



# Makita Corporation

Consolidated Financial Results  
for the six months  
ended September 30, 2008  
(U.S. GAAP Financial Information)

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



## CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008

October 31, 2008

### Makita Corporation

Stock code: 6586

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

Masahiko Goto, President & Representative Director

### 1. Results of the six months ended September 30, 2008 (From April 1, 2008 to September 30, 2008)

#### (1) CONSOLIDATED OPERATING RESULTS

	Yen (millions)			
	For the six months ended September 30, 2007		For the six months ended September 30, 2008	
		%		%
Net sales.....	169,537	28.5	175,558	3.6
Operating income .....	33,899	58.5	36,047	6.3
Income before income taxes .....	34,468	58.1	34,453	0.0
Net income.....	23,596	53.3	24,851	5.3
	Yen			
Net income per share .....	164.17		175.60	

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.

#### (2) CONSOLIDATED FINANCIAL POSITION

	Yen (millions)	
	As of March 31, 2008	As of September 30, 2008
Total assets.....	386,467	382,000
Shareholders' equity.....	316,498	316,519
Shareholders' equity ratio to total assets (%).....	81.9%	82.9%
	Yen	
Shareholders' equity per share .....	2,201.36	2,248.53

### 2. Dividend Information

	Yen	
	For the year ended March 31, 2008	For the year ending March 31, 2009
Cash dividend per share:		
Interim.....	30.00	30.00
Year-end .....	67.00	(Note)
Total .....	97.00	(Note)

Notes:

- The forecast for cash dividend announced on April 30, 2008 has not been revised.
- While the Company has set forth under the Articles of Corporation of the Company that the record date for the payment of dividend shall be the last day of a relevant period, at the present time, the projected amount of dividends as of the said record date has not been determined yet.  
For further details, refer to "Explanation regarding proper use of business forecasts, and other significant matters" on page 2.



### 3. Consolidated Financial Forecast for the year ending March 31, 2009 (From April 1, 2008 to March 31, 2009)

	Yen (millions)	
	For the year ending March 31, 2009	
		%
Net sales.....	303,000	(11.6)
Operating income .....	54,000	(19.4)
Income before income taxes .....	50,200	(23.7)
Net income.....	36,200	(21.4)
	Yen	
Net income per share .....	257.16	

Note: The consolidated financial forecast for the year ending March 31, 2009 has been revised.

For details, refer to [Qualitative Information and Financial Statements] section 3 “Qualitative information on consolidated financial forecast” on page 4.

The above forecast is based on the assumption of exchange rates of 95 yen to the U.S. dollar and 120 yen to the euro for the second half of the fiscal year.

The above forecast is also based on information as available at the present time, and includes potential risks and uncertainties. As a consequence of the factors above and other, actual results may vary from the forecast provided above.

#### 4. Other

(1) Changes in important subsidiaries during the period (Changes in specific subsidiaries accompanied by changes in scope of consolidation): None

(2) Adoption of simplified accounting methods and accounting methods that are specific to the preparation of quarterly consolidated financial statements:

Note: Refer to [Qualitative Information and Financial Statements] section 4 “Other” on page 4.

(3) Changes in principles, procedures and disclosures of the accounting policies concerning quarterly consolidated financial statements preparation:

Note: Refer to [Qualitative Information and Financial Statements] section 4 “Other” on page 4.

(4) Number of shares outstanding (common stock)

1. Number of shares issued (including treasury stock):	As of September 30, 2008:	144,008,760
	As of March 31, 2008:	144,008,760
2. Number of treasury stock:	As of September 30, 2008:	3,241,663
	As of March 31, 2008:	235,135
3. Average number of shares outstanding:	As of September 30, 2008:	141,521,162
	As of September 30, 2007:	143,725,286

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

1. The consolidated financial forecast for the year ending March 31, 2009 has been revised. Regarding the assumptions for the 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 risks and uncertainties. As a consequence of the factors above and other, actual results may vary from the forecasts provided above.

2. Makita's basic policy on the distribution of profits is to maintain a consolidated 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.

The Board of Directors plans to meet in April 2009 for a report on earnings for the year ending March 31, 2009. At the time, in accordance with the basic policy regarding profit distribution mentioned above, the Board of Directors plans to propose a dividend equivalent to at least 30% of net income. The Board of Directors will submit this proposal to the General Meeting of Shareholders scheduled for June 2009.

The consolidated dividend payout ratio is calculated as annual dividends per share divided by consolidated net income per share (after adjustments for special circumstances) and multiplied by 100.



