



Makita Corporation

Consolidated Financial Results for the nine months ended December 31, 2022 (IFRS Financial Information)

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



CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2022 (Unaudited)

January 31, 2023

Makita Corporation

Stock code: 6586

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

Munetoshi Goto, President, Representative Director

1. Summary operating results of the nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

(1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the nine months ended December 31, 2021		For the nine months ended December 31, 2022	
		%		%
Revenue	546,831	23.9	580,283	6.1
Operating profit	73,233	11.5	27,158	(62.9)
Profit before income taxes	72,476	10.8	26,002	(64.1)
Profit	51,819	9.7	14,068	(72.9)
Profit attributable to owners of the parent	51,355	9.5	14,219	(72.3)
Comprehensive income	65,327	(0.8)	29,886	(54.3)
	Yen			
Profit attributable to Owners of the parent per share				
Basic	189.13		52.36	
Diluted	-		-	

Notes:

- Amounts of less than one million yen have been rounded.
- The table above shows the changes in the percentage ratio of revenue, operating profit, profit before income taxes, profit, profit attributable to owners of the parent, and comprehensive income against the corresponding period of the previous year.

(2) SELECTED CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2022	As of December 31, 2022
Total assets.....	1,007,497	1,117,363
Total equity	752,530	762,891
Equity attributable to owners of the parent.....	746,344	756,594
Ratio of equity attributable to owners of the parent to total assets (%).....	74.1%	67.7%

Note: Amounts of less than one million yen have been rounded.

2. Dividend Information

	Yen	
	For the year ended March 31, 2022	For the year ending March 31, 2023 (Forecast)
Cash dividend per share:		
Interim	10.00	10.00
Year-end	62.00	(Note)
Total	72.00	(Note)

Notes:

- The forecast for cash dividend announced on April 27, 2022 has not been revised.
- The projected amount of dividends for the year ending March 31, 2023 has not been determined yet. For further details, refer to "Explanation regarding proper use of business forecast, and other significant matters" on page 2.



3. Consolidated Financial Performance Forecast for the year ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

	Yen (millions)	
	For the year ending March 31, 2023	
		(%)
Revenue	750,000	1.5
Operating profit	25,000	(72.7)
Profit before income taxes	23,000	(75.1)
Profit attributable to owners of the parent	12,000	(81.5)
	Yen	
Profit attributable to owners of the parent per share (Basic)	44.19	

Notes:

1. Changes of the forecasts from the most recent disclosure: Yes
2. The table above shows the changes in the percentage ratio of revenue, operating profit, profit before income taxes and profit attributable to owners of the parent against the previous year.

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) Changes in accounting policies and accounting estimates:
 1. Changes in accounting policies required by IFRS: None
 2. Changes in accounting policies other than 1: None
 3. Changes in accounting estimate: None
- (3) Number of shares outstanding (common stock)
 1. Number of shares issued (including treasury shares):

As of December 31, 2022:	280,017,520
As of March 31, 2022:	280,017,520
 2. Number of treasury shares:

As of December 31, 2022:	8,475,670
As of March 31, 2022:	8,485,061
 3. Average number of shares outstanding:

For the nine months ended	
December 31, 2022:	271,538,191
For the nine months ended	
December 31, 2021:	271,530,440

This consolidated financial report is not subject to audit procedures by certified public accountants or an auditing firm.

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

1. The financial forecast given above is based on information as available at the present time, and includes potential risks and uncertainties. As a consequence of the factors above and other, actual results may vary from the forecasts provided above. Regarding the assumptions for the forecasts and other matters, refer to "SUPPLEMENT INFORMATION (CONSOLIDATED)", "3. Outlook for the fiscal year ending March 31, 2023" on page 4.
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 10 yen per share. However, in the event special circumstances arise, computation of the amount of dividends will be based on profit attributable to owners of the parent per share after certain adjustments.

The Board of Directors plans to meet in April 2023 for a report on earnings for the year ending March 31, 2023. At the time, in accordance with the basic policy regarding profit distribution mentioned above, the Board of Directors plans to propose a dividend equivalent to at least 30% of profit attributable to owners of the parent. The Board of Directors will submit this proposal to the General Meeting of Shareholders scheduled for June 2023.

The consolidated dividend payout ratio is calculated as annual dividends per share divided by consolidated profit attributable to owners of the parent per share (after adjustments for special circumstances) and multiplied by 100.



