MAKITA CORP
Form 20-F
September 28, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 20-F

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2007

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) THE SECURITIES EXCHANGE ACT OF 1934

o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-12602

KABUSHIKI KAISHA MAKITA
(Exact name of registrant as specified in its charter)

MAKITA CORPORATION
(Translation of registrant s name into English)

Japan
(Jurisdiction of incorporation or organization)

3-11-8, Sumiyoshi-cho, Anjo City, Aichi Prefecture, Japan
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Name of each exchange on which registered
* **American Depositary Shares**	Nasdaq Global Market
** **Common Stock**	

* American Depositary Receipts evidence American Depositary Shares, each American Depositary Share representing one share of the registrant s Common Stock.

** Effective October 1, 2001, no par

value per share. Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Title of each class	Name of each exchange on which registered
None	None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

	Outstanding as of	
Title of Class	March 31, 2007 (Tokyo time)	March 31, 2007 (New York time)
Common Stock, excluding 307,481 shares of Treasury Stock	143,701,279	
American Depositary Shares, each representing one share of Common Stock		2,485,634

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

þ Yes o No

If this report is an annual or transition report, indicate by mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

o Yes þ No

Note Checking the box above will not relieve any registrant required to the file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

þ Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filero

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes þ No

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As used in this annual report, the term fiscal preceding a year means the twelve-month period ended March 31 of the year referred to. For example, fiscal 2007 or FY 2007 refers to the twelve-month period ended March 31, 2007. All other references to years refer to the applicable calendar year.

All information contained in this annual report is as of March 31, 2007 unless otherwise specified.

In parts of this annual report, amounts reported in Japanese yen have been translated into U.S. dollars for the convenience of readers. Unless otherwise noted, the rate used for this translation was ¥118 = U.S.$1.00, the approximate exchange rate of the noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2007. On June 9, 2007 the noon buying rate for yen cable transfer in New York City as reported by the Federal Reserve Bank of New York was ¥123.34= $1.00.

As used herein, the Company refers to Makita Corporation and Makita or Makita Group refer to Makita Corporation and its consolidated subsidiaries unless the context otherwise indicates.

Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements that are based on current expectations, estimates, strategies and projections of the Company s management in light of the information currently available to it. The Company and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Company s filings with the Securities and Exchange Commission and in its reports to shareholders, with respect to Makita s current plans, estimates, strategies and beliefs and other statements that are not historical. Generally, the inclusion of the words plan, strategy, believe, expect, intend, estimate, anticipate, will, similar expressions identify statements that constitute forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933 and Section 21E of the United States Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that Makita expects or anticipates to occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements. Makita undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons. Such risks and uncertainties are generally set forth in Item 3.D Risk Factors of this Form 20-F and include but not limited to:

- The levels of construction activities and capital investments in its markets
- Fluctuations in currency exchange rates
- Intense competition in global power tools market for professional use
- Makita s ability to develop attractive products
- Geographic concentration of Makita s main facilities
- Makita s overseas activities and entry into overseas markets
- Failure to maintain cooperative relationship with significant customers
- Failure to deliver materials or parts required for production as scheduled
- Procurement of raw materials or their escalating prices
- Product liability litigation or recalls
- Fluctuations in stock market prices
- Failure to protect intellectual property right or infringing the intellectual property of third parties
- Environmental or other government regulations
- Failure to protect intellectual property rights unintentional infringements of the intellectual property of third parties
- The effects of attestation on internal control over financial reporting expressed by the Company s auditors

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The foregoing list is not exhaustive. There can be no assurance that Makita has correctly identified and appropriately assessed all factors affecting its business or that the publicly available and other information with respect to these matters is complete and correct. Additional risks and uncertainties not presently known to Makita or that it currently believes to be immaterial also may adversely impact Makita. Should any risks and uncertainties develop into actual events, these developments could have material adverse effects on Makita s business, financial condition, and results of operations.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable

Item 2. Offer Statistics and Expected Timetable

Not applicable

Item 3. Key Information

A. Selected financial data

The following data for each of the five fiscal years ended March 31, 2007 have been derived from Makita s audited consolidated financial statements. They should be read in conjunction with Makita s audited consolidated balance sheets as of March 31, 2006 and 2007, the related consolidated statements of income, shareholder s equity and cash flows for each of the three years ended March 31, 2007, and the notes thereto that appear elsewhere in this annual report. Makita s consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, and were included in its Japanese Securities Reports filed with the Director of the Kanto Local Finance Bureau.

