

SEMI-ANNUAL REPORT

For the six months ended September 30, 2024



OVERVIEW OF OPERATING RESULTS, ETC.

(1) Operating Results for the Six Months Ended September 30, 2024

During the six-month period under review, the Company posted net sales of ¥108,237 million (down 0.3% year on year), operating income of ¥7,576 million (down 2.6% year on year), and net income attributable to owners of the parent of ¥5,782 million on a consolidated basis (down 24.7% year on year).

Orders received on a consolidated basis in the first half of the fiscal year amounted to ¥108,665 million (up 0.2% year on year). Although orders remained almost unchanged compared with the previous corresponding period, orders received in China for new energy vehicles and in North America for aircraft remained firm. Orders received in Japan and in ASEAN for semiconductor production equipment were on a recovery trend. Orders are projected to remain firm in and after the third quarter, and the Company expects that orders received on a consolidated basis in the second half of the fiscal year will be above the level of the first half of the fiscal year.

The details of orders received by geographic region for the second quarter (July-September 2024) are as follows:

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

Domestic orders received by Makino Milling Machine Co., Ltd. were above the level of the previous corresponding period. Orders for semiconductor production equipment were on a recovery trend, and orders for die and mold for automotive applications increased.

MAKINO ASIA PTE LTD

Orders received in Asia were above the level of the previous corresponding period.

Orders received in China were above the level of the previous corresponding period since orders for parts machining primarily for new energy vehicles remained firm.

Orders received in India were above the level of the previous corresponding period, primarily for automotive and aircraft applications including engineering.

Orders received in ASEAN were above the level of the previous corresponding period, primarily for die and mold for semiconductor production equipment and electronic components.

MAKINO INC.

Orders received in America were below the level of the previous corresponding period.

In America, inquiries from job shops gradually recovered mainly due to a decrease in policy interest rate. Orders for aircraft remained firm due to a wide range of inquiries relating to capital expenditure on products from engine parts to body structural parts.

At IMTS 2024, an International Manufacturing Technology Show held in Chicago in September, the Company announced new products and earned a good reputation from customers.

MAKINO Europe GmbH

Orders received in Europe were above the level of the previous corresponding period. In Southern Europe, orders for aircraft and parts machining increased.

The Company is pursuing various initiatives under its established environmental policy: “Makino will always give consideration to the environmental impact of all processes in which our products are produced and used by customers to build societal trust.” In fiscal 2024, the Company earned a CDP score of B-.

As a response to climate change issues, the Company is involved in activities such as the installation of solar power generation equipment, conversion to LED lighting, and conversion to highly efficient air-conditioning equipment, aiming to reduce its CO₂ emissions from Scope 1 and 2 sources by 42% from the fiscal 2023 levels by fiscal 2031. We also aim at reducing Scope 3 emissions by 25% from the fiscal 2023 level by fiscal 2031 through the promotion of initiatives including the development of environment-friendly products and technologies and improvement of production efficiency.

The Japan International Machine Tool Fair (JIMTOF 2024) was held at Tokyo Big Sight for six days from Tuesday, November 5 to Sunday, November 10, 2024.

The Company exhibited eight machine tools including new models as well as automation equipment and software, make various proposals for enhanced efficiency and labor saving, and strive to help solve customers’ problems.

(2) Financial Position at the End of Second Quarter Under Review

Total assets on a consolidated basis at the end of second quarter under review decreased by ¥3,070 million from the end of the previous fiscal year to ¥359,265 million. This was primarily attributable to an increase of ¥7,492 million in cash and time deposits, a decrease of ¥2,769 million in notes and accounts receivable, trade, an increase of ¥2,736 million in construction in progress, a decrease of ¥2,648 million in investment securities, a decrease of ¥2,000 million in marketable securities, and a decrease of ¥1,172 million in inventories.

Total liabilities increased by ¥1,121 million from the end of the previous fiscal year to ¥141,904 million. This was primarily attributable to a decrease of ¥4,045 million in notes and accounts payable, trade, an increase of ¥6,250 million in short-term loans, and a decrease of ¥842 million in deferred income taxes.

