



# Makita Corporation

Consolidated Financial Results  
for the year ended March 31, 2006  
(U.S. GAAP Financial Information)

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



## CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2006

April 28, 2006

### Makita Corporation

Stock code: 6586

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

Masahiko Goto, President

Date of Board Meeting: April 28, 2006

(Consolidated financial information has been prepared in accordance with accounting principles generally accepted in the United States.)

### 1. Results of the year ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

#### (1) CONSOLIDATED FINANCIAL RESULTS

|   | Yen (million)                        |       |                                      |      |
|---|--------------------------------------|-------|--------------------------------------|------|
|   | For the year ended<br>March 31, 2005 |       | For the year ended<br>March 31, 2006 |      |
|   |                                      | %     |                                      | %    |
| Net sales.....  | 194,737                              | 5.8   | 229,075                              | 17.6 |
| Operating income.....                                   | 31,398                               | 113.6 | 45,778                               | 45.8 |
| Income before income taxes .....                        | 32,618                               | 101.7 | 49,143                               | 50.7 |
| Net income.....   | 22,136                               | 187.8 | 40,411                               | 82.6 |
| Yen   |                                      |       |                                      |      |
| Net income per share:                                   |                                      |       |                                      |      |
| Basic.....  | 153.89                               |       | 281.15                               |      |
| Diluted.....  | 148.76                               |       | 281.15                               |      |
| Ratio of net income to shareholders' equity .....       | 10.7%                                |       | 16.6%                                |      |
| Ratio of income before income taxes to total assets ... | 11.5%                                |       | 16.0%                                |      |
| Ratio of income before income taxes to net sales .....  | 16.7%                                |       | 21.5%                                |      |

- Notes:
1. Equity in net earnings of affiliated companies (including non-consolidated subsidiaries): Not applicable
  2. Average number of shares outstanding:
 

|                            |             |
|----------------------------|-------------|
| Year ended March 31, 2006: | 143,736,927 |
| Year ended March 31, 2005: | 143,844,383 |
  3. Change in accounting policies: Not applicable
  4. The table above shows the change in the percentage ratio of Net sales, Operating income, Income before income taxes, and Net income against the previous year.

#### (2) CONSOLIDATED FINANCIAL POSITION

|  | Yen (million)           |                         |
|--|-------------------------|-------------------------|
|  | As of<br>March 31, 2005 | As of<br>March 31, 2006 |
| Total assets.....                                    | 289,904                 | 326,038                 |
| Shareholders' equity.....                            | 219,640                 | 266,584                 |
| Shareholders' equity ratio to total assets (%) ..... | 75.8%                   | 81.8%                   |
| Yen  |                         |                         |
| Shareholders' equity per share .....                 | 1,527.64                | 1,854.99                |

- Note: Number of shares outstanding:
- |                       |             |
|-----------------------|-------------|
| As of March 31, 2006: | 143,711,766 |
| As of March 31, 2005: | 143,777,607 |



(3) CONSOLIDATED CASH FLOWS

|   | Yen (million)                        |                                      |
|---|--------------------------------------|--------------------------------------|
|   | For the year ended<br>March 31, 2005 | For the year ended<br>March 31, 2006 |
| Net cash provided by operating activities ..... | 16,842                               | 25,067                               |
| Net cash provided by investing activities ..... | 154                                  | 7,655                                |
| Net cash used in financing activities.....      | (16,177)                             | (19,548)                             |
| Cash and cash equivalents, end of year .....    | 25,384                               | 39,054                               |

(4) SCOPE OF CONSOLIDATION AND EQUITY METHOD

Consolidated subsidiaries: 45 subsidiaries

Non-consolidated subsidiaries accounted for under the equity method: Not applicable

Affiliated companies accounted for under the equity method: Not applicable

(5) CHANGE IN SCOPE OF CONSOLIDATION AND EQUITY METHOD

Consolidation (Newly included): 2

Consolidation (Excluded): 1

Equity method: Not applicable

**2. Consolidated forecast for the year ending March 31, 2007 (From April 1, 2006 to March 31, 2007)**

|                                  | Yen (million)                                   |                                       |
|----------------------------------|---|---------------------------------------|
|                                  | For the six months ending<br>September 30, 2006 | For the year ending<br>March 31, 2007 |
| Net sales.....                   | 118,000   | 240,000                               |
| Income before income taxes ..... | 19,500  | 39,300                                |
| Net income.....                  | 13,400  | 27,000                                |
|                                  |   | Yen                                   |
| Net income per share .....       |   | 187.88                                |

**FORWARD-LOOKING STATEMENTS**

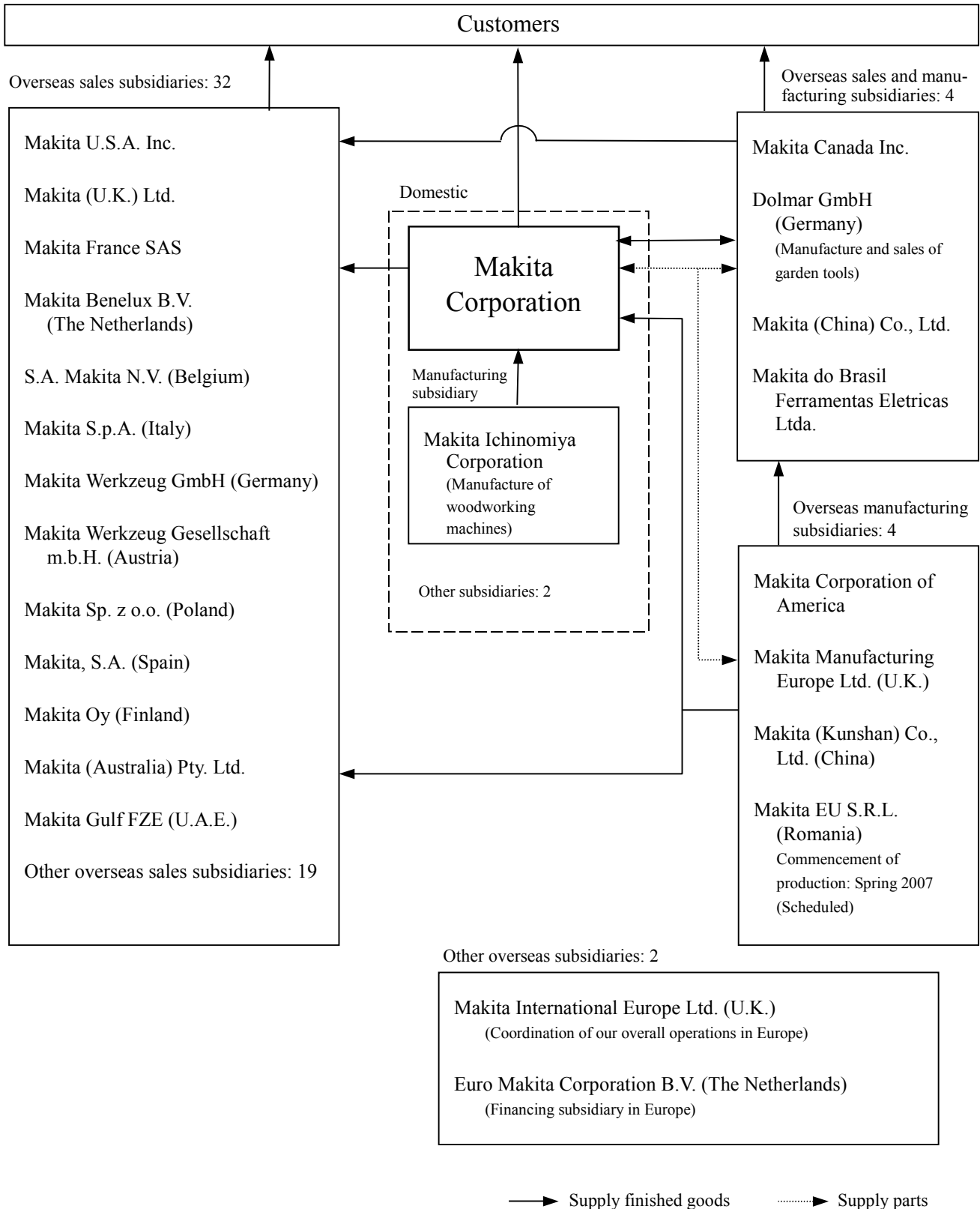
This document contains forward-looking statements based on Makita's own projections and estimates. The power tools market, where Makita is mainly active, is subject to the effects of rapid shifts in economic conditions, demand for housing, currency exchange rates, changes in competitiveness, and other 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.



