

At the end of fiscal 2015, net cash provided by operating activities was ¥10,606 million, principally reflecting ¥13,023 million in income before income taxes, ¥5,157 million in depreciation and amortization, an increase of ¥6,494 million in inventories, and an increase of ¥2,841 million in notes and accounts receivable, trade.

Net cash used in investing activities was ¥6,820 million, principally reflecting the effect of a net decrease of ¥560 million in time deposits and outflow of ¥7,062 million for purchases of property, plant and equipment.

Net cash used in financing activities was ¥5,794 million. This resulted principally from inflow of ¥6,500 million from long-term loans payable and outflow of redemption of bonds amounting to ¥10,000 million.

As a result, cash and cash equivalents on a consolidated basis at the end of fiscal 2015 decreased by ¥405 million from the end of fiscal 2014 to ¥42,232 million.

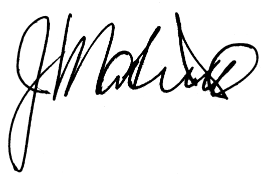
The table below shows trends in cash-flow indicators.

	72nd term Term ended March 2011	73rd term Term ended March 2012	74th term Term ended March 2013	75th term Term ended March 2014	76th term Term ended March 2015
Shareholders' equity ratio (%)	47.0	46.6	43.8	45.1	47.7
Shareholders' equity ratio on a market value basis (%)	46.7	44.2	30.4	37.0	46.3
Ratio of interest-bearing debt to cash flows (%)	10.4	—	5.8	8.1	5.9
Interest coverage ratio (times)	4.2	—	14.0	10.2	17.0

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.

July 2015



Jiro Makino
President

1. Corporate governance

Basic corporate governance rationale

Makino Milling Machine Co., Ltd. regards strong management oversight functions as a vital element in the strengthening of competitiveness, swifter decision-making and greater transparency.

(1) Corporate governance status

1) Governing body

Makino Milling Machine Co., Ltd. is a company with Board of Directors. As of June 25, 2015, the Company's Board of Directors consists of nine directors. The Board of Directors meets once a month and, in addition to carrying out the tasks specified by laws and regulations and by the Articles of Incorporation, makes decisions on important matters and supervises operational duties. Whereas the representative director elected by the Board of Directors engages in execution of operational duties as the representative of the Company, specific operational duties are allocated among non-representative directors and executed by them. The term of office of a director is one year and directors are elected by vote of the annual general meeting of shareholders.

Makino Milling Machine Co., Ltd. is also a company with corporate auditors and with Board of Auditors. As of June 25, 2015, the Company's Board of Auditors consists of three statutory auditors (two of whom are full-time corporate auditors), of whom two are outside corporate auditors. The statutory auditors attend meetings of the Board of Directors and make remarks, as necessary, in the course of deliberation on the agenda. Also, the Board of Auditors meets periodically and, in addition to items specified by laws and regulations, deliberates and makes decisions on matters necessary for statutory auditors' activities, and audits directors' execution of operational duties from an independent standpoint.

2) Internal control systems and risk management systems

At its meeting held on May 1, 2006, the Company's Board of Directors passed a resolution concerning "the development of systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems prescribed by the applicable Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a Stock Company (internal control systems)" provided for in Article 348 Paragraph 4 and in Article 362 Paragraph 5 of the Corporation Law. The Company's internal control systems and risk management systems are described below.

Positioning risk management as the basis of systems ensuring properness of execution of duties, the Company is putting in place risk management systems not only for the purpose of managing risks that may cause losses to the Company but also for preventing deviation from laws and regulations and the Articles of Incorporation and for ensuring efficient execution of duties. Directors in charge of operations and departmental heads are responsible for management of usual risks. Risks that the directors or the statutory auditors consider material, and moreover, that they consider should be examined by the Board of Directors are examined, judged and dealt with by the Board of Directors.

The Company has formulated internal rules, including the Risk Management Rules in which deviation from laws and regulations and the Articles of Incorporation is provided for as a type of risk, Employment Rules and the Security Export Control Program. The Company is endeavoring to ensure compliance with laws and regulations, rules and norms by raising employee awareness through the provision of training for new employees and periodic and non-periodic training.

Regarding the recording of operational activities, records are prepared and retained in accordance with the Rules of the Board of Directors in the case of information on execution of duties of directors and in accordance with the Rules for Formal Approvals in the case of decision-making for routine operations.

Subsidiaries are required to report to the Company on their execution of duties and risk situations, as necessary, and the Company's directors or employees are dispatched as directors of subsidiaries to participate in management and be responsible for oversight.

Regarding audit by auditors, as well as reporting on important matters at meetings of the Board of Directors, based on the statutory auditors' requests directors make reports or hold a meeting with statutory auditors, as necessary. Directors and employees are required to report to statutory auditors without delay concerning any eventuality that may cause significant damage or that caused damage to the Company. In the event that statutory auditors request assistants, the Company selects such assistants based on the discussion with statutory auditors about the number of assistants, positions, affiliation, etc., and secures the consent of the Board of Auditors for treatment of such assistants.

In addition, with respect to the system specified by a Cabinet Office Ordinance as necessary for ensuring appropriateness of statements on finance and accounting and other information as set forth in Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Law, the Company maintains and manages such system in accordance with the basic framework of internal control as indicated in the" On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

3) Internal audit and audit by corporate auditors
Necessary audits are performed at the Company on the basis of close cooperation between the corporate auditors, the accounting auditor and relevant staff at the Finance Department, the General Affairs Department and the Internal Audit Office.
Internal audit on maintenance and management of internal control over financial reporting is conducted by the Internal Audit Office (consists of two members), which is established as an independent organization and directly reports to the President, in cooperation with relevant departments of the Company and its consolidated subsidiaries.
Regarding audits by the accounting auditor, necessary coordination such as scheduling is made internally through discussion between the corporate auditors, the Finance Department, the General Affairs Department and the Internal Audit Office. Corporate auditors and the Finance Department periodically exchange views with the accounting auditor and the necessary coordination is made. In addition, corporate auditors witness the audit process, as deemed necessary, to monitor the accounting auditor's audit proceedings.
Regarding audits by auditors, the statutory auditors gather necessary and sufficient information for conducting audits, including the situation of the Company and situations of its subsidiaries and affiliates, on a routine basis through systematic exchanges of views with directors, managerial personnel, key employees, and the accounting auditor of the Company and its subsidiaries and affiliates. Also, statutory auditors receive reports on the accounting auditor's audit results, and use such information in conducting stringent audits.

4) Accounting audits
Certified public accountants engaged in the Company's accounting audits are Mr. Naruhito Minami and Mr. Makoto Iwabuchi, both of whom are with Gyosei & Co. Assistants engaged in the accounting audits comprise six certified public accountants and seven other persons.

5) Relations with outside corporate auditors
There are no personal, capital or transactional relations between the Company and its two outside corporate auditors.

(2) Compensation paid to directors and corporate auditors

The compensation paid to directors and corporate auditors of the Company is as follows:

	Number of persons	Amount of compensation (Millions of yen)
Directors	8	239
Corporate auditors excluding outside corporate auditors	1	24
Outside directors and corporate auditors	3	39

On Introduction of Measures against Large-scale Purchases of the Company's Shares (Anti-Takeover Measures)

The Company aims to produce reliable products, providing the machine tools and technologies that are most suitable for our customers so that they can manufacture their products efficiently. It is an invaluable asset to the Company to satisfy their demand and to maintain strict confidentiality of them.
We believe that we must eliminate large-scale purchases of the shares which will damage this relationship based on trust.
The introduction of the Anti-takeover Measures was approved by the shareholders at the Ordinary General Meeting of Shareholders on June 20, 2008 and came into effect.

BUSINESS RISKS

The Group operates around the world, and the operations are influenced by a range of different factors, the most important of which are as follows:

- Changes in global economic conditions: The sales of the Company heavily depend on capital expenditures in the manufacturing industry in Japan, Asia and America. Since the investment appetite of companies is likely to fall more sharply than the general economy, there is the possibility that orders and sales of producer goods will decline rapidly if the global economy slows.

- Trends in individual industries: Many of the Company's products are used in automotive companies. Although trends in capital expenditure in the auto sector are the most stable in the manufacturing industry, they have a very substantial effect on sales of the Company because the capital expenditure, which is large, has a very significant influence on supply and demand in the market for machine tools. Sales in growth industries, including IT and digital home appliances, change sharply every fiscal year because of violent fluctuations in supply and demand.

- Exchange rate fluctuations: More than half of the Company's products are sold overseas. Moreover, we have developed a range of operations overseas. Exchange rates consequently have a significant impact on the sales and income of the Company.

