



Makita Corporation

Consolidated Financial Results for the three months ended June 30, 2020 (IFRS Financial Information)

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



CONSOLIDATED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2020 (Unaudited)

July 31, 2020

Makita Corporation

Stock code: 6586

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

Munetoshi Goto, President, Representative Director

1. Summary operating results of the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the three months ended June 30, 2019		For the three months ended June 30, 2020	
				(%)
Revenue	122,480	(0.1)	126,996	3.7
Operating profit	17,375	(17.4)	15,569	(10.4)
Profit before income taxes	18,770	(15.8)	16,469	(12.3)
Profit	14,288	(8.9)	11,684	(18.2)
Profit attributable to owners of the parent	14,159	(8.9)	11,521	(18.6)
Comprehensive income	1,720	(75.1)	15,908	824.9
			Yen	
Profit attributable to Owners of the parent per share				
(Basic).....	52.16		42.43	
(Diluted)	52.15		-	

Notes:

- Amounts of less than one million yen have been rounded.
- The table above shows the changes in the percentage ratio of revenue, operating profit, profit before income taxes, profit, profit attributable to owners of the parent, and comprehensive income against the corresponding period of the previous year.
- The amount of profit attributable to owners of the parent per diluted share for the three months ended June 30, 2020 is not shown as diluted shares do not exist.

(2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2020	As of June 30, 2020
Total assets.....	674,564	686,337
Total equity	575,748	579,991
Equity attributable to owners of the parent.....	571,275	575,319
Ratio of equity attributable to owners of the parent to total assets (%).....	84.7%	83.8%

Note: Amounts of less than one million yen have been rounded.

2. Dividend Information

	Yen	
	For the year ended March 31, 2020	For the year ending March 31, 2021 (Forecast)
Cash dividend per share:		
Interim	10.00	10.00
Year-end	43.00	(Note)
Total	53.00	(Note)

Notes:

- The forecast for cash dividend announced on May 21, 2020 has not been revised.
- The projected amount of dividends for the year ending March 31, 2021 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 Forecast for the year ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

	Yen (millions)	
	For the year ending March 31, 2021	
		(%)
Revenue.....	490,000	(0.5)
Operating profit.....	53,000	(17.2)
Profit before income taxes.....	53,000	(19.7)
Profit attributable to owners of the parent.....	37,300	(21.9)
	Yen	
Profit attributable to Owners of the parent per share.....	137.38	

Note:

- 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.
- Changes of the forecasts from the most recent disclosure: Yes

4. Other

- Changes in important subsidiaries during the period (Changes in specified subsidiaries accompanied by changes in scope of consolidation during the quarter): None
- Changes in accounting policies and accounting estimates:
 - Changes in accounting policies required by IFRS: Yes
 - Changes in accounting policies other than 1: None
 - Changes in accounting estimate: None
- Number of shares outstanding (common stock)
 - Number of shares issued (including treasury stock):

As of June 30, 2020:	280,017,520
As of March 31, 2020:	280,017,520
 - Number of treasury stock:

As of June 30, 2020:	8,500,594
As of March 31, 2020:	8,500,530
 - Average number of shares outstanding:

For the three months ended June 30, 2020:	271,516,937
For the three months ended June 30, 2019:	271,466,880

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

- 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 "SUPPLEMENT INFORMATION (CONSOLIDATED)", "1. Overview of operating results", "(3) Outlook for the fiscal year ending March 31, 2021" on page 4.
- 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 2021 for a report on earnings for the year ending March 31, 2021. 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 2021.

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.

SUPPLEMENT INFORMATION (CONSOLIDATED)

1. Overview of operating results

(1) Overview of operating results of the three month ended June 30, 2020

Looking at the global economic situation during the three-month (the “period”) ended June 30, 2020, both developed and emerging nations were affected by the COVID-19 outbreak, and economic activities were stagnant on a global scale, with strict restrictions on travel and immigration imposed in each country.

Our consolidated revenue for this period increased by 3.7% to 126,996 million yen compared to the same period of previous year as a result of strong sales mainly in Europe, North America, Oceania and Japan. Operating profit decreased by 10.4% to 15,569 million yen (operating profit ratio: 12.3%) owing mainly to the increase cost-of-sales ratio caused by impact of exchange rate. Profit before income taxes decreased by 12.3% to 16,469 million yen (profit before income taxes ratio: 13.0%) and profit attributable to owners of the parent decreased by 18.6% to 11,521 million yen (ratio of profit attributable to owners of the parent: 9.1%).

