ANNUAL REPORT

Year Ended March 31, 2024

MAKINO

PROFILE

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

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

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

FIVE-YEAR FINANCIAL SUMMARY

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

	Millions of yen					Thousands of dollars
	2020	2021	2022	2023	**2024**	**2024**
Net sales	¥159,401	¥116,737	¥186,591	¥227,985	**¥225,360**	**$1,488,408**
Net income attributable to owners of the parent	830	(2,703)	12,042	16,073	**15,981**	**105,547**
Net assets	151,703	161,992	178,778	197,787	**221,553**	**1,463,265**
Total assets	258,889	280,015	325,579	348,461	**362,335**	**2,393,071**
	Yen					Dollars
Earnings per share attributable to owners of the parent						
Basic	¥ 33.97	¥ (110.82)	¥ 499.23	¥ 671.86	**¥ 670.55**	**$ 4.42**
Diluted	—	—	—	—	**—**	**—**
Number of employees	4,757	4,451	4,524	4,692	**4,782**	

Note: US dollar amounts have been translated from yen, for convenience only, at the rate of ¥151.41=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2024.

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TO OUR SHAREHOLDERS AND INVESTORS

1. Overview of Operating Results, etc.

(1) Operating Results for Fiscal 2024

During fiscal 2024, the Company posted net sales of ¥225,360 million (down 1.2% year on year), operating income of ¥16,372 million (down 6.4% year on year), and net income attributable to owners of the parent of ¥15,981 million on a consolidated basis (down 0.6% year on year).

Orders received on a consolidated basis amounted to ¥213,376 million (down 14.5% year on year). Orders fell compared to the previous year, when orders were at a high level, due to customers increasingly refraining from capital expenditure on account of concerns of an economic slowdown and persistently high interest rates overseas, and other factors.

The details of orders received 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. declined from the level of the previous year.

Orders decreased substantially for general machinery, including semiconductor production equipment, and parts machining for automobiles, etc. Orders for aircraft increased.

MAKINO ASIA PTE LTD

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

In China, certain orders for automobiles including new energy vehicles, etc., continued, although orders for die and mold and parts machining both declined.

Orders received in India were on par with the previous year, primarily for parts machining for automobiles.

MAKINO INC.

Orders received in America were below the level of the previous year. Customers continued to be cautious regarding capital expenditure, primarily for automobiles and semiconductor production equipment due to concerns about high interest rate policies and economic slowdown. Orders for aircraft and medical devices remained firm.

MAKINO Europe GmbH

Customers in Europe continued to take a cautious approach to capital expenditure, and orders for semiconductor production equipment, parts machining for automobiles, and for aircraft all fell below levels of the previous year.

(2) Financial Position

Total assets on a consolidated basis at the end of fiscal 2024 increased by ¥13,874 million from the end of fiscal 2023, to ¥362,335 million. The principal items were an increase of ¥6,431 million in inventories, an increase of ¥2,472 million in buildings and structures, net, and an increase of ¥2,095 million in machinery, equipment and vehicles, net, and a decrease of ¥2,791 million in notes and accounts receivable - trade, and contract assets.

Total liabilities decreased by ¥9,891 million from the end of fiscal 2023, to ¥140,782 million. This was primarily attributable to a decrease of ¥5,479 million in notes and accounts payable, trade, a decrease of ¥2,619 million in long-term debt (including current portion of long-term debt), and an increase of ¥2,277 million in short-term loans.

Net assets increased by ¥23,765 million from the end of fiscal 2023, to ¥221,553 million. The principal items were an increase of ¥12,398 million in retained earnings and an increase of ¥10,219 million in foreign currency translation adjustments.

(3) Cash Flows

At the end of fiscal 2024, net cash provided by operating activities was ¥12,910 million. The principal items were income before income taxes amounting to ¥19,629 million, a decrease of ¥11,972 million in notes and accounts payable, trade, depreciation and amortization amounting to ¥8,266 million, a decrease of ¥7,589 million in notes and accounts receivable, trade, and income taxes paid amounting to ¥3,690 million.

Net cash used in investing activities was ¥6,411 million. The principal items were purchases of property, plant and equipment amounting to ¥9,577 million and a decrease in time deposits of ¥1,968 million.

Net cash used in financing activities was ¥6,390 million. The main items were repayment of long-term loans payable of ¥5,250 million, proceeds from long-term loans payable amounting to ¥4,000 million, and ¥3,577 million in dividends paid.

As a result, cash and cash equivalents on a consolidated basis at the end of fiscal 2024 increased by ¥3,111 million from the end of fiscal 2023 to ¥72,578 million.

The table below shows trends in cash-flow indicators.

	81st term Term ended March 2020	82nd term Term ended March 2021	83rd term Term ended March 2022	84th term Term ended March 2023	85th term Term ended March 2024
Shareholders' equity ratio (%)	58.3	57.6	54.6	56.6	61.0
Shareholders' equity ratio on a market value basis (%)	26.9	37.4	28.5	33.3	41.0
Ratio of interest-bearing debt to cash flows (%)	5.2	3.0	3.2	18.0	4.1
Interest coverage ratio (times)	25.7	61.8	55.6	9.2	43.3

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 2025)

The Company forecasts that orders received in fiscal 2025 will be above the level of fiscal 2024. Although the first half order environment is expected to be a continuation from the second half of the current fiscal year, orders are projected to pick up toward the second half of the fiscal year, mainly for semiconductor production equipment and automobiles. The Company anticipates continued brisk demand for aircraft and medical devices, as well as for automation against the backdrop of labor shortages and soaring labor costs.

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

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

The Company expects domestic orders received by Makino Milling Machine Co., Ltd. to be on par with the level of fiscal 2024. Aerospace-related orders are expected to remain firm, and from the second half of the year, we anticipate orders to increase, particularly for semiconductor production equipment. In addition, at the 32nd Japan International Machine Tool Fair (JIMTOF 2024) to be held in November, the Company will make proposals to stimulate further demand, focusing on the latest large-scale machines and five-axis machines, striving to receive numerous inquiries.

MAKINO ASIA PTE LTD

Orders received in Asia for fiscal 2025 are expected to surpass the level of fiscal 2024.

In China, the Company anticipates that orders will begin increasing from the second half for automobiles, such as new energy vehicles, starting with plug-in hybrid vehicles (PHV).

In India, in addition to working to boost orders for automobiles, we are striving to expand sales in fields where growth can be expected, such as various die and mold, and for aircraft.

In ASEAN, we anticipate an increase in orders for the semiconductor production equipment toward the second half of the fiscal year.

MAKINO INC.

The Company expects that orders received in the US for fiscal 2025 will exceed the level of fiscal 2024. We project orders to increase toward the second half, primarily for semiconductor production equipment, and that orders for aircraft and related to medical devices will remain firm. We also plan to exhibit at IMTS 2024 (International Manufacturing Technology Show) to be held in the US in September, focusing on new products and factory automation (FA) software that can support the automation needs of customers, which can lead to receiving even more orders.

