



# Makita Corporation

Consolidated Financial Results  
for the year ended March 31, 2018  
(U.S. GAAP Financial Information)

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



## CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2018 (Unaudited)

April 26, 2018

### Makita Corporation

Stock code: 6586

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

Munetoshi Goto, President, Representative Director

### 1. Summary operating results of the year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

#### (1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the year ended March 31, 2017		For the year ended March 31, 2018	
		%		%
Net sales .....	414,999	(2.0)	477,298	15.0
Operating income .....	62,564	(3.3)	79,762	27.5
Income before income taxes .....	64,738	5.3	79,678	23.1
Net income attributable to Makita Corporation .....	44,782	7.6	54,755	22.3
Comprehensive income .....	36,250	264.1	64,311	77.4
Yen				
Earning per share				
Net income attributable to				
Makita Corporation common shareholders				
(Basic) .....	164.96		201.70	
(Diluted) .....	164.95		201.68	
Ratio of net income attributable to Makita Corporation				
to shareholders' equity .....	9.1%		10.4%	
Ratio of income before income taxes to total assets....	11.2%		12.8%	
Ratio of operating income to net sales .....	15.1%		16.7%	

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, 2017	As of March 31, 2018
Total assets .....	597,249	651,031
Total equity .....	505,811	556,133
Total Makita Corporation shareholders' equity .....	502,170	551,939
Total Makita Corporation		
shareholders' equity ratio to total assets (%) .....	84.1%	84.8%
Yen		
Total Makita Corporation		
shareholders' equity per share .....	1,849.88	2,033.16

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, 2017	For the year ended March 31, 2018
Net cash provided by operating activities.....	63,351	33,294
Net cash used in investing activities.....	(5,015)	(14,811)
Net cash used in financing activities .....	(9,495)	(17,743)
Cash and cash equivalents, end of the fiscal year.....	142,181	147,320

### 2. Dividend Information

	Yen		
	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ending March 31, 2019 (Forecast)
Cash dividend per share:			
Interim .....	18.00	10.00	10.00
Year-end.....	82.00	51.00	(Note)
Total .....	100.00	61.00	(Note)
	Yen (millions)		
Total cash dividend.....	13,573	16,560	-
Dividend payout ratio (%).....	30.3%	30.2%	-
Dividend to shareholders' equity ratio (%).....	2.8%	3.1%	-

Note:

1. The Company implemented a two-for-one common stock split, effective April 1, 2017. Dividends per share for the consolidated fiscal year ended March 31, 2017 is 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 6.

### 3. Consolidated Financial Performance Forecast for the year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

	Yen (millions)	
	For the year ending March 31, 2019	
		%
Revenue .....	490,000	-
Operating profit .....	78,500	-
Profit before income taxes .....	78,700	-
Profit attributable to owners of the parent .....	54,800	-
	Yen	
Profit attributable to owners of the parent per share ...	201.87	

Note: Makita plans to voluntarily adopt International Financial Reporting Standards (IFRS) in its consolidated financial statements from the first three-month period of the year ending March 31, 2019. The Company's forecast of consolidated financial performance for the year ending March 31, 2019 is prepared based on IFRS. Accordingly, the percentage changes from results for the year ended March 31, 2018 based on U.S. GAAP have been omitted.

### 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: Yes
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, 2018:	280,017,520
	As of March 31, 2017:	280,017,520
2. Number of treasury stock:	As of March 31, 2018:	8,549,592
	As of March 31, 2017:	8,556,948
3. Average number of shares outstanding:	For the year ended March 31, 2018:	271,465,951
	For the year ended March 31, 2017:	271,463,676

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 TANSHIN) 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, 2019" 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, 2018**

Looking at the global economic situation for the year ended March 31, 2018, developed countries' economies gradually recovered due to steady improvement in employment and income situation, although there were uncertainties regarding the international political situation and policies. In emerging countries, the economy in general remained robust, since domestic demand and exports grew steadily in southeast Asia.

