



Makita Corporation

Consolidated Financial Results
for the three months
ended June 30, 2015
(U.S. GAAP Financial Information)

(English translation of "KESSAN TANSHIN"
originally issued in Japanese)



CONSOLIDATED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2015 (Unaudited)

July 31, 2015

Makita Corporation

Stock code: 6586

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

Shiro Hori, President, Representative Director

1. Summary operating results of the three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)

(1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the three months ended June 30, 2014		For the three months ended June 30, 2015	
		(%)		(%)
Net sales.....	101,754	12.1	107,574	5.7
Operating income	17,557	64.5	17,338	(1.2)
Income before income taxes	17,244	55.1	14,809	(14.1)
Net income attributable to Makita Corporation....	11,701	49.7	10,894	(6.9)
Comprehensive income	10,087	(53.8)	23,589	133.9
Yen				
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders.....	86.20		80.26	

Notes:

- Amounts of less than one million yen have been rounded.
- The table above shows the changes in the percentage ratio of net sales, operating income, income before income taxes, net income attributable to Makita Corporation, and comprehensive income (loss) against the corresponding period of the previous year.

(2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2015	As of June 30, 2015
Total assets.....	575,328	584,070
Total equity	489,585	499,598
Total Makita Corporation shareholders' equity.....	486,021	495,769
Total Makita Corporation shareholders' equity ratio to total assets (%)	84.5%	84.9%

2. Dividend Information

	Yen	
	For the year ended March 31, 2015	For the year ending March 31, 2016 (Forecast)
Cash dividend per share:		
Interim.....	18.00	18.00
Year-end	100.00	(Note)
Total	118.00	(Note)

Note:

- The forecast for cash dividend announced on April 28, 2015 has not been revised.
- The projected amount of dividends for the year ending March 31, 2016 has not been determined yet. For further details, refer to "Explanation regarding proper use of business forecast, and other significant matters" on page 3.



3. Consolidated Financial Performance Forecast for the year ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

	Yen (millions)			
	For the six months ending September 30, 2015		For the year ending March 31, 2016	
		(%)		(%)
Net sales.....	200,800	(3.3)	400,000	(3.5)
Operating income	29,500	(22.3)	56,500	(21.4)
Income before income taxes	27,900	(24.8)	53,000	(22.5)
Net income attributable to Makita Corporation	19,000	(25.5)	36,000	(20.5)
Yen				
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders.....	139.98		265.22	

Note:

The consolidated financial forecast for the year ending March 31, 2016 has not been revised.

4. Other

(Refer to [Qualitative Information and Financial Statements] Section 4 "Other" on page 5.)

- (1) Changes in important subsidiaries during the period (Changes in specified subsidiaries accompanied by changes in scope of consolidation during the quarter): Not applicable
- (2) Adoption of simplified accounting methods and accounting methods that are specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, procedures and presentation rules applied in the preparation of the quarterly consolidated financial statements:
 1. Changes due to revisions to accounting standards: Not applicable
 2. Changes due to other reasons: Not applicable
- (4) Number of shares outstanding (common stock)
 1. Number of shares issued (including treasury stock):

As of June 30, 2015:	140,008,760
As of March 31, 2015:	140,008,760
 2. Number of treasury stock:

As of June 30, 2015:	4,274,271
As of March 31, 2015:	4,273,892
 3. Average number of shares outstanding:

For the three months ended June 30, 2015:	135,734,704
For the three months ended June 30, 2014:	135,737,380



Information regarding quarterly review

This consolidated financial results report is not subject to a quarterly review stipulated under the Financial Instruments and Exchange Act. As of the release date of this document, the quarterly review under the Financial Instruments and Exchange Act has not been completed.

Explanation regarding proper use of business forecasts, and other significant matters

1. Regarding the assumptions for the forecasts and other matters, refer to [Qualitative Information and Financial Statements] Section 3 "Explanation of Information Relevant to Forecast such as Consolidated Financial Performance Forecast" on page 4. The financial forecast given above are based on information as available at the present time, and include potential risks and uncertainties. As a consequence of the factors above and other, actual results may vary from the forecasts provided above.
2. Makita's basic policy on the distribution of profits is to maintain a consolidated dividend payout ratio of 30% or greater, with a lower limit on annual cash dividends of 18 yen per share. However, in the event special circumstances arise, computation of the amount of dividends will be based on consolidated net income attributable to Makita Corporation after certain adjustments.

