

SALERNO FREDERIC V
Form 4
October 04, 2011

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SALERNO FREDERIC V

(Last) (First) (Middle)
1515 BROADWAY
(Street)
NEW YORK, NY 10036
(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
Viacom Inc. [VIA, VIAB]

3. Date of Earliest Transaction
(Month/Day/Year)
10/01/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)

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Derivative Security	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		Code	V	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
	(A)	(D)						
Class A Phantom Common Stock Units	(1)	10/01/2011	A		(1)	(1)	Class A Common Stock	452 \$ 48.3
Class B Phantom Common Stock Units	(1)	10/01/2011	A		(1)	(1)	Class B Common Stock	565 \$ 38.7

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SALERNO FREDERIC V 1515 BROADWAY NEW YORK, NY 10036		X		

Signatures

/s/ Michael D. Fricklas, Attorney-in-Fact for Frederic V. Salerno 10/04/2011

__Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

The Reporting Person has elected to defer payment of director retainer and meeting fees and related interest thereon pursuant to the Viacom Inc. Deferred Compensation Plan for Outside Directors. Deferred amounts (including cash dividends and interest credited during the previous quarter, including on director compensation previously deferred pursuant to the former Viacom Inc. (now CBS Corporation) (1) deferred compensation arrangement for directors) are deemed invested quarterly in a number of Phantom Common Stock Units equal to the number of shares of Class A and Class B Common Stock that such deferred amounts, if invested as equally as possible in the Class A and Class B Common Stock, would have purchased on the day the amounts are deemed invested. Phantom Common Stock Units are paid out after the Director's retirement from the Board and are settled in cash.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ing 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 September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 has been subsequently amended by FASB Staff Position FAS157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 and FASB Staff Position FAS157-2, Effective Date of FASB Statement No. 157. SFAS No. 157, as amended, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements for instruments within its scope. SFAS No. 157, as amended, is effective from the fiscal period beginning after November 15, 2007, except for non-financial assets and liabilities that are not recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually), for which it is effective from the fiscal period beginning after November 15, 2008. SFAS No. 157, as amended, is required to be adopted by Makita in this fiscal year. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adoption did not give rise to any material effect on Makita's consolidated financial position or results of operations. Makita does not expect the adoption of SFAS No. 157 for non-financial assets and liabilities that are not recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually) from the fiscal period beginning after November 15, 2008 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 reports 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 this fiscal year. The adoption did not give rise to any material effect on Makita's consolidated financial position or results of operations as Makita did not elect to report financial assets and liabilities under the fair value option.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, and No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51. These statements aim to improve, simplify, and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. These statements are effective for fiscal years beginning after December 15, 2008 and are required to be adopted by Makita, in the fiscal year beginning April 1, 2009. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition date at fair value with limited exceptions. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of noncontrolling interests (minority interests) as equity in the consolidated financial statements. The amount of net income attributable to noncontrolling interests will be included in consolidated net income on the face of the consolidated income statement. This statement also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. Other than the recharacterization of minority interests, Makita does not expect the adoption of these statements will have a material impact on its consolidated results of operations and financial condition.

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In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities- an amendment of FASB Statement No. 133 , which amends and expands the current disclosures required by SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities . SFAS No. 161 requires entities to provide greater transparency on how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, and how derivative instruments and related hedged items affect an entity s financial position, results of operations and cash flows. SFAS No. 161 does not change the existing standards relative to recognition and measurement of derivative instruments and hedging activities. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 and is required to be adopted by Makita, in this fiscal year. In December 2008, the FASB issued FSP FAS No. 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets . FSP 132(R)-1 requires additional disclosures about plan assets including investment policies, fair value of each major category of plan assets, development of fair value measurements and concentrations of risk. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009 and is required to be adopted by Makita in the year ending March 31, 2010. Makita is currently evaluating these additional disclosure requirements, but Makita does not expect the adoption of FSP 132(R)-1 will have an impact on its consolidated results of operations and financial condition.

Table of Contents**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, 2009, Makita held cash and cash equivalents amounting to ¥34,215 million and the Company's subsidiaries had credit lines up to ¥16,079 million, of which ¥110 million was used and ¥15,969 million was unused and available. As of March 31, 2009, Makita had ¥239 million in short-term borrowing, which included bank borrowings and the current portion of capital lease obligations. Short-term borrowing was used for daily operations at the subsidiaries. The amount excluding current maturities of long-term indebtedness was ¥110 million, a decrease of 93% or ¥1,472 million from FY 2008. For further information regarding Makita's short-term borrowings, including the average interest rates, see Note 11 to the accompanying consolidated financial statements.

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

As of March 31, 2009, Makita's total short-term borrowings and long-term indebtedness amounted to ¥1,057 million, representing a decrease of 59.8% from ¥2,632 million reported for FY 2008. Makita's ratio of indebtedness to shareholders' equity was down by 0.4 points to 0.4%. This decrease was mainly due to a decrease of long-term borrowing, which decreased from ¥908 million to ¥818 million. Makita expects to continue to incur additional indebtedness from time to time as required to finance working capital needs. Makita has no potentially significant refinancing requirements in FY 2009 and thereafter.

Makita has historically maintained a high level of liquid assets. Management estimates that the cash and cash equivalents level of ¥34,215 million as of March 31, 2009, together with Makita's available credit facilities, cash flow from operations and funds available from long-term and short-term debt financing, will be sufficient to satisfy its future working capital needs, capital expenditure and research and development through FY 2010 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 its own stock.

Maintaining the level of Makita's production and marketing activities requires capital investments of approximately ¥10 billion annually. Please see Fiscal Year 2009 Capital Expenditures below for a description of Makita's principal capital expenditures for FY 2009 and the main planned expenditures for FY 2010. As part of the Company's policy to maximize shareholder return, the Company distributed to its shareholders an interim dividend of ¥30 per share in November 2008, and a year-end dividend of ¥50 per share in June 2009. During FY 2009, the Company repurchased six million shares of its own stock for approximately ¥17.6 billion.

At the Ordinary General Meeting of Shareholders held in June 2009, the Company's shareholders approved a cash dividend of ¥50 per share. The total cash dividend payments amount to ¥6,888 million, and were made in June 2009. In 2007, Makita acquired all outstanding shares of Fuji Robin Industries, Ltd. (currently Makita Numazu Corporation) for approximately ¥2.7 billion in cash and 81,456 Makita shares. Makita financed the cash portion of the purchase price 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.

While Makita had received an A+ rating from Standard & Poor's Financial Services LLC through the end of FY 2008, starting FY 2009, Makita no longer requests ratings from rating agencies in consideration of its cost reduction efforts. Makita believes that because its financial health is ensured by a high equity ratio, there is little need for financing through bank borrowings or corporate bonds issuances.

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FY 2009

Cash Flows

Net cash provided by operating activities decreased by ¥7,097 million from ¥29,275 million in FY 2008 to ¥22,178 million in FY 2009, due to the deterioration of business results in the second half of FY 2009. Primary factors that affected such result include the following:

Cash flow increasing factors:

¥25,428 million increase due to lower levels of cash used in operating activities such as purchases of parts and raw materials, selling, general and administrative expenses and income tax payments

Cash flow decreasing factors:

¥32,525 million decrease due to lower level of cash received from customers as a result of decrease in sales

Net cash provided by investing activities was ¥232 million in FY 2009 as opposed to net cash used in investment activities in the amount of ¥4,508 million in FY 2008 primarily as a result of the following:

¥20,565 million decrease due to lower purchases of available-for-sale securities and held-to-maturity

¥8,302 million decrease of sales and maturities of securities

¥4,791 million decrease due to proceeds from maturity of time deposits

¥2,010 million increase due to higher capital expenditures including expenditures for the partial reconstruction of the Okazaki Plant, purchases of metal molds for the manufacture of new products, construction of the research and development facility at the Makita China Plant, expansion of the Makita Romania Plant, construction of the second plant in Brazil and construction of the headquarter building of the sales company in France

Net cash used in financing activities increased by ¥19,364 million from ¥13,815 million in FY 2008 to ¥33,179 million in FY 2009 primarily as a result of the following:

¥17,640 million used for repurchase of the Company's own shares of common stock

¥1,638 million increase due to dividends paid

Accounting for all these activities and the effect of exchange rate fluctuations, Makita's cash and cash equivalents decreased by ¥12,091 million from ¥46,306 million as of the end of FY 2008 to ¥34,215 million as of the end of FY 2009.

In FY 2009, demand for cash was high due to an increase in inventories, the repurchase of the Company's own shares, capital expenditures and dividend payments, resulting in a year-over-year decline of ¥12,091 million in the cash balance as of March 31, 2009.

The downturn of the worldwide economy, which unfolded while Makita was enhancing its production system, resulted in a substantial decrease in sales in the second half of FY 2009. Inventory amount increased by ¥17,314 million in FY 2009 compared to the previous fiscal year, despite Makita's efforts in adjusting its production level during the fourth quarter of FY 2009.

Capital expenditures are expected to be lower in FY 2010 compared to FY 2009, even though several relocation and/or expansion projects for certain facilities are planned. Makita expects the difficult business environment to continue in FY 2010 and projects a considerable decrease in net income in FY 2010 compared with FY 2009. Makita plans to reduce its inventory level by adjusting production levels in FY 2010.

Makita also expects a longer period for recovering trade accounts receivable in FY 2010, because Makita has granted an extension to several customers who are facing difficulties in financing as a result of the financial crisis. Makita expects its cash flow to increase in general, as the Company does not plan to repurchase its own shares.

Table of Contents**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 constructing or expanding its plants in Brazil, Romania and China and also purchasing metal molds to manufacture new products. This required Makita to increase the amount of its capital expenditures in FY 2009 compared to FY 2008, amounting to ¥12,980 million, ¥15,036 million and ¥17,046 million for FY 2007, 2008 and 2009, respectively.

Capital expenditures in FY 2009 were primarily used for the partial reconstruction of the Okazaki Plant, purchases of metal molds for the manufacture of new products, the construction of the second plant in Brazil and the extension of the Makita Romania Plant to reinforce the global production system, as well as the construction of the headquarters building at a sales company in France.

Capital investments of the Company amounted to approximately ¥6.2 billion, while capital investment of overseas subsidiaries amounted to approximately ¥10.8 billion. All of Makita's capital expenditures in FY 2009 were funded through internal sources.

Under its investment plans for FY 2010, the Makita Group is scheduled to make capital investments totaling ¥13 billion, which is 24% lower than for FY 2009. Of this total, the Company plans to make direct investments of ¥3.1 billion and its consolidated subsidiaries will invest ¥9.9 billion.

The Company's main capital investment plan is to purchase metal molds for the manufacture of new products, rebuild the delivery center in the Okazaki Plant, and construct the Tokyo Technical Center.

The main facilities investments by consolidated subsidiaries include ¥9.9 billion in capital expenditures for production facilities in the China Plant, the purchase of metal molds for the manufacture of new products and the construction of the headquarters building and warehouses at sales companies in Europe and Asia. The projected capital expenditure in FY 2010 is planned to be funded by equity capital.

Financial Position

Total assets at the end of FY 2009 were ¥336,644 million, down 12.9% from the previous fiscal year-end. Total current assets decreased by 17.2% to ¥240,403 million, owing to such factors as a decrease of cash and cash equivalents, and securities.

Inventories decreased by ¥1,185 million from ¥112,187 million at the end of FY 2008 to ¥111,002 million at the end of FY 2009.

Property, plant and equipment, at cost less accumulated depreciation, increased by 5.3%, to ¥72,696 million. This increase was mainly due to relocation of headquarters in France and construction of the second plant in Brazil.

Investments and other assets decreased by 13.0%, to ¥23,545 million. This decrease was mainly due to a decrease of investment securities.