- Changes in the supply-demand of parts and raw materials: Machine tools contain many parts and raw materials. If supply of parts and raw materials tightens, prices may rise, and this in turn could influence income. If the needed quality, quantity, and delivery dates are not secured, it could influence production and sales.

- Country risk: The Company has made inroads into countries that are modernizing their industries. If unexpected changes occur in the political, economic, or social circumstances in these countries, or if legal regulations are established or tightened, it could affect the sales and income of the Company.

CONSOLIDATED BALANCE SHEETS

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries
March 31, 2013, 2014 and 2015

	Millions of yen			US$1=¥120.17 Thousands of dollars
	2013	2014	**2015**	**2015**
ASSETS				
Current assets:				
Cash and time deposits (Notes 3 and 16)	¥ 57,056	¥ 43,664	**¥ 43,008**	**$ 357,892**
Marketable securities (Notes 2.e, 3 and 4)	1,003	1,004	**1,005**	**8,363**
Notes and accounts receivable (Notes 2.k, 3 and 5)	34,450	40,389	**45,803**	**381,151**
Inventories (Notes 2.f and 6)	45,331	47,471	**57,053**	**474,769**
Deferred income taxes (Notes 2.j and 11)	1,190	1,839	**3,445**	**28,667**
Other current assets	3,308	4,122	**5,214**	**43,388**
Allowance for doubtful accounts (Notes 2.h and 3)	(779)	(756)	**(1,030)**	**(8,571)**
Total current assets	141,562	137,735	**154,500**	**1,285,678**
Investments and other assets:				
Investment securities (Notes 2.e, 3 and 4)	14,164	17,539	**24,669**	**205,284**
Long-term loans receivable	583	531	**526**	**4,377**
Deferred income taxes (Notes 2.j and 11)	1,100	1,638	**1,987**	**16,534**
Net defined benefit assets (Notes 2.i, 2.n and 9)	—	711	**464**	**3,861**
Other long-term assets	5,083	4,769	**4,813**	**40,051**
Allowance for doubtful accounts (Notes 2.h and 3)	(451)	(451)	**(420)**	**(3,495)**
Total investments and other assets	20,480	24,738	**32,041**	**266,630**
Property, plant and equipment (Note 2.g):				
Land (Note 8)	15,090	16,479	**16,767**	**139,527**
Buildings and structures (Note 8)	53,626	61,567	**64,315**	**535,200**
Machinery and equipment	26,605	30,522	**34,398**	**286,244**
Lease assets (Note 10)	3,122	3,208	**2,220**	**18,473**
Construction in progress	2,532	818	**1,851**	**15,403**
	100,978	112,596	**119,553**	**994,865**
Accumulated depreciation	(53,235)	(56,572)	**(60,638)**	**(504,601)**
Total property, plant and equipment	47,742	56,024	**58,914**	**490,255**
Total assets	¥ 209,785	¥ 218,499	**¥ 245,456**	**$2,042,573**

The accompanying notes are an integral part of these statements.

	Millions of yen			Thousands of dollars (US$1=¥120.17)
	2013	2014	**2015**	**2015**
LIABILITIES AND NET ASSETS				
Current liabilities:				
Notes and accounts payable (Note 3):				
Trade	¥ 18,173	¥ 24,418	**¥ 27,372**	**$ 227,777**
Other	5,744	6,100	**8,909**	**74,136**
Short-term loans (Notes 3 and 7)	5,249	7,380	**8,071**	**67,163**
Current portion of long-term debt (Notes 2.k, 3, 5, 7 and 8)	22,209	10,646	**3,908**	**32,520**
Short-term lease obligations (Note 7)	504	432	**283**	**2,354**
Accrued expenses	6,822	7,743	**9,862**	**82,067**
Income taxes payable	1,318	763	**1,706**	**14,196**
Other current liabilities	2,715	2,912	**3,862**	**32,137**
Total current liabilities	62,738	60,396	**63,976**	**532,379**
Long-term liabilities:				
Long-term debt (Notes 2.k, 3, 5, 7 and 8)	46,145	47,731	**50,219**	**417,899**
Long-term lease obligations (Note 7)	1,768	1,523	**1,197**	**9,960**
Net defined benefit liabilities (Notes 2.i, 2.n and 9)	740	2,270	**3,367**	**28,018**
Allowance for directors' and corporate auditors' retirement benefits (Note 2.i)	40	43	**52**	**432**
Deferred income taxes (Notes 2.j and 11)	3,799	4,992	**6,689**	**55,662**
Other long-term liabilities	1,887	2,293	**2,117**	**17,616**
Total long-term liabilities	54,381	58,856	**63,643**	**529,608**
Net assets:				
Shareholders' equity				
Common stock, no par value	19,263	19,263	**19,263**	**160,297**
Authorized :300,000,000 shares				
Issued :119,944,543 shares as of March 31, 2013, 2014 and 2015				
Capital surplus	32,595	32,595	**32,595**	**271,240**
Retained earnings (Note 14)	41,144	44,556	**54,866**	**456,569**
Treasury stock 8,693,435; 8,702,060 and 8,712,596 shares as of March 31, 2013, 2014 and 2015 respectively	(4,778)	(4,785)	**(4,794)**	**(39,893)**
Total shareholders' equity	88,224	91,630	**101,930**	**848,215**
Accumulated other comprehensive income				
Unrealized gains on available-for-sale securities (Note 2.e)	6,203	8,547	**13,811**	**114,928**
Deferred gains (losses) on hedges (Note 2.k)	20	(8)	**(4)**	**(33)**
Foreign currency translation adjustments	(2,489)	208	**4,269**	**35,524**
Remeasurements of defined benefit plans (Notes 2.i, 2.n and 9)	—	(1,757)	**(2,814)**	**(23,416)**
Total accumulated other comprehensive income	3,734	6,989	**15,261**	**126,995**
Minority interests	706	626	**644**	**5,359**
Total net assets	92,665	99,246	**117,836**	**980,577**
Total liabilities and net assets	¥ 209,785	¥ 218,499	**¥ 245,456**	**$2,042,573**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2013, 2014 and 2015

				US$1=¥120.17
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Net sales	¥ 126,809	¥ 123,896	**¥ 149,506**	**$1,244,120**
Cost of sales	91,763	89,707	**102,970**	**856,869**
Gross profit	35,046	34,188	**46,536**	**387,251**
Selling, general and administrative expenses	26,961	29,277	**34,511**	**287,184**
Operating income	8,084	4,910	**12,025**	**100,066**
Other income (expenses):				
Interest and dividend income	251	271	**336**	**2,796**
Interest expense	(903)	(752)	**(612)**	**(5,092)**
Gain on sales of property, plant and equipment	62	59	**85**	**707**
Gain on sales of investment securities	—	149	**—**	**—**
Loss on disposal of property, plant and equipment	(34)	(58)	**(49)**	**(407)**
Provision of allowance for doubtful accounts for subsidiaries and affiliates	—	(68)	**—**	**—**
Loss on valuation of stocks of subsidiaries and affiliates	—	(99)	**—**	**—**
Impairment loss (Note 13)	—	—	**(140)**	**(1,165)**
Office transfer expenses	—	—	**(123)**	**(1,023)**
Exchange gain (loss), net	(483)	306	**964**	**8,021**
Other, net	653	620	**538**	**4,476**
Income before income taxes	7,630	5,339	**13,023**	**108,371**
Income taxes (Notes 2.j and 11) - Current	1,738	1,161	**2,928**	**24,365**
- Deferred	662	(190)	**(1,420)**	**(11,816)**
Income before minority interests	5,229	4,368	**11,515**	**95,822**
Minority interests in earnings of consolidated subsidiaries	69	73	**65**	**540**
Net income	¥ 5,159	¥ 4,294	**¥ 11,449**	**$ 95,273**

	Yen			Dollars
Per share of common stock:				
Net income - Basic	¥ 46.38	¥ 38.60	**¥ 102.93**	**$ 0.85**
- Diluted	46.17	34.17	**91.11**	**0.75**
Cash dividends applicable to the period	9.00	10.00	**14.00**	**0.11**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2013, 2014 and 2015