The Board of Directors plans to meet in April 2016 for a report on earnings for the year ending March 31, 2016. At the time, in accordance with the basic policy regarding profit distribution mentioned above, the Board of Directors plans to propose a dividend equivalent to at least 30% of net income attributable to Makita Corporation. The Board of Directors will submit this proposal to the General Meeting of Shareholders scheduled for June 2016.

The consolidated dividend payout ratio is calculated as annual dividends per share divided by consolidated net income attributable to Makita Corporation per share (after adjustments for special circumstances) and multiplied by 100.



[Qualitative Information and Financial Statements]

1. Explanation of Consolidated Operating Results

Looking at the global economic situation during the first three-month (the “period”) ended June 30, 2015, the Western European economy remained sluggish, mainly due to the impact of economic sanctions by Europe and the U.S. on the Russian economy, while major countries’ economies remained solid. The U.S. economy kept recovering gradually against a backdrop of robust housing investment. The Asian economy lost momentum on the back of a weak Chinese economy. Meanwhile, the Japanese economy was on a recovery trend, though consumer spending remained sluggish following the increase of the consumption tax rate in April 2014.

Our consolidated net sales for this period increased by 5.7% to 107,574 million yen compared to the same period of the previous year due to robust sales in overseas markets as well as general depreciation of the yen compared with the same period of the previous year. Operating income decreased by 1.2% to 17,338 million yen (operating income ratio: 16.1%), owing to deterioration in the cost-of-sales ratio. Income before income taxes decreased by 14.1% to 14,809 million yen (income before income taxes ratio: 13.8%) and net income attributable to Makita Corporation shareholders decreased by 6.9% to 10,894 million yen (ratio of net income attributable to Makita Corporation shareholders: 10.1%) since non-operating expenses increased by recording a loss on the valuation of securities held.

Net sales in Japan increased by 2.2% to 15,970 million yen compared to the same period of the previous year. This was due to efforts to increase sales of lithium-ion battery products, which more than offset negative effects from weak housing starts.

Net sales in Europe decreased by 1.4% to 44,452 million yen. This was because of sluggish sales to Russia, despite robust sales in major Western European countries.

Net sales in North America increased by 28.0% to 17,443 million yen. This was due to favorable construction activities of housing and commercial property, as well as the yen’s depreciation against the U.S. dollar compared to the same period of the previous year.

Net sales in Asia was mixed from country to country, but increased by 8.0% to 9,899 million yen. This was because of the yen’s depreciation against local currencies compared to the previous year.

Sales situations in other regions are as follows. Net sales in Central and South America increased by only 0.4% to 7,293 million yen compared to the previous year due to the yen’s appreciation against local currencies, despite efforts to expand sales amid the sluggish economy. In addition, net sales in Oceania increased by 20.8% to 6,620 million yen and those in the Middle East and Africa increased by 7.0% to 5,897 million yen because demand recovered in these regions.

2. Explanation of Consolidated Financial Position

Total assets as of June 30, 2015 increased by 8,742 million yen to 584,070 million yen compared to the balance as of March 31, 2015. The increase was mainly due to the increase in “Inventories”.

Total liabilities as of June 30, 2015 decreased by 1,271 million yen to 84,472 million yen compared to the balance as of March 31, 2015. This decrease was mainly due to the decrease in “Accrued payroll”.

Total equity as of June 30, 2015 increased by 10,013 million yen to 499,598 million yen compared to the balance as of March 31, 2015. The increase was mainly due to the increase in “Foreign currency translation adjustment” in “Accumulated other comprehensive income”.

3. Explanation of Information Relevant to Forecast such as Consolidated Financial Performance Forecast

We have made no revision to the performance forecast released on April 28, 2015, because of uncertainties in the outlook of business environment surrounding Makita’s business results.



