

MAKITA CORP  
Form 20-F  
July 01, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 20-F**

- .. 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, 2011
  
- .. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) THE SECURITIES EXCHANGE ACT OF 1934
  
- .. 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 446-8502, Japan

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(Address of principal executive offices)

Minobu Kato, +81.566.97.1718, +81.566.98.6907, 3-11-8, Sumiyoshi-cho, Anjo City, Aichi Prefecture 446-8502, Japan

(Name, telephone, facsimile number and address of Company contact person)

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

Title of Class	Name of each exchange on which registered
<b>*American Depositary Shares</b>	<b>Nasdaq Global Select Market</b>
<b>**Common Stock</b>	

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

\*\* No par value. Not for trading, but only in connection with 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.**

None

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

None

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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.

As of March 31, 2011, 137,757,699 shares of common stock were outstanding excluding 2,251,061 shares of Treasury stock represented by an aggregate of 4,084,847 American Depositary Shares.

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

Yes  No

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

Yes  No

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  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  Accelerated filer  Non-accelerated filer

Indicate by check mark basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S.GAAP  International Financial Reporting Standards  Other

as issued by International Accounting Standards Board

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

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).

Yes  No

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**Certain References and Information**

As used in this annual report, the term "FY" preceding a year means the twelve-month period ended March 31 of the year referred to. For example, "FY2011" refers to the twelve-month period ended March 31, 2011. All other references to years refer to the applicable calendar year. All information contained in this annual report is as of March 31, 2011 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 ¥ 83 = U.S. \$ 1.00, the approximate exchange rate of the noon buying rate for Japanese yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2011. On June 24, 2011 the noon buying rate for Japanese yen cable transfer in New York City as reported by the Federal Reserve Bank of New York was ¥ 80.32 = U.S. \$ 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 filing with the Securities and Exchange Commission ("SEC") 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", "may" 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 include but are not limited to:

- The levels of construction activities and capital investments in Makita's markets
- Fluctuations in currency exchange rates
- Intense competition in global power tools market for professional use
- Makita's overseas activities and entry into overseas markets
- Makita's inability to develop attractive products
- Geographic concentration of Makita's main offices and facilities
- The Great East Japan Earthquake on March 11, 2011 (the "Great East Japan Earthquake") and its aftermath
- Sharp rise in prices of raw materials or failure of Makita to procure necessary raw materials at an adequate price or
- Failure of Makita's suppliers to deliver materials or parts required for production as scheduled
- Failure to maintain cooperative relationships with significant customers and reduction of purchase and sale of Makita's products by significant customers

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Failure to protect Makita's intellectual property rights or infringing intellectual property rights of third parties  
Product liability litigation or recalls  
Fluctuations in stock market prices  
Environmental or other government regulations  
Effectiveness of Makita's internal control over financial reporting and the related attestation provided by Makita's auditors  
Halts or malfunctioning of Makita's operational network  
Makita's ability to retain talented personnel

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.

**Table of Contents****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 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, 2010 and 2011, the related consolidated statements of income, changes in equity and comprehensive income (loss) and cash flows for each of the three years ended March 31, 2009, 2010 and 2011 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.

**Income Statement Data**

	Fiscal year ended March 31,					2011 U.S. Dollars in thousands
	2007	2008	2009	2010	2011	
	Yen in millions					
Net Sales	¥ 279,933	¥ 342,577	¥ 294,034	¥ 245,823	¥ 272,630	\$ 3,284,699
Operating Income	48,176	67,031	50,075	30,390	41,909	504,928
Net Income	37,371	46,509	33,712	22,566	30,271	364,711
Net Income attributable to Makita Corporation	36,971	46,043	33,286	22,258	29,905	360,301
	Yen					U.S. Dollars
Net Income per share of Common stock and per ADS						
:Basic	257.3	320.3	236.9	161.6	217.1	2.62
:Diluted	-	-	-	-	-	-

**Balance Sheet Data**

	Yen in millions					2011 U.S. Dollars in thousands
	2007	2008	2009	2010	2011	
Total Assets	¥ 368,494	¥ 386,467	¥ 336,644	¥ 349,839	¥ 372,507	\$ 4,488,036
Cash and Cash equivalents, Time Deposits, and Short-term investments	102,211	98,142	66,308	104,312	101,107	1,218,157
Net Working Capital	212,183	230,699	199,586	211,336	219,270	2,641,807
Common Stock	23,805	23,805	23,805	23,805	23,805	286,807
Makita Corporation shareholders' equity	302,675	316,498	283,485	297,207	307,149	3,700,590
Total equity	¥ 304,810	¥ 319,014	¥ 285,746	¥ 299,673	¥ 309,678	\$ 3,731,060



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Total number of shares outstanding	Fiscal year ended March 31,				
	2007	2008	2009	2010	2011
	143,701,279	143,773,625	137,764,005	137,760,402	137,757,699

- Note: 1. Net income per share equals net income attributable to Makita shareholders divided by the average number of outstanding shares of common stock.
2. Net working capital equals current assets less current liabilities.
3. Diluted net income per share is not presented, as Makita has no shares or other rights convertible or exchangeable for shares of common stock.

**Exchange rates** (Japanese yen amounts per U.S. dollar)

The following table sets forth information concerning the exchange rates for Japanese yen and U.S. dollars based on the noon buying rate 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.

Fiscal year ended March 31,	Yen per U.S. \$ 1.00			Year-end
	High	Low	Average	
2007	121.81	110.07	116.92	117.56
2008	124.09	96.88	114.31	99.85
2009	110.48	87.80	100.85	99.15
2010	100.71	86.12	92.49	93.40
2011	94.68	78.74	85.71	82.76
2012 (through June 24, 2011)	85.26	79.87	81.61	80.32

2011	Yen per U.S. \$ 1.00					
	January	February	March	April	May	June
High	83.36	83.79	82.98	85.26	82.12	80.98
Low	81.56	81.48	78.74	81.31	80.12	79.87

On June 24, 2011 the noon buying rate for cable transfers in Japanese yen in New York as reported by the Federal Reserve Bank of New York was ¥ 80.32 = U.S. \$ 1.00.

**Cash dividends declared per share of common stock and per American Depositary Share ( ADS )**

Fiscal year ended March 31,	Yen		U.S. Dollars	
	Interim	Year-end	Interim	Year-end
2007	19	55	0.16	0.47
2008	30	67	0.30	0.67
2009	30	50	0.31	0.53
2010	15	37	0.17	0.41
2011	15	51	0.18	0.61

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 Japanese 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 rate for cable transfers in Japanese yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York.

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### **B. Capitalization and indebtedness**

Not applicable

### **C. Reasons for the offer and use of proceeds**

Not applicable

### **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, capital investment and consumption trends in the relevant regions. Generally speaking, the levels of construction activities and capital investment and consumption trends depend largely on the economic conditions in the market.

As a result, when economic conditions weaken Japan, Europe, North America, Asia, Central and South America, Oceania, the Middle East and Africa where Makita conducts business, this may have an adverse impact on Makita's financial condition and results of operations. In addition, fluctuations in prices of crude oil or mineral resources and volatility in the stock market may affect construction demand, public investment, capital expenditure and consumption trends, which in turn, may have a negative impact on Makita's financial condition.

Although the world economy has been recovering from the aftermath of the financial crisis, if it falls into a recession again, construction activities and consumption may be adversely affected, and Makita's sales may decrease. The ratio of selling, general, administrative and others, net to net sales may become relatively high, and as a result, profit ratios may decrease. Such conditions may require reorganization and restructuring of production facilities and sales/distribution sites.

#### **Currency exchange rate fluctuations may affect Makita's financial results.**

The functional currency for all of Makita's significant foreign operations is the local currency. The transactions denominated in local currencies of Makita's subsidiaries around the world are translated into Japanese yen using the average market conversion rate during each financial period. Assets and liabilities of overseas subsidiaries denominated in their local currencies are translated at the exchange rate in effect at each fiscal year-end, and income and expenses are translated at the average rates of exchange prevailing during each fiscal year. The local currencies of the overseas subsidiaries are regarded as their functional currencies. The resulting currency translation adjustments are included in accumulated other comprehensive income (loss) in shareholders' equity. Currently, over 80% of Makita's overall production and sales are generated overseas and a significant portion thereof is dominated in currencies other than Japanese yen.

Consequently, fluctuations in exchange rates may have a significant impact on Makita's results of operations, assets and liabilities and shareholders' equity when translated into Japanese yen.

Makita is especially affected by fluctuations in the value of the euro, the U.S. dollar and Chinese Renmin yuan, among other currencies. The euro and the U.S. dollar are the primary foreign currencies on which Makita bases its foreign sales and the U.S. dollar and Chinese Renmin yuan are the primary foreign currencies on which Makita bases its foreign production. In an effort to minimize the impact of short-term exchange rate fluctuations between major currencies, mainly the euro, the U.S. dollar, and the Japanese yen, Makita engages in hedging transactions.

However, medium to long-term fluctuations of exchange rates may affect Makita's ability to execute procurement, production, logistics and sales activities as planned and may have an adverse impact on Makita's financial condition and results of operations.

Makita's consolidated results of operations after the translation of foreign currencies into Japanese yen were significantly affected by fluctuations in exchange rates due to the continuing appreciation of the Japanese yen against the euro and other currencies throughout FY2011. Further appreciation of the Japanese yen, especially against the euro, may have an adverse impact on Makita's financial condition and results of

operation.

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**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, price, technological developments, the pace of new product development, reliability of products, such as durability, after-sale 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 effectively maintain its competitiveness in the future.

If Makita is unable to compete effectively, it may lose market share and its earnings may be adversely affected. In particular, in the event of a global recession in which demand for goods and services sharply drop, earnings and cash flows of Makita may be negatively affected by intensified competition and lowered product prices.

**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 significant majority of its sales from markets located outside of Japan, including Europe, North America, Asia, Central and South America, Oceania and the Middle East.

During FY2011, approximately 83% of Makita's consolidated net sales were derived from products sold overseas. Moreover, approximately 86% of global production volume was derived from overseas production.

The high percentage of overseas sales and production gives rise to a number of risks. If such risks materialize, they may have a material adverse impact on Makita's financial condition and results of operations. Such risks include the following:

- (1) Disadvantageous political and economic factors;
- (2) Large-scale natural disaster, such as earthquakes, floods and fires;
- (3) Unexpected changes in laws and regulations, such as protectionist trade policy or change in tariff policy affecting markets in which Makita conducts its business;
- (4) The outflow of technical know-how and knowledge due to increased personnel turnover enabling Makita's competitors to strengthen their position;
- (5) Potentially unfavorable tax systems and tariffs;
- (6) Terrorism, war, and other factors that lead to social turbulence; and
- (7) The interruption of or disruption to Makita's operations due to labor disputes.

**If Makita is not able to develop attractive products, Makita's sales activities may be adversely affected.**

In order to compete effectively, Makita needs to, among other things, provide its customers a diverse product line-up supported by the development of high-quality and high-performance professional power tools, and build on the MAKITA brand value maintained and promoted by the effort of a strong world-wide sales and after-sale service network.

There is no assurance that Makita will be able to continue to develop new products across its diverse product line-up. If Makita is no longer able to develop in a timely manner new products that meet the changing needs and correspond to market price for high-end, professional users, Makita may not be able to compete effectively, and Makita's financial condition and results of operations may be adversely impacted.

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**Geographic concentration of Makita's main offices and facilities may have adverse effects on Makita's business activities.**

Makita's principal management functions, including its headquarters, and most suppliers on which it relies for supplying major parts are located in Aichi Prefecture, Japan. Makita's manufacturing facilities in Aichi Prefecture and Kunshan, Jiangsu province, China, account for approximately 15% and 65%, respectively, of Makita's total production volume on a consolidated basis during FY2011.

Due to this geographic concentration of Makita's major functions, including plants and other operations in certain regions of Japan and China, Makita's performance may be significantly affected by the occurrence of 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, appreciation of Japanese yen, labor disputes, epidemics, 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, it may have an adverse impact on Makita's financial condition and results of operations.

**The Great East Japan Earthquake and its Aftermath may have adverse effects on Makita's business activities.**

The Great East Japan Earthquake and its aftermath, including the accident at the Fukushima nuclear power plant had a negative impact on the Japanese economy. Delay in recovery from the Great East Japan Earthquake and its aftermath, significant additional earthquakes triggered by the Great East Japan Earthquake, deterioration of the situation at the Fukushima nuclear power plant, or additional accidents at other nuclear power plants, may have a further negative impact on the Japanese economy. In the event the economy is negatively impacted, demand for Makita's power tools may shrink and it may have an adverse impact on Makita's financial condition and results of operations.

Significant additional earthquakes may also damage Makita's headquarters and facilities in Japan. Even if such additional earthquakes may not directly impact Makita's headquarters or facilities, it may disrupt transportation networks or may disrupt the supply of raw materials and parts to Makita, which could adversely impact Makita's production and distribution. Furthermore, in the event of nuclear accidents at additional locations (other than at Fukushima nuclear power plant), Makita's headquarters and manufacturing facilities may be disabled. In the event any of the foregoing occur, Makita's production and distribution activities may be significantly affected and it may have an adverse impact on Makita's financial condition and results of operations.

**If the procurement of raw materials used by Makita becomes difficult or prices of these raw materials rise sharply, this may have an adverse effect on Makita's performance.**

Makita purchases raw materials and components, including silicon steel plates, aluminum, steel products, copper wire, and electronic parts to manufacture power tools. In recent years, demand for these materials in China has risen substantially. If Makita is unable to obtain the necessary quantities of these materials, this may have an adverse effect on production schedules.

Consumer demand in certain emerging countries is expanding much faster than in developed countries, and as a result, Makita has been experiencing delays in the procurement of some of its electronic components. Moreover, if the Great East Japan Earthquake and its aftermath continues to adversely affect production capacity of suppliers, delivery may take substantially longer time. In addition, since the demand for raw materials and components used by Makita for its production has grown larger in emerging countries, prices may increase. Decrease in production capacity of suppliers caused by labor shortage and other factors may also push up the prices of raw materials and components.

In such an event, if the increase in prices cannot be offset by improvements in Makita's productivity, other internal cost-cutting efforts and/or raising the prices of final products, this may have an adverse impact on Makita's financial condition and results of operations.

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**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 required quality 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 such manufacturers' technologies do not satisfy Makita's demands or take an inordinate amount of time to satisfy Makita's demands. This may result in lost sales opportunities.

Makita purchases certain significant component parts for its products from sole suppliers. There is no assurance that Makita would be able to find alternate suppliers, if necessary, that can provide materials and parts of similar quality and price in a sufficient quantity and in a timely manner. If a supplier cannot deliver the required quality or quantity of parts on schedule due to reasons including natural disasters, government regulations, its production capacity or weakened business or financial condition, this may have an adverse effect on Makita's production schedules and cause a delay in Makita's own product deliveries. Any of these occurrences may have an adverse impact on Makita's financial condition and results of operations.

**If Makita fails to maintain its relationships with its significant customers or if such significant customers reduce their purchases and sales of Makita's product, Makita's sales may be significantly affected.**

Although Makita does not have any customer that exceeds 10% of its consolidated sales, it has significant customers in each country. If Makita loses these customers and is unable to develop new sales channels to take their place, or if any such customer faces significant financial difficulties or accumulates a considerable amount of bad debt, sales to such customers may decline and have an adverse impact on Makita's financial condition and results of operations. In addition, if significant customers of Makita select power tools from Chinese manufacturers or select products other than those produced by Makita and sell such products under their own brand instead of Makita's products, this may have an adverse impact on Makita's financial condition and results of operations.

**Makita may not be able to protect its intellectual property rights and could incur significant liabilities, litigation costs or licensing expenses or be prevented from selling its products if it is determined to be infringing the intellectual property of third parties.**

In regions significant for Makita's sales and production, Makita applies for patents, designs and trademarks, and strives to protect intellectual property rights proactively. However, Makita may not be able to eliminate completely third party products that infringe on the intellectual property rights of Makita or third party products similar to Makita's products. This may have a negative influence on Makita's results of operations.

Moreover, while Makita believes that it does not infringe on intellectual property rights of third parties, it may be subject to infringement claims from third parties. When infringement of intellectual property rights is claimed by a third party, Makita may be required to pay damages or become subject to an injunction prohibiting production and sales of a product. This may have an adverse impact on Makita's financial condition and results of operation.

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**Product liability litigation or recalls may harm Makita's financial statements and reputation.**

Makita is developing a variety of products including power tools under the safety standards of each country, and is manufacturing them globally based on the quality standards of the factory. However, a large-scale recall and a large-scale product liability lawsuit may significantly damage Makita's brand image and reputation.

In addition, the related cost and time incurred through the recall or lawsuit may affect business performance and financial condition of Makita if Makita's insurance policy does not cover the related cost. Accordingly, large-scale recalls and large-scale product liability lawsuits may have an adverse impact on Makita's financial condition and results of operations.

**Fluctuations in stock market prices may adversely affect Makita's financial statements.**

Makita holds certain investments in Japanese equities and investments in trust, and records these investments as short-term investments and investments on its consolidated financial statements. The value of these investments changes based on fluctuations in the quoted market prices. Fluctuations in the value of these securities may have an adverse impact on Makita's financial condition and results of operations.

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

Makita believes it maintains strict compliance with environmental, commercial, export and import, tax, safety and other regulations that are applicable to its activities in all the countries and areas in which it 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 cost related to compliance with any new or amended regulations may also result in significant increases in overall costs and may have an adverse impact on Makita's financial condition and results of operations.

In light of the heightened awareness seen across the globe on environmental issues including global warming and climate change, environmental or other government regulations designed to decrease environmental impact have been adopted in many regions, especially in European countries and North America. Such regulations may have an adverse impact on specifications of or terms and conditions of sales Makita's products. Operational results and financial condition of Makita may be adversely affected if Makita fails or is unable to respond to such specifications or terms and conditions in a timely manner.

**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 effectiveness of the internal control over Makita's financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002.**

The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring public companies to include a report in their Annual Report that contains an assessment by management of the effectiveness of corporate internal control over financial reporting. In addition, Makita's independent registered public accounting firm is required to attest to the effectiveness of Makita'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 or issues an adverse opinion on the effectiveness of Makita's internal control over financial reporting, 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.

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**If Makita's operational network halts or malfunctions, Makita's production and shipment schedule may be adversely affected.**

Makita's headquarters and its major sales, manufacturing and R&D bases are located in Japan, and its procurement, manufacturing, sales and product development site are located worldwide. In addition, Makita's major manufacturing facilities are concentrated in China and Japan. These sites are connected globally through an operational network.

If Makita's information system computer network halts or malfunctions due to any factor, such as earthquakes, fires and floods, or power outages, or wars, terrorist acts, or computer viruses, such an event may delay production and shipments of Makita's products. This may have an adverse impact on Makita's financial condition and results of operations.

**If Makita is unable to retain talented personnel, this may have an adverse affect on Makita's competitiveness and result of operations.**

Makita considers the retention and development of talented personnel with the expertise and technological skills to be critical to its competitiveness. Makita also considers important the development and retention of personnel in management in Makita's 49 group companies. However, competition for recruiting and retaining such excellent personnel has become increasingly challenging. In Japan, where the rapid aging of the population resulting from a decline in the birthrate is accelerating, the employment environment has been rapidly changing such as a declining labor population and increased demand for personnel with a global perspective.

Given such a labor and social climate, failure of the Makita Group to hire competent employees or develop human resources in accordance with the management plan or retain experienced employees may have adverse effect on the long-term business development, operational results and growth prospects of the Makita Group.

**Item 4. Information on the Company**

**A. History and development of the Company**

The Company is a limited liability, joint-stock company incorporated under the Commercial Code of Japan and continuing to exist under the Companies Act of Japan (*kaishaho*). The Company traces its origin to an electrical repair workshop founded in Nagoya in 1915 and was incorporated 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 power tools in 1958 and was listed on the Second Section of the Nagoya Stock Exchange in 1962. By 1969, Makita became the leading power tools maker in the Japanese market and was listed on the First Section of the Tokyo Stock Exchange in 1970. That same year, the Company decided to take advantage of overseas markets and established its first overseas subsidiary in the United States. It also constructed the Okazaki plant, which remains as the primary plant of the Makita Group in Japan. Since then, Makita has expanded its export activity and has established a number of overseas subsidiaries.

In 1971, Makita incorporated its first European subsidiary in France, followed by another European subsidiary in the United Kingdom in 1972, thus solidifying its operational bases in Europe. In 1977, American Depositary Shares were issued with respect to the Company's shares of common stock, and the American Depositary Shares were listed on NASDAQ.

As part of its efforts to minimize trade friction, Makita started manufacturing operations in Canada, Brazil and the United States in 1981, 1983 and 1985 respectively. Makita established a manufacturing subsidiary in the United Kingdom in 1989.



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In 1991, the company changed its name from Makita Electric Works, Ltd. to Makita Corporation.

Makita also acquired Sachs-Dolmar GmbH, a German company, primarily engaged in manufacturing engine driven chain saws, and subsequently renamed it Dolmar GmbH (Dolmar). In 1995, Makita establish a holding company in the United Kingdom to manage and control the operation of its European subsidiaries and also constructed a power tool manufacturing plant in China to reinforce its global production system. The power tool manufacturing plant in China commenced production in the same year.

In 2005, Makita established Makita EU S.R.L., a new subsidiary in Romania, to serve growing markets in Eastern Europe, Russia, Western Europe and the Middle East. In 2006, the Company purchased the automatic nailer business of Kanematsu Nissan-Norin in order to strengthen its pneumatic tool business. In 2007, Makita expanded the production capacity of its China factory by constructing a second production facility. In addition, a new factory in Romania commenced production in April 2007 in order to reduce foreign exchange risks and to provide stable supply capacity for the growing European market. Also in 2007, Makita acquired all outstanding shares of Makita Numazu Corporation ( Makita Numazu ), formerly Fuji Robin Industries, Ltd., or Fuji Robin, for approximately ¥ 2.7 billion in cash and 81,456 Makita shares. In 2008, Makita established new sales subsidiaries in Bulgaria, Colombia, India and Morocco to expand sales and service activities into these emerging markets. Makita also transferred and consolidated the Canada plant with the U.S. plant in order to increase the efficiency of production in North America.

In 2009, Makita established a sales subsidiary as a joint venture in Vietnam. which Makita believes is one of the more promising countries showing high-speed economic growth. Makita Vietnam started its operation in April, 2010. In 2011, Makita established Makita Manufacturing (Thailand) Co., Ltd. The production is scheduled to start by July 2012.

Makita presently sells its products in 150 or more countries and region around the world and manufactures power tools including pneumatic and engine-powered tools in seven countries (Japan, China, the United States, Brazil, the United Kingdom, Germany, and Romania). Makita has 49 consolidated subsidiaries as of March 31, 2011.

Makita Corporation s registered office is located at 3-11-8, Sumiyoshi-cho, Anjo City, Aichi Prefecture 446-8502, Japan, and its telephone number is +81.566.97.1718. Makita s agent in the United States is Makita U.S.A., Inc., located at 14930 Northam Street, La Mirada, California 90638-5753, U.S.A.

### **B. Business overview**

In FY2011, approximately 83% of Makita s sales were outside of Japan, most of which made to professional users worldwide, including those engaged in timber and metal processing, carpentry, forestry, concrete and masonry works.

Makita s geographic segments are Japan, Europe, North America, Asia and Other regions. Makita s biggest market is Europe. The Other regions segment is further divided into Central and South America, Oceania and the Middle East and Africa.

Makita produces its products in seven countries. The China Plant yields Makita s highest production volume, the Okazaki Plant in Japan is the base for the production of new and high-value-added products, and Makita also has plants in the United States, Brazil, the United Kingdom, Germany and Romania.

The headquarters and the major sales and R&D bases of Makita are located in Japan, and the bases for procurement, manufacturing, sales and product development are located worldwide. Makita strives to improve not only production efficiency but also logistics, sales and service efficiencies by expanding the use of operating networks each year. Makita also strives to establish a system that can flexibly respond to short-term changes in market demand.

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Makita aims to further solidify its position in the industry as an international integrated supplier of power tools that benefit people's daily lives and housing improvements. In order to achieve this goal, Makita declared the following four management philosophies: Makita strives to exist in harmony with society, emphasizing compliance, ethical conduct and detachment from anti-social organizations, Makita values its customers as a market-driven company, Makita is managed in a consistent and proactive manner with a sound profit structure and Encouraging each individual to perform at the highest level with Makita's simple and robust corporate culture. With these principles underlying all of its corporate activities, Makita pursues continued growth with stakeholders including shareholders, users, local communities and employees through a solid profit-generating system. Makita's management goal is to generate substantial profits and maintain a 10% operating margin (ratio of operating income to net sales) through sustainable growth on a consolidated basis.

Furthermore, as a medium to long-term strategy, Makita aims to enhance its brand value to attain and maintain the position as a leading multinational, integrated supplier of all types of tools such as power tools for professional use, pneumatic tools and gardening equipment. Makita believes that this goal can be attained through the development of new products that bring high satisfaction to commercial users; concerted global production systems targeting both high quality and cost competitiveness; and the maintenance of industry-leading sales and after-sales service systems nurtured in Japan and extended overseas.

To implement the foregoing, Makita is working to maintain a solid financial structure that responds well to short-term changes in the business environment, including volatile demand, exchange rate fluctuations and various country risks, and to concentrate its management resources in the area of professional-use power tools.

The Great East Japan Earthquake in March 2011 caused little or no damage to Makita's headquarters and facilities.

**Consolidated Net Sales by Product categories**

The following table sets forth Makita's consolidated net sales by product categories for the periods presented. Makita specializes in power tools manufacturing and sales, as a single line of business, and conducts its business globally. Makita also provides Gardening and Household Products based on the mainstay products in that product category. Makita is making efforts to expand the sales of cordless power tools to professional users as well as to general users.

	Yen in millions, except for percentage amounts						U.S. Dollars
							in thousands
	2009	Fiscal year ended March 31, 2010		2011		2011	
Power Tools	¥ 214,703	73.0%	¥ 173,998	70.8%	¥ 194,706	71.4%	\$ 2,345,856
Gardening Equipments, Household and Other Products	36,916	12.6	34,145	13.9	38,391	14.1	462,542
Parts, Repairs and Accessories	42,415	14.4	37,680	15.3	39,533	14.5	476,301
Total	¥ 294,034	100%	¥ 245,823	100%	¥ 272,630	100%	\$ 3,284,699

Makita aims to increase its market share not only in the power tool market for professional users, but also in the pneumatic tools and gardening equipment markets. To achieve this goal, Makita is continuing to strive to improve its global sales and service framework and develop high-value-added products. Makita is currently placing greater emphasis in developing user-friendly and environment-friendly products that feature smaller and lighter models, lower vibration and lower noise levels with reduced dust emissions. In addition, Makita is enhancing its lineup with more affordable products by simplifying the functions of the products.

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### ***a) Power Tools***

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

Drills are typical power tools used to drill 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 screw-driving 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 mainly used on metal and sanders are used on metal, wood, stone and concrete. Grinders are divided into portable disc grinders, bench grinders. Sanders are classified into disc sanders and orbital sanders and belt sanders.

Rotary hammers, which are used for drilling concrete primarily in the construction industry, can also be used as ordinary hammers without using the rotary mechanism.

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 are used to shatter hard surfaces, principally concrete. Makita aims to improve the working environment in the construction industry through the provision of power tools which incorporate Makita's proprietary low vibration mechanism. These tools meet the strong demand of drilling holes in stone and concrete, and of 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 the prevailing nickel-metal-hydrate batteries for the first time in the industry. Cordless impact drivers employing lithium-ion batteries are smaller and lighter, and the batteries last much longer. Combined with Makita's proprietary Optimum Charging System, this new product features long-life operation, and has been well received within Japan by professional users. The Optimum Charging System communicates with individual batteries, when charging, recognizes charging records and analyzes the condition, such as the heat, over-discharge, and weakening of the battery. 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 on the results of the above analysis.

