



# Makita Corporation

Consolidated Financial Results  
for the year ended March 31, 2017  
(U.S. GAAP Financial Information)

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



## CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2017 (Unaudited)

April 27, 2017

### Makita Corporation

Stock code: 6586

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

Shiro Hori, President, Representative Director

### 1. Summary operating results of the year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

#### (1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the year ended March 31, 2016		For the year ended March 31, 2017	
		%		%
Net sales .....	423,623	2.1	414,999	(2.0)
Operating income .....	64,676	(10.1)	62,564	(3.3)
Income before income taxes .....	61,492	(10.1)	64,738	5.3
Net income attributable to Makita Corporation .....	41,615	(8.1)	44,782	7.6
Comprehensive income .....	9,955	(84.1)	36,250	264.1

  

	Yen	
Earning per share		
Net income attributable to		
Makita Corporation common shareholders		
(Basic) .....	153.30	164.96
(Diluted) .....	153.29	164.95
Ratio of net income attributable to Makita Corporation		
to shareholders' equity .....	8.6%	9.1%
Ratio of income before income taxes to total assets .....	10.9%	11.2%
Ratio of operating income to net sales .....	15.3%	15.1%

Note: The Company implemented a two-for-one common stock split, effective April 1, 2017. Net income attributable to Makita Corporation common shareholders per share (basic) and net income attributable to Makita Corporation common shareholders per share (diluted) were calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year.

#### (2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2016	As of March 31, 2017
Total assets .....	558,024	597,249
Total equity .....	483,370	505,811
Total Makita Corporation shareholders' equity .....	479,752	502,170
Total Makita Corporation		
shareholders' equity ratio to total assets (%) .....	86.0%	84.1%

  

	Yen	
Total Makita Corporation		
shareholders' equity per share .....	1,767.26	1,849.88

Note: The Company implemented a two-for-one common stock split, effective April 1, 2017. Makita Corporation shareholders' equity per share was calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year.



### (3) CONSOLIDATED CASH FLOWS

	Yen (millions)	
	For the year ended March 31, 2016	For the year ended March 31, 2017
Net cash provided by operating activities.....	34,188	63,351
Net cash used in investing activities.....	(6,573)	(5,015)
Net cash used in financing activities .....	(18,719)	(9,495)
Cash and cash equivalents, end of the fiscal year.....	99,915	142,181

### 2. Dividend Information

	Yen		
	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ending March 31, 2018 (Forecast)
Cash dividend per share:			
Interim .....	18.00	18.00	10.00
Year-end.....	83.00	82.00	(Note)
Total .....	101.00	100.00	(Note)
	Yen (millions)		
Total cash dividend.....	13,709	13,573	-
Dividend payout ratio (%).....	32.9%	30.3%	-
Dividend to shareholders' equity ratio (%).....	2.8%	2.8%	-

Note:

1. The Company implemented a two-for-one common stock split, effective April 1, 2017. Dividends per share for both the consolidated fiscal year ended March 31, 2016 and the consolidated fiscal year ended March 31, 2017 are actual amounts paid prior to the relevant stock split.
2. While the Corporation has set forth under the Articles of Corporation of the Corporation that the record date for the payment of dividend shall be the last day of a relevant period, at the present time, the projected amount of dividends as of the said record date has not been determined yet. For further details, refer to “(5) Basic policy regarding profit distribution and cash dividend” on page 7.

### 3. Consolidated Financial Performance Forecast for the year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

	Yen (millions)			
	For the six months ending September 30, 2017		For the year ending March 31, 2018	
		%		%
Net sales .....	207,000	3.5	418,000	0.7
Operating income .....	30,500	(9.4)	60,000	(4.1)
Income before income taxes.....	31,500	(7.5)	62,000	(4.2)
Net income attributable to Makita Corporation.....	21,900	(9.0)	43,000	(4.0)
	Yen			
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders .....		80.67		158.40

Note: The Company implemented a two-for-one common stock split, effective April 1, 2017. Net income attributable to Makita Corporation common shareholders per share (basic) in the forecast of consolidated financial performance is calculated based on the number of shares outstanding (common stock) after the relevant stock split.