			Yen (millions)			U.S. Dollars (thousands)
			Fiscal year ended March 31,			
Income Statement Data:	2003	2004	2005	2006	2007	2007
Net sales	¥175,603	¥184,117	¥194,737	¥229,075	¥279,933	$ 2,372,314
Operating income	12,468	14,696	31,398	45,778	48,176	408,271
Net income	6,723	7,691	22,136	40,411	36,971	313,314

Net income per share of Common stock and per ADS:			Yen			U.S. Dollars
Basic	45.3	53.2	153.9	281.1	257.3	2.18
Diluted	44.2	51.9	148.8	281.1	257.3	2.18

			Yen (millions)			U.S. Dollars (thousands)
			Fiscal year ended March 31,			
Balance Sheet Data:	2003	2004	2005	2006	2007	2007
Total assets	¥ 278,600	¥ 278,116	¥ 289,904	¥ 326,038	¥ 368,494	$ 3,122,831
Cash and cash equivalents, time deposits and marketable securities	64,083	92,616	91,189	88,672	102,211	866,195
Net working capital	141,759	147,822	149,666	181,808	212,183	1,798,161
Short-term borrowings	2,892	14,128	9;060	1,728	1,892	16,034
Long-term indebtedness	19,843	7,364	88	104	53	449
Common stock	23,803	23,803	23,805	23,805	23,805	201,737
Treasury stock	(5,110)	(3,316)	(3,517)	(258)	(298)	(2,525)
Shareholders equity	182,400	193,348	219,640	266,584	302,675	2,565,042
Total number of shares outstanding	145,967,876	143,893,191	143,777,607	143,711,766	143,701,279	143,701,279

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Note: Net working capital equals current assets less current liabilities.
Exchange rates (Japanese Yen amounts per U.S. Dollars)
The following table sets forth information concerning the exchange rates for Japanese yen and U.S. dollars based on the noon buying rates for cable transfers in Japanese yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York. The average Japanese yen exchange rates represent average noon buying rates on the last business day of each month during the previous period.

	(Japanese Yen per U.S. $1.00)			
Fiscal year ended March 31,	High	Low	Average	Year-end
2003	115.71	133.40	121.94	118.07
2004	104.18	120.55	113.07	104.18
2005	102.26	114.30	107.47	107.22
2006	104.41	120.93	113.15	117.48
2007	110.07	121.81	116.92	117.56
2008 (through September 24, 2007)	113.43	124.09	119.40	114.92

	(Japanese Yen per U.S. $1.00)					
2007	April	May	June	July	August	September (until 24)
High	117.69	119.77	121.08	118.41	113.81	113.43
Low	119.84	121.79	124.09	123.34	119.76	116.21

On September 24, 2007 the noon buying rate for yen cable transfer in New York City as reported by the Federal Reserve Bank of New York was ¥114.92 = U.S. $1.00
Cash dividends declared per share of common stock and per ADS:

	Yen		U.S. Dollars	
Fiscal year ended March 31,	Interim	Year-end	Interim	Year-end
2003	9.0	9.0	0.07	0.07
2004	9.0	13.0	0.09	0.11
2005	11.0	36.0	0.10	0.34
2006	19.0	38.0	0.16	0.32
2007	19.0	55.0	0.16	0.47

Makita s basic dividend 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.

