



# Makita Corporation

Consolidated Financial Results  
for the nine months  
ended December 31, 2007  
(U.S. GAAP Financial Information)

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



## CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2007

January 31, 2008

### Makita Corporation

Stock code: 6586

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

Masahiko Goto, President

### 1. Results of the nine months ended December 31, 2007 (From April 1, 2007 to December 31, 2007)

#### (1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)					
	For the nine months ended December 31, 2006		For the nine months ended December 31, 2007		For the year ended March 31, 2007	
		%		%		%
Net sales.....	202,689	22.3	257,580	27.1	279,933	22.2
Operating income .....	35,464	(0.2)	51,222	44.4	48,176	5.2
Income before income taxes .....	36,489	(5.8)	51,788	41.9	49,323	0.4
Net income.....	25,435	(26.1)	36,214	42.4	36,971	(8.5)
Yen						
Net income per share:						
Basic.....	176.99		251.94		257.27	
Diluted.....	176.99		251.94		257.27	

#### Notes:

1. Amounts of less than one million yen have been rounded.
2. The table above shows the changes 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 FINANCIAL POSITION

	Yen (millions)		
	As of December 31, 2006	As of December 31, 2007	As of March 31, 2007
Total assets.....	355,553	399,384	368,494
Shareholders' equity.....	291,059	327,355	302,675
Shareholders' equity ratio to total assets (%) .....	81.9%	82.0%	82.1%
Yen			
Shareholders' equity per share .....	2,025.40	2,276.88	2,106.28

#### (3) CONSOLIDATED CASH FLOWS

	Yen (millions)		
	For the nine months ended December 31, 2006	For the nine months ended December 31, 2007	For the year ended March 31, 2007
Net cash provided by operating activities....	22,807	21,930	32,360
Net cash used in investing activities .....	(20,805)	(3,727)	(27,276)
Net cash used in financing activities.....	(6,301)	(13,428)	(8,307)
Cash and cash equivalents, end of period....	36,289	41,650	37,128



## 2. Consolidated financial forecast for the year ending March 31, 2008 (From April 1, 2007 to March 31, 2008)

	Yen (millions)	
	For the year ending March 31, 2008	
		%
Net sales.....	338,000	20.7
Operating income .....	66,000	37.0
Income before income taxes .....	66,000	33.8
Net income.....	45,200	22.3
	Yen	
Net income per share .....	314.38	

Notes: The table above shows the changes in the percentage ratio of net sales, operating income, income before income taxes, and net income against the corresponding period of the previous year.

### 3. Other

- (1) Changes in important subsidiaries during the term (Changes in specific subsidiaries accompanied by changes in scope of consolidation): None.  
(Ref.) Changes in scope of consolidation and equity method  
Consolidation: Increase 2 Decrease 0  
Equity Method: Increase 2 Decrease 1
- (2) Adoption of simplified accounting methods: None.
- (3) Accounting policy changes from the year ended March 31, 2007: None.

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

This report modifies the consolidated financial forecast for the year ending March 31, 2008. Regarding the assumptions for the revised forecasts and other matters, refer to [Qualitative Information and Financial Statements] Section 3 "Qualitative information on consolidated financial forecast" (on page 4).  
The financial forecasts given above are based on information as available at the present time, and include potential risk and uncertainties. As a consequence of this and other factors, actual results may vary from the forecasts provided above.



## [Qualitative Information and Financial Statements]

### 1. Qualitative information on consolidated operating results

Consolidated net sales up until the third quarter showed double-digit growth in all geographical areas, particularly in Europe and the resource-rich countries of the Middle East and Central and South America, resulting in the growth of 27.1% over the same period of the previous year to 257,580 million yen.

With regard to earnings, operating income rose 44.4% over the same period of the previous year to 51,222 million yen (ratio of operating income to net sales: 19.9%), income before income taxes rose 41.9% to 51,788 million yen (ratio of income before income taxes to net sales: 20.1%), and net income rose 42.4% to 36,214 million yen (ratio of net income to net sales: 14.1%).