#### 4. Others

(1) Changes in important subsidiaries for the fiscal year (Changes in specified subsidiaries accompanied by changes in scope of consolidation): None

(2) Changes in accounting policies:

1. Changes due to revisions to accounting standards: None
2. Changes due to other reasons: None

(3) Number of shares outstanding (common stock)

1. Number of shares issued (including treasury stock):	As of March 31, 2017:	280,017,520
	As of March 31, 2016:	280,017,520
2. Number of treasury stock:	As of March 31, 2017:	8,556,948
	As of March 31, 2016:	8,550,998
3. Average number of shares outstanding:	For the year ended March 31, 2017:	271,463,676
	For the year ended March 31, 2016:	271,468,232

Note: The Company implemented a two-for-one common stock split, effective April 1, 2017. The number of shares outstanding (common stock) was calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year.

Makita's earnings releases (KESSAN TANSWIN) are not subject to an audit.

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

Regarding the assumptions for the forecasts and other matters, refer to "(4) Outlook for the fiscal year ending March 31, 2018" on page 5. 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.



## 1. OPERATING RESULTS

### **1. Overview of operating results**

#### **(1) Overview of operating results for the fiscal year ended March 31, 2017**

Looking at the global economic situation for the year ended March 31, 2017, the regional economy remained robust in Europe, supported by solid domestic demand, although there was uncertainty regarding the outlook for the Western European economy in relation to Brexit (the British referendum on remaining in or leaving the E.U.). In the U.S., the economy recovered, driven by the favorable employment and income situation. In Asia, Southeast Asian countries and India saw their economies grow steadily, while the Chinese economy continued to slow down. Meanwhile, the economy gradually recovered in Japan, although some sectors, such as personal consumption, lacked strength.

Under these circumstances, on the development side, Makita expanded its product lineup, mainly lithium ion battery products, such as high power models using high-capacity lithium ion batteries and small and light models using 10.8-volt slide-on batteries. On the production side, overseas factories strove to reduce costs while raising local content ratios. To improve product quality and enhance productivity, we worked on introducing facilities that require less manpower in each factory worldwide. On the sales side, while trying to expand sales channels using our vast family of products, we endeavored to maintain and improve our customer-based sales and after-sales service through various efforts including establishment of new sales and service bases overseas.

Our consolidated net sales for this year decreased by 2.0% to 414,999 million yen compared to the previous year, due to appreciation of the yen compared with the previous year, although sales grew steadily at home and abroad, mainly in developed countries. Operating income decreased by 3.3% to 62,564 million yen (operating income ratio: 15.1%) because net sales declined due to the influence of the exchange rate, although the Company managed to keep the operating income ratio almost unchanged. Meanwhile, income before income taxes increased by 5.3% to 64,738 million yen (income before income taxes ratio: 15.6%) and net income attributable to Makita Corporation shareholders increased by 7.6% to 44,782 million yen (ratio of net income attributable to Makita Corporation shareholders: 10.8%) because we had recorded valuation losses on securities in the previous year.

Net sales by region are as follows:

Net sales in Japan increased by 8.7% to 74,381 million yen compared to the previous year. This was because sales mainly on new products remained solid.

Net sales in Europe decreased by 2.9% to 168,992 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 2.4% to 66,148 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 3.3% to 40,079 million yen. This was due to the appreciation of the yen against local currencies compared to the previous year, although we saw local sales grow in Vietnam, Taiwan and India.

Sales situations in other regions are as follows. Net sales in Oceania increased by 1.8% to 25,093 million yen due to steady sales, mainly of lithium-ion battery products. 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 11.6% to 23,110 million yen; while those in the Middle East and Africa, where recession continued in oil-producing countries, decreased by 18.8% to 17,196 million yen.