Revenue results by region were as follows:

In Japan, although there were factors leading to slow sales such as a temporary suspension of construction work in many region, as well as voluntary refraining from events such as exhibition, etc., strong sales for outdoor power equipment and recovery of tool demand after cancellation of a state of emergency resulted in increased sales by 6.1% compared to the same period of the previous fiscal year to 25,329 million yen.

In Europe, severe lockdowns were implemented in each country in April, resulted in a significant drop in sales, but since May, various regulations such as movement restrictions have been relaxed, and tool demand at construction sites has recovered. At the same time, stay-home-demand has increased in response to self-restraint on travel, resulting in a year on year increase of 4.3% to 58,168 million yen.

In North America, although the effects of the COVID-19 were initially severe in the eastern United States and Canada, sales to home centers was strong and sales promotions for main products were successful, resulting in a year on year increase of 14.2% to 19,855 million yen.

In Asia, sales increased in China and Vietnam, where responded swiftly to prevent the spread of the COVID-19 infections, but sales declined significantly in the countries where stringent lockdowns were carried out over a long period of time, resulting in a year on year decrease of 7.8% to 8,997 million yen.

In Central and South America, sales declined 32.3% year on year to 4,152 million yen due to the deterioration of economic conditions in each country resulting from the spread of the COVID-19 and the consequent large depreciation of local currency.

In Oceania, there was stay-home-demand in Australia, where travel is restricted; furthermore, in addition to power tools, sales of cordless gardening equipment increased significantly despite that it was off-season, leading to a year on year increase of 18.6% to 8,653 million yen.

In the Middle East and Africa, the spread of the COVID-19 infection led to further negative impact on the market and our sales activities, which had been weak from before, resulting in a year on year decrease of 18.1% to 1,842 million yen.

(2) Overview of financial situation as of June 30, 2020

Total assets increased 11,773 million yen from the end of the previous fiscal year to 686,337 million yen. The main factor was an increase in “trade receivables and other receivables” and “property, plant and equipment.”

Total liabilities increased 7,530 million yen from the end of the previous fiscal year to 106,346 million yen. The main factor was in increase in “trade payables and other payables” and an increase in “income taxes payable.”

Total equity increased 4,243 million yen from the end of the previous fiscal year to 579,991 million yen. The main factor was the change in valuation of securities included in “other components of equity.”



(3) Outlook for the fiscal year ending March 31, 2021

The consolidated financial forecast for the fiscal year ending March 2021 had been undetermined because it was difficult to reasonably calculate the impact of the global pandemic of the COVID-19 on our business performance. Due to relaxation in each country of various regulations such as movement restrictions, etc., we have decided to calculate and disclose the financial forecast based on the information available at this time.

Consolidated financial forecast for the year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

	For the year ending March 31, 2021				
	Yen (millions)				Yen
	Revenue	Operating profit	Profit before income taxes	Profit attributable to owners of the parent	Profit attributable to owners of the parent per share (basic)
Forecast announced previously (A)	-	-	-	-	-
Forecast (B)	490,000	53,000	53,000	37,300	137.38
Change (B-A)	-	-	-	-	-
Percentage revision.....	-	-	-	-	-
Actual results for the previous year ended March 31, 2020	492,617	64,046	66,008	47,731	175.80

The above forecasts are based on the assumption that economic activities will not stagnate again due to restrictions in response to the second wave of the spread of the COVID-19. In addition, the assumed exchange rates applied in the forecast calculation are as follows;

[Currency exchange rate assumption]

The above forecast is based on the assumption of exchange rates of 105 yen to the U.S. dollar, 118 yen to the euro and 14.9 yen to the renminbi for the remaining nine months period ending March 31, 2021.

The above forecast is based on the assumption of exchange rates of 106 yen to the U.S. dollar, 118 yen to the euro and 15.0 yen to the renminbi for the year ending March 31, 2021.

[Reference]

The actual exchange rate for the year ended March 31, 2020 was 108.70 yen to the U.S. dollar, 120.81 yen to the euro and 15.60 yen to the renminbi.

