

QUARTERLY REPORT

For the Three Months Ended June 30, 2011



QUALITATIVE INFORMATION

(1) Qualitative Information Relating to Consolidated Quarterly Operating Results

During the first quarter of the fiscal year under review, the global economy continued to struggle with uncertain fiscal and monetary conditions. However, capital spending on production goods remained solid. In addition, the recovery in Japan became more pronounced after entering the first quarter under review.

Orders received by the Company for the first three months of this fiscal year amounted to ¥34,526 million on a consolidated basis, rising 49.1% year on year, and ¥19,572 million on a non-consolidated basis, increasing 69.1% year on year. Orders recovered to close to the level at the peak (the fiscal year ended March 2007).

In this environment, for the first three months, the Company posted net sales of ¥23,057 million (up 53.6% year on year), operating income of ¥400 million (operating loss of ¥1,503 million for the same period last year), and a net loss of ¥91 million (net loss of ¥1,760 million for the same period last year).

The relatively low rate of progress in net sales (compared to planned net sales for the first half of ¥52 billion), at 44.3%, can be blamed on shipment delays. We expect that net sales for the first half will be achieved as planned.

A description of orders and results by region is as follows:

Americas

Orders have been approaching peak levels (the fiscal year ended March 2008) since the second half of the previous fiscal year. Orders remained at that level in the first quarter under review. Demand for the a51nx and a61nx horizontal machining centers from auto parts manufacturers, and for the MAG/A series, which are 5-axis machining centers for processing aluminum, from aircraft parts manufacturers became noticeable.

In the processing of difficult-to-machine materials—an area of focus for the Company—specific demand emerged. As we received numerous inquiries about the MAG/A series and the MAG/T series, our main products, at an international seminar held at MAKINO INC. in Mason, Ohio in June, we are stepping up our activities to receive orders.

Europe

With an increase in orders received by European subsidiaries, we posted an increase in orders of 109.2% year on year in the first quarter under review. However, fierce competition with European machine tool manufacturers continued because of the weak euro.

One of the world's largest exhibitions (the EMO SHOW), which is to be held in Germany (Hannover) in September, is attracting more attention than usual. The Company plans to exhibit multiple 5-axis machining centers, led by the new D300 model. Machine tool users in Europe have an established reputation for their splendid use of 5-axis processing machines, and Europe is the largest source of demand. We will consolidate our reputation here to boost sales.

Asia

Orders received by subsidiaries in Asia remained high in the first quarter under review.

In China, capital spending remained robust, although a recession triggered by anti-inflationary measures was a concern.

In India, orders for horizontal machining centers increased in the auto, construction, and farm machine industries. As a result, orders rose 72.2% year on year in the first quarter under review.

Orders for electric discharging machines and vertical machining centers developed and manufactured by MAKINO ASIA PTE LTD remained strong, and the plants were in full production.

Japan

Non-consolidated domestic orders increased 129.3% year on year in the first quarter under review. Orders for large horizontal machining centers for the processing of industrial machine parts were strong.

The mold-making industry, the major market in Japan, continued its efforts to manufacture high value-added molds.

The Company took steps to improve its processing machines and processing technologies, which enable the more efficient manufacturing of dramatically higher precision molds and molds that create higher-class products.

At our subsidiary Makino J Co., Ltd., orders from leading domestic auto and construction equipment manufacturers and midsize commodity parts manufacturers became pronounced in the first quarter under review. The subsidiary bolstered its position to meet customers' requests for delivering products in a shorter time.

Many industries in Japan were forced to postpone their development plans because of the effects of the Great East Japan Earthquake. Although the timing for the resumption of their plans is uncertain, the Company will seek to develop products based on the plans that have been announced.

Electricity saving measures in this summer

Our main domestic production plants (Kanagawa and Yamanashi) are located in areas subject to controls on overall electricity volumes. We are implementing a number of electricity saving measures such as working on weekends, shifting the summer vacation, installing power generators, and other detailed steps. We are striving to minimize the impact on our production.