MAKINO Europe GmbH

The Company expects that orders received in Europe for fiscal 2025 will be above the level of fiscal 2024. We expect orders for aircraft will increase from the first half, and from the second half, orders will increase for automobiles and general machinery, including semiconductor production equipment.

The Group's consolidated performance forecasts for fiscal 2025 are as follows.

(Million yen)	Net sales	Operating income	Net income attributable to owners of the parent
Forecasts for the first six months (1st and 2nd quarters combined)	101,500 *1down 6.5%	5,200 *1down 33.1%	4,800 *1down 37.5%
Forecasts for the full fiscal year	222,000 *2down 1.5%	15,500 *2down 5.3%	13,500 *2down 15.5%

*1Compared with the same period of fiscal 2024

*2Year on year

A full-fledged recovery in orders is projected in the second half, and the Company expects net sales and income to decline in the following fiscal year.

The Company expects labor and logistics costs to rise, while it will strive to secure profits by improving its product mix with large-scale machines and five-axis machines, revising unit sales prices, and promoting improvements to operational efficiency.

In addition, the Company will work to enhance asset efficiency through inventory reductions and cutting cross-shareholdings.

CORPORATE GOVERNANCE

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 21, 2024, the Company's Board of Directors consists of eight 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 21, 2024, the Company's Board of Auditors consists of three statutory auditors (one of whom are full-time corporate auditor), of whom two are outside corporate auditors. The statutory auditors attend meetings of the Board of Directors and make remarks, as necessary, in the course of deliberation on the agenda. Also, the Board of Auditors meets periodically and, in addition to items specified by laws and regulations, deliberates and makes decisions on matters necessary for statutory auditors' activities, and audits directors' execution of operational duties from an independent standpoint.

2) Internal control systems and risk management systems

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

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

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

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

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

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

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

3) Internal audit and audit by corporate auditors

Necessary audits are performed at the Company on the basis of close cooperation between the corporate auditors, the accounting auditor and relevant staff at the Finance Department, the General Affairs Department and the Internal Audit Office.

Internal audit on maintenance and management of internal control over financial reporting is conducted by the Internal Audit Office (consists of two members), which is established as an independent organization and directly reports to the President, in cooperation with relevant departments of the Company and its consolidated subsidiaries.

Regarding audits by the accounting auditor, necessary coordination such as scheduling is made internally through discussion between the corporate auditors, the Finance Department, the General Affairs Department and the Internal Audit Office. Corporate auditors and the Finance Department periodically exchange views with the accounting auditor and the necessary coordination is made. In addition, corporate auditors witness the audit process, as deemed necessary, to monitor the accounting auditor's audit proceedings.

Regarding audits by auditors, the statutory auditors gather necessary and sufficient information for conducting audits, including the situation of the Company and situations of its subsidiaries and affiliates, on a routine basis through systematic exchanges of views with directors, managerial personnel, key employees, and the accounting auditor of the Company and its subsidiaries and affiliates. Also, statutory auditors receive reports on the accounting auditor's audit results, and use such information in conducting stringent audits.

4) Accounting audits

Certified public accountants engaged in the Company's accounting audits are Mr. Akira Mishima and Mr. Nobufumi Yoshida, both of whom are with Gyosei & Co. Assistants engaged in the accounting audits comprise seven certified public accountants and six 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	4	193
Corporate auditors excluding outside corporate auditors	1	24
Outside directors and corporate auditors	7	74

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, 2023 and 2024

	Millions of yen		Thousands of dollars (US$1=¥151.41)
	2023	**2024**	**2024**
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 15)	¥ 68,312	**¥ 69,565**	**$ 459,447**
Marketable securities (Notes 2.e, 3 and 4)	4,234	**3,236**	**21,372**
Notes and accounts receivable (Notes 2.k, 3 and 5)	50,634	**47,842**	**315,976**
Inventories (Notes 2.f and 6)	95,116	**101,548**	**670,682**
Other current assets	12,961	**11,144**	**73,601**
Allowance for doubtful accounts (Notes 2.h and 3)	(1,544)	**(1,760)**	**(11,624)**
Total current assets	229,713	**231,576**	**1,529,463**
Investments and other assets:			
Investment securities (Notes 2.e, 3 and 4)	27,100	**28,156**	**185,958**
Long-term loans receivable	620	**542**	**3,579**
Deferred income taxes (Notes 2.j and 10)	4,867	**5,647**	**37,296**
Net defined benefit assets (Notes 2.i and 8)	970	**2,333**	**15,408**
Other long-term assets	6,115	**7,702**	**50,868**
Allowance for doubtful accounts (Notes 2.h and 3)	(141)	**(94)**	**(620)**
Total investments and other assets	39,532	**44,288**	**292,503**
Property, plant and equipment (Note 2.g):			
Land	19,080	**20,230**	**133,610**
Buildings and structures	86,828	**92,437**	**610,507**
Machinery and equipment	50,087	**56,819**	**375,265**
Lease assets (Note 9)	9,091	**10,960**	**72,386**
Construction in progress	1,950	**2,226**	**14,701**
	167,039	**182,674**	**1,206,485**
Accumulated depreciation	(87,824)	**(96,203)**	**(635,380)**
Total property, plant and equipment	79,215	**86,470**	**571,098**
Total assets	¥ 348,461	**¥ 362,335**	**$2,393,071**

The accompanying notes are an integral part of these statements.

	Millions of yen 2023	2024	US$1=¥151.41 Thousands of dollars 2024
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable (Note 3):			
Trade	¥ 20,281	**¥ 18,496**	**$ 122,158**
Other	8,419	**8,118**	**53,616**
Electronically recorded obligations-operating (Note 3)	19,019	**15,263**	**100,805**
Short-term loans (Notes 3 and 7)	—	**2,277**	**15,038**
Current portion of long-term debt (Notes 2.k, 3, 5 and 7)	6,707	**5,816**	**38,412**
Short-term lease obligations (Note 7)	932	**1,219**	**8,050**
Accrued expenses	11,611	**12,374**	**81,725**
Income taxes payable	2,080	**2,522**	**16,656**
Other current liabilities	21,645	**16,037**	**105,917**
Total current liabilities	90,698	**82,124**	**542,394**
Long-term liabilities:			
Long-term debt (Notes 2.k, 3, 5 and 7)	46,228	**44,500**	**293,903**
Long-term lease obligations (Note 7)	3,210	**3,533**	**23,333**
Net defined benefit liabilities (Notes 2.i and 8)	1,357	**697**	**4,603**
Allowance for directors' and corporate auditors' retirement benefits (Note 2.i)	122	**148**	**977**
Deferred income taxes (Notes 2.j and 10)	6,973	**7,494**	**49,494**
Other long-term liabilities	2,083	**2,284**	**15,084**
Total long-term liabilities	59,975	**58,657**	**387,405**
Net assets:			
Shareholders’ equity			
Common stock, no par value	21,142	**21,142**	**139,634**
Authorized : 60,000,000 shares as of March 31, 2023 and 2024			
Issued : 24,893,841 shares as of March 31, 2023 and 2024			
Capital surplus	37,056	**37,092**	**244,977**
Retained earnings (Note 13)	114,714	**127,113**	**839,528**
Treasury stock 1,012,276 and 1,176,243 shares as of March 31, 2023 and 2024 respectively	(4,233)	**(5,199)**	**(34,337)**
Total shareholders' equity	168,681	**180,149**	**1,189,809**
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities (Note 2.e)	15,160	**16,034**	**105,897**
Foreign currency translation adjustments	12,880	**23,100**	**152,565**
Remeasurements of defined benefit plans (Notes 2.i and 8)	565	**1,883**	**12,436**
Total accumulated other comprehensive income	28,606	**41,018**	**270,906**
Non-controlling interests	499	**385**	**2,542**
Total net assets	197,787	**221,553**	**1,463,265**
Total liabilities and net assets	¥ 348,461	**¥ 362,335**	**$2,393,071**

