Makita Corporation

Consolidated Financial Results
for the year ended March 31, 2024
(IFRS Financial Information)

(English translation of "KESSAN TANSHIN"

originally issued in Japanese)

CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED MARCH 31, 2024 (Unaudited)

April 26, 2024

Makita Corporation
Stock code: 6586
URL: https://www.makita.biz/
Munetoshi Goto, President, Representative Director

1. Summary operating results of the year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the the year ended March 31, 2023		For the the year ended March 31, 2024	
		(%)		(%)
Revenue	764,702	3.4	741,391	(3.0)
Operating profit	28,246	(69.2)	66,169	134.3
Profit before income taxes	23,887	(74.2)	64,017	168.0
Profit	11,571	(82.3)	43,615	276.9
Profit attributable to owners of the parent	11,705	(81.9)	43,691	273.3
Comprehensive income	42,359	(60.8)	115,156	171.9

	Yen	
Profit attributable to owners of the parent per share		
(Basic)	43.11	162.13
(Diluted)	-	-
Ratio of profit attributable to owners of the parent to total equity attributable to owners of the parent (%) ..	1.5%	5.3%
Ratio of profit before income taxes to total assets (%) ...	2.3%	5.9%
Ratio of operating profit to revenue (%)	3.7%	8.9%

Notes:

1. Amounts of less than one million yen have been rounded.
2. 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, 2023	As of March 31, 2024
Total assets	1,099,351	1,055,808
Total equity	775,699	875,206
Equity attributable to owners of the parent	769,247	868,156
Ratio of equity attributable to owners of the parent to total assets (%)	70.0%	82.2%

	Yen	
Equity attributable to owners of the parent per share	2,832.89	3,227.06

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

(2) CONSOLIDATED CASH FLOWS

	Yen (millions)	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Net cash provided by operating activities	44,430	237,086
Net cash used in investing activities	(37,680)	(25,619)
Net cash provided by (used in) financing activities	80,970	(191,277)
Cash and cash equivalents, end of the fiscal year	162,720	196,645

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

2. Dividend Information

	Yen (millions)		
	For the year ended March 31, 2023	For the year ended March 31, 2024	For the year ending March 31, 2025 (Forecast)
Cash dividend per share:			
Interim	10.00	10.00	20.00
Year-end	11.00	47.00	(Note)
Total	21.00	57.00	(Note)
	Yen (millions)		
Total cash dividend	5,702	15,334	-
Dividend payout ratio (%)	48.7%	35.2%	-
Ratio of total cash dividend attributable to owners of the parent to total assets (%)	0.8%	1.9%	-

Note: 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 for fiscal 2024 and 2025" on page 7.

3. Consolidated Financial Performance Forecast for the year ending March 31, 2025

	Yen (millions)	
	For the year ending March 31, 2025	
		(%)
Revenue	710,000	(4.2)
Operating profit	75,000	13.3
Profit before income taxes	74,000	15.6
Profit attributable to owners of the parent	51,000	16.7

	Yen
Profit attributable to owners of the parent per share (Basic)	189.57

Note: 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 year (Changes in specified subsidiaries accompanied by changes in scope of consolidation during the year): None

(2) Changes in accounting policies and accounting estimates:

1. Changes in accounting policies required by IFRS: Yes
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 March 31, 2024:	280,017,520
	As of March 31, 2023:	280,017,520
2. Number of treasury shares:	As of March 31, 2024:	10,993,621
	As of March 31, 2023:	8,475,674
3. Average number of shares outstanding:	For the year ended March 31, 2024:	269,484,912
	For the year ended March 31, 2023:	271,539,104

Makita’s earnings releases (KESSAN TANSHIN) are not subject to an audit.

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

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)”, “1. Overview of operating results”, “(4) Outlook for the fiscal year ending March 31, 2025” on page 6.

SUPPLEMENT INFORMATION (CONSOLIDATED)

1. Overview of operating results

(1) Overview of operating results of the year

Looking at the international economic situation during the fiscal year under review, economic growth slowed worldwide, with housing investment remaining sluggish due to persistently high interest rates while monetary tightening policies were implemented in various countries to control inflation. In addition, Russia's invasion of Ukraine and unrest in the Middle East could lead to further price increases and economic downturns, and the outlook continues to remain uncertain.

