

MAKITA CORP
Form 6-K
June 08, 2004

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
Pursuant to Rule 13a-16 or 15d-16 under
the Securities Exchange Act of 1934

For the month of June, 2004

MAKITA CORPORATION

(Translation of registrant's name into English)

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

[Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:]

Form 20-F Form 40-F

[Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.]

Yes No

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAKITA CORPORATION

(Registrant)

Date: June 8, 2004

By: /s/ Masahiko Goto

(Signature)

Masahiko Goto
President

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(English Translation of the Notice of the 92nd Annual General Meeting of Shareholders Originally Issued in Japanese Language)

MAKITA CORPORATION

June 7, 2004

**TO THE SHAREHOLDERS OF
MAKITA CORPORATION**

Notice of the 92nd Annual General Meeting of Shareholders

You are respectfully requested to attend the 92nd Annual General Meeting of Shareholders of MAKITA CORPORATION, which is hereby announced.

If you do not expect to attend the meeting, you may exercise your voting rights through the enclosed voting form. Please review the accompanying information and send the enclosed voting form to us by return mail after indicating your vote for or against the proposition and affixing your seal. If you are attending the meeting in person, please present the enclosed voting form to the receptionist at the meeting.

Masahiko Goto
President
MAKITA CORPORATION
3-11-8, Sumiyoshi-cho, Anjo,
Aichi Prefecture, 446-8502, Japan

- 1. DATE:** 10 a.m., Tuesday, June 29, 2004
- 2. PLACE:** Head Office of MAKITA CORPORATION
3-11-8, Sumiyoshi-cho, Anjo,
Aichi Prefecture, 446-8502, Japan
- 3. AGENDA:**

Items to be reported:

Balance Sheet as of March 31, 2004, Statement of Income and Business Report for the 92nd fiscal year (from April 1, 2003, to March 31, 2004)

Items to be resolved:

- No. 1. Approval of the Proposed Appropriation of Retained Earnings for the 92nd fiscal year**
- No. 2. Partial amendment to the Articles of Incorporation**
The proposal is detailed in Information relating to exercise of voting rights on page 17.
- No. 3. Election of three Statutory Auditors**

No. 4. Payment of Retirement Benefit to Retiring Statutory Auditors

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BUSINESS REPORT

(From April 1, 2003, to March 31, 2004)

1. The Business Environment

(1) Business Results

Regarding economic trends overseas during the period under review, U.S. economic conditions remained robust, as personal consumption was firm owing to such factors as tax reductions. In Europe, the U.K. economy continued to be strong, and signs of bottoming out in were seen in such countries as Germany and France during the latter half of the year. Asian economies realized a full-scale trend of economic recovery supported by the economic growth of China as well as external demand.

Conditions in the Japanese economy showed a trend of gradual recovery owing to such factors as a recovery in corporate performance amid strong exports and capital investment.

Against this backdrop, Makita worked to increase its profitability by proceeding further with the shift of manufacturing operations to China, as well as by establishing sales and service subsidiaries in Russia and Eastern European countries characterized by rapid economic growth and taking other measures in line with its sound and proactive global business strategy.

In the United States, Makita focused especially on strengthening its marketing capabilities in the professional-use market. The Company also continued to take steps to improve profitability, including reducing inventories and reorganizing its logistics centers to reduce distribution costs.

Nonconsolidated net sales amounted to 88,335 million yen, up 2.6% from the previous fiscal year. Net sales in Japan increased 1.8%, to 38,429 million yen, strong sales of new products, especially impact drivers and products related to home remodeling. Export sales rose 3.1%, to 49,906 million yen, as a result of sales increases in Asia and Europe. Thus, export sales accounted for 56.5% of total net sales.

With respect to profitability, cost cutting measures and other factors reduced the cost of sales, supporting a 25.1% surge in ordinary profit, to 9,444 million yen. The Company recorded a loss on the revaluation of shares in a golf course subsidiary, but this was more than offset by such factors as a gain on the sale of the parent company's No. 3 factory and a large drop in losses on the revaluation of investment securities. As a result, net income surged by 3.8 times, to 5,668 million yen.

To implement a flexible capital policy, a resolution was approved at the Company's 91st Annual General Meeting of Shareholders held on June 27, 2003, allowing Makita to purchase up to a maximum of 5 million of its outstanding shares from the market at a maximum purchase price of 5 billion yen. Under these arrangements, Makita purchased 2,002 thousand shares of its own stock for a total of 2,142 million yen during the fiscal year.

(2) Future Tasks

Although a global trend of economic recovery is anticipated, considerable uncertainties remain in the corporate operating environment, including factors related to tensions in the Middle East.

Duly noting these circumstances, Makita is striving to accelerate its product development programs so that it can respond to market needs more quickly. At the same time, Makita is endeavoring to expand its

marketing routes, further reduce costs, and take other measures needed to ensure that it will realize its goal of being a truly Strong Company. The Company believes it can attain this goal by relentlessly working to take or sustain the top shares of professional-use power tool markets throughout the world.

In closing, we would like to thank you for your ongoing support and ask for your continued backing.

(3) Investment in Plant and Equipment

During the fiscal year, the Company allocated 1,942 million yen for its capital expenditures. These funds were used primarily for the acquisition of dies for new products and the construction of the new sales office building in Kanazawa.

(4) Capital Procurement

During the fiscal year, the Company did not procure capital by issuing new shares or bonds. Funds required during the year were appropriated from internal reserves.

