

ANNUAL REPORT

Year Ended March 31, 2025



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
	2021	2022	2023	2024	2025	2025
Net sales	¥116,737	¥186,591	¥227,985	¥225,360	¥234,216	\$1,566,452
Net income attributable to owners of the parent	(2,703)	12,042	16,073	15,981	14,415	96,408
Net assets	161,992	178,778	197,787	221,553	226,650	1,515,850
Total assets	280,015	325,579	348,461	362,335	367,037	2,454,768
	Yen					Dollars
Earnings per share attributable to owners of the parent						
Basic	¥ (110.82)	¥ 499.23	¥ 671.86	¥ 670.55	¥ 613.17	\$ 4.10
Diluted	—	—	—	—	—	—
Number of employees	4,451	4,524	4,692	4,782	4,814	

Note: US dollar amounts have been translated from yen, for convenience only, at the rate of ¥149.52=US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2025.

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TO OUR SHAREHOLDERS AND INVESTORS

1. Overview of Operating Results, etc.

(1) Operating Results for Fiscal 2025

During fiscal 2025, the Company posted net sales of ¥234,216 million (up 3.9% year on year), operating income of ¥18,516 million (up 13.1% year on year), and net income attributable to owners of the parent of ¥14,415 million on a consolidated basis (down 9.8% year on year).

Orders received on a consolidated basis amounted to ¥237,955 million (up 11.5% year on year), above the level of the previous fiscal year. In addition to receiving steady orders in China, where the overall economy remained sluggish, aerospace-related orders in America remained firm in and after the third quarter.

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. were on par with the previous year. Orders for industrial machinery and semiconductor production equipment remained firm.

MAKINO ASIA PTE LTD

Orders received in Asia were above the level of the previous year.

In China, orders for parts machining primarily for applications related to new energy vehicles remained firm.

Orders received in India were above the level of the previous year, since orders remained firm for parts machining for automobiles including commercial vehicles and orders for aircraft increased.

Orders received in ASEAN were above the level of the previous year, as orders for applications related to semiconductor production equipment continued.

MAKINO INC.

Orders received in America were above the level of the previous year. Aerospace-related orders remained at a high level in and after the third quarter. Orders for industrial machinery and orders for parts machining primarily for automotive applications remained firm.

MAKINO Europe GmbH

Orders received in Europe were above the level of the previous year. While customers in Europe continued to take a cautious approach to capital expenditure, orders for aircraft applications remained firm.

(2) Financial Position

Total assets on a consolidated basis at the end of fiscal 2025 increased by ¥4,702 million from the end of fiscal 2024, to ¥367,037 million. This was primarily attributable to an increase of ¥9,089 million in construction in progress, an increase of ¥8,147 million in notes and accounts receivable - trade, and contract assets, a decrease of ¥5,510 million in cash and time deposits, a decrease of ¥3,100 million in marketable securities, and a decrease of ¥2,929 in investment securities.

Total liabilities decreased by ¥394 million from the end of fiscal 2024, to ¥140,387 million. This was primarily attributable to an increase of ¥5,866 million in short-term loans, a decrease of ¥5,816 million in long-term debt (including current portion of long-term debt), a decrease of ¥2,054 in notes and accounts payable - trade, and an increase of ¥824 million in income taxes payable.

Net assets increased by ¥5,096 million from the end of fiscal 2024, to ¥226,650 million. This was primarily attributable to an increase of ¥10,647 million in retained earnings, a decrease of ¥2,473 million in foreign currency translation adjustments, a decrease of ¥2,037 million in unrealized gains on available-for-sale securities, an increase of ¥1,976 million in treasury stock, and an increase of ¥933 million in remeasurements of defined benefit plans.

(3) Cash Flows

At the end of fiscal 2025, net cash provided by operating activities was ¥13,571 million. The principal items were income before income taxes amounting to ¥19,983 million, an increase of ¥8,757 million in notes and accounts receivable - trade, depreciation and amortization amounting to ¥8,313 million, income taxes paid amounting to ¥5,500 million, and a decrease of ¥2,680 million in inventories.

Net cash used in investing activities was ¥13,877 million. The principal items were purchases of property, plant and equipment amounting to ¥14,945 million, purchase of investment securities amounting to ¥2,005 million, and proceeds from sale of property, plant and equipment amounting to ¥1,419 million.

Net cash used in financing activities was ¥6,726 million. The main items were increase (decrease) in short-term loans, net of ¥5,975 million, repayment of long-term loans payable of ¥5,818 million, ¥3,763 million in dividends paid, and purchase of treasury stock of ¥2,007 million.

As a result, cash and cash equivalents on a consolidated basis at the end of fiscal 2025 decreased by ¥8,511 million from the end of fiscal 2024 to ¥64,067 million.

The table below shows trends in cash-flow indicators.

	82nd term Term ended March 2021	83rd term Term ended March 2022	84th term Term ended March 2023	85th term Term ended March 2024	86th term Term ended March 2025
Shareholders' equity ratio (%)	57.6	54.6	56.6	61.0	61.7
Shareholders' equity ratio on a market value basis (%)	37.4	28.5	33.3	41.0	74.4
Ratio of interest-bearing debt to cash flows (%)	3.0	3.2	18.0	4.1	3.9
Interest coverage ratio (times)	61.8	55.6	9.2	43.3	23.5

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 2026)

The Company forecasts that orders received in fiscal 2026 on a consolidated basis will be above the level of fiscal 2025 at ¥245,000 million (up 2.9% year on year), anticipating that the yen will appreciate year on year.