In this situation, the Makita Group has focused on expanding its lineup of cordless products, including power tools and outdoor power equipment in the durable high-power, long-life "40Vmax Lithium-ion Battery" (XGT) series, and has introduced new products in new categories, such as robotic lawnmowers and cordless sweepers.

With respect to production, we worked to eliminate waste and reduce costs in all manufacturing processes and to expand initiatives at individual plants to other plants, thereby improving the efficiency of the Group as a whole.

We also work to increase the level of the community-based and customer-oriented service framework in order to further strengthen trusting relationships with customers around the world. We strive to deepen and develop the market centered on "40Vmax Lithium-ion Battery" series.

For the fiscal year, sales fell in many areas and consolidated revenue came to 741,391 million yen, down 3.0% year over year. This was because of weak demand for housing due to monetary tightening in overseas market and restrained investment in the building and construction markets. In terms of profit, operating profit increased by 134.3% year on year to 66,169 million yen (operating profit ratio: 8.9%) driven by an improvement in the cost ratio due to the impact of reduction of transportation cost and foreign exchange rates. Profit before income taxes increased by 168.0% to 64,017 million yen (profit before income taxes ratio: 8.6%) and profit attributable to owners of the parent increased by 273.3% to 43,691 million yen (ratio of profit attributable to owners of the parent: 5.9%).

Revenue by region are as follows:

Makita's consolidated revenue by geographic area is based on the customer's location for the periods presented. Accordingly, it differs from "Segment Information" on page 15.

In Japan, although the demand environment continues to stagnate, public facility-related construction demand remained comparatively strong, and as a result of striving for the expansion of sales of outdoor power equipment, mainly for professionals, sales were 123,222 million yen, an increase of 0.2% year on year.

In Europe, while the construction market remains lackluster due to high interest rates and demand is still weak, the deprecation of the yen against local currencies contributed to revenue increasing by 2.1% to 356,491 million.

In North America, although consumer spending overall remained comparatively strong, housing-related demand was sluggish as the high interest rate environment continued, and sales decreased, centered mainly on home improvement stores, ending at 93,677 million yen, a decrease of 21.3% year on year.

In Asia, demand for tools generally remained weak due to the continued slump in the real estate market in China and other countries. As a result, sales fell 13.4% year on year to 46,133 million yen.

In Central and South America, despite the challenging demand environment, we made efforts to expand sales of the 40Vmax series, which we are focusing on in various countries, and sales were up 5.2% year on year to 49,697 million yen due to the depreciation of the yen against local currencies.

In Oceania, consumption remains stagnant due to continuing inflation and high interest rates, and housing investment trended at a low level, resulting in sales of 56,340 million yen, a decrease of 3.8% year on year.

In the Middle East and Africa, although there were variations depending on the country, demand for construction and architecture remained steady overall, and sales were up 8.9% year on year to 15,831 million yen.

(Initiatives toward carbon neutrality)

The impact of climate change on society, such as frequent wind and flood disasters, is becoming more serious, and companies are playing an increasingly important role in realizing a decarbonized society. We have identified contributing to a decarbonized society as a material issue that should be prioritized and are stepping up our efforts. Therefore, the Group is currently working on the realization of a decarbonized society by focusing on cordless outdoor power equipment that does not emit exhaust gases during use as the next pillar of our future business in addition to power tools. In addition, with the goal of reducing our greenhouse gas (GHG) emissions, we have set targets for reducing GHG emissions from our business activities (Scope 1 and 2) by 50% by FY2030 from the FY2020 level and to net zero by FY2040 and reducing GHG emissions from the entire supply chain (Scope 3) to net zero by FY2050.

During the fiscal year ended March 2024, solar panels were installed at the part of Head office and Okazaki plant in Japan and at Estonia branch, and we promoted the use of renewable energy.

We will continue to work on the use of renewable energy and energy conservation in our business activities to achieve GHG emission reduction targets.