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(5) Summary of Business Results and State of Assets

| Description | 89th Fiscal Year (ended March 31, 2001) | 90th Fiscal Year (ended March 31, 2002) | 91st Fiscal Year (ended March 31, 2003) | 92nd Fiscal Year (ended March 31, 2004) |
|---|---|---|---|---|
| Net sales (in millions of yen) | 97,177 | 89,424 | 86,132 | 88,335 |
| Ordinary profit (in millions of yen) | 11,429 | 9,494 | 7,551 | 9,444 |
| Net income (in millions of yen) | 4,000 | 2,100 | 1,494 | 5,668 |
| Earnings per share (in yen) | 25.54 | 13.84 | 9.76 | 38.79 |
| Total assets (in millions of yen) | 226,571 | 221,966 | 217,976 | 228,504 |
| Shareholders' equity (in millions of yen) | 194,292 | 189,997 | 185,222 | 192,356 |

- Notes:
- Earnings per share is computed based on the average number of common stock outstanding during the fiscal year. From the 90th fiscal year, treasury stocks were excluded from the denominator.
 - Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No.2, Accounting Standard for Earnings Per Share and Financial Standards Implementation Guidance No.4, Implementation Guidance for Accounting Standard for Earnings Per Share).
 - As a result of the reform of Commercial Code enforcement regulations, for the fiscal year under review, amounts of less than 1 million yen have been rounded. In previous fiscal years, amounts of less than 1 million yen had been eliminated.

The 89th fiscal year:

Net sales rose 1.8%, to 97,177 million yen, owing to the domestic sales growth that followed the vigorous introduction of new products as well as an increase in export sales to Asian countries. Despite an improvement in profitability, thanks to a rise in export prices, net income only went up 2.4%, to 4,000 million yen, because of the adoption of a newly introduced accounting standard of pension liabilities.

The 90th fiscal year:

Net sales amounted to 89,424 million yen, down 8.0% from the previous fiscal year, owing to such factors as a shift of manufacturing operations to a China-based subsidiary and moves taken by Japanese retailers to reduce inventory levels that had risen amid the protracted recession. Just as in the previous year, the Company recorded an amortization of the pension liabilities (net of the fair market value of plan assets) that existed at the beginning of the period during which the new accounting standard was implemented, and it also recorded unrealized losses on investment securities. These and other factors depressed net income 47.5%, to 2,100 million yen.

The 91st fiscal year:

Net sales amounted to 86,132 million yen, down 3.7% from the previous fiscal year, because of stagnation in power tool demand in Japan, decrease in export sales as a shift of manufacturing operations to a China-based subsidiary, and other factors. The Company recorded an amortization of the pension liabilities (net of the fair market value of plan assets) that existed at the beginning of the period during which the new accounting standard was

implemented, and it also recorded unrealized losses on investment securities. These and other factors depressed net income 28.8%, to 1,494 million yen.

The 92nd fiscal year:

A review of the period is provided in (1) Business Results.

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2. Profile of the Company (as of March 31, 2004)

(1) Major Operations

The Company is primarily involved in the production and sales of electric power tools such as planers, drills, cordless drills, circular saws and hammers, stationary woodworking machines such as planer-jointers and table saws, air tools such as air nailers and tackers, garden tools such as hedge trimmers, and household tools such as cordless cleaners.

(2) Principal Sales Offices and Plant

| | | | | |
|---------------|---|---|--|---|
| Sales Offices | Tokyo Utsunomiya Nagoya Osaka Takamatsu | Yokohama Sapporo Gifu Kyoto Fukuoka | Chiba Sendai Shizuoka Hyogo Kumamoto | Saitama Niigata Kanazawa Hiroshima |
| Plant | Okazaki | | | |

(3) Shareholding Status

- | | |
|---|-----------------------|
| 1. Total number of shares authorized to be issued by the Company: | 287,000,000 shares |
| 2. Total number of shares outstanding: | 148,006,992 shares |

Note: The total number of shares authorized to be issued by the Company and shares outstanding have been reduced by 5 million compared to the previous fiscal year end owing to the retirement of treasury stock.

- | | |
|---------------------------------------|--------|
| 3. Number of shareholders: | 11,131 |
| 4. Major shareholders are as follows: | |

| Name of Shareholder | Number of Shares Held | | The Company's Investment in Major Shareholders | |
|---|-----------------------|------------------------|--|------------------------|
| | Units (thousands) | Voting ratio (%) | Units (thousands) | Voting ratio (%) |
| Northern Trust Company (AVFC) Sub-account American Client | 10,138 | 7.14 | | |
| Japan Trustee Services Bank, Ltd. (Trust account) | 8,175 | 5.76 | | |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 6,354 | 4.47 | | |
| The UFJ Bank, Limited | 6,200 | 4.37 | | |
| The Chase Manhattan Bank, N.A. London | 4,841 | 3.41 | | |
| The Bank of New York, Treaty Jasdec Account | 4,649 | 3.27 | | |
| Makita Cooperation Companies Investment Association | 3,834 | 2.70 | | |

Notes: 1.

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The Company holds 3,212 shares of common stock of UFJ Holdings, Inc. (voting ratio: 0.06%), a parent company of The UFJ Bank, Limited.

