

ANNUAL REPORT

Year Ended March 31, 2020



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 | |
|---|-----------------|----------|----------|----------|-----------------|----------------------|--|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2020 | |
| Net sales | ¥161,979 | ¥153,641 | ¥181,547 | ¥204,709 | ¥159,401 | \$1,464,678 | |
| Net income attributable to owners of the parent | 12,168 | 7,596 | 11,694 | 16,981 | 830 | 7,626 | |
| Net assets | 117,133 | 127,190 | 152,519 | 160,946 | 151,703 | 1,393,944 | |
| Total assets | 234,264 | 247,606 | 268,382 | 269,521 | 258,889 | 2,378,838 | |
| | Yen | | | | | Dollars | |
| Earnings per share attributable to owners of the parent | | | | | | | |
| Basic | ¥ 109.56 | ¥ 69.03 | ¥ 511.29 | ¥ 689.30 | ¥ 33.97 | \$ 0.31 | |
| Diluted | 96.97 | 61.03 | — | — | — | — | |
| Number of employees | 4,455 | 4,593 | 4,731 | 4,805 | 4,757 | | |

Note: US dollar amounts have been translated from yen, for convenience only, at the rate of ¥108.83=US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2020.

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TO OUR SHAREHOLDERS AND INVESTORS

1. Overview of Operating Results, etc.

(1) Operating Results for Fiscal 2020

During fiscal 2020, the Company posted net sales of ¥159,401 million (down 22.1% year on year), operating income of ¥3,514 million (down 83.0% year on year), and net income attributable to owners of the parent of ¥830 million (down 95.1% year on year) on a consolidated basis.

Orders received on a consolidated basis amounted to ¥141,585 million (down 29.9% year on year), a substantial decrease from the previous year. Orders received by the Company decreased in all regions, especially China, because the impact of the U.S.-China trade friction continued up to the third quarter and order-taking activities were interrupted owing to the spread of coronavirus disease (COVID-19) in the fourth quarter. In addition, orders received from the aircraft industry decreased because European and American aircraft manufacturers postponed or stopped production.

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. fell below the level of the previous year.

The decrease was mainly attributable to lower orders received from the semiconductor production equipment and robot industries, which were brisk in the previous year. Orders received from the automobile industry also decreased.

MAKINO ASIA PTE LTD

Orders received in Asia were lower than the level of the previous year in all regions.

In China, orders received decreased, centering on orders from the automobile industry. In the fourth quarter, sales activities were interrupted, affected by the spread of COVID-19.

Orders received in India decreased, mainly reflecting persisting sluggishness of automobile sales. Orders received from industries other than the automobile industry were also lackluster.

Orders received in the ASEAN region also decreased. However, the decrease in orders received from Vietnam was slight.

MAKINO INC.

Orders received were below the level of the previous year.

Orders received from the aircraft industry decreased, affected by aircraft manufacturers' suspension of production of certain models.

Regarding orders from the automobile industry, the downward trend continued for SUVs and pickup trucks, which are the mainstay categories of our order.

Orders received from the medical device industry remained solid but could not make up for the overall decrease.

MAKINO Europe GmbH

Orders received in Europe were significantly lower than the level of the previous year.

Orders received from the automobile and general machinery industries suffered from many expected projects being postponed in line with the deterioration of the European economy.

Orders received from the aircraft industry decreased

significantly in the second half. This was due to postponement of the projects we anticipated and cancellation of the projects for which we had received orders because of delays in production by the aircraft manufacturer in Europe compared with its plan.

(2) Financial Position

Total assets on a consolidated basis at the end of fiscal 2020 decreased by ¥10,631 million from the end of fiscal 2019 to ¥258,889 million. The principal items were a decrease of ¥13,222 million in notes and accounts receivable, an increase of ¥6,532 million in cash and time deposits, and a decrease of ¥5,080 million in inventories.

Total liabilities decreased by ¥1,389 million from the end of fiscal 2019 to ¥107,185 million. This was primarily attributable to an increase of ¥10,000 million in bonds, a decrease of ¥9,305 million in notes and accounts payable, and a decrease of ¥7,127 million in current portion of long-term debt.

Net assets decreased by ¥9,242 million from the end of fiscal 2019 to ¥151,703 million. The principal items were a decrease of ¥3,409 million in foreign currency translation adjustments, a decrease of ¥2,358 million in retained earnings, and a decrease of ¥2,220 million in unrealized gains on available-for-sale securities.

(3) Cash Flows

At the end of fiscal 2020, net cash provided by operating activities was ¥8,811 million. The principal items were a decrease of ¥10,698 million in notes and accounts receivable, trade, a decrease of ¥7,907 million in notes and accounts payable, trade, depreciation and amortization amounting to ¥6,652 million, income before income taxes amounting to ¥4,148 million, and a decrease of ¥3,842 million in inventories.

Net cash used in investing activities was ¥8,323 million. The principal item was purchases of property, plant and equipment amounting to ¥7,440 million.

Net cash provided by financing activities was ¥7,479 million. The main items were proceeds from issue of bonds amounting to ¥10,000 million, repayment of long-term loans payable amounting to ¥7,084 million, and dividends paid amounting to ¥2,925 million.

As a result, cash and cash equivalents on a consolidated basis at the end of fiscal 2020 increased by ¥6,531 million from the end of fiscal 2019 to ¥55,358 million.

The table below shows trends in cash-flow indicators.

| | 77th term | 78th term | 79th term | 80th term | 81st term |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Term ended March 2016 | Term ended March 2017 | Term ended March 2018 | Term ended March 2019 | Term ended March 2020 |
| Shareholders' equity ratio (%) | 49.7 | 51.1 | 56.5 | 59.4 | 58.3 |
| Shareholders' equity ratio on a market value basis (%) | 32.4 | 42.9 | 46.3 | 41.4 | 26.9 |
| Ratio of interest-bearing debt to cash flows (%) | 2.3 | 3.9 | 2.5 | 2.3 | 5.2 |
| Interest coverage ratio (times) | 52.9 | 34.3 | 45.9 | 50.0 | 25.7 |

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.

(4) Outlook (Fiscal 2021)

The Company forecasts that orders received in fiscal 2021 on a consolidated basis will decrease from the level of fiscal 2020.

It is likely that customers will postpone capital investment in view of the impact of COVID-19.

Whereas economic activities are being resumed in China, other regions are expected to suffer a significant negative impact.

Once there are signs that the COVID-19 pandemic is abating, we expect orders received to recover at a moderate pace.

The details of the forecast 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. are expected to be lower than the level of fiscal 2020.

Although customers are continuing to postpone capital investment, there has been no significant change in the number of service calls from customers even after the Japanese government's declaration of a state of emergency, indicating that customers are continuing their operations.

We expect orders from the semiconductor production equipment industry to increase in line with an increase in demand for 5G smartphones and communication devices for telecommuting.

Regarding orders from the automobile industry, we expect them to start capital investment in readiness for model changes from the second half.

MAKINO ASIA PTE LTD

We forecast lower orders received than the level of fiscal 2020 in all regions in Asia.

In China, we expect orders received will return to the level before the outbreak of COVID-19, but it will be difficult to achieve further growth.

Despite these circumstances, we expect capital investment to take off once production of automobiles corresponding to new automotive fuel regulations is in full swing. Inquiries from the automotive die and mold industry and engine and transmission parts machining customers have started to resume and are expected to lead to securing of orders in the second half.

There are no large smartphone-related projects for

now. Orders for use in connector parts for 5G smartphones are expected to remain firm.

In India, we forecast that orders received will remain lackluster until the decrease in sales of new cars, attributable to the revision of the automotive fuel regulations, stabilizes.

In the ASEAN region, Vietnam is expected to continue to be the main driver of orders. Order-taking in other countries, such as Indonesia and Thailand, is expected to remain challenging.

MAKINO INC.

We forecast a substantial decrease in orders received from the level of fiscal 2020.

Capital investment of aircraft structural parts machining customers is expected to be moderate even after the aircraft manufacturer resumes production of certain models.

The downward trend of orders from the automobile industry, mainly for SUVs and pickup trucks, is expected to continue.

Orders received from the medical device industry are expected to remain solid.

MAKINO Europe GmbH

We forecast that the level of orders received will be the same as for fiscal 2020 as the lackluster situation is expected to continue.

Amid the deterioration of the European economy, prospects are uncertain.

The Group's consolidated performance forecasts for fiscal 2021 are as follows. The decrease in orders received is expected to result in unfavorable results for both net sales and income.

| (Million yen) | Net sales | Operating income (loss) | Net income (loss) attributable to owners of the parent |
|--|--------------------------|-------------------------|--|
| Forecasts for the first six months (1st and 2nd quarters combined) | 50,500 *1 down 32.2% | (4,800) — | (4,600) — |
| Forecasts for the full fiscal year | 113,500 *2 down 28.8% | (7,100) — | (6,900) — |

*1 Compared with the same period of fiscal 2020

*2 Year on year

INTERMOLD 2020 in Osaka, an exhibition on die and mold machining technologies scheduled to be held in April 2020, was cancelled because of COVID-19. JIMTOF2020 Japan International Machine Tool Fair scheduled to be held in December 2020 was also cancelled.