(2) Qualitative Information on Consolidated Financial Position

Total assets on a consolidated basis at the end of the first quarter under review declined ¥6,201 million from the end of the previous fiscal year, to ¥162,079 million. The main changes in assets included an increase of ¥4,319 million in inventories, a decrease of ¥4,772 million in cash and time deposits, and a decline of ¥4,950 million in notes and accounts receivable, trade.

Total liabilities fell ¥5,557 million from the end of the previous fiscal year, to ¥83,018 million, mainly reflecting a decrease of ¥4,100 million in notes and accounts payable, trade.

Net assets declined ¥643 million from the end of the previous fiscal year, to ¥79,061 million, attributable primarily to a fall of ¥482 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 and the first half of the current fiscal year it announced previously (on April 28, 2011).

CONSOLIDATED BALANCE SHEETS

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries
March 31, 2011 and June 30, 2011

US\$1=¥80.73

| | Millions of yen | | Thousands of dollars |
|---------------------------------------|-----------------|---------------|----------------------|
| | March 31, 2011 | June 30, 2011 | June 30, 2011 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and time deposits | ¥ 36,714 | ¥ 31,942 | \$ 395,664 |
| Marketable securities | 2,021 | 2,021 | 25,034 |
| Notes and accounts receivable | 31,626 | 26,676 | 330,434 |
| Inventories | 37,234 | 41,554 | 514,728 |
| Deferred income taxes | 1,906 | 1,729 | 21,417 |
| Other current assets | 3,865 | 2,777 | 34,398 |
| Allowance for doubtful accounts | (893) | (773) | (9,575) |
| Total current assets | 112,476 | 105,929 | 1,312,139 |
| Investments and other assets: | | | |
| Investment securities | 11,790 | 12,407 | 153,685 |
| Long-term loans receivable | 662 | 653 | 8,088 |
| Deferred income taxes | 937 | 926 | 11,470 |
| Other long-term assets | 5,735 | 5,516 | 68,326 |
| Allowance for doubtful accounts | (603) | (579) | (7,172) |
| Total investments and other assets | 18,523 | 18,925 | 234,423 |
| Property, plant and equipment: | | | |
| Land | 9,769 | 9,754 | 120,822 |
| Buildings and structures | 49,592 | 49,459 | 612,647 |
| Machinery and equipment | 23,365 | 23,352 | 289,260 |
| Lease assets | 2,584 | 2,898 | 35,897 |
| Construction in progress | 213 | 440 | 5,450 |
| | 85,526 | 85,904 | 1,064,090 |
| Accumulated depreciation | (48,245) | (48,679) | (602,985) |
| Total property, plant and equipment | 37,280 | 37,224 | 461,092 |
| Total assets | ¥ 168,280 | ¥ 162,079 | \$ 2,007,667 |

The accompanying notes are an integral part of these statements.