SUPPLEMENT INFORMATION (CONSOLIDATED)

1. Overview of operating results

(1) Overview of operating results of the nine months ended December 31, 2022

Looking at the international economic situation during the nine-month period (the “period”) ended December 31, 2022, concerns over a global economic downturn have heightened against the backdrop of factors including high inflation, monetary tightening in various countries and the energy crisis associated with the prolongation of the war in Ukraine.

In the consolidated cumulative third quarter, although sales were sluggish in Europe and North America, our consolidated revenue increased 6.1% year on year to 580,283 million yen due to strong sales in Japan and Oceania, as well as the impact of the yen’s depreciation and strong local currencies. In terms of profit, operating profit decreased by 62.9% year on year to 27,158 million yen (operating profit ratio 4.7%) due to a worsening cost ratio as a result of the impact of foreign exchange rates and soaring raw material prices, along with an increase in selling, general, administrative and others expense. Profit before income taxes decreased by 64.1% year on year to 26,002 million yen (profit before income taxes ratio: 4.5%), and profit attributable to owners of the parent decreased by 72.3% to 14,219 million yen (ratio of profit attributable to owners of the parent: 2.4%).

Revenue results by region were as follows:

In Japan, as stay-at-home demand subsided, we mainly secured sales of cordless outdoor power equipment and the new XGT series of products, resulting in a 2.3% increase year on year to 90,798 million yen.

In Europe, as sales decreased due to deteriorating business confidence caused by high inflation, monetary tightening, and uncertainty concerning energy supply, but revenue increased by 0.6% year on year to 263,017 million yen due to the depreciation of the yen against local currencies.

In North America, while sales decreased as stay-at-home demand subsided and monetary tightening created wariness of a recession, revenue increased 14.6% year on year to 92,364 million yen due to the depreciation of the yen against local currencies.

In Asia, although there was market turmoil around China’s zero COVID-19 policy and impacts from monetary tightening in various countries, sales were strong in Taiwan and other countries and the depreciation of the yen against local currencies contributed to revenue increasing by 17.7% year-on-year to 42,240 million yen.

In Central and South America, while sales decreased due to accelerating inflation and increased uncertainty concerning the future in each country, revenue increased 16.9% year on year to 36,830 million yen due to the depreciation of the yen against local currencies.

In Oceania, despite negative economic factors such as surging construction material prices and monetary tightening, strong sales of new products and outdoor power equipment resulted in a 15.4% year on year increase to 44,208 million yen.

In the Middle East and Africa, despite continuing unstable political and economic conditions, revenue increased 6.7% year on year to 10,826 million yen due to the depreciation of the yen against local currencies.

(2) Overview of financial situation as of December 31, 2022

Total assets as of December 31, 2022 increased by 109,866 million yen to 1,117,363 million yen compared to the balance as of March 31, 2022. This increase was mainly due to the rise in “Cash and cash equivalents.”

Total liabilities increased by 99,505 million yen to 354,472 million yen compared to the balance as of March 31, 2022. This increase was mainly due to the rise in “Borrowings.”

Total equity increased by 10,361 million yen to 762,891 million yen compared to the balance as of March 31, 2022. This increase was mainly due to the change in exchange differences on translating foreign operations included in “Other components of equity.”



(3) Outlook for the fiscal year ending March 31, 2023

Although exchange rates have trended in a slightly profit increasing direction than the forecast announced publicly on October 28, 2022, sales during the third quarter cumulative period slowed down mainly in the West, and raw material procurement costs increased above previous expectations in association with the progress of inflation.

Regarding the full-year consolidated financial results, revenue is expected to exceed the previous forecast as overseas revenue has increased due to the depreciation of the yen, despite the sales environment remaining severe. However, profit is expected to be below the previous forecast due to increased costs related to inventory optimization.

Revised forecast for consolidated performance of the fiscal year ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

	Yen (millions)				Yen
	Revenue	Operating profit	Profit before income taxes	Profit attributable to owners of the parent	Profit attributable to owners of the parent per share (Basic)
Forecast announced previously (A)	740,000	40,000	34,000	22,000	81.02
Revised forecast (B)	750,000	25,000	23,000	12,000	44.19
Changes (B-A)	10,000	(15,000)	(11,000)	(10,000)	-
Percentage change	1.4%	(37.5%)	(32.4%)	(45.5%)	-
Actual results for the previous year ended March 31, 2022	739,260	91,728	92,483	64,770	238.54

The assumed exchange rates applied in the forecast calculation are as follows;

[Preconditions]

The above forecast is based on the assumption of exchange rates of 130 yen to the U.S. dollar, 140 yen to the euro and 19.2 yen to the renminbi for the remaining three months period ending March 31, 2023.

