MAKITA CORPORATION ANNUAL REPORT 2004

Fiscal Year Ended March 31, 2004

RELIABLE POWER TOOLS

A WORLD LEADER IN ELECTRIC POWER TOOLS

Over the past 89 years, Makita Corporation has grown to become Japan's top manufacturer of portable electric power tools as well as a leader in global markets. Headquartered in Anjo, near Nagoya, Makita designs and markets an extensive lineup of power tools. Makita's principal products include circular saws, jig saws, planers, drills, hammers, grinders, and sanders. To meet an even wider range of customer needs, Makita also markets stationary woodworking machines and pneumatic tools as well as garden tools. The unsurpassed quality and reliability of these power tools and other products have earned Makita products the trust of customers in markets around the world.

Backed by a strong domestic network that includes production plants in Okazaki and Ichinomiya and more than 100 sales offices, Makita carries out its global activities through 40 overseas subsidiaries. As it strives to become a truly global supplier of a comprehensive array of power tools and other related products, and in line with its policy of manufacturing products close to its customers, Makita manufactures power tools and other products at facilities in Brazil, Canada, China, Germany, the United Kingdom, and the United States.

CONTENTS

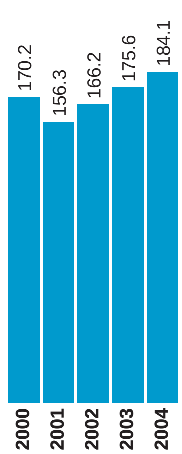
FINANCIAL HIGHLIGHTS

Makita Corporation and Consolidated Subsidiaries
Years ended March 31, 2002, 2003 and 2004

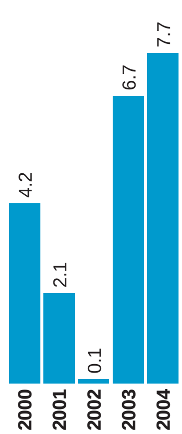
	Yen (millions)			U.S. Dollars (thousands)
	2002	2003	**2004**	**2004**
Net sales	¥166,169	¥175,603	**¥184,117**	**$1,770,356**
Operating income	5,873	12,468	**14,696**	**141,308**
Income before income taxes	3,403	9,292	**16,170**	**155,481**
Net income	133	6,723	**7,691**	**73,952**
Working capital	144,929	141,759	**147,822**	**1,421,365**
Shareholders' equity	189,939	182,400	**193,348**	**1,859,115**
Total assets	285,138	278,600	**278,116**	**2,674,192**
			Yen	U.S. Dollars
Earnings per share—basic	¥ 0.9	¥45.3	**¥53.2**	**$0.51**
—diluted	0.9	44.2	**51.9**	**0.50**
Cash dividends per share paid for the year	18.0	18.0	**18.0**	**0.17**

Notes: (1) The U.S. dollar amounts above and elsewhere in this report represent translations, for the convenience of the reader, at the rate of ¥104 to US$1.
(2) From the fiscal year ended March 31, 2004, dividends per share shown above represent dividends paid for the year, and figures for previous fiscal years have been restated accordingly.
(3) The June 29, 2004, annual general meeting of shareholders approved a proposal to set cash dividends per share for the second half of the fiscal year ended March 31, 2004, at ¥13, including a special dividend of ¥4 per share.
(4) Refer to Note 13 of the Notes to Consolidated Financial Statements for the computation of per share data.

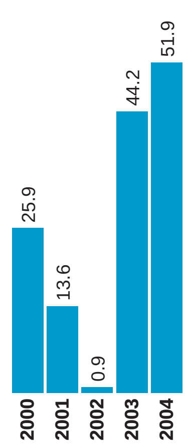
Net Sales
(¥ Billions)



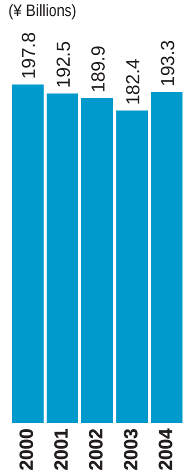
Net Income
(¥ Billions)



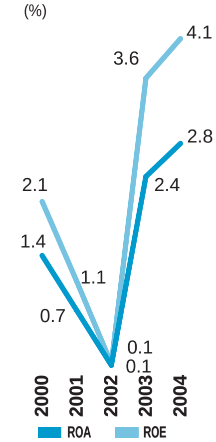
Earnings per Share —Diluted
(¥)



Shareholders' Equity
(¥ Billions)



Return on Total Assets (ROA) and Return on Shareholders' Equity (ROE)
(%)



AN INTERVIEW WITH THE PRESIDENT

Q: In fiscal 2004, ended March 31, 2004, Makita achieved strong performances in both sales and profitability. We would like to hear your analysis and appraisal of the Company's performance. First, could you give an overview of conditions in your operating environment?

A: I am quite pleased with Makita's strong performance in fiscal 2004, which we achieved amid market conditions that offered many challenges as well as opportunities. By region, our operating environment was as follows.

In Japan, the level of new housing starts remained low, at 1.2 million. Moreover, amid the protracted period of economic weakness, the share of construction projects employing traditional methods that entail the frequent use of power tools has decreased, while the use of prefabricated building components and other construction methods involving relatively less power tool usage has become increasingly common. As a result, the power tool market has shrunk considerably and appears unlikely to grow.

As for North America, the strong level of housing construction and personal consumption supported quite robust conditions in the power tool market, with particularly strong sales through home improvement centers. However, the increasing presence of power tools manufactured in China and other factors further increased the severity of conditions for marketing power tools.

Regarding Europe, demand for power tools in Western Europe remained slack, but dynamic economic growth in Eastern Europe and Russia led to an expansion of local power tool markets.

Asian power tool markets have finally begun a gradual trend of overall recovery after a long process of economic rehabilitation following the 1997 currency crisis. On the other hand, buying power in Asian countries has not completely recovered, and there is a trend of increasing sales of relatively low-priced power tools.

Turning to other regions, market conditions were firm in Oceania and the Middle East. While there was concern that political situations might have a negative effect on Middle Eastern market conditions, it turned out that the effect was quite small.

Q: How was Makita's consolidated performance during fiscal 2004?

A: Amid the operating environments I just described, Makita was able to generate ¥184.1 billion of consolidated net sales, up 4.8% from the previous year. Sales in Europe surged 15.1%, reflecting the strength of sales in local-currency terms as well as the appreciation of the Euro against the yen.

Looking at profitability, we recorded significant impairment losses on the assets of certain subsidiaries, but factors including a rise in the volume of production at our Chinese factories enabled us to boost our operating income 17.9%, to ¥14.7 billion, and the ratio of operating income to net sales rose 0.9 percentage point, to 8.0%. This, along with improvement regarding foreign exchange loss and realized gains/losses on securities, led to a 74.0% rise in income before income taxes, to ¥16.2 billion, and net income grew 14.4%, to ¥7.7 billion.

The rise in net income and our repurchase of slightly over 2 million of our shares in fiscal 2004 caused net income per share to rise 17.4%, to ¥53.2.

Aiming to reward our shareholders for supporting our efforts to sustain our corporate development, we adopted a new dividend policy in fiscal 2004. While subsuming the previous policy goal of seeking to maintain stable annual dividends of ¥18 per share, the new policy adds the goal of keeping dividend payout ratios at levels of 30% or higher. Based on this policy, in June 2004, we disbursed cash dividends of ¥13 per share for the second half of fiscal 2004.

Q: Manufacturing operations in China had a positive influence on your performance. Please tell us about the current and prospective situations regarding these operations.

A: Makita (China) Co., Ltd., and Makita (Kunshan) Co., Ltd., accounted for 39.4% of the Makita Group's manufacturing volume during fiscal 2004, up considerably from a 32.7% share in fiscal 2003. The Group's manufacturing volume grew 768,000 units in fiscal 2004, to 10.9 million units, and almost all this increase was attributable to our factories in China. Personnel costs and other costs are considerably lower in China, and the expansion of relatively low-cost manufacturing operations there has been exerting a positive effect on consolidated profitability for the past several years.

Plans call for further reducing costs by shifting the motor manufacturing and aluminum housing processing work of Makita's U.S. and U.K. plants to China and having the U.S. and U.K. plants focus exclusively on assembly processes.

China's importance to Makita as a manufacturing and component supply base is expected to continue increasing.

Q: What is Makita's policy regarding methods of contributing to society in the course of pursuing corporate growth? The phrase "corporate social responsibility," or "CSR," has come into frequent use in recent years. Can a power tool maker such as Makita make a special contribution to society through its products?

A: Makita's principal business field, power tools, is closely associated with the housing construction industry, which has large markets throughout the world. Our technological innovation and other activities that increase the availability of high-quality power tools help increase the efficiency and quality of housing construction work while reducing the economic cost and environmental impact of such work. Our efforts to develop markets worldwide are a means of helping people throughout the world live better lives. This is the rationale behind Makita's objective of being a "global supplier of a comprehensive range of power tools that assist people in creating homes and living environments."

We are proud that our products make direct contributions to the well-being of users and society at large and that our success in contributing to society generates benefits for our various stakeholders. One of our key assets in this regard is the power of the Makita brand, which reflects users' and dealers' high evaluations of Makita products. We are determined to live up to the expectations of our stakeholders by continuing to create environment-friendly technologies and products and by using those technologies and products to participate in efforts to create a sustainable global society.

Q: What is Makita doing with regard to stakeholder value?

A: Our stakeholders are a diverse group including shareholders, customers, employees, suppliers, and society at large. To sustain Makita's business development and steadily increase its stakeholder value, we emphasize the fundamental management postures of aiming to prosper in harmony with society, giving top priority to meeting customer needs, and operating in a prudently proactive manner. Another key management goal is to foster and maintain a corporate culture that is characterized by simplicity and fortitude and promotes the realization of each individual employee's potential.

Q: Good corporate governance systems are crucial means of achieving sustained growth in corporate value. What kind of corporate governance systems does Makita have?

A: Makita has adopted a board of auditors system. Our board of auditors has four members, of which two are outside auditors who do not and have never had other positions within the Company. The auditors have the role of monitoring and corroborating the directors' performance of their duties. In addition, we send reports on our business and other situations to the company serving as our independent accounting auditor at regular intervals as well as whenever the need arises. Moreover, besides determining fundamental management policies and other issues stipulated by law, our board of directors has the role of making decisions on all important management issues.

As a means of further strengthening our corporate governance systems and our capabilities for expeditiously implementing internal audits whenever needed, we established our Internal Audit Department in April 2003.

Regarding information disclosure, in May 2003, we established our Disclosure Committee, which includes representatives from each corporate department and has the role of increasing the clarity of disclosure policies and procedures as well as ensuring the accuracy of disclosed information.

Our compliance system centers on Code of Ethics guidelines that stipulate the high ethical standards we expect from each employee with respect to ensuring consistently ethical behavior, avoiding conflicts of interest, rigorously complying with all relevant laws and regulations, disclosing important information, and other key ethics issues. In April 2004, we reinforced this system by creating an internal system for reporting compliance problems. A Help Line has been established to facilitate the gathering of information and opinions.

Q: What new efforts are you making to enhance the value of the Makita brand?

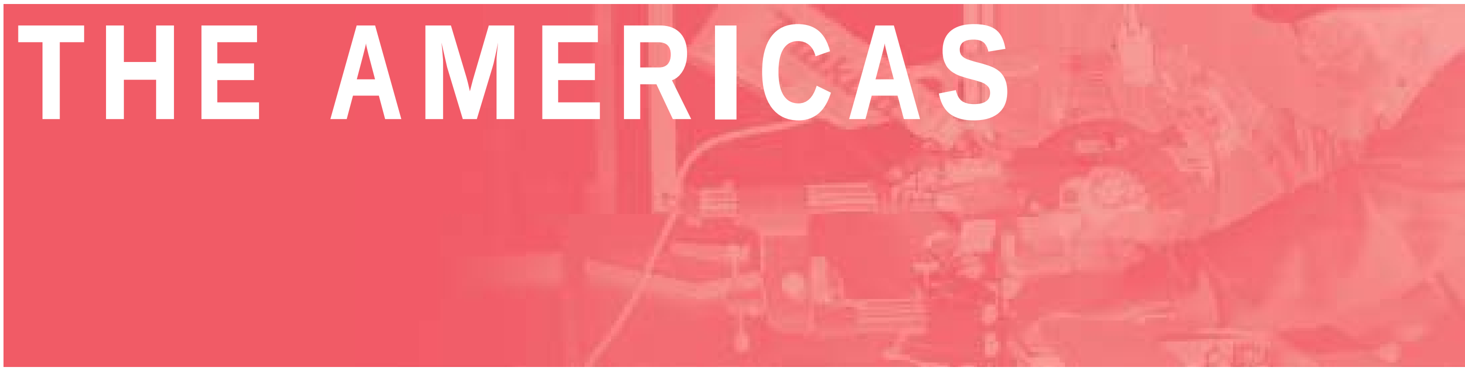
A: Makita is very proud of its long tradition of manufacturing excellence, which has enabled it to consistently provide power tools with the superior quality and functionality needed to satisfy professional users. We have earned a strong reputation for reliability. To further enhance the value of the Makita brand, we are sending our technical and product development staff to personally visit construction sites, gather information on work methods as well as user feedback and suggestions, and use all this information to come up with innovative product development ideas. We are confident that this approach will help maintain the appeal of the Makita brand and serve as a key means of sustaining the Company's dynamic growth.

Q: Do you have anything else you would like to convey to readers of this annual report?

A: I would like to thank our shareholders and other stakeholders for their support and cooperation. I hope that all our stakeholders are aware of our plans to ensure Makita is a strong company by further bolstering Group marketing companies in various overseas locations and otherwise augmenting our marketing power while also working to heighten the level of professional users' satisfaction and enhance the Company's brand image. We hope for stakeholders' continued understanding as we strive to improve our performance by capturing and maintaining top shares of professional-user markets worldwide.

July 2004

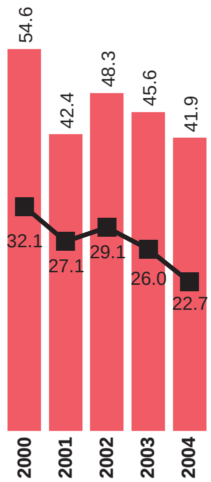
Masahiko Goto
President and Representative Director



THE AMERICAS

Sales in North America

(¥ Billions, %)



■ Sales in North America as a percentage of net sales

Market Trends

Makita's customers in the Americas include industrial wholesalers and retailers, home improvement centers, buying groups, Internet marketers, and rental agencies. However, both the professional power tool users market and the do-it-yourself (DIY) markets are mature.

In fiscal 2004, a federal income tax reduction and other factors helped support firm personal consumption in the United States, and the U.S. economy was robust, although competition in the professional-user and DIY markets is projected to intensify owing to such trends as the increasing presence of Chinese-made power tools and the rising strength of competing companies that are growing through M&A activities.

Measures Taken During the Year

Inventory levels surged owing to reduced consumption proclivities in the wake of the terrorist incidents of 2001 but were greatly reduced during fiscal 2004. In the United States, Makita had seven months of inventory at the end of fiscal 2003 but four months of inventory at the end of fiscal 2004.

Noting the potential benefits of increasingly rapid distribution services and sophisticated information networks, Makita decided it could streamline its distribution and afterservice systems while maintaining the same high level of services. During fiscal 2004, the Company reduced the number of distribution branches from seven to four and closed 20 directly managed factory service centers. These moves have significantly reduced costs and helped strengthen profitability.

In addition, while the use of factories in China as bases for procuring Chinese components that meet Makita's strict quality standards lowered the cost of sales ratio, the use of Chinese components did not undermine Makita's brand image among users in the Americas, who continued to highly evaluate the quality of the Company's products and services.

Marketing Strategies

Makita has more than 40 factory service centers and more than 2,000 authorized service centers in the Americas, and these facilities are extremely dependable in

• Strengthening marketing to professional users
• Reducing inventories
• Restructuring distribution

providing high-quality services. Local sales offices have worked to improve the knowledge and strategic marketing capabilities of their sales staff, who do not focus on price-centered selling methods but rather implement strategic marketing programs that give due attention to the special characteristics of different sales routes and implement sales promotion programs directed at medium- and small-scale customers as well as large-scale customers. Makita has recently been strengthening its marketing capabilities in the United States by focusing on marketing activities that address professional users, and the Company plans to take additional measures to promote sales in the U.S. market by emphasizing products with superior performance, upgraded maintenance services, and improved distribution systems.

Latin American Markets

In Brazil, Makita has worked to promote sales through steel structure construction-related routes, which it had not previously emphasized, and measures to expedite the delivery of maintenance-use components. The Company has arranged demonstrations for major industrial power tool users that have increased the appeal of its products' superior functions and quality, and it has sought to expand its local sales by developing relationships with additional retailers and expanding the range of models marketed.

In Mexico, Makita has progressively increased its direct transactions with medium-sized retailers and otherwise worked to broaden the range of marketing routes it employs.

Social Contribution Activities

Makita's social contribution activities in the Americas include such activities as financial donations to local police and fire departments and product donations to charitable organizations as well as the provision of employment-related guidance to students at local high schools.

EUROPE & MIDDLE EAST

Market Trends

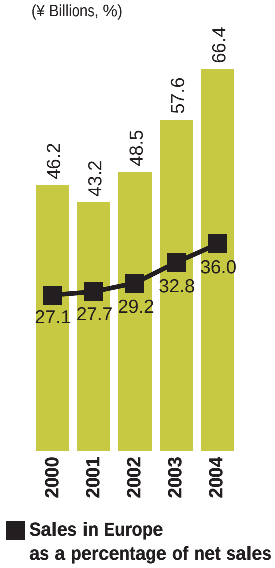
The U.K. economy continued to be robust during fiscal 2004, and economic conditions in Germany and France appear to have bottomed out during the latter half of the year. Such positive trends and appreciation of the Euro against the yen were reflected in Makita's sales in Europe, which surged 15.1% from the previous year. The region includes growing power tool markets in such countries as Russia, Ukraine, Slovakia, the Czech Republic, Poland, Romania, and Hungary. In view of this, Makita is taking various measures to establish strong positions in such markets and increase its local market shares. The Company is also expanding its business in such markets as those of Middle Eastern and African countries, where it is providing products that inspire confidence on the parts of professional users. In Europe, Makita's principal clientele are professional users, and the Company markets its products primarily through hardware stores, tool stores, diverse construction industry suppliers, and home improvement centers.

Measures Taken During the Year

Aiming to boost the quality of customer service and expand its market shares, Makita established local companies and branches in Slovakia and Ukraine. The Company also incorporated its representative office in Russia and took measures to strengthen its system for providing maintenance-use components and after-service in that country. In the Middle East, Makita is working to strengthen and expand its local business bases over the long term through such measures as expanding sales agent networks and tailoring product strategies to local conditions. In certain parts of Europe and the Middle East, the Company initiated the marketing of Maktec products from Makita's second line of professional-use power tool products.

Sales in Europe

(¥ Billions, %)



• Strengthening marketing to professional users
• Taking advantage of the strong Euro
• Establishing additional marketing bases

Marketing Strategies

Makita is striving to expand its clientele by upgrading afterservices provided at more than 5,000 service agents throughout Europe, thoroughly managing inventories of maintenance-use components, and launching numerous new products. These measures have supported a steady rise in local sales, while the appreciation of the Euro has reduced the local cost of sales. Aiming to ensure the timely development and launch of new products needed by customers in such growth markets as those of Eastern Europe, Russia, and the Middle East, the Company has upgraded the capabilities of relevant marketing departments and created systems designed to ensure timely flows of market and product-related information to and from Group headquarters in Japan.

Social Contribution Activities

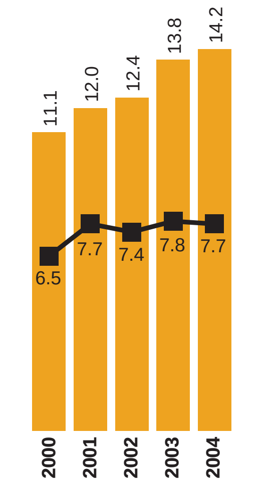
Makita's social contribution activities in Europe are focused primarily on making special responses to local disasters and providing support for subsequent rebuilding programs.

After a major earthquake hit Turkey, for example, Makita helped promote rebuilding work by sending generators free of charge to its local import and marketing agent. Similarly, after major flooding in Europe, Makita provided free power tool inspection and cleaning services for affected retailers.

ASIA & OCEANIA

Sales in Asia

(¥ Billions, %)



■ Sales in Asia
as a percentage of net sales

Market Trends

While Asian power tool markets have finally begun a gradual trend of overall recovery, buying power in Asian countries remains weaker than before the 1997 currency crisis, and there is a trend of increasing sales of relatively low-priced power tools. In the Asia & Oceania region, Makita focuses exclusively on professional power tool users and markets its products through hardware stores, diverse construction industry suppliers, and automobile manufacturers.