(Note)

The above forecasts are made based on the information available at this time and include potential risks and uncertainties, so the actual results may differ from the forecast due to various factors such as the timing of the COVID-19 comes to an end.



2. Consolidated Financial Statements (Unaudited)
 (1) Consolidated Statement of Financial Position

	Yen (millions)			
	As of March 31, 2020		As of June 30, 2020	
		Composition ratio		Composition ratio
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	143,439		133,699	
Trade receivables and other receivables	69,599		77,416	
Inventories	214,560		216,783	
Other financial assets.....	25,235		22,994	
Other current assets	7,633		9,226	
Total current assets.....	<u>460,466</u>	68.3%	<u>460,118</u>	67.0%
NON-CURRENT ASSETS:				
Property, plant and equipment, at cost.....	146,649		154,753	
Goodwill and intangible assets	8,749		8,796	
Other financial assets.....	38,551		41,990	
Net defined retirement benefit assets.....	9,511		9,426	
Deferred income taxes	6,932		7,729	
Other non-current assets	3,706		3,525	
Total non-current assets.....	<u>214,098</u>	31.7%	<u>226,219</u>	33.0%
Total assets	<u>674,564</u>	100.0%	<u>686,337</u>	100.0%

	Yen (millions)			
	As of March 31, 2020		As of June 30, 2020	
		Composition ratio		Composition ratio
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES:				
Trade payables and other payables	34,959		37,539	
Borrowings	7,997		6,010	
Other financial liabilities.....	2,468		3,119	
Income taxes payable.....	3,757		6,381	
Provisions	2,931		3,003	
Other current liabilities	27,264		28,406	
Total current liabilities.....	79,376	11.7%	84,458	12.3%
NON-CURRENT LIABILITIES:				
Retirement benefit liabilities	3,138		3,167	
Other financial liabilities.....	9,894		9,940	
Provisions	1,248		1,227	
Deferred income taxes	4,952		7,346	
Other non-current liabilities.....	208		208	
Total non-current liabilities.....	19,440	2.9%	21,888	3.2%
Total liabilities	98,816	14.6%	106,346	15.5%
EQUITY				
Common stock	23,805		23,805	
Additional paid-in capital	45,531		45,542	
Retained earnings.....	540,063		539,909	
Treasury stock, at cost.....	(11,554)		(11,555)	
Other components of equity.....	(26,570)		(22,382)	
Total equity attributable to owners of the parent ..	571,275	84.7%	575,319	83.8%
NON-CONTROLLING INTEREST	4,473	0.7%	4,672	0.7%
Total equity	575,748	85.4%	579,991	84.5%
Total liabilities and equity	674,564	100.0%	686,337	100.0%



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

	Yen (millions)			
	For the three months ended June 30, 2019		For the three months ended June 30, 2020	
	Ratio to revenue		Ratio to revenue	
REVENUE.....	122,480	100.0%	126,996	100.0%
Cost of sales.....	(78,955)	(64.5%)	(86,015)	(67.7%)
GROSS PROFIT.....	43,525	35.5%	40,981	32.3%
Selling, general, administrative and others, net	(26,150)	(21.3%)	(25,412)	(20.0%)
OPERATING PROFIT	17,375	14.2%	15,569	12.3%
Financial income.....	1,503		998	
Financial expenses.....	(108)		(98)	
PROFIT BEFORE INCOME TAXES	18,770	15.3%	16,469	13.0%
Income tax expenses.....	(4,482)		(4,785)	
PROFIT	14,288	11.7%	11,684	9.2%
Profit attributable to:				
Owners of the parent.....	14,159	11.6%	11,521	9.1%
Non-controlling interests	129	0.1%	163	0.1%

Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Profit.....	14,288	11,684
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Items that will not be reclassified to profit (loss)		
Equity financial goods measured at fair value		
through other comprehensive income (loss).....	(590)	2,158
Total of items that will not be reclassified to profit (loss)	(590)	2,158
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(11,978)	2,066
Total of items that may be reclassified to profit (loss)	(11,978)	2,066
Total other comprehensive income (loss), net of tax	(12,568)	4,224
COMPREHENSIVE INCOME	1,720	15,908
Comprehensive income attributable to:		
Owners of the parent.....	1,666	15,709
Non-controlling interests	54	199



