



# Makita Corporation

Consolidated Financial Results  
for the year ended March 31, 2016  
(U.S. GAAP Financial Information)

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



## CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2016 (Unaudited)

April 27, 2016

### Makita Corporation

Stock code: 6586

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

Shiro Hori, President, Representative Director

### 1. Summary operating results of the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

#### (1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the year ended March 31, 2015		For the year ended March 31, 2016	
		%		%
Net sales .....	414,718	8.2	423,623	2.1
Operating income .....	71,905	30.9	64,676	(10.1)
Income before income taxes .....	68,394	20.0	61,492	(10.1)
Net income attributable to Makita Corporation .....	45,307	17.8	41,615	(8.1)
Comprehensive income .....	62,655	(14.1)	9,955	(84.1)
Yen				
Earning per share				
Net income attributable to				
Makita Corporation common shareholders				
(Basic) .....	333.79		306.59	
(Diluted) .....	-		306.58	
Ratio of net income attributable to Makita Corporation				
to shareholders' equity .....	9.8%		8.6%	
Ratio of income before income taxes to total assets....	12.5%		10.9%	
Ratio of operating income to net sales .....	17.3%		15.3%	

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.
- Equity in net earnings of affiliated companies (including non-consolidated subsidiaries): NIL

#### (2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2015	As of March 31, 2016
Total assets .....	575,328	558,024
Total equity .....	489,585	483,370
Total Makita Corporation shareholders' equity .....	486,021	479,752
Total Makita Corporation		
shareholders' equity ratio to total assets (%) .....	84.5%	86.0%
Yen		
Total Makita Corporation		
shareholders' equity per share .....	3,580.66	3,534.52

#### (3) CONSOLIDATED CASH FLOWS

	Yen (millions)	
	For the year ended March 31, 2015	For the year ended March 31, 2016
Net cash provided by operating activities .....	35,894	34,188
Net cash used in investing activities .....	(20,096)	(6,573)
Net cash used in financing activities .....	(12,017)	(18,719)
Cash and cash equivalents, end of the fiscal year .....	94,529	99,915



## 2. Dividend Information

	Yen		
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ending March 31, 2017 (Forecast)
Cash dividend per share:			
Interim .....	18.00	18.00	18.00
Year-end.....	100.00	83.00	(Note)
Total .....	118.00	101.00	(Note)
	Yen (millions)		
Total cash dividend.....	16,017	13,709	-
Dividend payout ratio (%).....	35.4%	32.9%	-
Dividend to shareholders' equity ratio (%).....	3.5%	2.8%	-

Note:

While the Corporation has set forth under the Articles of Corporation of the Corporation that the record date for the payment of dividend shall be the last day of a relevant period, at the present time, the projected amount of dividends as of the said record date has not been determined yet. For further details, refer to "Explanation regarding proper use of business forecasts, and other significant matters" on page 3.

## 3. Consolidated Financial Performance Forecast for the year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

	Yen (millions)			
	For the six months ending September 30, 2016		For the year ending March 31, 2017	
		%		%
Net sales .....	195,000	(10.2)	400,000	(5.6)
Operating income .....	30,500	(11.7)	60,000	(7.2)
Income before income taxes.....	30,500	(1.1)	60,000	(2.4)
Net income attributable to Makita Corporation.....	21,100	(1.8)	41,500	(0.3)
	Yen			
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders .....	155.45		305.75	

## 4. Others

- (1) Changes in important subsidiaries for the fiscal year (Changes in specified subsidiaries accompanied by changes in scope of consolidation): None
- (2) Changes in accounting policies:
  1. Changes due to revisions to accounting standards: None
  2. Changes due to other reasons: None
- (3) Number of shares outstanding (common stock)
  1. Number of shares issued (including treasury stock):
 

As of March 31, 2016:	140,008,760
As of March 31, 2015:	140,008,760
  2. Number of treasury stock:
 

As of March 31, 2016:	4,275,499
As of March 31, 2015:	4,273,892
  3. Average number of shares outstanding:
 

For the year ended March 31, 2016:	135,734,118
For the year ended March 31, 2015:	135,736,215



#### Information regarding financial statements audit

This consolidated financial results report is not subject to a financial statements audit stipulated under the Financial Instruments and Exchange Act. As of the release date of this document, the financial statements audit 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 [Operating results] Section 2 “Outlook for the year ending March 31, 2017” on page 5. The financial forecast given above is based on information as available at the present time, and includes 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 2017 for a report on earnings for the year ending March 31, 2017. 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 2017.

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.



## 1. OPERATING RESULTS

### 1. Operating results

#### (1) Outline of operations results for the year ended March 31, 2016

Looking at the global economic situation for the year ended March 31, 2016, the Western European economy remained solid mainly in the major countries, while the Russian economy remained sluggish due to such factors as the impact of lower oil prices and a weaker ruble. The US economy gradually expanded on the back of robust consumer spending and housing investment. In Asia, the Chinese economy slowed down, causing the economies of neighboring countries to stagnate. Meanwhile, there were signs that the recovery in the Japanese economy was sputtering due to weak consumer spending, despite improvements in corporate results and the employment environment.