#### **(2) Overview of financial situation for the fiscal year ended March 31, 2017**

Total assets as of the end of the year increased by 39,225 million yen to 597,249 million yen compared to the previous year. The increase was mainly due to the increase in "Cash and cash equivalents".

Total liabilities increased by 16,784 million yen to 91,438 million yen compared to the previous year. This increase was mainly due to the increase in "Short-term borrowings" and "Trade notes and accounts payable".

Total equity increased by 22,441 million yen to 505,811 million yen compared to the previous year. This increase was due to the increase in "Accumulated other comprehensive loss".



**(3) Overview of cash flow situation for the fiscal year ended March 31, 2017**

Total cash and cash equivalents at the end of the year amounted to 142,181 million yen, increased by 42,266 million yen compared to the end of the previous year.

(Net Cash Provided by Operating Activities)

Net cash provided by operating activities amounted to 63,351 million yen, up 29,163 million yen over the previous year (34,188 million yen for the previous year).

(Net Cash Used in Investing Activities)

Net cash used in investing activities amounted to 5,015 million yen, down 1,558 million yen over the previous year (6,573 million yen for the previous year).

(Net Cash Used in Financing Activities)

Net cash used in financing activities amounted to 9,495 million yen, down 9,224 million yen over the previous year (18,719 million yen used in fiscal year ended March 31, 2016), due to an increase in borrowings and a fall in cash dividends paid.

**(4) Outlook for the fiscal year ending March 31, 2018**

In the future, political matters around the world remain very uncertain, trends of exchange rates and natural resource prices remain unpredictable, Makita is expected to continue to face a challenging business environment.

To cope with these assumed conditions, Makita will:

- Strengthen its R&D and product development capabilities with respect to environmentally friendly power tools and gardening equipment among cordless products;
- Promote the development of products that meet needs in both developed countries and emerging countries, which have been becoming bipolar;
- Implement measures to improve the efficiency of production, procurement and distribution, while taking advantage of global production organizations; and
- Strive to improve its marketing and brand power by fine-tuned response to customer needs and further improved after-sales service.

On the basis of these factors, Makita forecasts the following performance for the year ending March 31, 2018.

**Consolidated Financial Performance Forecast for the Year Ending March 31, 2018**

	Yen (millions)	
	For the six months ending September 30, 2017	For the year ending March 31, 2018
Net sales .....	207,000	418,000
Operating income .....	30,500	60,000
Income before income taxes .....	31,500	62,000
Net income attributable to Makita Corporation .....	21,900	43,000

**[Preconditions]**

The above forecast is based on the assumption of exchange rates of 105 yen to the U.S. dollar, 115 yen to the euro and 16.1 yen to the renminbi.

**[Reference]**

The actual exchange rate for the year ended March 31, 2017 was 108.34 yen to the U.S. dollar, 118.74 yen to the euro and 16.1 yen to the renminbi.

**FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements based on Makita's own projections and estimates. The power tools market, where Makita is mainly active, is subject to the effects of rapid shifts in economic conditions, demand for housing, currency exchange rates, changes in competitiveness, and other factors. Due to the risks and uncertainties involved, actual results could differ substantially from the content of these statements. Therefore, these statements should not be interpreted as representation where such objectives will be achieved.



## (5) Basic policy regarding profit distribution and cash dividend for the fiscal 2017 and 2018

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 (Note 1). 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. With respect to repurchases of its outstanding shares, Makita aims to implement a flexible capital policy, augment the efficiency of its capital employment, and thereby boost shareholder profit. Also Makita continues to consider execution of own share repurchases in light of trends in stock prices.

Makita intends to maintain a financial position strong enough to withstand the challenges associated with changes in its operating environment and other changes and allocate funds for strategic investments aimed at expanding its global operations.