(3) Consolidated Statement of Changes in Equity

Yen (millions)								
For the three months ended June 30, 2019								
Equity attributable to owners of the parent								
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total	Non-Controlling interest	Total equity
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			14,159			14,159	129	14,288
Other comprehensive income					(12,493)	(12,493)	(75)	(12,568)
Comprehensive income	-	-	14,159	-	(12,493)	1,666	54	1,720
Dividends paid			(14,116)			(14,116)		(14,116)
Purchase of treasury stock				(1)		(1)		(1)
Disposal of treasury stock		0		0		0		0
Share-based payment transaction		10				10		10
Transfer from other components of equity to retained earnings			342		(342)	-		-
Total amounts of transactions with owners	-	10	(13,774)	(1)	(342)	(14,107)	-	(14,107)
Balance at June 30, 2019	23,805	45,581	509,007	(11,682)	(6,404)	560,307	4,528	564,835

Yen (millions)								
For the three months ended June 30, 2020								
Equity attributable to owners of the parent								
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total	Non-Controlling interest	Total equity
Balance at April 1, 2020	23,805	45,531	540,063	(11,554)	(26,570)	571,275	4,473	575,748
Profit for the period			11,521			11,521	163	11,684
Other comprehensive income					4,188	4,188	36	4,224
Comprehensive income	-	-	11,521	-	4,188	15,709	199	15,908
Dividends paid			(11,675)			(11,675)		(11,675)
Purchase of treasury stock				(1)		(1)		(1)
Share-based payment transaction		11				11		11
Total amounts of transactions with owners	-	11	(11,675)	(1)	-	(11,665)	-	(11,665)
Balance at June 30, 2020	23,805	45,542	539,909	(11,555)	(22,382)	575,319	4,672	579,991



(4) Consolidated Statements of Cash Flows

	Yen (millions)	
	For the three months ended June 30, 2019	For the three months ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit	14,288	11,684
Depreciation and amortization.....	3,406	3,675
Income tax expenses.....	4,482	4,785
Financial expenses (income).....	(1,395)	(900)
Loss (gain) on sales and retirement of property, plant and equipment	(1,041)	74
Decrease (increase) in trade receivables and other receivables	3,552	(7,324)
Increase in inventories	(7,822)	(99)
Increase (decrease) in trade payables and other payables	(3,619)	1,924
Increase and decrease in retirement benefit assets and liabilities	(90)	15
Other	(527)	547
Subtotal.....	11,234	14,381
Dividends received	402	395
Interest received.....	473	180
Interest paid	(100)	(108)
Income taxes paid	(8,118)	(1,745)
Cash flows from operating activities	3,891	13,103
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of non-current assets.....	(9,045)	(10,189)
Proceeds from sales of non-current assets	2,181	6
Purchase of investments	(1,292)	(200)
Proceeds from sales and redemption of investments	768	5,028
Payments into time deposits	(10,081)	(11,064)
Proceeds from withdrawal of time deposits.....	16,868	7,940
Other	205	14
Cash flows from investing activities.....	(396)	(8,465)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in short-term borrowings	(485)	(2,005)
Purchase and sales of treasury stock, net.....	(1)	(1)
Cash dividends paid.....	(14,116)	(11,675)
Repayment of lease liabilities.....	(534)	(641)
Other	935	788
Cash flows from financing activities	(14,201)	(13,534)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4,834)	(844)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,540)	(9,740)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD ...	146,512	143,439
CASH AND CASH EQUIVALENTS, END OF PERIOD	130,972	133,699



(5) Notes to Consolidated Financial Statements

Notes on the assumptions for a going concern: None

Changes in accounting policies:

The standards and interpretations that the Group has applied since the period are as follows;

	IFRS	Overview of new establishment/revision
IAS 1	Presentation of Financial Statements	Revised definition of “materiality”
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	

The application of above standards and interpretations will not have any material impact on the financial statements.