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 surpass the level of fiscal 2025. The Company will continue to strive to expand orders by meeting increased demand related to data centers and the energy sector. In addition to orders for applications related to semiconductor production equipment, among automotive applications, we will focus also on increasing orders for multi-axis machines and automated systems aimed at productivity improvement.

MAKINO ASIA PTE LTD

Orders received in Asia for fiscal 2026 are expected to surpass the level of fiscal 2025.

In China, the Company anticipates that orders will increase for parts machining primarily for new energy vehicles, and for die and mold for applications including those related to electric and electronic components.

In India, orders are expected to surpass the level of fiscal 2025. With inquiries for applications for aircraft as well as construction and agricultural machinery on the increase, we will strive to secure orders in these sectors. In ASEAN, we anticipate that orders will surpass the level of fiscal 2025. Orders for semiconductor production equipment will increase, and capital expenditure from other regions, such as China, in ASEAN will increase.

MAKINO INC.

The Company expects that orders received in America for fiscal 2026 to be on par with the level of fiscal 2025. We project aerospace-related orders to remain firm. For automotive applications, we are receiving inquiries for expanded production of high-demand models, and we will strive to secure these orders.

MAKINO Europe GmbH

The Company expects that orders received in Europe for fiscal 2026 will be above the level of fiscal 2025. We expect orders for aircraft will remain firm. We are also receiving increasing inquiries for applications related to hydraulic equipment and energy-related applications, and we will strive to secure these orders.

The Group's consolidated performance forecasts for fiscal 2026 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)	115,700 *1up 6.9%	9,000 *1up 18.8%	8,700 *1up 50.5%
Forecasts for the full fiscal year	240,000 *2up 2.5%	21,500 *2up 16.1%	18,000 *2up 24.9%

*1Compared with the same period of fiscal 2025

*2Year on year

The Company expects income to decline due to rising labor and logistics costs and the strong yen, while it will strive to secure profits by increasing production, revising unit sales prices, and promoting improvements to operational efficiency.

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

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 20, 2025, the Company's Board of Directors consists of ten 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 20, 2025, 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 four certified public accountants and nine 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	196
Corporate auditors excluding outside corporate auditors	1	24
Outside directors and corporate auditors	8	69

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, 2024 and 2025

US\$1=¥149.52

	Millions of yen		Thousands of dollars
	2024	2025	2025
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 15)	¥ 69,565	¥ 64,055	\$ 428,404
Marketable securities (Notes 2.e, 3 and 4)	3,236	135	902
Notes and accounts receivable (Notes 2.k, 3 and 5)	47,842	55,989	374,458
Inventories (Notes 2.f and 6)	101,548	98,218	656,888
Other current assets	11,144	12,055	80,624
Allowance for doubtful accounts (Notes 2.h and 3)	(1,760)	(1,849)	(12,366)
Total current assets	231,576	228,604	1,528,919
Investments and other assets:			
Investment securities (Notes 2.e, 3 and 4)	28,156	25,226	168,713
Long-term loans receivable	542	496	3,317
Deferred income taxes (Notes 2.j and 10)	5,647	6,607	44,188
Net defined benefit assets (Notes 2.i and 8)	2,333	4,687	31,346
Other long-term assets	7,702	7,278	48,675
Allowance for doubtful accounts (Notes 2.h and 3)	(94)	(85)	(568)
Total investments and other assets	44,288	44,211	295,686
Property, plant and equipment (Note 2.g):			
Land	20,230	20,022	133,908
Buildings and structures	92,437	92,568	619,101
Machinery and equipment	56,819	55,472	371,000
Lease assets (Note 9)	10,960	12,379	82,791
Construction in progress	2,226	11,315	75,675
	182,674	191,758	1,282,490
Accumulated depreciation	(96,203)	(97,536)	(652,327)
Total property, plant and equipment	86,470	94,221	630,156
Total assets	¥ 362,335	¥ 367,037	\$ 2,454,768

The accompanying notes are an integral part of these statements.

US\$1=¥149.52

	Millions of yen		Thousands of dollars
	2024	2025	2025
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable (Note 3):			
Trade	¥ 18,496	¥ 19,153	\$ 128,096
Other	8,118	9,718	64,994
Electronically recorded obligations-operating (Note 3)	15,263	12,429	83,126
Short-term loans (Notes 3 and 7)	2,277	8,143	54,460
Current portion of long-term debt (Notes 2.k, 3, 5 and 7)	5,816	16,500	110,353
Short-term lease obligations (Note 7)	1,219	1,132	7,570
Accrued expenses	12,374	12,730	85,139
Income taxes payable	2,522	3,346	22,378
Other current liabilities	16,037	14,456	96,682
Total current liabilities	82,124	97,610	652,822
Long-term liabilities:			
Long-term debt (Notes 2.k, 3, 5 and 7)	44,500	28,000	187,265
Long-term lease obligations (Note 7)	3,533	3,425	22,906
Net defined benefit liabilities (Notes 2.i and 8)	697	715	4,781
Allowance for directors' and corporate auditors' retirement benefits (Note 2.i)	148	161	1,076
Deferred income taxes (Notes 2.j and 10)	7,494	8,258	55,230
Other long-term liabilities	2,284	2,216	14,820
Total long-term liabilities	58,657	42,776	286,088
Net assets:			
Shareholders' equity			
Common stock, no par value	21,142	21,142	141,399
Authorized : 60,000,000 shares as of March 31, 2024 and 2025			
Issued : 24,893,841 shares as of March 31, 2024 and 2025			
Capital surplus	37,092	37,116	248,234
Retained earnings (Note 13)	127,113	137,760	921,348
Treasury stock	(5,199)	(7,175)	(47,986)
1,176,243 and 1,505,407 shares as of March 31, 2024 and 2025 respectively			
Total shareholders' equity	180,149	188,843	1,262,994
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities (Note 2.e)	16,034	13,997	93,612
Foreign currency translation adjustments	23,100	20,626	137,948
Remeasurements of defined benefit plans (Notes 2.i and 8)	1,883	2,817	18,840
Total accumulated other comprehensive income	41,018	37,441	250,407
Non-controlling interests	385	364	2,434
Total net assets	221,553	226,650	1,515,850
Total liabilities and net assets	¥ 362,335	¥ 367,037	\$2,454,768

