



Makita Corporation

Consolidated Financial Results
for the three months
ended June 30, 2016
(U.S. GAAP Financial Information)

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



CONSOLIDATED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2016 (Unaudited)

July 28, 2016

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, 2016 (From April 1, 2016 to June 30, 2016)

(1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the three months ended June 30, 2015		For the three months ended June 30, 2016	
		(%)		(%)
Net sales.....	107,574	5.7	101,276	(5.9)
Operating income	17,338	(1.2)	18,056	4.1
Income before income taxes	14,809	(14.1)	18,541	25.2
Net income attributable to Makita Corporation....	10,894	(6.9)	13,225	21.4
Comprehensive income (loss).....	23,589	133.9	(26,502)	-
	Yen			
Earning per share				
Net income attributable to Makita Corporation common shareholders				
(Basic).....	80.26		97.43	
(Diluted)	-		97.43	

Notes:

- Amounts of less than one million yen have been rounded.
- The table above shows the changes in the percentage ratio of net sales, operating income, income before income taxes, net income attributable to Makita Corporation, and comprehensive income (loss) against the corresponding period of the previous year.

(2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2016	As of June 30, 2016
Total assets.....	558,024	513,191
Total equity	483,370	445,611
Total Makita Corporation shareholders' equity.....	479,752	442,287
Total Makita Corporation shareholders' equity ratio to total assets (%)	86.0%	86.2%

2. Dividend Information

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

Notes:

- The forecast for cash dividend announced on April 28, 2016 has not been revised.
- The projected amount of dividends for the year ending March 31, 2017 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, 2017 (From April 1, 2016 to March 31, 2017)

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

Note: The consolidated financial forecast for the year ending March 31, 2017 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): None
- (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 rule applied in the preparation of the quarterly consolidated financial statements:
 1. Changes due to revisions to accounting standards: None
 2. Changes due to other reasons: None
- (4) Number of shares outstanding (common stock)
 1. Number of shares issued (including treasury stock):

As of June 30, 2016:	140,008,760
As of March 31, 2016:	140,008,760
 2. Number of treasury stock:

As of June 30, 2016:	4,276,022
As of March 31, 2016:	4,275,499
 3. Average number of shares outstanding:

For the three months ended June 30, 2016:	135,733,139
For the three months ended June 30, 2015:	135,734,704



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 forecast given above is based on information as available at the present time, and includes potential risks and uncertainties. As a consequence of the factors above and other, actual results may vary from the forecasts provided above.
2. Makita's basic policy on the distribution of profits is to maintain a consolidated dividend payout ratio of 30% or greater, with a lower limit on annual cash dividends of 18 yen per share. However, in the event special circumstances arise, computation of the amount of dividends will be based on consolidated net income attributable to Makita Corporation after certain adjustments.

The Board of Directors plans to meet in April 2017 for a report on earnings for the year ending March 31, 2017. At the time, in accordance with the basic policy regarding profit distribution mentioned above, the Board of Directors plans to propose a dividend equivalent to at least 30% of net income attributable to Makita Corporation. The Board of Directors will submit this proposal to the General Meeting of Shareholders scheduled for June 2017.

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



[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, 2016, there was growing uncertainty regarding the outlook for the Western European economy in relation to Brexit (the British referendum on remaining in or leaving the E.U.), although the regional economy recovered gradually, supported by solid domestic demand. In the U.S., consumer spending and housing demand remained strong. In Asia, South East Asian countries and India saw their economies in general expand steadily on the back of growing domestic demand, while the Chinese economy continued to slow down. Meanwhile, the Japanese economy stalled due to the stumbling of consumer spending, although there were signs of recovery in housing investment.

Our consolidated net sales for this period decreased by 5.9% to 101,276 million yen compared to the same period of the previous year due to the appreciation of the yen from a year earlier despite robust sales in overseas markets. Operating income increased by 4.1% to 18,056 million yen (operating income ratio: 17.8%), owing to an improvement in the cost-of-sales ratio caused by the impact of foreign exchange rates. Income before income taxes increased by 25.2% to 18,541 million yen (income before income taxes ratio: 18.3%) and net income attributable to Makita Corporation shareholders increased by 21.4% to 13,225 million yen (ratio of net income attributable to Makita Corporation shareholders: 13.1%).

Net sales results by region were as follows:

Net sales in Japan increased by 6.4% to 16,989 million yen compared to the same period of the previous year. This was due to an increase in housing demand supported by a fall in housing loan interest rates, as well as our efforts including the aggressive launch of new products.

Net sales in Europe decreased by 2.7% to 43,270 million yen. This was due to the appreciation of the yen against the euro from a year earlier, although sales in general were steady in European countries.