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, 2023 and 2024

	Millions of yen		Thousands of dollars (US$1=¥151.41)
	2023	**2024**	**2024**
Net sales	¥ 227,985	**¥ 225,360**	**$1,488,408**
Cost of sales	161,596	**157,354**	**1,039,257**
Gross profit	66,388	**68,005**	**449,144**
Selling, general and administrative expenses	48,895	**51,633**	**341,014**
Operating income	17,492	**16,372**	**108,130**
Other income (expenses):			
Interest and dividend income	1,138	**1,148**	**7,582**
Interest expense	(316)	**(308)**	**(2,034)**
Subsidy income	661	**289**	**1,908**
Gain on sales of property, plant and equipment	66	**246**	**1,624**
Gain on sales of investment securities	—	**542**	**3,579**
Loss on disposal of property, plant and equipment	(499)	**(55)**	**(363)**
Loss on valuation of investment securities	—	**(23)**	**(204)**
Exchange gain (loss), net	(335)	**577**	**3,810**
Other, net	1,244	**839**	**5,541**
Income before income taxes	19,450	**19,629**	**129,641**
Income taxes (Notes 2.j and 10) - Current	4,283	**4,223**	**27,891**
- Deferred	(922)	**(589)**	**(3,890)**
Net income	16,089	**15,995**	**105,640**
Net income attributable to non-controlling interests	16	**14**	**92**
Net income attributable to owners of the parent	¥ 16,073	**¥ 15,981**	**$ 105,547**

	Yen		Dollars
Per share of common stock:			
Net income attributable to owners of the parent	¥ 671.86	**¥ 670.55**	**$ 4.42**
Cash dividends applicable to the period	150.00	**150.00**	**0.99**

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, 2023 and 2024

	Millions of yen		Thousands of dollars (US$1=¥151.41)
	2023	**2024**	**2024**
Net income	¥ 16,089	**¥ 15,995**	**$ 105,640**
Other comprehensive income (Note 15):			
Unrealized gains on available-for-sale securities (Note 2.e)	985	**875**	**5,779**
Foreign currency translation adjustments (Note 2.d)	4,511	**10,219**	**67,492**
Remeasurements of defined benefit plans (Notes 2.i and 8)	934	**1,319**	**8,711**
Other comprehensive income	6,431	**12,413**	**81,982**
Total comprehensive income	¥ 22,521	**¥ 28,409**	**$ 187,629**
Total comprehensive income attributable to:			
Owners of the parent	22,505	**28,393**	**187,523**
Non-controlling interests	16	**16**	**105**
	¥ 22,521	**¥ 28,409**	**$ 187,629**

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, 2023 and 2024

	Millions of yen		Thousands of dollars (US$1=¥151.41)
	2023	**2024**	**2024**
Common stock:			
Balance at beginning of year	¥ 21,142	**¥ 21,142**	**$ 139,634**
Balance at end of year	21,142	**21,142**	**139,634**
Capital surplus:			
Balance at beginning of year	37,074	**37,056**	**244,739**
Other	(18)	**23**	**151**
Disposal of treasury stock	1	**11**	**72**
Balance at end of year	37,056	**37,092**	**244,977**
Retained earnings (Note 13):			
Balance at beginning of year	101,513	**114,714**	**757,638**
Net income attributable to owners of the parent	16,073	**15,981**	**105,547**
Cash dividends	(2,872)	**(3,582)**	**(23,657)**
Balance at end of year	114,714	**127,113**	**839,528**
Treasury stock:			
Balance at beginning of year	(4,014)	**(4,233)**	**(27,957)**
Acquisition of treasury stock	(265)	**(1,002)**	**(6,617)**
Disposal of treasury stock	46	**36**	**237**
Balance at end of year	(4,233)	**(5,199)**	**(34,337)**
Unrealized gains on available-for-sale securities (Note 2.e):			
Balance at beginning of year	14,174	**15,160**	**100,125**
Net change during the year	985	**874**	**5,772**
Balance at end of year	15,160	**16,034**	**105,897**
Foreign currency translation adjustments (Note 2.d):			
Balance at beginning of year	8,369	**12,880**	**85,067**
Net change during the year	4,511	**10,219**	**67,492**
Balance at end of year	12,880	**23,100**	**152,565**
Remeasurements of defined benefit plans (Notes 2.i and 8):			
Balance at beginning of year	(369)	**565**	**3,731**
Net change during the year	935	**1,318**	**8,704**
Balance at end of year	565	**1,883**	**12,436**
Non-controlling interests:			
Balance at beginning of year	886	**499**	**3,295**
Net change during the year	(387)	**(113)**	**(746)**
Balance at end of year	¥ 499	**¥ 385**	**$ 2,542**

