POWER TOOLS THAT SHAPE THE WORLD

Annual Report
Year Ended March 31, 2007

07

PROFILE

In 1958, Makita Corporation, founded in 1915 as an electric motor sales and repair company, became the first company in Japan to manufacture and sell portable electric planers. Over the near-half century since, Makita has worked to build a steady position as a manufacturer of portable power tools. Today, Makita continues to provide products and services that are beneficial to all types of customers engaged in housing construction. Makita's history is one of close interaction with customers and parallels the evolution of power tools.

As a leading manufacturer and marketer of power tools, Makita operates a network of production, direct bases and service offices in Japan and more than 30 countries around the world. The ratio of overseas production ***exceeds 70%*** on a unit basis, and more than ***80% of consolidated sales*** come from overseas markets. Through the power of its brand, supported by technology, quality and after-sales support, Makita has secured a powerful competitive advantage and established a solid position as a leader in the global power tools market.

Reliably Consistent

VISION

Always placing itself in the customer's position, Makita aims to be a global supplier of a comprehensive range of power tools that assist people in creating homes and living environments, while continuously striving to become a truly global corporation.

On the basis of this stance, by continuing to develop market-leading products, we aim to become what we call a ***"Strong Company."*** With this, we mean a company that can capture and maintain worldwide market leadership as a global total supplier of professional power tools, gardening tools and pneumatic tools to customers around the world.

CONTENTS

Forward-looking Statement

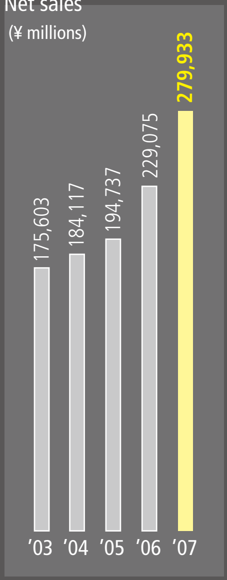
This report contains forward-looking statements based on Makita's own projections and estimates. The power tools market, where Makita is mainly active, is subject to the effects of rapid shifts in economic conditions, demand for housing, currency exchange rates, changes in competitiveness, and other factors. Due to the risks and uncertainties involved, actual results could differ substantially from the content of these statements. therefore, these statements should not be interpreted as representation that such objectives will be achieved.

FINANCIAL HIGHLIGHTS

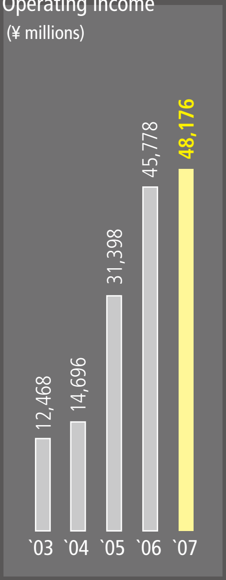
Income Statement Data:	2005	2006	2007	2007
	Yen (millions)			U.S. dollars (thousands)
Net sales	¥ 194,737	¥ 229,075	**¥ 279,933**	**$ 2,372,314**
Domestic	39,379	41,600	**46,860**	**397,119**
Overseas	155,358	187,475	**233,073**	**1,975,195**
Operating income	31,398	45,778	**48,176**	**408,271**
Income before income taxes	32,618	49,143	**49,323**	**417,992**
Net income	22,136	40,411	**36,971**	**313,314**
	Yen			U.S. dollars
Net income per share of common stock and per ADS:				
Basic	153.9	281.1	**257.3**	**2.18**
Diluted	148.8	281.1	**257.3**	**2.18**
Cash dividends applicable to the year	47.0	57.0	**74.0**	**0.63**
	Yen (millions)			U.S. dollars (thousands)
Total assets	¥ 289,904	¥ 326,038	**¥ 368,494**	**$ 3,122,831**
Net working capital	149,666	181,808	**212,183**	**1,798,161**
Shareholder's equity	219,640	266,584	**302,675**	**2,565,042**

Notes: 1. Consolidated financial statements are prepared in accordance with United States Generally Accepted Accounting Principles.
2. Net income per share is computed based on the average number of common stock outstanding during the term.
3. Amounts of less than 1 million yen have been rounded.

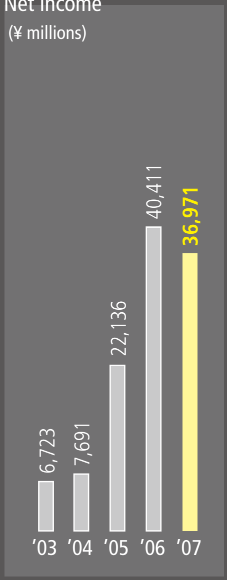
Net sales



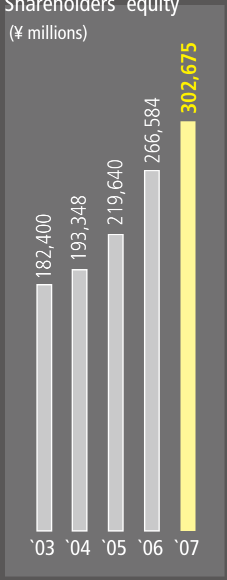
Operating income



Net income



Shareholders' equity

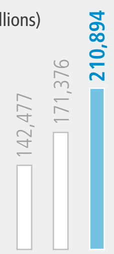


MAKITA AT A GLANCE

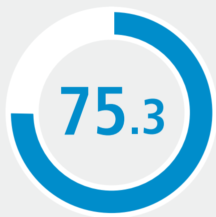
Sales by Products

Power Tools

Net sales
(¥ millions)



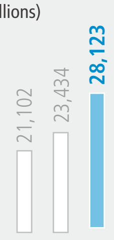
Share of net sales
(% / FY 2007)



Power Tools group offers a wide range of dependable drills, rotary hammers, hammer drills, demolition hammers, grinders, cordless impact drivers and sanders. This group generates the largest portion of Makita's consolidated net sales. In FY 2007, sales of power tools grew by 23.1%, to ¥210,894 million, accounting for 75.3% of consolidated net sales. In Japan, sales of power tools increased by 7.2%, to ¥25,268 million, accounting for 53.9% of total domestic sales. Overseas sales of power tools increased by 25.6%, to ¥185,626 million, or 79.6% of total overseas sales.

Gardening and Household Products

Net sales
(¥ millions)

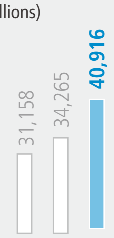


Share of net sales
(% / FY 2007)

Principal products in Makita's Gardening and household products group include chain saws, petrol brushcutters, vacuum cleaners and cordless cleaners. In FY 2007, Makita recorded a 20.0% increase in sales of Gardening and household products, to ¥28,123 million, or 10.0% of consolidated net sales. Domestic sales of Gardening and household products increased by 8.5%, to ¥9,079 million, accounting for 19.4% of total domestic sales. Makita recorded a 26.4% increase in overseas sales of Gardening and household products, to ¥19,044 million, which accounted for 8.2% of total overseas sales in FY 2007.

Parts, Repairs and Accessories

Net sales
(¥ millions)



Share of net sales
(% / FY 2007)

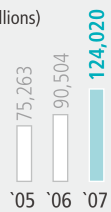
Makita's after-sales services include the sales of parts, repairs and accessories. In FY 2007, parts, repairs and accessories sales increased by 19.4%, to ¥40,916 million, accounting for 14.7% of consolidated net sales. Domestic sales of parts, repairs, and accessories increased by 29.4% to ¥12,513 million accounted for 26.7% of total domestic sales. Overseas sales of parts, repairs, and accessories grew by 15.5%, to ¥28,403 million, accounting for 12.2% of total overseas sales.

Makita reorganized its business segments in FY 2007

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

Europe

Net sales
(¥ millions)

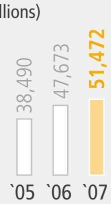


Share of net sales
(% / FY 2007)

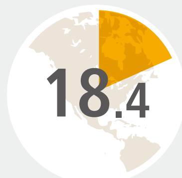
Europe, where the Makita Group has established a solid business base, is an important market for Makita. This market consists of the U.K., Germany, France and other Western European countries, where economic growth is stable and moderate. It also includes Russia and Eastern European countries, such as Poland, the Czech Republic and Romania. In fiscal 2007, consolidated net sales in the European market as a whole increased by 37.0% to ¥124,020 million, accounting for 44.3% of consolidated net sales.

North America

Net sales
(¥ millions)



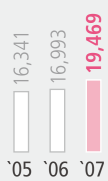
Share of net sales
(% / FY 2007)



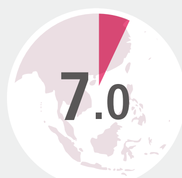
North America, including the U.S.A. and Canada, is the world's largest market for power tools. Makita is steadily increasing unit sales of value-added products such as lithium-ion battery products, and these have further contributed to enhancing our brand image. Net sales in the North American market in fiscal 2007 rose by 8.0% to ¥51,472 million, accounting for 18.4% of consolidated net sales.

Asia

Net sales
(¥ millions)



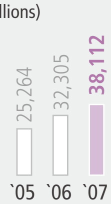
Share of net sales
(% / FY 2007)



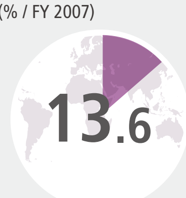
In Asia, as in other markets, Makita products have won a favorable reputation and customer trust for product quality and excellent after-sales service systems befitting a brand for professional users. This enables Makita to maintain a high market share in countries throughout the region. Net sales in Asia in fiscal 2007 increased by 14.6% year on year to ¥19,469 million or 7.0% of consolidated net sales.

Other Regions

Net sales
(¥ millions)



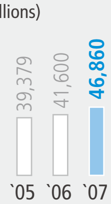
Share of net sales
(% / FY 2007)



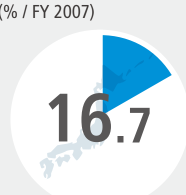
Makita is active in Central and South America, the Middle East, Africa and Oceania, and its presence in these regions is steadily expanding and contributing the growth of the Group's consolidated net sales. In fiscal 2007, sales across these regions increased satisfactorily, with an overall rise of 18.0% year on year to ¥38,112 million, accounting for 13.6% of the Group's consolidated net sales.

Japan

Net sales
(¥ millions)



Share of net sales
(% / FY 2007)



Makita has secured a solid position as the leading power tool manufacturer in Japan. We have earned the trust of customers, mainly professional users, by satisfying a variety of customer needs through an after-sales service network throughout Japan. In fiscal 2007, strong sales of lithium-ion battery-powered products and other new products in Japan brought a 12.6% year-on-year increase in net sales to ¥46,860 million.

Net sales increased **22.2%** from the previous year to **¥279.9** billion

Operating income and net income were solid, at **¥48.1** billion and **¥36.9** billion, both are above the forecast made at the beginning of the year.

Cash flow from operating activities increased **29.1%** from the previous year to **¥32.3** billion

Shareholders' equity ratio rose 0.3 percentage point from last year's result to **82.1%**

Cash dividend per share for the year was **¥74** increased by **¥17** from last year's result

Shaping better consolidated results for sales and profits

In fiscal 2007, the year ended March 31, 2007, Makita posted an increase in net sales for the sixth consecutive year and higher operating income for the fifth consecutive year. On the back of solid business performance around the world, both net sales and operating income increased.

« Fiscal 2007 Business Environment and Strategic Measures

Fiscal 2007 was a year of solid capital investment and personal consumption in Western Europe, as well as a year of high growth for the economies of Eastern Europe and Russia. In the United States, despite a slump in the housing market, lower crude oil prices fueled recovery of individual consumption and supported business activity.

In Asia, business conditions in China and other countries developed favorably. Japan saw sustained economic expansion due to falling unemployment and an increase in capital investment brought by an upward trend in business performance.

In this business environment, Makita delivered solid business results by aggressively implementing strategic measures in markets around the world. To strengthen our sales and service structure in Eastern Europe and meet robust demand in Central and Eastern Europe, in April 2006 we established through our Finnish sales subsidiary a branch in Estonia, a country that has seen striking economic growth in recent years. At the same time, to strengthen our supply structure to the European market, we built a plant in Romania, our eighth overseas production base and our third in Europe. The new plant began production in April 2007.

The lithium-ion battery products that we confidently developed and launched in February 2005 have been favorably received by the market, and we are steadily expanding this product range. Following market introduction in Japan and North America, in fiscal 2006 we moved ahead with full-scale introduction in Europe and Australia. To meet demand expansion worldwide, we shifted production of these products to our plant in China, where we constructed a new building to bolster our production structure.

In the pneumatic tools business, which we strengthened by means of a business transfer in January 2006, we steadily increased sales in Japan. We accomplished this by expanding the product range and aggressively introducing new products, with an emphasis on high-pressure pneumatic tools.

Masahiko Goto
President & Representative Director

Consolidated Results for Fiscal 2007 »

In the consolidated business results for fiscal 2007, net sales increased by 22.2% from the previous year to ¥279,933 million, marking the sixth consecutive year of higher revenues and the third consecutive year of record-high sales.

Sales in Japan rose by 12.6% to ¥46,860 million due to solid sales performance from new products, notably lithium-ion battery products, and the addition of sales of pneumatic tools as a result of a business transfer in the previous term. Overseas sales increased by 24.3% to ¥233,073 million, due to several factors. These include the introduction of new products that met market needs, aggressive sales promotion activities, sales increases in Eastern Europe and Russia due to rapid economic growth, a warm winter and yen depreciation in the foreign exchange market. As a result, overseas sales accounted for 83.3% of consolidated net sales for the term.

With respect to earnings, operating income was adversely affected by factors including increases in raw material prices and higher manufacturing costs at overseas plants due to yen depreciation, despite higher productivity brought by an increase in the plant utilization rate. Operating income rose by 5.2% year on year to ¥48,176 million (operating income ratio: 17.2%).

Income before income taxes increased by 0.4% to ¥49,323 million (ratio of income before income taxes to net sales: 17.6%), while net income decreased by 8.5% to ¥36,971 million (ratio of net income to net sales: 13.2%).

At the end of the term, we judged that a structure was in place at our U.S. subsidiary for securing stable profits. We therefore recorded as a special factor deferred tax assets not recognized in previous years. This resulted in an increase in net income of about ¥1.7 billion.

In the previous term, we recorded as special factors operating income of approximately ¥8.5 billion and net income of approximately ¥134 billion mainly from a gain on a business transfer associated with the completion of civil rehabilitation proceedings at a golf course management subsidiary.

“Our breakthrough lithium-ion battery products have been favorably received by the markets.”

« Dividend Policy and Annual Cash Dividend

Makita's basic policy on profit distribution is to pay a minimum annual cash dividend of ¥18 per share and maintain a consolidated dividend payout ratio of 30% or higher. However, in the event special circumstances arise, computation of the amount of dividends will be based on consolidated net income after certain adjustments. In fiscal 2006, Makita paid an interim dividend of ¥19 per share and a year-end dividend of ¥55 per share, for an annual cash dividend of ¥74 per share. This was ¥17 higher than in the previous term.

« Outlook for Fiscal 2008

We anticipate the following developments in our business environment in fiscal 2008:

1. In Europe, although solid market conditions are expected, competition will intensify. In Eastern Europe and Russia, markets that showed high growth in fiscal 2007 due to a warm winter, the growth rate will slacken.
2. In the United States, competition will grow among mass-market retailers, who have increased their share of sales.
3. In the Asian markets, competition will intensify, primarily since Chinese power tool manufacturers will work to expand their positions.
4. In emerging markets, such as those of Latin America, demand will grow.
5. In industrially advanced nations, demand is expected to be firm for high value-added products.

« Vision for the Future

In May 2007, Makita made Fuji Robin Industries Ltd. (listed on the Second Section of the Tokyo Stock Exchange) a consolidated subsidiary in a tender offer, and in August Fuji Robin became a wholly owned subsidiary of Makita, by means of a share exchange, and was renamed Makita Numazu Corporation. Makita Numazu principal business is the manufacture and sale of small gasoline engines, agriculture and forestry equipment, and fire prevention equipment. Makita Numazu has world-class technology in the area of environment-friendly, fuel-efficient and low-emission mini four-cycle engines.

Makita's long-term objective is to become what we term a "Strong Company." By this, we mean a company capable of capturing and maintaining worldwide market leadership as a global total supplier of professional power tools, gardening tools and pneumatic tools to customers around the world.

By making Makita Numazu a subsidiary, we aim to strengthen our business in the gardening tools sector, an important measure for achieving our long-term objective. Through synergies between Fuji Robin's advanced technological capabilities in the area of small gasoline engines and Makita's product development capabilities and global sales and service networks, we will move aggressively into the global gardening tools market, which is larger than the power tools market.

Furthermore, we will take advantage of our solid financial position, a key strength of the Makita Group, to actively make capital investments in the professional power tools business and pneumatic tools business, and to strengthen our R&D structure. We will also strive to develop high-value-added products and increase enterprise value by continuously launching industry-first new products, expanding and enhancing our global sales and service structure, and increasing our global brand.

I ask for the continued support of our shareholders and other stakeholders in the coming years.

August 2007

Masahiko Goto
President and Representative Director

Europe

We generated strong sales across the whole region by concentrating on relationships and service.

Europe, where the Makita Group has established a solid business base, is an important market that accounts for over 40% of the Makita Group's consolidated net sales. This market consists of the U.K., Germany, France, and other Western European countries, where economic growth is stable and moderate, and Russia and Eastern European countries, such as Poland, the Czech Republic and Romania, which have grown dramatically in recent years. As of March 2007, the Makita Group operates local subsidiaries in 18 countries in the European market.

Europe, unlike Japan and North America, has an architectural culture that favors stone houses. For this reason, among Makita products, demand is high for drills and other boring tools. Demand for Makita's unique rotary hammers with AVT (Anti Vibration Technology) is especially robust, and Europe is a highly profitable and stable market thanks to the high unit prices and profit margins of these products. Furthermore, economic growth in Eastern Europe and Russia has further expanded due to a succession of warm winters, which has contributed to a continuing trend of steadily increasing sales.

Makita is actively establishing business bases in the European market. In April 2006, Makita established a branch of its Finnish sales subsidiary in Tallinn, capitol of Estonia, to strengthen sales, service and distribution functions in the fast-growing Baltic countries. Also, in April 2007, Makita opened the Vladivostok Office, its second sales base in Russia, to bolster sales activities in the Russian Far East.

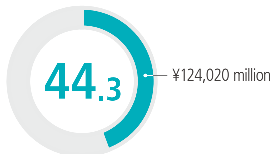
In response to increasing demand in the European market, Makita is working to enhance its brand image by actively engaging in marketing activities in a number of countries. These activities include exhibitions and Makita Trade Day events in the U.K., nationwide repair support seminars for distributors in Russia, and participation in exhibitions such as the International Fair of Woodworking Machinery and Tools in Spain and a construction exhibition in Salzburg, Austria. The Group is endeavoring to strengthen a sales promotion structure that takes advantage of the sales and service bases in various countries.

At European production bases, April 2007 marked the start of full-scale operation at the plant of Roma-

HR5211C 52mm Rotary Hammer

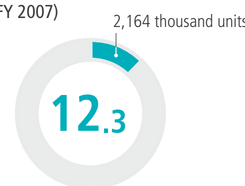
The most powerful and efficient in its class, with superior comfort and vibration reduction using AVT active dynamic vibration absorber and vibration absorbing grip to drastically reduce vibration for the operator.

Share of Net Sales
(% / FY 2007)



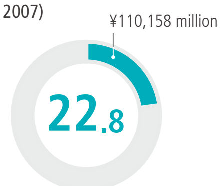
Consolidated total: ¥279,933 million

Share of Production Volume
(% / FY 2007)



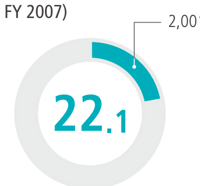
Consolidated total: 17,528 thousand units

Share of Assets (before elimination)
(% / FY 2007)



Consolidated total: ¥484,118 million

Share of Employees
(% / FY 2007)



Consolidated total: 9,062

nian subsidiary SC Makita EU S.R.L., Makita's third production site in Europe alongside plants in the U.K. and Germany. The new plant will strengthen the supply structure in Europe, where demand continues to increase, and contribute to a reduction in production and transportation costs.

In fiscal 2006, business performance in the European market benefited from strong economic development and a warm winter, both of which contributed to a sharp increase in sales in Russia and the countries of Eastern Europe. In addition, huge growth was achieved in the U.K., Germany, France and other Western European markets. As a result, consolidated net sales in the European market as a whole increased by 37.0% to ¥124,020 million, accounting for 44.3% of consolidated net sales. Fiscal 2007 was the sixth consecutive year of double-digit sales growth in Europe.

Tailoring New Models to Market-specific Needs

Demand is high in Europe for drills and other boring tools, especially our unique rotary hammers with AVT (Anti Vibration Technology), making this a highly profitable and stable market, thanks to the high unit prices and profit margins of these products.

Romania factory, began operations in April 2007.

Dealer exhibition and spot sale in Britain, September 2006.

HR2470FT 24mm 15/16" Combination Hammer

Quick-change keyless chuck, from SDS-plus to 3-jaw chuck. Built-in LED job light. Three operation modes: hammering, hammering with rotation and rotation.

North America

Sales of our cutting-edge lithium-ion battery products in the U.S. helped to drive sales growth.

Makita operates Makita U.S.A. Inc. in California as the subsidiary responsible for business in the United States market and Makita Corporation of America Inc. in Georgia as a production base. Makita U.S.A. Inc. maintains regional offices in Los Angeles, Chicago, and Atlanta and 26 factory service centers, thereby forming a sales and service network that covers all of the United States.

In Canada, another important North American market, Toronto-based production and control subsidiary Makita Canada Inc. maintains a network of regional offices in Vancouver and Montreal and 12 factory service centers to cover Canada's major cities.