Net sales in North America decreased by 8.1% to 16,026 million yen. This was due to the strengthening of the yen against the U.S. dollar compared to the same period of the previous year, despite an increase in local sales aided by the expanding U.S. economy.

Net sales in Asia decreased by 6.0% to 9,304 million yen. This was due to sluggish sales to China and the appreciation of the yen against local currencies compared to the previous year, although we saw local sales grow in Vietnam and Taiwan.

Sales situations in other regions are as follows. Net sales in Oceania increased by 1.2% to 5,966 million yen compared to the previous year due to steady sales, mainly of lithium-ion battery products. Meanwhile, due to the impact of the yen’s appreciation against local currencies, net sales in Central and South America, where the Brazilian economy remained stagnant, decreased by 29.2% to 5,160; while those in the Middle East and Africa, where political uncertainty continued, decreased by 31.1% to 4,561 million yen.

2. Explanation of Consolidated Financial Position

Total assets as of June 30, 2016 decreased by 44,833 million yen to 513,191 million yen compared to the balance as of March 31, 2016. The decrease was mainly due to sales of securities and the decrease in “Inventories” by yen’s appreciation.

Total liabilities as of June 30, 2016 decreased by 7,074 million yen to 67,580 million yen compared to the balance as of March 31, 2016. This decrease was mainly due to the decrease in “Trade notes and accounts payable”.

Total equity as of June 30, 2016 decreased by 37,759 million yen to 445,611 million yen compared to the balance as of March 31, 2016. The decrease was mainly due to the change in foreign currency translation adjustment included in “Accumulated other comprehensive income (loss)”.

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 27, 2016, because of uncertainties in the outlook of business environment surrounding Makita’s business results and movements of exchange rate.



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, 2016		As of June 30, 2016	
		Composition ratio		Composition ratio
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents.....	99,915		105,606	
Time deposits.....	15,545		17,839	
Short-term investments.....	48,263		27,781	
Trade receivables-				
Notes.....	1,079		1,033	
Accounts.....	64,309		58,611	
Less- Allowance for doubtful receivables.....	(1,173)		(1,077)	
Inventories.....	178,791		161,299	
Deferred income taxes.....	5,454		4,882	
Prepaid expenses and other current assets.....	15,390		15,111	
Total current assets.....	<u>427,573</u>	76.6%	<u>391,085</u>	76.2%
PROPERTY, PLANT AND EQUIPMENT, AT COST:				
Land.....	22,436		21,602	
Building and improvements.....	94,704		90,079	
Machinery and equipment.....	91,365		87,192	
Construction in progress.....	2,662		2,704	
Sub total.....	<u>211,167</u>		<u>201,577</u>	
Less- Accumulated depreciation and amortization.....	<u>(118,344)</u>		<u>(114,849)</u>	
Total net property, plant and equipment.....	<u>92,823</u>	16.6%	<u>86,728</u>	16.9%
INVESTMENTS AND OTHER ASSETS:				
Investments.....	21,872		19,195	
Goodwill.....	721		721	
Other intangible assets, net.....	4,107		3,818	
Deferred income taxes.....	610		1,174	
Other assets.....	10,318		10,470	
Total investments and other assets.....	<u>37,628</u>	6.8%	<u>35,378</u>	6.9%
Total assets.....	<u>558,024</u>	100.0%	<u>513,191</u>	100.0%



	Yen (millions)			
	As of March 31, 2016		As of June 30, 2016	
		Composition ratio		Composition ratio
LIABILITIES				
CURRENT LIABILITIES:				
Short-term borrowings	2,195		4,240	
Trade notes and accounts payable	20,620		17,568	
Other payables	6,521		6,500	
Accrued expenses	9,350		8,056	
Accrued payroll	9,143		7,017	
Income taxes payable	4,440		2,753	
Deferred income taxes	3,084		2,791	
Other liabilities	9,545		9,006	
Total current liabilities	<u>64,898</u>	11.6%	<u>57,931</u>	11.3%
LONG-TERM LIABILITIES:				
Long-term indebtedness	30		26	
Accrued retirement and termination benefits	3,271		2,947	
Deferred income taxes	4,974		4,729	
Other liabilities	1,481		1,947	
Total long-term liabilities	<u>9,756</u>	1.8%	<u>9,649</u>	1.9%
Total liabilities	<u>74,654</u>	13.4%	<u>67,580</u>	13.2%
EQUITY				
MAKITA CORPORATION SHAREHOLDERS' EQUITY:				
Common stock	23,805		23,805	
Additional paid-in capital	45,456		45,468	
Legal reserve	5,669		5,669	
Retained earnings	425,473		427,432	
Accumulated other comprehensive income (loss)	(9,049)		(48,482)	
Treasury stock, at cost	(11,602)		(11,605)	
Total Makita Corporation shareholders' equity	<u>479,752</u>	86.0%	<u>442,287</u>	86.2%
NON-CONTROLLING INTEREST	<u>3,618</u>	0.6%	<u>3,324</u>	0.6%
Total equity	<u>483,370</u>	86.6%	<u>445,611</u>	86.8%
Total liabilities and equity	<u>558,024</u>	100.0%	<u>513,191</u>	100.0%
<hr/>				
	As of March 31, 2016		As of June 30, 2016	
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)	135,733,261		135,732,738	
Number of treasury stock	4,275,499		4,276,022	



