



Makita Corporation

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

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



CONSOLIDATED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2014 (Unaudited)

July 31, 2014

Makita Corporation

Stock code: 6586

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

Shiro Hori, President, Representative Director

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

(1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the three months ended June 30, 2013		For the three months ended June 30, 2014	
		(%)		(%)
Net sales.....	90,758	21.1	101,754	12.1
Operating income	10,671	(10.9)	17,557	64.5
Income before income taxes	11,117	9.5	17,244	55.1
Net income attributable to Makita Corporation....	7,815	11.8	11,701	49.7
Comprehensive income	21,838	—	10,087	(53.8)
	Yen			
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders.....	57.57		86.20	

Notes:

1. Amounts of less than one million yen have been rounded.
2. 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 (loss) against the corresponding period of the previous year.

(2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2014	As of June 30, 2014
Total assets.....	519,121	511,815
Total equity	439,444	439,618
Total Makita Corporation shareholders' equity.....	435,934	436,079
Total Makita Corporation shareholders' equity ratio to total assets (%)	84.0%	85.2%

2. Dividend Information

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

Note:

1. The forecast for cash dividend announced on April 28, 2014 has not been revised.
2. The projected amount of dividends for the year ending March 31, 2015 has not been determined yet. For further details, refer to "Explanation regarding proper use of business forecast, and other significant matters" on page 3.



3. Consolidated Financial Performance Forecast for the year ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

	Yen (millions)			
	For the six months ending September 30, 2014		For the year ending March 31, 2015	
		(%)		(%)
Net sales.....	193,500	4.1	385,000	0.5
Operating income	31,000	20.5	59,500	8.4
Income before income taxes	31,200	15.5	59,800	5.0
Net income attributable to Makita Corporation	20,800	8.9	39,800	3.5
Yen				
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders.....	153.24		293.21	

Note:

The consolidated financial forecast for the year ending March 31, 2015 has not been revised.

4. Other

(Refer to [Qualitative Information and Financial Statements] Section 4 "Other" on page 5.)

- (1) Changes in important subsidiaries during the period (Changes in specified subsidiaries accompanied by changes in scope of consolidation during the quarter): Not applicable
- (2) Adoption of simplified accounting methods and accounting methods that are specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, procedures and presentation rules applied in the preparation of the quarterly consolidated financial statements:
 1. Changes due to revisions to accounting standards: Not applicable
 2. Changes due to other reasons: Not applicable
- (4) Number of shares outstanding (common stock)
 1. Number of shares issued (including treasury stock):

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

As of June 30, 2014:	4,271,848
As of March 31, 2014:	4,271,134
 3. Average number of shares outstanding:

For the three months ended June 30, 2014:	135,737,380
For the three months ended June 30, 2013:	135,745,421



Information regarding quarterly review

This consolidated financial results report is not subject to a quarterly review stipulated under the Financial Instruments and Exchange Act. As of the release date of this document, the quarterly review under the Financial Instruments and Exchange Act has not been completed.

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

1. Regarding the assumptions for the forecasts and other matters, refer to [Qualitative Information and Financial Statements] Section 3 "Explanation of Information Relevant to Forecast such as Consolidated Financial Performance Forecast" on page 4. The financial forecasts given above are based on information as available at the present time, and include potential risks and uncertainties. As a consequence of the factors above and other, actual results may vary from the forecasts provided above.
2. Makita's basic policy on the distribution of profits is to maintain a consolidated dividend payout ratio of 30% or greater, with a lower limit on annual cash dividends of 18 yen per share. However, in the event special circumstances arise, computation of the amount of dividends will be based on consolidated net income attributable to Makita Corporation after certain adjustments.

The Board of Directors plans to meet in April 2015 for a report on earnings for the year ending March 31, 2015. At the time, in accordance with the basic policy regarding profit distribution mentioned above, the Board of Directors plans to propose a dividend equivalent to at least 30% of net income attributable to Makita Corporation. The Board of Directors will submit this proposal to the General Meeting of Shareholders scheduled for June 2015.

The consolidated dividend payout ratio is calculated as annual dividends per share divided by consolidated net income attributable to Makita Corporation per share (after adjustments for special circumstances) and multiplied by 100.