Net assets decreased by ¥4,191 million from the end of the previous fiscal year to ¥217,361 million. The principal items were a decrease of ¥4,250 million in foreign currency translation adjustments, an increase of ¥3,884 million in retained earnings, an increase of ¥1,972 million in treasury stock, and a decrease of ¥1,811 million in unrealized gains on available-for-sale securities.

(3) Explanation of Consolidated Performance Forecasts and Other Forward-Looking Information

Revisions have been made to the performance forecasts announced on April 30, 2024. For details, please refer to the “Notice Regarding the Difference Between Performance Forecasts and Actual Results for the First Six Months and Revisions to Performance Forecasts for the Full Fiscal Year” announced today (October 31, 2024).

CONSOLIDATED BALANCE SHEETS

Makino Milling Machine Co., Ltd. and Consolidated Subsidiaries
March 31, 2024 and September 30, 2024

US\$1=¥142.73

	Millions of yen		Thousands of dollars
	March 31, 2024	September 30, 2024	September 30, 2024
ASSETS			
Current assets:			
Cash and time deposits	¥ 69,565	¥ 77,058	\$ 539,886
Notes and accounts receivable	47,842	45,073	315,792
Marketable securities	3,236	1,235	8,652
Finished products	34,618	35,156	246,311
Work in process	18,859	20,625	144,503
Raw materials and supplies	48,069	44,593	312,429
Other current assets	11,144	8,482	59,426
Allowance for doubtful accounts	(1,760)	(1,736)	(12,162)
Total current assets	231,576	230,488	1,614,853
Long-term assets:			
Property, plant and equipment:			
Buildings and structures, net	40,037	39,134	274,182
Machinery, equipment and vehicles, net	11,665	11,043	77,369
Tools, furniture and fixtures, net	5,539	5,169	36,215
Land	20,230	20,144	141,133
Leased assets, net	6,770	7,459	52,259
Construction in progress	2,226	4,962	34,764
Total property, plant and equipment	86,470	87,914	615,946
Intangible assets:			
Other	3,150	3,368	23,597
Total intangible assets	3,150	3,368	23,597
Investments and other assets:			
Investment securities	28,156	25,507	178,708
Long-term loans receivable	542	526	3,685
Deferred income taxes	5,647	5,747	40,264
Net defined benefit assets	2,333	2,279	15,967
Other long-term assets	4,552	3,525	24,696
Allowance for doubtful accounts	(94)	(94)	(658)
Total investments and other assets	41,138	37,493	262,684
Total long-term assets	130,759	128,776	902,234
Total assets	¥ 362,335	¥ 359,265	\$ 2,517,095

The accompanying notes are an integral part of these statements.

US\$1=¥142.73

	Millions of yen		Thousands of dollars
	March 31, 2024	September 30, 2024	September 30, 2024
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable - trade	¥ 18,345	¥ 15,815	\$ 110,803
Electronically recorded obligations-operating	15,263	13,748	96,321
Short-term loans	2,277	8,527	59,742
Current portion of bonds	—	5,000	35,031
Current portion of long-term debt	5,816	17,297	121,186
Short-term lease obligations	1,219	1,084	7,594
Income taxes payable	2,522	2,501	17,522
Other current liabilities	36,681	37,037	259,489
Total current liabilities	82,124	101,011	707,706
Long-term liabilities:			
Bonds	20,000	15,000	105,093
Long-term debt	24,500	13,000	91,081
Long-term lease obligations	3,533	3,549	24,865
Deferred income taxes	7,494	6,651	46,598
Allowance for directors' and corporate auditors' retirement benefits	148	155	1,085
Net defined benefit liabilities	697	685	4,799
Other long-term liabilities	2,284	1,851	12,968
Total long-term liabilities	58,657	40,892	286,498
Total liabilities	¥ 140,782	¥ 141,904	\$ 994,212
Net assets:			
Shareholders' equity			
Common stock, no par value	21,142	21,142	148,125
Authorized : 60,000,000 shares			
Issued : 24,893,841 shares			
as of March 31 and September 30, 2024			
Capital surplus	37,092	37,116	260,043
Retained earnings	127,113	130,998	917,802
Treasury stock	(5,199)	(7,171)	(50,241)
1,176,243 and 1,505,029 shares			
as of March 31 and September 30, 2024 respectively			
Total shareholders' equity	180,149	182,085	1,275,730
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities	16,034	14,222	99,642
Foreign currency translation adjustments	23,100	18,849	132,060
Remeasurements of defined benefit plans	1,883	1,849	12,954
Total accumulated other comprehensive income	41,018	34,922	244,671
Non-controlling interests	385	353	2,473
Total net assets	221,553	217,361	1,522,882
Total liabilities and net assets	¥ 362,335	¥ 359,265	\$ 2,517,095