Our forecast for dividends is as follows;

	For the year ended March 31, 2017 (Result and Forecast)	For the year ending March 31, 2018 (Forecast)
Cash dividend per share:		
Interim .....	18.00 yen	10.00 yen
Year-end.....	82.00 yen	(Note 2)
Total.....	100.00 yen	(Note 2)

Notes:

1. The Company has revised the lower limit on annual cash dividend per share from 18.0 yen to 10.0 yen, reflecting a two-for-one common stock split, effective April 1, 2017.
2. The Board of Directors plans to meet in April 2018 for a report on earnings for the year ending March 31, 2018. At such 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 2018. However, if certain special circumstances arise, computation of the amount of dividends will be based on consolidated net income attributable to Makita Corporation after certain adjustments.

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.

## 2. Basic Rationale for Selection of Accounting Standards

Makita has adopted the U.S. accounting standards. Makita has paid attention to circumstance of the application of the International Financial Reporting Standards (IFRS) both in Japan and overseas.



## 5. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1. Consolidated Balance Sheets

	Yen (millions)			
	As of March 31, 2016		As of March 31, 2017	
		Composition ratio		Composition ratio
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents .....	99,915		142,181	
Time deposits.....	15,545		34,329	
Short-term investments.....	48,263		23,441	
Trade receivables-				
Notes .....	1,079		1,199	
Accounts.....	64,309		67,086	
Less- Allowance for doubtful receivables .....	(1,173)		(1,137)	
Inventories .....	178,791		167,398	
Deferred income taxes .....	5,454		4,723	
Prepaid expenses and other current assets .....	15,390		13,349	
Total current assets .....	<u>427,573</u>	76.6%	<u>452,569</u>	75.8%
<b>PROPERTY, PLANT AND EQUIPMENT, AT COST:</b>				
Land.....	22,436		22,358	
Building and improvements.....	94,704		94,927	
Machinery and equipment .....	91,365		91,493	
Construction in progress.....	2,662		5,531	
Sub total.....	211,167		214,309	
Less- Accumulated depreciation and amortization .....	(118,344)		(119,802)	
Total net property, plant and equipment.....	<u>92,823</u>	16.6%	<u>94,507</u>	15.8%
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investments.....	21,872		34,004	
Goodwill.....	721		721	
Other intangible assets, net.....	4,107		3,641	
Deferred income taxes .....	610		650	
Other assets.....	10,318		11,157	
Total investments and other assets.....	<u>37,628</u>	6.8%	<u>50,173</u>	8.4%
Total assets .....	<u>558,024</u>	100.0%	<u>597,249</u>	100.0%



	Yen (millions)			
	As of March 31, 2016		As of March 31, 2017	
		Composition ratio		Composition ratio
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Short-term borrowings.....	2,195		6,579	
Trade notes and accounts payable.....	20,620		26,347	
Other payables.....	6,521		7,122	
Accrued expenses.....	9,350		10,537	
Accrued payroll.....	9,143		9,431	
Income taxes payable.....	4,440		6,944	
Deferred income taxes.....	3,084		3,134	
Other liabilities.....	9,545		8,178	
Total current liabilities.....	<u>64,898</u>	11.6%	<u>78,272</u>	13.1%
<b>LONG-TERM LIABILITIES:</b>				
Long-term indebtedness.....	30		18	
Accrued retirement and termination benefits.....	3,271		3,161	
Deferred income taxes.....	4,974		8,313	
Other liabilities.....	1,481		1,674	
Total long-term liabilities.....	<u>9,756</u>	1.8%	<u>13,166</u>	2.2%
Total liabilities.....	<u>74,654</u>	13.4%	<u>91,438</u>	15.3%
<b>EQUITY</b>				
<b>MAKITA CORPORATION SHAREHOLDERS'</b>				
<b>EQUITY:</b>				
Common stock.....	23,805		23,805	
Additional paid-in capital.....	45,456		45,501	
Legal reserve.....	5,669		5,669	
Retained earnings.....	425,473		456,546	
Accumulated other comprehensive loss.....	(9,049)		(17,728)	
Treasury stock, at cost.....	(11,602)		(11,623)	
Total Makita Corporation shareholders' equity.....	<u>479,752</u>	86.0%	<u>502,170</u>	84.1%
NON-CONTROLLING INTEREST.....	3,618	0.6%	3,641	0.6%
Total equity.....	<u>483,370</u>	86.6%	<u>505,811</u>	84.7%
Total liabilities and equity.....	<u>558,024</u>	100.0%	<u>597,249</u>	100.0%