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, 2024 and 2025

US\$1=¥149.52

	Millions of yen		Thousands of dollars
	2024	2025	2025
Net sales	¥ 225,360	¥ 234,216	\$ 1,566,452
Cost of sales	157,354	161,777	1,081,975
Gross profit	68,005	72,439	484,476
Selling, general and administrative expenses	51,633	53,922	360,634
Operating income	16,372	18,516	123,836
Other income (expenses):			
Interest and dividend income	1,148	1,032	6,902
Interest expense	(308)	(582)	(3,892)
Subsidy income	289	1,109	7,417
Gain on sales of property, plant and equipment	246	519	3,471
Gain on sales of investment securities	542	756	5,056
Gain on sale of shares of subsidiaries and associates	—	4	26
Loss on disposal of property, plant and equipment	(55)	(75)	(501)
Loss on valuation of investment securities	(23)	—	—
Exchange gain (loss), net	577	(679)	(4,541)
Tender offer related expenses	—	(1,312)	(8,774)
Other, net	839	695	4,648
Income before income taxes	19,629	19,983	133,647
Income taxes (Notes 2.j and 10) - Current	4,223	6,321	42,275
- Deferred	(589)	(770)	(5,149)
Net income	15,995	14,432	96,522
Net income attributable to non-controlling interests	14	16	107
Net income attributable to owners of the parent	¥ 15,981	¥ 14,415	\$ 96,408

	Yen		Dollars
Per share of common stock:			
Net income attributable to owners of the parent	¥ 670.55	¥ 613.17	\$ 4.10
Cash dividends applicable to the period	150.00	180.00	1.20

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, 2024 and 2025

	Millions of yen		US\$1=¥149.52 Thousands of dollars
	2024	2025	2025
Net income	¥ 15,995	¥ 14,432	\$ 96,522
Other comprehensive income (Note 15):			
Unrealized gains on available-for-sale securities (Note 2.e)	875	(2,037)	(13,623)
Foreign currency translation adjustments (Note 2.d)	10,219	(2,473)	(16,539)
Remeasurements of defined benefit plans (Notes 2.i and 8)	1,319	934	6,246
Other comprehensive income	12,413	(3,577)	(23,923)
Total comprehensive income	¥ 28,409	¥ 10,854	\$ 72,592
Total comprehensive income attributable to:			
Owners of the parent	28,393	10,838	72,485
Non-controlling interests	16	16	107
	¥ 28,409	¥ 10,854	\$ 72,592

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, 2024 and 2025

US\$1=¥149.52

	Millions of yen		Thousands of dollars
	2024	2025	2025
Common stock:			
Balance at beginning of year	¥ 21,142	¥ 21,142	\$ 141,399
Balance at end of year	21,142	21,142	141,399
Capital surplus:			
Balance at beginning of year	37,056	37,092	248,073
Other	23	7	46
Disposal of treasury stock	11	16	107
Balance at end of year	37,092	37,116	248,234
Retained earnings (Note 13):			
Balance at beginning of year	114,714	127,113	850,140
Net income attributable to owners of the parent	15,981	14,415	96,408
Cash dividends	(3,582)	(3,768)	(25,200)
Balance at end of year	127,113	137,760	921,348
Treasury stock:			
Balance at beginning of year	(4,233)	(5,199)	(34,771)
Acquisition of treasury stock	(1,002)	(2,007)	(13,422)
Disposal of treasury stock	36	31	207
Balance at end of year	(5,199)	(7,175)	(47,986)
Unrealized gains on available-for-sale securities (Note 2.e):			
Balance at beginning of year	15,160	16,034	107,236
Net change during the year	874	(2,037)	(13,623)
Balance at end of year	16,034	13,997	93,612
Foreign currency translation adjustments (Note 2.d):			
Balance at beginning of year	12,880	23,100	154,494
Net change during the year	10,219	(2,473)	(16,539)
Balance at end of year	23,100	20,626	137,948
Remeasurements of defined benefit plans (Notes 2.i and 8):			
Balance at beginning of year	565	1,883	12,593
Net change during the year	1,318	933	6,239
Balance at end of year	1,883	2,817	18,840
Non-controlling interests:			
Balance at beginning of year	499	385	2,574
Net change during the year	(113)	(20)	(133)
Balance at end of year	¥ 385	¥ 364	\$ 2,434