Despite the difficult circumstances, customers continue to seek further improvement in production efficiency and advanced solutions.

We are holding a virtual exhibition on our website, instead of direct sales activities, and making proposals that greatly facilitate automation of customers' operations.

Moreover, we are sharpening our focus on development of new technologies so as to be ready to offer the optimum support once demand associated with customers' renewed capital investment takes off.

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, 2020, the Company's Board of Directors consists of seven 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, 2020, 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 Ms. Naoko Enomoto and Mr. Makoto Iwabuchi, both of whom are with Gyosei & Co. Assistants engaged in the accounting audits comprise five certified public accountants and four other person.

5) Relations with outside corporate auditors

There are no personal, capital or transactional relations between the Company and its three 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 excluding outside directors | 5 | 347 |
| Corporate auditors excluding outside corporate auditors | 1 | 24 |
| Outside directors and corporate auditors | 4 | 43 |

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, 2018, 2019 and 2020

US\$1=¥108.83

| | Millions of yen | | | Thousands of dollars |
|--|-----------------|-----------|-----------|----------------------|
| | 2018 | 2019 | 2020 | 2020 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and time deposits (Notes 3 and 15) | ¥ 50,175 | ¥ 49,215 | ¥ 55,748 | \$ 512,248 |
| Marketable securities (Notes 2.e, 3 and 4) | 38 | 39 | 35 | 321 |
| Notes and accounts receivable (Notes 2.k, 3 and 5) | 51,134 | 53,402 | 40,179 | 369,190 |
| Inventories (Notes 2.f and 6) | 59,112 | 63,426 | 58,346 | 536,120 |
| Deferred income taxes (Notes 2.j and 10) | 2,004 | — | — | — |
| Other current assets | 7,492 | 6,356 | 8,683 | 79,784 |
| Allowance for doubtful accounts (Notes 2.h and 3) | (757) | (775) | (949) | (8,720) |
| Total current assets | 169,201 | 171,665 | 162,043 | 1,488,955 |
| Investments and other assets: | | | | |
| Investment securities (Notes 2.e, 3 and 4) | 27,544 | 20,828 | 18,139 | 166,672 |
| Long-term loans receivable | 366 | 559 | 813 | 7,470 |
| Deferred income taxes (Notes 2.j and 10) | 2,277 | 3,773 | 3,084 | 28,337 |
| Net defined benefit assets (Notes 2.i and 8) | 201 | 195 | 127 | 1,166 |
| Other long-term assets | 6,213 | 6,970 | 7,186 | 66,029 |
| Allowance for doubtful accounts (Notes 2.h and 3) | (388) | (353) | (315) | (2,894) |
| Total investments and other assets | 36,214 | 31,973 | 29,036 | 266,801 |
| Property, plant and equipment (Note 2.g): | | | | |
| Land | 17,769 | 17,427 | 18,198 | 167,214 |
| Buildings and structures | 70,684 | 73,839 | 73,611 | 676,385 |
| Machinery and equipment | 38,757 | 43,373 | 41,089 | 377,552 |
| Lease assets (Note 9) | 2,119 | 1,865 | 4,826 | 44,344 |
| Construction in progress | 3,742 | 1,427 | 2,471 | 22,705 |
| | 133,071 | 137,934 | 140,197 | 1,288,220 |
| Accumulated depreciation | (69,217) | (72,052) | (72,388) | (665,147) |
| Total property, plant and equipment | 63,855 | 65,882 | 67,808 | 623,063 |
| Total assets | ¥ 269,271 | ¥ 269,521 | ¥ 258,889 | \$2,378,838 |

The accompanying notes are an integral part of these statements.

US\$1=¥108.83

| | Millions of yen | | | Thousands of dollars |
|--|-----------------|-----------|-----------|----------------------|
| | 2018 | 2019 | 2020 | 2020 |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities: | | | | |
| Notes and accounts payable (Note 3): | | | | |
| Trade | ¥ 15,849 | ¥ 16,784 | ¥ 12,024 | \$ 110,484 |
| Other | 10,625 | 10,065 | 5,380 | 49,434 |
| Electronically recorded obligations-operating (Note 3) | 19,613 | 16,490 | 11,944 | 109,749 |
| Short-term loans (Notes 3 and 7) | 1,196 | 3,364 | 4,767 | 43,802 |
| Current portion of long-term debt (Notes 2.k, 3, 5 and 7) | 11,256 | 7,725 | 597 | 5,485 |
| Short-term lease obligations (Note 7) | 249 | 216 | 474 | 4,355 |
| Accrued expenses | 10,579 | 12,130 | 8,657 | 79,546 |
| Income taxes payable | 3,085 | 3,701 | 432 | 3,969 |
| Other current liabilities | 4,983 | 3,831 | 7,920 | 72,774 |
| Total current liabilities | 77,438 | 74,309 | 52,198 | 479,628 |
| Long-term liabilities: | | | | |
| Long-term debt (Notes 2.k, 3, 5 and 7) | 25,687 | 23,872 | 40,445 | 371,634 |
| Long-term lease obligations (Note 7) | 975 | 856 | 2,801 | 25,737 |
| Net defined benefit liabilities (Notes 2.i and 8) | 4,250 | 4,047 | 5,512 | 50,647 |
| Allowance for directors' and corporate auditors' retirement benefits (Note 2.i) | 89 | 99 | 109 | 1,001 |
| Deferred income taxes (Notes 2.j and 10) | 7,107 | 4,155 | 4,737 | 43,526 |
| Other long-term liabilities | 1,202 | 1,234 | 1,381 | 12,689 |
| Total long-term liabilities | 39,312 | 34,265 | 54,987 | 505,255 |
| Net assets: | | | | |
| Shareholders' equity | | | | |
| Common stock, no par value | 21,142 | 21,142 | 21,142 | 194,266 |
| Authorized : 300,000,000 shares as of March 31, 2018 60,000,000 shares as of March 31, 2019 and 2020 | | | | |
| Issued : 124,469,207 shares as of March 31, 2018 24,893,841 shares as of March 31, 2019 and 2020 | | | | |
| Capital surplus | 37,070 | 37,070 | 37,070 | 340,622 |
| Retained earnings (Note 13) | 81,292 | 95,782 | 93,424 | 858,439 |
| Treasury stock 9,983; 449,837 and 450,092 shares as of March 31, 2018, 2019 and 2020 respectively | (6) | (2,009) | (2,011) | (18,478) |
| Total shareholders' equity | 139,499 | 151,986 | 149,626 | 1,374,859 |
| Accumulated other comprehensive income | | | | |
| Unrealized gains on available-for-sale securities (Note 2.e) | 15,583 | 10,823 | 8,602 | 79,040 |
| Foreign currency translation adjustments | (616) | 79 | (3,329) | (30,588) |
| Remeasurements of defined benefit plans (Notes 2.i and 8) | (2,743) | (2,774) | (4,024) | (36,975) |
| Total accumulated other comprehensive income | 12,224 | 8,128 | 1,248 | 11,467 |
| Non-controlling interests | 796 | 831 | 828 | 7,608 |
| Total net assets | 152,519 | 160,946 | 151,704 | 1,393,953 |
| Total liabilities and net assets | ¥ 269,271 | ¥ 269,521 | ¥ 258,893 | \$2,378,875 |

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, 2018, 2019 and 2020

| | Millions of yen | | | US\$1=¥108.83 Thousands of dollars |
|--|-----------------|-----------|-----------|---------------------------------------|
| | 2018 | 2019 | 2020 | 2020 |
| Net sales | ¥ 181,547 | ¥ 204,709 | ¥ 159,401 | \$ 1,464,678 |
| Cost of sales | 125,478 | 139,746 | 117,142 | 1,076,375 |
| Gross profit | 56,068 | 64,962 | 42,259 | 388,302 |
| Selling, general and administrative expenses | 41,044 | 44,290 | 38,744 | 356,004 |
| Operating income | 15,023 | 20,671 | 3,514 | 32,288 |
| Other income (expenses): | | | | |
| Interest and dividend income | 645 | 1,075 | 802 | 7,369 |
| Interest expense | (330) | (306) | (344) | (3,160) |
| Subsidy income | 122 | — | — | — |
| Gain on sales of property, plant and equipment | 51 | 179 | 99 | 909 |
| Gain on sales of investment securities | 194 | 246 | 36 | 330 |
| Loss on disposal of property, plant and equipment | (44) | (54) | (118) | (1,084) |
| Impairment loss (Note 12) | — | (327) | — | — |
| Exchange loss, net | (283) | (109) | (616) | (5,660) |
| Other, net | 573 | 624 | 775 | 7,121 |
| Income before income taxes | 15,954 | 22,000 | 4,148 | 38,114 |
| Income taxes (Notes 2.j and 10) - Current | 4,066 | 5,526 | 1,099 | 10,098 |
| - Deferred | 146 | (546) | 2,203 | 20,242 |
| Net income | 11,740 | 17,020 | 845 | 7,764 |
| Net income attributable | | | | |
| to non-controlling interests | 46 | 39 | 14 | 128 |
| Net income attributable to owners of the parent | ¥ 11,694 | ¥ 16,981 | ¥ 830 | \$ 7,626 |
| | | Yen | | Dollars |
| Per share of common stock: | | | | |
| Net income attributable to owners of the parent | ¥ 102.26 | ¥ 689.30 | ¥ 33.97 | \$ 0.31 |
| Cash dividends applicable to the period | 17.00 | 69.00 | 80.00 | 0.73 |