	Millions of yen			Thousands of dollars (US$1=¥120.17)
	2013	2014	**2015**	**2015**
Income before minority interests	¥ 5,229	¥ 4,368	**¥ 11,515**	**$ 95,822**
Other comprehensive income (Note 15):				
Unrealized gains on available-for-sale securities (Note 2.e)	619	2,343	**5,265**	**43,812**
Deferred gains (losses) on hedges (Note 2.k)	23	(29)	**4**	**33**
Foreign currency translation adjustments (Note 2.d)	3,963	2,701	**4,065**	**33,827**
Remeasurements of defined benefit plans (Notes 2.i, 2.n and 9)	—	—	**(1,055)**	**(8,779)**
Other comprehensive income	4,606	5,016	**8,280**	**68,902**
Total comprehensive income	¥ 9,836	¥ 9,384	**¥ 19,796**	**$ 164,733**
Total comprehensive income attributable to:				
Owners of the parent	9,763	9,306	**19,721**	**164,109**
Minority interests	72	77	**74**	**615**
	¥ 9,836	¥ 9,384	**¥ 19,796**	**$ 164,733**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2013, 2014 and 2015

	Millions of yen			US$1=¥120.17 Thousands of dollars
	2013	2014	**2015**	**2015**
Common stock:				
Balance at beginning of year	¥ 19,263	¥ 19,263	**¥ 19,263**	**$ 160,297**
Balance at end of year	19,263	19,263	**19,263**	**160,297**
Capital surplus:				
Balance at beginning of year	32,595	32,595	**32,595**	**271,240**
Balance at end of year	32,595	32,595	**32,595**	**271,240**
Retained earnings (Note 14):				
Balance at beginning of year	36,887	41,144	**44,556**	**370,774**
Cumulative effects of changes in accounting policies (Note 2.n)	—	—	**83**	**690**
Net income	5,159	4,294	**11,449**	**95,273**
Cash dividends	(890)	(1,112)	**(1,223)**	**(10,177)**
Other	(13)	230	**—**	**—**
Balance at end of year	41,144	44,556	**54,866**	**456,569**
Treasury stock:				
Balance at beginning of year	(4,777)	(4,778)	**(4,785)**	**(39,818)**
Acquisition of treasury stock	(1)	(6)	**(9)**	**(74)**
Balance at end of year	(4,778)	(4,785)	**(4,794)**	**(39,893)**
Unrealized gains on available-for-sale securities (Note 2.e):				
Balance at beginning of year	5,585	6,203	**8,547**	**71,124**
Net change during the year	618	2,343	**5,263**	**43,796**
Balance at end of year	6,203	8,547	**13,811**	**114,928**
Deferred gains (losses) on hedges (Note 2.k):				
Balance at beginning of year	(2)	20	**(8)**	**(66)**
Net change during the year	23	(29)	**4**	**33**
Balance at end of year	20	(8)	**(4)**	**(33)**
Foreign currency translation adjustments (Note 2.d):				
Balance at beginning of year	(6,451)	(2,489)	**208**	**1,730**
Net change during the year	3,961	2,698	**4,060**	**33,785**
Balance at end of year	(2,489)	208	**4,269**	**35,524**
Remeasurements of defined benefit plans (Notes 2.i, 2.n and 9):				
Balance at beginning of year	—	—	**(1,757)**	**(14,620)**
Net change during the year	—	(1,757)	**(1,057)**	**(8,795)**
Balance at end of year	—	(1,757)	**(2,814)**	**(23,416)**
Minority interests:				
Balance at beginning of year	649	706	**626**	**5,209**
Net change during the year	57	(80)	**17**	**141**
Balance at end of year	¥ 706	¥ 626	**¥ 644**	**$ 5,359**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2013, 2014 and 2015

	Millions of yen			US$1=¥120.17 Thousands of dollars
	2013	2014	**2015**	**2015**
Cash flows from operating activities:				
Income before income taxes	¥ 7,630	¥ 5,339	**¥ 13,023**	**$ 108,371**
Adjustments for:				
Income taxes (paid) refund	(1,359)	(1,707)	**(2,014)**	**(16,759)**
Depreciation and amortization	3,789	3,961	**5,157**	**42,914**
Amortization of goodwill	(23)	(23)	**(17)**	**(141)**
Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	8	3	**9**	**74**
Increase (decrease) in net defined benefit liabilities	(52)	(482)	**(112)**	**(932)**
Increase (decrease) in allowance for doubtful accounts	(48)	(81)	**166**	**1,381**
(Gain) loss on sales of property, plant and equipment	(62)	(59)	**(85)**	**(707)**
Loss on disposal of property, plant and equipment	34	58	**49**	**407**
(Gain) loss on sales of investment securities	—	(149)	**—**	**—**
(Increase) decrease in notes and accounts receivable, trade	(552)	(3,631)	**(2,841)**	**(23,641)**
(Increase) decrease in inventories	6,936	477	**(6,494)**	**(54,040)**
Increase (decrease) in notes and accounts payable, trade	(6,298)	4,138	**654**	**5,442**
Other, net	2,588	288	**3,110**	**25,880**
Net cash provided by (used in) operating activities	12,590	8,130	**10,606**	**88,258**
Cash flows from investing activities:				
(Increase) decrease in time deposits	(12,780)	12,800	**560**	**4,660**
Proceeds from sales of investment securities	3	303	**1**	**8**
Purchases of investment securities	(105)	(3)	**(142)**	**(1,181)**
Purchases of investments in subsidiaries	(100)	—	**—**	**—**
Purchases of property, plant and equipment	(6,451)	(11,884)	**(7,062)**	**(58,766)**
Proceeds from sales of property, plant and equipment	198	165	**245**	**2,038**
Other, net	(571)	(612)	**(422)**	**(3,511)**
Net cash provided by (used in) investing activities	(19,806)	769	**(6,820)**	**(56,752)**
Cash flows from financing activities:				
Increase (decrease) in short-term loans, net	553	1,542	**(83)**	**(690)**
Repayment of lease obligations	(496)	(477)	**(345)**	**(2,870)**
Proceeds from long-term loans payable	12,871	12,000	**6,500**	**54,090**
Repayment of long-term loans payable	(2,922)	(12,225)	**(633)**	**(5,267)**
Proceeds from issue of bonds	12,000	—	**—**	**—**
Redemption of bonds	—	(10,000)	**(10,000)**	**(83,215)**
Purchases of treasury stock	(1)	(6)	**(9)**	**(74)**
Purchases of treasury stock of subsidiaries in consolidation	(14)	(139)	**—**	**—**
Dividends paid	(887)	(1,112)	**(1,222)**	**(10,168)**
Net cash provided by (used in) financing activities	21,101	(10,418)	**(5,794)**	**(48,215)**
Effect of exchange rate changes on cash and cash equivalents	1,454	926	**1,602**	**13,331**
Net increase (decrease) in cash and cash equivalents	15,341	(591)	**(405)**	**(3,370)**
Cash and cash equivalents, beginning of period	27,888	43,229	**42,638**	**354,814**
Cash and cash equivalents, end of period (Notes 2.b and 16)	¥ 43,229	¥ 42,638	**¥ 42,232**	**$ 351,435**

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Makino Milling Machine Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted and applied in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to the readers outside Japan.

In addition, the notes to the consolidated financial statements include information which is not required under generally accepted accounting principles and practices in Japan but is presented herein as additional information.

Amounts of less than one million yen have been omitted as permitted under generally accepted accounting principles and practices in Japan. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and dollars) do not necessarily agree with the sum of individual amounts.

The United States dollar amounts presented in the accompanying consolidated financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥120.17 = US$1, which was the prevailing exchange rate on March 31, 2015.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (28 for 2013 and 30 for 2014 and 2015). The significant subsidiaries, which are consolidated with the Company, are listed below:

MAKINO ASIA PTE LTD
MAKINO INC.
MAKINO Europe GmbH
MAKINO RESOURCE DEVELOPMENT PTE LTD
Makino J Co., Ltd.
Makino Denso Co., Ltd.
Makino Technical Service Co., Ltd.
Kanto Bussan Kaisha, Ltd.
Makino Giken Co., Ltd.
Makino Logistics Co., Ltd.

The remaining subsidiaries (five for 2013, four for 2014 and three for 2015), whose assets, net sales, net income and the underlying net equity of retained earnings in the aggregate are not significant in the consolidated totals, have not been consolidated with the Company.

The fiscal year of the consolidated subsidiaries is the same as the Company's except for some of the subsidiaries (four for 2013 and five for 2014 and 2015): Makino do Brasil Ltda., Single Source Technologies S. de R.L. de C.V., MAKINO CHINA Co., LTD. and the others, whose fiscal years end on December 31. Significant transactions between January 1 and March 31 are reflected in the consolidated financial statements.

The equity method is not applied since the combined net profit and loss and the underlying net equity of retained earnings in the aggregate in the unconsolidated subsidiaries and two affiliates are not significant in the consolidated totals.