Total current liabilities decreased by 31.6%, to ¥40,817 million mainly due to decrease in income taxes payable, trade notes and accounts payable. The current ratio improved to 5.9 in FY 2009 from 4.9 in FY 2008.

Long-term liabilities increased by 29.3%, to ¥10,081 million, mainly due to an increase in pension obligations as a result of the increase in unrealized loss on securities.

Shareholders' equity decreased by 10.4%, to ¥283,485 million. The main reasons for this decrease was the decrease in accumulated other comprehensive income.

Fluctuations in the accumulated other comprehensive income (losses) were due to the following reasons:

1. Accumulated other comprehensive income occurred through net unrealized holding gains on available-for-sale securities were due to the 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,
2. Accumulated other comprehensive losses occurred through pension liability adjustment were due to the increase in net actuarial loss as a result of the depreciation of the market value of the plan asset ,
3. Accumulated other comprehensive losses occurred through foreign currency translation adjustments were due to the decrease in foreign currency translation adjustments as a result of appreciation of the Japanese yen against the British pound, euro and U.S. dollars.

As a result, the shareholders equity ratio increased to 84.2%, from 81.9% in the previous fiscal year-end.

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FY 2008

Cash Flows

Net cash provided by operating activities decreased by ¥3,085 million from ¥32,360 million in FY 2007 to ¥29,275 million in FY 2008 as a result of the following:

¥65,664 million decrease due to higher levels of cash used in operating activities such as purchases of parts and raw materials, selling, general and administrative expenses, and income tax payments

¥62,579 million increase due to higher levels of cash received from customers as a result of net sales growth

Net cash used in investing activities decreased by ¥22,768 million from ¥27,276 million in FY 2007 to ¥4,508 million in FY 2008 primarily as a result of the following:

¥6,357 million decrease due to lower purchases of available-for-sale securities and held-to-maturity securities

¥8,101 million decrease due to higher proceeds from sales and maturities of securities

¥9,266 million decrease due to withdrawals of time deposits

¥2,056 million increase due to higher capital expenditures for reconstruction of the Okazaki plant, improvements to the headquarters buildings, and new plant constructions of Makita China, Makita Brazil and Makita Romania

¥1,385 million increase due to an acquisition of Makita Numazu for ¥2,034 million, net of cash acquired

Net cash used in financing activities increased by ¥5,508 million from ¥8,307 million in FY 2007 to ¥13,815 million in FY 2008 primarily as a result of the following:

¥4,025 million increase due to higher dividends paid

Accounting for all these activities and the effect of exchange rate changes, Makita's cash and cash equivalents increased by ¥9,178 million from ¥37,128 million as of the end of FY 2007 to ¥46,306 million as of the end of FY 2008.

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. This required Makita to increase the amount of its capital expenditures in FY 2008 compared to FY 2007, amounting to ¥11,383 million, ¥12,980 million and ¥15,036 million for FY 2006, 2007 and 2008, respectively. Capital expenditures in FY 2008 were mainly used for expansion and rebuilding of the Okazaki plant, improvements to the Company's headquarters buildings, purchases of metal molds for new products, construction of the China plant, Brazil plant and Romania plant along with purchases of manufacturing facilities which make it easier to increase production capacities or maintain high production capacities. Capital investments of the Company amounted to approximately ¥8.6 billion, while capital investment of overseas subsidiaries amounted to approximately ¥6.4 billion. All of Makita's capital expenditures in FY 2008 were funded through internal sources.

Under its investment plans for FY 2009, the Makita Group is scheduled to make capital investments totaling ¥25 billion, which is 66% higher than for FY 2008. Of this total, the Company plans to make direct investments of ¥8 billion and its consolidated subsidiaries will invest ¥17 billion.

In continuation from FY 2008, the Company's main capital investment plan is to rebuild the Okazaki plant, Nagoya Branch in Japan, and purchase of metal molds for new products. 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. Due to the expansion of its business in Europe, the Company plans to invest approximately ¥10 billion in upgrading and expanding of its European and Asian sales subsidiaries, including Makita France, Makita Switzerland, Makita Benelux, Makita Poland, Makita Germany and Makita Taiwan. The remaining ¥7 billion will continue to be invested in the construction of the Romania plant, China plant and Brazil factories. These are all scheduled to be funded with internal sources.

Table of Contents**Financial Position**

Total assets at the end of FY 2008 were ¥386,467 million, up 4.9% from the previous fiscal year-end. Total current assets increased by 9.0% to ¥290,355 million, owing to such factors as an increase of cash and cash equivalents, and inventories.

Inventories increased by ¥19,387 million from ¥92,800 million at the end of FY 2007 to ¥112,187 million at the end of FY 2008. Since demand for Makita products is growing steadily, Makita increased inventories so that sales opportunities would not be lost.

Property, plant and equipment, at cost less accumulated depreciation, increased by 9.0%, to ¥69,058 million.

Investments and other assets decreased by 29.9%, to ¥27,054 million. Total current liabilities increased by 9.8%, to ¥59,656 million mainly due to increase in income taxes payable, trade notes and accounts payable.

Long-term liabilities decreased by 16.8%, to ¥7,797 million, mainly due to a decrease in deferred income tax liabilities incurred as a result of the decrease in unrealized gains on securities and long-term prepaid pension expenses.

The current ratio was 4.9 times as same as at March 31, 2007.

Shareholders' equity increased by 4.6%, to ¥316,498 million. The main reasons for this increase are an increase in retained earnings, from ¥215,365 million in FY 2007 to ¥249,191 in FY 2008.

Fluctuations in the accumulated other comprehensive income (losses) are due to the following reasons:

1. Accumulated other comprehensive income occurred through net unrealized holding gains on available-for-sale securities are due to the 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,
2. Accumulated other comprehensive losses occurred through pension liability adjustment are due to the increase in net actuarial loss as a result of the depreciation of the market value of the plan asset,
3. Accumulated other comprehensive losses occurred through foreign currency translation adjustments are due to the decrease in foreign currency translation adjustments as a result of appreciation of the Japanese yen against the U.S. dollar, the British pound and the Chinese Renmin yuan.

As a result, the shareholders' equity ratio slightly decreased to 81.9%, from 82.1% in the previous fiscal year-end.

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

Approximately 660 of Makita's employees are engaged in research and development of technologies in which Makita has a competitive edge and the development of new products.

Makita regards R&D as a high priority and believes that having a strong capability in R&D is crucial to its continuing development of high-quality, reliable products that meet users' needs. In FY 2009, Makita allocated ¥6,883 million to R&D, an increase of 16.2% compared with FY 2008. In FY 2008, Makita allocated ¥5,922 million to R&D, an increase of 8.5% compared to FY 2007. The ratio of R&D expenses to net sales was approximately 2.3% in 2009, 1.7% in FY 2008 and 2.0% in FY 2007, respectively.

Makita is placing greater emphasis on designing power tools that are smaller and lighter, that feature electronic controls and that have internal power sources allowing for cordless operation.

Makita has developed the Optimum Charging System, a battery recharging system which employs digital communication functions between the recharger and the battery to provide information on the status of the battery's charge, and automatically selects the most appropriate recharging mode. This system enables batteries to last longer. In particular, for lithium ion batteries, the total operable hours of use has been doubled compared to the conventional batteries.

Makita also developed an original battery verification system that can be connected to personal computers. Through the use of this system, customers and users can check the status of the battery's charge and the history of the battery's usage.

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

Makita also strives to reduce the development time for new products in order to effectively meet the needs of users. In addition, Makita has been focusing on developing models that use generic parts, as well as consolidating the variety of products to reduce cost. Makita established a R&D division at Makita China Plant where local personnel are hired to accelerate the development of general-purpose products. Furthermore, Makita plans to establish the Tokyo Technical Center to improve its ability to develop engine-equipped gardening equipment and enhance product line-up.

New products developed during FY 2009 include rotary hammers equipped with 36V lithium-ion batteries, brushless motor-based impact drivers, low-vibration electric hedge trimmers and lithium ion battery based cordless sprays.

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D. Trend information

Given the ongoing worldwide recession, global demand for power tools will likely remain stagnant, competition is expected to intensify and exchange rate fluctuations will likely continue. Consequently, the business environment in which the Makita Group operates is expected to remain difficult in the foreseeable future.

Accordingly, for FY 2010, Makita projects an appreciation of the Japanese yen compared with FY 2009, with exchange rates of U.S.\$1=¥95 and 1=¥125 for FY 2010.

Makita expects sales to recover in the emerging markets in the second half of FY 2010 where potential demand for Makita's products is strong.

However, Makita expects the demand for power tools to remain weak in the developed markets such as Japan, the United States and Western Europe.

In Japan, the level of housing construction activities is expected to be lower in FY 2010 compared to that of FY 2009. In Europe, competition is likely to intensify as a result of contraction of the market, and there is a concern that prices of products will decline. In the United States, market condition is expected to remain stagnant, and price competition is expected to further intensify. In Asia, lower demand is expected and procurement costs of Makita's local subsidiaries are likely to increase due to depreciation of local currencies. Sales in Asia in FY 2010 will highly depend on the recovery of demand in India and China, however, sales are expected to remain slow in export-dependent countries. In Central and South America, weak business conditions are expected to continue in the Central America region affected by the sluggish U.S. economy however, the Brazilian market is expected to remain steady. In the Middle East, the difficult economic climate is likely to continue until foreign investment into the region recommences. In Oceania, economic recovery is likely to depend on the exchange rate of the Australian dollar and exports.

Makita is currently adjusting production levels in each production base based on its FY 2010 sales plan, and is striving to reduce excess inventories and maintain appropriate levels of inventories for its products.

Under such business environment, Makita intends to maintain and further enhance its leading sales and after-sales systems by enhancing its capability for developing environment-friendly power tools and gardening equipment; and compact engines that are responsive to environmental standards and needs, strengthen its global production system to flexibly respond to the changing market conditions and further reduce production costs, and enhance its sales and after-sales activities for commercial users.

E. Off-balance sheet arrangements

A subsidiary of the Company discounted notes receivable to fund their working capital in FY 2009. Makita also has certain operating leases entered into in the ordinary course of business. Discounted notes receivable were not significant as of March 31, 2009. See Note 15 to the accompanying consolidated financial statements.

Table of Contents**F. Tabular disclosure of contractual obligations**

	Japanese yen (In millions)						
	Total	2010	Expected payment date, year ending March 31,				Thereafter
			2011	2012	2013	2014	
Capital lease	447	129	278	27	11	2	
Interest expenses on capital lease	35	17	17	1			
Operating lease	2,203	681	503	319	242	175	283
Unsecured loans from bank	500			500			
Contributions to defined benefit plan	2,569	2,569					
Purchase obligation	9,261	9,164	97				
Total	¥ 15,015	¥ 12,560	¥ 895	¥ 847	¥ 253	¥ 177	¥ 283

	U.S. dollars (In thousands)						
	Total	2010	Expected payment date, year ending March 31,				Thereafter
			2011	2012	2013	2014	
Capital lease	4,515	1,303	2,808	273	111	20	
Interest expenses on capital lease	354	172	172	10			
Operating lease	22,253	6,879	5,081	3,222	2,444	1,768	2,859
Unsecured loans from bank	5,051			5,051			
Contributions to defined benefit plan	25,949	25,949					
Purchase obligation	93,545	92,566	979				
Total	\$ 151,667	\$ 126,869	\$ 9,040	\$ 8,556	\$ 2,555	\$ 1,788	\$ 2,859

Note: 1. Determination of contributions to defined benefit plan after FY 2010 is not practicable.
2. The notional amount of derivative financial instruments that are expected to settle in FY 2010 is ¥24,666 million and their estimated fair value is ¥(1,162) million at March 31, 2009. Please see note 17 to the consolidated financial statements for further information.