Under these circumstances, on the development side, the Makita Group launched new products, mainly lithium-ion battery product lines, such as models with high power brushless motors featuring high power and speed equivalent to AC powered ones, and the industry's first dust-collecting system that is wirelessly connected to cordless tools. On the production side, our overseas factories strove to reduce costs while raising local content ratios. To improve product quality stability and enhance productivity, we continued to introduce facilities that require less manpower in each factory worldwide. On the sales side, while working hard to strengthen our community- and customer-based sales network, including the renovation of office buildings in New Zealand and Austria and the opening of sales and after-sales service bases in Poland, Lithuania, and Vietnam, we focused on expanding the sales of cordless gardening and cleaning tools.

Our consolidated net sales for this period increased by 15.0% from the previous year to 477,298 million yen, record-high sales, due to steady sales at home and abroad and depreciation of the yen compared with the previous year. Operating income increased by 27.5% to 79,762 million yen (operating income ratio: 16.7%), thanks to the improvement in the cost-of-sales ratio due to the impact of the exchange rate and a rise in net sales. Meanwhile, income before income taxes increased by 23.1% to 79,678 million yen (income before income taxes ratio: 16.7%) and net income attributable to Makita Corporation shareholders increased by 22.3% to 54,755 million yen (ratio of net income attributable to Makita Corporation shareholders: 11.5%).

Net sales by region are as follows:

Net sales in Japan increased by 11.0% to 82,575 million yen compared to the previous year. This was due to robust sales of power tools and gardening equipment, mainly lithium-ion battery products.

Net sales in Europe increased by 19.6% to 202,054 million yen. This was due to a rise in sales in Western and Eastern Europe (almost in all regions).

Net sales in North America increased by 11.7% to 73,873 million yen, supported by solid housing demand.

Net sales in Asia increased by 10.0% to 44,094 million yen. This was due to recovery of sales in China.

Net sales in Central and South America increased by 20.8% to 27,922 million yen. This was because the Brazilian economy showed signs of breaking out from stagnation.

Net sales in Oceania increased by 24.7% to 31,284 million yen due to steady sales, mainly of lithium-ion battery products.

Net sales in the Middle East and Africa decreased by 9.9% to 15,496 million yen. This was because a fall in crude oil prices affected the economy and political uncertainty continued.

#### **(2) Overview of financial situation for the fiscal year ended March 31, 2018**

Total assets as of the end of the year increased by 53,782 million yen to 651,031 million yen compared to the previous year. The increase was mainly due to the increase in "Inventories" and "Accounts".

Total liabilities increased by 3,460 million yen to 94,898 million yen compared to the previous year. This increase was mainly due to the increase in "Income taxes payable" and "Trade notes and accounts payable".

Total equity increased by 50,322 million yen to 556,133 million yen compared to the previous year. This increase was due to the increase in "Retained earnings".



**(3) Overview of cash flow situation for the fiscal year ended March 31, 2018**

Total cash and cash equivalents at the end of the year amounted to 147,320 million yen, increased by 5,139 million yen compared to the end of the previous year.

Net cash provided by operating activities amounted to 33,294 million yen, down 30,057 million yen over the previous year.

Net cash used in investing activities amounted to 14,811 million yen, down 9,796 million yen over the previous year.

Net cash used in financing activities amounted to 17,743 million yen, down 8,248 million yen over the previous year, due to an increase in repayments of loans payable.

**(4) Outlook for the fiscal year ending March 31, 2019**

In the future, Makita expects that the global economy will continue to recover gradually and demand will remain robust in markets where it has presence. However, uncertainty about the prospects for the economy is expected to remain high due to concerns over the Fed’s interest rate policy and the Trump administration’s trade policies and heightened geopolitical risks in Russia and the Middle East.

To cope with these assumed conditions, Makita will:

- Strengthen its R&D and product development capabilities, mainly rechargeable batteries and motors, to take the initiative in expanding the market of cordless products;
- Position cordless gardening tools as a future pillar of its business after power tools and focus its effort on the development and sales expansion of new products;
- Implement measures to improve the efficiency of production, procurement and distribution, while taking advantage of global production organizations; and
- Strive to raise its brand power by promoting the establishment of a sales and after-sales service network to offer community-based and fine-tuned response to needs of customers around the world.

On the basis of these factors, Makita forecasts the following performance for the year ending March 31, 2019.