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, 2023 and 2024

	Millions of yen		Thousands of dollars (US$1=¥151.41)
	2023	**2024**	**2024**
Cash flows from operating activities:			
Income before income taxes	¥ 19,450	**¥ 19,629**	**$ 129,641**
Adjustments for:			
Income taxes (paid) refund	(4,859)	**(3,690)**	**(24,370)**
Depreciation and amortization	7,903	**8,266**	**54,593**
Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	(7)	**26**	**171**
Increase (decrease) in net defined benefit liabilities	(94)	**(141)**	**(931)**
Increase (decrease) in allowance for doubtful accounts	71	**(23)**	**(151)**
(Gain) loss on sales of property, plant and equipment	(66)	**(246)**	**(1,624)**
Loss on disposal of property, plant and equipment	499	**55**	**363**
(Gain) loss on sales of investment securities	—	**(542)**	**(3,579)**
(Increase) decrease in notes and accounts receivable, trade	1,278	**7,589**	**50,122**
(Increase) decrease in inventories	(12,107)	**942**	**6,221**
Increase (decrease) in notes and accounts payable, trade	(8,075)	**(11,972)**	**(79,070)**
Other, net	(1,045)	**(6,982)**	**(46,113)**
Net cash provided by (used in) operating activities	2,948	**12,910**	**85,265**
Cash flows from investing activities:			
(Increase) decrease in time deposits	(1,409)	**1,968**	**12,997**
Proceeds from sales of investment securities	—	**651**	**4,299**
Purchases of investment securities	(1,207)	**(115)**	**(759)**
Purchases of property, plant and equipment	(6,423)	**(9,577)**	**(63,252)**
Proceeds from sales of property, plant and equipment	237	**536**	**3,540**
Other, net	9	**125**	**825**
Net cash provided by (used in) investing activities	(8,793)	**(6,411)**	**(42,341)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	—	**619**	**4,088**
Repayment of lease obligations	(1,040)	**(1,073)**	**(7,086)**
Proceeds from long-term loans payable	9,000	**4,000**	**26,418**
Repayment of long-term loans payable	(4,650)	**(5,250)**	**(34,674)**
Purchases of treasury stock	(265)	**(1,002)**	**(6,617)**
Purchases of treasury stock of subsidiaries in consolidation	(50)	**(100)**	**(660)**
Dividends paid	(2,975)	**(3,583)**	**(23,664)**
Other, net	(358)	**—**	**—**
Net cash provided by (used in) financing activities	(340)	**(6,390)**	**(42,203)**
Effect of exchange rate changes on cash and cash equivalents	(59)	**3,002**	**19,826**
Net increase (decrease) in cash and cash equivalents	(6,245)	**3,111**	**20,546**
Cash and cash equivalents, beginning of period	75,712	**69,467**	**458,800**
Cash and cash equivalents, end of period (Notes 2.b and 15)	¥ 69,467	**¥ 72,578**	**$ 479,347**

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 ¥151.41 = US$1, which was the prevailing exchange rate on March 31, 2024.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (40 for 2023 and 2024). 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 Co, 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 2023 and six for 2024), 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 (seven for 2023 and 2024): 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 four 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) Recognition standards for significant revenue and expenses
The Group engages mainly in manufacturing and sales of machine tools. Revenue from sales of products is recognized when control of products is considered to have transferred to a customer at the point of dispatch or shipment. Meanwhile, in certain engineering services, performance obligations are deemed to be fulfilled over a period of time, where revenue is recognized over a period of time based on the estimated degree of progress in fulfilling performance obligations.

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 2023		
	Amount on balance sheet	Fair value	Difference
Assets			
Held-to-maturity securities	¥ 2,398	¥ 2,373	¥ (25)
Other marketable securities and investment securities	28,677	28,677	—
Total Assets	31,076	31,051	(25)
Liabilities			
Bonds	20,000	20,022	22
Long-term loans	32,935	32,901	(33)
Total liabilities	52,935	52,924	(11)
Derivatives	¥ (8)	¥ (8)	—

	As of March 31, Millions of yen **2024**		
	Amount on balance sheet	Fair value	Difference
Assets			
Held-to-maturity securities	**¥ 1,299**	**¥ 1,282**	**¥ (17)**
Other marketable securities and investment securities	**29,610**	**29,610**	**—**
Total Assets	**30,909**	**30,892**	**(17)**
Liabilities			
Bonds	**20,000**	**20,022**	**22**
Long-term loans	**30,316**	**30,155**	**(160)**
Total liabilities	**50,316**	**50,178**	**(137)**
Derivatives	**¥ (8)**	**¥ (8)**	**—**

	As of March 31, Thousands of dollars **2024**		
	Amount on balance sheet	Fair value	Difference
Assets			
Held-to-maturity securities	**$ 8,579**	**$ 8,467**	**$ (112)**
Other marketable securities and investment securities	**195,561**	**195,561**	**—**
Total Assets	**204,141**	**204,028**	**(112)**
Liabilities			
Bonds	**132,091**	**132,236**	**145**
Long-term loans	**200,224**	**199,161**	**(1,056)**
Total liabilities	**332,316**	**331,404**	**(904)**
Derivatives	**$ (52)**	**$ (52)**	**—**

(3) Fair value information of financial instruments by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than those included within Level 1

Level 3 fair value: Fair values measured by material but unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(a) Financial assets and financial liabilities measured at fair value in the consolidated balance sheets

	As of March 31,			
	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale-securities	¥ 25,677	¥ —	¥ —	**¥ 25,677**
Total assets	25,677	—	—	**25,677**
Derivative transactions				
Currency-related	—	(8)	—	**(8)**
Total liabilities	¥ —	¥ (8)	¥ —	**¥ (8)**

	As of March 31,			
	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	**Total**
Securities and investment securities				
Available-for-sale-securities	¥ 26,610	¥ —	¥ —	**¥ 26,610**
Total assets	26,610	—	—	**26,610**
Derivative transactions				
Currency-related	—	(8)	—	**(8)**
Total liabilities	¥ —	¥ (8)	¥ —	**¥ (8)**

	As of March 31,			
	Thousands of dollars			
	2024			
	Level 1	Level 2	Level 3	**Total**
Securities and investment securities				
Available-for-sale-securities	$175,747	$ —	$ —	**$175,747**
Total assets	175,747	—	—	**175,747**
Derivative transactions				
Currency-related	—	(52)	—	**(52)**
Total liabilities	$ —	$ (52)	$ —	**$ (52)**

(b) Financial instruments other than those measured at fair value in the consolidated balance sheets

	As of March 31,			
	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds	¥ —	¥ 2,373	¥ —	**¥ 2,373**
Available-for-sale-securities	—	3,000	—	**3,000**
Total assets	—	5,373	—	**5,373**
Bonds	—	20,022	—	**20,022**
Long-term loans payable	—	32,901	—	**32,901**
Total liabilities	¥ —	¥ 52,924	¥ —	**¥ 52,924**

	As of March 31,			
	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	**Total**
Securities and investment securities				
Held-to-maturity bonds	¥ —	¥ 1,282	¥ —	**¥ 1,282**
Available-for-sale-securities	—	3,000	—	**3,000**
Total assets	—	4,282	—	**4,282**
Bonds	—	20,022	—	**20,022**
Long-term loans payable	—	30,155	—	**30,155**
Total liabilities	¥ —	¥ 50,178	¥ —	**¥ 50,178**

	As of March 31,			
	Thousands of dollars			
	2024			
	Level 1	Level 2	Level 3	**Total**
Securities and investment securities				
Held-to-maturity bonds	$ —	$ 8,467	$ —	**$ 8,467**
Available-for-sale-securities	—	19,813	—	**19,813**
Total assets	—	28,280	—	**28,280**
Bonds	—	132,236	—	**132,236**
Long-term loans payable	—	199,161	—	**199,161**
Total liabilities	$ —	$331,404	$ —	**$331,404**

* Explanation regarding the valuation methods and inputs used in fair value measurement

Securities and investment securities

Shares are evaluated based on quoted prices. As shares are traded in active markets, their fair value is classified as Level 1. Bonds are evaluated based on the price quoted on the exchange or provided by financial institutions. Bonds are classified as Level 2 because they are not traded frequently in the public market and not considered to have quoted prices in active markets. Certificates of deposit are classified as Level 2 because they are not considered to have quoted prices in active markets. Due to their short-term maturity, their carrying amount is quoted as fair value because it approximates their fair value.