Note: Cash dividends in U.S. dollars are based on the exchange rates as of the respective payment date, using the noon buying rates for cable transfers in yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York.

B. Capitalization and indebtedness

Not applicable

C. Reasons for the offer and use of proceeds

Not applicable

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D. Risk factors

The following is a summary of some of the significant risks that could affect Makita. Other risks that could affect Makita are also discussed elsewhere in this annual report. Additionally, some risks that may be currently unknown to Makita and other risks that are currently believed to be immaterial, may become material. Some of these statements are forward-looking statements that are subject to the Cautionary Statement with Respect to Forward-Looking Statements appearing elsewhere in this annual report.

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, Europe, North America, Asia, Central and South America, the Middle East, Africa, and Oceania, this may have an adverse impact on Makita s consolidated financial condition and results of operations.

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. 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. However, 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.

Makita faces intense competition in the global market for its power tools for professional use.

The global market for power tools for professional use is highly competitive. Factors that affect competition in the markets for Makita s products include the quality, functionality of products, technological developments, the pace of new product development, price, reliability, durability, after-sales service and the rise of new competitors. While Makita strives to ensure its position as a leading international supplier of power tools for professional use, there is no guarantee that it will be able to compete effectively in the future. If Makita is unable to compete effectively, it may lose market share and its earnings may be adversely affected. Moreover, if Makita is unable to compete effectively, Makita s sales volumes may decrease and inventories may increase, resulting in a downward pressure on the prices for Makita s products, which in turn could have an adverse impact on Makita s consolidated financial condition and results of operations.

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 strong 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 able to quickly develop 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.

Geographic concentration of Makita s main facilities may have adverse effects on Makita s business activities.

Makita s principal management functions, including its headquarters, and the companies on which it relies 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 80% 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.

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 Europe, North America, Asia, Oceania, the Middle East, Central and South America, and emerging markets such as Russia and Eastern Europe. During the year under review, approximately 83% 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. If such 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.

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, this may have an adverse impact on Makita s consolidated financial condition and results of operations.

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.

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.

In manufacturing power tools, Makita purchases raw materials and components, including silicon steel plates, aluminum, steel products, copper wire, and electronic parts. In recent years, demand for these materials in China and the rest of the world has risen substantially, and some suppliers are experiencing a shortage of capacity. Under these circumstances, if the Makita is unable to obtain the necessary quantities of these materials, this may have an effect on production schedules. In addition, the shortage of capacity among suppliers is a factor leading to increased prices of production materials. If the Makita experiences increases in prices of production materials, greater than what can be absorbed by increased productivity or through other internal efforts and prices of final products cannot be raised sufficiently, such circumstance may have a detrimental impact on the performance and financial position of the Makita.

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 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.

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 and investment 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.

Makita may be unable to protect its intellectual property rights and could suffer significant liabilities, litigation costs or licensing expenses or be prevented from selling its products if it is infringing the intellectual property of third parties.

Makita relies on patents, utility models, design rights, trademarks and copyrights obtained in various countries to actively protect its proprietary rights. However, in general, it is difficult for Makita to detect, and investigate, the products believed to infringe its intellectual property rights and therefore Makita cannot ensure that its intellectual property rights will provide meaningful protection of its proprietary rights. In addition, Makita may be unknowingly infringing the intellectual property rights of third parties and may be held responsible for that infringement, which may require Makita to pay significant damages or license fees or modify its products or processes, stop making products or stop using processes. If such risks occur, they may have a material adverse impact in Makita s consolidated financial condition and results of operations.

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.

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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 control over financial reporting is not effective or if Makita s independent registered public accounting firm is unable to provide adequate attestation over the adequacy of the internal control over Makita s financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002

The Securities and Exchange Commission, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring public companies to include a report in its Annual Report that contains an assessment by management of the effectiveness of the company s internal control over financial reporting. In addition, the company s independent registered public accounting firm must attest to and report on management s assessment of the effectiveness of the company s internal control over financial reporting. If Makita s management concludes that Makita s internal control over financial reporting is not effective, or if Makita s independent registered public accounting firm is not satisfied with Makita s internal control over its financial reporting or the level at which its controls are documented, designed, operated or reviewed, and declines to attest to management s assessment or issues a report that is qualified, there could be an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of Makita s financial statements, which ultimately could negatively impact the market price of Makita s ADRs and ordinary shares.