(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

	Yen (millions)			
	For the three months ended June 30, 2015		For the three months ended June 30, 2016	
	Composition ratio		Composition ratio	
NET SALES	107,574	100.0%	101,276	100.0%
Cost of sales	68,026	63.2%	61,872	61.1%
GROSS PROFIT.....	39,548	36.8%	39,404	38.9%
Selling, general, administrative and others, net.....	22,210	20.7%	21,348	21.1%
OPERATING INCOME	17,338	16.1%	18,056	17.8%
OTHER INCOME (EXPENSE):				
Interest and dividend income	826		651	
Interest expense	(33)		(22)	
Exchange gains (losses) on foreign currency transactions, net	573		(149)	
Realized gains on securities, net.....	772		5	
Valuation losses on securities	(4,667)		-	
Total other income (expense), net.....	(2,529)	(2.3%)	485	0.5%
INCOME BEFORE INCOME TAXES	14,809	13.8%	18,541	18.3%
Income tax expense:				
Current.....	4,081		4,304	
Deferred.....	(276)		931	
Total income tax expense.....	3,805	3.6%	5,235	5.2%
NET INCOME.....	11,004	10.2%	13,306	13.1%
Less-Net income attributable to the non-controlling interest.....	110	0.1%	81	0.0%
NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION.....	10,894	10.1%	13,225	13.1%

Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the three months ended June 30, 2015	For the three months ended June 30, 2016
NET INCOME.....	11,004	13,306
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment	11,189	(37,865)
Unrealized holding gains (expense) on available-for-sale securities...	1,681	(2,066)
Pension liability adjustment	(285)	123
Total other comprehensive income (loss).....	12,585	(39,808)
COMPREHENSIVE INCOME (LOSS).....	23,589	(26,502)
Less-Comprehensive income (loss) attributable to the non-controlling interest.....	265	(294)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO MAKITA CORPORATION.....	23,324	(26,208)

(3) Consolidated Statements of Cash Flows

	Yen (millions)	
	For the three months ended June 30, 2015	For the three months ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	11,004	13,306
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization.....	2,261	2,208
Deferred income tax expense (benefit).....	(276)	931
Realized gains on securities, net.....	(772)	(5)
Valuation losses on securities.....	4,667	-
Losses on disposal or sales of property, plant and equipment, net.....	4	17
Changes in assets and liabilities-		
Trade receivables.....	(1,526)	470
Inventories.....	(5,753)	(375)
Trade notes, accounts payable and accrued expenses.....	(3,052)	(2,195)
Income taxes payable.....	(2,044)	(374)
Accrued retirement and termination benefits.....	(634)	(158)
Other, net.....	(1,045)	(4,015)
Net cash provided by operating activities.....	2,834	9,810
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures.....	(3,206)	(1,853)
Purchases of available-for-sale securities.....	(6,339)	(5,339)
Proceeds from sales of available-for-sale securities.....	11,166	22,791
Purchases of held-to-maturity securities.....	-	(2,101)
Proceeds from maturities of held-to-maturity securities.....	300	2,000
Proceeds from sales of property, plant and equipment.....	82	71
Investment in time deposit.....	(6,840)	(12,800)
Withdrawal of time deposit.....	2,576	8,797
Other, net.....	5	64
Net cash provided by (used in) investing activities.....	(2,256)	11,630
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to borrowings with original maturities of three months or less, net.....	138	2,374
Purchase of treasury stock, net.....	(3)	(4)
Cash dividends paid.....	(13,573)	(11,266)
Other, net.....	1,186	793
Net cash used in financing activities.....	(12,252)	(8,103)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	1,752	(7,646)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(9,922)	5,691
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD ...	94,529	99,915
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	84,607	105,606