Details of sales by geographical area are as follows;

Despite severe conditions in the domestic market where the number of housing starts decreased due to more stringent procedures for applying for building certification, the addition of sales of garden-related engine tools produced by Makita Numazu Corporation (former Fuji Robin Industries Ltd.), a newly consolidated subsidiary as of May 2007, and solid sales in lithium-ion battery tools pushed net sales up 10.8% over the same period of the previous year to 38,222 million yen.

In Europe, growing sales in the Eastern Europe/Russian markets and solid sales in Western Europe resulted in a 35.4% increase in net sales over the same period of the previous year to 119,873 million yen.

In North America, while residential property investments decreased due to the problems of the US sub-prime mortgage market, favorable sales in lithium-ion battery tools during the Christmas period largely through major home improvement chains were robust, driving net sales up 17.7% compared with the same period of the previous year to 43,755 million yen.

In Asia, sales in Singapore and Indonesia in particular were solid, rising 16.9% over the same period of the previous year to 16,679 million yen.

As for other geographical areas, buoyant economies in resource-rich countries contributed to favorable growth in net sales in the Middle East and Africa, which rose 45.1% over the same period of the previous year to 13,964 million yen, in Central and South America which rose 34.4% to 12,756 million yen, and in Oceania which rose 35.4% to 12,331 million yen.

### 2. Qualitative information on consolidated financial position

[Analysis of assets, liabilities, and shareholders' equity]

Assets at the end of the third quarter totaled 399,384 million yen, up 8.4% from the end of the previous year. The main factors for the rise were an increase in inventories corresponding to the sales growth, the acquisition of Makita Numazu Corporation as a newly consolidated subsidiary, the rebuilding of Head Office and the Okazaki plant to conform to more stringent earthquake-proof standards, and the expansion of production facilities in China and Rumania.

Liabilities rose 9.2% from the end of the previous year to 69,535 million yen. The main contributing factors for the increase were boosts in production due to growth in sales and an increase in accounts payable accompanying the acquisition of Makita Numazu Corporation as a newly consolidated subsidiary.

With regard to Shareholders' equity, favorable operating results augmented retained earnings, up 10.9%. Accordingly, shareholders' equity amounted to 327,355 million yen, up 8.2%.

[Analysis of cash flows]

Total cash and cash equivalents at the end of period amounted to 41,650 million yen, up 4,522 million yen from the end of the previous year.

(Net Cash Provided by Operating Activities)

Net cash provided by operating activities amounted to 21,930 million yen, reflecting factors including favorable business performances in all regions.

(Net Cash Used in Investing Activities)

Net cash used in investing activities amounted to 3,727 million yen, reflecting mainly capital investment for the rebuilding of facilities at Head Office and the Okazaki plant and expenditure for the acquisition of Makita Numazu Corporation (former Fuji Robin Industries Ltd.).

(Net Cash Used in Financing Activities)

Net cash used in financing activities amounted to 13,428 million yen, primarily reflecting the payment of cash dividends.



### 3. Qualitative information on consolidated financial forecast

Despite spreading repercussions from the US sub-prime loan problem, which will have an impact on economies worldwide, the forecast for consolidated results for the year ending March 2008 takes into consideration Makita's strong performance up until this third quarter.

Revised financial outlook for consolidated performance during the fiscal 2008/03.

	Yen (millions)			
	For the year ending March 31, 2008			
	Net sales	Operating income	Income before income taxes	Net income
Financial outlook announced previously (A)...	330,000	62,000	62,500	42,800
<b>Revised financial outlook (B) .....</b>	<b>338,000</b>	<b>66,000</b>	<b>66,000</b>	<b>45,200</b>
Change (B-A) .....	8,000	4,000	3,500	2,400
Percentage revision .....	2.4%	6.5%	5.6%	5.6%
Actual results for the previous year ended March 31, 2007 .....	279,933	48,176	49,323	36,971

Assumptions:

The above forecast is based on the assumption of exchange rates for the final quarter of 106 yen to US\$1 and 158 yen to 1 Euro.