The above forecast is based on the assumption of exchange rates of 135 yen to the U.S. dollar, 140 yen to the euro and 19.7 yen to the renminbi for the year ending March 31, 2023.

[Reference]

The exchange rates for previously announced forecasts that we announced on October 28, 2022 were 137 yen to the U.S. dollar, 137 yen to the euro and 20.0 yen to the renminbi for the year ending March 31, 2023.

(Note): The above forecast is based on information as available at the present time, and includes potential risks and uncertainties. As a consequence of the factors above and other, actual results may vary significantly from the forecast provided above.



2. Consolidated Financial Statements (Unaudited)
(1) Consolidated Statement of Financial Position

	Yen (millions)			
	As of March 31, 2022		As of December 31, 2022	
		Composition ratio		Composition ratio
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	71,057		144,124	
Trade and other receivables	117,541		96,346	
Inventories	475,128		503,254	
Other financial assets	5,281		11,122	
Other current assets.....	15,952		18,897	
Total current assets	<u>684,959</u>	68.0%	<u>773,743</u>	69.2%
NON-CURRENT ASSETS:				
Property, plant and equipment, at cost	243,636		260,433	
Goodwill and intangible assets	10,085		10,387	
Other financial assets	41,545		41,145	
Retirement benefit asset.....	11,286		11,071	
Deferred tax assets	12,238		17,375	
Other non-current assets	3,748		3,209	
Total non-current assets	<u>322,538</u>	32.0%	<u>343,620</u>	30.8%
Total assets.....	<u>1,007,497</u>	100.0%	<u>1,117,363</u>	100.0%

	Yen (millions)			
	As of March 31, 2022		As of December 31, 2022	
	Composition ratio		Composition ratio	
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES:				
Trade and other payables	67,274		48,356	
Borrowings	79,674		207,618	
Other financial liabilities.....	9,888		9,224	
Income taxes payable.....	14,767		4,650	
Provisions	4,381		4,530	
Other current liabilities	48,181		44,229	
Total current liabilities.....	<u>224,165</u>	22.2%	<u>318,607</u>	28.5%
NON-CURRENT LIABILITIES:				
Retirement benefit liabilities	3,160		3,233	
Other financial liabilities.....	13,954		15,532	
Provisions	1,595		1,615	
Deferred tax assets	11,888		15,285	
Other non-current liabilities	205		200	
Total non-current liabilities.....	<u>30,802</u>	3.1%	<u>35,865</u>	3.2%
Total liabilities	<u>254,967</u>	25.3%	<u>354,472</u>	31.7%
EQUITY				
Share Capital.....	23,805		23,805	
Capital Surplus.....	45,585		45,598	
Retained earnings.....	640,577		633,812	
Treasury shares	(11,540)		(11,528)	
Other components of equity.....	47,917		64,907	
Total equity attributable to owners of the parent	<u>746,344</u>	74.1%	<u>756,594</u>	67.7%
NON-CONTROLLING INTEREST	6,186	0.6%	6,297	0.6%
Total equity	<u>752,530</u>	74.7%	<u>762,891</u>	68.3%
Total liabilities and equity	<u>1,007,497</u>	100.0%	<u>1,117,363</u>	100.0%



(2) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income
Consolidated Statements of Profit or Loss

	Yen (millions)			
	For the nine months ended December 31, 2021		For the nine months ended December 31, 2022	
	Composition ratio		Composition ratio	
REVENUE.....	546,831	100.0%	580,283	100.0%
Cost of sales.....	(373,110)	(68.2%)	(432,335)	(74.5%)
GROSS PROFIT.....	173,721	31.8%	147,948	25.5%
Selling, general, administrative and others, net	(100,488)	(18.4%)	(120,790)	(20.8%)
OPERATING PROFIT	73,233	13.4%	27,158	4.7%
Financial income.....	1,599		2,213	
Financial expenses.....	(2,356)		(3,369)	
PROFIT BEFORE INCOME TAXES	72,476	13.3%	26,002	4.5%
Income tax expenses.....	(20,657)		(11,934)	
PROFIT	51,819	9.5%	14,068	2.4%
Profit attributable to:				
Owners of the parent.....	51,355	9.4%	14,219	2.4%
Non-controlling interests	464	0.1%	(151)	(0.0%)

