Makino Milling Machine Co., Ltd.

Q&A of Results Briefing FY2023 1Q
(Held on July 31, 2023)

Q1. I think Chinese demand now has generally deteriorated, how are your Chinese orders now?

A1. Our Chinese orders has also decreased overall, but demand for NEV (new energy vehicles) has not declined so much compared to other industries. We continue to receive inquiries from NEV, so we do not expect the Chinese market to slow down significantly.

Q2. What is your view of order trend through the next fiscal year? At the beginning of the fiscal year, you expected orders to begin recovering from the second half of the year.

A2. Although trends vary depending on customer's situation, overall, we expect a slight increase in the second half of the year compared to the first half.

In Japan, we expect a recovery to begin around 4Q. We see that demand for semiconductor production equipment will pick up a little from 3Q, and then move toward a full-fledged recovery in 4Q or the first half of next fiscal year. We believe it will take a little more time for the automotive order to recover.

In China, we expect orders for EVs (electric vehicles) to continue to be favorable. EV manufacturers have been consolidated, and production tends to be concentrated in a few manufacturers. We expect capital investment to remain firm associated with this restructuring. On the other hand, recovery for IT, home appliances and smartphones are expected to take time.

In the U.S., orders and inquiries for aerospace are increasing, and we expect these orders to remain firm in 2Q and beyond. On the other hand, capital investment demand for automotives are not expected to be strong due to concerns of economic slowdown.

In Europe, we expect demand for semiconductor production equipment to begin recovering from 3Q, and demand associated with the shift to EVs is expected to remain strong.

Q3. In the current order environment, do you plan to increase procurement, production and inventories from 2Q onward from 1Q?

A3. We expect the current level of procurement and production in Japan to continue for the time being as we work to eliminate the backlog of orders that has built up. As for Asian production, we plan to review the production plan due to a slowdown in orders for Asian products caused by the weak yen.

Q4. You revised upward your 1H operating income forecast by 1.5 billion yen. Please give us a breakdown of the revision.

A4. In 1Q, profitability improved due to an increase in profitable projects in addition to a weaker yen. As a result, progress in 1Q against the 1H plan exceeded our expectations, so we have revised upward our 1H and full-year forecasts.