Derivative transactions

The fair value of forward exchange contracts is measured using the discounted cash flow method based on observable inputs, such as exchange rates, and is classified as Level 2. Forward exchange contracts under hedge accounting are treated as one combined with hedged monetary claims, hence their fair value is included in the fair value of such monetary claims. Interest rate swaps qualifying for special accounting treatment are treated as one combined with hedged long-term loans payable, hence their fair value is included in the fair value of such long-term loans payable.

Bonds

Fair value of bonds issued by the Company is measured by discounting the sum of principal and interest by using the interest rate assumed to be applicable to new bond issuance on similar conditions. While market prices for fair value of corporate bonds are available, their fair value is classified as Level 2 because they are not traded in an active market.

Long-term loans payable

Fair value of long-term loans payable is measured by discounting the sum of principal and interest by using the interest rate assumed to be applicable to new borrowings on similar conditions, and is classified into Level 2.

4. Marketable Securities and Investment Securities

Marketable securities and investment securities quoted at an exchange as of March 31, 2023 and 2024.

(1) Held-to-maturity securities

	As of March 31,		
	Millions of yen		
	2023		
	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	¥ 2,398	¥ 2,373	¥ (25)
Total	¥ 2,398	¥ 2,373	¥ (25)

	As of March 31,		
	Millions of yen		
	2024		
	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	**¥ 1,299**	**¥ 1,282**	**¥ (17)**
Total	**¥ 1,299**	**¥ 1,282**	**¥ (17)**

	As of March 31, Thousands of dollars 2024		
	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	**$ 8,579**	**$ 8,467**	**$ (112)**
Total	**$ 8,579**	**$ 8,467**	**$ (112)**

(2) Other marketable securities and investment securities

	As of March 31, Millions of yen 2023		
	Amount on balance sheet	Acquisition cost	Difference
Available-for-sale securities whose amount on balance sheet exceeds acquisition cost			
(1) Stocks	¥25,643	¥ 4,130	¥21,513
(2) Other	11	9	2
Subtotal	¥25,655	¥ 4,139	¥21,515
Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost			
(1) Stocks	¥ —	¥ —	¥ —
(2) Other	3,022	3,030	(8)
Subtotal	¥ 3,022	¥ 3,030	¥ (8)
Total	¥28,677	¥ 7,170	¥21,507

	As of March 31, Millions of yen 2024		
	Amount on balance sheet	Acquisition cost	Difference
Available-for-sale securities whose amount on balance sheet exceeds acquisition cost			
(1) Stocks	**¥26,573**	**¥ 4,027**	**¥22,546**
(2) Other	**12**	**9**	**2**
Subtotal	**¥26,586**	**¥ 4,036**	**¥22,549**
Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost			
(1) Stocks	**¥ —**	**¥ —**	**¥ —**
(2) Other	**3,024**	**3,030**	**(6)**
Subtotal	**¥ 3,024**	**¥ 3,030**	**¥ (6)**
Total	**¥29,610**	**¥ 7,067**	**¥22,542**

	As of March 31, Thousands of dollars 2024		
	Amount on balance sheet	Acquisition cost	Difference
Available-for-sale securities whose amount on balance sheet exceeds acquisition cost			
(1) Stocks	**$175,503**	**$ 26,596**	**$148,906**
(2) Other	**79**	**59**	**13**
Subtotal	**$175,589**	**$ 26,656**	**$148,926**
Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost			
(1) Stocks	**$ —**	**$ —**	**$ —**
(2) Other	**19,972**	**20,011**	**(39)**
Subtotal	**$ 19,972**	**$ 20,011**	**$ (39)**
Total	**$195,561**	**$ 46,674**	**$148,880**

5. Derivative Financial Instruments

(1) Derivatives to which hedge accounting is not applied

(a) Currency related

	As of March 31, Millions of yen 2023			
	Contracted amount	Contracted amount over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Sales contracts				
USD	¥ 400	—	¥ 1	¥ 1
EUR	262	—	(3)	(3)
Purchase contracts				
JPY	¥ 290	—	¥ (5)	¥ (5)
Total	¥ 953	—	¥ (8)	¥ (8)

	As of March 31, Millions of yen **2024**			
	Contracted amount	Contracted amount over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Sales contracts				
USD	**¥ 757**	**—**	**¥ (4)**	**¥ (4)**
EUR	**130**	**—**	**0**	**0**
Purchase contracts				
JPY	**¥ 149**	**—**	**¥ (4)**	**¥ (4)**
Total	**¥ 1,037**	**—**	**¥ (8)**	**¥ (8)**

	As of March 31, Thousands of dollars **2024**			
	Contracted amount	Contracted amount over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Sales contracts				
USD	**$ 4,999**	**—**	**$ (26)**	**$ (26)**
EUR	**858**	**—**	**0**	**0**
Purchase contracts				
JPY	**$ 984**	**—**	**$ (26)**	**$ (26)**
Total	**$ 6,848**	**—**	**$ (52)**	**$ (52)**

(2) Derivatives to which hedge accounting is applied

(a) Currency related

Hedge accounting method	Nature of transaction	Hedged item	As of March 31, Millions of yen 2023 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	¥ 9,228	—	¥ 44
	EUR	Account receivable	2,485	—	(66)
	Total		¥11,713	—	¥ (22)

Hedge accounting method	Nature of transaction	Hedged item	As of March 31, Millions of yen **2024** 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	**¥ 8,942**	**—**	**¥ (232)**
	EUR	Account receivable	**3,297**	**—**	**(83)**
	Total		**¥12,239**	**—**	**¥ (315)**

Hedge accounting method	Nature of transaction	Hedged item	As of March 31, Thousands of dollars **2024** 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	**$ 59,058**	**—**	**$ (1,532)**
	EUR	Account receivable	**21,775**	**—**	**(548)**
	Total		**$ 80,833**	**—**	**$ (2,080)**

6. Inventories

Inventories as of March 31, 2023 and 2024 comprise the following:

	As of March 31, Millions of yen 2023	**2024**	Thousands of dollars **2024**
Finished products	¥ 28,276	**¥ 34,618**	**$228,637**
Work in process	21,140	**18,859**	**124,555**
Raw material and supplies	45,699	**48,069**	**317,475**
Total	¥ 95,116	**¥101,548**	**$670,682**

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:

			As of March 31,		
			Millions of yen		Thousands of dollars
	Interest rate	Date of maturity as of March 31, 2024	2023	**2024**	**2024**
Short-term loans	5.22*	—	¥ —	**¥ 2,277**	**$ 15,038**
Current portion of long-term loans	0.37*	—	6,707	**5,816**	**38,412**
Long-term loans less current portion	0.42*	from August 21, 2025 to September 30, 2028	¥ 26,228	**¥ 24,500**	**$161,812**
Yen unsecured bonds	0.50	September 1, 2026	5,000	**5,000**	**33,022**
Yen unsecured bonds	0.47	July 23, 2025	5,000	**5,000**	**33,022**
Yen unsecured bonds	0.41	March 2, 2027	5,000	**5,000**	**33,022**
Yen unsecured bonds	0.55	March 1, 2030	5,000	**5,000**	**33,022**
Short-term lease obligations	—	—	¥ 932	**¥ 1,219**	**$ 8,050**
Long-term lease obligations	—	from April 30, 2025 to December 31, 2040	3,210	**3,533**	**23,333**

* The weighted average interest rate as of March 31, 2024

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2024 are as follows:

	Long-term debt		Lease obligations	
Year ending March 31,	Millions of yen	Thousands of dollars	Millions of yen	Thousands of dollars
2025	¥ 5,816	$ 38,412	¥ 1,219	$ 8,050
2026	16,500	108,975	805	5,316
2027	19,000	125,487	616	4,068
2028	—	—	404	2,668
2029	4,000	26,418	203	1,340

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
	2023	**2024**	**2024**
Balance at beginning of year	¥ 23,437	**¥ 21,855**	**$144,343**
Service cost	777	**685**	**4,524**
Interest cost	297	**477**	**3,150**
Actuarial loss	(2,202)	**(234)**	**(1,545)**
Benefits paid	(1,032)	**(1,035)**	**(6,835)**
Other	578	**739**	**4,880**
Balance at end of year	¥ 21,855	**¥ 22,488**	**$148,523**

(2) Reconciliation of changes in pension assets

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Balance at beginning of year	¥ 21,939	**¥ 21,533**	**$142,216**
Expected return on pension assets	662	**710**	**4,689**
Actuarial loss	(1,094)	**1,656**	**10,937**
Contributions by employer	464	**489**	**3,229**
Benefits paid	(989)	**(1,010)**	**(6,670)**
Other	551	**813**	**5,369**
Balance at end of year	¥ 21,533	**¥ 24,193**	**$159,784**

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

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Balance at beginning of year	¥ 77	**¥ 64**	**$ 422**
Periodic benefit cost	10	**11**	**72**
Benefits paid	(23)	**(8)**	**(52)**
Balance at end of year	¥ 64	**¥ 68**	**$ 449**

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

	As of March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Funded benefit obligations	¥ 21,410	**¥ 21,993**	**$145,254**
Pension assets	(21,533)	**(24,193)**	**(159,784)**
	(123)	**(2,200)**	**(14,530)**
Unfunded benefit obligations	510	**563**	**3,718**
Net amount of liabilities and assets on consolidated balance sheet	386	**(1,636)**	**(10,805)**
Net defined benefit liabilities	1,357	**697**	**4,603**
Net defined benefit assets	(970)	**(2,333)**	**(15,408)**
Net amount of liabilities and assets on consolidated balance sheet	¥ 386	**¥ (1,636)**	**$ (10,805)**

(5) Components of net periodic benefit costs

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Service cost	¥ 777	**¥ 685**	**$ 4,524**
Interest cost	297	**477**	**3,150**
Expected return on plan assets	(662)	**(710)**	**(4,689)**
Actuarial loss recognized in the year	(47)	**(65)**	**(429)**
Periodic benefit cost in simplified method	10	**11**	**72**
Other	38	**7**	**46**
Net periodic benefit costs of retirement benefit plan	¥ 413	**¥ 405**	**$ 2,674**

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

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Actuarial loss	¥ (1,060)	**¥ (1,825)**	**$ (12,053)**
Total	¥ (1,060)	**¥ (1,825)**	**$ (12,053)**

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

	As of March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Unrecognized actuarial loss	¥ (1,153)	**¥ (2,978)**	**$ (19,668)**
Total	¥ (1,153)	**¥ (2,978)**	**$ (19,668)**

(8) Breakdown of pension assets

	As of March 31,	
	2023	**2024**
Stocks	27.8%	**34.4%**
Bonds	30.6%	**30.7%**
Insurance assets	10.5%	**9.4%**
Other	31.1%	**25.5%**
Total	100.0%	**100.0%**

(9) Assumptions used in accounting for the plans

	Year ended March 31,	
	2023	**2024**
Discount rate	Mainly 1.1%	**Mainly 1.1%**
Long-term expected rate of return on plan assets	Mainly 1.5%	**Mainly 2.0%**

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

Year ended March 31,		
Millions of yen		Thousands of dollars
2023	**2024**	**2024**
¥ 1,619	**¥ 1,790**	**$ 11,822**

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, 2023 and 2024 for non-cancelable operating leases are as follows:

	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Due within one year	¥ 477	**¥ 382**	**$ 2,522**
Due after one year	382	**—**	**—**
Total	¥ 860	**¥ 382**	**$ 2,522**

10. Income Taxes

Breakdown of deferred tax assets and liabilities is as follows:

	Year ended March 31, Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Deferred tax assets:			
Tax loss carry forward	¥ 1,684	**¥ 585**	**$ 3,863**
Accrued expenses	1,606	**1,593**	**10,521**
Directors' and corporate auditors' retirement benefits	40	**49**	**323**
Net defined benefit liabilities	555	**371**	**2,450**
Long-term accounts payable	4	**4**	**26**
Valuation loss on investment securities	524	**505**	**3,335**
Reseach and development costs	570	**1,180**	**7,793**
Other	4,398	**5,027**	**33,201**
Subtotal	9,385	**9,318**	**61,541**
Valuation allowance for tax loss carryforwards	(1,078)	**—**	**—**
Valuation allowance for temporary differences	(1,559)	**(1,345)**	**(8,883)**
Deferred tax assets	¥ 6,747	**¥ 7,973**	**$ 52,658**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	¥ (6,341)	**¥ (6,501)**	**$ (42,936)**
Net defined benefit assets	(371)	**(740)**	**(4,887)**
Tax depreciation over book	(1,200)	**(1,261)**	**(8,328)**
Other	(940)	**(1,316)**	**(8,691)**
Deferred tax liabilities	(8,854)	**(9,820)**	**(64,857)**
Net deferred tax assets (liabilities)	¥ (2,106)	**¥ (1,846)**	**$ (12,192)**

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

	Year ended March 31, 2023	**2024**
Statutory tax rate	30.6%	**30.6%**
Income not deductible for income tax purposes	(0.2)	**(0.2)**
Valuation allowance	(3.6)	**(6.7)**
Per capita inhabitant tax	0.2	**0.2**
Difference in statutory tax rates for subsidiaries	(8.0)	**(6.1)**
Tax credits	(2.1)	**(1.1)**
Other	0.3	**1.8**
Effective tax rate	17.3%	**18.5%**

11. Revenue recognition

(1) Disaggregation of revenue from contracts with customers

Year ended March 31, 2023 (Millions of yen)