## THE MAKITA GROUP

The Makita Group is comprised of 46 companies (Makita Corporation and 45 consolidated subsidiaries.) The Makita Group mainly manufactures and sells electric power tools.

The Makita Group is outlined as follows:





## MANAGEMENT POLICIES

### **1. Basic Policies**

Makita has set itself the goal of consolidating a strong position in the global power tool industry as a global supplier of a comprehensive range of power tools that assist people in creating homes and living environments. In order to achieve this, the Company has established strategic business approaches and quality policies such as "Managing to take good care of our customers," "Proactive, sound management and symbiosis with society," and "Emphasis on a trustworthy and reliable corporate culture as well as management to draw out the capabilities of each employee." The Company aims to generate solid profitability so that it can promote its sustained corporate development and meet the needs of its shareholders, customers, and employees as well as regional societies.

### **2. Basic Policy Regarding Profit Distribution**

Makita's basic policy on the distribution of profits is to maintain a dividend payout ratio of 30% or greater, with a lower limit on annual cash dividends of 18 yen per share. However, in the event special circumstances arise, computation of the amount of dividends will be based on consolidated net income after certain adjustments. In addition, Makita aims to implement a flexible capital policy, augment the efficiency of its capital employment, and thereby boost shareholder profit. Makita continues to consider repurchases of its outstanding shares in light of trends in stock prices. In February of 2006, the Company retired 4 million shares of treasury stock for which it anticipated no immediate use.

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.

### **3. Policy Regarding Reducing the Basic Trading Unit of Shares**

To expand the number of individual investors holding Makita shares and increase share liquidity, effective October 3, 2005 Makita reduced the size of its stock trading unit from 1,000 to 100.

As a result, the current number of company shareholders for the fiscal year ended March 2006 was 12,342. This represents an increase of 21% over the 10,200 shareholders for the fiscal year ended March 2005.

### **4. Target Management Indicators**

The Makita Group believes that attaining sustained growth and maintaining high profitability are the ways to increase corporate value. The Group's specific numerical target is to maintain a stable ratio of operating income to net sales on a consolidated basis of 10% or more.

### **5. Medium-to-Long-Term Management Strategy and Issues to Be Addressed**

Makita furthers its basic strategy of concentrating corporate assets in Makita's core business, which is principally power tools for professional use, by working to increase its sales and profitability in this business based on the solid foundation of Makita strong "high quality" brand and extensive domestic and overseas marketing and service networks.

We are in the process of improving our sales and service structures by further strengthening local subsidiaries in our overseas markets, as well as upgrading and expanding our Chinese factories to enhance the cost competitiveness of our production activities. Meanwhile, in Europe, where sales have transitioned very favorably with the appreciation of the Euro and the growth in the Eastern European and Russian economies, we are reducing shipping costs through the establishment of a new base of production in the cost-effective Romania, and taking measures aimed at reducing the risks associated with foreign exchange and a geographically concentrated production. Also, by increasing its capabilities for developing new products that satisfy professional users and maintaining its brand image, Makita is striving to be what it refers to as a "Strong Company", or, in other words, a company that can earn and maintain worldwide market leadership in markets for professional-use power tools. In this way, Makita is striving to be such a "Strong Company" and achieve improved performance.

### **6. Parent Company and Other Matters**

Not applicable



## OPERATING RESULTS AND FINANCIAL POSITION

### **1. Results of Operations**

#### **(1) Operations and Results during the Year Under Review**

Looking at the overseas economic circumstances for the period under review, the U.S. economy showed a gradual expansion as personal consumption and capital investment remained firm. In Europe, personal consumption did not see a full-fledged recovery, but indications of a gradual recovery were evident as exports held firm and the Eastern European and Russian economies stabilized and expanded. In Asia, growth rates slowed in some areas, but the region's overall economic growth remained high, especially in China where exports were brisk. The Japanese economy experienced gradual recovery as capital investment increased along with the recovery in corporate profitability, and there was also an improvement in personal consumption and employment.

Under these conditions, the Makita Group worked diligently to develop high-value-added products that are precise in fitting the needs of users. By combining lithium ion batteries with the Company's proprietary optimum charging system, Makita created a series of rechargeable products featuring small size and high output, and released new products such as rotary hammers featuring newly developed low-vibration designs.

In regard to consolidated results for the period under review, net sales rose 17.6% over the same period of the previous fiscal year, to 229,075 million yen. This was the first time sales exceeded 200 billion yen. Year-on-year, sales in Japan rose 5.6%, to 41,600 million yen, as a result of the robust performance of newly introduced rechargeable power tools. Overseas sales expanded 20.7%, to 187,475 million yen, principally due to steady performance in the European markets, as well as the increase in sales that occurred in North American markets, which employed lithium ion battery based products as the centerpiece of their Christmas sales campaigns targeting major home centers. As a result, overseas sales accounted for 81.8% of net consolidated sales for the period.

Examining overseas sales by individual region, year-on-year sales were up 20.3% in Europe, to 90,504 million yen, 23.9% in North America, to 47,673 million yen, 4.0% in Asia, to 16,993 million yen, and 27.9% in other regions, to 32,305 million yen.

With regard to earnings, in addition to the cost to sales ratio improving owing to the impact of a stronger Euro, as a special factor, there was the resolution of the golf course rehabilitation issue followed by a gain from the sale of this business amounting to approximately 8.5 billion yen. Accordingly, year-on-year operating income climbed 45.8%, to 45,778 million yen, and earnings before income taxes increased 50.7% for the same period, to 49,143 million yen. In addition, a deferred tax asset resulting from an impairment charge recorded against our golf course business during the fiscal year ended March 2004, was not recognized at that time as we did not consider it to be more likely than not recoverable. However, following the completion of the civil rehabilitation proceedings and the sale of our golf course business, we determined the previously unrecognized deferred tax asset to be recoverable and recognized a tax benefit. As a consequence, net income for the current period was 40,411 million yen, exceeding the previous year by 82.6%.

To strengthen its position in the automatic nailer business as a comprehensive supplier of tools for professional use, Makita acquired the automatic nailer business of Kanematsu-NNK Corp. as of January 1, 2006 for a total of 1,754 million yen. In acquiring this business, Makita assumed no liabilities whatsoever for liabilities related to the issue regarding Kanematsu-NNK's falsification of certificates.



## (2) Outlook for the Year Ending March 31, 2007

With regard to the outlook for the future, while the domestic economy is shrugging off deflation and heading for recovery, we anticipate that harsh conditions will continue. Given the escalation of raw material prices, including that for crude oil, and with the increasing trend to employ prefab/precut materials in residential construction, the demand for power tools will decline. A number of uncertainties also remain in the business environment. In addition to the global trend in interest rate hikes, there are also concerns about the US economy, where we are starting to see a decline in personal consumption. There are also concerns regarding the future course of Asia, where changes in the economy tend to be severe.