## [Qualitative Information and Financial Statements]

### 1. Qualitative Information on Consolidated Operating Results

For the six months (“the period”) ended September 30, 2008, the world’s economy has been characterized by financial instability caused in part by the sub-prime loan problems in the United States and by a steep rise in raw material prices, those have spilled over into the global economy, and the business climate is rapidly decelerating.

What is more, the decrease in demand in the housing market is affecting Japan and the United States and also Western European countries, adding to the intensity of the market downturn.

In such conditions, the Makita Group has expanded our product lines through the development of power tools such as hammer drills that are equipped with the low-vibration mechanisms which have an established reputation in technology, rechargeable tools that utilize lithium-ion batteries, and gardening equipment outfitted with mini 4-cycle engines.

In production, we are moving forward with the expansion of the Romanian plant in Eastern Europe and construction of the second plant in Brazil in South America in order to reinforce global capacity and balance.

In sales, we are also improving and developing sales and after-service networks by establishing and operating local subsidiaries in India and Colombia.

In our consolidated financial results for the period, sales declined in the United States and Japan, but increased 3.6% over the same period of the previous year, to 175,558 million yen, because demand in emerging countries in Eastern Europe, Russia, Southeast Asia, Central and South America, and the Middle East remained strong.

For the period, sales have risen continuously to a new record for the fourth consecutive period and sales have increased for eight consecutive period.

In terms of earnings, operating income rose 6.3% compared to the same period of the previous year, to 36,047 million yen (ratio of operating income to net sales; 20.5%), income before income taxes amounted to 34,453 million yen, a 0.04% decline from the same period of the previous year (ratio of income before income taxes to net sales; 19.6%), and net income for the period amounted to 24,851 million yen (ratio of net income to net sales; 14.2%), up 5.3% from the same period of the previous year.

Net sales by geographic area were as follows:

In Japan, despite a recovery in the number of housing starts, the market environment continues to remain bleak, contributing to a decrease in sales to 24,378 million yen, down 5.0% from the same period of the previous year.

In Europe, although sales in Western Europe fell into a downward trend, sales in Eastern Europe and Russia continued to expand, marking a 5.4% increase over the same period of the previous year to 83,131 million yen.

In North America, sales via the home improvement channel remained steady in persistent stagnation in the U.S. housing market, thanks to having established a partnership with Home Depot U.S.A., Inc., the largest home improvement retailer in the United States, in March 2008. However, sales declined to 25,836 million yen, for a 10.7% decrease, due to a significantly weaker dollar versus the yen in foreign exchange markets for the same period of the previous year.

In Asia, sales remained robust at 13,163 million yen in Southeast Asia, a 19.4% increase over the same period of the previous year.

In other regions such as those in Central and South America which are growth countries with abundant resources, sales amounted to 10,579 million yen, a 30.1% increase compared to the same period of the previous year; while sales in the Middle East and Africa rose 15.2% to 9,964 million yen, and sales in Oceania climbed 2.8%, to 8,507 million yen.

As a result above, the foreign sales ratio in the period ended September 30, 2008, rose to 86.1%, up 1.2 points from 84.9% in the same period of the previous year.

### 2. Qualitative Information on Consolidated Financial Position

Compared to the end of the previous fiscal year, total assets at the end of this second quarter declined in value by 4,467 million yen to 382,000 million yen. The principal factor was because marketable securities were sold off, in order to acquire company’s own stock.

Compared to the end of the previous fiscal year, liabilities declined in value by 4,363 million yen to 63,090 million yen. The key factor was a decrease in income taxes payable.

Compared to the end of the previous fiscal year, shareholders’ equity increased in value by 21 million yen to 316,519 million yen.



### 3. Qualitative Information on Consolidated Financial Forecast

The forecast for the third quarter and for the fiscal year ending March 31, 2009 is based on the assumption that the financial instability caused by the sub-prime loan problem in the United States will stay not only in developed countries, but in the new emerging countries that have enjoyed steady growth, with the entire global economy is facing a period of contraction.

The forecast is assumed on basis of continuing rise of raw materials price and in a continued strengthening of the yen.

In the condition above, the previous forecast has been revised as follows.

#### Revised Forecast for consolidated performance during the fiscal 2009 (from April 1, 2008 to March 31, 2009)

	(Million yen)				
	Net sales	Operating income	Income before income taxes	Net income	Net income per share (yen)
Outlook announced previously (A).....	343,000	64,000	63,000	42,000	292.13
<b>Revised forecast (B).....</b>	<b>303,000</b>	<b>54,000</b>	<b>50,200</b>	<b>36,200</b>	<b>257.16</b>
Change (B-A) .....	(40,000)	(10,000)	(12,800)	(5,800)	—
Percentage revision.....	(11.7)%	(15.6)%	(20.3)%	(13.8)%	—
Actual results for the previous year ended March 31, 2008 .....	342,577	67,031	65,771	46,043	320.30

The above forecast is based on the assumption of exchange rates of 95 yen to the U.S. dollar and 120 yen to the euro for the second half of the fiscal year.