(2) Overview of financial position for the fiscal year ended March 31, 2024

Total assets as of the end of the year decreased by 43,543 million yen to 1,055,808 million yen compared to the balance as of March 31, 2023. This decrease was mainly due to the decrease in “Inventories”.

Total liabilities decreased by 143,050 million yen to 180,602 million yen compared to the balance as of March 31, 2023. This decrease was mainly due to the decrease in “Borrowings.”

Total equity increased by 99,507 million yen to 875,206 million yen compared to the balance as of March 31, 2023. This increase was mainly due to exchange gain or loss recognized in “Exchange differences on translating foreign operations” included in the “Other components of equity”.

(3) Overview of cash flow situation for the fiscal year ended March 31, 2024

Total cash and cash equivalents amounted to 196,645 million yen, increased by 33,925 million yen compared to the end of the previous year.

Net cash provided by operating activities amounted to 237,086 million yen (44,430 million yen in the previous year) due to a decrease in inventories.

Net cash used in investing activities decreased to 25,619 million yen (37,680 million yen in the previous year) due to acquisition of fixed assets.

Consequently, free cash flows (the sum of cash flows from operating activities and investing activities) amounted to 211,467 million yen (6,750 million yen in the previous year).

Net cash used in financing activities amounted to 191,277 million yen (net cash provided by financing activities amounted to 80,970 million yen in the previous year) due to the repayment of short-term borrowings and so on.

(4) Outlook for the fiscal year ending March 31, 2025

In the future, the Makita Group expects that the prospect for the global economy will continue to be uncertain. Meanwhile, the Group believes that demand for environmental and human friendly tools that contribute to the solution of social issues, such as the labor shortage and environment conservation by increased efficiency of works, will continue to increase further both in emerging and developed countries.

To cope with these assumed conditions, Makita will:

- Strengthen its R&D and product development capabilities, mainly for the technologies of motors and technologies for discharge/charge of batteries, to take the initiative in cordless products market;
- Next to power tools, we will work to develop and market products, mainly cordless outdoor power equipment and cleaning products, as the mainstay of future business.
- Work to strengthen a multipolar production and procurement system that is not overly dependent on any specific country, region, or supplier.
- 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, the Group will strive to maintain a solid presence in the industry and contribute to achieve a sustainable society as a global supplier of a comprehensive range of tools for creating comfortable homes and living environments.

(Consolidated Financial Performance Forecast for the Year Ending March 31, 2025)

Although the strengthening of Makita's profit structure has advanced due to the elimination of waste in internal work and the reduction of inventories, which we have focused on since this term, the severe demand environment will continue in the fiscal year ending March 2025 too, such as the stagnation of housing investment in various regions including Europe, and it is also difficult to predict demand trends in North America.

Based on these assumptions, the consolidated results for the fiscal year ending March 2025 are estimated below.

	Yen (millions)
	For the year ending March 31, 2025
Revenue	710,000
Operating profit	75,000
Profit before income taxes	74,000
Profit attributable to owners of the parent	51,000

[Preconditions]

The above forecast is based on the assumption of exchange rates of 145 yen to the U.S. dollar, 155 yen to the euro and 20.0 yen to the renminbi.

[Reference]

The actual exchange rate for the year ended March 31, 2024 was 144.59 yen to the U.S. dollar, 156.75 yen to the euro and 20.13 yen to the renminbi.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements based on assumptions, judgments, and beliefs in light of the information currently available to it and includes potential risks and uncertainties. As a consequence of the factors above and other, actual results may vary materially from the forecast provided. 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 2024 and 2025

Makita's basic policy on the distribution of profits is to maintain the total return ratio at 35% or greater, with a lower limit on annual cash dividends of 20 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. Of these, we will consider purchasing of treasury shares in view of stock price level and free cash flow and so on, in order to increase shareholder returns through the implementation of a flexible capital policy and improvement of capital efficiency.

We intend to use retained earnings to invest in environmental initiatives, which will become increasingly important, and to expand our business globally, while maintaining a financial structure that can withstand any changes in the business environment.