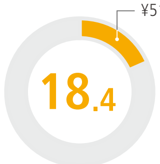
North America is the world's largest market for power tools. Although its share of the North American market remains small, Makita is steadily increasing unit sales of the lithium-ion battery products, which were introduced ahead of competitors in the second half of 2005. A year ago, major home center chains, which account for a high proportion of unit sales of power tools in the U.S., made lithium-ion battery products high-priority products. Distribution through this channel has been an opportunity to expand awareness of the excellent performance and ease of use of lithium-ion battery products, which has further contributed to enhancing our brand image. Although competitors are expected to gradually switch over to lithium-ion battery products, Makita aims to sustain its technical advances and competitive advantage in this market by means of active development and introduction of new products, and proactive sales and service activities that take advantage of its North American network.

Sales in the North American market in fiscal 2007 rose by 8.0% to ¥51,472 million in spite of a slump in the U.S. housing market and adverse business conditions resulting from ongoing inventory adjustment at home centers and specialty retailers. Makita especially increased sales of lithium-ion battery products to home centers and professional users in the U.S. Sales also developed favorably in Canada, a market that accounts for just under

Reinforcing Our Brand with High Technology

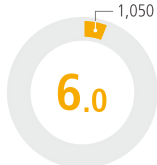
Home centers are selecting these increasingly popular lithium-ion battery power tool products for special promotion.

Share of Net Sales
(% / FY 2007)
¥51,472 million



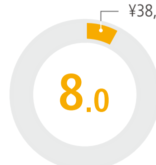
Consolidated total: ¥279,933 million

Share of Production Volume
(% / FY 2007)
1,050 thousand units



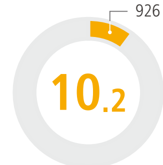
Consolidated total: 17,528 thousand units

Share of Assets (before elimination)
(% / FY 2007)
¥38,756 million



Consolidated total: ¥484,118 million

Share of Employees
(% / FY 2007)
926



Consolidated total: 9,062

20% of net sales in North America.

One of Makita's primary goals in North America has been to reinforce our brand image in the U.S. market. The excellent performance of lithium-ion battery products and the overall superiority of our full product line-up have done much to rebuild our brand in this market.

In addition, cost reductions from the sale of the New Jersey Branch and other measures to streamline production facilities and the distribution and sales network are having an impact.

Makita aims to achieve stable earnings growth by strengthening its business base in the North American market, and by enhancing its brand image by means of reinforcement of selling activities through a dense sales and service network. The Group will also construct a product supply system that takes advantage of the production base in China.

International Woodworking Fair at Atlanta, U.S.A., August 2006

Exhibition at Montreal Log Show, Canada, October 2006

BDF452
18V Compact Lithium-Ion Cordless 1/2" Driver Drill

Lithium-ion battery with the best power-to-weight ratio in class. Makita-built, 4-pole motor delivers efficient torque in a compact size for less operator fatigue.

Demonstration at Montreal Log Show, Canada, April 2006.

5007MG 7-1/4" Magnesium Circular Saw

Makita's most refined saw, with magnesium components for less weight, better balance and jobsite durability. Large, rubberized levers for one-hand adjustment.

Asia

The home of Makita's largest production base is also an important growing market for our tools.

Makita operates seven subsidiaries in Asian countries, such as China, Hong Kong, Taiwan, Singapore and South Korea. In China, the production and marketing subsidiary Makita (China) Co., Ltd. manages sales in a geographically extensive market by maintaining six branches, in Beijing, Shanghai, and other major cities, as well as repair and service bases in 15 second-tier cities.

Makita does not have directly owned operations in Thailand, Indonesia or any other country in Southeast Asia. Instead, by entering into partnership with powerful local sales agents, we have built a highly developed sales and after-sales service network that engages in business activities comparable to those of company-owned operations.

In Asia, as in other markets, Makita products have won a favorable reputation and customer trust for product quality and excellent after-sales service systems befitting a brand for professional users. This enables Makita to maintain a high market share in countries throughout the region. MAKTEC, a second brand of products for the Asian market, enjoys high brand recognition owing to ease of use and durability, and sales of these products are increasing steadily.

Makita commenced production in China in July 1995 and has steadily expanded the scale of production ever since. In fiscal 2007, total production at the two production subsidiaries in China was 9.1 million units, accounting for about 52% of the Group's total production. Makita (China) Co., Ltd., whose principal activities are power tool motor production and parts processing, constructed a branch plant that began operation in July 2006.

Makita (China) Co., Ltd., in close collaboration with Makita (Kunshan) Co., Ltd., a production subsidiary that also is located in Kunshan City, Jiangsu Province, supplies products and parts to markets around the world as the Group's largest production base. The Makita China plant, which boasts the highest production volume of any Group plant, further strengthened its production structure during fiscal 2007, reinforcing its role as a base of supply for North America and Europe, which are enormous markets for power tools.

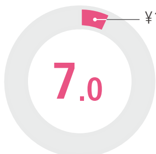
The production base in China also plays an important role in reducing the Makita Group's manufacturing costs, functioning not merely as a finished product supply base, but also as a parts supplier for the plants in Japan, Europe and North America.

Net sales in Asia in fiscal 2007 increased by 14.6% year on year to ¥19,469 million, as sales in Thailand, Singapore, Indonesia, and other markets developed favorably. Overall, the countries of Asia have a high economic growth rate and can be considered promis-

MT958 100mm 4" Angle Grinder (MAKTEC by Makita)

Powerful grinder with toggle switch for positive on-off switching. Reliability and quality with features geared to the market.

Share of Net Sales
(% / FY 2007)

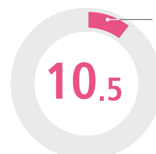


Consolidated total: ¥279,933 million

Share of Production Volume
(% / FY 2007)

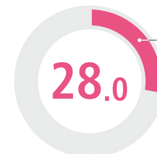
Consolidated total: 17,528 thousand units

Share of Assets (before elimination)
(% / FY 2007)



Consolidated total: ¥484,118 million

Share of Employees
(% / FY 2007)



Consolidated total: 9,062

ing markets with high purchasing potential. At the same time, Chinese power tool manufacturers have grown greatly in strength, and competition is expected to intensify further. In response, the Makita Group will implement initiatives to increase the brand power of the Makita and MAKTEC brands in the region, reinforce its stable business infrastructure, increase efficiency at its production base in China and enhance its sales and after-sales service structure.

Reaching New Customers with a Strong Brand

In Asia, Makita products enjoy a high reputation and customer trust for product quality and excellent after-sales service befitting a brand for professional users. With partners, we are reinforcing these brand attributes to capture a greater share of the expanding market.

Makita (China) Co., Ltd. New Production Annex, completed June 2006.

HR4030C 40mm 1-9/16" Rotary Hammer

An outstanding performer for professionals, with two modes: hammering only or rotation with hammering.

Other Regions

Driving ahead in Oceania and building up markets in South America, the Middle East and Africa.

Makita is active in Central and South America, the Middle East, Africa and Oceania, and its presence in these regions is steadily expanding.

In Central and South America, since establishing a production and sales subsidiary in Brazil in 1981, the Company has established local subsidiaries in Mexico, Argentina and Chile. In Florida in the U.S., the Group operates Makita Latin America Inc. as a sales subsidiary with responsibility for Central America and the Caribbean basin.

In recent years, the Central and South American subsidiaries, notably in Brazil, have continued to show double-digit sales growth each year. To respond to this sales expansion and further strengthen the sales network, the Company established Makita Peru S.A., a new subsidiary in Peru that began operation in May 2007. The establishment of this subsidiary brings the number of local subsidiaries in Central and South America to six, and Makita will take full advantage of this network to further bolster its sales and after-sales service structure in the region.

In the Middle East and Africa, Makita operates Makita Gulf FZE, a sales subsidiary in Dubai, United Arab Emirates, as a base for supplying products to the Middle East and Africa. Makita is actively developing its business in the region in response to rising construction demand fueled by the recent years' sharp increase in oil prices.

In Oceania, Makita operates sales subsidiaries in Australia and New Zealand. Makita (Australia) Pty. Ltd. (MAU), established in 1973, engages in sales and service activities closely attuned to customer requirements from its Sydney head office and two sales offices. MAU introduced lithium-ion battery products in Australia in the autumn of 2006, and is steadily increasing sales of these products.

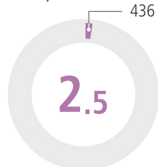
In fiscal 2007, sales across these three regions increased satisfactorily, with an overall rise of 18.0% year on year to ¥38,112 million, accounting for 13.6% of the Group's consolidated net sales. Central and South

GA5020 125mm 5" Angle Grinder
High power and high durability combined in a lightweight, dust-proof and slim body with ergonomic trigger-switch grip.

Share of Net Sales
(% / FY 2007)

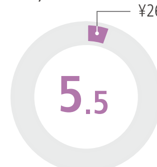
Consolidated total: ¥279,933 million

Share of Production Volume
(% / FY 2007)



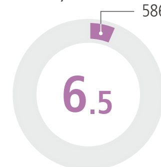
Consolidated total: 17,528 thousand units

Share of Assets (before elimination)
(% / FY 2007)



Consolidated total: ¥484,118 million

Share of Employees
(% / FY 2007)



Consolidated total: 9,062

America saw a sales increase of 20.6% year on year to ¥12,704 million, sales in the Middle East and Africa rose by 19.6% to ¥13,064 million, and sales in Oceania increased by 13.7% to ¥12,344 million.

Business expansion and growth are expected to continue in Central and South America, the Middle East and Africa, though not in the already mature markets of Oceania. Makita aims to establish a solid business base in these regions by accurately ascertaining economic trends and customer needs, engaging in flexible business operations involving the introduction of products that deliver high customer satisfaction, and increasing the efficiency of its sales and service networks.

Developing Responsive Sales Networks in Diverse Markets

Makita is establishing a solid base in these regions by accurately ascertaining economic trends and customer needs, operating with flexibility to introduce of products that deliver high customer satisfaction and increasing the efficiency of its sales and service networks.

BFR750 18V Cordless Auto Feed Screwdriver

High-torque cordless power with features to ensure durability and reliable screw driving, including aluminum casing attachment and built-in screw guide.

Appearance of new product symposium held for sales agents in Santiago, Chile, August 2006

Guadalajara Trade Fair in Mexico, September 2006.

Japan

The leading power tool manufacturer in Japan, popular with professionals.

Makita has secured a solid position as the leading power tool manufacturer in Japan. We have earned the trust of customers ranging from professional users by consistently developing products grounded in the user's perspective, and by satisfying a variety of customer needs through an after-sales service network that encompasses 19 branches and 113 sales offices throughout Japan.

In the Japanese market, lithium-ion battery products, which made their world debut in Japan in 2005, have earned a favorable reputation for their small size, light weight and long life and continue to sell well. Since the introduction of impact drivers, the first products in the range, the Company took the lead in this area by actively engaging in new product development to create a wide range of lithium-ion battery products. This product range currently encompasses 22 items, including circular saws, driver drills and rotary hammers.

Following the transfer of the nailer business in January 2006 from Kanematsu-NNK Corp., a company listed on the First Section of the Tokyo Stock Exchange, Makita expanded its high-pressure pneumatic tools product range in fiscal 2007. This expansion is expected to contribute to future sales.

In May 2007, Fuji Robin Industries Ltd. became a consolidated subsidiary of Makita, and in August it became a wholly owned subsidiary by means of a share exchange. Fuji Robin, now renamed Makita Numazu Corporation, manufactures and sells engines, agriculture equipment, forestry equipment and other products. Makita will take advantage of the synergy between Makita Numazu's core competence in the area of small four-cycle engines and the Group's global marketing and procurement networks to strengthen its presence in the gardening tools market sector, including engine-driven tools. The global gardening tools market is estimated to be twice the size of the power tools market, and has the potential for becoming an important future global growth driver for the Makita Group.

The Makita Group's mother plant is located Okazaki City, Aichi Prefecture in Japan. To the Group's overseas plants in China and beyond, this mother plant disseminates the unique production technologies and high-level product quality it has developed and perfected. Examples include the technical capabilities in high-

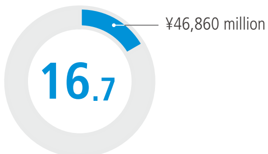
Okazaki plant plays the role of "mother plant" of the Group.

Okazaki plant manufactures high value-added products and builds systems for diverse-types, and small-quantity production.

VR340D 14.4V Cordless Concrete Vibrator

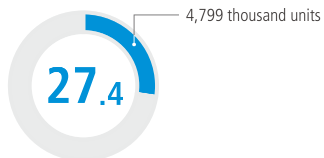
Concrete finishing is made easier by the adoption of the Li-ion battery technology. Featuring light weight and extended run-time.

Share of Net Sales
(% / FY 2007)



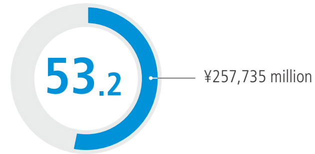
Consolidated total: ¥279,933 million

Share of Production Volume
(% / FY 2007)



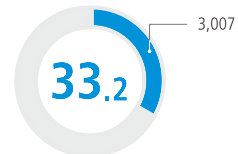
Consolidated total: 17,528 thousand units

Share of Assets (before elimination)
(% / FY 2007)



Consolidated total: ¥484,118 million

Share of Employees
(% / FY 2007)



Consolidated total: 9,062

value-added products, such as rotary hammers with AVT (Anti Vibration Technology), and a high-variety, low-volume production system born from wide-ranging production expertise.

In fiscal 2007, strong sales of lithium-ion battery products and other new products and higher sales from the pneumatic tool products, obtained in a business transfer in the previous term, fuelled a 12.6% year-on-year increase in net sales in Japan to ¥46,860 million.

Due to changes in residential construction methods, competition is expected in intensify in the Japanese market. Makita aims to capture and maintain market share leadership in its chosen markets as a full-line global supplier of tools for professionals by pursuing share expansion in the markets for professional power tools, pneumatic tools and the gardening tools. The Group will concentrate management resources on these key business sectors and continuously introduce new products that accurately reflect customer needs.

Reinforcing Our Lead through Technical Innovation

Makita was first into the new market for lithium-ion battery products by actively engaging in new product development to create a wide range of power tools using this advanced power source that is a highly important feature for professional users.

TD131DRFXW 14.4V Cordless Impact Driver

The 4-pole maximum-torque motor makes full use of the fast-charging and extended duty-cycle of our latest lightweight Li-ion technology.

« TD020D 7.2V Lithium-ion Cordless Impact Driver

Lithium-ion battery with the best power-to-weight ratio in class, at 177 in.-lbs. of torque and weighing only 1.17 lbs. Delivers 3,000 rotational impacts/min. and 2,300 rpm. Straight or pistol grip positions.

New Ideas Done Right—Functional, and Reliable as Ever

UC3030A 300mm 12″ Chain Saw

Numerous design features increase balance and maneuverability, plus soft-start, to reduce shock and current-limiting motor overload protection.

SP6000 » 165mm Plunge Cut Circular Saw

Highly accurate and clean cutting with mechanical brake and non-slip rubberized grip. Electronically adjustable rotation speed from 2,000-5,200 rpm.

« BJV140 14.4V Cordless Jig Saw

Featuring a compact and lightweight design and lithium-ion battery. Professional features and performance are enhanced by extremely low vibration and noise.

Basic Policy on Corporate Governance

Makita believes that augmenting its internal checking and control functions is an important task from the perspective of management transparency.

In addition to strengthening the functions of its Board of Directors and Board of Auditors, the Company is working to disclose information proactively and quickly, in a manner that helps increase the fairness and transparency of all management actions.

As our shares are listed on NASDAQ, we are dynamically endeavoring to upgrade our corporate governance systems based on the standards of the United States' Sarbanes-Oxley Act.

Corporate Governance Units

Board of Directors

Makita's Board of Directors includes 15 members, of whom one is an outside director who has not ever been a Makita employee. The Board meets once each month and at other times when necessary. Based on the management policies approved by the Board, the directors determine the main goals for each department for each fiscal year; then, each inside director performs work duties to promote the goals' attainment.

At the same time, the Board supervises the progress of operational execution and business performance.

The Board of Statutory Auditors

The Board of Statutory Auditors includes four statutory auditors, of which two are outside statutory auditors and are not employees of the Company. Based on the management policies approved by the Board of Statutory Auditors and in accordance with the prearranged apportionment of duties, the statutory auditors attend meetings of the Board of Directors and other important meetings, obtain reports on operations from directors and others, examine such important documents as those related to proposals, and audit the condition of the Company's operations and finances. To strengthen the independent financial auditor's supervisory function in conjunction with the Board of Statutory Auditors, the Company has established its "Policy and Procedures Regarding the Prior Approval of Audit and Nonaudit Operations," which requires the approval of the Board of Statutory Auditors before a legally binding contract for work by an Accounting auditor may be concluded.

Responsible for Makita's internal auditing processes is the Internal Auditing Office, which has a staff of 13. This office has an independent organization and conducts internal corporate governance systems, Makita is working to clarify information disclosure processes and take other measures that further increase the accuracy and dependability of disclosed information.

As a means of attaining these goals, Makita has established its Disclosure Committee, which is composed of the managers responsible for each of the Company's departments.

Compliance

Makita has created Ethics Guidelines that are designed to serve as action guidelines for corporate officers and employees, prohibit conflicts of interest, and promote such objectives as rigorous compliance with relevant laws and regulations and appropriate information disclosure. As one of the various measures being taken to promote comprehensively rigorous corporate ethics and compliance, the Company has established internal reporting rules as well as a help line. These steps have enabled the creation of a system for communicating sensitive information within the Company.

Risk Management System

Having established its Code of Ethics and related guidelines as well as its internal reporting system, Makita is working to promote and maintain rigorous compliance and high standards of corporate ethics.

Having established its Asset Management Guidelines and Currency Exchange Market Fluctuation Risk Management Guidelines, which cover all foreign currency-denominated transactions, Makita is endeavoring to ensure the safety of its asset management transactions and to avoid risks associated with fluctuations in currency exchange rates and with other types of price fluctuations.

In the case of a major accident related to products manufactured or handled by Makita, the Company's Major Claim Investigation Committee will investigate the causes, consider countermeasures, deliberate on such matters as a means of information dissemination and reporting to involved parties, and otherwise quickly resolve related problems.

In addition to establishing Fire and Disaster Prevention and Management Rules and a Disaster Prevention and Control System, Makita works to prevent disasters through such measures as the establishment of its own fire-fighting units, the preparation and maintenance of disaster prevention and control equipment, and the conducting of disaster prevention and control drills.

MANAGEMENT STRUCTURE OF MAKITA CORPORATION

- **Board of Directors**
  - Internal Audit Department
- **President**
  - Director
    - Environment and Facility Control Division
  - Administration Headquarters
    - General Affairs Department
    - Personnel Department
    - Accounting & Finance Department
    - E.D.P. Systems Department
  - Purchasing Headquarters
    - Purchasing Department 1
    - Purchasing Department 2
    - OEM / Accessory Marketing Department
  - Quality Management Headquarters
    - Quality Management Department
    - Quality Assurance Department
  - Production Headquarters
    - Production Department 1
    - Production Department 2
    - Production Engineering Department
    - Plant Engineering-Maintenance Department
    - Production Control Department
  - Research & Development Headquarters
    - Product Design & Development Department 1
    - Product Design & Development Department 2
    - Technical Research Department
    - Electronic Design & Development Department
    - Technical & Engineering Administration Department
    - Prototyping Department
  - Domestic Sales Headquarters
    - Sales Administration Department
    - Tokyo Sales Department
    - Nagoya Sales Department
    - Osaka Sales Department
    - Direct Business Department
  - International Sales Headquarters
    - International Sales Administration Department
    - America Sales Department
    - Europe Sales Department
    - Asia & Oceania Sales Department
  - Director
    - Publicity & Design Division
  - Atsugi Plant

- **Board of Auditors**
  - Audit Staff Office

- **Auditors**

Financial Section

CONTENTS

Operating and Financial Review and Prospects

A. Operating Results

The following table sets forth a summary of Makita's operations results for each of the years ended March 31, 2005, 2006 and 2007.

	(Millions of yen, except for percentage amounts)						U.S. Dollars (thousands, except for percentage amounts)	
	2005		2006		2007		2007	
		%		%		%		Change %
NET SALES	¥ 194,737	100.0	¥ 229,075	100.0	¥ 279,933	100.0	$ 2,372,314	22.2
Cost of sales	113,323	58.2	132,897	58.0	163,909	58.6	1,389,060	23.3
GROSS PROFIT	81,414	41.8	96,178	42.0	116,024	41.4	983,254	20.6
Selling, general and administrative expenses	52,646	27.1	58,726	25.6	66,802	23.9	566,118	13.8
Losses (Gains) on disposals or sales of property, plant and equipment, net	1,234	0.6	(8,326)	(3.6)	(249)	(0.1)	(2,110)	(97.0)
Impairment of long-lived assets	577	0.3	–	–	1,295	0.4	10,975	–
Transfer to the government of the substitutional portion of pension plan	(4,441)	(2.3)	–	–	–	–	–	–
OPERATING INCOME	31,398	16.1	45,778	20.0	48,176	17.2	408,271	5.2
OTHER INCOME(EXPENSES)								
Interest and dividend income	1,157	0.6	1,301	0.6	1,364	0.5	11,559	4.8
Interest expense	(588)	(0.3)	(364)	(0.2)	(316)	(0.1)	(2,678)	(13.2)
Exchange gains (losses) on foreign currency transactions, net	37	0.0	(258)	(0.1)	(418)	(0.2)	(3,542)	62.0
Realized gains on securities, net	453	0.2	2,918	1.3	918	0.3	7,780	(68.5)
Other, net	161	0.1	(232)	(0.1)	(401)	(0.1)	(3,398)	72.8
Total	1,220	0.6	3,365	1.5	1,147	0.4	9,721	(65.9)
INCOME BEFORE INCOME TAXES	32,618	16.7	49,143	21.5	49,323	17.6	417,992	0.4
PROVISION FOR INCOME TAXES	10,482	5.3	8,732	3.8	12,352	4.4	104,678	41.5
NET INCOME	22,136	11.4	40,411	17.6	36,971	13.2	313,314	(8.5)

General Overview

Economic conditions in fiscal 2007 were as follows. In addition to the high growth achieved in the Eastern Europe and Russian economies, both capital investment and consumer spending were brisk in Western Europe, and yet business conditions extended their recovery trend. While there were signs of weakening in the U.S. housing market, the decline in the price of oil from earlier highs supported consumer spending and other aspects of domestic demand. Further, business conditions in Asia tended to be favorable, led by China's economic performance. Meanwhile in Japan, investment in plants and equipment rose, and the job market improved, on the strength of improved corporate earnings, and overall conditions exhibited moderate growth.