### 4. Other

(FORWARD-LOOKING STATEMENTS)

This document contains forward-looking statements based on information available and rational assumptions as of this time. Actual results could differ substantially from the content of these statements, due to one or more of a variety of factors. Important factors deemed to have potential to significantly influence actual results are those noted below. Note that these are not the only factors that can influence actual performance.

- (1) Makita's sales are affected by the levels of construction activities and capital investments in its markets.
- (2) Currency exchange rate fluctuations may adversely affect Makita's financial results.
- (3) The global intensified competition may adversely affect Makita's sales results.
- (4) If Makita is not able to develop attractive products, Makita's sales activities may be adversely affected.
- (5) Geographic concentration of Makita's main facilities may have adverse effects on Makita's business activities.
- (6) Makita's overseas activities and entry into overseas markets entail risks, which may have a material adverse effect on Makita's business activities.
- (7) If Makita fails to maintain cooperative relationships with significant customers, Makita's sales may be seriously affected.
- (8) 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.
- (9) When the procurement of raw materials used by Makita becomes difficult or prices of these raw materials rise sharply, this may have an adverse impact on performance.
- (10) Product liability litigation or recalls may harm Makita's financial statements and reputation.
- (11) Fluctuations in stock market prices may adversely affect Makita's financial statements.
- (12) Violation of intellectual property rights may have an adverse impact on performance.
- (13) Environmental or other government regulations may have a material adverse impact on Makita's business activities.
- (14) Investor confidence and the value of Makita's ADRs and ordinary shares may be adversely impacted if Makita's management concludes that Makita's internal controls over financial reporting are not effective as of March 31, 2008, or if Makita's independent registered public accounting firm is unable to provide an unqualified opinion on the effectiveness of Makita's internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

Regarding the assumptions for the revised financial forecast, refer to [Qualitative Information and Financial Statements] Section 3 "Qualitative information on consolidated financial forecast" (on page 4).



## 5. Condensed quarterly consolidated financial statements

### (1) CONDENSED CONSOLIDATED BALANCE SHEETS

	Yen (millions)			
	As of December 31, 2006	As of December 31, 2007	Increase (Decrease)	As of March 31, 2007
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents.....	36,289	41,650	5,361	37,128
Time deposits.....	6,829	5,269	(1,560)	6,866
Marketable securities.....	55,977	50,164	(5,813)	58,217
Trade receivables-				
Notes.....	3,174	3,607	433	3,125
Accounts.....	48,239	60,702	12,463	54,189
Less- Allowance for doubtful receivables.....	(959)	(1,038)	(79)	(869)
Inventories.....	91,938	114,546	22,608	92,800
Deferred income taxes.....	3,811	4,964	1,153	5,080
Prepaid expenses and other current assets.....	9,014	12,793	3,779	9,963
Total current assets.....	<u>254,312</u>	<u>292,657</u>	<u>38,345</u>	<u>266,499</u>
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>				
Land.....	16,708	18,044	1,336	16,732
Buildings and improvements.....	55,265	60,815	5,550	57,242
Machinery and equipment.....	75,222	78,176	2,954	74,087
Construction in progress.....	5,606	5,987	381	5,576
	<u>152,801</u>	<u>163,022</u>	<u>10,221</u>	<u>153,637</u>
Less- Accumulated depreciation.....	<u>(90,301)</u>	<u>(93,757)</u>	<u>(3,456)</u>	<u>(90,257)</u>
	<u>62,500</u>	<u>69,265</u>	<u>6,765</u>	<u>63,380</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investment securities.....	27,684	22,448	(5,236)	27,279
Deferred income taxes.....	1,357	1,505	148	1,367
Other assets.....	9,700	13,509	3,809	9,969
	<u>38,741</u>	<u>37,462</u>	<u>(1,279)</u>	<u>38,615</u>
	<u>355,553</u>	<u>399,384</u>	<u>43,831</u>	<u>368,494</u>