In light of this outlook, Makita will continue working to improve its performance by expanding its share of the professional-use tool market, and it will seek to accomplish this by bolstering its marketing and service networks and developing high-value-added products.

The outlook for the year ending March 31, 2007 is as follows:

- Competition will intensify in the global market for professional power tools, including the Japan and North American markets.
- Performance in the European market will be stable as the Company sustains its competitiveness.
- Chinese power tool manufacturers will work to expand their positions primarily in the Asian markets.
- Demand for high-value-added products in the industrialized nations will continue.
- The automatic nailer business acquired through a business transfer will contribute on a full-term basis.

Based on these and other factors, Makita has prepared the following performance forecast.

### Forecast for the Year Ending March 31, 2007

|                                  | Yen (million)                                   |                                       |
|----------------------------------|---|---------------------------------------|
|                                  | For the six months ending<br>September 30, 2006 | For the year ending<br>March 31, 2007 |
| Consolidated Basis:              |   |                                       |
| Net sales .....                  | 118,000   | 240,000                               |
| Operating income .....           | 19,000  | 38,300                                |
| Income before income taxes ..... | 19,500  | 39,300                                |
| Net income .....                 | 13,400  | 27,000                                |
| Non-consolidated Basis:          |   |                                       |
| Net sales .....                  | 55,300  | 112,000                               |
| Operating income .....           | 7,100   | 15,400                                |
| Ordinary profit .....            | 16,100  | 26,200                                |
| Net income .....                 | 11,300  | 18,000                                |

#### Assumption

The above forecast is based on the assumption of exchange rates of 113 yen to US\$1 and 140 yen to 1 Euro.



Our forecasts for dividends are as follows:

|   | For the year ended<br>March 31, 2006<br>(Results and Forecast) | For the year ending<br>March 31, 2007<br>(Forecast) |
|---|--|---|
| Cash dividend per share for the interim period..... | 19 yen<br>(With a special dividend<br>of 10 yen)               | 19 yen<br>(With a special dividend<br>of 10 yen)    |
| Cash dividend per share for the second half.....    | 38 yen<br>(With a special dividend<br>of 29 yen)               | (Note)  |
| Total cash dividend per share for the year .....    | 57 yen<br>(With a special dividend<br>of 39 yen)               | (Note)  |

Note

The Board of Directors plans to meet in April 2007 for a report on earnings for the year ending March 31, 2007. At such time, in accordance with the Basic Policy Regarding Profit Distribution on page 4, the Board of Directors plans to propose a dividend equivalent to at least 30% of net income, with a lower limit for the annual dividend set at 18 yen per share. The Board of Directors will submit this proposal to the General Meeting of Shareholders scheduled for June 2007. However, if special circumstances arise, computation of the amount of dividends will be based on consolidated net income after certain adjustments.

\* The consolidated dividend payout ratio is calculated as annual dividends per share divided by consolidated net income per share (after adjustments for special factors).

**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.



## 2. Cash Flows and Financial Ratios

Total cash and cash equivalents (cash) at the end of year totaled 39,054 million yen, up 13,670 million yen from the end of the previous year.

(Net Cash Provided by Operating Activities)

As outlined in the Operations and Results During the Year Under Review section above, strong performance resulted in net cash from operating activities amounting to 25,067 million yen.

(Net Cash Provided by Investing Activities)

Net cash from investing activities amounted to 7,655 million yen. Although the Company made capital expenditures, principally for metal molds for new products and the construction of new facility at the Okazaki plant, this cash outflow was more than offset by proceeds from the sale of securities.

(Net Cash Used in Financing Activities)

Net cash used in financing activities amounted to 19,548 million yen, as the Company repaid a portion of the deposits of members of the golf course subsidiary undergoing civil rehabilitation and made dividend payments.

### Financial Ratios

|   | As of (year ended) March 31, |       |       |       |        |
|---|------------------------------|-------|-------|-------|--------|
|   | 2002                         | 2003  | 2004  | 2005  | 2006   |
| Operating income to net sales ratio.....          | 3.5%                         | 7.1%  | 8.0%  | 16.1% | 20.0%  |
| Equity ratio .....                                | 66.6%                        | 65.5% | 69.5% | 75.8% | 81.8%  |
| Equity ratio based on a current market price .... | 45.1%                        | 43.5% | 69.3% | 97.1% | 160.0% |
| Debt redemption (years) .....                     | 1.4                          | 0.8   | 0.7   | 0.5   | 0.1    |
| Interest coverage ratio (times) .....             | 20.8                         | 40.4  | 47.8  | 28.4  | 54.7   |

#### Definitions

Operating income to net sales ratio: operating income/net sales

Equity ratio: shareholders' equity/total assets

Equity ratio based on a current market price: total current market value of outstanding shares/total assets

Debt redemption: interest-bearing debt/net cash inflow from operating activities

Interest coverage ratio: net cash inflow from operating activities/interest expense

#### Notes

1. All figures are calculated based on a consolidated basis.
2. The total current market value of outstanding shares is calculated by multiplying the closing market price at the period end by the number of outstanding shares (after deducting treasury stock.)
3. Interest-bearing debt includes all consolidated balance-sheet debt on which interest payments are made.

## 3. Risk factors

Among the various risk factors that may have an effect on the management performance and financial position of the Makita Group, those that are believed likely to have a material impact on investor judgment are described below.

Note that items referring to the future reflect the Makita Group's forecasts and assumptions as of March 31, 2006.

(1) Makita's sales are affected by the levels of construction activities and capital investments in its markets.

The demand for power tools, Makita's main products, is affected to a large extent by the levels of construction activities and capital investments in the relevant regions. Generally speaking, the levels of construction activities and capital investment depend largely on the economic conditions in the market. As a result, when economic conditions weaken in the principal markets for Makita's activities, including Japan, North America, Europe, and Asia, this may have an adverse impact on Makita's consolidated financial condition and results of operations.

(2) Geographic concentration of Makita's main facilities may have adverse effects on Makita's business activities.

Makita's principal management functions, including its headquarters, Information system center, and the companies on which it relies on for supplying major parts are located in Aichi Prefecture ("Aichi"), Japan. Makita's manufacturing facilities in Aichi and Kunshan, Jiangsu Province, China, collectively account for approximately 76% of Makita's total production volume on a consolidated basis during the year under review. Due to this geographic concentration of Makita's major functions, including plants and other operations in Japan and China, Makita's performance may be significantly affected by major natural disasters and other catastrophic events, including earthquakes, floods, fires, power outages, and suspension of water supplies. In addition, Makita's facilities in China may also be affected by changes in political and legal environments, changes in economic conditions, revisions in tariff rates, currency appreciation, labor disputes, emerging infectious diseases, power outages resulting from inadequacies in infrastructure, and other factors. In the event that such developments cannot be foreseen or measures taken to alleviate their damaging impact are inadequate, Makita's consolidated financial condition and results of operations may be adversely affected.

(3) Makita's overseas activities and entry into overseas markets entail risks, which may have a material adverse effect on Makita's business activities.

Makita derives a majority of its sales in markets located outside of Japan, including North America, Europe, Asia, Oceania, the Middle East, and emerging markets such as Russia and Eastern Europe. During the year under review, approximately 82% of Makita's consolidated net sales were derived from products sold overseas. The high percentage of overseas sales gives rise to a number of risks. In the event that these assumed risks occur, they may have a material adverse impact on Makita's consolidated financial condition and results of operations. Such risks include the following:

1. Unexpected changes in laws and regulations;
2. Disadvantageous political and economic factors;
3. The outflow of technical know-how and knowledge due to personnel turnover enabling Makita's competitors to strengthen their position;
4. Potentially unfavorable tax systems; and
5. Terrorism, war, and other factors that lead to social turbulence.