2. In addition to the above, the Company owns 4,113 thousand shares of treasury stock without voting rights.

(4) Acquisition, disposition, and holding of treasury stock

1. Acquisition

| | |
|------------------------------|-------------------|
| Common stock: | 2,082,540 shares |
| Aggregate acquisition price: | 2,227 million yen |

2. Disposition

| | |
|------------------------------|---------------|
| Common stock: | 7,855 shares |
| Aggregate acquisition price: | 6 million yen |

3. Retirement

| | |
|---------------|------------------|
| Common stock: | 5,000,000 shares |
|---------------|------------------|

4. Shares held at the end of the fiscal year

| | |
|---------------|------------------|
| Common stock: | 4,113,801 shares |
|---------------|------------------|

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(5) Convertible bonds

1.5% unsecured convertible bonds, payable in yen, due 2005

| | |
|--------------------------------|------------------------|
| Shares issued upon conversion: | Common stock |
| Balance at end of year: | 12,994 million yen |
| Conversion price: | 2,259.90 yen per share |

(6) Employees

| <u>Number of Employees</u> | <u>Increase/Decrease</u> | <u>Average Age</u> | <u>Average Years of Service</u> |
|----------------------------|--------------------------|--------------------|---------------------------------|
| 2,908 | 38 (Decrease) 5 | 40.5 | 19.8 |

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(7) Makita Group (Status of Corporate Affiliation)

1. Significant Subsidiaries

| Company Name | Capital (thousands) | Voting ratio by the Company | Principal Business |
|--|------------------------|-----------------------------------|--|
| Makita U.S.A. Inc. | U.S.\$ 161,400 | 100.0% | Sales of electric power tools |
| Makita Corporation of America | U.S.\$ 73,600 | 100.0* | Manufacture of electric power tools |
| Makita Canada Inc. | C\$ 16,000 | 100.0 | Manufacture and sales of electric power tools |
| Makita International Europe Ltd. | £ 106,217 | 100.0 | Coordination of our overall operations in Europe |
| Makita (U.K.) Ltd. | £ 21,700 | 100.0* | Sales of electric power tools |
| Makita Manufacturing Europe Ltd. | £ 37,600 | 100.0* | Manufacture of electric power tools |
| Makita France S.A. | Euro 4,057 | 55.0* | Sales of electric power tools |
| Makita Benelux B.V. (The Netherlands) | Euro 2,178 | 100.0* | Sales of electric power tools |
| Euro Makita Corporation B.V. (The Netherlands) | Euro 227 | 100.0 | Financing subsidiaries in Europe |
| S.A. Makita N.V. (Belgium) | Euro 1,777 | 100.0* | Sales of electric power tools |
| Makita S.p.A. (Italy) | Euro 6,000 | 100.0* | Sales of electric power tools |
| Makita Werkzeug GmbH (Germany) | Euro 7,669 | 100.0* | Sales of electric power tools |
| Dolmar GmbH (Germany) | Euro 13,805 | 100.0* | Manufacture and sales of garden tools |
| Makita Werkzeug Gesellschaft m.b.H. (Austria) | Euro 12,173 | 100.0* | Sales of electric power tools |
| Makita S.A. (Spain) | Euro 3,606 | 100.0* | Sales of electric power tools |
| Makita Oy (Finland) | Euro 100 | 100.0* | Sales of electric power tools |
| Makita (Taiwan) Ltd. | NT\$ 107,500 | 100.0 | Sales of electric power tools |
| Makita Power Tools (HK) Ltd. | HK\$ 81,600 | 100.0 | Sales of electric power tools |
| Makita (China) Co., Ltd. | U.S.\$ 56,000 | 100.0 | Manufacture and sales of electric power tools |

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| | | | | |
|--|--------|-----------|-------|---|
| Makita (Kunshan) Co., Ltd. | U.S.\$ | 12,500 | 100.0 | Manufacture of electric power tools |
| Makita (Australia) Pty. Ltd. | A\$ | 13,000 | 100.0 | Sales of electric power tools |
| Makita Mexico, S.A. de C.V. | Mex\$ | 50,677 | 100.0 | Sales of electric power tools |
| Makita do Brasil Ferramentas Eletricas Ltda. | R\$ | 41,011 | 99.9 | Manufacture and sales of electric power tools |
| Makita Gulf FZE | UD | 22,391 | 100.0 | Sales of electric power tools |
| Joyama Kaihatsu Ltd. | Yen | 1,370,000 | 100.0 | Operation of a golf course |
| Makita Ichinomiya Corporation | Yen | 2,230,000 | 100.0 | Manufacture of woodworking machines |

*Voting ratios include voting rights possessed through subsidiaries.

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2. Developments of Makita Group

Aiming to strengthen its marketing and service systems in Europe, the Company established several new companies including Makita Farrantas, Sociedad Unipersonal, Lda. (Portugal) on June 30, 2003; Makita LLC (Russia) on October 3, 2003; and Makita Servis Centrum. S.R.O. (Slovakia) on March 24, 2004 that are accounted for as consolidated subsidiaries from the fiscal year under review.

3. Makita Group Results

On a consolidated basis (Makita Corporation and 42 consolidated subsidiaries), net sales increased 4.8% from the previous fiscal year, to 184,117 million yen, as a result of sales increases in all regions except North America and Central/South America.

Despite the recording of a loss at approximately 6 billion yen on the impairment on the assets of a golf course subsidiary, profitability was positively affected by such developments as an improvement in the cost-of-sales ratio, owing to such factors as a rise in the share of manufacturing operations carried out in China and the appreciation of the euro, and a large improvement among such nonoperating profit and loss items as those associated with securities assets and exchange losses on foreign currency transactions. As a result, income before income taxes surged 74.0%, to 16,170 million yen. However, increase in net income was restrained to 14.4%, which is primarily due to the 100 per cent valuation allowance provided on the deferred income tax asset on the impairment loss noted above. As a result, net income amounted to 7,691 million yen.