G. Safe harbor

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

Forecasts of operating and financial results and statements of trend information and contractual obligations are forward-looking statements.

See Cautionary Statement with Respect to Forward-Looking Statements for additional information.

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Item 6. Directors, Senior Management and Employees

A. Directors and senior management

The board of directors of the Company resolved at a meeting held on April 28, 2009 to adopt a corporate officer system effective June 25, 2009 in order to promote prompt execution of Makita's business affairs. To this end, Makita has decided to reduce the number of the Company's directors by three directors.

The Directors and Statutory Auditors of the Company as of June 26, 2009 are as follows:

Masahiko Goto

Current Position: President, Representative Director and Chief Executive Officer since May 1989

Date of Birth: November 16, 1946

Director since: May 1984

Business Experience:

May 1984: Director, General Manager of General Planning Department

July 1987: Managing Director of Administration Headquarters

Yasuhiko Kanzaki

Current Position: Director, Managing Corporate Officer, in charge of International sales and General Manager of International Sales

Headquarters: Europe, Middle East and Africa Region since June 2009

Date of Birth: July 9, 1946

Director since: June 1999

Business Experience:

April 1995: Director of Makita International Europe Ltd.

June 1999: Director, Assistant General Manager of International Sales Headquarters 1

June 2003: Director, General Manager of International Sales Headquarters (Europe Region)

June 2007: Managing Director, General Manager of International Sales Headquarters (Europe Region)

Tadayoshi Torii

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

June 2009

Date of Birth: December 10, 1946

Director since: June 2001

Business Experience:

October 1998: General Manager of Production Department

June 2001: Director, General Manager of Quality Control Headquarters

June 2003: Director, General Manager of Production Headquarters

Shiro Hori

Current Position: Director, Managing Corporate Officer in charge of International Sales and General Manager of International Sales

Headquarters: America, Asia and Oceania Region since June 2009

Date of Birth: February 24, 1948

Director since: June 2003

Business Experience:

April 1997: Assistant General Manager of Europe Sales Department

March 1999: General Manager of Europe Sales Department

June 2003: Director, General Manager of International Sales Headquarters: America Area and International Administration

September 2007: Director, General Manager of Overseas Sales Headquarters (America, Asia, and Oceania Area and International

Administration)

Tomoyasu Kato

Current Position: Director, Corporate Officer, General Manager of Research and Development Headquarters in charge of Research and

Development since June 2009

Date of Birth: March 25, 1948

Director since: June 2001

Business Experience:

March 1999: General Manager of Technical Administration Department

June 2001: Director, General Manager of Research and Development Headquarters

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Tadashi Asanuma

Current Position: Director, Corporate Officer, in charge of Domestic Sales and General Manager of Domestic Sales Marketing Headquarters
since June 2009

Date of Birth: January 4, 1949

Director since: June 2003

Business Experience:

April 1995: Manager of Saitama Branch Office

April 2001: General Manager of Osaka Sales Department

June 2003: Director, Assistant General Manager of Domestic Sales Marketing Headquarters

July 2007: Director, General Manager of Domestic Sales Marketing Headquarters (Tokyo Sales Department)

Hisayoshi Niwa

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

Date of Birth: February 24, 1949

Director since: June 2003

Business Experience:

April 1995: Assistant General Manager of Production Control Department

October 1999: General Manager of Production Control Department

June 2003: Director, General Manager of Quality Control Headquarters

April 2005: Director, General Manager of Quality Headquarters

Shinichiro Tomita

Current Position: Director, Corporate Officer, General Manager of Research and Development Headquarters in charge of Product Development
since June 2009

Date of Birth: January 11, 1951

Director since: June 2007

Business Experience:

October 2001: General Manager of Production Engineering Department

September 2003: President of Makita (China) Co., Ltd.

June 2007: Director, Assistant General Manager of Production Headquarters in charge of China Plant

Tetsuhisa Kaneko

Current Position: Director, Corporate Officer and General Manager of Purchasing Headquarters since June 2009

Date of Birth: April 6, 1955

Director since: June 2007

Business Experience:

April 2004: General Manager of Technical Research Department

August 2005: General Manager of 2nd Production Department

October 2006: General Manager of 1st Production Department

June 2007: Director, General Manager of Purchasing Headquarters

Yoji Aoki

Current Position: Director, Chief Financial Officer, Corporate Officer and General Manager of Administration Headquarters since June 2009

Date of Birth: May 22, 1950

Director since: June 2009

Business Experience:

July 2001: General Manager of Personnel Department

July 2004: General Manager of General Administration Department

Motohiko Yokoyama

Current Position: Outside Director, since June 2005

Date of Birth: May 13, 1944

Director since: June 2005

Business Experience:

June 2004: President and Representative Director of Toyoda Machine Works, Ltd.

January 2006: Vice President and Representative Director of JTEKT Corporation, which is the entity created by the merger of Toyoda

Machine Works, Ltd. with Koyo Seiko Co., Ltd.

June 2007: President and Representative Director of JTEKT Corporation

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Toshihito Yamazoe

Current Position: Standing Statutory Auditor since June 2008

Date of Birth: October 16, 1949

Statutory Auditor since: June 2008

Business Experience:

April 1999: Assistant General Manager of Asia and Oceania Sales Department

August 2000: President of Makita (China) Co., Ltd.

April 2006: General Manager of Europe Sales Department

Haruhito Hisatsune

Current Position: Outside Standing Statutory Auditor since June 2008

Date of Birth: February 7, 1947

Statutory Auditor since: June 2008

Business Experience:

May 1990: Manager of Government Securities Service Section of Operation Department of The Nippon Bank

May 1991: Officer of Examination Department of The Nippon Bank

April 1997: General Manager of Overseas Section of The Hekikai Shinkin Bank

January 2001: Managing Director of Business Center of The Hekikai Shinkin Bank

August 2003: Management Director and Corporate Officer, Director of Business Center

Masafumi Nakamura

Current Position: Outside Statutory Auditor since June 2007

Date of Birth: September 17, 1942

Outside Statutory Auditor since: June 2007

Business Experience:

May 1983: Representative partner of SAN-AI Audit Corporation

April 2001: Representative partner of Tohmatsu & Co.

January 2006: Representative partner of Masafumi Nakamura Accountancy Firm

April 2006: Associate professor in Graduate School of Business at Aichi Shukutoku University

June 2006: Outside Statutory Auditor for SUZUKEN CO., LTD.

June 2007: Outside Statutory Auditor for Taiyo Kagaku Co., Ltd.

November 2008: Outside Statutory Auditor for Shinwa Co., Ltd.

April 2009: Professor in Graduate School of Business at Aichi Shukutoku University

Michiyuki Kondo

Current Position: Outside Statutory Auditor since June 2008

(Attorney-at-law, Kondo Michiyuki Law Firm)

Date of Birth: October 23, 1944

Outside Statutory Auditor since: June 2008

Business Experience:

April 1971: Attorney-at-law, Takasu Hiroo Law Firm

May 1977: Established Kondo Michiyuki Law Firm

May 2005: Outside Statutory Auditor for ELMO Co., Ltd.

The term of each director listed above expires in June 2011. The terms of Mr. Toshihito Yamazoe as Statutory Auditor and of Mr. Haruhito Hisatsune and Michiyuki Kondo as Outside Statutory Auditor expire in June 2012.

There are no family relationships between any of the individuals named above. There is no arrangement or understanding with major shareholders, customers, suppliers, or others pursuant to which any person named above.

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B. Compensation

The aggregate amount of remuneration, including bonuses but excluding retirement allowances, paid by the Company during FY 2009 to all Directors and Statutory Auditors, who served during FY 2009 totaled ¥317 million.

Remuneration paid by the Company during FY 2008 to all Directors and Statutory Auditors, who served during FY 2008 totaled ¥348 million. Some of the fringe benefits provided by the Company to its employees in Japan, such as medical and dental service insurance and welfare pension insurance were also made available to Directors and Standing Statutory Auditors.

The Company had an unfunded retirement and termination allowances program for Directors and Statutory Auditors. Under such program, the aggregate amount set aside as retirement allowances for Directors and Statutory Auditors was ¥468 million as of March 31, 2008 and was ¥450 million as of March 31, 2009. However, this Executive retirement and termination allowances program was abolished by the Annual General Meeting of Shareholders held on June 29, 2006, because the program featured minimal correlation with the Company's results while presenting strong seniority-based elements. With regard to retirement and termination allowances accrued through that day, the retirement allowance will be paid to eligible executives upon their retirement.

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

C. Board practices

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

The Company's Articles of Incorporation provide for 15 or fewer Directors and 5 or fewer Statutory Auditors. All Directors and Statutory Auditors are elected at general meetings of shareholders. In general, the term of offices of Directors expires at the conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within two years from their election, and in the case of Statutory Auditors, within four years from their election; however, Directors and Statutory Auditors may serve any number of consecutive terms. With respect to each expiration date of the term of offices of current Directors and Statutory Auditors, see A. Directors and senior management of Item 6.A.

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

Makita announced the introduction of the corporate officer system at the Annual General Meeting of Shareholders held on June 25, 2009. The corporate officer system was introduced to improve corporate value by promoting swift execution of group strategies and strengthening the business affairs of the Company, during a period of severe fluctuation in the business environment of the Makita Group. At the board meeting, a total of 15 corporate officers were appointed, 10 of them concurrently serving as directors.

The Statutory Auditors of the Company are not required to be certified public accountants. However, at least half of the Statutory Auditors are required to be persons who have never been in the past a director, accounting counselor, corporate executive officer, general manager or any other employee of the Company or any of its subsidiaries. The Statutory Auditors may not, while acting as such, be a director, accounting counselor, corporate executive officer, general manager or any other employee of the Company or any of its subsidiaries. Each Statutory Auditor has the statutory duty to supervise the administration by the Directors of the Company's affairs and also to examine the

Company's annual consolidated and non-consolidated financial statements and business report proposed to be submitted by a Representative Director at the general meeting of shareholders and, based on such examination and a report of an Accounting Auditor referred to below, to individually prepare their audit reports. They are required to attend meetings of the Board of Directors but are not entitled to vote. In addition to Statutory Auditors, independent certified public accountants or an audit corporation must be appointed by a general meeting of shareholders as Accounting Auditors. Such Accounting Auditors have, as their primary statutory duties, a duty to examine the Company's annual consolidated and non-consolidated financial statements proposed to be submitted by a Representative Director to general meetings of shareholders and to report their opinion thereon to certain Statutory Auditors designated by the Board of Statutory Auditors to receive such report (if such Statutory Auditors are not designated, all Statutory Auditors) and the Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements).

The Statutory Auditors constitute the Board of Statutory Auditors. The Board of Statutory Auditors has a statutory duty to, based upon the reports prepared by respective Statutory Auditors, prepare its audit report and Statutory Auditors designated by the Board of Statutory Auditors to submit such report (if such Statutory Auditors are not designated, all Statutory Auditors) submit such report to the Accounting Auditors and Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements and the business report). A Statutory Auditor may note his or her opinion in the audit report of the Board of Statutory Auditors if his or her opinion expressed in his or her audit report is different from the opinion expressed in the audit report of the Board of Statutory Auditors. The Board of Statutory Auditors shall elect one or more full-time Statutory Auditors from among its members. The Board of Statutory Auditors is empowered to establish audit principles, the method of examination by Statutory Auditors of the Company's affairs and financial position, and other matters concerning the performance of the Statutory Auditors' duties. For names of the Statutory Auditors that constitute the current Board of Statutory Auditors, see Item 6. A. There are no contractual arrangements providing for benefits to Directors upon termination of service. Also see B. Memorandum and articles of association Directors in Item 10.