Consolidated Statements of Comprehensive Income

	Yen (millions)	
	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
PROFIT	51,819	14,068
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Items that will not be reclassified to profit (loss)		
Equity financial goods measured at fair value through other comprehensive income (loss)	(1,702)	(635)
Total of items that will not be reclassified to profit (loss)	(1,702)	(635)
Items that may be reclassified to profit (loss)		
Exchange differences on translating foreign operations	15,210	16,453
Total of items that may be reclassified to profit (loss).....	15,210	16,453
Total of other comprehensive income (loss), net of tax	13,508	15,818
COMPREHENSIVE INCOME	65,327	29,886
Comprehensive income attributable to:		
Owners of the parent.....	64,775	29,775
Non-controlling interests	552	111



(3) Consolidated Statement of Changes in Equity

Yen (millions)								
For the nine months ended December 31, 2021								
	Equity attributable to owners of the parent					Total	Non-Controlling interest	Total equity
	Share Capital	Capital Surplus	Retained earnings	Treasury shares	Other components of equity			
Balance at April 1, 2021	23,805	45,559	588,644	(11,543)	11,390	657,855	5,471	663,326
Profit for the period			51,355			51,355	464	51,819
Other comprehensive income					13,420	13,420	88	13,508
Comprehensive income	-	-	51,355	-	13,420	64,775	552	65,327
Dividends paid			(18,736)			(18,736)		(18,736)
Purchase of treasury shares				(6)		(6)		(6)
Share-based payment transaction		18		9		27		27
Transfer from other components of equity to retained earnings			5,138		(5,138)	-		-
Total amounts of transactions with owners	-	18	(13,598)	3	(5,138)	(18,715)	-	(18,715)
Balance at December 31, 2021	23,805	45,577	626,401	(11,540)	19,672	703,915	6,023	709,938

Yen (millions)								
For the nine months ended December 31, 2022								
	Equity attributable to owners of the parent					Total	Non-Controlling interest	Total equity
	Share Capital	Capital Surplus	Retained earnings	Treasury shares	Other components of equity			
Balance at April 1, 2022	23,805	45,585	640,577	(11,540)	47,917	746,344	6,186	752,530
Profit for the period			14,219			14,219	(151)	14,068
Other comprehensive income					15,556	15,556	262	15,818
Comprehensive income	-	-	14,219	-	15,556	29,775	111	29,886
Dividends paid			(19,550)			(19,550)		(19,550)
Purchase of treasury shares				(1)		(1)		(1)
Disposal of treasury shares				0		0		0
Share-based payment transaction		13		13		26		26
Transfer from other components of equity to retained earnings			(1,434)		1,434	-		-
Total amounts of transactions with owners	-	13	(20,984)	12	1,434	(19,525)	-	(19,525)
Balance at December 31, 2022	23,805	45,598	633,812	(11,528)	64,907	756,594	6,297	762,891



(4) Consolidated Statements of Cash Flows

	Yen (millions)	
	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit	51,819	14,068
Depreciation and amortization	15,038	18,735
Income tax expenses	20,657	11,934
Financial income and expenses	757	1,156
Loss (gain) on sales and retirement of property, plant and equipment	202	324
Decrease (increase) in trade and other receivables	3,828	25,530
Decrease (increase) in inventories	(137,443)	(7,629)
Increase (decrease) in trade and other payables	12,348	(20,658)
Increase (decrease) in retirement benefit assets and liabilities	198	186
Decrease (increase) in guarantee deposits	(1,119)	756
Other	(775)	(19,009)
Subtotal	<u>(34,490)</u>	<u>25,393</u>
Dividends received	738	716
Interest received	332	1,502
Interest paid	(454)	(1,386)
Income taxes paid	<u>(23,115)</u>	<u>(27,022)</u>
Cash flows from operating activities	<u>(56,989)</u>	<u>(797)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of non-current assets	(45,410)	(31,234)
Proceeds from sales of non-current assets	654	795
Purchase of investments	(200)	(0)
Proceeds from sales and redemption of investments	18,065	803
Payments into time deposits	(8,111)	(4,009)
Proceeds from withdrawal of time deposits	21,377	3,299
Other	376	24
Cash flows from investing activities	<u>(13,249)</u>	<u>(30,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in short-term borrowings	20,211	127,324
Purchase and sales of treasury shares, net	(6)	(1)
Cash dividends paid	(18,736)	(19,550)
Repayments of lease liabilities	(2,870)	(3,298)
Other	22	28
Cash flows from financing activities	<u>(1,379)</u>	<u>104,503</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	5,060	(317)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(66,557)</u>	<u>73,067</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD ...	148,640	71,057
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>82,083</u>	<u>144,124</u>