Our forecast for dividends is as follows;

	For the year ended March 31, 2024 (Result)	For the year ending March 31, 2025 (Forecast)
Cash dividend per share:		
Interim	10.00 yen	20.00 yen
Year-end	47.00 yen (Note)	(Note)
Total	57.00 yen (Note)	(Note)

Note: At a meeting of the Board of Directors to be held in April 2025, in accordance with the basic policy on profit distribution described above, the amount of dividends will be determined so that the total return ratio is at least 35%, and the decision will be submitted to the General Meeting of Shareholders to be held the following June. However, if certain special circumstances arise, computation of the amount of dividends will be based on profit attributable to owners of the parent after certain adjustments.

(6) Measures to realize management that is conscious of capital costs and the stock price

<Analysis of the current situation>

While Makita's cost of equity is estimated to be around 6 to 8%, ROE, an indicator of capital profitability, generally trended at around 8 to 10% above that level until the fiscal year ended March 2022. However, in the fiscal year ended March 2023, ROE decreased to 1.5% because of factors including decreases in sales quantities due to rapid changes in the demand environment and the impact of excessive inventories. For the fiscal year ended March 2024, ROE remains lower than the cost of equity at 5.3%.

The stock price has declined since September 2021, when stay-at-home demand caused by COVID-19 pandemic lost momentum and the expansion of results slowed in association with that. Currently, the stock price continues to trend at pre-COVID-19 levels. Although its PBR continues at a level above 1x, it is trending downwards in association with the sluggish growth of the stock price.

	Unit	FYE2019	FYE2020	FYE2021	FYE2022	FYE2023	FYE2024
Revenue	million yen	490,578	492,617	608,331	739,260	764,702	741,391
Operating profit	million yen	78,305	64,046	88,464	91,728	28,246	66,169
Operating profit ratio	%	16.0	13.0	14.5	12.4	3.7	8.9
ROE	%	9.9	8.3	10.1	9.2	1.5	5.3
Year-end stock price	yen	3,855	3,315	4,745	3,935	3,280	4,270
PBR	times	1.8	1.6	2.0	1.4	1.2	1.3

<Policy and targets for improvement>

Makita will expand equity spread by reducing the cost of equity while improving the situation where ROE falls below the cost of equity at an early date and maintaining conditions allowing it to achieve 8 to 10%, the level prior to the fiscal year ended March 2022.

<Matters to be addressed>

Based on the policy and targets above, we will work on the following matters.

① Improvement of ROE

- Improvement of profit margin and capital efficiency by achieving inventory reduction targets
- Thorough implementation of cost reductions by improving work efficiency and eliminating waste in all divisions
- Strengthening of profitability by differentiation from other companies through the expansion of our lineup of high value-added products for professionals centered on 40Vmax batteries and the provision of high quality after-sales services using our meticulous network of bases

② Reduction of cost of equity

- Formulation and execution of business strategies able to respond appropriately to changes in the environment
- Promotion of sustainability management and human capital management
- Promotion of investor understanding through IR activities

2. Basic Rationale for Selection of Accounting Standards

Makita has voluntarily adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2019 in order to improve global comparability in financial market.

3. Consolidated Financial Statements (Unaudited)

(1) Consolidated Statement of Financial Position

	Yen (millions)			
	As of March 31, 2023		As of March 31, 2024	
		Composition ratio		Composition ratio
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	162,720		196,645	
Trade and other receivables	110,884		116,267	
Inventories	453,752		345,491	
Other financial assets	6,970		18,561	
Other current assets	19,113		16,671	
Total current assets	753,439	68.5%	693,635	65.7%
NON-CURRENT ASSETS:				
Property, plant and equipment, at cost	265,638		277,248	
Goodwill and intangible assets	10,427		10,206	
Other financial assets	36,607		37,835	
Retirement benefit assets	12,157		14,968	
Deferred tax assets	17,901		19,670	
Other non-current assets	3,182		2,246	
Total non-current assets	345,912	31.5%	362,173	34.3%
Total assets	1,099,351	100.0%	1,055,808	100.0%