The principal business of Makita is the manufacture and sale of power tools. Principal products include drills, rotary hammers, hammer drills, demolition hammers, grinders and cordless impact drivers. Makita has eleven manufacturing centers, three located in Japan, two in China and one each in the United States, Canada, Brazil, the United Kingdom, Germany, and Romania.

Makita focused its product development efforts on meeting marketplace needs, creating new lithium ion battery products, and expanding its lineup of high-pressure pneumatic tools. In the production area, Makita expanded capacity in China by constructing another factory building, and started the production in April 2007 at the factory the Company has built in Romania, whereby Makita can reduce its exposure to foreign exchange risks and the danger of concentrating too much production in China, while establishing a stable supply capacity for the growing European market. On the sales side, the Company built a base for operations in Estonia where the market is growing, and made other efforts to further strengthen its global sales and after-service capabilities.

On a consolidated basis, Makita's net sales in fiscal 2007 amounted to ¥279,933 million, up 22.2% from the previous fiscal year. This is Makita's third consecutive term of record-high results. In fiscal 2006, the Company recorded a gain of ¥8,479 million from the sale of its golf course, and a benefit of ¥5,238 million from the decrease in valuation allowance on a deferred income tax asset. In fiscal 2007, Makita's subsidiary in the U.S. recorded a benefit of ¥1,704 million from the decrease in valuation allowance on a deferred income tax asset. Accordingly, year-on-year operating income climbed by 5.2%, to ¥48,176 million and net income amounted to ¥36,971 million, 8.5% lower than the previous fiscal year.

On May 15, 2007 Makita acquired 79.32% of the outstanding shares of Fuji Robin, a manufacturer of agricultural and forestry machinery, engines and firefighting pumps that also engages in the wholesale of similar products and supplies, through a tender offer for an aggregate purchase price of approximately ¥2.7 billion, bringing its total shareholding in Fuji Robin to 89.35%. Makita acquired the remaining shares of Fuji Robin through a share exchange, which became affective August 1, 2007. A total of 81,456 Makita shares held by Makita as treasury stock was delivered in connection with the share exchange. For the fiscal year ended March 31, 2007, Fuji Robin had net sales under Japanese GAAP of ¥11,138 million, operating income of ¥52 million, ordinary profit of ¥37 million and posted a net loss of ¥138 million. Makita's purpose for acquiring Fuji Robin is to strengthen its lineup of gardening and engine-powered gardening tools. Makita does not expect the acquisition of Fuji Robin will have a material impact on its result of operations for the next fiscal year.

Net sales

Makita's consolidated net sales for the fiscal year ended March 31, 2007("FY 2007") amounted to ¥279,933 million, an increase of 22.2%, or ¥50,858 million, from the fiscal year ended March 31, 2006("FY 2006"). In FY 2007, the average yen-dollar exchange rate was ¥116.97 for $1.00, representing a 3.2% depreciation of the yen compared with that in FY 2006. The average level of the yen-euro exchange rate in FY 2007 was ¥150.02 for 1.00 euro, representing an 8.8% depreciation of the yen compared with that in FY 2006. Excluding the effect of currency fluctuations, consolidated net sales would have increased by 16.0% in FY 2007.

While Makita's consolidated net sales increased by 22.2% in FY 2007, the overall number of units of products sold also increased in FY 2007. Excluding the effect of the decrease in prices of products and the currency fluctuations, Makita's consolidated net sales would have increased by 14.5%, or ¥ 33,311 million. The significant increase in the quantity of goods sold in FY 2007 primarily reflected strong sales of Makita's power tools, such as drills, grinders and rotary hammers, hammer drills. In Europe, competitiveness has improved due to the strength of euro against the yen. Further, demand for the rotary hammer in Europe has been strong. In North America, sales increased in part due to the sales of lithium ion battery products.

The average price of Makita's products declined in FY 2007, and excluding the effect of the increase in the number of units sold, the price cutting would have decreased Makita's net sales by 0.6%, or ¥ 1,347 million.

Sales of new products comprised 10.4% of consolidated net sales of Makita in FY 2007, or ¥29,209 million.

In terms of product type, there was an increase in the sales of power tools by 23.1% or ¥39,518 million, Gardening and household products increased by 20.0% or ¥4,689 million and income from parts, repairs and accessories increased by 19.4% or ¥ 6,651 million. In particular, sales of drills, grinders, rotary hammers and cordless impact drivers increased.

Sales by region

The increase in consolidated net sales in FY 2007 can be attributed to an increase in sales in Japan by 12.6%, or ¥5,260 million, to ¥46,860 million, an increase in sales in Europe by 37.0%, or ¥33,516 million, to ¥124,020 million and, an increase in sales in North America, by 8.0%, or ¥3,799 million, to ¥51,472 million, increased sales in Asia (excluding Japan) by 14.6%, or ¥2,476 million, to ¥19,469 million and an increase in sales in other regions including Australia, Latin America and Middle East by 18.0% or ¥5,807 million, to ¥38,112 million.

The increased sales in Japan in FY 2007 primarily reflected strong sales of lithium ion battery based impact drivers. In addition, the automatic nailer business acquired from Kanematsu-NNK Corp in January 2006, contributed to the increased sales in Japan.

The increased sales in Europe in FY 2007 primarily reflected the appreciation of the euro against the yen in addition to higher building demand in construction due to an unusual warm winter. Net sales in yen terms increased in Russia and Eastern Europe by 63.6%, in the United Kingdom by 27.0%, in Germany by 38.4% and in France by 30.3% compared to FY 2006. In addition, the introduction of new products, particularly lithium ion battery products contributed to the increase of sales in Europe. Excluding the effect of fluctuations of the local currencies, net sales in Europe would have increased by 26.0%, or ¥23,493 million in FY 2007.

The increased sales in North America in FY 2007 primarily reflected strong sales of lithium ion battery products despite the decline of new housing starts. Excluding the effect of fluctuations of the local currencies, net sales in North America would have increased by 3.7%, or ¥1,786 million in FY 2007, compared with FY 2006.

The increased sales in Asia excluding Japan in FY 2007 primarily reflected the increased sales in Singapore and Indonesia, particularly with respect to power tools, such as grinders, hammer drills and rotary hammers. Excluding the effect of fluctuations of the local currencies, net sales in Asia would have increased by 11.4%, or ¥1,937 million in FY 2007.

The increased sales in Other regions including Australia, Latin America and the Middle East in FY 2007 were primarily due to an increased number of units sold, particularly with respect to power tools such as grinders, hammer drills and rotary hammers sold. In FY 2007 Makita saw success in its sales efforts to new markets in the Middle East and Africa. The introduction of new products also contributed to the increase of sales in Other regions, in particular, grinders. Excluding the effect of fluctuations of the local currencies, other net sales would have increased by 13.0%, or ¥4,203 million in FY 2007.

Review of Performance by Product Group

Power Tools

Power Tools group offers a wide range of dependable drills, rotary hammers, hammer drills, demolition hammers, grinders, cordless impact driver and sanders. This group generates the largest portion of Makita's consolidated net sales. In FY 2007, sales of power tools grew by 23.1%, to ¥210,894 million, accounting for 75.3% of consolidated net sales. In Japan, sales of power tools increased by 7.2%, to ¥25,268 million, accounting for 53.9% of total domestic sales. Overseas sales of power tools increased by 25.6%, to ¥185,626 million, or 79.6% of total overseas sales.

Gardening and Household Products

Principal products in Makita's Gardening and household products group include chain saws, petrol brushcutter, vacuum cleaners and cordless cleaners. In FY 2007, Makita recorded a 20.0% increase in sales of Gardening and household products, to ¥28,123 million, or 10.0% of consolidated net sales. Domestic sales of Gardening and household products increased by 8.5%, to ¥9,079 million, accounting for 19.4% of total domestic sales. Makita recorded a 26.4% increase in overseas sales of Gardening and household products, to ¥19,044 million, which accounted for 8.2% of total overseas sales in FY 2007.

Parts, Repairs and Accessories

Makita's after-sales services include the sales of parts, repairs and accessories. In FY 2007, parts, repairs and accessories sales increased by 19.4%, to ¥40,916 million, accounting for 14.7% of consolidated net sales. Domestic sales of parts, repairs, and accessories increased by 29.4% to ¥12,513 million accounted for 26.7% of total domestic sales. Overseas sales of parts, repairs, and accessories grew by 15.5%, to ¥28,403 million, accounting for 12.2% of total overseas sales.

Cost of Sales

Cost of sales increased by 23.3% (¥31,012 million) from FY 2006 to ¥163,909 million.
The sales cost ratio increased by 0.6 points from 58.0% in FY 2006 to 58.6% as a result of the rise in materials costs and depreciation expenses.

Gross Profit

Gross profit on sales increased by 20.6% (¥19,846 million) to ¥116,024 million. Gross profit margin fell by 0.6 points from 42.0% in FY 2006 to 41.4%, due to increasing cost of sales. The increasing cost of sales was primarily a result of rising raw material costs, which were subject to price fluctuation in the global market, partially offset by the positive effect of the weak yen.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for FY 2007 increased by 13.8% (¥8,076 million) from FY 2006 to ¥66,802 million. The main causes were increased personnel costs due to an increase in the number of employees, a rise in shipping costs due to increased sales, and increased advertising costs due to activities of sales promotion in overseas subsidiaries. Further, the decline of yen caused the yen conversion rate of selling expenses and administrative expenses of overseas subsidiaries to rise. Selling, general and administrative expenses excluding the effects of the low yen rose 8.7%.

On the other hand, the ratio of selling, general and administrative expenses to sales fell by 1.7 points from 25.6% to 23.9%, due to increased sales.

Losses (Gains) on disposal or sales of property, plant and equipment

In FY 2007, the expenses for demolishing some of the Company's headquarters buildings are recorded as loss on disposal of property, plant and equipment. Additionally, land and buildings selling with the review of American subsidiary's sales office are recorded as gain on disposal of property, plant and equipment. Accordingly, Makita recognized net gains on disposal or sales of property, plant and equipment of ¥249 million, a 97% decrease from ¥8,326 in FY 2006. The main reason for the decrease from FY 2006 was a gain from the sale of the golf course of the Joyama Kaihatsu Ltd. subsidiary.

Impairment of Long lived assets

In FY 2007, the Company decided to transfer the manufacturing business (stationary woodworking machines) of its consolidated subsidiary, Makita Ichinomiya Corporation to Makita's Okazaki plant in order to streamline the production function in Japan no later than December 2007. As a result of this decision, the Company performed an impairment assessment pursuant to the provisions of SFAS No. 144 and estimated the carrying amounts would not be recovered by the future cash flows. Consequently, the Company recorded an impairment charge totaling ¥1,295 million to reflect the estimated fair value of the assets.

Operating Income

As a result of the above, operating income for FY 2007 increased by 5.2% to ¥48,176 million.

Operating income margin decreased by 2.8points, from 20.0% in FY 2006 to 17.2% in FY 2007.

Other Income (Expenses)

In FY 2007, Other income was ¥1,147 million, a 65.9% decrease from FY 2006.

The reasons for the decrease were as follows:

(1) Realized gains on securities decreased by ¥2,000 million to¥918 million due to the gain on securities, net, in the amount of ¥2,528 million resulting from the merger of UFJ Holdings Co., Ltd., and Mitsubishi Tokyo Financial Group Co., Ltd., in FY 2006 that did not reoccur in FY 2007.

(2) The amount of foreign exchange losses increased by ¥160 million, to ¥418 million in FY 2007 due to foreign exchange losses in China caused by the appreciation of yuan against the U.S. dollar.

Income before income taxes

Income before income taxes for FY 2007 increased by 0.4% (¥180 million) as compared with the previous fiscal year to ¥49,323 million, while the ratio of income before income taxes to sales for current year decreased by 3.9 points, from 21.5% in FY 2006 to 17.6% in FY 2007.

Provision for income taxes

Provision for income taxes for FY 2007 amounted to ¥12,352 million, an increase of 41.5% (¥3,620 million) as compared with the previous year due mainly to an increase in taxable income of Makita. In FY 2007, Makita reversed the valuation allowance on deferred tax assets in the amount of ¥2,701 million related to certain subsidiaries based on both improved performance in recent years and a steady outlook for the future performance of these subsidiaries, and thus the valuation allowance decreased by ¥2,655 million, including the effect of translation. However, in FY 2006, the valuation allowance of ¥5,782 million was reversed related to the sale of the golf course. As a result, the effective tax rate for FY 2007 was 25.0%, a 7.2% increase from 17.8% for FY 2006, due mainly to the above mentioned decrease in the reversal of the valuation allowance.

Net income

Primarily, as a result of a gain of ¥8,479 million from the sale of the golf course in FY 2006, net income for FY 2007 fell by ¥3,440 million to ¥36,971 million, which is an 8.5% decrease from the previous fiscal year.

Earnings per share

Basic earnings per share of common stock amounted to ¥257.3, compared with ¥281.1 in FY 2006. Diluted earnings per share amounted to ¥257.3, compared with ¥281.1 in FY 2006.

Regional Segments

Segment information described below is based on the location of the Company and its relevant subsidiaries.

Japan Segment

In FY 2007, sales in the Japan segment grew by 12.7%, to ¥125,816 million. Sales to external customers increased by 14.9% to ¥61,776 million, which accounted for 22.1% of consolidated net sales. The increase reflects a 12.6% rise in sales in the domestic market as well as a 22.4% increase in export sales mainly to Asia. Even though segment operation expenses increased by 23.9%, to ¥108,403 million, operating income decreased by 27.9%, to ¥17,413 million in FY 2007. This was attributable to the ¥8,479 million gain on the sale of the golf course in FY 2006 and increase of depreciation cost in FY 2007.

Europe Segment

In FY 2007, sales in the Europe segment grew by 33.9% to ¥130,633 million. Sales to external customers increased by 36.9%, to ¥124,924 million, which accounted for 44.6% of consolidated net sales. This increase is mainly due to strong sales of the rotary hammer, and the high growth achieved in the Eastern Europe and Russian economies, both investment in plant and equipment, and consumer spending were brisk in Western Europe. Segment operating income increased by 49.8%, to ¥18,056 million.

North America Segment

In FY 2007, sales in the North America segment climbed by 8.5%, to ¥56,729 million. Sales to external customers increased by 7.2% to ¥51,432 million, which accounted for 18.4% of consolidated net sales. This increase in sales to external customers was mainly due to better sales of lithium ion battery products. As a result, operating income for FY 2007 increased by 34.8%, to ¥2,512 million.

Asia Segment (excluding Japan)

In FY 2007, sales in the Asia segment increased by 45.8% to ¥76,719 million. The increase in sales in this segment is primarily due to higher sales in inter-segment from two factories in China to Europe. Sales to external customers increased by 12.2%, to ¥9,698 million, which accounted for 3.5% of consolidated net sales. This increase is primarily due to an increase in sales in Singapore. Segment operating income grew by 53.3%, to ¥9,904 million in FY 2007.

Other Segment

In FY 2007, sales in the Other segment increased by 16.9% to ¥32,252 million. Sales to external customers increased by 17.1%, to ¥32,103 million, which accounted for 11.4% of consolidated net sales. Sales increase in this segment is primarily due to an increase in sales in Latin America and Middle East. Segment operating income grew by 36.1%, to ¥3,466 million, in FY 2007.The reason for this increase is mainly improved cost of sales in Latin America.

CRITICAL ACCOUNTING POLICIES

As disclosed in Note 3 of the Notes to the accompanying consolidated financial statements, the preparation of Makita's consolidated financial statements in accordance with U.S. generally accepted accounting principles 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 changes 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.

Revenue Recognition

Makita believes that revenue recognition is critical for its financial statements because net income is directly affected by the estimation of sales incentives. In recognizing its sales incentives, Makita is required to make estimates based on assumptions about matters that are highly uncertain at the time the estimate is made. Makita principally generates revenue through the sale of power tools. Makita's general revenue recognition policy follows the provisions of Staff Accounting Bulletin No. 104, SAB 104, Revenue Recognition, and Emerging Issues Task Force Issue, EITF No. 01-9, Accounting for consideration Given by a Customer (including a Reseller of the Vendor's Products). In accordance with SAB 104 and as disclosed in the consolidated financial statements, Makita recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price is fixed and determinable and collectibility is reasonably assured. Makita believes the foregoing conditions are satisfied upon the shipment or delivery of Makita's product.

With respect to "Revenue Recognition," Makita offers sales incentives to qualifying customers through various incentive programs. Sales incentives primarily involve volume-based rebates, cooperative advertising and cash discounts, and are accounted for in accordance with the EITF No.01-9.

Volume-based rebates are provided to customers only if customers attain a pre-determined cumulative level of revenue transactions within a specified period of a year or less. Liabilities for volume-based rebates are recognized with a corresponding reduction to revenue for the expected sales incentive at the time the related revenue is recognized, and are based on the estimation of sales volume reflecting the historical performance of individual customers.

If expected sales levels are not achieved or achieved in levels higher than anticipated resulting in a greater magnitude of incentive, the result could have a material impact on Makita's financial statements.

Cooperative advertisings are provided to certain customers as a contribution to or as sponsored funds for advertisements. Under cooperative advertising programs, Makita does not receive an identifiable benefit sufficiently separable from its customers. Accordingly, cooperative advertisings are also accounted as a reduction of revenue.

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

The following table shows the changes in accruals for volume-based rebates, cooperative advertising and cash discounts for the years ended March 31, 2005, 2006 and 2007:

	Yen (millions)			U.S. Dollars (thousands)
	For the year ended March 31,			
	2005	2006	2007	2007
Volume-based rebates:				
Actual payment for the year	(3,836)	(5,104)	(6,342)	(53,476)
Income statement impact for the year	4,333	5,726	7,477	63,364
Accrued expenses or deduction of account receivables (BS) as of March 31,	2,102	2,724	3,859	32,703
Cooperative advertisings:				
Actual payment for the year	(1,900)	(2,127)	(2,646)	(22,424)
Income statement impact for the year	1,812	2,196	3,026	25,644
Accrued expenses or deduction of account receivables (BS) as of March 31,	508	577	957	8,110
Cash discounts:				
Actual payment for the year	(3,682)	(4,311)	(5,061)	(42,890)
Income statement impact for the year	3,684	4,371	5,315	45,042
Accrued expenses or deduction of account receivables (BS) as of March 31,	431	491	745	6,314

Inventory valuation and reserve

Inventories are valued at the lower of cost or market price, with cost determined based on the average cost method. The valuation of inventory requires Makita to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The determination of obsolete or excess inventory requires Makita to estimate the future demand for products taking into consideration such factors as macro and microeconomic conditions, competitive pressures, technological obsolescence, changes in consumer buying habits and others. The estimates of future demand that Makita uses in the valuation of inventory are the basis for revenue forecasts, which are also consistent with short-term manufacturing plans. If demand forecast for specific products is greater than actual demand and Makita fails to reduce manufacturing output accordingly, Makita could be required to write down additional on-hand inventory, which would have a negative impact on gross profit and, consequently, a potential material adverse impact on net income. However, sales of previously written-down or written-off inventory is not significant to any of the periods presented and Makita believes that the gross profit of the resulting sales of such inventory items is similar to that realized on all of its sales for the respective periods presented. Accordingly, the impact on Makita's consolidated gross profit margin by sales of previously written-down or written-off inventory is not material. Makita usually sells or scraps remaining inventory items within a few years after write off and/or write down.

Impairment Losses on Securities

Makita holds marketable securities and investment securities, which are accounted for in accordance with SFAS No. 115. Makita believes that impairment on securities is critical because it holds significant amounts of securities and any resulting impairment loss could have a material adverse impact on net income. Makita uses significant judgment based on subjective as well as objective factors in determining when an investment is other-than-temporarily impaired. Makita regularly reviews available-for sale securities and held-to-maturity securities for possible impairment based on criteria that include, but are not limited to, the extent to which cost exceeds market value, the duration of a market decline, Makita's intent and ability to hold to recovery and the financial health, specific prospects and creditworthiness of the issuer. Makita performs comprehensive market research and analysis and monitors market conditions to identify potential impairments loss.

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 similar credit loss rates that it has in the past. Changes in the underlying financial condition of its customers could result in a material impact to Makita's consolidated results of operations and financial condition.

Impairment of Long-Lived Assets

Makita believes that impairment of long-lived assets is critical for its financial statements because Makita has significant amounts of property, plant and equipment, the recoverability of which could significantly affect its operating results and financial condition.

Makita performs an impairment review for long-lived assets held and used 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 a significant decline in market value of an asset, current period operating or cash flow losses 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, if any, 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 discounting expected future cash flows, 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 a shorter expected future period to generate such cash flows, additional impairment charges may be required. In addition, changes in estimates resulting in lower fair values due to unanticipated changes in business or operating assumptions could adversely affect the valuations of long-lived assets and in turn affect Makita's consolidated results of operations and financial condition.

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, expected return on plan assets, assumed rates of increase in future compensation levels, mortality rates and some other assumed rates. Discount rates employed by Makita are reflective of rates available on long-term, high quality fixed-income debt instruments.

Discount rates are determined annually on the measurement date.

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

A number of factors are used to determine the reasonableness of the expected long-term rate of return, including actual historical returns on the asset classes of the plans' portfolios and independent projections of returns of the various asset classes.

Accordingly, these assumptions are evaluated annually and retirement and termination liabilities are recalculated at the end of each fiscal year based on the latest assumptions. In accordance with U.S.GAAP, actual results that differ from the assumptions are accumulated and amortized over the average remaining service periods and therefore, generally affect Makita's results of operations in such future periods.

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 2.5% as of March 31, 2007.

As of March 31, 2007, Makita allocated 54.9% and 31.2% of plan assets to equity securities and debt securities, respectively. The value of these plan assets are influenced by fluctuations in world securities market. Significant depreciation or appreciation will have corresponding impact on future expenses.
The following table illustrates the sensitivity to changes in the discount rate and the expected return on pension plan assets, while holding all other assumptions constant, for Makita's pension plans as of March 31, 2007.