	I	II	III	IV	**Total**
Goods or services transferred at a point in time	¥ 53,785	¥ 91,449	¥ 54,302	¥ 17,671	**¥217,209**
Goods or services transferred over time	—	1,254	9,520	—	**10,775**
Revenue from contracts with customers	¥ 53,785	¥ 92,704	¥ 63,823	¥ 17,671	**¥227,985**

Year ended March 31, 2024 (Millions of yen)

	I	II	III	IV	**Total**
Goods or services transferred at a point in time	¥ 53,673	¥ 86,777	¥ 50,720	¥ 21,665	**¥212,837**
Goods or services transferred over time	—	2,797	9,726	—	**12,523**
Revenue from contracts with customers	¥ 53,673	¥ 89,575	¥ 60,447	¥ 21,665	**¥225,360**

Year ended March 31, 2024

(Thousands of dollars)

	I	II	III	IV	Total
Goods or services transferred at a point in time	$ 354,487	$ 573,125	$ 334,984	$ 143,088	**$1,405,699**
Goods or services transferred over time	—	18,473	64,236	—	**82,709**
Revenue from contracts with customers	$ 354,487	$ 591,605	$ 399,227	$ 143,088	**$1,488,408**

(2) Basic information in understanding revenue
Basic information in understanding revenue is as stated in "2. Summary of Significant Accounting Policies (n) Recognition standards for significant revenue and expenses"

(3) Relationship between the satisfaction of performance obligations based on the contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from contracts with customers existing at the end of the current fiscal year expected to be recognized in and after the following fiscal year

(a) Contract asset and contract liability balances

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Receivables from contracts with customers (beginning balance)	¥ 46,695	**¥ 48,570**	**$320,784**
Receivables from contracts with customers (ending balance)	48,570	**47,238**	**311,987**
Contract assets (beginning balance)	1,737	**2,063**	**13,625**
Contract assets (ending balance)	2,063	**604**	**3,989**
Contract liabilities (beginning balance)	20,062	**21,596**	**142,632**
Contract liabilities (ending balance)	¥ 21,596	**¥ 15,633**	**$103,249**

(b) Transaction price allocated to the remaining performance obligations
The performance obligations that are unsatisfied (or partially unsatisfied) amounted to 97,702 million yen at the end of the current fiscal year. Such performance obligation relates primarily to manufacturing and sales of machine tools, of which approximately 95% are expected to be recognized as revenue within one year after the end of the current fiscal year, while the remaining approximately 5% are more than one year after the end of the current fiscal year.

12. Research and Development Costs

Research and development costs are as follows:

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Research and development costs	¥ 9,247	**¥ 9,257**	**$ 61,138**

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, 2023

Resolution	Class of shares	Amount of dividends	Dividend per share	Funds for dividends	Record date	Effective date
General shareholders' meeting (June 23, 2022)	Common stock	¥ 1,196 million	¥ 50.00	Retained earnings	March 31, 2022	June 24, 2022
Board of Directors (October 31, 2022)	Common stock	¥ 1,675 million	¥ 70.00	Retained earnings	September 30, 2022	December 2, 2022

(2) Dividends in respect of the year ended March 31, 2023 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 22, 2023)	Common stock	¥ 1,910 million	¥ 80.00	Retained earnings	March 31, 2023	June 23, 2023

(3) Dividends paid in the year ended March 31, 2024

Resolution	Class of shares	Amount of dividends	Dividend per share	Funds for dividends	Record date	Effective date
General shareholders' meeting (June 22, 2023)	Common stock	¥ 1,910 million $ 12,614 thousand	¥ 80.00 $ 0.52	Retained earnings	March 31, 2023	June 23, 2023
Board of Directors (October 31, 2023)	Common stock	¥ 1,672 million $ 11,042 thousand	¥ 70.00 $ 0.46	Retained earnings	September 30, 2023	December 4, 2023

(4) Dividends in respect of the year ended March 31, 2024 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 20, 2024)	Common stock	¥ 1,897 million $ 12,528 thousand	¥ 80.00 $ 0.52	Retained earnings	March 31, 2024	June 21, 2024

14. Comprehensive Income

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

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Unrealized gains on available-for-sale securities:			
Gains arising during the period	¥ 1,345	**¥ 1,460**	**$ 9,642**
Reclassification adjustment	—	**(425)**	**(2,806)**
Tax effect	(359)	**(160)**	**(1,056)**
Unrealized gains on available-for-sale securities	¥ 985	**¥ 875**	**$ 5,779**
Foreign currency translation adjustments:			
Adjustments arising during the period	¥ 4,511	**¥ 10,219**	**$ 67,492**
Remeasurements of defined benefit plans:			
Remeasurements arising during the period	1,108	**1,891**	**12,489**
Reclassification adjustment	(47)	**(65)**	**(429)**
Tax effect	(125)	**(506)**	**(3,341)**
Remeasurements of defined benefit plans	¥ 934	**¥ 1,319**	**$ 8,711**
Other comprehensive income	¥ 6,431	**¥ 12,413**	**$ 81,982**

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,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Cash and time deposits	¥ 68,312	**¥ 69,565**	**$459,447**
Marketable securities	4,234	**3,236**	**21,372**
Subtotal	72,546	**72,802**	**480,826**
Time deposits with maturities over three months	(3,079)	**(223)**	**(1,472)**
Cash and cash equivalents	¥ 69,467	**¥ 72,578**	**$479,347**

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, 2023 (Millions of yen)

	I	II	III	IV	**Total**
Net sales:					
External customers	¥ 53,785	¥ 92,704	¥ 63,823	¥ 17,671	**¥227,985**
Intersegment	87,472	13,436	437	28	**101,374**
Total	141,258	106,141	64,261	17,699	**329,360**
Segment income	7,644	7,569	4,051	113	**19,379**
Segment assets	226,744	97,949	58,455	22,366	**405,516**
Depreciation and amortization	4,656	2,262	852	389	**8,161**
Amortization of goodwill	—	—	65	—	**65**
Capital expenditure	¥ 3,997	¥ 3,108	¥ 614	¥ 101	**¥ 7,822**

Year ended March 31, 2024 (Millions of yen)

	I	II	III	IV	**Total**
Net sales:					
External customers	¥ 53,673	¥ 89,575	¥ 60,447	¥ 21,665	**¥225,360**
Intersegment	84,372	11,037	667	12	**96,089**
Total	138,045	100,612	61,114	21,677	**321,450**
Segment income	9,447	4,816	2,158	535	**16,957**
Segment assets	229,354	110,005	59,405	21,981	**420,746**
Depreciation and amortization	4,481	2,591	952	342	**8,367**
Amortization of goodwill	—	—	69	—	**69**
Capital expenditure	¥ 5,716	¥ 4,547	¥ 1,565	¥ 323	**¥ 12,153**

Year ended March 31, 2024 (Thousands of dollars)