(4) Environmental or other government regulations may have a material adverse impact on Makita's business activities.

Makita maintains strict compliance with environmental, commercial, export and import, tax, safety and other regulations that are applicable to its activities in all the countries in which Makita operates. If Makita is unable to continue its compliance with existing regulations or is unable to comply with any new or amended regulations, it may be subject to fines and other penalties and its activities may be significantly restricted. The costs related to compliance with any new or amended regulations may also result in significant increases in overall costs.

Beginning on July 1, 2006, a European directive entitled "Restriction of the Use of Certain Hazardous Substances" ("RoHS") takes effect which forbids the sale in EU member countries of products containing six toxic substances, including lead. In addressing RoHS, we have abolished nearly all restricted substances through the cooperation of our parts suppliers. In addition, the Makita Group itself is constantly reinforcing its system for inspecting parts as they are delivered and has addressed this issue nearly fully at the present time. However, if Makita's suppliers have not fully shifted to alternative materials and Makita is not able to detect the presence of the forbidden substances, then, if these substances are confirmed within the EU, Makita may face a number of risks, including the need to replace the defective parts, conduct recalls, and sustain damage to its brand image. In such cases, Makita's consolidated financial condition and results of operations may be adversely affected.

- (5) Currency exchange rate fluctuations may adversely affect Makita's financial results.

The functional currency for all of Makita's significant foreign operations is the local currency. The results of transactions denominated in local currencies of Makita's subsidiaries around the world are translated into yen using the average market conversion rate during each financial period. Assets and liabilities denominated in local currencies are converted into yen at the rate prevailing at the end of each financial period. As a result, Makita's operating results, assets, liabilities and shareholders' equity are affected by fluctuation in values of the Japanese yen against these local currencies.

Sales denominated in foreign currencies account for approximately 75% of Makita's consolidated net sales during the year under review, and, accordingly, Makita's operating income is significantly affected by foreign exchange fluctuations.

In an effort to minimize the impact of short-term exchange rate fluctuations between major currencies, mainly the U.S. dollar, the euro, and the yen, Makita engages in hedging transactions. Makita is also increasing the percentage of products that it manufactures in China, which has resulted in an increase in foreign-currency denominated production costs. While Makita believes that such measures may help reduce the impact of some exchange rate fluctuations, it cannot assure you that it will be able to successfully hedge its exchange rate risks. In addition, medium-to-long-term fluctuations of exchange rates may make it difficult for Makita to execute procurement, production, logistics, and sales activities as planned and may have an adverse impact on Makita's consolidated financial condition and results of operations.

- (6) Fluctuations in stock market prices may adversely affect Makita's financial statements.

Makita holds certain Japanese equities and equity-linked financial products and records these securities as marketable securities on its consolidated financial statements. The values of these investments are influenced by fluctuations in the quoted market prices. A significant depreciation in the value of these securities will have an adverse impact on Makita's consolidated financial condition and results of operations.

- (7) If Makita cannot respond to changes in construction method and trends in demand, Makita's sales may be materially and adversely affected.

In recent years, market trends in demand for various power tools have been changing significantly due to the adoption of new construction methods, especially in Japan. For example, as prefabricated housing construction becomes more common, the use of cutting tools at construction sites has been decreasing substantially, while demand for fastening tools has increased. If Makita does not or is unable to respond to these rapid shifts in demand for various power tools, Makita's sales may decline and this may have an adverse effect on Makita's consolidated financial condition and results of operations.

- (8) The rapidly growing presence of China-based power tool manufacturers may harm Makita's sales results.

In recent years, power tool companies in China have expanded their presence in the world market. In particular, in certain markets in Asia where purchasing power is relatively low, competition with power tools made in China has intensified, with respect to lower end products. As the technology of Chinese power tool manufacturers improves, competition in the markets for high-end products for professional use may also intensify. As a result, Makita's market share, consolidated financial condition and results of operations may be adversely affected.

- (9) If Makita is not able to develop attractive products, Makita's sales activities may be adversely affected.

Makita's principal competitive strengths are its diverse range of high-quality, high-performance power tools for professional use, and the good reputation of the MAKITA brand, both of which depend in part on Makita's ability to continue to develop attractive and innovative products that are well received by the market. There is no assurance that Makita will be able to continue to develop such products. If Makita is no longer capable of quickly developing new products that meet the changing needs of the market for high-end, professional users, it may have an adverse impact on Makita's consolidated financial condition and results of operations.



- (10) If Makita fails to maintain cooperative relationships with significant customers, Makita's sales may be seriously affected.

Makita has a number of significant customers. If Makita loses these customers and is unable to develop new sales channels to take their place, sales may decline and have an adverse impact on Makita's business performance and financial position. In addition, if major customers of Makita select power tools and other items made in China and sell them under their own brand for professional use, this may have an adverse impact on Makita's consolidated financial condition and results of operations.

- (11) If any of Makita's suppliers fail to deliver materials or parts required for production as scheduled, Makita's production activities may be adversely affected.

Makita's production activities are greatly dependent on the on-schedule delivery of materials and parts from its suppliers. Purchases of production-use materials from Chinese manufacturers have increased in recent years. When launching new products, sales commencement dates can slip if Chinese manufacturing technology does not satisfy our demands, or if it takes an inordinate amount of time in order to satisfy our demands. There is a concern that this can result in lost sales opportunities. Makita purchases some of its component parts from sole suppliers. There is no assurance that Makita will be able to find alternate suppliers that can provide materials and parts of similar quality and price in a sufficient quantity and in a timely manner. In the event that any of these suppliers cannot deliver the required quality and quantity of parts on schedule, this will have an adverse effect on Makita's production schedules and cause a delay in Makita's own product deliveries. This may cause Makita to lose some customers or require Makita to purchase replacement materials or parts from alternate sources at a higher price. Any of these occurrences may have a detrimental effect on Makita's consolidated financial condition and results of operations.

- (12) When the procurement of raw materials used by the Company becomes difficult or prices of these raw materials rise sharply, this may have an adverse impact on performance.

In manufacturing power tools, Makita Group purchases raw materials and components, including silicon steel plates, aluminum, steel products, copper wire, and electronic parts. When sufficient amounts of these materials and parts are not available for purchase, this may have an impact on the Group's production schedules. In addition, the rise in crude oil prices in recent years has been a factor leading to increases in the prices of production materials. When these price increases are greater than Makita can absorb by increasing productivity or through other internal efforts and the prices of final products cannot be raised sufficiently, such circumstances may have a detrimental effect on the performance and financial position of the Makita Group.

- (13) Product liability litigation or recalls may harm Makita's financial statements and reputation.

Makita manufactures a wide range of power tools at factories worldwide according to ISO internationally accepted quality control standards. However, Makita cannot be certain that all of its products will be free of defects nor that it will not be subject to product recalls in the future. A large-scale recall or a substantial product liability suit brought against Makita may result in severe damage to Makita's brand image and reputation. In addition, a major product recall or product liability lawsuit is likely to be very costly and would require a significant amount of management time and attention. Any of these occurrences may have a major adverse impact on Makita's consolidated financial condition and results of operations.