Measures Taken During the Year

China is playing an extremely important role in Makita's operations as a base for component procurement and manufacturing. The Company's plants in China are crucial means of sustaining price competitiveness in the Asian market as well as other markets throughout the world. Launched two years previously, the relatively low-priced Maktec line was expanded to include almost 20 products, and sales of those products grew smoothly. The Maktec line has proved an effective means of initiating business with new groups of users in Asia, and the cumulative total production of Maktec products surpassed the one million unit mark. Makita is preparing to respond to various new product marketing opportunities associated with the Asian region's rapid economic development, such as the construction boom in China and the construction of a high-speed railway in Taiwan and a major new airport in Thailand.

- **Meeting demand in recovering markets**
- **Expanding manufacturing operations in China**
- **Strengthening the servicing network**

Marketing Strategies

Makita is progressively augmenting its marketing capabilities in China through such moves as a doubling of the number of local sales personnel during the fiscal year ended March 31, 2005. The Company is also seeking to increase the Makita brand's penetration of local markets by creating systems that enable the parent company to directly approach professional users in Thailand and other markets currently handled primarily through outside marketing agencies. In Asian markets other than China, Makita is striving to establish clearly superior afterservice systems. In China, the Company plans to upgrade afterservice capabilities by steadily increasing the size of its service staff and establishing additional directly operated service bases.

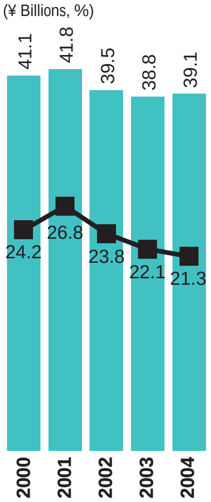
Social Contribution Activities

Makita has undertaken various social contribution activities in the Asian region. In East Timor, for example, the Company has helped promote post-independence reconstruction work by donating power tools.

JAPAN

Sales in Japan

(¥ Billions, %)



Sales in Japan as a percentage of net sales

Market Trends

Improvement in corporate performances and other signs of economic improvement in Japan led to a limited recovery in the country's power tool market during fiscal 2004. However, the market is expected to be depressed over the long term due to such trends as a continued low level of new housing construction starts as well as a decline in the use of traditional construction methods and rise in the use of prefabricated housing construction methods and other construction methods involving relatively less use of power tools. Makita's principal customers in Japan are professional users, and the Company markets power tools mainly through hardware stores and tool stores, although it also markets gardening tools through home improvement centers.

Measures Taken During the Year

Makita launched new products designed to meet needs related to the interior remodeling market, which has been relatively strong. The Company took measures to strengthen its afterservice system and worked to promote a rise in accessory sales by establishing an accessory shop registration system. To increase capital utilization efficiency, the Company took steps to decrease its domestic inventories.

Marketing Strategies

Remaining faithful to its traditional philosophy of focusing on customer needs, Makita is providing high-quality products and services in Japan by undertaking marketing programs that are tailored to the special needs of each region yet maintain uniformly high

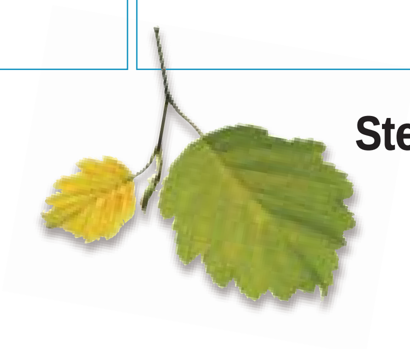
- **Developing technologies for global operations**
- **Manufacturing high-value-added products**
- **Generating brand value**

standards throughout the country. The Company is strongly emphasizing measures to expand sales of high-value-added products and thereby further strengthen the Makita brand's image and expand its market share.

Social Contribution Activities

Makita employees who are members of the Company's Sunday Carpenter Club proactively participate in various regional programs, such as those to provide members of the general public with instruction in carpentry techniques. During fiscal 2004, Makita sold a portion of land from the grounds of its main office in Anjo, Aichi Prefecture, to providing an advantageous site for the relocation of a principal hospital in the region that has faced challenges due to the aging of its existing facility.

MAKITA AND THE ENVIRONMENT



Stepping Up Programs for Contributing to Society

Makita has set itself the goal of totally eliminating the use of harmful chemicals in its power tool components and other products by the end of June 2005.

1. Makita's Fundamental Environmental Protection Policies

Basic Environmental Philosophy

As a "global supplier of a comprehensive range of power tools that assist people in creating homes and living environments," Makita carries out a wide range of environmental activities to work toward a clean and healthy planet for future generations.

Environmental Principles

1. Makita will create an organization capable of undertaking activities on a global scale and engage in business operations that give due consideration to their impact on the natural environment.
2. While accurately assessing the impact of business operations on the natural environment, Makita will continually increase the effectiveness of its environmental protection programs by reevaluating the programs and setting new goals that are as ambitious as is technically and economically feasible.
3. In addition to strictly complying with environment-related laws, regulations, and agreements, Makita will strive to protect the environment by creating and observing its own operational standards.
4. Makita will proactively strive to greatly reduce the environmental impact of its operations by taking the initiative in:
   - reducing waste volume and increasing recycling,
   - reducing energy consumption, and
   - shifting from the use of environmentally detrimental materials to alternative materials and controlling the emissions of environmentally detrimental materials.
5. Makita will develop environment-friendly products by performing environmental impact assessments at the initial product design stage.
6. Makita will conduct internal and external information dissemination activities to ensure that all employees are aware of the Company's Voluntary Plan on the Environment and to respond to all requests from outside the Company for environmental protection-related information.

2. Environmental Management System (Head Office, Okazaki Plant)

Environmental Education

Based on its environmental management systems, Makita will conduct environmental education courses addressing all types of environmental protection issues ranging from general issues through specialist issues. The Company is also striving to increase its employees' general consciousness of environmental issues.

Environmental Supply-Chain Management

In fiscal 2004, Makita conducted a survey of the environmental protection programs—such as those related to factories entailing compliance with special environmental protection regulations, substance emissions with environmental impact, and the use of substances that have a harmful effect on the atmosphere—of new suppliers as well as principal existing suppliers. The Company requested that certain suppliers with significant environmental protection problems improve their environmental protection measures and environmental management systems.

Green Procurement

As another means of helping prevent environmental pollution, Makita is taking measures to promote compliance with the environmental protection regulations of each country in which it operates as well as additional measures to restrict and manage the use of harmful substances. To promote compliance with two EU directives announced on February 13, 2003—"Waste Electrical and Electronic Equipment" (WEEE), which requires recycling and reproduction of almost all electric products, and "Restriction of the Use of Certain Hazardous Substances" (RoHS), which forbids the use in products of such toxic substances as lead—Makita has drafted the "Makita Policy on Product Content of Harmful Substances" and has announced this policy to its suppliers. Led by the Europe Environmental Regulations Special Sub-Committee, Makita is moving forward with measures to ensure the absence of harmful substances in the components of its power tools and other products, aiming to achieve this goal by the end of December 31, 2004.

Introduction of PRTR System

In response to Japan's creation of a pollutant release and transfer register (PRTR) law designed to promote improved monitoring and management of emissions of specified harmful substances, Makita developed and began using a computer system for chemical substance management. The system enables comprehensive monitoring of substances specified by the PRTR law as well as other substances specified by nine Japanese laws related to poisons, other hazardous chemicals, and occupational safety and health.

3. Overview of Environmental Protection Achievements during the Fiscal Year Ended March 31, 2004

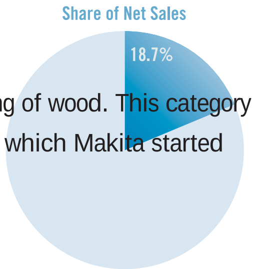
FIELD	OBJECTIVE	FY2004 PERFORMANCE	SELF ASSESSMENT
Energy conservation	Reduce volume of electric power use per unit of output at Okazaki plant to 1% below the level in the previous year	9.7% increase	♣
	Reduce volume of CO_2 emissions per unit of output from operations at the Head Office and the Okazaki plant to 1% below the level in the previous year	10.4% increase	♣
Reducing volume of waste products disposed of as waste (reduce-reuse-recycle)	Reduce volume of industrial waste products disposed of as waste to 15% below the level in the previous year	18.2% decrease • volume of water-soluble cutting oils reduced 23.9% • waste varnish reduction: currently upgrading relevant equipment, and measures are scheduled to be implemented during fiscal 2005	♣♣♣♣
	Reduce volume of general waste products disposed of as waste to 20% below the level in the previous year	36.2% decrease • Volume of general waste products at the Okazaki plant down 49.1%	♣♣♣♣
Reducing use of harmful substances (reducing volume of styrene plastic used and eliminating incorporation of harmful substances in products)	Adopting runnerless processes for manufacturing molded components	Currently improving plastic molding processes, and measures to improve all such processes are scheduled to be implemented during fiscal 2005	♣♣
	Eliminating resin molding in the process of molded end plates for armature	Considering elimination of resin molded components for large motor products	♣
	Changing design standards and conducting studies related to content in all power tool products of substances that Makita has a policy of eliminating or strictly managing	Proceeding with the selection of relevant components while concurrently initiating design changes	♣♣♣
Improving environmental performance of manufacturing subsidiaries (domestic and overseas)	Attaining goals of energy conservation programs	Half of the subsidiaries' manufacturing bases attained their targets	♣♣

Self evaluation marks
Not much achieved ♣ Small result achieved ♣♣ Results achieved ♣♣♣ Large result achieved ♣♣♣♣

Regarding environmental management, we believe it best to make sustained efforts within the framework of long-term programs rather than to change our performance targets each year. In the fiscal year under review, we aimed to reduce our energy consumption per unit of output by 1%, but our energy consumption actually increased. This increase reflected our efforts to contribute to regional societies by selling a portion of our head office grounds to a local hospital, which entailed the construction of a new Head Office building, the shift of certain operations to the Okazaki plant, and other changes that greatly altered the state of our facilities and make comparisons with the previous year difficult. Makita continues to have a policy of proactively striving to reduce energy consumption.

MAKITA PRODUCT LINEUP

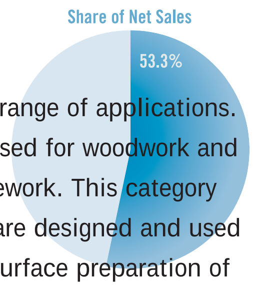
PORTABLE WOODWORKING TOOLS



Power tools used for the processing of wood. This category includes the electric planers with which Makita started manufacturing power tools.

Product name	Principal application
Circular Saw	Straight cutting of wood and other building materials
Miter Saw, Slide Compound Saw	Precision cutting of wood and component materials (including diagonal cuts)
Jig Saw	Unrestricted cutting of wood and other materials
Recipro Saw	Fast cutting of wood and other construction materials
Planer	Smooth finishing of wood surfaces
Router/Trimmer	Creating decorative edges, profiles, and construction joints
Pneumatic Nailers	Framing, exterior sheeting and siding, roofing, and interior finish nailing

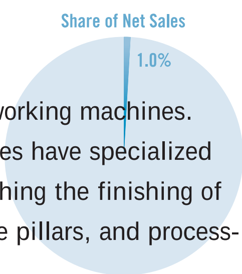
PORTABLE GENERAL PURPOSE TOOLS



These power tools have a wide range of applications. General purpose tools can be used for woodwork and metalwork as well as with stonework. This category also includes power tools that are designed and used for the drilling, breaking, and surface preparation of concrete and other stone-related materials.

Product name	Principal application
Driver Drill	Fastening screws and boring holes
Impact Driver	Powerful and fast driving of fasteners into both wood and metal
Grinder	Grinding, cutting, and surface preparation of various materials including ferrous and nonferrous metals as well as concrete and stone
Rotary Hammer	Powerful boring of holes into concrete
Demolition Hammer	Breaking and chipping of both concrete and asphalt
Sander	Surface finish preparation of wood and metal
Screwdriver	Driving and assembly of fasteners for various construction materials
Cutter	Cutting such materials as concrete, stone, and steel

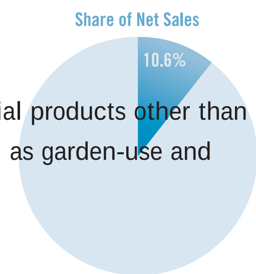
STATIONARY WOODWORKING MACHINES



This includes large-scale woodworking machines. Stationary woodworking machines have specialized applications that include smoothing the finishing of surfaces, cutting angles on large pillars, and processing joining components.

Product name	Principal application
Table Saw	Precision cuts in wood and component materials for building
Planer-Jointer	Wood surfacing to specific dimensions
Band Saw	Unrestricted cutting of large-sized wood and other materials

OTHER PRODUCTS



This category includes industrial products other than those mentioned above as well as garden-use and household tools.

Product name	Principal application
Dust Collector	Removes dust produced by all types of construction-related work
Generator	Generating electricity where no power sources are available
Chain Saw	Trimming and felling trees
Brush Cutter	Cutting brush and grass
Hedge Trimmer	Trimming of hedges and other foliage
Blower	Blows away dust and debris for fast and efficient cleanup
Cordless Cleaner	Simple, quick, and easy cleaning

FINANCIAL SECTION

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating and Financial Review and Prospect

A. Operating Results

The following table sets forth a summary of our results of operations for each of the years ended March 31, 2002, 2003 and 2004.

	(Millions of yen, except for percentage amounts)						U.S. Dollars (thousands)	
	2002		2003		2004		2004	
		%		%		%		Change %
Net sales	¥166,169	100.0	¥175,603	100.0	¥184,117	100.0	$1,770,356	4.8
Cost of sales	109,182	65.7	110,226	62.8	110,322	59.9	1,060,789	0.1
Gross profit	56,987	34.3	65,377	37.2	73,795	40.1	709,567	12.9
Selling, general and administrative expenses	50,775	30.6	51,579	29.4	53,698	29.2	516,327	4.1
Loss (Gain) on disposals or sales of property, plant and equipment	339	0.2	1,330	0.7	(2,379)	(1.3)	(22,875)	-
Impairment of long-lived assets	-	-	-	-	7,780	4.2	74,807	-
Operating income	5,873	3.5	12,468	7.1	14,696	8.0	141,308	17.9
Other income (expenses)								
Interest and dividend income	848	0.5	786	0.4	869	0.5	8,356	10.6
Interest expense	(968)	(0.6)	(665)	(0.4)	(605)	(0.3)	(5,817)	9.0
Exchange gains (losses) on foreign currency transactions, net	273	0.2	(1,460)	(0.8)	(202)	(0.1)	(1,942)	86.2
Realized gains (losses) on securities, net	(2,740)	(1.6)	(2,590)	(1.5)	555	0.3	5,336	-
Other, net	117	0.0	753	0.5	857	0.4	8,240	13.8
Total	(2,470)	(1.5)	(3,176)	(1.8)	1,474	0.8	14,173	-
Income before income taxes	3,403	2.0	9,292	5.3	16,170	8.8	155,481	74.0
Provision for income taxes	3,270	-	2,569	-	8,479	-	81,529	-
Net income	133	0.1	6,723	3.8	7,691	4.2	73,952	14.4

General Overviews

Japan's economy has sustained a moderate recovery, owing to such factors as improvement in corporate performance due to strong exports and capital investment. U.S. economic conditions remained robust during the current period, as personal consumption remained firm owing to such factor as tax reductions. In Europe, the U.K. economy remained strong and there were signs of an economic recovery in Germany, France, and other countries during the latter half of fiscal 2004. In Asia, China's economic growth was supported by exports, and a general trend of full-scale economic recovery was seen.

The principal business of the Company is the manufacture and sale of power tools and woodworking machines. Principal products include drills, circular saws, jigsaws, planers, pneumatic nailers, grinders and sanders. Makita has nine manufacturing centers, two located in Japan, two in China and one each in the United States, Canada, Brazil, the United Kingdom, and Germany. During 2004, as part of its global business strategy, Makita worked to further cut costs by moving more of its manufacturing operations to China, as well as by establishing sales and service subsidiaries in Russia and Eastern European countries characterized by rapid economic growth. As a result of this relocation, the Company's processing operations for motors used in its products will be concentrated in China, where labor and parts procurement costs are lower. Following on from this relocation, the Company will convert its manufacturing operations in other locations to assembly plants to enhance the efficiency of its global operations. Asset rationalization and management measures taken in fiscal 2004 included a decline in inventories of ¥8,280 million and a reduction in tangible fixed assets of ¥14,833 million, as a result of the revaluation and sales of certain long-lived assets.

On a consolidated basis, our net sales in fiscal 2004 amounted to ¥184,117 million, up 4.8% from the previous fiscal year. Income before income taxes amounted to ¥16,170 million, 74.0% higher than the previous fiscal year. Factors accounting for this included a proportionate decrease in the cost of goods sold compared to our net sales due to the increase in the percentage of products manufactured in China and the appreciation of the euro. In addition, the Company reported an improvement in non-operating income items, including its securities and foreign exchange accounts as well as a gain of ¥2,379 million from the sale of property, plant and equipment, including a portion of land and structures adjacent to the Company's head office and a portion of the branch office and warehouse of the Company's U.S. sales subsidiary. These positive factors more than offset an impairment charge of ¥7,780 million relating to a golf course and a certain R&D-facility in Japan and a production facility in the United Kingdom.

Net sales

FY2004 consolidated net sales amounted to ¥184,117 million, up 4.8%, or ¥8,514 million, from FY 2003 consolidated net sales levels. FY 2004 average yen-dollar exchange rate was ¥113.2=U.S.$1.00, representing a 7.2% appreciation of the yen compared with the average level of the yen-dollar exchange rate in the previous fiscal year. The average level of the yen-euro exchange rate was ¥132.7=1.00 euro, representing a 9.7% depreciation of the yen. Excluding the effect of appreciation of the euro and the depreciation of the U.S. dollar, net sales would have increased by 3.8%.

Sales by region

Sales in Japan are handled by the Company and overseas sales are handled primarily through its marketing subsidiaries.
Net sales in Japan edged up 0.9%, or ¥361 million, to ¥39,142 million, accounting for 21.3% of fiscal 2004 consolidated net sales. This was attributable to the strength in sales of the Company's mainstay impact driver products and some new products, particularly renovation-related products, which was only partly offset by the continuing low level of housing construction starts.
Net sales in North America fell 8.2%, or ¥3,720 million, to ¥41,853 million which accounted for 22.7% of fiscal 2004 consolidated net sales. This decrease was primarily due to the depreciation of the dollar against the yen and overall weaker demand. In the United States, the Company strengthened its marketing programs aimed at the professional user market and also reorganized its network

of distribution bases. However, the dollar-denominated value of sales in the United States declined 3.2%, which resulted from declines in sales volume and increase of offered sales incentives caused by competitive pressures in the market.
Sales in Europe surged 15.1%, or ¥8,721 million, to ¥66,369 million, accounting for 36.0% of fiscal 2004 consolidated net sales. This rise partially reflected the earlier noted appreciation of the euro against the yen. In addition, strong sales in Russia, Eastern European countries, the United Kingdom, Germany, and France enabled the Company to boost its sales in terms of local currencies (primarily Euro) by 7.2%.
Sales in Asia, excluding Japan, increased 3.4%, or ¥471 million, to ¥14,245 million, accounting for 7.7% of fiscal 2004 consolidated net sales. The Company's sales in terms of local currencies grew 6.6%.
Sales in other regions including Australia, Latin America and Middle East surged 13.5% or ¥2,681 million, to ¥22,508 million, accounting for 12.3% of fiscal 2004 consolidated net sales. The Company's sales in terms of local currencies rose 11.5%.

Review of Performance by Product Group

Portable General Purpose Tools

The portable general purpose tools group offers a wide range of dependable cordless drills, hammer drills, rotary hammers, demolition hammers, grinders, drills, sanders, screwdrivers, impact wrenches, shears, nibblers, and cutters. This group generates the largest portion of Makita's consolidated net sales. In FY 2004, sales of portable general purpose tools grew 6.5%, to ¥98,176 million, accounting for 53.3% of consolidated net sales. In Japan, sales of portable general purpose tools increased 3.5%, to ¥13,922 million, accounting for 35.6% of total domestic sales. Overseas sales of portable general purpose tools increased 7.1%, to ¥84,254 million, or 58.1% of total overseas sales.

Portable Woodworking Tools

Principal products in Makita's portable woodworking tools group include circular saws, jigsaws, recipro saws, planers, routers, trimmers, and pneumatic nailers. In FY 2004, Makita recorded a 2.4% increase in sales of portable woodworking tools, to ¥34,452 million, or 18.7% of consolidated net sales. Domestic sales of portable woodworking tools increased 4.4%, to ¥7,086 million, accounting for 18.1% of total domestic sales. Makita posted a 1.9% increase in overseas sales of portable woodworking tools, to ¥27,366 million, which accounting for 18.9% of total overseas sales in FY 2004.