All significant intercompany accounts and transactions are eliminated in consolidation. The difference between acquisition cost and the underlying net equity at the time of acquisition is amortized evenly over five years.

(b) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

(c) Foreign currency translations

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income unless they are hedged by forward exchange contracts.

(d) Foreign currency financial statements
The balance sheet accounts of the overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange at the balance sheet date except as to capital, which is translated at the historical rates of exchange at dates of acquisition. The revenue and expense accounts of those subsidiaries are translated into Japanese yen at the average rates of exchange in effect during each fiscal year. Differences arising from translation are shown as "Foreign currency translation adjustments" in the net assets in the accompanying consolidated balance sheets.

(e) Marketable securities and investment securities
Investments in the unconsolidated subsidiaries and the affiliate are stated at cost. Equity method is not applied as in Note 2(a). Marketable securities and investment securities other than investment securities in the subsidiaries and the affiliate are stated at market value. However, such securities without market value are stated at cost if they are not significantly impaired. The Company credits or charges unrealized gains or losses, net of income taxes, on the above securities to net assets as "Unrealized gains on available-for-sale securities".

The cost of sold securities is calculated using the gross average method.

(f) Inventories
Finished products and work in process are principally valued at the lower of cost or net realized value, determined by the specific identification method. Raw materials and supplies are stated at the most recent purchase prices.

(g) Property, plant, equipment and depreciation
Property, plant and equipment, including significant renewals and additions, are carried at cost. The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation of the Company and the domestic consolidated subsidiaries is mainly computed by the declining balance method using the rates based on estimated useful lives of the assets. Depreciation of the overseas consolidated subsidiaries is computed by the straight-line method. The range of useful lives is principally from 5 to 50 years for buildings and structures and from 3 to 12 years for machinery and equipment.

(h) Allowance for doubtful accounts
The Group provides for possible losses due to uncollectibility of notes, accounts, loans receivable, etc. based on the Company's past credit loss experience and management's estimate.

(i) Allowance for employees' retirement benefits and directors' and corporate auditors' retirement benefits
Employees, excluding directors and corporate auditors, of the Company and most of its domestic consolidated subsidiaries are covered by a retirement plan whereby each employee, under most circumstances, upon mandatory retirement at the age of 60 years or earlier termination of employment, is entitled to either a lump sum retirement payment or pension payment based on compensation at the time of retirement and years of service. These employees' retirement plans are funded.

The employees' retirement benefits are accounted for as the liability for retirement benefits based on projected benefit obligations and plan assets in conformity with the accounting standard for the employees' retirement benefits.

Directors and corporate auditors are not covered by these plans. However, liabilities for directors' and corporate auditors' retirement benefits include amounts equal to management's estimate of the amounts which would be payable to them if they retired at the balance sheet date. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of shareholders.

(j) Income taxes
Deferred income taxes are recognized applying the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and the tax basis of the assets and liabilities, and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company and some of its consolidated subsidiaries adopted the consolidated taxation system effective from the fiscal year ended March 31, 2013.

(k) Hedge accounting
The Group uses derivative financial instruments to manage exposures to fluctuations in foreign exchange and interest rates and does not enter into the derivatives for trading or speculative purposes.

Forward exchange contracts are used for accounts receivable and payable denominated in foreign currencies. If the contracts meet certain hedging criteria, the hedged items are translated at the contracted rates, and the Group defers recognition of gains and losses resulting from changes in the fair value of the derivatives for future transactions until the related losses and gains on the hedged transactions are recognized.

The Group enters into interest rate swap contracts for long-term loans. The swaps which qualify for hedge accounting are not re-measured at market value, but the differential to be paid or received under the swap contracts are accrued and included in interest expense or income (the special hedge accounting short-cut method for interest rate swaps).

The Company assesses the effectiveness of the forward exchange contracts by comparing the contracted rate and spot rate at the balance sheet date and expiration date. The effectiveness assessment of the interest rate swaps, however, is not undertaken as they meet the hedging criteria for the special hedge accounting short-cut method.

(l) Appropriations of retained earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements basically when they are approved by the shareholders or resolved by the board of directors.

(m) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current year's presentation.

(n) Retirement benefits

The Company has applied "Accounting Standard for Retirement Benefits" (ASBJ Standard No. 26 on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 on March 26, 2015) under paragraph 35 of the standard and paragraph 67 of the guidance since the current fiscal year and changed its calculation methods for retirement benefit obligations and service costs as follows:

- The Company used a single weighted average discount rate in place of a discount rate based on its employees' average work-life expectancy; and
- It attributed expected benefits to periods of service under a benefit formula instead of doing so on a straight-line basis.

The effects of the changes were adjusted in the beginning balance of retained earnings according to paragraph 37 of the standard.

The changes resulted in increases of ¥129 million ($1,073 thousand) in net defined benefit assets and of ¥83 million ($690 thousand) in retained earnings at the beginning of the current fiscal year and had no significant impact on operating income or income before income taxes for the year ended March 31, 2015.

3. Financial Instruments

(1) Management policy

In consideration of plans for capital expenditure, the Group raises funds through loans and bonds. Temporary cash surpluses are invested in low-risk financial assets, and short-term capital is raised through loans. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Financial instruments and risk management

Notes and accounts receivable are exposed to customer credit risk. The Group identifies and reduces risk of bad debt by reviewing the financial positions of major customers and outstanding balances.

Notes and accounts receivable denominated in foreign currencies are also exposed to foreign exchange risk. To reduce the risk, the Group enters into forward exchange contracts.

The Group holds marketable securities and investment securities, most of which are shares of other companies with which the Group has business relationships, the subsidiaries and the affiliate. Those securities are exposed to market risk, and the Group regularly reviews the fair values of the securities and the financial positions of the issuers.

The purpose of loans, bonds and finance leases is mainly to finance capital expenditure. Interest rate swaps are used to avoid interest rate risk from loans with floating interest rates.

The Group manages liquidity risk by preparing and updating cash flow plans and maintaining sufficient funds.

The amount of financial instruments on the consolidated balance sheets and the fair value are as follows:

	As of March 31, Millions of yen 2013		
	Amount on balance sheet	Fair value	Difference
Assets			
Cash and time deposits	¥ 57,056	¥ 57,056	—
Notes and accounts receivable	34,450	n/a	n/a
Allowance for doubtful accounts	(779)	n/a	n/a
Balance	33,671	33,671	—
Marketable securities and investment securities	14,965	14,965	—
Total assets	¥105,693	¥105,693	—
Liabilities			
Notes and accounts payable	¥ 18,173	¥ 18,173	—
Short-term loans	5,249	5,249	—
Current portion of bonds	10,000	10,000	—
Current portion of long-term loans	12,209	12,209	—
Bonds	20,000	20,193	193
Bonds with warrant	12,000	12,000	—
Long-term loans	14,145	13,961	(184)
Total liabilities	¥ 91,777	¥ 91,787	¥ 9
Derivatives	¥ 43	¥ 43	—

	As of March 31, Millions of yen 2014		
	Amount on balance sheet	Fair value	Difference
Assets			
Cash and time deposits	¥ 43,664	¥ 43,664	—
Notes and accounts receivable	40,389	n/a	n/a
Allowance for doubtful accounts	(756)	n/a	n/a
Balance	39,633	39,633	—
Marketable securities and investment securities	18,441	18,441	—
Total assets	¥101,739	¥101,739	—
Liabilities			
Notes and accounts payable	¥ 24,418	¥ 24,418	—
Short-term loans	7,380	7,380	—
Current portion of bonds	10,000	10,000	—
Current portion of long-term loans	646	646	—
Bonds	10,000	10,045	45
Long-term loans	25,731	26,178	446
Total liabilities	¥ 78,176	¥ 78,668	¥491
Derivatives	¥ (19)	¥ (19)	—

	As of March 31, Millions of yen **2015**		
	Amount on balance sheet	Fair value	Difference
Assets			
Cash and time deposits	**¥ 43,008**	**¥ 43,008**	**—**
Notes and accounts receivable	**45,803**	**n/a**	**n/a**
Allowance for doubtful accounts	**(1,030)**	**n/a**	**n/a**
Balance	**44,772**	**44,772**	**—**
Marketable securities and investment securities	**25,573**	**25,573**	**—**
Total assets	**¥113,354**	**¥113,354**	**—**
Liabilities			
Notes and accounts payable	**¥ 27,372**	**¥ 27,372**	**—**
Short-term loans	**8,071**	**8,071**	**—**
Current portion of long-term loans	**3,908**	**3,908**	**—**
Bonds	**10,000**	**10,000**	**—**
Long-term loans	**28,219**	**28,292**	**73**
Total liabilities	**¥ 77,572**	**¥ 77,645**	**¥73**
Derivatives	**¥ (6)**	**¥ (6)**	**—**