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, 2018, 2019 and 2020

| | Millions of yen | | | US\$1=¥108.83 |
|---|-----------------|----------|------------------|----------------------|
| | 2018 | 2019 | 2020 | Thousands of dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Net income | ¥ 11,740 | ¥ 17,020 | ¥ 845 | \$ 7,764 |
| Other comprehensive income (loss) (Note 14): | | | | |
| Unrealized gains (losses) on available-for-sale securities (Note 2.e) | 3,111 | (4,761) | (2,223) | (20,426) |
| Foreign currency translation adjustments (Note 2.d) | (572) | 695 | (3,409) | (31,324) |
| Remeasurements of defined benefit plans (Notes 2.i and 8) | 571 | (31) | (1,251) | (11,494) |
| Other comprehensive income (loss) | 3,109 | (4,097) | (6,883) | (63,245) |
| Total comprehensive income | ¥ 14,850 | ¥ 12,923 | ¥ (6,038) | \$ (55,481) |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | 14,800 | 12,885 | (6,049) | (55,582) |
| Non-controlling interests | 50 | 37 | 11 | 101 |
| | ¥ 14,850 | ¥ 12,923 | ¥ (6,038) | \$ (55,481) |

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, 2018, 2019 and 2020

US\$1=¥108.83

| | Millions of yen | | | Thousands of dollars |
|--|-----------------|----------|----------|----------------------|
| | 2018 | 2019 | 2020 | 2020 |
| Common stock: | | | | |
| Balance at beginning of year | ¥ 19,263 | ¥ 21,142 | ¥ 21,142 | \$ 194,266 |
| Conversion of convertible bonds | 1,879 | — | — | — |
| Balance at end of year | 21,142 | 21,142 | 21,142 | 194,266 |
| Capital surplus: | | | | |
| Balance at beginning of year | 32,602 | 37,070 | 37,070 | 340,622 |
| Conversion of convertible bonds | 4,468 | — | — | — |
| Balance at end of year | 37,070 | 37,070 | 37,070 | 340,622 |
| Retained earnings (Note 13): | | | | |
| Balance at beginning of year | 71,090 | 81,292 | 95,782 | 880,106 |
| Cumulative effects of changes in accounting policies | — | (259) | (255) | (2,343) |
| Net income attributable to owners of the parent | 11,694 | 16,981 | 830 | 7,626 |
| Cash dividends | (1,760) | (2,230) | (2,933) | (26,950) |
| Other | 268 | — | — | — |
| Balance at end of year | 81,292 | 95,782 | 93,424 | 858,439 |
| Treasury stock: | | | | |
| Balance at beginning of year | (5,633) | (6) | (2,009) | (18,459) |
| Acquisition of treasury stock | (4) | (2,003) | (1) | (9) |
| Conversion of convertible bonds | 5,631 | — | — | — |
| Balance at end of year | (6) | (2,009) | (2,011) | (18,478) |
| Unrealized gains on available-for-sale securities (Note 2.e): | | | | |
| Balance at beginning of year | 12,473 | 15,583 | 10,823 | 99,448 |
| Net change during the year | 3,109 | (4,759) | (2,220) | (20,398) |
| Balance at end of year | 15,583 | 10,823 | 8,602 | 79,040 |
| Foreign currency translation adjustments (Note 2.d): | | | | |
| Balance at beginning of year | (43) | (616) | 79 | 725 |
| Net change during the year | (572) | 695 | (3,409) | (31,324) |
| Balance at end of year | (616) | 79 | (3,329) | (30,588) |
| Remeasurements of defined benefit plans (Notes 2.i and 8): | | | | |
| Balance at beginning of year | (3,312) | (2,743) | (2,774) | (25,489) |
| Net change during the year | 569 | (31) | (1,249) | (11,476) |
| Balance at end of year | (2,743) | (2,774) | (4,024) | (36,975) |
| Non-controlling interests: | | | | |
| Balance at beginning of year | 750 | 796 | 831 | 7,635 |
| Net change during the year | 46 | 35 | (2) | (18) |
| Balance at end of year | ¥ 796 | ¥ 831 | ¥ 828 | \$ 7,608 |

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, 2018, 2019 and 2020

US\$1=¥108.83

| | Millions of yen | | | Thousands of dollars |
|---|-----------------|----------|----------|----------------------|
| | 2018 | 2019 | 2020 | 2020 |
| Cash flows from operating activities: | | | | |
| Income before income taxes | ¥ 15,954 | ¥ 22,000 | ¥ 4,148 | \$ 38,114 |
| Adjustments for: | | | | |
| Income taxes (paid) refund | (2,006) | (4,752) | (5,479) | (50,344) |
| Depreciation and amortization | 5,789 | 5,837 | 6,652 | 61,122 |
| Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits | 18 | 10 | 10 | 91 |
| Increase (decrease) in net defined benefit liabilities | 333 | (200) | 234 | 2,150 |
| Increase (decrease) in allowance for doubtful accounts | 158 | (34) | 154 | 1,415 |
| (Gain) loss on sales of property, plant and equipment | (51) | (179) | (99) | (909) |
| Loss on disposal of property, plant and equipment | 44 | 54 | 118 | 1,084 |
| (Gain) loss on sales of investment securities | (194) | (246) | (36) | (330) |
| (Increase) decrease in notes and accounts receivable, trade | (7,007) | (1,484) | 10,698 | 98,300 |
| (Increase) decrease in inventories | (7,224) | (3,520) | 3,842 | 35,302 |
| Increase (decrease) in notes and accounts payable, trade | 5,722 | (2,840) | (7,907) | (72,654) |
| Other, net | 3,775 | 672 | (3,523) | (32,371) |
| Net cash provided by (used in) operating activities | 15,311 | 15,314 | 8,811 | 80,961 |
| Cash flows from investing activities: | | | | |
| (Increase) decrease in time deposits | 150 | — | — | — |
| Proceeds from sales of investment securities | 258 | 354 | 157 | 1,442 |
| Purchases of investment securities | (4) | (6) | (72) | (661) |
| Purchases of property, plant and equipment | (8,827) | (8,324) | (7,440) | (68,363) |
| Proceeds from sales of property, plant and equipment | 297 | 602 | 361 | 3,317 |
| Other, net | (1,400) | (1,330) | (1,330) | (12,220) |
| Net cash provided by (used in) investing activities | (9,527) | (8,705) | (8,323) | (76,477) |
| Cash flows from financing activities: | | | | |
| Increase (decrease) in short-term loans, net | (1,294) | 2,164 | 1,470 | 13,507 |
| Repayment of lease obligations | (331) | (310) | (571) | (5,246) |
| Proceeds from long-term loans payable | 5,000 | 1,000 | 6,604 | 60,681 |
| Repayment of long-term loans payable | (8,578) | (11,256) | (7,084) | (65,092) |
| Proceeds from issue of bonds | — | 5,000 | 10,000 | 91,886 |
| Purchases of treasury stock | (4) | (2,003) | (1) | (9) |
| Dividends paid | (1,764) | (2,231) | (2,938) | (26,996) |
| Net cash provided by (used in) financing activities | (6,973) | (7,638) | 7,479 | 68,721 |
| Effect of exchange rate changes on cash and cash equivalents | (153) | 70 | (1,436) | (13,194) |
| Net increase (decrease) in cash and cash equivalents | (1,343) | (958) | 6,531 | 60,011 |
| Cash and cash equivalents, beginning of period | 51,128 | 49,785 | 48,827 | 448,653 |
| Cash and cash equivalents, end of period (Notes 2.b and 15) | ¥ 49,785 | ¥ 48,827 | ¥ 55,358 | \$ 508,664 |

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 ¥108.83 = US\$1, which was the prevailing exchange rate on March 31, 2020.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (33 for 2018 and 2019 and 36 for 2020). The significant subsidiaries, which are consolidated with the Company, are listed below:

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.
MAKINO ASIA PTE LTD
MAKINO INC.
MAKINO Europe GmbH
MAKINO RESOURCE DEVELOPMENT PTE LTD
Makino Korea Co., Ltd

The remaining subsidiaries (four for 2018, 2019 and 2020), 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 (six for 2018 and seven for 2019 and 2020): 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 three affiliates are not significant in the consolidated totals.

All significant intercompany accounts and transactions are eliminated in consolidation.

(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 principally stated at the moving average method.

(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) Changes in Accounting Policies

(1) ASC No.606 Revenue from contracts with customers

A part of overseas consolidated subsidiaries applied the accounting standard of ASC606 from the beginning of this consolidated accounting period.

The application of ASC 606 is in accordance with the transitional treatment, and thereby cumulative effects were recorded as retained earnings as of the beginning of the fiscal year ending March 31, 2020.