Under these circumstances, on the development side, Makita was aggressive about developing new products. Among those launched in the year were high-capacity lithium ion batteries and rechargeable electric power tools that are compact in size but achieve high output with the installation of brushless electric motors. On the production side, overseas factories strove to reduce costs while raising local content ratios. To improve product quality and enhance productivity, we worked on introducing facilities that require less manpower in each factory worldwide. On the sales side, while we continued to carry out intensive sales activities in Japan based on our network of 114 business locations nationwide, we strove to disseminate the Makita brand abroad by offering the most appropriate products and services from our vast family of products to accommodate the different needs in various countries and regions, as well as maintaining and improving our customer-based sales and after-sales service through various efforts including establishment of our new sales branches in Bolivia in October 2015, Latvia in January 2016 and Krasnodar, Russia in March 2016.

Our consolidated net sales for this year increased by 2.1% to 423,623 million yen compared to the previous year due to generally robust sales within and outside Japan, marking the sixth consecutive years of increasing sales, and an all-time high. Operating income decreased by 10.1% to 64,676 million yen (operating income ratio: 15.3%) compared to the previous year, owing to deterioration in the cost-of-sales ratio due to the influence of exchange rate. Income before income taxes and net income attributable to Makita Corporation decreased by 10.1% to 61,492 million yen (income before income taxes ratio: 14.5%) and by 8.1% to 41,615 million yen (net income attributable to Makita Corporation ratio: 9.8%) compared to the previous year.

Net sales results by region were as follows:

Net sales in Japan increased by 1.0% to 68,445 million yen compared to the previous year. This was due to factors such as a further expansion of the lithium-ion battery product line and aggressive launches of new products.

Net sales in Europe decreased by 0.7% to 173,987 million yen. Despite steady sales in most countries, this was because of decreased sales in Russia and the yen's appreciation against the euro.

Net sales in North America increased by 18.5% to 67,759 million yen. This was due to robust demand for electric power tools as the economy expanded in the US, as well as the yen's depreciation against the US dollar compared to the previous year.

Net sales in Asia increased by 4.5% to 41,443 million yen. This was due to robust sales in countries such as Vietnam and the yen's depreciation against local currencies, despite sluggish demand in some countries due to the slowdown of the Chinese economy.

The sales situations in other regions are as follows. Net sales in Central and South America decreased by 13.7% to 26,149 million yen compared to the previous year due to sluggish sales in Brazil and the yen's appreciation against local currencies, despite increased demand in Mexico and other regions influenced by the U.S. economy. Net sales in Oceania increased by 3.8% to 24,653 million yen on the back of robust sales. Net sales in the Middle East and Africa increased by 1.5% to 21,187 million yen due to the yen's depreciation against local currencies, despite the impact of political unrest and lower oil prices, etc.



**(2) Outlook for the year ending March 31, 2017**

In the future, demand is unlikely to grow sharply in advanced countries. Meanwhile, competition between companies is expected to intensify. In addition, as to emerging countries, it does not seem probable that demand in China, Russia and Brazil will turn significantly positive. With foreign exchange rate trends and international political situations being unpredictable, Makita is expected to continue facing a challenging business environment.

In projecting the operational results for the next fiscal year, we use the following assumptions:

- A sharp rise in housing starts is unlikely in Japan.
- In U.S. and Western Europe, competition is expected to intensify further, though demand for power tools is likely to increase due to gradual economic recovery.
- Rapid recovery of the Russian and Brazilian economy is unlikely.; and
- It is hard to expect an increase in demand for power tools in emerging countries due to the stagnation of economic activities caused by uncertain political situations.

To cope with these assumed conditions, Makita will:

- Strengthen its R&D and product development capabilities with respect to environmentally friendly power tools and gardening equipment;
- Promote the development of products that meet needs in both developed countries and emerging countries, which have been becoming bipolar;
- Implement measures to improve the efficiency of production, procurement and distribution, while taking advantage of global production organizations; and
- Strive to improve its marketing and brand power by fine-tuned response to customer needs and further improved after-sales service.

On the basis of these factors, Makita forecasts the following performance for the year ending March 31, 2017.

**Consolidated Financial Performance Forecast for the Year Ending March 31, 2017**

	Yen (millions)	
	For the six months ending September 30, 2016	For the year ending March 31, 2017
Net sales .....	195,000	400,000
Operating income .....	30,500	60,000
Income before income taxes .....	30,500	60,000
Net income attributable to Makita Corporation .....	21,100	41,500

**[Preconditions]**

The above forecast is based on the assumption of exchange rates of 110 yen to the U.S. dollar and 120 yen to the euro.

**[Reference]**

The actual exchange rate for the year ended March 31, 2016 was 120.2 yen to the U.S. dollar and 132.6 yen to the euro.

**FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements based on Makita's own projections and estimates. The power tools market, where Makita is mainly active, is subject to the effects of rapid shifts in economic conditions, demand for housing, currency exchange rates, changes in competitiveness, and other factors. Due to the risks and uncertainties involved, actual results could differ substantially from the content of these statements. Therefore, these statements should not be interpreted as representation where such objectives will be achieved.

## 2. Financial position

### (1) Analysis on assets, liabilities and total assets

Total assets as of the end of the year decreased by 17,304 million yen to 558,024 million yen compared to the previous year. The decrease was mainly due to the decrease in “Short-term investments” and “Investments”.

Total liabilities as of the end of the year decreased by 11,089 million yen to 74,654 million yen compared to the previous year. This decrease was mainly due to the decrease in “Trade notes and accounts payable” and “Long-term Deferred income taxes.”

Total equity as of the end of the year decreased by 6,215 million yen to 483,370 million yen compared to the previous year. This decrease was due to a change in foreign currency translation adjustment.

### (2) Analysis on cash flows and financial ratios

Total cash and cash equivalents at the end of the year amounted to 99,915 million yen, increased by 5,386 million yen compared to the end of the previous year.

(Net Cash Provided by Operating Activities)

Net cash provided by operating activities amounted to 34,188 million yen, down 1,706 million yen over the previous year (35,894 million yen for the previous year).

(Net Cash Used in Investing Activities)

Net cash used in investing activities amounted to 6,573 million yen, down 13,523 million yen over the previous year (20,096 million yen for the previous year).

(Net Cash Used in Financing Activities)

Net cash used in financing activities amounted to 18,719 million yen, up 6,702 million yen over the previous year (12,017 million yen for the previous year) because we increased payments on short term borrowings and cash dividends paid from the previous year.

(Reference)

Trend information of financial ratios

	As of (year ended) March 31,				
	2012	2013	2014	2015	2016
Ratio of operating income to net sales .....	16.4%	14.7%	14.3%	17.3%	15.3%
Equity ratio .....	83.8%	84.7%	84.0%	84.5%	86.0%
Equity ratio based on a current market price ....	117.6%	131.6%	148.3%	147.2%	169.8%
Interest-bearing liabilities to net cash provided by operating activities (years) .....	0.3	0.0	0.1	0.1	0.1
Interest coverage ratio (times) .....	43.5	219.2	213.8	236.1	294.7

Definitions:

Operating income to net sales ratio: operating income/net sales

Equity ratio: shareholders' equity/total assets

Equity ratio based on a current market price: total current market value of outstanding shares/total assets

Interest-bearing liabilities to net cash provided by operating activities

: interest-bearing liabilities /net cash inflow from operating activities

Interest coverage ratio: net cash inflow from operating activities/interest expense

Notes:

1. All figures are calculated based on a consolidated basis.

2. The total current market value of outstanding shares is calculated by multiplying the closing market price at the period end by the number of outstanding shares (after deducting the number of treasury stock.)

3. Interest-bearing debt includes all consolidated balance-sheet debt on which interest payments are made.



### 3. Basic policy regarding profit distribution and cash dividend for the fiscal 2016 and 2017

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. With respect to repurchases of its outstanding shares, Makita aims to implement a flexible capital policy, augment the efficiency of its capital employment, and thereby boost shareholder profit. Also Makita continues to consider execution of own share repurchases in light of trends in stock prices.

Makita intends to maintain a financial position strong enough to withstand the challenges associated with changes in its operating environment and other changes and allocate funds for strategic investments aimed at expanding its global operations.

Our forecast for dividends is as follows;

	For the year ended March 31, 2016 (Result and Forecast)	For the year ending March 31, 2017 (Forecast)
Cash dividend per share:		
Interim .....	18.00 yen	18.00 yen
Year-end.....	83.00 yen (Note 1)	(Note 2)
Total.....	101.00 yen (Note 1)	(Note 2)

Notes:

1. For the fiscal year ended March 31, 2016, a loss on the valuation of stocks of Sharp Corporation held was recorded. When calculating the amount of dividends, the amount of after-tax impact of approximately 3.8 billion yen was added as a special circumstance to consolidated net income attributable to Makita Corporation.
2. The Board of Directors plans to meet in April 2017 for a report on earnings for the year ending March 31, 2017. At such 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 2017. However, if certain special circumstances arise, computation of the amount of dividends will be based on consolidated net income attributable to Makita Corporation after certain adjustments.

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.