**Consolidated Financial Performance Forecast for the Year Ending March 31, 2019**

	Yen (millions)
	For the year ending March 31, 2019
Revenue .....	490,000
Operating profit.....	78,500
Profit before income taxes .....	78,700
Profit attributable to owners of the parent.....	54,800

Note: Makita plans to voluntarily adopt International Financial Reporting Standards (IFRS) in its consolidated financial statements from the first three-month period of the year ending March 31, 2019. The Company’s forecast of consolidated financial performance for the year ending March 31, 2019 is prepared based on IFRS. The Company estimates that the impact of IFRS adoption on its sales and profits will be minimal.

**[Preconditions]**

The above forecast is based on the assumption of exchange rates of 105 yen to the U.S. dollar, 130 yen to the euro and 16.8 yen to the renminbi.

**[Reference]**

The actual exchange rate for the year ended March 31, 2018 was 110.85 yen to the U.S. dollar, 129.66 yen to the euro and 16.74 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 2018 and 2019

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 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, 2018 (Result and Forecast)	For the year ending March 31, 2019 (Forecast)
Cash dividend per share:		
Interim .....	10.00 yen	10.00 yen
Year-end.....	51.00 yen	(Note)
Total.....	61.00 yen	(Note)

Note: The Board of Directors plans to meet in April 2019 for a report on earnings for the year ending March 31, 2019.

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 2019. 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 will voluntarily adopt International Financial Reporting Standards (IFRS) from the first three-month period of the year ending March 31, 2019.



## 5. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1. Consolidated Balance Sheets

	Yen (millions)			
	As of March 31, 2017		As of March 31, 2018	
		Composition ratio		Composition ratio
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents .....	142,181		147,320	
Time deposits.....	34,329		43,013	
Short-term investments.....	23,441		14,782	
Trade receivables-				
Notes .....	1,199		1,343	
Accounts.....	67,086		79,092	
Less- Allowance for doubtful receivables .....	(1,137)		(1,340)	
Inventories .....	167,398		196,217	
Deferred income taxes .....	4,723		-	
Prepaid expenses and other current assets .....	13,349		16,150	
Total current assets .....	<u>452,569</u>	75.8%	<u>496,577</u>	76.3%
<b>PROPERTY, PLANT AND EQUIPMENT, AT COST:</b>				
Land.....	22,358		22,626	
Building and improvements.....	94,927		98,648	
Machinery and equipment .....	91,493		98,868	
Construction in progress.....	5,531		6,027	
Sub total.....	<u>214,309</u>		<u>226,169</u>	
Less- Accumulated depreciation and amortization .....	<u>(119,802)</u>		<u>(126,305)</u>	
Total net property, plant and equipment.....	<u>94,507</u>	15.8%	<u>99,864</u>	15.3%
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investments.....	34,004		33,815	
Goodwill.....	721		721	
Other intangible assets, net.....	3,641		3,944	
Deferred income taxes .....	650		3,975	
Other assets.....	11,157		12,135	
Total investments and other assets.....	<u>50,173</u>	8.4%	<u>54,590</u>	8.4%
Total assets .....	<u>597,249</u>	100.0%	<u>651,031</u>	100.0%