This change had no significant impact on the Company's results for the fiscal year ended March 31, 2020.

(2) IFRS No.16 Leases

A part of overseas consolidated subsidiaries applied the accounting standard of IFRS16 "Leases" from the beginning of this consolidated accounting period.

Due to this application, a lessee is required to record all leases as assets and liabilities in the balance sheets.

As a result of applying this standard, property, plant and equipment increased by ¥2,309 million, current liabilities increased by ¥312 million and non-current liabilities increased by ¥2,017 million at the beginning of the fiscal year ending March 31, 2020.

This change had no significant impact on the Company's results for the fiscal year ended March 31, 2020.

Also, lease assets in accordance with IFRS 16 is accounted for as finance leases.

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 and bonds 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 | | |
| | 2018 | | |
| Amount on balance sheet | Fair value | Difference | |
| Assets | | | |
| Cash and time deposits | ¥ 50,175 | ¥ 50,175 | — |
| Notes and accounts receivable | 51,134 | | |
| Allowance for doubtful accounts | (757) | | |
| Balance | 50,377 | 50,377 | — |
| Held-to-maturity securities | 1,000 | 997 | (2) |
| Other marketable securities and investment securities | 26,531 | 26,531 | — |
| Total assets | ¥128,084 | ¥128,082 | ¥ (2) |
| Liabilities | | | |
| Notes and accounts payable | ¥ 15,849 | ¥ 15,849 | — |
| Electronically recorded obligations-operating | 19,613 | 19,613 | — |
| Short-term loans | 1,196 | 1,196 | — |
| Current portion of long-term loans | 11,256 | 11,256 | — |
| Bonds | 5,000 | 5,002 | 2 |
| Long-term loans | 20,687 | 20,837 | 149 |
| Total liabilities | ¥ 73,603 | ¥ 73,755 | ¥ 151 |
| Derivatives | ¥ 1 | ¥ 1 | — |
| | | | |
| | As of March 31, | | |
| | Millions of yen | | |
| | 2019 | | |
| Amount on balance sheet | Fair value | Difference | |
| Assets | | | |
| Cash and time deposits | ¥ 49,215 | ¥ 49,215 | — |
| Notes and accounts receivable | 53,402 | | |
| Allowance for doubtful accounts | (775) | | |
| Balance | 52,626 | 52,626 | — |
| Held-to-maturity securities | 1,000 | 1,000 | 0 |
| Other marketable securities and investment securities | 19,758 | 19,758 | — |
| Total assets | ¥122,600 | ¥122,600 | ¥ 0 |
| Liabilities | | | |
| Notes and accounts payable | ¥ 16,784 | ¥ 16,784 | — |
| Electronically recorded obligations-operating | 16,490 | 16,490 | — |
| Short-term loans | 3,364 | 3,364 | — |
| Current portion of long-term loans | 7,725 | 7,725 | — |
| Bonds | 10,000 | 10,017 | 17 |
| Long-term loans | 13,872 | 13,884 | 12 |
| Total liabilities | ¥ 68,236 | ¥ 68,266 | ¥ 29 |
| Derivatives | ¥ (12) | ¥ (12) | — |
| | | | |
| | As of March 31, | | |
| | Millions of yen | | |
| | 2020 | | |
| Amount on balance sheet | Fair value | Difference | |
| Assets | | | |
| Cash and time deposits | ¥ 55,748 | ¥ 55,748 | — |
| Notes and accounts receivable | 40,179 | 40,179 | — |
| Allowance for doubtful accounts | (949) | (949) | — |
| Balance | 39,229 | 39,229 | — |
| Held-to-maturity securities | 1,000 | 998 | (1) |
| Other marketable securities and investment securities | 16,632 | 16,632 | — |
| Total assets | ¥112,610 | ¥112,608 | ¥ (1) |
| Liabilities | | | |
| Notes and accounts payable | ¥ 12,024 | ¥ 12,024 | — |
| Electronically recorded obligations-operating | 11,944 | 11,944 | — |
| Short-term loans | 4,767 | 4,767 | — |
| Current portion of long-term loans | 597 | 597 | — |
| Bonds | 20,000 | 20,024 | 24 |
| Long-term loans | 20,445 | 20,455 | 10 |
| Total liabilities | ¥ 69,779 | ¥ 69,813 | ¥ 34 |
| Derivatives | ¥ (32) | ¥ (32) | — |

| | As of March 31, | | |
|---|----------------------------|-------------|------------|
| | Thousands of dollars | | |
| | 2020 | | |
| | Amount on balance sheet | Fair value | Difference |
| Assets | | | |
| Cash and time deposits | \$ 512,248 | \$ 512,248 | — |
| Notes and accounts receivable | 369,190 | 369,190 | |
| Allowance for doubtful accounts | (8,720) | (8,720) | |
| Balance | 360,461 | 360,461 | — |
| Held-to-maturity securities | 9,188 | 9,170 | (9) |
| Other marketable securities and investment securities | 152,825 | 152,825 | — |
| Total assets | \$1,034,733 | \$1,034,714 | \$ (9) |
| Liabilities | | | |
| Notes and accounts payable | \$ 110,484 | \$ 110,484 | — |
| Electronically recorded obligations-operating | 109,749 | 109,749 | — |
| Short-term loans | 43,802 | 43,802 | — |
| Current portion of long-term loans | 5,485 | 5,485 | — |
| Bonds | 183,772 | 183,993 | 220 |
| Long-term loans | 187,861 | 187,953 | 91 |
| Total liabilities | \$ 641,174 | \$ 641,486 | \$ 312 |
| Derivatives | \$ (294) | \$ (294) | — |

4. Marketable Securities and Investment Securities

Marketable securities and investment securities quoted at an exchange as of March 31, 2018, 2019 and 2020.

(1) Held-to-maturity securities

| | As of March 31, | | |
|---|----------------------------|--------------|------------|
| | Millions of yen | | |
| | 2018 | | |
| | Amount on balance sheet | Market value | Difference |
| Securities whose market value exceeds amount on balance sheet | — | — | — |
| Securities whose market value does not exceed amount on balance sheet | ¥ 1,000 | ¥ 997 | ¥ (2) |
| Total | ¥ 1,000 | ¥ 997 | ¥ (2) |

| | As of March 31, | | |
|---|----------------------------|--------------|------------|
| | Millions of yen | | |
| | 2019 | | |
| | Amount on balance sheet | Market value | Difference |
| Securities whose market value exceeds amount on balance sheet | ¥ 500 | ¥ 500 | ¥ 0 |
| Securities whose market value does not exceed amount on balance sheet | ¥ 500 | ¥ 499 | ¥ (0) |
| Total | ¥ 1,000 | ¥ 1,000 | ¥ 0 |

| | As of March 31, | | |
|---|----------------------------|--------------|------------|
| | Millions of yen | | |
| | 2020 | | |
| | Amount on balance sheet | Market value | Difference |
| Securities whose market value exceeds amount on balance sheet | ¥ — | ¥ — | ¥ — |
| Securities whose market value does not exceed amount on balance sheet | ¥ 1,000 | ¥ 998 | ¥ (1) |
| Total | ¥ 1,000 | ¥ 998 | ¥ (1) |

| | As of March 31, | | |
|---|----------------------------|--------------|------------|
| | Thousands of dollars | | |
| | 2020 | | |
| | Amount on balance sheet | Market value | Difference |
| Securities whose market value exceeds amount on balance sheet | \$ — | \$ — | \$ — |
| Securities whose market value does not exceed amount on balance sheet | \$ 9,188 | \$ 9,170 | \$ (9) |
| Total | \$ 9,188 | \$ 9,170 | \$ (9) |

(2) Other marketable securities and investment securities

| | | As of March 31, Millions of yen | | |
|--|----------------------------|------------------------------------|------------|--|
| | | 2018 | | |
| | Amount on balance sheet | Acquisition cost | Difference | |
| Available-for-sale securities whose amount on balance sheet exceeds acquisition cost | | | | |
| (1) Stocks | ¥26,492 | ¥ 4,360 | ¥22,132 | |
| (2) Other | — | — | — | |
| Subtotal | ¥26,492 | ¥ 4,360 | ¥22,132 | |
| Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost | | | | |
| (1) Stocks | ¥ — | ¥ — | ¥ — | |
| (2) Other | 38 | 40 | (1) | |
| Subtotal | ¥ 38 | ¥ 40 | ¥ (1) | |
| Total | ¥26,531 | ¥ 4,401 | ¥22,130 | |

| | | As of March 31, Millions of yen | | |
|--|----------------------------|------------------------------------|------------|--|
| | | 2019 | | |
| | Amount on balance sheet | Acquisition cost | Difference | |
| Available-for-sale securities whose amount on balance sheet exceeds acquisition cost | | | | |
| (1) Stocks | ¥19,718 | ¥ 4,263 | ¥15,454 | |
| (2) Other | 11 | 9 | 1 | |
| Subtotal | ¥19,729 | ¥ 4,273 | ¥15,456 | |
| Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost | | | | |
| (1) Stocks | ¥ — | ¥ — | ¥ — | |
| (2) Other | 28 | 30 | (2) | |
| Subtotal | ¥ 28 | ¥ 30 | ¥ (2) | |
| Total | ¥19,758 | ¥ 4,304 | ¥15,453 | |