US\$1=¥80.73

| | Millions of yen | | Thousands of dollars |
|--|-----------------|---------------|----------------------|
| | March 31, 2011 | June 30, 2011 | June 30, 2011 |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities: | | | |
| Notes and accounts payable: | | | |
| Trade | ¥ 24,673 | ¥ 20,572 | \$ 254,824 |
| Other | 5,569 | 4,332 | 53,660 |
| Short-term loans | 2,322 | 2,168 | 26,854 |
| Current portion of long-term debt | 3,011 | 3,077 | 38,114 |
| Short-term lease obligations | 678 | 744 | 9,215 |
| Accrued expenses | 4,632 | 5,124 | 63,470 |
| Income taxes payable | 1,116 | 789 | 9,773 |
| Other current liabilities | 1,519 | 1,598 | 19,794 |
| Total current liabilities | 43,523 | 38,407 | 475,746 |
| Long-term liabilities: | | | |
| Long-term debt | 36,268 | 35,463 | 439,279 |
| Long-term lease obligations | 2,103 | 2,289 | 28,353 |
| Allowance for employees' retirement benefits | 462 | 443 | 5,487 |
| Allowance for directors' and corporate auditors' retirement benefits | 295 | 298 | 3,691 |
| Deferred income taxes | 3,944 | 4,202 | 52,050 |
| Other long-term liabilities | 1,978 | 1,912 | 23,683 |
| Total long-term liabilities | 45,052 | 44,610 | 552,582 |
| Net assets: | | | |
| Shareholders' equity | | | |
| Common stock, no par value | 19,263 | 19,263 | 238,610 |
| Authorized : 300,000,000 shares | | | |
| Issued : 119,944,543 shares | | | |
| as of March 31 and June 30, 2011 | | | |
| Capital surplus | 32,595 | 32,595 | 403,753 |
| Retained earnings | 34,099 | 33,564 | 415,756 |
| Treasury stock | (4,772) | (4,772) | (59,110) |
| 8,683,036 and 8,683,480 shares | | | |
| as of March 31 and June 30, 2011, respectively | | | |
| Total shareholders' equity | 81,185 | 80,650 | 999,009 |
| Accumulated other comprehensive loss | | | |
| Unrealized gain on available-for-sale securities | 4,299 | 4,682 | 57,995 |
| Deferred gains (losses) on hedges | (58) | (85) | (1,052) |
| Foreign currency translation adjustments | (6,318) | (6,800) | (84,231) |
| Total accumulated other comprehensive loss | (2,077) | (2,203) | (27,288) |
| Minority interests | 597 | 614 | 7,605 |
| Total net assets | 79,704 | 79,061 | 979,326 |
| Total liabilities and net assets | ¥ 168,280 | ¥ 162,079 | \$ 2,007,667 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries
For the three months ended June 30, 2010 and 2011

| | Millions of yen | | US\$1=¥80.73 |
|---|-------------------------------------|-------------------------------------|-------------------------|
| | Three months ended June 30, 2010 | Three months ended June 30, 2011 | Thousands of dollars |
| Net sales | ¥ 15,009 | ¥ 23,057 | \$ 285,606 |
| Cost of sales | 11,612 | 17,145 | 212,374 |
| Gross profit | 3,397 | 5,911 | 73,219 |
| Selling, general and administrative expenses | 4,900 | 5,510 | 68,252 |
| Operating income (loss) | (1,503) | 400 | 4,954 |
| Other income (expenses): | | | |
| Interest and dividend income | 108 | 121 | 1,498 |
| Interest expense | (257) | (205) | (2,539) |
| Gain on sales of property, plant and equipment | 14 | — | — |
| Loss on disposal of property, plant and equipment | (3) | — | — |
| Exchange gain (loss), net | (255) | (99) | (1,226) |
| Other, net | 122 | (1) | (12) |
| Income (loss) before income taxes | (1,773) | 218 | 2,700 |
| Income taxes (Note 2) | (15) | 291 | 3,604 |
| Loss before minority interests | (1,757) | (72) | (891) |
| Minority interests in earnings (losses) of consolidated subsidiaries | 3 | 18 | 222 |
| Net loss | ¥ (1,760) | ¥ (91) | \$ (1,127) |
| | Yen | | Dollars |
| Per share of common stock: | | | |
| Net loss | ¥ (15.40) | ¥ (0.82) | \$ (0.01) |

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 three months ended June 30, 2010 and 2011

| | Millions of yen | | US\$1=¥80.73 |
|--|-------------------------------------|-------------------------------------|-------------------------|
| | Three months ended June 30, 2010 | Three months ended June 30, 2011 | Thousands of dollars |
| Loss before minority interests | (1,757) | (72) | (891) |
| Other comprehensive loss | | | |
| Unrealized gain on available-for-sale securities | (269) | 383 | 4,744 |
| Deferred gains (losses) on hedges | — | (26) | (322) |
| Foreign currency translation adjustments | (1,251) | (482) | (5,970) |
| Other comprehensive loss | (1,521) | (125) | (1,548) |
| Total comprehensive loss | ¥ (3,278) | ¥ (198) | \$ (2,452) |
| Total comprehensive loss attributable to: | | | |
| Owners of the parent | (3,285) | (216) | (2,675) |
| Minority interests | 6 | 18 | 222 |
| | ¥ (3,278) | ¥ (198) | \$ (2,452) |

