



Makita Corporation

Consolidated Financial Results for the nine months ended December 31, 2019 (IFRS Financial Information)

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



CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2019 (Unaudited)

January 30, 2020

Makita Corporation

Stock code: 6586

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

Munetoshi Goto, President, Representative Director

1. Summary operating results of the nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

(1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the nine months ended December 31, 2018		For the nine months ended December 31, 2019	
		%		%
Revenue	366,952	3.3	373,261	1.7
Operating profit	60,070	1.9	50,906	(15.3)
Profit before income taxes	61,950	3.2	53,246	(14.1)
Profit	43,440	4.2	38,821	(10.6)
Profit attributable to owners of the parent	43,151	4.4	38,569	(10.6)
Comprehensive income	20,982	(68.5)	30,809	46.8
	Yen			
Profit attributable to Owners of the parent per share				
(Basic).....	158.95		142.06	
(Diluted)	158.93		-	

Notes:

1. Amounts of less than one million yen have been rounded.
2. The table above shows the changes in the percentage ratio of revenue, operating profit, profit before income taxes, profit attributable to owners of the parent, and comprehensive income against the corresponding period of the previous year.
3. Information on profit attributable to owners of the parent per share after full dilution is omitted, since there is no potential common stock.

(2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2019	As of December 31, 2019
Total assets.....	680,250	701,881
Total equity	577,222	591,133
Equity attributable to owners of the parent.....	572,748	586,625
Ratio of equity attributable to owners of the parent to total assets (%).....	84.2%	83.6%

2. Dividend Information

	Yen	
	For the year ended March 31, 2019	For the year ending March 31, 2020 (Forecast)
Cash dividend per share:		
Interim.....	10.00	10.00
Year-end	52.00	(Note)
Total	62.00	(Note)

Notes:

1. The forecast for cash dividend announced on April 26, 2019 has not been revised.
2. The projected amount of dividends for the year ending March 31, 2020 has not been determined yet. For further details, refer to "Explanation regarding proper use of business forecast, and other significant matters" on page 2.



3. Consolidated Financial Performance Forecast for the year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

	Yen (millions)	
	For the year ending March 31, 2020	
		%
Revenue	480,000	(2.2)
Operating profit	63,000	(19.5)
Profit before income taxes	63,000	(21.2)
Profit attributable to owners of the parent	44,000	(21.1)
	Yen	
Profit attributable to Owners of the parent per share	162.05	

Notes:

1. The consolidated financial forecast for the year ending March 31, 2020 has not been revised.
2. The table above shows the changes in the percentage ratio of revenue, operating profit, profit before income taxes and profit attributable to owners of the parent against the previous year.

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) Changes in accounting policies and accounting estimates:
 1. Changes in accounting policies required by IFRS: Yes
 2. Changes in accounting policies other than 1: None
 3. Changes in accounting estimate: None
- (3) Number of shares outstanding (common stock)
 1. Number of shares issued (including treasury stock):

As of December 31, 2019:	280,017,520
As of March 31, 2019:	280,017,520
 2. Number of treasury stock:

As of December 31, 2019:	8,500,293
As of March 31, 2019:	8,550,463
 3. Average number of shares outstanding:

For the nine months ended December 31, 2019:	271,497,673
For the nine months ended December 31, 2018:	271,467,689

This consolidated financial report is not subject to audit procedures by certified public accountants or an auditing firm.

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

1. 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. 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.
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 10 yen per share. However, in the event special circumstances arise, computation of the amount of dividends will be based on profit attributable to owners of the parent after certain adjustments.

The Board of Directors plans to meet in April 2020 for a report on earnings for the year ending March 31, 2020. 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 profit attributable to owners of the parent. The Board of Directors will submit this proposal to the General Meeting of Shareholders scheduled for June 2020.

The consolidated dividend payout ratio is calculated as annual dividends per share divided by consolidated profit attributable to owners of the parent 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 nine-month period of the year ending March 31, 2020, the economy showed growing signs of a slowdown while business sentiment worsened due to rising uncertainties, including the trade friction between the U.S. and China, developments over Brexit, and the tense situation in the Middle East.

