



Makita Corporation

Consolidated Financial Results
for the six months
ended September 30, 2014
(U.S. GAAP Financial Information)

(English translation of "KESSAN TANSHIN")

originally issued in Japanese)



CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 (Unaudited)

October 31, 2014

Makita Corporation

Stock code: 6586

URL: <http://www.makita.biz/>

Shiro Hori, President, Representative Director

1. Summary operating results of the six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the six months ended September 30, 2013		For the six months ended September 30, 2014	
		(%)		(%)
Net sales.....	185,886	22.9	207,642	11.7
Operating income	25,717	7.0	37,986	47.7
Income before income taxes	27,020	19.1	37,094	37.3
Net income attributable to Makita Corporation	19,104	20.3	25,505	33.5
Comprehensive income	36,380	3,556.3	35,950	(1.2)
Yen				
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders.....	140.74		187.90	

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 against the corresponding period of the previous year.

(2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2014	As of September 30, 2014
Total assets.....	519,121	545,002
Total equity	439,444	465,370
Total Makita Corporation shareholders' equity	435,934	461,804
Total Makita Corporation shareholders' equity ratio to total assets (%)	84.0%	84.7%

2. Dividend Information

	Yen	
	For the year ended March 31, 2014	For the year ending March 31, 2015
Cash dividend per share:		
Interim.....	18.00	18.00
Year-end	73.00	(Note)
Total	91.00	(Note)

Notes:

- The forecast for cash dividend announced on April 28, 2014 has not been revised.
- The projected amount of dividends for the year ending March 31, 2015 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, 2015 (From April 1, 2014 to March 31, 2015)

	Yen (millions)	
	For the year ending March 31, 2015	
		%
Net sales.....	385,000	0.5
Operating income	59,500	8.4
Income before income taxes	59,800	5.0
Net income attributable to Makita Corporation	39,800	3.5
<hr/>		
	Yen	
Earning per share (Basic)		
Net income attributable to		
Makita Corporation common shareholders.....	293.21	

Note:

The consolidated financial forecast for the year ending March 31, 2015 has 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): None
- (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: None
 2. Changes due to other reasons: None
- (4) Number of shares outstanding (common stock)
 1. Number of shares issued (including treasury stock):

As of September 30, 2014:	140,008,760
As of March 31, 2014:	140,008,760
 2. Number of treasury stock:

As of September 30, 2014:	4,272,611
As of March 31, 2014:	4,271,134
 3. Average number of shares outstanding:

For the six months ended September 30, 2014:	135,736,926
For the six months ended September 30, 2013:	135,743,127



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 5. The financial forecasts 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 2015 for a report on earnings for the year ending March 31, 2015. 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 2015.

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 six-month period of the fiscal year ending March 31, 2015, in Western Europe, the U.K. economy remained solid, while economic growth gradually lost momentum in the euro zone. The Russian economy began slowing down due to political uncertainty in Ukraine. The U.S. economy kept growing against the backdrop of solid consumer spending and housing investment. The Asian economy gradually recovered, led by exports to advanced countries despite a decrease in construction investment in China. Meanwhile, in Japan, consumer spending, which had declined sharply after the consumption tax rate hike, began picking up.

Under these circumstances, on the development side, we continuously launched into the market high-capacity lithium-ion battery products and power tools with brushless motors featuring compact design and high power, strengthening our product lineup. On the production side, to establish a production system that can flexibly cope with changes in demand, we continued enhancing functions of our plants in China and Romania. We also improved our quality control system to maintain our high-quality brand. On the sales side, we ran a TV commercial for a cordless brush cutter in Japan this year again, which met with a favorable reception last year, further spreading brand image in the field of outdoor power equipment (OPE*). Overseas, we relocated offices of our local subsidiaries in Russia and Colombia to upgrade systems to supply products and services. Through such steps, we tried harder to meet diversified needs and to maintain and improve our sales and after-sales services near the customers.

Our consolidated net sales for this period increased by 11.7% to 207,642 million yen compared to the same period of the previous year. This is due to favorable sales in Japan and abroad and the depreciation of the yen against major currencies such as the US dollar and the euro. Operating income increased by 47.7% to 37,986 million yen (operating income ratio: 18.3%), supported by an improvement in cost of sales ratio due to the influence of currencies in addition to sales growth. Income before income taxes increased by 37.3% to 37,094 million yen (income before income taxes ratio: 17.9%) and net income attributable to Makita Corporation shareholders increased by 33.5% to 25,505 million yen (ratio of net income attributable to Makita Corporation shareholders: 12.3%) from the same period of the previous year.

Net sales results by region were as follows:

Net sales in Japan increased by 9.8% to 32,427 million yen compared to the same period in the previous year. This was because demand remained steady in construction sites and lithium-ion battery products also drove sales.