Change in assumption	Change in projected benefit obligation	Change in pre-tax pension expenses
	Yen (millions)	
50 basis point increase / decrease in discount rate	-2,200 / +2,500	-5 / +4
50 basis point increase / decrease in expected return on assets	-	-150 / +150

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 Makita's provision for income taxes, deferred income tax assets and liabilities and any valuation allowance recorded against Makita's gross deferred income tax assets. During FY 2006 and FY 2007 Makita reversed the valuation allowance, which amounted to ¥6,228 million and ¥2,701 million, respectively. Makita has recorded a valuation allowance of ¥318 million as of March 31, 2007 due to uncertainties about its ability to utilize certain deferred income tax assets mainly for net operating loss carry forwards before they expire. For the balance of deferred income taxes, although realization is not assured, management believes, judging from an authorized business plan, it is more likely than not that all of the deferred income tax assets, less the valuation allowance, will be realized. The amount of such net deferred income tax assets that are considered realizable, however, could change in the near term and any such change may have a material effect on Makita's consolidated results of operations and financial position if estimates of future taxable income are different.

New Accounting Standards

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal periods beginning after December 15, 2006 and is required to be adopted by Makita, in the fiscal year beginning April 1, 2007. Makita is currently evaluating the effect that the adoption of FIN 48 will have on its consolidated results of operations and financial condition but does not expect FIN 48 to have a material impact.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements", which provides a definition of fair value measurements. SFAS No 157 is effective for fiscal periods beginning after November 15, 2007 and is required to be adopted by Makita, in the fiscal year beginning April 1, 2008. Makita does not expect the adoption of SFAS No. 157 will have a material impact on its consolidated results of operations and financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115", which permits an entity to measure many financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings. SFAS No 159 is effective for fiscal periods beginning after November 15, 2007 and is required to be adopted by Makita, in the fiscal year beginning April 1, 2008. Makita is currently evaluating the effect that the adoption of SFAS No. 159 will have on its consolidated results of operations and financial condition but does not expect SFAS No. 159 to have a material impact.

B. Liquidity and capital resources

Makita's principal sources of liquidity are cash on hand, cash provided by operating activities and borrowings within credit lines. As of March 31, 2007, Makita held cash and cash equivalents amounting to ¥37,128 million and the Company's subsidiaries have credit lines up to ¥20,616 million, of which ¥1,816 million was used and ¥18,800 million was unused and available. As of March 31, 2007, Makita had ¥1,892 million in short-term borrowing, which included bank borrowings and the current portion of capital lease obligations. Short-term borrowing was mainly used for daily operations at overseas subsidiaries. The amount excluding current maturities of long-term indebtedness was ¥1,816 million, increased by 10.9% (¥178 million) from FY 2006 due to the expansion of overseas business activities. For further information regarding Makita's short-term borrowings, including the average interest rates see Note 11 to the accompanying consolidated financial statements.

As of March 31, 2007, Makita's total short-term borrowings and long-term indebtedness amounted to ¥1,945 million, representing an increase from ¥1,832 million reported for the previous fiscal year-end. Makita's ratio of indebtedness to shareholders' equity declined by 0.1 points to 0.6%.

Makita expects to continue to incur additional debt from time to time as required to finance working capital needs. Makita has no potentially significant refinancing requirements in fiscal 2007.

Makita has historically maintained a high level of liquid assets. Management estimates that the cash and cash equivalents level of ¥37,128 million as of March 31, 2007, together with Makita's available credit facilities, cash flow from operations and funds available from long-term and short-term debt financing, will be sufficient to satisfy its future working capital needs, capital expenditure, research and development and debt service requirements through fiscal 2008 and thereafter.

Makita requires operating capital mainly to purchase materials required for production, to conduct research and development, to respond to cash flow fluctuations related to changes in inventory levels and to cover the payment cycle of receivables from wholesalers. Makita further requires funds for capital expenditures, mainly to expand production facilities and purchase metal molds. Makita also requires funds for financial expenditures, primarily to pay dividends and to repurchase treasury stock. Maintaining the level of Makita's production and marketing activities requires capital investments of approximately ¥7 billion annually. Please see "Capital Expenditures" below in this section for a description of Makita's principal capital expenditures for fiscal 2007 and the main planned expenditures for fiscal 2007. At the Regular General Meeting of Shareholders held in June 2007, the Company's shareholders approved a cash dividend of ¥55 per share. The total cash dividend payments amount to ¥7,904 million, and were made in June 2007. On May 15, 2007, Makita acquired 10,279,375 shares of Fuji Robin at a price of ¥260 per share for an aggregate purchase price of approximately ¥2.7 billion, bringing its total shareholding in Fuji Robin to 11,579,375 shares, or 89.35%. Makita financed this amount from internal sources.

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

Makita is rated at "A+" by Standard & Poor's at March 31, 2007.

Cash Flows

Cash flow provided by operating activities is primarily composed of cash received from customers, and cash used in operating activities, principally payments by Makita for parts and materials, selling, general and administrative expenses, and income taxes.

For FY 2007, cash received from customers increased by 22.1% to ¥273,535 million, as a result of an increase in net sales.

This increase was within the range of the increase in all regions' net sales, as there were no significant changes in Makita's collection rates.

Cash used in operating activities increased by 21.2% to ¥241,175 million. This increase was caused by greater purchases of parts and raw materials, increased production as well as the increase in sales and administrative expenses, and the increase in income taxes paid.

As a result of these factors, net cash provided by operating activities increased by 29.1% (¥7,293 million) from ¥25,067 million in FY 2006 to ¥32,360 million in FY 2007.

In FY 2007, cash outflow for capital expenditures increased by ¥1,597 million to ¥12,980 million. This increase was caused by the followings:

- Rebuilding of Okazaki factory,
- Improvements to the Headquarter buildings,
- Construction of Makita Romania factory,
- Purchases of machine and equipment for Makita China factory,
- Purchases of metal molds used for new-production, and
- Payments of the outstanding acquisition costs (¥649 million) of Kanematsu-NNK Corp.
- To fund its investing activities, Makita realized proceeds of ¥18,611 million from sales and maturities of securities. In FY 2007, net cash inflow from sales and maturities of securities decreased by ¥15,739 million from ¥34,350 million.

The Company purchased available-for-sale securities and held-to-maturity securities with the money left over used for financing activities and capital expenditures. Purchase of securities increased by ¥6,049 million to ¥27,297 million this year from ¥21,248 million last year.
As a result, net cash outflow resulting from investing activities were ¥27,276 million in FY 2007 compared to net cash inflow of ¥7,655 million in FY 2006.

Cash used for the payment of dividends increased by ¥285 million from ¥7,907 million during the previous fiscal year to ¥8,192 million in FY 2007. During FY 2006, Makita made aggregate payments of ¥12,525 million related to outstanding debt amounting to ¥6,375 million in connection with the civil rehabilitation proceedings of Joyama Kaihatsu, Ltd. and repayment of long-term indebtedness amounting to ¥6,150 million of the financing subsidiary company. There were no such payments in FY 2007.
As a result, net cash used in financing activities decreased by ¥11,241 million from ¥19,548 million in FY 2006 to ¥8,307 million this year.

As a result of these activities as well as the effect of exchange rate changes, Makita's cash and cash equivalents as of March 31, 2007 amounted to ¥37,128 million, dropped by ¥1,926 million from the end of fiscal 2006.

Capital Expenditures

Makita has continued to allocate sizable amounts of funds for capital expenditures, which it believes is crucial for sustaining long-term growth. In light of the severity of the current market competition, however, Makita has focused its capital investments on expanding its plant in China and purchasing metal molds for new products to be manufactured, which required Makita to increase the amount of its capital expenditures in FY 2007 compared to FY 2006. Total capital expenditures amounted to¥6,655 million, ¥11,383 million and ¥12,980 million for FY 2005, 2006 and 2007, respectively.

Capital expenditures in FY 2007 were mainly for expansion and rebuilding of the Okazaki factory, improvements to the Company's headquarter buildings, construction of the Romania factory, and for the purchase of metal molds for new products, acquisition of production equipment in connection with facilities, such as Chinese factories and Makita Romania S.R.L. Capital investments of the Company amounted to approximately ¥7.3 billion, while overseas subsidiaries amounted to approximately ¥5.7 billion. All of Makita's capital expenditures in FY 2007 were funded through internal sources.

Under its investment plans for FY 2008, the Makita Group is scheduled to make capital investments totaling ¥17.7 billion, 36% higher than for FY 2007. Of this total, the Company plans to make direct investments of ¥10.8 billion and its consolidated subsidiaries will invest ¥6.9 billion.

In continuation from FY 2007, the Company's main capital investment plan is to rebuild the Okazaki factory and some of its headquarters buildings. The main facilities investments by consolidated subsidiaries include production facilities for Makita (China) Co., Ltd., and Makita Romania S.R.L, and the purchase of metal molds for new products. These are all scheduled to be funded with internal capital.

Financial Position

Total assets at the end of FY 2007 were ¥368,494 million, up 13.0% from the previous fiscal year-end. Total current assets increased by 17% to ¥266,499 million, owing to such factors as an increase of inventories and marketable securities.

Property, plant and equipment, at cost less accumulated depreciation, increased by 7.1%, to ¥63,380 million. Investments and other assets decreased by 1.2%, to ¥38,615 million.
Total current liabilities increased by 18.2%, to ¥54,316 million mainly due to increase in income taxes payable, trade notes and accounts payable.

Long-term liabilities decreased by 21.0%, to ¥9,368 million, mainly due to a decrease in deferred income tax liabilities incurred as a result of the decrease in unrealized gains on securities. The current ratio was 4.9 times, slightly down compared with 5.0 at March 31, 2006.
Shareholders' equity increased by 13.5%, to ¥302,675 million.
The main reasons for this increase are an increase in retained earnings, and accumulated other comprehensive income of ¥12,697 million in FY 2007, which compares to ¥5,345 at March 31, 2006.
Fluctuations in the accumulated other comprehensive income (losses) are decrease in the unrealized gains on available-for-sale securities as a result of the depreciation of the market value of the Company's securities holding, decrease in minimum pension liability adjustment resulting from the increase in actual return on plan assets of the defined benefit pension plan and the initial application of FAS158, increase in foreign currency translation adjustments due to the decline of yen against foreign currencies.

As a result, the shareholders' equity ratio slightly rose to 82.1%, from 81.8% at the previous fiscal year-end.

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

Approximately 500 of Makita's employees are engaged in research and development activities and product design. Makita also employs approximately 100 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 rest are engaged in the research and development of electric, electronic and other applications.

Makita places a high priority on R&D and believes that strong capability in R&D is crucial to its continuing development of high-quality, reliable products that meet users' needs. In FY 2007, Makita allocated ¥5,460 million to R&D, approximately 2.0% of net sales. In FY 2006, Makita allocated ¥4,826 million for R&D, up 8.5% from the ¥4,446 million allocated in FY 2005. The ratio of R&D expenses to net sales was approximately 2.3% in FY 2005.

Makita is placing higher priority on designing power tools that are smaller and lighter, featuring electronic controls, and that have internal power sources allowing a 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. In order to respond quickly to customers needs, Makita is also placing an emphasis on shortening the time needed for new product development. To strengthen initiatives that reduce costs, Makita 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 2007 included straight type cordless impact driver, high-pressure air nailer and other products.

Makita developed a battery recharging system that employs digital communication functions to provide information on the state of a battery's charge. Through the use of this new system, the total volume of work can be increased substantially by enabling batteries to be used up to their capacity. In addition, Makita adopted lithium ion batteries, which doubles the total volume of work in comparison with Makita's batteries that must be inserted. Makita also developed an original battery checker system using the previously mentioned digital communication functions. Using this system, customers can check on the state of charge of their batteries and Makita can provide customers with information on how to make their batteries last longer.

On January 1, 2006, the company acquired the Kanematsu-NNK Corporation's automatic nailer business to reinforce the air tools business department. Due to this transfer of business, various air tools with superior quality are being developed. Therefore, the company managed to provide high-pressure air tools in a short period of time within Japan in FY 2007.

D. Trend information

With regard to the outlook for the future, Makita anticipates a continued adjustment in the housing market in the United States, and some slowing of the economy there. Makita also believes that the environment for businesses remains opaque, largely owing to the vagaries of the market price for crude oil and for industrial raw materials, as well as the possibility of exchange rate shifts.
Given this outlook, Makita intends to further improve its business performance by increasing market share, starting with the professional-use power tools market and including the pneumatic tools and garden tools markets. On March 20, 2007, Makita announced a tender offer for shares of Fuji Robin Industries Ltd. for the purpose of making Fuji Robin a wholly-owned subsidiary. The offer was declared open on May 7, 2007. The intention in doing this was to move forward as a comprehensive supplier of professional tools, by strengthening Makita's position in gardening tools including engine type.
Makita will further improve its global sales and service arrangements as well as continue the development of high value-added products.

In forecasting performance for the year ending March 31, 2008, Makita have assumed the following:

- Competition between companies in the European market will increase even though the market environment will continue to be steady.
- There will be a slowdown in demand in the Eastern Europe and Russian markets in reaction to stronger growth resulting from the
- warm winter a year earlier.
- In the United States, competition will be heightened between mass-market retailers, which have increased their share of sales.
- Competition will intensify primarily in the Asian markets since Chinese power tools manufacturers will work to expand their positions.
- In emerging markets such as those of Latin America, demand will grow.
- In industrially advanced nations, demand is expected to be firm for high value-added products.

E. Off-balance sheet arrangements

Makita did not have any off-balance sheet arrangements as of March 31, 2007 except for certain liability for trade notes receivable discounted with bank and operating leases entered into in the ordinary course of business. See Note 15 to the accompanying consolidated financial statements.

F. Tabular disclosure of contractual obligations

		Yen (millions)					
		Expected payment date, year ending March 31,					
	Total	2008	2009	2010	2011	2012	Thereafter
Capital lease	129	76	32	17	3	1	-
Interest expenses on Capital lease	12	5	4	3	-	-	–
Operating lease	2,003	603	468	294	203	138	297
Contributions to defined benefit plan	3,173	3,173	–	–	–	–	–
Derivative financial instruments	19,603	19,603	–	–	–	–	–
Purchase Obligation	12,383	12,047	336	–	–	–	–
Total	¥ 37,303	¥ 35,507	¥ 840	¥ 314	¥ 206	¥ 139	¥ 297

		U.S. Dollars (thousands)					
		Expected payment date, year ending March 31,					
	Total	2008	2009	2010	2011	2012	Thereafter
Capital lease	1,093	644	271	144	26	8	-
Interest expenses on Capital lease	102	43	34	25	-	-	–
Operating lease	16,975	5,111	3,966	2,492	1,720	1,169	2,517
Contributions to defined benefit plan	26,890	26,890	–	–	–	–	–
Derivative financial instruments	166,127	166,127	–	–	–	–	–
Purchase Obligation	104,941	102,094	2,847	–	–	–	–
Total	$ 316,128	$ 300,909	$ 7,118	$ 2,661	$ 1,746	$ 1,177	$ 2,517

Note: Calculation of contributions to defined benefit plan after 2008 is not practicable.

G. Safe harbor

All information that is not historical in nature disclosed under “ Operating and Financial Review and Prospects-Trend Information” and “-Tabular Disclosure of Contractual Obligations” is deemed to be a forward-looking statement.

Dividend Policy

Makita's basic policy on the distribution of profits is to maintain a dividend payout ratio of 30% or greater, with a lower limit on annual cash dividends of 18 yen per share. However, in the event special circumstances arise, computation of the amount of dividends will be based on consolidated net income after certain adjustments. In addition, Makita aims to implement a flexible capital policy, augment the efficiency of its capital employment, and thereby boost shareholder profit. Makita continues to consider repurchases of its outstanding shares in light of trends in stock prices. The Company intends to retire treasury stock when necessary based on consideration of the balance of treasury stock and its capital policy.

Makita intends to maintain a financial position strong enough to withstand the challenges associated with changes in its operating environment and other changes and allocate funds for strategic investments aimed at expanding its global operations.

According to this basic policy, the Company paid interim cash dividends in fiscal 2007 of ¥19.0 per share and ADS. The Company has declared a cash dividend of ¥55.0 per share and ADS, which was approved by the shareholders' meeting held on June 27, 2007.

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	
Fiscal year ended March 31	Interim	Year-end	Interim	Year-end
2002	9.0	9.0	0.07	0.07
2003	9.0	9.0	0.07	0.07
2004	9.0	13.0	0.09	0.11
2005	11.0	36.0	0.10	0.34
2006	19.0	38.0	0.16	0.32
2007	19.0	55.0	0.16	0.47

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.

Risk factors

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

Makita’s sales are affected by the levels of construction activities and capital investments in its markets.

The demand for power tools, Makita's main products, is affected to a large extent by the levels of construction activities and capital investments in the relevant regions. Generally speaking, the levels of construction activities and capital investment depend largely on the economic conditions in the market. As a result, when economic conditions weaken in the principal markets for Makita's activities, including Japan, Europe, North America, Asia, Central and South America, the Middle East, Africa, and Oceania, this may have an adverse impact on Makita's consolidated financial condition and results of operations.

Currency exchange rate fluctuations may adversely affect Makita’s financial results.

The functional currency for all of Makita's significant foreign operations is the local currency. The results of transactions denominated in local currencies of Makita's subsidiaries around the world are translated into yen using the average market conversion rate during each financial period. Assets and liabilities denominated in local currencies are converted into yen at the rate prevailing at the end of each financial period. As a result, Makita's operating results, assets, liabilities and shareholders' equity are affected by fluctuation in values of the Japanese yen against these local currencies. In an effort to minimize the impact of short-term exchange rate fluctuations between major currencies, mainly the U.S. dollar, the euro, and the yen, Makita engages in hedging transactions. However, medium-to-long-term fluctuations of exchange rates may make it difficult for Makita to execute procurement, production, logistics, and sales activities as planned and may have an adverse impact on Makita's consolidated financial condition and results of operations.

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

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

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

Makita’s principal competitive strengths are its diverse range of high-quality, high-performance power tools for professional use, and the strong reputation of the MAKITA brand, both of which depend in part on Makita’s ability to continue to develop attractive and innovative products that are well received by the market. There is no assurance that Makita will be able to continue to develop such products. If Makita is no longer able to quickly develop new products that meet the changing needs of the market for high-end, professional users, it may have an adverse impact on Makita’s consolidated financial condition and results of operations.

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

Makita's principal management functions, including its headquarters, and the companies on which it relies for supplying major parts are located in Aichi Prefecture ("Aichi"), Japan. Makita's manufacturing facilities in Aichi and Kunshan, Jiangsu Province, China, collectively account for approximately 80% of Makita's total production volume on a consolidated basis during the year under review. Due to this geographic concentration of Makita's major functions, including plants and other operations in Japan and China, Makita's performance may be significantly affected by major natural disasters and other catastrophic events, including earthquakes, floods, fires, power outages, and suspension of water supplies. In addition, Makita's facilities in China may also be affected by changes in political and legal environments, changes in economic conditions, revisions in tariff rates, currency appreciation, labor disputes, emerging infectious diseases, power outages resulting from inadequacies in infrastructure, and other factors. In the event that such developments cannot be foreseen or measures taken to alleviate their damaging impact are inadequate, Makita's consolidated financial condition and results of operations may be adversely affected.

Makita's overseas activities and entry into overseas markets entail risks, which may have a material adverse effect on Makita's business activities.

Makita derives a majority of its sales in markets located outside of Japan, including Europe, North America, Asia, Oceania, the Middle East, Central and South America, and emerging markets such as Russia and Eastern Europe. During the year under review, approximately 83% of Makita's consolidated net sales were derived from products sold overseas. The high percentage of overseas sales gives rise to a number of risks. If such risks occur, they may have a material adverse impact on Makita's consolidated financial condition and results of operations. Such risks include the following:

(1) Unexpected changes in laws and regulations;
(2) Disadvantageous political and economic factors;
(3) The outflow of technical know-how and knowledge due to personnel turnover enabling Makita's competitors to strengthen their position;
(4) Potentially unfavorable tax systems; and
(5) Terrorism, war, and other factors that lead to social turbulence.

If Makita fails to maintain cooperative relationships with significant customers, Makita's sales may be seriously affected.

Makita has a number of significant customers. If Makita loses these customers and is unable to develop new sales channels to take their place, sales may decline and have an adverse impact on Makita's business performance and financial position. In addition, if major customers of Makita select power tools and other items made in China and sell them under their own brand, this may have an adverse impact on Makita's consolidated financial condition and results of operations.

If any of Makita's suppliers fail to deliver materials or parts required for production as scheduled, Makita's production activities may be adversely affected.

Makita's production activities are greatly dependent on the on-schedule delivery of materials and parts from its suppliers. Purchases of production-use materials from Chinese manufacturers have increased in recent years. When launching new products, sales commencement dates can slip if Chinese manufacturing technology does not satisfy our demands, or if it takes an inordinate amount of time in order to satisfy our demands. There is a concern that this can result in lost sales opportunities. Makita purchases some of its component parts from sole suppliers. There is no assurance that Makita will be able to find alternate suppliers that can provide materials and parts of similar quality and price in a sufficient quantity and in a timely manner. In the event that any of these suppliers cannot deliver the required quality and quantity of parts on schedule, this will have an adverse effect on Makita's production schedules and cause a delay in Makita's own product deliveries. This may cause Makita to lose some customers or require Makita to purchase replacement materials or parts from alternate sources at a higher price. Any of these occurrences may have a detrimental effect on Makita's consolidated financial condition and results of operations.

When the procurement of raw materials used by Makita becomes difficult or prices of these raw materials rise sharply, this may have an adverse impact on performance.

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

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

Makita manufactures a wide range of power tools at factories worldwide according to ISO internationally accepted quality control standards. However, Makita cannot be certain that all of its products will be free of defects nor that it will be subject to product recalls in the future. A large-scale recall or a substantial product liability suit brought against Makita may result in severe damage to Makita's brand image and reputation. In addition, a major product recall or product liability lawsuit is likely to be very costly and would require a significant amount of management time and attention. Any of these occurrences may have a major adverse impact on Makita's consolidated financial condition and results of operations.