| | | As of March 31, Millions of yen | | |
|--|----------------------------|------------------------------------|------------|--|
| | | 2020 | | |
| | Amount on balance sheet | Acquisition cost | Difference | |
| Available-for-sale securities whose amount on balance sheet exceeds acquisition cost | | | | |
| (1) Stocks | ¥15,845 | ¥ 3,362 | ¥12,483 | |
| (2) Other | — | — | — | |
| Subtotal | ¥15,845 | ¥ 3,362 | ¥12,483 | |
| Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost | | | | |
| (1) Stocks | ¥ 750 | ¥ 833 | ¥ (82) | |
| (2) Other | 35 | 40 | (4) | |
| Subtotal | ¥ 786 | ¥ 873 | ¥ (87) | |
| Total | ¥16,632 | ¥ 4,236 | ¥12,395 | |

| | As of March 31, | | |
|--|----------------------------|------------------|------------|
| | Thousands of dollars | | |
| | 2020 | | |
| | Amount on balance sheet | Acquisition cost | Difference |
| Available-for-sale securities whose amount on balance sheet exceeds acquisition cost | | | |
| (1) Stocks | \$ 145,594 | \$ 30,892 | \$ 114,701 |
| (2) Other | — | — | — |
| Subtotal | \$ 145,594 | \$ 30,892 | \$ 114,701 |
| Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost | | | |
| (1) Stocks | \$ 6,891 | \$ 7,654 | \$ (753) |
| (2) Other | 321 | 367 | (36) |
| Subtotal | \$ 7,222 | \$ 8,021 | \$ (799) |
| Total | \$ 152,825 | \$ 38,923 | \$ 113,893 |

5. Derivative Financial Instruments

(1) Derivatives to which hedge accounting is not applied

(a) Currency related

| | As of March 31, | | | |
|----------------------------|-------------------|------------------------------------|------------|------------------------|
| | Millions of yen | | | |
| | 2018 | | | |
| | Contracted amount | Contracted amount over one year | Fair value | Unrealized gain (loss) |
| Forward exchange contracts | | | | |
| Sales contracts | | | | |
| EUR | ¥ 274 | — | ¥ 0 | ¥ 0 |
| JPY | 324 | — | 3 | 3 |
| Option trade contracts * | | | | |
| Sales | | | | |
| USD | ¥ 106 | — | ¥ (1) | ¥ (1) |
| EUR | 65 | — | (1) | (1) |
| Total | ¥ 770 | — | ¥ 1 | ¥ 1 |

| | As of March 31, | | | |
|----------------------------|-------------------|------------------------------------|------------|------------------------|
| | Millions of yen | | | |
| | 2019 | | | |
| | Contracted amount | Contracted amount over one year | Fair value | Unrealized gain (loss) |
| Forward exchange contracts | | | | |
| Sales contracts | | | | |
| EUR | ¥ 74 | — | ¥ 3 | ¥ 3 |
| Option trade contracts * | | | | |
| Sales | | | | |
| USD | ¥ 1,720 | — | ¥ (15) | ¥ (15) |
| Total | ¥ 1,795 | — | ¥ (12) | ¥ (12) |

| | As of March 31, | | | |
|----------------------------|-------------------|------------------------------------|------------|------------------------|
| | Millions of yen | | | |
| | 2020 | | | |
| | Contracted amount | Contracted amount over one year | Fair value | Unrealized gain (loss) |
| Forward exchange contracts | | | | |
| Sales contracts | | | | |
| USD | ¥ 598 | — | ¥ (11) | ¥ (11) |
| EUR | 71 | — | 0 | 0 |
| CNY | 153 | — | 1 | 1 |
| Purchase contracts | | | | |
| SGD | ¥ 132 | — | ¥ 0 | ¥ 0 |
| Option trade contracts * | | | | |
| Sales | | | | |
| USD | ¥ 1,197 | — | ¥ (21) | ¥ (21) |
| EUR | 298 | — | (1) | (1) |
| Total | ¥ 2,452 | — | ¥ (32) | ¥ (32) |

| As of March 31, | | | | |
|----------------------------|-------------------|------------------------------------|-----------------|------------------------|
| Thousands of dollars | | | | |
| 2020 | | | | |
| | Contracted amount | Contracted amount over one year | Fair value | Unrealized gain (loss) |
| Forward exchange contracts | | | | |
| Sales contracts | | | | |
| USD | \$ 5,494 | — | \$ (101) | \$ (101) |
| EUR | 652 | — | 0 | 0 |
| CNY | 1,405 | — | 9 | 9 |
| Purchase contracts | | | | |
| SGD | \$ 1,212 | — | \$ 0 | \$ 0 |
| Option trade contracts * | | | | |
| Sales | | | | |
| USD | \$ 10,998 | — | \$ (192) | \$ (192) |
| EUR | 2,738 | — | (9) | (9) |
| Total | \$22,530 | — | \$ (294) | \$ (294) |

* The option trade contracts are zero-cost option contracts. With respect to the zero-cost option contracts, the call option and put option are shown in aggregate as they are set in one contract.

(2) Derivatives to which hedge accounting is applied

(a) Currency related

| As of March 31, | | | | | |
|---|-------------------------------|-----------------------|-------------------|------------------------------------|--------------|
| Millions of yen | | | | | |
| 2018 | | | | | |
| 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 | | | | |
| | USD | Account receivable | ¥7,225 | — | ¥ 250 |
| | EUR | Account receivable | 2,225 | — | 39 |
| | Total | | <u>¥9,450</u> | <u>—</u> | <u>¥ 290</u> |

| As of March 31, | | | | | |
|---|-------------------------------|-----------------------|-------------------|------------------------------------|-------------|
| Millions of yen | | | | | |
| 2019 | | | | | |
| 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 | | | | |
| | USD | Account receivable | ¥5,671 | — | ¥ (19) |
| | EUR | Account receivable | 2,251 | — | 42 |
| | Total | | <u>¥7,922</u> | <u>—</u> | <u>¥ 23</u> |

| As of March 31, | | | | | |
|---|-------------------------------|-----------------------|-------------------|------------------------------------|---------------|
| Millions of yen | | | | | |
| 2020 | | | | | |
| 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 | | | | |
| | USD | Account receivable | ¥3,748 | — | ¥ (25) |
| | EUR | Account receivable | 1,951 | — | 10 |
| | Total | | <u>¥5,699</u> | <u>—</u> | <u>¥ (14)</u> |

| Hedge accounting method | Nature of transaction | Hedged item | As of March 31, | | |
|--|----------------------------|--------------------|----------------------|---------------------------------|------------|
| | | | Thousands of dollars | | |
| | | | 2020 | | |
| | | | Contracted amount | Contracted amount over one year | Fair value |
| Method where hedged items are translated at contracted rates | Forward exchange contracts | | | | |
| | Sales contracts | | | | |
| | USD | Account receivable | \$ 34,439 | — | \$ (229) |
| | EUR | Account receivable | 17,927 | — | 91 |
| | Total | | \$ 52,366 | — | \$ (128) |

(b) Interest related

| Hedge accounting method | Nature of transaction | Hedged item | As of March 31, | | |
|--|------------------------------|-----------------|-------------------|---------------------------------|------------|
| | | | Millions of yen | | |
| | | | 2018 | | |
| | | | Contracted amount | Contracted amount over one year | Fair value |
| Special hedge accounting shortcut method for interest rate swaps | Interest rate swap contracts | | | | |
| | Receive floating, pay fixed | Long-term loans | ¥ 11,900 | ¥ 7,000 | * |
| | Total | | ¥ 11,900 | ¥ 7,000 | * |

| Hedge accounting method | Nature of transaction | Hedged item | As of March 31, | | |
|--|------------------------------|-----------------|-------------------|---------------------------------|------------|
| | | | Millions of yen | | |
| | | | 2019 | | |
| | | | Contracted amount | Contracted amount over one year | Fair value |
| Special hedge accounting shortcut method for interest rate swaps | Interest rate swap contracts | | | | |
| | Receive floating, pay fixed | Long-term loans | ¥ 7,000 | ¥ 1,000 | * |
| | Total | | ¥ 7,000 | ¥ 1,000 | * |

| Hedge accounting method | Nature of transaction | Hedged item | As of March 31, | | |
|--|------------------------------|-----------------|-------------------|---------------------------------|------------|
| | | | Millions of yen | | |
| | | | 2020 | | |
| | | | Contracted amount | Contracted amount over one year | Fair value |
| Special hedge accounting shortcut method for interest rate swaps | Interest rate swap contracts | | | | |
| | Receive floating, pay fixed | Long-term loans | ¥ 1,000 | ¥ 1,000 | * |
| | Total | | ¥ 1,000 | ¥ 1,000 | * |

| Hedge accounting method | Nature of transaction | Hedged item | As of March 31, | | |
|--|------------------------------|-----------------|----------------------|---------------------------------|------------|
| | | | Thousands of dollars | | |
| | | | 2020 | | |
| | | | Contracted amount | Contracted amount over one year | Fair value |
| Special hedge accounting shortcut method for interest rate swaps | Interest rate swap contracts | | | | |
| | Receive floating, pay fixed | Long-term loans | \$ 9,188 | \$ 9,188 | * |
| | Total | | \$ 9,188 | \$ 9,188 | * |