(4) Notes 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, 2015							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers	21,836	44,561	17,946	6,012	17,219	107,574	-	107,574
(2) Inter-segment	18,405	1,247	1,081	50,322	46	71,101	(71,101)	-
Total	<u>40,241</u>	<u>45,808</u>	<u>19,027</u>	<u>56,334</u>	<u>17,265</u>	<u>178,675</u>	<u>(71,101)</u>	<u>107,574</u>
Operating expenses	35,496	41,340	18,314	49,152	16,772	161,074	(70,838)	90,236
Operating income	4,745	4,468	713	7,182	493	17,601	(263)	17,338

	Yen (millions)							
	For the three months ended June 30, 2016							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers	22,659	43,306	16,442	5,616	13,253	101,276	-	101,276
(2) Inter-segment	17,594	1,024	754	40,886	30	60,288	(60,288)	-
Total	<u>40,253</u>	<u>44,330</u>	<u>17,196</u>	<u>46,502</u>	<u>13,283</u>	<u>161,564</u>	<u>(60,288)</u>	<u>101,276</u>
Operating expenses	36,572	40,576	16,703	40,264	12,661	146,776	(63,556)	83,220
Operating income	3,681	3,754	493	6,238	622	14,788	3,268	18,056



SUPPORT DOCUMENTATION (CONSOLIDATED)

1. Consolidated Financial Results and Forecast

	Yen (millions)			
	For the three months ended June 30, 2015		For the three months ended June 30, 2016	
		(%)		(%)
Net sales.....	107,574	5.7	101,276	(5.9)
Domestic	15,970	2.2	16,989	6.4
Overseas	91,604	6.4	84,287	(8.0)
Operating income	17,338	(1.2)	18,056	4.1
Income before income taxes	14,809	(14.1)	18,541	25.2
Net income attributable to Makita Corporation	10,894	(6.9)	13,225	21.4
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders (Yen).....	80.26		97.43	
Number of Employees	13,637		14,585	

	Yen (millions)					
	For the year ended March 31, 2016		For the six months ending September 30, 2016 (Forecast)		For the year ending March 31, 2017 (Forecast)	
		(%)		(%)		(%)
Net sales.....	423,623	2.1	195,000	(10.2)	400,000	(5.6)
Domestic	68,445	1.0	33,000	1.4	70,000	2.3
Overseas	355,178	2.4	162,000	(12.3)	330,000	(7.1)
Operating income	64,676	(10.1)	30,500	(11.7)	60,000	(7.2)
Income before income taxes	61,492	(10.1)	30,500	(1.1)	60,000	(2.4)
Net income attributable to Makita Corporation.....	41,615	(8.1)	21,100	(1.8)	41,500	(0.3)
Earning per share (Basic)						
Net income attributable to Makita Corporation common shareholders (Yen)	306.59		155.45		305.75	
Number of Employees	14,784		-		-	

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, 2015		For the three months ended June 30, 2016		For the year ended March 31, 2016	
		(%)		(%)		(%)
Japan	15,970	2.2	16,989	6.4	68,445	1.0
Europe.....	44,452	(1.4)	43,270	(2.7)	173,987	(0.7)
North America	17,443	28.0	16,026	(8.1)	67,759	18.5
Asia.....	9,899	8.0	9,304	(6.0)	41,443	4.5
Other regions	19,810	8.5	15,687	(20.8)	71,989	(3.9)
Central and South America.....	7,293	0.4	5,160	(29.2)	26,149	(13.7)
Oceania.....	5,897	7.0	5,966	1.2	24,653	3.8
The Middle East and Africa.....	6,620	20.8	4,561	(31.1)	21,187	1.5
Total.....	107,574	5.7	101,276	(5.9)	423,623	2.1

Note: The table above sets forth Makita's consolidated net sales by geographic area based on the customer's location for the 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, 2015	For the three months ended June 30, 2016	For the year ended March 31, 2016	For the year ending March 31, 2017 (Forecast)
USD/JPY	121.43	108.04	120.15	110
EUR/JPY	134.21	121.88	132.60	120
RMB/JPY	19.58	16.51	18.86	16.9

4. Production Ratio (unit basis)

	For the three months ended June 30, 2015	For the three months ended June 30, 2016	For the year ended March 31, 2016
	Composition ratio	Composition ratio	Composition ratio
Domestic.....	10.4%	10.6%	10.2%
Overseas	89.6%	89.4%	89.8%

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

	Yen (millions)			
	For the three months ended June 30, 2015	For the three months ended June 30, 2016	For the year ended March 31, 2016	For the year ending March 31, 2017 (Forecast)
Capital expenditures	3,206	1,853	11,769	17,000
Depreciation and amortization...	2,261	2,208	9,284	9,600
R&D cost.....	2,264	2,435	9,593	9,600