The cordless impact drivers are a strong addition to Makita's 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 hammer drills, and cordless reciprocal 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, Makita offers 18V Combo kits of cordless drills, cordless drills, cordless circular saws, and cordless lights in the United States where users demand more powerful tools. Makita also rolled out its 18V cordless power tools powered by lithium-ion batteries across major European markets since the summer of 2006, amid strong interest in the construction industry.

In 2010, Makita introduced new power tool products, such as its 14.4V cordless impact drivers equipped with advanced protection technology for dust/waterdrop proofing, and high pressure and driving-depth-adjustment-enabled pneumatic nailers.

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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 reciprocal saws used for working in confined spaces unsuitable for conventional saws. Cutters and cutting machines are roughly classified into two categories: cutting machines that are equipped with a metal whetstone and are used for cutting metals and cutters that are equipped with a diamond whetstone and are mainly used for cutting stones.

Subsequent to taking over the operations of Kanematsu-Nissan Norin Corp. in January 2006, Makita introduced into the Japanese market its Red series high-pressure air nailer, which are becoming as popular as the well-accepted cordless impact drivers used in housing construction, completing Makita's mainstay product line-up.

In 2010, Makita introduced new pneumatic tools products including high pressure and driving-depth-adjustment-enabled pneumatic nailers.

### ***b) Gardening Equipments, Household and Other products***

Gardening products, including brush-cutters, chain-saws, sprayers, blowers, hedge trimmers, are used for agricultural and forestry operations.

Household products, including vacuum cleaners and cordless cleaners, are used not only by housekeepers but also by professional cleaners. Among other uses, there is a strong demand for cordless cleaners at construction sites because cutting, drilling and grinding work using power tools generates debris. Small, light and high-suction cordless cleaners offered to home users are increasingly popular.

Makita's line-up also includes electric/engine-powered hedge trimmers, grass cutters, chain saws and lawn mowers. The acquisition of Fuji Robin in FY2008 is contributing to strengthening Makita's line-up of gardening and engine-powered gardening tools.

In 2010, Makita introduced new gardening equipment products including gardening tools powered by 36V lithium-ion batteries (brush-cutters, chainsaw, hedge trimmers, blower).

### ***c) 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 significant 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.

**Table of Contents****Principal Markets, Distribution and After-Sale Services**

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

***Consolidated Net Sales by Geographic Area***

	Yen in millions, except for percentage amounts						U.S. Dollars
	2009		2010		2011		2011
							in thousands
Japan	¥ 46,222	15.7%	¥ 42,697	17.4%	¥ 46,065	16.9%	\$ 555,000
Europe	137,113	46.6	109,106	44.4	115,977	42.5	1,397,313
North America	42,289	14.4	34,509	14.0	37,111	13.6	447,121
Asia (excluding Japan)	21,995	7.5	18,373	7.5	23,073	8.5	277,988
Other	46,415	15.8	41,138	16.7	50,404	18.5	607,277
Total	¥ 294,034	100%	¥ 245,823	100%	¥ 272,630	100%	\$ 3,284,699

***Japan***

Makita believes that most of its domestic sales are made to commercial users. The Japanese Do-It-Yourself, or DIY, market for power tools is growing but the pace of growth is slow. Makita has maintained its leading position in the Japanese market by maintaining close and frequent contact with retailers and users of Makita products. While Makita's major competitors rely primarily on wholesalers for all aspects of distribution and servicing, Makita has approximately 776 employees directly responsible for the promotion, sale and delivery and after-sale servicing of its products. These employees, operating from 19 branches and 114 sales offices throughout Japan, are assigned sales territories. In addition, Makita has two distribution centers in Osaka and Saitama prefectures. These distribution centers strengthen Makita's distribution and after-sale service functions.

The majority of Makita's products are sold through its 11 independent wholesalers. Each wholesaler bears the risk of any bad debts of the retailers for which it has responsibility. The payments by the wholesalers to Makita are in most cases made within 30 to 60 days after sale. In FY2011, Makita sold its products, directly or through wholesalers, to approximately 30,000 retail outlets, and no single retailer accounted for more than 2% of Makita's domestic sales. In FY2011, Makita's three largest wholesalers accounted, in the aggregate, for approximately 38% of Makita's domestic net sales.

Repairs, including free repair service and after-sale services are carried out by Makita's sales offices.

To strengthen its business in Pneumatic Tools, Makita purchased the nailer business of Kanematsu-Nissan Norin Corp. in January 2006 and has expanded its lineup of pneumatic tools.

During the first half of FY2008, Makita acquired Fuji Robin Industries Ltd. (currently Makita Numazu), a manufacturer of gardening tools, as part of its full-scale entry into the gardening tool business. Fuji Robin's mini 4-stroke engine, its original engine technology is recognized globally as an environmentally clean engine. Makita's agricultural and gardening equipment are expected to have synergistic effect with Fuji Robin's original engine business.

Cordless power tools are becoming increasingly prevalent, and the ratio of Makita's cordless power tools has exceeded 30% of its total domestic product sales. In the Japanese market, the ratio of DIY sales is comparatively low, and accordingly the ratio of commercial users is relatively high, compared with the markets in North America and Europe. Also, medium-and high-grade products with high operability, durability and high-value-added products are preferred in the Japanese market.

In Japan, the housing market has continued to shrink since the previous fiscal year. At the same time, existing power tool stores consolidated, sales channels diversified and the number of product models sold at stores decreased, resulting in increased competition.



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### ***Overseas***

As a leading global manufacturer and marketer of power tools, Makita manufactures approximately 91% of its products overseas on a unit basis, and 83% of Makita's consolidated sales came from overseas markets in FY2011. Overseas sales, distribution, and service are carried out through a network of 41 sales subsidiaries and over 100 branch offices or service centers located in the United States, Canada, Brazil, Mexico, Argentina, Chile, Peru, Australia, New Zealand, Singapore, China, Hong Kong, Taiwan, Korea, the United Kingdom, France, the Netherlands, Belgium, Italy, Greece, Germany, Austria, Poland, the Czech Republic, Hungary, Spain, Portugal, the United Arab Emirates, Romania, Switzerland, Finland, Russia, Ukraine, Slovakia, Bulgaria, Colombia, India, Morocco and Vietnam. In addition, the Company exports its products directly to its sales subsidiaries, as well as through trading companies, to various countries throughout the world. Makita has nine production bases worldwide, out of which seven are located overseas, comprising of two plants in China, one plant in the United States, Brazil, the United Kingdom, Germany, and Romania respectively.

Makita products are sold principally under the Makita brand name and the remaining products are sold under the Dolmar or Maktec brand names. Makita offers warranties to overseas customers. After-sale services and repairs overseas are provided by local sales subsidiaries, service depots designated by Makita, or by service stores designated by the applicable local importers.

Although the ratio of Makita's cordless power tools has exceeded 30% of its total overseas sales, the ratio varies significantly by region. In Western Europe, North America and Oceania, the ratio is relatively high. Western Europe and Oceania are characterized by the general preference for products with advanced operability and durability, and there is significant demand for products that contribute to the working environment and are environmentally friendly. In North America, where DIY consumers account for a large share of the market, there is significant demand for low priced goods. Accordingly, price competition in North America, including in connection with medium- and high-grade products, is intense. In Asia, popular long-selling models for which spare parts are easy to obtain are preferred over high-value-added products, and cordless products have not yet gained widespread acceptance. In China, local manufacturers are overwhelmingly dominant with approximately 80% of the market share. A decisive factor is the difference in product prices.

### **Seasonality**

Although Makita experiences limited seasonality in sales volume of certain gardening products, Makita's business has no significant seasonality overall that affects Makita's consolidated sales or profits.

### **Competition**

The markets in which Makita sells its products are generally highly competitive. Makita believes that competition in the portable power tool market is based on price, product reliability, design and after-sale services and that its products are generally competitive as to price and enjoy competitive advantage due to their reputation for quality, product reliability and after-sale services. Makita is the largest manufacturer of portable power tools in Japan and, together with one other Japanese competitor, accounts for a substantial majority of the total sales of such products in Japan.

In overseas markets, Makita competes with a number of manufacturers, some of which are well established in their respective local markets as well as internationally. In recent years, in the U.S. power tool industry, some leading home centers have introduced their own brands of power tools for professionals, and a high level of M&A activity is in progress within the power tool industry. Makita has also experienced increasing competition, particularly in countries with lower purchasing power, from China-based power tool manufacturers who often offer lower-priced products.

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### **Raw Materials and Sources of Supply**

Makita purchases raw materials and parts to manufacture its products. The principal raw materials and parts purchased by Makita include plastics, pressed steel plates, aluminum castings, copper wires, switches, gears, blades, batteries, and bearings. The Company procures most of its raw materials from multiple sources. Although most of its parts are each obtained from single suppliers, the company is trying to find any eligible alternative suppliers for precautionary reasons.

As for raw material costs such as coppers and rare metals, Makita expects that they generally maintain an upward trend due to increasing demands for them. Makita purchases raw materials and parts in FY2011, amounted to ¥ 161,165 million. Raw materials and parts are purchased from 426 suppliers in Japan and a number of local suppliers in each country in which Makita performs manufacturing operations. Makita has no single source accounting for more than 10% of Makita's total purchases of raw materials and parts. Makita also purchases from outside sources finished products such as electric generators, lawn mowers and laser levels and resells these products to its customers under the Makita brand. Makita has not experienced any significant difficulty in obtaining raw materials, parts or finished products.

### **Government Regulations**

Makita is subject to different government regulations in the countries and areas in which it does business, such as required business and investment regulations approvals, export regulations based on national-security or other reasons, and other export and import regulations such as tariffs, as well as commercial, antitrust, patent, consumer and business taxation, exchange control, and environment and recycling laws and regulations.

If countries to which Makita exports its products adopt new protectionist trade policies or strengthen its tariff policy, such changes may affect Makita's exports and sales. Makita has expanded sales, service and production activities worldwide, and has a diverse investment portfolio. Consequently, Makita believes that the impact of the adoption of a new protectionist trade policy in a particular region would be immaterial.

The Makita Group recognizes the importance of information security in modern corporate activities and has accordingly instituted the Makita Information Security Policy. The Makita Group conducts internal audits as an information security measure in compliance with the Policy's guidelines. In addition, as a systematic reaction in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, the Makita Group addresses the development of global information systems to conduct information security activities in cooperation with overseas subsidiaries.

Overseas subsidiaries operate in compliance with the Makita's Information Security Implementation Procedure Manual.

### **Intellectual Property Rights**

Makita is committed to technical development in anticipation of user needs as a leading global company in the professional-use power tool industry. Makita considers its proprietary technologies as the source of its competitive edge, and registers these technologies as intellectual property rights and strives to protect the intellectual property rights proactively worldwide.

As of March 31, 2011, Makita owned 686 patents and 426 design rights in Japan and 664 patents, 121 utility model registrations and 798 design rights outside Japan. A utility model registration is a right granted under Japanese law to inventions having a practical utility in terms of form, composition or assembly, but embodying less originality than that required for patents. As of March 31, 2011, Makita had made 851 applications for additional patents and 54 applications for additional design rights in Japan as well as 1,050 patents, 47 utility model registrations and 111 design rights applications outside Japan.

The number of Makita's patents and pending applications has been increasing annually both in Japan and overseas. As of March 31, 2011, the patents held by Makita in Japan consisted of 516 patents in connection with power tools, 119 patents in connection with other products (such as gardening tools and pneumatic tools) and 1 patent in connection with production engineering. Patents held by Makita outside of Japan consisted of 518 patents in connection with power tools and 146 patents in connection with other products.

Even in the event the protection periods of patent rights and other intellectual property rights possessed by Makita expire, Makita believes its business will not be adversely affected because Makita constantly makes a strategic effort to acquire intellectual property rights and effectively utilize intellectual properties. At present, Makita is involved in no major litigation as a defendant.





**Table of Contents****C. Organizational structure**

As of March 31, 2011, the Makita Group consisted of 49 consolidated subsidiaries. The Company is the parent company of the Makita Group. The Company heads the development of products. Domestic sales are made by the Company and 2 domestic subsidiaries and overseas sales are made almost entirely through sales subsidiaries and wholesalers.

The following is a list of significant subsidiaries of the Makita Group.

Company Name	Country of Incorporation	Proportion of Ownership and Voting interest
Makita Numazu Corporation	Japan	100.0%
Makita U.S.A., Inc.	U.S.A.	100.0
Makita Corporation of America	U.S.A.	100.0
Makita Canada Inc.	Canada	100.0
Makita Werkzeug GmbH	Germany	100.0
Dolmar GmbH	Germany	100.0
Makita (U.K.) Ltd.	U.K.	100.0
Makita Manufacturing Europe Ltd.	U.K.	100.0
Makita France S.A.	France	55.0
Makita S.p.A.	Italy	100.0
Makita Oy	Finland	100.0
Makita Werkzeug GmbH	Austria	100.0
Makita Sp. zo. o.	Poland	100.0
Makita (China) Co., Ltd.	China	100.0
Makita (Kunshan) Co., Ltd.	China	100.0
Makita do Brasil Ferramentas Eletricas Ltda.	Brazil	99.9
Makita Gulf FZE	U.A.E.	100.0
Makita (Australia) Pty. Ltd.	Australia	100.0

**Table of Contents****D. Property, plants and equipment**

The following table sets forth information relating to Makita's principal production facilities as of March 31, 2011.

Location	Floor space (square meters)	Principal products manufactured
Japan;		
Makita Corp. Okazaki Plants	135,126	Power tools, etc
Makita Numazu Corporation	21,199	Engine powered agricultural and gardening equipments
Overseas;		
Makita (China) Co., Ltd.	35,645	Power tools, etc.
Makita (Kunshan) Co., Ltd.	16,242	Power tools, etc.
Makita Corporation of America	24,053	Power tools, etc.
Dolmar GmbH	17,747	Engine powered forestry equipments
Makita EU S.R.L. (Romania)	13,788	Power tools, etc.
Makita Manufacturing Europe Ltd.	11,520	Power tools, etc.
Makita do Brasil Ferramentas Eletricas Ltda.	6,789	Power tools, etc.

The figures stated above only count in production facilities excluding other facilities, such as warehouse facilities, R&D facilities, sales offices and guard house.

In addition, the Company owns an aggregate of 199,153 square meters of floor space occupied by the head office, R&D facilities, warehouse facilities, a training center, dormitories and sales offices. Makita believes it would require unreasonable effort to track the exact productive capacity and the extent of utilization of each of its manufacturing facilities within a reasonable degree of accuracy, because Makita's facilities are capable of producing a variety of products depending on the configuration and as market conditions and Makita's business evolves, Makita adjusts its products, capacity and utilizations accordingly.

Makita's overseas manufacturing operations are conducted in China, the United States, Brazil, the United Kingdom, Germany and Romania. All buildings and land in these countries, except for land in China which is held under long-term land lease, are owned by Makita. None of the buildings or land that Makita owns in Japan is subject to any mortgage or lien.

Makita leases most of its sales offices in Japan and substantial majority of its overseas sales offices and premises, except for the following locations which are owned by the respective subsidiary companies;

Head offices and certain branch offices of Makita U.S.A., Makita Canada and Makita Australia; and  
Head offices of Makita Germany, Makita France, Makita Nederland (the Netherlands), Makita Belgium, Makita Italy, Makita Brazil, Makita Taiwan and Makita Singapore.

Makita considers all of its principal manufacturing facilities and other significant properties to be in good condition and adequate to meet the needs of its operations.

Makita adjusts production capacity based on its assessment of markets demands and prospects for demands, according to market conditions and Makita's business objectives, by opening, closing, expanding or downsizing manufacturing facilities or by increasing or decreasing output from the facilities accordingly. Makita, therefore, believes that it is difficult and would require unreasonable effort or expense to determine the exact productive capacity and the extent of utilization of each of its manufacturing facilities with a reasonable degree of accuracy. Makita, however, believes that its manufacturing facilities are currently operating at a normal capacity of production facility.

In FY 2011, Makita's major facility investment included the construction of new sales offices in Germany and Switzerland, and machinery investment of the Makita China Plant.

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### **Item 4A. Unresolved Staff Comments**

None

### **Item 5. Operating and Financial Review and Prospects**

#### **A. Operating Results**

##### **General Overview**

Makita's principal business is manufacturing and sales of power tools for professional users worldwide. Makita is affected to a large extent by demand for power tools worldwide, which in turn is influenced by factors including new housing construction, demand for household renovations, public investment and private capital expenditures.

Makita's primary products were power tools such as drills, rotary hammers, hammer drills, demolition hammers, grinders and cordless impact drivers. Sales of these products accounted for more than 70% of Makita's total net sales.

Developed countries in North America and Europe have matured markets for DIY products, and demand for power tools is affected more by changes in consumers spending. Demand for power tools in developing countries is expected to expand as the economic growth increases.

Developments in technology have also driven the market for power tools. In particular, in recent years the development of rechargeable electric tools featuring small, light and high-capacity lithium-ion batteries has resulted in an increased demand for rechargeable electric tools as more users began to replace their conventional power tools, which use NiCad or nickel hydride batteries, with those that use the new lithium-ion batteries.

Makita has established a solid presence worldwide with its portable power tools; however, competition is becoming more severe on a global basis.

During this fiscal year, approximately 83% of Makita's sales were outside of Japan.

Despite the loss due to yen appreciation against principal currencies, the world economy seems to be recovering from the Lehman Shock and Makita managed to improve both its revenue and its profit.

In Europe, while the economic downturn remains strong in southern countries showing financial deficit, in western countries, the economy, driven by better exportations, personal consumption and investment in plant and equipment, improved.

In North America, the economy recovered moderately as the depreciation of the US dollar strengthened exports and the Christmas campaigns showed good results. However, the housing market remains weak.

In Asia, demand is recovering mainly due to the Chinese economic growth, which after 3 years of relative slow growth improved more than 10% and due to the increase in domestic investment and exportations in Southeast Asian countries.

In countries rich in natural resources like Russia and Brazil, the surge in these resources value contributed to the high recover of the economy.

In Japan, although the housing start surpassed the last year's level, public investment remained weak for the economy to get recovered. The Great East Japan Earthquake caused little damage to Makita.

There were no casualties to Makita's staff as a result of the Earthquake. Makita's domestic production bases being located in Okazaki, Aichi Prefecture and Numazu, Shizuoka Prefecture, are so far away from the epicenter and there has been no damage to Makita's manufacturing equipment. However, production of a few items was being delayed because of the delayed supply of certain parts and components. There was slight damage to Makita's sales offices. The earthquake-related expenses and losses totaled approximately ¥56 million including donation of ¥50 million. Although logistics problem keeps Makita from delivering Makita's products to Makita's customers in certain affected area, the earthquake had very little impact on our sales during the final three weeks of FY2011.



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Under such economic situations, Makita has made a group-wide effort with respect to cost reduction and promoted reinforcement of the management foundation.

On the research and development ground, not only Makita established the Tokyo Technical Center, but also in order to continually expand and improve its tools line-up, including smaller, lighter, low-vibration and low-noise tools, battery tools and gardening tools, Makita is striving to enhance even more its mini engine tools environmentally friendly performances.

In the production area, Makita's Japanese plants are capable of producing various types of high-value-added products in small quantities, while Makita's Chinese plants and other overseas plants are engaged in mass production. Reflecting this global production structure, Makita strives to strengthen the production system to be able to maintain high quality of its products while quickly and flexibly responding to rapid changes in customer demand.

In China, Makita is not only adding new machines in order to manufacture engine parts, but also planning to expand its plants. Besides, in Romania too, Makita is introducing new machinery equipment.

In the sales area, Makita reconstructed the headquarters buildings of sales companies in Europe (in Switzerland and Germany), and improved both the tools dispatching function and the distributor training function. Besides, in Russia, Makita established in Saint Petersburg an after-service foothold in order to strengthen its after-sale service system.

In Northern Europe, Makita established branches in both Norway and Sweden in order to strengthen sales and after-sale service systems.

In Southern Europe, in order to strengthen logistics and after-sale activity, Makita started sales operations in Portugal in October 2010. In order to strengthen the global production activities, Makita established Makita Manufacturing (Thailand) Co., Ltd. in Thailand in March 2011 which is the production facility second to China in Asia. The plant is scheduled to start production in July 2012 strengthening supply capacity for demand increasing Southeast Asia market.

During the FY2011, the global economy improved. Although the Japanese economy was in a slow recovery phase, China witnessed double-digit economic growth, and actively expanded import. In Northern America and Western Europe, as the currencies depreciated, exportations increased and advanced countries saw their economy generally recovering, with Germany heading the list. In Southeast Asia too, the economy recovered principally in reason of the increase both domestic investment and exportations.

As a result, despite the loss due to the surge in Japanese yen appreciation against the major currencies, Makita managed to improve its revenue, consolidated net sales increased by 10.9% compared with FY2010 to ¥272,630 million.

Makita's management goal is to generate substantial profits and maintain a 10% operating margin (ratio of operating income to net sales) through sustainable growth on a consolidated basis. Furthermore, as a medium-to long-term strategy, Makita aims to enhance its brand value to attain and maintain the position as a leading multinational, integrated supplier of all types of tools such as power tools for professional use, pneumatic tools and gardening equipment.

Makita believes that this goal can be attained through the development of new products that bring high satisfaction to commercial users; concerted global production systems targeting both high quality and cost competitiveness; and the maintenance of industry-leading sales and after-sales service systems nurtured in Japan and extended overseas.

To implement the foregoing, Makita is working to maintain a solid financial structure that responds well to short-term changes in the business environment, including volatile demand, exchange rate fluctuations and various country risks, and to concentrate its management resources in the area of professional-use power tools.

As part of the Company's policy to maximize shareholders return, the Company paid an interim dividend of ¥15 per share in November 2010 and a year-end dividend of ¥51 per share in June 28, 2011.

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The following table sets forth Makita's income statement for each of the years ended March 31, 2009, 2010 and 2011.

	Yen in millions, except for percentage amounts							U.S. Dollars in thousands 2011
	2009		2010		2011		Change	
<b>NET SALES</b>	¥294,034	100%	¥245,823	100%	¥272,630	100%	10.9%	\$3,284,699
<b>Cost of Sales</b>	170,894	58.1	149,938	61.0	167,851	61.6	11.9	2,022,301
<b>GROSS PROFIT</b>	123,140	41.9	95,885	39.0	104,779	38.4	9.3	1,262,398
<b>Selling, general, administrative and others, net</b>	73,065	24.9	65,495	26.6	62,870	23.0	(4.0)	757,470
<b>OPERATING INCOME</b>	50,075	17.0	30,390	12.4	41,909	15.4	37.9	504,928
<b>OTHER INCOME (EXPENSES)</b>								
<b>Interest and Dividend Income</b>	1,562	0.5	881	0.3	1,313	0.5	49.0	15,819
<b>Interest Expense</b>	(236)	(0.1)	(71)	(0)	(33)	0	(53.5)	(398)
<b>Exchange Gains(Losses) on Foreign currency transactions</b>	(3,408)	(1.1)	2,044	0.8	(591)	(0.2)	-	(7,120)
<b>Realized Gains(Losses) on Securities</b>	(3,548)	(1.2)	274	0.1	132	0	(51.8)	1,590
<b>Other, net</b>	(2)	(0)	-	-	-	-	-	-
<b>Total</b>	(5,632)	(1.9)	3,128	1.2	821	0.3	(73.8)	9,891
<b>INCOME BEFORE INCOME TAXES</b>	44,443	15.1	33,518	13.6	42,730	15.7	27.5	514,819
<b>Provision for Income Taxes</b>	10,731	3.6	10,952	4.4	12,459	4.6	13.8	150,108
<b>NET INCOME</b>	33,712	11.5	22,566	9.2	30,271	11.1	34.1	364,711
<b>Net income attributable to the noncontrolling interest</b>	(426)	(0.2)	(308)	(0.1)	(366)	(0.1)	18.8	(4,410)
<b>NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION</b>	¥33,286	11.3%	¥22,258	9.1%	¥29,905	11.0%	34.4%	\$360,301

**Currency Fluctuations**

Makita is affected by fluctuations in foreign currency exchange rates due to its business spanning the global market. Makita is primarily exposed to fluctuations of the Japanese yen against the euro, the U.S. dollar, as well as other currencies of countries where Makita does business. Makita's consolidated financial statements, presented in Japanese yen, are affected by currency exchange rate fluctuations through both translation and transaction risks. Translation risk is the risk that Makita's consolidated financial statements for a particular period or for a particular date will be affected by changes in the prevailing exchange rates between the Japanese yen and the currencies in which the subsidiaries prepare their financial statements. Even though the fluctuations of currencies against the Japanese yen can be substantial and, therefore, significantly impact comparisons with prior accounting periods and among various geographic markets, the translation effect is a reporting consideration and does not reflect Makita's underlying results of operations. Transaction risk is the risk that the currency structure of Makita's costs and liabilities will deviate from the currency structure of sales proceeds and assets. Makita enters into foreign exchange forward contracts in order to hedge a portion of its transaction risk. That has reduced, but not eliminated, the effects of exchange rate fluctuations against the Japanese yen, which in future years might have significant impact.

Generally, the depreciation of the Japanese yen against other currencies, particularly the euro, has a positive effect on Makita's operating income and net income. Conversely, the appreciation of the Japanese yen against other currencies, particularly the euro, has the opposite effect. In FY2011, the Japanese yen continued to appreciate against major currencies Makita uses for business, and this was truly the case with euro.





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**Impact of March 11, 2011 Earthquake and Related Tsunami**

The March 11, 2011 earthquake and resulting tsunami caused no significant disruption to Makita's business and no significant damage to the Makita's owned facilities and assets. Damage losses, which were charged to cost and expenses, for the year ended March 31, 2011 approximated ¥6 million. The most significant cost incurred as a result of the event pertains to cash donation totaling ¥50 million made by Makita to certain organization to assist it with restoration and repair activities in the affected areas.

**FY2011 compared to FY2010**

**Net Sales**

Makita's consolidated net sales for FY2011 amounted to ¥272,630 million, an increase of 10.9%, or ¥26,807 million, from FY2010. In FY2011, the average Japanese yen-U.S. dollar exchange rate was ¥85.73 for U.S. \$ 1.00, representing a 7.7% appreciation of the Japanese yen compared to the average exchange rate in FY2010. The average Japanese yen-euro exchange rate in FY2011 was ¥113.12 for 1.00 euro, representing a 13.8% appreciation of the Japanese yen compared to the average exchange rate in FY2010. Excluding the effect of currency fluctuations, consolidated net sales would have increased by 19.3% or ¥47,426 million in FY2011.

During the year, Japanese yen appreciated over other currencies averagely 8.3%. That unfavorable currency translation effect reduced Makita's sales by ¥20,619 million.

In terms of product type, the sales of power tools increased by 11.9%, or ¥20,708 million; the sale of gardening and household products increased by 12.4%, or ¥4,246 million; and revenue from parts, repairs and accessories increased by 4.9%, or ¥1,853 million. Increase in sales of Makita's main products including grinders, hammer drills and driver drills ranged between 10% and 16%. The ratio of sale of cordless power tools to total sales of products increased to 34.9% in FY2011 from 34.5% in FY2010.