	As of March 31,		
	Thousands of dollars		
	2015		
	Amount on balance sheet	Fair value	Difference
Assets			
Cash and time deposits	**$357,892**	**$357,892**	**—**
Notes and accounts receivable	**381,151**	**n/a**	**n/a**
Allowance for doubtful accounts	**(8,571)**	**n/a**	**n/a**
Balance	**372,572**	**372,572**	**—**
Marketable securities and investment securities	**212,806**	**212,806**	**—**
Total assets	**$943,280**	**$943,280**	**—**
Liabilities			
Notes and accounts payable	**$227,777**	**$227,777**	**—**
Short-term loans	**67,163**	**67,163**	**—**
Current portion of long-term loans	**32,520**	**32,520**	**—**
Bonds	**83,215**	**83,215**	**—**
Long-term loans	**234,825**	**235,433**	**607**
Total liabilities	**$645,518**	**$646,126**	**$607**
Derivatives	**$ (49)**	**$ (49)**	**—**

4. Marketable Securities and Investment Securities

Marketable securities and investment securities quoted at an exchange as of March 31, 2013, 2014 and 2015

	As of March 31,		
	Millions of yen		
	2013		
	Acquisition cost	Amount on balance sheet	Difference
Available-for-sale securities whose amount on balance sheet exceeds acquisition cost			
(1) Stocks	¥4,333	¥13,810	¥9,476
(2) Other	122	123	0
Subtotal	¥4,455	¥13,933	¥9,477
Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost			
(1) Stocks	¥ 70	¥ 49	¥ (20)
(2) Other	—	—	—
Subtotal	¥ 70	¥ 49	¥ (20)
Total	¥4,526	¥13,983	¥9,456

	As of March 31,		
	Millions of yen		
	2014		
	Acquisition cost	Amount on balance sheet	Difference
Available-for-sale securities whose amount on balance sheet exceeds acquisition cost			
(1) Stocks	¥4,232	¥17,323	¥13,091
(2) Other	122	122	0
Subtotal	¥4,354	¥17,446	¥13,091
Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost			
(1) Stocks	¥ 16	¥ 11	¥ (4)
(2) Other	—	—	—
Subtotal	¥ 16	¥ 11	¥ (4)
Total	¥4,371	¥17,458	¥13,086

	As of March 31,		
	Millions of yen		
	2015		
	Acquisition cost	Amount on balance sheet	Difference
Available-for-sale securities whose amount on balance sheet exceeds acquisition cost			
(1) Stocks	**¥4,389**	**¥24,466**	**¥20,077**
(2) Other	**131**	**133**	**1**
Subtotal	**¥4,521**	**¥24,599**	**¥20,078**
Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost			
(1) Stocks	**—**	**—**	**—**
(2) Other	**—**	**—**	**—**
Subtotal	**—**	**—**	**—**
Total	**¥4,521**	**¥24,599**	**¥20,078**

	As of March 31,		
	Thousands of dollars		
	2015		
	Acquisition cost	Amount on balance sheet	Difference
Available-for-sale securities whose amount on balance sheet exceeds acquisition cost			
(1) Stocks	**$36,523**	**$203,594**	**$167,071**
(2) Other	**1,090**	**1,106**	**8**
Subtotal	**$37,621**	**$204,701**	**$167,079**
Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost			
(1) Stocks	**—**	**—**	**—**
(2) Other	**—**	**—**	**—**
Subtotal	**—**	**—**	**—**
Total	**$37,621**	**$204,701**	**$167,079**

5. Derivative Financial Instruments

(1) Derivatives to which hedge accounting is not applied

(a) Currency related

	As of March 31,			
	Millions of yen			
	2013			
	Contracted amount	Contracted amount over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Sales contracts				
US$	¥517	—	—	—
Total	¥517	—	—	—

	As of March 31,			
	Millions of yen			
	2014			
	Contracted amount	Contracted amount over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Sales contracts				
US$	¥566	—	—	—
Purchase contracts				
¥	¥ 15	—	(0)	(0)
Total	¥582	—	¥(0)	¥(0)

	As of March 31,			
	Millions of yen			
	2015			
	Contracted amount	Contracted amount over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Sales contracts				
US$	**¥360**	**—**	**—**	**—**
Total	**¥360**	**—**	**—**	**—**

	As of March 31,			
	Thousands of dollars			
	2015			
	Contracted amount	Contracted amount over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Sales contracts				
US$	**$2,995**	**—**	**—**	**—**
Total	**$2,995**	**—**	**—**	**—**

(2) Derivatives to which hedge accounting is applied

(a) Currency related

			As of March 31,		
			Millions of yen		
			2013		
Hedge accounting method	Nature of transaction	Hedged item	Contracted amount	Contracted amount over one year	Fair value
Method where hedged items are translated at contracted rates	Forward exchange contracts				
	Sales contracts				
	US$	Account receivable	¥5,737	—	¥(482)
	Euro	Account receivable	1,815	—	(109)
Principle method	Forward exchange contracts				
	Sales contracts				
	Euro	Account receivable	1,056	18	43
	Total		¥8,609	¥18	¥(548)

			As of March 31,		
			Millions of yen		
			2014		
Hedge accounting method	Nature of transaction	Hedged item	Contracted amount	Contracted amount over one year	Fair value
Method where hedged items are translated at contracted rates	Forward exchange contracts				
	Sales contracts				
	US$	Account receivable	¥5,556	—	¥ (48)
	Euro	Account receivable	2,359	—	(36)
Principle method	Forward exchange contracts				
	Sales contracts				
	Euro	Account receivable	1,190	19	(19)
	Total		¥9,106	¥19	¥(104)

Hedge accounting method	Nature of transaction	Hedged item	As of March 31, Millions of yen 2015 Contracted amount	Contracted amount over one year	Fair value
Method where hedged items are translated at contracted rates	Forward exchange contracts				
	Sales contracts				
	US$	Account receivable	**¥7,641**	—	**¥(285)**
	Euro	Account receivable	**1,299**	—	**93**
	Purchase contracts				
	US$	Other current liabilities	**38**	—	**1**
Principle method	Forward exchange contracts				
	Sales contracts				
	Euro	Account receivable	**24**	—	**(6)**
	Total		**¥9,003**	—	**¥(197)**

Hedge accounting method	Nature of transaction	Hedged item	As of March 31, Thousands of dollars 2015 Contracted amount	Contracted amount over one year	Fair value
Method where hedged items are translated at contracted rates	Forward exchange contracts				
	Sales contracts				
	US$	Account receivable	**$63,584**	—	**$(2,371)**
	Euro	Account receivable	**10,809**	—	**773**
	Purchase contracts				
	US$	Other current liabilities	**316**	—	**8**
Principle method	Forward exchange contracts				
	Sales contracts				
	Euro	Account receivable	**199**	—	**(49)**
	Total		**$74,918**	—	**$(1,639)**

(b) Interest related

Hedge accounting method	Nature of transaction	Hedged item	As of March 31, Millions of yen 2013 Contracted amount	Contracted amount over one year	Fair value
Special hedge accounting short-cut method for interest rate swaps	Interest rate swap contracts Receive floating, pay fixed	Long-term loans	¥20,971	¥11,465	*
	Total		¥20,971	¥11,465	*

Hedge accounting method	Nature of transaction	Hedged item	As of March 31, Millions of yen 2014 Contracted amount	Contracted amount over one year	Fair value
Special hedge accounting short-cut method for interest rate swaps	Interest rate swap contracts Receive floating, pay fixed	Long-term loans	¥14,600	¥14,403	*
	Total		¥14,600	¥14,403	*

Hedge accounting method	Nature of transaction	Hedged item	As of March 31, Millions of yen 2015 Contracted amount	Contracted amount over one year	Fair value
Special hedge accounting short-cut method for interest rate swaps	Interest rate swap contracts Receive floating, pay fixed	Long-term loans	¥20,433	¥19,233	*
	Total		¥20,433	¥19,233	*

Hedge accounting method	Nature of transaction	Hedged item	As of March 31, Thousands of dollars 2015 Contracted amount	Contracted amount over one year	Fair value
Special hedge accounting short-cut method for interest rate swaps	Interest rate swap contracts Receive floating, pay fixed	Long-term loans	$170,034	$160,048	*
	Total		$170,034	$160,048	*

* Interest rate swaps are accounted for as part of long-term loans. Therefore the fair value of the swaps is included in the fair value of the underlying long-term loans.