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 three months ended June 30, 2010 and 2011

US\$1=¥80.73

| | Millions of yen | | Thousands of dollars |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2010 | Three months ended June 30, 2011 | Three months ended June 30, 2011 |
| Cash flows from operating activities: | | | |
| Income (loss) before income taxes | ¥ (1,773) | ¥ — | \$ — |
| Adjustments for: | | | |
| Income taxes (paid) refund | (180) | — | — |
| Depreciation and amortization (Note 4) | 759 | — | — |
| Amortization of goodwill | 3 | — | — |
| Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits | 3 | — | — |
| Increase (decrease) in allowance for employees' retirement benefits | 17 | — | — |
| Increase (decrease) in allowance for doubtful accounts | 65 | — | — |
| (Gain) loss on sales of property, plant and equipment | (14) | — | — |
| Loss on disposal of property, plant and equipment | 3 | — | — |
| (Increase) decrease in notes and accounts receivable, trade | 6,728 | — | — |
| (Increase) decrease in inventories | (2,873) | — | — |
| Increase (decrease) in notes and accounts payable, trade | (338) | — | — |
| Other, net | 1,561 | — | — |
| Net cash provided by (used in) operating activities | 3,962 | — | — |
| Cash flows from investing activities: | | | |
| (Increase) decrease in time deposits | (449) | — | — |
| Purchases of property, plant and equipment | (396) | — | — |
| Proceeds from sales of property, plant and equipment | 16 | — | — |
| Other, net | (111) | — | — |
| Net cash provided by (used in) investing activities | (941) | — | — |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term loans, net | (45) | — | — |
| Repayment of lease obligations | (96) | — | — |
| Proceeds from long-term loans payable | 4,750 | — | — |
| Repayment of long-term loans payable | (4,247) | — | — |
| Purchases of treasury stock | (809) | — | — |
| Purchases of treasury stock of subsidiaries in consolidation | (14) | — | — |
| Dividends paid | (0) | — | — |
| Net cash provided by (used in) financing activities | (465) | — | — |
| Effect of exchange rate changes on cash and cash equivalents | (540) | — | — |
| Net increase (decrease) in cash and cash equivalents | 2,016 | — | — |
| Cash and cash equivalents, beginning of period | 42,790 | — | — |
| Cash and cash equivalents, end of period (Note 4) | ¥ 44,806 | ¥ — | \$ — |

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 ¥80.73 = US\$1, which was the prevailing exchange rate on June 30, 2011.

2. Accounting methods used specifically for interim consolidated financial statements

Income Taxes

The Group estimates an annual effective tax rate derived from projected annual income before taxes and calculates interim income taxes by applying the effective tax rate to the income before taxes at the end of each interim period.

3. Dividends

A summary of information regarding dividends is as follows:

(1) Dividends paid in the three months ended June 30, 2010

No dividends were paid.

(2) Dividend in respect of the three months ended June 30, 2010

No dividend was declared.

(3) Dividends paid in the three months ended June 30, 2011

| Resolution | Class of shares | Amount of dividends | Dividend per share | Funds for dividends | Record date | Effective date |
|--|-----------------|---------------------|--------------------|---------------------|----------------|----------------|
| General shareholders' meeting (June 23, 2011) | Common stock | ¥445 million | ¥4.00 | Retained earnings | March 31, 2011 | June 24, 2011 |
| | | \$5,351 thousand | \$0.04 | | | |

(4) Dividend in respect of the three months ended June 30, 2011

No dividend was declared.

4. Cash Flows

Consolidated statements of cash flows for the three months ended June 30, 2011 have not been prepared.