(8) Directors and Statutory Auditors

| Title | Name | Position or Principal Occupation |
|----------------------------|--------------------|--|
| President* | Masahiko Goto | |
| Managing Director | Masami Tsuruta | General Manager of Domestic Sales Marketing Headquarters General Manager of International Sales Headquarters: Europe Area |
| Director | Yasuhiko Kanzaki | General Manager of Administration Headquarters |
| Director | Kenichiro Nakai | General Manager of Production Headquarters |
| Director | Tadayoshi Torii | General Manager of Development and Engineering Headquarters |
| Director | Tomoyasu Kato | General Manager of International Sales Headquarters: Asia and Oceania Area |
| Director | Kazuya Nakamura | |
| Director | Masahiro Yamaguchi | General Manager of Purchasing Headquarters |
| Director | Shiro Hori | General Manager of International Sales Headquarters: America Area and International Administration |
| Director | Tadashi Asanuma | Assistant General Manager of Domestic Sales Marketing Headquarters |
| Director | Hisayoshi Niwa | General Manager of Quality Control Headquarters |
| Director | Zenji Mashiko | Assistant General Manager of Domestic Sales Marketing Headquarters |
| Standing Statutory Auditor | Ryota Ichikawa | |
| Standing Statutory Auditor | Kenichi Ikeda | |
| Statutory Auditor | Keiichi Usui | |
| Statutory Auditor | Shoichi Hase | Patent Attorney |

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Notes: 1. The asterisk denotes Representative Director.

2. Changes of Directors during the fiscal year

(1) At the 91st General Shareholders Meeting held on June 27, 2003, the following Directors were retired from their respective offices.

| | |
|-------------------|-------------------|
| Managing Director | Yoshiyuki Toma |
| Director | Katsuya Inagaki |
| Director | Atsushi Sugiura |
| Director | Kazuyuki Miyamoto |

(2) At the 91st General Shareholders Meeting held on June 27, 2003, the following Directors newly elected and each of them assumed their respective offices.

| | |
|----------|--------------------|
| Director | Masahiro Yamaguchi |
| Director | Shiro Hori |
| Director | Tadashi Asanuma |
| Director | Hisayoshi Niwa |
| Director | Zenji Mashiko |

(3) On June 27, 2003, the following change of Director's title was made. Title in parenthesis is the former title.

| | | |
|------------------------------|------------------|---|
| Managing Director (Director) | Masami Tsuruta | |
| Director | Yasuhiko Kanzaki | General Manager of International Sales Headquarters: Europe Area (Assistant General Manager of International Sales Headquarters 1) |
| Director | Tadayoshi Torii | General Manager of Production Headquarters (General Manager of Quality Control Headquarters) |
| Director | Kazuya Nakamura | General Manager of International Sales Headquarters: Asia and Oceania Area (General Manager of International Sales Headquarters 2) |

3. Keiichi Usui and Shoichi Hase are outside statutory auditors as provided in Paragraph 1 of Article 18 of the Law Concerning Exceptional Measures to the Commercial Code with Respect to Auditing, etc., of Joint Stock Corporations.

3. Subsequent Events

Accompanying the implementation of the Defined-Benefit Corporate Pension Plan Law, the Company received permission on April 1, 2004 from the Minister of Health, Labour and Welfare to return to the government the substitutional portion of its welfare pension fund corresponding to the past service period.

Accompanying this, the Company on the day permission was received recognized a reduction in its retirement benefit obligations associated with the substitutional portion. Consequently, the Company expects to record 6,331 million yen in extraordinary income during the current fiscal year.

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BALANCE SHEET
(As of March 31, 2004)

| | (Millions of Yen) |
|---------------------------------------|--------------------------|
| (Assets) | |
| Current assets | 88,854 |
| Cash and time deposits | 2,674 |
| Trade notes receivable | 91 |
| Trade accounts receivable | 16,142 |
| Marketable securities | 51,123 |
| Finished goods & merchandise | 7,111 |
| Work-in-process | 970 |
| Raw materials and supplies | 1,058 |
| Short-term loans receivable | 7,292 |
| Deferred tax assets | 2,210 |
| Other current assets | 341 |
| Allowance for doubtful accounts | (158) |
| | 139,650 |
| Fixed assets | 139,650 |
| Tangible fixed assets | 32,211 |
| Buildings | 12,299 |
| Structures | 566 |
| Machinery and equipment | 3,445 |
| Vehicles and transportation equipment | 57 |
| Tools, furniture and fixtures | 2,243 |
| Land | 13,507 |
| Construction in progress | 94 |
| Intangible fixed assets | 326 |
| Right of facility use | 41 |
| Software | 247 |
| Other intangible fixed assets | 38 |
| Investment and other assets | 107,113 |
| Investment securities | 31,970 |
| Investment in subsidiaries | 69,378 |
| Long-term loans receivable | 311 |
| Long-term time deposits | 2,000 |
| Lease deposits | 395 |
| Deferred tax assets | 2,768 |
| Other investments | 398 |
| Allowance for doubtful accounts | (107) |
| | 228,504 |
| Total assets | 228,504 |
| (Liabilities) | |

| | |
|--|----------------|
| Current liabilities | 26,696 |
| Trade notes payable | 350 |
| Trade accounts payable | 4,275 |
| Convertible bonds payable due within a year | 12,994 |
| Other accounts payable | 1,465 |
| Corporate and inhabitant income taxes payable | 3,370 |
| Accrued expenses | 3,775 |
| Other current liabilities | 467 |
| Long-term liabilities | 9,452 |
| Retirement and termination allowances | 9,083 |
| Estimated retirement allowances for directors and statutory auditors | 369 |
| | <hr/> |
| Total liabilities | 36,148 |
| | <hr/> |
| (Shareholders equity) | |
| Common stock | 24,204 |
| Additional paid-in capital | 47,525 |
| Additional paid-in capital | 47,523 |
| Other additional paid-in capital | 2 |
| Gains on sales of treasury stock | 2 |
| Retained earnings | 117,465 |
| Legal reserve | 5,669 |
| Voluntary reserve | 87,250 |
| Reserve for dividend | 750 |
| Reserve for technical research | 1,500 |
| General reserves | 85,000 |
| Unappropriated retained earnings | 24,546 |
| Net unrealized holding gains on available-for-sale securities | 6,478 |
| Treasury stock | (3,316) |
| | <hr/> |
| Total shareholders equity | 192,356 |
| | <hr/> |
| Total liabilities and shareholders equity | 228,504 |
| | <hr/> |