	Yen (millions)			
	As of March 31, 2017		As of March 31, 2018	
		Composition ratio		Composition ratio
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Short-term borrowings.....	6,579		3,411	
Trade notes and accounts payable.....	26,347		28,156	
Other payables.....	7,122		7,131	
Accrued expenses.....	10,537		11,952	
Accrued payroll.....	9,431		10,731	
Income taxes payable.....	6,944		9,720	
Deferred income taxes.....	3,134		-	
Other liabilities.....	8,178		9,497	
Total current liabilities.....	<u>78,272</u>	13.1%	<u>80,598</u>	12.4%
<b>LONG-TERM LIABILITIES:</b>				
Accrued retirement and termination benefits.....	3,161		3,206	
Deferred income taxes.....	8,313		9,391	
Other liabilities.....	1,692		1,703	
Total long-term liabilities.....	<u>13,166</u>	2.2%	<u>14,300</u>	2.2%
Total liabilities.....	<u>91,438</u>	15.3%	<u>94,898</u>	14.6%
<b>EQUITY</b>				
<b>MAKITA CORPORATION SHAREHOLDERS' EQUITY:</b>				
Common stock.....	23,805		23,805	
Additional paid-in capital.....	45,501		45,531	
Legal reserve.....	5,669		5,669	
Retained earnings.....	456,546		497,456	
Accumulated other comprehensive loss.....	(17,728)		(8,905)	
Treasury stock, at cost.....	(11,623)		(11,617)	
Total Makita Corporation shareholders' equity.....	<u>502,170</u>	84.1%	<u>551,939</u>	84.8%
NON-CONTROLLING INTEREST.....	<u>3,641</u>	0.6%	<u>4,194</u>	0.6%
Total equity.....	<u>505,811</u>	84.7%	<u>556,133</u>	85.4%
Total liabilities and equity.....	<u>597,249</u>	100.0%	<u>651,031</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, 2017		For the year ended March 31, 2018	
	Composition ratio		Composition ratio	
NET SALES .....	414,999	100.0%	477,298	100.0%
Cost of sales .....	267,506	64.5%	302,173	63.3%
GROSS PROFIT .....	147,493	35.5%	175,125	36.7%
Selling, general, administrative and others, net .....	84,929	20.4%	95,363	20.0%
OPERATING INCOME .....	62,564	15.1%	79,762	16.7%
OTHER INCOME (EXPENSE):				
Interest and dividend income .....	2,512		2,919	
Interest expense .....	(104)		(43)	
Exchange losses on foreign currency transactions, net .....	(233)		(3,235)	
Realized gains on securities, net .....	26		299	
Valuation losses on securities .....	(27)		(24)	
Total other income (expense), net .....	2,174	0.5%	(84)	0.0%
INCOME BEFORE INCOME TAXES .....	64,738	15.6%	79,678	16.7%
Income tax expense:				
Current .....	19,988		24,943	
Deferred .....	(378)		(536)	
Total income tax expense .....	19,610	4.7%	24,407	5.1%
NET INCOME .....	45,128	10.9%	55,271	11.6%
Less-Net income attributable to the non-controlling interest .....	346	0.1%	516	0.1%
NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION .....	44,782	10.8%	54,755	11.5%



## Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the year ended March 31, 2017	For the year ended March 31, 2018
NET INCOME .....	45,128	55,271
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment .....	(19,812)	9,860
Unrealized holding gains (expense) on available-for-sale securities .....	10,742	(1,364)
Pension liability adjustment .....	192	544
Total other comprehensive income (loss) .....	(8,878)	9,040
COMPREHENSIVE INCOME .....	36,250	64,311
Less-Comprehensive income attributable to the non-controlling interest .....	147	733
COMPREHENSIVE INCOME ATTRIBUTABLE TO MAKITA CORPORATION .....	36,103	63,578



### 3. Consolidated Statements of Changes in Equity

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 income (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>

Yen (millions)									
For the year ended March 31, 2018									
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	45,501	5,669	456,546	(17,728)	(11,623)	502,170	3,641	505,811
Purchases and disposal of treasury stock, net.....						(5)	(5)		(5)
Disposal of treasury stock, net (attributable to the exercise of stock option) .....		(11)				11	0		0
Cash dividends .....				(13,845)			(13,845)	(180)	(14,025)
Comprehensive income .....									
Net income.....				54,755			54,755	516	55,271
Other comprehensive income.....					8,823		8,823	217	9,040
Other increase.....		41					41		41
Ending balance .....	<u>23,805</u>	<u>45,531</u>	<u>5,669</u>	<u>497,456</u>	<u>(8,905)</u>	<u>(11,617)</u>	<u>551,939</u>	<u>4,194</u>	<u>556,133</u>