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

Makita holds certain Japanese equities and equity-linked financial products and records these securities as marketable securities and investment securities on its consolidated financial statements. The values of these investments are influenced by fluctuations in the quoted market prices. A significant depreciation in the value of these securities will have an adverse impact on Makita's consolidated financial condition and results of operations.

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

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

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

Makita maintains strict compliance with environmental, commercial, export and import, tax, safety and other regulations that are applicable to its activities in all the countries in which Makita operates. If Makita is unable to continue its compliance with existing regulations or is unable to comply with any new or amended regulations, it may be subject to fines and other penalties and its activities may be significantly restricted. The costs related to compliance with any new or amended regulations may also result in significant increases in overall costs.

Investor confidence and the value of Makita's ADRs and ordinary shares may be adversely impacted if Makita's management concludes that Makita's internal control over financial reporting is not effective or if Makita's independent registered public accounting firm is unable to provide adequate attestation over the adequacy of the internal control over Makita's financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002

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

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, 2006 and 2007 were as follows:

	Yen (millions)				U.S. Dollars (thousands)	
	2006		2007		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Due within one year	¥ 4,492	¥ 4,493	¥ 6,323	¥ 6,322	$ 53,585	$ 53,576
Due after one year through five years	6,169	6,150	2,203	2,195	18,669	18,602
Due after five years	5,600	5,494	5,921	5,822	50,178	49,339
Indefinite periods	30,990	30,989	42,697	42,697	361,839	361,839
Equity securities	30,961	30,961	28,352	28,352	240,271	240,271
	¥ 78,212	¥ 78,087	¥ 85,496	¥ 85,388	$ 724,542	$ 723,627

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, 2006 and March 31, 2007. Figures are translated into yen at the rates prevailing at March 31, 2006 and March 31, 2007, together with the relevant weighted average contractual exchange rates at March 31, 2007. All of the foreign exchange contracts listed in the following table have contractual maturities in FY 2007 and 2008.

	Yen (millions) (except average contractual rates)						U.S. Dollars (thousands)	
	2006			2007			2007	
	Contract amounts	Fair Value	Average contractual rates	Contract amounts	Fair Value	Average contractual rates	Contract Amounts	Fair Value
Foreign currency contracts;								
U.S.$/Yen	¥ 4,368	¥ (11)	¥ 116.49	¥ 3,107	¥ 2	¥ 117.50	$ 26,331	$ 17
Euro/Yen	4,148	(67)	140.14	5,387	(60)	115.15	45,653	(508)
A$/Yen	344	10	85.91	343	(8)	92.69	2,907	(68)
STG/Yen	8	–	201.98	58	–	230.96	492	–
Euro/STG	1,421	(10)	–	1,579	(1)	-	13,381	(8)
US$/EUR	1,151	(10)	–	1,794	(13)	-	15,203	(112)
Other	387	18		811	(20)		6,872	(168)
Total	¥ 11,827	¥ (70)		¥ 13,079	¥ (100)		$ 110,839	$ (847)
Foreign currency swaps:								
U.S.$/Yen	¥ 9,099	¥ (88)	¥ 116.65	¥ 2,853	¥ (30)	¥ 177.53	$ 24,178	$ (254)
Euro/Yen	1,133	(12)	141.68	3,289	(20)	156.64	27,873	(170)
CAN$/Yen	305	-	101.8	-	-	-	-	-
A$/Yen	1,661	(32)	83.06	191	-	95.25	1,619	-
SFr./Yen	173	(8)	86.45	191	(3)	95.56	1,619	(25)
Total	¥ 12,371	¥ (140)		¥ 6,524	¥ (53)		$ 55,289	$ (449)
Options purchased to sell foreign currencies:								
U.S.$/Yen	¥ —	¥ —	¥ —	¥ 233	¥ 2	¥ 116.38	$ 1,975	$ 17
Euro/Yen	—	—	—	1,518	5	151.80	12,864	42
Other	—	–	–	—	–	–	—	–
Total	¥ —	¥ —		¥ 1,751	¥ 7		$ 14,839	$ 59
Options written to buy foreign currencies:								
U.S.$/Yen	¥ —	¥ —	¥ —	¥ 239	¥ (1)	¥ 119.15	$ 2,025	$ (8)
Euro/Yen	—	—	—	1,569	(18)	156.92	13,297	(153)
Other	—	–	–	—	–	–	—	–
Total	¥ —	¥ —		¥ 1,808	¥ (19)		$ 15,322	$ (161)

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SELECTED FINANCIAL DATA

YEARS ENDED MARCH 31, 2003, 2004, 2005,2006 AND 2007

	Yen (millions) and U.S. Dollars (thousands)				
	2003	2004	2005	2006	2007
Net sales	¥ 175,603	¥ 184,117	¥ 194,737	¥ 229,075	¥ 279,933
	$ 1,488,161	$ 1,560,314	$ 1,650,314	$ 1,941,314	$ 2,372,314
Domestic	38,781	39,142	39,379	41,600	46,860
	328,653	331,712	333,720	352,542	397,119
Overseas	136,822	144,975	155,358	187,475	233,073
	1,159,508	1,228,602	1,316,593	1,588,771	1,975,195
Operating income	12,468	14,696	31,398	45,778	48,176
	105,661	124,542	266,085	387,949	408,271
Income before income taxes	9,292	16,170	32,618	49,143	49,323
	78,746	137,034	276,424	416,466	417,992
Net income	6,723	7,691	22,136	40,411	36,971
	56,975	65,178	187,593	342,466	313,314
Working capital	141,759	147,822	149,666	181,808	212,183
	1,201,347	1,252,729	1,268,356	1,540,746	1,798,161
Long-term indebtedness	19,843	7,364	88	104	53
	168,161	62,407	746	881	449
Shareholders' equity	182,400	193,348	219,640	266,584	302,675
	1,545,763	1,638,542	1,861,356	2,259,186	2,565,042
Total assets	278,600	278,116	289,904	326,038	368,494
	2,361,017	2,356,915	2,456,814	2,763,034	3,122,831
Capital expenditures	5,691	4,494	6,655	11,383	12,980
	48,229	38,085	56,398	96,466	110,000
Depreciation and amortization	9,740	7,963	5,381	5,922	8,773
	82,542	67,483	45,602	50,186	74,347

	Yen and U.S. Dollars				
Per share of common stock and American Depositary Share:					
Earnings per share:					
Basic	¥ 45.3	¥ 53.2	¥ 153.9	¥ 281.1	¥ 257.3
	$ 0.38	$ 0.45	$ 1.30	$ 2.38	$ 2.18
Diluted	44.2	51.9	148.8	281.1	257.3
	0.37	0.44	1.26	2.38	2.18
Cash dividends paid for the year	18.0	18.0	24.0	55.0	57.0
	0.15	0.15	0.20	0.47	0.48
Number of employees	8,344	8,433	8,560	8,629	9,062

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 ¥118 to US$1.

(2) Cash dividends per share applicable to fiscal 2005 and 2006 include a special commemorative dividend of ¥6 and ¥37 per share.

(3) The June 27, 2007, 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, 2007 at ¥55 per share.

(4) Refer to Note 14 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, 2006 AND 2007

A S S E T S

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
CURRENT ASSETS:			
Cash and cash equivalents	¥ 39,054	¥ 37,128	$ 314,644
Time deposits	1,845	6,866	58,186
Marketable securities	47,773	58,217	493,364
Trade receivables-			
Notes	1,936	3,125	26,483
Accounts	46,074	54,189	459,229
Less- Allowance for doubtful receivables	(1,016)	(869)	(7,364)
Inventories	79,821	92,800	786,441
Deferred income taxes	3,661	5,080	43,051
Prepaid expenses and other current assets	8,621	9,963	84,432
Total current assets	227,769	266,499	2,258,466
PROPERTY, PLANT AND EQUIPMENT, AT COST:			
Land	17,737	16,732	141,797
Buildings and improvements	55,470	57,242	485,102
Machinery and equipment	74,501	74,087	627,856
Construction in progress	2,340	5,576	47,254
	150,048	153,637	1,302,009
Less- Accumulated depreciation	(90,845)	(90,257)	(764,890)
	59,203	63,380	537,119
INVESTMENTS AND OTHER ASSETS:			
Investment securities	30,439	27,279	231,178
Goodwill	779	764	6,475
Other intangible assets, net	1,354	1,527	12,941
Deferred income taxes	698	1,367	11,585
Other assets	5,796	7,678	65,067
	39,066	38,615	327,246
	¥ 326,038	¥ 368,494	$ 3,122,831

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

MAKITA CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2006 AND 2007

LIABILITIES AND SHAREHOLDERS' EQUITY

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
CURRENT LIABILITIES:			
Short-term borrowings	¥ 1,728	¥ 1,892	$ 16,034
Trade notes and accounts payable	13,908	16,025	135,805
Other payables	5,417	6,556	55,559
Accrued expenses	6,427	6,714	56,898
Accrued payroll	8,224	8,571	72,636
Income taxes payable	6,701	10,447	88,534
Deferred income taxes	176	28	237
Other liabilities	3,380	4,083	34,602
Total current liabilities	45,961	54,316	460,305
LONG-TERM LIABILITIES:			
Long-term indebtedness	104	53	449
Accrued retirement and termination benefits	2,901	3,227	27,347
Deferred income taxes	7,923	4,976	42,170
Other liabilities	930	1,112	9,425
	11,858	9,368	79,391
MINORITY INTERESTS	1,635	2,135	18,093
COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)			
SHAREHOLDERS' EQUITY:			
Common stock,			
Authorized - 496,000,000 shares in 2006			
496,000,000 shares in 2007			
Issued and outstanding			
- 144,008,760 shares and 143,711,766 shares, respectively in 2006			
144,008,760 shares and 143,701,279 shares, respectively in 2007	23,805	23,805	201,737
Additional paid-in capital	45,437	45,437	385,059
Legal reserve	5,669	5,669	48,042
Retained earnings	186,586	215,365	1,825,127
Accumulated other comprehensive income	5,345	12,697	107,602
Treasury stock, at cost: - 296,994 shares in 2006			
307,481 shares in 2007	(258)	(298)	(2,525)
	266,584	302,675	2,565,042
	¥ 326,038	¥ 368,494	$ 3,122,831

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, 2005, 2006 AND 2007

	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
NET SALES	¥ 194,737	¥ 229,075	¥ 279,933	$ 2,372,314
Cost of sales	113,323	132,897	163,909	1,389,060
GROSS PROFIT	81,414	96,178	116,024	983,254
Selling, general and administrative expenses	52,646	58,726	66,802	566,118
Losses (gains) on disposals or sales of property, plant and equipment, net	1,234	(8,326)	(249)	(2,110)
Impairment of long-lived assets	577	–	1,295	10,975
Transfer to the government of the substitutional portion of pension plan	(4,441)	–	–	–
OPERATING INCOME	31,398	45,778	48,176	408,271
OTHER INCOME (EXPENSES):				
Interest and dividend income	1,157	1,301	1,364	11,559
Interest expenses	(588)	(364)	(316)	(2,678)
Exchange gains (losses) on foreign currency transactions, net	37	(258)	(418)	(3,542)
Realized gains on securities, net	453	2,918	918	7,780
Other, net	161	(232)	(401)	(3,398)
Total	1,220	3,365	1,147	9,721
INCOME BEFORE INCOME TAXES	32,618	49,143	49,323	417,992
PROVISION FOR INCOME TAXES:				
Current	10,071	9,365	16,486	139,712
Deferred	411	(633)	(4,134)	(35,034)
Total	10,482	8,732	12,352	104,678
NET INCOME	¥ 22,136	¥ 40,411	¥ 36,971	$ 313,314

	Yen			U.S. Dollars
	2005	2006	2007	2007
PER SHARE OF COMMON STOCK AND ADS:				
Net income				
Basic	¥ 153.9	¥ 281.1	¥ 257.3	$ 2.18
Diluted	148.8	281.1	257.3	2.18
Cash dividends paid for the year	24.0	55.0	57.0	0.48

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, 2005, 2006 AND 2007

	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
COMMON STOCK:				
Beginning balance	¥ 23,803	¥ 23,805	¥ 23,805	$ 201,737
Conversion of convertible bonds; 1,768 shares in 2005	2	–	–	–
Ending balance	¥ 23,805	¥ 23,805	¥ 23,805	$ 201,737
ADDITIONAL PAID-IN CAPITAL:				
Beginning balance	¥ 45,421	¥ 45,430	¥ 45,437	$ 385,059
Conversion of convertible bonds	2	–	–	–
Gain on sales of treasury stock	7	7	–	–
Ending balance	¥ 45,430	¥ 45,437	¥ 45,437	$ 385,059
LEGAL RESERVE:				
Beginning balance	¥ 5,669	¥ 5,669	¥ 5,669	$ 48,042
Ending balance	¥ 5,669	¥ 5,669	¥ 5,669	$ 48,042
RETAINED EARNINGS:				
Beginning balance	¥ 138,819	¥ 157,502	¥ 186,586	$ 1,581,237
Net income	22,136	40,411	36,971	313,314
Cash dividends	(3,453)	(7,907)	(8,192)	(69,424)
Retirement of treasury stock	–	(3,420)	–	–
Ending balance	¥ 157,502	¥ 186,586	¥ 215,365	$ 1,825,127
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX:				
Beginning balance	¥ (17,048)	¥ (9,249)	¥ 5,345	$ 45,297
Other comprehensive income for the year	7,799	14,594	7,515	63,686
Adjustment to initially apply SFAS No.158, net of tax	–	–	(163)	(1,381)
Ending balance	¥ (9,249)	¥ 5,345	¥ 12,697	$ 107,602
TREASURY STOCK:				
Beginning balance	¥ (3,316)	¥ (3,517)	¥ (258)	$ (2,186)
Purchases	(208)	(164)	(40)	(339)
Retirement and sales	7	3,423	–	–
Ending balance	¥ (3,517)	¥ (258)	¥ (298)	$ (2,525)
DISCLOSURE OF COMPREHENSIVE INCOME:				
Net income for the year	¥ 22,136	¥ 40,411	¥ 36,971	$ 313,314
Other comprehensive income for the year	7,799	14,594	7,515	63,686
Total comprehensive income for the year	¥ 29,935	¥ 55,005	¥ 44,486	$ 377,000

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, 2005, 2006 AND 2007

	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	¥ 22,136	¥ 40,411	¥ 36,971	$ 313,314
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation and amortization	5,381	5,922	8,773	74,347
Deferred income taxes	411	(633)	(4,134)	(35,034)
Realized gains on securities, net	(453)	(2,918)	(918)	(7,780)
Losses (gains) on disposals or sales of property, plant and equipment, net	1,234	(8,326)	(249)	(2,110)
Impairment of long-lived assets	577	–	1,295	10,975
Changes in assets and liabilities-				
Trade receivables	(1,995)	(5,011)	(6,398)	(54,220)
Inventories	(9,203)	(8,646)	(7,979)	(67,619)
Trade notes and accounts payables and accrued expenses	3,069	5,121	4,055	34,364
Income taxes payable	(770)	272	2,198	18,627
Accrued retirement and termination benefits	(4,900)	(346)	(1,702)	(14,424)
Other, net	1,355	(779)	448	3,797
Net cash provided by operating activities	16,842	25,067	32,360	274,237
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(6,655)	(11,383)	(12,980)	(110,000)
Purchases of available-for-sale securities	(20,091)	(19,449)	(26,798)	(227,102)
Purchases of held-to-maturity securities	(1,753)	(1,799)	(499)	(4,229)
Proceeds from sales of available-for-sale securities	2,422	16,750	6,635	56,229
Proceeds from maturities of available-for-sale securities	12,250	17,400	10,476	88,780
Proceeds from maturities of held-to-maturity securities	13,510	200	1,500	12,712
Proceeds from sales of property, plant and equipment	320	1,012	739	6,263
Decrease (increase) in time deposits	(38)	6,514	(5,035)	(42,669)
Cash paid for acquisition of business, net of cash acquired	–	(1,204)	(649)	(5,500)
Other, net	189	(386)	(665)	(5,637)
Net cash provided by (used in) investing activities	154	7,655	(27,276)	(231,153)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings	693	1,073	135	1,144
Redemption of bonds	(12,990)	–	-	-
Repayment of long-term indebtedness	–	(6,150)	-	-
Repayment of club members' deposits	(209)	(6,375)	-	-
Purchases of treasury stock, net	(194)	(154)	(40)	(339)
Cash dividends paid	(3,453)	(7,907)	(8,192)	(69,424)
Other, net	(24)	(35)	(210)	(1,779)
Net cash used in financing activities	(16,177)	(19,548)	(8,307)	(70,398)

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, 2005, 2006 AND 2007

	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	¥ (11)	¥ 496	¥ 1,297	$ 10,992
NET CHANGE IN CASH AND CASH EQUIVALENTS	808	13,670	(1,926)	(16,322)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,576	25,384	39,054	330,966
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 25,384	¥ 39,054	¥ 37,128	$ 314,644
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the year for-				
Interest	¥ 593	¥ 458	¥ 316	$ 2,678
Income taxes	10,841	9,093	14,289	121,093
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Amount due seller in connection with business acquisition	¥ –	¥ 649	¥ –	$ –
Release from obligation for club members' deposits	–	6,461	–	–
Reduction of short-term borrowings and long-term indebtedness by disposal of a subsidiary	–	2,177	–	–

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Makita Corporation (the "Company") is a recognized leader in the manufacture and sale power tools. The Company and its consolidated subsidiaries' main products include drills, rotary hammers, demolition hammers, grinders and cordless impact drivers. The Company and its consolidated subsidiaries (collectively "Makita") also manufacture and sell pneumatic tools and garden tools.

Domestic sales in Japan are made by the Company, while overseas sales are made almost entirely through sales subsidiaries and distributors under the Makita or Maktec brand name. Approximately 83.3% of consolidated net sales for the year ended March 31, 2007, were generated from customers outside Japan, with 44.3% from Europe, 18.4% from North America and 20.6% from Asia and other areas.

Makita's manufacturing and assembly operations are conducted primarily at three plants in Japan and eight plants overseas, located in the United States, Germany, the United Kingdom, Brazil, China (two plants), Canada and Romania.

2. BASIS OF PRESENTING FINANCIAL STATEMENTS

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 countries 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 U.S. generally accepted accounting principles ("U.S. GAAP").

3. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, all of its majority owned subsidiaries and those variable interest entities where Makita is the primary beneficiary under Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003) ("FIN 46R"), "Consolidation of Variable Interest Entities." All significant inter-company balances and transactions have been eliminated in consolidation. Makita does not have any consolidated variable interest entities as set out in FIN 46R.

(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 currencies are translated at the exchange rate in effect at each fiscal year-end and income and expenses are translated at the average rates of exchange prevailing during each fiscal year. The local currencies of the overseas subsidiaries are regarded as their functional currencies. The resulting currency translation adjustments are included in accumulated other comprehensive income in shareholders' equity.

Gains and losses resulting from all foreign currency transactions, including foreign exchange contracts, and translation of receivables and payables denominated in foreign currencies are included in other income (expenses).

(c) Cash equivalents

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

(d) Marketable and Investment Securities

Makita accounts for marketable and investment securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires all investments in debt and marketable equity securities to be classified as either trading, available-for-sale securities or held-to-maturity securities. Makita classifies investments in debt and marketable equity securities as available-for-sale or held-to-maturity securities. Makita does not hold any marketable and investment securities, which are bought and held primarily for the purpose of sale in the near term.

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 accumulated other comprehensive income, net of applicable income taxes. Non-marketable equity securities are carried at cost and reviewed periodically for impairment. Held-to-maturity securities are reported at amortized cost, adjusted for the amortization or accretion of premiums or discounts.

A decline in fair value of any available-for-sale or held-to-maturity security below the amortized cost basis that is deemed to be other-than-temporary results in a write-down of the amortized cost basis to the fair value as a new cost basis and the amount of the write-down is included in earnings.

Available-for-sale securities are periodically reviewed for other-than-temporary declines on criteria that include the length and magnitude of decline, the financial condition and prospects of the issuer, Makita's intent and ability to retain the investment for a period of time to allow for recovery in market value and other relevant factors.

Held-to-maturity securities are periodically evaluated for possible impairment by taking into consideration the financial condition, business prospects and credit worthiness of the issuer. Impairment is measured based on the amount by which the carrying amount of the investment exceeds its fair value. Fair value is determined based on quoted market prices or other valuation techniques as appropriate.

Makita classifies marketable securities, which are available for current operations, in current assets. 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 into earnings is determined by the average cost method.

(e) Allowance for Doubtful Receivables

Allowance for doubtful receivables represents the Makita's best estimate of the amount of probable credit losses in its existing receivables. The allowance is determined based on, but is not limited to, historical collection experience adjusted for the effects of the current economic environment, assessment of inherent risks, aging and financial performance. Account balances are charged off against the allowance after all means of collection have been exhausted and the potentiality for recovery is considered remote.

(f) Inventories

Inventory costs include raw materials, labor and manufacturing overheads. Inventories are valued at the lower of cost or market price, with cost determined principally based on the average cost method. Makita estimates the obsolescence of inventory based on the difference between the cost of inventory and its estimated market value reflecting certain assumptions about anticipated future demand. The carrying value of inventory is then reduced to account for such obsolescence. Once inventory items are written-down or written-off, such items are not written-up subsequently. All existing and anticipated modifications to product models are evaluated against on-hand inventories, and are adjusted for potential obsolescence.

(g) Property, Plant and Equipment and Depreciation

For the Company, depreciation of property, plant and equipment is computed principally by using the declining-balance method over the estimated useful lives. Most of the consolidated subsidiaries have adopted the straight-line method for computing depreciation. The depreciation period generally ranges from 10 years to 60 years for buildings and improvements and from 3 years to 20 years for machinery and equipment. The cost and accumulated depreciation and amortization applicable to assets retired are removed from the accounts and any resulting gain or loss is recognized. Betterments, renewals and extraordinary repairs that extend the life of the assets are capitalized. Other maintenance and repair costs are expensed as incurred.

Depreciation expense for the years ended March 31, 2005, 2006 and 2007 amounted to ¥5,175 million, ¥5,710 million and ¥8,495 million ($71,992 thousand), respectively, which included amortization of capitalized lease equipment.