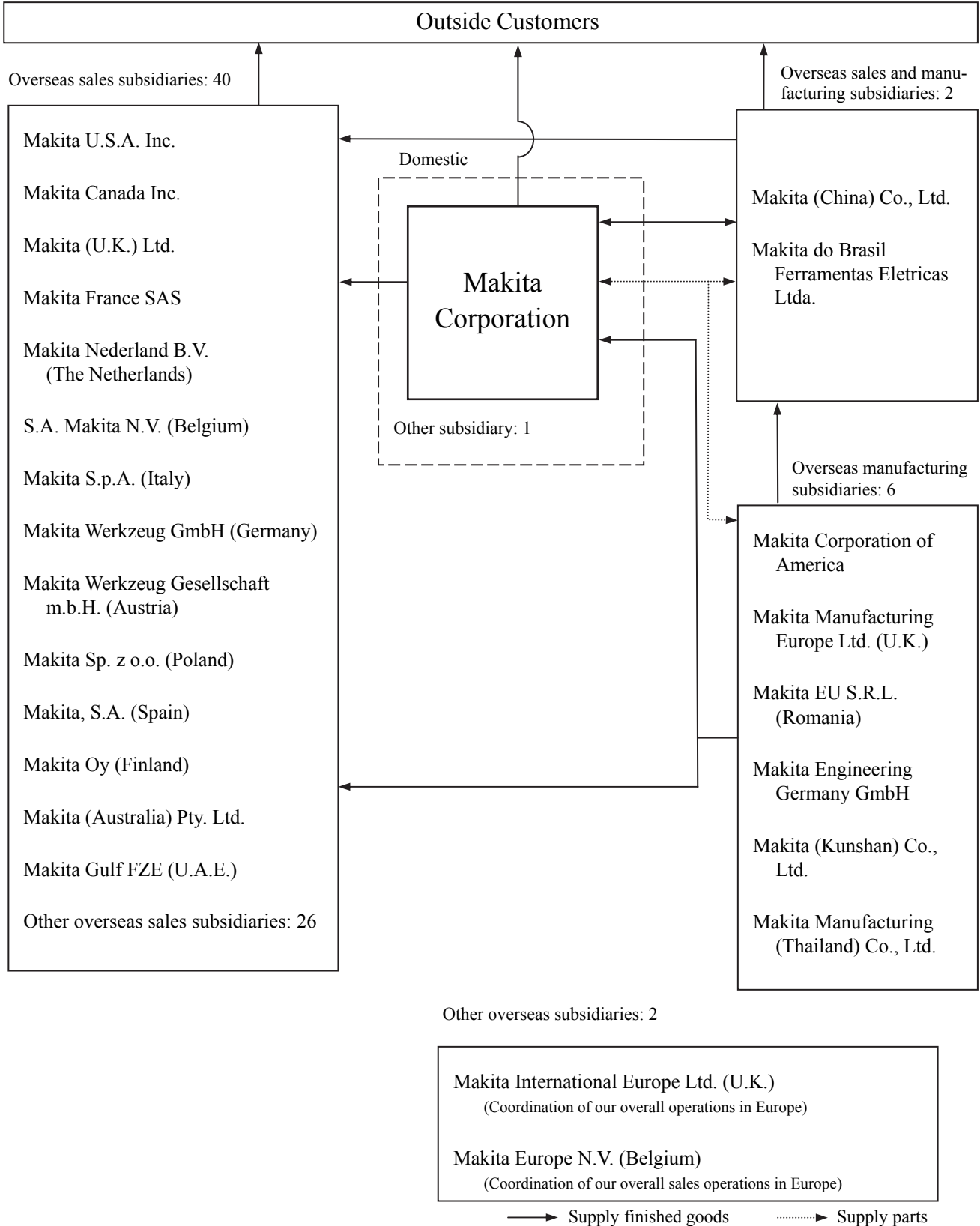




## 2. GROUP STRUCTURE

Makita Corporation (the "Corporation") and its consolidated subsidiaries (collectively "Makita") mainly manufacture and sell power tools. Makita is comprised of the Corporation and 51 consolidated subsidiaries.

Group Structure of Makita is outlined as follows;





### 3. MANAGEMENT POLICIES

#### **1. Basic Policies**

Makita has set itself the goal of consolidating a strong position in the global power tool industry as a global supplier of a comprehensive range of power tools that assist people in creating homes and living environments. In order to achieve this, Makita has established strategic business approaches and quality policies such as "A management approach in symbiosis with society" "Managing to take good care of our customers," "Proactive, sound management" and "Emphasis on trustworthy and reliable corporate culture as well as management to draw out the capabilities of each employee." Makita aims to generate solid profitability so that Makita can promote its sustained corporate development and meet the needs of its shareholders, customers, and employees as well as regional societies where Makita operates.

#### **2. Target Management Indicators**

Makita believes that attaining sustained growth and maintaining high profitability are the ways to increase corporate value. Makita's specific numerical target is to maintain a stable ratio of operating income to net sales on a consolidated basis of 10% or more.

#### **3. Medium-to-Long-Term Management Strategy**

Makita aims to establish high brand recognition and become a "Strong Company" capable of acquiring and maintaining the top market share as an international total supplier of power tools for professional use, pneumatic tools, gardening equipment and other tools in each international region. To achieve these objectives, we will put focus on maintaining and expanding our efforts to develop new products that guarantee great satisfaction to professional users, our global production structure realizing both high quality and cost competitiveness at the same time, and the best marketing and after-sale service structure of the power tools industry in Japan and in international regions.

In order to carry out this management strategy, Makita is focusing its management resources on the professional-use tool category, while maintaining its strong financial position that can withstand any unpredictable changes in the operational environment including those related to foreign exchange risk and country risk.