Item 4. Information on the Company

A. History and development of the Company

The Company traces its origin to an electrical repair workshop founded in Nagoya in 1915 and was incorporated under the Commercial Code of Japan on December 10, 1938 under the name of Makita Electric Works, Ltd. as a joint stock corporation. Under the presidency of Mr. Jujiro Goto, Makita commenced the manufacture of electric power tools in 1958 and, by 1969, had reached its present leading position in the Japanese market. In 1970, the Company decided to take advantage of the large potential for growth in overseas markets for its products and established its first subsidiary in the United States. Since then, Makita has expanded its export activity and has established other overseas subsidiaries. In April 1991, the Company changed its name from Makita Electric Works, Ltd. to Makita Corporation. In April 1995, Makita established a holding company in the United Kingdom to better coordinate the overall activities of its European subsidiaries. At present, Makita sells its products in over 150 countries around the world.

As part of its efforts to minimize trade friction, Makita started manufacturing operations in Canada, Brazil and the United States in 1980, 1981 and 1985 respectively. Makita established a manufacturing subsidiary in the United Kingdom in 1989. In January 1991, Makita acquired all of the shares of Sachs-Dolmar GmbH, a German company, subsequently renamed Dolmar GmbH (Dolmar), which is primarily engaged in manufacturing engine driven chain saws. Makita established two manufacturing subsidiaries in China, Makita (China) Co., Ltd. and Makita (Kunshan) Co., Ltd. in December 1993 and in November 2000 respectively.

In May 2005, Makita established a new subsidiary, Makita EU S.R.L. in Romania, as a location from which it can serve growing markets in Eastern Europe, Russia, Western Europe and the Middle East.

As a result, the number of consolidated subsidiaries is 45.

Makita presently manufactures power tools in eight countries globally: Japan, China, the United Kingdom, the United States, Germany, Brazil, Canada and Romania. During this fiscal year, Makita expanded production capacity of its China factory by constructing another new building. In addition, starting in April 2007, a new factory in Romania commenced productions which should have the effect of reducing foreign exchange risks, and de-concentrating, the current high production volume in China and to seek stable supply capacity for the growing European market. Makita financed these investments through internal sources.

On March 20, 2007, Makita announced that it would, through a tender offer and a series of subsequent procedures, acquire all of the issued and outstanding shares of Fuji Robin Industries Ltd., or Fuji Robin. By the close of the tender offer on May 15, 2007, Makita had acquired 10,279,375 shares of Fuji Robin at a price of ¥260 per share for an aggregate purchase price of approximately ¥2.7 billion, bringing its total shareholding in Fuji Robin to 11,579,375 shares, or 89.35%. On May 25, 2007, Makita entered into a share exchange agreement with Fuji Robin to acquire all of the remaining shares of Fuji Robin effective August 1, 2007, and Makita s Board of Directors resolved to approve such share exchange. Under the terms of the share exchange agreement, Makita issued 0.059 shares of its common stock in return for each remaining Fuji Robin share. A total of 81,456 Makita shares held by Makita as treasury stock was delivered in connection with the share exchange. Following the effectiveness of the share exchange, Fuji Robin s name was changed to Makita Numazu Corporation.

Fuji Robin s principal activity is to manufacture engines, agricultural and forestry machinery, construction machinery and firefighting pumps. Fuji Robin also engages in the wholesale of these products and supplies. For the fiscal year ended March 31, 2007, Fuji Robin had net sales under Japanese GAAP of ¥11,138 million, operating income of ¥52 million, ordinary profit of ¥37 million and posted a net loss of ¥138 million. Makita s purpose for acquiring Fuji Robin is to strengthen its lineup of gardening and engine-powered gardening tools.