6. Inventories

Inventories as of March 31, 2013, 2014 and 2015 comprise the following:

	As of March 31, Millions of yen			Thousands of dollars
	2013	2014	2015	2015
Finished products	¥15,938	¥14,384	¥20,239	$168,419
Work in process	10,403	11,837	12,118	100,840
Raw material and supplies	18,989	21,248	24,695	205,500
Total	¥45,331	¥47,471	¥57,053	$474,769

7. Short-term and Long-term Debts and Lease Obligations

The table below shows information on short-term and long-term debts and lease obligations:

	Interest rate	Date of maturity as of March 31, 2015	As of March 31, Millions of yen 2013	2014	2015	Thousands of dollars 2015
Short-term loans	1.32*	—	¥ 5,249	¥ 7,380	¥ 8,071	$ 67,163
Current portion of long-term loans	1.22*	—	12,209	646	3,908	32,520
Long-term loans less current portion	0.72*	from June 30, 2016 to March 31, 2022	¥14,145	¥25,731	¥28,219	$234,825
Yen unsecured bonds	1.70	July 26, 2013	10,000	—	—	—
Yen unsecured bonds	1.73	March 19, 2015	10,000	10,000	—	—
Yen unsecured bonds	1.00	October 17, 2016	10,000	10,000	10,000	83,215
Euro-yen convertible bonds	—	March 19, 2018	12,000	12,000	12,000	99,858
Short-term lease obligations	—	—	¥ 504	¥ 432	¥ 283	$ 2,354
Long-term lease obligations	—	from September 30, 2016 to October 31, 2028	1,768	1,523	1,197	9,960

* the weighted average interest rate as of March 31, 2015

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2015 are as follows:

	Long-term debt		Lease obligations	
Year ending March 31,	Millions of yen	Thousands of dollars	Millions of yen	Thousands of dollars
2016	¥ 3,908	$ 32,520	¥283	$2,354
2017	11,405	94,907	213	1,772
2018	20,578	171,240	167	1,389
2019	11,256	93,667	113	940
2020	6,480	53,923	81	674

8. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities are as follows:

Industrial Foundations

	As of March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Lands	¥ 203	—	**—**	**—**
Buildings and others	3,928	—	**—**	**—**
Total	¥ 4,132	—	**—**	**—**
Current-portion of long-term loans	¥ 8,807	—	**—**	**—**
Long-term loans	5,800	—	**—**	**—**
Total	¥14,607	—	**—**	**—**

Total maximum amount of revolving mortgage as of March 31, 2013 is ¥1,030 million.

9. Employees' Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, which consist of a benefit plan provided under the Welfare Pension Insurance Law of Japan, a corporate pension plan and a lump-sum payment plan as well as defined contribution pension plans.

Some of the overseas consolidated subsidiaries have defined contribution plans as well as defined benefit plans.

(1) Multi-employer pension plan under which required contributions are accounted for as benefit costs

(a) Funded status

	As of March 31,			
	Millions of yen			Thousands of dollars
	2012	2013	**2014**	**2014**
Fair value of plan assets	¥104,458	¥116,171	**¥126,998**	**$1,056,819**
Benefit obligation	132,612	140,708	**146,473**	**1,218,881**
Net amount	¥ (28,154)	¥ (24,537)	**¥ (19,475)**	**$ (162,062)**

(b) The Group's proportion of the contributions to the aggregate pension contributions

	As of March 31,		
	2012	2013	**2014**
The Group's proportion	8.36%	8.45%	**8.17%**

(2) Liability (asset) for employees' retirement benefits

	As of March 31,
	Millions of yen
	2013
Projected benefit obligation	¥15,924
Fair value of plan assets	(13,664)
Unrecognized actuarial loss	(2,746)
Unrecognized prior service cost	156
Prepaid pension cost	1,070
Allowance for employees' retirement benefits	¥ (740)

(3) Components of net periodic benefit costs

	Year ended March 31, Millions of yen
	2013
Service cost	¥ 490
Interest cost	404
Expected return on plan assets	(373)
Amortization of unrecognized actuarial loss	585
Amortization of unrecognized prior service cost	(75)
Contribution for Welfare Pension Insurance Fund	541
Extra retirement benefit and others	0
Contribution for defined contribution pension plan	169
Net periodic benefit costs	¥1,742

(4) Assumptions used in accounting for the plans

	Year ended March 31,
	2013
Period allocation method for estimated retirement benefits	Mainly straight-line
Discount rate	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.0%
Amortization of prior service cost	Mainly 10 years
Recognition period of actuarial gain/loss	Mainly 10 years

(5) Reconciliation of changes in benefit obligations

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2014	**2015**	**2015**
Balance at beginning of year	¥15,880	**¥16,614**	**$138,254**
Cumulative effects of changes in accounting policies	—	**(129)**	**(1,073)**
Restated balance	15,880	**16,485**	**137,180**
Service cost	475	**513**	**4,268**
Interest cost	430	**463**	**3,852**
Actuarial loss	33	**3,124**	**25,996**
Benefits paid	(744)	**(867)**	**(7,214)**
Other	539	**542**	**4,510**
Balance at end of year	¥16,614	**¥20,262**	**$168,611**

(6) Reconciliation of changes in pension assets

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2014	**2015**	**2015**
Balance at beginning of year	¥13,664	**¥15,104**	**$125,688**
Expected return on pension assets	397	**456**	**3,794**
Actuarial loss	826	**1,368**	**11,383**
Contributions by employer	646	**691**	**5,750**
Benefits paid	(699)	**(825)**	**(6,865)**
Other	268	**619**	**5,151**
Balance at end of year	¥15,104	**¥17,415**	**$144,919**

(7) Reconciliation of changes in retirement benefit liabilities using a simplified method

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2014	**2015**	**2015**
Balance at beginning of year	¥43	**¥48**	**$399**
Periodic benefit cost	10	**7**	**58**
Benefits paid	(5)	**(0)**	**(0)**
Balance at end of year	¥48	**¥55**	**$457**

(8) Reconciliation of benefit obligations and pension assets to net defined benefit liabilities and assets on the consolidated balance sheet

	As of March 31,		
	Millions of yen		Thousands of dollars
	2014	**2015**	**2015**
Funded benefit obligations	¥16,029	**¥19,650**	**$163,518**
Pension assets	(15,104)	**(17,415)**	**(144,919)**
	924	**2,235**	**18,598**
Unfunded benefit obligations	634	**667**	**5,550**
Net amount of liabilities and assets on consolidated balance sheet	1,558	**2,902**	**24,149**
Net defined benefit liabilities	2,270	**3,367**	**28,018**
Net defined benefit assets	(711)	**(464)**	**(3,861)**
Net amount of liabilities and assets on consolidated balance sheet	¥ 1,558	**¥ 2,902**	**$ 24,149**

(9) Components of net periodic benefit costs

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2014	**2015**	**2015**
Service cost	¥475	**¥513**	**$4,268**
Interest cost	430	**463**	**3,852**
Expected return on plan assets	(397)	**(456)**	**(3,794)**
Actuarial loss recognized in the year	403	**367**	**3,054**
Past service cost recognized in the year	(79)	**(63)**	**(524)**
Periodic benefit cost in simplified method	10	**7**	**58**
Net periodic benefit costs of retirement benefit plan	¥843	**¥831**	**$6,915**

(10) Remeasurements of defined benefit plans before related tax effects on the consolidated statements of comprehensive income

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2014	**2015**	**2015**
Past service cost	—	**¥ (63)**	**$ (524)**
Actuarial loss	—	**(1,388)**	**(11,550)**
Total	—	**¥(1,452)**	**$(12,082)**

(11) Remeasurements of defined benefit plans before related tax effects on the consolidated balance sheets

	As of March 31,		
	Millions of yen		Thousands of dollars
	2014	**2015**	**2015**
Unrecognized past service cost	¥ (220)	**¥ (157)**	**$ (1,306)**
Unrecognized actuarial loss	2,410	**3,798**	**31,605**
Total	¥2,189	**¥3,641**	**$30,298**

(12) Breakdown of pension assets

	As of March 31,	
	2014	**2015**
Stocks	45.4%	**48.1%**
Bonds	31.6%	**29.8%**
Insurance assets	13.1%	**11.6%**
Other	9.9%	**10.5%**
Total	100.0%	**100.0%**

(13) Assumptions used in accounting for the plans

	Year ended March 31,	
	2014	**2015**
Discount rate	Mainly 2.0%	**Mainly 1.1%**
Long-term expected rate of return on plan assets	Mainly 1.5%	**Mainly 1.5%**

(14) Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

Year ended March 31,		
Millions of yen		Thousands of dollars
2014	**2015**	**2015**
¥657	**¥762**	**$6,341**

10. Leases

Lease assets accounted for as finance leases are depreciated using the same methods applied to the tangible fixed assets which the Company owns, except for those not accompanying the transfer of ownership, which are depreciated to residual value of zero by the straight-line method over the lease terms.