The above forecast is based on information as available at the present time, and includes potential risks and uncertainties. As a consequence of the factors above and other, actual results may vary from the forecast provided above.

### 4. Other

(1) Changes in important subsidiaries during the period (Changes in specific subsidiaries accompanied by changes in scope of consolidation): None

(2) Adoption of simplified accounting methods and accounting methods that are specific to the preparation of quarterly consolidated financial statements:

With regard to the income tax expenses, the Company computes interim income tax expense (benefit) by multiplying reasonably estimated annual effective tax rate, which includes the effects of deferred taxes, by year-to-date income before income taxes for the reporting period.

(3) Changes in principles, procedures and disclosures of the accounting policies concerning quarterly consolidated financial statements preparation:

Starting with this fiscal year, the Company has adopted the "Fair Value Measurements" pursuant to the Statement of Financial Accounting Standards No. 157. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adoption did not give rise to any material effect on the Company's consolidated financial position or results of operations.



## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	Yen (millions)			
	As of March 31, 2008		As of September 30, 2008	
		Composition ratio		Composition ratio
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents.....	46,306		42,678	
Time deposits.....	2,393		3,591	
Marketable securities.....	49,443		34,865	
Trade receivables-				
Notes.....	2,950		3,011	
Accounts.....	60,234		60,989	
Less- Allowance for doubtful receivables.....	(1,018)		(1,032)	
Inventories.....	112,187		120,210	
Deferred income taxes.....	6,478		6,587	
Prepaid expenses and other current assets.....	11,382		11,656	
Total current assets.....	<u>290,355</u>	75.1%	<u>282,555</u>	74.0%
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>				
Land.....	18,370		18,463	
Buildings and improvements.....	64,268		63,311	
Machinery and equipment.....	75,651		77,007	
Construction in progress.....	2,765		6,436	
	161,054		165,217	
Less- Accumulated depreciation.....	<u>(91,996)</u>		<u>(91,206)</u>	
	<u>69,058</u>	17.9%	<u>74,011</u>	19.4%
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investment securities.....	18,034		15,927	
Goodwill.....	2,001		1,994	
Other intangible assets, net.....	2,240		2,372	
Deferred income taxes.....	1,826		1,219	
Other assets.....	2,953		3,922	
	<u>27,054</u>	7.0%	<u>25,434</u>	6.6%
	<u>386,467</u>	100.0%	<u>382,000</u>	100.0%



	Yen (millions)			
	As of March 31, 2008		As of September 30, 2008	
		Composition ratio		Composition ratio
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Short-term borrowings .....	1,724		1,123	
Trade notes and accounts payable .....	23,372		22,835	
Other payables .....	5,640		6,149	
Accrued expenses .....	7,982		6,585	
Accrued payroll .....	8,096		7,772	
Income taxes payable .....	7,518		5,374	
Deferred income taxes .....	58		32	
Other liabilities .....	5,266		5,239	
Total current liabilities .....	<u>59,656</u>	15.4%	<u>55,109</u>	14.4%
<b>LONG-TERM LIABILITIES:</b>				
Long-term indebtedness .....	908		861	
Accrued retirement and termination allowances .....	3,716		3,353	
Deferred income taxes .....	1,215		1,836	
Other liabilities .....	1,958		1,931	
	<u>7,797</u>	2.0%	<u>7,981</u>	2.1%
	<u>67,453</u>	17.4%	<u>63,090</u>	16.5%
MINORITY INTERESTS .....	<u>2,516</u>	0.7%	<u>2,391</u>	0.6%
<b>SHAREHOLDERS' EQUITY:</b>				
Common stock .....	23,805		23,805	
Additional paid-in capital .....	45,753		45,752	
Legal reserve .....	5,669		5,669	
Retained earnings .....	249,191		264,410	
Accumulated other comprehensive income (loss) .....	(7,657)		(10,908)	
Treasury stock, at cost .....	(263)		(12,209)	
	<u>316,498</u>	81.9%	<u>316,519</u>	82.9%
	<u>386,467</u>	100.0%	<u>382,000</u>	100.0%