Our consolidated revenue for this period increased by 1.7% to 373,261 million yen compared to the same period of the previous year due to robust sales primarily in Japan, despite a decrease in the value of overseas revenue when translated into yen. Operating profit decreased by 15.3% to 50,906 million yen (operating profit ratio: 13.6%) owing to the increase in selling, general and administrative expenses and the deterioration of the cost-of-sales ratio caused by impact of the exchange rate. Profit before income taxes decreased by 14.1% to 53,246 million yen (profit before income taxes ratio: 14.3%) and profit attributable to owners of the parent decreased by 10.6% to 38,569 million yen (ratio of profit attributable to owners of the parent: 10.3%).

Revenue results by region were as follows:

Revenue in Japan increased by 11.7% to 75,026 million yen compared to the same period of the previous year. This was due to steady demand for highly efficient cordless tools, supported by a shortage of labor at building and construction sites, and robust sales of cordless gardening equipment.

Revenue in Europe increased by 3.1% to 163,068 million yen, supported by solid demand for tools in almost all areas and steady sales of cordless gardening equipment, despite a decrease in the value of revenue caused by the appreciation of the yen against the euro.

Revenue in North America decreased by 2.0% to 55,903 million yen despite our efforts to expand sales of lithium-ion battery products including gardening equipment amid intensifying competition in the U.S.

Revenue in Asia increased by 0.2% to 30,401 million yen. This was due to steady sales in India and other countries, despite the impact of an economic slowdown in China.

Revenue in Central and South America decreased by 5.7% to 20,029 million yen since the economies of major countries slowed and the yen remained stronger against local currencies, despite our efforts to expand sales, principally lithium-ion battery products.

Revenue in Oceania decreased by 5.1% to 21,695 million yen due to the impact of a sluggish housing market in Australia.

Revenue in the Middle East and Africa decreased by 29.9% to 7,139 million yen. This was because of the continuing turmoil in the Middle East, resulting in poor sales.

2. Explanation of Consolidated Financial Position

Total assets as of December 31, 2019 increased by 21,631 million yen to 701,881 million yen compared to the balance as of March 31, 2019. This increase was mainly due to the rise in “Property, plant and equipment” caused by the increase in right-of-use assets following the adoption of IFRS 16 “Lease” from the first three-month period of the year ending March 31, 2020. (Please refer to (5) Notes to Consolidated Financial Statements on page 9.)

Total liabilities increased by 7,720 million yen to 110,748 million yen compared to the balance as of March 31, 2019. This increase was mainly due to the rise in “Other financial liabilities” following the adoption of IFRS 16 “Lease” from the first three-month period of the year ending March 31, 2020. (Please refer to (5) Notes to Consolidated Financial Statements on page 9.)

Total equity increased by 13,911 million yen to 591,133 million yen compared to the balance as of March 31, 2019. This increase was mainly due to the rise in “Retained earnings”.



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

There are uncertainties about the business environments surrounding the Group and developments in exchange markets. Therefore, Makita has not reviewed the forecast of its consolidated financial performance for the year ending March 31, 2020 announced on October 30, 2019.

[Condensed Consolidated Financial Statements (Unaudited)]

(1) Condensed Consolidated Statement of Financial Position

	Yen (millions)			
	As of March 31, 2019		As of December 31, 2019	
		Composition ratio		Composition ratio
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	146,512		141,358	
Trade receivables and other receivables.....	79,450		69,176	
Inventories	219,938		231,136	
Other financial assets	37,828		31,048	
Other current assets.....	9,401		9,293	
Total current assets	<u>493,129</u>	72.5%	<u>482,011</u>	68.7%
NON-CURRENT ASSETS:				
Property, plant and equipment, at cost	112,441		141,579	
Goodwill and intangible assets	8,039		8,721	
Other financial assets	43,566		48,055	
Not defined benefit asset.....	9,541		9,288	
Deferred income taxes	9,342		7,836	
Other non-current assets	4,192		4,391	
Total non-current assets	<u>187,121</u>	27.5%	<u>219,870</u>	31.3%
Total assets.....	<u>680,250</u>	100.0%	<u>701,881</u>	100.0%