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The following table sets forth information about number of employees excluding temporary employees:

	As of March 31,		
	2007	2008	2009
Employees by Geographic Areas			
Japan	3,007	3,206	3,171
Europe	2,001	2,323	2,381
North America	926	995	912
Asia	2,542	3,278	3,203
Other regions	586	634	745
Total	9,062	10,436	10,412

As of March 31, 2009, Makita had 10,412 regular full-time employees and 1,801 temporary employees who were not entitled to retirement or certain other fringe benefits which regular full-time employees receive.

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

The Company's employees are members of the labor union formed on September 13, 1947 that comprises, starting February 9, 1989, the Japanese Electrical Electronic & Information Union. As of March 31, 2009, there are 2,700 members of the labor union and Makita considers its relationship with the labor union to be good.

E. Share ownership

The total number of shares of the Company's common stock owned by the Directors and Statutory Auditors as a group as of March 31, 2009 is as follows:

Identity of Person or Group	Number of Shares Owned	Percentage of Outstanding shares
Directors and Statutory Auditors	2,131,019	1.54 %

The following table lists the number of shares owned by the Directors and Statutory Auditors of the Company as of March 31, 2009.

Name	Position as of March 31, 2009	Number of Shares
	CEO&President, Representative	1,988,643
Masahiko Goto	Director	
Masami Tsuruta	Managing Director	19,122
Yasuhiko Kanzaki	Managing Director	21,469
Kenichiro Nakai	CFO&Director	13,800
Tadayoshi Torii	Director	15,500
Tomoyasu Kato	Director	13,872
Shiro Hori	Director	11,813
Tadashi Asanuma	Director	6,500
Hisayoshi Niwa	Director	7,700
Zenji Mashiko	Director	7,500
Toshio Hyuga	Director	9,800

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Tetsuhisa Kaneko	Director	6,300
Shinichiro Tomita	Director	3,700
Toshihito Yamazoe	Standing Statutory Auditor	5,000
Michiyuki Kondo	Outside Statutory Auditor	300

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

Except for Masahiko Goto holding 1.44% of total numbers of shares of outstanding common stock with voting rights, excluding treasury stock, as of March 31, 2009, none of the Company's Directors and Statutory Auditors own more than one percent of the Company's common stock. Beneficial ownership of the Company's common stock in the table below was prepared from publicly available records of the filings made by the Company's shareholders regarding their ownership of the Company's common stock under the Financial Instruments and Exchange Act of Japan.

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

Based on publicly available information, the following table sets forth the beneficial ownership of holders of more than 5% of the Company's common stock as of March 31, 2009, indicated in the reports described below.

Name of Beneficial Owner	Number of Shares	Percentage
Master Trust Bank of Japan, Ltd. (Trust account)	8,867,600	6.43%
Japan Trustee Services Bank, Ltd. (Trust account)	8,538,600	6.19%

Based on information made publicly available on or after April 1, 2006, the following table describes transactions resulting in a 1% or more change in the percentage ownership held by major beneficial owners of the Company's common stock.

Name of Shareholder	Date of Transaction	Shares Owned Prior to Transaction	Percentage	Number of Shares Changed	Shares Owned After the Transaction	Percentage
Mitsubishi UFJ Financial Group	April 30, 2006	9,022,123	6.10%	1,556,200	10,578,323	7.35%
Barclays Global Investors, N.A.	June 30, 2006	9,029,552	6.27%	(905,026)	8,124,526	5.64%
Mitsubishi UFJ Financial Group	July 31, 2006	10,578,323	7.35%	(625,100)	9,953,223	6.91%
Barclays Global Investors, N.A.	September 30, 2006	8,124,526	5.64%	(2,089,460)	6,035,066	4.19%
Nomura Asset Management	January 15, 2007			7,528,400	7,528,400	5.23%
Mitsubishi UFJ Financial Group	January 22, 2007	9,953,223	6.91%	(1,408,800)	8,544,423	5.93%
Mitsubishi UFJ Financial Group	April 14, 2008	8,544,423	5.93%	1,478,577	10,023,000	6.97%
		10,023,000	6.97%	1,462,523	11,485,523	7.98%

Mitsubishi UFJ Financial Group	June 30, 2008					
Mitsubishi UFJ Financial Group	October 27, 2008	11,485,523	7.98%	(1,446,434)	10,039,089	6.97%
Nomura Asset Management	March 13, 2009	7,528,400	5.23%	(1,677,600)	5,850,800	4.18%

As of March 31, 2009, the Company had 137,764,005 outstanding shares of common stock, excluding 2,244,755 shares of Treasury Stock. According to the Bank of New York Mellon, depositary for the Company's ADSs, as of March 31, 2009, 3,620,303 shares of the Company's common stock were held in the form of ADRs and there were 84 ADR holders of record in the United States. According to the Company's register of shareholders and register of beneficial owners as of March 31, 2009, there were 16,768 holders of common stock of record worldwide and the number of record holders in the United States was 100.

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

As far as is known to the Company, there is no arrangement, the operation of which may at a subsequent date result in a change in control of the Company.

To the knowledge of the Company, it is not directly or indirectly owned or controlled by any other corporation or by the Japanese or any foreign government.

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B. Related party transactions

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

During FY 2008, Makita acquired all outstanding shares of Fuji Robin Industries, Ltd. in exchange for approximately ¥2,673 million in cash and 81,456 Makita shares with a fair value of ¥397 million.

The Company recorded advertisement expenses of ¥2 million in FY 2008 and FY 2009, respectively, paid to Maruwa Co., Ltd., a Japanese corporation in which the Company's President, Masahiko Goto, and his relatives hold a majority of the voting rights.

The Company recorded purchases of materials and production facilities amounting to ¥96 million in FY 2008 and ¥109 million in FY 2009 as a result of business transactions with Toa Co., Ltd., a Japanese corporation in which the Company's President, Masahiko Goto, and his relatives hold a majority of the voting rights. In addition, in connection with such transactions, the Company recorded trade accounts payable of ¥15 million and ¥5 million, as of March 31, 2008 and March 31, 2009, respectively.

Makita recorded purchases of materials and machinery and facilities amounting to ¥658 million in FY 2008 and ¥614 million in FY 2009 as a result of business transactions with JTEKT Group, a corporation in which Motohiko Yokoyama, an Outside Director of the Company, served as the President and Representative Director. In connection to the transactions, Makita recorded trade accounts payable of ¥65 million and ¥27 million as of March 31, 2008 and March 31, 2009, respectively.

C. Interests of experts and counsel

Not applicable

Table of Contents**Item 8. Financial Information****A. Consolidated statements and other financial information****1-3. Consolidated Financial Statements.**

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

4. Not applicable.

5. Not applicable.

6. Export Sales.

7. Legal or arbitration proceedings

On or about June 30, 2009, Milwaukee Electric Tool Corporation (Milwaukee) and Metco Battery Technologies, LLC (Metco) filed a complaint, which was subsequently amended on or about July 7, 2009 (the Milwaukee Complaint), in the U.S. District Court for the Eastern District of Wisconsin against the Company and its subsidiaries Makita U.S.A., Inc. and Makita Corporation of America (collectively, the Company and its U.S. Subsidiaries) alleging infringement of certain patents registered under Milwaukee's name. The Milwaukee Complaint seeks damages of an unspecified amount, an award of attorneys' fees, and a permanent injunction against the Company and its U.S. Subsidiaries. The response to the Milwaukee Complaint is not yet due, and the Company and its U.S. Subsidiaries have not yet answered or otherwise responded to it. The Company believes that the Company and its U.S. Subsidiaries do not infringe any valid claim of the patents alleged in the Milwaukee Complaint.

On July 7, 2009, the Company and its U.S. Subsidiaries filed a legal action for a declaratory judgment against Milwaukee in the U.S. District Court for the Central District of California, with respect to certain patents currently registered under Milwaukee's name, including, but not limited to, those patents Milwaukee alleged, in the Milwaukee Complaint, that the Company and its U.S. Subsidiaries infringed. The Company and its U.S. Subsidiaries seek a declaratory judgment that these patents are invalid and/or are not infringed.

8. Dividend Policy

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

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

According to this basic policy, the Company paid interim cash dividends in FY 2009 of ¥30 per share and ADS. The Company has declared a year-end cash dividend of ¥50 per share and ADS, which was approved by the shareholders meeting held on June 25, 2009.

The following table sets forth cash dividends per share of common stock declared in Japanese yen and as translated into U.S. dollars, the U.S. dollar amounts being based on the exchange rates at the respective payment date, using the noon buying rates for cable transfers in Japanese yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York:

Fiscal year ended March 31	In Japanese yen		In U.S. dollars	
	Interim	Year-end	Interim	Year-end
2005	11	36	0.10	0.34
2006	19	38	0.16	0.32
2007	19	55	0.16	0.47

2008	30	67	0.30	0.67
2009	30	50	0.31	0.53

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

B. Significant changes

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

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

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

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

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

	Tokyo Stock Exchange		NASDAQ Price	
	Price		Per American Depositary	
	Per Share of Common		Share	
	(Japanese yen)		(U.S. dollars)	
Fiscal year ended March 31,	High	Low	High	Low
2005	2,115	1,315	20.27	12.00
2006	3,820	1,755	34.19	16.15
2007	4,630	2,995	39.00	26.03
2008	5,920	2,885	50.60	27.28
2009	4,780	1,160	45.76	12.72
Quarterly				
Fiscal year 2008				
1 st quarter ended June 30, 2007	5,650	4,210	45.30	35.64
2 nd quarter ended September 30, 2007	5,820	4,030	47.44	35.20
3 rd quarter ended December 31, 2007	5,920	4,470	50.60	39.86
4 th quarter ended March 31, 2008	4,510	2,885	42.13	27.28
Fiscal year 2009				
1 st quarter ended June 30, 2008	4,780	3,000	45.76	29.94
2 nd quarter ended September 30, 2008	4,380	1,965	39.30	19.07
3 rd quarter ended December 31, 2008	2,215	1,160	22.64	12.72
4 th quarter ended March 31, 2009	2,490	1,580	25.09	17.80
Monthly				
January 2009	2,340	1,580	23.60	17.80
February 2009	2,220	1,750	24.35	19.24
March 2009	2,490	1,824	25.09	18.55
April 2009	2,500	2,125	24.79	21.68
May 2009	2,450	2,080	24.90	21.68

June 2009	2,535	2,095	25.58	22.05
B. Plan of distribution				
Not applicable				
C. Markets				
See Item 9.A.				
D. Selling shareholders				
Not applicable				
E. Dilution				
Not applicable				
F. Expenses of the issue				
Not applicable				

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Item 10. Additional Information

A. Share capital

Not applicable

B. Memorandum and articles of association

Organization

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

Objects and purposes

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

Manufacture and sale of machine tools including electric power tools, pneumatic tools, engine-powered tools, etc., and wood-working tools;

Manufacture and sale of electric machinery and equipment, gardening machinery and various other machinery and equipment;

Manufacture and sale of interior furnishings and household goods and their installation work;

Purchase, sale, lease and management of real estate;

Operation of sporting and recreational facilities;

Casualty insurance agency and business relating to offering of life insurance;

Tourist business under the Travel Agency Law;

Acquisition, assignment and licensing of industrial property rights, copyright and other intellectual property rights and provision of technical guidance;

Investment in various kinds of business; and

All other business incidental or relative to any of the preceding items.

Directors

Under the Companies Act, each Director has executive powers and duties to manage the affairs of the Company and each Representative Director, who is elected from among the Directors by the Board of Directors, has the statutory authority to represent the Company in all respects. Under the Companies Act, the Directors must refrain from engaging in any business competing with the Company unless approved by the Board of Directors and any Director who has a material interest in the subject matter of a resolution to be taken by the Board of Directors cannot vote on such resolution. The total amount of remuneration to Directors and that to Statutory Auditors are subject to the approval of the general meeting of shareholders. Within such authorized amounts the Board of Directors and the Board of Statutory Auditors respectively determine the compensation to each Director and Statutory Auditor. Except as stated below, neither the Companies Act nor the Company's Articles of Incorporation make special provisions as to:

the Directors' or Statutory Auditors' power to vote in connection with their compensation;

the borrowing power exercisable by a Representative Director (or a Director who is given power by a Representative Director to exercise such power);

the Directors or Statutory Auditors retirement age; or

requirement to hold any shares of capital stock of the Company.