**Sales by region**

In Japan, Makita witnessed increase in sales by 7.9%, or ¥3,368 million, to ¥46,065 million. Sales in Europe after translation into Japanese yen increased by 6.3%, or ¥6,871 million, to ¥115,977 million. In North America, sales increased by 7.5%, or ¥2,602 million, to ¥37,111 million. In Asia, excluding Japan, sales increased by 25.6%, or ¥4,700 million, to ¥23,073 million. In Other regions, including Central and South America, Australia, Middle East and Africa, sales increased by 22.5%, or ¥9,266 million, to ¥50,404 million.

In Japan, income increased due to the high sales of new tools such as lithium-ion batteries powered tools and pneumatic nailers.

In Europe, personal consumption kept strong and demand continued steady. In Southern Europe, unemployment rate remained high and demand was slow to recover. In Eastern Europe, demand recovery varied from country to country. In Russia, demand was steady as in addition to a full-scale recover in manufacturing, transportation and communication industry, natural resources value also surged, resulting in a raise in exportation and a positive economic growth. Net sales in local currency increased in Western Europe by 15.4% and in Eastern Europe and Russia by 32.0%. In total, excluding the effect of currency translation, sales in Europe increased by 21.3%, or ¥23,244 million. Although the sales in local currencies were robust as such, because the euro and the British pound depreciated by 13.8% and by 10.2%, respectively against the Japanese yen year-over-year, sales figure in Japanese yen were partially offset by unfavorable currency translation effects. Net sales after translation into Japanese yen increased in Eastern Europe and Russia by 16.1%, the United Kingdom by 3.9%, and Germany by 5.5%, and decreased in France by 2.2%.

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In North America, especially in the United States, because personal spending was on the way to recovery which was evidenced by the brisk Christmas sales, Makita recorded increased sales.

The yen appreciated by 7.7% against the U.S. dollar. Excluding the effect of currency translation, sales in North America increased by 14.7%, or ¥5,064 million.

In Asia excluding Japan, strong infrastructure development in public investment, and office and commercial facilities construction in private sectors in Southeast Asia resulted in an economic recovery especially in the manufacturing industry. Thus, Makita's income in Asia increased in FY2011. Excluding the effect of currency translation, sales in Asia increased by 29.2%, or ¥5,369 million.

In Other regions, net sales in Central and South America, inclusive of Brazil, kept steady and increased by 33.3%, to ¥20,295 million. Thanks to new lithium-ion battery products introduced in Australia, sales in Oceania increased by 17.3% to ¥15,383 million. In the Mid-East and Africa, sales increased primarily due to the recovering market in the countries of the Gulf after the Dubai Crisis. Net sales after translation into Japanese yen increased by 15.1%, to ¥14,726 million.

On a year-over-year basis, the Australian dollar rose by 2.3% against the Japanese yen and Brazil's Real declined by 0.5%. Excluding the effect of currency translation, sales in Other regions increased by 25.2%, or ¥10,381 million.

## **Review of Performance by Product Group**

### ***Power Tools***

The Power Tools group offers a wide range of products such as drills, grinders and sanders, rotary hammers and hammer drills, demolition hammers and electric breakers, cordless impact drivers, circular saws, slide compound saws and cutters. These products represent the largest portion of Makita's net sales.

In FY2011, sales of power tools increased by 11.9% from the previous fiscal year to ¥194,706 million, accounting for 71.4% of consolidated net sales. In Japan, sales of power tools increased by 15.6% to ¥20,835 million, accounting for 45.2% of the domestic net sales. Overseas sales of power tools increased by 11.5% to ¥173,871 million, accounting for 76.7% of overseas net sales.

New products launched during FY2011 included Makita's 14.4V cordless impacts drivers equipped with advanced protection technology for dust/waterdrop proofing, and high pressure and driving-depth-adjustment-enabled pneumatic nailers.

### ***Gardening Equipments, Household and Other Products***

Principal products in Makita's gardening and household products group include chain-saws, brush-cutters, vacuum cleaners and cordless cleaners.

In FY2011, sales of gardening equipments, household and other products increased by 12.4%, to ¥38,391 million, which accounted for 14.1% of consolidated net sales. Domestic sales of gardening equipments, household and other products increased by 1.7%, to ¥13,691 million, accounting for 29.7% of total domestic sales. Overseas sales of the product category increased by 19.4%, to ¥24,700 million, accounting for 10.9% of total overseas sales in FY2011.

New products launched during FY2011 included gardening tools, cordless compact, vacuum cleaners, tools powered by 36V lithium-ion batteries (brush-cutters, chainsaw, hedge trimmers, blower).

Makita engages in the production of engine-equipped gardening equipments and cordless gardening equipments powered by batteries that are environment-friendly in terms of noise and exhaust emissions, and therefore future sales expansion is anticipated.

**Table of Contents*****Parts, Repairs and Accessories***

Makita's after-sales services include the sales of parts, repairs and accessories.

In FY2011, the sales of parts, repairs and accessories increased by 4.9%, to ¥39,533 million, accounting for 14.5% of consolidated net sales. Domestic sales of parts, repairs, and accessories increased by 2.9% to ¥11,539 million, accounting for 25.1% of domestic net sales. Overseas sales of parts, repairs and accessories increased by 5.8%, to ¥27,994 million, accounting for 12.4% of overseas net sales.

**Gross Profit**

Gross profit on sales increased by 9.3%, or ¥8,894 million, to ¥104,779 million. As the demand for power tools bounced back from the prolonged inventory adjustment stage triggered by the Lehman Shock, Makita's plant utilization ratio was improved resulting in a lower ratio of production overhead costs in both domestic and overseas plant. However, appreciation of Japanese yen gave adverse effect on our sales figure of overseas sales subsidiaries when translated into Japanese yen. The gross profit margin dropped 0.6 points from 39.0% to 38.4%.

**Selling, general, administrative and others, net**

Selling, general, administrative and others, net for FY2011 decreased by 4.0%, or ¥2,625 million to ¥62,870 million compared with FY2010. On the one hand, research and development costs as well as advertising costs have been increased and shipping and handling costs increased proportionally to the sales. On the other hand, impairment of long-lived assets, legal expenses, warehouse rent and loss on disposal of fixed asset decreased. In addition, one of the subsidiaries, Makita Brazil, received tax benefits from the applicable state governments on value added taxes and appreciated Japanese yen rate had a favorable effect on translation of selling, general, administrative and others, net of foreign subsidiaries.

Selling, general, administrative and others, net excluding the impact of currency fluctuations increased by 2.2%, or ¥1,447 million compared with FY2010. The ratio of selling, general, administrative and others, net to sales improved by 3.6 points from 26.6% in FY2010 to 23.0% in FY2011.

**Operating Income**

Operating income for FY2011 increased by 37.9%, or ¥11,519 million, to ¥41,909 million. This was mainly because the favorable impacts of increase in sales volume and cost-efficiency due to increased production volume surpassed the unfavorable impact of adverse currency translation. Operating margin increased by 3.0 points, from 12.4% to 15.4% compared with FY2010.

**Other Income (Expenses)**

Other income, net for FY2011 decreased to ¥821 million from ¥3,128 million for FY2010. Interest and dividend income increased by ¥432 million from ¥881 million for FY2010 to ¥1,313 million for FY2011 primarily due to the increase in amounts invested in interest bearing time deposits during FY2011. However, a net foreign exchange loss of ¥591 million was incurred in FY2011, primarily resulting from appreciation of Chinese Renmin yuan, compared to FY2010, when we recognized a net foreign exchange gain of ¥2,044 million mainly from an amended agreement to convert a loan payable to the Company from U.S. dollars to Japanese Yen.

As the Company operates using only its equity capital, and the subsidiaries are financed by loans from within the Makita Group, the variation in interest expense is insignificant.

**Table of Contents****Income Before Income Taxes**

Income before income taxes for FY2011 increased by 27.5%, or ¥9,212 million, to ¥42,730 million. The ratio of income before income taxes to sales in FY2011 improved by 2.1 points, from 13.6% to 15.7%, compared with FY2010.

**Provision for Income Taxes**

Provision for income taxes for FY2011 amounted to ¥12,459 million, an increase of 13.8%, or ¥1,507 million, compared with FY2010. The effective tax rate for FY2011 was 29.2%, a decrease of 3.5 points from 32.7% for FY2010. This was mainly because the valuation allowance for deferred tax assets was reduced to ¥1,640 million reflecting improved projection for future taxable income in the Japan segment which was partially offset by build-up of valuation allowance for deferred tax assets in the Europe segment.

**Net Income Attributable to Makita Corporation**

As a result of the above, net income for FY2011 increased by 34.4%, or ¥7,647 million, to ¥29,905 million compared with FY2010. Net income ratio to sales increased by 1.9 points, to 11.0% in FY2011 from 9.1% in FY2010.

**Earnings per Share**

Basic earnings per share of common stock increased to ¥217.1 in FY2011 from ¥161.6 in FY2010.

**Regional Segments**

Segment information described below is based on the location of the Company and its relevant subsidiaries. Sales by segment shows are based on shipment routes and, accordingly differ from the geographic area information provided elsewhere in this document.

Makita evaluates the performance of each operating segment based on U.S.GAAP information. Segment profit and loss is measured in a consistent manner with consolidated operating income, which is earnings before income taxes excluding interest and dividend income, interest expense, foreign currency transaction exchange gains and losses, realized gains and losses on investment securities, and other.

Transactions between business segments are carried out at arm's-length prices.

***Japan Segment***

In FY2011, sales in the Japan segment increased by 27.3%, to ¥113,424 million. Sales to external customers increased by 11.5% to ¥62,194 million, which accounted for 22.8% of consolidated net sales. The increase reflects increase in sales in domestic market which was driven by strong sales of newly introduced lithium-ion battery products and airnailer products, and also reflects the surge in exports to Asia (exports to China factory) and Western Europe (exports to UK factory) constituting inter-segment sales within the Japan segment. Due to this increase in sales, this segment was able to sufficiently absorb its fixed charges and to improve cost of sales ratio, and recognized no impairment loss of long-lived assets, resulting in improved operating income of ¥10,519 million in FY2011. In FY2010, Makita recorded impairment losses of ¥1,605 million for goodwill and long-lived assets in one of our subsidiaries, Makita Numazu.

***Europe Segment***

In FY2011, sales in the Europe segment increased by 5.7% to ¥118,725 million. Sales to external customers increased by 5.5%, to ¥115,554 million, which accounted for 42.4% of consolidated net sales. The increase is mainly due to surge in sales in Eastern Europe and Russia effectively absorbing the depreciation of European currencies. Among other things, in Russia, owing to the skyrocketing oil prices, economy recovered to resume once-suspended construction and demand for power tools surged. Due to the appreciated Chinese Renmin yuan and uprising personnel expenses in China, production cost in Makita's Chinese manufacturing plants increased, and cost of goods sold in European sales subsidiaries which imported from the Chinese plants were boosted accordingly. Although the selling, general, administrative and others, net in local currencies increased due to the increase in personnel expenses and shipping and handling costs, and impairment losses incurred in one of Makita's subsidiaries, Dolmer, they decreased when translated into Japanese yen, because the local currencies generally continued weak during the year. Accordingly, segment operating income increased by 3.8%, to ¥13,364 million.



**Table of Contents*****North America Segment***

In FY2011, sales in the North America segment increased by 11.4%, to ¥40,552 million. Sales to external customers increased by 8.8% to ¥37,573 million, which accounted for 13.8% of consolidated net sales. Sales increased due to strong sales of lithium-ion battery products and to Christmas campaigns mainly targeting home improvement centers. In the U.S. plant, as the operating ratio increased due to raise in production volume, the ratio of fixed charges in manufacturing cost decreased. Accordingly, the consolidated operating income increased by 415%, to ¥1,854 million.

***Asia Segment***

In FY2011, sales in the Asia segment increased by 70.0% to ¥113,581 million. Sales to external customers increased by 37.3%, to ¥12,365 million, which accounted for 4.5% of the consolidated net sales. This was due to the strong demand for power tools driven by strong infrastructure development in public investment, and office and commercial facilities construction in private sectors as well as rising personal income level supported by strong export performance and climbing prices for agricultural products.

Due to the appreciated Chinese Renmin yuan and uprising raw materials cost, production cost in Makita's Chinese manufacturing plants increased, and cost of goods sold in Asian sales subsidiaries which imported from the Chinese plants were boosted accordingly. However, due to surge in sales, segment operating income increased by 46.5%, to ¥13,006 million in FY2011.

***Other Segment***

FY2011, sales in the Other segment increased by 21.4% to ¥45,060 million. Sales to external customers increased by 21.4%, to ¥44,944 million. It is principally due to the influence of the increase in sales in the Central and South America and Oceania Region. Sales to external customers accounted for 16.5% of the consolidated net sales. In the Central and South America region, especially in Brazil, demand remained steady and the sales in local currency were strong. Brazil Real keeping steady, the sales translated into Japanese yen also increased. After moving, Brazilian manufacturing facility recorded improved cost of sales ratio with greater efficiency in production line after the moving. Selling, general, administrative and others, net were reduced due to the tax benefits received from Brazilian state governments on value added taxes. In Oceania, sales increased thanks to lithium-ion battery products, and stronger Australian dollar improved the cost of sales ratio and profitability. Sales in a Japanese yen basis also increased from the last year. In the Middle East region, demand reached a high level as the market is recovering from the economic crisis experienced in Dubai and sales surged during the year thanks to the increased demand in construction, although the 4<sup>th</sup> quarter growth rate slowed due to the political unrest erupted across North Africa. The purchase cost increased due to the appreciation of the Japanese yen against the U.S. dollar and also appreciation of Chinese Renmin Yuan against the U.S. dollar.

Accordingly, segment operating income increased by 195.0%, to ¥6,414 million, in FY2011.

**FY2010 compared to FY2009****Net Sales**

Makita's consolidated net sales for FY2010 amounted to ¥245,823 million, a decrease of 16.4%, or ¥48,211 million, from FY2009. In FY2010, the average Japanese yen-U.S. dollar exchange rate was ¥92.89 for U.S. \$1.00, representing a 7.8% appreciation of the Japanese yen compared to the average exchange rate in FY2009. The average Japanese yen-euro exchange rate in FY2010 was ¥131.18 for 1.00 euro, representing a 8.9% appreciation of the Japanese yen compared to the average exchange rate in FY2009. Excluding the effect of currency fluctuations, consolidated net sales would have decreased by 9.1% or ¥ 26,682 million in FY2010.

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Economic conditions in FY 2010, especially in the first half, were extremely severe due to the impact of the global recession. The demand for Makita's products dropped significantly and the yen value continued to be strong against many currencies Makita used for its business during FY2009. As a result, Makita's sales revenues for the fiscal year decreased from the previous fiscal year.

In the second half of FY2010, signs of gradual recovery of demand were seen in some regions, supported by economic stimulation measures taken by governments and the economic growth of emerging countries.

The demand for power tools dropped significantly in developed countries, compared with that before the financial depression two years ago. Recovery has been slow.

In terms of product type, the sales of power tools decreased by 19.0%, or ¥40,705 million; the sale of gardening and household products decreased by 7.5%, or ¥2,771 million; and revenue from parts, repairs and accessories decreased by 11.2%, or ¥4,735 million. Decrease of sales of Makita's main products including grinders, hammer drills and driver drills ranged between 15% and 25% due to the severe drop in demand for power tools which worsened the business environment, especially in the first half of FY2010.

On the other hand, the ratio of sale of cordless power tools to total sales of products increased to 34.5% in FY2010 from 31.8% in FY2009.

### **Sales by region**

In Japan, the number of new housing construction has been stagnant due to the implementation of a more stringent Building Standards Law and global financial crisis. Consequently, demand for power tools has not recovered, leading to a decrease in sales by 7.6%, or ¥ 3,525 million, to ¥ 42,697 million.

In Europe, demand in Germany and France was steady, but recovery was slow in Spain, Italy and other Southern European countries, Eastern European countries and Russia. Excluding the effect of currency translation, sales in Europe decreased by 9.2%, or ¥ 12,595 million. The drop in the exchange rates of local currencies had a significant negative impact. The euro depreciated by 8.9% and the British pound by 15.2% against the Japanese yen year-over-year. Partly due to the considerable drop in the exchange rates of local currencies, sales in Europe after translation into Japanese yen decreased by 20.4%, or ¥ 28,007 million, to ¥ 109,106 million. Net sales in local currency terms decreased in Western Europe by 5.7% and in Eastern Europe and Russia by 14.5%. Net sales after translation into Japanese yen decreased in Eastern Europe and Russia by 28.6%, the United Kingdom by 26.2%, Germany by 8% and France by 8.2%.

In North America, the condition of the construction market in the United States remained severe. Demand dropped significantly in the first half of FY2010. Although Christmas campaigns mainly targeting home improvement centers contributed strongly to sales results in the second half of FY2010, the housing demand remained low throughout the fiscal year. In Canada, demand dropped sharply in the first half of the year due to the delayed impact of the financial recession.

As a result, sales in North America decreased by 18.4%, or ¥ 7,780 million, to ¥ 34,509 million. The appreciation of the yen by 7.8% against the U.S. dollar was also a contributing factor to the decline of net sales in North America. Excluding the effect of currency translation, sales in North America decreased by 11.9%, or ¥5,013 million.

Demand in Asia excluding Japan dropped significantly due to the worldwide recession in the first half of FY2010 and the weak performance of industries in Asia relying on exports to Europe and the United States. Moreover, the cost competitiveness of Japanese products weakened due to the appreciation of the yen value against local currencies. Thus, Makita's sales in Asia dropped sharply in the first half of FY2010.

In the second half, governments of Asian countries implemented economic stimulating measures, including improvement of infrastructures, and the economies expanded in China and India. Sales in Asia started to become active supported by the signs of economic recovery in the United States and in Europe. Businesses in Asia seems to have started to recover.

Excluding the effect of currency translation, sales in Asia decreased by 13.2%, or ¥ 2,897 million.

Net sales in Asia excluding Japan after translation into Japanese yen decreased by 16.5%, or ¥ 3,622 million, to ¥ 18,373 million.

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In Other regions, net sales in Central and South America after translation into Japanese yen decreased by 9.0%, to ¥ 15,228 million. Sales on a local currency basis were strong in Brazil and other countries. However, sales on a Japanese yen basis were negatively affected by the stronger Japanese yen against local currencies. In Oceania, net sales after translation into Japanese yen decreased by 0.7%, to ¥ 13,116 million, however, net sales on the local currency basis increased by 3.1%. Demand in Australia was strong and sales of gardening equipment via home improvement centers increased. However, sales on a Japanese yen basis were negatively affected by the stronger Japanese yen against Australian dollars. The Australian dollar fell by 2.4% against the Japanese yen and Brazil's Real declined by 5.7% (year-over-year comparison on exchange rates for net sales).

In the Mid-East and Africa, net sales in translation into Japanese yen decreased by 22.3%, to ¥ 12,794 million. The market environment in the Middle East and Africa was severe mainly due to the impact of the Dubai crisis.

As a consequence, excluding the effect of currency translation, sales in Other regions decreased by 5.7%, or ¥ 2,652 million. Sales in Other regions after translation into Japanese yen decreased by 11.4%, or ¥ 5,277 million, to ¥ 41,138 million.

## **Review of Performance by Product Group**

### ***Power Tools***

The Power Tools group offers a wide range of products such as drills, grinders and sanders, rotary hammers and hammer drills, demolition hammers and electric breakers, cordless impact drivers, circular saws, slide compound saws and cutters. These products represent the largest portion of Makita's net sales.

In FY2010, sales of power tools decreased by 19.0% from the previous fiscal year to ¥ 173,998 million, accounting for 70.8% of consolidated net sales. In Japan, sales of power tools decreased by 13.3% to ¥ 18,021 million, accounting for 42.2% of the domestic net sales. Overseas sales of power tools decreased by 19.6% to ¥ 155,977 million, accounting for 76.8% of overseas net sales.

New products launched during FY2010 included cordless impact drivers equipped with brushless motors powered by 14.4V lithium-ion batteries and compact and lightweight slide compound saw equipped with double sliding mechanism.

### ***Gardening Equipments, Household and Other Products***

Principal products in Makita's gardening and household products group include chain-saws, brush-cutters, vacuum cleaners and cordless cleaners.

In FY2010, sales of gardening equipments, household and other products decreased by 7.5%, to ¥34,145 million, which accounted for 13.9% of consolidated net sales. Domestic sales of gardening equipments, household and other products increased by 4.3%, to ¥13,462 million, accounting for 31.5% of total domestic sales. Overseas sales of the product category decreased by 13.9%, to ¥20,683 million, accounting for 10.2% of total overseas sales in FY2010.

New products launched during FY2010 included cordless compact vacuum cleaners powered by lithium-ion batteries, cordless brushcutters powered by 36V lithium-ion batteries, lightweight petrol hedge trimmers.

Makita engages in the production of engine-equipped gardening equipments and cordless gardening equipments powered by batteries that are environment-friendly in terms of noise and exhaust emissions, and therefore future sales expansion is anticipated.



**Table of Contents*****Parts, Repairs and Accessories***

Makita's after-sales services include the sales of parts, repairs and accessories.

In FY2010, the sales of parts, repairs and accessories decreased by 11.2%, to ¥37,680 million, accounting for 15.3% of consolidated net sales. Domestic sales of parts, repairs, and accessories decreased by 10.5% to ¥11,214 million, accounting for 26.3% of domestic net sales. Overseas sales of parts, repairs and accessories decreased by 11.4%, to ¥26,466 million, accounting for 13.0% of overseas net sales.

**Gross Profit**

Gross profit on sales decreased by 22.1%, or ¥27,255 million, to ¥95,885 million.

The gross profit margin dropped 2.9 points from 41.9% to 39.0%. Sales by overseas sales companies decreased on a Japanese yen basis due to appreciation of the Japanese yen against local currencies. Also, the ratio of production labor costs and expense increased in Japanese and overseas plants because plant utilization decreased due to reduction in production volume reflecting adjustments to inventory volumes.

**Selling, general, administrative and others, net**

Selling, general, administrative and others, net for FY2010 decreased by 10.4%, or ¥7,570 million to ¥65,495 million compared with FY2009. Primarily because product transportation costs decreased due to lower sales. Cost saving efforts, such as reduction of advertising and travel expenses, were also implemented. Selling, general, administrative and others, net excluding the impact of currency fluctuations decreased by 4.6%, or ¥ 3,347 million compared with FY2009. The ratio of selling, general, administrative and others, net to sales rose by 1.7 points from 24.9% in FY2009 to 26.6% in FY2010.

In addition, Makita recognized ¥ 1,605 million of impairment losses on goodwill and long-lived assets of Makita Numazu, a Japanese equity of Makita acquired by the Company in FY2008 and net losses on disposal or sales of property, plant and equipment of ¥ 284 million in FY2010, compared with net losses of ¥ 430 million in FY2009.

**Operating Income**

As a result of the above, operating income for FY2010 decreased by 39.3%, or ¥ 19,685 million, to ¥ 30,390 million. This decrease was mainly due to currency fluctuations and decrease in sales. Operating margin decreased by 4.6 points, from 17.0% to 12.4% compared with FY2009.

**Other Income (Expenses)**

In FY2010, other income was ¥3,128 million, compared with other expense of ¥5,632 million in FY2009.

The major components of other income were as follows:

- (1) The amount of foreign exchange gain was ¥2,044 million, due to foreign exchange gain mainly in Brazil resulting from transfer of loan payable to the Company from U.S. Dollar basis to Japanese yen basis according to the renewal of the loan contract.
- (2) Realized gain on securities amounted to ¥274 million, compared with realized losses on securities of ¥3,548 million in FY2009. This gain was mainly due to the recovery of stock price.

As the Company operates using only its equity capital, and the subsidiaries are financed by loans from within the Makita Group, the variation in interest expense is insignificant.

**Income before Income taxes**

Income before income taxes for FY2010 decreased by 24.6%, or ¥10,925 million, to ¥33,518 million. The ratio of income before income taxes to sales in FY2010 decreased by 1.5 points, from 15.1% to 13.6%, compared with FY2009.

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### **Provision for Income taxes**

Provision for income taxes for FY2010 amounted to ¥10,952 million, an increase of 2.1%, or ¥221 million, compared with FY2009. The effective tax rate for FY2010 was 32.7%, an increase of 8.6 points from 24.1% for FY2009 primarily because Makita recorded a valuation allowance against certain deferred income tax assets in FY2010.

### **Net Income Attributable to Makita Corporation**

As a result of the above, net income for FY2010 decreased by 33.1%, or ¥11,028 million, to ¥22,258 million compared with FY2009. Net income ratio to sales decreased by 2.2 points, to 9.1% in FY2010 from 11.3% in FY2009.

### **Earnings per Share**

Basic earnings per share of common stock decreased to ¥161.6 in FY2010 from ¥236.9 in FY2009.

### **Regional Segments**

Segment information described below is based on the location of the Company and its relevant subsidiaries. Sales by segment shows are based on shipment routes and, accordingly differ from the geographic area information provided elsewhere in this document.

#### ***Japan Segment***

In FY2010, sales in the Japan segment decreased by 25.9%, to ¥89,076 million. Sales to external customers decreased by 12.7% to ¥55,767 million, which accounted for 22.7% of consolidated net sales.

The decrease reflects decrease in sales in the domestic market and also reflects the sharp decline in exports to Eastern Europe, Russia and the Middle East constituting inter-segment sales within the Japan segment.

Due to this drop in sales, this segment was not able to absorb its fixed charges sufficiently and recognized ¥ 1,605 million in an impairment loss resulting from the revaluation of goodwill and long-lived assets of Makita Numazu acquired by the Company in FY2008.

Accordingly, this segment recoded operating losses of ¥ 643 million.

#### ***Europe Segment***

In FY2010, sales in the Europe segment decreased by 20.6% to ¥ 112,293 million. Sales to external customers decreased by 20.2%, to ¥ 109,484 million, which accounted for 44.5% of consolidated net sales.

The decrease is mainly due to a sharp drop in sales in Eastern Europe and Russia, and depreciation of local currencies in Europe.

In addition, cost of sales increased as the cost of products manufactured in Japan and China plants increased.

The depreciation of the Euro and other European currencies resulted in further increases in cost of sales.

Depreciation expense increased due to renovation of buildings and warehouses of certain of the European sales subsidiaries.

Accordingly, segment operating income decreased by 34.7%, to ¥ 12,875 million.

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### ***North America Segment***

In FY2010, sales in the North America segment decreased by 22.8%, to ¥36,394 million. Sales to external customers decreased by 18.6% to ¥34,547 million, which accounted for 14.1% of consolidated net sales.

A sharp decline in sales occurred during the first half of FY2010 in the United States, most notably a significant decrease in sales at specialty stores for professional applications. The condition of the construction market in the United States remained severely depressed through the first half of FY2010. Although Christmas campaigns mainly targeting home improvement centers contributed strongly to sales results in the second half of FY2010, housing demand remained low throughout the fiscal year. In Canada, demand dropped sharply in the first half of the year due to a delayed impact of the financial recession.

In North America, sales to the Home Center channel, which generate lower profit margins increased as a percentage of the total sales. In the U.S. plant, as the operating ratio decreased due to drop in production volume, the ratio of fixed charges in manufacturing cost increased. Accordingly, operating income decreased by 57.4%, to ¥360 million.

### ***Asia Segment***

In FY2010, sales in the Asia segment decreased by 30.9% to ¥66,827 million. Sales to external customers decreased by 9.5%, to ¥9,007 million, which accounted for 3.7% of the consolidated net sales.

This decrease is primarily due to significantly decreased demand in the first half of the fiscal year, despite a slight recovery in demand in Southeast Asian countries during the second half of the year. In the second half of FY2010, certain governments of Asian countries implemented economic stimulation measures, including improvements to infrastructure, and the economies expanded in China and India.