## CONDENSED CONSOLIDATED BALANCE SHEETS

|   | Yen (millions)          |                         |                        |
|---|-------------------------|-------------------------|------------------------|
|   | As of March<br>31, 2005 | As of March<br>31, 2006 | Increase<br>(Decrease) |
| <b>ASSETS</b>                                   |                         |                         |                        |
| <b>CURRENT ASSETS:</b>                          |                         |                         |                        |
| Cash and cash equivalents.....                  | 25,384                  | 39,054                  | 13,670                 |
| Time deposits .....                             | 7,867                   | 1,845                   | (6,022)                |
| Marketable securities .....                     | 57,938                  | 47,773                  | (10,165)               |
| Trade receivables-                              |                         |                         |                        |
| Notes.....                                      | 1,687                   | 1,936                   | 249                    |
| Accounts .....                                  | 38,997                  | 46,074                  | 7,077                  |
| Less- Allowance for doubtful receivables .....  | (1,178)                 | (1,016)                 | 162                    |
| Inventories .....                               | 66,003                  | 79,821                  | 13,818                 |
| Deferred income taxes .....                     | 3,831                   | 3,661                   | (170)                  |
| Prepaid expenses and other current assets ..... | 7,363                   | 8,621                   | 1,258                  |
| Total current assets .....                      | <u>207,892</u>          | <u>227,769</u>          | <u>19,877</u>          |
| <b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>  |                         |                         |                        |
| Land .....                                      | 17,673                  | 17,737                  | 64                     |
| Buildings and improvements .....                | 51,085                  | 55,470                  | 4,385                  |
| Machinery and equipment.....                    | 73,356                  | 74,501                  | 1,145                  |
| Construction in progress .....                  | 790                     | 2,340                   | 1,550                  |
|   | <u>142,904</u>          | <u>150,048</u>          | <u>7,144</u>           |
| Less- Accumulated depreciation .....            | (90,080)                | (90,845)                | (765)                  |
|   | <u>52,824</u>           | <u>59,203</u>           | <u>6,379</u>           |
| <b>INVESTMENTS AND OTHER ASSETS:</b>            |                         |                         |                        |
| Investment securities.....                      | 22,106                  | 30,439                  | 8,333                  |
| Deferred income taxes .....                     | 390                     | 698                     | 308                    |
| Other assets .....                              | 6,692                   | 7,929                   | 1,237                  |
|   | <u>29,188</u>           | <u>39,066</u>           | <u>9,878</u>           |
|   | <u>289,904</u>          | <u>326,038</u>          | <u>36,134</u>          |



## CONDENSED CONSOLIDATED BALANCE SHEETS

|   | Yen (millions)          |                         |                        |
|---|-------------------------|-------------------------|------------------------|
|   | As of March<br>31, 2005 | As of March<br>31, 2006 | Increase<br>(Decrease) |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>           |                         |                         |                        |
| <b>CURRENT LIABILITIES:</b>                           |                         |                         |                        |
| Short-term borrowings .....                           | 9,060                   | 1,728                   | (7,332)                |
| Trade notes and accounts payable .....                | 10,574                  | 13,908                  | 3,334                  |
| Accrued payroll .....                                 | 7,695                   | 8,224                   | 529                    |
| Club members' deposits .....                          | 12,836                  | -                       | (12,836)               |
| Accrued expenses and other .....                      | 12,248                  | 15,224                  | 2,976                  |
| Income taxes payable .....                            | 5,695                   | 6,701                   | 1,006                  |
| Deferred income taxes .....                           | 118                     | 176                     | 58                     |
| Total current liabilities .....                       | 58,226                  | 45,961                  | (12,265)               |
| <b>LONG-TERM LIABILITIES:</b>                         |                         |                         |                        |
| Long-term indebtedness .....                          | 88                      | 104                     | 16                     |
| Estimated retirement and termination allowances ..... | 5,126                   | 2,901                   | (2,225)                |
| Deferred income taxes .....                           | 4,538                   | 7,923                   | 3,385                  |
| Other liabilities .....                               | 887                     | 930                     | 43                     |
|   | 10,639                  | 11,858                  | 1,219                  |
| <b>MINORITY INTERESTS</b> .....                       | 1,399                   | 1,635                   | 236                    |
| <b>SHAREHOLDERS' EQUITY:</b>                          |                         |                         |                        |
| Common stock .....                                    | 23,805                  | 23,805                  | -                      |
| Additional paid-in capital .....                      | 45,430                  | 45,437                  | 7                      |
| Legal reserve and retained earnings .....             | 163,171                 | 192,255                 | 29,084                 |
| Accumulated other comprehensive loss .....            | (9,249)                 | 5,345                   | 14,594                 |
| Treasury stock, at cost .....                         | (3,517)                 | (258)                   | 3,259                  |
|   | 219,640                 | 266,584                 | 46,944                 |
|   | 289,904                 | 326,038                 | 36,134                 |

Note: Accumulated other comprehensive income (loss) as of March 31, 2005 and 2006 was as follows:

|   | Yen (millions)          |                         |
|---|-------------------------|-------------------------|
|   | As of March<br>31, 2005 | As of March<br>31, 2006 |
| Foreign currency translation adjustments .....                      | (14,486)                | (6,043)                 |
| Net unrealized holding gains on available-for-sale securities ..... | 6,680                   | 11,665                  |
| Minimum pension liability adjustment .....                          | (1,443)                 | (277)                   |
| Total accumulated other comprehensive income (loss) .....           | (9,249)                 | 5,345                   |



## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

|  | Yen (millions)                       |       |                                      |       |                        |        |
|--|--------------------------------------|-------|--------------------------------------|-------|------------------------|--------|
|  | For the year ended<br>March 31, 2005 |       | For the year ended<br>March 31, 2006 |       | Increase<br>(Decrease) |        |
|  | (Amount)                             | (%)   | (Amount)                             | (%)   | (Amount)               | (%)    |
| NET SALES .....  | 194,737                              | 100.0 | 229,075                              | 100.0 | 34,338                 | 17.6   |
| Cost of sales .....  | 113,323                              | 58.2  | 132,897                              | 58.0  | 19,574                 | 17.3   |
| GROSS PROFIT.....  | 81,414                               | 41.8  | 96,178                               | 42.0  | 14,764                 | 18.1   |
| Selling, general, administrative<br>and other expenses .....           | 50,016                               | 25.7  | 50,400                               | 22.0  | 384                    | 0.8    |
| OPERATING INCOME .....   | 31,398                               | 16.1  | 45,778                               | 20.0  | 14,380                 | 45.8   |
| OTHER INCOME (EXPENSES) :  |                                      |       |                                      |       |                        |        |
| Interest and dividend income .....                                     | 1,157                                | 0.6   | 1,301                                | 0.6   | 144                    | 12.4   |
| Interest expense .....   | (588)                                | (0.3) | (364)                                | (0.2) | 224                    | (38.1) |
| Exchange gains (losses)<br>on foreign currency transactions, net ..... | 37                                   | 0.0   | (258)                                | (0.1) | (295)                  | -      |
| Realized gains on securities, net.....                                 | 453                                  | 0.2   | 2,918                                | 1.3   | 2,465                  | 544.2  |
| Other, net .....   | 161                                  | 0.1   | (232)                                | (0.1) | (393)                  | -      |
| Total .....  | 1,220                                | 0.6   | 3,365                                | 1.5   | 2,145                  | 175.8  |
| INCOME BEFORE INCOME TAXES .....                                       | 32,618                               | 16.7  | 49,143                               | 21.5  | 16,525                 | 50.7   |
| PROVISION FOR INCOME TAXES:  |                                      |       |                                      |       |                        |        |
| Current.....   | 10,071                               | 5.2   | 9,365                                | 4.1   | (706)                  | (7.0)  |
| Deferred.....  | 411                                  | 0.1   | (633)                                | (0.3) | (1,044)                | -      |
| Total .....  | 10,482                               | 5.3   | 8,732                                | 3.8   | (1,750)                | (16.7) |
| NET INCOME.....  | 22,136                               | 11.4  | 40,411                               | 17.6  | 18,275                 | 82.6   |



## CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

|   | Yen (millions)                       |                                      |
|---|--------------------------------------|--------------------------------------|
|   | For the year ended<br>March 31, 2005 | For the year ended<br>March 31, 2006 |
| <b>COMMON STOCK:</b>                                      |                                      |                                      |
| Beginning balance .....                                   | 23,803                               | 23,805                               |
| Conversion of convertible bonds .....                     | 2                                    | -                                    |
| Ending balance .....                                      | 23,805                               | 23,805                               |
| <b>ADDITIONAL PAID-IN CAPITAL:</b>                        |                                      |                                      |
| Beginning balance .....                                   | 45,421                               | 45,430                               |
| Conversion of convertible bonds .....                     | 2                                    | -                                    |
| Gain on sales of treasury stock .....                     | 7                                    | 7                                    |
| Ending balance .....                                      | 45,430                               | 45,437                               |
| <b>LEGAL RESERVE AND RETAINED EARNINGS:</b>               |                                      |                                      |
| Beginning balance .....                                   | 144,488                              | 163,171                              |
| Cash dividends .....                                      | (3,453)                              | (7,907)                              |
| Retirement of treasury stock .....                        | -                                    | (3,420)                              |
| Net income .....  | 22,136                               | 40,411                               |
| Ending balance .....                                      | 163,171                              | 192,255                              |
| <b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):</b>     |                                      |                                      |
| Beginning balance .....                                   | (17,048)                             | (9,249)                              |
| Other comprehensive income for the year .....             | 7,799                                | 14,594                               |
| Ending balance .....                                      | (9,249)                              | 5,345                                |
| <b>TREASURY STOCK, at cost:</b>                           |                                      |                                      |
| Beginning balance .....                                   | (3,316)                              | (3,517)                              |
| Purchases .....   | (208)                                | (164)                                |
| Retirements and sales .....                               | 7                                    | 3,423                                |
| Ending balance .....                                      | (3,517)                              | (258)                                |
| <b>TOTAL SHAREHOLDERS' EQUITY .....</b>                   | <b>219,640</b>                       | <b>266,584</b>                       |
| <b>DISCLOSURE OF COMPREHENSIVE INCOME:</b>                |                                      |                                      |
| Net income for the year .....                             | 22,136                               | 40,411                               |
| Other comprehensive income for the year, net of tax ..... | 7,799                                | 14,594                               |
| Total comprehensive income for the year .....             | 29,935                               | 55,005                               |



## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

|  | Yen (millions)                       |                                      |
|--|--------------------------------------|--------------------------------------|
|  | For the year ended<br>March 31, 2005 | For the year ended<br>March 31, 2006 |
| Net cash provided by operating activities .....                    | 16,842                               | 25,067                               |
| Net cash provided by investing activities .....                    | 154                                  | 7,655                                |
| Net cash used in financing activities .....                        | (16,177)                             | (19,548)                             |
| Effect of exchange rate changes on cash and cash equivalents ..... | (11)                                 | 496                                  |
| Net change in cash and cash equivalents .....                      | 808                                  | 13,670                               |
| Cash and cash equivalents, beginning of year .....                 | 24,576                               | 25,384                               |
| Cash and cash equivalents, end of year .....                       | 25,384                               | 39,054                               |

## SIGNIFICANT ACCOUNTING POLICIES

### 1. Scope of consolidation and equity method

Consolidated subsidiaries: 45 consolidated subsidiaries

Major subsidiaries are as follows:

Makita U.S.A. Inc., Makita Corporation of America, Makita (U.K.) Ltd.,  
Makita Manufacturing Europe Ltd. (U.K.), Makita Werkzeug GmbH (Germany),  
Dolmar GmbH (Germany), Makita S.p.A. (Italy), Makita Oy (Finland), Makita (China) Co., Ltd.,  
Makita (Kunshan) Co., Ltd. (China), etc.

### 2. Change in scope of consolidation and equity method

Consolidation: (Newly included) 2: Makita EU S.R.L. (in Romania)  
Makita Ukraine LLC (in Ukraine)  
Consolidation: (Excluded) 1: Joyama Kaihatsu Ltd. (in Japan)

### 3. Consolidated Accounting Policies (Summary)

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

#### (1) Marketable and Investment Securities

The Company conforms with SFAS No.115 "Accounting for Certain Investments in Debt and Equity Securities".

#### (2) Inventories

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

#### (3) Property, Plant and Equipment and Depreciation

Depreciation of property, plant and equipment is computed mainly by using the declining-balance method over the estimated useful lives.

#### (4) Income Taxes

Provision is made currently for income taxes applicable to all items of revenue and expense included in the consolidated financial statements regardless of when such items are taxable or deductible. The Company conforms with SFAS No.109, "Accounting for Income Taxes".

#### (5) Pension Plans

The Company conforms with SFAS No.87, "Employer's Accounting for Pensions", in accounting for retirement and termination benefit plans.



**(6) Earnings Per Share**

The Company conforms with SFAS No.128, "Earnings per Share". SFAS No.128 requires dual presentation of basic and diluted net income per share.

**(7) Impairment of Long-Lived Assets**

The Company conforms with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

**(8) Derivative Financial Instruments**

The Company conforms with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133" and No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities."

**(9) Revenue Recognition**

In accordance with Staff Accounting Bulletin No. 104, the Company and its consolidated subsidiaries recognize revenue when persuasive evidence of an arrangement exists, product ships or ownership rights and risk of loss transfer to customers, the sales price is fixed or determinable and collectibility is reasonably assured.

**(10) Accounting for Business Combinations**

We have employed SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." In accordance with said statements, we account for business combinations using the purchase method and, with regard to goodwill acquired through business combinations, as well as other intangible assets where useful lives cannot be determined, we make a determination as to whether or not there has been any impairment, either on an annual basis, or more frequently: if there is an indication of the possibility of impairment.

**(11) Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.



## OPERATING SEGMENT INFORMATION

For the year ended March 31, 2005

|                                 | Yen (millions) |                  |               |               |               |                | Corporate<br>and elimi-<br>nations | Consoli-<br>dated |
|---------------------------------|----------------|------------------|---------------|---------------|---------------|----------------|------------------------------------|-------------------|
|                                 | Japan          | North<br>America | Europe        | Asia          | Other         | Total          |                                    |                   |
| Sales:                          |                |                  |               |               |               |                |                                    |                   |
| (1) External<br>customers ..... | 50,955         | 38,607           | 75,864        | 7,378         | 21,933        | 194,737        | -                                  | 194,737           |
| (2) Intersegment .....          | 47,786         | 3,583            | 5,802         | 34,937        | 168           | 92,276         | (92,276)                           | -                 |
| Total .....                     | <u>98,741</u>  | <u>42,190</u>    | <u>81,666</u> | <u>42,315</u> | <u>22,101</u> | <u>287,013</u> | <u>(92,276)</u>                    | <u>194,737</u>    |
| Operating expenses .....        | 82,826         | 40,580           | 71,541        | 37,389        | 21,146        | 253,482        | (90,143)                           | 163,339           |
| Operating income.....           | 15,915         | 1,610            | 10,125        | 4,926         | 955           | 33,531         | (2,133)                            | 31,398            |