Makita Corporation s registered office is located at 3-11-8, Sumiyoshi-cho, Anjo, Aichi 446-8502, Japan, and its telephone number is +81-566-98-1711.

B. Business overview

Makita s principal activity is the manufacturing and sale of a wide range of power tools for professional users worldwide. Makita s power tools consist of drills, grinders and sanders and portable woodworking tools, primarily saws and planers. Makita also produces gardening and household products and provides parts, repairs and accessory. For the fiscal year ended March 31, 2007, approximately 83% of Makita s sales were outside of Japan. Makita estimates that most of its sales worldwide were made to commercial and professional users such as those engaged in timber and metal processing, carpentry, and concrete and masonry works.

Makita focuses on creating user and environment-friendly products that enhance the work environment, and have features such as low vibration, low noise and dust concentration.

Products

The following table sets forth Makita s consolidated net sales by product categories for the periods presented:

Effective FY 2007, the following changes were made to product group classifications.

Makita specializes in power tools manufacturing and sales, as a single line of business, and conducts its business globally. Until FY 2006, we classified our power tools into Portable woodworking tools and Portable general purpose tools. However, this classification based on the type of materials on which the power tools are used is no longer appropriate, due to the ongoing diversification of building materials, and the fact that Portable woodworking tools and Portable general purpose tools are increasingly becoming a single line of business. In addition, demand for Stationary woodworking machines, a product group classification used until FY 2006, is declining due mainly to changes in Japanese construction methods, contributing less than 1%, in terms of Makita s net sales in and after FY 2006. For these reasons, Portable woodworking tools, Portable general purpose tools, and Stationary woodworking machines were recategorized as Power tools, effective FY 2007. In addition, the product group formerly classified as Other products was changed to Gardening and Household Products based on the mainstay products in that product category.

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	(millions of yen, except for percentage amounts) Consolidated Net Sales by Product Categories Fiscal year ended March 31,						U.S. Dollars (thousands)
	2005		2006		2007		2007
Power Tools	¥142,477	73.2%	¥171,376	74.8%	¥210,894	75.3%	1,787,237
Gardening and Household Products	21,102	10.8%	23,434	10.2%	28,123	10.0%	238,331
Parts, repairs and accessories	31,158	16.0%	34,265	15.0%	40,916	14.7%	346,746
Total	194,737	100.0%	229,075	100.0%	279,933	100.0%	2,372,314

Power Tools

Power Tools consist mainly of drills, grinders and sanders, rotary hammers, hammer drills, demolition hammers and electric breakers, cordless impact drivers, circular saws, slide compound saws, and cutters.

Drills are typical power tools used for drilling in metals, woods and plastics. They are classified into pistol-grip drills, D-handle drills, spade-handle drills and angle drills, according to their configuration. Makita also manufactures various kinds of cordless drills. Some of them are equipped with a screwdriving mechanism and are called cordless driver drills.

Grinders and sanders are used for smoothing and finishing. Sanders may also be used for polishing. Grinders are used on metal and sanders are used on metal, wood, stone and concrete. Grinders are divided into portable disc grinders and bench grinders and sanders are classified into portable disc sanders and belt sanders.

Rotary hammers, which are used exclusively on concrete in the construction industry, are equipped with a rotary function, but can also be used as ordinary hammers. Hammer drills are equipped with a hammering function, but can also be used as conventional drills; these drills are used principally on metal and masonry in the civil engineering and electrical contracting industries. Demolition hammers and electric breakers are used for shattering hard surfaces, principally concrete. Makita believes it is making strong contributions, especially in Europe, to improving the working environment by combining Makita s proprietary low vibration mechanisms with hammers, hammer drills, demolition hammers, and electric breakers to meet the strong demand for drilling holes in stone and concrete, and for other uses.