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, 2024 and 2025

US\$1=¥149.52

	Millions of yen		Thousands of dollars
	2024	2025	2025
Cash flows from operating activities:			
Income before income taxes	¥ 19,629	¥ 19,983	\$ 133,647
Adjustments for:			
Income taxes (paid) refund	(3,690)	(5,500)	(36,784)
Depreciation and amortization	8,266	8,313	55,597
Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	26	12	80
Increase (decrease) in net defined benefit liabilities	(141)	(224)	(1,498)
Increase (decrease) in allowance for doubtful accounts	(23)	103	688
(Gain) loss on sales of property, plant and equipment	(246)	(519)	(3,471)
Loss on disposal of property, plant and equipment	55	75	501
(Gain) loss on sales of investment securities	(542)	(756)	(5,056)
(Increase) decrease in notes and accounts receivable, trade	7,589	(8,757)	(58,567)
(Increase) decrease in inventories	942	2,680	17,924
Increase (decrease) in notes and accounts payable, trade	(11,972)	(826)	(5,524)
Other, net	(6,982)	(1,011)	(6,761)
Net cash provided by (used in) operating activities	12,910	13,571	90,763
Cash flows from investing activities:			
(Increase) decrease in time deposits	1,968	—	—
Proceeds from sales of investment securities	651	877	5,865
Purchases of investment securities	(115)	(2,005)	(13,409)
Purchases of property, plant and equipment	(9,577)	(14,945)	(99,953)
Proceeds from sales of property, plant and equipment	536	1,419	9,490
Other, net	125	777	5,196
Net cash provided by (used in) investing activities	(6,411)	(13,877)	(92,810)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	619	5,975	39,961
Repayment of lease obligations	(1,073)	(1,081)	(7,229)
Proceeds from long-term loans payable	4,000	—	—
Repayment of long-term loans payable	(5,250)	(5,818)	(38,911)
Purchases of treasury stock	(1,002)	(2,007)	(13,422)
Purchases of treasury stock of subsidiaries in consolidation	(100)	(25)	(167)
Dividends paid	(3,583)	(3,768)	(25,200)
Net cash provided by (used in) financing activities	(6,390)	(6,726)	(44,983)
Effect of exchange rate changes on cash and cash equivalents	3,002	(1,479)	(9,891)
Net increase (decrease) in cash and cash equivalents	3,111	(8,511)	(56,922)
Cash and cash equivalents, beginning of period	69,467	72,578	485,406
Cash and cash equivalents, end of period (Notes 2.b and 15)	¥ 72,578	¥ 64,067	\$ 428,484

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 ¥149.52 = US\$1, which was the prevailing exchange rate on March 31, 2025.

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 2024 and 2025). 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 (six for 2024 and five for 2025), 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 2024 and 2025): Makino do Brasil Ltda., Makino Mexico, 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.

(o) Changes in accounting policies

(Application of the "Accounting Standard for Current Income Taxes" and other relevant Accounting Standards Board of Japan (ASBJ) regulations)

The Company began applying the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations at the beginning of the current consolidated fiscal year. Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan). This change in accounting policies has had no impact on the Company's consolidated financial statements.

Concerning revisions related to a review of how gains and losses incurred as a result of the sale of assets such as shares of subsidiaries between consolidated companies shown on consolidated financial statements when deferred for tax reasons, the Company began applying the 2022 revised Implementation Guidance at the beginning of the current consolidated fiscal year. This change in accounting policy is being applied retroactively, and consolidated financial statements for the previous consolidated fiscal year, respectively, reflect its retroactive application. This change in accounting policy had no impact on the consolidated financial statements for the previous consolidated fiscal year. (Application of the "Practical Solution on Accounting and Disclosure for Corporate Income Taxes under the Global Minimum Tax Regime")

The company began applying the "Practical Solution on Accounting and Disclosure for Corporate Income Taxes under the Global Minimum Tax Regime" (Practical Issues Task Force No. 46, issued on March 22, 2024; hereinafter referred to as "PITF No. 46") at the beginning of the current consolidated fiscal year.

Pursuant to this adoption, corporate income taxes arising under the global minimum tax regime are estimated based on information reasonably available at the time of preparation of the financial statements, and such estimated amounts are recognized in profit or loss for the applicable consolidated fiscal year and business year.

The impact of this change in accounting policy on the Company's consolidated financial statements is immaterial.

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			
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, Millions of yen			
2025			
	Amount on balance sheet	Fair value	Difference
Assets			
Held-to-maturity securities	¥ 1,099	¥ 1,084	¥ (15)
Other marketable securities and investment securities	23,800	23,800	—
Total Assets	24,900	24,885	(15)
Liabilities			
Bonds	20,000	20,017	17
Long-term loans	24,500	24,435	(64)
Total liabilities	44,500	44,453	(46)
Derivatives	¥ (1)	¥ (1)	—
As of March 31, Thousands of dollars			
2025			
	Amount on balance sheet	Fair value	Difference
Assets			
Held-to-maturity securities	\$ 7,350	\$ 7,249	\$ (100)
Other marketable securities and investment securities	159,176	159,176	—
Total Assets	166,532	166,432	(100)
Liabilities			
Bonds	133,761	133,875	113
Long-term loans	163,857	163,422	(428)
Total liabilities	297,619	297,304	(307)
Derivatives	\$ (6)	\$ (6)	—

(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				
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, Millions of yen				
2025				
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale-securities	¥ 23,800	¥ —	¥ —	¥ 23,800
Total assets	23,800	—	—	23,800
Derivative transactions				
Currency-related	—	(1)	—	(1)
Total liabilities	¥ —	¥ (1)	¥ —	¥ (1)
As of March 31, Thousands of dollars				
2025				
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale-securities	\$ 159,176	\$ —	\$ —	\$ 159,176
Total assets	159,176	—	—	159,176
Derivative transactions				
Currency-related	—	(6)	—	(6)
Total liabilities	\$ —	\$ (6)	\$ —	\$ (6)

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

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, Millions of yen				
2024				
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds	¥ —	¥ 1,084	¥ —	¥ 1,084
Available-for-sale-securities	—	—	—	—
Total assets	—	1,084	—	1,084
Bonds	—	20,017	—	20,017
Long-term loans payable	—	24,435	—	24,435
Total liabilities	¥ —	¥ 44,453	¥ —	¥ 44,453

As of March 31, Thousands of dollars				
2025				
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds	\$ —	\$ 7,249	\$ —	\$ 7,249
Available-for-sale-securities	—	—	—	—
Total assets	—	7,249	—	7,249
Bonds	—	133,875	—	133,875
Long-term loans payable	—	163,422	—	163,422
Total liabilities	\$ —	\$297,304	\$ —	\$297,304

* 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, 2024 and 2025.