In Asia, the ratio of cost of sales experienced almost no substantial changes, however, due to drop in sales, segment operating income decreased by 27.3%, to ¥8,880 million in FY2010.

### ***Other Segment***

FY2010, sales in the Other segment decreased by 8.7% to ¥37,116 million. Sales to external customers decreased by 8.7%, to ¥37,018 million, which accounted for 15.0% of the consolidated net sales.

This decrease is primarily due to a sharp drop in demand in the Middle East.

In the Central and South America region, especially in Brazil, demand remained steady and sales in the gardening tools increased in comparison with the previous fiscal year. However, in the second half of FY2010, the Brazil Real depreciated, which resulted in an increase in the cost of sales. Selling, general, administrative and others, net expenses increased due to the transfer of production from one plant in Brazil to another. Sales on a local currency basis were strong in Brazil and other Central and South America countries. However, sales on a Japanese yen basis were negatively affected by the appreciation of the Japanese yen against local currencies.

Demand in Australia was strong and sales of gardening equipment via home improvement centers increased.

The Australian dollar depreciated slightly, which resulted in an increase in the cost of sales. The profit decreased mainly due to an increase of lower margin gardening equipment sales as a percentage of total sales.

However, sales on a Japanese yen basis were negatively affected by the appreciation of the Japanese yen against Australian dollars.

In the Middle East region, demand in the construction market throughout FY2010 was further weakened by the economic crisis experienced in Dubai. The purchase cost increased due to the appreciation of the Japanese yen against the U.S. dollar.

Accordingly, segment operating income decreased by 55.2%, to ¥2,174 million, in FY2010.

**Table of Contents****CRITICAL ACCOUNTING POLICIES**

Makita believes that the following are the critical accounting policies and related judgments and estimates used in the preparation of its consolidated financial statements and accompanying note.

***Revenue Recognition***

Makita recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price is fixed or determinable and collectibility is reasonably assured.

Makita offers sales incentives to qualifying customers through various incentive programs.

Revenues are reported net of these sales incentives.

Sales incentives primarily involve volume-based rebates, cooperative advertising and cash discounts.

Volume-based rebates are given in the form of cash or credit memos and settled monthly, quarterly, semiannually or annually. Volume-based rebates are given to specific customers as a specified percentage of sales amounts for the agreed calculation period if accumulated sales to the customer achieve specified sales volume.

Based on such agreed percentages applicable specific customers and estimated of accumulated sales volume during the agreed program period, liabilities for volume-based rebates are recognized with a corresponding reduction to revenue for the sales incentive at the time the related revenue is recognized. If expected sales levels are not achieved or achieved in levels higher than anticipated resulting in a greater magnitude of incentive, the result could have a material impact on Makita's financial statements.

Cooperative advertising programs are provided to certain customers as a contribution to or as sponsored funds for advertisements. Cooperative advertising programs vary by customer agreement. Under Makita's cooperative advertising programs, specified customers receive cooperative advertisement allowances based on a certain percentage of sales per agreement and are not required to submit proof of advertisement to Makita. Liabilities for cooperative advertisings are recognized with a corresponding reduction to revenue for the expected cooperative advertisings at the time the related revenue is recognized, and are based on the estimation of cooperative advertisings reflecting the historical performance of individual customers.

Cash discounts are provided as a certain percentage of the invoice price as predetermined by spot contracts or based on contractually agreed upon amounts with customers. Cash discounts are recognized as a reduction of revenue at the time the related revenue is recognized, based on Makita's ability to reliably estimate such future discounts to be taken. Estimates of expected cash discounts are evaluated and adjusted periodically based on actual sales transactions and historical trends.

The following table shows the changes in accruals for volume-based rebates, cooperative advertising and cash discounts for the years ended March 31, 2009, 2010 and 2011:

	Yen in millions			U.S. Dollars in thousands
	For the year ended March 31,			
	2009	2010	2011	2011
<b>Volume-based Rebates:</b>				
Actual payment for the year	¥ (11,662)	¥ (7,672)	¥ (7,835)	\$ (94,398)
Charge to earnings for the year	8,949	7,738	8,736	105,253
Translation adjustments	804	(117)	(111)	(1,337)
Accrued expense or deduction of account receivable(BS) as of March 31	3,064	3,013	3,803	45,819
<b>Cooperative Advertisings:</b>				
Actual payment for the year	(2,662)	(1,544)	(2,209)	(26,614)
Charge to earnings for the year	2,352	1,704	2,296	27,663
Translation adjustments	43	7	(30)	(361)

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Accrued expense or deduction of account receivable(BS) as of March 31	189	356	413	4,976
Cash Discounts:				
Actual payment for the year	(5,514)	(4,281)	(5,184)	(62,458)
Charge to earnings for the year	5,444	4,420	5,069	61,072
Translation adjustments	14	8	(28)	(337)
Accrued expense or deduction of account receivable(BS) as of March 31	¥ 340	¥ 487	¥ 344	\$ 4,145

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### ***Inventory Valuation***

Makita monitors its inventories with various measures such as ageing, turnover periods, sales trend, profitability in recent trades and so on. Inventories are valued at the lower of cost or market price, with cost determined based on the average cost method. Makita estimates obsolete or excess inventory as well as inventory that is not of saleable quality.

The determination of obsolete or excess inventory requires Makita to estimate the future demand for products taking into consideration such factors as macro and microeconomic conditions, competitive pressures, technological obsolescence, changes in consumer buying habits and other factors. The estimates of future demand that Makita uses in the valuation of inventory are the basis for revenue forecasts, which are also consistent with short-term manufacturing plans.

If demand forecast for specific products is greater than actual demand and Makita fails to reduce manufacturing output accordingly, Makita could be required to write down additional on-hand inventory, which would have a negative impact on gross profit and, consequently, a potential material adverse impact on net income.

Revaluation of inventories, losses on inventory write-downs or write-offs, which are included in costs of sales in the consolidated statements of income, are charged as incurred and totaled ¥990 million, ¥195 million and ¥709 million for the years ended March 31, 2009, 2010 and 2011, respectively. Inventory write-downs for the year ended March 31, 2011 include ¥3 million of damaged inventory caused by the March 11, 2011 earthquake and resulting tsunami in Japan.

### ***Impairment Losses on Securities***

Makita's investments include debt and equity securities accounted for under the cost method of accounting. If it has been determined that an investment has sustained an other-than-temporary decline in its value, the investment is written down to its fair value by a charge to earnings. Makita regularly evaluates its investment portfolio to identify other-than-temporary impairments of individual securities. Factors that are considered by Makita in determining whether an other-than-temporary decline in value has occurred include: the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, operating results, business plans of the issuer of the security, other specific factors affecting the market value, deterioration of credit condition of the issuers, and whether or not Makita is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

In evaluating the factors for available-for-sale securities whose fair values are readily determinable, Makita presumes a decline in value to be other-than-temporary if the fair value of the security is a certain percentage below its original cost for an extended period of time. The assessment of whether a decline in the value of an investment is other-than-temporary is often subjective in nature and involves certain assumptions and estimates concerning the expected operating results and business plans of the issuer of the security. Accordingly, it is possible that investments in Makita's portfolio that have had a decline in value that Makita currently believes to be temporary may be determined to be other-than-temporary in the future based on Makita's evaluation of subsequent information such as continued poor operating results, continuing broad declines in the value of worldwide equity markets and the effect of worldwide interest rate fluctuations. As a result, unrealized losses recorded for investments may be recognized and reduce income in future periods. Impairment losses on securities were ¥4,059 million in FY2009, ¥228 million in FY2010 and ¥199 million in FY2011, respectively.

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**Table of Contents*****Allowance for Doubtful Receivables***

Makita performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by Makita's review of their current credit information. Makita continuously monitors collections and payments from its customers and maintains a provision for probable estimated credit losses based upon its historical experience and any specific customer collection issues that Makita has identified. The estimated amount for doubtful receivables is calculated on the basis of the following elements: the ratio of past bad debts against regular account receivables, as well as the credit standing by customers and the examination of the account receivables which have not been collected yet after the due date against specific doubtful account receivables. Further, when the payment ability of one of the customers becomes doubtful as a result of its filing for bankruptcy or the deterioration of its operating results, Makita establishes additional valuation allowances. Any credit losses have historically been within Makita's expectations and the provisions established. However, Makita cannot guarantee that it will continue to experience the similar credit loss rates that it has in the past. Changes in the underlying financial condition of its customers could result in a material impact to Makita's consolidated results of operations and financial condition.

Makita recorded bad debt expenses of ¥474 million, ¥152 million, and ¥223 million, for the years ended March 31, 2009, 2010 and 2011, respectively. Makita has a large customer base that is geographically dispersed. Consequently, significant concentration of credit risk is not considered to exist. No single customer accounted for more than 10% of Makita's total accounts receivable in 2009, 2010 and 2011.

***Impairment of Long-lived Assets***

Makita believes that impairment of long-lived assets is critical for its financial statements because Makita has significant amounts of property, plant and equipment, the recoverability of which could significantly affect its operating results and financial condition. Makita performs an impairment review for long-lived assets held and used, including amortizable intangible assets, whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be fully recoverable. This review is based upon Makita's projections of expected undiscounted future cash flows. Estimates of the future cash flows are based on the historical trends adjusted to reflect the best estimate of future operating conditions. Makita believes that its estimates are reasonable. However, different assumptions regarding such cash flows could materially affect Makita's evaluations. An impairment loss would be recognized when estimated undiscounted future cash flows from the operation and disposition of the asset group are less than the carrying amount of the asset group. If an impairment is determined to exist, the impairment loss is calculated as the excess of the carrying amount of the asset group over its fair value. Impairment losses on long-lived assets to be disposed of, if any, are based on the fair value less costs of disposal. Fair value is determined based on recent transactions involving sales of similar assets, by discounting expected future cash flows, or by using other valuation techniques. Makita's estimate of future cash flows requires management to make projections and to apply judgment, including forecasting future operating results and estimating useful lives of the asset. Estimate of future cash flow can be affected by factors such as future sales and expenses, market and operating conditions. If actual market and operating conditions under which assets are operated are less favorable than those projections made by management, resulting in lower expected future cash flows or a shorter expected future period to generate such cash flows, additional impairment charges may be required. In addition, changes in estimates resulting in lower fair values due to unanticipated changes in business or operating assumptions could adversely affect the valuations of long-lived assets and in turn affect Makita's consolidated results of operations and financial condition. Makita did not recognize any impairment loss of long-lived assets in FY2009, however Makita recognized impairment loss of long-lived assets of ¥354 million in FY2010 and ¥262 million in FY2011. Management determined that no impairment of long-lived assets occurred as a result of the March 11, 2011 earthquake and resulting tsunami in Japan.

**Table of Contents*****Impairment of Goodwill***

Makita conducts goodwill impairment assessment annually and at any time if an event occurs or circumstances change and that would indicate possibility of goodwill impairment. The annual goodwill impairment assessment date is December 31. Goodwill is tested using a two-step process. The first step of the goodwill impairment assessment compares the fair value of a reporting unit where the relevant goodwill is assigned with its carrying amount. If the fair value of a reporting unit exceeds its net book value, goodwill of the reporting unit is considered not impaired, thus the second step of the impairment test is unnecessary. If net book value of a reporting unit exceeds its fair value, the second step of the goodwill impairment test will be performed to measure the amount of impairment loss. The second step of the goodwill impairment assessment, used to measure the amount of impairment loss, compares the implied fair value of the goodwill, which is determined in the same manner as the amount of goodwill recognized in a business combination, with the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value of that goodwill, an impairment loss shall be recognized in an amount equal to that excess. In the first step of the goodwill impairment assessment, Makita uses an income approach to derive a present value of the reporting unit's projected future annual cash flows and the present residual value of the reporting unit. Makita uses the income approach because it believes that the discounted future cash flows provide greater detail and opportunity to reflect facts, circumstances and economic conditions for each reporting unit. In addition, Makita believes that this valuation approach is a proven valuation technique and methodology for its industry and is widely accepted by investors. Makita uses a variety of underlying assumptions to estimate these future cash flows, which vary for each of the reporting units and include (i) future revenue growth rates, (ii) future operating profitability, (iii) the weighted-average cost of capital and (iv) a terminal growth rate. Makita also estimates fair value using a market approach, which relies on values based on market multiples. If Makita's estimates and assumptions used in the estimates will change in future, Makita may incur an impairment charge which could have a material adverse effect on the results of operations for the period in which the impairment occurs. Makita conducted the first step of impairment test for each of Makita's reporting units for its annual impairment test. As a result of the first step of impairment test in FY2010, an indication of goodwill impairment of existed for Makita's reporting unit in Japan. A third-party appraiser was utilized to estimate fair value of the reporting unit in Japan and the underlying net assets (excluding goodwill) of the reporting unit. Upon completion of that assessment, Makita recognized a goodwill impairment loss on assigned to the Japan segment of ¥ 1,251 million in FY2010. Management determined that no impairment of goodwill occurred at Makita's Japan operating segment as a result of the March 11, 2011 earthquake and resulting tsunami in Japan.

***Retirement and Termination Benefit Plans***

Makita believes that pension accounting is critical for its financial statements because assumptions used to estimate pension benefit obligations and pension expenses can have a significant effect on its operating results and financial condition. Accrued retirement and termination benefits are determined based on consideration of the levels of retirement and termination liabilities and plan assets at the end of a given fiscal year. The levels of projected benefit obligations and net periodic benefit cost are calculated based on various annuity actuarial calculation assumptions. Principal assumptions include discount rates, expected return on plan assets, assumed rates of increase in future compensation levels, mortality rates and some other assumed rates. Discount rates employed by Makita are reflective of rates available on long-term, high quality fixed-income debt instruments. Discount rates are determined annually on the measurement date.

The expected long-term rate of return on plan assets is determined annually based on the composition of the pension asset portfolios and the expected long-term rate of return on these portfolios. The expected long-term rate of return on plan assets is designed to approximate the long-term rate of return actually earned on the plan assets over time to ensure that funds are available to meet the pension obligations that result from the services provided by employees.

A number of factors are used to determine the reasonableness of the expected long-term rate of return, including actual historical returns on the asset classes of the plans' portfolios and independent projections of returns of the various asset classes. Accordingly, these assumptions are evaluated annually and retirement and termination liabilities are recalculated at the end of each fiscal year based on the latest assumptions. In accordance with U.S.GAAP, actual results that differ from the assumptions are accumulated and amortized over the average remaining service periods and therefore, generally affect Makita's results of operations in such future periods.



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The Company and certain of its subsidiaries have various contributory and noncontributory employee benefit plans covering substantially all of their employees. The discount rate assumed to determine the pension obligation for the pension plan was 2.3% as of March 31, 2011.

As of March 31, 2011, Makita allocated 26.3% and 45.2% of plan assets to equity securities and debt securities, respectively. The value of these plan assets are influenced by fluctuations in world securities markets. Significant depreciation or appreciation will have corresponding impact on future expenses. The expected rate of return on plan assets assumed to determine the pension expense was 2.2% as of March 31, 2011.

Pension obligations and expenses are most sensitive to the assumption on the discount rate and the expected rate of return on plan assets.

The following table illustrates the sensitivity to changes in the discount rate and the expected return on pension plan assets, while holding all other assumptions constant, for Makita's pension plans as of March 31, 2011.

Change in assumption	Yen in millions			
	Change in projected benefit obligation		Change in pre-tax pension expenses	
50 basis point increase/decrease in discount rate	(2,186)	2,460	6	(7)
50 basis point increase/decrease in expected return on assets	-	-	(188)	188

While Makita believes that the assumptions are appropriate, significant differences in its actual experience or significant changes in its assumptions may materially affect Makita's accrued retirement and termination benefits and future expenses. Although pension liability increases in the current unfavorable investment environment, Makita holds sufficient surplus funds. Therefore, Makita is satisfied that its pension plans can be maintained.

**Income Taxes**

Makita is required to estimate its income taxes in each of the jurisdictions in which Makita operates. This process involves estimating Makita's current tax provision together with assessing temporary differences resulting from differing treatment of items for income tax reporting and financial accounting and reporting purposes.

Such differences result in deferred income tax assets and liabilities, which are included within Makita's consolidated balance sheets.

Makita evaluates its ability to realize the tax benefits associated with deferred tax assets by analyzing its forecasted taxable income using both historical and projected future operating results, the reversal of existing taxable temporary differences, taxable income in prior carryback years (if permitted) and the availability of tax planning strategies.

Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

In determining the valuation allowances to establish against these deferred tax assets, many factors are considered, including, but not limited to, the specific taxing jurisdiction, the carry-forward period, income tax strategies available and, among other things, forecasted earnings for the entities in each jurisdiction. During FY2010, Makita increased the deferred tax asset valuation allowance by ¥1,020 million based on the assessment that certain deferred tax assets were unlikely to be realized. During FY2011, Makita decreased the deferred tax asset valuation allowance by ¥134 million based on changes in estimates about the realizability of those deferred tax assets, primarily because the projection of future taxable income in the relevant jurisdictions has been adjusted upward from the last year.

Makita has recorded against certain deferred income tax assets a valuation allowance of ¥1,640 million as of March 31, 2011 which is substantially lower than the valuation allowance recorded in the last year.

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This is mainly due to the improved projection for future taxable income in the Japan segment which was partially offset by an increase in the valuation allowance for deferred tax assets in the Europe segment. If Makita were not to generate sufficient taxable income of the appropriate character in the jurisdictions in the future, it could lead to the build-up of additional valuation allowances.

For the balance of deferred income taxes, although realization is not assured, management believes, judging from an authorized business plan, it is more likely than not that all of the deferred income tax assets, less the valuation allowance, will be realized. The amount of such net deferred income tax assets that are considered realizable, however, could change in the near term and any such change may have a material effect on Makita's consolidated results of operations and financial position if estimates of future taxable income are different.

Makita's effective tax rate reflects the impact of undistributed foreign earnings for which no Japanese taxes have been provided because such earnings are intended to be invested indefinitely outside Japan based on Makita global management policy considering working capital and long-term investment requirements of our Japanese and foreign operations. If future events, including material changes in estimates of cash, working capital and long-term investment requirements necessitate that certain assets associated with these earnings be repatriated to Japan, an additional tax provision and related liability would be required at the applicable Japanese marginal income tax rates which could materially impact our future effective tax rate.

Under the current Japanese tax code, 95% of dividends of foreign subsidiaries are excluded from taxable income. Makita has not recognized deferred tax liabilities for certain portions of undistributed earnings of foreign subsidiaries in the total amount of ¥148,214 million (\$ 1,785,711 thousand) as of March 31, 2011 because Makita considers these earnings to be indefinitely reinvested, and the calculation of the unrecognized deferred tax liabilities is not practicable.

***New Accounting Standards Not yet Adopted***

In October 2009, Financial Accounting Standards Board (the FASB) issued ASC2009-13 Revenue recognition under multiple-deliverable arrangements. ASC2009-13 modifies the criteria for separating consideration under multiple-deliverable arrangements and requires allocation of the overall consideration to each deliverable using the estimated selling price in the absence of vendor-specific objective evidence or third-party evidence of selling price for deliverables. As a result, the residual method of allocating arrangement consideration will no longer be permitted. ASC2009-13 also requires additional disclosures about how a vendor allocates revenue in its arrangements and about the significant judgments made and their impact on revenue recognition. ASC2009-13 is effective for fiscal years beginning on or after June 15, 2010 and is required to be adopted by Makita in the fiscal year beginning April 1, 2011. The provisions are effective prospectively for revenue arrangements entered into or materially modified after the effective date, or retrospectively for all prior periods. Makita does not expect the adoption of ASC2009-13 will have a material impact on its consolidated results of operations and financial condition.

In October 2009, the FASB issued ASC2009-14 Software revenue recognition. ASC2009-14 modifies the scope of the software revenue recognition guidance to exclude from its requirements non-software components of tangible products and software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product's essential functionality. ASC2009-14 is effective for fiscal years beginning on or after June 15, 2010 and is required to be adopted by Makita in the fiscal year beginning April 1, 2011 using the same effective date and the same transition method used to adopt ASC2009-13 Revenue recognition under multiple-deliverable arrangements. Makita does not expect the adoption of ASC2009-14 will have a material impact on its consolidated results of operations and financial condition.

**B. Liquidity and capital resources**

Makita supports its business activities by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet. Makita's main business is the manufacturing and sale of power tools, gardening equipment and related accessories. To support this business worldwide, Makita provides capital resources to its subsidiaries mainly through the use of intercompany loans. Makita meets its operating capital requirements primarily through cash generated by operations and bank loans.

Makita requires operating capital mainly to purchase materials required for production, to conduct research and development, to respond to cash flow fluctuations related to changes in inventory levels and to cover the payment lag related to receivables from wholesalers.

Makita further requires funds for capital expenditures, mainly to expand production facilities and purchase metal molds. Makita also requires funds to pay dividends and to repurchase its own stock.



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### **FY2011**

#### **Cash Flows**

Net cash provided by operating activities decreased by ¥ 37,509 million from ¥ 57,126 million in FY2010 to ¥ 19,617 million in FY2011, mainly due to the increase of purchases of parts and raw material as a result of the production increase.

Primary factors that affected such result include the following:

Cash flow increasing factors:

Cash collected from customers increased ¥21,810 million due to the sales increase.

Cash flow decreasing factors:

Cash outflow increased ¥59,319 million due to the increased purchases and inventories as a result of production increase.

Net cash used in investing activities increased by ¥ 1,666 million from ¥ 17,668 million in FY2010 to ¥ 19,334 million in FY2011, primarily as a result of the following:

Cash flow increasing factors:

¥1,095 million decrease due to lower capital expenditures compared with FY2010 including expenditures for the construction of new sales offices in Germany and Switzerland, and machinery investment of the Makita China Plant.

¥971 million decrease due to lower purchases of available-for-sale securities and held-to-maturity securities

Cash flow decreasing factors:

¥3,899 million increase of a purchase of time deposits

¥361 million decrease due to a decrease in proceeds from sales and maturities of securities

Net cash used in financing activities decreased by ¥ 1,759 million from ¥ 9,114 million in FY2010 to ¥ 7,355 million in FY2011 primarily as a result of the following:

¥ 1,792 million decrease due to reduced amount of cash dividends paid

Accounting for all these activities and the effect of exchange rate fluctuations, Makita's cash and cash equivalents decreased by ¥10,457 million from ¥ 62,290 million as of the end of FY2010 to ¥ 51,833 million as of the end of FY2011.

In FY2011, funding source requirements increased due to a production increase in the wake of the recovery of the global power tools demand, resulting in a year-over-year decrease of ¥ 10,457 million in the cash balance as of March 31, 2011.

Inventory balances increased compared with the previous fiscal year because sales subsidiaries increased inventories and production sites raised their production volumes to cope with the recovery of the global power tools demand.

Capital expenditures are expected to be higher in FY2012 compared to FY2011 such as the Company's purchase of dies/molds, construction of Nisshin R&D center and the construction of Thai plant.

#### **Capital Expenditures**

Makita has continued to allocate sizable amounts of funds for capital expenditures, which it believes is crucial for sustaining long-term growth.

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As the competition in the market has intensified recently, Makita has implemented capital investments mainly in extensions of overseas plants and production of dies/molds for new products, as well as capital investments in sales companies in order to further improve their customer service.

The amount of its capital expenditures for FY2009, 2010 and 2011 were ¥ 17,046 million, ¥ 10,837 million and ¥ 9,742 million, respectively.

Capital expenditures in FY2011 were primarily used for the purchase of metal molds in Japan, the construction of new sales offices in Germany and Switzerland, and machinery investment of the Makita China Plant.

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Capital investments of the Company amounted to approximately ¥ 2,354 million, while capital investment of overseas subsidiaries amounted to approximately ¥ 7,388 million. All of Makita's capital expenditures in FY2011 were funded through internally generated funds.

Under its investment plans for FY2012, Makita is scheduled to make capital investments totaling ¥ 17.0 billion, which is 75% higher than for FY2011. Of this total, the Company plans to make direct investments of ¥ 6.5 billion and its consolidated subsidiaries will invest ¥ 10.5 billion.

The Company's main capital investment plan is to build Nisshin R&D center in Aichi prefecture and to purchase dies/molds, and main facilities investments by consolidated subsidiaries include the facility expansion of the China Plant and construction of Thai plant. The projected capital expenditure in FY2012 is planned to be funded by internally generated funds.

### **Financial Position**

Makita's principal sources of liquidity are cash on hand, cash provided by operating activities and borrowings within credit lines.

As of March 31, 2011, Makita held cash and cash equivalents amounting to ¥ 51,833 million and the Company's subsidiaries had credit lines up to ¥ 14,926 million, of which ¥ 338 million was used and ¥ 14,588 million was unused and available.

As of March 31, 2011, Makita had ¥ 868 million in short-term borrowing, which included bank borrowings and the current portion of capital lease obligations. Short-term borrowing was used for daily operations at the subsidiaries.

The amount excluding current maturities of long-term indebtedness was ¥ 19 million. For further information regarding Makita's short-term borrowings, including the average interest rates, see Note 11 to the accompanying consolidated financial statements.

The Company's subsidiaries are financed by loans within the Makita Group from subsidiaries with surplus funds to subsidiaries that lack funds and the variation in interest expense is insignificant.

As of March 31, 2011, Makita's total short-term borrowings and long-term indebtedness amounted to ¥ 887 million, representing a decrease of ¥ 42 million from ¥ 929 million reported for FY2010. Makita's ratio of indebtedness to shareholders' equity remained unchanged at 0.3%.

Makita expects to continue to incur additional indebtedness from time to time as required to finance working capital needs. Makita has no potentially significant refinancing requirements in FY2012 and thereafter.

Makita has historically maintained a high level of liquid assets. Management estimates that the cash and cash equivalents level of ¥ 51,833 million as of March 31, 2011, together with Makita's available credit facilities, cash flow from operations and funds available from long-term and short-term debt financing, will be sufficient to satisfy its future working capital needs, capital expenditure and research and development through FY2012 and thereafter. In the opinion of management, the working capital is sufficient for Makita's present requirements.

Please see "Fiscal Year 2011 Capital Expenditures" below for a description of Makita's principal capital expenditures for FY2011 and the main planned expenditures for FY2012.

As part of the Company's policy to maximize shareholder return, the Company distributed to its shareholders an interim dividend of ¥ 15 per share in November 2010. At the Ordinary General Meeting of Shareholders held in June 2011, the Company's shareholders approved a cash dividend of ¥ 51 per share. The total cash dividend payments amount to ¥ 7,026 million, and were made in June 2011.

Makita believes it will continue to be able to access the capital markets on terms and for amounts that will be satisfactory to it and as necessary to support the business and to engage in hedging transactions on commercially acceptable terms.

While Makita had received an A+ rating from Standard & Poor's Financial Services LLC through the end of FY2008, starting FY2009, Makita no longer requests ratings from rating agencies in consideration of its cost reduction efforts. Makita believes that because its financial health is ensured by a high equity ratio, there is little need for financing through bank borrowings or corporate bonds issuances.

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### **FY2010**

#### **Cash Flows**

Net cash provided by operating activities increased by ¥ 34,948 million from ¥ 22,178 million in FY2009 to ¥ 57,126 million in FY2010, mainly due to the decrease of inventories adjusting to current sales volume.

Primary factors that affected such result include the following:

Cash flow increasing factors:

Cash inflow increased ¥ 92,743 million due to decreased purchases as a result of reduced production, decreased inventories, and the effect of cost reduction efforts.

Cash flow decreasing factors:

Cash collected from customers decreased ¥ 57,795 million due to the sales decrease.