* 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, 2018, 2019 and 2020 comprise the following:

| | As of March 31, | | | |
|---------------------------|-----------------|----------|----------|----------------------|
| | Millions of yen | | | Thousands of dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Finished products | ¥ 16,656 | ¥ 17,916 | ¥ 19,343 | \$177,735 |
| Work in process | 14,822 | 13,192 | 12,350 | 113,479 |
| Raw material and supplies | 27,633 | 32,317 | 26,652 | 244,895 |
| Total | ¥ 59,112 | ¥ 63,426 | ¥ 58,346 | \$536,120 |

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, 2020 | As of March 31, | | | |
|--------------------------------------|---------------|---|-----------------|----------|----------|----------------------|
| | | | Millions of yen | | | Thousands of dollars |
| | | | 2018 | 2019 | 2020 | 2020 |
| Short-term loans | 1.69* | — | ¥ 1,196 | ¥ 3,364 | ¥ 4,767 | \$ 43,802 |
| Current portion of long-term loans | 0.99* | — | 11,256 | 7,725 | 597 | 5,485 |
| Long-term loans less current portion | 0.28* | from December 31, 2021 to December 31, 2024 | ¥ 20,687 | ¥ 13,872 | ¥ 20,445 | \$187,861 |
| Yen unsecured bonds | 0.50 | September 1, 2026 | 5,000 | 5,000 | 5,000 | 45,943 |
| Yen unsecured bonds | 0.47 | July 23, 2025 | — | 5,000 | 5,000 | 45,943 |
| Yen unsecured bonds | 0.41 | March 2, 2027 | — | — | 5,000 | 45,943 |
| Yen unsecured bonds | 0.55 | March 1, 2030 | — | — | 5,000 | 45,943 |
| Short-term lease obligations | — | — | ¥ 249 | ¥ 216 | ¥ 474 | \$ 4,355 |
| Long-term lease obligations | — | from April 30, 2021 to December 31, 2040 | 975 | 856 | 2,801 | 25,737 |

* The weighted average interest rate as of March 31, 2020

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2020 are as follows:

| Year ending March 31, | Long-term debt | | Lease obligations | |
|-----------------------|-----------------|----------------------|-------------------|----------------------|
| | Millions of yen | Thousands of dollars | Millions of yen | Thousands of dollars |
| 2021 | ¥ 597 | \$ 5,485 | ¥ 474 | \$ 4,355 |
| 2022 | 4,350 | 39,970 | 406 | 3,730 |
| 2023 | 4,650 | 42,727 | 340 | 3,124 |
| 2024 | 6,445 | 59,220 | 245 | 2,251 |
| 2025 | 5,000 | 45,943 | 178 | 1,635 |

8. 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) Reconciliation of changes in benefit obligations

| | Year ended March 31, | | | |
|------------------------------|----------------------|----------|----------|----------------------|
| | Millions of yen | | | Thousands of dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Balance at beginning of year | ¥ 21,414 | ¥ 21,508 | ¥ 22,149 | \$203,519 |
| Service cost | 706 | 710 | 725 | 6,661 |
| Interest cost | 267 | 282 | 260 | 2,389 |
| Actuarial loss | 43 | 322 | 175 | 1,608 |
| Benefits paid | (762) | (805) | (795) | (7,304) |
| Other | (160) | 131 | (84) | (771) |
| Balance at end of year | ¥ 21,508 | ¥ 22,149 | ¥ 22,431 | \$206,110 |

(2) Reconciliation of changes in pension assets

| | Year ended March 31, | | | Thousands of |
|-----------------------------------|----------------------|----------|----------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Balance at beginning of year | ¥ 16,687 | ¥ 17,511 | ¥ 18,358 | \$168,685 |
| Expected return on pension assets | 479 | 538 | 534 | 4,906 |
| Actuarial loss | 548 | (183) | (1,365) | (12,542) |
| Contributions by employer | 735 | 1,083 | 452 | 4,153 |
| Benefits paid | (725) | (772) | (767) | (7,047) |
| Other | (215) | 181 | (101) | (928) |
| Balance at end of year | ¥ 17,511 | ¥ 18,358 | ¥ 17,110 | \$157,217 |

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

| | Year ended March 31, | | | Thousands of |
|------------------------------|----------------------|------|------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Balance at beginning of year | ¥ 52 | ¥ 51 | ¥ 60 | \$ 551 |
| Periodic benefit cost | 14 | 8 | 10 | 91 |
| Benefits paid | (14) | (0) | (6) | (55) |
| Balance at end of year | ¥ 51 | ¥ 60 | ¥ 63 | \$ 578 |

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

| | As of March 31, | | | Thousands of |
|--|-----------------|----------|----------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Funded benefit obligations | ¥ 20,963 | ¥ 21,682 | ¥ 22,007 | \$202,214 |
| Pension assets | (17,511) | (18,358) | (17,110) | (157,217) |
| | 3,452 | 3,323 | 4,896 | 44,987 |
| Unfunded benefit obligations | 596 | 527 | 488 | 4,484 |
| Net amount of liabilities and assets on consolidated balance sheet | 4,048 | 3,851 | 5,384 | 49,471 |
| Net defined benefit liabilities | 4,250 | 4,047 | 5,512 | 50,647 |
| Net defined benefit assets | (201) | (195) | (127) | (1,166) |
| Net amount of liabilities and assets on consolidated balance sheet | ¥ 4,048 | ¥ 3,851 | ¥ 5,384 | \$ 49,471 |

(5) Components of net periodic benefit costs

| | Year ended March 31, | | | Thousands of |
|---|----------------------|-------|-------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Service cost | ¥ 706 | ¥ 710 | ¥ 725 | \$ 6,661 |
| Interest cost | 267 | 282 | 260 | 2,389 |
| Expected return on plan assets | (479) | (538) | (534) | (4,906) |
| Actuarial loss recognized in the year | 729 | 512 | 272 | 2,499 |
| Past service cost recognized in the year | (26) | (22) | (13) | (119) |
| Periodic benefit cost in simplified method | 14 | 8 | 10 | 91 |
| Net periodic benefit costs of retirement benefit plan | ¥ 1,212 | ¥ 952 | ¥ 721 | \$ 6,625 |

(6) Re-measurements of defined benefit plans before related tax effects on the consolidated statements of comprehensive income

| | Year ended March 31, | | | Thousands of |
|-------------------|----------------------|--------|-----------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Past service cost | ¥ (26) | ¥ (22) | ¥ (13) | \$ (119) |
| Actuarial loss | 1,234 | 6 | (1,268) | (11,651) |
| Total | ¥ 1,208 | ¥ (15) | ¥ (1,282) | \$ (11,779) |

(7) Re-measurements of defined benefit plans before related tax effects on the consolidated balance sheets

| | As of March 31, | | | Thousands of |
|--------------------------------|-----------------|---------|---------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Unrecognized past service cost | ¥ (35) | ¥ (13) | ¥ — | \$ — |
| Unrecognized actuarial loss | 3,151 | 3,144 | 4,413 | 40,549 |
| Total | ¥ 3,115 | ¥ 3,130 | ¥ 4,413 | \$ 40,549 |

(8) Breakdown of pension assets

| | As of March 31, | | |
|------------------|-----------------|--------|--------|
| | 2018 | 2019 | 2020 |
| Stocks | 41.0% | 41.9% | 39.1% |
| Bonds | 31.7% | 32.1% | 31.1% |
| Insurance assets | 12.1% | 11.6% | 12.7% |
| Other | 15.2% | 14.4% | 17.1% |
| Total | 100.0% | 100.0% | 100.0% |

(9) Assumptions used in accounting for the plans

| | Year ended March 31, | | |
|--|----------------------|-------------|-------------|
| | 2018 | 2019 | 2020 |
| Discount rate | Mainly 0.4% | Mainly 0.4% | Mainly 0.4% |
| Long-term expected rate of return on plan assets | Mainly 1.5% | Mainly 1.5% | Mainly 1.5% |

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

| | Year ended March 31, | | | Thousands of |
|--|----------------------|---------|---------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| | ¥ 1,002 | ¥ 1,095 | ¥ 1,110 | \$ 10,199 |

9. 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.