#### 4. Consolidated Statements of Cash Flows

	Yen (millions)	
	For the year ended March 31, 2017	For the year ended March 31, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income .....	45,128	55,271
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization .....	8,943	9,917
Deferred income tax expense .....	(378)	(536)
Realized gains on securities, net.....	(26)	(299)
Valuation losses on securities .....	27	24
Gains (losses) on disposal or sales of property, plant and equipment, net .....	385	18
Changes in assets and liabilities-		
Trade receivables.....	(4,652)	(11,399)
Inventories.....	2,525	(24,173)
Trade notes, accounts payable and accrued expenses.....	9,171	2,780
Income taxes payable .....	3,472	2,755
Accrued retirement and termination benefits .....	(684)	(557)
Other, net.....	(560)	(507)
Net cash provided by operating activities.....	63,351	33,294
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures .....	(13,222)	(14,149)
Purchases of available-for-sale securities.....	(1,217)	(3,734)
Proceeds from sales of available-for-sale securities.....	30,663	11,993
Purchases of held-to-maturity securities .....	(8,601)	(5,009)
Purchases from maturities of held-to-maturity securities.....	5,700	4,200
Proceeds from sales of property, plant and equipment.....	383	496
Investment in time deposit .....	(56,437)	(51,010)
Withdrawal of time deposit .....	37,384	42,374
Other, net.....	332	28
Net cash used in investing activities.....	(5,015)	(14,811)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Additions to borrowings with original maturities of three months or less, net.....	4,691	(3,667)
Payments on borrowings with original maturities of more than three months.....	(329)	-
Purchase of treasury stock, net .....	(22)	(5)
Cash dividends paid .....	(13,709)	(13,845)
Other, net.....	(126)	(226)
Net cash used in financing activities .....	(9,495)	(17,743)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	(6,575)	4,399
NET CHANGE IN CASH AND CASH EQUIVALENTS .....	42,266	5,139
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	99,915	142,181
CASH AND CASH EQUIVALENTS, END OF YEAR .....	142,181	147,320



## 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 Werkzeug GmbH (Germany), Makita (U.K.) Ltd.  
Makita LLC (Russia), Makita France SAS, Makita Oy (Finland)  
Makita U.S.A. Inc., Makita Corporation of America, Makita Canada Inc.  
Makita (China) Co., Ltd., Makita (Kunshan) Co., Ltd., Makita Manufacturing (Thailand) Co., Ltd.  
Makita (Australia) Pty. Ltd., Makita do Brasil Ferramentas Eletricas Ltda.  
Makita Gulf FZE (UAE)

##### (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:

In July 2015, Accounting Standards Update 2015-11 (“Simplifying the Measurement of Inventory”—ASC 330 (“Inventory”)) was issued. This Update applies to all inventory except for which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. The Company adopted this standard on April 1, 2017. The adoption has no effect on the Company’s financial statements.

In November 2015, the U.S. Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.” This accounting standard change requires that all deferred tax liabilities and assets be classified as noncurrent in a consolidated balance sheet. Effective April 1, 2017, the Company has adopted this accounting standard. In adopting this accounting standard, the Company did not adjust the prior period’s financial statement retrospectively.



### Condensed Operating Segment Information

	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

	Yen (millions)							
	For the year ended March 31, 2018							
	Japan	Europe	North America	Asia	Other area	Total	Eliminations	Consolidated
Sales:								
(1) External customers.....	106,862	202,364	76,325	26,139	65,608	477,298	-	477,298
(2) Inter-segment.....	202,827	4,811	4,388	212,697	1,560	426,283	(426,283)	-
Total .....	<u>309,689</u>	<u>207,175</u>	<u>80,713</u>	<u>238,836</u>	<u>67,168</u>	<u>903,581</u>	<u>(426,283)</u>	<u>477,298</u>
Operating expenses .....	278,313	188,160	78,452	214,271	61,673	820,869	(423,333)	397,536
Operating income .....	31,376	19,015	2,261	24,565	5,495	82,712	(2,950)	79,762

### Net sales by product categories

	Yen (millions)				Increase (Decrease) (%)
	For the year ended March 31, 2017		For the year ended March 31, 2018		
	Composition ratio	Composition ratio	Composition ratio	Composition ratio	
Finished goods.....	347,288	83.7	399,240	83.6	15.0
Parts, repairs and accessories .....	67,711	16.3	78,058	16.4	15.3
Total net sales.....	<u>414,999</u>	<u>100.0</u>	<u>477,298</u>	<u>100.0</u>	<u>15.0</u>



**Information per share**

	Yen	
	As of March 31, 2017	As of March 31, 2018
Total Makita Corporation Shareholders' equity per share .....	1,849.88	2,033.16

