



Makita Corporation

Consolidated Financial Results for the nine months ended December 31, 2020 (IFRS Financial Information)

(English translation of "KESSAN TANSHIN")

originally issued in Japanese)



CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 (Unaudited)

January 29, 2021

Makita Corporation

Stock code: 6586

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

Munetoshi Goto, President, Representative Director

1. Summary operating results of the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

(1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the nine months ended December 31, 2019		For the nine months ended December 31, 2020	
		%		%
Revenue	373,261	1.7	441,184	18.2
Operating profit	50,906	(15.3)	65,703	29.1
Profit before income taxes	53,246	(14.1)	65,414	22.9
Profit	38,821	(10.6)	47,251	21.7
Profit attributable to owners of the parent	38,569	(10.6)	46,890	21.6
Comprehensive income	30,809	46.8	65,844	113.7
	Yen			
Profit attributable to Owners of the parent per share				
Basic	142.06		172.69	
Diluted	-		-	

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.

(2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2020	As of December 31, 2020
Total assets.....	674,564	751,634
Total equity	575,748	627,233
Equity attributable to owners of the parent.....	571,275	622,211
Ratio of equity attributable to owners of the parent to total assets (%).....	84.7%	82.8%

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 formerly 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 Performance 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	570,000	15.7
Operating profit	82,000	28.0
Profit before income taxes	81,000	22.7
Profit attributable to owners of the parent	58,000	21.5
	Yen	
Profit attributable to owners of the parent per share	213.61	

Notes:

- The consolidated financial forecast for the year ending March 31, 2021 has been revised.
- 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

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

As of December 31, 2020:	8,489,998
As of March 31, 2020:	8,500,530
 - Average number of shares outstanding:

For the nine months ended	
December 31, 2020:	271,523,428
For the nine months ended	
December 31, 2019:	271,497,673

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)”, “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) Explanation of Consolidated Operating Results

Looking at the international economic situation during the first nine months period, the world economy, which had fallen sharply due to the spread of the new coronavirus infection, was gradually recovering due to the government economic and financial policies; however, towards the end of the year 2020, there was another wave of COVID-19 outbreak in each area of the world, leading to continued or even stricter restrictions imposed on economic activities resulting in rising uncertainties over the economies.

Our consolidated financial results for the first nine months of the current consolidated cumulative period increased 18.2 % year-on-year to 441,184 million yen due to strong sales mainly in domestic and developed countries, despite a decrease in overseas sales due to foreign exchange rate. In terms of profits, operating profit increased 29.1% year-on-year to 65,703 million yen (operating profit margin: 14.9%) due to increased sales despite an increase in a cost rate. Profit before income taxes increased 22.9% year-on-year to 65,414 million yen (profit margin before income taxes: 14.8%), and profit attributable to owners of the parent increased 21.6% to 46,890 million yen (ratio of profit attributable to owners of the parent: 10.6%).

Revenue results by region were as follows:

Revenue in Japan increased by 11.3% to 83,515 million yen compared to the same period of the previous year. This was due to steady demand for highly efficient cordless products at building and construction sites, as well as demand supported by government subsidies for sustaining businesses and nesting.

Revenue in Europe increased by 25.6% to 204,794 million yen as we demonstrated the strength of having bases in each country. Sales were up in response to demand for tools at building and construction sites and robust stay home demand amid travel restrictions imposed by the COVID-19 pandemic.

Revenue in North America increased by 18.5% to 66,224 million yen due to the promotion of our mainstay cordless products was successful in addition to stay home demand and demand for tools caused by an increase in the number of new housing starts.

In Asia, although the economy is gradually recovering sales were sluggish in many countries except China and Taiwan due to the stagnation of economic activities resulting from COVID-19 outbreak; consequently, sales decreased by 4.2% year-on-year to 29,127 million yen.

In Central and South America, although there was the significant depreciation of local currencies, sales volumes increased due to nesting demand and the strong demand for tools due to the resumption of economic activities and active sales activities; consequently, sales increased 5.0% year-on-year to 21,032 million yen.

In Oceania, sales increased 34.1% year-on-year to 29,101 million yen due to increased sales of cordless products including both cordless power tools and cordless outdoor power equipment led by nesting demand and Australian government policies to support the economies.

In the Middle East and Africa, despite continued impact led by COVID-19 outbreak, some countries were preparing for recovery in demand after the settlement of COVID-19, so sales increased 3.5% year-on-year to 7,391 million yen.