(1) Held-to-maturity securities

	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, Millions of yen		
	2025		
	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	¥ 1,099	¥ 1,084	¥ (15)
Total	¥ 1,099	¥ 1,084	¥ (15)

	As of March 31, Thousands of dollars		
	2025		
	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	\$ 7,350	\$ 7,249	\$ (100)
Total	\$ 7,350	\$ 7,249	\$ (100)

(2) Other marketable securities and investment securities

	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

Available-for-sale securities whose amount on balance sheet exceeds acquisition cost

(1) Stocks

(2) Other

Subtotal

Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost

(1) Stocks

(2) Other

Subtotal

Total

As of March 31,		
Millions of yen		
2025		
Amount on balance sheet	Acquisition cost	Difference
¥23,764	¥ 3,911	¥19,852
12	9	2
¥23,776	¥ 3,921	¥19,854
¥ —	¥ —	¥ —
23	30	(6)
¥ 23	¥ 30	¥ (6)
¥23,800	¥ 3,951	¥19,848

Available-for-sale securities whose amount on balance sheet exceeds acquisition cost

(1) Stocks

(2) Other

Subtotal

Available-for-sale securities whose amount on balance sheet does not exceed acquisition cost

(1) Stocks

(2) Other

Subtotal

Total

As of March 31,		
Thousands of dollars		
2025		
Amount on balance sheet	Acquisition cost	Difference
\$158,935	\$ 26,157	\$132,771
80	60	13
\$159,015	\$ 26,223	\$132,784
\$ —	\$ —	\$ —
153	200	(40)
\$ 153	\$ 200	\$ (40)
\$159,176	\$ 26,424	\$132,744

5. Derivative Financial Instruments

(1) Derivatives to which hedge accounting is not applied

(a) Currency related

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,			
Millions of yen			
2025			
Contracted amount	Contracted amount over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts			
Sales contracts			
USD	¥ 299	¥ (1)	¥ (1)
Total	¥ 299	¥ (1)	¥ (1)

As of March 31,				
Thousands of dollars				
2025				
	Contracted amount	Contracted amount over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Sales contracts				
USD	\$1,999	—	\$ (6)	\$ (6)
Total	\$1,999	—	\$ (6)	\$ (6)

(2) Derivatives to which hedge accounting is applied

(a) Currency related

			As of March 31,		
			Millions of yen		
			2024		
Hedge accounting method	Nature of transaction	Hedged item	Contracted amount	Contracted amount over one year	Fair value
Method where hedged items are translated at contracted rates	Forward exchange contracts				
	Sales contracts				
	USD	Account receivable	¥ 8,942	—	¥ (232)
	EUR	Account receivable	3,297	—	(83)
	Total		¥12,239	—	¥ (315)

As of March 31,					
Millions of yen					
2025					
Hedge accounting method	Nature of transaction	Hedged item	Contracted amount	Contracted amount over one year	Fair value
Method where hedged items are translated at contracted rates	Forward exchange contracts				
	Sales contracts				
	USD	Account receivable	¥ 7,345	—	¥ 125
	EUR	Account receivable	680	—	(7)
	Total		¥ 8,025	—	¥ 117

			As of March 31,		
			Thousands of dollars		
			2025		
Hedge accounting method	Nature of transaction	Hedged item	Contracted amount	Contracted amount over one year	Fair value
Method where hedged items are translated at contracted rates	Forward exchange contracts				
	Sales contracts				
	USD	Account receivable	\$49,123	—	\$ 836
	EUR	Account receivable	4,547	—	(46)
	Total		\$53,671	—	\$ 782

6. Inventories

Inventories as of March 31, 2024 and 2025 comprise the following:

	As of March 31,		
	Millions of yen		Thousands of dollars
	2024	2025	2025
Finished products	¥ 34,618	¥ 33,476	\$223,889
Work in process	18,859	19,263	128,832
Raw material and supplies	48,069	45,479	304,166
Total	¥101,548	¥ 98,218	\$656,888

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

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

	Interest rate	Date of maturity as of March 31, 2025	As of March 31,		
			Millions of yen		Thousands of dollars
			2024	2025	2025
Short-term loans	4.43*	—	¥ 2,277	¥ 8,143	\$54,460
Current portion of long-term loans	0.34*	—	5,816	11,500	76,912
Long-term loans less current portion	0.48*	from March 31, 2027 to September 30, 2028	¥24,500	¥13,000	\$86,944
Yen unsecured bonds	0.50	September 1, 2026	5,000	5,000	33,440
Yen unsecured bonds	0.47	July 23, 2025	5,000	5,000	33,440
Yen unsecured bonds	0.41	March 2, 2027	5,000	5,000	33,440
Yen unsecured bonds	0.55	March 1, 2030	5,000	5,000	33,440
Short-term lease obligations	—	—	¥ 1,219	¥ 1,132	\$ 7,570
Long-term lease obligations	—	from April 30, 2026 to March 30, 2068	3,533	3,425	22,906

* The weighted average interest rate as of March 31, 2025

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2025 are as follows:

Year ending March 31,	Long-term debt		Lease obligations	
	Millions of yen	Thousands of dollars	Millions of yen	Thousands of dollars
2026	¥ 16,500	\$110,353	¥ 1,132	\$ 7,570
2027	19,000	127,073	904	6,046
2028	—	—	601	4,019
2029	4,000	26,752	316	2,113
2030	5,000	33,440	181	1,210

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
	2024	2025	2025
Balance at beginning of year	¥ 21,855	¥ 22,488	\$150,401
Service cost	685	665	4,447
Interest cost	477	486	3,250
Actuarial loss	(234)	(2,731)	(18,265)
Benefits paid	(1,035)	(1,132)	(7,570)
Other	739	(47)	(314)
Balance at end of year	¥ 22,488	¥ 19,729	\$131,948

(2) Reconciliation of changes in pension assets

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2024	2025	2025
Balance at beginning of year	¥ 21,533	¥ 24,193	\$161,804
Expected return on pension assets	710	728	4,868
Actuarial loss	1,656	(386)	(2,581)
Contributions by employer	489	465	3,109
Benefits paid	(1,010)	(1,107)	(7,403)
Other	813	(116)	(775)
Balance at end of year	¥ 24,193	¥ 23,777	\$159,022

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

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2024	2025	2025
Balance at beginning of year	¥ 64	¥ 68	\$ 454
Periodic benefit cost	11	7	46
Benefits paid	(8)	(1)	(6)
Balance at end of year	¥ 68	¥ 74	\$ 494

(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
	2024	2025	2025
Funded benefit obligations	¥ 21,993	¥ 19,236	\$ 128,651
Pension assets	(24,193)	(23,777)	(159,022)
	(2,200)	(4,540)	(30,363)
Unfunded benefit obligations	563	569	3,805
Net amount of liabilities and assets on consolidated balance sheet	(1,636)	(3,971)	(26,558)
Net defined benefit liabilities	697	715	4,781
Net defined benefit assets	(2,333)	(4,687)	(31,346)
Net amount of liabilities and assets on consolidated balance sheet	¥ (1,636)	¥ (3,971)	\$ (26,558)

(5) Components of net periodic benefit costs

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2024	2025	2025
Service cost	¥ 685	¥ 665	\$ 4,447
Interest cost	477	486	3,250
Expected return on plan assets	(710)	(728)	(4,868)
Actuarial loss recognized in the year	(65)	(221)	(1,478)
Periodic benefit cost in simplified method	11	7	46
Other	7	56	374
Net periodic benefit costs of retirement benefit plan	¥ 405	¥ 265	\$ 1,772

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

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2024	2025	2025
Actuarial loss	¥ (1,825)	¥ (2,122)	\$ (14,192)
Total	¥ (1,825)	¥ (2,122)	\$ (14,192)

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

	As of March 31,		Thousands of dollars
	Millions of yen		
	2024	2025	2025
Unrecognized actuarial loss	¥ (2,978)	¥ (5,101)	\$ (34,115)
Total	¥ (2,978)	¥ (5,101)	\$ (34,115)

(8) Breakdown of pension assets

	As of March 31,	
	2024	2025
Stocks	34.4%	33.3%
Bonds	30.7%	28.9%
Insurance assets	9.4%	9.6%
Other	25.5%	28.1%
Total	100.0%	100.0%

(9) Assumptions used in accounting for the plans

	Year ended March 31,	
	2024	2025
Discount rate	Mainly 1.1%	Mainly 1.9%
Long-term expected rate of return on plan assets	Mainly 2.0%	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
2024	2025	2025
¥ 1,790	¥ 2,000	\$ 13,376

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, 2024 and 2025 for non-cancelable operating leases are as follows:

	Millions of yen		Thousands of dollars
	2024	2025	2025
Due within one year	¥ 382	¥ 403	\$ 2,695
Due after one year	—	1,563	10,453
Total	¥ 382	¥ 1,967	\$ 13,155

10. Income Taxes

Breakdown of deferred tax assets and liabilities is as follows:

	Year ended March 31,		Thousands of dollars
	Millions of yen		
	2024	2025	2025
Deferred tax assets:			
Tax loss carry forward	¥ 585	¥ 603	\$ 4,032
Accrued expenses	1,593	1,776	11,878
Directors' and corporate auditors' retirement benefits	49	54	361
Net defined benefit liabilities	371	299	1,999
Long-term accounts payable	4	35	234
Valuation loss on investment securities	505	441	2,949
Research and development costs	1,180	1,663	11,122
Other	5,027	5,146	34,416
Subtotal	9,318	10,019	67,007
Valuation allowance for tax loss carryforwards	—	—	—
Valuation allowance for temporary differences	(1,345)	(834)	(5,577)
Deferred tax assets	¥ 7,973	¥ 9,184	\$ 61,423
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	¥ (6,501)	¥ (5,844)	\$ (39,085)
Net defined benefit assets	(740)	(1,942)	(12,988)
Tax depreciation over book	(1,261)	(1,392)	(9,309)
Other	(1,316)	(1,655)	(11,068)
Deferred tax liabilities	(9,820)	(10,835)	(72,465)
Net deferred tax assets (liabilities)	¥ (1,846)	¥ (1,651)	\$ (11,042)

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

	Year ended March 31,	
	2024	2025
Statutory tax rate	30.6%	30.6%
Income not deductible for income tax purposes	(0.2)	(0.2)
Valuation allowance	(6.7)	(2.4)
Per capita inhabitant tax	0.2	0.2
Difference in statutory tax rates for subsidiaries	(6.1)	(4.2)
Tax effects of retained earnings	0.4	2.4
Tax credits	(1.1)	(1.0)
Other	1.4	2.4
Effective tax rate	18.5%	27.8%