For the year ended March 31, 2006

|                                 | Yen (millions) |                  |               |               |               |                | Corporate<br>and elimi-<br>nations | Consoli-<br>dated |
|---------------------------------|----------------|------------------|---------------|---------------|---------------|----------------|------------------------------------|-------------------|
|                                 | Japan          | North<br>America | Europe        | Asia          | Other         | Total          |                                    |                   |
| Sales:                          |                |                  |               |               |               |                |                                    |                   |
| (1) External<br>customers ..... | 53,788         | 47,979           | 91,249        | 8,645         | 27,414        | 229,075        | -                                  | 229,075           |
| (2) Intersegment .....          | 57,826         | 4,321            | 6,306         | 43,979        | 181           | 112,613        | (112,613)                          | -                 |
| Total .....                     | <u>111,614</u> | <u>52,300</u>    | <u>97,555</u> | <u>52,624</u> | <u>27,595</u> | <u>341,688</u> | <u>(112,613)</u>                   | <u>229,075</u>    |
| Operating expenses .....        | 87,468         | 50,437           | 85,505        | 46,162        | 25,048        | 294,620        | (111,323)                          | 183,297           |
| Operating income.....           | 24,146         | 1,863            | 12,050        | 6,462         | 2,547         | 47,068         | (1,290)                            | 45,778            |

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



## MARKETABLE SECURITIES AND INVESTMENT SECURITIES

### 1. Available-for-sale securities

As of March 31, 2005

|   | Yen (millions) |                          |           |               | Carrying Amount |
|---|----------------|--------------------------|-----------|---------------|-----------------|
|   | Cost           | Gross unrealized holding |           | Fair value    |                 |
|   |                | Gains                    | Losses    |               |                 |
| <b>Marketable securities:</b>                   |                |                          |           |               |                 |
| Equity securities.....                          | 1,403          | 1,129                    | -         | 2,532         | 2,532           |
| Debt securities.....                            | 5,680          | 152                      | 1         | 5,831         | 5,831           |
| Funds in trusts and investments in trusts ..... | 48,391         | 1,098                    | 14        | 49,475        | 49,475          |
|   | <u>55,474</u>  | <u>2,379</u>             | <u>15</u> | <u>57,838</u> | <u>57,838</u>   |
| <b>Investment securities:</b>                   |                |                          |           |               |                 |
| Equity securities.....                          | 8,427          | 9,481                    | 7         | 17,901        | 17,901          |
| Debt securities.....                            | 1,594          | 20                       | -         | 1,614         | 1,614           |
| Investments in trusts .....                     | 645            | 94                       | -         | 739           | 739             |
|   | <u>10,666</u>  | <u>9,595</u>             | <u>7</u>  | <u>20,254</u> | <u>20,254</u>   |

As of March 31, 2006

|   | Yen (millions) |                          |            |               | Carrying Amount |
|---|----------------|--------------------------|------------|---------------|-----------------|
|   | Cost           | Gross unrealized holding |            | Fair value    |                 |
|   |                | Gains                    | Losses     |               |                 |
| <b>Marketable securities:</b>                   |                |                          |            |               |                 |
| Equity securities.....                          | 1,496          | 2,093                    | -          | 3,589         | 3,589           |
| Debt securities.....                            | 4,377          | 77                       | 78         | 4,376         | 4,376           |
| Funds in trusts and investments in trusts ..... | 36,874         | 1,691                    | 57         | 38,508        | 38,508          |
|   | <u>42,747</u>  | <u>3,861</u>             | <u>135</u> | <u>46,473</u> | <u>46,473</u>   |
| <b>Investment securities:</b>                   |                |                          |            |               |                 |
| Equity securities.....                          | 10,906         | 16,466                   | -          | 27,372        | 27,372          |
| Debt securities.....                            | 42             | -                        | -          | 42            | 42              |
| Investments in trusts .....                     | 666            | 109                      | -          | 775           | 775             |
|   | <u>11,614</u>  | <u>16,575</u>            | <u>-</u>   | <u>28,189</u> | <u>28,189</u>   |



2. Held-to-maturity securities  
As of March 31, 2005

|                        | Yen (millions) |                          |        |            |                 |
|------------------------|----------------|--------------------------|--------|------------|-----------------|
|                        | Cost           | Gross unrealized holding |        | Fair value | Carrying Amount |
|                        |                | Gains                    | Losses |            |                 |
| Marketable securities: |                |                          |        |            |                 |
| Debt securities.....   | 100            | -                        | -      | 100        | 100             |
| Investment securities: |                |                          |        |            |                 |
| Debt securities.....   | 1,852          | 4                        | 5      | 1,851      | 1,852           |

As of March 31, 2006

|                        | Yen (millions) |                          |        |            |                 |
|------------------------|----------------|--------------------------|--------|------------|-----------------|
|                        | Cost           | Gross unrealized holding |        | Fair value | Carrying Amount |
|                        |                | Gains                    | Losses |            |                 |
| Marketable securities: |                |                          |        |            |                 |
| Debt securities.....   | 1,300          | -                        | -      | 1,300      | 1,300           |
| Investment securities: |                |                          |        |            |                 |
| Debt securities.....   | 2,250          | -                        | 125    | 2,125      | 2,250           |

## DERIVATIVES TRANSACTIONS

The publication is omitted on account of the disclosure by EDINET.

## NET SALES BY PRODUCT CATEGORIES

|                                     | Yen (millions)                       |       |                                      |       |
|-------------------------------------|--------------------------------------|-------|--------------------------------------|-------|
|                                     | For the year ended<br>March 31, 2005 |       | For the year ended<br>March 31, 2006 |       |
|                                     | (Amount)                             | (%)   | (Amount)                             | (%)   |
| Finished goods.....                 | 163,579                              | 84.0  | 194,810                              | 85.0  |
| Parts, repairs and accessories..... | 31,158                               | 16.0  | 34,265                               | 15.0  |
| Total net sales.....                | 194,737                              | 100.0 | 229,075                              | 100.0 |

## OVERSEAS SALES BY PRODUCT CATEGORIES

|                                     | Yen (millions)                       |       |                                      |       |
|-------------------------------------|--------------------------------------|-------|--------------------------------------|-------|
|                                     | For the year ended<br>March 31, 2005 |       | For the year ended<br>March 31, 2006 |       |
|                                     | (Amount)                             | (%)   | (Amount)                             | (%)   |
| Finished goods.....                 | 133,380                              | 85.9  | 162,877                              | 86.9  |
| Parts, repairs and accessories..... | 21,978                               | 14.1  | 24,598                               | 13.1  |
| Total overseas sales.....           | 155,358                              | 100.0 | 187,475                              | 100.0 |



## EARNINGS PER SHARE

|                                      | Yen                     |                         |
|--------------------------------------|-------------------------|-------------------------|
|                                      | As of<br>March 31, 2005 | As of<br>March 31, 2006 |
| Shareholders' equity per share ..... | 1,527.64                | 1,854.99                |

|                       | Yen                                  |                                      |
|-----------------------|--------------------------------------|--------------------------------------|
|                       | For the year ended<br>March 31, 2005 | For the year ended<br>March 31, 2006 |
| Net income per share: |                                      |                                      |
| Basic.....            | 153.89                               | 281.15                               |
| Diluted.....          | 148.76                               | 281.15                               |