4. Other

- (1) Changes in important subsidiaries during the period (Changes in specified subsidiaries accompanied by changes in scope of consolidation during the quarter): None
- (2) Adoption of simplified accounting methods and accounting methods that are specific to the preparation of quarterly consolidated financial statements:
With regard to the income tax expenses, Makita computes interim income tax expense by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes for the reporting period.
- (3) Changes in accounting principles, procedures and presentations: None



5. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets

	Yen (millions)			
	As of March 31, 2015		As of June 30, 2015	
		Composition ratio		Composition ratio
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents.....	94,529		84,607	
Time deposits	15,283		19,820	
Short-term investments	56,076		51,474	
Trade receivables-				
Notes.....	1,315		1,341	
Accounts	64,642		68,276	
Less- Allowance for doubtful receivables	(998)		(992)	
Inventories	175,186		187,286	
Deferred income taxes	6,296		5,645	
Prepaid expenses and other current assets	16,782		18,912	
Total current assets	<u>429,111</u>	74.6%	<u>436,369</u>	74.7%
PROPERTY, PLANT AND EQUIPMENT, AT COST:				
Land.....	23,104		23,399	
Building and improvements	96,202		97,993	
Machinery and equipment.....	91,353		94,078	
Construction in progress	3,237		4,190	
Sub total	<u>213,896</u>		<u>219,660</u>	
Less- Accumulated depreciation and amortization	<u>(118,084)</u>		<u>(121,192)</u>	
Total net property, plant and equipment.....	<u>95,812</u>	16.7%	<u>98,468</u>	16.9%
INVESTMENTS AND OTHER ASSETS:				
Investments	31,395		29,860	
Goodwill	721		721	
Other intangible assets, net	4,563		4,502	
Deferred income taxes	629		672	
Other assets	13,097		13,478	
Total investments and other assets	<u>50,405</u>	8.7%	<u>49,233</u>	8.4%
Total assets.....	<u>575,328</u>	100.0%	<u>584,070</u>	100.0%



	Yen (millions)			
	As of March 31, 2015		As of June 30, 2015	
		Composition ratio		Composition ratio
LIABILITIES				
CURRENT LIABILITIES:				
Short-term borrowings	4,647		4,895	
Trade notes and accounts payable	25,124		23,353	
Other payables	6,140		7,147	
Accrued expenses	10,594		10,601	
Accrued payroll	9,568		7,363	
Income taxes payable	5,353		3,613	
Deferred income taxes	1,529		1,753	
Other liabilities	7,911		10,444	
Total current liabilities	<u>70,866</u>	12.3%	<u>69,169</u>	11.9%
LONG-TERM LIABILITIES:				
Long-term indebtedness	383		405	
Accrued retirement and termination benefits	3,701		3,849	
Deferred income taxes	9,521		9,675	
Other liabilities	1,272		1,374	
Total long-term liabilities	<u>14,877</u>	2.6%	<u>15,303</u>	2.6%
Total liabilities	<u>85,743</u>	14.9%	<u>84,472</u>	14.5%
EQUITY				
MAKITA CORPORATION SHAREHOLDERS' EQUITY:				
Common stock	23,805		23,805	
Additional paid-in capital	45,421		45,421	
Legal reserve	5,669		5,669	
Retained earnings	399,874		397,195	
Accumulated other comprehensive income	22,842		35,272	
Treasury stock, at cost	(11,590)		(11,593)	
Total Makita Corporation shareholders' equity	<u>486,021</u>	84.5%	<u>495,769</u>	84.9%
NON-CONTROLLING INTEREST	<u>3,564</u>	0.6%	<u>3,829</u>	0.6%
Total equity	<u>489,585</u>	85.1%	<u>499,598</u>	85.5%
Total liabilities and equity	<u>575,328</u>	100.0%	<u>584,070</u>	100.0%
<hr/>				
	As of March 31, 2015		As of June 30, 2015	
Total number of shares authorized	496,000,000		496,000,000	
Number of shares issued	140,008,760		140,008,760	
Number of shares issued (excluding treasury stock)	135,734,868		135,734,489	
Number of treasury stock	4,273,892		4,274,271	



(2) Consolidated Statements of Income

	Yen (millions)			
	For the three months ended June 30, 2014		For the three months ended June 30, 2015	
	Composition ratio		Composition ratio	
NET SALES	101,754	100.0%	107,574	100.0%
Cost of sales	63,088	62.0%	68,026	63.2%
GROSS PROFIT.....	38,666	38.0%	39,548	36.8%
Selling, general, administrative and others, net.....	21,109	20.7%	22,210	20.7%
OPERATING INCOME	17,557	17.3%	17,338	16.1%
OTHER EXPENSE				
Interest and dividend income	681		826	
Interest expense.....	(55)		(33)	
Exchange gains on foreign currency transactions, net.....	(977)		573	
Realized gains (losses) on securities, net	38		772	
Valuation losses on securities	-		(4,667)	
Total other expense, net	(313)	(0.4%)	(2,529)	(2.3%)
INCOME BEFORE INCOME TAXES	17,244	16.9%	14,809	13.8%
Provision for income taxes:				
Current.....	3,516		4,081	
Deferred.....	1,916		(276)	
Total income tax expense	5,432	5.3%	3,805	3.6%
NET INCOME.....	11,812	11.6%	11,004	10.2%
Less-Net income attributable to the non-controlling interest.....	111	0.1%	110	0.1%
NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION.....	11,701	11.5%	10,894	10.1%

Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the three months ended June 30, 2014	For the three months ended June 30, 2015
NET INCOME.....	11,812	11,004
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment	(2,726)	11,189
Unrealized holding gains on available-for-sale securities.....	963	1,681
Pension liability adjustment	38	(285)
Total other comprehensive income (loss).....	(1,725)	12,585
COMPREHENSIVE INCOME	10,087	23,589
Less-Comprehensive income attributable to the non-controlling interest.....	29	265
COMPREHENSIVE INCOME ATTRIBUTABLE TO MAKITA CORPORATION.....	10,058	23,324



(3) Consolidated Statements of Cash Flows

	Yen (millions)	
	For the three months ended June 30, 2014	For the three months ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	11,812	11,004
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization.....	2,029	2,261
Deferred income tax expense (benefit).....	1,916	(276)
Realized gains on securities, net.....	(38)	(772)
Valuation losses on securities.....	-	4,667
Losses on disposal or sales of property, plant and equipment, net.....	75	4
Changes in assets and liabilities-		
Trade receivables.....	2,172	(1,526)
Inventories.....	(2,735)	(5,753)
Trade notes and accounts payable and accrued expenses.....	(2,310)	(3,052)
Income taxes payable.....	(5,588)	(2,044)
Accrued retirement and termination benefits.....	(266)	(634)
Other, net.....	(1,088)	(1,045)
Net cash provided by operating activities.....	5,979	2,834
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, including interest capitalized.....	(4,379)	(3,206)
Purchases of available-for-sale securities.....	(124)	(6,339)
Proceeds from sales of available-for-sale securities.....	14,106	11,166
Proceeds from maturities of held-to-maturity securities.....	1,200	300
Proceeds from sales of property, plant and equipment.....	42	82
Investment in time deposit.....	(543)	(6,840)
Withdrawal of time deposit.....	515	2,576
Other, net.....	(39)	5
Net cash provided by (used in) investing activities.....	10,778	(2,256)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to borrowings with original maturities of three months or less, net.....	34	138
Payments on borrowings with original maturities of more than three months.....	(974)	-
Purchase of treasury stock, net.....	(4)	(3)
Cash dividends paid.....	(9,909)	(13,573)
Other, net.....	930	1,186
Net cash used in financing activities.....	(9,923)	(12,252)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	(432)	1,752
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	6,402	(9,922)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD ...	81,732	94,529
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	88,134	84,607

(4) Notes on the assumptions for a going concern: None

(5) Note in case there is any significant change in the shareholders' equity: None



(6) Condensed Operating Segment Information

	Yen (millions)							
	For the three months ended June 30, 2014							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers	21,233	45,067	14,020	5,206	16,228	101,754	-	101,754
(2) Inter-segment	17,729	1,182	906	43,437	21	63,275	(63,275)	-
Total	<u>38,962</u>	<u>46,249</u>	<u>14,926</u>	<u>48,643</u>	<u>16,249</u>	<u>165,029</u>	<u>(63,275)</u>	<u>101,754</u>
Operating expenses	34,302	41,035	14,370	41,472	15,062	146,241	(62,044)	84,197
Operating income	4,660	5,214	556	7,171	1,187	18,788	(1,231)	17,557

	Yen (millions)							
	For the three months ended June 30, 2015							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers	21,836	44,561	17,946	6,012	17,219	107,574	-	107,574
(2) Inter-segment	18,405	1,247	1,081	50,322	46	71,101	(71,101)	-
Total	<u>40,241</u>	<u>45,808</u>	<u>19,027</u>	<u>56,334</u>	<u>17,265</u>	<u>178,675</u>	<u>(71,101)</u>	<u>107,574</u>
Operating expenses	35,496	41,340	18,314	49,152	16,772	161,074	(70,838)	90,236
Operating income	4,745	4,468	713	7,182	493	17,601	(263)	17,338