Note that finance leases not accompanying the transfer of ownership which commenced before March 31, 2008 continue to be accounted for as operating leases in accordance with accounting principles and practices generally accepted in Japan. A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value of those leases is as follows:

	As of March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Acquisition cost	¥250	—	**—**	**—**
Accumulated depreciation	236	—	**—**	**—**
Net book value	¥ 14	—	**—**	**—**

Future lease payments, including interest portion, subsequent to March 31, 2013, 2014 and 2015 for finance leases accounted for as operating leases are as follows:

	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Due within one year	¥14	—	**—**	**—**
Due after one year	—	—	**—**	**—**
Total	¥14	—	**—**	**—**

Lease payments, including interest portion, for finance leases accounted for as operating leases are as follows:

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Lease payments	¥82	¥14	**—**	**—**
Equivalent of depreciation expense	¥82	¥14	**—**	**—**

Future lease payments, including interest portion, subsequent to March 31, 2013, 2014 and 2015 for non-cancelable operating leases are as follows:

	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Due within one year	¥1,198	¥ 675	**¥ 960**	**$ 7,988**
Due after one year	3,392	3,023	**4,328**	**36,015**
Total	¥4,591	¥3,698	**¥5,289**	**$44,012**

11. Income Taxes

Breakdown of deferred tax assets and liabilities is as follows:

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Deferred tax assets:				
Tax loss carry forward	¥ 5,776	¥ 6,647	**¥ 3,412**	**$ 28,393**
Accrued expenses	1,207	1,258	**1,768**	**14,712**
Directors' and corporate auditors' retirement benefits	14	16	**18**	**149**
Valuation loss on investment securities	740	703	**637**	**5,300**
Long-term accounts payable	318	318	**288**	**2,396**
Net defined benefit liabilities	134	614	**1,007**	**8,379**
Other	1,148	1,124	**1,767**	**14,704**
Subtotal	9,341	10,681	**8,901**	**74,070**
Valuation allowance	(6,907)	(7,073)	**(3,346)**	**(27,843)**
Deferred tax assets	¥ 2,434	¥ 3,608	**¥ 5,555**	**$ 46,226**
Deferred tax liabilities:				
Unrealized gains on available-for-sale securities	¥(3,257)	¥(4,538)	**¥(6,262)**	**$(52,109)**
Net defined benefit assets	(312)	(186)	**(91)**	**(757)**
Tax depreciation over book	(325)	(362)	**(456)**	**(3,794)**
Other	(46)	(34)	**(1)**	**(8)**
Deferred tax liabilities	(3,942)	(5,122)	**(6,811)**	**(56,678)**
Net deferred tax assets (liabilities)	¥(1,508)	¥(1,514)	**¥(1,256)**	**$(10,451)**

Reconciliation between the statutory and effective tax rates is as follows:

	Year ended March 31,		
	2013	2014	**2015**
Statutory tax rate	38.0%	38.0%	**35.6%**
Valuation allowance	4.2	(12.3)	**(23.9)**
Difference in statutory tax rates for subsidiaries	(9.7)	(8.4)	**(5.1)**
Other	(1.0)	0.9	**5.0**
Effective tax rate	31.5%	18.2%	**11.6%**

The "Act on Partial Revision of the Income Tax Act and Other Acts" (Act No. 9 of 2015) and "Act on Partial Revision of the Local Tax Act and Other Acts" (Act No. 2 of 2015) were promulgated on March 31, 2015. Following these Acts, the statutory tax rate was changed from 35.58% to 33.05% for temporary differences expected to reverse in the fiscal year ending March 31, 2016 and to 32.28% for those expected to reverse in the fiscal years beginning on or after April 1, 2016.

As a result, net deferred tax liabilities decreased by ¥524 million ($4,360 thousand), and income taxes-deferred and unrealized gains on available-for-sale securities increased by ¥113 million ($940 thousand) and ¥638 million ($5,309 thousand) respectively.

12. Research and Development Costs

Research and development costs are as follows:

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Research and development costs	¥4,854	¥5,018	**¥5,188**	**$43,172**

13. Impairment Loss

In the year ended March 31, 2015 the Company recognized an impairment loss on the following assets which were no longer in use:

Class of assets	Location	Millions of yen	Thousands of dollars
Land and buildings	Atsugi-shi, Kanagawa, Japan	¥140	$1,165

The recoverable amount of the assets was determined using their fair value less costs to sell.

14. Retained Earnings and per Share Data

In accordance with the Japanese Corporation Law, dividends and the related appropriations of retained earnings may be approved by the shareholders or resolved by the board of directors after the end of each fiscal year. The dividends and the related appropriations of retained earnings are not reflected in the financial statements at the end of such fiscal years but recorded at the time they are approved or become effective. However, dividends per share shown in the accompanying consolidated statements of income are included in the periods to which they are applicable.

Net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each period.

Cash dividends per share are based on cash dividends declared as applicable to the respective periods.

A summary of information regarding dividends is as follows:

(1) Dividends paid in the year ended March 31, 2013

Resolution	Class of shares	Amount of dividends	Dividend per share	Funds for dividends	Record date	Effective date
General shareholders' meeting (June 22, 2012)	Common stock	¥ 445 million	¥ 4.00	Retained earnings	March 31, 2012	June 25, 2012
Board of directors (October 31, 2012)	Common stock	¥ 445 million	¥ 4.00	Retained earnings	September 30, 2012	December 5, 2012

(2) Dividends in respect of the year ended March 31, 2013 which become payable after the balance sheet date

Resolution	Class of shares	Amount of dividends	Dividend per share	Funds for dividends	Record date	Effective date
General shareholders' meeting (June 21, 2013)	Common stock	¥ 556 million	¥ 5.00	Retained earnings	March 31, 2013	June 24, 2013

(3) Dividends paid in the year ended March 31, 2014

Resolution	Class of shares	Amount of dividends	Dividend per share	Funds for dividends	Record date	Effective date
General shareholders' meeting (June 21, 2013)	Common stock	¥ 556 million	¥ 5.00	Retained earnings	March 31, 2013	June 24, 2013
Board of directors (October 31, 2013)	Common stock	¥ 556 million	¥ 5.00	Retained earnings	September 30, 2013	December 5, 2013

(4) Dividends in respect of the year ended March 31, 2014 which become payable after the balance sheet date

Resolution	Class of shares	Amount of dividends	Dividend per share	Funds for dividends	Record date	Effective date
General shareholders' meeting (June 25, 2014)	Common stock	¥ 556 million	¥ 5.00	Retained earnings	March 31, 2014	June 26, 2014

(5) Dividends paid in the year ended March 31, 2015

Resolution	Class of shares	Amount of dividends	Dividend per share	Funds for dividends	Record date	Effective date
General shareholders' meeting (June 25, 2014)	Common stock	¥ 556 million $ 4,626 thousand	¥ 5.00 $ 0.04	Retained earnings	March 31, 2014	June 26, 2014
Board of directors (October 31, 2014)	Common stock	¥ 667 million $ 5,550 thousand	¥ 6.00 $ 0.04	Retained earnings	September 30, 2014	December 5, 2014

(6) Dividends in respect of the year ended March 31, 2015 which become payable after the balance sheet date

Resolution	Class of shares	Amount of dividends	Dividend per share	Funds for dividends	Record date	Effective date
General shareholders' meeting (June 24, 2015)	Common stock	¥ 889 million $ 7,397 thousand	¥ 8.00 $ 0.06	Retained earnings	March 31, 2015	June 25, 2015

15. Comprehensive Income

Reclassification adjustments and tax effects relating to components of other comprehensive income are as follows:

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Unrealized gains on available-for-sale securities:				
Gains arising during the period	¥ 777	¥3,778	**¥6,990**	**$58,167**
Reclassification adjustment	—	(153)	**(0)**	**(0)**
Tax effect	(157)	(1,281)	**(1,723)**	**(14,338)**
Unrealized gains on available-for-sale securities	¥ 619	¥2,343	**¥5,265**	**$43,812**
Deferred gains on hedges:				
Gains arising during the period	36	(46)	**7**	**58**
Tax effect	(13)	17	**(2)**	**(16)**
Deferred gains on hedges	¥ 23	¥ (29)	**¥ 4**	**$ 33**
Foreign currency translation adjustments:				
Adjustments arising during the period	¥3,963	¥2,701	**¥4,065**	**$33,827**
Remeasurements of defined benefit plans:				
Remeasurements arising during the period	—	—	**(1,755)**	**(14,604)**
Reclassification adjustment	—	—	**303**	**2,521**
Tax effect	—	—	**396**	**3,295**
Remeasurements of defined benefit plans	—	—	**(¥1,055)**	**($ 8,779)**
Other comprehensive income	¥4,606	¥5,016	**¥8,280**	**$68,902**

16. Cash and Cash Equivalents

Reconciliation of cash and time deposits on the consolidated balance sheets to cash and cash equivalents on the consolidated statements of cash flows is as follows:

	As of March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Cash and time deposits	¥57,056	¥43,664	**¥43,008**	**$357,892**
Marketable securities	1,003	1,004	**1,005**	**8,363**
Subtotal	58,060	44,669	**44,014**	**366,264**
Time deposits with maturities over three months	(14,830)	(2,031)	**(1,782)**	**(14,828)**
Cash and cash equivalents	¥43,229	¥42,638	**¥42,232**	**$351,435**

17. 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.