Net sales in Europe increased by 10.7% to 91,105 million yen. This was because the yen depreciated against the euro as compared to the same period in the previous year and sales remained solid in main Western European markets.

Net sales in North America increased by 14.1% to 28,026 million yen. This was because favorable sales to the same period in the previous year to home improvement retailers.

Net sales in Asia increased by 19.5% to 19,725 million yen compared to the same period of the previous year, although demand in Southeast Asian countries was mixed.

The sales situations in other regions are as follows. Net sales in Central and South America increased by 5.0% to 15,299 million yen due to steady sales, despite a stagnant market. In addition, net sales in Oceania grew to 11,116 million yen, up 12.7% compared to the same period in the previous year and those in the Middle East and Africa increased to 9,944 million yen, up 16.5% compared to the same period in the previous year because demand recovered in these regions.

*OPE stands for "Outdoor Power Equipment," which is used for outdoor work such gardening, agriculture and forestry.



2. Explanation of Consolidated Financial Position

Total assets as of September 30, 2014 increased by 25,881 million yen to 545,002 million yen compared to the balance as of March 31, 2014. The increase was mainly due to an increase in “Cash and cash equivalents” and “Inventories”.

Total liabilities as of September 30, 2014 decreased by 45 million yen to 79,632 million yen compared to the balance as of March 31, 2014.

Total equity as of September 30, 2014 increased by 25,926 million yen to 465,370 million yen compared to the balance as of March 31, 2014. This increase was mainly due to an increase in “Retained earnings” and “Accumulated other comprehensive income”.

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

According to "Revision of Forecast for Performance" announced on October 29, 2014, we have not revised our consolidated financial forecast for the full-year of the current fiscal year announced on April 28, 2014 because global business circumstances and the demand trend in the third quarter and later remain unclear.

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, 2014		As of September 30, 2014	
		Composition ratio		Composition ratio
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents.....	81,732		91,776	
Time deposits.....	15,673		16,111	
Short-term investments.....	41,048		41,428	
Trade receivables-				
Notes.....	1,402		929	
Accounts.....	64,176		66,386	
Less- Allowance for doubtful receivables.....	(1,001)		(981)	
Inventories.....	156,111		162,475	
Deferred income taxes.....	7,231		6,277	
Prepaid expenses and other current assets.....	13,665		15,761	
Total current assets.....	<u>380,037</u>	73.2%	<u>400,162</u>	73.4%
PROPERTY, PLANT AND EQUIPMENT, AT COST:				
Land.....	22,793		23,118	
Building and improvements.....	91,184		93,826	
Machinery and equipment.....	86,594		89,815	
Construction in progress.....	3,174		3,952	
Sub total.....	203,745		210,711	
Less- Accumulated depreciation and amortization.....	<u>(112,143)</u>		<u>(115,453)</u>	
Total net property, plant and equipment.....	<u>91,602</u>	17.6%	<u>95,258</u>	17.5%
INVESTMENTS AND OTHER ASSETS:				
Investments.....	30,413		31,929	
Goodwill.....	721		721	
Other intangible assets, net.....	4,692		4,734	
Deferred income taxes.....	623		652	
Other assets.....	11,033		11,546	
Total investments and other assets.....	<u>47,482</u>	9.2%	<u>49,582</u>	9.1%
Total assets.....	<u>519,121</u>	<u>100.0%</u>	<u>545,002</u>	<u>100.0%</u>



	Yen (millions)			
	As of March 31, 2014		As of September 30, 2014	
		Composition ratio		Composition ratio
LIABILITIES				
CURRENT LIABILITIES:				
Short-term borrowings	4,147		3,492	
Trade notes and accounts payable	21,406		20,910	
Other payables	6,647		6,645	
Accrued expenses	10,566		10,242	
Accrued payroll	9,083		9,484	
Income taxes payable	8,210		5,968	
Deferred income taxes	1,029		441	
Other liabilities	8,199		9,250	
Total current liabilities	<u>69,287</u>	13.3%	<u>66,432</u>	12.2%
LONG-TERM LIABILITIES:				
Long-term indebtedness	16		13	
Accrued retirement and termination benefits	3,689		3,669	
Deferred income taxes	5,332		8,115	
Other liabilities	1,353		1,403	
Total long-term liabilities	<u>10,390</u>	2.0%	<u>13,200</u>	2.4%
Total liabilities	<u>79,677</u>	15.3%	<u>79,632</u>	14.6%
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	366,919		382,515	
Accumulated other comprehensive income	5,693		15,976	
Treasury stock, at cost	(11,573)		(11,582)	
Total Makita Corporation shareholders' equity	<u>435,934</u>	84.0%	<u>461,804</u>	84.7%
NON-CONTROLLING INTEREST	<u>3,510</u>	0.7%	<u>3,566</u>	0.7%
Total equity	<u>439,444</u>	84.7%	<u>465,370</u>	85.4%
Total liabilities and equity	<u>519,121</u>	100.0%	<u>545,002</u>	100.0%
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	As of March 31, 2014		As of September 30, 2014	
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)	135,737,626		135,736,149	
Number of treasury stock	4,271,134		4,272,611	



