



# Makita Corporation

Consolidated Financial Results  
for the nine months  
ended December 31, 2003  
(U.S. GAAP Financial Information)

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



## CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2003

January 28, 2004

### Makita Corporation

Stock code: 6586

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

Masahiko Goto, President

### 1. Notes to consolidated financial statements for the nine months ended December 31, 2003

(1) Accounting policy changes from the year ended March 31, 2003: None.

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

Consolidation: (Newly included)                      OOO. Makita    (in Russia)

### 2. Results of the nine months ended December 31, 2003 (From April 1, 2003 to December 31, 2003)

#### (1) CONSOLIDATED FINANCIAL RESULTS

	Yen (million)					
	For the nine months ended December 31, 2003		For the nine months ended December 31, 2002		For the year ended March 31, 2003	
	%	%	%	%	%	%
Net sales.....	135,432	4.1	130,042	-	175,603	5.7
Operating income.....	9,378	(0.7)	9,448	-	12,468	112.3
Income before income taxes .....	10,376	29.0	8,043	-	9,292	173.1
Net income.....	2,919	(45.4)	5,346	-	6,723	4,954.9
Yen						
Earnings per share:						
Basic.....	20.14		35.81		45.29	
Diluted.....	19.94		34.91		44.20	

Note: Percentage change: Ratio of change against corresponding period of the previous year on Net sales, Operating income, Income before income taxes, and Net income.

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

For the nine months ended December 31, 2003, we further shifted production to China and bolstered our sales network in Eastern Europe and Russia.

Net sales rose to 135.4 billion yen, a 4.1% increase from the same period of the previous year. This was mainly due to strong sales in Europe that countered sluggish sales in North America.

Operating Income amounted to 9.4 billion yen, down 0.7% from the same period of the previous year, reflecting improved gross margin, mainly due to such factors as an increased percentage of production in China and the strong Euro, offset by a 5.0 billion yen impairment loss in the current period related to a subsidiary's golf course, as a result of the re-evaluation of asset realizability. Income before income taxes improved by 29.0% to 10.4 billion yen, mainly due to markedly decreased foreign currency losses. Net income declined to 2.9 billion yen or 45.4%. This was primarily due to the 100 per cent valuation allowance provided on the Deferred Income Tax asset on the impairment loss noted above.



(2) CONSOLIDATED FINANCIAL POSITION

	Yen (million)	
	As of December 31, 2003	As of March 31, 2003
Total assets.....	274,139	278,600
Shareholders' equity.....	181,626	182,400
Shareholders' equity ratio to total assets (%) .....	66.3%	65.5%
	Yen	
Shareholders' equity per share .....	1,262.06	1,249.59

Note: The Company did not compile data for total assets, shareholders' equity, shareholders' equity ratio to total assets, and shareholders' equity per share in the third quarter of the previous year.

[CONSOLIDATED CASH FLOWS]

	Yen (million)	
	For the nine months ended December 31, 2003	For the year ended March 31, 2003
Net cash provided by operating activities.....	20,677	27,141
Net cash used in investing activities .....	(10,327)	(9,659)
Net cash used in financing activities.....	(5,833)	(13,381)
Cash and cash equivalents, end of period .....	23,898	20,370

Note: The Company did not compile data for cash flows in the third quarter of the previous year.

**(Ref.) Consolidated Forecast for the year ending March 31, 2004 (From April 1, 2003 to March 31, 2004)**

	Yen (million)	
	For the year ending March 31, 2004	
Net sales.....	182,000	
Income before income taxes .....	14,600	
Net income.....	5,500	
	Yen	
Earnings per share.....	38.22	

[Qualitative information about the consolidated forecast for the year ending March 31, 2004]

The above consolidated performance forecast has primarily been adjusted from the prior forecast on October 28, 2003 because of a changed exchange rate assumption, 112 yen to US\$1 and 132 yen to 1 Euro for the year ending March 31, 2004. Also, we expect sales in Western European countries to exceed the earlier initial forecasts.

As information, the nonconsolidated performance estimate for the year ending March 31, 2004 that was announced on October 28, 2003 is unchanged as it has not been materially affected by the noted exchange rate assumption change.

