

The Americas



Makita Corporation of America



Makita do Brasil Ferramentas Eléctricas Ltda.

Makita encountered a relatively difficult business environment in the Americas during fiscal 2001, owing to weakening markets for electric power tools in the second half of the year along with the slowing of the U.S. economy. In North America, Makita continued to target sales at professional users and the high-end segment of the region's well-developed DIY market. Although market conditions were generally favorable during the first half of the fiscal year, Makita posted a steep decline in sales in North America in fiscal 2001. This decrease is attributable to the temporary slackening of sales that accompanied Makita's implementation of measures to rebuild its North American organization and reorganize sales routes. These measures were taken to help enhance the reputation of Makita-brand power tools for reliability. Other factors dragging down sales in North America included overall sluggish market conditions in the second half of the fiscal year.

Central American and South American countries recorded smooth economic growth overall, buoyed by an expansion in consumption. Nevertheless, the economies of this region were affected by the decelerating U.S. economy. Under these conditions, Makita achieved steady growth in sales in Latin America, mainly in Brazil and Mexico.



During the fiscal year under review, Makita took decisive measures to strengthen its operations throughout the Americas. To increase levels of product knowledge among our marketing and sales staff as well as staff at such sales channels as hardware stores, we established a new training and educational center at Makita Corporation of America, a subsidiary in Georgia, in June 2000. As part of its strategy



for enhancing its reputation for offering reliable power tools, Makita focused its marketing at sales channels that serve professional users, including marketing groups that sell to production plants as well as marketing groups that target users involved in electric materials related construction work. As an integral facet of our marketing strategy, we worked to increase the number of opportunities for demonstrating the outstanding features and capabilities of our products to customers by establishing a product demonstration team. Power tools sold in the U.S. market are manufactured mainly by Makita Corporation of America. A portion of our power tools sold in the United States is also produced by our manufacturing plants in Japan, China, the United Kingdom, and other countries. Makita products manufactured at its production facilities worldwide all maintain consistent high quality.

To enhance our sales capabilities in the Caribbean region as well as in Central American and South American countries, the Miami, Florida, office of Makita U.S.A. Inc. became a subsidiary, Makita Latin America. This new subsidiary will handle sales promotion and service activities for Caribbean and Latin American countries, including the Dominican Republic, Venezuela, and Costa Rica.

Looking at the business environment for fiscal 2002, a sharp improvement in the North American power tool market is unlikely. Nevertheless, we anticipate that strategies implemented during fiscal 2001 will be effective in further elevating the image of the Makita brand. One of our principal objectives in North America during the year ahead will be to record higher sales to industrial accounts. In Central America and South America, despite the expected lingering effects of the slowdown in the U.S. economy, Makita intends to strengthen its approach to cultivating untapped markets through local sales subsidiaries.



Europe



Makita Manufacturing Europe Ltd.



Dolmar GmbH

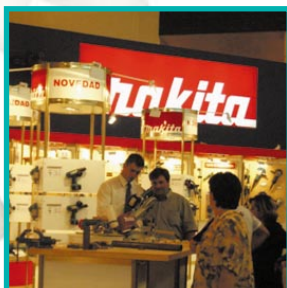


Power tool markets in European countries expanded smoothly during the fiscal year, with the exception of Germany, where a slight weakening of the market accompanied sluggishness in construction activities. The power tool markets in Eastern Europe as well as in Russia posted particularly sharp growth. On the other hand, the depreciation of the euro undermined Makita's price-competitiveness vis-à-vis local European power tool manufacturers.

Despite concerns about an erosion in price-competitiveness resulting from the price increases on its products accompanying the weakening of the euro, the introduction of such new products as rotary hammers supported continued firm growth in sales, and Makita's European subsidiaries achieved year-on-year growth in sales on a local currency basis. Makita recorded particularly sharp growth in sales in Eastern Europe as well as Russia, thanks in part to measures taken during the past several years to strengthen its sales capabilities by establishing sales subsidiaries in Poland, the Czech Republic, and Hungary as well as a representative office in Russia. In addition, Dolmar GmbH, a subsidiary in Germany that engages in the manufacture and marketing of garden tools, reported brisk sales, centering on robust exports.



Makita made significant progress in strengthening its operations in Europe in fiscal 2001. In March 2001, we established Makita Oy, a sales subsidiary in Helsinki, Finland. This new subsidiary handles sales and after-sales services in Finland as well as exports of Makita's products to Norway, Sweden, and the three Baltic countries. Looking ahead, we expect Makita Oy to also serve as a distribution base for exports to Russia. In April 2000, we bolstered our sales capabilities in Switzerland by establishing Makita SA.