Net cash used in investing activities was ¥ 17,668 million in FY2010 as opposed to net cash provided by investment activities in the amount of ¥ 232 million in FY2009 primarily as a result of the following:

¥ 6,143 million increase due to higher purchases of available-for-sale securities and held-to-maturity securities

¥ 15,593 million decrease due to a decrease in proceeds from sales and maturities of securities

¥ 2,815 million decrease due to proceeds from maturity of time deposits

¥ 6,209 million decrease due to lower capital expenditures compared with FY2009 including expenditures for the partial renovation of the Okazaki Plant in Japan, the reconstruction of sales offices and warehouse in Germany, the Netherlands, Poland and Switzerland, relocation of Nagoya branch office in Japan, the extension of the Makita China Plant and the Dubai warehouse of Makita Gulf.

Net cash used in financing activities decreased by ¥ 24,065 million from ¥ 33,179 million in FY2009 to ¥ 9,114 million in FY2010 primarily as a result of the following:

¥ 17,630 million decrease reflecting almost no acquisition of treasury shares during FY2010

¥ 4,900 million decrease due to reduced amount of cash dividends paid

Accounting for all these activities and the effect of exchange rate fluctuations, Makita's cash and cash equivalents increased by ¥ 28,075 million from ¥ 34,215 million as of the end of FY2009 to ¥ 62,290 million as of the end of FY2010.

In FY2010, funding source requirements decreased due to a decrease in inventories, almost no acquisition of treasury shares, decrease of capital expenditures and dividend payments, resulting in a year-over-year increase of ¥ 28,075 million in the cash balance as of March 31, 2010.

Both inventory values and turnover period decreased compared with the previous fiscal year because sales subsidiaries minimized inventories and production sites adjusted the production volumes to cope with the sharp sales decreases caused by the simultaneous global recession.

#### **Capital Expenditures**

Makita has continued to allocate sizable amounts of funds for capital expenditures, which it believes is crucial for sustaining long-term growth.

As the competition in the market has intensified recently, Makita has implemented capital investments mainly in extensions of overseas plants and production of dies/molds for new products, as well as capital investments in sales companies in order to further improve their customer service.

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Capital expenditures in FY2010 were primarily used for the partial renovation of the Okazaki Plant in Japan, reconstruction of office buildings and warehouse of sales companies in Europe (Germany, the Netherlands, Poland and Switzerland), relocation and construction of Nagoya branch office in Japan, extension of the Makita China Plant and the Dubai warehouse of Makita Gulf.

Capital investments of Makita amounted to approximately ¥ 3,677 million, while capital investment of overseas subsidiaries amounted to approximately ¥ 7,160 million. All of Makita's capital expenditures in FY2010 were funded through internal sources.



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### **C. Research and development, patents and licenses, etc.**

Approximately 773 of Makita's employees are engaged in research and development of technologies in which Makita has a competitive edge and the development of new products.

Makita regards R&D as a high priority and believes that having a strong capability in R&D is crucial to its continuing development of high-quality, reliable products that meet users' needs.

In FY2011, Makita allocated ¥ 7,283 million to R&D, an increase of 7.4% compared with FY2010. In FY2010, Makita allocated ¥ 6,782 million to R&D, a decrease of 1.5% compared to FY2009. The ratio of R&D expenses to net sales was approximately 2.7% in FY2011, 2.8% in FY2010 and 2.3% in FY2009, respectively.

Makita is placing greater emphasis on designing power tools that are smaller and lighter, that feature electronic controls and that have internal power sources allowing for cordless operation. Makita has developed the Optimum Charging System, a battery recharging system which employs digital communication functions between the recharger and the battery to provide information on the status of the battery's charge, and automatically selects the most appropriate recharging mode. This system enables batteries to last longer. In particular, for lithium ion batteries, the total operable hours of use has been doubled compared to the conventional batteries. Makita also developed an original battery verification system that can be connected to personal computers. Through the use of this system, customers and users can check the status of the battery's charge and the history of the battery's usage.

Makita is also placing more emphasis on developing safe products with reduced dust emissions that feature low noise, level and low vibration. Makita developed power tools featuring an AVT mechanism that meet operating environment related regulations, which have increasingly become stringent, especially in Europe. These power tools have been highly acclaimed by commercial users. Makita also focuses on designing recyclable products that are environmentally-friendly.

Makita also strives to reduce the development time for new products in order to effectively meet the needs of users.

In addition, Makita has been focusing on developing models that use generic parts, as well as consolidating the variety of products to reduce cost. Makita established a R&D division at Makita China Plant where local personnel are hired to accelerate the development of general-purpose products.

### **D. Trend information**

Makita is expected to continue to face a challenging business environment in FY 2012 and expects a modest growth in sales and income. Raw material prices and the foreign exchange market remain unpredictable. Overall, the recovery of demand in developed countries is expected to remain modest and competition is expected to intensify. In particular, Makita expects that the power tools market in Japan, the United States, Western Europe and other developed countries will not grow significantly. In Japan, it is difficult to predict how the demand for power tools will be affected in the wake of the Great East Japan Earthquake. While a certain new demand is expected to arise from reconstruction needs, the shortage of building materials will continue for the time being, and may dampen that the demand for power tools. Overall, Makita does not expect the Great East Japan Earthquake to have any material impact on its FY2012 sales and income. In Europe, while the economic downturn will persist in southern countries, a general decline is not expected. In the United States, there are concerns about severe price competition, a weak dollar and increase in raw material prices.

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In emerging countries in Asia and other regions, the growth of the construction demand for houses and other building structures is expected to continue; however, market demand is predicted to favor lower-priced power tools. Since many emerging countries have potential for increased demand, strong business growth is expected in these countries despite continuing uncertainties about the foreign exchange market. In Asia, demand is expected to rise in China and India where the economy is expected to potentially grow and capital investments is also expected to increase in neighboring Asian countries. In Central and South America, steady demand is expected mainly in Brazil. In Oceania, the exchange rate of the Australian dollar and real recovery of the export economy are important factors for business expansions. However, since the power tools market in the region is already mature, significant business expansion is unlikely. The economy in the Middle East is not expected to show rapid expansion due to uncertainties of political situation.

The expectations above is based on the assumption that in FY2012, the euro will become stronger against the yen and the U.S. dollar will not fluctuate significantly against the yen, compared with the actual rates of the previous fiscal year. If appreciation of Chinese Renmin yuan value is implemented, the production cost of Makita may increase.

One of the impacts of the global warming and climate change in which people's awareness has raised is laws and regulations established in many regions. Europe and North America are the first regions that adopt environmental laws and regulations. Makita will be required to supply products that satisfy specifications conforming to those laws and regulations. In Southeast Asia, sales of chain saws are restricted in some areas to prevent destructive lumbering of forests. End users' interest in environment-friendly ECO products has been increasing, and the market demand for ECO products is also increasing.

Moreover, cool summers, droughts and heavy snow have occurred frequently in recent years. Unseasonable weather will have impact on sales of gardening equipment. Sales of power tools may also be affected by unusual weather in a short term since weather will have effect on the work schedule on construction sites.

Under such circumstances, the Company will strive to strengthen its R&D ability and product development ability in the area of work environment/global environment-friendly power tools and gardening equipment and technical development ability in the area of compact engines. The Company will reinforce the global production system to cope with changes in the demand and reduce the production costs. The Company will also strive to strengthen marketing activities targeting professional users, make fine-tuned response to customer needs and take active measures to maintain and improve the best sales and after-sales service system in the industry.

### **E. Off-balance sheet arrangements**

Makita also has certain operating leases entered into in the ordinary course of business. See Note 15 to the accompanying consolidated financial statements.

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	Yen in millions						
	Total	Expected payment date; year ending March 31,					
2012		2013	2014	2015	2016		
Capital lease	¥49	¥30	¥14	¥4	¥1	-	-
Interest expenses on capital lease	2	1	1	-	-	-	-
Operating Lease	2,918	805	616	507	354	276	360
Unsecured loans from bank	500	500	-	-	-	-	-
Interest expenses on loans from bank	8	8	-	-	-	-	-
Contributions to defined benefit plan	2,482	2,482	-	-	-	-	-
Purchase obligation	9,007	8,995	3	3	3	3	-
<b>Total</b>	<b>¥14,966</b>	<b>¥12,821</b>	<b>¥634</b>	<b>¥514</b>	<b>¥358</b>	<b>¥279</b>	<b>¥360</b>

Note: 1. Determination of contributions to defined benefit plan after FY2012 is not practicable.  
 2. The notional amount of derivative financial instruments that are expected to settle in FY2012 is ¥22,836 million and their estimated fair value is ¥(388) million at March 31, 2011.  
 Please see note 17, 18, 19 to the consolidated financial statements for further information.

**G. Safe harbor**

All information is not historical in nature disclosed under Item 5.

Forecasts of operating and financial results and statements of trend information and contractual obligations are forward-looking statements. See Cautionary Statement with Respect to Forward-Looking Statements for additional information.

**Item 6. Directors, Senior Management and Employees****A. Directors and senior management**

The Company introduced a corporate officer system in order to promote and strengthen prompt execution of Makita's business affairs.

The Directors and Statutory Auditors of the Company as of June 30, 2011 are as follows:

Masahiko Goto	
Current Position	President, Representative Director and Chief Executive Officer since May 1989
Date of Birth	November 16, 1946
Director since	May 1984
Business Experience	May 1984 Director, General Manager of General Planning Department July 1987 Managing Director of Administration Headquarters

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**Yasuhiko Kanzaki**

Current Position Director, Managing Corporate Officer, in charge of International Sales and General Manager of International Sales Headquarters: Europe, Middle East and Africa Region since June 2009

Date of Birth July 9, 1946

Director since June 1999

Business Experience April 1995 Director of Makita International Europe Ltd.  
 June 1999 Director, Assistant General Manager of International Sales Headquarters 1  
 June 2003 Director, General Manager of International Sales Headquarters (Europe region)  
 June 2007 Managing Director, General Manager of International Sales Headquarters (Europe region)

**Tadayoshi Torii**

Current Position Director, Managing Corporate Officer, in charge of Production and General Manager of Production Headquarters since June 2009

Date of Birth December 10, 1946

Director since June 2001

Business Experience October 1998 General Manager of Production Department  
 June 2001 Director, General Manager of Quality Control Headquarters  
 June 2003 Director, General Manager of Production Headquarters

**Shiro Hori**

Current Position Director, Managing Corporate Officer, in charge of International Sales and General Manager of International Sales Headquarters: America, Asia and Oceania Region since June 2009

Date of Birth February 24, 1948

Director since June 2003

Business Experience March 1999 General Manager of Europe Sales Department  
 June 2003 Director, General Manager of International Sales Headquarters: America Area and International Administration  
 September 2007 Director, General Manager of Overseas Sales Headquarters (America, Asia and Oceania Area, and International Administration)

**Tomoyasu Kato**

Current Position Director, Corporate Officer, General Manager of Research and Development Headquarters since October 2010

Date of Birth March 25, 1948

Director since June 2001

Business Experience March 1999 General Manager of Technical Administration Department  
 June 2001 Director, General Manager of Research and Development Headquarters  
 June 2009 Director, Corporate Officer, General Manager of Research and Development Headquarters in charge of Research and Development

**Table of Contents****Tadashi Asanuma**

Current Position Director, Corporate Officer, in charge of Domestic Sales and General Manager of Domestic Sales Marketing Headquarters since April 2010

Date of Birth January 4, 1949

Director since June 2003

Business Experience April 1995 Manager of Saitama Branch Office  
 April 2001 General Manager of Osaka Sales Department  
 June 2003 Director, Assistant General Manager of Domestic Sales Marketing Headquarters  
 June 2007 Director, General Manager of Domestic Sales Marketing Headquarters (Tokyo Sales Department)  
 June 2009 Director, Corporate Officer, in charge of Domestic Sales and General Manager of Domestic Sales Marketing Headquarters (Nagoya Sales Department)

**Hisayoshi Niwa**

Current Position Director, Corporate Officer, General Manager of Quality Headquarters since June 2009

Date of Birth February 24, 1949

Director since June 2003

Business Experience October 1991 General Manager of Information System Center  
 October 1999 General Manager of Production Control Department  
 June 2003 Director, General Manager of Quality Control Headquarters  
 April 2005 Director, General Manager of Quality Headquarters

**Shinichiro Tomita**

Current Position Director, Corporate Officer, General Manager of Purchasing Headquarters since May 2010

Date of Birth January 11, 1951

Director since June 2007

Business Experience October 2001 General Manager of Production Engineering Department  
 September 2003 President of Makita (China) Co., Ltd.  
 June 2007 Director, Assistant General Manager of Production Headquarters in charge of China Plant  
 June 2009 Director, Corporate Officer, General Manager of Research and Development Headquarters in charge of Product Development

**Tetsuhisa Kaneko**

Current Position Director, Corporate Officer, General Manager of Production Headquarters in charge of China Plant since May 2010

Date of Birth April 6, 1955

Director since June 2007

Business Experience April 2004 General Manager of Technical Research Department  
 August 2005 General Manager of 2nd Production Department  
 October 2006 General Manager of 1st Production Department  
 June 2007 Director, General Manager of Purchasing Headquarters  
 June 2009 Director, Corporate Officer, General Manager of Purchasing Headquarters

**Table of Contents****Yoji Aoki**

Current Position	Director, Chief Financial Officer, Corporate Officer and General Manager of Administration Headquarters since June 2009
Date of Birth	May 22, 1950
Director since	June 2009
Business Experience	July 2001      General Manager of Personnel Department July 2004      General Manager of General Administration Department

**Motohiko Yokoyama**

Current Position	Outside Director since June 2005
Date of Birth	May 13, 1944
Director since	June 2005
Business Experience	June 2004      President and Representative Director of Toyoda Machine Works, Ltd. January 2006    Vice President and Representative Director of JTEKT Corporation, which is the entity created by the merger of Toyoda Machine Works, Ltd. with Koyo Seiko Co., Ltd. June 2007      President and Representative Director of JTEKT Corporation June 2010      Vice Chairman of JTEKT Corporation May 2011      Chairman of Japan Machine Tool Builders Association June 2011      Chairman of JTEKT Corporation

**Toshihito Yamazoe**

Current Position	Standing Statutory Auditor since June 2008
Date of Birth	October 16, 1949
Director since	June 2008
Business Experience	April 1999      Assistant General Manager of Asia and Oceania Sales Department August 2000    President of Makita (China) Co., Ltd. April 2006      General Manager of Europe Sales Department

**Haruhito Hisatsune**

Current Position	Outside Standing Statutory Auditor since June 2008
Date of Birth	February 7, 1947
Statutory Auditor since	June 2008
Business Experience	May 1990      Manager of Government Securities Service Section of Operation Department of the Bank of Japan May 1991      Officer of Examination Department of the Bank of Japan April 1997      General Manager of Overseas Section of the Hekikai Shinkin Bank August 2003    Management Director and Corporate Officer, Director of Business Center of the Hekikai Shinkin Bank

**Masafumi Nakamura**

Current Position	Outside Statutory Auditor since June 2007
Date of Birth	September 17, 1942
Statutory Auditor since	June 2007
Business Experience	May 1983      Representative partner of SAN-AI Audit Corporation April 2001      Representative partner of Tohmatsu & Co. January 2006    Representative partner of Masafumi Nakamura Accountancy Firm June 2006      Outside Statutory Auditor for SUZUKEN CO., LTD June 2007      Outside Statutory Auditor for Taiyo Kagaku Co., Ltd. November 2008    Outside Statutory Auditor for Shinwa Co., Ltd. April 2009      Professor in Graduate School of Business at Aichi Shukutoku University

**Table of Contents**Michiyuki Kondo

Current Position	Outside Statutory Auditor since June 2008
	(Attorney-at-law, Kondo Michiyuki Law Firm)
Date of Birth	October 23, 1944
Statutory Auditor since	June 2008
Business Experience	April 1971 Attorney-at-law, Takasu Hiroo Law Firm
	May 1977 Established Kondo Michiyuki Law Firm
	May 2005 Outside Statutory Auditor for ELMO Co., Ltd.
	April 2010 Outside Statutory Auditor for TECNO HORIZON HOLDINGS CO., LTD

The term of each director listed above expires in June 2013. The terms of Mr. Toshihito Yamazoe as Statutory Auditor and of Mr. Haruhito Hisatsune and Michiyuki Kondo as Outside Statutory Auditor expire in June 2012. There are no family relationships between any of the individuals named above. There is no arrangement or understanding with major shareholders, customers, suppliers, or others pursuant to which any person named above.

**B. Compensation**

The aggregate amount of remuneration, including bonuses but excluding retirement allowances, paid by the Company during FY2011 to all Directors, who served during FY2011 totaled ¥269 million. The aggregate amount of remuneration, including bonuses but excluding retirement allowances, paid by the Company during FY2011 to all Statutory Auditors, who served during FY2011 totaled ¥41 million.

The aggregate amount of remuneration, including bonuses but excluding retirement allowances, paid by the Company during FY2010 to all Directors, who served during FY2010 totaled ¥231 million. The aggregate amount of remuneration, including bonuses but excluding retirement allowances, paid by the Company during FY2010 to all Statutory Auditors, who served during FY2010 totaled ¥41 million.

Some of the fringe benefits provided by the Company to its employees in Japan, such as medical and dental service insurance and welfare pension insurance were also made available to Directors and Standing Statutory Auditors. The Company had an unfunded retirement and termination allowances program for Directors and Statutory Auditors. Under such program, the aggregate amount set aside as retirement allowances for Directors and Statutory Auditors was ¥384 million as of March 31, 2010 and was ¥384 million as of March 31, 2011. However, this Executive retirement and termination allowances program was abolished by the Ordinary General Meeting of Shareholders held on June 29, 2006, because the program featured minimal correlation with the Company's results while presenting strong seniority-based elements. With regard to retirement and termination allowances accrued through that day, the retirement allowance will be paid to eligible executives upon their retirement.

Beginning in July 2006, the Company introduced a new remuneration program which links the Directors' compensation to Makita's stock prices. Under this remuneration program, a portion or all of the directors' monthly compensation representing their retirement allowance will be contributed to the Executive Stock Ownership Plan, which in turn will acquire the Company's stock. The acquired stock will be retained for the duration of the Director's tenure. The purpose of this system is to effectively link a portion of the Directors' remuneration to the stock price, and thereby provide further transparency of directors' managerial responsibility with respect to improving the Company's value.

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### **C. Board practices**

Makita regards the management checking function as an important means of providing for transparent management, strengthening the functions of the Board of Directors and the Board of Corporate Auditors and improving corporate governance.

Makita also strives to provide for effective corporate governance and fair and transparent management by disclosing information proactively and timely via various channels including an Internet website dedicated to disclosure of financial information.

Under the Company Act, the Company has elected to structure its corporate governance system as a company with a board of statutory auditors as set out below.

The Company's Articles of Incorporation provide for 15 or fewer Directors and 5 or fewer Statutory Auditors. All Directors and Statutory Auditors are elected at general meetings of shareholders. In general, the term of offices of Directors expires at the conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within two years from their election, and in the case of Statutory Auditors, within four years from their election; however, Directors and Statutory Auditors may serve any number of consecutive terms.

With respect to each expiration date of the term of offices of current Directors and Statutory Auditors, see A. Directors and senior management of Item 6.A.

The Board of Directors assumes final responsibility for the business operations of the Company. The Board has responsibility over material matters related the business management of the Company, in addition to basic business management policies and matters assigned to it by law.

The Board of Directors may elect from among its members a Chairman and Director, one or more Vice Chairmen and Directors, a President and Director, one or more Executive Vice Presidents and Directors, Senior Managing Directors and Managing Directors. From among the Directors referred to above, the Board of Directors elects one or more Representative Directors. Each Representative Director has the authority to individually represent the Company in the conduct of the affairs of the Company.

Makita has appointed executive officers in order to ensure quick implementation of group strategies and strengthen the operational organization.

As Makita expands its business globally, this system will allow Makita to improve its corporate value by implementing flexible and efficient business operations in rapidly changing business environments.

Since the Ordinary General Meeting of Shareholders on June 28, 2011, the Board of Directors of the Company has been comprised of eleven directors, including one independent outside director. At a June 28, 2011 meeting of the Board of Directors, 15 executive officers were appointed, ten of whom concurrently serve as directors.

Pursuant to the Articles of Incorporation of the Company, the number of Directors must be 15 or less.

The Company has established a Board of Corporate Auditors. The Board of Corporate Auditors is comprised of four corporate auditors, including three independent outside corporate auditors who are not and have not been employed by the Company. Two of these outside corporate auditors are part-time.

The two full-time corporate auditors audit directors' execution of duties on a continual basis. Of the four corporate auditors, two have considerable knowledge and expertise in financial and accounting matters.

The Board of Corporate Auditors provides audit and status reports, as necessary, to the independent accounting firm responsible for auditing the Company.



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The Statutory Auditors of the Company are not required to be certified public accountants. However, at least half of the Statutory Auditors are required to be persons who have never been in the past a director, accounting counselor, corporate executive officer, general manager or any other employee of the Company or any of its subsidiaries.

The Statutory Auditors may not, while acting as such, be a director, accounting counselor, corporate executive officer, general manager or any other employee of the Company or any of its subsidiaries.

Each Statutory Auditor has the statutory duty to supervise the administration by the Directors of the Company's affairs and also to examine the Company's annual consolidated and non-consolidated financial statements and business report proposed to be submitted by a Representative Director at the general meeting of shareholders and, based on such examination and a report of an Accounting Auditor referred to below, to individually prepare their audit reports. They are required to attend meetings of the Board of Directors but are not entitled to vote.

In addition to Statutory Auditors, independent certified public accountants or an audit corporation must be appointed by a general meeting of shareholders as Accounting Auditors.

Such Accounting Auditors have, as their primary statutory duties, a duty to examine the Company's annual consolidated and non-consolidated financial statements proposed to be submitted by a Representative Director to general meetings of shareholders and to report their opinion thereon to certain Statutory Auditors designated by the Board of Statutory Auditors to receive such report (if such Statutory Auditors are not designated, all Statutory Auditors) and the Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements).

The Board of Statutory Auditors has a statutory duty to, based upon the reports prepared by respective Statutory Auditors, prepare its audit report and Statutory Auditors designated by the Board of Statutory Auditors to submit such report (if such Statutory Auditors are not designated, all Statutory Auditors) submit such report to the Accounting Auditors and Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements and the business report). A Statutory Auditor may note his or her opinion in the audit report of the Board of Statutory Auditors if his or her opinion expressed in his or her audit report is different from the opinion expressed in the audit report of the Board of Statutory Auditors. The Board of Statutory Auditors shall elect one or more full-time Statutory Auditors from among its members.

The Board of Statutory Auditors is empowered to establish audit principles, the method of examination by Statutory Auditors of the Company's affairs and financial position, and other matters concerning the performance of the Statutory Auditors' duties. For names of the Statutory Auditors that constitute the current Board of Statutory Auditors, see Item 6. A.

Consolidated financial statements created by the Company are audited by KPMG AZSA LLC, a KPMG member firm.

No relationship or transaction that is required to be noted under the Certified Public Accountants Act exists between the Company and the accounting firm or any of its partners.

The Company consults with legal counsel regarding matters requiring judgment from a legal perspective in order to ensure compliance with applicable laws.

There are no contractual arrangements providing for benefits to Directors upon termination of service. Also see B. Memorandum and articles of association Directors in Item 10.

**D. Employees**

The following table sets forth information about the number of Makita's employees excluding temporary employees:

Employees by Geographic Areas	As of March 31,		
	2009	2010	2011
Japan	3,171	3,146	3,135
Europe	2,381	2,347	2,718
North America	912	848	835

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Asia	3,203	3,230	4,413
Other regions	745	757	953
Total	10,412	10,328	12,054

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As of March 31, 2011, Makita had 12,054 regular full-time employees and 4,263 temporary employees who were not entitled to retirement or certain other fringe benefits which regular full-time employees receive.

The Company has a labor contract with the Makita Workers Union covering wages and conditions of employment. All full-time employees of the Company in Japan, except management and certain other employees, must be union members. The Makita Union is affiliated with the Japanese Electrical Electronic & Information Union. The Company has not been materially affected by any work stoppages or difficulties in connection with labor negotiations in the past.

As of March 31, 2011, there are 2,634 members of the labor union and Makita considers its relationship with the labor union to be good.

**E. Share ownership**

The total number of shares of the Company's common stock owned by the Directors and Statutory Auditors as a group as of March 31, 2011 is as follows:

Identity of person or group	Number of shares owned	Percentage of outstanding shares
Directors and Statutory Auditors	2,105,406	1.53%

The following table lists the number of shares owned by the Directors and Statutory Auditors of the Company as of March 31, 2011.

Name	Position as of March 31, 2010	Number of shares
Masahiko Goto	CEO & President, Representative Director	1,992,231
Yasuhiko Kanzaki	Director and Managing Corporate Officer	24,717
Tadayoshi Torii	Director and Managing Corporate Officer	17,833
Shiro Hori	Director and Managing Corporate Officer	14,533
Tomoyasu Kato	Director and Corporate Officer	15,622
Tadashi Asanuma	Director and Corporate Officer	7,814
Hisayoshi Niwa	Director and Corporate Officer	9,014
Shinichiro Tomita	Director and Corporate Officer	5,041
Tetsuhisa Kaneko	Director and Corporate Officer	7,641
Yoji Aoki	CFO & Director and Corporate Officer	4,178
Motohiko Yokoyama	Outside Director	0
Toshihito Yamazoe	Standing Statutory Auditor	5,527
Haruhito Hisatsune	Standing Statutory Auditor	0
Masafumi Nakamura	Outside Statutory Auditor	0
Michiyuki Kondo	Outside Statutory Auditor	1,255

**Table of Contents****Item 7. Major Shareholders and Related Party Transactions****A. Major shareholders**

Except for Masahiko Goto, who holds 1.45% of total number of shares of outstanding common stock with voting rights, excluding treasury stock, as of March 31, 2011, none of the Company's Directors and Statutory Auditors own more than one percent of the Company's common stock. Beneficial ownership of the Company's common stock in the table below was prepared from publicly available records of the filings made by the Company's shareholders regarding their ownership of the Company's common stock under the Financial Instruments and Exchange Act of Japan.

Under the Financial Instruments and Exchange Act of Japan, any person who becomes beneficially, solely or jointly, a holder, including, but not limited to, a deemed holder who manages shares for another holder pursuant to a discretionary investment agreement, of more than 5% of the shares with voting rights of a company listed on a Japanese stock exchange (including ADSs representing such shares), must file a report concerning the shareholding with the Director of the relevant local finance bureau. A similar report must be filed, with certain exceptions, if the percentage of shares held by a holder, solely or jointly, of more than 5% of the total issued shares of a company increases or decreases by 1% or more, or if any change to a material matter set forth in any previously filed reports occurs.

Based on publicly available information, the following table sets forth the beneficial ownership of holders of more than 5% of the Company's common stock as of March 31, 2011, indicated in the reports described below.

Name of beneficial owner	Number of shares	Percentage
Master Trust Bank of Japan, Ltd. (Trust account)	8,762,000	6.26%

Note: The Company understands that Master Trust Bank of Japan, Ltd. is not a beneficial owner of the Company's common stock. The Company does not know the identity of the beneficiaries of these trust accounts.

Based on information made publicly available, the following table describes transactions resulting in a 1% or more change in the percentage ownership held by major beneficial owners of the Company's common stock in the last three years.