(2) Explanation of Consolidated Financial Position

Total assets as of December 31, 2020 increased by 77,070 million yen to 751,634 million yen compared to the balance as of March 31, 2020. This increase was mainly due to the rise in “Property, plant and equipment” and “Inventories.”

Total liabilities increased by 25,585 million yen to 124,401 million yen compared to the balance as of March 31, 2020. This increase was mainly due to the rise in “Trade payables and other payables.”

Total equity increased by 51,485 million yen to 627,233 million yen compared to the balance as of March 31, 2020. This increase was mainly due to the rise in “Retained earnings.”



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

Although there were restrictions on sales activities affected by the COVID-19 and a decrease in overseas sales due to foreign currency exchange rate, sales until the third quarter performed better than expected due to stay home demand for tools led by people refraining from going out and also due to the solid demand for power tools at building and construction sites. Thereby, we have revised our earnings forecast.

Revised forecast for consolidated performance of the fiscal year ending March 31, 2021 (From April 1, 2020 to 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)	530,000	67,500	67,500	48,000	176.78
Revised forecast (B)	570,000	82,000	81,000	58,000	213.61
Changes (B-A)	40,000	14,500	13,500	10,000	-
Percentage change	7.5%	21.5%	20.0%	20.8%	-
Actual results for the previous year ended March 31, 2020	492,617	64,046	66,008	47,731	175.80

The above earnings forecast is based on the premise that economic activities will not stagnate due to restrictions imposed by government following the rebound of the COVID-19 outbreak. The exchange rates assumed for the business forecast are as follows.

[Preconditions]

The above forecast is based on the assumption of exchange rates of 105 yen to the U.S. dollar, 120 yen to the euro and 16.0 yen to the renminbi for the remaining three 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, 122 yen to the euro and 15.6 yen to the renminbi for the year ending March 31, 2021.

[Reference]

The exchange rates for previously announced forecasts that we announced on October 30, 2020 were 106 yen to the U.S. dollar, 121 yen to the euro and 15.4 yen to the renminbi for the year ending March 31, 2021.

Note: The above forecast is based on information as available at the present time, and includes potential risks and uncertainties. As a consequence of the factors such as COVID-19 infection status, actual results may vary from the forecast provided above.



2. Consolidated Financial Statements (Unaudited)

(1) Consolidated Statement of Financial Position

	Yen (millions)			
	As of March 31, 2020		As of December 31, 2020	
		Composition ratio		Composition ratio
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	143,439		158,708	
Trade receivables and other receivables.....	69,599		79,016	
Inventories	214,560		229,906	
Other financial assets	25,235		19,251	
Other current assets.....	7,633		9,621	
Total current assets	<u>460,466</u>	68.3%	<u>496,502</u>	66.1%
NON-CURRENT ASSETS:				
Property, plant and equipment, at cost	146,649		176,185	
Goodwill and intangible assets	8,749		9,278	
Other financial assets	38,551		49,276	
Not defined benefit asset.....	9,511		9,258	
Deferred income taxes	6,932		7,800	
Other non-current assets	3,706		3,335	
Total non-current assets	<u>214,098</u>	31.7%	<u>255,132</u>	33.9%
Total assets.....	<u>674,564</u>	100.0%	<u>751,634</u>	100.0%