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

to acquire or dispose of material assets;

to borrow a substantial amount of money;

to employ or discharge from employment important employees, such as general managers;

to establish, change or abolish material corporate organization such as a branch office;

to determine material conditions concerning offering of corporate bonds; and

to establish and maintain an internal control system.

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

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Common stock

General

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

On January 5, 2009, a new central book-entry transfer system for shares of Japanese listed companies was established pursuant to the Act Concerning Book-entry Transfer of Corporate Bonds, Shares etc. (Book-entry Transfer Act), and this system applies to the shares of Common Stock of the Company. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized, and shareholders must have accounts at account management institutions to hold their shares unless such shareholder has an account at Japan Securities Depository Center, Inc. (JASDEC). Account management institutions are financial instruments traders (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-entry Transfer Act. Transfer of the shares of Common Stock of the Company is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded at the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Companies Act, in order to assert shareholders' rights against the Company, transferee of shares must have its name and address registered in the Company's register of shareholders. Under the central book-entry transfer system operated by JASDEC, shareholders shall notify the relevant account management institutions of certain information prescribed under the Book-entry Transfer Act or the Company's Share Handling Regulations, including their names and addresses. The Company's register of shareholders is updated when JASDEC notifies the Company of information on shareholders who hold the shares of Common Stock as of record dates set forth in the Company's Articles of Incorporation and record dates which the Company may at any time set in order to determine the shareholders who are entitled to certain rights pertaining to the shares of Common Stock.

Non-resident shareholders are required to appoint a standing proxy in Japan or file notice of a mailing address in Japan. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. The registered holder of deposited shares underlying the ADSs is the Depository for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights against the Company.

Authorized capital

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

As of March 31, 2009, 140,008,760 shares of Common Stock were in issue.

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

Dividends from Surplus

Dividends from Surplus General

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

- (a) Articles of Incorporation of the Company so provide;
- (b) the normal term of office of the Directors is no longer than one year; and

(c) its non-consolidated annual financial statements and certain documents for the latest business year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

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

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

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

Under the Articles of Incorporation, year-end dividends and interim dividends may be distributed to shareholders appearing in the Company s register of shareholders as of March 31 and September 30 each year, respectively, in proportion to the number of shares of Common Stock held by each shareholder following approval by the general meeting of shareholders or the Board of Directors. The Company is not obliged to pay any dividends unclaimed for a period of three years after the date on which they first became payable.

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

Restriction on dividends from Surplus

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

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

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

In the above formula:

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

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

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

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

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

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Stock splits

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

When a stock split is to be made, the Company must give public notice of the stock split, specifying the record date therefore, at least 2 weeks prior to such record date. Under the central book-entry transfer system operated by JASDEC, the Company must also give notice to JASDEC regarding a stock split at least 2 weeks prior to the relevant record date. On the effective date of the stock split, the numbers of shares recorded in all accounts held by the Company's shareholders at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

Consolidation of shares

The Company may at any time consolidate shares in issue into a smaller number of shares by a special shareholders resolution (as defined in *Voting Rights*). When a consolidation of shares is to be made, the Company must give public notice or notice to each shareholder at least 2 weeks prior to the effective date of the consolidation of shares that, within a period of not less than one month specified in the notice, share certificates must be submitted to the Company for exchange. Under the central book-entry transfer system operated by JASDEC, the Company must also give notice to JASDEC regarding the consolidation of shares at least 2 weeks prior to the effective date of the consolidation of shares. On the effective date of the consolidation of shares, the numbers of shares recorded in all accounts held by the Company's shareholders at account managing institutions or JASDEC will be decreased in accordance with the applicable ratio. The Company must disclose the reason for the consolidation of shares at the general meeting of shareholders.

General meeting of shareholders

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

Notice of convocation of a general meeting of shareholders setting forth the place, time and purpose thereof, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least 2 weeks prior to the date set for the meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for an ordinary general meeting of shareholders is March 31 of each year.

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

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

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Voting rights

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

The Companies Act and the Company's Articles of Incorporation provide, however, that the quorum for the election of Directors and Statutory Auditors shall not be less than one-third of the total number of voting rights of all the shareholders. The Company's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders of the Company holding voting rights. The Company's shareholders also may cast their votes in writing, or exercise their voting rights by electronic means when the Board of Directors decides to permit such method of exercising voting rights.

The Companies Act and the Company's Articles of Incorporation provide that the quorum shall be one-third of the total voting rights of all the shareholders, and the approval by at least two-thirds of the voting rights of all the shareholders represented at the meeting is required (the *special shareholders resolutions*) in order to amend the Company's Articles of Incorporation and in certain other instances, including:

- (1) acquisition of its own shares from specific persons other than its subsidiaries;
- (2) consolidation of shares;
- (3) any offering of new shares or existing shares held by the Company as treasury stock at a specially favorable price (or any offering of stock acquisition rights, or bonds with stock acquisition rights at specially favorable conditions) to any persons other than shareholders;
- (4) the removal of a Statutory Auditor;
- (5) the exemption of liability of a Director, Statutory Auditor or Accounting Auditor with certain exceptions;
- (6) a reduction of stated capital with certain exceptions in which a special shareholders resolution is not required;
- (7) a distribution of surplus in kind other than dividends which meets certain requirements;
- (8) dissolution, merger, consolidation or corporate split with certain exceptions in which a shareholders resolution is not required;
- (9) the transfer of the whole or a material part of the business with certain exceptions in which a shareholders resolution is not required;
- (10) the taking over of the whole of the business of any other corporation with certain exceptions in which a shareholders resolution is not required; or
- (11)

share exchange or share transfer for the purpose of establishing 100 percent parent-subsidary relationships with certain exceptions in which a shareholders resolution is not required.

Issue of additional shares and pre-emptive rights

Holders of shares of Common Stock have no pre-emptive rights under the Articles of Incorporation of the Company. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a specially favorable price mentioned under *Voting rights* above. The Board of Directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as at a record date of which not less than 2 weeks prior public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least 2 weeks prior to the date on which such rights expire.

The Company may issue stock acquisition rights by a resolution of the Board of Directors, subject to the limitations as to the offering of stock acquisition rights on specially favorable conditions mentioned under *Voting rights* above. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, the Company will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it.

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

Liquidation rights

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

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Record date

As mentioned above, March 31 is the record date for the Company's year-end dividends. So long as the Company maintains the unit share system, the shareholders who are registered or recorded as the holders of one or more full units of shares in the Company's registers of shareholders in writing or digitally (or electronically) at the end of each March 31 are also entitled to exercise shareholders' rights at the ordinary general meeting of shareholders with respect to the business year ending on such March 31. September 30 is the record date for interim dividends. In addition, the Company may set a record date for determining the shareholders entitled to other rights pertaining to the Common Stock and for other purposes, by giving at least 2 weeks' prior public notice.

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

Acquisition by the Company of Common Stock

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

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

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

Unit share system

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

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

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

A holder of shares of Common Stock constituting less than a full unit may require the Company to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of the Company.

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

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

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Sale by the Company of shares held by shareholders whose location is unknown

The Company is not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in the Company's register of shareholders or at the address otherwise notified to the Company continuously for 5 years or more.

In addition, the Company may sell or otherwise dispose of shares of Common Stock for which the location of the shareholder is unknown. Generally, if (i) notices to a shareholder fail to arrive continuously for 5 years or more at the shareholder's registered address in the Company's register of shareholders or at the address otherwise notified to the Company, and (ii) the shareholder fails to receive dividends from Surplus on the shares of Common Stock continuously for 5 years or more at the address registered in the Company's register of shareholders or at the address otherwise notified to the Company, the Company may sell or otherwise dispose of the shareholder's shares at the then market price of shares of Common Stock and after giving at least 3 months' prior public and individual notices, and hold or deposit the proceeds of such sale or disposal of shares of Common Stock for such shareholder.

Reporting of substantial shareholdings

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

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

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

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

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C. Material contracts

None

D. Exchange controls

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

Exchange non-residents are:

individuals who do not reside in Japan; and

corporations whose principal offices are located outside Japan.

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

Foreign investors are:

individuals who are exchange non-residents;

corporations that are organized under the laws of foreign countries and areas or whose principal offices are located outside of Japan;

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

corporations a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

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

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

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

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E. Taxation

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

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

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

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

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

1. is a resident of the United States for purposes of the Treaty;
2. does not maintain a permanent establishment in Japan (a) with which shares of Common Stock or ADSs are effectively connected and through which the U.S. Holder carries on or has carried on business and (b) of which shares of Common Stock or ADSs form part of the business property; and
3. is eligible for benefits under the Treaty, with respect to income and gain derived in connection with shares of Common Stock or ADSs.

In addition, this summary is based in part upon the representations of the depositary and the assumption that each obligation in the deposit agreement for ADSs, and in any related agreement, will be performed in accordance with its terms.

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

Japanese Taxation

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without permanent establishments in Japan (non-resident Holders), who are holders of shares of Common Stock and/or of ADRs evidencing ADSs representing shares of Common Stock.

Generally, a non-resident Holder is subject to Japanese withholding tax on dividends paid by Japanese corporations, and the Company will withhold such tax will be withheld prior to payment of dividends as required by Japanese law. Stock splits are, in general, not a taxable event.

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

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

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by the Company to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law or any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends on shares of Common Stock is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with any other required forms and documents) in advance through the withholding agent to the relevant tax authority before the payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service. With respect to ADSs, this reduced rate or exemption is applicable if the Depository or its agent submits two Application Forms (one before payment of dividends and the other within 8 months after the record date concerning such payment of dividends). To claim this reduced rate or exemption, any relevant non-resident Holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depository. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced rate which is lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but failed to submit the required application in advance will be entitled to claim the refund of taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the full amount of tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) from the relevant Japanese tax authority, by complying with certain subsequent filing procedure. The Company does not assume any responsibility to ensure withholding at the reduced rate, or exemption therefrom, for non-resident Holders who would be so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

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

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

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

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U.S. Federal Income Taxation

U.S. Holders

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

Taxation of Dividends

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

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

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

Under current law, dividends received on shares or ADSs of certain foreign corporations in taxable years beginning before January 1, 2011 by non-corporate U.S. investors may be subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. Dividends received by non-corporate U.S. Holders with respect to Common Stock or ADSs are expected to be eligible for these reduced rates of tax. U.S. Holders should consult their own tax advisors regarding the eligibility of such dividends for a reduced rate of tax.

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

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

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

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

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

is obligated to make payments related to our dividends,
will not be allowed a foreign tax credit for foreign taxes imposed on our dividends.

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

The Internal Revenue Service (the IRS) has expressed concern that parties to whom ADSs are released may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of ADSs. Accordingly, U.S. Holders should be aware that the discussion above regarding the creditability of Japanese withholding tax on dividends could be affected by future actions that may be taken by the IRS.