[Qualitative Information and Financial Statements]

1. Explanation of Consolidated Operating Results

Looking at the global economic situation during the first three-month (the "period") ended June 30, 2014, the Western European economy continued to recover gradually, mainly supported by consumer spending, while the Russian economy began slowing down partly due to political uncertainty in Ukraine. The U.S. economy kept recovering gradually, since housing investment, in general, remained solid. The Asian economy lost momentum. Meanwhile, in Japan, consumer spending, which had declined just after the consumption tax rate hike, began picking up, though new housing starts declined.

Our consolidated net sales for this period increased by 12.1% to 101,754 million yen compared to the same period of the previous year. This is due to favorable sales in Japan and abroad and the depreciation of the yen against the US dollar and the euro. Operating income increased by 64.5% to 17,557 million yen (operating income ratio: 17.3%), supported by an improvement in cost of sales due to the influence of currencies in addition to sales growth. Income before income taxes increased by 55.1% to 17,244 million yen (income before income taxes ratio: 16.9%) and net income attributable to Makita Corporation shareholders increased by 49.7% to 11,701 million yen (ratio of net income attributable to Makita Corporation shareholders: 11.5%) from the same period of the previous year.

Net sales results by region were as follows:

Net sales in Japan increased by 11.6% to 15,633 million yen compared to the same period in the previous year. This was because demand remained robust due to continuous increase in the volume of work at construction sites and a TV commercial for a cordless brush cutter also contributed to sales growth.

Net sales in Europe increased by 11.8% to 45,074 million yen. This was because the yen depreciated against the euro as compared to the same period in the previous year and sales remained solid in main Western European markets.

Net sales in North America increased by 14.2% to 13,628 million yen. This was because favorable sales to the same period in the previous year to home improvement retailers.

Net sales in Asia increased by 9.5% to 9,163 million yen compared to the same period in the previous year. This was because sales grew steadily, although the economic growth slowed down.

Sales situation in the other regions are as follows: Net sales in Central and South America remained strong, increasing to 7,263 million yen, up 5.8% compared to the same period in the previous year, despite recession and the appreciation of the yen against local currencies. In addition, net sales in Oceania grew to 5,513 million yen, up 10.1% compared to the same period in the previous year and those in the Middle East and Africa increased to 5,480 million yen, up 29.0% compared to the same period in the previous year because demand recovered in these regions.

2. Explanation of Consolidated Financial Position

Total assets as of June 30, 2014 decreased by 7,306 million yen to 511,815 million yen compared to the balance as of March 31, 2014. The decrease was mainly due to the decrease in "Short-term investments".

Total liabilities as of June 30, 2014 decreased by 7,480 million yen to 72,197 million yen compared to the balance as of March 31, 2014. This decrease was mainly due to the decrease in "Income taxes payable".

Total equity as of June 30, 2014 increased by 174 million yen to 439,618 million yen compared to the balance as of March 31, 2014.

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

We have made no revision to the performance forecast released on April 28, 2014, because of uncertainties in the outlook of business environment surrounding Makita's business results.



4. Other

- (1) Changes in important subsidiaries during the period (Changes in specified subsidiaries accompanied by changes in scope of consolidation during the quarter): None
- (2) Adoption of simplified accounting methods and accounting methods that are specific to the preparation of quarterly consolidated financial statements:
With regard to the income tax expenses, Makita computes interim income tax expense by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes for the reporting period.
- (3) Changes in accounting principles, procedures and presentations: None



5. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets

	Yen (millions)			
	As of March 31, 2014		As of June 30, 2014	
		Composition ratio		Composition ratio
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents.....	81,732		88,134	
Time deposits	15,673		15,453	
Short-term investments	41,048		26,082	
Trade receivables-				
Notes.....	1,402		1,382	
Accounts	64,176		61,424	
Less- Allowance for doubtful receivables	(1,001)		(991)	
Inventories	156,111		157,749	
Deferred income taxes	7,231		6,033	
Prepaid expenses and other current assets	13,665		14,769	
Total current assets	<u>380,037</u>	73.2%	<u>370,035</u>	72.3%
PROPERTY, PLANT AND EQUIPMENT, AT COST:				
Land	22,793		23,006	
Building and improvements	91,184		91,250	
Machinery and equipment.....	86,594		86,820	
Construction in progress	3,174		4,570	
Sub total	<u>203,745</u>		<u>205,646</u>	
Less- Accumulated depreciation and amortization	<u>(112,143)</u>		<u>(112,825)</u>	
Total net property, plant and equipment.....	<u>91,602</u>	17.6%	<u>92,821</u>	18.1%
INVESTMENTS AND OTHER ASSETS:				
Investments	30,413		31,557	
Goodwill	721		721	
Other intangible assets, net	4,692		4,657	
Deferred income taxes	623		620	
Other assets	11,033		11,404	
Total investments and other assets	<u>47,482</u>	9.2%	<u>48,959</u>	9.6%
Total assets.....	<u>519,121</u>	100.0%	<u>511,815</u>	100.0%



	Yen (millions)			
	As of March 31, 2014		As of June 30, 2014	
		Composition ratio		Composition ratio
LIABILITIES				
CURRENT LIABILITIES:				
Short-term borrowings	4,147		3,200	
Trade notes and accounts payable	21,406		20,140	
Other payables	6,647		6,575	
Accrued expenses	10,566		9,963	
Accrued payroll	9,083		6,953	
Income taxes payable	8,210		3,106	
Deferred income taxes	1,029		1,075	
Other liabilities	8,199		9,601	
Total current liabilities	<u>69,287</u>	13.3%	<u>60,613</u>	11.8%
LONG-TERM LIABILITIES:				
Long-term indebtedness	16		14	
Accrued retirement and termination benefits	3,689		3,631	
Deferred income taxes	5,332		6,515	
Other liabilities	1,353		1,424	
Total long-term liabilities	<u>10,390</u>	2.0%	<u>11,584</u>	2.3%
Total liabilities	<u>79,677</u>	15.3%	<u>72,197</u>	14.1%
EQUITY				
MAKITA CORPORATION SHAREHOLDERS' EQUITY:				
Common stock	23,805		23,805	
Additional paid-in capital	45,421		45,421	
Legal reserve	5,669		5,669	
Retained earnings	366,919		368,711	
Accumulated other comprehensive income	5,693		4,050	
Treasury stock, at cost	(11,573)		(11,577)	
Total Makita Corporation shareholders' equity	<u>435,934</u>	84.0%	<u>436,079</u>	85.2%
NONCONTROLLING INTEREST	<u>3,510</u>	0.7%	<u>3,539</u>	0.7%
Total equity	<u>439,444</u>	84.7%	<u>439,618</u>	85.9%
Total liabilities and equity	<u>519,121</u>	100.0%	<u>511,815</u>	100.0%
<hr/>				
	As of March 31, 2014		As of June 30, 2014	
Total number of shares authorized	496,000,000		496,000,000	
Number of shares issued	140,008,760		140,008,760	
Number of shares issued (excluding treasury stock)	135,737,626		135,736,912	
Number of treasury stock	4,271,134		4,271,848	



(2) Consolidated Statements of Income

	Yen (millions)			
	For the three months ended June 30, 2013		For the three months ended June 30, 2014	
	Composition ratio		Composition ratio	
NET SALES	90,758	100.0%	101,754	100.0%
Cost of sales	60,472	66.6%	63,088	62.0%
GROSS PROFIT.....	30,286	33.4%	38,666	38.0%
Selling, general, administrative and others, net.....	19,615	21.6%	21,109	20.7%
OPERATING INCOME	10,671	11.8%	17,557	17.3%
OTHER INCOME (EXPENSE):				
Interest and dividend income	621		681	
Interest expense	(47)		(55)	
Exchange losses on foreign currency transactions, net	(714)		(977)	
Realized gains on securities, net.....	586		38	
Total other income (expense), net.....	446	0.4%	(313)	(0.4%)
INCOME BEFORE INCOME TAXES	11,117	12.2%	17,244	16.9%
Provision for income taxes:				
Current.....	2,227		3,516	
Deferred.....	1,004		1,916	
Total income tax expense	3,231	3.5%	5,432	5.3%
NET INCOME.....	7,886	8.7%	11,812	11.6%
Less-Net income attributable to the non-controlling interest.....	71	0.1%	111	0.1%
NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION.....	7,815	8.6%	11,701	11.5%

Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the three months ended June 30, 2013	For the three months ended June 30, 2014
NET INCOME.....	7,886	11,812
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment	13,132	(2,726)
Unrealized holding gains on available-for-sale securities.....	771	963
Pension liability adjustment	49	38
Total other comprehensive income (loss).....	13,952	(1,725)
COMPREHENSIVE INCOME	21,838	10,087
Less-Comprehensive income attributable to the non-controlling interest.....	238	29
COMPREHENSIVE INCOME ATTRIBUTABLE TO MAKITA CORPORATION.....	21,600	10,058



(3) Consolidated Statements of Cash Flows

	Yen (millions)	
	For the three months ended June 30, 2013	For the three months ended June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	7,886	11,812
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization.....	2,696	2,029
Deferred income tax expense.....	1,004	1,916
Realized gains on securities, net.....	(586)	(38)
Losses on disposal or sales of property, plant and equipment, net.....	42	75
Changes in assets and liabilities-		
Trade receivables.....	(716)	2,172
Inventories.....	663	(2,735)
Trade notes and accounts payable and accrued expenses.....	(2,569)	(2,310)
Income taxes payable.....	(3,262)	(5,588)
Accrued retirement and termination benefits.....	(388)	(266)
Other, net.....	(1,850)	(1,088)
Net cash provided by operating activities.....	2,920	5,979
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, including interest capitalized.....	(3,422)	(4,379)
Purchases of available-for-sale securities.....	(3)	(124)
Proceeds from sales of available-for-sale securities.....	14,780	14,106
Proceeds from maturities of available-for-sale securities.....	46	-
Proceeds from maturities of held-to-maturity securities.....	1,600	1,200
Proceeds from sales of property, plant and equipment.....	292	42
Investment in time deposit.....	(544)	(543)
Withdrawal of time deposit.....	3,883	515
Other, net.....	(10)	(39)
Net cash provided by investing activities.....	16,622	10,778
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to borrowings with original maturities of three months or less, net.....	516	34
Additions to borrowings with original maturities of more than three months.....	2,048	-
Payments on borrowings with original maturities of more than three months.....	(575)	(974)
Purchase of treasury stock, net.....	(6)	(4)
Cash dividends paid.....	(7,330)	(9,909)
Other, net.....	604	930
Net cash used in financing activities.....	(4,743)	(9,923)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	2,090	(432)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	16,889	6,402
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD ...	62,283	81,732
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	79,172	88,134



(4) Note on the assumptions for a going concern: None

(5) Note in case there is any significant change in the shareholders' equity: None

(6) Condensed Operating Segment Information

	Yen (millions)							
	For the three months ended June 30, 2013							
	Japan	Europe	North America	Asia	Other	Total	Eliminations	Consolidated
Sales:								
(1) External customers	19,519	40,491	12,182	4,300	14,266	90,758	-	90,758
(2) Inter-segment	14,769	1,039	966	37,235	43	54,052	(54,052)	-
Total	<u>34,288</u>	<u>41,530</u>	<u>13,148</u>	<u>41,535</u>	<u>14,309</u>	<u>144,810</u>	<u>(54,052)</u>	<u>90,758</u>
Operating expenses	29,734	38,214	12,325	36,818	13,335	130,426	(50,339)	80,087
Operating income (loss)	4,554	3,316	823	4,717	974	14,384	(3,713)	10,671

	Yen (millions)							
	For the three months ended June 30, 2014							
	Japan	Europe	North America	Asia	Other	Total	Eliminations	Consolidated
Sales:								
(1) External customers	21,233	45,067	14,020	5,206	16,228	101,754	-	101,754
(2) Inter-segment	17,729	1,182	906	43,437	21	63,275	(63,275)	-
Total	<u>38,962</u>	<u>46,249</u>	<u>14,926</u>	<u>48,643</u>	<u>16,249</u>	<u>165,029</u>	<u>(63,275)</u>	<u>101,754</u>
Operating expenses	34,302	41,035	14,370	41,472	15,062	146,241	(62,044)	84,197
Operating income (loss)	4,660	5,214	556	7,171	1,187	18,788	(1,231)	17,557