	Yen (millions)			
	As of March 31, 2020		As of December 31, 2020	
		Composition ratio		Composition ratio
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES:				
Trade payables and other payables	34,959		50,602	
Borrowings	7,997		1,015	
Other financial liabilities.....	2,468		3,180	
Income taxes payable.....	3,757		5,470	
Provisions	2,931		3,270	
Other liabilities	27,264		35,153	
Total current liabilities.....	<u>79,376</u>	11.7%	<u>98,690</u>	13.2%
NON-CURRENT LIABILITIES:				
Retirement benefit liabilities	3,138		3,244	
Other financial liabilities.....	9,894		10,802	
Provisions	1,248		1,240	
Deferred income taxes	4,952		10,217	
Other non-current liabilities.....	208		208	
Total non-current liabilities.....	<u>19,440</u>	2.9%	<u>25,711</u>	3.4%
Total liabilities	<u>98,816</u>	14.6%	<u>124,401</u>	16.6%
EQUITY				
Common stock	23,805		23,805	
Additional paid-in capital	45,531		45,548	
Retained earnings.....	540,063		572,563	
Treasury stock, at cost.....	(11,554)		(11,540)	
Other components of equity.....	<u>(26,570)</u>		<u>(8,165)</u>	
Total equity attributable to owners of the parent	<u>571,275</u>	84.7%	<u>622,211</u>	82.8%
NON-CONTROLLING INTEREST	<u>4,473</u>	0.7%	<u>5,022</u>	0.6%
Total equity	<u>575,748</u>	85.4%	<u>627,233</u>	83.4%
Total liabilities and equity	<u>674,564</u>	100.0%	<u>751,634</u>	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 nine months ended December 31, 2019		For the nine months ended December 31, 2020	
	Composition ratio		Composition ratio	
REVENUE.....	373,261	100.0%	441,184	100.0%
Cost of sales.....	(244,608)	(65.5%)	(293,145)	(66.4%)
GROSS PROFIT.....	128,653	34.5%	148,039	33.6%
Selling, general, administrative and others, net	(77,747)	(20.9%)	(82,336)	(18.7%)
OPERATING PROFIT	50,906	13.6%	65,703	14.9%
Financial income.....	2,670		1,588	
Financial expenses.....	(330)		(1,877)	
PROFIT BEFORE INCOME TAXES	53,246	14.3%	65,414	14.8%
Income tax expenses	(14,425)		(18,163)	
PROFIT	38,821	10.4%	47,251	10.7%
Profit attributable to:				
Owners of the parent.....	38,569	10.3%	46,890	10.6%
Non-controlling interests	252	0.1%	361	0.1%

Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
PROFIT	38,821	47,251
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)	2,838	7,114
Total of items that will not be reclassified to profit (loss)	2,838	7,114
Items that may be reclassified to profit (loss)		
Exchange differences on translating foreign operations	(10,850)	11,479
Total of items that may be reclassified to profit (loss).....	(10,850)	11,479
Total other comprehensive income (loss), net of tax	(8,012)	18,593
COMPREHENSIVE INCOME	30,809	65,844
Comprehensive income attributable to:		
Owners of the parent.....	30,630	65,295
Non-controlling interests	179	549



(3) Consolidated Statement of Changes in Equity

	Yen (millions)							Total equity
	For the nine months ended December 31, 2019							
	Equity attributable to owners of the parent						Non-Controlling interest	
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

	Yen (millions)							Total equity
	For the nine months ended December 31, 2020							
	Equity attributable to owners of the parent						Non-Controlling interest	
Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total			
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			46,890			46,890	361	47,251
Other comprehensive income					18,405	18,405	188	18,593
Comprehensive income	-	-	46,890	-	18,405	65,295	549	65,844
Dividends paid			(14,390)			(14,390)		(14,390)
Purchase of treasury stock				(1)		(1)		(1)
Share-based payment transaction		17		15		32		32
Total amounts of transactions with owners	-	17	(14,390)	14		(14,359)	-	(14,359)
Balance at December 31, 2020	23,805	45,548	572,563	(11,540)	(8,165)	622,211	5,022	627,233



(4) Consolidated Statements of Cash Flows

	Yen (millions)	
	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit.....	38,821	47,251
Depreciation and amortization.....	10,561	11,863
Income tax expenses.....	14,425	18,163
Financial income and expenses.....	(2,340)	289
Loss (gain) on sales and retirement of property, plant and equipment	(972)	351
Decrease (increase) in trade receivables and other receivables	7,904	(7,807)
Decrease (increase) in inventories	(15,052)	(8,666)
Increase (decrease) in trade payables and other payables	6,513	20,110
Increase in retirement benefit assets and liabilities.....	238	240
Decrease (increase) in guarantee deposits	(530)	-
Other	1,839	(2,034)
Subtotal.....	61,407	79,760
Dividends received	698	674
Interest received.....	1,171	566
Interest paid	(330)	(259)
Income taxes paid	(18,081)	(13,783)
Cash flows from operating activities	44,865	66,958
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of non-current assets.....	(33,128)	(36,219)
Proceeds from sales of non-current assets	2,559	50
Purchase of investments	(2,797)	(1,490)
Proceeds from sales and redemption of investments	3,878	6,132
Payments into time deposits	(28,781)	(38,093)
Proceeds from withdrawal of time deposits.....	33,498	38,731
Other	345	103
Cash flows from investing activities.....	(24,426)	(30,786)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in short-term borrowings	(2,329)	(7,118)
Purchase and sales of treasury stock, net.....	47	(1)
Cash dividends paid.....	(16,831)	(14,390)
Repayments of lease obligations.....	(1,743)	(2,160)
Other	(143)	31
Cash flows from financing activities	(20,999)	(23,638)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(4,594)	2,735
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,154)	15,269
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD ...	146,512	143,439
CASH AND CASH EQUIVALENTS, END OF PERIOD	141,358	158,708

(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.

