



# Makita Corporation

Consolidated Financial Results  
for the nine months  
ended December 31, 2004  
(U.S. GAAP Financial Information)

(English translation of "ZAIMU/GYOSEKI NO GAIKYO"  
originally issued in the Japanese language)



## CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2004

January 28, 2005

### Makita Corporation

Stock code: 6586

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

Masahiko Goto, President

### 1. Notes to consolidated financial statements for the nine months ended December 31, 2004

(1) Adoption of simplified accounting methods: None.

(2) Accounting policy changes from the year ended March 31, 2004: None.

(3) Change in scope of consolidation and equity method:

Consolidation: (Newly included)      Makita General Service Ltd.      (in Japan)

### 2. Results of the nine months ended December 31, 2004 (From April 1, 2004 to December 31, 2004)

#### (1) CONSOLIDATED FINANCIAL RESULTS

	Yen (million)					
	For the nine months ended December 31, 2003		For the nine months ended December 31, 2004		For the year ended March 31, 2004	
		%		%		%
Net sales .....	135,432	4.1	143,741	6.1	184,117	4.8
Operating income .....	9,378	(0.7)	25,542	172.4	14,696	17.9
Income before income taxes .....	10,376	29.0	27,083	161.0	16,170	74.0
Net income .....	2,919	(45.4)	18,825	544.9	7,691	14.4
	Yen					
Net income per share:						
Basic .....	20.14		130.86		53.16	
Diluted .....	19.94		126.43		51.92	

Note: The table above shows the change in the percentage ratio of Net sales, Operating income, Income before income taxes, and Net income against the corresponding period of the previous year.

#### [Qualitative information on consolidated financial results]

Net sales remained firm, rising 6.1% from the same period of the previous fiscal year, to 143,741 million yen, led principally by performance in Asia and Europe.

Regarding earnings, the cost to sales ratio improved significantly because of expanded production at plants in Japan and China as well as other factors. Moreover, in contrast to the previous fiscal year, when the Company reported a fixed asset impairment loss of 5.0 billion yen in connection with a golf course subsidiary, during the period under review, the Company posted a gain of approximately 4.4 billion yen on the transfer to the government of the substitutional portion of the employee's pension fund managed by the Company. As a result of these and other factors, profitability improved significantly. Operating income expanded 2.7 times to 25,542 million yen and income before income taxes rose 2.6 times to 27,083 million yen. Similarly, net income posted a gain of 6.4 times from the same period of the previous fiscal year and rose to 18,825 million yen.

Please note that although the Company signed an agreement to acquire the nailer business of Kanematsu-NNK Corp. on December 24, 2004, the date of the acquisition will be April 1, 2005. This transaction will therefore not have an effect on the results for the current fiscal year.



(2) CONSOLIDATED FINANCIAL POSITION

	Yen (million)		
	As of December 31, 2003	As of December 31, 2004	As of March 31, 2004
Total assets .....	274,139	294,063	278,116
Shareholders' equity .....	181,626	215,215	193,348
Shareholders' equity ratio to total assets (%).....	66.3%	73.2%	69.5%
	Yen		
Shareholders' equity per share .....	1,262.06	1,496.58	1,343.69

[CONSOLIDATED CASH FLOWS]

	Yen (million)		
	For the nine months ended December 31, 2003	For the nine months ended December 31, 2004	For the year ended March 31, 2004
Net cash provided by operating activities ....	20,677	11,957	28,941
Net cash used in investing activities.....	(10,327)	(8,722)	(17,262)
Net cash used in financing activities .....	(5,833)	(2,804)	(6,596)
Cash and cash equivalents, end of period.....	23,898	24,896	24,576

[Qualitative information on consolidated cash flows]

Total cash and cash equivalents ("cash") at the end of period amounted to 24,896 million yen, up 320 million yen from the previous year.

(Net Cash Provided by Operating Activities)

Net cash provided by operating activities amounted to 11,957 million yen. Among operating cash flow items, although inventories increased, net income for the period under review amounted to 18,825 million yen (including a gain of 4,441 million yen on the transfer to the government of the substitutional portion of the employee's pension fund formerly managed by the Company)

(Net Cash Used in Investing Activities)

Net cash used in investing activities was 8,722 million yen. This was primarily because of capital expenditures on property, plant and equipment—principally metal molds to be used in manufacturing new products—combined with a higher volume of purchases of securities and investment securities than sale of such securities.

(Net Cash Used in Financing Activities)

Net cash used in financing activities was 2,804 million yen, reflecting the payment of cash dividends and other factors.



(Ref.)