## 2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

	Yen (millions)			
	For the year ended March 31, 2016		For the year ended March 31, 2017	
	Composition ratio		Composition ratio	
NET SALES .....	423,623	100.0%	414,999	100.0%
Cost of sales .....	270,121	63.8%	267,506	64.5%
GROSS PROFIT .....	153,502	36.2%	147,493	35.5%
Selling, general, administrative and others, net .....	88,826	20.9%	84,929	20.4%
OPERATING INCOME .....	64,676	15.3%	62,564	15.1%
OTHER INCOME (EXPENSE):				
Interest and dividend income .....	2,468		2,512	
Interest expense .....	(115)		(104)	
Exchange losses on foreign currency transactions, net .....	(1,552)		(233)	
Realized gains on securities, net .....	1,418		26	
Valuation losses on securities .....	(5,403)		(27)	
Total other income (expense), net .....	(3,184)	(0.8%)	2,174	0.5%
INCOME BEFORE INCOME TAXES .....	61,492	14.5%	64,738	15.6%
Income tax expense:				
Current .....	18,707		19,988	
Deferred .....	812		(378)	
Total income tax expense .....	19,519	4.6%	19,610	4.7%
NET INCOME .....	41,973	9.9%	45,128	10.9%
Less-Net income attributable to the non-controlling interest .....	358	0.1%	346	0.1%
NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION .....	41,615	9.8%	44,782	10.8%



## Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the year ended March 31, 2016	For the year ended March 31, 2017
NET INCOME .....	41,973	45,128
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment .....	(26,304)	(19,812)
Unrealized holding gains (expense) on available-for-sale securities .....	(3,036)	10,742
Pension liability adjustment .....	(2,678)	192
Total other comprehensive loss .....	(32,018)	(8,878)
COMPREHENSIVE INCOME .....	9,955	36,250
Less-Comprehensive income attributable to the non-controlling interest .....	231	147
COMPREHENSIVE INCOME ATTRIBUTABLE TO MAKITA CORPORATION .....	9,724	36,103



### 3. Consolidated Statements of Changes in Equity

Yen (millions)									
For the year ended March 31, 2016									
Makita Corporation shareholders' equity									
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Makita Corporation shareholders' equity	Non-controlling interest	Total equity
Beginning balance.....	23,805	45,421	5,669	399,874	22,842	(11,590)	486,021	3,564	489,585
Purchases and disposal of treasury stock, net.....						(12)	(12)		(12)
Cash dividends .....				(16,016)			(16,016)	(177)	(16,193)
Comprehensive income (loss) .....									
Net income.....				41,615			41,615	358	41,973
Other comprehensive loss .....					(31,891)		(31,891)	(127)	(32,018)
Other increase.....		35					35		35
Ending balance .....	<u>23,805</u>	<u>45,456</u>	<u>5,669</u>	<u>425,473</u>	<u>(9,049)</u>	<u>(11,602)</u>	<u>479,752</u>	<u>3,618</u>	<u>483,370</u>