**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.



## CONSOLIDATED BALANCE SHEETS

	Yen (millions)		
	As of December 31, 2003	As of March 31, 2003	Increase (Decrease)
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents.....	23,898	20,370	3,528
Time deposits.....	5,154	4,520	634
Marketable securities.....	46,546	39,193	7,353
Trade receivables-			
Notes.....	2,376	2,122	254
Accounts.....	31,460	34,630	(3,170)
Less- Allowance for doubtful receivables.....	(1,544)	(1,456)	(88)
Inventories.....	56,787	62,606	(5,819)
Deferred income taxes.....	3,301	3,515	(214)
Prepaid expenses and other current assets.....	7,612	8,065	(453)
Total current assets.....	<u>175,590</u>	<u>173,565</u>	<u>2,025</u>
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>			
Land.....	19,316	21,497	(2,181)
Buildings and improvements.....	50,444	66,738	(16,294)
Machinery and equipment.....	74,759	78,221	(3,462)
Construction in progress.....	487	2,165	(1,678)
	<u>145,006</u>	<u>168,621</u>	<u>(23,615)</u>
Less- Accumulated depreciation.....	(90,457)	(100,823)	10,366
	<u>54,549</u>	<u>67,798</u>	<u>(13,249)</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities.....	28,851	19,342	9,509
Deferred income taxes.....	7,831	10,386	(2,555)
Other assets.....	7,318	7,509	(191)
	<u>44,000</u>	<u>37,237</u>	<u>6,763</u>
	<u>274,139</u>	<u>278,600</u>	<u>(4,461)</u>



## CONSOLIDATED BALANCE SHEETS

	Yen (millions)		
	As of December 31, 2003	As of March 31, 2003	Increase (Decrease)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings .....	1,785	2,892	(1,107)
Trade notes and accounts payable .....	14,718	13,956	762
Accrued payroll .....	5,592	7,162	(1,570)
Accrued expenses and other .....	4,431	3,535	896
Income taxes payable .....	2,911	3,858	(947)
Deferred income taxes .....	280	403	(123)
Total current liabilities .....	29,717	31,806	(2,089)
<b>LONG-TERM LIABILITIES:</b>			
Long-term indebtedness .....	20,380	19,843	537
Club members' deposits .....	13,170	14,207	(1,037)
Estimated retirement and termination allowances .....	27,416	27,778	(362)
Deferred income taxes .....	565	1,407	(842)
	61,531	63,235	(1,704)
<b>MINORITY INTERESTS .....</b>	<b>1,265</b>	<b>1,159</b>	<b>106</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock .....	23,803	23,803	-
Additional paid-in capital .....	45,421	45,419	2
Legal reserve and retained earnings .....	139,716	143,422	(3,706)
Accumulated other comprehensive loss .....	(24,022)	(25,134)	1,112
Treasury stock, at cost .....	(3,292)	(5,110)	1,818
	181,626	182,400	(774)
	274,139	278,600	(4,461)



## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Yen (millions)							
	For the nine months ended December 31, 2003		For the nine months ended December 31, 2002		Increase (Decrease)		For the year ended March 31, 2003	
	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)
NET SALES .....	135,432	100.0%	130,042	100.0%	5,390	4.1%	175,603	100.0%
Cost of sales .....	82,108	60.6%	81,772	62.9%	336	0.4%	110,226	62.8%
GROSS PROFIT.....	53,324	39.4%	48,270	37.1%	5,054	10.5%	65,377	37.2%
Selling, general, administrative and other expenses .....	43,946	32.5%	38,822	29.8%	5,124	13.2%	52,909	30.1%
OPERATING INCOME .....	9,378	6.9%	9,448	7.3%	(70)	(0.7%)	12,468	7.1%
OTHER INCOME (EXPENSES) :								
Interest and dividend income.....	578	0.4%	653	0.5%	(75)	(11.5%)	786	0.4%
Interest expense .....	(453)	(0.3%)	(608)	(0.5%)	155	25.5%	(665)	(0.4%)
Exchange losses on foreign currency transactions, net.....	(31)	(0.0%)	(1,767)	(1.4%)	1,736	98.2%	(1,460)	(0.8%)
Realized gains (losses) on securities, net.....	345	0.3%	(176)	(0.1%)	521	-	(2,590)	(1.5%)
Other, net .....	559	0.4%	493	0.4%	66	13.4%	753	0.5%
Total .....	998	0.8%	(1,405)	(1.1%)	2,403	-	(3,176)	(1.8%)
INCOME BEFORE INCOME TAXES.....	10,376	7.7%	8,043	6.2%	2,333	29.0%	9,292	5.3%
PROVISION FOR INCOME TAXES.....	7,457	5.5%	2,697	2.1%	4,760	176.5%	2,569	1.5%
NET INCOME.....	2,919	2.2%	5,346	4.1%	(2,427)	(45.4%)	6,723	3.8%