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 Six months ended September 30, 2023 and 2024

US\$1=¥142.73

	Millions of yen		Thousands of dollars
	Six months ended September 30, 2023	Six months ended September 30, 2024	Six months ended September 30, 2024
Net income (loss)	¥ 7,683	¥ 5,788	\$ 40,552
Other comprehensive income (loss):			
Unrealized gains on available-for-sale securities	(1,140)	(1,812)	(12,695)
Foreign currency translation adjustments	8,061	(4,250)	(29,776)
Remeasurements of defined benefit plans	(210)	(34)	(238)
Other comprehensive income (loss)	6,709	(6,097)	(42,717)
Total comprehensive income (loss)	¥ 14,393	¥ (308)	\$ (2,157)
Total comprehensive income (loss) attributable to:			
Owners of the parent	14,384	(313)	(2,192)
Non-controlling interests	8	4	28
	¥ 14,393	¥ (308)	\$ (2,157)

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 six months years ended September 30, 2023 and 2024

US\$1=¥142.73

	Millions of yen		Thousands of dollars
	Six months ended September 30, 2023	Six months ended September 30, 2024	Six months ended September 30, 2024
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 9,884	¥ 8,094	\$ 56,708
Adjustments for:			
Depreciation and amortization	3,934	4,082	28,599
Increase (decrease) in allowance for doubtful accounts	(72)	56	392
Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	10	6	42
Increase (decrease) in net defined benefit liabilities	(46)	(110)	(770)
Interest and dividend income	(660)	(499)	(3,496)
Interest expense	161	236	1,653
Exchange loss (gain)	(24)	18	126
(Gain) loss on sales of investment securities	—	(327)	(2,291)
(Gain) loss on sales of property, plant and equipment	(160)	(217)	(1,520)
Loss on disposal of property, plant and equipment	6	33	231
(Increase) decrease in notes and accounts receivable, trade	8,055	1,276	8,939
(Increase) decrease in inventories	(1,721)	(1,039)	(7,279)
Increase (decrease) in notes and accounts payable, trade	(8,430)	(1,972)	(13,816)
Other	(2,958)	4,594	32,186
Subtotal	7,979	14,233	99,719
Interest and dividends received	657	493	3,454
Interest paid	(158)	(238)	(1,667)
Income taxes (paid) refund	(2,173)	(2,598)	(18,202)
Net cash provided by (used in) operating activities	6,304	11,889	83,297
Cash flows from investing activities:			
Net decrease (Increase) in time deposits	766	(400)	(2,802)
Purchases of property, plant and equipment	(4,506)	(6,518)	(45,666)
Proceeds from sales of property, plant and equipment	364	589	4,126
Purchases of investment securities	(4)	(2,001)	(14,019)
Proceeds from sales of investment securities	—	370	2,592
Other	(552)	367	2,571
Net cash provided by (used in) investing activities	(3,932)	(7,592)	(53,191)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	—	6,643	46,542
Repayment of lease obligations	(515)	(638)	(4,469)
Proceeds from long-term loans payable	4,000	—	—
Repayment of long-term loans payable	(5,000)	—	—
Purchases of treasury stock	(2)	(2,003)	(14,033)
Purchases of treasury stock of subsidiaries in consolidation	(100)	(25)	(175)
Dividends paid	(1,907)	(1,896)	(13,283)
Dividends paid to non-controlling interests	(6)	(4)	(28)
Net cash provided by (used in) financing activities	(3,531)	2,074	14,530
Effect of exchange rate changes on cash and cash equivalents	1,754	(2,279)	(15,967)
Net increase (decrease) in cash and cash equivalents	595	4,092	28,669
Cash and cash equivalents, beginning of period	69,467	72,578	508,498
Cash and cash equivalents, end of period (Note 4)	¥ 70,062	¥ 76,670	\$ 537,168

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 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 ¥142.73 = US\$1, which was the prevailing exchange rate on September 30, 2024.