Yen (millions)									
For the year ended March 31, 2017									
Makita Corporation shareholders' equity									
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total Makita Corporation shareholders' equity	Non-controlling interest	Total equity
Beginning balance.....	23,805	45,456	5,669	425,473	(9,049)	(11,602)	479,752	3,618	483,370
Purchases and disposal of treasury stock, net.....						(21)	(21)		(21)
Cash dividends .....				(13,709)			(13,709)	(124)	(13,833)
Comprehensive income (loss) .....									
Net income.....				44,782			44,782	346	45,128
Other comprehensive loss .....					(8,679)		(8,679)	(199)	(8,878)
Other increase.....		45					45		45
Ending balance .....	<u>23,805</u>	<u>45,501</u>	<u>5,669</u>	<u>456,546</u>	<u>(17,728)</u>	<u>(11,623)</u>	<u>502,170</u>	<u>3,641</u>	<u>505,811</u>



#### 4. Consolidated Statements of Cash Flows

	Yen (millions)	
	For the year ended March 31, 2016	For the year ended March 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income .....	41,973	45,128
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization .....	9,284	8,943
Deferred income tax expense .....	812	(378)
Realized gains on securities, net.....	(1,418)	(26)
Valuation losses on securities .....	5,403	27
Gains (losses) on disposal or sales of property, plant and equipment, net .....	(39)	385
Changes in assets and liabilities-		
Trade receivables.....	(3,152)	(4,652)
Inventories.....	(15,588)	2,525
Trade notes, accounts payable and accrued expenses.....	(2,821)	9,171
Income taxes payable .....	177	3,472
Accrued retirement and termination benefits .....	(1,253)	(684)
Other, net.....	810	(560)
Net cash provided by operating activities.....	34,188	63,351
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures .....	(11,769)	(13,222)
Purchases of available-for-sale securities.....	(9,997)	(1,217)
Proceeds from sales of available-for-sale securities.....	15,268	30,663
Proceeds from maturities of available-for-sale securities.....	500	-
Purchases of held-to-maturity securities .....	-	(8,601)
Purchases from maturities of held-to-maturity securities .....	500	5,700
Proceeds from sales of property, plant and equipment.....	1,421	383
Investment in time deposit .....	(36,169)	(56,437)
Withdrawal of time deposit .....	34,251	37,384
Other, net.....	(578)	332
Net cash used in investing activities.....	(6,573)	(5,015)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Additions to borrowings with original maturities of three months or less, net.....	867	4,691
Payments on borrowings with original maturities of more than three months.....	(3,556)	(329)
Purchase of treasury stock, net.....	(12)	(22)
Cash dividends paid .....	(16,016)	(13,709)
Other, net.....	(2)	(126)
Net cash used in financing activities .....	(18,719)	(9,495)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	(3,510)	(6,575)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	5,386	42,266
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	94,529	99,915
CASH AND CASH EQUIVALENTS, END OF YEAR .....	99,915	142,181



## 5. Notes to Consolidated Financial Statements

**Notes on the assumptions for a going concern: None**

### Significant Accounting Policies

#### (1) Scope of consolidation and equity method

Number of consolidated subsidiaries: 51

Major subsidiaries are as follows;

Makita U.S.A. Inc., Makita (U.K.) Ltd., Makita Werkzeug GmbH (Germany),  
Makita Oy (Finland), Makita Gulf FZE (UAE), Makita (China) Co., Ltd., Makita (Kunshan) Co., Ltd.,  
Makita (Australia) Pty. Ltd., Makita do Brasil Ferramentas Eletricas Ltda.

#### (2) Significant Accounting Policies (Summary)

Consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

##### 1. Short-term investments and Investments

Makita classifies investments in debt and marketable equity securities as available-for-sale or held-to-maturity securities. Makita does not hold any marketable or investment securities that are bought and held primarily for the purpose of sale in the near term.

##### 2. Inventories

Inventory costs include raw materials, labor and manufacturing overheads. Inventories are valued at the lower of cost or market price, with cost determined principally based on the average cost method.

##### 3. Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at cost. Makita has adopted the straight-line method over the estimated useful lives for computing depreciation.

##### 4. Income Taxes

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in income in the period that includes the enactment date.