SUPPORT DOCUMENTATION (CONSOLIDATED)

1. Consolidated Financial Results and Forecast

	Yen (millions)			
	For the three months ended June 30, 2013		For the three months ended June 30, 2014	
		(%)		(%)
Net sales.....	90,758	21.1	101,754	12.1
Domestic	14,002	7.2	15,633	11.6
Overseas	76,756	24.0	86,121	12.2
Operating income	10,671	(10.9)	17,557	64.5
Income before income taxes	11,117	9.5	17,244	55.1
Net income attributable to Makita Corporation	7,815	11.8	11,701	49.7
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders (Yen).....	57.57		86.20	
Number of Employees	12,480		12,768	

	Yen (millions)					
	For the year ended March 31, 2014		For the six months ending September 30, 2014 (Forecast)		For the year ending March 31, 2015 (Forecast)	
		(%)		(%)		(%)
Net sales.....	383,207	23.8	193,500	4.1	385,000	0.5
Domestic	66,019	16.7	28,000	(5.2)	56,000	(15.2)
Overseas	317,188	25.3	165,500	5.9	329,000	3.7
Operating income	54,914	21.0	31,000	20.5	59,500	8.4
Income before income taxes	56,974	24.7	31,200	15.5	59,800	5.0
Net income attributable to Makita Corporation.....	38,453	23.7	20,800	8.9	39,800	3.5
Earning per share (Basic)						
Net income attributable to Makita Corporation common shareholders (Yen)	283.28		153.24		293.21	
Number of Employees	12,804		-		-	

Notes:

1. The table above shows the changes in the percentage ratio of Net sales, Operating income, Income before income taxes, and Net income attributable to Makita Corporation against the corresponding period of the previous year.
2. Please refer to [Qualitative Information and Financial Statements] Section 3 “Explanation of Information Relevant to Forecast such as Consolidated Financial Performance Forecast” on page 4.



2. Consolidated Net Sales by Geographic Area

	Yen (millions)					
	For the three months ended June 30, 2013		For the three months ended June 30, 2014		For the year ended March 31, 2014	
		(%)		(%)		(%)
Japan	14,002	7.2	15,633	11.6	66,019	16.7
Europe.....	40,331	33.4	45,074	11.8	165,357	32.3
North America	11,936	23.5	13,628	14.2	49,891	20.3
Asia.....	8,368	12.3	9,163	9.5	35,004	20.3
Other regions	16,121	11.0	18,256	13.2	66,936	16.5
Central and South America.....	6,864	35.8	7,263	5.8	28,069	22.5
Oceania.....	5,009	7.2	5,513	10.1	20,805	10.4
The Middle East and Africa.....	4,248	(11.4)	5,480	29.0	18,062	15.1
Total.....	90,758	21.1	101,754	12.1	383,207	23.8

Note: The table above sets forth Makita's consolidated net sales by geographic area based on the customer's location for the periods presented. Accordingly, it differs from "Condensed Operating Segment Information" on page 10. The table above shows the changes in the percentage ratio of net sales compared to the corresponding period of the previous year.

3. Exchange Rates

	Yen				
	For the three months ended June 30, 2013	For the three months ended June 30, 2014	For the year ended March 31, 2014	For the six months ending September 30, 2014 (Forecast)	For the year ending March 31, 2015 (Forecast)
Yen/U.S. Dollar.....	98.78	102.17	100.17	100	100
Yen/Euro.....	128.95	140.07	134.21	135	135

4. Production Ratio (unit basis)

	For the three months ended June 30, 2013	For the three months ended June 30, 2014	For the year ended March 31, 2014
	Composition ratio	Composition ratio	Composition ratio
Domestic.....	11.7%	10.1%	11.2%
Overseas	88.3%	89.9%	88.8%

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

	Yen (millions)			
	For the three months ended June 30, 2013	For the three months ended June 30, 2014	For the year ended March 31, 2014	For the year ending March 31, 2015 (Forecast)
Capital expenditures	3,422	4,379	11,417	15,000
Depreciation and amortization...	2,696	2,029	8,622	9,200
R&D cost.....	2,113	2,181	8,720	9,800