(2) Consolidated Statements of Income

	Yen (millions)			
	For the six months ended September 30, 2013		For the six months ended September 30, 2014	
	Composition ratio		Composition ratio	
NET SALES	185,886	100.0%	207,642	100.0%
Cost of sales	121,063	65.1%	128,585	61.9%
GROSS PROFIT.....	64,823	34.9%	79,057	38.1%
Selling, general, administrative and others, net.....	39,106	21.1%	41,071	19.8%
OPERATING INCOME	25,717	13.8%	37,986	18.3%
OTHER INCOME (EXPENSE):				
Interest and dividend income	1,086		1,194	
Interest expense.....	(135)		(79)	
Exchange losses on foreign currency transactions, net	(880)		(2,098)	
Realized gains on securities, net.....	1,232		91	
Total other income (expense), net.....	1,303	0.7%	(892)	(0.4%)
INCOME BEFORE INCOME TAXES	27,020	14.5%	37,094	17.9%
Provision for income taxes:				
Current.....	8,419		9,186	
Deferred.....	(622)		2,212	
Total income tax expense.....	7,797	4.2%	11,398	5.5%
NET INCOME.....	19,223	10.3%	25,696	12.4%
Less-Net income attributable to the non-controlling interest.....	119	0.0%	191	0.1%
NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION.....	19,104	10.3%	25,505	12.3%

Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the six months ended September 30, 2013	For the six months ended September 30, 2014
NET INCOME.....	19,223	25,696
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation adjustment	15,705	8,917
Unrealized holding gains on available-for-sale securities.....	1,342	1,264
Pension liability adjustment	110	73
Total other comprehensive income	17,157	10,254
COMPREHENSIVE INCOME	36,380	35,950
Less-Comprehensive income attributable to the non-controlling interest.....	354	162
COMPREHENSIVE INCOME ATTRIBUTABLE TO MAKITA CORPORATION.....	36,026	35,788



(3) Consolidated Statements of Cash Flows

	Yen (millions)	
	For the six months ended September 30, 2013	For the six months ended September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	19,223	25,696
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization.....	4,573	4,102
Deferred income tax expense.....	(622)	2,212
Realized gains on securities, net.....	(1,232)	(91)
Losses on disposal or sales of property, plant and equipment, net	74	109
Changes in assets and liabilities-		
Trade receivables.....	(2,028)	(1,101)
Inventories.....	948	(3,804)
Trade notes and accounts payable and accrued expenses.....	1,904	(1,445)
Income taxes payable.....	(645)	(3,747)
Accrued retirement and termination benefits.....	(879)	(412)
Other, net.....	203	1,310
Net cash provided by operating activities.....	21,519	22,829
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, including interest capitalized.....	(5,865)	(6,807)
Purchases of available-for-sale securities.....	(14,981)	(4,994)
Proceeds from sales of available-for-sale securities.....	9,139	4,135
Proceeds from maturities of available-for-sale securities.....	100	100
Proceeds from maturities of held-to-maturity securities.....	2,800	1,600
Proceeds from sales of property, plant and equipment.....	366	455
Investment in time deposit.....	(13,109)	(10,937)
Withdrawal of time deposit.....	12,931	11,455
Other, net.....	(303)	(306)
Net cash used in investing activities.....	(8,922)	(5,299)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to borrowings with original maturities of three months or less, net.....	-	52
Additions to borrowings with original maturities of more than three months.....	3,394	2,272
Payments on borrowings with original maturities of more than three months.....	(958)	(3,203)
Purchase of treasury stock, net.....	(35)	(9)
Cash dividends paid.....	(7,330)	(9,909)
Other, net.....	(25)	(76)
Net cash used in financing activities.....	(4,954)	(10,873)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	2,535	3,387
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	10,178	10,044
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD ...	62,283	81,732
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	72,461	91,776



(4) Note 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 six months ended September 30, 2013							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers	40,209	82,853	24,980	8,574	29,270	185,886	-	185,886
(2) Inter-segment	27,787	2,064	1,784	79,941	59	111,635	(111,635)	-
Total	<u>67,996</u>	<u>84,917</u>	<u>26,764</u>	<u>88,515</u>	<u>29,329</u>	<u>297,521</u>	<u>(111,635)</u>	<u>185,886</u>
Operating expenses	58,474	77,567	25,507	77,497	27,100	266,145	(105,976)	160,169
Operating income (loss)	9,522	7,350	1,257	11,018	2,229	31,376	(5,659)	25,717