Stationary Woodworking Machines

Makita's extensive lineup of stationary woodworking machines encompasses table saws, planer-jointers, and band saws. Sales of stationary woodworking machines in FY 2004 fell 11.1%, to ¥1,711 million, accounting for 1.0% of consolidated net sales. Domestic sales of stationary woodworking machines dropped 8.6%, to ¥941 million, accounting for 2.4% of total domestic sales. Overseas sales of stationary woodworking machines were ¥770 million, a 13.9% decrease from the previous fiscal year, accounting for 0.5% of Makita's total overseas sales.

Other Products

Makita's other products category includes industrial-use dust collectors and generators as well as various products for garden and home use, including chain saws, brush cutters, grass cutters, hedge trimmers, blowers, and cordless cleaners. In FY 2004, sales of other products grew 2.1%, to ¥19,548 million, accounting for 10.6% of net sales. In Japan, Makita recorded a 0.2% rise in sales of other products, to ¥8,160 million, accounting for 20.8% of total domestic sales. Overseas sales of other products increased 3.5%, to ¥11,388 million, accounting for 7.9% of total overseas sales.

Parts, Repairs and Accessories

Makita's after-sales services include the sale of parts and accessories and repairs. In FY 2004, parts, repairs, and accessories sales edged up 5.1%, to ¥30,230 million, accounting for 16.4% of consolidated net sales. Domestic sales of parts, repairs, and accessories declined 3.6% to ¥9,033 million and contributed 23.1% of total domestic sales. Overseas sales of parts, repairs, and accessories advanced 9.4%, to ¥21,197 million, accounting for 14.6% of total overseas sales.

Cost of sales

Cost of sales increased 0.1%, or ¥96 million, to ¥110,322 million. Previously, processes from processing stages through assembly stages were handled at each factory, but Makita has worked to reduce costs by shifting some processing work, such as that related to a portion of motors, to subsidiaries in China, which have lower labor costs than their factories in Japan; increasing efficiency; and reducing costs by positioning other overseas subsidiaries as specializing in assembly processes. In addition, Makita has concentrated its capabilities and developed the Maktec line of products that include a higher share of relatively inexpensive materials from China. Sales of Maktec products have been initiated in Asia, Oceania, and Europe. Consequently, the ratio of cost of sales to net sales improved by 2.9 percentage points, falling from 62.8% to 59.9%.

Gross profit

In addition to cost reductions, the appreciation of the euro against the yen and the dollar increased the profitability of products manufactured in Japan and China and marketed in Europe. As a result, gross profit in FY 2004 increased 12.9%, to ¥73,795 million. The ratio of gross profit to net sales improved 2.9 percentage points, from 37.2% to 40.1%.

Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses grew 4.1%, or ¥2,119 million, to ¥53,698 million, in FY 2004, principally as a result of an increase in personnel, product shipping, advertising and promotion, and R&D expenses. However, the ratio of SG&A expenses to net sales edged down 0.2 percentage point, from 29.4% to 29.2%, principally as a result of drops in the ratios of personnel and shipping costs and depreciation expenses to net sales.

Loss/Gain on disposal or sales of property, plant and equipment

Makita added a new line item, Gain on Sales of Property, Plant and Equipment, to its consolidated statements of income in FY2004 due to the increased significance of such gains in FY2004. Gains amounted to ¥2,379 million in FY2004, versus loss of ¥1,330 million in FY2003.

In FY2004, the Company sold a portion of land and structures of its head office premises in Anjo, Aichi Prefecture in Japan. The gain of ¥1,850 million is recorded in the Japan segment. In addition, a U.S.-based subsidiary sold its branches and warehouses due to the reorganization of its distribution network which resulted in a recorded gain of ¥551 million in the North America segment.

Impairment of long-lived assets

FASB Statement No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" requires an asset impairment adjustment if the sum of the estimated asset related undiscounted future cash flows is less than the current carrying value of the asset. If an asset is deemed to be impaired, the value of the asset is written down to its estimated fair value. In accordance with FASB Statement No. 144, Makita wrote down ¥7,780 million in property, plant and equipment in Japan and the United Kingdom in FY 2004, including a golf course and a certain R&D-facility in Japan and a production facility in the United Kingdom.

In December 2003, in connection with ongoing strategic revenue growth and cost cutting initiatives, specifically including an evaluation of its corporate wide marketing and promotional activities and the cost benefit relationship therefrom, and the continued rationalization of certain personnel related costs, Makita made a decision to no longer consider a golf course owned by a consolidated subsidiary as a corporate asset and curtailed utilizing such for promotional, entertainment and employee welfare purposes. As a result of this decision, Makita performed impairment analysis by considering cash flows expected to be generated from the golf course on a stand alone basis and recorded an impairment charge of ¥5,996 million to reduce the carrying value to its estimated fair value, as determined on a discounted cash flow basis. Following a decision to discontinue the use of a certain research and development facility and a related administrative facility during fiscal 2004, the Company recorded a ¥1,541 million impairment loss on the subject long-lived asset in the Japan segment. In addition, the Company revalued a production facility owned by a subsidiary in the United Kingdom that it planned to sell, based on the estimated prospective selling price of a portion of the factory, less estimated cost to sell, which resulted in a ¥243 million impairment loss in the Europe segment. Such production facility was sold in April 2004.

Operating income

As a result of the factors indicated above, operating income grew 17.9%, to ¥14,696 million, in FY 2004, and the ratio of operating income to net sales rose 0.9 percentage points, from 7.1% to 8.0%.

Other income (expenses)

The balance of other income and expenses improved ¥4,650 million (income of ¥1,474 million in FY 2004 versus expense of ¥3,176 million in the previous year). This mainly resulted from ¥555 million of gains on the sale of securities, which was made possible by a recovery in stock prices, as compared to realized losses of securities of ¥2,590 million in the previous year. In addition, foreign exchange losses declined ¥1,258 million (FY 2004 ¥202 million loss versus FY 2003 ¥1,460 million loss). This reflected the earlier noted exchange movements (appreciating Euro and declining Dollar versus Yen) and the Company's increased use of risk hedging in FY2004.

Income before income taxes

Income before income taxes in FY 2004 surged 74.0%, or ¥6,878 million, to ¥16,170 million, and the ratio of operating income to net sales rose 3.5 percentage points, from 5.3% in FY 2003 to 8.8% in FY 2004.

Provision for income taxes

Total provision for income taxes increased 230.1%, to ¥8,479 million in FY 2004, mainly because of a rise in the taxable income of the Company and its subsidiaries. This higher percentage increase in provisions for income taxes as compared to the percentage increase in income before income taxes was primarily due to an increase in the effective tax rate.

The effective income tax rate was 52.4%, compared with statutory income tax rate of 41.4%. The difference between those rates was mainly attributed to the increase in valuation allowance as a percentage of income before income taxes, which was caused by 100% valuation allowance granted to deferred income tax assets on impairment loss on long-lived assets of a subsidiary that operates a golf course in Japan.

Net income

As a result of the foregoing, net income for fiscal 2004 increased 14.4% or ¥ 968 million, to ¥7,691 million.

Earnings per share

Basic net income per share of common stock amounted to ¥53.2, compared with ¥45.3 in FY 2003. Diluted net income per share amounted to ¥51.9, compared with ¥44.2 in FY 2003.

Regional Segments

Japan Segment

In FY 2004, sales in the Japan segment grew 2.5%, to ¥89,046 million. Sales to outside customers advanced 3.2% to ¥48,413 million, which accounted for 26.3% of consolidated net sales. The increase reflects a 0.9% rise in sales in the domestic market as well as a 14.2% surge in export sales mainly to Asia. Segment operating income dropped 63.0%, to ¥1,452 million, due to the earlier noted ¥ 7,537 million impairment losses with respect to research and development facility and a golf course that increased operating expenses by 5.6%, to ¥87,594 million. There were no similar impairment related charges in FY 2003.

North America Segment

In FY 2004, sales in the North America segment dropped 8.1%, to ¥45,677 million. Sales to outside customers fell 9.0% to ¥41,699 million, which accounted for 22.6% of consolidated net sales. This decline in sales to outside customers was attributed to competitive pressure that caused declines in sales volume and increase of offered sales incentives, though the economic conditions remained robust. Segment operating income surged 167.3% to ¥719 million, principally owing to a 9.1% fall in operating expenses to ¥44,958 million. The decrease in operating expenses reflected the improved profitability of products manufactured in Chinese factories as well as a ¥555 million gain mainly on the sale of marketing branches and warehouses due to the reorganization of the distribution network of the Company's U.S.-based marketing subsidiary. It also reflected lower expenses due to restructuring measures that reduced personnel expenses.

Europe Segment

In FY 2004, sales in the Europe segment grew 13.6% to ¥71,836 million. Sales to outside customers advanced 15.7%, to ¥67,110 million, which accounted for 36.4% of consolidated net sales. Segment operating income surged 92.8%, to ¥7,478 million, principally owing to a rise in net sales on a local currency basis as well as to a rise in operating profit rates resulting from the strength of the euro and the improved cost efficiency following the shift of a portion of our manufacturing processes to factories in China.

Asia Segment

In FY 2004, sales in the Asia segment increased 12.4% to ¥28,976 million. Sales to outside customers fell 5.7%, to ¥6,612 million, which accounted for 3.6% of consolidated net sales. Segment operating income grew 22.0%, to ¥2,928 million in FY 2004.

CRITICAL ACCOUNTING POLICIES

As disclosed in Note 2 of the Notes to the accompanying consolidated financial statements, the preparation of Makita's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions were determined by management's judgment based on currently known facts, situations and plans for future activities, which may change in the future. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and accompanying notes and due to the possibility that future events affecting the estimates may differ significantly from management's current judgments. Accordingly, any change in the facts, situations, future plans or other factors on which management bases its estimates may result in a significant difference between earlier estimates and the actual results achieved. 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 notes.

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. Such credit losses have historically been within Makita's expectations and the provisions established. However, Makita cannot guarantee that it will continue to experience the same 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 conditions.

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 significantly affects its results of operations.

Makita periodically performs an impairment review for long-lived assets held and used whenever events or changes in circumstances indicate that the carrying value of the assets may not be 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. Recoverability of assets to be held and used is assessed by comparing the carrying amount of an asset or asset group to the expected future undiscounted cash flows of the asset or group of assets. If an asset or group of assets is considered to be impaired due to factors such as significant decline in market value of an asset, current period operating cash flow loss and significant changes in the manner of the use of an asset, the impairment charge to be recognized is measured as the amount by which the carrying amount of the asset or group of assets exceeds fair value. Long-lived assets meeting the criteria to be considered as held for sale are reported at the lower of their carrying amount or fair value less costs to sell.

Fair value is determined based on recent transactions involving sales of similar assets or on appraisals prepared internally or externally, or by using other valuation techniques. If actual market and operating conditions under which assets are operated are less favorable than those projected by management, resulting in lower expected future cash flows or 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.

Accrued Retirement and Termination Benefits

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, assumed rates of increase in future compensation levels, mortality rates and some other assumed rates. Discount rates employed by Makita must be 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 accounting principles generally accepted in the United States of America, actual results that differ from the assumptions are accumulated and amortized over the future periods and therefore, generally affect Makita's result of operation in such future periods.
Makita has a contributory retirement plan in Japan, which covers substantially all of the employees of the Company. The discount rate assumed to determine the pension obligation for the pension plan was 2.0% for the year ended March 31, 2004. Raising the discount rate for the pension plan by 0.5% would have decreased the projected benefit obligation by approximately ¥5.8 billion at the end of fiscal 2004, while reducing the discount rate by 0.5% would have resulted in increased projected benefit obligation by approximately ¥6.8 billion.
See Note 8 to the accompanying consolidated financial statement.

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.

Realizability of Deferred Income Tax Assets
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 must then assess the likelihood that Makita's deferred income tax assets will be recovered from future taxable income, and to the extent Makita believes that recovery is not more likely than not, Makita must establish a valuation allowance.

Significant management judgment is required in determining our provision for income taxes, deferred income tax assets and liabilities and any valuation allowance recorded against our net deferred income tax assets. We have recorded a valuation allowance of ¥8,828 million as of March 31, 2004 due to uncertainties about our ability to utilize certain deferred income tax assets mainly for net operating loss carry forwards before they expire and an impairment loss recognized for a golf course subsidiary. 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 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.

B. Liquidity and capital resources

The Company's principal sources of liquidity are cash on hand, cash provided by operating activities, and borrowings within credit lines. As of March 31, 2004, the Company held cash and cash equivalents amounting to ¥24,576 million and the Company's subsidiaries have credit lines up to ¥22,264 million. As of March 31, 2004, ¥1,044 million of these credit lines were used by overseas subsidiaries and ¥21,220 million was unused. As of March 31, 2004, the Company had ¥14,128 million in short-term borrowing, which included ¥12,994 million raised from the Company's third issuance of unsecured convertible bonds, ¥1,044 million in bank borrowings, and ¥90 million in capital lease obligations. The ¥12,994 outstanding convertible bonds are due for repayment in March 2005. The Company plans to repay these bonds from its current holdings of government bonds and other highly liquid assets. For further information regarding our short-term borrowings, including the average interest rate, see Note 9 to our accompanying consolidated financial statements. Long-term indebtedness included bank and insurance company borrowings and capital lease obligations. Certain borrowings of the Company's financial subsidiary, amounting to ¥6,000 million, will fall due in March 2006. The Company is scheduled to repay this indebtedness by using ¥ 6,000 million of its term deposits and securities.

As of March 31, 2004, the Company's total short-term borrowings and long-term indebtedness amounted to ¥21,492 million, representing a decrease from the ¥22,735 million reported for the previous fiscal year-end. The Company's ratio of indebtedness to shareholders' equity declined 1.4%, to 11.1%. The reduction in the balance of indebtedness and the decline in the ratio of total indebtedness to shareholders' equity reflect the efforts of management to improve the efficiency of the usage of the Company's capital by reducing the level of unused net cash provided by operating activities.

Except as disclosed above, Makita has no potentially significant refinancing requirements in fiscal 2005. Makita expects to continue to incur additional indebtedness from time to time as required to finance working capital needs.

Makita has historically maintained a high level of liquid assets. Management estimates that the cash and cash equivalents level of ¥24,576 million as of March 31, 2004, together with Makita's available credit facilities, cash flow from operations, funds available from long-term and short-term debt financing, will be sufficient to satisfy our future working capital needs, capital expenditure, research and development and debt service requirements through fiscal 2005 and thereafter. The ratings of convertible bonds, due 2005 from credit rating agencies have not changed during the year. The ratings at March 31, 2004, were:

Standard & Poor's	A
Moody's Investors Service	A2
Rating and Investment Information, Inc.(R&I)	A+

We believe that Makita will continue to be able to access the capital markets on terms and in amounts that will be satisfactory to us and as necessary to support our business and to engage in hedging transactions on commercially acceptable terms.

Maintaining the level of the Company's production and marketing activities requires capital investments of approximately ¥5 billion to ¥7 billion annually. Please see "Capital Expenditures" below in this section for a description of our principal capital expenditures for fiscal 2004 and the main planned expenditures for fiscal 2005. At the Regular General Meeting of Shareholders held in June 2004, the Company's shareholders approved a cash dividend of ¥13 yen per share. Total scheduled cash dividend payments amount to ¥1,871 million, which the Company paid in June 2004.

Cash Flows

Net cash provided by operating activities in FY 2004 increased by ¥1,800 million to ¥28,941 million from ¥27,141 million in the previous fiscal year. Of the Cash provided by operating activities, ¥19,643 million was provided by operations and ¥9,298 million was provided by changes in working capital. The working capital changes occurred principally from increases in inventories, accounts payable and accrued expenses partially offset by a decrease in trade receivables.

In FY 2004, our net cash used in investing activities increased by ¥7,603 million to ¥17,262 million, from ¥9,659 million in the previous fiscal year. Net cash outflow decreased by ¥5,154 million due to the sale of land and structures adjacent to the Company's head office in Japan as well as branches and warehouses in the United States and the reduction of cash used for capital investment to ¥4,494 million from ¥5,691 million in FY 2004. Cash usage increased because net securities purchases increased by ¥12,767 million to ¥16,762 million and our time deposits increased by ¥621 million to ¥1,162 million, as a result of an accumulation of funds in preparation for the payments due to redeem our ¥12,994 million outstanding convertible bonds maturing in March 2005 as well as the management of funds on hand.

Net cash used in financing activities amounted to ¥6,596 million, compared with ¥13,381 million in the previous fiscal year. This included ¥2,220 million used to purchase and retire treasury stock (2,074,685 shares) and ¥2,610 million used to pay cash dividends. In FY 2004, net cash outflow from financing activities decreased by ¥6,785 million to ¥6,596 million mainly due to a decrease in net repayment of short-term borrowings, a decrease in the redemption of bonds and the repayment of club members' deposits.

As a result of these activities as well as the effects of exchange rate changes, our cash and cash equivalents at March 31, 2004 amounted to ¥24,576 million, up ¥4,206 million from the end of fiscal 2003.

Capital Expenditures

Makita has continued to allocate sizable amounts of funds for capital expenditures, which Makita believes is crucial for sustaining long-term growth. However, in view of the severity of its current market competition, the Company has focused its capital investments principally on expanding its new plant in China and purchasing metal molds for new products to be manufactured in Japan and China and in certain other areas, which enabled the Company to reduce the amount of its capital expenditures in fiscal 2004 compare to fiscal 2003. Total capital expenditures amounted to ¥5,958 million, ¥5,691 million and ¥4,494 million for fiscal 2002, 2003 and 2004, respectively. Capital expenditures in fiscal 2004 were mainly for the purchase of molds for new products and construction of production facilities in Japan and Chinese plants. The capital investments of the Company amounted to approximately ¥1.9 billion, while the capital investments of overseas subsidiaries including manufacturing subsidiaries in such countries as Germany, China, and the United States amounted to approximately ¥2.6 billion. Capital expenditures for Makita's consolidated subsidiaries consisted primarily of the construction of a headquarters building for Makita (Australia) Pty. Ltd., the purchase of metal molds for new products of Dolmar GmbH, the acquisition of production equipment by Makita (China) Co., Ltd. and the construction of an assembly plant for Makita (Kunshan) Co., Ltd.
All of Makita's capital expenditures in fiscal 2004 were funded through internal sources.

Under its investment plans for fiscal 2005, the Makita Group is scheduled to make capital investments totaling ¥6.0 billion, 34% higher than for the fiscal 2004. Of this total, the Company plans to make direct investments of ¥2.8 billion and its consolidated subsidiaries will invest ¥3.2 billion.

Financial Position

Total assets at the end of fiscal 2004 amounted to ¥278,116 million, down 0.2% from the previous fiscal year-end. Total current assets increased 12.0%, to ¥194,445 million, owing to such factors as the appreciation of securities. Property, plant and equipment, at cost less accumulated depreciation, decreased 21.9%, to ¥52,965 million, reflecting the impairment of certain assets and the restraint of capital investment to an annual rate lower than the rate of depreciation. Investments and other assets dropped 17.5%, to ¥30,706 million, because of a decrease in deferred tax assets. Total current liabilities grew 46.6%, to ¥46,623 million, reflecting the shift of convertible bonds maturing in March 2005 to the current portion of long-term debt as well as a rise in outstanding income taxes that accompanied the increase in income before income taxes. Long-term liabilities dropped 41.7%, to ¥36,891 million, mainly because of the shift of convertible bonds to the current portion of long-term debt as well as a drop in provisions for retirement allowances that accompanied an improvement in the profitability of pension fund management. Working capital amounted to ¥147,822 million at the end of fiscal 2004. The current ratio was 4.2 times, compared with 5.5 at the previous year-end. Shareholders' equity grew 6.0%, to ¥193,348 million, because of the rise in net income as well as the recovery in stock markets, which increased the value of net unrealized holding gains on available-for-sale securities and the minimum pension liability adjustment within total accumulated other comprehensive loss. As a result, the shareholders' equity ratio rose to 69.5%, from 65.5% at the previous fiscal year-end.

C. Research and development, patents and licenses

Approximately 420 of Makita's employees are engaged in research and development activities and product design. Makita also employs approximately 110 trained personnel in production engineering, and has developed a number of the machine tools currently used in its factories. The majority of such personnel are engaged in research and development of mechanical innovations, and the remainders are engaged in electric, electronic and other applications.

Makita places high priority on R&D and believes that strong capabilities in R&D are crucial to its continuing development of high-quality, reliable products that meet users' needs. In FY 2004, Makita allocated ¥4,086 million to R&D, up 6.0% from the allocation in the previous year. This was equivalent to 2.2% of net sales. In FY 2003, Makita allocated ¥3,856 million for R&D, up 2.9% from the ¥3,746 million allocation in FY 2002. The ratio of R&D expenses to net sales in FY 2003 was 2.2% compared to 2.3% in FY 2002.