	As of March 31, 2008	As of September 30, 2008
Total number of shares authorized .....	496,000,000	496,000,000
Number of shares issued .....	144,008,760	144,008,760
Number of shares issued (excluding treasury stock) .....	143,773,625	140,767,097
Number of treasury stock .....	235,135	3,241,663



**(2) Consolidated Statements of Income**

	Yen (millions)			
	For the six months ended September 30, 2007		For the six months ended September 30, 2008	
		(%)		(%)
NET SALES .....	169,537	100.0	175,558	100.0
Cost of sales .....	98,847	58.3	100,824	57.4
GROSS PROFIT.....	70,690	41.7	74,734	42.6
Selling, general, administrative and other expenses.....	36,791	21.7	38,687	22.1
OPERATING INCOME .....	33,899	20.0	36,047	20.5
OTHER INCOME (EXPENSES):				
Interest and dividend income .....	1,022		954	
Interest expense.....	(166)		(169)	
Exchange losses on foreign currency transactions, net .....	(125)		(1,462)	
Realized gains (losses) on securities, net .....	8		(660)	
Other, net.....	(170)		(257)	
Total .....	569	0.3	(1,594)	(0.9)
INCOME BEFORE INCOME TAXES .....	34,468	20.3	34,453	19.6
PROVISION FOR INCOME TAXES:				
Current.....	10,168		7,686	
Deferred.....	704		1,916	
Total .....	10,872	6.4	9,602	5.4
NET INCOME.....	23,596	13.9	24,851	14.2





### (3) Condensed Consolidated Statements of Cash Flows

	Yen (millions)	
	For the six months ended September 30, 2007	For the six months ended September 30, 2008
Net cash provided by operating activities .....	13,803	14,222
Net cash provided by (used in) investing activities .....	(4,950)	3,132
Net cash used in financing activities .....	(10,047)	(22,511)
Effect of exchange rate changes on cash and cash equivalents .....	(248)	1,529
Net change in cash and cash equivalents .....	(1,442)	(3,628)
Cash and cash equivalents, beginning of period .....	37,128	46,306
Cash and cash equivalents, end of period .....	35,686	42,678

### (4) Notes on the preconditions for a going concern: None

### (5) Condensed Operating Segment Information

	Yen (millions)							
	For the six months ended September 30, 2007							
	Japan	Europe	North America	Asia	Other	Total	Corporate and eliminations	Consolidated
Sales:								
(1) External customers .....	35,281	78,871	28,792	5,511	21,082	169,537	-	169,537
(2) Inter-segment .....	34,085	2,707	2,342	48,684	106	87,924	(87,924)	-
Total .....	69,366	81,578	31,134	54,195	21,188	257,461	(87,924)	169,537
Operating expenses .....	57,352	68,485	30,016	47,603	18,240	221,696	(86,058)	135,638
Operating income .....	12,014	13,093	1,118	6,592	2,948	35,765	(1,866)	33,899

	Yen (millions)							
	For the six months ended September 30, 2008							
	Japan	Europe	North America	Asia	Other	Total	Corporate and eliminations	Consolidated
Sales:								
(1) External customers .....	35,371	83,192	26,062	6,009	24,924	175,558	-	175,558
(2) Inter-segment .....	33,454	2,792	2,809	51,597	79	90,731	(90,731)	-
Total .....	68,825	85,984	28,871	57,606	25,003	266,289	(90,731)	175,558
Operating expenses .....	59,925	70,438	27,726	50,201	20,881	229,171	(89,660)	139,511
Operating income .....	8,900	15,546	1,145	7,405	4,122	37,118	(1,071)	36,047



**(6) Notes in case there is any significant change in the shareholders' equity**

Consolidated Statement of Shareholders' equity

	Yen (millions)
	For the six months ended September 30, 2008
<b>COMMON STOCK:</b>	
Beginning balance.....	23,805
Ending balance.....	<u>23,805</u>
<b>ADDITIONAL PAID-IN CAPITAL:</b>	
Beginning balance.....	45,753
Disposal of treasury stock.....	(1)
Ending balance.....	<u>45,752</u>
<b>LEGAL RESERVE:</b>	
Beginning balance.....	5,669
Ending balance.....	<u>5,669</u>
<b>RETAINED EARNINGS:</b>	
Beginning balance.....	249,191
Cash dividends.....	(9,632)
Net income.....	24,851
Ending balance.....	<u>264,410</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):</b>	
Beginning balance.....	(7,657)
Other comprehensive income (loss) for the period.....	(3,251)
Ending balance.....	<u>(10,908)</u>
<b>TREASURY STOCK, at cost:</b>	
Beginning balance.....	(263)
Purchases and disposal (Note).....	(11,946)
Ending balance.....	<u>(12,209)</u>
<b>TOTAL SHAREHOLDERS' EQUITY.....</b>	<u><u>316,519</u></u>

Note: Purchases of treasury stock:

In May 2008, the Company bought back 3 million shares of company's own stock for 11,923 million yen in the market.