Name of shareholder	Date of transaction	Shares owned prior to transaction	%	Number of shares changed	Shares owned after transaction	%
Mitsubishi UFJ Financial Group	April 14, 2008	8,544,423	5.93	1,478,577	10,023,000	6.97
Mitsubishi UFJ Financial Group	June 30, 2008	10,023,000	6.97	1,462,523	11,485,523	7.98
Mitsubishi UFJ Financial Group	October 27, 2008	11,485,523	7.98	(1,446,434)	10,039,089	6.97
Nomura Asset Management	March 13, 2009	7,528,400	5.23	(1,677,600)	5,850,800	4.18
Nomura Asset Management	October 15, 2009	7,218,000	5.16	(1,652,200)	5,565,800	3.98
Fidelity Investments	February 15, 2011	7,334,770	5.24	(1,462,700)	5,872,070	4.19

As of March 31, 2011, the Company had 137,757,699 outstanding shares of common stock, excluding 2,251,061 shares of Treasury Stock. According to the Bank of New York Mellon, depository for the Company's ADSs, as of March 31, 2011, 4,084,847 shares of the Company's common stock were held in the form of American Depositary Receipts (ADRs) and there were 79 ADR holders of record in the United States. According to the Company's register of shareholders and register of beneficial owners as of March 31, 2011, there were 13,833 holders of common stock of record worldwide and the number of record holders in the United States was 120.

The major shareholders do not have voting rights that are different to the other shareholders of the Company.

To the knowledge of the Company, there is no arrangement, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by any other corporation or by the Japanese or any foreign government.



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**B. Related party transactions**

Makita sells and purchases products, materials, supplies and services to and from affiliated companies in the ordinary course of business. No Director or Statutory Auditor has been indebted to the Company or any of its subsidiaries at any time during the latest three fiscal years. Neither the Company nor any of its subsidiaries expects to make any loans to Directors or Statutory Auditors in the future.

The Company recorded advertisement expenses of ¥ 2 million in FY2010 and ¥2 million in FY2011, respectively, paid to Maruwa Co., Ltd., a Japanese corporation in which the Company's President, Masahiko Goto, and his relatives hold a majority of the voting rights. The Company recorded purchases of materials and production facilities amounting to ¥28 million in FY2010 and ¥53 million in FY2011 as a result of business transactions with Toa Co., Ltd., a Japanese corporation in which the Company's President, Masahiko Goto, and his relatives hold a majority of the voting rights. In addition, in connection with such transactions, the Company recorded trade accounts payable of ¥2 million and ¥ 11 million, as of March 31, 2010 and March 31, 2011, respectively.

Makita recorded purchases of materials and machinery and facilities amounting to ¥ 311 million in FY2010 and ¥ 470 million in FY2011 as a result of business transactions with JTEKT Group, a corporation in which Motohiko Yokoyama, an Outside Director of the Company, serves as the Chairman and Representative Director. In connection with such transactions, Makita recorded trade accounts payable of ¥ 24 million and ¥ 57 million as of March 31, 2010 and March 31, 2011, respectively.

**C. Interests of experts and counsel**

Not applicable

**Item 8. Financial Information**

**A. Consolidated statements and other financial information**

**1-3. Consolidated Financial Statements**

Makita's audited consolidated financial statements are included under Item 18 Financial Statements. Except for Makita's consolidated financial statements included under Item 18, no other information included in this annual report has been audited by Makita's Independent Registered Public Accounting Firm.

4. Not applicable

5. Not applicable

6. Export Sales

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## 7. Legal or arbitration proceedings

There are no material pending legal or arbitration proceedings to which Makita is a party and which may have significant effects on Makita's financial position or profitability.

## 8. Dividend Policy

Makita's basic policy on the distribution of profits is to maintain a dividend payout ratio of 30% or greater, with a lower limit on annual cash dividends of 18 Japanese yen per share. However, in the event special circumstances arise, computation of the amount of dividends will be based on consolidated net income after certain adjustments. In addition, Makita aims to implement a flexible capital policy, augment the efficiency of its capital employment, and thereby boost shareholder profit. Makita continues to consider repurchases of its outstanding shares in light of trends in stock prices. The Company intends to retire treasury stock when necessary based on consideration of the balance of treasury stock and its capital policy. Makita intends to maintain a financial position strong enough to withstand the challenges associated with changes in its operating environment and other changes and allocate funds for strategic investments aimed at expanding its global operations.

According to this basic policy, the Company paid interim cash dividends in FY2011 of ¥ 15 per share and ADS. The Company has declared a year-end cash dividend of ¥ 51 per share and ADS, which was approved by the shareholders' meeting held on June 28, 2011.

The following table sets forth cash dividends per share of common stock declared in Japanese yen and as translated into U.S. dollars, the U.S. dollar amounts being based on the exchange rates at the respective payment date, using 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:

Fiscal year ended March 31,	Yen		U.S. Dollars	
	Interim	Year-end	Interim	Year-end
2007	19	55	0.16	0.47
2008	30	67	0.30	0.67
2009	30	50	0.31	0.53
2010	15	37	0.17	0.41
2011	15	51	0.18	0.61

Note: Cash dividends in U.S. dollars are based on the exchange rates on the respective payment date, using 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.

**B. Significant changes**

To Makita's knowledge, except as disclosed in this annual report, no significant change has occurred since the date of the annual financial statements.

**Table of Contents****Item 9. The Offer and Listing****A. Offer and listing details**

The shares of common stock of the Company were listed on the First Section of the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange in 1970. The Company decided to discontinue its listing on the Osaka Securities Exchange due to the low level of trading volume in its shares on that exchange, and it was delisted from that exchange at the end of February 2003. The shares of common stock of the Company were listed on the Amsterdam Stock Exchange (Euronext Amsterdam) in 1973, initially in the form of Continental Depository Receipts. The Company decided to discontinue its listing on the Euronext Amsterdam Stock Exchange due to the extremely low level of trading volume in its shares on that exchange, and it was delisted from that exchange at the end of January 2005.

The Company's American Depositary Shares, each representing one share (prior to April 1, 1991, five shares) of common stock and evidenced by ADRs, have been quoted since 1977 through the National Association of Securities Dealers Automated Quotation (currently NASDAQ Stock Market LLC, NASDAQ ) System under MKTAY .

The following table shows the high and low sales prices of the Common Stock on the Tokyo Stock Exchange for the periods indicated and the reported high and low bid prices of ADS through the NASDAQ system.

Fiscal year ended March 31,	Tokyo Stock Exchange price per share of Common stock Yen		NASDAQ price per American Depositary Share U.S. Dollars	
	High	Low	High	Low
2007	4,630	2,995	39.00	26.03
2008	5,920	2,885	50.60	27.28
2009	4,780	1,160	45.76	12.72
2010	3,400	1,912	39.65	21.01
2011	3,875	2,340	46.95	25.55
Quarterly				
Fiscal year 2010				
1 <sup>st</sup> quarter ended June 30, 2009	2,535	2,080	25.58	21.68
2 <sup>nd</sup> quarter ended September 30, 2009	3,060	1,912	33.87	21.01
3 <sup>rd</sup> quarter ended December 31, 2009	3,400	2,700	39.65	30.51
4 <sup>th</sup> quarter ended March 31, 2010	3,395	2,771	36.60	31.44
Fiscal year 2011				
1 <sup>st</sup> quarter ended June 30, 2010	3,265	2,375	34.69	25.55
2 <sup>nd</sup> quarter ended September 30, 2010	2,790	2,340	32.02	26.65
3 <sup>rd</sup> quarter ended December 31, 2010	3,410	2,615	41.24	31.43
4 <sup>th</sup> quarter ended March 31, 2011	3,875	2,900	46.95	37.87
Monthly				
January 2011	3,635	3,275	43.79	39.80
February 2011	3,850	3,285	46.41	39.89
March 2011	3,875	2,900	46.95	37.87
April 2011	3,930	3,640	46.82	43.39
May 2011	3,840	3,225	47.57	39.72
June 2011	3,720	3,275	46.37	40.59



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**B. Plan of distribution**

Not applicable

**C. Markets**

See Item 9.A.

**D. Selling shareholders**

Not applicable

**E. Dilution**

Not applicable

**F. Expenses of the issue**

Not applicable

**Item 10. Additional Information**

**A. Share capital**

Not applicable

**B. Memorandum and articles of association**

**Organization**

The Company is a joint stock corporation (*kabushiki kaisha*) incorporated in Japan under the Companies Act (*kaishaho*) of Japan. It is registered in the Commercial Register (*shogyo tokibo*) maintained by the Kariya Branch Office of the Nagoya Legal Affairs Bureau of the Ministry of Justice of Japan.

**Objects and purposes**

Article 2 of the Articles of Incorporation of the Company provides that the purposes of the Company are to engage in the following businesses:

Manufacture and sale of machine tools including power tools, pneumatic tools, engine-powered tools, etc., and wood-working tools;  
Manufacture and sale of electric machinery and equipment, gardening machinery and various other machinery and equipment;  
Manufacture and sale of interior furnishings and household goods and their installation work;  
Purchase, sale, lease and management of real estate;  
Operation of sporting and recreational facilities;  
Casualty insurance agency and business relating to offering of life insurance;  
Tourist business under the Travel Agency Law;  
Acquisition, assignment and licensing of industrial property rights, copyright and other intellectual property rights and provision of technical guidance;  
Investment in various kinds of business; and  
All other business incidental or relative to any of the preceding items.

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### **Directors**

Under the Companies Act, each Director has executive powers and duties to manage the affairs of the Company and each Representative Director, who is elected from among the Directors by the Board of Directors, has the statutory authority to represent the Company in all respects.

Under the Companies Act, the Directors must refrain from engaging in any business competing with the Company unless approved by the Board of Directors and any Director who has a material interest in the subject matter of a resolution to be taken by the Board of Directors cannot vote on such resolution. The total amount of remuneration to Directors and that to Statutory Auditors are subject to the approval of the general meeting of shareholders. Within such authorized amounts the Board of Directors and the Board of Statutory Auditors respectively determine the compensation to each Director and Statutory Auditor.

Except as stated below, neither the Companies Act nor the Company's Articles of Incorporation make special provisions as to:

- the Directors or Statutory Auditors' power to vote in connection with their compensation;
- the borrowing power exercisable by a Representative Director (or a Director who is given power by a Representative Director to exercise such power);
- the Directors or Statutory Auditors' retirement age; or
- requirement to hold any shares of capital stock of the Company.

The Companies Act specifically requires the resolution of the Board of Directors for a company:

- to acquire or dispose of material assets;
- to borrow a substantial amount of money;
- to employ or discharge from employment important employees, such as general managers;
- to establish, change or abolish material corporate organization such as a branch office;
- to determine material conditions concerning offering of corporate bonds; and
- to establish and maintain an internal control system.

The Regulations of the Board of Directors and operational regulations thereunder of the Company require a resolution of the Board of Directors for the Company to borrow money in an amount of ¥100 million or more to give a guarantee in an amount of ¥10 million or more.

### **Common stock**

#### ***General***

Unless indicated otherwise, set forth below is information relating to the Company's Common Stock, including brief summaries of the relevant provisions of the Company's Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Companies Act of Japan and related legislation.

On January 5, 2009, a new central book-entry transfer system for shares of Japanese listed companies was established pursuant to the Act Concerning Book-entry Transfer of Corporate Bonds, Shares etc. ( Book-entry Transfer Act ), and this system applies to the shares of Common Stock of the Company.

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Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized, and shareholders must have accounts at account management institutions to hold their shares unless such shareholder has an account at Japan Securities Depository Center, Inc. ( JASDEC ). Account management institutions are financial instruments business operators (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-entry Transfer Act. Transfer of the shares of Common Stock of the Company is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded at the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Companies Act and the Book-entry Transfer Act, in order for a shareholder to assert against the Company any right to which such shareholder is entitled as of a given record date (such as the rights to vote at a general meeting of shareholders or receive dividends), such shareholder must have its name and address registered in the Company's register of shareholders. Under the central book-entry transfer system operated by JASDEC, shareholders shall notify the relevant account management institutions of certain information prescribed under the Book-entry Transfer Act or the Company's Share Handling Regulations, including their names and addresses.

The Company's register of shareholders is updated when JASDEC notifies the Company of information on shareholders who hold the shares of Common Stock as of record dates set forth in the Company's Articles of Incorporation and record dates which the Company may at any time set in order to determine the shareholders who are entitled to certain rights pertaining to the shares of Common Stock.

In order for a shareholder to assert any right to which such shareholders is entitled regardless of record date, such as minority shareholders rights, including the right to propose that a matter be considered at a general meeting of shareholders, but excluding the right to request the Company to purchase or sell shares of common stock constituting less than a full unit (see *Unit share system* ), upon such shareholder's request, JASDEC will issue to the Company a notice of certain information, including the name and address of such shareholder. Thereafter, such shareholder is required to present to the Company a receipt of the notice request in accordance with the Company's Share Handling Regulations. Under the Book-entry Transfer Act, a shareholder must exercise its shareholder's right within 4 weeks after the notice above.

Non-resident shareholders are required to appoint a standing proxy in Japan or file notice of a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to the Company through JASDEC.

Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees.

Notices from the Company to non-resident shareholders are delivered to such standing proxies or mailing addresses.

The registered holder of deposited shares underlying the ADSs is the Depository for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights against the Company.

### ***Authorized capital***

Under the current Articles of Incorporation of the Company, the Company may only issue shares of Common Stock. Article 6 of the Articles of Incorporation of the Company provides that the total number of shares authorized to be issued by the Company is 496,000,000 shares.

As of March 31, 2011, 140,008,760 shares of Common Stock were in issue.

All shares of Common Stock of the Company have no par value. All issued shares are fully-paid and non-assessable, and are in registered form.

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***Dividends from Surplus***

**Dividends from Surplus – General**

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called dividends, are referred to as dividends from Surplus ( Surplus is defined in Restriction on dividends from Surplus ). The Company may make dividends from Surplus to the shareholders any number of times per business year, subject to certain limitations described in Restriction on dividends from Surplus. Dividends from Surplus are required in principle to be authorized by a resolution of a general meeting of shareholders, but may also be made pursuant to a resolution of the Board of Directors if:

- (a) Articles of Incorporation of the Company so provide;
- (b) the normal term of office of the Directors is no longer than one year; and
- (c) its non-consolidated annual financial statements and certain documents for the latest business year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

Under the current Articles of Incorporation of the Company, the requirements described in (a) and (b) are not met. Nevertheless, even under the current Articles of Incorporation, the Company may make dividends from Surplus in cash to the shareholders by resolutions of the Board of Directors once per business year.

Such dividend from Surplus is called interim dividends .

Dividends from Surplus may be made in cash or in kind in proportion to the number of shares of Common Stock held by each shareholder. A resolution of a general meeting of shareholders or the Board of Directors authorizing a dividend from Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution.

If a dividend from Surplus is to be made in kind, the Company may, pursuant to a resolution of a general meeting of shareholders or, as the case may be, the Board of Directors, grant a right to the shareholders to require the Company to make such dividend in cash instead of in kind. If no such right is granted to shareholders, the relevant dividend from Surplus must be approved by a special shareholders resolution (see *Voting rights* with respect to a special shareholders resolution ).

Under the Articles of Incorporation, year-end dividends and interim dividends may be distributed to shareholders appearing in the Company's register of shareholders as of March 31 and September 30 each year, respectively, in proportion to the number of shares of Common Stock held by each shareholder following approval by the general meeting of shareholders or the Board of Directors.

The Company is not obliged to pay any dividends unclaimed for a period of three years after the date on which they first became payable.

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the shares of Common Stock generally goes ex-dividend on the second business day prior to the record date.

***Restriction on dividends from surplus***

When the Company makes a dividend from Surplus, the Company must, until the sum of its additional paid-in capital and legal reserve reaches one quarter of the stated capital, set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed.

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The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

- A = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year
- B = (if the Company has disposed of its treasury stock after the end of the last business year) the amount of the consideration for such treasury stock received by the Company less the book value thereof
- C = (if the Company has reduced its stated capital after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)
- D = (if the Company has reduced its additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)
- E = (if the Company has cancelled its treasury stock after the end of the last business year) the book value of such treasury stock
- F = (if the Company has distributed Surplus to its shareholders after the end of the last business year) the total book value of the Surplus so distributed
- G = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction and (if the Company has distributed Surplus to the shareholders after the end of the last business year) the amount set aside in additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice

The aggregate book value of Surplus distributed by the Company may not exceed a prescribed distributable amount (the Distributable Amount), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the following:

- (a) the book value of its treasury stock;
- (b) the amount of consideration for any of the treasury stock disposed of by the Company after the end of the last business year; and
- (c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If the Company has become at its option a company with respect to which consolidated balance sheets should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), the Company shall further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of shareholders' equity appearing on the non-consolidated balance sheet as of the end of the last business year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of shareholders' equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on the consolidated balance sheet as of the end of the last business year.

If the Company has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of the treasury stock disposed of by the Company, during the period which such interim financial statements have been prepared. The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. Interim financial statements prepared by the Company must be audited by the Statutory Auditors and Accounting Auditors, as required by ordinances of the Ministry of Justice.

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### ***Capital and reserves***

The Company may generally reduce its additional paid-in capital or legal reserve by resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, the Company may generally reduce its stated capital by a special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, the Company may reduce its Surplus and increase either (i) stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case by resolution of a general meeting of shareholders.

### ***Stock splits***

The Company may at any time split shares of Common Stock in issue into a greater number of shares by resolution of the Board of Directors, and may amend its Articles of Incorporation to increase the number of the authorized shares to be issued to allow such stock split pursuant to a resolution of the Board of Directors, so long as the Company's only class of outstanding stock is the Common Stock, rather than relying on a special shareholders resolution, which is otherwise required for amending the Articles of Incorporation.

When a stock split is to be made, the Company must give public notice of the stock split, specifying the record date therefore, at least 2 weeks prior to such record date.

Under the central book-entry transfer system operated by JASDEC, the Company must also give notice to JASDEC regarding a stock split at least 2 weeks prior to the relevant record date.

On the effective date of the stock split, the numbers of shares recorded in all accounts held by the Company's shareholders at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

### ***Consolidation of shares***

The Company may at any time consolidate shares in issue into a smaller number of shares by a special shareholders resolution (as defined in Voting Rights ).

When a consolidation of shares is to be made, the Company must give public notice or notice to each shareholder at least 2 weeks prior to the effective date of the consolidation of shares.

Under the central book-entry transfer system operated by JASDEC, the Company must also give notice to JASDEC regarding the consolidation of shares at least 2 weeks prior to the effective date of the consolidation of shares.

On the effective date of the consolidation of shares, the numbers of shares recorded in all accounts held by the Company's shareholders at account managing institutions or JASDEC will be decreased in accordance with the applicable ratio. The Company must disclose the reason for the consolidation of shares at the general meeting of shareholders.

### ***General meeting of shareholders***

The ordinary general meeting of shareholders of the Company for each business year is normally held in June of each year in or near Anjo, Aichi Prefecture, Japan. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary by giving notice of convocation thereof at least 2 weeks prior to the date set for the meeting.

Notice of convocation of a general meeting of shareholders setting forth the place, time and purpose thereof, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least 2 weeks prior to the date set for the meeting.

Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for an ordinary general meeting of shareholders is March 31 of each year.



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Any shareholder or group of shareholders holding at least 3 percent of the total number of voting rights for a period of 6 months or more may require the convocation of a general meeting of shareholders for a particular purpose. Unless such general meeting of shareholders is convened promptly or a convocation notice of a meeting which is to be held not later than 8 weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such general meeting of shareholders. Any shareholder or group of shareholders holding at least 300 voting rights or 1 percent of the total number of voting rights for a period of 6 months or more may propose a matter to be considered at a general meeting of shareholders by submitting a written request to a Representative Director at least 8 weeks prior to the date set for such meeting.

If the Articles of Incorporation so provide, any of the minimum voting rights or percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.

The Company's Articles of Incorporation currently do not include any such provisions.

### ***Voting rights***

So long as the Company maintains the unit share system (see "Unit share system" below; currently 100 shares of Common Stock constitute one unit), a holder of shares constituting one or more full units is entitled to one voting right per unit of shares subject to the limitations on voting rights set forth in the following 2 sentences. A corporate or certain other entity more than one-quarter of whose total voting rights are directly or indirectly owned by the Company may not exercise its voting rights with respect to shares of Common Stock of the Company that it owns. In addition, the Company may not exercise its voting rights with respect to shares of Common Stock that it owns. If the Company eliminates from its Articles of Incorporation the provisions relating to the unit of shares, holders of shares of Common Stock will have one voting right for each share they hold. Except as otherwise provided by law or the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the total number of voting rights of all the shareholders represented at the meeting.

The Companies Act and the Company's Articles of Incorporation provide, however, that the quorum for the election of Directors and Statutory Auditors is one-third of the total number of voting rights of all the shareholders.

The Company's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders of the Company holding voting rights.

The Company's shareholders also may cast their votes in writing, or exercise their voting rights by electronic means when the Board of Directors decides to permit such method of exercising voting rights.

The Companies Act and the Company's Articles of Incorporation provide that the quorum shall be one-third of the total voting rights of all the shareholders, and the approval by at least two-thirds of the voting rights of all the shareholders represented at the meeting is required (the "special shareholders resolutions") in order to amend the Company's Articles of Incorporation (except for such amendments that may be made without the approval of shareholders under the Companies Act, such as (i) an increase in the number of authorized shares by the same ratio as that of a stock split, (ii) a reduction in the number of shares per unit of shares and (iii) termination of the unit share system) and in certain other instances, including:

- (1) acquisition of its own shares from specific persons other than its subsidiaries;
- (2) consolidation of shares;
- (3) any offering of new shares or existing shares held by the Company as treasury stock at a specially favorable price (or any offering of stock acquisition rights, or bonds with stock acquisition rights on specially favorable conditions) to any persons other than shareholders;



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- (4) the removal of a Statutory Auditor;
- (5) the exemption of liability of a Director, Statutory Auditor or Accounting Auditor with certain exceptions;
- (6) a reduction of stated capital with certain exceptions in which a special shareholders' resolution is not required;
- (7) a distribution of Surplus in kind other than dividends which meets certain requirements;
- (8) dissolution, merger, consolidation or corporate split with certain exceptions in which a shareholders' resolution is not required;
- (9) the transfer of the whole or a material part of the business with certain exceptions in which a shareholders' resolution is not required;
- (10) the taking over of the whole of the business of any other corporation with certain exceptions in which a shareholders' resolution is not required; or
- (11) share exchange or share transfer for the purpose of establishing 100 percent parent-subsidiary relationships with certain exceptions in which a shareholders' resolution is not required.

***Issue of additional shares and pre-emptive rights***

Holders of shares of Common Stock have no pre-emptive rights under the Articles of Incorporation of the Company. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a specially favorable price mentioned under *Voting rights* above. In the case of an issuance or transfer of shares of Common Stock of the Company or stock acquisition rights by way of an allotment to a third party that would dilute the outstanding voting shares by 25% or more or change the controlling shareholder, in addition to a resolution of the Board of Directors, the approval of the shareholders or an affirmative opinion from a person independent of the Company's management is required pursuant to the regulations of the Japanese stock exchanges on which shares of Common Stock of the Company are listed. The Board of Directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as at a record date of which not less than 2 weeks' prior public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least 2 weeks prior to the date on which such rights expire.

The Company may issue stock acquisition rights by a resolution of the Board of Directors, subject to the limitations as to the offering of stock acquisition rights on specially favorable conditions mentioned under *Voting rights* above. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights.

Upon exercise of stock acquisition rights, the Company will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it.

In cases where a particular issue of new shares or stock acquisition rights (i) violates laws and regulations or the Company's Articles of Incorporation, or (ii) will be performed in a manner materially unfair, and shareholders may suffer disadvantages therefrom, such shareholder may file an injunction to enjoin such issue with a court.

***Liquidation rights***

In the event of a liquidation of the Company, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among shareholders in proportion to the respective numbers of shares of Common Stock held by them.

***Record date***

As mentioned above, March 31 is the record date for the Company's year-end dividends. So long as the Company maintains the unit share system, the shareholders who are registered or recorded as the holders of one or more full units of shares in the Company's registers of shareholders in writing or digitally (or electronically) at the end of each March 31 are also entitled to exercise shareholders' rights at the ordinary general meeting of shareholders with respect to the business year ending on such March 31. September 30 is the record date for interim dividends.

In addition, the Company may set a record date for determining the shareholders entitled to other rights pertaining to the Common Stock and for other purposes, by giving at least 2 weeks' prior public notice.

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Under the Book-entry Transfer Act, the Company is required to give notice of each record date to JASDEC at least 2 weeks prior to such record date. JASDEC is required to promptly give the Company notice of the names and addresses of the Company's shareholders, the numbers of shares of Common Stock held by them and other relevant information as of such record date.

### ***Acquisition by the Company of Common stock***

The Company may acquire shares of Common Stock (i) from a specific shareholder other than any of its subsidiaries (pursuant to a special shareholders resolution), (ii) from any of its subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which Common Stock is listed or by way of tender offer (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to the Representative Director that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter).

The total amount of the purchase price of shares of Common Stock may not exceed the Distributable Amount, as described in Dividends from Surplus Restriction on dividends from Surplus.

Shares of Common Stock acquired by the Company may be held by it for any period or may be cancelled by resolution of the Board of Directors. The Company may also transfer to any person the shares of Common Stock held by it, subject to a resolution of the Board of Directors, and subject also to other requirements similar to those applicable to the issuance of new shares, as described in Issue of additional shares and pre-emptive rights above. The Company may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

### ***Unit share system***

The Articles of Incorporation of the Company provide that 100 shares of Common Stock constitute one unit of shares. Although the number of shares constituting one unit is included in the Articles of Incorporation, any amendment to the Articles of Incorporation reducing (but not increasing) the number of shares constituting one unit or eliminating the provisions for the unit of shares may be made by the resolution of the Board of Directors rather than by a special shareholders resolution, which is otherwise required for amending the Articles of Incorporation. The number of shares constituting one new unit, however, cannot exceed 1,000.

Under the unit share system, shareholders shall have one voting right for each unit of shares that they hold. Any number of shares less than a full unit carries no voting rights.

Holders of shares constituting less than a full unit will have no other shareholder rights if the Articles of Incorporation so provide, except that such holders may not be deprived of certain rights specified in the Companies Act or an ordinance of the Ministry of Justice, including the right to receive dividends from Surplus.

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A holder of shares of Common Stock constituting less than a full unit may require the Company to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of the Company. In addition, the Articles of Incorporation of the Company provide that a holder of shares of Common Stock constituting less than a full unit may request the Company to sell to such holder such amount of shares of Common Stock which will, when added together with the shares of Common Stock constituting less than a full unit, constitute a full unit of shares, in accordance with the provisions of the Share Handling Regulations of the Company.

As prescribed in the Company's Share Handling Regulations, such requests must be made through an account management institution and JASDEC pursuant to the rules set by JASDEC.

Under the new book-entry transfer system described in *General*, Common Stock constituting less than a full unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

### ***Sales by the Company of shares held by shareholders whose location is unknown***

The Company is not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in the Company's register of shareholders or at the address otherwise notified to the Company continuously for 5 years or more. In addition, the Company may sell or otherwise dispose of shares of Common Stock for which the location of the shareholder is unknown. Generally, if (i) notices to a shareholder fail to arrive continuously for 5 years or more at the shareholder's registered address in the Company's register of shareholders or at the address otherwise notified to the Company, and (ii) the shareholder fails to receive dividends from Surplus on the shares of Common Stock continuously for 5 years or more at the address registered in the Company's register of shareholders or at the address otherwise notified to the Company, the Company may sell or otherwise dispose of the shareholder's shares at the then market price of shares of Common Stock and after giving at least 3 months' prior public and individual notices, and hold or deposit the proceeds of such sale or disposal of shares of Common Stock for such shareholder.