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 amortization as of March 31, 2006 and 2007, was as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
Aggregate cost	¥ 656	¥ 348	$ 2,949
Accumulated amortization	510	220	1,864

(h) Goodwill and Other Intangible Assets

Makita follows the provisions of SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets". SFAS No. 141 requires the use of only the purchase method of accounting for business combinations and refines the definition of intangible assets acquired in a purchase business combination. SFAS No. 142 eliminates the amortization of goodwill and instead requires annual impairment testing thereof. SFAS No. 142 also requires acquired intangible assets with a definite useful life to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Any acquired intangible asset determined to have an indefinite useful life is not amortized, but instead is tested for impairment based on its fair value until its life would be determined to be no longer indefinite. In connection with the impairment evaluation, SFAS No. 142 requires Makita to perform an assessment of whether there is an indication that goodwill is impaired. To accomplish this, Makita identifies its reporting units, determines the carrying value of each reporting unit by assigning the assets and liabilities, including existing goodwill and intangible assets to those reporting units, and determines the fair value of each reporting unit.

(i) Environmental Liabilities

Liabilities for environmental remediation and other environmental costs, if any, are accrued when environmental assessments or remedial efforts are probable and the costs can be reasonably estimated. Such liabilities are adjusted as further information develops or circumstances change. Costs of future obligations are not discounted to their present values.

(j) 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 ¥4,446 million, ¥4,826 million and ¥5,460 million ($46,271 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

Advertising costs are also expensed as incurred and totaled ¥4,381 million, ¥5,138 million and ¥6,002 million ($50,864 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

(k) 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 ¥5,305 million, ¥6,774 million and ¥7,637 million ($64,720 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

(l) Income Taxes

Makita accounts for income taxes in accordance with the provision of 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 the 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.

(m) 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 costs 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.

(n) Pension Plans

Makita accounts for pension plans in accordance with the provisions of SFAS No. 87, "Employers' Accounting for Pensions." Under SFAS No. 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 the 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 cases, 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.

On September 29, 2006, SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" was issued. SFAS No.158 requires, among other things, the recognition of the funded status of each defined pension benefit plan, retiree health care and other postretirement benefit plans and postemployment benefit plans on the balance sheet. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. The initial impact of the standard due to unrecognized prior service costs or credits and net actuarial gains or losses as well as subsequent changes in the funded status is recognized as a component of accumulated comprehensive income in shareholders' equity. Additional minimum pension liabilities ("AML") and related intangible assets are also derecognized upon adoption of the new standard. SFAS No.158 requires initial application for fiscal years ending after December 15, 2006. Makita adopted SFAS 158 as of March 31, 2007.

(o) Earnings Per Share

Basic earnings per share is 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 had been converted at the beginning of the year or at the time of issuance unless they were antidilutive.

(p) Impairment of Long-Lived Assets

Makita accounts for impairment of long lived assets with finite useful lives in accordance with the provisions of SFAS No. 144. Long-lived assets, such as property, plant and equipment, and certain intangible assets subject to amortization, are reviewed for impairment whenever events or charges in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flow. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. The fair value is determined by independent third party appraisal, projected discounted cash flows or other valuation techniques as appropriate. Assets to be disposed of, if any, are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(q) Derivative Financial Instruments

Makita conforms to SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” as amended. Makita recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. 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.

Makita employs derivative financial instruments, including forward foreign currency exchange contracts, foreign currency options, interest rate swaps and currency swap agreements to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. Makita does not use derivatives for speculation or trading purpose. Changes in the fair value of derivatives are recorded each period in current earnings depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges is recognized currently in operations.

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures 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.

Makita 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 an allowance for doubtful receivables, impairment of long-lived assets, realizability of deferred income tax assets, the determination of unrealized losses on securities for which the decline in market value is considered to be other than temporary, the actuarial assumptions on retirement and termination benefit plans and valuation of inventories.

(s) Revenue Recognition

Makita recognizes revenue at the time of delivery or shipment when all of the following conditions are met. (1) The sales price is fixed and determinable, (2) Collectibility is reasonably assured, (3) The title and risk of loss pass to the customer, and (4) Payment terms are established consistent with Makita’s normal payment terms.

Makita offers sales incentives to qualifying customers through various incentive programs. Sales incentives primarily involve volume-based rebates, cooperative advertisings and cash discounts, and are accounted for in accordance with the Emerging Issues Task Force Issue No. 01-9 (“EITF 01-9”), “Accounting for Consideration by a Vendor to a Customer (including a Reseller of vendor’s product).”

Volume-based rebates are provided to customers only if customers attain a pre-determined cumulative level of revenue transactions within a specified period of one year or less. Liabilities for volume-based rebates are recognized with a corresponding reduction of revenue for the expected sales incentive at the time the related revenue is recognized, and are based on the estimation of sales volume reflecting the historical performance of individual customers.

Cooperative advertising is provided to certain customers as contribution or sponsored fund for advertisements. Under cooperative advertising programs, Makita does not receive an identifiable benefit sufficiently separable from its customers. Accordingly, cooperative advertisings are also accounted as a reduction of revenue.

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

When repairs are made and charged to customers, the revenue from this source is recognized when the repairs have been completed and the item is shipped to the customer.

(t) New Accounting Standards

In June 2006, the FASB issued FASB Interpretation No. 48(FIN 48), “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109”. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal periods beginning after December 15, 2006 and is required to be adopted by Makita, in the fiscal year beginning April 1, 2007. Makita is currently evaluating the effect that the adoption of FIN 48 will have on its consolidated results of operations and financial condition but does not expect FIN 48 to have a material impact.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”, which provides a definition of fair value measurements. SFAS No 157 is effective for fiscal periods beginning after November 15, 2007 and is required to be adopted by Makita, in the fiscal year beginning April 1, 2008. Makita does not expect the adoption of SFAS No. 157 will have a material impact on its consolidated results of operations and financial condition.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115”, which permits an entity to measure many financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings. SFAS No 159 is effective for fiscal periods beginning after November 15, 2007 and is required to be adopted by Makita, in the fiscal year beginning April 1, 2008. Makita is currently evaluating the effect that the adoption of SFAS No. 159 will have on its consolidated results of operations and financial condition but does not expect SFAS No. 159 to have a material impact.

(u) 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, 2007.

4. TRANSLATION OF FINANCIAL STATEMENTS

Solely for the convenience of readers, the accompanying consolidated financial statement amounts for the year ended March 31, 2007, 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 ¥118 to US$1 at March 31, 2007. 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 the rate indicated.

5. INVENTORIES

Inventories as of March 31, 2006 and 2007 comprised the following:

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
Finished goods	¥ 64,121	¥ 75,859	$ 642,873
Work in process	2,338	2,308	19,559
Raw materials	13,362	14,633	124,009
	¥ 79,821	¥ 92,800	$ 786,441

6. IMPAIRMENT OF LONG LIVED ASSETS

For the year ended March 31, 2005, Makita, as part of its facilities integration and cost cutting plans, decided to vacate a certain information technology facility. Makita classified the related land and buildings as assets to be held and used, and recorded an impairment charge totaling ¥577 million. The fair value of the related assets was determined by independent third party appraisal considering the estimated net cash flows from effecting the sale to a third party purchaser. Presently, Makita has not decided how and when to dispose of the facility.

In December 2003, in connection with the evaluation of its corporate wide marketing, promotional activities, and the cost benefit relationship, Makita made a decision to no longer consider a golf course owned by its consolidated subsidiary, Joyama Kaihatsu, Ltd., as a corporate asset and to curtail utilizing such golf course for promotional, entertainment and employee welfare purposes. As a result of this decision, the company performed an impairment analysis by considering cash flows expected to be generated from the golf course on a stand alone basis and recorded an impairment charge totaling ¥5,996 million to reduce the carrying value to its estimated fair value, as determined on a discounted cash flow basis for the year ended March 31, 2004. On May 7, 2005, the Nagoya District Court confirmed a civil rehabilitation plan for Joyama Kaihatsu. On May 31, 2005, upon confirmation of the civil rehabilitation plan, Makita completed the disposition of Joyama Kaihatsu. As a result, Makita recorded gains on disposals or sales of property, plant and equipment of ¥8,326 million for the year ended March 31, 2006. Such gains included ¥8,479 million of gain on sale of Makita's ownership interests of Joyama Kaihatsu to a third party.

During the year ended March 31, 2007, Makita decided to transfer the manufacturing business (stationary woodworking machines) of its consolidated subsidiary, Makita Ichinomiya Corporation, to Makita's Okazaki plant in order to streamline the production function in Japan no later than December 2007. Following the transfer in 2008, Makita plans to dispose of the facility.
As a result of this decision, Makita performed an impairment assessment pursuant to the provisions of SFAS No. 144 and estimated the carrying amount of the facility would not be recovered by the future cash flows. Consequently, Makita recorded an impairment charge totaling ¥1,295 million. The fair value of the related assets was determined by independent third party appraisal considering the estimated net cash flows from the sale to a third party purchaser.

7. 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, fair value and carrying amount for such securities by major security type as of March 31, 2006 and 2007, were as follows:

	Yen (millions)				
		Gross Unrealized Holding			
As of March 31, 2006	Cost	Gains	Losses	Fair value	Carrying Amount
Available-for-sale:					
Marketable securities:					
Japanese and foreign government debt securities	¥ 1	¥ –	¥ –	¥ 1	¥ 1
Corporate and bank debt securities	4,376	77	78	4,375	4,375
Investments in trusts	36,874	1,691	57	38,508	38,508
Marketable equity securities	1,496	2,093	–	3,589	3,589
	¥ 42,747	¥ 3,861	¥ 135	¥ 46,473	¥ 46,473
Investment securities:					
Corporate and bank debt securities	¥ 42	¥ –	¥ –	¥ 42	¥ 42
Investments in trusts	666	109	–	775	775
Marketable equity securities	10,334	16,466	–	26,800	26,800
Non-marketable equity securities (carried at cost)	572	–	–	572	572
	¥ 11,614	¥ 16,575	¥ –	¥ 28,189	¥ 28,189
Held-to-maturity:					
Marketable securities:					
Japanese corporate debt securities	¥ 1,300	¥ –	¥ –	¥ 1,300	¥ 1,300
	¥ 1,300	¥ –	¥ –	¥ 1,300	¥ 1,300
Investment securities:					
Japanese government debt securities	¥ 300	¥ –	¥ 3	¥ 297	¥ 300
Japanese corporate debt securities	1,950	–	122	1,828	1,950
	¥ 2,250	¥ –	¥ 125	¥ 2,125	¥ 2,250
Total marketable securities	¥ 44,047	¥ 3,861	¥ 135	¥ 47,773	¥ 47,773
Total investment securities	¥ 13,864	¥ 16,575	¥ 125	¥ 30,314	¥ 30,439

As of March 31, 2007	Yen (millions) Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair value	Carrying Amount
Available-for-sale:					
Marketable securities:					
Foreign government debt securities	¥ 1	¥ -	¥ -	¥ 1	¥ 1
Corporate and bank debt securities	6,437	10	1	6,446	6,446
Investments in trusts	45,115	2,025	64	47,076	47,076
Marketable equity securities	1,481	1,914	-	3,395	3,395
	¥ 53,034	¥ 3,949	¥ 65	¥ 56,918	¥ 56,918
Investment securities:					
Investments in trusts	¥ 720	¥ 264	¥ 12	¥ 972	¥ 972
Marketable equity securities	10,546	13,856	12	24,390	24,390
Non-marketable equity securities (carried at cost)	567	-	-	567	567
	¥ 11,833	¥ 14,120	¥ 24	¥ 25,929	¥ 25,929
Held-to-maturity:					
Marketable securities:					
Japanese government debt securities	¥ 299	¥ -	¥ -	¥ 299	¥ 299
Japanese corporate debt securities	1,000	-	1	999	1,000
	¥ 1,299	-	1	1,298	1,299
Investment securities:					
Japanese corporate debt securities	1,350	-	107	1,243	1,350
	¥ 1,350	¥ -	¥ 107	¥ 1,243	¥ 1,350
Total marketable securities	¥ 54,333	¥ 3,949	¥ 66	¥ 58,216	¥ 58,217
Total investment securities	¥ 13,183	¥ 14,120	¥ 131	¥ 27,172	¥ 27,279

	U.S. Dollars (thousands)				
		Gross Unrealized Holding			
As of March 31, 2007	Cost	Gains	Losses	Fair value	Carrying Amount
Available-for-sale:					
Marketable securities:					
Foreign government debt securities	$ 8	$ -	$ -	$ 8	$ 8
Corporate and bank debt securities	54,551	85	8	54,628	54,628
Investments in trusts	382,331	17,161	543	398,949	398,949
Marketable equity securities	12,551	16,220	-	28,771	28,771
	$ 449,441	$ 33,466	$ 551	$ 482,356	$ 482,356
Investment securities:					
Investments in trusts	$ 6,102	$ 2,237	$ 102	$ 8,237	$ 8,237
Marketable equity securities	89,373	117,424	102	206,695	206,695
Non-marketable equity securities (carried at cost)	4,805	-	-	4,805	4,805
	$ 100,280	$ 119,661	$ 204	$ 219,737	$ 219,737
Held-to-maturity:					
Marketable securities:					
Japanese government debt securities	$ 2,534	$ -	$ -	$ 2,534	$ 2,534
Japanese corporate debt securities	8,474	-	8	8,466	8,474
	$ 11,008	$ -	$ 8	$ 11,000	$ 11,008
Investment securities:					
Japanese corporate debt securities	$ 11,441	$ -	$ 907	$ 10,534	$ 11,441
	$ 11,441	$ -	$ 907	$ 10,534	$ 11,441
Total marketable securities	$ 460,449	$ 33,466	$ 559	$ 493,356	$ 493,364
Total investment securities	$ 111,721	$ 119,661	$ 1,111	$ 230,271	$ 231,178

Investments in trusts represent funds deposited with trust banks in multiple investor accounts and managed by the fund managers of the trust banks. As of March 31, 2006 and 2007, each fund consisted of marketable equity securities and interest-bearing bonds. Non-marketable equity securities are carried at cost and reviewed periodically for impairment. The fair value of the non-marketable equity securities is not readily determinable.

The following table shows our investments' gross unrealized holding 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, 2007. The securities that are held to maturity each have a strong credit rating and Makita has both the intent and ability to hold such investments to maturity; therefore, Makita believes that it will not realize any losses on the held-to-maturity securities.

	Yen (millions)			
	Less than 12 months		12 months or more	
As of March 31, 2007	Fair value	Gross Unrealized Holding Losses	Fair value	Gross Unrealized Holding Losses
Available-for-sale:				
Marketable securities:				
Corporate and bank debt securities	¥ 3,418	¥ 1	¥ –	¥ –
Investments in trusts	2,523	64	–	–
	¥ 5,941	¥ 65	¥ –	¥ –
Investment securities:				
Investments in trusts	¥ 201	¥ 12	¥ –	¥ –
Marketable equity securities	288	12	–	–
	¥ 489	¥ 24	¥ –	¥ –
Held-to-maturity:				
Marketable securities:				
Japanese corporate debt securities	¥ 799	¥ 1	¥ –	¥ –
	¥ 799	¥ 1	¥ –	¥ –
Investment securities:				
Japanese corporate debt securities	¥ –	¥ –	¥ 1,243	¥ 107
	¥ –	¥ –	¥ 1,243	¥ 107

	U.S. Dollars (thousands)			
	Less than 12 months		12 months or more	
As of March 31, 2007	Fair value	Gross Unrealized Holding Losses	Fair value	Gross Unrealized Holding Losses
Available-for-sale:				
Marketable securities:				
Corporate and bank debt securities	$ 28,966	$ 8	$ –	$ –
Investments in trusts	21,381	542	–	–
	$ 50,347	$ 550	$ –	$ –
Investment securities:				
Investments in trusts	$ 1,703	$ 102	$ –	$ –
Marketable equity securities	2,441	102	–	–
	$ 4,144	$ 204	$ –	$ –
Held-to-maturity:				
Marketable securities:				
Japanese corporate debt securities	$ 6,771	$ 8	$ –	$ –
	$ 6,771	$ 8	$ –	$ –
Investment securities:				
Japanese corporate debt securities	$ –	$ –	$ 10,534	$ 907
	$ –	$ –	$ 10,534	$ 907

Maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2007, regardless of their balance sheet classification, were as follows:

Maturities of debt securities based on Cost as of March 31, 2007

	Yen (millions)			U.S.Dollars (thousands)		
	Available-for-sale	Held-to-maturity	Total	Available-for-sale	Held-to-maturity	Total
Due within one year	¥ 5,025	¥ 1,299	¥ 6,324	$ 42,585	$ 11,008	$ 53,593
Due after one to five years	1	750	751	8	6,356	6,364
Due after five to ten years	95	-	95	805	-	805
Due after ten years	1,317	600	1,917	11,161	5,085	16,246
Total	¥ 6,438	¥ 2,649	¥ 9,087	$ 54,559	$ 22,449	$ 77,008

Maturities of debt securities based on Fair Value as of March 31, 2007

	Yen (millions)			U.S.Dollars (thousands)		
	Available-for-sale	Held-to-maturity	Total	Available-for-sale	Held-to-maturity	Total
Due within one year	¥ 5,024	¥ 1,298	¥ 6,322	$ 42,576	$ 11,000	$ 53,576
Due after one to five years	1	742	743	8	6,288	6,296
Due after five to ten years	97	-	97	822	-	822
Due after ten years	1,325	501	1,826	11,230	4,246	15,476
Total	¥ 6,447	¥ 2,541	¥ 8,988	$ 54,636	$ 21,534	$ 76,170

Gross realized gains on sales of marketable securities and investment securities for the years ended March 31, 2005, 2006 and 2007 amounted to ¥543 million and ¥437 million and ¥1,096 million ($9,288 thousand), respectively. Effective October 1, 2005, UFJ Holdings Co., Ltd., and Mitsubishi Tokyo Financial Group Co., Ltd., completed a merger in which, the shares of common stock owned by the Company in UFJ Holdings were exchanged for shares of common stock of the newly merged entity, Mitsubishi UFJ Financial Group Co., Ltd. As a result of this merger and common share exchange, the Company realized a gain on securities of ¥2,528 million for the year ended March 31, 2006. Gross realized losses, which included the gross realized losses considered as other than temporary, during the years ended March 31, 2005, 2006 and 2007 amounted to ¥90 million, ¥47 million and ¥178 million ($1,508 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 ¥82 million, ¥47 million and ¥159 million ($1,347 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively. Proceeds from the sales and maturities of available-for-sale securities were ¥14,672 million, ¥34,150 million and ¥17,111 million ($145,008 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively. Proceeds from maturities of the held-to-maturity securities were ¥13,510 million, ¥200 million and ¥1,500 million ($12,712 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

8. ACQUISITIONS

To strengthen its position in the automatic nailer business as a comprehensive supplier of tools for professional use, Makita acquired the automatic nailer business of Kanematsu-NNK Corporation (the "Business") on January 1, 2006 for total cash consideration of ¥1,853 million including direct acquisition costs of which, ¥649 million was paid in April 2006 and included in other payables in the accompanying consolidated balance sheet at March 31, 2006.

The Company used the purchase method of accounting to account for the acquisition of the Business. Accordingly, the financial position and the results of the operation of the Business are included in the accompanying consolidated financial statements from the acquisition date. The financial position and the results of the operation of the Business are included in the Japan segment. The Company has allocated the purchase price based on the fair value of the tangible and intangible assets acquired and liabilities assumed. The excess of purchase price compared to the fair value of the net assets acquired (the "Goodwill") was ¥793 million. Makita presented the goodwill of ¥779 million and ¥764 million ($6,475 thousand) in the accompanying consolidated balance sheets as of March 31,2006 and 2007, respectively. The Goodwill is amortized and deductible for Japanese tax purpose.

In connection with this acquisition, intangible assets of the Business comprised patents of ¥179 million ($1,516 thousand), which were estimated to have a remaining useful life of 8 years, and customer relationships of ¥135 million ($1,144 thousand), which were estimated to have a remaining useful life of 10 years. These assets were recorded and presented as other intangible assets, net in the accompanying consolidated balance sheets.

9. INCOME TAXES

Income before income taxes and the provision for income taxes for the years ended March 31, 2005, 2006 and 2007 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
Income before income taxes:				
Domestic	¥ 15,837	¥ 26,895	¥ 16,341	$ 138,483
Foreign	16,781	22,248	32,982	279,509
	¥ 32,618	¥ 49,143	¥ 49,323	$ 417,992
Provision for income taxes:				
Current-				
Domestic	¥ 5,121	¥ 3,171	¥ 8,366	$ 70,898
Foreign	4,950	6,194	8,120	68,814
	10,071	9,365	16,486	139,712
Deferred-				
Domestic	589	(166)	(2,453)	(20,788)
Foreign	(178)	(467)	(1,681)	(14,246)
	411	(633)	(4,134)	(35,034)
Consolidated provision for income taxes	¥ 10,482	¥ 8,732	¥ 12,352	$ 104,678

Total income taxes were allocated as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
Provision for income taxes	¥ 10,482	¥ 8,732	¥ 12,352	$ 104,678
Shareholders' equity:				
Foreign currency translation adjustments	945	272	93	788
Net unrealized holding gains on available-for-sale securities	60	3,363	(935)	(7,923)
Minimum Pension liability adjustment	3,403	1,360	66	559
Adjustment to initially apply SFAS No.158	-	-	(110)	(932)
	¥ 14,890	¥ 13,727	¥ 11,466	$ 97,170

For the years ended March 31, 2005 and 2006, residual tax effects of ¥168 million and ¥336 million previously recorded in accumulated other comprehensive income (minimum pension liability adjustments) were released and recorded as a reduction to income tax expense in the consolidated statements of income as a result of the elimination of the minimum pension liability adjustment.

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 7.9%, which in the aggregate resulted in a combined statutory income tax rate of approximately 40.3% for the years ended March 31, 2005, 2006 and 2007.