The European economy is expected to post relatively stable growth, although sharp expansion is unlikely. Moreover, the power tools market is anticipated to grow slightly, as the temporary weakening of the euro seems to have passed. Under these conditions, Makita will work to expand the market shares of its power tools by focusing on the introduction of new products in large sectors of the market. Concurrently, Makita will strive to further solidify its position in Eastern European and Russian markets.





Asia & Oceania



Makita (China) Co., Ltd.

Although the Asian economies are generally recovering in the wake of the Asian currency crises that occurred in the summer of 1997, the region is facing a host of adverse developments, including political instability and sluggish construction markets in several countries. In fiscal 2001, Makita recorded 7.8% growth in sales in Asia. Nevertheless, although Asian markets are showing a healthy recovery, market conditions have yet to improve to the level attained before the currency crises. Moreover, in the second half of fiscal 2001 the Asian economies, which depend heavily on exports, were adversely influenced by the downturn in the U.S. economy.

Despite this difficult operating environment, Makita was able to record steady growth in sales in Asia in fiscal 2001. This increase is attributable to Makita's ongoing efforts to maintain its local sales and service structures in Asia even after the region's currency crises. This approach has allowed us to forge even stronger bonds of trust with our customers—a cornerstone of our operations in this region.

Fiscal 2001 saw Makita continue to expand and strengthen its operations in China. In November 2000, Makita established Makita (Kunshan) near Shanghai, its second manufacturing subsidiary in China. By establishing this new production facility, Makita aims to fortify its capabilities for supplying price-competitive, high-quality products. Subsequently, in March 2001, Makita established Makita (Shanghai) Trading to handle the export of locally produced low-



cost components to Makita's other overseas production facilities, which will contribute to a reduction in costs for the entire Makita Group.

Makita also bolstered its sale capabilities in China by establishing new sales and after-sales service bases in Chengdu and Shenyang. Along with previously established bases in Guangzhou, Shanghai, and Beijing, Makita now operates a total of five such bases in China.

While local manufacturers are expected to expand their market shares in segments for low-priced power tools, Makita continues manufacturing high-quality power tools, reducing costs by increasing and strengthening its production capabilities in China. Though a rapid expansion in the power tool market is unlikely in the immediate future, the Chinese market is certain to eventually evolve into a large market over the long term. Makita intends to meet the future needs of this market not only by building a strong production structure but also by upgrading and expanding its sales structure.

In Oceania, a slump in housing and a decline in price-competitiveness due to the strengthening of the yen conspired to create a harsh business environment in fiscal 2001. Against this backdrop, we worked to achieve favorable results by relying on the reputation of the Makita brand name. Despite these efforts, the net sales of Makita Group companies in Oceania declined sharply from the previous fiscal year due to the appreciation of the yen relative to Oceanian currencies. Although sales declined in fiscal 2001, by continuing to operate a sales structure that focuses closely on the needs of users, we are maintaining the top share of the market.



Japan



Okazaki Plant

Makita operated within a less-than-favorable business environment during fiscal 2001, as the recovery of the domestic economy began to lose steam while uncertainties about employment led to a decline in new housing starts. Despite these adverse conditions, Makita achieved growth in sales and expanded its market share, thanks to efforts to upgrade its after-sales service structure that guarantees fast repairs, supported by a nationwide network of 113 sales offices. Also contributing to performance was the introduction of superior products that included a cordless impact driver, which is one of the most popular power tools in Japan among professional users; a circular saw with a light that significantly improves visibility while cutting; and a powerful new air compressor.

Makita strengthened its areas of marketing that target automobile production plants while carrying out proposal-based marketing, centered on PR activities for new products. Despite the increasing complexity of power tools, Makita continued to maintain its structure for ensuring prompt repairs and the servicing of power tools.





Looking to the future, the construction market in Japan is expected to remain flat or even shrink due to lagging recovery in the employment and income environments. Against this background, Makita will strive to maintain its strong brand image and continue working to maintain or raise levels of customer satisfaction. As part of these efforts, Makita will bolster its marketing approach and cultivate new sales routes targeted at corporations and manufacturers—a segment in which Makita has been relatively weak to the present. Makita will also strive to invigorate the market by introducing new products. By making efforts to develop products that optimize the work environment and to improve customer satisfaction, Makita aims to increase its share of the market for professional-use power tools.