SUPPORT DOCUMENTATION (CONSOLIDATED)

**1. Consolidated Financial Results and Forecast**

	Yen (millions)					
	For the six months ended September 30, 2006		For the six months ended September 30, 2007		For the six months ended September 30, 2008	
		(%)		(%)		(%)
Net sales.....	131,891	23.7	169,537	28.5	175,558	3.6
Domestic .....	22,927	14.5	25,649	11.9	24,378	(5.0)
Overseas .....	108,964	25.8	143,888	32.1	151,180	5.1
Operating income .....	21,387	(17.4)	33,899	58.5	36,047	6.3
Income before income taxes .....	21,796	(17.8)	34,468	58.1	34,453	0.0
Net income.....	15,390	(40.4)	23,596	53.3	24,851	5.3
Net income per share (Yen) .....	107.09		164.17		175.60	
Cash dividend per share (Yen).....	19.00		30.00		30.00	
Dividend payout ratio (%) .....	17.7		18.3		17.1	
Employees .....	9,077		10,093		10,799	

	Yen (millions)			
	For the year ended March 31, 2008		For the year ending March 31, 2009 (Forecast)	
		(%)		(%)
Net sales.....	342,577	22.4	303,000	(11.6)
Domestic .....	52,193	11.4	48,700	(6.7)
Overseas .....	290,384	24.6	254,300	(12.4)
Operating income .....	67,031	39.1	54,000	(19.4)
Income before income taxes .....	65,771	33.3	50,200	(23.7)
Net income.....	46,043	24.5	36,200	(21.4)
Net income per share (Yen) .....	320.30		257.16	
Cash dividend per share (Yen).....	97.00		-	
Dividend payout ratio (%) .....	30.3		-	
Employees .....	10,436		-	

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 consolidated financial forecast for the year ending March 31, 2009.



## 2. Consolidated Net Sales by Geographic Area

	Yen (millions)					
	For the six months ended September 30, 2006		For the six months ended September 30, 2007		For the six months ended September 30, 2008	
		(%)		(%)		(%)
Japan .....	22,927	14.5	25,649	11.9	24,378	(5.0)
Europe .....	56,558	35.3	78,865	39.4	83,131	5.4
North America .....	24,513	18.7	28,942	18.1	25,836	(10.7)
Asia .....	9,776	15.4	11,021	12.7	13,163	19.4
Other regions .....	18,117	15.4	25,060	38.3	29,050	15.9
Central and South America .....	5,931	16.4	8,134	37.1	10,579	30.1
The Middle East and Africa .....	6,203	21.2	8,650	39.4	9,964	15.2
Oceania .....	5,983	9.1	8,276	38.3	8,507	2.8
Total .....	131,891	23.7	169,537	28.5	175,558	3.6

Note: The table above sets forth Makita's consolidated net sales by geographic area based on the customer's location for the periods presented. Accordingly, it differs from operating segment information on page 8.

## 3. Exchange Rates

	Yen				
	For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the six months ended September 30, 2008	For the six months ending March 31, 2009 (Forecast)	For the year ending March 31, 2009 (Forecast)
Yen/U.S. Dollar .....	115.38	119.40	106.12	95	101
Yen/Euro .....	146.01	162.33	162.80	120	141

## 4. Sales Growth in local currency basis (Major countries)

	For the six months ended September 30, 2008
	(%)
U.K. ....	(0.9)
Germany .....	5.8
France .....	(0.7)
Russia .....	22.3
U.S.A. ....	(3.0)
China .....	14.1
Brazil .....	42.5
Makita Gulf (UAE) * .....	35.5
Australia .....	10.3

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



### 5. Production Ratio (unit basis)

	For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the six months ended September 30, 2008
	(%)	(%)	(%)
Domestic.....	27.9	24.0	20.2
Overseas .....	72.1	76.0	79.8

### 6. Consolidated Capital Expenditures, Depreciation and Amortization, and R&D cost

	Yen (millions)			
	For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the six months ended September 30, 2008	For the year ending March 31, 2009 (Forecast)
Capital expenditures .....	4,873	7,161	9,827	22,000
Depreciation and amortization...	3,715	3,879	4,426	10,000
R&D cost.....	2,605	2,826	3,493	7,100