A reconciliation of the combined statutory income tax rates to the effective income tax rates was as follows:

	Year ended March 31,		
	2005	2006	2007
Combined statutory income tax rate in Japan	40.3%	40.3%	40.3%
Non-deductible expenses	0.6	0.6	0.8
Non-taxable dividends received	(0.1)	(0.2)	(0.1)
Change in valuation allowance	(2.1)	(11.3)	(5.4)
Effect of changes in enacted tax rate	(0.5)	(0.7)	–
Tax sparing impact	(5.5)	(3.5)	(2.1)
Effect of the foreign tax rate differential	(2.8)	(6.7)	(10.4)
Other, net	2.2	(0.7)	1.9
Effective income tax rate	32.1%	17.8%	25.0%

According to the provisions of the tax treaties which have been concluded between Japan and 15 countries, Japanese corporations can claim a tax credit against Japanese income taxes on income earned in one of those 15 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 were provided. The Company applied such "tax sparing" mainly to China with the indicated tax reduction effect. The effect of the "tax sparing" resulted in a decrease of tax expense by ¥1,790 million or 5.5%, ¥1,706 million or 3.5% and ¥1,021 million or 2.1% ($8,652 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

The net change in the total valuation allowance for the year ended March 31, 2005, was a decrease of ¥617 million, which was mainly caused by the realization of benefits from net operating losses carry forwards of certain consolidated subsidiaries. In addition to this decrease in valuation allowance, a decrease due to tax sparing and other miscellaneous adjustments had the effect of decreasing Makita's effective tax rate by 8.2% to the effective tax rate of 32.1% from the statutory tax rate of 40.3% for the year ended March 31, 2005.

For the year ended March 31, 2006, following the completion of the civil rehabilitation proceedings and the sale of the golf course, previously unrecognized deferred tax asset were realized in connection with the gain on sale of golf course and the related valuation allowance of ¥ 5,782 million was reversed. Therefore, the total valuation allowance for the year ended March 31, 2006 was a decrease of ¥5,238 million, including the effects of translation, resulting in a reduction of income tax expense. This decrease in valuation allowance as well as a decrease due to the tax sparing and other miscellaneous adjustments had the effect of decreasing Makita's effective tax rate by 22.5% to the effective rate of 17.8% from the statutory tax rate of 40.3% for the year ended March 31, 2006.

For the year ended March 31, 2007, the Company reversed the valuation allowance on deferred tax assets related to certain subsidiaries based on the improved results of operation and a steady outlook for the future operations of these subsidiaries, resulting in a decrease the total valuation allowance, including the effects of translation, by ¥2,655 million. Also, an effect of the foreign tax rate differential of ¥5,133 million was recorded, almost half the amount was attributable to a profit increase of subsidiaries located in China where these Chinese subsidiaries have been granted tax holiday benefits. As a result, the effective tax rate for the year ended March 31, 2007 was 25.0%, a decrease of 15.3% as compared with the statutory income tax rate of 40.3%, due mainly to a decrease in valuation allowance and an effect of the foreign tax rate differential.

The significant components of deferred income tax expense attributable to income before income taxes for the years ended March 31, 2005, 2006 and 2007 were as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
Deferred tax expense (exclusive of the effects of other components below)	¥ 619	¥ (1,035)	¥ (1,467)	$ (12,432)
Increase (decrease) in beginning-of-the-year balance of the valuation allowance for deferred tax assets	(208)	402	(2,667)	(22,602)
	¥ 411	¥ (633)	¥ (4,134)	$ (35,034)

Significant components of deferred income tax assets and liabilities as of March 31, 2006 and 2007, were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
Deferred income tax assets:			
Marketable securities and investment securities	¥ 1,071	¥ 1,039	$ 8,805
Accrued retirement and termination benefits	426	178	1,509
Inventories	1,764	1,670	14,153
Property, plant and equipment	1,750	3,197	27,093
Accrued payroll	1,989	2,043	17,314
Net operating loss carryforwards	868	772	6,542
Other	1,153	1,105	9,364
Total gross deferred income tax assets	9,021	10,004	84,780
Valuation allowance	(2,973)	(318)	(2,695)
	¥ 6,048	¥ 9,686	$ 82,085
Deferred income tax liabilities:			
Undistributed earnings of overseas subsidiaries	¥ (791)	¥ (183)	$ (1,551)
Unrealized gain on available-for-sale securities	(8,181)	(7,245)	(61,398)
Property, plant and equipment	(809)	(796)	(6,746)
Other	(7)	(19)	(161)
Total gross deferred income tax liabilities	¥ (9,788)	¥ (8,243)	$ (69,856)
Net deferred income tax liabilities	¥ (3,740)	¥ 1,443	$ 12,229

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

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
Deferred income taxes			
Current assets	¥ 3,661	¥ 5,080	$ 43,051
Investment and other assets	698	1,367	11,585
Current liabilities	(176)	(28)	(237)
Long-term liabilities	(7,923)	(4,976)	(42,170)
	¥ (3,740)	¥ 1,443	$ 12,229

In assessing the realizability of deferred income tax assets, Makita 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 and net operating loss carryforwards are utilized. Makita 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, Makita believes it is more likely than not that the benefits of these deductible differences and net operating loss carryforwards, net of the existing valuation allowance, will be realized. The actual amount of the deferred income tax assets 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 recorded by certain subsidiaries.

As of March 31, 2007, certain subsidiaries had net operating loss carryforwards for income tax purposes of ¥4,632 million ($39,254 thousand) which are available to offset future taxable income, if any. The net operating losses will expire as follows:

	Yen (millions)	U.S. Dollars (thousands)
Within 5 years	¥ 550	$ 4,661
6 to 20 years	2,665	22,585
Indefinite periods	1,417	12,008
	¥ 4,632	$ 39,254

Income taxes have not been accrued on undistributed earnings of domestic subsidiaries as the tax law provides a means by which the investment in a domestic subsidiary can be recovered tax free.

Makita has not recognized deferred tax liabilities for certain portions of undistributed earnings of foreign subsidiaries in the total amount of ¥66,331 million ($562,127 thousand) as of March 31, 2007 because Makita considers these earnings to be indefinitely reinvested, and the calculation of the unrecognized deferred tax liabilities is not practicable.

10. RETIREMENT AND TERMINATION BENEFIT PLANS

The Company and certain of its consolidated subsidiaries have various contributory and noncontributory employee 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 covers substantially all of the employees of the Company.

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.

The following table summarizes the effect of required changes in the AML as of March 31, 2007 prior to the adoption of SFAS No.158 as well as the impact of the initial adoption of SFAS No.158.

	Yen (millions)			U.S. Dollars (thousands)
	Before Application of SFAS158	Adjustment	After Application of SFAS158	After Application of SFAS158
Other assets	¥ 4,745	¥ (280)	¥ 4,465	$ 37,839
Other liabilities	–	(171)	(171)	(1,449)
Accrued retirement and termination benefits	(3,405)	178	(3,227)	(27,347)
Deferred income taxes	104	110	214	1,814
Accumulated other comprehensive loss	184	163	347	2,941

Until June, 2004, the domestic contributory plan was 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 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.
The Company accounted 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 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." The aggregate effect of this separation was determined based on the Company's pension benefit obligation as of the date the transfer was completed based on the determination of plan assets required to be transferred.

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 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 ¥ 9,128 million in the first fiscal quarter ended June 30, 2004. In addition, the Company recognized 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 the settlement, both of which exclude the effect of future salary progression relating to the substitutional portion, times the net unrecognized gain or loss immediately prior to the settlement, which amounted to ¥ 4,687 million. This resulting net gain of ¥4,441 million is included in operating income for the year ended March 31, 2005.

Effective April 1, 2004, the Company's employee pension plan was amended by a new defined benefit plan that provides benefits based on length of service and other factors in a manner similar to the predecessor defined benefit plan, however, at a reduced rate. The reduction in the pension benefit obligation as of the effective date in the amount of ¥3,089 million was accounted for as a negative plan amendment and is included in prior service cost which are being amortized into net periodic pension costs over the weighted average remaining service period of the plan participants.

The net periodic pension costs (benefit) of the defined benefit plans for the years ended March 31, 2005, 2006 and 2007 consisted of the following components:

	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
Service cost-benefit earned during the year	¥ 1,332	¥ 1,592	¥ 1,611	$ 13,652
Interest cost on projected benefit obligation	852	776	804	6,814
Expected return on plan assets	(590)	(635)	(1,268)	(10,746)
Amortization of prior service cost	(215)	(215)	(215)	(1,822)
Amortization of net transition obligation	39	62	37	314
Recognized actuarial loss	518	482	428	3,627
Net gain resulting from transfer to the government of the substitutional portion of pension plan	(4,441)	–	–	–
Net periodic pension costs (benefit)	¥ (2,505)	¥ 2,062	¥ 1,397	$ 11,839

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

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 35,853	¥ 37,580	$ 318,475
Service cost	1,592	1,611	13,652
Interest cost	776	804	6,814
Curtailment	(32)	–	–
Actuarial gains	(239)	(1,551)	(13,144)
Business acquired	530	–	–
Benefits paid	(1,027)	(1,306)	(11,068)
Foreign exchange impact	127	251	2,127
Benefit obligation at end of year	37,580	37,389	316,856
Change in plan assets:			
Fair value of plan assets at beginning of year	28,289	34,922	295,949
Actual return on plan assets	5,099	1,785	15,127
Employer contributions	2,292	2,915	24,703
Business acquired	131	–	
Benefits paid	(926)	(1,168)	(9,898)
Foreign exchange impact	37	2	17
Fair value of plan assets at end of year	34,922	38,456	325,898
Funded status	¥ (2,658)	¥ 1,067	$ 9,043
Unrecognized net actuarial loss	5,867		
Prior service cost not yet recognized in net periodic benefit cost	(3,141)		
Unrecognized net transition obligation being recognized over 19 years	78		
Net amount recognized	¥ 146		
Amounts recognized in the consolidated balance sheet consisted of;			
Accrued benefit cost	¥ (2,901)		
Prepaid benefit cost	2,599		
Intangible assets	–		
Accumulated other comprehensive loss, before income taxes	448		
Net amount recognized	¥ 146		
Amounts recognized in accumulated other comprehensive income consisted of			
Net actuarial loss		¥ 3,446	$ 29,203
Prior service cost		(2,926)	(24,797)
Net transition obligation being recognized over 19 years		41	348
		¥ 561	$ 4,754
Amounts recognized in the consolidated balance sheet consisted of;			
Non-current assets		¥ 4,465	$ 37,839
Current liabilities		(171)	(1,449)
Non-current liabilities		(3,227)	(27,347)
		¥ 1,067	$ 9,043

Measurement date

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

Assumptions

The weighted-average assumptions used to determine benefit obligations at March 31, 2006 and 2007, were as follows:

	2006	2007
Discount rate	2.2%	2.5%
The assumed rate of increase in future compensation levels	3.3%	3.3%

The weighted-average assumptions used to determine net periodic pension cost for each of the years in the three-year period ended March 31, 2007, were as follows:

	2005	2006	2007
Discount rate	2.2%	2.2%	2.2%
Assumed rate of increase in future compensation levels	2.3%	3.3%	3.3%
Expected long-term rate of return on plan assets	2.1%	2.3%	4.2%

Makita determines the discount rate based on long-term high quality fixed income debt securities that have the same maturity period as the period over which pension benefits are expected to be settled. In addition, Makita also takes into account estimates with respect to future changes that are expected by management in the interest rates on its debt securities when determining the discount rate.

Makita determines the expected long-term rate of return on plan assets based on the expected long-term return of the various asset categories in which the plan invests considering the current expectations for future returns and actual historical returns.

Plan Assets

The benefit plan weighted-average asset allocations at March 31, 2006, and 2007, by asset category were as follows:

Asset Category	2006	2007
Equity securities	54.6%	54.9%
Debt securities	30.8	31.2
Real estate	1.2	1.6
Life insurance company general accounts	9.7	9.5
Other	3.7	2.8
	100.0%	100.0%

Makita'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 marketable equity securities and interest-bearing securities.

Makita determined the mix of equity securities and debt securities after taking into consideration the expected long-term yield on pension assets. To decide whether changes in the basic portfolio are necessary, Makita examines the divergence between the expected long-term income and the actual income from the portfolio on an annual basis. Makita revises the portfolio when it is deemed necessary to reach the expected long-term yield.

Equity securities included common stock of Makita in the amount of ¥7 million ($59 thousand) at March 31, 2007.

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

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
Projected benefit obligation	¥ 2,548	¥ 3,853	$ 32,653
Accumulated benefit obligation	2,464	3,705	31,398
Fair value of plan assets	328	456	3,864
An accumulated benefit obligation in excess of plan assets	2,136	3,249	27,534

Cash flows

Contributions

Makita expects to contribute ¥3,173 million ($26,890 thousand) to its domestic and foreign defined benefit plan in the year ending March 31, 2008.

Estimated future benefit payments

The following benefits payments, which reflect expected future service, as appropriate, are expected to be paid:

Year ending March 31,	Yen (millions)	U.S. Dollars (thousands)
2008	¥ 2,481	$ 21,025
2009	1,999	16,941
2010	1,887	15,992
2011	1,950	16,525
2012	1,838	15,576
2013-2017	8,803	74,602

Certain foreign subsidiaries have defined contribution plans. The total expenses charged to income under these plans were ¥227 million, ¥216 million and ¥223 million ($1,890 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively.

The Company has unfunded retirement allowance programs for the Directors and the Statutory Auditors. Under such programs, the aggregate amount set aside as retirement allowances for the Directors and the Statutory Auditors was ¥490 million and ¥501 million ($4,246 thousand) as of March 31, 2006 and 2007, respectively, which is included in other liabilities in the accompanying balance sheets. This Executive retirement and termination allowances program was abolished by the Annual General Meeting of Shareholders held in June 2006. The aggregate amount set aside will be paid to the Directors and the Statutory Auditors when they retire.

11. SHORT-TERM BORROWINGS AND LONG-TERM INDEBTEDNESS

As of March 31, 2006 and 2007, short-term borrowings consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
Bank borrowings	¥ 1,638	¥ 1,816	$ 15,390
Current maturities of long-term indebtedness	90	76	644
Total	¥ 1,728	¥ 1,892	$ 16,034

Short-term borrowings, excluding current maturities of long-term indebtedness, amounting to ¥1,638 million and ¥1,816 million ($15,390 thousand) as of March 31, 2006 and 2007, respectively, consisted primarily of bank borrowings of overseas subsidiaries denominated in foreign currencies. As of March 31, 2006 and 2007, the weighted average interest rate on the borrowings was 9.8% and 12.6%, respectively.

Certain subsidiaries of the Company had unused lines of credit available for immediate short-term borrowings without restrictions amounting to ¥22,208 million and ¥18,800 million ($159,322 thousand) as of March 31, 2006 and 2007, respectively.

As of March 31, 2006 and 2007, long-term indebtedness consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2006	2007	2007
Capital lease obligations (see Note 3(g))	¥ 194	¥ 129	$ 1,093
Less- Current maturities included in short-term borrowings	(90)	(76)	(644)
	¥ 104	¥ 53	$ 449

There were no covenants or cross default provisions under the Makita's financing arrangements. Furthermore, there were no subsidiary level dividend restrictions under the financing arrangements.

The aggregate annual maturities of long-term indebtedness subsequent to March 31, 2007 are as summarized below:

Year ending March 31,	Yen (millions)	U.S. Dollars (thousands)
2008	¥ 76	$ 644
2009	32	271
2010	17	144
2011	3	26
2012	1	8
2013 and thereafter	–	–
	¥ 129	$ 1,093

12. SHAREHOLDERS' EQUITY

At the annual meeting of shareholders held on June 29, 2004, the shareholders of the Company resolved to amend the Company's Articles of Incorporation to permit the Company's Board of Directors to authorize a purchase option of the Company's common stock. At the Board of Directors' meeting held on February 17, 2006, the Company decided to retire treasury stock pursuant to the provisions of Article 212 of the Japanese commercial code. 4,000,000 shares of treasury stock were retired during the fiscal year ended March 31, 2006.

The Corporation Law of Japan provides that an amount equal to 10% of distributions from retained earnings paid by the Company should be appropriated as capital reserve or earned reserve (hereinafter called reserve). No further appropriations are required when the total amount of the reserve exceed 25% of capital stock.

Based on a resolution of the Board of Directors, at the annual meeting of shareholders to be held on June 27, 2007, the shareholders will be asked to approve the declaration of a cash dividend in the amount of ¥7,904 million, which will be paid to shareholders of record as of March 31, 2007. The declaration of this dividend has not been reflected in the consolidated financial statements as of March 31, 2007.

The amount of retained earnings available for dividends distribution is recorded in the Company's non-consolidated books and amounted to ¥136,499 million ($1,157 thousand) as of March 31, 2007.

13. OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) as of March 31, 2005, 2006 and 2007, were as follows:

	Yen (millions)			U.S.Dollars (thousands)
	2005	2006	2007	2007
Foreign currency translation adjustments:				
Beginning balance	¥ (17,582)	¥ (14,486)	¥ (6,043)	$ (51,212)
Adjustments for the year	3,096	8,443	8,807	74,636
Ending balance	¥ (14,486)	¥ (6,043)	¥ 2,764	$ 23,424
Net unrealized holding gains on available-for-sale securities:				
Beginning balance	¥ 6,592	¥ 6,680	¥ 11,666	$ 98,865
Adjustments for the year	88	4,986	(1,386)	(11,746)
Ending balance	¥ 6,680	¥ 11,666	¥ 10,280	$ 87,119
Minimum pension liability adjustment:				
Beginning balance	¥ (6,058)	¥ (1,443)	¥ (278)	$ (2,356)
Adjustments for the year	4,615	1,165	94	797
Adjustments to initially apply SFAS No.158			184	1,559
Ending balance	¥ (1,443)	¥ (278)	¥ –	$ –
Pension liability adjustment:				
Adjustments to initially apply SFAS No.158	–	–	(347)	(2,941)
Ending balance	–	–	(347)	(2,941)
Total other accumulated comprehensive income (loss):				
Beginning balance	¥ (17,048)	¥ (9,249)	¥ 5,345	$ 45,297
Adjustments for the year	7,799	14,594	7,515	63,686
Adjustments to initially apply SFAS No.158			(163)	(1,381)
Ending balance	¥ (9,249)	¥ 5,345	¥ 12,697	$ 107,602

Tax effects allocated to each component of other comprehensive income were as follows:

	Yen (millions)		
	Pretax amount	Tax benefit (expense)	Net of tax amount
For the year ended March 31, 2005			
Foreign currency translation adjustment	¥ 4,041	¥ (945)	¥ 3,096
Unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during the year	601	(243)	358
Less- Reclassification adjustment for gains realized in net income	(453)	183	(270)
Net unrealized gains	148	(60)	88
Minimum pension liability adjustment	8,018	(3,403)	4,615
Other comprehensive income	¥ 12,207	¥ (4,408)	¥ 7,799

	Yen (millions)		
	Pretax amount	Tax benefit (expense)	Net of tax amount
For the year ended March 31, 2006			
Foreign currency translation adjustment	¥ 8,715	¥ (272)	¥ 8,443
Unrealized holding gains on available-for-sale securities:			
Unrealized holding gains arising during the year	11,267	(4,539)	6,728
Less- Reclassification adjustment for gains realized in net income	(2,918)	1,176	(1,742)
Net unrealized gains	8,349	(3,363)	4,986
Minimum pension liability adjustment	2,525	(1,360)	1,165
Other comprehensive income	¥ 19,589	¥ (4,995)	¥ 14,594

	Yen (millions)		
	Pretax amount	Tax benefit (expense)	Net of tax amount
For the year ended March 31, 2007			
Foreign currency translation adjustment	¥ 8,900	¥ (93)	¥ 8,807
Unrealized holding gains on available-for-sale securities:			
Unrealized holding gains arising during the year	(1,403)	565	(838)
Less- Reclassification adjustment for gains realized in net income	(918)	370	(548)
Net unrealized gains	(2,321)	935	(1,386)
Minimum pension liability adjustment	160	(66)	94
Other comprehensive income	¥ 6,739	¥ 776	¥ 7,515

	U.S. Dollars (thousands)		
	Pretax amount	Tax benefit (expense)	Net of tax amount
For the year ended March 31, 2007			
Foreign currency translation adjustment	$ 75,424	$ (788)	$ 74,636
Unrealized holding gains on available-for-sale securities:			
Unrealized holding gains arising during the year	(11,889)	4,787	(7,102)
Less- Reclassification adjustment for gains realized in net income	(7,780)	3,136	(4,644)
Net unrealized gains	(19,669)	7,923	(11,746)
Minimum pension liability adjustment	1,355	(559)	796
Other comprehensive income	$ 57,110	$ 6,576	$ 63,686

14. EARNINGS PER SHARE

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

Numerator	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
Net income available to common share holders – Basic	¥ 22,136	¥ 40,411	¥ 36,971	$ 313,314
Effect of dilutive common shares:				
1.5% unsecured convertible bonds, due March, 2005	117	–	–	–
Net income available to common share holders– Diluted	¥ 22,253	¥ 40,411	¥ 36,971	$ 313,314

Denominator	Number of shares		
Weighted average common shares outstanding – Basic	143,844,383	143,736,927	143,706,789
Dilutive effect of:			
1.5% unsecured convertible bonds, due and fully repaid in March, 2005	5,748,927	–	–
Weighted average common shares outstanding – Diluted	149,593,310	143,736,927	143,706,789

	Yen			U.S. Dollars
Earnings per share:				
Basic	¥ 153.9	¥ 281.1	¥ 257.3	$ 2.18
Diluted	148.8	281.1	257.3	2.18

15. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2007, the Company was contingently liable as a guarantor for housing and education loans to employees in the amount of ¥10 million ($85 thousand). The Company will be required to satisfy the outstanding loan commitments of certain employees in the event those employees are not able to fulfill their repayment obligations. The fair value of the liabilities for the Company's obligations under the guarantees described above as of March 31, 2007, was insignificant.

Makita was contingently liable for trade notes receivable discounted with banks of ¥286 million ($2,424 thousand) as of March 31, 2007 in the event notes issuers are not able to fulfill their payment obligations. The fair value of the liabilities for the Company's obligations described above as of March 31, 2007, was insignificant.