### **Reporting of substantial shareholdings**

The Financial Instruments and Exchange Act of Japan and regulations thereunder require any person, regardless of residence, who has become, beneficially and solely or jointly, a holder of more than 5 percent of the total issued shares of capital stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan to file with the Director-General of a competent Local Finance Bureau of the Ministry of Finance within 5 business days a report concerning such shareholdings.

A similar report must also be filed in respect of any subsequent change of one percent or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Any such report shall be filed with the Director-General of the competent Local Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors' Network (EDINET). Copies of such report must also be furnished to the issuer of such shares and all Japanese stock exchanges on which the shares are listed.

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, and except for general limitations under the Companies Act or the Company's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to the Company or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold the shares of Common Stock of the Company or exercise voting rights thereon.

There is no provision in the Company's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving the Company.

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**C. Material contracts**

None

**D. Exchange controls**

The Foreign Exchange and Foreign Trade Act of Japan and its related cabinet orders and ministerial ordinances (the Foreign Exchange Regulations ) govern the acquisition and holding of shares of Common Stock of the Company by exchange non-residents and by foreign investors. The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than Japanese yen.

Exchange non-residents are:

- individuals who do not reside in Japan; and
- corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

- individuals who are exchange non-residents;
- corporations that are organized under the laws of foreign countries and areas or whose principal offices are located outside of Japan;
- corporations of which 50 percent or more of their shares are held by individuals who are exchange non-residents and/or corporations (1) that are organized under the laws of foreign countries and areas or (2) whose principal offices are located outside of Japan; or
- corporations a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

In general, the acquisition of shares of a Japanese company (such as the shares of Common Stock of the Company) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of Common Stock of the Company) for consideration exceeding 100 million Japanese yen to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer, unless the transfer was made through a bank, or a financial instruments business operator registered under the Financial Instruments and Exchange Act of Japan .

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange (such as the shares of Common Stock of the Company) or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10 percent or more of the issued shares of the relevant company, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company by the 15th day of the month immediately following the month in which such acquisition took place. In limited circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition.

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Under the Foreign Exchange Regulations, dividends paid on and the proceeds from sales in Japan of shares of Common Stock of the Company held by non-residents of Japan may generally be converted into any foreign currency and repatriated abroad. The acquisition of shares of Common Stock by exchange non-residents by way of stock split is not subject to any of the foregoing notification or reporting requirements.

### **E. Taxation**

*The discussion below is intended for general information only and does not constitute a complete analysis of all tax consequences relating to the ownership of shares of Common Stock or ADSs. Prospective purchasers of shares of Common Stock or ADSs should consult their own tax advisors concerning the tax consequences of their particular situations.*

The following is a general summary of the principal U.S. federal income and Japanese national tax consequences of the acquisition, ownership and disposition of shares of Common Stock or ADSs. This summary does not address any aspects of U.S. federal tax law other than income taxation, and does not discuss any aspects of Japanese tax law other than such income taxation as limited to national taxes and inheritance and gift taxation.

This summary also does not cover any state or local, or non-U.S. non-Japanese tax considerations. Investors are urged to consult their tax advisors regarding the U.S. federal, state and local and Japanese and other tax consequences of acquiring, owning and disposing of shares of Common Stock or ADSs.

Also, this summary does not purport to address all the material tax consequences that may be relevant to the holders of shares of Common Stock or ADSs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, partnerships and other pass-through entities, investors liable for alternative minimum tax, investors that own or are treated as owning 10 percent or more of the Company's voting stock, investors that hold shares of Common Stock or ADSs as part of a straddle, hedge, conversion or constructive sale transaction or other integrated transaction, and U.S. Holders (as defined below) whose functional currency is not the U.S. dollar) may be subject to special tax rules. This summary is based on the federal income tax laws and regulations of the United States and tax laws of Japan, judicial decisions, published rulings and administrative pronouncements, all as in effect on the date hereof, as well as on the current income tax convention between the United States and Japan (the Treaty), all of which are subject to change (possibly with retroactive effect), and/or to differing interpretations.

For purposes of this discussion, a U.S. Holder is any beneficial owner of shares of Common Stock or ADSs that is, for U.S. federal income tax purposes:

1. an individual citizen or resident of the United States;
2. a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any state thereof, or the District of Columbia;
3. an estate the income of which is subject to U.S. federal income tax without regard to its source; or
4. a trust that is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons, or that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

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An Eligible U.S. Holder is a U.S. Holder that:

1. is a resident of the United States for purposes of the Treaty;
  2. does not maintain a permanent establishment in Japan (a) with which shares of Common Stock or ADSs are effectively connected and through which the U.S. Holder carries on or has carried on business and (b) of which shares of Common Stock or ADSs form part of the business property; and
  3. is eligible for benefits under the Treaty with respect to income and gain derived in connection with shares of Common Stock or ADSs.
- In addition, this summary is based in part upon the representations of the depository and the assumption that each obligation in the deposit agreement for ADSs, and in any related agreement, will be performed in accordance with its terms.

In general, for purposes of the Treaty and for U.S. federal income and Japanese national income tax purposes, owners of ADRs evidencing ADSs will be treated as the owners of shares of Common Stock represented by those ADSs, and exchanges of shares of Common Stock for ADSs, and exchanges of ADSs for shares of Common Stock, will not be subject to U.S. federal income or Japanese national income tax.

**Japanese Taxation**

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without permanent establishments in Japan ( non-resident Holders ), who are holders of shares of Common Stock and/or of ADRs evidencing ADSs representing shares of Common Stock. Generally, a non-resident Holder is subject to Japanese withholding tax on dividends paid by Japanese corporations, and the Company will withhold such tax prior to payment of dividends as required by Japanese law. Stock splits are, in general, not a taxable event.

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident Holders is generally 20 percent, provided, with respect to dividends paid on listed shares issued by a Japanese corporation (such as shares of Common Stock or ADSs) to non-resident Holders other than any individual shareholder who holds 5 percent or more of the total shares issued by the relevant Japanese corporation, the aforementioned 20 percent withholding tax rate is reduced to (i) 7 percent for dividends due and payable on or before December 31, 2011, and (ii) 15 percent for dividends due and payable on or after January 1, 2012. As of the date of this annual report, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent or 10 percent for portfolio investors (15 percent under the income tax treaties with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland and 10 percent under the income tax treaties with Australia, France, the U.K. and the United States.)

Under the Treaty, the maximum rate of Japanese withholding tax which may be imposed on dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a portfolio investor is generally reduced to 10 percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a pension fund are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by the Company to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law or any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends on shares of Common Stock is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with any other required forms and documents) in advance through the withholding agent to the relevant tax authority before the payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service.

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With respect to ADSs, this reduced rate or exemption is applicable if the Depositary or its agent submits two Application Forms (one before payment of dividends and the other within 8 months after the record date concerning such payment of dividends). To claim this reduced rate or exemption, any relevant non-resident Holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depositary.

A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced rate which is lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but failed to submit the required application in advance will be entitled to claim the refund of taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the full amount of tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) from the relevant Japanese tax authority, by complying with a certain subsequent filing procedure. The Company does not assume any responsibility to ensure withholding at the reduced rate, or exemption therefrom, for non-resident Holders who would be so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale of shares of Common Stock or ADSs outside Japan by a non-resident Holder holding such shares of Common Stock or ADSs as portfolio investors are, in general, not subject to Japanese income tax or corporation tax. Eligible U.S. Holders are not subject to Japanese income or corporation tax with respect to such gains under the Treaty.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares of Common Stock or ADSs as a legatee, heir or donee even though neither the individual nor the deceased nor donor is a Japanese resident.

Holders of shares of Common Stock or ADSs should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. Holders, the possible application of the Estate and Gift Tax Treaty between the U.S. and Japan.

## **U.S. Federal Income Taxation**

### ***U.S. Holders***

The following discussion is a summary of the principal U.S. federal income tax consequences to U.S. Holders that hold shares of common stock or ADSs as capital assets (generally, for investment purposes).

### ***Taxation of Dividends***

Subject to the passive foreign investment company PFIC rules discussed below, under U.S. federal income tax law, the gross amount of any distribution made by Makita in respect of shares of Common Stock or ADSs (without reduction for Japanese withholding taxes) will constitute a taxable dividend to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles.

The U.S. dollar amount of such a dividend generally will be included in the gross income of a U.S. Holder, as ordinary income, when actually or constructively received by the U.S. Holder, in the case of shares of Common Stock, or by the depositary, in the case of ADSs.

Dividends paid by Makita will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Under current law, dividends received on shares or ADSs of certain foreign corporations in taxable years beginning before January 1, 2013 by non-corporate U.S. investors may be subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. Dividends received by non-corporate U.S. Holders with respect to Common Stock or ADSs are expected to be eligible for these reduced rates of tax. U.S. Holders should consult their own tax advisors regarding the eligibility of such dividends for a reduced rate of tax.

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The U.S. dollar amount of a dividend paid in Japanese yen will be determined based on the Japanese yen/U.S. dollar exchange rate in effect on the date that dividend is included in the income of the U.S. Holder, regardless of whether the payment is converted into U.S. dollars on such date. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in the gross income of a U.S. Holder through the date that payment is converted into U.S. dollars (or the U.S. Holder otherwise disposed of the Japanese yen) will be treated as U.S. source ordinary income or loss.

U.S. Holders should consult their own tax advisors regarding the calculation and U.S. federal income tax treatment of foreign currency gain or loss.

To the extent, if any, that the amount of any distribution received by a U.S. Holder in respect of shares of Common Stock or ADSs exceeds Makita's current and accumulated earnings and profits, as determined under U.S. federal income tax principles, the distribution first will be treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in those shares or ADSs, and thereafter as U.S. source capital gain. Distributions of additional shares of Common Stock that are made to U.S. Holders with respect to their shares of Common Stock or ADSs and that are part of a pro rata distribution to all the Company's shareholders generally will not be subject to U.S. federal income tax.

For U.S. foreign tax credit purposes, dividends included in gross income by a U.S. Holder in respect of shares of Common Stock or ADSs will constitute income from sources outside the United States, will be passive category income or, in the case of certain U.S. Holders, general category income and will be subject to various classifications and other limitations. Any Japanese withholding tax imposed in respect of a Company dividend may be claimed either as a credit against the U.S. federal income tax liability of a U.S. Holder or, if the U.S. Holder does not take a credit for any foreign taxes that year, as a deduction from that U.S. Holder's taxable income.

Special rules will generally apply to the calculation of foreign tax credits in respect of dividend income that qualifies for preferential U.S. federal income tax rates. Additionally, special rules may apply to individuals whose foreign source income during the taxable year consists entirely of qualified passive income and whose creditable foreign taxes paid or accrued during the taxable year do not exceed \$ 300 (\$ 600 in the case of a joint return).

Further, under some circumstances, a U.S. Holder that:

has held shares of Common Stock or ADSs for less than a specified minimum period, or

is obligated to make payments related to Makita's dividends,

will not be allowed a foreign tax credit for foreign taxes imposed on Makita's dividends.

The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances, and accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

### ***Taxation of Capital Gains and Losses***

In general, upon a sale or other taxable disposition of shares of Common Stock or ADSs, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sales or other taxable disposition and the U.S. Holder's adjusted tax basis in those Common Stock or ADSs. A U.S. Holder generally will have an adjusted tax basis in a share of Common Stock or an ADS equal to its U.S. dollar cost. In general, subject to the PFIC rules discussed below, such gain or loss recognized on a sale or other taxable disposition of shares of Common Stock or ADSs will be capital gain or loss and, if the U.S. Holder's holding period for those shares or ADSs exceeds one year, will be long-term capital gain or loss. Non-corporate U.S. Holders, including individuals, currently are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. Under U.S. federal tax law, the deduction of capital losses is subject to limitations. Any gain or loss recognized by a U.S. Holder in respect of the sale or other taxable disposition of shares of Common Stock or ADSs generally will be treated as derived from U.S. sources for U.S. foreign tax credit purposes.



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Deposits and withdrawals of Common Stock in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

***PFIC***

A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75% of its gross income is passive income or (2) on average, at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes dividends, interests, royalties, rents and gains from commodities and securities transaction. The PFIC determination is made annually and generally is based on the value of a non-U.S. corporation's assets (including goodwill) and the composition of its income.

Makita does not believe that it was, for U.S. federal income tax purposes, a PFIC for the year ended March 31, 2011 and Makita intends to continue its operations in such a manner that it is highly unlikely that it would become a PFIC in the future.

However, there can be no assurance in this regard, because the PFIC determination is made annually and is based on the portion of Makita's assets (including goodwill) and the portion of Makita's income that is characterized as passive under the PFIC rules.

If Makita becomes a PFIC, unless a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to its shares of Common Stock or ADSs, any gain realized on a sale or other taxable disposition of shares of Common Stock or ADSs and certain excess distributions (generally distributions in excess of 125 percent of the average distribution over a three-year period, or, if shorter, the holding period for the shares of Common Stock or ADSs) would be treated as realized ratably over the U.S. Holder's holding period for the shares of Common Stock or ADSs; amounts allocated to prior years while Makita was a PFIC would be taxed at the highest tax rate in effect for each such year, and an additional interest charge may apply to the portion of the U.S. federal income tax liability on such gains or distributions treated under the PFIC rules as having been deferred by the U.S. Holder. Amounts allocated to the year of sale or distribution and to any year before Makita became a PFIC would be taxed as ordinary income in the year of sale or distribution. Moreover, dividends that a U.S. Holder receives from us will not be eligible for the reduced U.S. federal income tax rates described above if Makita is a PFIC either in the taxable year of the distribution or the preceding taxable year.

If a market-to-market election were made, a U.S. Holder would take into account each year the appreciation or depreciation in value of its shares of Common Stock or ADS, which would be treated as ordinary income or (subject to limitations) ordinary loss, as would gains or losses on actual dispositions of Common Stock or ADSs. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to the shares of Common Stock or ADSs and the availability and advisability of making a mark-to-market election to avoid the adverse tax consequences of the PFIC rules should Makita be considered a PFIC for any taxable year.

If a U.S. Holder owns shares of Common Stock or ADSs in any taxable year in which Makita is a PFIC, such U.S. Holder generally would be required to file Internal Revenue Service ( IRS ) Form 8621 (or other form specified by the U.S. Department of the Treasury) with the U.S. Holder's U.S. federal income tax return in each year that Makita is a PFIC.

***Non-U.S. Holders***

The following discussion is a summary of the principal U.S. federal income tax consequences to beneficial owners of shares of Common Stock or ADSs that are neither U.S. Holders nor partnerships, nor entities taxable as partnerships, for U.S. federal income tax purposes ( Non-U.S. Holders ).

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A Non-U.S. Holder generally will not be subject to any U.S. federal income or withholding tax on distributions received in respect of shares of Common Stock or ADSs unless the distributions are effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (and, if an applicable tax treaty requires, are attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder).

A Non-U.S. Holder generally will not be subject to U.S. federal income tax in respect of gain recognized on a sale or other disposition of shares of Common Stock or ADSs, unless:

- (i) the gain is effectively connected with a trade or business conducted by the Non-U.S. Holder within the United States (and, if an applicable tax treaty requires, is attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder), or
- (ii) the Non-U.S. Holder is an individual who was present in the United States for 183 or more days in the taxable year of the disposition and other conditions are met.

Income that is effectively connected with a U.S. trade or business of a Non-U.S. Holder (and, if an applicable income tax treaty applicable income tax treaty applies, is attributable to a U.S. permanent establishment or a fixed base of such Non-U.S. Holder) generally will be taxed in the same manner as the income of a U.S. Holder.

In addition, under certain circumstances, any effectively connected earnings and profits realized by a corporate Non-U.S. Holder may be subject to additional branch profits tax at the rate of 30 percent or at a lower rate that may be prescribed by an applicable income tax treaty.

### ***Backup Withholding and Information Reporting***

In general, except in the case of certain exempt recipients (such as corporations), information reporting requirements will apply to dividends on shares of Common Stock or ADSs paid to U.S. Holders in the United States or through certain U.S. related financial intermediaries and to the proceeds received upon the sale, exchange or redemption of shares of Common Stock or ADSs by U.S. Holders within the United States or through certain U.S. related financial intermediaries.

Furthermore, backup withholding (currently at a rate of 28 percent) may apply to those amounts if a U.S. Holder fails to provide an accurate taxpayer identification number, to certify that such holder is not subject to backup withholding or to otherwise comply with the applicable requirements of the backup withholding requirements.

Dividends paid to a Non-U.S. Holder in respect of shares of Common Stock or ADSs, and proceeds received in the sale, exchange or redemption of shares of Common Stock or ADSs by a Non-U.S. Holder, generally, are exempt from information reporting and backup withholding under current U.S. federal income tax law.

However, a Non-U.S. Holder may be required to provide certification of non-U.S. status in order to obtain that exemption. Persons required to establish their exempt status generally must provide such certification on IRS Form W-9, entitled Request for Taxpayer Identification Number and Certification, in the case of U.S. persons, and on IRS Form W-8BEN, entitled Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding (or other appropriate IRS Form W-8), in the case of non-U.S. persons.

Backup withholding is not an additional tax. The amount of backup withholding imposed on a payment may be allowed as a credit against the holder's U.S. federal income tax liability provided that the required information is properly furnished to the IRS.

Certain U.S. Holders who are individuals that hold certain foreign financial assets (which may include shares of Common Stock or ADSs) may be required to report information relating to such assets, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this reporting requirement on their ownership and disposition of shares of Common Stock or ADSs.

THE SUMMARY OF U.S. FEDERAL INCOME AND JAPANESE TAX CONSEQUENCES SET OUT ABOVE IS INTENDED FOR GENERAL INFORMATION PURPOSES ONLY. INVESTORS IN THE COMMON STOCK OR ADSs ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING OR DISPOSING OF COMMON STOCK OR ADSs, BASED ON THEIR PARTICULAR CIRCUMSTANCES.

### **F. Dividends and paying agents**

Not applicable



**Table of Contents****G. Statement by experts**

Not applicable

**H. Documents on display**

Makita files its annual report on Form 20-F and press releases or reports for shareholders or investors on Form 6-K with the SEC. You may read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC's public reference room located at 100F Street, N.E., Room 1580, Washington, D.C. 20549 or by accessing the SEC's home page (<http://www.sec.gov>).

**I. Subsidiary Information**

Not applicable

**Item 11. Quantitative and Qualitative Disclosures about Market Risk****Market Risk Exposure**

Makita is exposed to various market risks, including those related to changes in foreign exchange rates, interest rates, and prices of short-term investments and investments. In order to hedge the risks of fluctuations in foreign exchange rates and interest rates, Makita uses derivative financial instruments. Makita does not hold or use derivative financial instruments for trading purposes.

Although the use of derivative financial instruments exposes Makita to the risk of credit-related losses in the event of nonperformance by counterparties, Makita believes that its counterparties are creditworthy because they are required to have a credit rating of a specified level or above, and Makita does not expect credit-related losses, if any, to be significant.

**Equity and Debt Securities Price Risk**

Makita classified investments of debt securities for current operations as short-term investments within current assets. Other investments are classified as investments as a part of investments and other assets in the consolidated balance sheets. Makita does not hold short-term investments and investments for trading purposes. The fair value of certain of these investments exposes Makita to equity price risks.

These investments are subject to changes in the market prices of the securities.

Although pension liability increased in the current unfavorable investment environment, Makita holds sufficient surplus funds. Therefore, Makita is satisfied that its pension plans can be maintained.

The maturities and fair values of such short-term investments and investments at March 31, 2010 and 2011 were as follows:

	Yen in millions				U.S. Dollars in thousands	
	2010		2011		2011	
	Carrying Amount	Fair value	Carrying Amount	Fair value	Carrying Amount	Fair value
Due within one year	¥ 875	¥ 876	¥173	¥173	\$2,084	\$2,084
Due after one year to five years	2,343	2,338	5,550	5,547	66,867	66,831
Due after five years	1,359	1,304	713	676	8,591	8,145
Indefinite periods	29,607	29,607	31,041	31,041	373,988	373,988
Equity securities	14,621	14,621	13,147	13,147	158,398	158,398
Total of short-term investments and investments	¥ 48,805	¥ 48,746	¥ 50,624	¥50,584	\$609,928	\$609,446



**Table of Contents****Foreign Exchange Risk**

Makita's international operations expose Makita to the risk of fluctuation in foreign currency exchange rates. Makita is authorized to hedge the exposure to fluctuations in foreign currency exchange rates within the scope of actual demand in compliance with the Exchange rate fluctuation Risk management guideline as Makita's internal guidance to minimize the risk of exchange rate fluctuations. Hedging activities beyond actual demand and purchases of uncovered merchandise require the approval of the Board of Directors.

To manage this exposure, Makita enters into certain foreign exchange contracts with respect to a part of such international operations and indebtedness.

The following table provides information about Makita's derivative financial instruments related to foreign currency transactions as of March 31, 2010 and March 31, 2011. Figures are translated into Japanese yen at the rates prevailing at March 31, 2010 and March 31, 2011, together with the relevant weighted average contractual exchange rates at March 31, 2011.

All of the foreign exchange contracts listed in the following table has contractual maturities in FY2010 and FY2011.

	Yen in millions, except average contractual rates						U.S. Dollars in thousands	
	2010			2011			2011	
	Contract amounts	Fair value	Average contractual rates	Contract amounts	Fair value	Average contractual rates	Contract amounts	Fair value
<b>Foreign currency contracts</b>								
US\$/Yen	¥6,866	¥(198)	¥90.39	¥6,651	¥(47)	¥82.59	\$80,134	\$(567)
Euro/Yen	3,919	(67)	122.87	4,901	(163)	113.66	59,048	(1,964)
A\$/Yen	301	(13)	81.25	402	(18)	82.02	4,843	(217)
GBP/Yen	175	(4)	137.55	420	(2)	132.29	5,060	(24)
SFR/Yen	1,034	(14)	86.16	1,132	(46)	87.05	13,638	(554)
Can\$/Yen	-	-	-	-	-	-	-	-
Euro/GBP	-	-	-	353	15	-	4,253	181
US\$/GBP	-	-	-	1,746	16	-	21,036	193
US\$/Euro	2,235	20	-	2,895	(95)	-	34,879	(1,145)
GBP/Euro	14	-	-	2	-	-	24	-
US\$/A\$	-	-	-	1,746	(49)	-	21,036	(590)
US\$/RMB	-	-	-	2,495	0	-	30,060	0
Other	-	-	-	93	1	-	1,122	12
<b>Total</b>	<b>14,544</b>	<b>(276)</b>		<b>22,836</b>	<b>(388)</b>	<b>-</b>	<b>275,133</b>	<b>(4,675)</b>
<b>Foreign currency swaps</b>								
US\$/Yen	-	-	-	-	-	-	-	-
Euro/Yen	-	-	-	-	-	-	-	-
SFR/Yen	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Options purchased to sell foreign currencies</b>								
US\$/Yen	87	-	87.02	-	-	-	-	-
<b>Options written to buy foreign currencies</b>								
US\$/Yen	¥89	¥(4)	¥89.02	-	-	-	-	-

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**Item 12. Description of Securities Other Than Equity Securities**

**A. Debt Securities**

Not applicable

**B. Warrants and Rights**

Not applicable

**C. Other Securities**

Not applicable

**D. American Depositary Shares**

**D.3. Fees and Charges for Holders of American Depositary Receipts**

The Bank of New York Mellon, as depositary for the ADSs (the "Depositary") collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them.

The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:  
\$ 5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

For:  
; Issuance of ADSs, including issuances resulting from a distribution, sale or exercise of shares or rights or other property

A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs

; Cancellation of ADSs for the purpose of withdrawal including if the deposit agreement terminates  
; Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders

Registration or transfer fees

; Registration of transfer of shares on Makita's share register to the name of the depositary or its nominee or the custodian or its nominee at the time of deposit or withdraw of shares

Expenses of the depositary

; Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS

; Converting foreign currency to US dollars  
; As necessary

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**D.4 Fees and Other Payments Made by the Depositary to the Company**

From April 1, 2010 to March 31, 2011, no amounts were reimbursed by the Depositary to the Company.

As part of its service to the Company, the Depositary has agreed to waive its basic charges for the administration of the ADR program. From April 1, 2010 to March 31, 2011, such fees and expenses waived by the Depositary totaled \$133,555. Charges for any additional or special services that are not waived are paid for by the Company.

The Depositary has agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividends checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls.

**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None

**Item 15. Controls and Procedures**

**A. Disclosure controls and procedures**

Makita performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the FY2011. Disclosure controls and procedures (as such term is defined in Rules 13-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended the Exchange Act ) are designed to ensure that the material financial and non-financial information required to be disclosed in the reports that Makita files under the Exchange Act is accumulated and communicated to its management including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

The Company's disclosure controls and procedures also ensure that the reports that it files or submits under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. The evaluation was performed under the supervision of Makita's Chief Executive Officer and Makita's Chief Financial Officer. Makita's disclosure, controls and procedures are designed to provide reasonable assurance of achieving its objectives. Managerial judgment was necessary to evaluate the cost-benefit relationship of possible controls and procedures. Its Chief Executive Officer and Chief Financial Officer have concluded that Makita's disclosure controls and procedures are effective.



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### **B. Management's annual report on internal control over financial reporting**

Makita's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that

- (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Makita's management evaluated the effectiveness of internal control over financial reporting as of March 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework* (the COSO criteria).

Based on its assessment, management concluded that, as of March 31, 2011, Makita's internal control over financial reporting was effective based on the COSO criteria.

KPMG AZSA LLC an independent registered public accounting firm that audited the consolidated financial statements included in this report, has also audited the effectiveness of Makita's internal control over financial reporting as of March 31, 2011, as stated in this report included herein.

### **C. Attestation report of the registered public accounting firm**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

Makita Corporation:

We have audited Makita Corporation's internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Makita Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on Makita Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Makita Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Makita Corporation and subsidiaries as of March 31, 2010 and 2011, and the related consolidated statements of income, changes in equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended March 31, 2011, and our report dated July 1, 2011 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan

July 1, 2011

**Table of Contents****D. Changes in internal control over financial reporting**

Not applicable

**Item 16A. Audit Committee Financial Expert**

Makita's Board of Directors has determined that Mr. Masafumi Nakamura is qualified as an audit committee financial expert as defined by the rules of the SEC. Mr. Nakamura is independent, as that term is defined in the listing standards of NASDAQ applicable to the Company. The Company has designated Messrs. Haruhito Hisatsune, Masafumi Nakamura and Michiyuki Kondo, Statutory Auditors, as the Independent Statutory Auditors as required by the regulations of the Tokyo Stock Exchange, Inc. and the Nagoya Stock Exchange, Inc. and made required notification therefore to these Stock Exchange.

Mr. Masafumi Nakamura, Statutory Auditor, is a certified public accountant and has a substantial amount of expertise in finance and accounting.

**Item 16B. Code of Ethics**

On May 20, 2003, Makita adopted a code of ethics. On March 17, 2004, Makita amended the code of ethics to: (1) ensure the protection of individuals who report questionable behavior to Makita's board of statutory auditors and (ii) clarify that waivers to its code of ethics for employees must be requested in writing to the board of statutory auditors and for executive officers, directors and statutory auditors can only be granted by the board of directors, only if truly necessary and warranted, and must be promptly disclosed to shareholders. Makita's code of ethics is publicly available on Makita's web site at [www.makita.co.jp/global/company/governance01.html](http://www.makita.co.jp/global/company/governance01.html). If Makita makes any substantive amendments to the code of ethics or grant any waivers, including any implicit waiver, from a provision of this code to the directors and executive officers, including the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, Makita will disclose the nature of such amendment or waiver on the Company's website.