#### **4. Preparing for the Future**

Makita will strive to reinforce its R&D and product development activities to deliver more user-friendly and earth-conscious power tools and gardening equipment. It will also strengthen the technical development of compact engines. The global production organizations will be strengthened to respond to changes in demand conditions. Sales activities to professional users will be promoted. In addition, activities to maintain and improve our No. 1 sales and after-sales service system in the industry will be aggressively promoted. We strive to improve our corporate value.

### 4. BASIC RATIONALE FOR SELECTION OF ACCOUNTING

#### STANDARDS

Makita has adopted the U.S. accounting standards. Makita has paid attention to circumstance of the application of the International Financial Reporting Standards (IFRS) both in Japan and overseas.



## 5. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1. Consolidated Balance Sheets

	Yen (millions)			
	As of March 31, 2015		As of March 31, 2016	
		Composition ratio		Composition ratio
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents .....	94,529		99,915	
Time deposits.....	15,283		15,545	
Short-term investments.....	56,076		48,263	
Trade receivables-				
Notes .....	1,315		1,079	
Accounts.....	64,642		64,309	
Less- Allowance for doubtful receivables .....	(998)		(1,173)	
Inventories .....	175,186		178,791	
Deferred income taxes .....	6,296		5,454	
Prepaid expenses and other current assets .....	16,782		15,390	
Total current assets .....	429,111	74.6%	427,573	76.6%
<b>PROPERTY, PLANT AND EQUIPMENT, AT COST:</b>				
Land.....	23,104		22,436	
Building and improvements.....	96,202		94,704	
Machinery and equipment .....	91,353		91,365	
Construction in progress.....	3,237		2,662	
Sub total.....	213,896		211,167	
Less- Accumulated depreciation and amortization .....	(118,084)		(118,344)	
Total net property, plant and equipment.....	95,812	16.7%	92,823	16.6%
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investments.....	31,395		21,872	
Goodwill.....	721		721	
Other intangible assets, net.....	4,563		4,107	
Deferred income taxes .....	629		610	
Other assets.....	13,097		10,318	
Total investments and other assets.....	50,405	8.7%	37,628	6.8%
Total assets .....	575,328	100.0%	558,024	100.0%

	Yen (millions)			
	As of March 31, 2015		As of March 31, 2016	
		Composition ratio		Composition ratio
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Short-term borrowings.....	4,647		2,195	
Trade notes and accounts payable.....	25,124		20,620	
Other payables.....	6,140		6,521	
Accrued expenses.....	10,594		9,350	
Accrued payroll.....	9,568		9,143	
Income taxes payable.....	5,353		4,440	
Deferred income taxes.....	1,529		3,084	
Other liabilities.....	7,911		9,545	
Total current liabilities.....	<u>70,866</u>	12.3%	<u>64,898</u>	11.6%
<b>LONG-TERM LIABILITIES:</b>				
Long-term indebtedness.....	383		30	
Accrued retirement and termination benefits.....	3,701		3,271	
Deferred income taxes.....	9,521		4,974	
Other liabilities.....	1,272		1,481	
Total long-term liabilities.....	<u>14,877</u>	2.6%	<u>9,756</u>	1.8%
Total liabilities.....	<u>85,743</u>	14.9%	<u>74,654</u>	13.4%
<b>EQUITY</b>				
<b>MAKITA CORPORATION SHAREHOLDERS'</b>				
<b>EQUITY:</b>				
Common stock.....	23,805		23,805	
Additional paid-in capital.....	45,421		45,456	
Legal reserve.....	5,669		5,669	
Retained earnings.....	399,874		425,473	
Accumulated other comprehensive income (loss).....	22,842		(9,049)	
Treasury stock, at cost.....	(11,590)		(11,602)	
Total Makita Corporation shareholders' equity.....	<u>486,021</u>	84.5%	<u>479,752</u>	86.0%
NON-CONTROLLING INTEREST.....	3,564	0.6%	3,618	0.6%
Total equity.....	<u>489,585</u>	85.1%	<u>483,370</u>	86.6%
Total liabilities and equity.....	<u>575,328</u>	100.0%	<u>558,024</u>	100.0%



## 2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

	Yen (millions)			
	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Composition ratio		Composition ratio	
NET SALES .....	414,718	100.0%	423,623	100.0%
Cost of sales .....	257,582	62.1%	270,121	63.8%
GROSS PROFIT .....	157,136	37.9%	153,502	36.2%
Selling, general, administrative and others, net .....	85,231	20.6%	88,826	20.9%
OPERATING INCOME .....	71,905	17.3%	64,676	15.3%
OTHER INCOME (EXPENSE):				
Interest and dividend income .....	2,639		2,468	
Interest expense .....	(113)		(115)	
Exchange losses on foreign currency transactions, net .....	(6,480)		(1,552)	
Realized gains on securities, net .....	443		1,418	
Valuation losses on securities .....	-		(5,403)	
Total other income (expense), net .....	(3,511)	(0.8%)	(3,184)	(0.8%)
INCOME BEFORE INCOME TAXES .....	68,394	16.5%	61,492	14.5%
Income tax expense:				
Current .....	18,889		18,707	
Deferred .....	3,824		812	
Total income tax expense .....	22,713	5.5%	19,519	4.6%
NET INCOME .....	45,681	11.0%	41,973	9.9%
Less-Net income attributable to the non-controlling interest .....	374	0.1%	358	0.1%
NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION .....	45,307	10.9%	41,615	9.8%



## Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the year ended March 31, 2015	For the year ended March 31, 2016
NET INCOME .....	45,681	41,973
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment .....	14,660	(26,304)
Unrealized holding gains (expense) on available-for-sale securities .....	1,267	(3,036)
Pension liability adjustment .....	1,047	(2,678)
Total other comprehensive income (loss) .....	16,974	(32,018)
COMPREHENSIVE INCOME .....	62,655	9,955
Less-Comprehensive income attributable to the non-controlling interest .....	199	231
COMPREHENSIVE INCOME ATTRIBUTABLE TO MAKITA CORPORATION .....	62,456	9,724



### 3. Consolidated Statements of Changes in Equity

Yen (millions)									
For the year ended March 31, 2015									
Makita Corporation shareholders' equity									
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Makita Corporation shareholders' equity	Non-controlling interest	Total equity
Beginning balance.....	23,805	45,421	5,669	366,919	5,693	(11,573)	435,934	3,510	439,444
Purchases and disposal of treasury stock, net.....						(17)	(17)		(17)
Cash dividends .....				(12,352)			(12,352)	(145)	(12,497)
Comprehensive income (loss) .....									
Net income.....				45,307			45,307	374	45,681
Other comprehensive income (loss).....					17,149		17,149	(175)	16,974
Ending balance .....	<u>23,805</u>	<u>45,421</u>	<u>5,669</u>	<u>399,874</u>	<u>22,842</u>	<u>(11,590)</u>	<u>486,021</u>	<u>3,564</u>	<u>489,585</u>

Yen (millions)									
For the year ended March 31, 2016									
Makita Corporation shareholders' equity									
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Makita Corporation shareholders' equity	Non-controlling interest	Total equity
Beginning balance.....	23,805	45,421	5,669	399,874	22,842	(11,590)	486,021	3,564	489,585
Purchases and disposal of treasury stock, net.....						(12)	(12)		(12)
Cash dividends .....				(16,016)			(16,016)	(177)	(16,193)
Comprehensive income (loss) .....									
Net income.....				41,615			41,615	358	41,973
Other comprehensive income (loss).....					(31,891)		(31,891)	(127)	(32,018)
Other increase.....		35					35		35
Ending balance .....	<u>23,805</u>	<u>45,456</u>	<u>5,669</u>	<u>425,473</u>	<u>(9,049)</u>	<u>(11,602)</u>	<u>479,752</u>	<u>3,618</u>	<u>483,370</u>



#### 4. Consolidated Statements of Cash Flows

	Yen (millions)	
	For the year ended March 31, 2015	For the year ended March 31, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income .....	45,681	41,973
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization .....	8,619	9,284
Deferred income tax expense .....	3,824	812
Realized gains on securities, net.....	(443)	(1,418)
Valuation losses on securities .....	-	5,403
Losses on disposal or sales of property, plant and equipment, net.....	(304)	(39)
Impairment of long-lived assets .....	310	-
Changes in assets and liabilities-		
Trade receivables.....	(1,148)	(3,152)
Inventories.....	(18,419)	(15,588)
Trade notes, accounts payable and accrued expenses.....	1,903	(2,821)
Income taxes payable .....	(4,828)	177
Accrued retirement and termination benefits .....	(352)	(1,253)
Other, net.....	1,051	810
Net cash provided by operating activities.....	<u>35,894</u>	<u>34,188</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures.....	(12,124)	(11,769)
Purchases of available-for-sale securities.....	(15,682)	(9,997)
Proceeds from sales of available-for-sale securities.....	919	15,268
Proceeds from maturities of available-for-sale securities.....	100	500
Proceeds from maturities of held-to-maturity securities.....	3,000	500
Proceeds from sales of property, plant and equipment.....	1,536	1,421
Investment in time deposit .....	(19,885)	(36,169)
Withdrawal of time deposit .....	22,434	34,251
Other, net.....	(394)	(578)
Net cash used in investing activities.....	<u>(20,096)</u>	<u>(6,573)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Additions to borrowings with original maturities of three months or less, net.....	1,042	867
Additions to borrowings with original maturities of more than three months.....	3,419	-
Payments on borrowings with original maturities of more than three months.....	(4,443)	(3,556)
Additions to long-term indebtedness.....	446	-
Purchase of treasury stock, net.....	(17)	(12)
Cash dividends paid .....	(12,352)	(16,016)
Other, net.....	(112)	(2)
Net cash used in financing activities.....	<u>(12,017)</u>	<u>(18,719)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	<u>9,016</u>	<u>(3,510)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	12,797	5,386
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	<u>81,732</u>	<u>94,529</u>
CASH AND CASH EQUIVALENTS, END OF YEAR .....	<u>94,529</u>	<u>99,915</u>