The Company is placing higher priority on designing power tools that are smaller and lighter, feature electronic controls and have internal power sources that allow cordless operation. Additional design priorities include developing units that feature low noise, low vibration, measures to restrain dust emissions and new safety features. Still another priority is to design units that can be recycled to address environmental concerns. Moreover, to respond quickly to customers needs, the Company is also placing emphasis on shortening the time needed for new product development.

To strengthen initiatives to reduce costs, in FY 2004 the Company focused development activities on a more limited range of items and set objectives for developing models that use more standard parts. New products developed in FY 2004 included a rechargeable impact driver, an interior, right-angle circular saw and other products.

In addition, the Company expanded its development program for the MAKTEC series. Parts for this series are mostly procured locally in China. In addition, the MAKTEC series focus on performance in practical work settings and limit the number of features to achieve an improved balance between cost and performance. The basic concept of this series is the development of products that offer sufficient durability along with quality and safety.

D. Trend information

In the United States, despite a decline in orders from home centers, a steady rise in orders for professional-use products is expected. Moreover, the Company has reorganized its distribution bases and is continuing to reduce its inventories and distribution costs with the goal of strengthening its structural profitability.
In Europe, the launch of numerous new products spurred robust orders, and inventories were maintained at appropriate levels. In the future, the Company expects growth in orders from Eastern European countries and Russia. In Japan, the demand for power tools remains lackluster, but sales of new products designed for the home refurbishing and reform market have been strong.

E. Off-balance sheet arrangements

The Company did not have any off-balance sheet arrangements as of March 31, 2004.

F. Tabular disclosure of contractual obligations

	Yen (millions)						
		Expected maturity date, year ending March 31,					
	Total	2005	2006	2007	2008	2009	Other and Thereafter
Japanese yen convertible bonds	¥ 12,994	¥ 12,994	¥ -	¥ -	¥ -	¥ -	¥ -
Foreign currency loans from bank	1,044	1,044	-	-	-	-	-
Japanese yen loans from Japanese companies	800	800	-	-	-	-	-
Japanese yen loans from banks and insurance companies	6,391	-	6,391	-	-	-	-
Club members' deposits	13,045	-	-	-	-	-	13,045
Capital lease	263	90	87	41	13	7	25
Operating lease	2,094	578	462	324	241	198	291
Purchase Obligation	8,175	8,175	-	-	-	-	-
Total	¥ 44,806	¥ 23,681	¥ 6,940	¥ 365	¥ 254	¥ 205	¥ 13,361

	U.S. Dollars (thousands)						
		Expected maturity date, year ending March 31,					
	Total	2005	2006	2007	2008	2009	Other and Thereafter
Japanese yen convertible bonds	$ 124,942	$ 124,942	$ -	$ -	$ -	$ -	$ -
Foreign currency loans from bank	10,038	10,038	-	-	-	-	-
Japanese yen loans from Japanese companies	7,692	7,692	-	-	-	-	-
Japanese yen loans from banks and insurance companies	61,452	-	61,452	-	-	-	-
Club members' deposits	125,433	-	-	-	-	-	125,433
Capital lease	2,529	866	837	394	125	67	240
Operating lease	20,135	5,558	4,442	3,316	2,317	1,904	2,798
Purchase Obligation	78,606	78,606	-	-	-	-	-
Total	$ 430,827	$ 227,702	$ 66,731	$ 3,510	$ 2,442	$ 1,971	$ 128,471

Dividend Policy

Makita has previously had a basic profit distribution policy of striving to strengthen its capabilities and financial position to promote stable operations over the long term while sustaining annual cash dividends per share at a stable 18 yen. However, in light of such factors as the increasing diversity of shareholder needs regarding dividends, the Company has reconsidered its profit distribution policy.

Consequently, beginning from the fiscal year ended March 31, 2004, Makita has expanded the scope of its basic profit distribution policy goals to include, in addition to the previous goals of stable operations over the long term and stable annual cash dividends of 18 yen per share, the goal of keeping its dividend payout ratio at 30% or higher. In addition, in order to implement a flexible capital policy, augment the efficiency of its capital employment, and thereby boost shareholder profit, Makita is continuing 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.

Regarding internal reserves, 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 declared cash dividends for fiscal 2004 of ¥22.0 per share including a special dividend of ¥4 per share, increased by ¥4 compared to fiscal 2003. For fiscal 2000, the Company declared a special commemorative 85th anniversary cash dividend per share and ADS of ¥1, and thus cash dividends per share for fiscal 2000 amounted to ¥19.0.

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 yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York:

	In Yen		In U.S. Dollars	
Year ended March 31	Interim	Year-end	Interim	Year-end
2000	9.0	10.0	0.08	0.10
2001	9.0	9.0	0.07	0.07
2002	9.0	9.0	0.07	0.07
2003	9.0	9.0	0.07	0.07
2004	9.0	13.0	0.07	0.11

Note:

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

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 the prices of marketable securities and investment securities. 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 marketable securities within current assets. Other investments are classified as investment securities as a part of investments and other assets in the consolidated balance sheets. Makita does not hold marketable securities and investment securities for trading purposes. The fair value of certain of these investments expose Makita to equity price risks. These investments are subject to changes in the market prices of the securities. The maturities and fair values of such marketable securities and investment securities at March 31, 2003 and 2004 were as follows:

	Yen (millions)				U.S. Dollars (thousands)	
	2003		2004		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Due within one year	¥ 34,018	¥ 34,112	¥ 57,478	¥ 58,580	$ 552,673	$ 563,269
Due after one year through five years	8,104	8,207	2,097	2,218	20,163	21,327
Due after five years	3,092	3,175	3,337	3,180	32,087	30,577
Indefinite periods	1,437	1,415	1,400	1,600	13,462	15,385
Equity securities	10,365	11,626	10,014	20,555	96,288	197,644
	¥ 57,016	¥ 58,535	¥ 74,326	¥ 86,133	$ 714,673	$ 828,202

Foreign Exchange Risk

Makita's international operations and indebtedness denominated in foreign currencies expose Makita to the risk of fluctuation in foreign currency exchange rates. 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 major derivative financial instruments related to foreign currency transactions as of March 31, 2003 and March 31, 2004. Figures are translated into yen at the rates prevailing at March 31, 2003 and March 31, 2004, together with the relevant weighted average contractual exchange rates at March 31, 2004. All of the foreign exchange contracts listed in the following table have contractual maturities in FY 2003 and 2004.

	Yen (millions) (except average contractual rates)						U.S. Dollars (thousands)	
	2003			2004			2004	
	Contract amounts	Fair Value	Average contractual rates	Contract amounts	Fair Value	Average contractual rates	Contract amounts	Fair Value
Foreign currency contracts:								
U.S.$/Yen	¥ 2,860	¥ (25)	¥ 118.84	¥ 3,656	¥ 69	¥ 107.21	$ 35,154	$ 663
Euro/Yen	2,531	(60)	126.56	3,035	112	133.59	29,183	1,077
A$/Yen	247	(5)	126.56	567	12	81.02	5,452	115
STG/Yen	68	2	70.58	48	0	190.17	462	0
Euro/STG	-	-	-	1,374	63	-	13,212	615
Other	38	0	-	770	17	-	7,402	155
Total	¥ 5,744	¥ (88)		¥ 9,450	¥ 273		$ 90,865	$ 2,625
Foreign currency swaps:								
U.S.$/Yen	¥ 5,748	¥ (101)	¥ 118.52	¥ 240	¥ 27	¥ 119.99	$ 2,308	$ 260
Euro/Yen	6,367	(456)	121.28	2,537	77	133.52	24,394	740
CAN$/Yen	646	(8)	80.70	321	(2)	80.29	3,087	(19)
A$/Yen	992	(21)	70.85	1,984	(11)	79.35	19,077	(106)
NZ$/Yen	428	(4)	65.77	106	1	70.35	1,019	10
SFr./Yen	164	(12)	82.00	-	-	-	-	-
Total	¥ 14,345	¥ (602)		¥ 5,188	¥ 92		$ 49,885	$ 885
Options purchased to sell foreign currencies:								
U.S.$/Yen	¥ 309	¥ 3	¥ 116.75	¥ 270	¥ 7	¥ 105.93	$ 2,596	$ 67
Euro/Yen	505	1	126.19	197	5	131.40	1,894	48
Other	366	15	-	126	2	-	1,212	20
Total	¥ 1,180	¥ 19		¥ 593	¥ 14		$ 5,702	$ 135
Options written to buy foreign currencies:								
U.S.$/Yen	¥ 316	¥ (6)	¥ 119.33	¥ 277	¥ (2)	¥ 108.39	$ 2,663	$ (19)
Euro/Yen	519	(5)	129.86	201	(1)	134.18	1,933	(10)
Other	147	(0)	-	131	(1)	-	1,260	(9)
Total	¥ 982	¥ (11)		¥ 609	¥ (4)		$ 5,856	$ (38)

Interest Rate Risk

Makita's exposure to market risk due to changes in interest rates relates primarily to its debt obligations. The Company's long-term debt bears fixed rates. Interest rate swaps may be entered into from time to time by Makita to hedge fair values of debt in accordance with Makita's internal rules. Regarding obligations as of March 31, 2004, the following tables present information translated into yen at the rate prevailing at the balance sheet date, together with the relevant weighted average contractual interest rates at March 31, 2004.

			Yen (millions)					
			Year ending March 31,					
	Average Interest rates	Total	2005	2006	2007	2008	2009	Thereafter
Japanese yen Convertible bonds	1.5%	¥ 12,994	¥ 12,994	¥ -	¥ -	¥ -	¥ -	¥ -
Japanese yen loans from banks and insurance companies	3.3%	6,391	-	6,391	-	-	-	-
Japanese yen loans from Japanese companies	0.6%	800	800	-	-	-	-	-
Japanese yen capital lease	1.9%	263	90	87	41	13	7	25
Total		¥ 20,448	¥ 13,884	¥ 6,478	¥ 41	¥ 13	¥ 7	¥ 25

			U.S. Dollars (thousands)					
			Year ending March 31,					
	Average Interest rates	Total	2005	2006	2007	2008	2009	Thereafter
Japanese yen convertible bonds	1.5%	$ 124,942	$ 124,942	$ -	$ -	$ -	$ -	$ -
Japanese yen loans from banks and insurance companies	3.3%	61,452	-	61,452	-	-	-	-
Japanese yen loans from Japanese companies	0.6%	7,692	7,692	-	-	-	-	-
Japanese yen capital lease	1.9%	2,529	866	837	394	125	67	240
Total		$ 196,615	$ 133,500	$ 62,289	$ 394	$ 125	$ 67	$ 240

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SELECTED FINANCIAL DATA

YEARS ENDED MARCH 31, 2000, 2001, 2002, 2003 AND 2004

	Yen (millions) and U.S. Dollars (thousands)				
	2000	2001	2002	2003	**2004**
Net sales	¥ 170,227	¥ 156,314	¥ 166,169	¥ 175,603	**¥ 184,117**
	$ 1,636,798	$ 1,503,019	$ 1,597,779	$ 1,688,490	**$ 1,770,356**
Domestic	41,123	41,849	39,510	38,781	**39,142**
	395,413	402,394	379,904	372,894	**376,365**
Overseas	129,104	114,465	126,659	136,822	**144,975**
	1,241,385	1,100,625	1,217,875	1,315,596	**1,393,990**
Operating income	9,924	7,093	5,873	12,468	**14,696**
	95,423	68,202	56,471	119,885	**141,308**
Income before income taxes	8,521	6,644	3,403	9,292	**16,170**
	81,933	63,885	32,721	89,346	**155,481**
Net income	4,187	2,133	133	6,723	**7,691**
	40,260	20,510	1,279	64,644	**73,952**
Working capital	143,049	142,700	144,929	141,759	**147,822**
	1,375,471	1,372,115	1,393,548	1,363,067	**1,421,365**
Long-term indebtedness	24,479	21,135	20,102	19,843	**7,364**
	235,375	203,221	193,288	190,798	**70,808**
Shareholders' equity	197,834	192,547	189,939	182,400	**193,348**
	1,902,250	1,851,413	1,826,337	1,753,846	**1,859,115**
Total assets	288,847	293,995	285,138	278,600	**278,116**
	2,777,375	2,826,875	2,741,712	2,678,846	**2,674,192**
Capital expenditures	8,168	8,366	5,958	5,691	**4,494**
	78,538	80,442	57,288	54,721	**43,212**
Depreciation and amortization	9,613	9,167	9,754	9,740	**7,963**
	92,433	88,144	93,788	93,654	**76,567**

	Yen and U.S. Dollars				
Per share of common stock and American Depositary Share:					
Earnings per share:					
Basic	¥ 26.2	¥ 13.6	¥ 0.9	¥ 45.3	**¥ 53.2**
	$ 0.25	$ 0.13	$ 0.01	$ 0.44	**$ 0.51**
Diluted	25.9	13.6	0.9	44.2	**51.9**
	0.25	0.13	0.01	0.43	**0.50**
Cash dividends paid for the year	18.0	19.0	18.0	18.0	**18.0**
	0.17	0.18	0.17	0.17	**0.17**
Number of employees	7,915	7,953	8,157	8,344	**8,433**

Notes: (1) The U.S. dollar amounts above and elsewhere in this report represent translations, for the convenience of the reader, at the rate of ¥104 to US$1.

(2) From the fiscal year ended March 31, 2004, dividends per share shown above represent dividends paid for the year, and figures for previous fiscal years have been restated accordingly.

(3) Cash dividends per share applicable to fiscal 2001 include a special commemorative dividend of ¥1 per share.

(4) The June 29, 2004, annual general meeting of shareholders approved a proposal to set cash dividends per share for the second half of the fiscal year ended March 31, 2004 at ¥13, including a special dividend of ¥4 per share.

(5) Refer to Note 13 of the notes to the consolidated financial statements for the computation of per share data.

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2003 AND 2004

A S S E T S

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
CURRENT ASSETS:			
Cash and cash equivalents	¥ 20,370	¥ 24,576	$ 236,308
Time deposits	4,520	4,050	38,942
Marketable securities	39,193	63,990	615,288
Trade receivables-			
Notes	2,122	2,254	21,674
Accounts	34,630	34,787	334,490
Less- Allowance for doubtful receivables	(1,456)	(1,346)	(12,942)
Inventories	62,606	54,326	522,365
Deferred income taxes	3,515	3,691	35,490
Prepaid expenses and other current assets	8,065	8,117	78,048
Total current assets	173,565	194,445	1,869,663
PROPERTY, PLANT AND EQUIPMENT, AT COST:			
Land	21,497	18,326	176,211
Buildings and improvements	66,738	50,648	487,000
Machinery and equipment	78,221	73,000	701,923
Construction in progress	2,165	222	2,135
	168,621	142,196	1,367,269
Less- Accumulated depreciation	(100,823)	(89,231)	(857,990)
	67,798	52,965	509,279
INVESTMENTS AND OTHER ASSETS:			
Investment securities	19,342	22,139	212,875
Deferred income taxes	10,386	880	8,462
Other assets	7,509	7,687	73,913
	37,237	30,706	295,250
	¥ 278,600	¥ 278,116	$ 2,674,192

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2003 AND 2004

LIABILITIES AND SHAREHOLDERS' EQUITY

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
CURRENT LIABILITIES:			
Short-term borrowings	¥ 2,892	¥ 14,128	$ 135,846
Trade notes and accounts payable	13,956	15,351	147,606
Accrued payroll	7,162	7,168	68,923
Accrued expenses and other	3,535	3,830	36,827
Income taxes payable	3,858	6,093	58,586
Deferred income taxes	403	53	510
Total current liabilities	31,806	46,623	448,298
LONG-TERM LIABILITIES:			
Long-term indebtedness	19,843	7,364	70,808
Club members' deposits	14,207	13,045	125,433
Accrued retirement and termination benefits	27,462	15,905	152,933
Deferred income taxes	1,407	235	2,259
Other liabilities	316	342	3,288
	63,235	36,891	354,721
MINORITY INTERESTS	1,159	1,254	12,058
COMMITMENTS AND CONTINGENT LIABILITIES			
	–	–	–
SHAREHOLDERS' EQUITY:			
Common stock,			
Authorized - 292,000,000 shares in 2003			
287,000,000 shares in 2004			
Issued - 153,006,992 shares in 2003			
148,006,992 shares in 2004	23,803	23,803	228,875
Additional paid-in capital	45,419	45,421	436,740
Legal reserve	5,669	5,669	54510
Retained earnings	137,753	138,819	1,334,798
Accumulated other comprehensive income (loss)	(25,134)	(17,048)	(163,923)
Treasury stock, at cost: - 7,039,116 shares in 2003			
4,113,801 shares in 2004	(5,110)	(3,316)	(31,885)
	182,400	193,348	1,859,115
	¥ 278,600	¥ 278,116	$ 2,674,192

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	Yen (millions)			U.S. Dollars (thousands)
	2002	2003	2004	2004
NET SALES	¥ 166,169	¥ 175,603	¥ 184,117	$ 1,770,356
Cost of sales	109,182	110,226	110,322	1,060,789
GROSS PROFIT	56,987	65,377	73,795	709,567
Selling, general and administrative expenses	50,775	51,579	53,698	516,327
Loss (Gain) on disposals or sales of property, plant and equipment	339	1,330	(2,379)	(22,875)
Impairment of long-lived assets	–	–	7,780	74,807
OPERATING INCOME	5,873	12,468	14,696	141,308
OTHER INCOME (EXPENSES):				
Interest and dividend income	848	786	869	8,356
Interest expense	(968)	(665)	(605)	(5,817)
Exchange gains (losses) on foreign currency transactions, net	273	(1,460)	(202)	(1,942)
Realized gains (losses) on securities, net	(2,740)	(2,590)	555	5,336
Other, net	117	753	857	8,240
Total	(2,470)	(3,176)	1,474	14,173
INCOME BEFORE INCOME TAXES	3,403	9,292	16,170	155,481
PROVISION FOR INCOME TAXES:				
Current	4,027	2,294	8,745	84,087
Deferred	(757)	275	(266)	(2,558)
Total	3,270	2,569	8,479	81,529
NET INCOME	¥ 133	¥ 6,723	¥ 7,691	$ 73,952

	Yen			U.S. Dollars
NET INCOME PER SHARE OF COMMON STOCK:				
Earnings per share				
Basic	¥ 0.9	¥ 45.3	¥ 53.2	$ 0.51
Diluted	0.9	44.2	51.9	0.50
Cash dividends paid for the year	18.0	18.0	18.0	0.21

The accompanying notes to consolidated financial statements are an integral part of these statements.

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	Yen (millions)			U.S. Dollars (thousands)
	2002	2003	2004	2004
COMMON STOCK:				
Beginning balance	¥ 23,803	¥ 23,803	¥ 23,803	$ 228,875
Ending balance	¥ 23,803	¥ 23,803	¥ 23,803	$ 228,875
ADDITIONAL PAID-IN CAPITAL:				
Beginning balance	¥ 45,419	¥ 45,419	¥ 45,419	$ 436,721
Gain on sales of treasury stock	–	–	2	19
Ending balance	¥ 45,419	¥ 45,419	¥ 45,421	$ 436,740
LEGAL RESERVE:				
Beginning balance	¥ 5,525	¥ 5,669	¥ 5,669	$ 54,510
Transfer from retained earnings	144	–	–	–
Ending balance	¥ 5,669	¥ 5,669	¥ 5,669	$ 54,510
RETAINED EARNINGS:				
Beginning balance	¥ 136,488	¥ 133,723	¥ 137,753	$ 1,324,548
Net income	133	6,723	7,691	73,952
Cash dividends	(2,754)	(2,693)	(2,610)	(25,096)
Transfer to legal reserve	(144)	–	–	–
Retirement of treasury stock	–	–	(4,015)	(38,606)
Ending balance	¥ 133,723	¥ 137,753	¥ 138,819	$ 1,334,798
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):				
Beginning balance	¥ (18,688)	¥ (16,446)	¥ (25,134)	$ (241,673)
Other comprehensive income (loss) for the year	2,242	(8,688)	8,086	77,750
Ending balance	¥ (16,446)	¥ (25,134)	¥ (17,048)	$ (163,923)
TREASURY STOCK:				
Beginning balance	¥ –	¥ (2,229)	¥ (5,110)	$ (49,135)
Purchases	(2,247)	(2,881)	(2,227)	(21,413)
Retirement and sales	18	–	4,021	38,663
Ending balance	¥ (2,229)	¥ (5,110)	¥ (3,316)	$ (31,885)
DISCLOSURE OF COMPREHENSIVE INCOME (LOSS):				
Net income for the year	¥ 133	¥ 6,723	¥ 7,691	$ 73,952
Other comprehensive income (loss) for the year	2,242	(8,688)	8,086	77,750
Total comprehensive income (loss) for the year	¥ 2,375	¥ (1,965)	¥ 15,777	$ 151,702

The accompanying notes to consolidated financial statements are an integral part of these statements.