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STATEMENT OF INCOME
(From April 1, 2003, to March 31, 2004)

| | (Millions of Yen) | |
|---|--------------------------|---------------|
| (Ordinary profit and loss) | | |
| Operating profit and loss | | |
| Operating revenue | | |
| Net sales | | 88,335 |
| Operating expenses | | |
| Cost of goods sold | 58,262 | |
| Selling, general and administrative expenses | 21,888 | 80,150 |
| | | |
| Operating profit | | 8,185 |
| | | |
| Non-operating profit and loss | | |
| Non-operating income | | |
| Interest and dividend income | 1,191 | |
| Other non-operating income | 694 | 1,885 |
| | | |
| | | |
| Non-operating expenses | | |
| Interest expenses on convertible bonds | 195 | |
| Foreign exchange losses | 328 | |
| Other non-operating expenses | 103 | 626 |
| | | |
| Ordinary profit | | 9,444 |
| | | |
| (Special profit and loss) | | |
| Special profit | | |
| Gains on the sale of fixed assets | 3,122 | |
| Gains on the sale of investment securities | 393 | |
| Reversal of allowance for doubtful accounts | 28 | 3,543 |
| | | |
| | | |
| Special loss | | |
| Losses on sales and disposal of properties | 1,612 | |
| Unrealized losses on investment securities | 269 | |
| Unrealized losses on investment in subsidiary | 2,500 | |
| Unrealized losses on golf course membership | 8 | 4,389 |
| | | |
| Income before income taxes | | 8,598 |
| Tax provision, current | | 5,163 |

| | |
|---|----------------------|
| Tax provision, deferred | <u>(2,233)</u> |
| Net income | 5,668 |
| Unappropriated retained earnings carried forward from previous fiscal year | 24,188 |
| Interim cash dividends paid | 1,295 |
| Retirement of treasury stock | <u>4,015</u> |
| Unappropriated retained earnings as of March 31, 2004 | <u>24,546</u> |

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Significant accounting policies

| | | |
|----|--|--|
| 1. | Valuation of securities | |
| | Held-to-maturity securities: | Amortized cost (Straight-line method) |
| | Investment in subsidiaries: | At moving-average cost |
| | Available-for-sale securities | |
| | Those having fair market value: | Fair market value as of fiscal year-end |
| | | All valuation allowances are credited to shareholders' equity. |
| | | The cost of securities sold is based on the moving-average method. |
| | Those having no fair market value: | At moving-average cost |
| 2. | Valuation of monetary fund trust for trading purposes: | Fair market value as of fiscal year-end |
| 3. | Valuation of net assets and liabilities accrued from derivative transactions except forward exchange contracts and currency swap agreements: | Fair market value as of fiscal year-end |
| 4. | Valuation of inventories | |
| | Finished goods, merchandise, work in process, and raw materials: | At the lower of average cost or market |
| | Supplies: | At the lower of latest purchase cost or market |
| 5. | Depreciation method of fixed assets | |
| | Tangible fixed assets: | Declining-balance method |
| | | However, buildings acquired after March 31, 1998, (excluding fixtures) are depreciated on the straight-line method. |
| | | Estimated life: |
| | | Buildings and structures: 38 to 50 years |
| | | Machinery and equipment: 10 years |
| | Intangible fixed assets: | Straight-line method |
| | | However, software for internal use is depreciated on the straight-line method over its estimated useful life (five years) |
| 6. | Allowances | |
| | Allowance for doubtful accounts: | The allowance for doubtful accounts is reserved based on the historical write-off ratio for accounts receivable. For accounts receivable that are difficult to collect, individually estimated write-off amounts are reserved. |
| | Retirement and termination allowances: | To be prepared for employee retirement, pension costs during the year are reserved based on projected benefit obligations and plan assets. Past service liabilities are amortized by the straight-line method over the average remaining employment period. |
| | | Actuarial differences are amortized starting immediately after the year of accrual by the straight-line method over the average remaining employment period. |
| | Estimated retirement allowances for directors and statutory auditors: | The estimated retirement allowances for directors and statutory auditors are fully accrued based on the Company's unfunded retirement benefit plan in order to prepare for the payments of retirement allowances. This allowance conforms to the reserve provided by Article 43 of Commercial Code Enforcement Regulation. |

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7. Accounting for lease transactions
- Finance lease transactions other than for changes in ownership of finance leases are accounted for as rental transactions.
8. Accounting for hedging activities
- Method: Accounts receivable denominated in foreign currency are reevaluated by matching them to forward exchange contracts.
- Hedge instruments and hedge objects
- Hedge instruments: Derivative transactions
(Forward exchange contracts and currency swap agreements)
- Hedge objects: Accounts receivable and loans receivable denominated in foreign currencies
- Hedging policy: Based on our internal regulations, in order to avoid the potential risk of future currency fluctuations, hedging activities are conducted within a limit that does not exceed the actual and reasonably expected transactions. The Company does not engage in derivative activity for speculation purpose. The due dates of hedge instruments are arranged to match those of hedge objects.
- Method in evaluating hedge effectiveness: If conditions regarding hedge instruments and hedge objects are the same, judgments on the effectiveness of hedging activities are omitted.
9. Consumption tax is accounted for by allocation separately from related sales and purchase accounts.
10. From the fiscal year under review, the Company has prepared its reporting statements in accordance with the ministerial ordinance regarding the partial revision of Commercial Code enforcement regulations (February 28, 2003, Ministry of Justice Directive No. 7 and September 22, 2003, Ministry of Justice Directive No. 68).