Future lease payments, including interest portion, subsequent to March 31, 2018, 2019 and 2020 for non-cancelable operating leases are as follows:

| | Millions of yen | | | Thousands of |
|---------------------|-----------------|---------|---------|--------------|
| | 2018 | 2019 | 2020 | dollars |
| Due within one year | ¥ 995 | ¥ 1,003 | ¥ 395 | \$ 3,629 |
| Due after one year | 4,641 | 4,488 | 817 | 7,507 |
| Total | ¥ 5,637 | ¥ 5,491 | ¥ 1,213 | \$ 11,145 |

10. Income Taxes

Breakdown of deferred tax assets and liabilities is as follows:

| | Year ended March 31, | | | Thousands of dollars |
|--|----------------------|-----------|-----------|----------------------|
| | Millions of yen | | | |
| | 2018 | 2019 | 2020 | |
| Deferred tax assets: | | | | |
| Tax loss carry forward | ¥ 773 | ¥ 401 | ¥ 1,702 | \$ 15,639 |
| Accrued expenses | 1,398 | 1,623 | 1,167 | 10,723 |
| Directors' and corporate auditors' retirement benefits | 30 | 33 | 36 | 330 |
| Valuation loss on investment securities | 600 | 563 | 536 | 4,925 |
| Long-term accounts payable | 74 | 74 | 74 | 679 |
| Net defined benefit liabilities | 941 | 1,086 | 1,139 | 10,465 |
| Other | 2,125 | 2,820 | 2,154 | 19,792 |
| Subtotal | 5,945 | 6,602 | 6,812 | 62,593 |
| Valuation allowance for tax loss carryforwards | — | — | (1,323) | (12,156) |
| Valuation allowance for temporary differences | (1,162) | (1,047) | (2,153) | (19,783) |
| Deferred tax assets | ¥ 4,783 | ¥ 5,554 | ¥ 3,334 | \$ 30,634 |
| Deferred tax liabilities: | | | | |
| Unrealized gains on available-for-sale securities | ¥ (6,536) | ¥ (4,625) | ¥ (3,791) | \$ (34,834) |
| Net defined benefit assets | (61) | (87) | (42) | (385) |
| Tax depreciation over book | (557) | (713) | (631) | (5,798) |
| Other | (452) | (510) | (521) | (4,787) |
| Deferred tax liabilities | (7,609) | (5,936) | (4,986) | (45,814) |
| Net deferred tax assets (liabilities) | ¥ (2,825) | ¥ (382) | ¥ (1,652) | \$ (15,179) |

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

| | Year ended March 31, | | |
|--|----------------------|-------|--------|
| | 2018 | 2019 | 2020 |
| Statutory tax rate | 30.6% | 30.6% | 30.6% |
| Valuation allowance | (0.6) | (0.5) | 58.6 |
| Difference in statutory tax rates for subsidiaries | (6.6) | (5.7) | (15.9) |
| Effect of change in applicable tax rates | 3.9 | — | — |
| Tax credits | (1.5) | (1.6) | — |
| Unrealized profits elimination | — | — | 10.0 |
| Other | 0.6 | (0.2) | (3.7) |
| Effective tax rate | 26.4% | 22.6% | 79.6% |

11. Research and Development Costs

Research and development costs are as follows:

| | Year ended March 31, | | | Thousands of dollars |
|--------------------------------|----------------------|---------|---------|----------------------|
| | Millions of yen | | | |
| | 2018 | 2019 | 2020 | |
| Research and development costs | ¥ 6,093 | ¥ 6,532 | ¥ 6,615 | \$ 60,782 |

12. Impairment Loss

In the year ended March 31, 2019 the Company recognized an impairment loss on the following assets which were no longer in use:

| Class of assets | Location | Millions of yen |
|-----------------|-------------------------------|-----------------|
| Land | Aikawa-machi, Kanagawa, Japan | ¥ 311 |
| Land | Hokuto-shi, Yamanashi, Japan | ¥ 15 |

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

13. 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.

Earnings per share are 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, 2018

| Resolution | Class of shares | Amount of dividends | Dividend per share | Funds for dividends | Record date | Effective date |
|---|-----------------|---------------------|--------------------|---------------------|--------------------|------------------|
| General shareholders' meeting (June 27, 2017) | Common stock | ¥ 880 million | ¥ 8.00 | Retained earnings | March 31, 2017 | June 28, 2017 |
| Board of Directors (November 1, 2017) | Common stock | ¥ 880 million | ¥ 8.00 | Retained earnings | September 30, 2017 | December 5, 2017 |

(2) Dividends in respect of the year ended March 31, 2018 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, 2018) | Common stock | ¥ 1,120 million | ¥ 9.00 | Retained earnings | March 31, 2018 | June 22, 2018 |

(3) Dividends paid in the year ended March 31, 2019

| Resolution | Class of shares | Amount of dividends | Dividend per share | Funds for dividends | Record date | Effective date |
|---|-----------------|---------------------|--------------------|---------------------|--------------------|------------------|
| General shareholders' meeting (June 21, 2018) | Common stock | ¥ 1,120 million | ¥ 9.00 | Retained earnings | March 31, 2018 | June 22, 2018 |
| Board of Directors (October 31, 2018) | Common stock | ¥ 1,110 million | ¥ 9.00 | Retained earnings | September 30, 2018 | December 5, 2018 |

(4) Dividends in respect of the year ended March 31, 2019 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, 2019) | Common stock | ¥ 1,466 million | ¥ 60.00 | Retained earnings | March 31, 2019 | June 26, 2019 |

(5) Dividends paid in the year ended March 31, 2020

| Resolution | Class of shares | Amount of dividends | Dividend per share | Funds for dividends | Record date | Effective date |
|---|-----------------|---------------------------------------|--------------------|---------------------|--------------------|------------------|
| General shareholders' meeting (June 25, 2019) | Common stock | ¥ 1,466 million \$ 13,470 thousand | ¥ 60.00 \$ 0.55 | Retained earnings | March 31, 2019 | June 26, 2019 |
| Board of Directors (October 31, 2019) | Common stock | ¥ 1,466 million \$ 13,470 thousand | ¥ 60.00 \$ 0.55 | Retained earnings | September 30, 2019 | December 4, 2019 |

(6) Dividends in respect of the year ended March 31, 2020 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, 2020) | Common stock | ¥ 488 million \$ 4,484 thousand | ¥ 20.00 \$ 0.18 | Retained earnings | March 31, 2020 | June 25, 2020 |

14. Comprehensive Income

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

| | Year ended March 31, | | | Thousands of dollars |
|--|----------------------|-----------|-----------|----------------------|
| | Millions of yen | | | |
| | 2018 | 2019 | 2020 | 2020 |
| Unrealized gains on available-for-sale securities: | | | | |
| Gains arising during the period | ¥ 4,455 | ¥ (6,425) | ¥ (3,021) | \$ (27,758) |
| Reclassification adjustment | (42) | (246) | (36) | (330) |
| Tax effect | (1,301) | 1,910 | 835 | 7,672 |
| Unrealized gains on available-for-sale securities | ¥ 3,111 | ¥ (4,761) | ¥ (2,223) | \$ (20,426) |
| Foreign currency translation adjustments: | | | | |
| Adjustments arising during the period | ¥ (572) | ¥ 695 | ¥ (3,409) | \$ (31,324) |
| Remeasurements of defined benefit plans: | | | | |
| Remeasurements arising during the period | 505 | (505) | (1,541) | (14,159) |
| Reclassification adjustment | 703 | 490 | 258 | 2,370 |
| Tax effect | (636) | (15) | (1,282) | (11,779) |
| Remeasurements of defined benefit plans | ¥ 571 | ¥ (31) | ¥ (1,251) | \$ (11,494) |
| Other comprehensive income | ¥ 3,109 | ¥ (4,097) | ¥ (6,883) | \$ (63,245) |

15. 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, | | | Thousands of dollars |
|---|-----------------|----------|----------|----------------------|
| | Millions of yen | | | |
| | 2018 | 2019 | 2020 | 2020 |
| Cash and time deposits | ¥ 50,175 | ¥ 49,215 | ¥ 55,748 | \$ 512,248 |
| Marketable securities | 38 | 39 | 35 | 321 |
| Subtotal | 50,214 | 49,255 | 55,784 | 512,579 |
| Time deposits with maturities over three months | (429) | (428) | (425) | (3,905) |
| Cash and cash equivalents | ¥ 49,785 | ¥ 48,827 | ¥ 55,358 | \$ 508,664 |

16. Segment Information

(1) Reportable segment information

The Group's reportable segments are defined as individual units where independent financial information is available and which are subject to regular review by the Board of Directors to evaluate their results and decide the allocation of management resources. The reportable segments are summarized as follows:

Reportable segment I is a segment for which Makino Milling Machine Co., Ltd. is responsible. Its main areas are Japan, the Republic of Korea, China, Oceania, Russia, Norway, the United Kingdom, and all other areas not included in reportable segments II, III or IV.

Reportable segment II is a segment for which MAKINO ASIA PTE LTD (Singapore) is responsible. Its main areas are China, ASEAN and India.