##### 5. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### 6. Revenue Recognition

Makita recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price is fixed or determinable and collectibility is reasonably assured.

**Changes in accounting principles, procedures and presentations: None**



### Condensed Operating Segment Information

	Yen (millions)							
	For the year ended March 31, 2016							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers.....	92,366	174,126	69,793	23,316	64,022	423,623	-	423,623
(2) Inter-segment.....	76,976	4,698	3,952	190,630	196	276,452	(276,452)	-
Total .....	<u>169,342</u>	<u>178,824</u>	<u>73,745</u>	<u>213,946</u>	<u>64,218</u>	<u>700,075</u>	<u>(276,452)</u>	<u>423,623</u>
Operating expenses .....	150,527	167,571	72,716	187,145	61,878	639,837	(280,890)	358,947
Operating income .....	18,815	11,253	1,029	26,801	2,340	60,238	4,438	64,676

	Yen (millions)							
	For the year ended March 31, 2017							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers.....	97,797	169,204	68,069	22,336	57,593	414,999	-	414,999
(2) Inter-segment.....	144,791	4,238	3,553	172,357	525	325,464	(325,464)	-
Total .....	<u>242,588</u>	<u>173,442</u>	<u>71,622</u>	<u>194,693</u>	<u>58,118</u>	<u>740,463</u>	<u>(325,464)</u>	<u>414,999</u>
Operating expenses .....	218,973	159,804	70,035	173,637	55,732	678,181	(325,746)	352,435
Operating income .....	23,615	13,638	1,587	21,056	2,386	62,282	282	62,564

### Net sales by product categories

	Yen (millions)				Increase (Decrease)
	For the year ended March 31, 2016		For the year ended March 31, 2017		
	Composition ratio		Composition ratio		
Finished goods.....	356,165	84.1	347,288	83.7	(2.5)
Parts, repairs and accessories .....	67,458	15.9	67,711	16.3	0.4
Total net sales.....	<u>423,623</u>	<u>100.0</u>	<u>414,999</u>	<u>100.0</u>	<u>(2.0)</u>



## Information per share

	Yen	
	As of March 31, 2016	As of March 31, 2017
Total Makita Corporation Shareholders' equity per share .....	1,767.26	1,849.88

  

	Yen	
	For the year ended March 31, 2016	For the year ended March 31, 2017
Earning per share		
Net income attributable to Makita Corporation common shareholders		
(Basic) .....	153.30	164.96
(Diluted) .....	153.29	164.95

Note: The Company implemented a two-for-one common stock split, effective April 1, 2017. We calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year.

Net income per share (Basic) is calculated on the basis of the average number of shares outstanding during the year. Average number of shares outstanding is as follows:

For the year ended March 31, 2017: 271,463,676

For the year ended March 31, 2016: 271,468,232

Net income per share (Diluted) is calculated by adjusting for all dilutive potential ordinary shares having a dilutive effect.

### Significant Subsequent Events:

The Company executed a stock split effective April 1, 2017, according to the resolution of the Board of Directors' meeting on February 22, 2017.

#### 1. Purpose of the stock split

The stock split will be conducted with the aim of increasing the liquidity of the Company's stock and expanding its investor base by reducing the price of share-trading units.

#### 2. Outline of the stock split

##### (1) Method of the stock split

Each of the shares of the Company's common stock held by shareholders included or recorded in the final register of shareholders as of the record date of March 31, 2017 split into two shares.

##### (2) Number of increase in shares by the stock split

Total number of issued shares before the stock split	140,008,760 shares
Number of increase in shares by the stock split	140,008,760 shares
Total number of issued shares after the stock split	280,017,520 shares

We calculated on the assumption that the relevant stock split had been implemented at the beginning of the previous consolidated fiscal year.