Depreciation and amortization for the three months ended June 30, 2010 and 2011 are as follows:

| | Three months ended June 30, | | |
|-------------------------------|-----------------------------|------|----------------------|
| | Millions of yen | | Thousands of dollars |
| | 2010 | 2011 | 2011 |
| Depreciation and amortization | ¥759 | ¥793 | \$9,822 |

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 June 30, Millions of yen |
|---|-----------------------------------|
| | 2010 |
| Cash and time deposits | ¥53,488 |
| Marketable securities | 2,017 |
| Subtotal | 55,506 |
| Time deposits with maturities over three months | (10,699) |
| Cash and cash equivalents | ¥44,806 |

5. 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 taken charge of by Makino Milling Machine Co., Ltd. and its subsidiaries in Japan. 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 taken charge of by MAKINO ASIA PTE LTD (Singapore). Its main areas are China, ASEAN and India.

Reportable segment III is a segment taken charge of by MAKINO INC. (Mason, Ohio, the United States of America). Its main areas are all countries in North and South America.

Reportable segment IV is a segment taken charge of by MAKINO Europe GmbH (Hamburg, Germany). Its main areas are 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.

| Three months ended June 30, 2010 | (Millions of yen) | | | | |
|----------------------------------|-------------------|--------|---------|---------|-----------|
| | I | II | III | IV | Total |
| Net sales: | | | | | |
| External customers | ¥ 5,613 | ¥5,098 | ¥2,756 | ¥1,540 | ¥15,009 |
| Intersegment | 5,253 | 609 | 36 | — | 5,899 |
| Total | 10,867 | 5,707 | 2,793 | 1,540 | 20,908 |
| Segment income (loss) | ¥ (1,150) | ¥ 166 | ¥ (339) | ¥ (211) | ¥ (1,535) |

| Three months ended June 30, 2011 | (Millions of yen) | | | | |
|----------------------------------|-------------------|--------|--------|--------|---------|
| | I | II | III | IV | Total |
| Net sales: | | | | | |
| External customers | ¥ 9,548 | ¥7,219 | ¥4,311 | ¥1,978 | ¥23,057 |
| Intersegment | 7,033 | 1,445 | 46 | — | 8,525 |
| Total | 16,581 | 8,664 | 4,357 | 1,978 | 31,582 |
| Segment income (loss) | ¥ (561) | ¥ 642 | ¥ 132 | ¥ 23 | ¥ 236 |

Three months ended June 30, 2011

(Thousands of dollars)

| | I | II | III | IV | Total |
|-----------------------|------------|-----------|----------|----------|------------------|
| Net sales: | | | | | |
| External customers | \$118,270 | \$ 89,421 | \$53,400 | \$24,501 | \$285,606 |
| Intersegment | 87,117 | 17,899 | 569 | — | 105,598 |
| Total | 205,388 | 107,320 | 53,970 | 24,501 | 391,205 |
| Segment income (loss) | \$ (6,949) | \$ 7,952 | \$ 1,635 | \$ 284 | \$ 2,923 |

Reconciliation of reportable segment information to consolidated financial statements

Three months ended June 30,

| | Millions of yen | | Thousands of dollars |
|--------------------------------------|-----------------|------|----------------------|
| | 2010 | 2011 | 2011 |
| Segment income (loss) | ¥(1,535) | ¥236 | \$2,923 |
| Elimination | ¥ 32 | ¥163 | \$2,019 |
| Consolidated operating income (loss) | ¥(1,503) | ¥400 | \$4,954 |

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying quarterly consolidated balance sheets of Makino Milling Machine Co., Ltd. and subsidiaries (the "Company") as of June 30, 2011 and the related quarterly consolidated statements of income and comprehensive income for the three-month periods ended June 30, 2011 and 2010 and cash flows for the three-month period ended June 30, 2010, all expressed in Japanese yen. These quarterly consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our reviews.

We conducted our reviews in accordance with quarterly review standards generally accepted in Japan. A review of quarterly financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the financial position of the Company as of June 30, 2011 and the results of their operations for the three-month periods ended June 30, 2011 and 2010 and their cash flows for the three-month period ended June 30, 2010 in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

The United States dollar amounts shown in the quarterly consolidated financial statements referred to above have been translated solely for convenience. We have reviewed this translation and, in our conclusion, the United States dollar amounts in the accompanying quarterly consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

August 10, 2011
Tokyo, Japan


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