	Yen (millions)							
	For the six months ended September 30, 2014							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers	44,382	91,345	28,883	10,764	32,268	207,642	-	207,642
(2) Inter-segment	37,835	2,492	1,774	88,682	61	130,844	(130,844)	-
Total	<u>82,217</u>	<u>93,837</u>	<u>30,657</u>	<u>99,446</u>	<u>32,329</u>	<u>338,486</u>	<u>(130,844)</u>	<u>207,642</u>
Operating expenses	70,909	82,076	29,294	85,262	30,127	297,668	(128,012)	169,656
Operating income (loss)	11,308	11,761	1,363	14,184	2,202	40,818	(2,832)	37,986



SUPPORT DOCUMENTATION (CONSOLIDATED)

1. Consolidated Financial Results and Forecast

	Yen (millions)					
	For the six months ended September 30, 2012		For the six months ended September 30, 2013		For the six months ended September 30, 2014	
		(%)		(%)		(%)
Net sales.....	151,232	(1.2)	185,886	22.9	207,642	11.7
Domestic	27,189	7.6	29,536	8.6	32,427	9.8
Overseas	124,043	(2.9)	156,350	26.0	175,215	12.1
Operating income	24,030	(10.8)	25,717	7.0	37,986	47.7
Income before income taxes	22,693	(7.4)	27,020	19.1	37,094	37.3
Net income attributable to Makita Corporation	15,874	(7.2)	19,104	20.3	25,505	33.5
Earning per share (Basic)						
Net income attributable to Makita Corporation						
common shareholders (Yen)	116.94		140.74		187.90	
Cash dividend per share (Yen).....	15.00		18.00		18.00	
Dividend payout ratio (%)	12.8		12.8		9.6	
Number of Employees	12,793		12,746		13,180	

	Yen (millions)			
	For the year ended March 31, 2014		For the year ending March 31, 2015 (Forecast)	
		(%)		(%)
Net sales.....	383,207	23.8	385,000	0.5
Domestic	66,019	16.7	56,000	(15.2)
Overseas	317,188	25.3	329,000	3.7
Operating income	54,914	21.0	59,500	8.4
Income before income taxes	56,974	24.7	59,800	5.0
Net income attributable to Makita Corporation	38,453	23.7	39,800	3.5
Earning per share (Basic)				
Net income attributable to Makita Corporation				
common shareholders (Yen)	283.28		293.21	
Cash dividend per share (Yen)	91.00		-	
Dividend payout ratio (%)	32.1		-	
Number of Employees	12,804		-	

Notes:

1. 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.
2. Please refer to [Qualitative Information and Financial Statements] Section 3. "Explanation of Information Relevant to Forecast such as Consolidated Financial Performance Forecast" on page 5.



2. Consolidated Net Sales by Geographic Area

	Yen (millions)					
	For the six months ended September 30, 2012		For the six months ended September 30, 2013		For the six months ended September 30, 2014	
		(%)		(%)		(%)
Japan	27,189	7.6	29,536	8.6	32,427	9.8
Europe	61,688	(4.5)	82,325	33.5	91,105	10.7
North America	19,400	(2.1)	24,561	26.6	28,026	14.1
Asia	14,246	0.8	16,500	15.8	19,725	19.5
Other regions	28,709	(1.7)	32,964	14.8	36,359	10.3
Central and South America	11,005	(12.8)	14,564	32.3	15,299	5.0
Oceania	9,225	(3.8)	9,863	6.9	11,116	12.7
The Middle East and Africa	8,479	21.0	8,537	0.7	9,944	16.5
Total	151,232	(1.2)	185,886	22.9	207,642	11.7

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 six months ended September 30, 2012	For the six months ended September 30, 2013	For the six months ended September 30, 2014	For the year ending March 31, 2015 (Forecast)
Yen/U.S. Dollar	79.41	98.86	103.01	100
Yen/Euro	100.54	129.98	138.90	135

4. Production Ratio (unit basis)

	For the six months ended September 30, 2012	For the six months ended September 30, 2013	For the six months ended September 30, 2014
	Composition ratio	Composition ratio	Composition ratio
Domestic	11.1%	10.9%	9.9%
Overseas	88.9%	89.1%	90.1%

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

	Yen (millions)			
	For the six months ended September 30, 2012	For the six months ended September 30, 2013	For the six months ended September 30, 2014	For the year ending March 31, 2015 (Forecast)
Capital expenditures	4,055	5,865	6,807	15,000
Depreciation and amortization	3,549	4,573	4,102	9,200
R&D cost	4,039	4,360	4,552	9,800