**Revised outlook for consolidated performance during the fiscal 2005 (from April 1, 2004, to March 31, 2005)**

(Million yen, %)

	Net sales	Income before income taxes	Net income
Outlook announced previously (A) .....	191,000	29,500	18,600
<b>Revised outlook (B) .....</b>	<b>192,000</b>	<b>32,300</b>	<b>22,000</b>
Change (B-A) .....	1,000	2,800	3,400
Percentage revision .....	0.5%	9.5%	18.3%
Actual results for the previous fiscal year (ended March 31, 2004) .....	184,117	16,170	7,691

Note: Net income per share for the fiscal year is projected to be 152.99 yen.

**Revised outlook for non-consolidated performance during the fiscal 2005**

**(from April 1, 2004, to March 31, 2005)**

(Million yen, %)

	Net sales	Ordinary profit	Net income
Outlook announced previously (A) .....	92,000	15,000	6,900
<b>Revised outlook (B) .....</b>	<b>96,000</b>	<b>18,000</b>	<b>8,700</b>
Change (B-A) .....	4,000	3,000	1,800
Percentage revision .....	4.3%	20.0%	26.1%
Actual results for the previous fiscal year (ended March 31, 2004) .....	88,335	9,444	5,668

Note: Net income per share for the fiscal year is projected to be 60.50 yen.

[Qualitative information about the forecast for the year ending March 31, 2005]

The above performance forecast has primarily been adjusted from the prior forecast on October 28, 2004 because of a changed exchange rate assumption, 107 yen to US\$1 and 134 yen to 1 Euro for the year ending March 31, 2005 (outlook announced previously: 107 yen to US\$1 and 131 yen to 1 Euro).

**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 that such objectives will be achieved.



## CONDENSED CONSOLIDATED BALANCE SHEETS

	Yen (millions)		
	As of March 31, 2004	As of December 31, 2004	Increase (Decrease)
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents .....	24,576	24,896	320
Time deposits .....	4,050	9,224	5,174
Marketable securities .....	63,990	67,527	3,537
Trade receivables-			
Notes .....	2,254	2,034	(220)
Accounts .....	34,787	33,612	(1,175)
Less- Allowance for doubtful receivables .....	(1,346)	(1,384)	(38)
Inventories .....	54,326	65,397	11,071
Deferred income taxes .....	3,691	3,981	290
Prepaid expenses and other current assets .....	8,117	7,868	(249)
Total current assets .....	194,445	213,155	18,710
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>			
Land .....	18,326	18,661	335
Buildings and improvements .....	50,648	50,500	(148)
Machinery and equipment .....	73,222	74,085	863
Less- Accumulated depreciation .....	(89,231)	(90,182)	(951)
	52,965	53,064	99
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities .....	22,139	21,294	(845)
Deferred income taxes .....	880	310	(570)
Other assets .....	7,687	6,240	(1,447)
	30,706	27,844	(2,862)
	278,116	294,063	15,947



## CONDENSED CONSOLIDATED BALANCE SHEETS

	Yen (millions)		
	As of March 31, 2004	As of December 31, 2004	Increase (Decrease)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings.....	14,128	21,677	7,549
Trade notes and accounts payable .....	8,525	8,966	441
Accrued payroll .....	7,168	5,917	(1,251)
Accrued expenses and other .....	10,656	12,266	1,610
Income taxes payable .....	6,093	4,129	(1,964)
Deferred income taxes .....	53	72	19
Total current liabilities .....	46,623	53,027	6,404
<b>LONG-TERM LIABILITIES:</b>			
Long-term indebtedness .....	7,364	907	(6,457)
Club members' deposits .....	13,045	12,669	(376)
Accrued retirement and termination benefits.....	15,536	5,671	(9,865)
Deferred income taxes .....	235	4,275	4,040
Other liabilities .....	711	885	174
	36,891	24,407	(12,484)
MINORITY INTERESTS.....	1,254	1,414	160
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock .....	23,803	23,803	-
Additional paid-in capital .....	45,421	45,426	5
Legal reserve and retained earnings.....	144,488	159,860	15,372
Accumulated other comprehensive loss .....	(17,048)	(10,412)	6,636
Treasury stock, at cost.....	(3,316)	(3,462)	(146)
	193,348	215,215	21,867
	278,116	294,063	15,947



## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Yen (millions)							
	For the nine months ended December 31, 2003		For the nine months ended December 31, 2004		Increase (Decrease)		For the year ended March 31, 2004	
	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)
NET SALES.....	135,432	100.0	143,741	100.0	8,309	6.1	184,117	100.0
Cost of sales.....	82,108	60.6	83,330	58.0	1,222	1.5	110,322	59.9
GROSS PROFIT .....	53,324	39.4	60,411	42.0	7,087	13.3	73,795	40.1
Selling, general, administrative and other expenses.....	43,946	32.5	34,869	24.2	(9,077)	(20.7)	59,099	32.1
OPERATING INCOME.....	9,378	6.9	25,542	17.8	16,164	172.4	14,696	8.0
OTHER INCOME (EXPENSES) :								
Interest and dividend income .....	578	0.4	837	0.6	259	44.8	869	0.5
Interest expense .....	(453)	(0.3)	(440)	(0.3)	13	2.9	(605)	(0.3)
Exchange gains (losses) on foreign currency transactions, net .....	(31)	(0.0)	127	0.1	158	-	(202)	(0.1)
Realized gains on securities, net .....	345	0.3	328	0.2	(17)	(4.9)	555	0.3
Other, net .....	559	0.4	689	0.4	130	23.3	857	0.4
Total.....	998	0.8	1,541	1.0	543	54.4	1,474	0.8
INCOME BEFORE INCOME TAXES .....	10,376	7.7	27,083	18.8	16,707	161.0	16,170	8.8
PROVISION FOR INCOME TAXES .....	7,457	5.5	8,258	5.7	801	10.7	8,479	4.6
NET INCOME.....	2,919	2.2	18,825	13.1	15,906	544.9	7,691	4.2



## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Yen (millions)		
	For the nine months ended December 31, 2003	For the nine months ended December 31, 2004	For the year ended March 31, 2004
Net cash provided by operating activities .....	20,677	11,957	28,941
Net cash used in investing activities .....	(10,327)	(8,722)	(17,262)
Net cash used in financing activities .....	(5,833)	(2,804)	(6,596)
Effect of exchange rate changes on cash and cash equivalents .....	(989)	(111)	(877)
Net change in cash and cash equivalents .....	3,528	320	4,206
Cash and cash equivalents, beginning of period .....	20,370	24,576	20,370
Cash and cash equivalents, end of period .....	23,898	24,896	24,576



## OPERATING SEGMENT INFORMATION

For the nine months ended December 31, 2003

	Yen (millions)						Corporate and elimi- nations	Consoli- dated
	Japan	North America	Europe	Asia	Other	Total		
Sales:								
(1) External customers.....	34,872	31,749	49,015	4,977	14,819	135,432	-	135,432
(2) Intersegment.....	28,982	2,718	3,765	15,905	57	51,427	(51,427)	-
Total.....	<u>63,854</u>	<u>34,467</u>	<u>52,780</u>	<u>20,882</u>	<u>14,876</u>	<u>186,859</u>	<u>(51,427)</u>	<u>135,432</u>
Operating expenses .....	64,469	34,121	47,337	18,879	13,899	178,705	(52,651)	126,054
Operating income (loss) ..	(615)	346	5,443	2,003	977	8,154	1,224	9,378

For the nine months ended December 31, 2004

	Yen (millions)						Corporate and elimi- nations	Consoli- dated
	Japan	North America	Europe	Asia	Other	Total		
Sales:								
(1) External customers.....	37,539	28,652	55,401	5,624	16,525	143,741	-	143,741
(2) Intersegment.....	35,711	2,789	4,405	26,285	146	69,336	(69,336)	-
Total.....	<u>73,250</u>	<u>31,441</u>	<u>59,806</u>	<u>31,909</u>	<u>16,671</u>	<u>213,077</u>	<u>(69,336)</u>	<u>143,741</u>
Operating expenses .....	59,071	30,219	52,331	28,004	15,419	185,044	(66,845)	118,199
Operating income .....	14,179	1,222	7,475	3,905	1,252	28,033	(2,491)	25,542

For the year ended March 31, 2004

	Yen (millions)						Corporate and elimi- nations	Consoli- dated
	Japan	North America	Europe	Asia	Other	Total		
Sales:								
(1) External customers.....	48,413	41,699	67,110	6,612	20,283	184,117	-	184,117
(2) Intersegment.....	40,633	3,978	4,726	22,364	123	71,824	(71,824)	-
Total.....	<u>89,046</u>	<u>45,677</u>	<u>71,836</u>	<u>28,976</u>	<u>20,406</u>	<u>255,941</u>	<u>(71,824)</u>	<u>184,117</u>
Operating expenses .....	87,594	44,958	64,358	26,048	19,061	242,019	(72,598)	169,421
Operating income .....	1,452	719	7,478	2,928	1,345	13,922	774	14,696

Note: Segment information is determined by the location of the Company and its relevant subsidiaries.