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(Notes of Balance Sheet)

| | | | |
|-----|--|-------------|-------------|
| 1. | Short-term receivables due from subsidiaries: | 15,634 | million yen |
| 2. | Long-term receivables due from subsidiaries: | 308 | million yen |
| 3. | Short-term payables due to subsidiaries: | 1,259 | million yen |
| 4. | Accumulated depreciation on tangible fixed assets: | 60,649 | million yen |
| 5. | Guarantee (contingent liabilities), etc. | | |
| | Guarantee (contingent liabilities) | 6,480 | million yen |
| | Guarantee (promise to guarantee) | 6,000 | million yen |
| 6. | Notes receivable discounted: | 572 | million yen |
| 7. | In addition to fixed assets on the balance sheet, the Company held leased marketing office facilities, computers and related equipment, and automobiles for deliveries, etc., which are not capitalized. | | |
| 8. | The net unrealized holding gain on available-for-sale securities within the meaning of Article 124 (3) of Commercial Code Enforcement Regulation amounted to 6,478 million yen. | | |
| 9. | Number of shares outstanding and treasury stock | | |
| | Outstanding share | 148,006,992 | Shares |
| | Common stock | | |
| | Treasury stock | 4,113,801 | Shares |
| | Common stock | | |
| 10. | Amounts of less than 1 million yen have been rounded. | | |

(Notes of Statement of Income)

| | | | |
|----|--|-------------|-------------|
| 1. | Sales to subsidiaries: | 38,993 | million yen |
| 2. | Purchases from subsidiaries: | 6,004 | million yen |
| 3. | Non-operating transactions with subsidiaries: | 1,658 | million yen |
| 4. | Earnings per share: | 38.79 | Yen |
| | Earnings per share attributable to common stock was computed based on following; | | |
| | Earnings per share in the statement of income | 5,668 | million yen |
| | The amount of net income not inhering common shareholders | | |
| | Bonuses to directors | 55 | million yen |
| | Earnings available to common stock | 5,613 | million yen |
| | Average number of shares of common stocks outstanding | 144,682,696 | shares |
| 5. | Amounts of less than 1 million yen have been rounded. | | |

Table of Contents**PROPOSAL OF APPROPRIATION OF RETAINED EARNINGS**

| Item | (Yen) Amount |
|---|-------------------------------|
| Unappropriated retained earnings as of March 31, 2004 | 24,545,682,382 |
| Appropriations | |
| Cash dividends, 13 yen per share (with a special dividend of 4 yen) | 1,870,611,483 |
| Bonuses to directors | 55,000,000 |
| (including for statutory auditors) | (5,200,000) |
| Reserve for deduction entries | 1,127,561,900 |
| Special account reserve for deduction entries | 233,103,292 |
| | 21,259,405,707 |

Note: 1. Interim cash dividends of 1,295,378,172 yen (9 yen per share) were paid on November 21, 2003, in addition to the above.

2. Provisions for the reserve for deduction entries and special account reserve for deduction entries are made based on the provisions of the Special Taxation Measures Law.

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English Translation of the Auditor's Report Originally Issued in Japanese Language

Independent Auditors' Report

April 26, 2004

The Board of Directors
Makita Corporation

KPMG AZSA & Co.

Norimasa Matsuoka (Seal)
Representative Partner
Certified Public Accountant

Tetsuzo Hamajima (Seal)
Representative and Engagement
Partner
Certified Public Accountant

Hideki Okano (Seal)
Engagement Partner
Certified Public Accountant

We have audited the statutory report, that is the balance sheet, the statement of income, the business report (limited to accounting matters) and the proposal for appropriation of unappropriated retained earnings, and its supporting schedules (limited to accounting matters) of Makita Corporation (the Company) for the 92nd business year from April 1, 2003 to March 31, 2004 in accordance with Article 2 of the Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha. With respect to the aforementioned business report and supporting schedules, our audit was limited to those matters derived from the accounting books and records of the Company. These statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as an independent auditor.

We conducted our audit in accordance with generally accepted auditing standards in Japan. Those auditing standards require to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion. Our audit procedures also include those considered necessary for the Company's subsidiaries.

As a result of the audit, our opinion is as follows:

- (1) The balance sheet and the statement of income present fairly the financial position and the result of operations of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (2) The business report (limited to accounting matters) presents fairly the status of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (3) The proposal for appropriation of unappropriated retained earnings has been prepared in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (4) With respect to the supporting schedules (limited to accounting matters) there are no items to be noted that are not in conformity with the provisions of the Commercial Code.

The subsequent event stated in the business report may have a material effect on the financial position and the result of operations of the Company in the business years subsequent to March 31, 2004.

Our firm and Engagement Partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Note: Due to a January 1, 2004, merger, the Company's accounting auditor, Asahi & Co., has become KPMG AZSA & Co.