Segment Information

	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

	Yen (millions)							
	For the nine months ended December 31, 2020							
	Japan	Europe	North America	Asia	Total	Other	Eliminations	Consolidated
Revenue:								
External customers	96,731	205,898	67,459	18,713	388,801	52,383	-	441,184
Inter-segment	177,676	8,038	2,879	190,627	379,220	432	(379,652)	-
Total	<u>274,407</u>	<u>213,936</u>	<u>70,338</u>	<u>209,340</u>	<u>768,021</u>	<u>52,815</u>	<u>(379,652)</u>	<u>441,184</u>
Operating profit	21,860	21,149	2,911	18,144	64,064	2,702	(1,063)	65,703



3. SUPPORT DOCUMENTATION (CONSOLIDATED)

(1) Consolidated Financial Results and Forecast

	Yen (millions)			
	For the nine months ended December 31, 2019		For the nine months ended December 31, 2020	
		(%)		(%)
Revenue	373,261	1.7	441,184	18.2
Domestic	75,026	11.7	83,515	11.3
Overseas	298,235	(0.5)	357,669	19.9
Operating profit	50,906	(15.3)	65,703	29.1
Profit before income taxes	53,246	(14.1)	65,414	22.9
Profit attributable to owners of the parent	38,569	(10.6)	46,890	21.6
Profit attributable to owners of the parent per share (Yen)	142.06		172.69	
Number of Employees	17,157		18,279	

	Yen (millions)			
	For the year ended March 31, 2020		For the year ending March 31, 2021 (Forecast)	
		(%)		(%)
Revenue	492,617	0.4	570,000	15.7
Domestic	100,697	9.3	110,000	9.2
Overseas	391,920	(1.6)	460,000	17.4
Operating profit	64,046	(18.2)	82,000	28.0
Profit before income taxes	66,008	(17.4)	81,000	22.7
Profit attributable to owners of the parent	47,731	(14.4)	58,000	21.5
Profit attributable to owners of the parent per share (Yen)	175.80		213.61	
Number of Employees	17,090		-	

Notes:

1. Please refer to [SUPPLEMENT INFORMATION (CONSOLIDATED)] Section 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 nine months ended December 31, 2019		For the nine months ended December 31, 2020		For the year ended March 31, 2020	
		(%)		(%)		(%)
Japan.....	75,026	11.7	83,515	11.3	100,697	9.3
Europe.....	163,068	3.1	204,794	25.6	216,230	1.4
North America.....	55,903	(2.0)	66,224	18.5	72,304	(0.3)
Asia.....	30,401	0.2	29,127	(4.2)	38,998	(4.7)
Central and South America.....	20,029	(5.7)	21,032	5.0	26,000	(6.5)
Oceania.....	21,695	(5.1)	29,101	34.1	28,421	(6.0)
The Middle East and Africa.....	7,139	(29.9)	7,391	3.5	9,967	(27.6)
Total.....	373,261	1.7	441,184	18.2	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 "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 nine months ended December 31, 2019	For the nine months ended December 31, 2020	For the year ended March 31, 2020	For the year ending March 31, 2021 (Forecast)
USD/JPY.....	108.65	106.11	108.70	106
EUR/JPY.....	121.04	122.44	120.81	122
RMB/JPY.....	15.60	15.45	15.60	15.6

(4) Production Ratio (unit basis)

	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020	For the year ended March 31, 2020
	Composition ratio	Composition ratio	Composition ratio
Domestic.....	10.5%	7.6%	10.7%
Overseas.....	89.5%	92.4%	89.3%

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

	Yen (millions)			
	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020	For the year ended March 31, 2020	For the year ending March 31, 2021 (Forecast)
Capital expenditures.....	33,128	36,219	44,409	58,000
Depreciation and amortization...	8,937	10,026	12,058	14,000
R&D cost.....	8,484	9,447	11,601	13,200