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	Yen (millions)			U.S. Dollars (thousands)
	2002	2003	2004	2004
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	¥ 133	¥ 6,723	¥ 7,691	$ 73,952
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation and amortization	9,754	9,740	7,963	76,567
Accrued retirement and termination benefits	246	290	(591)	(5,683)
Deferred income taxes	(757)	275	(266)	(2,558)
Realized (gains)losses on securities, net	2,740	2,590	(555)	(5,336)
(Gain)Loss on disposals or sales of property, plant and equipment	339	1,330	(2,379)	(22,875)
Impairment of long-lived assets	–	–	7,780	74,807
Changes in assets and liabilities-				
Trade receivables	(950)	647	(1,610)	(15,481)
Inventories	10,110	5,446	6,193	59,548
Payables and accrued expenses	(1,246)	343	3,175	30,529
Income taxes payable	(646)	33	2,368	22,769
Other, net	473	(276)	(828)	(7,960)
Net cash provided by operating activities	20,196	27,141	28,941	278,279
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(5,958)	(5,691)	(4,494)	(43,212)
Purchases of available for sale and held to maturity securities	(16,973)	(28,056)	(34,952)	(336,077)
Proceeds from sales and maturities of available for sale and held to maturity securities	18,497	24,061	18,190	174,904
Proceeds from sales of property, plant and equipment	534	488	5,154	49,558
Decrease (increase) in time deposits	4,122	(541)	(1,162)	(11,173)
Decrease (increase) in other assets, net	(1,373)	80	2	19
Net cash used in investing activities	(1,151)	(9,659)	(17,262)	(165,981)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Decrease in short-term borrowings	(7,058)	(4,254)	(882)	(8,481)
Redemption of bonds	(128)	(1,610)	–	–
Repayment of long-term indebtedness	(3,727)	(25)	–	–
Repayment of club members' deposits	(422)	(1,918)	(884)	(8,500)
Purchases of common stock, net	(2,229)	(2,881)	(2,220)	(21,346)
Cash dividends paid	(2,754)	(2,693)	(2,610)	(25,096)
Net cash used in financing activities	(16,318)	(13,381)	(6,596)	(63,423)

The accompanying notes to consolidated financial statements are an integral part of these statements.

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2002, 2003 AND 2004

	Yen (millions)			U.S. Dollars (thousands)
	2002	2003	2004	2004
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	¥ (985)	¥ 539	¥ (877)	$ (8,433)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,742	4,640	4,206	40,442
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,988	15,730	20,370	195,866
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 15,730	¥ 20,370	¥ 24,576	$ 236,308
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the year for-				
Interest	¥ 970	¥ 672	¥ 605	$ 5,817
Income taxes	4,673	2,262	6,377	61,317

The accompanying notes to consolidated financial statements are an integral part of these statements.

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Makita Corporation (“the Company”) is a recognized leader in manufacture and sale of portable electric power tools . The Company and its consolidated subsidiaries’ main products include circular saws, jig saws, planers, drills, hammers, grinders and sanders. The Company and its consolidated subsidiaries also manufacture and sell stationary woodworking machines and pneumatic tools as well as garden tools and products for indoor household use.

Domestic sales in Japan are made by the Company, while overseas sales are made under the Makita or Maktec brand name, almost entirely through sales subsidiaries and distributors. Approximately 78.7% of consolidated net sales for the year ended March 31, 2004 were generated from customers outside Japan, with 22.7% from North America, 36.0% from Europe and 20.0% from other areas.

The Company and its consolidated subsidiaries’ manufacturing and assembly operations are conducted primarily at two plants in Japan and seven plants overseas, located in the United States, Germany, the United Kingdom, Brazil, China and Canada.

2. BASIS OF PRESENTING FINANCIAL STATEMENTS

Foreign subsidiaries translate their financial statements into Japanese yen from each of their functional currencies. The accounts and the financial statements of the Company and domestic subsidiaries are maintained and reported in their functional currency, the Japanese yen.

The books of the Company and its domestic subsidiaries are maintained in conformity with Japanese accounting principles, while foreign subsidiaries maintain their books in conformity with the standards of their country of domicile.

The accompanying consolidated financial statements reflect all necessary adjustments, not recorded in the Company’s and its consolidated subsidiaries’ books, to present them in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

3. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its majority owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

(b) Foreign Currency Translation

Under the provisions of Statement of Financial Accounting Standards (“SFAS”) No.52 “Foreign Currency Translation”, overseas subsidiaries’ assets and liabilities denominated in their local foreign currency 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.

Foreign currency receivables and payables in each reporting entity are translated into the functional currency at the exchange rate in effect at each fiscal year-end .Transaction gains and losses are recognized in earnings in the period incurred.

(c) Cash equivalents

For purposes of the consolidated balance sheets and the consolidated statements of cash flows, the Company considers highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

(d) Marketable and Investment Securities

The Company conforms to SFAS No.115 “Accounting for Certain Investments in Debt and Equity Securities”. As a matter of policy, the Company does not engage in trading activities. Held-to-maturity securities are debt securities that the Company has the positive intent and ability to hold to maturity. Available-for-sale securities are debt and equity securities not classified as held-to-maturity securities.

Held-to-maturity securities are reported at amortized cost, adjusted for the amortization or accumulation of premiums or discounts. Except for non-marketable equity securities, available-for-sale securities are reported at fair value, and unrealized gains or losses are recorded as a separate component of other comprehensive income (loss), net of applicable income taxes. Non-marketable equity securities are carried at cost.

A decline in fair value of any available-for-sale security below cost that is deemed to be other than temporary results in a write-down of the cost basis to fair value as a new cost basis and the amount of the write-down is included in earnings. To determine whether an impairment is other than temporary, the Company considers the period of time the fair value of an available-for-sale security has been below the cost basis of the investment, generally over nine consecutive months, financial condition and prospects of each investee company, the fair value of an available-for-sale security relative to the cost basis of the investment and other relevant factors.

The Company and its consolidated subsidiaries classify marketable securities in current assets which are available for current operations. Other investments are classified as investment securities as a part of non-current investments and other assets in the consolidated balance sheets.

The cost of a security sold or the amount reclassified out of accumulated other comprehensive income (loss) into earnings was determined by the average cost method.

(e) Allowance for Doubtful Receivables

The Company and its consolidated subsidiaries provide allowances for doubtful receivables based upon historical write-off experience, adjusted to reflect current economic conditions, and specific customer collection issues, for which they conclude they will not fully recover all amounts due.

(f) Inventories

Inventories are stated at the lower of average cost or market. Inventory costs include raw materials, labor and manufacturing overheads.

(g) Property, Plant and Equipment and Depreciation

Depreciation of property, plant and equipment is computed by using the declining-balance method over the estimated useful lives. The depreciation period generally ranges from 10 years to 50 years for buildings and from 3 years to 10 years for machinery and equipment. Average rates of depreciation for the years ended March 31, 2002, 2003 and 2004 are summarized below:

	2002	2003	2004
Buildings and improvements	8.8%	11.9%	12.6%
Machinery and equipment	28.1%	28.3%	27.6%

Certain leased buildings, improvements, machinery and equipment are accounted for as capital leases in conformity with SFAS No.13, "Accounting for Leases." The aggregate cost included in property, plant and equipment and related accumulated depreciation as of March 31, 2003 and 2004 was as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Aggregate cost	¥ 946	¥ 701	$ 6,740
Accumulated depreciation	606	470	4,519

Expenditures for ordinary maintenance and repairs are expensed as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any differences are included in earnings.

(h) Goodwill and Other Intangible Assets

The Company conforms to SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets. "SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and further clarifies the criteria for recognition of intangible assets separately from goodwill. SFAS No. 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized, but instead requires that an annual review for impairment be performed. The Company fully adopted the provisions of SFAS No. 141 and SFAS No. 142 on April 1, 2002. The adoption of SFAS No. 141 and SFAS No. 142 did not have any material effect on consolidated financial statements.

(i) Research and Development Costs and Advertising Costs

Research and development costs, included in selling, general and administrative expenses in the consolidated statements of income, are expensed as incurred and totaled ¥3,746 million, ¥ 3,856 million and ¥4,086 million ($39,288 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

Advertising costs are also expensed as incurred and totaled ¥3,738 million, ¥3,616 million and ¥3,797 million ($36,510 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

(j) Shipping and Handling Costs

Shipping and handling costs, which mainly include transportation to customers, are included in selling, general and administrative expenses in the consolidated statements of income. Shipping and handling costs were ¥4,759 million, ¥4,003 million and ¥4,418 million ($42,481 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

(k) Income Taxes

The Company conforms to SFAS No.109, "Accounting for Income Taxes," which requires an asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years the temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(l) Product Warranties

A liability for the estimated product warranty related cost is established at the time revenue is recognized and is included in accrued expenses and cost of sales. Estimates for accrued product warranty cost are primarily based on historical experience, and are affected by ongoing product failure rates, specific product class failures outside of the baseline experience, material usage and service delivery costs incurred in correcting a product failure.

(m) Pension Plans

The Company conforms to SFAS No.87, "Employers' Accounting for Pensions," in accounting for retirement and termination benefit plans. Under SFAS 87, changes in the amount of either the projected benefit obligation or plan assets resulting from actual results different from that assumed and from changes in assumptions can result in gains and losses to be recognized in the consolidated financial statements in future periods. Amortization of an unrecognized net gain or loss is included as a component of the net periodic benefit plan cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of (1) the projected benefit obligation or (2) the fair value of that plan's assets. In such case, the amount of amortization recognized is the resulting excess divided by the average remaining service period of active employees expected to receive benefits under the plan. The expected long-term rate of return on plan assets used for pension accounting is determined based on the historical long-term rate of return on plan assets and assessment of current plan assets. The discount rate is determined based on the rates of return of high-quality fixed-income investments currently available consistent with the maturity of the pension benefits.

(n) Earnings Per Share

The Company conforms to SFAS No.128, "Earnings per Share," which establishes standards for computing and presenting earnings per share. SFAS No.128 also requires dual presentation of basic and diluted earnings per share on the face of the consolidated statements of income for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic and diluted earnings per share computation (see Note 13).

Basic earnings per share has been computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during each year. Diluted earnings per share reflects the potential dilution computed on the basis that all convertible bonds were converted at the beginning of the year or at the time of issuance unless they were antidilutive.

(o) Impairment of Long-Lived Assets

The Company conforms to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets, "which requires that long-lived assets and certain identifiable intangibles having finite useful lives to be held and used by an entity be reviewed for impairment, based on the undiscounted cash flows expected to be generated therefrom, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 also requires that any such impaired assets, other long-lived assets and certain identifiable intangibles to be held for use or "held for sale" be reported at the lower of carrying amount or fair value or fair value less cost to sell (for assets held for sale).

In fiscal 2004, the Company made a decision and vacated a certain research and development facility and a related administrative facility. As a result of this decision, the Company recorded an impairment charge of ¥1,541 million to reduce the carrying value of the research and development facility and a related administrative facility to its estimated fair value which was based on discounted future cash flows, less cost to dispose. In December 2003, in connection with ongoing strategic revenue growth and cost cutting initiatives, specifically including an evaluation of its corporate wide marketing and promotional activities and the cost benefit relationship therefrom, and the continued rationalization of certain personnel related costs, Makita made a decision to no longer consider a golf course owned by a consolidated subsidiary as a corporate asset and curtailed utilizing such for promotional, entertainment and employee welfare purposes. As a result of this decision, Makita performed impairment analysis by considering cash flows expected to be generated from the golf course on a stand alone basis and recorded an impairment charge of ¥5,996 million to reduce the carrying value to its estimated fair value, as determined on a discounted cash flow basis. During the current year, Makita made a decision to sell part of its production facility in the United Kingdom rather than holding it for future use. As a result of this decision, Makita recorded an impairment charge of ¥243 million, based on the expected sales value less cost to sell the facility. The remaining carrying value of the production facility was insignificant as of March 31, 2004.

(p) Derivative Financial Instruments

The Company conforms to SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” and SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133.” Both statements require the Company and its consolidated subsidiaries to recognize all derivative instruments as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair values. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and on the type of hedging relationship.

The Company and its consolidated subsidiaries use various derivative instruments to manage interest rate and currency exchange rate risk on specific underlying exposures on recorded items . To qualify for fair value hedge accounting in accordance with SFAS No. 133, the derivative instruments must be effective in reducing the risk exposure that they are designated to hedge. The Company and its consolidated subsidiaries formally designate and document the derivative instruments as an effective hedge of specific underlying exposures, as well as the risk management objectives and strategies for undertaking the hedge transactions at the time of entering into the hedge. Derivative instruments that meet established accounting criteria are formally designated as hedges at the inception of the contract. These criteria demonstrate that the derivative instruments are expected to be highly effective at offsetting changes in fair value of the underlying exposure both at the inception of the hedging relationship and on an ongoing basis.

Changes in the fair value of a derivative instrument that is designated as a fair value hedge and highly effective, along with offsetting changes in fair value of the underlying hedged exposure, are recorded in earnings.

When the underlying hedged item ceases to exist, all changes in the fair value of the derivative instrument are recognized in earnings until the derivative instrument matures.

Any changes in the fair value of derivative instruments that are not designated as hedges, as well as changes in the value of derivatives that do not offset the underlying hedged item throughout the designated hedge period (collectively “ineffectiveness”), are immediately recognized in earnings.

(q) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company has identified the following areas where it believes assumptions and estimates are particularly critical to the consolidated financial statements. These are revenue recognition, determination of the allowance for doubtful receivables, impairment on long-lived assets, realizability of deferred income tax assets, the determination of unrealized losses on securities of which the decline in market value is considered to be other than temporary, the actuarial assumptions on retirement and termination benefit plans and the determination of fair value of derivative instruments.

(r) Revenue Recognition

The Company and its consolidated subsidiaries recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss has passed to the customers, the sales price is fixed or determinable and collectibility is reasonably assured, which occurs when products are shipped to customers. When repairs are made and charged to customers, revenue from this source is recognized when the repairs have been completed and the item is shipped to the customer. In addition, the Company deducts sales incentives from revenues, such as co-op advertisement and slotting fees where the Company is not receiving an identifiable benefit, volume based rebates and cash discounts. Such deductions from revenues are estimated and recorded at the time the revenues are recognized, based on past experience and the content of contracts with customers.

(s) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform with the presentation used for the year ended March 31, 2004.

4. TRANSLATION OF FINANCIAL STATEMENTS

Solely for the convenience of the reader, the accompanying consolidated financial statement amounts for the year ended March 31, 2004 are also presented in U.S. Dollars by arithmetically translating all yen amounts using the approximate prevailing exchange rate at the Federal Reserve Bank of New York of ¥104 to US$1 at March 31, 2004. This translation should not be construed as a representation that the amounts shown could be or could have been converted into United States dollars at such rate.

5. INVENTORIES

Inventories as of March 31, 2003 and 2004 comprised the following:

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Finished goods	¥ 53,068	¥ 44,159	$ 424,606
Work in process	1,794	1,858	17,865
Raw materials and parts	7,744	8,309	79,894
	¥ 62,606	¥ 54,326	$ 522,365

6. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

Marketable securities and investment securities consisted of available-for-sale securities and held-to-maturity securities.

The cost, gross unrealized holding gains and losses and fair value for such securities by major security type as of March 31, 2003 and 2004 were as follows:

	Yen (millions)				
		Gross Unrealized Holding			
As of March 31, 2003	Cost	Gains	Losses	Fair value	Carrying Amount
Available-for-sale:					
Marketable securities:					
Japanese and foreign government debt securities	¥ 200	¥ 13	¥ –	¥ 213	¥ 213
Corporate and bank debt securities	7,597	112	1	7,708	7,708
Funds in trusts	654	–	–	654	654
Investments in trusts	28,837	44	26	28,855	28,855
Marketable equity securities	1,582	259	78	1,763	1,763
	¥ 38,870	¥ 428	¥ 105	¥ 39,193	¥ 39,193
Investment securities:					
Corporate and bank debt securities	¥ 2,954	¥ 52	¥ –	¥ 3,006	¥ 3,006
Investments in trusts	922	64	–	986	986
Marketable equity securities	8,175	1,570	490	9,255	9,255
Non-marketable equity securities (carried at cost)	608	–	–	608	608
	¥ 12,659	¥ 1,686	¥ 490	¥ 13,855	¥ 13,855
Held-to-maturity:					
Investment securities:					
Japanese government debt securities	¥ 2,926	¥ 1	¥ 0	¥ 2,927	¥ 2,926
Japanese corporate debt securities	2,561	0	1	2,560	2,561
	5,487	1	1	5,487	5,487
Total investment securities	¥ 18,146	¥ 1,687	¥ 491	¥ 19,342	¥ 19,342

	Yen (millions)				
		Gross Unrealized Holding			
As of March 31, 2004	Cost	Gains	Losses	Fair value	Carrying Amount
Available-for-sale:					
Marketable securities:					
Japanese and foreign government debt securities	¥ 100	¥ 5	¥ –	¥ 105	¥ 105
Corporate and bank debt securities	5,377	78	32	5,423	5,423
Investments in trusts	41,141	1,093	6	42,228	42,228
Marketable equity securities	1,494	1,412	–	2,906	2,906
	¥ 48,112	¥ 2,588	¥ 38	¥ 50,662	¥ 50,662
Investment securities:					
Corporate and bank debt securities	¥ 2,954	¥ 75	¥ –	¥ 3,029	¥ 3,029
Investments in trusts	1,012	47	–	1,059	1,059
Marketable equity securities	7,919	9,137	8	17,048	17,048
Non-marketable equity securities (carried at cost)	602	–	–	602	602
	¥ 12,487	¥ 9,259	¥ 8	¥ 21,738	¥ 21,738
Held-to-maturity:					
Marketable securities:					
Japanese government debt securities	¥ 10,367	¥ 7	¥ 0	¥ 10,374	¥ 10,377
Japanese corporate debt securities	2,961	0	0	2,961	2,961
	¥ 13,328	¥ 7	¥ 0	¥ 13,335	¥ 13,328
Investment securities:					
Japanese corporate debt securities	¥ 401	¥ 0	¥ 2	¥ 399	¥ 401
	¥ 401	¥ 0	¥ 2	¥ 399	¥ 401
Total marketable securities	¥ 61,440	¥ 2,595	¥ 38	¥ 63,997	¥ 63,990
Total investment securities	¥ 12,888	¥ 9,259	¥ 10	¥ 22,137	¥ 22,139

As of March 31, 2004	U.S. Dollars (thousands) Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair value	Carrying Amount
Available-for-sale:					
Marketable securities:					
Japanese and foreign government debt securities	$ 962	$ 48	$ –	$ 1,010	$ 1,010
Corporate and bank debt securities	51,701	750	307	52,144	52,144
Investments in trusts	395,587	10,510	58	406,039	406,039
Marketable equity securities	14,365	13,577	–	27,942	27,942
	$ 462,615	$ 24,885	$ 365	$ 487,135	$ 487,135
Investment securities:					
Corporate and bank debt securities	$ 28,404	$ 721	$ –	$ 29,125	$ 29,125
Investments in trusts	9,731	452	–	10,183	10,183
Marketable equity securities	76,144	87,856	77	163,923	163,923
Non-marketable equity securities (carried at cost)	5,788	–	–	5,788	5,788
	$ 120,067	$ 89,029	$ 77	$ 209,019	$ 209,019
Held-to-maturity:					
Marketable securities:					
Japanese government debt securities	$ 99,683	$ 67	$ 0	$ 99,750	$ 99,683
Japanese corporate debt securities	28,470	0	0	28,470	28,470
	$ 128,153	$ 67	$ 0	$ 128,220	$ 128,153
Investment securities:					
Japanese corporate debt securities	$ 3,856	$ 0	$ 19	$ 3,837	$ 3,856
	$ 3,856	$ 0	$ 19	$ 3,837	$ 3,856
Total marketable securities	$ 590,768	$ 24,952	$ 365	$ 615,355	$ 615,288
Total investment securities	$ 123,923	$ 89,029	$ 96	$ 212,856	$ 212,875

Funds in trusts represent short-term funds deposited with trust banks in individual accounts and managed by the Company. As of March 31, 2003, all such funds in trusts consisted of bank deposits. As of March 31, 2004, the company did not have funds in trusts.

Investments in trusts represent funds deposited with trust banks in multiple investor accounts and managed by fund managers in the trust banks. As of March 31, 2003 and 2004, each fund consisted of marketable equity securities and interest-bearing bonds.

The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2004.