## 5. Notes to Consolidated Financial Statements

**Notes on the assumptions for a going concern: None**

### Significant Accounting Policies

#### (1) Scope of consolidation and equity method

Number of consolidated subsidiaries: 51

Major subsidiaries are as follows;

Makita U.S.A. Inc., Makita (U.K.) Ltd., Makita Werkzeug GmbH (Germany),  
Makita Oy (Finland), Makita Gulf FZE (UAE), Makita (China) Co., Ltd., Makita (Kunshan) Co., Ltd.,  
Makita (Australia) Pty. Ltd., Makita do Brasil Ferramentas Eletricas Ltda.

#### (2) Significant Accounting Policies (Summary)

Consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

##### 1. Short-term investments and Investments

Makita classifies investments in debt and marketable equity securities as available-for-sale or held-to-maturity securities. Makita does not hold any marketable or investment securities that are bought and held primarily for the purpose of sale in the near term.

##### 2. Inventories

Inventory costs include raw materials, labor and manufacturing overheads. Inventories are valued at the lower of cost or market price, with cost determined principally based on the average cost method.

##### 3. Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at cost. Makita has adopted the straight-line method over the estimated useful lives for computing depreciation.

##### 4. Income Taxes

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in income in the period that includes the enactment date.

##### 5. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### 6. Revenue Recognition

Makita recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price is fixed or determinable and collectibility is reasonably assured.

**Changes in accounting principles, procedures and presentations: None**



### Condensed Operating Segment Information

	Yen (millions)							
	For the year ended March 31, 2015							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers.....	91,258	175,680	58,962	22,145	66,673	414,718	-	414,718
(2) Inter-segment.....	78,167	5,800	3,554	181,102	157	268,780	(268,780)	-
Total .....	<u>169,425</u>	<u>181,480</u>	<u>62,516</u>	<u>203,247</u>	<u>66,830</u>	<u>683,498</u>	<u>(268,780)</u>	<u>414,718</u>
Operating expenses .....	146,091	161,741	60,923	175,585	63,030	607,370	(264,557)	342,813
Operating income .....	23,334	19,739	1,593	27,662	3,800	76,128	(4,223)	71,905

	Yen (millions)							
	For the year ended March 31, 2016							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers.....	92,366	174,126	69,793	23,316	64,022	423,623	-	423,623
(2) Inter-segment.....	76,976	4,698	3,952	190,630	196	276,452	(276,452)	-
Total .....	<u>169,342</u>	<u>178,824</u>	<u>73,745</u>	<u>213,946</u>	<u>64,218</u>	<u>700,075</u>	<u>(276,452)</u>	<u>423,623</u>
Operating expenses .....	150,527	167,571	72,716	187,145	61,878	639,837	(280,890)	358,947
Operating income .....	18,815	11,253	1,029	26,801	2,340	60,238	4,438	64,676

### Net sales by product categories

	Yen (millions)				Increase (Decrease) (%)
	For the year ended March 31, 2015		For the year ended March 31, 2016		
	Composition ratio		Composition ratio		
Finished goods.....	349,832	84.4	356,165	84.1	1.8
Parts, repairs and accessories .....	64,886	15.6	67,458	15.9	4.0
Total net sales.....	<u>414,718</u>	<u>100.0</u>	<u>423,623</u>	<u>100.0</u>	<u>2.1</u>



### Information per share

	Yen	
	As of March 31, 2015	As of March 31, 2016
Total Makita Corporation Shareholders' equity per share .....	3,580.66	3,534.52

	Yen	
	For the year ended March 31, 2015	For the year ended March 31, 2016
Earning per share Net income attributable to Makita Corporation common shareholders (Basic) .....	333.79	306.59
(Diluted) .....	-	306.58

Note: Net income per share is calculated on the basis of the average number of shares outstanding during the year.

Average number of shares outstanding is as follows:

For the year ended March 31, 2016: 135,734,118

For the year ended March 31, 2015: 135,736,215

There were no potentially dilutive shares outstanding for the year ended March 31, 2015.



## Short-term investments and Investments

Yen (millions)

As of March 31, 2015			Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value	Carrying amount
Short-term investments:	Available-for-sale securities:	Corporate debt securities	498	-	-	498	498
		Investments in trusts	3,012	1,025	14	4,023	4,023
		MMF and FFF	49,391	-	-	49,391	49,391
		Marketable equity securities	717	1,147	-	1,864	1,864
	Total	53,618	2,172	14	55,776	55,776	
	Held-to-maturity securities:	Corporate debt securities	300	-	-	300	300
		Total	300	-	-	300	300
Total		53,918	2,172	14	56,076	56,076	
Investments:	Available-for-sale securities:	Marketable equity securities	16,861	15,124	1,577	30,408	30,408
		Total	16,861	15,124	1,577	30,408	30,408
	Held-to-maturity securities:	Corporate debt securities	600	21	-	621	600
		Total	600	21	-	621	600
	Total		17,461	15,145	1,577	31,029	31,008

In addition to the above investments, Makita holds 387 million yen of non-marketable equity securities (carried at cost).