Table of Contents***Taxation of Capital Gains and Losses***

In general, upon a sale or other taxable disposition of shares of Common Stock or ADSs, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sales or other taxable disposition and the U.S. Holder's adjusted tax basis in those Common Stock or ADSs. A U.S. Holder generally will have an adjusted tax basis in a share of Common Stock or an ADS equal to its U.S. dollar cost. In general, subject to the passive foreign investment company rules discussed below, such gain or loss recognized on a sale or other taxable disposition of shares of Common Stock or ADSs will be capital gain or loss and, if the U.S. Holder's holding period for those shares or ADSs exceeds one year, will be long-term capital gain or loss. Non-corporate U.S. Holders, including individuals, are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. Under U.S. federal tax law, the deduction of capital losses is subject to limitations. Any gain or loss recognized by a U.S. Holder in respect of the sale or other taxable disposition of shares of Common Stock or ADSs generally will be treated as derived from U.S. sources for U.S. foreign tax credit purposes. Deposits and withdrawals of Common Stock in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Companies

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

Based on current estimates of our income and assets, we do not believe that we are, for U.S. federal income tax purposes, a PFIC and we intend to continue our operations in such a manner that it is highly unlikely that we would become a PFIC in the future. However, there can be no assurance in this regard, because the PFIC determination is made annually and is based on the portion of our assets (including goodwill) and the portion of our income that is characterized as passive under the PFIC rules.

If we become a PFIC, unless a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to its shares of Common Stock or ADSs, any gain realized on a sale or other taxable disposition of shares of Common Stock or ADSs and certain excess distributions (generally distributions in excess of 125 percent of the average distribution over a three-year period, or, if shorter, the holding period for the shares of Common Stock or ADSs) would be treated as realized ratably over the U.S. Holder's holding period for the shares of Common Stock or ADSs; amounts allocated to prior years while we are a PFIC would be taxed at the highest tax rate in effect for each such year, and an additional interest charge may apply to the portion of the U.S. federal income tax liability on such gains or distributions treated under the PFIC rules as having been deferred by the U.S. Holder.

Amounts allocated to the year of sale or distribution and to any year before we became a PFIC would be taxed as ordinary income in the year of sale or distribution. Moreover, dividends that a U.S. Holder receives from us will not be eligible for the reduced U.S. federal income tax rates described above if we are a PFIC either in the taxable year of the distribution or the preceding taxable year.

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

Non-U.S. Holders

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

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

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

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

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

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

Backup Withholding and Information Reporting

In general, except in the case of certain exempt recipients (such as corporations), information reporting requirements will apply to dividends on shares of Common Stock or ADSs paid to U.S. Holders in the United States or through certain U.S. related financial intermediaries and to the proceeds received upon the sale, exchange or redemption of shares of Common Stock or ADSs by U.S. Holders within the United States or through certain U.S. related financial intermediaries. Furthermore, backup withholding (currently at a rate of 28 percent) may apply to those amounts if a U.S. Holder fails to provide an accurate taxpayer identification number, to certify that such holder is not subject to backup withholding or to otherwise comply with the applicable requirements of the backup withholding requirements. Dividends paid to a Non-U.S. Holder in respect of shares of Common Stock or ADSs, and proceeds received in the sale, exchange or redemption of shares of Common Stock or ADSs by a Non-U.S. Holder, generally, are exempt from information reporting and backup withholding under current U.S. federal income tax law.

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

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

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

F. Dividends and paying agents

Not applicable

G. Statement by experts

Not applicable

H. Documents on display

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

I. Subsidiary information

Not applicable

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

Makita is exposed to various market risks, including those related to changes in foreign exchange rates, interest rates, and prices of 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 exposes Makita to equity price risks. These investments are subject to changes in the market prices of the securities.

Although pension liability increased in the current unfavorable investment environment, Makita holds sufficient surplus funds. Therefore, Makita is satisfied that its pension plans can be maintained. The maturities and fair values of such marketable securities and investment securities at March 31, 2008 and 2009 were as follows:

	Japanese yen (In millions)				U.S. dollars (In thousands)	
	2008		2009		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Due within one year	¥ 2,599	¥ 2,599	¥ 424	¥ 422	\$ 4,283	\$ 4,263
Due after one year through five years	2,677	2,675	1,947	1,946	19,667	19,657
Due after five years	2,950	2,881	1,844	1,794	18,626	18,120
Indefinite periods	40,735	40,735	25,347	25,347	256,030	256,030
Equity securities	18,516	18,516	11,198	11,198	113,111	113,111
Total of marketable and investment securities	¥ 67,477	¥ 67,406	¥ 40,760	¥ 40,707	\$ 411,717	\$ 411,181

Table of Contents**Foreign Exchange Risk**

Makita's international operations expose Makita to the risk of fluctuation in foreign currency exchange rates. Makita is authorized to hedge the exposure to fluctuations in foreign currency exchange rates within the scope of actual demand in compliance with the Exchange rate fluctuation Risk management guideline as Makita's internal guidance to minimize the risk of exchange rate fluctuations. Hedging activities beyond actual demand and purchases of uncovered merchandise require the approval of the Board of Directors. To manage this exposure, Makita enters into certain foreign exchange contracts with respect to a part of such international operations and indebtedness. The following table provides information about Makita's derivative financial instruments related to foreign currency transactions as of March 31, 2008 and March 31, 2009. Figures are translated into Japanese yen at the rates prevailing at March 31, 2008 and March 31, 2009, together with the relevant weighted average contractual exchange rates at March 31, 2009. All of the foreign exchange contracts listed in the following table has contractual maturities in FY 2008 and FY 2009.

	Japanese yen (In millions, except average contractual rates)						U.S. dollars (In thousands)	
	2008			2009			2009	
	Contract amounts	Fair Value	Average contractual rates	Contract amounts	Fair Value	Average contractual rates	Contract Amounts	Fair Value
Foreign currency contracts;								
US\$/Yen	¥ 4,614	¥ 155	¥ 103.32	¥ 9,324	¥ (368)	¥ 94.31	\$ 94,181	\$ (3,717)
euro/Yen	5,816	(37)	156.63	5,495	(397)	121.04	55,505	(4,010)
A\$/Yen	418	7	92.83	294	(20)	62.61	2,969	(202)
STG £/Yen	228	10	206.88	105	(4)	135.39	1,061	(40)
SFR/Yen				332	(10)	83.02	3,353	(101)
CAN\$/Yen				155	(1)	77.66	1,566	(10)
euro/STG £	3,804	(108)		1,888	4		19,071	40
US\$/STG £				17			172	
US\$/euro	1,288	(36)		1,380	(44)		13,940	(445)
STG £/euro				5			51	
US\$/A\$	450	4		136	(1)		1,374	(10)
Total	¥ 16,618	¥ (5)		¥ 19,131	¥ (841)		\$ 193,243	\$ (8,495)
Foreign currency swaps:								
US\$/Yen	¥ 7,840	¥ 353	¥ 105.94	¥ 3,462	¥ (104)	¥ 96.16	\$ 34,970	\$ (1,051)
euro/Yen	1,860	32	161.73	2,073	(217)	118.48	20,939	(2,191)
SFR/Yen	201		100.35					
Total	¥ 9,901	¥ 385		¥ 5,535	¥ (321)		\$ 55,909	\$ (3,242)
Options purchased to sell foreign currencies:								

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US\$/Yen	¥	202	¥	7	¥	101.23	¥	188	¥	4	¥	93.91	\$	1,899	\$	40
Total	¥	202	¥	7			¥	188	¥	4			\$	1,899	\$	40
Options written to buy foreign currencies:																
US\$/Yen	¥	208	¥	(2)	¥	103.99	¥	190	¥	(11)	¥	94.94	\$	1,919	\$	(111)
Total	¥	208	¥	(2)			¥	190	¥	(11)			\$	1,919	\$	(111)

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Item 12. Description of Securities Other than Equity Securities

Not applicable

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None

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

None

Item 15. Controls and Procedures

A. Disclosure controls and procedures

Makita performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the FY 2009. Disclosure controls and procedures (as such term is defined in Rules 13-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended the Exchange Act) are designed to ensure that the material financial and non-financial information required to be disclosed in the reports that Makita files under the Exchange Act is accumulated and communicated to its management including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

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

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

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

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

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

Makita's management evaluated the effectiveness of internal control over financial reporting as of March 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework* (the COSO criteria).

Based on its assessment, management concluded that, as of March 31, 2009, Makita's internal control over financial reporting was effective based on the COSO criteria.

KPMG AZSA&Co., an independent registered public accounting firm that audited the consolidated financial statements included in this report, has also audited the effectiveness of Makita's internal control over financial reporting as of March 31, 2009, as stated in this report included herein.

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C. Attestation report of the registered public accounting firm

Makita's independent registered public accounting firm, KPMG AZSA & Co. has issued an audit report on internal control over financial reporting, which is included herein.

D. Changes in internal control over financial reporting

Not applicable

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
of Makita Corporation:

We have audited Makita Corporation's internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Makita Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on Makita Corporation's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Makita Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Makita Corporation and subsidiaries as of March 31, 2008 and 2009, 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, 2009, and our report dated July 9, 2009 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG AZSA & Co.

Tokyo, Japan

July 9, 2009

Table of Contents**Item 16A. Audit Committee Financial Expert**

Makita's Board of Directors has determined that Masafumi Nakamura is qualified as an audit committee financial expert as defined by the rules of the SEC. Mr. Nakamura is independent, as that term is defined in the listing standards of NASDAQ applicable to the Company and has experience as a Certified Public Accountant since 1980.

Mr. Nakamura started his career at the Deloitte Haskins & Sells accountant's office (the present Deloitte Touche audit corporation) in January 1969. Thereafter Mr. Nakamura established the SAN-AI audit corporation in May 1983 and was inaugurated as the representative partner. The SAN-AI audit corporation was merged with the Tohmatsu & Co. which is a member of the Deloitte Touche in 2001. Mr. Nakamura served as a representative partner of Tohmatsu & Co. from 2001 to 2005. See Item 6.A. for additional information regarding Mr. Nakamura.

Item 16B. Code of Ethics

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

Item 16C. Principal Accountant Fees and Services

KPMG AZSA & Co. has served as our independent public accountant for each of the financial years in the three-year period ended March 31, 2009, for which audited financial statements appear in this annual report on Form 20-F. The following table presents the aggregate fees for professional services and other services rendered by KPMG AZSA & Co. and the various member firms of KPMG International, a Swiss Cooperative to Makita in FY 2009 and FY 2008:

	Fiscal year /Japanese yen (millions)	
	FY 2008	FY 2009
Audit Fees (1)	¥ 836	¥ 746 (5)
Audit- related Fees (2)	5	3
Tax Fees (3)	80	139
All Other Fees (4)	10	
Total	¥ 931	¥ 888

- (1) Audit Fees consist of fees billed for the professional services rendered by the Independent Registered Public Accounting

Firm for the audit of Makita's annual or interim financial statements and services that are normally provided by the Independent Registered Public Accounting Firm in connection with statutory and regulatory filings or engagement.

(2) Audit-related Fees consist of fees billed for assurance and related services by the Independent Registered Public Accounting Firm that are reasonably related to employee benefit plan audits, and consultation concerning financial accounting and reporting standards.

(3) Tax Fees include fees billed for the professional services rendered by the Independent Registered Public Accounting Firm for tax

compliance and transfer pricing documentation.

- (4) All Other Fees comprise fees for all other services not included in any of other categories noted above.
- (5) Audit Fees in FY 2009 are projected.

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

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

Under the United States Sarbanes-Oxley Act of 2002 (the Act), the Board of Statutory Auditors is required to pre-approve all audit and non-audit services to be provided by the Independent Registered Public Accounting Firm to the Company in order to assure that they do not impair their independence from the Company. To implement these provisions of the Act, the US Securities and Exchange Commission has issued rules specifying the types of services that an Independent Registered Public Accounting Firm may not provide to its audit client, as well as the Board of Statutory Auditors' administration of the engagement of the Independent Registered Public Accounting Firm. Accordingly, the Board of Statutory Auditors has adopted this Audit and Non-Audit Services Pre-approval Policy and Procedure, which sets forth the policies, procedures and the conditions for which such services proposed to be performed by the Independent Registered Public Accounting Firm may be pre-approved.