	Yen (millions)			
	Less than 12 months		12 months or more	
As of March 31, 2004	Fair value	Gross Unrealized Loss	Fair value	Gross Unrealized Loss
Available-for-sale:				
Marketable securities:				
Corporate and bank debt securities	¥ 5,423	¥ 32	¥ –	¥ –
Investments in trusts	42,228	6	–	–
	¥ 47,651	¥ 38	¥ –	¥ –
Available-for-sale:				
Investment securities:				
Marketable equity securities	¥ 17,048	¥ 8	¥ –	¥ –
	¥ 17,048	¥ 8	¥ –	¥ –

	U.S. Dollars (thousands)			
	Less than 12 months		12 months or more	
As of March 31, 2004	Fair value	Gross Unrealized Loss	Fair value	Gross Unrealized Loss
Available-for-sale:				
Marketable securities:				
Corporate and bank debt securities	$ 52,144	$ 307	$ –	$ –
Investments in trusts	406,039	58	–	–
	$ 458,183	$ 365	$ –	$ –
Available-for-sale:				
Investment securities:				
Marketable equity securities	$ 163,923	$ 77	$ –	$ –
	$ 163,923	$ 77	$ –	$ –

Maturities of debt securities classified as available-for-sale or held-to-maturity as of March 31, 2004, regardless of their balance sheet classification, were as follows:

	Yen (millions)		U.S. Dollars (thousands)	
	Cost	Fair value	Cost	Fair value
Due within one year	¥ 16,287	¥ 16,302	$ 156,606	$ 156,750
Due after one to five years	1,135	1,209	10,913	11,625
Due after five to ten years	1,943	1,814	18,683	17,442
Due after ten years	1,394	1,366	13,404	13,135
Indefinite periods	1,400	1,600	13,462	15,385
	¥ 22,159	¥ 22,291	$ 213,068	$ 214,337

Debt securities which have indefinite periods shown above represent investments in perpetual subordinated bonds with issuer's optional redemption rights. Fixed interest rates on such bonds are 2.00 or 2.01 per cent per annum for the interest period to July 12 or 27, 2005, respectively, and 6 month LIBOR plus 2.25 per cent per annum for the interest period commencing on July 13 or 28, 2005, respectively, and thereafter pursuant to the terms of the contract.

Gross realized gains on sales of marketable securities and investment securities for the years ended March 31, 2002, 2003 and 2004 amounted to ¥546 million, ¥337 million and ¥862 million ($8,288 thousand), respectively, and gross realized losses, which include the gross realized losses considered as other than temporary, during the years ended March 31, 2002, 2003 and 2004 amounted to ¥3,286 million, ¥2,927 million and ¥307 million ($2,952 thousand), respectively. The cost of the securities sold was computed based on the average cost of all the shares of each such security held at the time of sale. Gross unrealized losses on marketable securities and investment securities of which declines in market value are considered to be other than temporary were charged to earnings as realized losses on securities, amounting to ¥2,970 million, ¥2,630 million and ¥279 million ($2,683 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively. Proceeds from the sales and maturities of available-for-sale securities and held-to-maturity securities were ¥18,497 million, ¥24,061 million and ¥18,190 million ($174,904 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

7. INCOME TAXES

Income before income taxes and the provision for income taxes for the years ended March 31, 2002, 2003 and 2004 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2002	2003	2004	2004
Income before income taxes:				
Domestic	¥ 4,221	¥ 3,029	¥ 3,945	$ 37,933
Foreign	(818)	6,263	12,225	117,548
	¥ 3,403	¥ 9,292	¥ 16,170	$ 155,481
Provision for income taxes:				
Current-				
Domestic	¥ 2,729	¥ 2,433	¥ 5,264	$ 50,616
Foreign	1,298	(139)	3,481	33,471
	4,027	2,294	8,745	84,087
Deferred-				
Domestic	(599)	687	26	250
Foreign	(158)	(412)	(292)	(2,808)
	(757)	275	(266)	(2,558)
Consolidated provision for income taxes	¥ 3,270	¥ 2,569	¥ 8,479	$ 81,529

Total income taxes were allocated as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2002	2003	2004	2004
Provision for income taxes	¥ 3,270	¥ 2,569	¥ 8,479	$ 81,529
Shareholders' equity:				
Foreign currency translation adjustment	(619)	(627)	(458)	(4,404)
Net unrealized holding gains (losses) on available-for-sale securities	(949)	(599)	4,168	40,077
Minimum pension liability adjustment	(1,822)	(3,899)	4,392	42,231
	¥ (120)	¥ (2,556)	¥ 16,581	$ 159,433

The Company and its domestic subsidiaries are subject to a National Corporate tax of 30.0%, an Inhabitant tax of approximately 5.6% and a deductible Enterprise tax of approximately 9.9%, which in the aggregate resulted in a combined statutory income tax rate of approximately 41.4% for each of the years in the three-year period ended March 31,2004 .

Reconciliations of the combined statutory income tax rate to the effective income tax rates are as follows:

	Year ended March 31,		
	2002	2003	2004
Combined statutory income tax rate in Japan	41.4%	41.4%	41.4%
Non-deductible expenses	2.2	1.0	0.6
Non-taxable dividends received	(1.6)	(0.3)	(0.2)
Change in valuation allowance	56.8	4.7	18.5
Impact of advance pricing agreement finalization	–	(18.2)	(1.3)
Effect on change in enacted tax rate	–	3.4	0.1
Tax sparing impact	(3.0)	(3.3)	(1.8)
Effect of reversal of income taxes payable versus final tax paid	–	(1.1)	(3.6)
Effect of the foreign tax rate differential	–	–	(1.3)
Other, net	0.3	–	–
Effective income tax rate	96.1%	27.6%	52.4%

In 1997, Makita USA and the Parent Company entered into a bilateral advance pricing agreement (APA) negotiation with the Internal Revenue Service (IRS) and the National Tax Authority of Japan (NTA) to avoid double taxation resulting from transfer price adjustments. The APA covers fiscal years 1995 through 2001. In July 2002, the IRS and the NTA reached an agreement, which results in additional taxable income and reduced operating loss carryforwards in the U.S., and a reduction of taxable income and tax liability in Japan. Consequently the effects of the APA resulted in an overall decrease to income taxes in 2003 and 2004.

According to the provisions of tax treaties which have been concluded between Japan and 19 countries, Japanese corporations can claim a tax credit against Japanese income taxes on income earned in one of those 19 countries, even though that income is exempted from income taxes or is reduced by special tax incentive measures in those countries, as if no special exemption or reduction was provided. The Company applied such "tax sparing" mainly to China with the indicated tax reduction effect

As a result of the enactment of an amendment to the Japanese local tax law on March 31, 2003, the effective tax rate used for the calculation of deferred income tax assets and liabilities has been reduced from 41.4% to 40.2% for the year ended March 31, 2003, and risen from 40.2% to 40.3% for the year ended March 31,2004. The effect of this tax rate changes for the year ended March 31, 2003 and 2004 was ¥312 million and ¥11 million ($106 thousand), respectively.

Significant components of deferred income tax assets and liabilities as of March 31, 2003 and 2004 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Deferred income tax assets:			
Investment securities	¥ 1,671	¥ 2,462	$ 23,673
Accrued retirement and termination benefits and other accrued expenses	1,906	2,250	21,635
Pension liability	8,810	4,429	42,587
Inventories	1,591	1,221	11,740
Property, plant and equipment	2,726	6,632	63,769
Accrued payroll	1,653	1,770	17,019
Net operating loss carryforwards	2,952	2,085	20,048
Other	1,481	379	3,644
Total gross deferred income tax assets	22,790	21,228	204,115
Valuation allowance	(6,694)	(8,828)	(84,884)
	¥ 16,096	¥ 12,400	$ 119,231
Deferred income tax liabilities:			
Undistributed earnings of overseas subsidiaries	¥ (2,291)	¥ (2,849)	$ (27,394)
Marketable securities	(611)	(4,756)	(45,731)
Inventories	(1,014)	(435)	(4,183)
Other	(89)	(77)	(740)
	(4,005)	(8,117)	(78,048)
Net deferred income tax assets	¥ 12,091	¥ 4,283	$ 41,183

Net deferred income tax assets are recorded in the consolidated balance sheets as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Deferred income tax assets			
Current assets	¥ 3,515	¥ 3,691	$ 35,490
Investment and other assets	10,386	880	8,462
Current liabilities	(403)	(53)	(510)
Long-term liabilities	(1,407)	(235)	(2,259)
	¥ 12,091	¥ 4,283	$ 41,183

The valuation allowance was ¥6,115 million as of March 31,2001. The net change in the total valuation allowances for the years ended March 31, 2002, 2003 and 2004 was an increase of ¥2,935 million, a decrease of ¥2,356 million and an increase of ¥2,134 million ($ 20,519 thousand), respectively. The increase of ¥2,134 million ($ 20,519 thousand) for the ended March 31,2004 was mainly due to the 100% valuation allowance provided on the deferred income tax asset on the current year impairment charge on long-lived assets of Joyama Kaihatsu.

In assessing the realizability of deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, the Company believes it is more likely than not that the benefits of these deductible differences, net of the existing valuation allowance, will be realized. The actual amount of the deferred income tax asset realizable, however, would be reduced if estimates of future taxable income during the carryforward period were not achieved . The valuation allowance principally relates to the tax effects of net operating losses and differences in book and tax depreciation related to property, plant and equipment recorded by certain subsidiaries.

As of March 31, 2004, certain subsidiaries have net operating loss carryforwards for income tax purposes of ¥6,144 million ($59,077 thousand) which were available to reduce future income taxes. The net operating losses will expire as follows:

	Yen (millions)		U.S. Dollars (thousands)	
Within 5 years	¥	1,052	$	10,116
6 to 20 years		3,494		33,596
Indefinite periods		1,598		15,365
	¥	6,144	$	59,077

8. RETIREMENT AND TERMINATION BENEFIT PLANS

The Company and certain of its consolidated subsidiaries have various contributory and noncontributory employees benefit plans covering substantially all of their employees. Under the plans, employees are entitled to lump-sum payments at the time of termination or retirement, or to pension payments. A domestic contributory plan, which covers substantially all of the employees of the Company, includes the governmental welfare pension benefits (“substitutional portion”) that would otherwise be provided by the Japanese government in accordance with the Welfare Pension Insurance Law in Japan.

The amounts of lump-sum or pension payments under the plans are generally determined on the basis of length of service and remuneration at the time of termination or retirement.

In December 2003, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." The revisions to SFAS 132 prescribes employers’ disclosures about pension plans; it does not change the measurement or recognition of those plans. The statement retains and revises the disclosure requirement. In particular, the standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, net periodic benefit costs and other relevant quantitative and qualitative information. SFAS 132 (revised) generally is effective for fiscal years ending after December 31, 2003. The following disclosures reflect the requirements of SFAS No.132 (revised):

The net periodic benefit costs of the defined benefit plans for the years ended March 31, 2002, 2003 and 2004 consisted of the following components:

	Yen (millions)						U.S. Dollars (thousands)	
	2002		2003		2004		2004	
Service cost-benefit earned during the year	¥	1,983	¥	2,211	¥	1,671	$	16,067
Interest cost on projected benefit obligation		1,386		1,302		1,225		11,779
Expected return on plan assets		(850)		(764)		(643)		(6,183)
Amortization of prior service cost		66		12		14		135
Recognized actuarial loss		340		584		975		9,375
Net periodic pension costs	¥	2,925	¥	3,345	¥	3,242	$	31,173

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 50,651	¥ 58,295	$ 560,529
Service cost	2,211	1,671	16,067
Interest cost	1,302	1,225	11,779
Employees' contributions	226	35	336
Amendments	(1,472)	-	-
Actuarial loss	6,392	(5,217)	(50,163)
Benefits paid	(1,185)	(1,095)	(10,529)
Foreign exchange impact	170	(15)	(144)
Benefit obligation at end of year	58,295	54,899	527,875
Change in plan assets:			
Fair value of plan assets at beginning of year	27,895	26,201	251,932
Actual return on plan assets	(3,910)	4,194	40,327
Employer contributions	3,098	3,521	33,856
Employees' contributions	226	35	337
Benefits paid	(1,104)	(968)	(9,308)
Foreign exchange impact	(4)	(2)	(19)
Fair value of plan assets at end of year	26,201	32,981	317,125
Funded status	(32,094)	(21,918)	(210,750)
Unrecognized net actuarial loss	27,455	17,759	170,760
Prior service cost not yet recognized in net periodic benefit cost	(507)	(482)	(4,635)
Unrecognized net transition obligation being recognized over 19 years	190	153	1,471
Net amount recognized	¥ (4,956)	¥ (4,488)	$ (43,154)
Amounts recognized in the consolidated balance sheets consist of;			
Accrued benefit liability	¥ (26,929)	¥ (15,537)	$ (149,394)
Prepaid benefit expenses	58	58	558
Accumulated other comprehensive loss, gross of tax	21,915	10,991	105,682
Net amount recognized	¥ (4,956)	¥ (4,488)	$ (43,154)

Measurement date

The Company uses a December 31 measurement date for the majority of its plans.

Assumptions

Weighted-average assumptions used to determine benefit obligations at March 31, 2003 and 2004 were as follows:

	2003	2004
Discount rate	2.1%	2.1%
Assumed rate of increase in future compensation levels	2.3%	3.0%

Weighted-average assumptions used to determine net periodic benefit cost for each of the years in the three years ended March 31were as follows:

	2002	2003	2004
Discount rate	3.1%	2.6%	2.1%
Assumed rate of increase in future compensation levels	2.4%	2.3%	2.3%
Expected long-term rate of return on plan assets	3.0%	2.5%	2.0%

Plan Assets

The domestic benefit plan weighted-average assets allocations at March 31, 2003, and 2004, by asset category are follows;

Asset Category	2003	2004
Equity securities	44.4%	44.5%
Debt securities	32.7	21.1
Life insurance company general accounts	14.5	10.1
Other	8.4	24.3
	100.0%	100.0%

The Company's funding policy is to contribute monthly the amounts which would provide sufficient assets for future payments of pension benefits. The plans' assets are invested primarily in interest-bearing securities and marketable equity securities.
The mix of equity securities and debt securities is determined after taking into consideration the expected long-term yield on pension assets. To decide whether changes in the basic portfolio are necessary, the Company examines the divergence between the expected long-term income and the actual income from the portfolio on an annual basis. The Company revises the portfolio when it is deemed necessary to reach the expected long-term yield.
Equity securities include common stock of the Company in an amount of ¥3 million ($29 thousand) at March 31, 2004.

Information for pension plans with an accumulated benefit obligation in excess of plan assets

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Projected benefit obligation	¥ 58,295	¥ 54,899	$ 527,875
Accumulated benefit obligation	53,072	48,525	466,587
Fair value of plan assets	26,201	32,981	317,125

Cash flow

Makita expects to contribute ¥2,271 million ($21,837 thousand) to its domestic defined benefit plan in the year ending March 31, 2005.

The domestic plan represents most of the pension obligation as of March 31, 2004. The discount rate and expected long-term rate of return on plan assets assumed to determine the pension obligation for the Company relevant to the domestic plan were 2.0% and 2.5% for the year ended March 31, 2003 and 2.0% and 2.0% for the year ended March 31, 2004, respectively.

Certain foreign subsidiaries have defined contribution plans. The total expenses charged to income under these plans were ¥252 million, ¥256 million and ¥249 million ($2,394 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

As noted above, the domestic contributory plan is composed of a corporate defined benefit portion established by the Company and a substitutional portion based on benefits prescribed by the Japanese government (similar to social security benefits in the United States). The Company has been exempted from contributing to the Japanese Pension Insurance program that would otherwise have been required if it had not elected to fund the government substitutional portion of the benefit through a domestic contributory plan arrangement. The plan assets of the domestic contributory plan are invested and managed as a single portfolio for the entire domestic contributory plan and are not separately attributed to the substitutional and corporate portions. The substitutional portion represents approximately 33% of the total projected benefit obligation of the domestic contributory plan as of March 31, 2004. In June 2001, the Japanese pension law was amended to permit an employer to elect to transfer the entire substitutional portion benefit obligation from the domestic contributory plan to the government together with a specified amount of plan assets pursuant to a government formula. After such transfer, the employer would be required to make periodic contributions to the Japanese Pension Insurance program, and the Japanese government would be responsible for all benefit payments. The corporate portion of the domestic contributory plan would continue to exist exclusively as a corporate defined benefit pension plan. In this regard, the Company has elected to transfer the substitutional portion of its domestic contributory plan to the government. The process of separating the substitutional portion from the corporate portion includes several phases. In January 2003, the Company received government approval of exemption from the obligation for benefits related to future employee service with respect to the substitutional portion of its domestic contributory plan. The Company will account for the transfer in accordance with EITF 03-02 “Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities”. As specified in EITF 03-02, the entire separation process is to be accounted for at the time of completion of the transfer to the government of the benefit obligation and related plan assets as a settlement in accordance with SFAS No.88 “Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits”. Accordingly, there has been no effect on the Company’s consolidated financial statements for the fiscal year ended March 31, 2004. The aggregate effect of this separation will be determined based on the Company’s pension benefit obligation as of the date the transfer is completed and the amount of plan assets required to be transferred.

The Company has an unfunded retirement and termination allowances program for Directors and Statutory Auditors. Under such program, the aggregate amount accrued as retirement allowances for Directors and Statutory Auditors was ¥427 million as of March 31, 2003 and was decreased to ¥369 million as of March 31, 2004.

9. SHORT-TERM BORROWINGS AND LONG-TERM INDEBTEDNESS

As of March 31, 2003 and 2004, Short-term borrowings consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Bank borrowings	¥ 2,779	¥ 1,044	$ 10,038
Long-term debt due within one year	113	13,084	125,808
Total	2,892	14,128	135,846

Short-term borrowings, excluding current maturities of long-term indebtedness, amounting to ¥2,779 million and ¥1,044 million ($10,038 thousand) as of March 31, 2003 and 2004, respectively consisted primarily of bank borrowings denominated in foreign currencies by overseas subsidiaries. As of March 31, 2003 and 2004, the weighted average interest rates on the borrowings were 3.4% and 6.3%, respectively.

Certain subsidiaries of the Company had unused lines of credit available for short-term borrowings without restrictions for immediate borrowing amounting to ¥26,332 million and ¥21,220 million ($204,038 thousand) as of March 31, 2003 and 2004, respectively.

As of March 31, 2003 and 2004, long-term indebtedness consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
1.5% unsecured convertible bonds, payable in yen, due 2005	¥ 12,994	¥ 12,994	$ 124,942
3.3% (weighted average rate) unsecured loans from banks and insurance companies in various foreign currencies, due 2005	6,587	6,391	61,452
0.6% (weighted average rate) unsecured loans from Japanese companies, due 2005	–	800	7,692
Capital lease obligations (see Note 3(g))	375	263	2,529
Total	19,956	20,448	196,615
Less- Current maturities included in short-term borrowings	(113)	(13,084)	(125,807)
	¥ 19,843	¥ 7,364	$ 70,808

In accordance with SFAS No. 133, changes in fair values of fixed rate long-term indebtedness amounting to ¥587 million and ¥391 million ($3,760 thousand) as of March 31, 2003 and 2004 respectively, which are effectively hedged by using derivative instruments, are reflected in the carrying value of the long-term indebtedness in the accompanying consolidated balance sheets.

The 1.5% convertible bonds due 2005 are convertible into approximately 5,749,811 shares of common stock at a fixed conversion price of ¥2,259.90.

The conversion price is subject to adjustment for stock splits and for shares issued at less than market value. The outstanding convertible bonds are redeemable at the option of the Company on or after April 1, 2004 at the issue price under certain conditions as provided in the agreements.

If all outstanding bonds were converted as of March 31, 2004, 5,749,811 shares of common stock would be issuable.

The aggregate annual maturities of long-term indebtedness subsequent to March 31, 2004 are as summarized below:

Year ending March 31,	Yen (millions)	U.S. Dollars (thousands)
2005	¥ 13,084	$ 125,807
2006	7,278	69,981
2007	41	394
2008	13	125
2009	7	67
2010 and thereafter	25	241
	¥ 20,448	$ 196,615

10. CLUB MEMBERS' DEPOSITS

The Company owns and operates a golf club in Japan and solicits golf club members and receives non interest-bearing deposits accordingly. All golf club members are required to maintain such deposits for at least a 10-year term, but they are refundable if and when members terminate their memberships. Accordingly, such deposits are recorded as club members' deposits in long-term liabilities in the accompanying consolidated balance sheets.

11. SHAREHOLDERS' EQUITY

The Commercial Code of Japan ("the Code") provides that an amount equal to at least 10% of cash dividends paid and other cash distributions from retained earnings with respect to each fiscal year be transferred to the legal reserve until the aggregate amount of additional paid-in capital and the legal reserve equals 25% of the stated common stock amount. Under the condition that the aggregate amount of additional paid-in capital and legal reserve remains at least equal to 25% of the common stock amount, the excess portion is available for distribution or release for certain other purposes by the resolution of the annual general shareholders' meeting.