2. Income Taxes

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

3. Dividends

A summary of information regarding dividends is as follows:

(1) Dividends paid in the six months ended September 30, 2023

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

(2) Dividends in respect of the six months ended September 30, 2023 which become payable after the balance sheet date

Resolution	Class of shares	Amount of dividends	Dividend per share	Funds for dividends	Record date	Effective date
Board of Directors (October 31, 2023)	Common stock	¥1,672 million	¥70.00	Retained earnings	September 30, 2023	December 4, 2023

(3) Dividends paid in the six months ended September 30, 2024

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 \$13,291 thousand	¥80.00 \$0.56	Retained earnings	March 31, 2024	June 21, 2024

(4) Dividends in respect of the six months ended September 30, 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
Board of Directors (October 31, 2024)	Common stock	¥1,871 million \$13,109 thousand	¥80.00 \$0.56	Retained earnings	September 30, 2024	December 3, 2024

4. Cash Flows

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 September 30,		
	Millions of yen		Thousands of dollars
	2023	2024	2024
Cash and time deposits	¥68,240	¥77,058	\$539,886
Marketable securities	4,235	1,235	8,652
Time deposits with maturities over three months	(2,412)	(1,622)	(11,364)
Cash and cash equivalents	¥70,062	¥76,670	\$537,168

5. Segment Information

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.

Six months ended September 30, 2023

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥25,726	¥42,902	¥30,726	¥9,160	¥108,515
Intersegment	40,598	5,766	349	0	46,714
Total	66,324	48,668	31,075	9,160	155,229
Segment income (loss)	¥ 4,041	¥ 2,346	¥ 1,482	¥ (354)	¥ 7,515

Six months ended September 30, 2024

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥19,850	¥43,769	¥35,750	¥8,867	¥108,237
Intersegment	38,217	4,319	312	2	42,851
Total	58,067	48,088	36,063	8,870	151,089
Segment income (loss)	¥ 5,380	¥ 1,689	¥ 1,487	¥ (363)	¥ 8,192

Six months ended September 30, 2024

(Thousands of dollars)

	I	II	III	IV	Total
Net sales:					
External customers	\$ 139,073	\$ 306,655	\$ 250,472	\$ 62,124	\$ 758,333
Intersegment	267,757	30,259	2,185	14	300,224
Total	406,831	336,915	252,665	62,145	1,058,565
Segment income (loss)	\$ 37,693	\$ 11,833	\$ 10,418	\$ (2,543)	\$ 57,395

Six months ended September 30,

	Millions of yen		Thousands of dollars
	2023	2024	2024
Segment income	¥7,515	¥8,192	\$57,395
Elimination	261	(616)	(4,315)
Consolidated operating income	¥7,776	¥7,576	\$53,079

6. Revenue recognition

Disaggregation of revenue from contracts with customers

Year ended September 30, 2023

(Millions of yen)

	I	II	III	IV	Total
Goods or services transferred at a point in time	¥25,726	¥42,059	¥25,430	¥9,160	¥102,376
Goods or services transferred over time	—	842	5,295	—	6,138
Revenue from contracts with customers	¥25,726	¥42,902	¥30,726	¥9,160	¥108,515

Year ended September 30, 2024

(Millions of yen)

	I	II	III	IV	Total
Goods or services transferred at a point in time	¥19,850	¥42,633	¥28,904	¥8,827	¥100,215
Goods or services transferred over time	—	1,136	6,845	40	8,022
Revenue from contracts with customers	¥19,850	¥43,769	¥35,750	¥8,867	¥108,237

Year ended September 30, 2024

(Thousands of dollars)

	I	II	III	IV	Total
Goods or services transferred at a point in time	\$ 139,073	\$ 298,696	\$ 202,508	\$ 61,844	\$ 702,129
Goods or services transferred over time	—	7,959	47,957	280	56,204
Revenue from contracts with customers	\$ 139,073	\$ 306,655	\$ 250,472	\$ 62,124	\$ 758,333



MAKINO



3-19, Nakane 2-chome, Meguro-ku, Tokyo 152-8578, Japan

Phone : +81-3-3717-1151

Fax : +81-3-3725-2105

URL : <http://www.makino.co.jp/>