Under this policy, the Board of Statutory Auditors authorizes general pre-approval of all such services, including Audit Services, Audit-related Services, Tax Services and All other Services. Under General Pre-approval protocol, the pre-approved services do not require specific pre-approval from the Board of Statutory Auditors or its delegated member on a case-by-case basis.

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

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

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

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

The following table sets out all repurchases of common stock of the Company by the Company during FY 2009. The Company did not resolve any repurchase mid to long term or continuous plan or program by the board of directors or Annual General Meeting of Shareholders, therefore, there is no publicly announced mid to long term plan or program regarding repurchase of its own stock. Therefore when the board of directors decides it is high time to repurchase its own stock and retire treasury stock in consideration with the stock price and payout ratio, the Company executes the repurchase and retirement of treasury stock. The another reason for repurchases of common stock is the purchase requests of holders of shares of common stock constituting less than one full unit in accordance with the provisions of the Share Handling Regulations of the Company.

Period	Total Number of Shares Purchased (Shares)	Average Price Paid per Share (Japanese yen)
April, 2008	325	3,215
May, 2008	3,000,464	3,974
June, 2008	798	4,277
July, 2008	3,975	3,884
August, 2008	2,888	3,320
September, 2008	1,516	2,639
October, 2008	686	1,821
November, 2008	3,000,536	1,896
December, 2008	2,189	1,851
January, 2009	197	1,952
February, 2009	85	1,861
March, 2009	1,279	2,008
Total Number of Shares Purchased and Average Price Paid per Share	6,014,938	2,935

Issue to be stated

In FY 2009, the Company executed repurchases of three million shares of its common stock in May and three million shares in November at an aggregate cost of ¥17,610 million and also retired four million shares of treasury stock in February 2009 in accordance with the resolution by the board of directors.

Item 16G. Corporate Governance

- Independent Directors:** The Market Rule 4350(c)(1) by the National Association of Securities Dealers Automated Quotations (the NASDAQ) requires a majority of the Company's board of directors to be comprised of independent directors, and 4350(c)(2) requires periodical executive sessions held by these independent directors.

Unlike the NASDAQ rules on corporate governance (the NASDAQ Rules), the Companies Act of Japan and related legislation (collectively, the Japanese Company Law) sets forth the legal concept of Outside directors. Under the Japanese Company Law, an outside director is defined as a director (i) who is not a director of the company or any of its subsidiaries engaged in the business operations of the company or such subsidiary, as the case may be, or an executive officer or a company manager or other employee of the company or any of its subsidiaries, and (ii) who has never been a director of the company or any of its subsidiaries engaged in the business operations of the company or such subsidiary, as the case may be, or an executive officer or a company manager or other employee of the company or any of its subsidiaries. Under Japanese law, a director's status as an outside director is unaffected by the director's compensation, his or her affiliation with business partners, or the

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

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

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2. **Compensation of Officers:** NASDAQ Rule 4350(c)(3) requires that compensation of the chief executive officer or all other executive officers of the company must be determined, or recommended to the board for determination, either by (i) a majority of the independent directors, or (ii) a compensation committee comprised solely of independent directors.

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

3. **Nomination Committee and Nomination Committee Charter:** NASDAQ Rule 4350(c)(4)(A) requires that director nominees must either be selected, or recommended for board's selection, either by (i) a majority of the independent directors, or (ii) a nomination committee comprised solely of independent directors, and NASDAQ Rule 4350(c)(4)(B) requires that the Company must certify that it has adopted a formal written charter or board resolution, addressing the nominations process and required matters.

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

4. **Audit Committee and Audit Committee Charter:** NASDAQ Rule 4350(d)(2)(A) requires the Company to have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must (i) be independent, (ii) not have participated in the preparation of the financial statements of the company or any current subsidiary of the company at any time during the past three years and (iii) be able to read and understand fundamental financial statements. NASDAQ Rule 4350(d)(1) also requires the Company to adopt a formal written committee charter. In addition, at least one member of an audit committee needs to have a professional background in finance or accounting.

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

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

They also have the statutory duty to supervise the administration by the board members of the Company's affairs. Statutory auditors are obligated to attend the meetings of the board of directors but are not entitled to vote.

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

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

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5. **Quorum:** NASDAQ Rule 4350(f) requires each issuer to provide for a quorum as specified in its by-laws for any meeting of the holders of common stock, which shall in no case be less than 33 1/3 percent of the outstanding shares of a company's common voting stock.

Consistent with the Japanese Company Law and generally accepted business practices in Japan, the Company's Articles of Incorporation provide that except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of votes of all the shareholders represented at the meeting with no quorum requirement.

The Japanese Company Law and the Company's Articles of Incorporation provide, however, that the quorum for the election of directors and statutory auditors shall not be less than one-third of the total number of voting rights of all the shareholders. The Japanese Company Law and the Company's Articles of Incorporation also provide that in order to amend the Company's Articles of Incorporation and in certain other significant transactions specified in the Japanese Company Law, the quorum shall be one-third of the total number of voting rights of all the shareholders and the approval by at least two-thirds of the voting rights of all the shareholders represented at the meeting is required.

6. **Conflicts of Interest:** NASDAQ Rule 4350(h) requires that each issuer conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and that all such transactions be approved by the company's audit committee or another independent body of the board of directors. Unlike the NASDAQ Rules, the Japanese Company Law requires the full board of directors to approve (1) all transactions that a director, on his or her own behalf or on behalf of a third party, enters into with the Company, (2) guarantees by the Company of obligations of a director and (3) all transactions with any person other than directors with respect to which there is a conflict of interest between the Company and any director. In addition, under the Japanese Company Law, no director may vote on a resolution at a meeting of the board of directors if that director has a special interest in that resolution, including, but not limited to, resolutions with respect to transactions with the Company referred to in the immediately preceding sentence. Under the Japanese Company Law, the quorum for meetings of the board of directors of the Company is a majority of all directors then in office and the approval of a majority of all directors present at the meeting is required. The number of directors who are not entitled to vote at a meeting by having a special interest in the subject resolution shall be excluded from the number of directors then in office and present at the meeting for such purpose. The Japanese Company Law does not require related party transactions other than those with directors referred to above to be approved by the board of directors or any independent body at or outside of the Company.

7. **Shareholder Approval:** NASDAQ Rule 4350(i) requires each issuer to obtain shareholder approval prior to the issuance of securities under certain circumstances.

However, under the Japanese Company Law, regardless of the purpose of the issuance, shareholder approval is required only in the cases of issuance of shares at a specially favorable price or of stock acquisition rights or bonds with stock acquisition rights under specially favorable price or specially favorable exercise conditions, except where such shares, stock acquisition rights or bonds with stock acquisition rights are granted to all of its shareholders on a pro rata basis. Such shareholder approval must be obtained by a special resolution of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required. Accordingly, so far as the issue price or exercise conditions are not specially favorable, shareholder approval is not required under the Japanese Company Law for the matters specified in NASDAQ Rule 4350(i). The Company's practices taken in connection with such matters are consistent with the Japanese Company Law.

8. **Solicitation of Proxies:** NASDAQ Rule 4350(i) requires each issuer to solicit proxies and provide proxy statement for all meetings of shareholders and provide copies of such proxy solicitation to NASDAQ.

However, under the Japanese Company Law, the Company is required to send ballots to all shareholders meeting. Although the Company may choose to solicit proxies from all shareholders with voting rights instead of voting by ballot, the Company, in common with the majority of public companies in Japan, provides its shareholders with the opportunity to vote directly by ballot.

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PART III

Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this Item.

Item 18. Financial Statements

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

Item 19. Exhibits

- 1.1 Articles of Incorporation, as amended and effective as of June 25, 2009 (English translation).
- 1.2 Regulations of Board of Directors, as amended and effective as of June 25, 2009 (English translation).
- 1.3 The Share Handling Regulations, as amended and effective as of January 5, 2009 (English translation)
- 1.4 Regulations of Board of Statutory Auditors effective as of July 7, 2006 (English translation), incorporated by reference to Makita's Annual Report on Form 20-F (Commission file no. 0-12602) filed on June 7, 2006.
- 12.1 302 Certification of Chief Executive Officer, President and Representative Director
- 12.2 302 Certification of Chief Financial Officer, Director and General Manager of Administration Headquarters
- 13.1 906 Certifications of Chief Executive Officer and Chief Financial Officer

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SIGNATURES

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

MAKITA CORPORATION

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

Date: July 9, 2009

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Makita Corporation and Subsidiaries

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

Schedules:

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(All schedules not listed above have been omitted because they are not applicable, or are not required, or the information has been otherwise supplied in the consolidated financial statements.)

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
of Makita Corporation:

We have audited the accompanying consolidated balance sheets of Makita Corporation (a Japanese corporation) and subsidiaries as of March 31, 2008 and 2009, 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, 2009. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule of valuation and qualifying accounts and reserves for the years ended March 31, 2007, 2008 and 2009. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Makita Corporation and subsidiaries as of March 31, 2008 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements, expressed in yen, have been translated into dollars on the basis set forth in Note 4 in the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Makita Corporation's internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 9, 2009 expressed an unqualified opinion the effectiveness of the Makita Corporation's internal control over financial reporting.

/s/ KPMG AZSA & Co.

Tokyo, Japan

July 9, 2009

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MAKITA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2008 AND 2009
ASSETS

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
CURRENT ASSETS:			
Cash and cash equivalents	¥ 46,306	¥ 34,215	\$ 345,606
Time deposits	2,393	2,623	26,495
Marketable securities	49,443	29,470	297,677
Trade receivables-			
Notes	2,950	2,611	26,374
Accounts	60,234	43,078	435,131
Less- Allowance for doubtful receivables	(1,018)	(1,129)	(11,404)
Inventories	112,187	111,002	1,121,232
Deferred income taxes	6,478	7,264	73,374
Prepaid expenses and other current assets	11,382	11,269	113,828
Total current assets	290,355	240,403	2,428,313
PROPERTY, PLANT AND EQUIPMENT, AT COST:			
Land	18,370	18,173	183,566
Buildings and improvements	64,268	65,223	658,818
Machinery and equipment	75,651	74,458	752,101
Construction in progress	2,765	4,516	45,616
	161,054	162,370	1,640,101
Less- Accumulated depreciation	(91,996)	(89,674)	(905,798)
Total net property, plant and equipment	69,058	72,696	734,303
INVESTMENTS AND OTHER ASSETS:			
Investment securities	18,034	11,290	114,040
Goodwill	2,001	1,987	20,071
Other intangible assets, net	2,240	2,280	23,030
Deferred income taxes	1,826	5,050	51,010
Other assets	2,953	2,938	29,677
Total investments and other assets	27,054	23,545	237,828
Total assets	¥ 386,467	¥ 336,644	\$ 3,400,444

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

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MAKITA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2008 AND 2009
LIABILITIES AND SHAREHOLDERS EQUITY

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
CURRENT LIABILITIES:			
Short-term borrowings	¥ 1,724	¥ 239	\$ 2,414
Trade notes and accounts payable	23,372	14,820	149,697
Other payables	5,640	4,397	44,414
Accrued expenses	7,982	5,642	56,990
Accrued payroll	8,096	7,361	74,354
Income taxes payable	7,518	2,772	28,000
Deferred income taxes	58	50	505
Other liabilities	5,266	5,536	55,919
 Total current liabilities	 59,656	 40,817	 412,293
 LONG-TERM LIABILITIES:			
Long-term indebtedness	908	818	8,263
Accrued retirement and termination benefits	3,716	7,116	71,879
Deferred income taxes	1,215	548	5,535
Other liabilities	1,958	1,599	16,151
 Total long-term liabilities	 7,797	 10,081	 101,828
 Total liabilities	 67,453	 50,898	 514,121
 MINORITY INTERESTS	 2,516	 2,261	 22,838
 COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)			
SHAREHOLDERS EQUITY:			
Common stock,			
Authorized - 496,000,000 shares in 2008			
496,000,000 shares in 2009			
Issued and outstanding			
- 144,008,760 shares and 143,773,625 shares, respectively in 2008			
140,008,760 shares and 137,764,005 shares, respectively in 2009	23,805	23,805	240,455
Additional paid-in capital	45,753	45,420	458,788
Legal reserve	5,669	5,669	57,263
Retained earnings	249,191	257,487	2,600,878
Accumulated other comprehensive income (loss)	(7,657)	(42,461)	(428,899)
Treasury stock, at cost: - 235,135 shares in 2008			
2,244,755 shares in 2009	(263)	(6,435)	(65,000)