  

	Yen	
	For the year ended March 31, 2017	For the year ended March 31, 2018
Earning per share		
Net income attributable to Makita Corporation common shareholders		
(Basic) .....	164.96	201.70
(Diluted) .....	164.95	201.68

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, 2018: 271,465,951

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

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

**Significant Subsequent Events: None**





## SUPPORT DOCUMENTATION (CONSOLIDATED)

### 1. Consolidated Financial Results and Forecast (Note 1)

	Yen (millions)					
	For the year ended March 31, 2016		For the year ended March 31, 2017		For the year ended March 31, 2018	
		(%)		(%)		(%)
Net sales .....	423,623	2.1	414,999	(2.0)	477,298	15.0
Domestic .....	68,445	1.0	74,381	8.7	82,575	11.0
Overseas .....	355,178	2.4	340,618	(4.1)	394,723	15.9
Operating income .....	64,676	(10.1)	62,564	(3.3)	79,762	27.5
Income before income taxes .....	61,492	(10.1)	64,738	5.3	79,678	23.1
Net income attributable to Makita Corporation .....	41,615	(8.1)	44,782	7.6	54,755	22.3
Earning per share (Basic)						
Net income attributable to Makita Corporation common shareholders (Yen) (Note2) .....	153.30		164.96		201.70	
Cash dividend per share (Yen) (Note2) .....	101.00		100.00		61.00	
Dividend payout ratio (%) .....	32.9		30.3		30.2	
Number of Employees .....	14,784		15,344		16,137	

	Yen (millions)	
	For the year ending March 31, 2019 (Forecast) (Note 3)	(%)
Revenue .....	490,000	-
Domestic .....	86,000	-
Overseas .....	404,000	-
Operating profit .....	78,500	-
Profit before income taxes .....	78,700	-
Profit attributable to owners of the parent .....	54,800	-
Profit attributable to owners of the parent per share (Note2) .....	201.87	

#### Notes:

- Regarding our forecast for dividends, refer to page 6.
- 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, 2016. However, dividends per share are amounts paid prior to the relevant stock split.
- Makita plans to voluntarily adopt International Financial Reporting Standards (IFRS) in its consolidated financial statements from the first three-month period of the year ending March 31, 2019. The Company's forecast of consolidated financial performance for the year ending March 31, 2019 is prepared based on IFRS. Accordingly, the percentage changes from results for the year ended March 31, 2018 based on U.S. GAAP have been omitted.



## 2. Consolidated Net Sales by Geographic Area

	Yen (millions)					
	For the year ended March 31, 2016		For the year ended March 31, 2017		For the year ended March 31, 2018	
		(%)		(%)		(%)
Japan.....	68,445	1.0	74,381	8.7	82,575	11.0
Europe.....	173,987	(0.7)	168,992	(2.9)	202,054	19.6
North America.....	67,759	18.5	66,148	(2.4)	73,873	11.7
Asia.....	41,443	4.5	40,079	(3.3)	44,094	10.0
Other regions.....	71,989	(3.9)	65,399	(9.2)	74,702	14.2
Central and South America.....	26,149	(13.7)	23,110	(11.6)	27,922	20.8
Oceania.....	24,653	3.8	25,093	1.8	31,284	24.7
The Middle East and Africa.....	21,187	1.5	17,196	(18.8)	15,496	(9.9)
Total.....	423,623	2.1	414,999	(2.0)	477,298	15.0

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 14. 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, 2016	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ending March 31, 2019 (Forecast)
USD/JPY.....	120.15	108.34	110.85	105
EUR/JPY.....	132.60	118.74	129.66	130
RMB/JPY.....	18.86	16.10	16.74	16.8

## 4. Production Ratio (unit basis)

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2018
Domestic.....	10.2%	10.2%	9.3%
Overseas.....	89.8%	89.8%	90.7%

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

	Yen (millions)			
	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ending March 31, 2019 (Forecast)
Capital expenditures.....	11,769	13,222	14,149	50,000
Depreciation and amortization.....	9,284	8,943	9,917	12,000
R&D cost.....	9,593	10,139	10,894	10,800