11. Revenue recognition

(1) Disaggregation of revenue from contracts with customers

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, 2025					(Millions of yen)
	I	II	III	IV	Total
Goods or services transferred at a point in time	¥ 51,096	¥ 92,556	¥ 58,233	¥ 18,674	¥220,561
Goods or services transferred over time	2	2,296	11,287	68	13,655
Revenue from contracts with customers	¥ 51,099	¥ 94,853	¥ 69,520	¥ 18,743	¥234,216

Year ended March 31, 2025

(Thousands of dollars)

	I	II	III	IV	Total
Goods or services transferred at a point in time	\$ 341,733	\$ 619,020	\$ 389,466	\$ 124,892	\$1,475,127
Goods or services transferred over time	13	15,355	75,488	454	91,325
Revenue from contracts with customers	<u>\$ 341,753</u>	<u>\$ 634,383</u>	<u>\$ 464,954</u>	<u>\$ 125,354</u>	<u>\$1,566,452</u>

(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,		Thousands of
	Millions of yen		dollars
	2024	2025	2025
Receivables from contracts with customers (beginning balance)	¥ 48,570	¥ 47,238	\$315,930
Receivables from contracts with customers (ending balance)	47,238	54,908	367,228
Contract assets (beginning balance)	2,063	604	4,039
Contract assets (ending balance)	604	1,080	7,223
Contract liabilities (beginning balance)	21,596	15,633	104,554
Contract liabilities (ending balance)	<u>¥ 15,633</u>	<u>¥ 14,186</u>	<u>\$ 94,876</u>

Contract liabilities are mainly advances received from customers in relation to product purchases and are reversed upon recognition of revenue.

(b) Transaction price allocated to the remaining performance obligations

The performance obligations that are unsatisfied (or partially unsatisfied) amounted to 101,440 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 93% are expected to be recognized as revenue within one year after the end of the current fiscal year, while the remaining approximately 7% 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,		Thousands of
	Millions of yen		dollars
	2024	2025	2025
Research and development costs	¥ 9,257	¥ 9,380	\$ 62,734

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, 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	¥ 80.00	Retained earnings	March 31, 2023	June 23, 2023
Board of Directors (October 31, 2023)	Common stock	¥ 1,672 million	¥ 70.00	Retained earnings	September 30, 2023	December 4, 2023

(2) 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	¥ 80.00	Retained earnings	March 31, 2024	June 21, 2024

(3) Dividends paid in the year ended March 31, 2025

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 \$ 12,687 thousand	¥ 80.00 \$ 0.53	Retained earnings	March 31, 2024	June 21, 2024
Board of Directors (October 31, 2024)	Common stock	¥ 1,871 million \$ 12,513 thousand	¥ 80.00 \$ 0.53	Retained earnings	September 30, 2024	December 3, 2024

(4) Dividends in respect of the year ended March 31, 2025 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 19, 2025)	Common stock	¥ 2,338 million \$ 15,636 thousand	¥100.00 \$ 0.66	Retained earnings	March 31, 2025	June 20, 2025

14. Comprehensive Income

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

	Year ended March 31,		Thousands of dollars
	Millions of yen		
	2024	2025	2025
Unrealized gains on available-for-sale securities:			
Gains arising during the period	¥ 1,460	¥ (1,671)	\$ (11,175)
Reclassification adjustment	(425)	(1,023)	(6,841)
Tax effect	(160)	656	4,387
Unrealized gains on available-for-sale securities	¥ 875	¥ (2,037)	\$ (13,623)
Foreign currency translation adjustments:			
Adjustments arising during the period	¥ 10,219	¥ (2,473)	\$ (16,539)
Remeasurements of defined benefit plans:			
Remeasurements arising during the period	1,891	2,344	15,676
Reclassification adjustment	(65)	(221)	(1,478)
Tax effect	(506)	(1,188)	(7,945)
Remeasurements of defined benefit plans	¥ 1,319	¥ 934	\$ 6,246
Other comprehensive income	¥ 12,413	¥ (3,577)	\$ (23,923)

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
	2024	2025	2025
Cash and time deposits	¥ 69,565	¥ 64,055	\$428,404
Marketable securities	3,236	135	902
Subtotal	72,802	64,190	429,307
Time deposits with maturities over three months	(223)	(123)	(822)
Cash and cash equivalents	¥ 72,578	¥ 64,067	\$428,484

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, 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, 2025	(Millions of yen)				
	I	II	III	IV	Total
Net sales:					
External customers	¥ 51,099	¥ 94,853	¥ 69,520	¥ 18,743	¥234,216
Intersegment	81,490	9,860	484	32	91,868
Total	132,590	104,713	70,005	18,775	326,084
Segment income	11,982	4,379	2,729	302	19,395
Segment assets	228,739	108,343	62,742	20,014	419,839
Depreciation and amortization	4,106	2,786	1,144	336	8,373
Amortization of goodwill	—	—	73	—	73
Capital expenditure	¥ 13,307	¥ 2,788	¥ 524	¥ 281	¥ 16,901

Year ended March 31, 2025

(Thousands of dollars)

	I	II	III	IV	Total
Net sales:					
External customers	\$ 341,753	\$ 634,383	\$ 464,954	\$ 125,354	\$1,566,452
Intersegment	545,010	65,944	3,237	214	614,419
Total	886,771	700,327	468,198	125,568	2,180,872
Segment income	80,136	29,287	18,251	2,019	129,715
Segment assets	1,529,822	724,605	419,622	133,855	2,807,911
Depreciation and amortization	27,461	18,632	7,651	2,247	55,999
Amortization of goodwill	—	—	488	—	488
Capital expenditure	\$ 88,998	\$ 18,646	\$ 3,504	\$ 1,879	\$ 113,035