(Operating Segment Information)

	Yen (millions)							
	For the three months ended June 30, 2019							
	Japan	Europe	North America	Asia	Total	Other	Eliminations	Consolidated
Revenue:								
External customers	28,582	56,070	17,830	6,297	108,779	13,701	-	122,480
Inter-segment	48,814	1,948	972	50,683	102,417	91	(102,508)	-
Total	<u>77,396</u>	<u>58,018</u>	<u>18,802</u>	<u>56,980</u>	<u>211,196</u>	<u>13,792</u>	<u>(102,508)</u>	<u>122,480</u>
Operating profit (loss)...	6,715	3,216	(995)	5,294	14,230	170	2,975	17,375

	Yen (millions)							
	For the three months ended June 30, 2020							
	Japan	Europe	North America	Asia	Total	Other	Eliminations	Consolidated
Revenue:								
External customers	30,026	58,449	20,072	5,250	113,797	13,199	-	126,996
Inter-segment	53,120	2,556	797	58,987	115,460	83	(115,543)	-
Total	<u>83,146</u>	<u>61,005</u>	<u>20,869</u>	<u>64,237</u>	<u>229,257</u>	<u>13,282</u>	<u>(115,543)</u>	<u>126,996</u>
Operating profit (loss)...	6,266	5,053	(188)	6,907	18,038	264	(2,733)	15,569



3. SUPPORT DOCUMENTATION (CONSOLIDATED)

(1) Consolidated Financial Results and Forecast

	Yen (millions)			
	For the three months ended June 30, 2019		For the three months ended June 30, 2020	
		(%)		(%)
Revenue	122,480	(0.1)	126,996	3.7
Domestic	23,883	11.2	25,329	6.1
Overseas	98,597	(2.5)	101,667	3.1
Operating profit	17,375	(17.4)	15,569	(10.4)
Profit before income taxes	18,770	(15.8)	16,469	(12.3)
Profit attributable to owners of the parent	14,159	(8.9)	11,521	(18.6)
Profit attributable to owners of the parent per share (Yen)	52.16		42.43	
Number of Employees	16,595		17,293	

	Yen (millions)			
	For the year ended March 31, 2020		For the year ending March 31, 2021 (Forecast)	
		(%)		(%)
Revenue	492,617	0.4	490,000	(0.5)
Domestic	100,697	9.3	100,000	(0.7)
Overseas	391,920	(1.6)	390,000	(0.5)
Operating profit	64,046	(18.2)	53,000	(17.2)
Profit before income taxes	66,008	(17.4)	53,000	(19.7)
Profit attributable to owners of the parent	47,731	(14.4)	37,300	(21.9)
Profit attributable to owners of the parent per share (Yen)	175.80		137.38	
Number of Employees	17,090		-	

Notes:

1. Please refer to "SUPPLEMENT INFORMATION (CONSOLIDATED)", "1. Overview of operating results", "(3) Outlook for the fiscal year ending March 31, 2021" 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 three months ended June 30, 2019		For the three months ended June 30, 2020		For the year ended March 31, 2020	
		(%)		(%)		(%)
Japan	23,883	11.2	25,329	6.1	100,697	9.3
Europe.....	55,768	1.1	58,168	4.3	216,230	1.4
North America	17,388	1.3	19,855	14.2	72,304	(0.3)
Asia.....	9,761	(4.0)	8,997	(7.8)	38,998	(4.7)
Central and South America	6,133	(8.5)	4,152	(32.3)	26,000	(6.5)
Oceania	7,298	(7.9)	8,653	18.6	28,421	(6.0)
The Middle East and Africa	2,249	(44.3)	1,842	(18.1)	9,967	(27.6)
Total	122,480	(0.1)	126,996	3.7	492,617	0.4

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 "Operating Segment Information" on page 10.
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 three months ended June 30, 2019	For the three months ended June 30, 2020	For the year ended March 31, 2020	For the year ending March 31, 2021 (Forecast)
USD/JPY	109.90	107.63	108.70	106
EUR/JPY	123.50	118.59	120.81	118
RMB/JPY	16.08	15.17	15.60	15.0

(4) Production Ratio (unit basis)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020	For the year ended March 31, 2020
	Composition ratio	Composition ratio	Composition ratio
Domestic.....	11.2%	9.0%	10.7%
Overseas	88.8%	91.0%	89.3%

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

	Yen (millions)			
	For the three months ended June 30, 2019	For the three months ended June 30, 2020	For the year ended March 31, 2020	For the year ending March 31, 2021 (Forecast)
Capital expenditures	9,045	10,189	44,409	58,000
Depreciation and amortization...	2,990	3,118	12,058	14,000
R&D cost	2,867	3,227	11,601	13,200