## SUPPORT DOCUMENTATION (CONSOLIDATION)

### 1. Consolidated results and forecast

	Yen (millions)			
	For the nine months ended December 31, 2003		For the nine months ended December 31, 2004	
	(Results)		(Results)	
	(Amount)	(%)	(Amount)	(%)
Net sales .....	135,432	4.1	143,741	6.1
Domestic .....	28,675	0.4	28,623	(0.2)
Overseas .....	106,757	5.2	115,118	7.8
Operating income .....	9,378	(0.7)	25,542	172.4
Income before income taxes .....	10,376	29.0	27,083	161.0
Net income .....	2,919	(45.4)	18,825	544.9
Net income per share (Yen) .....	20.14		130.86	
Employees .....	8,661		8,647	

	Yen (millions)					
	For the year ended March 31, 2004		For the six months ended September 30, 2004		For the year ending March 31, 2005 (Forecast)	
	(Results)		(Results)		(Forecast)	
	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)
Net sales .....	184,117	4.8	97,430	6.2	192,000	4.3
Domestic .....	39,142	0.9	19,028	(1.1)	38,800	(0.9)
Overseas .....	144,975	6.0	78,402	8.1	153,200	5.7
Operating income .....	14,696	17.9	19,464	110.5	30,300	106.2
Income before income taxes .....	16,170	74.0	20,238	104.5	32,300	99.8
Net income .....	7,691	14.4	12,953	160.0	22,000	186.0
Net income per share (Yen) .....	53.16		90.03		152.99	
Employees .....	8,433		8,598		-	

Note: The table above shows the change in the percentage ratio of Net sales, Operating income, Income before income taxes, and Net income against the corresponding period of the previous year.



## 2. Consolidated net sales by geographic area

	Yen (millions)							
	For the nine months ended December 31, 2003 (Results)		For the nine months ended December 31, 2004 (Results)		For the year ended March 31, 2004 (Results)		For the six months ended September 30, 2004 (Results)	
	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)
Japan .....	28,675	0.4	28,623	(0.2)	39,142	0.9	19,028	(1.1)
North America.....	31,717	(8.5)	28,579	(9.9)	41,853	(8.2)	19,697	(10.8)
Europe .....	48,580	16.5	54,984	13.2	66,369	15.1	36,415	13.5
Asia .....	10,075	1.0	12,605	25.1	14,245	3.4	9,320	27.4
Other regions.....	16,385	8.4	18,950	15.7	22,508	13.5	12,970	17.6
Total .....	135,432	4.1	143,741	6.1	184,117	4.8	97,430	6.2

Note: The table above sets forth Makita's consolidated net sales by geographic area based on customers location for the periods presented.

## 3. Exchange rates

	Yen	
	For the nine months ended December 31, 2003 (Results)	For the nine months ended December 31, 2004 (Results)
Yen/U.S. Dollar .....	115.09	108.52
Yen/Euro .....	132.20	134.57

	Yen		
	For the year ended March 31, 2004 (Results)	For the six months ended September 30, 2004 (Results)	For the year ending March 31, 2005 (Forecast)
Yen/U.S. Dollar .....	113.19	109.80	107
Yen/Euro .....	132.65	133.28	134

## 4. Sales growth in local currency basis (major countries)

	For the nine months ended December 31, 2004 (Results)
U.S.A.....	(4.9%)
Germany.....	3.8%
U.K.....	10.4%
France.....	14.9%
China.....	6.1%
Australia.....	(3.2%)



## 5. Production ratio (unit basis)

	For the nine months ended December 31, 2003 (Results)	For the nine months ended December 31, 2004 (Results)	For the year ended March 31, 2004 (Results)	For the six months ended September 30, 2004 (Results)
Domestic .....	33.6%	29.3%	32.3%	31.6%
Overseas .....	66.4%	70.7%	67.7%	68.4%

## 6. Consolidated capital expenditures, depreciation and amortization, and R&D cost

	Yen (millions)	
	For the nine months ended December 31, 2003 (Results)	For the nine months ended December 31, 2004 (Results)
Capital expenditures .....	3,067	4,376
Depreciation and amortization .....	6,380	3,954
R&D cost .....	2,954	3,076

	Yen (millions)		
	For the year ended March 31, 2004 (Results)	For the six months ended September 30, 2004 (Results)	For the year ending March 31, 2005 (Forecast)
Capital expenditures .....	4,494	2,071	5,500
Depreciation and amortization ....	7,963	2,664	5,300
R&D cost .....	4,086	2,048	4,200

## 7. Consolidated cash flow

	Yen (millions)			
	For the nine months ended December 31, 2003 (Results)	For the nine months ended December 31, 2004 (Results)	For the year ended March 31, 2004 (Results)	For the six months ended September 30, 2004 (Results)
Net cash provided by operating activities .....	20,677	11,957	28,941	9,090
Net cash used in investing activities .....	(10,327)	(8,722)	(17,262)	(6,437)
Net cash used in financing activities .....	(5,833)	(2,804)	(6,596)	(2,211)