(5) Notes to Consolidated Financial Statements

Notes on the assumptions for a going concern: None

Segment Information

	Yen (millions)							
	For the nine months ended December 31, 2021							
	Japan	Europe	North America	Asia	Total	Other	Eliminations	Consolidated
Revenue:								
External customers.....	105,346	263,363	82,364	23,087	474,160	72,671	-	546,831
Inter-segment.....	281,513	14,190	4,387	301,566	601,656	379	(602,035)	-
Total	<u>386,859</u>	<u>277,553</u>	<u>86,751</u>	<u>324,653</u>	<u>1,075,816</u>	<u>73,050</u>	<u>(602,035)</u>	<u>546,831</u>
Operating profit	24,351	31,574	822	14,486	71,233	7,874	(5,874)	73,233

	Yen (millions)							
	For the nine months ended December 31, 2022							
	Japan	Europe	North America	Asia	Total	Other	Eliminations	Consolidated
Revenue:								
External customers.....	109,621	264,836	94,432	27,064	495,953	84,330	-	580,283
Inter-segment.....	238,109	9,532	2,856	253,492	503,989	368	(504,357)	-
Total	<u>347,730</u>	<u>274,368</u>	<u>97,288</u>	<u>280,556</u>	<u>999,942</u>	<u>84,698</u>	<u>(504,357)</u>	<u>580,283</u>
Operating profit (loss)...	5,721	10,059	(1,409)	29,479	43,850	3,080	(19,772)	27,158



3. SUPPORT DOCUMENTATION (CONSOLIDATED)

(1) Consolidated Financial Results and Forecast

	Yen (millions)			
	For the nine months ended December 31, 2021		For the nine months ended December 31, 2022	
		(%)		(%)
Revenue	546,831	23.9	580,283	6.1
Domestic	88,800	6.3	90,798	2.3
Overseas	458,031	28.1	489,485	6.9
Operating profit	73,233	11.5	27,158	(62.9)
Profit before income taxes	72,476	10.8	26,002	(64.1)
Profit attributable to owners of the parent	51,355	9.5	14,219	(72.3)
Profit attributable to owners of the parent per share (Yen)	189.13		52.36	
Number of Employees	19,925		19,374	

	Yen (millions)			
	For the year ended March 31, 2022		For the year ending March 31, 2023 (Forecast)	
		(%)		(%)
Revenue	739,260	21.5	750,000	1.5
Domestic	118,050	4.4	120,000	1.7
Overseas	621,210	25.4	630,000	1.4
Operating profit	91,728	3.7	25,000	(72.7)
Profit before income taxes	92,483	6.1	23,000	(75.1)
Profit attributable to owners of the parent	64,770	4.4	12,000	(81.5)
Profit attributable to owners of the parent per share (Yen)	238.54		44.19	
Number of Employees	20,233		-	

Notes:

1. Please refer to 1. Overview of operating results Section 3 “Outlook for the fiscal year ending March 31, 2023” on page 4.
2. The table above shows the changes in the percentage ratio of revenue, operating profit, profit before income taxes, and profit attributable to owners of the parent compared to the corresponding period of the previous year.



(2) Consolidated Revenue by Geographic Area

	Yen (millions)					
	For the nine months ended December 31, 2021		For the nine months ended December 31, 2022		For the year ended March 31, 2022	
		(%)		(%)		(%)
Japan	88,800	6.3	90,798	2.3	118,050	4.4
Europe.....	261,554	27.7	263,017	0.6	352,470	24.7
North America	80,614	21.7	92,364	14.6	112,248	23.4
Asia.....	35,888	23.2	42,240	17.7	49,196	25.1
Central and South America.....	31,515	49.8	36,830	16.9	41,765	42.0
Oceania.....	38,317	31.7	44,208	15.4	51,579	24.9
The Middle East and Africa.....	10,143	37.2	10,826	6.7	13,952	20.5
Total.....	546,831	23.9	580,283	6.1	739,260	21.5

Notes:

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

(3) Exchange Rates

	Yen			
	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022	For the year ended March 31, 2022	For the year ending March 31, 2023 (Forecast)
USD/JPY	111.14	136.50	112.39	135
EUR/JPY	130.60	140.60	130.55	140
RMB/JPY	17.26	19.88	17.51	19.7

(4) Production Ratio (unit basis)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022	For the year ended March 31, 2022
	Composition ratio	Composition ratio	Composition ratio
Domestic.....	7.1%	8.0%	7.0%
Overseas	92.9%	92.0%	93.0%

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

	Yen (millions)			
	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022	For the year ended March 31, 2022	For the year ending March 31, 2023 (Forecast)
Capital expenditures	45,410	31,234	59,937	40,000
Depreciation and amortization...	12,569	15,618	17,639	20,000
R&D costs	10,433	11,193	14,145	15,000