	Yen (millions)			
	As of December 31, 2006	As of December 31, 2007	Increase (Decrease)	As of March 31, 2007
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Short-term borrowings .....	3,914	2,105	(1,809)	1,892
Trade notes and accounts payable .....	14,146	22,726	8,580	16,025
Accrued payroll .....	6,940	6,711	(229)	8,571
Accrued expenses and other .....	16,857	20,864	4,007	17,353
Income taxes payable .....	8,134	5,610	(2,524)	10,447
Deferred income taxes .....	68	1	(67)	28
Total current liabilities .....	<u>50,059</u>	<u>58,017</u>	<u>7,958</u>	<u>54,316</u>
<b>LONG-TERM LIABILITIES:</b>				
Long-term indebtedness .....	108	924	816	53
Accrued retirement and termination allowances .....	3,397	4,205	808	3,227
Deferred income taxes .....	7,907	4,541	(3,366)	4,976
Other liabilities .....	1,053	1,848	795	1,112
	<u>12,465</u>	<u>11,518</u>	<u>(947)</u>	<u>9,368</u>
MINORITY INTERESTS .....	<u>1,970</u>	<u>2,494</u>	<u>524</u>	<u>2,135</u>
<b>SHAREHOLDERS' EQUITY:</b>				
Common stock .....	23,805	23,805	-	23,805
Additional paid-in capital .....	45,437	45,751	314	45,437
Legal reserve and retained earnings .....	209,498	245,031	35,533	221,034
Accumulated other comprehensive income .....	12,605	13,029	424	12,697
Treasury stock, at cost .....	(286)	(261)	25	(298)
	<u>291,059</u>	<u>327,355</u>	<u>36,296</u>	<u>302,675</u>
	<u>355,553</u>	<u>399,384</u>	<u>43,831</u>	<u>368,494</u>



(2) CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Yen (millions)							
	For the nine months ended December 31, 2006		For the nine months ended December 31, 2007		Increase (Decrease)		For the year ended March 31, 2007	
	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)
NET SALES .....	202,689	100.0	257,580	100.0	54,891	27.1	279,933	100.0
Cost of sales .....	117,595	58.0	149,599	58.1	32,004	27.2	163,909	58.6
GROSS PROFIT.....	85,094	42.0	107,981	41.9	22,887	26.9	116,024	41.4
Selling, general, administrative and other expenses .....	49,630	24.5	56,759	22.0	7,129	14.4	67,848	24.2
OPERATING INCOME .....	35,464	17.5	51,222	19.9	15,758	44.4	48,176	17.2
OTHER INCOME (EXPENSES):								
Interest and dividend income.....	965	0.5	1,670	0.6	705	73.1	1,364	0.5
Interest expense.....	(240)	(0.1)	(210)	(0.1)	30	-	(316)	(0.1)
Exchange losses on foreign currency transactions, net.....	(401)	(0.2)	(563)	(0.2)	(162)	-	(418)	(0.2)
Realized gains (losses) on securities, net.....	951	0.5	(14)	(0.0)	(965)	-	918	0.3
Other, net.....	(250)	(0.2)	(317)	(0.1)	(67)	-	(401)	(0.1)
Total .....	1,025	0.5	566	0.2	(459)	(44.8)	1,147	0.4
INCOME BEFORE INCOME TAXES.....	36,489	18.0	51,788	20.1	15,299	41.9	49,323	17.6
PROVISION FOR INCOME TAXES.....	11,054	5.5	15,574	6.0	4,520	40.9	12,352	4.4
NET INCOME.....	25,435	12.5	36,214	14.1	10,779	42.4	36,971	13.2