Makita's purchase obligations, mainly for raw materials, were ¥12,383 million ($104,941 thousand) as of March 31, 2007.

Makita 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 Makita's consolidated financial position, results of operations, or cash flows.

Makita made rental payments of ¥1,796 million, ¥1,714 million and ¥1,881 million ($15,941 thousand) under cancelable and noncancelable operating lease agreements for offices, warehouses, automobiles and office equipment during the years ended March 31, 2005, 2006 and 2007, respectively. The minimum rental payments required under noncancelable operating lease agreements as of March 31, 2007, were as follows:

Year ending March 31,	Yen (millions)	U.S. Dollars (thousands)
2008	¥ 603	$ 5,111
2009	468	3,966
2010	294	2,492
2011	203	1,720
2012	138	1,169
2013 and thereafter	297	2,517
	¥ 2,003	$ 16,975

Makita generally guarantees 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. The change in accrued product warranty cost for the years ended March 31, 2005, 2006 and 2007 was summarized as follows:

	Yen (millions)			U.S. Dollars (thousands)
	2005	2006	2007	2007
Balance at beginning of year	¥ 667	¥ 804	¥ 928	$ 7,864
Addition	830	853	1,476	12,509
Utilization	(728)	(779)	(1,163)	(9,856)
Foreign exchange impact	35	50	65	551
Balance at end of year	¥ 804	¥ 928	¥ 1,306	$ 11,068

16. DERIVATIVES AND HEDGING ACTIVITIES

(a) Risk management policy

Makita is 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 contracts and interest rate swaps utilized by the Company and certain of its consolidated subsidiaries to reduce these risks. Makita does not use derivative instruments for trading or speculation purpose.

Makita is also exposed to a risk of credit-related losses in the event of nonperformance by counter parties to the financial instrument contracts; however 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

Makita operates internationally, giving rise to significant exposures to market risks from changes in foreign exchange rates, and enters 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 values of these derivative instruments as of March 31, 2006 and 2007 of ¥48 million and ¥50 million ($424 thousand), respectively, were recorded as assets and of ¥258 million and ¥215 million ($1,822 thousand), respectively as liabilities, and the changes in their fair values for the years ended March 31, 2006 and 2007 amounting to a gain of ¥147 million and ¥45 million ($381 thousand), respectively, were recorded in exchange gains on foreign currency transactions, net.

(c) Marketable Securities and Investment Securities

The fair value of marketable and investment securities is estimated based on quoted market prices. For certain investments such as non-marketable securities, since there are no quoted market prices existing, a reasonable estimation of a fair value could not be made without incurring excessive cost. Non-marketable securities amounted to ¥572 million and ¥567 million ($4,805 thousand) as of March 31, 2006 and 2007, respectively.

(d) Long-term Indebtedness

The fair value of long-term indebtedness is a present value of future cash flows associated with each instrument discounted using Makita's current borrowing rates for similar debt instruments of comparable maturities.

(e) Interest Rate Swap Agreements

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

(f) 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)	
	2006		2007		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Marketable securities	¥ 47,773	¥ 47,773	¥ 58,217	¥ 58,216	$ 493,364	$ 493,356
Investment securities	30,439	30,314	27,279	27,172	231,178	230,271
Long-term time deposits	2,006	2,006	2,207	2,207	18,712	18,712
Long-term indebtedness including current maturities	(194)	(194)	(129)	(129)	(1,093)	(1,093)
Interest rate swap agreements:						
Assets	–	–	–	–	–	–
Liabilities	(5)	(5)	(3)	(3)	(25)	(25)
Foreign currency contracts:						
Assets	31	31	25	25	212	212
Liabilities	(101)	(101)	(125)	(125)	(1,059)	(1,059)
Currency swaps:						
Assets	17	17	18	18	153	153
Liabilities	(157)	(157)	(71)	(71)	(602)	(602)
Currency option contracts:						
Assets	–	–	7	7	59	59
Liabilities	–	–	(19)	(19)	(161)	(161)

(g) Limitation

The 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 are matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

18. 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, 2005, 2006 and 2007, Makita's operating structure included the following geographical operating segments: Japan Group, Europe Group, North America Group, Asia Group, and Other Group.

Makita evaluates the performance of each operating segment based on U.S. GAAP.

Segment Products and Services
Makita is a manufacturer and wholesaler of electric power tools and other tools. The operating segments derive substantially all of their revenues from the sale of electric power tools and parts and repairs.

Year ended March 31, 2005

	Yen (millions)							
	Japan	Europe	North America	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	¥ 50,955	¥ 75,864	¥ 38,607	¥ 7,378	¥21,933	¥194,737	¥ –	¥ 194,737
Intersegment	47,786	5,802	3,583	34,937	168	92,276	(92,276)	–
Total	¥ 98,741	¥ 81,666	¥ 42,190	¥42,315	¥22,101	¥287,013	¥ (92,276)	¥ 194,737
Operating expenses	¥ 82,826	¥ 71,541	¥ 40,580	¥37,389	¥21,146	¥253,482	¥ (90,143)	¥ 163,339
Operating income	15,915	10,125	1,610	4,926	955	33,531	(2,133)	31,398
Long-lived assets	33,023	6,993	3,431	6,858	2,686	52,991	(167)	52,824
Identifiable assets	224,099	79,309	30,627	31,713	19,141	384,889	(94,985)	289,904
Depreciation and amortization	2,729	1,057	668	794	186	5,434	(53)	5,381
Capital expenditures	1,966	1,289	589	1,483	1,544	6,871	(216)	6,655

Year ended March 31, 2006

	Yen (millions)							
	Japan	Europe	North America	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	¥ 53,788	¥ 91,249	¥ 47,979	¥ 8,645	¥27,414	¥229,075	¥ –	¥ 229,075
Intersegment	57,826	6,306	4,321	43,979	181	112,613	(112,613)	–
Total	¥111,614	¥ 97,555	¥ 52,300	¥52,624	¥27,595	¥341,688	¥ (112,613)	¥ 229,075
Operating expenses	¥ 87,468	¥ 85,505	¥ 50,437	¥46,162	¥25,048	¥294,620	¥ (111,323)	¥ 183,297
Operating income	24,146	12,050	1,863	6,462	2,547	47,068	(1,290)	45,778
Long-lived assets	36,578	7,529	3,732	9,170	2,371	59,380	(177)	59,203
Identifiable assets	243,553	85,858	44,814	42,275	21,556	438,056	(112,018)	326,038
Depreciation and amortization	2,917	1,217	656	923	269	5,982	(60)	5,922
Capital expenditures	6,398	1,549	620	2,537	426	11,530	(147)	11,383

Year ended March 31, 2007

	Yen (millions)							
	Japan	Europe	North America	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	¥ 61,776	¥ 124,924	¥ 51,432	¥ 9,698	¥ 32,103	¥ 279,933	¥ –	¥ 279,933
Intersegment	64,040	5,709	5,297	67,021	149	142,216	(142,216)	–
Total	¥125,816	¥ 130,633	¥ 56,729	¥ 76,719	¥ 32,252	422,149	¥ (142,216)	¥ 279,933
Operating expenses	¥108,403	¥ 112,577	¥ 54,217	¥ 66,815	¥ 28,786	¥ 370,798	¥ (139,041)	¥ 231,757
Operating income	17,413	18,056	2,512	9,904	3,466	51,351	(3,175)	48,176
Long-lived assets	36,831	10,345	3,381	10,296	2,690	63,543	(163)	63,380
Identifiable assets	257,735	110,158	38,756	50,934	26,535	484,118	(115,624)	368,494
Depreciation and amortization	5,270	1,432	637	1,233	261	8,833	(60)	8,773
Capital expenditures	7,266	2,820	451	2,235	351	13,123	(143)	12,980

Year ended March 31, 2007

	U.S. Dollars (thousands)							
	Japan	Europe	North America	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	$ 523,525	$1,058,679	$435,864	$ 82,186	$272,060	$2,372,314	$ –	$ 2,372,314
Intersegment	542,712	48,381	44,890	567,975	1,263	1,205,221	(1,205,221)	–
Total	$1,066,237	$1,107,060	$480,754	$650,161	$273,323	$3,577,535	$ (1,205,221)	$ 2,372,314
Operating expenses	$ 918,669	$ 954,043	$459,466	$566,229	$243,950	$3,142,357	$ (1,178,314)	$ 1,964,043
Operating income	147,568	153,017	21,288	83,932	29,373	435,178	(26, 907)	408,271
Long-lived assets	312,127	87,669	28,653	87,254	22,797	538,500	(1,381)	537,119
Identifiable assets	2,184,195	933,542	328,441	431,644	224,873	4,102,695	(979,864)	3,122,831
Depreciation and amortization	44,661	12,136	5,398	10,449	2,212	74,856	(509)	74,347
Capital expenditures	61,576	23,898	3,822	18,941	2,975	111,212	(1,212)	110,000

Long-lived assets shown above consist of property, plant and equipment.

Transfers between segments are made at estimated arm's-length prices. No single external customer accounted for 10% or more of Makita's net sales for each of the years ended March 31, 2005, 2006 and 2007.

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

Makita's current revenues from external customers by each group of products are set forth below.

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

19. RELATED PARTY TRANSACTIONS

The transactions between the Company and Maruwa Co., Ltd. ("Maruwa"), for which a director of the Company and certain of his family members have a majority of the voting rights, amounted to ¥2 million for advertising expenses for each of the years ended March 31, 2005, 2006 and 2007.

The Company's purchases of raw materials and production equipment from Toa Co., Ltd., for which a director of the Company and certain of his family members have a majority of the voting rights, were ¥200 million, ¥223 million and ¥129 million during the years ended March 31, 2005, 2006 and 2007, respectively. The accounts payable of the Company related to these transactions were ¥19 million, ¥10 million and ¥6 million as of March 31, 2005, 2006 and 2007, respectively.

The president of Toyoda Machine Works Ltd. was elected as an outside director of the Company as of June 29, 2005. The Company's purchases of raw materials and production equipment from Toyoda Machine Works Ltd. were ¥4 million from July 1 to December 31, 2005. The outside director became a vice president of JTEKT Corporation, which was formed as the result of a business combination between Toyoda Machine Works Ltd. and Koyo Seiko Co., Ltd., occurring on January 1, 2006, became an outside director of the Company. The Company's purchases of raw materials and production equipment from JTEKT Corporation, were ¥151 million from January 1, 2006 to March 31, 2006 and ¥498 million during the year ended March 31, 2007. The accounts payable of the Company related to these transactions were ¥53 million and ¥35 million as of March 31, 2006 and 2007, respectively.

20. SUBSEQUENT EVENTS

Makita has established the "Strong Company" as a long-term goal and has been aiming to obtain and to maintain the top share in the market as a global total supplier of useful tools for consumer living and housing. In order to strengthen the area of gardening tools, which Makita considers an important measure area to achieve the long-term goal of the Company, the Board of Directors of the Company decided to launch a tender offer for common shares of Fuji Robin Industries Ltd. ("Fuji Robin") at the Board of Directors' meeting held on March 20, 2007. The tender offer began on March 22, 2007, and ended on May 7, 2007. As a result, the Company acquired 89.35% of Fuji Robin's outstanding shares, and Fuji Robin became a consolidated subsidiary of the Company as of May 15, 2007. Total funds required for the tender offer were approximately ¥2.7 billion. The Company, pursuant to SFAS No.141, used the purchase method for the acquisition of Fuji Robin. On May 25, 2007, in order to acquire all of the remaining shares of Fuji Robin, the Company entered into a share exchange agreement with Fuji Robin effective August 1, 2007. Under the terms of the share exchange agreement, Makita issued 0.059 shares of its common stock in return for each remaining Fuji Robin share. A total of 81,456 Makita shares held by Makita as treasury stock was delivered in connection with the share exchange.

A brief description of Fuji Robin is as follows (net sales and operating income complied with Japanese GAAP):

Net sales	¥11,138 million (for the year ended March 31, 2007)
Operating income	¥52 million (for the year ended March 31, 2007)
Common stock	¥833 million (as of March 31, 2007)
Main products manufactured	Engines, agricultural and forestry machinery, construction machinery

Pro forma results of operations have not been presented as these results are not material to Makita's consolidated results of operations.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Makita Corporation:

We have audited the accompanying consolidated balance sheets of Makita Corporation (a Japanese corporation) and subsidiaries as of March 31, 2007 and 2006, 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, 2007, expressed 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, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2007, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 28, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

The accompanying consolidated financial statements as of and for the year ended March 31, 2007 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements, expressed in Japanese yen, have been translated into dollars on the basis set forth in Note 4 in the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
September 28, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Makita Corporation:

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, that Makita Corporation (a Japanese Corporation) and subsidiaries maintained effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that Makita Corporation and subsidiaries maintained effective internal control over financial reporting as of March 31, 2007, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Makita Corporation and subsidiaries as of March 31, 2007 and 2006, 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, 2007, and our report dated September 28, 2007 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
September 28, 2007

CORPORATE DIRECTORY

ASIA

JAPAN

Makita Corporation
Head office
3-11-8, Sumiyoshi-cho, Anjo, Aichi
446-8502
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

Atsugi plant
1937-3, Nurumizu, Atsugi,
Kanagawa 243-0033
Phone: +81-(0)46-224-1717

Makita Numazu Corporation
35 Ohoka Numazu, Shizuoka 410-8535
Phone: +81-(0)55-963-1111
Fax: +81-(0)55-963-1939

CHINA

Makita (China) Co., Ltd.
Head office & plant
288 Huangpujiang Road, Kunshan Economic & Technical Development Zone, Jiangsu. Postcode:215335
Phone: +86-(0)512-57707710
Fax: +86-(0)512-57713623

Guangzhou sales branch
No.24 Building,No.26,Renhouzhi Street,Fangcun Avenue,Liwan District,Guangzhou,Guangdong. Postcode: 510370
Phone: +86-(0)20-87518872
Fax: +86-(0)20-87518873

Shanghai sales branch
2F, Building2, No401 Caobao Road, Xu Hui District, Shanghai. Postcode: 200233
Phone: +86-(0)21-54487198
Fax: +86-(0)21-62476732

Beijing sales branch
No.6 A Heyi Xili North Street Fengtai District, Beijing Postcode:100076
Phone: +86-(0)10-67982374
Fax: +86-(0)10-67984940

Chengdu sales branch
G/F,Building3,Xicaijunyuan,Qunhe Street,Qunkang Road,Chengdu,Sichuan. Postcode:610072
Phone: +86-(0)28-87337028
Fax: +86-(0)28-87337018

Shenyang sales branch
No. 72 North Station Road, Shenhe District, Shenyang, Liaoning,C Building Manufacturing Building Post area Shenyang. Postcode: 110013
Phone: +86-(0)24-22530648
Fax: +86-(0)24-22530170

Xian sales branch
1/F,Electronic Building,No.7 North Block,Zhenhua Road,Xian Shanxi. Postcode: 710014
Phone: +86-(0)29-86223736
Fax: +86-(0)29-86229230

Makita (Kunshan) Co., Ltd.
Nan Zi Road, Kunshan Export Processing Zone, Jiangsu. Postcode: 215301
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 (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

SINGAPORE

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

AMERICAS

UNITED STATES

Makita U.S.A. Inc.
Corporate office
14930 Northam Street, La Mirada, CA 90638-5753, USA
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

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
2660 Buford Highway, Buford, GA 30518-6045
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, 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: +1-905-433-4779

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

Montreal office
6389 Boul. Couture, St. Léonard, Quebec H1P 3J5
Phone: +1-514-323-1223
Fax: +1-514-323-7708

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

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, No 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

Sao Paulo office
Rua do Gasometro,
128 - Bras - Sao Paulo -SP,
CEP:03004-000
Phone: +55-(0)11-3313-4877
Fax: +55-(0)11-3315-8650

Salvador office
Av. Santos Dumont, 1200 - Loja 02 (Estrada do Coco, Km 0)
- Lauro de Freitas - BA,
CEP:42700-000
Phone: +55-(0)71-3252-0154
Fax: +55-(0)72-3252-0070

Curitiba office
Rua Comendador Roseira,
499 - Curitiba - PR, CEP:80215-210
Phone: +55-(0)41-333-8070
Fax: +55-(0)41-332-0734

Rio de Janeiro office
Av. Das Americas, 2250 - Loja J/K - Barra da Tijuca - Rio de Janeiro, RJ
CEP:22640-101
Phone: +55(0)21- 3151-7933
Fax: +55(0)21- 2431-2325

ARGENTINA

Makita Herramientas Eléctricas de Argentina S.A.
Calle 11, Lote 9C Fraccion 6
Parque Industrial de Pilar,
Provincia de Buenos Aires. C.P1629
Phone: +54-(02322)441-100
Fax: +54-(02322)496-999

CHILE

Makita Chile Comercial Ltda.
San Ignacio 500, Modulo No.8, Quilicura, Santiago
Phone: +56-2-540-0400
Fax: +56-2-733-5030

PERU

Makita Peru S.A.
Av. Argentina 3119, Zona B, Lima, Peru
Fax: +511-561-0099

EUROPE

■ UNITED KINGDOM

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

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

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
Village d'Entreprises, 51, Rue Trémière, 59650 Villeneuve d'Ascq
Phone: +33-(0)3-2059-7020
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, 7-15,
28820 Coslada (Madrid)
Phone: +34-91-671-1262
Fax: +34-91-671-8293

■ ITALY

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

■ GREECE

Makita Hellas S.A.
Tatoiou 232, Acharnes, ATTIKI PC 136-71
Phone: +30-210-8071241
Fax: +30-210-8072245

■ FINLAND

Makita Oy
Muonamiehentie 14, 00390 Helsinki
Phone: +358-(09)-857-880
Fax: +358-(0)9-857-88211

■ ESTONIA

Makita Oy Estonian Branch
Estonian office
Piirimäe 13, 76401 Saku vald, Harjumaa maakond
Phone: +372-6-510-380
Fax: ++372-6-510-399

■ THE NETHERLANDS

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

■ 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 G.m.b.H
Head office
Keniastraße 20, 47269 Duisburg
Phone: +49-(0)203-9757-0
Fax: +49-(0)203-9757-127

Dolmar G.m.b.H
Jenfelder Strasse 38, 22045 Hamburg
Phone: +49-(0)40-66986-0
Fax: +49-(0)40-66986-352

■ DENMARK

Makita Elværktøj Danmark
Denmark office
Erhvervsbyvej 14, 8700 Horsens
Phone: +45-76-254400
Fax: +45-76-254401

■ SWITZERLAND

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

■ AUSTRIA

Makita Werkzeug G.m.b.H.
Kolpingstraße 13, A-1230 Wien
Phone: +43-(1)-6162730-0
Fax: +43-(0)1-616273013

■ UKRAINE

Makita Ukraine LLC
Stolichne Shosse 100, Kiev, Ukraine 03045
Phone: +380-(0)44-494-2370
Fax: +380-(0)44-494-2373

■ POLAND

Makita Sp. z o.o.
ul.Strażacka 81 43-382 Bielsko - Biała
Phone: +48-(0)33-819-6360
Fax: +48-(0)33-818-4059

■ CZECH REPUBLIC

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

■ SLOVAKIA

Makita s.r.o
Jegorovova 35 974 01 Banská Bystrica
Phone: +421-(0)48-4161-772
Fax: +421-(0)48-4161-769

■ 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 R) Com. Afumati / ILFOV
Phone: +40-21-351-1382
Fax: +40-21-312-5495

SC Makita EU SRL
Blvd.I.C. Bratianu, nr.164, Comuna Branesti, Jud.Ilfov, ROMANIA 077030
Phone: +40-21-310-7675
Fax: +40-21- 200-0219

■ RUSSIA

Makita LLC
48-A, Otkrytoe shosse, Moscow, 107370
Phone: +7-495-380-0151
Fax: +7-495-380-0152

Makita Oy Vladivostok Representative Office
22, St.Makovskogo, Vladivostok 690041, Primorsky Region
Phone: +7-4232-375-984
Fax: +7-4232-375-985

MIDDLE EAST

■ UNITED ARAB EMIRATES

Makita Gulf FZE
P.O. Box 17133, Jebel Ali Free Zone, Dubai
Phone: +971-(0)4-8860804
Fax: +971-(0)4-8860805

OCEANIA

■ AUSTRALIA

Makita (Australia) Pty. Ltd.
Head office
4 Alspec Place, Eastern Creek, NSW 2766
Phone: +61-(0)2-9839-1200
Fax: +61-(0)2-9839-1201

Hobart office
32a Chapel Street Glenorchy, TAS 7010
Phone: +61-(0)3-6274-1533
Fax: +61-(0)3-6274-1777

Perth office
535-537 Abernethy Road, Kewdale, WA 6105
Phone: +61-(0)8-9360-8900
Fax: +61-(0)8-9360-8999

■ NEW ZEALAND

Makita (New Zealand) Ltd.
15 Orbit Drive, Mairangi Bay, Auckland, New Zealand
Phone: +64-(0)9-479-8250
Fax: +64-(0)9-479-8259

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

President and Representative Director

Masahiko Goto

Management Directors

Masami Tsuruta

Yasuhiko Kanzaki

Directors

Kenichiro Nakai

Tadayoshi Torii

Tomoyasu Kato

Kazuya Nakamura

Shiro Hori

Tadashi Asanuma

Hisayoshi Niwa

Zenji Mashiko

Toshio Hyuga

Shinichiro Tomita

Tetsuhisa Kaneko

Motohiko Yokoyama*

*Outside Director

Board of Statutory Auditors

Standing Statutory Auditors

Akio Kondo
Hiromichi Murase

Statutory Auditors

Shoichi Hase*

Masafumi Nakamura*

*Outside Auditors

(As of June 27, 2007)

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

Domestic Sales Offices

Tokyo, Nagoya, Osaka, 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

¥23,805 million

Number of Shares Issued

144,008,760 shares
(As of March 31, 2007)

Independent Registered Public Accounting Firm

KPMG AZSA & Co.

Common Stock Listings

Tokyo and Nagoya stock exchanges

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

The Nasdaq Global Select Market
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: +1-212-815-8161
U.S. toll free: (888) BNY-ADRS (269-2377)
http://www.adrbny.com/

Web Site

http://www.makita.co.jp/global/

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