Reportable segment III is a segment for which MAKINO INC. (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 (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, 2018

(Millions of yen)

| | I | II | III | IV | Total |
|-------------------------------|----------|----------|----------|----------|-----------------|
| Net sales: | | | | | |
| External customers | ¥ 53,167 | ¥ 57,215 | ¥ 54,625 | ¥ 16,538 | ¥181,547 |
| Intersegment | 64,071 | 9,786 | 618 | 49 | 74,525 |
| Total | 117,239 | 67,001 | 55,243 | 16,588 | 256,073 |
| Segment income | 7,324 | 5,880 | 1,873 | 462 | 15,540 |
| Segment assets | 202,347 | 63,569 | 37,865 | 15,964 | 319,747 |
| Depreciation and amortization | 4,593 | 812 | 256 | 179 | 5,842 |
| Amortization of goodwill | — | — | 54 | — | 54 |
| Capital expenditure | ¥ 5,009 | ¥ 4,037 | ¥ 967 | ¥ 57 | ¥ 10,071 |

Year ended March 31, 2019

(Millions of yen)

| | I | II | III | IV | Total |
|-------------------------------|----------|----------|----------|----------|-----------------|
| Net sales: | | | | | |
| External customers | ¥ 65,683 | ¥ 60,213 | ¥ 58,961 | ¥ 19,851 | ¥204,709 |
| Intersegment | 69,819 | 9,971 | 423 | 123 | 80,337 |
| Total | 135,502 | 70,184 | 59,384 | 19,975 | 285,046 |
| Segment income | 12,633 | 5,873 | 2,203 | 715 | 21,425 |
| Segment assets | 194,642 | 63,647 | 43,806 | 15,431 | 317,528 |
| Depreciation and amortization | 4,321 | 1,019 | 424 | 171 | 5,936 |
| Amortization of goodwill | — | — | 53 | — | 53 |
| Capital expenditure | ¥ 4,007 | ¥ 4,740 | ¥ 1,038 | ¥ 69 | ¥ 9,857 |

Year ended March 31, 2020

(Millions of yen)

| | I | II | III | IV | Total |
|-------------------------------|----------|----------|----------|----------|-----------------|
| Net sales: | | | | | |
| External customers | ¥ 50,946 | ¥ 44,511 | ¥ 49,383 | ¥ 14,560 | ¥159,401 |
| Intersegment | 49,083 | 6,719 | 1,200 | 56 | 57,060 |
| Total | 100,030 | 51,230 | 50,584 | 14,616 | 216,462 |
| Segment income | (1,547) | 3,125 | 1,980 | 33 | 3,592 |
| Segment assets | 184,973 | 58,419 | 38,968 | 14,156 | 296,517 |
| Depreciation and amortization | 4,347 | 1,453 | 603 | 308 | 6,712 |
| Amortization of goodwill | — | — | 52 | — | 52 |
| Capital expenditure | ¥ 3,900 | ¥ 4,126 | ¥ 801 | ¥ 99 | ¥ 8,928 |

Year ended March 31, 2020

(Thousands of dollars)

| | I | II | III | IV | Total |
|-------------------------------|------------|------------|------------|------------|--------------------|
| Net sales: | | | | | |
| External customers | \$ 468,124 | \$ 408,995 | \$ 453,762 | \$ 133,786 | \$1,464,678 |
| Intersegment | 451,006 | 61,738 | 11,026 | 514 | 524,303 |
| Total | 919,139 | 470,734 | 464,798 | 134,301 | 1,988,992 |
| Segment income | (14,214) | 28,714 | 18,193 | 303 | 33,005 |
| Segment assets | 1,699,650 | 536,791 | 358,063 | 130,074 | 2,724,588 |
| Depreciation and amortization | 39,943 | 13,351 | 5,540 | 2,830 | 61,674 |
| Amortization of goodwill | — | — | 477 | — | 477 |
| Capital expenditure | \$ 35,835 | \$ 37,912 | \$ 7,360 | \$ 909 | \$ 82,036 |

Reconciliation of reportable segment information to consolidated financial statements

| | Year ended March 31, | | | Thousands of |
|------------------------|----------------------|-----------|-----------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Net sales | ¥ 256,073 | ¥ 285,046 | ¥ 216,462 | \$ 1,988,992 |
| Elimination | (74,525) | (80,337) | (57,060) | (524,303) |
| Consolidated net sales | ¥ 181,547 | ¥ 204,709 | ¥ 159,401 | \$ 1,464,678 |

| | Year ended March 31, | | | Thousands of |
|-------------------------------|----------------------|----------|---------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Segment income | ¥ 15,540 | ¥ 21,425 | ¥ 3,592 | \$ 33,005 |
| Elimination | (516) | (753) | (78) | (716) |
| Consolidated operating income | ¥ 15,023 | ¥ 20,671 | ¥ 3,514 | \$ 32,288 |

| | Year ended March 31, | | | Thousands of |
|---------------------------|----------------------|-----------|-----------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Segment assets | ¥ 319,747 | ¥ 317,528 | ¥ 296,517 | \$ 2,724,588 |
| Elimination | (50,476) | (48,007) | (37,628) | (345,750) |
| Consolidated total assets | ¥ 269,271 | ¥ 269,521 | ¥ 258,889 | \$ 2,378,838 |

| | Year ended March 31, | | | Thousands of |
|---|----------------------|---------|---------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Depreciation and amortization | ¥ 5,842 | ¥ 5,936 | ¥ 6,712 | \$ 61,674 |
| Elimination | (32) | (104) | (87) | (799) |
| Amount on consolidated financial statements | ¥ 5,810 | ¥ 5,832 | ¥ 6,625 | \$ 60,874 |

| | Year ended March 31, | | | Thousands of |
|---|----------------------|---------|---------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Capital expenditure | ¥ 10,071 | ¥ 9,857 | ¥ 8,928 | \$ 82,036 |
| Elimination | (475) | (463) | (532) | (4,888) |
| Amount on consolidated financial statements | ¥ 9,596 | ¥ 9,394 | ¥ 8,395 | \$ 77,138 |

(2) Geographical information

| | Year ended March 31, | | | Thousands of |
|-------------------------|----------------------|-----------|-----------|--------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Sales by destination | | | | |
| Japan | ¥ 39,555 | ¥ 50,975 | ¥ 40,437 | \$ 371,561 |
| USA | 46,318 | 49,589 | 42,631 | 391,721 |
| Americas, excluding USA | 7,877 | 7,755 | 6,250 | 57,429 |
| China | 42,563 | 41,740 | 29,573 | 271,735 |
| Asia, excluding China | 21,943 | 29,107 | 23,734 | 218,083 |
| Europe | 19,416 | 21,062 | 15,055 | 138,335 |
| Other | 3,870 | 4,478 | 1,719 | 15,795 |
| Total | ¥ 181,547 | ¥ 204,709 | ¥ 159,401 | \$ 1,464,678 |

| | Year ended March 31, | | | Thousands of |
|-------------------------------|----------------------|-----------------|------------------------|--------------------------|
| | Millions of yen | | | dollars |
| | 2018 | 2019 | 2020 | 2020 |
| Property, plant and equipment | | | | |
| Japan | ¥ 46,504 | ¥ 45,024 | ¥ 44,390 | \$ 407,883 |
| Americas | 2,523 | 3,114 | 2,215 | 20,352 |
| Asia | 12,480 | 15,586 | 18,609 | 170,991 |
| Europe | 2,346 | 2,156 | 2,593 | 23,826 |
| Total | ¥ <u>63,855</u> | ¥ <u>65,882</u> | ¥ <u>67,808</u> | \$ <u>623,063</u> |

17. Quarterly Earnings per Share

Quarterly earnings per share attributable to owners of the parent are as follows:

| Three months ended | Yen | | | Dollars |
|--------------------|--------|----------|----------------|----------------|
| | 2018 | 2019 | 2020 | 2020 |
| June 30 | ¥ 2.86 | ¥ 113.40 | ¥ 17.42 | \$ 0.16 |
| September 30 | 22.25 | 153.98 | 18.40 | 0.16 |
| December 31 | 27.71 | 218.75 | (18.89) | (0.17) |
| March 31 | 46.88 | 204.27 | 17.04 | 0.15 |

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Makino Milling Machine Co., Ltd. and its subsidiaries (the Group) which comprise the consolidated balance sheets as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with ethical requirements regarding independence in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate auditors and Board of Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Corporate auditors and Board of Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The procedures selected and applied depend on the auditor's judgement.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.



GYOSEI & CO.

Certified Public Accountants

Tokyu Bancho Bldg. 11F, 6 Yonbancho,

Chiyoda-ku, Tokyo, 102-0081 Japan

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If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation, in addition, evaluate whether the presentation of consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Corporate auditors and Board of Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Corporate auditors and Board of Auditors with a statement that we have complied with relevant ethical requirements regarding independence in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.



GYOSEI & CO.

Certified Public Accountants

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Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Gyosei & Co.

GYOSEI & Co.

Tokyo, Japan

June 24, 2020

BOARD OF DIRECTORS AND CORPORATE AUDITORS

| | |
|------------------------------------|------------------|
| President | Shinichi Inoue |
| Chairman | Yoshiki Ueda |
| Executive Vice President, Director | Toshiyuki Nagano |
| Vice President, Director | Tatsuaki Aiba |
| Director | Shin Yoshidome |
| Director | Naofumi Masuda |
| Director | Kodo Yamazaki |
| Corporate Auditor | Kazuo Hiruta |
| Corporate Auditor | Jinei Yamaguchi |
| Corporate Auditor | Jiro Nakashima |

CORPORATE DATA

Makino Milling Machine Co., Ltd.

Date of Foundation May 1, 1937

Paid-in Capital ¥21,142 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 26, 2020



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