## SUPPORT DOCUMENTATION (CONSOLIDATION)

### 1. Consolidated results and forecast

	Yen (millions)			
	For the nine months ended December 31, 2002		For the nine months ended December 31, 2003	
	(Results)		(Results)	
	(Amount)	(%)	(Amount)	(%)
Net sales.....	130,042	-	135,432	4.1%
Domestic .....	28,562	-	28,675	0.4%
Overseas .....	101,480	-	106,757	5.2%
Operating income.....	9,448	-	9,378	(0.7%)
Income before income taxes .....	8,043	-	10,376	29.0%
Net income.....	5,346	-	2,919	(45.4%)
EPS (Yen) .....	35.81		20.14	
Employees .....	8,145		8,661	

	Yen (millions)					
	For the year ended March 31, 2003		For the six months ended September 30, 2003		For the year ending March 31, 2004	
	(Results)		(Results)		(Forecast)	
	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)
Net sales.....	175,603	5.7%	91,757	4.7%	182,000	3.6%
Domestic .....	38,781	(1.8%)	19,244	(0.1%)	39,000	0.6%
Overseas .....	136,822	8.0%	72,513	6.0%	143,000	4.5%
Operating income.....	12,468	112.3%	9,247	47.5%	13,600	9.1%
Income before income taxes .....	9,292	173.1%	9,894	123.7%	14,600	57.1%
Net income.....	6,723	4,954.9%	4,981	58.8%	5,500	(18.2%)
EPS (Yen) .....	45.29		34.25		38.22	
Employees .....	8,344		8,471		-	

Note: Percentage change: Ratio of change against corresponding period of the previous year on Net sales, Operating income, Income before income taxes, and Net income.



## 2. Consolidated net sales by geographic area

	Yen (millions)							
	For the nine months ended December 31, 2002 (Results)		For the nine months ended December 31, 2003 (Results)		For the year ended March 31, 2003 (Results)		For the six months ended September 30, 2003 (Results)	
	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)	(Amount)	(%)
Japan .....	28,562	-	28,675	0.4%	38,781	(1.8%)	19,244	(0.1%)
North America .....	34,674	-	31,717	(8.5%)	45,573	(5.7%)	22,085	(8.7%)
Europe.....	41,716	-	48,580	16.5%	57,648	18.9%	32,085	19.4%
Southeast Asia .....	9,978	-	10,075	1.0%	13,774	11.3%	7,314	1.9%
Other regions .....	15,112	-	16,385	8.4%	19,827	13.5%	11,029	8.8%
Total.....	130,042	-	135,432	4.1%	175,603	5.7%	91,757	4.7%

## 3. Exchange rates

	Yen	
	For the nine months ended December 31, 2002 (Results)	For the nine months ended December 31, 2003 (Results)
Yen/U.S. Dollar.....	122.92	115.09
Yen/Euro .....	118.76	132.20

	Yen		
	For the year ended March 31, 2003 (Results)	For the six months ended September 30, 2003 (Results)	For the year ending March 31, 2004 (Forecast)
Yen/U.S. Dollar.....	121.98	118.07	112
Yen/Euro .....	120.88	133.51	132

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

	For the nine months ended December 31, 2003 (Results)
U.S.A. ....	(5.0%)
Germany .....	5.2%
U.K. ....	8.1%
France .....	5.6%
China.....	2.8%
Australia.....	4.5%



## 5. Production ratio (unit basis)

	For the nine months ended December 31, 2003 (Results)	For the year ended March 31, 2003 (Results)	For the six months ended September 30, 2003 (Results)
Domestic .....	33.6%	36.9%	34.7%
Overseas.....	66.4%	63.1%	65.3%

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

	Yen (millions)			
	For the nine months ended December 31, 2003 (Results)	For the year ended March 31, 2003 (Results)	For the six months ended September 30, 2003 (Results)	For the year ending March 31, 2004 (Forecast)
Capital expenditures .....	3,067	5,691	2,270	4,000
Depreciation and amortization...	6,380	9,740	4,330	8,000
R&D cost .....	2,954	3,856	1,954	3,900

## 7. Consolidated cash flow

	Yen (millions)		
	For the nine months ended December 31, 2003 (Results)	For the year ended March 31, 2003 (Results)	For the six months ended September 30, 2003 (Results)
Net cash provided by operating activities .....	20,677	27,141	11,696
Net cash used in investing activities .....	(10,327)	(9,659)	(4,994)
Net cash used in financing activities.....	(5,833)	(13,381)	(4,938)