In addition, the Code provides that at least one-half of the issue price of new shares be included in common stock. In conformity therewith, the Company may divide the principal amount of bonds converted into common stock equally into common stock and additional paid-in capital by resolution of the Board of Directors.

The Code allows the Company to purchase treasury stock for any reason at any time by the resolution of the Board of Directors up to the limitation approved by the shareholders.

During the year ended March 31, 2002

On November 2, 2001, the Board of Directors passed a resolution approving the purchase of the outstanding shares of the Company up to a maximum of 4.0 million shares. In connection therewith, the Company purchased 3.3 million shares at a cost of ¥ 2,204 million for the year ended March 31, 2002.

During the year ended March 31, 2003

On June 27, 2002, the shareholders of the Company approved purchase of the outstanding shares of the Company up to a maximum of 4,000,000 shares and ¥4,000 million. In connection therewith, two share purchase resolutions were approved by the Board. On November 19, 2002, the Board of Directors passed a resolution approving the purchase of the outstanding shares of the Company up to a maximum of 1,500,000 shares and ¥1,500 million. In connection therewith, the Company had purchased such shares totaling 1,376,000 shares at a cost of ¥993 million. On December 16, 2002, the Board of Directors passed a resolution approving the purchase of the outstanding shares of the Company up to a maximum of 2,300,000 shares and ¥1,867 million. In connection therewith, the Company had purchased such shares totaling 2,009,000 shares at a cost of ¥1,631 million. In addition, the Company had purchased 320,866 odd shares at a cost of ¥257 million during the year ended March 31, 2003. As a result, the Company purchased 3,705,866 shares at a cost of ¥2,881 million during the year ended March 31, 2003.

During the year ended March 31, 2004
On June 27, 2003, the shareholders of the Company approved purchase of the outstanding shares of the Company up to a maximum of 5,000,000 shares and ¥5,000 million ($48,077 thousand). In connection therewith, two share purchase resolutions were approved by the Board of Directors. On August 7, 2003 the Board of Directors passed a resolution approving the purchase of the outstanding shares of the Company up to a maximum of 2,500,000 shares The August 7, 2003 resolution also approved the retirement of 5 million outstanding shares of the Company . In connection with the share purchase resolutions, the Company purchased 2,002,000 shares at a cost of ¥2,142 million ($20,596 thousand) during FY 2004. In addition, the Company purchased 80,540 odd shares at a cost of ¥85 million ($817 thousand) and sold 7,855 odd shares at a cost of ¥6 million ($58 thousand) during FY 2004. The Company retired shares totaling 5,000,000 shares at a cost of ¥4,015 million ($38,606 thousand) by offsetting with unappropriated retained earnings based on the resolution of Board of Directors mentioned above. As a result of the above noted actions, treasury stock and retained earnings were decreased by 2,925,315 shares at a cost of ¥1,794 million ($17,250 thousand) and ¥4,015 million ($ 38,606 thousand) during the year ended March 31, 2004.

The Code provides that cash dividends may be approved semiannually by the resolution of the annual general shareholders' meeting after the end of each fiscal year or by the declaration of the Board of Directors after the end of each interim semi-annual period. Such dividends are payable to shareholders of record at the end of each fiscal year or semi-annual period. In accordance with the Code, the resolution or declaration of these dividends and the related appropriations of retained earnings have not been reflected in the consolidated financial statements at the end of such fiscal years or interim six-month periods. The amount of retained earnings legally available under the Code for distribution is that recorded in the Company's non-consolidated books and equaled ¥108,480 million ($1,043,077 thousand) as of March 31, 2004. The Board of Directors has declared a cash dividend (¥13 per share) totaling ¥1,871 million ($17,990 thousand) to be paid to the shareholders of record on March 31, 2004. As the dividend is subject to approval at the next annual general shareholders' meeting to be held on June 29, 2004, it has not been reflected in the accompanying consolidated financial statements at March 31, 2004.

12. OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) as of March 31, 2002, 2003, 2004 was as follows:

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):	Yen (millions)			U.S.Dollars (thousands)
	2002	2003	2004	2004
Foreign currency translation adjustments:				
Beginning balance	¥ (16,870)	¥ (10,699)	¥ (13,022)	$ (125,212)
Adjustment for the year	6,171	(2,323)	(4,560)	(43,846)
Ending balance	¥ (10,699)	¥ (13,022)	¥ (17,582)	$ (169,058)
Net unrealized holding gains on securities Available-for-sale:				
Beginning balance	¥ 2,674	¥ 1,325	¥ 478	$ 4,597
Adjustment for the year	(1,349)	(847)	6,114	58,788
Ending balance	¥ 1,325	¥ 478	¥ 6,592	$ 63,385
Minimum pension liability adjustment:				
Beginning balance	¥ (4,492)	¥ (7,072)	¥ (12,590)	$ (121,058)
Adjustment for the year	(2,580)	(5,518)	6,532	62,808
Ending balance	¥ (7,072)	¥ (12,590)	¥ (6,058)	$ (58,250)
Total accumulated comprehensive income (loss)				
Beginning balance	¥ (18,688)	¥ (16,446)	¥ (25,134)	$ (241,673)
Adjustment for the year	2,242	(8,688)	8,086	77,750
Ending balance	¥ (16,446)	¥ (25,134)	¥ (17,048)	$ (163,923)

Tax effects allocated to each component of other comprehensive income (loss) are as follows:

	Yen (millions)		
	Pretax amount	Tax benefit (expense)	Net of tax amount
As of March 31, 2002			
Foreign currency translation adjustment	¥ 5,552	¥ 619	¥ 6,171
Unrealized gain (loss) on securities:			
Unrealized holding gains (losses) arising during the year	(5,038)	2,083	(2,955)
Less- Reclassification adjustment for (gains) losses realized in net income	2,740	(1,134)	1,606
Net unrealized gains (losses)	(2,298)	949	(1,349)
Minimum pension liability adjustment	(4,402)	1,822	(2,580)
Other comprehensive income (loss)	¥ (1,148)	¥ 3,390	¥ 2,242

	Yen (millions)		
	Pretax amount	Tax benefit (expense)	Net of tax amount
As of March 31, 2003			
Foreign currency translation adjustment	¥ (2,950)	¥ 627	¥ (2,323)
Unrealized gain (loss) on securities:			
Unrealized holding gains (losses) arising during the year	(4,036)	1,671	(2,365)
Less- Reclassification adjustment for (gains) losses realized in net income	2,590	(1,072)	1,518
Net unrealized gains (losses)	(1,446)	599	(847)
Minimum pension liability adjustment	(9,417)	3,899	(5,518)
Other comprehensive income (loss)	¥ (13,813)	¥ 5,125	¥ (8,688)

	Yen (millions)		
	Pretax amount	Tax benefit (expense)	Net of tax amount
As of March 31, 2004			
Foreign currency translation adjustment	¥ (5,018)	¥ 458	¥ (4,560)
Unrealized gain (loss) on securities:			
Unrealized holding gains (losses) arising during the year	10,837	(4,393)	6,444
Less- Reclassification adjustment for (gains) losses realized in net income	(555)	225	(330)
Net unrealized gains (losses)	10,282	(4,168)	6,114
Minimum pension liability adjustment	10,924	(4,392)	6,532
Other comprehensive income (loss)	¥ 16,188	¥ (8,102)	¥ 8,086

	U.S. Dollars (thousands)		
	Pretax amount	Tax benefit (expense)	Net of t ax amount
As of March 31, 2004			
Foreign currency translation adjustment	$ (48,250)	$ 4,404	$ (43,846)
Unrealized gain (loss) on securities:			
Unrealized holding gains (losses) arising during the year	104,202	(42,240)	61,962
Less- Reclassification adjustment for (gains) losses realized in net income	(5,337)	2,163	(3,174)
Net unrealized gains (losses)	98,865	(40,077)	58,788
Minimum pension liability adjustment	105,039	(42,231)	62,808
Other comprehensive income (loss)	$ 155,654	$ (77,904)	$ 77,750

13.EARNINGS PER SHARE

A reconciliation of the numerators and denominators of the basic and diluted earnings per share computations is as follows:

Numerator	Yen (millions)			U.S. Dollars (thousands)
	2002	2003	2004	2004
Net income –Basic	¥ 133	¥ 6,723	¥ 7,691	$ 73,952
Effect of dilutive securities:				
1.6% unsecured convertible bonds, due 2003	–	13	–	–
1.5% unsecured convertible bonds, due 2005	–	115	119	1,144
Net income - Diluted	¥ 133	¥ 6,851	¥ 7,810	$ 75,096

Denominator	Number of shares		
Weighted average common shares outstanding – Basic	151,776,242	148,444,219	144,682,696
Dilutive effect of:			
1.6% unsecured convertible bonds, due 2003	–	828,134	–
1.5% unsecured convertible bonds, due 2005	–	5,749,811	5,749,811
Weighted average common shares outstanding - Diluted	151,776,242	155,022,164	150,432,507

	Yen			U.S. Dollars
Earnings per share:				
Basic	¥0.9	¥45.3	¥53.2	$0.51
Diluted	0.9	44.2	51.9	0.50

1.6% unsecured convertible bonds were redeemed in February 2003. The 1.5% and 1.6% bonds were antidilutive in 2002.

14. COMMITMENTS AND CONTINGENT LIABILITIES

In November 2002, the FASB issued FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under guarantees issued. FIN No. 45 also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The Company adopted FIN No. 45 in fiscal year 2003.

The Company guarantees to third parties bank loans of its employees. The guarantees for the employees are principally made for their housing and education loans totaling ¥24 million ($231 thousand) as of March 31, 2004. The carrying amount of above liabilities for the Company's obligations under the guarantees described above as of March 31, 2004 were insignificant.

The Company and certain subsidiaries were contingently liable for recourse obligation regarding discounted notes with banks of ¥927 million ($8,913 thousand) as of March 31, 2004 in case notes issuers are not able to fulfill their payment obligation. The fair value of such guarantees is not significant.

The purchase obligations mainly for raw materials of the Company and its subsidiaries were ¥8,175 million ($78,606 thousand) as of March 31, 2004.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

The Company and its consolidated subsidiaries made rental payments of ¥1,770 million, ¥1,737 million and ¥1,745 million ($16,779 thousand) under cancelable and noncancelable operating lease agreements for offices, warehouses, automobiles and office equipment during the years ended March 31, 2002, 2003 and 2004, respectively. The minimum rental payments required under noncancelable operating lease agreements as of March 31, 2004 were as follows:

Year ending March 31,	Yen (millions)	U.S. Dollars (thousands)
2005	¥ 578	$ 5,558
2006	462	4,442
2007	324	3,116
2008	241	2,317
2009	198	1,904
2010 and thereafter	291	2,798
	¥ 2,094	$ 20,135

The Company and its consolidated subsidiaries generally guarantee the performance of products delivered and services rendered for a certain period or term. Estimates for product warranty cost are made based on historical warranty claim experience. Change in accrued product warranty cost for the year ended March 31, 2004 is summarized as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Balance at beginning of year	¥ 674	¥ 693	$ 6,663
Addition	467	529	5,086
Utilization	(439)	(532)	(5,115)
Foreign exchange impact	(9)	(23)	(221)
Balance at end of year	¥ 693	¥ 667	$ 6,413

15. DERIVATIVES AND HEDGING ACTIVITIES

(a) Risk management policy

The Company and its consolidated subsidiaries are exposed to market risks, such as changes in currency exchange rates and interest rates. Derivative financial instruments are comprised principally of foreign exchange contracts, currency swaps, currency options and interest rate swaps utilized by the Company and certain of its consolidated subsidiaries to reduce these risks. The Company and its consolidated subsidiaries do not use derivative instruments for trading or speculation purpose.

The Company and its consolidated subsidiaries are also exposed to risk of credit-related losses in the event of nonperformance by counter parties to the financial instrument contracts, while it is not expected that any counter parties will fail to meet their obligations, because the contracts are diversified among a number of major internationally recognized credit worthy financial institutions.

(b) Foreign currency exchange rate risk management

The Company and its consolidated subsidiaries operate internationally, giving rise to significant exposure to market risks from changes in foreign exchange rates, and enter into forward exchange contracts, currency swaps and currency options to hedge the foreign currency exposure.

These derivative instruments are principally intended to protect against foreign exchange exposure related to intercompany transfer of inventories and financing activities. The fair value of these derivative instruments as of March 31, 2003 and 2004 were recorded as ¥27 million and ¥333 million ($3,202 thousand) in assets and ¥709 million and ¥21 million ($201 thousand) in liabilities, respectively and changes in their fair values as of March 31, 2003 and 2004 amounted to ¥196 million and ¥1,057 million ($10,163 thousand), respectively were recorded in other income.

(c) Interest rate risk management

The Company and its consolidated subsidiaries execute financing and investing activities through its financial subsidiary, Euro Makita Corporation B.V. (“EMC”). To manage the variability in the fair values of fixed rate long-term indebtedness and fixed rate debt securities caused by fluctuations in interest rates, EMC enters into interest rate swaps as a fair value hedge.

As of March 31, 2003 and 2004, EMC had interest rate swaps with a fair value of ¥587 million and ¥391 million ($3,760 thousand), respectively which have been designated as fair value hedges of underlying long-term indebtedness with fixed interest rates and recorded as current assets. Changes in fair values of both the hedging interest rate swaps and the underlying long-term indebtedness were recorded as equal and offsetting gains and losses in other income (expenses). There was no hedging ineffectiveness or net gains or losses excluded from the assessment of hedge effectiveness for the year ended March 31, 2003 and 2004, as the critical terms of the interest rate swaps match the terms of the hedged long-term indebtedness.

As of March 31, 2003 and 2004, EMC also had interest rate swaps with a fair value of ¥33 million and ¥19 million ($183 thousand), respectively which have been designated as fair value hedges of underlying investment securities with fixed interest rates and recorded as current liabilities. As the interest rate swaps do not meet hedge accounting criteria, changes in fair value of the hedging interest rate swaps which amounted to an expense of ¥ 6 million and a gain of ¥14 million ($135 thousand) were recorded in earnings and classified in other income (expenses) for the years ended March 31, 2003 and 2004, respectively.

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and significant assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate a value:

(a) Cash and Cash Equivalents, Time Deposits, Trade Notes and Accounts Receivable, Short-term Borrowings, Trade Notes and Accounts Payable, and Other Accrued Expenses

The carrying amount approximates fair value because of the short or undefined maturities of those instruments.

(b) Long-term Time Deposits

The fair value is estimated by discounting the future cash flows using the current rates that the Company and its consolidated subsidiaries would be offered for deposits with similar terms and remaining maturities.

(c) Marketable Securities and Investment Securities

The fair value of marketable securities is estimated based on quoted market prices at March 31,2003 and 2004. For other investments for which there are no quoted market prices, amounted to ¥601 million ($5,779 thousand) a reasonable estimation of fair value could not be made without incurring excessive cost.

(d) Long-term Indebtedness

The fair value of long-term indebtedness is based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the current borrowing rate for similar debt of comparable maturity.

(e) Club Members' Deposits

The fair value of club members' deposits is based on the latest actual transaction price.

(f) Interest Rate Swap Agreements

The fair values of interest rate swap agreements are based on the estimated amount that the Company and its consolidated subsidiaries would receive or pay to terminate the swap agreements which are based on quoted prices obtained from brokers.

(g) Other Derivative Financial Instruments

The fair values of other derivative financial instruments, foreign currency contracts, currency swaps and currency option contracts, all of which are used for hedging purposes, are estimated by obtaining quotes and other relevant information from brokers.

The estimated fair value of the financial instruments was as follows:

	Yen (millions)				U.S. Dollars (thousands)	
	2003		2004		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Marketable securities	¥ 39,193	¥ 39,193	¥ 63,990	¥ 63,997	$ 615,288	$ 615,356
Investment securities	19,342	19,342	22,139	22,136	212,875	212,846
Long-term time deposits	4,505	4,505	5,901	5,911	56,740	56,837
Long-term indebtedness	(19,956)	(20,229)	(20,448)	(20,604)	(196,615)	(198,115)
Club members' deposits	(14,207)	(6,288)	(13,045)	(5,553)	(125,433)	(53,394)
Interest rate swap agreements:						
Assets	587	587	391	391	3,760	3,760
Interest rate swap agreements:						
Liabilities	(33)	(33)	(26)	(26)	(250)	(250)
Foreign currency contracts:						
Assets	4	4	199	199	1,913	1,913
Foreign currency contracts:						
Liabilities	(92)	(92)	(2)	(2)	(19)	(19)
Currency swaps:						
Assets	4	4	120	120	1,154	1,154
Currency swaps:						
Liabilities	(606)	(606)	(15)	(15)	(144)	(144)
Currency option contracts:						
Assets	19	19	14	14	135	135
Currency option contracts:						
Liabilities	(11)	(11)	(4)	(4)	(38)	(38)

(h) Limitation

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

17. OPERATING SEGMENT INFORMATION

The operating segments presented below are defined as components of an enterprise for which separate financial information is available and regularly reviewed by the Company's chief operating decision maker. The Company's chief operating decision maker utilizes various measurements to assess segment performance and allocate resources to the segments.

During the three years ended March 31, 2002,2003 and 2004, the Company's operating structure included the following operating segments: Japan Group, North America Group, Europe Group, Asia Group, and Other Group.

The Company evaluates the performance of each operating segment based on accounting principles generally accepted in the United States of America. To present the content more accurately, for the year ended March 31,2004, the name of the geographic segment "Southeast Asia" has been changed to "Asia" with no impact on reported segment amounts.

Segment Products and Services

The Company and its consolidated subsidiaries are manufacturers and wholesalers of electric power tools and other tools. The operating segments derive substantially all their revenues from the sale of electric power tools and parts and repairs.

Year ended March 31, 2002

	Yen (millions)							
	Japan	North America	Europe	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	¥ 46,029	¥ 48,826	¥ 48,738	¥ 6,659	¥ 15,917	¥ 166,169	¥ –	¥ 166,169
Intersegment	44,065	1,584	4,071	16,524	91	66,335	(66,335)	–
Total	¥ 90,094	¥ 50,410	¥ 52,809	¥ 23,183	¥ 16,008	¥ 232,504	¥ (66,335)	¥ 166,169
Operating expenses	¥ 83,458	¥ 54,150	¥ 50,682	¥ 21,043	¥ 15,927	¥ 225,260	¥ (64,964)	¥ 160,296
Operating income	6,636	(3,740)	2,127	2,140	81	7,244	(1,371)	5,873
Long-lived assets	54,466	7,920	7,430	8,274	1,540	79,630	(625)	79,005
Identifiable assets	239,891	50,059	63,163	26,972	15,162	395,247	(110,109)	285,138
Depreciation and amortization	5,807	1,819	1,075	910	197	9,808	(54)	9,754
Capital expenditures	2,823	827	1,029	1,210	116	6,005	(47)	5,958

Year ended March 31, 2003

	Yen (millions)							
	Japan	North America	Europe	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	¥ 46,896	¥ 45,807	¥ 57,995	¥ 7,013	¥ 17,892	¥ 175,603	¥ –	¥ 175,603
Intersegment	39,943	3,898	5,227	18,775	82	67,925	(67,925)	–
Total	¥ 86,839	¥ 49,705	¥ 63,222	¥ 25,788	¥ 17,974	¥ 243,528	¥ (67,925)	¥ 175,603
Operating expenses	¥ 82,913	¥ 49,436	¥ 59,343	¥ 23,388	¥ 17,316	¥ 232,396	¥ (69,261)	¥ 163,135
Operating income	3,926	269	3,879	2,400	658	11,132	1,336	12,468
Long-lived assets	49,082	5,969	7,633	7,130	1,186	71,000	(594)	70,406
Identifiable assets	233,165	37,757	67,454	27,424	14,514	380,314	(101,714)	278,600
Depreciation and amortization	6,014	1,571	1,125	932	149	9,791	(51)	9,740
Capital expenditures	3,160	394	1,287	754	149	5,744	(53)	5,691

Year ended March 31, 2004

	Yen (millions)							
	Japan	North America	Europe	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	¥ 48,413	¥ 41,699	¥ 67,110	¥ 6,612	¥ 20,283	¥ 184,117	¥ –	¥ 184,117
Intersegment	40,633	3,978	4,726	22,364	123	71,824	(71,824)	–
Total	¥ 89,046	¥ 45,677	¥ 71,836	¥ 28,976	¥ 20,406	¥ 255,941	¥ (71,824)	¥ 184,117
Operating expenses	¥ 87,594	¥ 44,958	¥ 64,358	¥ 26,048	¥ 19,061	¥ 242,019	¥ (72,598)	¥ 169,421
Operating income	1,452	719	7,478	2,928	1,345	13,922	774	14,696
Long-lived assets	36,443	3,835	6,719	6,668	1,342	55,007	(648)	54,359
Identifiable assets	230,165	29,037	69,908	28,526	16,364	374,000	(95,884)	278,116
Depreciation and amortization	4,804	1,163	1,044	824	172	8,007	(44)	7,963
Capital expenditures	1,958	256	1,149	1,266	273	4,902	(408)	4,494

Year ended March 31, 2004

	U.S. Dollars (thousands)							
	Japan	North America	Europe	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	$ 465,510	$ 400,952	$ 645,288	$ 63,577	$ 195,029	$ 1,770,356	$ –	$ 1,770,356
Intersegment	390,702	38,250	45,442	215,038	1,183	690,615	(690,615)	–
Total	$ 856,212	$ 439,202	$ 690,730	$ 278,615	$ 196,212	$ 2,460,971	$ (690,615)	$ 1,770,356
Operating expenses	$ 842,250	$ 432,288	$ 618,827	$ 250,462	$ 183,279	$ 2,327,106	$ (698,058)	$ 1,629,048
Operating income	13,962	6,914	71,903	28,153	12,933	133,865	7,443	141,308
Long-lived assets	350,413	36,875	64,606	64,115	12,904	528,913	(6,231)	522,683
Identifiable assets	2,213,125	279,202	672,192	274,288	157,346	3,596,154	(921,962)	2,674,192
Depreciation and amortization	46,192	11,183	10,038	7,923	1,654	76,990	(423)	76,567
Capital expenditures	18,827	2,462	11,048	12,173	2,625	47,135	(3,923)	43,212

Long-lived assets shown above consist of property, plant and equipment, security deposits and other intangible assets and other.