## SUPPORT DOCUMENTATION (CONSOLIDATED)

### 1. Consolidated Financial Results and Forecast

	Yen (millions)					
	For the year ended March 31, 2015		For the year ended March 31, 2016		For the year ended March 31, 2017	
		(%)		(%)		(%)
Net sales .....	414,718	8.2	423,623	2.1	414,999	(2.0)
Domestic .....	67,740	2.6	68,445	1.0	74,381	8.7
Overseas.....	346,978	9.4	355,178	2.4	340,618	(4.1)
Operating income .....	71,905	30.9	64,676	(10.1)	62,564	(3.3)
Income before income taxes.....	68,394	20.0	61,492	(10.1)	64,738	5.3
Net income attributable to Makita Corporation.....	45,307	17.8	41,615	(8.1)	44,782	7.6
Earning per share (Basic)						
Net income attributable to Makita Corporation common shareholders (Yen).....	166.89		153.30		164.96	
Cash dividend per share (Yen).....	118.00		101.00		100.00	
Dividend payout ratio (%).....	35.4		32.9		30.3	
Number of Employees.....	13,835		14,784		15,344	

	Yen (millions)			
	For the six months ending September 30, 2017 (Forecast)		For the year ending March 31, 2018 (Forecast)	
		(%)		(%)
Net sales .....	207,000	3.5	418,000	0.7
Domestic .....	37,300	6.0	78,000	4.9
Overseas.....	169,700	2.9	340,000	(0.2)
Operating income .....	30,500	(9.4)	60,000	(4.1)
Income before income taxes.....	31,500	(7.5)	62,000	(4.2)
Net income attributable to Makita Corporation.....	21,900	(9.0)	43,000	(4.0)
Earning per share (Basic)				
Net income attributable to Makita Corporation common shareholders (Yen).....	80.67		158.40	
Cash dividend per share (Yen).....	10.00		(Note 2)	

Notes:

- Regarding our forecast for dividends, refer to page 5.
- The Company implemented a two-for-one common stock split, effective April 1, 2017. Net income attributable to Makita Corporation common shareholders per share (basic) was calculated on the assumption that the relevant stock split had been implemented at the beginning of the consolidated fiscal year ended March 31, 2015. However, dividends per share are amounts paid prior to the relevant stock split.

## 2. Consolidated Net Sales by Geographic Area

	Yen (millions)					
	For the year ended March 31, 2015		For the year ended March 31, 2016		For the year ended March 31, 2017	
		(%)		(%)		(%)
Japan .....	67,740	2.6	68,445	1.0	74,381	8.7
Europe .....	175,254	6.0	173,987	(0.7)	168,992	(2.9)
North America .....	57,168	14.6	67,759	18.5	66,148	(2.4)
Asia .....	39,643	13.3	41,443	4.5	40,079	(3.3)
Other regions .....	74,913	11.9	71,989	(3.9)	65,399	(9.2)
Central and South America .....	30,287	7.9	26,149	(13.7)	23,110	(11.6)
Oceania .....	23,759	14.2	24,653	3.8	25,093	1.8
The Middle East and Africa .....	20,867	15.5	21,187	1.5	17,196	(18.8)
Total .....	414,718	8.2	423,623	2.1	414,999	(2.0)

Note: The table above sets forth Makita's consolidated net sales by geographic area based on the customer's location for the years presented. Accordingly, it differs from operating segment information on page 15. 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 year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ending March 31, 2018 (Forecast)
USD/JPY .....	109.76	120.15	108.34	105
EUR/JPY .....	138.69	132.60	118.74	115
RMB/JPY .....	17.71	18.86	16.10	16.1

## 4. Production Ratio (unit basis)

	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2017
Domestic .....		10.3%	10.2%	10.2%
Overseas .....		89.7%	89.8%	89.8%

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

	Yen (millions)			
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ending March 31, 2018 (Forecast)
Capital expenditures .....	12,124	11,769	13,222	19,000
Depreciation and amortization .....	8,619	9,284	8,943	10,000
R&D cost .....	9,117	9,593	10,139	11,000