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Audit Report of Board of Statutory Auditors
(Certified Copy)

Audit Report

April 28, 2004

Mr. Masahiko Goto
President
Makita Corporation

Board of Statutory Auditors
Makita Corporation

Ryota Ichikawa (Seal)
Standing Statutory Auditor

Kenichi Ikeda (Seal)
Standing Statutory Auditor

Keiichi Usui (Seal)
Statutory Auditor

Shoichi Hase (Seal)
Statutory Auditor

The Board of Statutory Auditors, having received a report from each Statutory Auditor on the method and results of his audit on the performance of duties of Directors during the 92nd fiscal period, from April 1, 2003 to March 31, 2004, and having discussed with each other, does hereby report the results of their audit as follows:

1. Method of Audit by Statutory Auditors:

Each Statutory Auditor has, following the audit policy and distribution of audit responsibility among the Statutory Auditors set by the Board of Statutory Auditors, attended the meetings of the Board of Directors and other important meetings of the Company, received reports on the operation of the Company from Directors and other parties, perused important documents including those subject to executive approval, conducted examination of business conditions and assets at the head office and other major business offices and requested from the Company's subsidiaries reports on their operation and, when deemed necessary, conducted on-site inspection on their financial position as well as their operation. Each Statutory Auditor has also received from accounting auditors reports concerning accounting audit and their opinions and conducted examination of accounting documents and the supplemental schedules.

With respect to the Director's engagement in competing transactions, transactions involving conflict of interest between the Company and a Director, the provision by the Company of a benefit without compensation, unusual transactions between the Company and its subsidiary or shareholder and acquisition and disposition by the Company of its own shares, each Statutory Auditor has, in addition to the audit procedures described above, requested reports from Directors and other parties and conducted investigation and examination of conditions of such transactions when deemed necessary.

2. Result of Audit:

In the opinion of the Board of Statutory Auditors:

- (1) The method of audit employed by KPMG AZSA & Co. and the result thereof are proper and fair;
- (2) The contents of the business report present fairly the position of the Company pursuant to laws and regulations and the Articles of Incorporation;
- (3) The proposed allocation of profit contains nothing particular to be commented on in the light of the condition of assets of the Company and other circumstances;
- (4) The supplemental schedules present fairly the matters to be described therein and contain nothing to be commented on;
- (5) With respect to the execution of Directors' duties, no unfair conduct nor any material breach of laws and regulations or the Articles of Incorporation has been found, and with respect to the Director's engaging in competing transactions, transactions involving a conflict of interest between the Company and a Director, providing by the Company of a benefit without compensation, unusual transactions between the Company and its subsidiary or shareholder and acquisition and disposition by the Company of its own shares, no violation of duties by any Director has been found; and
- (6) With respect to the Directors' duties on subsidiaries, nothing came to our attention that should be commented upon.

Note: Keiichi Usui and Shoichi Hase are outside statutory auditors as provided in Paragraph 1 of Article 18 of the Law Concerning Exceptional Measures to the Commercial Code with Respect to Auditing, etc. of Joint Stock Corporations.

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Information relating to exercise of voting rights

1. Total number of voting rights: 142,015 units

2. Propositions and explanatory information

Agenda Item No. 1: Approval of the Proposed Appropriation of Retained Earnings for the 92nd fiscal year

If approved by shareholders, the appropriation of retained earnings will be carried forward as designated on page 14 in order to build up the Company's strength in every aspect given the unpredictability of the future business environment.

The Company previously had a fundamental policy of maintaining stable dividend levels but has now adopted an approach to determining dividends based on consideration of a comprehensive range of factors including performance and dividend payout ratios. Accordingly in addition to an ordinary cash dividend of 9 yen per share, it is proposed that a special dividend of 4 yen per share be disbursed, for a total of 13 yen per share (Including the interim dividend of 9 yen per share, total dividends applicable to the year amounted to 22 yen per share).

Agenda Item No. 2: Partial amendment to the Articles of Incorporation

1. Reasons for the amendments:

It is hereby proposed that, as a result of the retirement of five million (5,000,000) shares of the Company during the fiscal year ended March 31, 2004 pursuant to Article 212 of the Commercial Code, the total number of shares authorized to be issued by the Company provided for in Article 5 of the Articles of Incorporation be reduced by the same number of shares as such shares so retired.

As a result of the enforcement of the Law Amending the Commercial Code and the Law Concerning Special Measures to the Commercial Code with Respect to Auditing, etc. of Joint Stock Corporations (Law No. 132 of 2003), the Company has become able to purchase its own shares by a resolution of its Board of Directors if so authorized by the Articles of Incorporation. Accordingly, it is hereby proposed that, in order to enable the Company to pursue its flexible capital policies responding to changing business environment, the new Article 6 (Acquisition of treasury stock) be established and the Articles thereafter of the present Articles of Incorporation be renumbered downward for one.

2. Details of the amendments:

The details of the amendments are as follows:

(Changes are underlined.)

| Present Articles |
|---|
| <hr/> |
| Article 5. <i>(Total number of shares)</i> |
| The total number of shares authorized to be issued by the Company shall be <u>two hundred and ninety two million (292,000,000)</u> ; provided, however, that if shares are retired, the total number of shares shall be reduced by the number of shares so retired. |

| Proposed Amendments |
|---|
| <hr/> |
| Article 5. <i>(Total number of shares)</i> |
| The total number of shares authorized to be issued by the Company shall be <u>two hundred and eighty seven million (287,000,000)</u> ; provided, however, that if shares are retired, the total number of shares shall be reduced by the number of shares so retired. |

(Newly established)

Article 6. _____ (*Acquisition of treasury stock*)

The Company may, by a resolution of the Board of Directors, purchase shares of the Company pursuant to Article 211-3, Paragraph 1, Item 2 of the Commercial Code.

Article 6.

Article 7.

through (Omitted)

through (Same as at present)

Article 36.

Article 37.