Transfers between segments are made at estimated arm's-length prices. No single external customer accounted for 10% or more of the Company and its consolidated subsidiaries' revenues for each of the years ended March 31, 2002, 2003 and 2004.

Segment information is determined by the location of the Company and its relevant subsidiaries.

18. RELATED PARTY TRANSACTIONS

The Company's consolidated subsidiary has long-term borrowings from Maruwa Co., Ltd.("Maruwa"), where the president of the Company and certain of his family relatives serve as directors. The amount of these borrowings was ¥500 million as of March 31, 2003, and March 31, 2004. In addition, transactions of the Company and its consolidated subsidiary with Maruwa for the fiscal years ended March 31, 2003 and 2004, amounted to ¥3 million paid in interest on the subsidiary's borrowings from Maruwa and ¥2 million in advertising expenses.

The Company's purchases of raw materials and production equipment from Toa Co., Ltd., where the president of the Company and certain of his family relatives serve as directors, were ¥162 million and ¥174 million, respectively, during the fiscal year ended March 31, 2003, and ¥199 million and ¥215 million, respectively, during the fiscal year ended March 31, 2004. Accounts payable by the Company related to these transactions were ¥28 million as of March 31, 2003, and ¥79 million as of March 31, 2004.

19. SUBSEQUENT EVENTS

The Company received an approval of exemption from the Minister of health, Labor and Welfare in January 2003, from the obligation for benefits related to future employee service with respect to the substitutional portion of its domestic contributory plan. The Company received government approval of exemption from the obligation for benefits related to past employee service in April 2004 with respect to the substitutional portion of its domestic contributory plan. The transfer to the government was completed on June 28, 2004.

As a result of the transfer, the Company recognized as a subsidy from the Japanese government equal to the difference between the fair value of the obligation deemed "settled" with the Japanese government and the assets required to be transferred to the government in the amount of Yen 9,128 million ($ 87,769 thousand) in the first quarter ended June 30, 2004. In addition, the Company recognized as a settlement loss equal to the amount calculated as the ratio of the obligation settled to the total employee's pension fund obligation immediately prior to settlement, both of which exclude the effect of future salary progression relating to the substitutional portion, times the net unrecognized gain/loss immediately prior to settlement, which amounted to Yen 4,687 million ($45,067 thousand). This gain and loss were included in operating income in the first quarter ended June 30,2004.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
of Makita Corporation:

We have audited the accompanying consolidated balance sheets of Makita Corporation and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2004, express in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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, 2003 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars solely for the convenience of the reader. We have recomputed 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 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
April 26, 2004, except as to note 19, which is as of June 28, 2004

CORPORATE DIRECTORY

ASIA

JAPAN

Makita Ichinomiya Corporation
2-13, Kogane, Ashiyamada,
Ichinomiya-cho, Hoi-gun,
Aichi 441-1203
Phone: +81-(0)533-93-1811

Joyama Kaihatsu Ltd.
20-2, Okutakiba, Ashiyamada,
Ichinomiya-cho, Hoi-gun,
Aichi 441-1203
Phone: +81-(0)533-93-6550

SINGAPORE

Makita Singapore Pte. Ltd.
7, Changi South Street 3,
Singapore 486348
Phone: +65-6546-8700
Fax: +65-6546-8711

CHINA

Makita (China) Co., Ltd.
Head office & plant
288 Huangpujiang Road,
Kunshan Economic & Technical
Development Zone,
Jiangsu 215300
Phone: +86-(0)512-57707710
Fax: +86-(0)512-57713623

Guangzhou sales branch
1F, No. 22-24, Jin Guang Street,
Hua Di Avenue, Fangcun District,
Guangzhou, Guangdong 510380
Phone: +86-(0)20-87518872
Fax: +86-(0)20-87518873

Shanghai sales branch
1-2F, Building 2, No. 401
Caobao Road, Xu Hui District,
Shanghai 200233
Phone: +86-(0)21-54487198
Fax: +86-(0)21-62476732

Beijing sales branch
1F, No. 8, Jianxinyuan, Yili,
4, Dahongmen West Road,
Fengtai District, Beijing 100075
Phone: +86-(0)10-87898314
Fax: +86-(0)10-87898365

Chengdu sales branch
No. 362-2, Qingjiang East Road,
Qingyang District,
Chengdu, Sichuan 610072
Phone: +86-(0)28-87337028
Fax: +86-(0)28-87337018

Shenyang sales branch
No. 72 North Station Road,
Shenhe District,
Shenyang, Liaoning 110013
Phone: +86-(0)24-22530270
Fax: +86-(0)24-22530170

Makita (Kunshan) Co., Ltd.
Nan Zi Road, Kunshan Export
Processing Zone, Jiangsu 215300
Phone: +86-(0)512-57367367
Fax: +86-(0)512-57365575

Makita Power Tools (HK) Ltd.
3F, Grandtech Centre,
8 On Ping Street, Shatin,
N.T., Hong Kong
Phone: +852-2648-8683
Fax: +852-2648-5237

Makita (Shanghai) Trading Co., Ltd.
Block A, 70 Fu Te Dong Yi Road,
Waigaoqiao Free Trade Zone,
Shanghai 200131
Phone: +86-(0)21-58681257
Fax: +86-(0)21-58661277

Makita (Taiwan) Ltd.
Head office
2F, No. 4, Lane 83, Kuang-fu
Road, Sec. 1, San-chung,
Taipei Hsien, Taiwan
Phone: +886-(0)2-2999-0600~4
Fax: +886-(0)2-2999-0605

Sales offices
Kaohsiung, Taichung

KOREA

Makita Korea Co., Ltd.
Suite 901, Seocho Plaza,
1573-1, Seocho-Dong,
Seocho-ku, Seoul
Phone: +82-(0)2-3471-3111~3
Fax: +82-(0)2-3471-3114

AMERICAS

UNITED STATES

Makita U.S.A. Inc.

Corporate office
14930 Northam Street,
La Mirada, CA 90638-5753
Phone: +1-714-522-8088
Fax: +1-714-522-8133

Western regional (Los Angeles) office
14930 Northam Street,
La Mirada, CA 90638-5753
Phone: +1-714-522-8088
Fax: +1-714-522-2437

North East regional (New Jersey) office
251 Herrod Boulevard,
Dayton, NJ 08810-1539
Phone: +1-609-655-1212
Fax: +1-609-655-1683

Central regional (Chicago) office
1450 Feehanville Drive,
Mount Prospect, IL 60056-6011
Phone: +1-847-297-3100
Fax: +1-847-297-1544

South East regional (Atlanta) office
4680 River Green Parkway,
Duluth, GA 30096-2566
Phone: +1-770-476-8911
Fax: +1-770-476-0795

Factory service centers
Atlanta, Boston, Chicago, Dallas, Denver, Florida, Houston, Las Vegas, Los Angeles, Milwaukee, Minneapolis, Nashville, New Jersey, New York, North Los Angeles, Omaha, Phoenix, Pittsburgh, Portland, Puerto Rico, Sacramento, San Antonio, San Diego, San Francisco, St. Louis, Washington DC/Baltimore

Makita Corporation of America
2650 Buford Highway,
Buford, GA 30518
Phone: +1-770-932-2901
Fax: +1-770-932-2905

Makita Latin America Inc.
11800 N.W. 102nd Road, Suites 3
& 4 Medley, FL 33178
Phone: +1-305-882-0522
Fax: +1-305-882-0484

CANADA

Makita Canada Inc.

Head office & plant
1950 Forbes Street,
Whitby, ON L1N 7B7
Phone: +1-905-571-2200
Fax: +1-905-571-7434

Vancouver office
11771 Hammersmith Way,
Richmond, BC V7A 5H6
Phone: +1-604-272-3104
Fax: +1-604-272-5416

Factory service centers
St. Léonard (Montreal), Dartmouth, Nepean (Ottawa), Les Saules (Quebec), London, Mississauga, Whitby, St. Laurent (Montreal), Calgary, Edmonton, Winnipeg, Saskatoon, Richmond

MEXICO

Makita México, S.A. de C.V.
Norte 35#780-B
Col. Industrial Vallejo
Del. Azcapotzalco Mexico
D.F. Mexico C.P. 02300
Phone: +52-555-567-3387
Fax: +52-555-567-3282

BRAZIL

Makita do Brasil Ferramentas Elétricas Ltda.

Head office
Rua Makita Brasil, № 200,
Bairro dos Alvarengas,
São Bernardo do Campo,
São Paulo,
CEP: 09852-080
Phone: +55-(0)11-4392-2411
Fax: +55-(0)11-4392-2183

Sales offices
Salvador, Curitiba

ARGENTINA

Makita Herramientas Eléctricas de Argentina S.A.
Av. Eva Perón 4148,
Capital Federal,
Buenos Aires, C.P. 1407
Phone: +54-11-4674-4040
Fax: +54-11-4674-4140

CHILE

Makita Chile Comercial Ltda.
San Ignacio 500, Modulo No. 8,
Quilicura, Santiago
Phone: +56-2-733-5111
Fax: +56-2-733-5030

EUROPE / MIDDLE EAST

UNITED KINGDOM

Makita International Europe Ltd.
Michigan Drive,
Tongwell, Milton Keynes,
Bucks MK15 8JD
Phone: +44-(0)1908-211678
Fax: +44-(0)1908-211500

Makita (U.K.) Ltd.
Michigan Drive,
Tongwell, Milton Keynes,
Bucks MK15 8JD
Phone: +44-(0)1908-211678
Fax: +44-(0)1908-211400

Makita Manufacturing Europe Ltd.
Hortonwood 7,
Telford, Shropshire TF1 7YX
Phone: +44-(0)1952-677688
Fax: +44-(0)1952-677678

FRANCE

Makita France SAS
Head office
2, Allée des Performances,
Z.I. des Richardets,
93165 Noisy le Grand Cedex
Phone: +33-(0)1-4932-6200
Fax: +33-(0)1-4305-9913

Nantes office
Le Pan Loup,
44220 Couéron
Phone: +33-(0)2-5177-8977
Fax: +33-(0)2-4063-8376

Bordeaux office
137, Rue de la
Croix-de-Monjous,
33170 Gradignan
Phone: +33-(0)5-5796-5270
Fax: +33-(0)5-5796-5275

Nord office
Villa d'Entreprises,
51, Rue Trémière,
59650 Villeneuve d'Ascq
Phone: +33-(0)3-2005-4646
Fax: +33-(0)3-2047-2220

Nancy office
Z.I. Ouest Village d'entreprises
22, Allée des Peupliers,
54180 Heillecourt
Phone: +33-(0)3-8325-2850
Fax: +33-(0)3-8351-4563

Dijon office
5, Rue Edmond Voisenet,
21000 Dijon
Phone: +33-(0)3-8054-0880
Fax: +33-(0)3-8054-0881

Toulouse office
15, Rue de Boudeville,
Z.I. de Thibaud,
31104 Toulouse
Phone: +33-(0)5-6143-2200
Fax: +33-(0)5-6143-2201

SPAIN

Makita, S.A.
C/ Juan de la Cierva, 7-13,
28820 Coslada (Madrid)
Phone: +34-91-671-1262
Fax: +34-91-671-8293

ITALY

Makita S.p.A.
Via Sempione 269A,
20028 S. Vittore Olona (MI)
Phone: +39-(0)331-524111
Fax: +39-(0)331-420285

GREECE

Makita Hellas S.A.
Tatoiou 232, Acharnes,
ATIKI
Phone: +30-210-8071241
Fax: +30-210-8072245

FINLAND

Makita Oy
Muonamiehentie 14,
00390 Helsinki
Phone: +358-(0)9-857-88221
Fax: +358-(0)9-857-88211

THE NETHERLANDS

Makita Benelux B.V.
Ekkersrijt 4086,
5692 DA, Son
Phone: +31-(0)499-484848
Fax: +31-(0)499-484849

Euro Makita Corporation B.V.
De Boelelaan 7,
1083 HJ, Amsterdam
Phone: +31-(0)20-6465996
Fax: +31-(0)20-6427675

BELGIUM

S.A. Makita N.V.
Mechelsesteenweg 323,
1800 Vilvoorde
Phone: +32-(0)2-257-1840
Fax: +32-(0)2-257-1865

GERMANY

Makita Werkzeug GmbH
Keniastraße 20,
47269 Duisburg
Phone: +49-(0)203-9757-0
Fax: +49-(0)203-9757-127

Dolmar GmbH
Jenfelder Strasse 38,
22045 Hamburg
Phone: +49-(0)40-66986-0
Fax: +49-(0)40-66986-352

DENMARK

Makita Werkzeng GmbH
Denmark office
Sandøvej 11,
8700 Horsens
Phone: +45-76-254400
Fax: +45-76-254401

SWITZERLAND

Makita SA
Route de Denges 6,
Case Postale 35,
CH-1027 Lonay
Phone: +41-(0)21-811-5656
Fax: +41-(0)21-811-5678

AUSTRIA

Makita Werkzeug Gesellschaft m.b.H.
Kolpingstraße 13,
A-1232 Wien
Phone: +43-(0)1-61627300
Fax: +43-(0)1-616273013

POLAND

Makita Sp. Z O.O.
UL. Straźacka 81,
PL 43-382
Bielsko-Biała
Phone: +48-(0)33-819-6360
Fax: +48-(0)33-818-4059

CZECH REPUBLIC

Makita, spol. sr.o.
Pražákova 51
CZ-619 00, Brno
Phone: +42-(0)5-432-16944
Fax: +42-(0)5-432-16946

SLOVAKIA

Makita Servis Centrum, s.r.o.
Zvolenská cesta č. 13
974 05 Bánska Bystrica
Phone: +421-(0)48-416-1772
Fax: +421-(0)48-416-1769

HUNGARY

Makita Elektromos Kisgépértékesítö Kft.
8000, Székesfehérvár,
Takarodó út 2
Phone: +36-22-507-472
Fax: +36-22-507-484

ROMANIA

Makita Romania S.R.L.
Sos. Bucuresti-Urziceni, nr. 31
(EXPO MARKET DORALY,
Pavilion A)
com. Afmati/Ilfov
Phone: +40-21-491-3232
Fax: +40-21-312-5495

RUSSIA

Makita LLC
48-A Otkrytoe Shosse,
Moscow, 107370
Phone: +7-095-411-5182
Fax: +7-095-963-2096

UKRAINE

Makita Werkzeng Gesellschaft m.b.H.
Ukraine office
Stolichne Shosse 100,
Kiev, 03045
Phone: +380-(0)44-494-2370
Fax: +380-(0)44-494-2373

UNITED ARAB EMIRATES

Makita Gulf FZE
P.O. Box 17133,
Jebel Ali Free Zone,
Dubai
Phone: +971-(0)4-8836118
Fax: +971-(0)4-8835302

OCEANIA

AUSTRALIA

Makita (Australia) Pty. Ltd.
Head office
92 Wetherill Street,
Silverwater, NSW 2128
Phone: +61-(0)2-9748-3944
Fax: +61-(0)2-9748-4220

Sydney office
92 Wetherill Street,
Silverwater, NSW 2128
Phone: 1300-361-690
Fax: 1300-361-770

Melbourne office
89 Rushdale Street,
Scoresby, VIC 3179
Phone: 1300-361-690
Fax: 1300-361-770

Adelaide office
45 Birralee Road,
Regency Park, SA 5010
Phone: 1300-361-690
Fax: 1300-361-770

Hobart office
3/65 Albert Road,
Moonah, TAS 7009
Phone: 1300-361-690
Fax: 1300-361-770

Perth office
Unit 1, 535 Abernethy Road,
Kewdale, WA 6105
Phone: +61-(0)8-9360-5666
Fax: +61-(0)8-9360-6977

Darwin office
35 Benison Road,
Winnellie, NT 0820
Phone: 1300-361-690
Fax: 1300-361-770

Brisbane office
78 Pritchard Road,
Virginia, QLD 4014
Phone: 1300-361-690
Fax: 1300-361-770

NEW ZEALAND

Makita (New Zealand) Ltd.
7 Atlas Place,
Mairangi Bay, Auckland
Phone: +64-(0)9-479-8250
Fax: +64-(0)9-479-8259

BOARD OF DIRECTORS

PRESIDENT AND REPRESENTATIVE DIRECTOR

Masahiko Goto

MANAGING DIRECTOR

Masami Tsuruta

DIRECTORS

Yasuhiko Kanzaki

Kenichiro Nakai

Tadayoshi Torii

Tomoyasu Kato

Kazuya Nakamura

Masahiro Yamaguchi

Shiro Hori

Tadashi Asanuma

Hisayoshi Niwa

Zenji Mashiko

STANDING STATUTORY AUDITORS

Akio Kondo

Hiromichi Murase

STATUTORY AUDITORS

Keiichi Usui*

Shoichi Hase*

*Outside Auditors

(As of June 29, 2004)

CORPORATE DATA

MAKITA CORPORATION

Head Office
3-11-8, Sumiyoshi-cho,
Anjo, Aichi 446-8502, Japan
Phone: +81-(0)566-98-1711
Fax: +81-(0)566-98-6021

Okazaki Plant
22-1, Watarijima, Nemunoki-cho,
Okazaki, Aichi 444-0232
Phone: +81-(0)564-43-3111

Tokyo Branch Office
3-5-3, Hongo, Bunkyo-ku,
Tokyo 113-0033
Phone: +81-(0)3-3816-1141
Fax: +81-(0)3-3813-1633

Nagoya Branch Office
4-12-5, Meiekiminami,
Nakamura-ku, Nagoya 450-0003
Phone: +81-(0)52-571-6451
Fax: +81-(0)52-581-5434

Osaka Branch Office
1-26-8, Tenma, Kita-ku,
Osaka 530-0043
Phone: +81-(0)6-6351-8771
Fax: +81-(0)6-6352-4607

Domestic Sales Offices
Sapporo, Sendai, Niigata, Utsunomiya, Saitama, Chiba, Yokohama, Shizuoka, Gifu, Kanazawa, Kyoto, Hyogo, Hiroshima, Takamatsu, Fukuoka, Kumamoto, and other major cities

Date of Founding
March 21, 1915

Paid-in Capital
¥23,803 million

Number of Shares Outstanding
148,006,992 shares

Independent Registered Public Accounting Firm
KPMG AZSA & Co.

Common Stock Listings
Domestic
Tokyo and Nagoya stock exchanges
Overseas
Euronext Amsterdam

Transfer Agent of Common Stock
The Chuo Mitsui Trust & Banking Co., Ltd.
3-33-1, Shiba, Minato-ku,
Tokyo 105-8574, Japan

American Depositary Receipts
NASDAQ System
Symbol: MKTAY
CUSIP: 560877300

Depositary, Transfer Agent, and Registrar for American Depositary Receipts
The Bank of New York
101 Barclay Street,
New York, NY 10286, U.S.A.
Phone: +1-212-815-2293
U.S. toll free: (888) BNY-ADRS (269-2377)
http://www.adrbny.com/

Web Site
http://www.makita.co.jp/

(As of March 31, 2004)

Makita Corporation

3-11-8, Sumiyoshi-cho,
Anjo, Aichi 446-8502, Japan
http://www.makita.co.jp/

Printed in Japan