**Item 16C. Principal Accountant Fees and Services**

KPMG AZSA LLC has served as Makita's independent public accountant for each of the financial years in the three-year period ended March 31, 2011, for which audited financial statements appear in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by KPMG AZSA LLC and the various member firms of KPMG International, a Swiss Cooperative, to Makita in FY2010 and FY2011:

	Fiscal year/Yen in millions	
	FY2010	FY2011
Audit Fees (1)	¥646	¥616 (4)
Audit-related Fees (2)	4	8
Tax Fees (3)	149	143
Total	¥799	¥767

Note:

- (1) Audit Fees consist of fees billed for the professional services rendered by the Independent Registered Public Accounting Firm for the audit of Makita's annual or interim financial statements and services that are normally provided by the Independent Registered Public Accounting Firm in connection with statutory and regulatory filings or engagement.
- (2) Audit-related Fees consist of fees billed for assurance and related services by the Independent Registered Public Accounting Firm that are reasonably related to employee benefit plan audits, and consultation concerning financial accounting and reporting standards.
- (3) Tax Fees include fees billed for the professional services rendered by the Independent Registered Public Accounting Firm for tax compliance and transfer pricing documentation.
- (4) Audit Fees in FY2011 are subject to change.



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**Policy on Pre-Approval of Audit and Non-Audit Services of Independent Registered Public Accounting Firm**

The Board of Statutory Auditors of Makita Corporation, consisting of four members, including three outside corporate auditors, is responsible for the oversight of its Independent Registered Public Accounting Firm's work. The Board of Statutory Auditors has established Audit and Non-Audit Services Pre-approval Policies and Procedures, effective as of August 7, 2003. The policies and procedures stipulate three means by which audit and non-audit services may be preapproved, depending on the content of and the fee for the services.

Under the United States Sarbanes-Oxley Act of 2002 (the Act), the Board of Statutory Auditors is required to preapprove all audit and non-audit services to be provided by the Independent Registered Public Accounting Firm to the Company in order to assure that they do not impair their independence from the Company. To implement these provisions of the Act, the SEC has issued rules specifying the types of services that an Independent Registered Public Accounting Firm may not provide to its audit client, as well as the Board of Statutory Auditors' administration of the engagement of the Independent Registered Public Accounting Firm.

Accordingly, the Board of Statutory Auditors has adopted this Audit and Non-Audit Services Pre-approval Policies and Procedures, which sets forth the policies, procedures and the conditions for which such services proposed to be performed by the Independent Registered Public Accounting Firm may be pre-approved. Under this policy, the Board of Statutory Auditors authorizes general pre-approval of all such services, including Audit Services, Audit-related Services, Tax Services and All other Services. Under General Pre-approval protocol, the pre-approved services do not require specific pre-approval from the Board of Statutory Auditors or its delegated member on a case-by-case basis.

The term of any general pre-approval is 12 months from the date of pre-approval, unless the Board of Statutory Auditors considers a different period and states otherwise in the relevant appendix. The Board of Statutory Auditors will annually review this policy, including the services that may be provided by the Independent Registered Public Accounting Firm without obtaining specific pre-approval from the Board of Statutory Auditors, and make any necessary or appropriate changes to this policy. This policy is designed (1) to be detailed as to the particular services to be provided by the independent auditor, (2) to ensure that the Board of Statutory Auditors is informed of each service provided by the independent auditor and (3) to ensure that the policies and procedures set forth herein do not include delegation of the Board of Statutory Auditors' responsibilities under the US Securities Exchange Act of 1934 to management. Nothing in this policy shall be interpreted to be a delegation of the Board of Statutory Auditors' responsibilities under the Securities Exchange Act of 1934 to management of the Company.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Makita does not have an audit committee and is relying on the general exemption contained in Rule 10A-3(c)(3) under the Exchange Act, which provides an exemption from NASDAQ's listing standards relating to audit committees for foreign companies such as Makita, that has a board of corporate auditors. Makita's reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its board of corporate auditors to act independently and to satisfy the other requirements of Rule 10A-3.

**Table of Contents****Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table sets out all repurchases of common stock of the Company by the Company during FY2011. The Company did not resolve any repurchase mid to long term or continuous plan or program by the board of directors or Annual General Meeting of Shareholders. Therefore, there is no publicly announced mid to long term plan or program regarding repurchase of its own stock.

When the board of directors decides, in light of the stock price and dividend rate, it is the appropriate time to repurchase its own stock and retire treasury stock, in consideration with the stock price and payout ratio, the Company executes the repurchase and retirement of treasury stock. Another reason for repurchases of common stock in response to the purchase requests of holders of shares of common stock constituting less than one full unit in accordance with the provisions of the Share Handling Regulations of the Company.

In FY2011, no shares were repurchased and retired by resolution of the Board. The following table sets forth the number of shares to be purchased by the Company for fractions of trading units of Common Stock in the market.

Period	Total number of shares purchased (Shares)	Average price paid per share (Yen)
April 2010	123	3,125
May 2010	132	2,857
June 2010	0	0
July 2010	611	2,642
August 2010	4	2,512
September 2010	3	2,463
October 2010	175	2,747
November 2010	239	2,958
December 2010	1,122	3,293
January 2011	177	3,343
February 2011	257	3,636
March 2011	27	3,435
<b>Total number of shares purchased and average price paid per share</b>	<b>2,870</b>	<b>3,099</b>

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable

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### Item 16G. Corporate Governance

**1. Independent Directors:** NASDAQ Listing Rule 5605(b)(1) by NASDAQ requires a majority of the Company's board of directors to be comprised of independent directors, and 5605(b)(2) requires periodical executive sessions held by these independent directors. Unlike the NASDAQ rules on corporate governance (the NASDAQ Rules), the Companies Act of Japan and related legislation (collectively, the Japanese Company Law) sets forth the legal concept of Outside directors. Under the Japanese Company Law, an outside director is defined as a director (i) who is not a director of the company or any of its subsidiaries engaged in the business operations of the company or such subsidiary, as the case may be, or an executive officer or a company manager or other employee of the company or any of its subsidiaries, and (ii) who has never been a director of the company or any of its subsidiaries engaged in the business operations of the company or such subsidiary, as the case may be, or an executive officer or a company manager or other employee of the company or any of its subsidiaries. Under Japanese law, a director's status as an outside director is unaffected by the director's compensation, his or her affiliation with business partners, or the board's affirmative determination of independence.

On the other hand, under Japanese law, a director who has had a career as a director responsible for the execution of business operations, executive officer, or other employee of the company or its subsidiaries is by definition not an outside director.

Further, the Japanese Company Law does not require Japanese companies with boards of statutory auditors such as the Company to have any independent directors on its board of directors. Although it is not required under the Japanese Company Law, the Company currently has an outside director.

In addition, pursuant to recent amendments to the regulations of the Japanese stock exchanges on which shares of Common Stock of the Company are listed, the Company is required to have at least one independent director and one independent statutory auditor, defined respectively as an outside director unlikely to have a conflict of interest with shareholders of the Company and an outside statutory auditor unlikely to have a conflict of interest with shareholders of the Company.

Each of the outside directors of the Company satisfies the requirements of an independent director and each of the outside statutory auditors of the Company satisfies the requirements of an independent statutory auditor under these regulations.

**2. Compensation of Officers:** NASDAQ Rule 5605(d)(1) requires that compensation of the chief executive officer or all other executive officers of the company must be determined, or recommended to the board for determination, either by (i) a majority of the independent directors, or (ii) a compensation committee comprised solely of independent directors.

Under the Japanese Company Law, in the case of a company which has elected to structure its corporate governance system as a company with board of statutory auditors like the Company, there is no statutory position exactly the same as the chief executive officer or other executive officers. Under the Japanese Company Law, the most similar executive position of the chief executive officer is a representative director, who is authorized to represent the company by virtue of law. Under the Japanese Company Law and the Company's Articles of Incorporation, the aggregate compensation of directors including representative directors must be approved by the Company's shareholders at a general meeting of shareholders. If an executive officer concurrently assumes office as director, compensation of such executive officer is subject to the shareholders' approval as mentioned above.

**3. Nomination Committee and Nomination Committee Charter:** NASDAQ Rule 5605(e)(1) requires that director nominees must either be selected, or recommended for board's selection, either by (i) a majority of the independent directors, or (ii) a nomination committee comprised solely of independent directors, and NASDAQ Rule 5605(e)(2) requires that the Company must certify that it has adopted a formal written charter or board resolution, addressing the nominations process and required matters.

However, under the Japanese Company Law, a company which has elected to structure its corporate governance system as a company with board of statutory auditors like the Company, there are no such requirements or any other similar requirements in the nomination of directors. Consistent with the Japanese Company Law and generally accepted business practices in Japan, directors are elected by shareholders at a general meeting of shareholders upon nomination by the then board of directors.





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- 4. Audit Committee and Audit Committee Charter:** NASDAQ Rule 5605(c)(2) requires the Company to have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must (i) be independent, (ii) not have participated in the preparation of the financial statements of the company or any current subsidiary of the company at any time during the past three years and (iii) be able to read and understand fundamental financial statements. NASDAQ Rule 5605(c)(1) also requires the Company to adopt a formal written committee charter.

In addition, at least one member of an audit committee needs to have a professional background in finance or accounting.

In compliance with the Japanese Company Law, the Company has elected to structure its corporate governance system as a company with board of statutory auditors. The statutory auditors constitute the Company's board of statutory auditors which has a formal written charter. Accordingly, the Company is not required to have and does not have an audit committee. The Company is relying on paragraph (c)(3) of Rule 10A-3 of the Securities Exchange Act of 1934, as amended, which provides a general exemption from the audit committee requirements to a foreign private issuer with a board of statutory auditors, subject to certain requirements which continue to be applicable under Rule 10A-3. Generally for purposes of complying with NASDAQ Rules, the Company has interpreted the term audit committee appearing within NASDAQ Rules to mean the Company's board of statutory auditors, as appropriate.

Under the Japanese Company Law, statutory auditors are not required to be certified public accountants. Statutory auditors have the statutory duty to examine the Company's consolidated and non consolidated financial statements and the business reports which are made available by the board of directors for reporting or approval purposes at the general meetings of shareholders and, based on such examination, to report their opinions to shareholders. They also have the statutory duty to supervise the administration by the board members of the Company's affairs. Statutory auditors are obligated to attend the meetings of the board of directors but are not entitled to vote.

Under the Japanese Company Law, the board of statutory auditors has a statutory duty to prepare and submit its audit report to the board of directors each year.

A statutory auditor may note an opinion in the audit report if his or her opinion differs from the opinion expressed in the audit report. The board of statutory auditors is empowered to establish audit principles, the method of examination by statutory auditors of a company's affairs and financial position, and other matters concerning the performance of the duties of statutory auditors. Under the Japanese Company Law, boards of statutory auditors consist solely of statutory auditors and statutory auditors may not be directors of the company. Accordingly, no member of the board of statutory auditors is an outside director.

Unlike the NASDAQ Rules, under the Japanese Company Law, at least half of the statutory auditors of the Company must be persons who have not been a director, accounting counselor, executive officer, company manager, or any other employee of the Company or any of its subsidiaries at any time prior to their election as statutory auditors. Statutory auditors may not at the same time be directors, company managers, or any other employees of the Company or any of its subsidiaries, or accounting counselors or executive officers of any of the Company's subsidiaries.

- 5. Quorum:** NASDAQ Rule 5620(c) requires each issuer to provide for a quorum as specified in its by-laws for any meeting of the holders of common stock, which shall in no case be less than 33 1/3 percent of the outstanding shares of a company's common voting stock. Consistent with the Japanese Company Law and generally accepted business practices in Japan, the Company's Articles of Incorporation provide that except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of votes of all the shareholders represented at the meeting with no quorum requirement.

The Japanese Company Law and the Company's Articles of Incorporation provide, however, that the quorum for the election of directors and statutory auditors shall be one-third of the total number of voting rights of all the shareholders. The Japanese Company Law and the Company's Articles of Incorporation also provide that in order to amend the Company's Articles of Incorporation and in certain other significant transactions specified in the Japanese Company Law, the quorum shall be one-third of the total number of voting rights of all the shareholders and the approval by at least two-thirds of the voting rights of all the shareholders represented at the meeting is required.

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- 6. Conflicts of Interest:** NASDAQ Rule 5630(a) requires that each issuer conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis by the company's audit committee or another independent body of the board of directors.

Unlike the NASDAQ Rules, the Japanese Company Law requires the full board of directors to approve (1) all transactions that a director, on his or her own behalf or on behalf of a third party, enters into with the Company, (2) guarantees by the Company of obligations of a director and (3) all transactions with any person other than directors with respect to which there is a conflict of interest between the Company and any director. In addition, under the Japanese Company Law, no director may vote on a resolution at a meeting of the board of directors if that director has a special interest in that resolution, including, but not limited to, resolutions with respect to transactions with the Company referred to in the immediately preceding sentence.

Under the Japanese Company Law, the quorum for meetings of the board of directors of the Company is a majority of all directors then in office and the approval of a majority of all directors present at the meeting is required. The number of directors who are not entitled to vote at a meeting by having a special interest in the subject resolution shall be excluded from the number of directors then in office and present at the meeting for such purpose.

The Japanese Company Law does not require related party transactions other than those with directors referred to above to be approved by the board of directors or any independent body at or outside of the Company.

- 7. Shareholder Approval:** NASDAQ Rule 5635 requires each issuer to obtain shareholder approval prior to the issuance of securities under certain circumstances.

However, under the Japanese Company Law, regardless of the purpose of the issuance, shareholder approval is required only in the cases of issuance of shares at a specially favorable price or of stock acquisition rights or bonds with stock acquisition rights under specially favorable price or specially favorable exercise conditions, except where such shares, stock acquisition rights or bonds with stock acquisition rights are granted to all of its shareholders on a pro rata basis.

Such shareholder approval must be obtained by a special resolution of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required. Accordingly, so far as the issue price or exercise conditions are not specially favorable, shareholder approval is not required under the Japanese Company Law for the matters specified in NASDAQ Rule 5635. The Company's practices taken in connection with such matters are consistent with the Japanese Company Law.

- 8. Solicitation of Proxies:** NASDAQ Rule 5620(b) requires each issuer to solicit proxies and provide proxy statement for all meetings of shareholders and provide copies of such proxy solicitation to NASDAQ.

However, under the Japanese Company Law, the Company is required to send ballots to all shareholders' meeting.

Although the Company may choose to solicit proxies from all shareholders with voting rights instead of voting by ballot, the Company, in common with the majority of public companies in Japan, provides its shareholders with the opportunity to vote directly by ballot.

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**PART III**

**Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

The following financial statements are filed as part of this annual report on Form 20-F.

**Item 19. Exhibits**

- 1.1 Articles of Incorporation, as amended and effective as of June 25, 2009 (English translation), incorporated by reference to Makita's Annual Report on Form 20-F (Commission file no. 0-12602) filed on July 9, 2009.
- 1.2 Regulations of Board of Directors, as amended and effective as of June 25, 2009 (English translation), incorporated by reference to Makita's Annual Report on Form 20-F (Commission file no. 0-12602) filed on July 9, 2009.
- 1.3 The Share Handling Regulations, as amended and effective as of January 5, 2009 (English translation), incorporated by reference to Makita's Annual Report on Form 20-F (Commission file no. 0-12602) filed on July 9, 2009.
- 1.4 Regulations of Board of Statutory Auditors effective as of July 7, 2006 (English translation), incorporated by reference to Makita's Annual Report on Form 20-F (Commission file no. 0-12602) filed on June 7, 2006.
- 12.1 302 Certification of Chief Executive Officer, President and Representative Director
- 12.2 302 Certification of Chief Financial Officer, Director and General Manager of Administration Headquarters
- 13.1 906 Certification of Chief Executive Officer and Chief Financial Officer
- 101 INS XBRL Instance Document
- 101 SCH XBRL Taxonomy Extension Schema
- 101 CAL XBRL Taxonomy Extension Calculation Linkbase
- 101 DEF XBRL Taxonomy Extension Definition Linkbase
- 101 LAB XBRL Taxonomy Extension Label Linkbase

101 PRE XBRL Taxonomy Extension Presentation Linkbase

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**MAKITA CORPORATION**

By: /s/ Masahiko Goto  
Name: Masahiko Goto  
Title: President,  
Representative Director and  
Chief Executive Officer

Date: July 1, 2011

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**Makita Corporation and Subsidiaries**

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(Financial Statements of 50% or less owned persons accounted for by the equity method have been omitted because they are not applicable.)

**Schedules:**

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(All schedules not listed above have been omitted because they are not applicable, or are not required, or the information has been otherwise supplied in the consolidated financial statements.)

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

Makita Corporation:

We have audited the accompanying consolidated balance sheets of Makita Corporation (a Japanese corporation) and subsidiaries as of March 31, 2010 and 2011, and the related consolidated statements of income, changes in equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended March 31, 2011. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule of valuation and qualifying accounts and reserves for the years ended March 31, 2009, 2010 and 2011. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Makita Corporation and subsidiaries as of March 31, 2010 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements as of and for the year ended March 31, 2011 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements, expressed in yen, have been translated into dollars on the basis set forth in Note 4 in the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Makita Corporation's internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 1, 2011 expressed an unqualified opinion on the effectiveness of Makita Corporation's internal control over financial reporting.

KPMG AZSA LLC

Tokyo, Japan

July 1, 2011

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## MAKITA CORPORATION AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**

AS OF MARCH 31, 2010 AND 2011

	Yen in millions		U.S. Dollars in thousands
	2010	2011	2011
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 62,290	¥ 51,833	\$ 624,494
Time deposits	8,383	15,719	189,386
Short-term investments	33,639	33,555	404,277
Trade receivables- Notes	2,214	1,914	23,060
- Accounts	43,680	46,785	563,675
Less- Allowance for doubtful receivables	(1,010)	(935)	(11,265)
Inventories	88,811	110,595	1,332,470
Deferred income taxes	6,434	6,039	72,759
Prepaid expenses and other current assets	9,356	9,990	120,361
<b>Total current assets</b>	<b>253,797</b>	<b>275,495</b>	<b>3,319,217</b>
<b>PROPERTY, PLANT AND EQUIPMENT, AT COST:</b>			
Land	19,050	20,065	241,747
Building and improvements	70,668	72,201	869,892
Machinery and equipment	74,652	73,195	881,867
Construction in progress	2,257	1,369	16,494
<b>Sub total</b>	<b>166,627</b>	<b>166,830</b>	<b>2,010,000</b>
Less- Accumulated depreciation and amortization	(93,427)	(94,792)	(1,142,072)
<b>Total net property, plant and equipment</b>	<b>73,200</b>	<b>72,038</b>	<b>867,928</b>
<b>INVESTMENT AND OTHER ASSETS:</b>			
Investments	15,166	17,069	205,651
Goodwill	721	721	8,687
Other intangible assets, net	4,664	4,595	55,361
Deferred income taxes	1,611	1,403	16,904
Other assets	680	1,186	14,288
<b>Total investments and other assets</b>	<b>22,842</b>	<b>24,974</b>	<b>300,891</b>
<b>Total assets</b>	<b>¥ 349,839</b>	<b>¥ 372,507</b>	<b>\$ 4,488,036</b>

The accompanying notes are an integral part of these consolidated financial statements.



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MAKITA CORPORATION AND SUBSIDIARIES  
**CONSOLIDATED BALANCE SHEETS, CONTINUED**

AS OF MARCH 31, 2010 AND 2011

	Yen in millions		U.S. Dollars in thousands
	2010	2011	2011
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings	¥ 385	¥ 868	\$ 10,458
Trade notes and accounts payable	18,359	25,691	309,530
Other payables	5,089	4,386	52,843
Accrued expenses	4,694	6,125	73,795
Accrued payroll	6,835	7,543	90,880
Income taxes payable	1,722	4,317	52,012
Deferred income taxes	40	112	1,349
Other liabilities	5,337	7,183	86,543
<b>Total current liabilities</b>	<b>42,461</b>	<b>56,225</b>	<b>677,410</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term indebtedness	544	19	229
Accrued retirement and termination benefits	3,778	3,128	37,687
Deferred income taxes	677	746	8,988
Other liabilities	2,706	2,711	32,662
<b>Total long-term liabilities</b>	<b>7,705</b>	<b>6,604</b>	<b>79,566</b>
<b>Total liabilities</b>	<b>50,166</b>	<b>62,829</b>	<b>756,976</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EQUITY</b>			
<b>MAKITA CORPORATION SHAREHOLDERS EQUITY:</b>			
Common stock, authorized - 496,000,000 shares			
Issued and outstanding- 140,008,760 and 137,760,402 shares, respectively in 2010			
Issued and outstanding- 140,008,760 and 137,757,699 shares, respectively in 2011	23,805	23,805	286,807
Additional paid-in capital	45,420	45,420	547,229
Legal reserve	5,669	5,669	68,301
Retained earnings	270,790	293,532	3,536,530
Accumulated other comprehensive loss	(42,032)	(54,824)	(660,530)
Treasury stock, at cost 2,248,358 shares in 2010			
2,251,061 shares in 2011	(6,445)	(6,453)	(77,747)
<b>Total Makita Corporation shareholders equity</b>	<b>297,207</b>	<b>307,149</b>	<b>3,700,590</b>
<b>NONCONTROLLING INTEREST</b>	<b>2,466</b>	<b>2,529</b>	<b>30,470</b>
<b>Total equity</b>	<b>299,673</b>	<b>309,678</b>	<b>3,731,060</b>
<b>Total liabilities and equity</b>	<b>¥ 349,839</b>	<b>¥ 372,507</b>	<b>\$ 4,488,036</b>

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The accompanying notes are an integral part of these consolidated financial statements.

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## MAKITA CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME**

FOR THE YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	Yen in millions			U.S. Dollars
	2009	2010	2011	in thousands 2011
<b>NET SALES</b>	¥ 294,034	¥ 245,823	¥ 272,630	\$ 3,284,699
Cost of sales	170,894	149,938	167,851	2,022,301
<b>GROSS PROFIT</b>	123,140	95,885	104,779	1,262,398
Selling, general, administrative and others, net	73,065	65,495	62,870	757,470
<b>OPERATING INCOME</b>	50,075	30,390	41,909	504,928
<b>OTHER INCOME (EXPENSES):</b>				
Interest and dividend income	1,562	881	1,313	15,819
Interest expense	(236)	(71)	(33)	(398)
Exchange gains (losses) on foreign currency transactions, net	(3,408)	2,044	(591)	(7,120)
Realized gains (losses) on securities, net	(3,548)	274	132	1,590
Other, net	(2)	-	-	-
Total	(5,632)	3,128	821	9,891
<b>INCOME BEFORE INCOME TAXES</b>	44,443	33,518	42,730	514,819
Provision for income taxes: Current	11,277	8,760	11,094	133,662
: Deferred	(546)	2,192	1,365	16,446
Total	10,731	10,952	12,459	150,108
<b>NET INCOME</b>	33,712	22,566	30,271	364,711
Less: Net income attributable to the noncontrolling interest	(426)	(308)	(366)	(4,410)
<b>NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION</b>	¥ 33,286	¥ 22,258	¥ 29,905	\$ 360,301

	Yen			U.S. Dollars
	2009	2010	2011	2011
<b>PER SHARE OF COMMON STOCK AND ADS:</b>				
Earnings per share: Basic	¥ 236.9	¥ 161.6	¥ 217.1	\$ 2.62
Cash dividends per share paid for the year	97.0	65.0	52.0	0.63

The accompanying notes are an integral part of these consolidated financial statements.

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## MAKITA CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME (LOSS)**

FOR THE YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	Makita Corporation shareholders' equity							Comprehensive income (Loss)			
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Non-controlling interest	Total	Net income attributable to Makita Corporation	Net income attributable to non-controlling interest	Total
	Yen (millions)										
Balance as of April 1, 2008	23,805	45,753	5,669	249,191	(7,657)	(263)	2,516	319,014			
Purchases of treasury stock						(17,655)		(17,655)			
Retirement of treasury stock		(329)		(11,135)		11,464		0			
Disposal of treasury stock		(4)				19		15			
Cash dividends				(13,855)			(235)	(14,090)			
Comprehensive income (loss)											
Net income				33,286			426	33,712	33,286	426	33,712
Foreign currency translation adjustment					(28,051)		(446)	(28,497)	(28,051)	(446)	(28,497)
Unrealized holding losses on available-for-sale securities					(3,065)			(3,065)	(3,065)		(3,065)
Pension liability adjustment					(3,688)			(3,688)	(3,688)		(3,688)
Total comprehensive loss									(1,518)	(20)	(1,538)
Balance as of March 31, 2009	23,805	45,420	5,669	257,487	(42,461)	(6,435)	2,261	285,746			
Purchases of treasury stock						(10)		(10)			
Cash dividends				(8,955)			(197)	(9,152)			
Capital transactions and other											
Comprehensive income (loss)							181	181			
Net income				22,258			308	22,566	22,258	308	22,566
Foreign currency translation adjustment					(2,931)		(87)	(3,018)	(2,931)	(87)	(3,018)
Unrealized holding losses on available-for-sale securities					2,430			2,430	2,430		2,430
					930			930	930		930

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Pension liability adjustment												
Total comprehensive income									22,687	221	22,908	
Balance as of March 31, 2010	23,805	45,420	5,669	270,790	(42,032)	(6,445)	2,466	299,673				
Purchases of treasury stock						(8)		(8)				
Cash dividends				(7,163)			(136)	(7,299)				
Comprehensive income (loss)												
Net income				29,905			366	30,271	29,905	366	30,271	
Foreign currency translation adjustment					(11,549)		(167)	(11,716)	(11,549)	(167)	(11,716)	
Unrealized holding gains on available-for-sale securities					(838)			(838)	(838)		(838)	
Pension liability adjustment					(405)			(405)	(405)		(405)	
Total Comprehensive income									17,113	199	17,312	
Balance as of March 31, 2011	23,805	45,420	5,669	293,532	(54,824)	(6,453)	2,529	309,678				
Balance as of March 31, 2011 US\$ in thousands	286,807	547,229	68,301	3,536,530	(660,530)	(77,747)	30,470	3,731,060	206,181	2,398	208,578	

The accompanying notes are an integral part of these consolidated financial statements.

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## MAKITA CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED MARCH 31, 2009, 2010 AND 2011

	2009	Yen in millions 2010	2011	U.S. Dollars thousands 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	¥ 33,712	¥ 22,566	¥ 30,271	\$ 364,711
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation and amortization	8,887	8,308	7,557	91,048
Deferred income tax expense (benefit)	(546)	2,192	1,365	16,446
Realized losses (gains) on securities, net	3,548	(274)	(132)	(1,590)
Losses on disposal or sales of property, plant and equipment, net	430	284	(219)	(2,639)
Bad debt expense	474	152	223	2,687
Inventory write-downs	990	195	709	8,543
Impairment of goodwill and long-lived assets	-	1,605	262	3,157
Changes in assets and liabilities-				
Trade receivables	9,081	(181)	(5,249)	(63,241)
Inventories	(18,304)	20,543	(28,008)	(337,446)
Trade notes and accounts payable and accrued expense	(10,005)	3,013	10,264	123,663
Income taxes payable	(4,589)	1,480	2,429	29,264
Accrued retirement and termination benefits	(2,297)	(1,615)	(1,167)	(14,060)
Other, net	797	(1,142)	1,312	15,806
Net cash provided by operating activities	22,178	57,126	19,617	236,349
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Capital expenditures, including interest capitalized	(17,046)	(10,837)	(9,742)	(117,373)
Purchases of available-for-sale securities	(375)	(4,996)	(2,677)	(32,253)
Purchases of held-to-maturity securities	-	(1,522)	(2,870)	