Cordless impact drivers are particularly in high demand across Japanese construction sites. In February 2005, Makita introduced cordless impact drivers powered by lithium-ion batteries instead of conventional nickel- metal-hydride batteries for the first time in the industry. Cordless impact drivers employing lithium-ion batteries are smaller and lighter, and batteries last much longer. Combined with Makita s proprietary Optimum Charging System, this new product has been well received within Japan by professional users. The Optimal Charge System communicates with individual batteries, when charging, and recognizes the use history of each battery, and analyzes the condition, such as heating of a battery, over-discharging, or weakening through cycle age. This is Makita s original technology, which can prolong the life of a battery through optimal and gradual charge carrying out Active Current Control, Active Thermal Control , and Active Voltage Control based the analysis result gathered at the time of charge. It marks a strong addition to our Japanese product line-up of new 14.4V cordless power tools powered by lithium-ion batteries including cordless circular saws, cordless angle grinders, cordless nailers, cordless four-mode impact drivers, cordless hammer drills, cordless percussion drills, and cordless recipro saws. Makita began offering cordless power tools powered by lithium-ion batteries in the United States through major home centers in the fall of 2005. In addition to 14.4V cordless power tools available in Japan and the United States, Makita offers 18V Combo kits of cordless drills, cordless percussion drills, cordless circular saws, and cordless lights for users in the United States demanding, more powerful tools. Makita is also rolling out its 18V cordless power tools powered by lithium ion batteries across major European markets since the summer of 2006, amid a strong construction industry interest.

Circular saws, which are primarily sold to carpenters in the homebuilding industry, account for a substantial portion of Makita s sales of saws. The balance of saw sales is made up of jigsaws, sold primarily to carpenters and other woodworkers for delicate work, and recipro saws used for working in confined spaces unsuitable for conventional saws.

Cutters and cutting machines have similar functions, although cutters are designed to be hand-held and cutting machines are stationary. Cutters have a diamond cutting surface and are used on tile, brick, concrete and stone. Cutting machines have a carborundum cutting surface and are used principally on metal. Our angle cutters, used for precision wood cutting at construction sites, feature functions designed to meet precision carpentry needs in Japan.

Subsequent to taking over the operations of Kanematsu-NNK Corp. in January 2006, Makita has successfully introduced into the Japanese market its Red Series of high-pressure air nailer, which are as popular as cordless impact drivers used in housing construction, completing our mainstay product line-up.

Gardening and Household Products

Gardening household products consist mainly of chain saws, hand-held vacuum cleaners for home use, industrial vacuum cleaners, submersible pumps and garden tools, such as hedge trimmers. There is a strong need for dust collectors at construction sites because cutting, drilling and grinding work using power tools generates debris. Small, light and high-suction power cleaners offered to home users are increasingly popular. Makita also offers engine-equipped grass cutters, lawn mowers in addition to gardening tools for trimming tree fences and cutting grass. Makita expects that its acquisition of Fuji Robin will strengthen its lineup of gardening and engine-powered garden tools.

Parts, repairs and accessories

Makita manufactures and markets a variety of parts and accessories for its products and performs repair work as part of its after-sale services. In particular, Makita offers a variety of parts and accessories with respect to high-quality and durable professional power tools, and at the same time commits major management resources to enhancing post-sales services. Makita is working hard toward strengthening its parts supply system and three-day repair program, while developing a worldwide sales network. Makita is also working to strengthen its range of authentic Makita accessories such as saw blades, drill bits, and grinding wheels.

Principal Markets, Distribution and After-Sale Services

The following table sets forth Makita s consolidated net sales by geographic area based on customers locations for the periods presented:

	(Millions of yen, except percentage amount) Consolidated Net Sales by Geographic Area Fiscal year ended March 31,						U.S. Dollars (thousands)
	2005		2006		2007		2007
Japan	¥39,379	20.2%	¥41,600	18.2%	¥46,860	16.7%	