Yen (millions)

As of March 31, 2016			Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value	Carrying amount
Short-term investments:	Available-for-sale securities:	Investments in trusts	1,864	392	3	2,253	2,253
		MMF and FFF	43,350	-	-	43,350	43,350
		Marketable equity securities	593	1,062	-	1,655	1,655
	Total	45,807	1,454	3	47,258	47,258	
	Held-to-maturity securities:	Corporate debt securities	1,000	-	-	1,000	1,000
Total	1,000	-	-	1,000	1,000		
Total		46,807	1,454	3	48,258	48,258	
Investments:	Available-for-sale securities:	Marketable equity securities	11,333	9,757	-	21,090	21,090
		Total	11,333	9,757	-	21,090	21,090
	Held-to-maturity securities:	Corporate debt securities	400	14	-	414	400
		Total	400	14	-	414	400
	Total		11,733	9,771	-	21,504	21,490

In addition to the above investments, Makita holds 387 million yen (short-term investment:5 million yen, investment:382 million yen) of non-marketable equity securities (carried at cost).

### Significant Subsequent Events: None



## SUPPORT DOCUMENTATION (CONSOLIDATED)

### 1. Consolidated Financial Results and Forecast

	Yen (millions)					
	For the year ended March 31, 2014		For the year ended March 31, 2015		For the year ended March 31, 2016	
		(%)		(%)		(%)
Net sales .....	383,207	23.8	414,718	8.2	423,623	2.1
Domestic .....	66,019	16.7	67,740	2.6	68,445	1.0
Overseas.....	317,188	25.3	346,978	9.4	355,178	2.4
Operating income .....	54,914	21.0	71,905	30.9	64,676	(10.1)
Income before income taxes.....	56,974	24.7	68,394	20.0	61,492	(10.1)
Net income attributable to Makita Corporation.....	38,453	23.7	45,307	17.8	41,615	(8.1)
Earning per share (Basic)						
Net income attributable to Makita Corporation common shareholders (Yen).....	283.28		333.79		306.59	
Cash dividend per share (Yen).....	91.00		118.00		101.00	
Dividend payout ratio (%).....	32.1		35.4		32.9	
Number of Employees.....	12,804		13,835		14,784	

	Yen (millions)			
	For the six months ending September 30, 2016 (Forecast)		For the year ending March 31, 2017 (Forecast)	
		(%)		(%)
Net sales .....	195,000	(10.2)	400,000	(5.6)
Domestic .....	33,000	1.4	70,000	2.3
Overseas.....	162,000	(12.3)	330,000	(7.1)
Operating income .....	30,500	(11.7)	60,000	(7.2)
Income before income taxes.....	30,500	(1.1)	60,000	(2.4)
Net income attributable to Makita Corporation.....	21,100	(1.8)	41,500	(0.3)
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders (Yen).....	155.45		305.75	
Cash dividend per share (Yen).....	18.00		(Note 2)	

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 previous year.
- Regarding our forecast for dividends, refer to page 7.



## 2. Consolidated Net Sales by Geographic Area

	Yen (millions)					
	For the year ended March 31, 2014		For the year ended March 31, 2015		For the year ended March 31, 2016	
		(%)		(%)		(%)
Japan.....	66,019	16.7	67,740	2.6	68,445	1.0
Europe.....	165,357	32.3	175,254	6.0	173,987	(0.7)
North America.....	49,891	20.3	57,168	14.6	67,759	18.5
Asia.....	35,004	20.3	39,643	13.3	41,443	4.5
Other regions.....	66,936	16.5	74,913	11.9	71,989	(3.9)
Central and South America.....	28,069	22.5	30,287	7.9	26,149	(13.7)
Oceania.....	20,805	10.4	23,759	14.2	24,653	3.8
The Middle East and Africa.....	18,062	15.1	20,867	15.5	21,187	1.5
Total.....	383,207	23.8	414,718	8.2	423,623	2.1

Note: The table above sets forth Makita's consolidated net sales by geographic area based on the customer's location for the years presented. Accordingly, it differs from operating segment information on page 17. 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 year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ending March 31, 2017 (Forecast)
Yen/U.S. Dollar.....	100.17	109.76	120.15	110
Yen/Euro.....	134.21	138.69	132.60	120

## 4. Production Ratio (unit basis)

	For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016
Domestic.....	11.2%	10.3%	10.2%
Overseas.....	88.8%	89.7%	89.8%

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

	Yen (millions)			
	For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ending March 31, 2017 (Forecast)
Capital expenditures.....	11,417	12,124	11,769	17,000
Depreciation and amortization.....	8,622	8,619	9,284	9,600
R&D cost.....	8,720	9,117	9,593	9,600