The accounting policies on the reportable segments are consistent with those presented in Note 2. Income for each reportable segment denotes operating income, and intersegments are based on market prices in general.

Year ended March 31, 2013

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥ 44,394	¥36,846	¥34,934	¥10,633	**¥126,809**
Intersegment	44,014	6,071	197	165	**50,448**
Total	88,409	42,917	35,131	10,798	**177,257**
Segment income	3,378	3,215	1,569	141	**8,304**
Segment assets	168,775	34,557	26,133	10,319	**239,786**
Depreciation and amortization	3,074	517	78	103	**3,774**
Amortization of goodwill	0	—	—	—	**0**
Capital expenditure	¥ 5,446	¥ 1,454	¥ 126	¥ 42	**¥ 7,070**

Year ended March 31, 2014

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥ 42,838	¥25,838	¥41,443	¥13,775	**¥123,896**
Intersegment	35,986	7,348	243	133	**43,712**
Total	78,825	33,187	41,687	13,909	**167,608**
Segment income	2,039	1,274	1,938	257	**5,511**
Segment assets	167,212	37,045	31,603	13,518	**249,379**
Depreciation and amortization	3,056	634	189	129	**4,010**
Amortization of goodwill	0	—	—	—	**0**
Capital expenditure	¥ 10,270	¥ 1,890	¥ 166	¥ 48	**¥ 12,377**

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**
Depreciation and amortization	4,065	802	236	137	**5,241**
Amortization of goodwill	0	—	—	—	**0**
Capital expenditure	¥ 5,395	¥ 1,465	¥ 516	¥ 287	**¥ 7,665**

Year ended March 31, 2015

(Thousands of dollars)

	I	II	III	IV	Total
Net sales:					
External customers	$ 432,354	$271,973	$421,511	$118,265	**$1,244,120**
Intersegment	408,978	80,927	3,902	1,564	**495,389**
Total	841,341	352,908	425,413	119,838	**1,739,510**
Segment income	68,993	20,920	20,654	3,253	**113,838**
Segment assets	1,532,562	383,481	379,154	102,280	**2,397,495**
Depreciation and amortization	33,827	6,673	1,963	1,140	**43,613**
Amortization of goodwill	0	—	—	—	**0**
Capital expenditure	$ 44,894	$ 12,191	$ 4,293	$ 2,388	**$ 63,784**

Reconciliation of reportable segment information to consolidated financial statements

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Net sales	¥177,257	¥167,608	**¥209,037**	**$1,739,510**
Elimination	(50,448)	(43,712)	**(59,531)**	**(495,389)**
Consolidated net sales	¥126,809	¥123,896	**¥149,506**	**$1,244,120**

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Segment income	¥8,304	¥5,511	**¥13,680**	**$113,838**
Elimination	(219)	(600)	**(1,655)**	**(13,772)**
Consolidated operating income	¥8,084	¥4,910	**¥12,025**	**$100,066**

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Segment assets	¥239,786	¥249,379	**¥288,107**	**$2,397,495**
Elimination	(30,000)	(30,879)	**(42,650)**	**(354,913)**
Consolidated total assets	¥209,785	¥218,499	**¥245,456**	**$2,042,573**

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Depreciation and amortization	¥3,774	¥4,010	**¥5,241**	**$43,613**
Elimination	(22)	(2)	**(0)**	**(0)**
Amount on consolidated financial statements	¥3,752	¥4,007	**¥5,241**	**$43,613**

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Capital expenditure	¥7,070	¥12,377	**¥7,665**	**$63,784**
Elimination	—	(24)	**(15)**	**(124)**
Amount on consolidated financial statements	¥7,070	¥12,352	**¥7,649**	**$63,651**

(2) Geographical information

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Sales by destination				
Japan	¥ 32,577	¥ 34,781	**¥ 36,761**	**$ 305,908**
USA	28,116	31,530	**39,818**	**331,347**
Americas, excluding USA	5,174	9,188	**9,021**	**75,068**
China	30,142	16,098	**22,817**	**189,872**
Asia, excluding China	15,415	15,169	**20,838**	**173,404**
Europe	13,111	15,405	**18,906**	**157,327**
Other	2,271	1,721	**1,343**	**11,175**
Total	¥126,809	¥123,896	**¥149,506**	**$1,244,120**

	Year ended March 31,			
	Millions of yen			Thousands of dollars
	2013	2014	**2015**	**2015**
Property, plant and equipment				
Japan	¥36,449	¥43,158	**¥44,449**	**$369,884**
Americas	1,497	1,581	**2,088**	**17,375**
Asia	8,040	9,306	**10,446**	**86,926**
Europe	1,755	1,978	**1,930**	**16,060**
Total	¥47,742	¥56,024	**¥58,914**	**$490,255**

18. Quarterly Net Income per Share

Quarterly net income per share is as follows:

	Net income (loss) per share - Basic			
	Yen			Dollars
Three months ended	2013	2014	**2015**	**2015**
June 30	¥ (2.77)	¥(13.88)	**¥ 0.53**	**$0.00**
September 30	32.04	6.61	**23.02**	**0.19**
December 31	8.81	7.98	**27.40**	**0.22**
March 31	8.31	37.89	**51.98**	**0.43**

GYOSEI & CO.
Certified Public Accountants
Kojimachi Bldg. 2F, 3-3-6 Kudan Minami,
Chiyoda-ku, Tokyo, 102-0074 Japan
Tel: 81(3)5211-7878 Fax: 81(3)5211-7879

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Makino Milling Machine Co., Ltd..

We have audited the accompanying consolidated financial statements of Makino Milling Machine Co., Ltd. (the "Company") and its subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statement of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts shown in the consolidated financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note. 1.

Tokyo, Japan
June 24, 2015

Gyosei & Co.

GYOSEI & Co.
Certified Public Accountants

BOARD OF DIRECTORS AND CORPORATE AUDITORS

President	Jiro Makino
Executive Vice President, Director	Shun Makino
Vice President, Director	Tatsuaki Aiba
Vice President, Director	Toshiyuki Nagano
Director	Shinji Koike
Director	Shinichi Inoue
Director	Shingo Suzuki
Director	Yasuyuki Tamura
Director	Ichiro Terato
Corporate Auditor	Eiji Fukui
Corporate Auditor	Kazuo Hiruta
Corporate Auditor	Jiro Nakashima

As of June 25, 2015

CORPORATE DATA

Makino Milling Machine Co., Ltd.

Date of Foundation	May 1, 1937
Paid-in Capital	¥19,263 million
Activities	Manufacture, sale and export of machine tools
Head Office	3-19, Nakane 2-chome, Meguro-ku, Tokyo 152-8578, Japan Phone : +81-3-3717-1151 Fax : +81-3-3725-2105
Research Laboratory	Atsugi (Kanagawa)
Domestic Works	Atsugi (Kanagawa), Fuji-Katsuyama (Yamanashi)
Overseas Works	MAKINO ASIA PTE LTD (Singapore) MAKINO CHINA CO., LTD (China) MAKINO INDIA PRIVATE LIMITED (India)
Sales & Service Offices	Tokyo, Osaka, Nagoya and 14 other offices
Overseas Sales & Service Offices	USA, Germany, Singapore, Korea, China, India and others
Consolidated Subsidiaries	See page 12.

As of June 30, 2015

MAKINO

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Printed in Japan