	Yen (millions)			
	As of March 31, 2019		As of December 31, 2019	
		Composition ratio		Composition ratio
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES:				
Trade payables and other payables	38,904		42,750	
Borrowings	11,799		9,295	
Other financial liabilities.....	220		2,586	
Income taxes payable.....	7,153		3,082	
Provisions	3,040		3,047	
Other liabilities	<u>29,678</u>		<u>28,141</u>	
Total current liabilities.....	<u>90,794</u>	13.3%	<u>88,901</u>	12.7%
NON-CURRENT LIABILITIES:				
Retirement benefit liabilities	3,231		3,181	
Other financial liabilities.....	256		8,906	
Provisions	1,293		1,325	
Deferred income taxes	7,236		8,224	
Other non-current liabilities.....	<u>218</u>		<u>211</u>	
Total non-current liabilities.....	<u>12,234</u>	1.8%	<u>21,847</u>	3.1%
Total liabilities	<u>103,028</u>	15.1%	<u>110,748</u>	15.8%
EQUITY				
Common stock	23,805		23,805	
Additional paid-in capital	45,571		45,521	
Retained earnings.....	508,622		530,703	
Treasury stock, at cost.....	(11,681)		(11,553)	
Other components of equity.....	<u>6,431</u>		<u>(1,851)</u>	
Total equity attributable to owners of the parent	<u>572,748</u>	84.2%	<u>586,625</u>	83.6%
NON-CONTROLLING INTEREST	<u>4,474</u>	0.7%	<u>4,508</u>	0.6%
Total equity	<u>577,222</u>	84.9%	<u>591,133</u>	84.2%
Total liabilities and equity	<u>680,250</u>	100.0%	<u>701,881</u>	100.0%



(2) Condensed Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income

Condensed Consolidated Statements of Profit or Loss

	Yen (millions)			
	For the nine months ended December 31, 2018		For the nine months ended December 31, 2019	
	Composition ratio		Composition ratio	
REVENUE.....	366,952	100.0%	373,261	100.0%
Cost of sales.....	(231,772)	(63.2%)	(244,608)	(65.5%)
GROSS PROFIT.....	135,180	36.8%	128,653	34.5%
Selling, general, administrative and others, net	(75,110)	(20.4%)	(77,747)	(20.9%)
OPERATING PROFIT	60,070	16.4%	50,906	13.6%
Financial income.....	2,146		2,670	
Financial expenses.....	(266)		(330)	
PROFIT BEFORE INCOME TAXES	61,950	16.9%	53,246	14.3%
Income tax expenses.....	(18,510)		(14,425)	
PROFIT	43,440	11.8%	38,821	10.4%
Profit attributable to:				
Owners of the parent.....	43,151	11.7%	38,569	10.3%
Non-controlling interests	289	0.1%	252	0.1%

Condensed Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
INCOME	43,440	38,821
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Items that will not be reclassified to income (loss)		
Equity financial goods measured at fair value through other comprehensive income (loss)	(9,430)	2,838
Total of items that will not be reclassified to income (loss).....	(9,430)	2,838
Items that may be reclassified to loss		
Exchange differences on translating foreign operations	(13,028)	(10,850)
Total of items that may be reclassified to loss	(13,028)	(10,850)
Total other comprehensive loss, net of tax.....	(22,458)	(8,012)
COMPREHENSIVE INCOME	20,982	30,809
Comprehensive income attributable to:		
Owners of the parent.....	20,764	30,630
Non-controlling interests	218	179



(3) Condensed Consolidated Statement of Changes in Equity

	Yen (millions)							
	For the nine months ended December 31, 2018							
	Equity attributable to owners of the parent						Non-Controlling interest	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total		
Balance at April 1, 2018	23,805	45,531	469,232	(11,617)	27,095	554,046	4,393	558,439
Profit for the period			43,151			43,151	289	43,440
Other comprehensive income					(22,387)	(22,387)	(71)	(22,458)
Comprehensive income	-	-	43,151	-	(22,387)	20,764	218	20,982
Dividends paid			(16,560)			(16,560)	(225)	(16,785)
Purchase of treasury stock				(2)		(2)		(2)
Disposal of treasury stock		0		0		0		0
Share-based payment transaction		30				30		30
Transfer from other components of equity to retained earnings			286		(286)	-		-
Total amounts of transactions with owners	-	30	(16,274)	(2)	(286)	(16,532)	(225)	(16,757)
Balance at December 31, 2018	23,805	45,561	496,109	(11,619)	4,422	558,278	4,386	562,664