	I	II	III	IV	Total
Net sales:					
External customers	$ 354,487	$ 591,605	$ 399,227	$ 143,088	**$1,488,408**
Intersegment	557,241	72,894	4,405	79	**634,627**
Total	911,729	664,500	403,632	143,167	**2,123,043**
Segment income	62,393	31,807	14,252	3,533	**111,993**
Segment assets	1,514,787	726,537	392,345	145,175	**2,778,852**
Depreciation and amortization	29,595	17,112	6,287	2,258	**55,260**
Amortization of goodwill	—	—	455	—	**455**
Capital expenditure	$ 37,751	$ 30,031	$ 10,336	$ 2,133	**$ 80,265**

Reconciliation of reportable segment information to consolidated financial statements

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Net sales	¥ 329,360	**¥ 321,450**	**$2,123,043**
Elimination	(101,374)	**(96,089)**	**(634,627)**
Consolidated net sales	¥ 227,985	**¥ 225,360**	**$1,488,408**

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Segment income	¥ 19,379	**¥ 16,957**	**$ 111,993**
Elimination	(1,886)	**(584)**	**(3,857)**
Consolidated operating income	¥ 17,492	**¥ 16,372**	**$ 108,130**

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Segment assets	¥ 405,516	**¥ 420,746**	**$2,778,852**
Elimination	(57,055)	**(58,410)**	**(385,773)**
Consolidated total assets	¥ 348,461	**¥ 362,335**	**$2,393,071**

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Depreciation and amortization	¥ 8,161	**¥ 8,367**	**$ 55,260**
Elimination	(258)	**(101)**	**(667)**
Amount on consolidated financial statements	¥ 7,903	**¥ 8,266**	**$ 54,593**

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Capital expenditure	¥ 7,822	**¥ 12,153**	**$ 80,265**
Elimination	(143)	**(117)**	**(772)**
Amount on consolidated financial statements	¥ 7,678	**¥ 12,036**	**$ 79,492**

(2) Geographical information

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Sales by destination			
Japan	¥ 39,807	**¥ 41,533**	**$ 274,308**
USA	56,444	**53,963**	**356,403**
Americas, excluding USA	7,577	**7,622**	**50,340**
China	76,907	**68,602**	**453,087**
Asia, excluding China	26,697	**30,534**	**201,664**
Europe	18,765	**20,503**	**135,413**
Other	1,785	**2,601**	**17,178**
Total	¥ 227,985	**¥ 225,360**	**$1,488,408**

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2023	**2024**	**2024**
Property, plant and equipment			
Japan	¥ 43,165	**¥ 44,585**	**$ 294,465**
Americas	3,544	**4,365**	**28,829**
Asia	30,008	**34,736**	**229,416**
Europe	2,497	**2,783**	**18,380**
Total	¥ 79,215	**¥ 86,470**	**$ 571,098**

17. Quarterly Earnings per Share

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

	Yen		Dollars
Three months ended	2023	**2024**	**2024**
June 30	¥ 99.77	**¥ 192.41**	**$ 1.27**
September 30	123.36	**128.98**	**0.85**
December 31	218.63	**150.75**	**0.99**
March 31	230.13	**198.62**	**1.31**

18. Subsequent Events

Repurchase of the Company's common stock

On April 30, 2024, the Board of Directors resolved to repurchase up to 180 thousand shares of the Company's common stock. The shares will be repurchased for a maximum of ¥1,000 million ($6,604 thousand) from May 1, 2024 to August 31, 2024.

INDEPENDENT AUDITOR'S REPORT

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

<Audit of Consolidated Financial Statements>

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, 2024, 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, 2024, 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 that are relevant to our audit of the consolidated financial statements 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">1. Appropriateness of sales cut-off for machine tools</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Net sales of Makino Milling Machine Co., Ltd. and its consolidated subsidiaries (“the Group”) are mainly from machine tools sales, parts sales, maintenance services.
The Group recognizes net sales related to machine tools sales mainly on the date of shipment from a plant or warehouse and on completion of lading, in light of the agreement with the customer.
There is a risk of not recording net sales in the proper accounting period mainly for the following reasons:
・ Transactions for machine tools are conducted throughout the year, but transaction volume is particularly large near the period end.
・ The Group is under pressure to achieve the forecast because the Group announce its performance forecast to the market.
Furthermore, the price per transaction is large; therefore, it is highly likely that recording sales in the wrong period results in a significant impact on consolidated financial statements.
Accordingly, the appropriateness of sales cut-off for machine tools is particularly significant in the consolidated financial statements audit for the fiscal year. Therefore, we determined this matter to be a key audit matter.</td><td>The primary procedures we performed to verify the appropriateness of sales cut-off for machine tools included the following:
(1) Evaluation of internal controls
We evaluated the design and operating effectiveness of internal controls relevant to the process of recording sales for machine tools.
(2) Assessment of appropriateness of sales cut-off
We performed following audit procedures, among others, to verify whether the sales for machine tools have been recorded in the proper accounting period:
・ inspected relevant evidence such as receipts from transportation companies and bill of lading in order to verify the appropriateness of the sales recording date around the period end, which involves a high risk of inappropriate sales cut-off;
・ verified that machine tools that are recognized as product inventory at the end of the fiscal year have not been recorded as sales;
・ inspected relevant evidence such as purchase order, receipts from transportation companies, and bill of lading and found that sales in regard to product inventory at the end of the fiscal year that could not be verified by observing physical stocktaking or inventory confirmations obtained directly from the warehouse companies (e.g. machine tools in shipment) are not recognized in this fiscal year; and
・ instructed the component auditors of</td></tr>
</table>

	significant subsidiaries to perform audit procedures and communicated with them about risk assessments and response. We received a report about the result of audit and evaluated the adequacy of audit procedures performed by component auditors.

Other Information

The other information comprises the information included in the ANNUAL REPORT, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. Corporate Auditors and Board of Auditors are responsible for overseeing the Group's financial reporting process.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and 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. 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Corporate Auditors and Board of Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024 which were charged by us and our network firms to Makino Milling Machine Co., Ltd. and its subsidiaries were 52 million and none, respectively.

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.

Tokyo, Japan
June 20, 2024

三島 陽

Akira Mishima
Designated Engagement Partner
Certified Public Accountant

吉田 延史

Nobufumi Yoshida
Designated Engagement Partner
Certified Public Accountant

BOARD OF DIRECTORS AND CORPORATE AUDITORS

President	Shotaro Miyazaki
Executive Vice President, Director	Toshiyuki Nagano
Executive Vice President, Director	Tatsuaki Aiba
Director	Haruyuki Shiraishi
Director	Naofumi Masuda
Director	Kodo Yamazaki
Director	Kazuo Takahashi
Director	Ayako Takai
Corporate Auditor	Akio Komura
Corporate Auditor	Jinei Yamaguchi
Corporate Auditor	Naoko Takatsuka

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 13 other offices
Overseas Sales & Service Offices	USA, Germany, Singapore, Korea, China, India and others
Consolidated Subsidiaries	See page 13.

As of June 21, 2024

MAKINO

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