Reconciliation of reportable segment information to consolidated financial statements

	Year ended March 31,		Thousands of dollars
	Millions of yen		
	2024	2025	2025
Net sales	¥ 321,450	¥ 326,084	\$2,180,872
Elimination	(96,089)	(91,868)	(614,419)
Consolidated net sales	¥ 225,360	¥ 234,216	\$1,566,452

	Year ended March 31,		Thousands of dollars
	Millions of yen		
	2024	2025	2025
Segment income	¥ 16,957	¥ 19,395	\$ 129,715
Elimination	(584)	(879)	(5,878)
Consolidated operating income	¥ 16,372	¥ 18,516	\$ 123,836

	Year ended March 31,		Thousands of dollars
	Millions of yen		
	2024	2025	2025
Segment assets	¥ 420,746	¥ 419,839	\$2,807,911
Elimination	(58,410)	(52,801)	(353,136)
Consolidated total assets	¥ 362,335	¥ 367,037	\$2,454,768

	Year ended March 31,		Thousands of dollars
	Millions of yen		
	2024	2025	2025
Depreciation and amortization	¥ 8,367	¥ 8,373	\$ 55,999
Elimination	(101)	(60)	(401)
Amount on consolidated financial statements	¥ 8,266	¥ 8,313	\$ 55,597

	Year ended March 31,		Thousands of dollars
	Millions of yen		
	2024	2025	2025
Capital expenditure	¥ 12,153	¥ 17,000	\$ 113,697
Elimination	(117)	(98)	(655)
Amount on consolidated financial statements	¥ 12,036	¥ 16,901	\$ 113,035

(2) Geographical information

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2024	2025	2025
Sales by destination			
Japan	¥ 41,533	¥ 39,243	\$ 262,459
USA	53,963	58,977	394,442
Americas, excluding USA	7,622	10,649	71,221
China	68,602	75,198	502,929
Asia, excluding China	30,534	26,709	178,631
Europe	20,503	19,679	131,614
Other	2,601	3,758	25,133
Total	¥ 225,360	¥ 234,216	\$ 1,566,452

	Year ended March 31,		
	Millions of yen		Thousands of dollars
	2024	2025	2025
Property, plant and equipment			
Japan	¥ 44,585	¥ 53,978	\$ 361,008
Americas	4,365	3,771	25,220
Asia	34,736	33,769	225,849
Europe	2,783	2,701	18,064
Total	¥ 86,470	¥ 94,221	\$ 630,156

17. Quarterly Earnings per Share

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

Three months ended	Yen		Dollars
	2024	2025	2025
June 30	¥ 192.41	¥ 136.59	\$ 0.91
September 30	128.98	108.12	0.72
December 31	150.75	203.09	1.35
March 31	198.62	166.04	1.11

18. Subsequent Events

At the meeting of the Board of Directors held on June 3, 2025, the Company resolved, as its current opinion, that in the event a tender offer (the "Tender Offer") for the Company's common shares (the "Company Shares") is commenced by MM Holdings G.K. (the "Tender Offeror"), the Company will express its opinion in support of the Tender Offer and recommend that the shareholders of the Company tender their shares in response thereto.

On the same date, the Company also entered into a tender offer agreement with the Tender Offeror concerning a series of transactions including the Tender Offer and the subsequent squeeze-out procedures, through which the Company is expected to become a wholly owned subsidiary of the Tender Offeror and be delisted.

For further details regarding the Tender Offer, please refer to the press release titled "Notice Regarding Expression of Opinion in Support of the Planned Commencement of the Tender Offer for the Company Shares by MM Holdings G.K. and Recommendation for Shareholders to Tender Shares," available on the Company's website:

<https://ir.makino.co.jp/news/pdf/2025/20250603.pdf>

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, 2025, 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, 2025, 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.

Emphasis of Matter

As stated in [Notes] (Significant Subsequent Events), The Company hereby announces, with respect to the planned commencement of a tender offer by MM Holdings LLC for the common shares of the Company, that at a meeting of its board of directors convened on June 3, 2025 it resolved that if the Tender Offer is commenced, the Company will express an opinion endorsing the Tender Offer and recommend that all shareholders tender their shares in the Tender Offer. Our opinion is not modified in respect of this matter.

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.

1. Appropriateness of sales cut-off for machine tools	
Key audit matter	How the matter was addressed in our audit
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,	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

we determined this matter to be a key audit matter.	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 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.
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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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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, 2025 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 19, 2025

Handwritten signature of Akira Mishima in black ink, consisting of the characters '三島' (Mishima) and '陽' (Akira).

Akira Mishima

Designated Engagement Partner

Certified Public Accountant

Handwritten signature of Nobufumi Yoshida in black ink, consisting of the characters '吉田' (Yoshida) and '延史' (Nobufumi).

Nobufumi Yoshida

Designated Engagement Partner

Certified Public Accountant

BOARD OF DIRECTORS AND CORPORATE AUDITORS

President	Shotaro Miyazaki
Executive Vice President, Director	Toshiyuki Nagano
Vice President, Director	Haruyuki Shiraishi
Director	Jun Kanaya
Director	Hiroyuki Makino
Director	Neo Eng Chong
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 12.

As of June 20, 2025



MAKINO



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Fax : +81-3-3725-2105

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