(3) CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Yen (millions)		
	For the nine months ended December 31, 2006	For the nine months ended December 31, 2007	For the year ended March 31, 2007
Net cash provided by operating activities.....	22,807	21,930	32,360
Net cash used in investing activities.....	(20,805)	(3,727)	(27,276)
Net cash used in financing activities.....	(6,301)	(13,428)	(8,307)
Effect of exchange rate changes on cash and cash equivalents.....	1,534	(253)	1,297
Net change in cash and cash equivalents.....	(2,765)	4,522	(1,926)
Cash and cash equivalents, beginning of period.....	39,054	37,128	39,054
Cash and cash equivalents, end of period.....	36,289	41,650	37,128



(4) CONDENSED OPERATING SEGMENT INFORMATION

	Yen (millions)							
	For the nine months ended December 31, 2006							
	Japan	Europe	North America	Asia	Other	Total	Corporate and eliminations	Consolidated
Sales:								
(1) External customers .....	45,369	89,244	37,089	7,310	23,677	202,689	-	202,689
(2) Inter-segment .....	48,273	4,259	4,035	49,260	136	105,963	(105,963)	-
Total .....	<u>93,642</u>	<u>93,503</u>	<u>41,124</u>	<u>56,570</u>	<u>23,813</u>	<u>308,652</u>	<u>(105,963)</u>	<u>202,689</u>
Operating expenses .....	80,096	80,997	38,927	48,490	21,043	269,553	(102,328)	167,225
Operating income .....	13,546	12,506	2,197	8,080	2,770	39,099	(3,635)	35,464

	Yen (millions)							
	For the nine months ended December 31, 2007							
	Japan	Europe	North America	Asia	Other	Total	Corporate and eliminations	Consolidated
Sales:								
(1) External customers .....	52,744	119,786	43,640	8,766	32,644	257,580	-	257,580
(2) Inter-segment .....	52,553	4,052	3,627	76,603	142	136,977	(136,977)	-
Total .....	<u>105,297</u>	<u>123,838</u>	<u>47,267</u>	<u>85,369</u>	<u>32,786</u>	<u>394,557</u>	<u>(136,977)</u>	<u>257,580</u>
Operating expenses .....	88,055	104,112	45,804	74,839	28,076	340,886	(134,528)	206,358
Operating income .....	17,242	19,726	1,463	10,530	4,710	53,671	(2,449)	51,222

	Yen (millions)							
	For the year ended March 31, 2007							
	Japan	Europe	North America	Asia	Other	Total	Corporate and eliminations	Consolidated
Sales:								
(1) External customers .....	61,776	124,924	51,432	9,698	32,103	279,933	-	279,933
(2) Inter-segment .....	64,040	5,709	5,297	67,021	149	142,216	(142,216)	-
Total .....	<u>125,816</u>	<u>130,633</u>	<u>56,729</u>	<u>76,719</u>	<u>32,252</u>	<u>422,149</u>	<u>(142,216)</u>	<u>279,933</u>
Operating expenses .....	108,403	112,577	54,217	66,815	28,786	370,798	(139,041)	231,757
Operating income .....	17,413	18,056	2,512	9,904	3,466	51,351	(3,175)	48,176

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



SUPPORT DOCUMENTATION (CONSOLIDATION)

**1. Consolidated financial results and forecast**

	Yen (millions)			
	For the nine months ended December 31, 2006 (Results)		For the nine months ended December 31, 2007 (Results)	
	(Amount)	(%)	(Amount)	(%)
Net sales.....	202,689	22.3	257,580	27.1
Domestic .....	34,508	15.7	38,222	10.8
Overseas .....	168,181	23.7	219,358	30.4
Operating income .....	35,464	(0.2)	51,222	44.4
Income before income taxes .....	36,489	(5.8)	51,788	41.9
Net income.....	25,435	(26.1)	36,214	42.4
Net income per share (Yen) .....	176.99		251.94	
Employees .....	9,008		10,149	