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations is as follows:

|   | Yen (million)                        |                                      |
|---|--------------------------------------|--------------------------------------|
|   | For the year ended<br>March 31, 2005 | For the year ended<br>March 31, 2006 |
| Net income available to common shareholders ..... | 22,136                               | 40,411                               |
| Effect of dilutive securities:                    |                                      |                                      |
| 1.5% unsecured convertible bonds, due 2005 .....  | 117                                  | -                                    |
| Diluted net income.....                           | <u>22,253</u>                        | <u>40,411</u>                        |
| Weighted average common shares outstanding        | 143,844,383                          | 143,736,927                          |
| Dilutive effect of:                               |                                      |                                      |
| 1.5% unsecured convertible bonds, due 2005 .....  | 5,748,927                            | -                                    |
| Diluted common shares outstanding.....            | <u>149,593,310</u>                   | <u>143,736,927</u>                   |



## SUPPORT DOCUMENTATION (CONSOLIDATION)

### 1. Consolidated results and forecast

|                                    | Yen (millions)                       |      |                                      |       |                                      |      |
|------------------------------------|--------------------------------------|------|--------------------------------------|-------|--------------------------------------|------|
|                                    | For the year ended<br>March 31, 2004 |      | For the year ended<br>March 31, 2005 |       | For the year ended<br>March 31, 2006 |      |
|                                    | (Results)                            |      | (Results)                            |       | (Results)                            |      |
|                                    | (Amount)                             | (%)  | (Amount)                             | (%)   | (Amount)                             | (%)  |
| Net sales.....                     | 184,117                              | 4.8  | 194,737                              | 5.8   | 229,075                              | 17.6 |
| Domestic .....                     | 39,142                               | 0.9  | 39,379                               | 0.6   | 41,600                               | 5.6  |
| Overseas .....                     | 144,975                              | 6.0  | 155,358                              | 7.2   | 187,475                              | 20.7 |
| Operating income.....              | 14,696                               | 17.9 | 31,398                               | 113.6 | 45,778                               | 45.8 |
| Income before income taxes .....   | 16,170                               | 74.0 | 32,618                               | 101.7 | 49,143                               | 50.7 |
| Net income.....                    | 7,691                                | 14.4 | 22,136                               | 187.8 | (Note 2) 40,411                      | 82.6 |
| Net income per share (Yen) .....   | 53.16                                |      | 153.89                               |       | (Note 2) 281.15                      |      |
| Cash dividend per share (Yen)..... | 22.00                                |      | 47.00                                |       | (Note 2) 57.00                       |      |
| Dividend payout ratio (%) .....    | 41.4                                 |      | 30.5                                 |       | (Note 2) 20.3                        |      |
| Employees .....                    | 8,433                                |      | 8,560                                |       | 8,629                                |      |

|                                    | Yen (millions)                                     |        |                                       |        |
|------------------------------------|--|--------|---------------------------------------|--------|
|                                    | For the six months<br>ending September<br>30, 2006 |        | For the year ending<br>March 31, 2007 |        |
|                                    | (Forecast)   |        | (Forecast)                            |        |
|                                    | (Amount)   | (%)    | (Amount)                              | (%)    |
| Net sales.....                     | 118,000  | 10.6   | 240,000                               | 4.8    |
| Domestic .....                     | 23,000   | 14.8   | 46,500                                | 11.8   |
| Overseas .....                     | 95,000   | 9.7    | 193,500                               | 3.2    |
| Operating income.....              | 19,000   | (26.6) | 38,300                                | (16.3) |
| Income before income taxes .....   | 19,500   | (26.4) | 39,300                                | (20.0) |
| Net income.....                    | 13,400   | (48.1) | 27,000                                | (33.2) |
| Net income per share (Yen) .....   | 93.24  |        | 187.88                                |        |
| Cash dividend per share (Yen)..... | 19.00  |        | -                                     |        |

Notes: 1. The table above shows the change in the percentage ratio of Net sales, Operating income, Income before income taxes, and Net income against the previous year.

2. Special factors that influenced the calculation of the current period's dividend were 13.4 billion yen, as announced on January 28, 2006. Excluding these special factors, Net income, Net income per share and Dividend payout ratio for the year ended March 31, 2006 are as follows:

|                        |                  |
|------------------------|------------------|
| Net income:            | 27.0 billion yen |
| Net income per share:  | 187.73 yen       |
| Dividend payout ratio: | 30.4%            |



## 2. Consolidated net sales by geographic area

|                     | Yen (millions)                                    |       |   |       |   |      |
|---------------------|---|-------|---|-------|---|------|
|                     | For the year ended<br>March 31, 2004<br>(Results) |       | For the year ended<br>March 31, 2005<br>(Results) |       | For the year ended<br>March 31, 2006<br>(Results) |      |
|                     | (Amount)  | (%)   | (Amount)  | (%)   | (Amount)  | (%)  |
| Japan .....         | 39,142  | 0.9   | 39,379  | 0.6   | 41,600  | 5.6  |
| North America ..... | 41,853  | (8.2) | 38,490  | (8.0) | 47,673  | 23.9 |
| Europe .....        | 66,369  | 15.1  | 75,263  | 13.4  | 90,504  | 20.3 |
| Asia .....          | 14,245  | 3.4   | 16,341  | 14.7  | 16,993  | 4.0  |
| Other regions ..... | 22,508  | 13.5  | 25,264  | 12.2  | 32,305  | 27.9 |
| Total .....         | 184,117   | 4.8   | 194,737   | 5.8   | 229,075   | 17.6 |

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

## 3. Exchange rates

|                       | Yen   |   |   |   |
|-----------------------|---|---|---|---|
|                       | For the year ended<br>March 31, 2004<br>(Results) | For the year ended<br>March 31, 2005<br>(Results) | For the year ended<br>March 31, 2006<br>(Results) | For the year ending<br>March 31, 2007<br>(Forecast) |
| Yen/U.S. Dollar ..... | 113.19  | 107.55  | 113.32  | 113   |
| Yen/Euro .....        | 132.65  | 135.17  | 137.83  | 140   |

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

|                 | For the year ended<br>March 31, 2006<br>(Results) |
|-----------------|---|
| U.S.A. ....     | 19.1%   |
| Germany .....   | 16.1%   |
| U.K. ....       | 8.4%  |
| France .....    | 21.6%   |
| China .....     | 7.7%  |
| Australia ..... | (0.8%)  |

## 5. Production ratio (unit basis)

|                | For the year ended<br>March 31, 2004<br>(Results) | For the year ended<br>March 31, 2005<br>(Results) | For the year ended<br>March 31, 2006<br>(Results) |
|----------------|---|---|---|
| Domestic ..... | 32.3%   | 28.4%   | 29.4%   |
| Overseas ..... | 67.7%   | 71.6%   | 70.6%   |



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

|                                       | Yen (millions)                                    |   |   |   |
|---------------------------------------|---|---|---|---|
|                                       | For the year ended<br>March 31, 2004<br>(Results) | For the year ended<br>March 31, 2005<br>(Results) | For the year ended<br>March 31, 2006<br>(Results) | For the year ending<br>March 31, 2007<br>(Forecast) |
| Capital expenditures .....            | 4,494   | 6,655   | 11,383  | 15,500  |
| Depreciation and<br>amortization..... | 7,963   | 5,381   | 5,922   | 6,200   |
| R&D cost.....                         | 4,377   | 4,446   | 4,826   | 5,000   |

## 7. Consolidated cash flow

|  | Yen (millions)                                    |   |   |
|--|---|---|---|
|  | For the year ended<br>March 31, 2004<br>(Results) | For the year ended<br>March 31, 2005<br>(Results) | For the year ended<br>March 31, 2006<br>(Results) |
| Net cash provided by operating activities .....        | 28,941  | 16,842  | 25,067  |
| Net cash provided by (used in) investing activities .. | (17,262)  | 154   | 7,655   |
| Net cash used in financing activities.....             | (6,596)   | (16,177)  | (19,548)  |