Table of Contents**Agenda Item No.3: Election of three Statutory Auditors**

The term of office of three Statutory Auditors presently in office, Messrs. Ryota Ichikawa, Kenichi Ikeda and Shoichi Hase, will have expired at the end of this General Shareholders Meeting. You are kindly requested to elect three Statutory Auditors.

The candidates are as follows:

Introduction of this agenda item obtains the consent of the Board of Statutory Auditors.

| Number | Name (Date of birth) | Brief personal background | Number of the Company's shares held |
|--------|-------------------------------------|--|--|
| 1 | Akio Kondo (February 3, 1946) | March 1969: Joined the Company April 1971: Transferred to Makita U.S.A. April 1991: Inc. Assistant General Manager of Accounting & Finance Department of this Company | 6,080 |

October 1995 up
to the present:

General Manager of
Accounting & Finance
Department

2 Hiromichi Murase
(April 5, 1946)
March 1969:
April 1994:

Joined the Company
Assistant General
Manager of General
Affairs Department

4,450
June 1998 up
to the present:

General Manager of
General Affairs
Department

3 Shoichi Hase
(March 30, 1934)
April 1961:
April 1967:

April 1988:

Registered as Patent
Attorney
Established Hase Patent
Attorney Office
Vice Chairman of
Association of Japanese
Patent Attorney
15,000
June 2001 up
to the present:

Statutory Auditor of
this Company

Notes:

1. Mr. Shoichi Hase is a candidate for the outside statutory auditor provided in Paragraph 1 of Article 18 of the Law Concerning Exceptional Measures to the Commercial Code with Respect to Auditing, etc. of Joint Stock Corporations.
2. There is no special interest between the above candidate and the Company.

Agenda Item No.4: Payment of Retirement Benefit to Retiring Statutory Auditors

In order to reward Messrs. Ryota Ichikawa and Kenichi Ikeda, both Statutory Auditors retiring from their respective offices for meritorious services while in office, it is proposed to pay them retirement benefits according to the standards prescribed by the Company.

The definite amount, time of payment, method of payment be entrusted to the discussion of Statutory Auditors.

Brief personal background of retiring statutory auditors are as follows:

| Name | Brief personal background |
|-------------------|---|
| Ryota Ichikawa | June 2001 up to the present: Standing Statutory Auditor |
| Kenichi Ikeda | June 1998 up to the present: Standing Statutory Auditor |

Table of Contents*(Reference)**Consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States.*

CONSOLIDATED BALANCE SHEET
(As of March 31, 2004)

| (Assets) | (Millions of Yen) |
|---|--------------------------|
| Current assets | 194,445 |
| Cash and cash equivalents | 24,576 |
| Time deposits | 4,050 |
| Marketable securities | 63,990 |
| Trade receivables- Notes | 2,254 |
| Accounts | 34,787 |
| Less- Allowance for doubtful receivables | (1,346) |
| Inventories | 54,326 |
| Deferred income taxes | 3,691 |
| Prepaid expenses and other current assets | 8,117 |
| | |
| Property, plant and equipment, at cost | 52,965 |
| Land | 18,326 |
| Buildings and improvement | 50,648 |
| Machinery and equipment | 73,000 |
| Construction in progress | 222 |
| Less- Accumulated depreciation | (89,231) |
| | |
| Investment and other assets | 30,706 |
| Investment securities | 22,139 |
| Deferred income taxes | 880 |
| Other assets | 7,687 |
| | |
| Total assets | 278,116 |
| | |
| (Liabilities) | (Millions of Yen) |
| | |
| Current liabilities | 46,623 |
| Short-term borrowings | 14,128 |
| Trade notes and accounts payable | 15,351 |

| | |
|---|----------------|
| Accrued payroll | 7,168 |
| Accrued expenses and other | 3,830 |
| Income taxes payable | 6,093 |
| Deferred income taxes | 53 |
| | <hr/> |
| Long-term liabilities | 36,891 |
| Long-term indebtedness | 7,364 |
| Club members' deposits | 13,045 |
| Estimated retirement and termination allowances | 15,905 |
| Deferred income taxes | 235 |
| Other liabilities | 342 |
| | <hr/> |
| (Minority interests) | |
| Minority interests | 1,254 |
| | <hr/> |
| (Shareholders' equity) | |
| Common stock | 23,803 |
| Additional paid-in capital | 45,421 |
| Legal reserve and retained earnings | 144,488 |
| Accumulated other comprehensive loss | (17,048) |
| Treasury stock, at cost | (3,316) |
| | <hr/> |
| Total Shareholders' equity | 193,348 |
| | <hr/> |
| Total liabilities, minority interests and shareholders' equity | 278,116 |
| | <hr/> |

Note: Amounts of less than 1 million yen have been rounded.

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CONSOLIDATED STATEMENT OF INCOME
(From April 1, 2003, to March 31, 2004)

| | (Millions of Yen) | |
|---|--------------------------|----------------|
| Net sales | | 184,117 |
| Cost of sales | | 110,322 |
| | | |
| Gross profit | | 73,795 |
| Selling, general and administrative expenses | | 59,099 |
| | | |
| Operating income | | 14,696 |
| Other income (expenses): | | |
| Interest and dividend income | 869 | |
| Interest expense | (605) | |
| Exchange losses on foreign currency transactions, net | (202) | |
| Realized gains on securities, net | 555 | |
| Other, net | 857 | 1,474 |
| | | |
| Income before income taxes | | 16,170 |
| Provision for income taxes: | | |
| Current | 8,745 | |
| Deferred | (266) | 8,479 |
| | | |
| Net income | | 7,691 |

Note: Amounts of less than 1 million yen have been rounded.