	Yen (millions)					
	For the year ended March 31, 2007 (Results)		For the six months ended September 30, 2007 (Results)		For the year ending March 31, 2008 (Forecast)	
	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)
Net sales.....	279,933	22.2	169,537	28.5	338,000	20.7
Domestic .....	46,860	12.6	25,649	11.9	51,200	9.3
Overseas .....	233,073	24.3	143,888	32.1	286,800	23.1
Operating income .....	48,176	5.2	33,899	58.5	66,000	37.0
Income before income taxes .....	49,323	0.4	34,468	58.1	66,000	33.8
Net income.....	36,971	(8.5)	23,596	53.3	45,200	22.3
Net income per share (Yen) .....	257.27		164.17		314.38	
Employees .....	9,062		10,093		-	

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

Please refer to page 4 for the qualitative information on the financial forecast for the year ending March 31, 2008.



## 2. Consolidated net sales by geographic area

	Yen (millions)							
	For the nine months ended December 31, 2006		For the nine months ended December 31, 2007		For the year ended March 31, 2007		For the six months ended September 30, 2007	
	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)
Japan .....	34,508	15.7	38,222	10.8	46,860	12.6	25,649	11.9
Europe.....	88,524	36.1	119,873	35.4	124,020	37.0	78,865	39.4
North America .....	37,172	7.5	43,755	17.7	51,472	8.0	28,942	18.1
Asia.....	14,268	12.4	16,679	16.9	19,469	14.6	11,021	12.7
Other regions .....	28,217	19.4	39,051	38.4	38,112	18.0	25,060	38.3
The Middle East and Africa...	9,622	22.5	13,964	45.1	13,064	19.6	8,650	39.4
Central and South America....	9,488	21.9	12,756	34.4	12,704	20.6	8,134	37.1
Oceania .....	9,107	13.8	12,331	35.4	12,344	13.7	8,276	38.3
Total.....	202,689	22.3	257,580	27.1	279,933	22.2	169,537	28.5

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, 2006 (Results)	For the nine months ended December 31, 2007 (Results)
Yen/U.S. Dollar.....	116.19	117.35
Yen/Euro.....	147.98	162.85

	Yen		
	For the year ended March 31, 2007 (Results)	For the six months ended September 30, 2007 (Results)	For the year ending March 31, 2008 (Forecast)
Yen/U.S. Dollar.....	116.97	119.40	114
Yen/Euro.....	150.02	162.33	161

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

	For the nine months ended December 31, 2007 (Results)
	(%)
U.S.A. ....	14.0
U.K. ....	23.5
China.....	25.3
Germany .....	19.3
France .....	12.4
Australia .....	17.7
Russia .....	39.9
Brazil .....	27.9
Makita Gulf (UAE)*.....	43.7

\*Including export sales for the Middle East and Africa.



### 5. Production ratio (unit basis)

	For the nine months ended December 31, 2006 (Results)	For the nine months ended December 31, 2007 (Results)	For the year ended March 31, 2007 (Results)	For the six months ended September 30, 2007 (Results)
	(%)	(%)	(%)	(%)
Domestic.....	27.7	23.0	27.4	24.0
Overseas.....	72.3	77.0	72.6	76.0

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

	Yen (millions)	
	For the nine months ended December 31, 2006 (Results)	For the nine months ended December 31, 2007 (Results)
Capital expenditures.....	9,146	10,122
Depreciation and amortization.....	5,505	6,408
R&D cost.....	3,959	4,349

	Yen (millions)		
	For the year ended March 31, 2007 (Results)	For the six months ended September 30, 2007 (Results)	For the year ending March 31, 2008 (Forecast)
Capital expenditures.....	12,980	7,161	15,500
Depreciation and amortization.....	8,773	3,879	9,200
R&D cost.....	5,460	2,826	5,800