	Yen (millions)							
	For the nine months ended December 31, 2019							
	Equity attributable to owners of the parent						Non-Controlling interest	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total		
Balance at April 1, 2019	23,805	45,571	508,622	(11,681)	6,431	572,748	4,474	577,222
Profit for the period			38,569			38,569	252	38,821
Other comprehensive income					(7,939)	(7,939)	(73)	(8,012)
Comprehensive income	-	-	38,569	-	(7,939)	30,630	179	30,809
Dividends paid			(16,831)			(16,831)	(145)	(16,976)
Purchase of treasury stock				(1)		(1)		(1)
Disposal of treasury stock		(13)		61		48		48
Share-based payment transaction		(37)		68		31		31
Transfer from other components of equity to retained earnings			343		(343)	-		-
Total amounts of transactions with owners	-	(50)	(16,488)	128	(343)	(16,753)	(145)	(16,898)
Balance at December 31, 2019	23,805	45,521	530,703	(11,553)	(1,851)	586,625	4,508	591,133



(4) Condensed Consolidated Statements of Cash Flows

	Yen (millions)	
	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit.....	43,440	38,821
Depreciation and amortization.....	8,370	10,561
Income tax expenses.....	18,510	14,425
Financial income and expenses.....	(1,880)	(2,340)
Loss (gain) on sales and retirement of property, plant and equipment	137	(972)
Decrease (increase) in trade receivables and other receivables	5,996	7,904
Decrease (increase) in inventories	(26,149)	(15,052)
Increase (decrease) in trade payables and other payables.....	(55)	6,513
Increase in retirement benefit assets and liabilities.....	198	238
Decrease (increase) in guarantee deposits	(8,991)	(530)
Other	(4,652)	1,839
Subtotal.....	34,924	61,407
Dividends received	627	698
Interest received.....	1,519	1,171
Interest paid	(37)	(330)
Income taxes paid	(22,119)	(18,081)
Cash flows from operating activities	14,914	44,865
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of non-current assets.....	(17,451)	(33,128)
Proceeds from sales of non-current assets	328	2,559
Purchase of investments	(15,205)	(2,797)
Proceeds from sales and redemption of investments	2,424	3,878
Payments into time deposits	(18,931)	(28,781)
Proceeds from withdrawal of time deposits.....	35,269	33,498
Other	(94)	345
Cash flows from investing activities.....	(13,660)	(24,426)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in short-term borrowings	3,189	(2,329)
Purchase and sales of treasury stock, net.....	(2)	47
Cash dividends paid.....	(16,560)	(16,831)
Repayments of lease obligations.....	(22)	(1,743)
Other	(238)	(143)
Cash flows from financing activities	(13,633)	(20,999)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,088)	(4,594)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13,467)	(5,154)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD ...	147,320	146,512
CASH AND CASH EQUIVALENTS, END OF PERIOD	133,853	141,358



(5) Notes to Consolidated Financial Statements

Notes on the assumptions for a going concern: None

Changes in accounting policies:

The Makita Group has adopted IFRS 16 “Lease” (“IFRS 16”) from the first three-month period of the year ending March 31, 2020.

In accordance with IFRS 16, the Group has recorded leases that had been classified as operating leases under IAS 17 “Lease” as right-of-use assets and lease liabilities in the consolidated statement of financial position.

On transition to IFRS 16, the Group has chosen to apply the practical expedient that allows the Group to continue using the same method as before with regard to whether contracts are leases or not.

In line with the transition provision in IFRS 16, the Group has adopted the modified retrospective approach (a method to recognize the cumulative effects of adopting IFRS 16 at the date of adoption) at the date of transition.

At the first date of the first three-month period of the year ending March 31, 2020 (“the date of initial application”), the Group additionally recognized total assets including right-of-use assets (which were included in property, plant and equipment in the consolidated statement of financial position) of 10,656 million yen and lease liabilities of 10,656 million yen (which were included in other financial liabilities).

The Group measured the lease liabilities at the date of initial application at the present value of aggregate residual lease payments at the inception of adoption, discounted using the lessee’s incremental borrowing rate of interest at the inception of adoption. As of the date of initial application, the weighted average of the incremental borrowing rate was 2.5%.

On transition to IFRS 16, The Group has adopted the following practical expedients:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applying the exemption on not recognizing right-of-use assets or lease liabilities for leases for which the lease term ends within 12 months of the date of initial application.