SUPPORT DOCUMENTATION (CONSOLIDATED)

1. Consolidated Financial Results and Forecast

	Yen (millions)			
	For the three months ended June 30, 2014		For the three months ended June 30, 2015	
		(%)		(%)
Net sales.....	101,754	12.1	107,574	5.7
Domestic	15,633	11.6	15,970	2.2
Overseas	86,121	12.2	91,604	6.4
Operating income	17,557	64.5	17,338	(1.2)
Income before income taxes	17,244	55.1	14,809	(14.1)
Net income attributable to Makita Corporation	11,701	49.7	10,894	(6.9)
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders (Yen).....	86.20		80.26	
Number of Employees	12,768		13,637	

	Yen (millions)					
	For the year ended March 31, 2015		For the six months ending September 30, 2015 (Forecast)		For the year ending March 31, 2016 (Forecast)	
		(%)		(%)		(%)
Net sales.....	414,718	8.2	200,800	(3.3)	400,000	(3.5)
Domestic	67,740	2.6	31,500	(2.9)	64,800	(4.3)
Overseas	346,978	9.4	169,300	(3.4)	335,200	(3.4)
Operating income	71,905	30.9	29,500	(22.3)	56,500	(21.4)
Income before income taxes	68,394	20.0	27,900	(24.8)	53,000	(22.5)
Net income attributable to Makita Corporation.....	45,307	17.8	19,000	(25.5)	36,000	(20.5)
Earning per share (Basic)						
Net income attributable to Makita Corporation common shareholders (Yen)	333.79		139.98		265.22	
Number of Employees	13,835		-		-	

Notes:

- The table above shows the changes in the percentage ratio of Net sales, Operating income, Income before income taxes, and Net income attributable to Makita Corporation against the corresponding period of the previous year.
- Please refer to [Qualitative Information and Financial Statements] Section 3 “Explanation of Information Relevant to Forecast such as Consolidated Financial Performance Forecast” on page 4.



2. Consolidated Net Sales by Geographic Area

	Yen (millions)					
	For the three months ended June 30, 2014		For the three months ended June 30, 2015		For the year ended March 31, 2015	
		(%)		(%)		(%)
Japan	15,633	11.6	15,970	2.2	67,740	2.6
Europe.....	45,074	11.8	44,452	(1.4)	175,254	6.0
North America	13,628	14.2	17,443	28.0	57,168	14.6
Asia.....	9,163	9.5	9,899	8.0	39,643	13.3
Other regions	18,256	13.2	19,810	8.5	74,913	11.9
Central and South America.....	7,263	5.8	7,293	0.4	30,287	7.9
Oceania.....	5,513	10.1	5,897	7.0	23,759	14.2
The Middle East and Africa.....	5,480	29.0	6,620	20.8	20,867	15.5
Total.....	101,754	12.1	107,574	5.7	414,718	8.2

Note: The table above sets forth Makita's consolidated net sales by geographic area based on the customer's location for the periods presented. Accordingly, it differs from "Condensed Operating Segment Information" on page 10. The table above shows the changes in the percentage ratio of net sales compared to the corresponding period of the previous year.

3. Exchange Rates

	Yen			
	For the three months ended June 30, 2014	For the three months ended June 30, 2015	For the year ended March 31, 2015	For the year ending March 31, 2016 (Forecast)
Yen/U.S. Dollar.....	102.17	121.43	109.76	120
Yen/Euro.....	140.07	134.21	138.69	125

4. Production Ratio (unit basis)

	For the three months ended June 30, 2014	For the three months ended June 30, 2015	For the year ended March 31, 2015
	Composition ratio	Composition ratio	Composition ratio
Domestic.....	10.1%	10.4%	10.3%
Overseas	89.9%	89.6%	89.7%

5. Consolidated Capital Expenditures, Depreciation and Amortization, and R&D cost

	Yen (millions)			
	For the three months ended June 30, 2014	For the three months ended June 30, 2015	For the year ended March 31, 2015	For the year ending March 31, 2016 (Forecast)
Capital expenditures	4,379	3,206	12,124	14,500
Depreciation and amortization...	2,029	2,261	8,619	9,200
R&D cost.....	2,181	2,264	9,117	10,700