Condensed Operating Segment Information

	Yen (millions)							
	For the nine months ended December 31, 2018							
	Japan	Europe	North America	Asia	Total	Other	Eliminations	Consolidated
Revenue:								
External customers	81,554	158,651	58,708	20,362	319,275	47,677	-	366,952
Inter-segment	164,598	4,371	3,123	165,246	337,338	664	(338,002)	-
Total	<u>246,152</u>	<u>163,022</u>	<u>61,831</u>	<u>185,608</u>	<u>656,613</u>	<u>48,341</u>	<u>(338,002)</u>	<u>366,952</u>
Operating profit	24,133	15,033	1,433	18,340	58,939	2,482	(1,351)	60,070

	Yen (millions)							
	For the nine months ended December 31, 2019							
	Japan	Europe	North America	Asia	Total	Other	Eliminations	Consolidated
Revenue:								
External customers	89,114	163,741	57,250	19,375	329,480	43,781	-	373,261
Inter-segment	141,960	4,888	3,069	153,045	302,962	409	(303,371)	-
Total	<u>231,074</u>	<u>168,629</u>	<u>60,319</u>	<u>172,420</u>	<u>632,442</u>	<u>44,190</u>	<u>(303,371)</u>	<u>373,261</u>
Operating profit (loss)...	18,337	10,879	(1,556)	15,939	43,599	934	6,373	50,906



SUPPORT DOCUMENTATION (CONSOLIDATED)

1. Consolidated Financial Results and Forecast

	Yen (millions)			
	For the nine months ended December 31, 2018		For the nine months ended December 31, 2019	
		(%)		(%)
Revenue	366,952	3.3	373,261	1.7
Domestic	67,170	10.8	75,026	11.7
Overseas	299,782	1.8	298,235	(0.5)
Operating profit	60,070	1.9	50,906	(15.3)
Profit before income taxes	61,950	3.2	53,246	(14.1)
Profit attributable to owners of the parent	43,151	4.4	38,569	(10.6)
Profit attributable to owners of the parent per share (Yen)	158.95		142.06	
Cash dividend per share (Yen)	16,469		17,157	

	Yen (millions)			
	For the year ended March 31, 2019		For the year ending March 31, 2020 (Forecast)	
		(%)		(%)
Revenue	490,578	2.8	480,000	(2.2)
Domestic	92,129	11.6	100,000	8.5
Overseas	398,449	0.9	380,000	(4.6)
Operating profit	78,305	(2.4)	63,000	(19.5)
Profit before income taxes	79,919	0.1	63,000	(21.2)
Profit attributable to owners of the parent	55,750	1.5	44,000	(21.1)
Profit attributable to owners of the parent per share (Yen)	205.37		162.05	
Number of Employees	16,424		-	

Notes:

1. 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. The table above shows the changes in the percentage ratio of revenue, operating profit, profit before income taxes, and profit attributable to owners of the parent compared to the corresponding period of the previous year.



2. Consolidated Revenue by Geographic Area

	Yen (millions)					
	For the nine months ended December 31, 2018		For the nine months ended December 31, 2019		For the year ended March 31, 2019	
		(%)		(%)		(%)
Japan	67,170	10.8	75,026	11.7	92,129	11.6
Europe.....	158,128	6.1	163,068	3.1	213,238	5.5
North America	57,019	0.4	55,903	(2.0)	72,508	(1.8)
Asia.....	30,334	(8.9)	30,401	0.2	40,909	(7.2)
Central and South America	21,248	0.1	20,029	(5.7)	27,801	(0.4)
Oceania	22,871	(2.8)	21,695	(5.1)	30,222	(3.4)
The Middle East and Africa	10,182	(4.6)	7,139	(29.9)	13,771	(11.1)
Total	366,952	3.3	373,261	1.7	490,578	2.8

Notes:

1. The table above sets forth Makita's consolidated revenue by geographic area based on the customer's location for the periods presented. Accordingly, it differs from "Condensed Operating Segment Information" on page 9.
2. The table above shows the changes in the percentage ratio of revenue compared to the corresponding period of the previous year.

3. Exchange Rates

	Yen			
	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019	For the year ended March 31, 2019	For the year ending March 31, 2020 (Forecast)
USD/JPY	111.14	108.65	110.92	107
EUR/JPY	129.47	121.04	128.44	118
RMB/JPY	16.60	15.60	16.54	15.2

4. Production Ratio (unit basis)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019	For the year ended March 31, 2019
	Composition ratio	Composition ratio	Composition ratio
Domestic.....	9.5%	10.5%	9.5%
Overseas	90.5%	89.5%	90.5%

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

	Yen (millions)			
	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019	For the year ended March 31, 2019	For the year ending March 31, 2020 (Forecast)
Capital expenditures	17,451	33,128	23,867	44,000
Depreciation and amortization...	8,370	8,937	11,271	12,800
R&D cost.....	8,265	8,484	11,258	12,000