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Total shareholders' equity	316,498	283,485	2,863,485
Total liabilities and shareholders' equity	¥ 386,467	¥ 336,644	\$ 3,400,444

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

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MAKITA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2007, 2008 AND 2009

	2007	Yen (millions) 2008	2009	U.S. dollars (thousands) 2009
NET SALES	¥ 279,933	¥ 342,577	¥ 294,034	\$ 2,970,040
Cost of sales	163,909	199,220	170,894	1,726,202
GROSS PROFIT	116,024	143,357	123,140	1,243,838
Selling, general and administrative expenses	66,802	76,198	72,635	733,687
Losses (gains) on disposals or sales of property, plant and equipment, net	(249)	128	430	4,343
Impairment of long-lived assets	1,295			
OPERATING INCOME	48,176	67,031	50,075	505,808
OTHER INCOME (EXPENSES):				
Interest and dividend income	1,364	2,092	1,562	15,778
Interest expenses	(316)	(269)	(236)	(2,384)
Exchange gains (losses) on foreign currency transactions, net	(418)	(1,233)	(3,408)	(34,424)
Realized gains (losses) on securities, net	918	(1,384)	(3,548)	(35,838)
Other, net	(401)	(466)	(428)	(4,324)
Total	1,147	(1,260)	(6,058)	(61,192)
INCOME BEFORE INCOME TAXES	49,323	65,771	44,017	444,616
PROVISION FOR INCOME TAXES:				
Current	16,486	19,148	11,277	113,909
Deferred	(4,134)	580	(546)	(5,515)
Total	12,352	19,728	10,731	108,394
NET INCOME	¥ 36,971	¥ 46,043	¥ 33,286	\$ 336,222

	2007	Yen 2008	2009	U.S. dollars 2009
PER SHARE OF COMMON STOCK AND ADS:				
Earnings per share:				
Basic	¥ 257.3	¥ 320.3	¥ 236.9	\$ 2.39
Cash dividends per share paid for the year	57.0	85.0	97.0	0.98

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

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MAKITA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 2007, 2008 AND 2009

	2007	Yen (millions) 2008	2009	U.S. dollars (thousands) 2009
COMMON STOCK:				
Beginning balance	¥ 23,805	¥ 23,805	¥ 23,805	\$ 240,455
Ending balance	¥ 23,805	¥ 23,805	¥ 23,805	\$ 240,455
ADDITIONAL PAID-IN CAPITAL:				
Beginning balance	¥ 45,437	¥ 45,437	¥ 45,753	\$ 462,152
Retirement of treasury stock			(329)	(3,324)
Disposal of treasury stock		316	(4)	(40)
Ending balance	¥ 45,437	¥ 45,753	¥ 45,420	\$ 458,788
LEGAL RESERVE:				
Beginning balance	¥ 5,669	¥ 5,669	¥ 5,669	\$ 57,263
Ending balance	¥ 5,669	¥ 5,669	¥ 5,669	\$ 57,263
RETAINED EARNINGS:				
Beginning balance	¥ 186,586	¥ 215,365	¥ 249,191	\$ 2,517,081
Net income	36,971	46,043	33,286	336,222
Cash dividends	(8,192)	(12,217)	(13,855)	(139,950)
Retirement of treasury stock			(11,135)	(112,475)
Ending balance	¥ 215,365	¥ 249,191	¥ 257,487	\$ 2,600,878
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Beginning balance	¥ 5,345	¥ 12,697	¥ (7,657)	\$ (77,343)
Other comprehensive income (loss) for the year	7,515	(20,354)	(34,804)	(351,556)
Adjustment to initially apply SFAS No.158, net of tax	(163)			
Ending balance	¥ 12,697	¥ (7,657)	¥ (42,461)	\$ (428,899)
TREASURY STOCK:				
Beginning balance	¥ (258)	¥ (298)	¥ (263)	\$ (2,657)
Purchases	(40)	(51)	(17,655)	(178,333)
Retirement			11,464	115,798
Disposal		86	19	192
Ending balance	¥ (298)	¥ (263)	¥ (6,435)	\$ (65,000)

DISCLOSURE OF COMPREHENSIVE INCOME

(LOSS):

Net income for the year	¥ 36,971	¥ 46,043	¥ 33,286	\$ 336,222
Other comprehensive income (loss) for the year	7,515	(20,354)	(34,804)	(351,556)
Total comprehensive income (loss) for the year	¥ 44,486	¥ 25,689	¥ (1,518)	\$ (15,334)

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

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MAKITA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2007, 2008 AND 2009

	2007	Yen (millions) 2008	2009	U.S. dollars (thousands) 2009
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	¥ 36,971	¥ 46,043	¥ 33,286	\$ 336,222
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation and amortization	8,773	8,871	8,887	89,768
Deferred income tax expense (benefit)	(4,134)	580	(546)	(5,515)
Realized losses (gains) on securities, net	(918)	1,384	3,548	35,838
Losses (gains) on disposals or sales of property, plant and equipment, net	(249)	128	430	4,343
Impairment of long-lived assets	1,295			
Changes in assets and liabilities-				
Trade receivables	(6,398)	(6,463)	9,555	96,515
Inventories	(7,979)	(22,499)	(17,314)	(174,889)
Trade notes and accounts payable and accrued expenses	4,055	6,896	(10,005)	(101,061)
Income taxes payable	2,198	(3,357)	(4,589)	(46,354)
Accrued retirement and termination benefits	(1,702)	(2,053)	(2,297)	(23,202)
Other, net	448	(255)	1,223	12,355
Net cash provided by operating activities	32,360	29,275	22,178	224,020
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(12,980)	(15,036)	(17,046)	(172,182)
Purchases of available-for-sale securities	(26,798)	(19,944)	(375)	(3,788)
Purchases of held-to-maturity securities	(499)	(996)		
Proceeds from sales of available-for-sale securities	6,635	4,382	15,310	154,646
Proceeds from maturities of available-for-sale securities	10,476	21,030	2,500	25,253
Proceeds from maturities of held-to-maturity securities	1,500	1,300	600	6,061
Proceeds from sales of property, plant and equipment	739	1,812	135	1,364
Decrease (increase) in time deposits	(5,035)	4,231	(560)	(5,657)
Cash paid for acquisition of business, net of cash acquired	(649)	(2,034)		
Other, net	(665)	747	(332)	(3,354)
Net cash provided by (used in) investing activities	(27,276)	(4,508)	232	2,343
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings	135	(1,279)	(1,345)	(13,586)
Purchases of treasury stock, net	(40)	(47)	(17,640)	(178,181)

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Cash dividends paid	(8,192)	(12,217)	(13,855)	(139,950)
Other, net	(210)	(272)	(339)	(3,424)
Net cash used in financing activities	(8,307)	(13,815)	(33,179)	(335,141)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	¥ 1,297	¥ (1,774)	¥ (1,322)	\$ (13,353)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,926)	9,178	(12,091)	(122,131)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	39,054	37,128	46,306	467,737
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 37,128	¥ 46,306	¥ 34,215	\$ 345,606
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the year for-				
Interest	¥ 316	¥ 269	¥ 232	\$ 2,343
Income taxes	14,289	22,505	15,866	160,263
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Delivery of treasury stock in connection with the share exchange	¥	¥ 397	¥	\$

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

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MAKITA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Makita Corporation (the Company) is a recognized leader in the manufacture and sale of power tools. The Company and its subsidiaries' main products include drills, rotary hammers, demolition hammers, grinders and cordless impact drivers. The Company and its 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. 84.3% of consolidated net sales for the year ended March 31, 2009, were generated from customers outside Japan, with 46.6% from Europe, 14.4% from North America and 7.5% from Asia and 15.8% from 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 (two plants), China (two plants) 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 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 did not have any consolidated variable interest entities as set out in FIN 46R for any of the periods presented herein.

(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 (loss) 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 and Cash Equivalents

Cash and cash equivalents consist of cash on hand and time deposits with original maturities of three months or less.

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(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 that 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 carrying amount that is deemed to be other-than-temporary results in a write-down of the carrying amount 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.

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Table of Contents***(g) Property, Plant and Equipment and Depreciation***

Property, plant and equipment is stated at cost. For the Company, depreciation is computed principally by using the declining-balance method over the estimated useful lives. Most of the 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, 2007, 2008 and 2009 amounted to ¥8,495 million, ¥8,519 million and ¥8,444 million (\$85,293 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, 2008 and 2009, was as follows:

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
Aggregate cost	¥ 986	723	7,303
Accumulated amortization	437	279	2,818

(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 unless the amount and timing of such payments are determinable.

(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 ¥5,460 million, ¥5,922 million and ¥6,883 million (\$69,525 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.

Advertising costs are also expensed as incurred and totaled ¥6,002 million, ¥6,860 million and ¥5,747 million (\$58,051 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.

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Table of Contents***(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 ¥7,637 million, ¥9,882 million and ¥8,712 million (\$88,000 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.

(l) Income Taxes

Makita accounts for income taxes in accordance with the provisions 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 temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit 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 or laws is recognized in income in the period that includes the enactment date.

Makita also adopted FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 on April 1, 2007. 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. FIN48 requires that the tax effects of a position be recognized only when it is more likely than not to be sustained upon examination. Makita classifies penalties and interest related to unrecognized tax benefits, if any, in provision for income taxes.

(m) Product Warranties

A liability for the estimated product warranty related cost is established at the time revenue is recognized and is included in other liabilities 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 excess divided by the average remaining service period of active employees expected to receive benefits under the plan.

Effective March 31, 2007, the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. 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 (loss) in shareholders' equity. Additional minimum pension liabilities (AML) and related intangible assets were also derecognized upon adoption of the new standard.

(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.

(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 changes 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 the 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.

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(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 measures 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 earnings.

(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 advertising 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 recognized as a reduction of revenue at the time the related revenue is recognized based on Makita's ability to reliably estimate such future advertising to be taken.

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.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of income.

Table of Contents***(t) New Accounting Standards***

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 has been subsequently amended by FASB Staff Position FAS157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 and FASB Staff Position FAS157-2, Effective Date of FASB Statement No. 157. SFAS No. 157, as amended, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements for instruments within its scope. SFAS No. 157, as amended, is effective from the fiscal period beginning after November 15, 2007, except for non-financial assets and liabilities that are not recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually), for which it is effective from the fiscal period beginning after November 15, 2008. SFAS No. 157, as amended, is required to be adopted by Makita in this fiscal year. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adoption did not give rise to any material effect on Makita's consolidated financial position or results of operations. Makita does not expect the adoption of SFAS No. 157 for non-financial assets and liabilities that are not recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually) from the fiscal period beginning after November 15, 2008 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 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 this fiscal year. The adoption did not give rise to any material effect on Makita's consolidated financial position or results of operations as Makita did not elect to report financial assets and liabilities under the fair value option.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, and No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51. These statements aim to improve, simplify, and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. These statements are effective for fiscal years beginning after December 15, 2008 and are required to be adopted by Makita, in the fiscal year beginning April 1, 2009. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition date at fair value with limited exceptions. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of noncontrolling interests (minority interests) as equity in the consolidated financial statements. The amount of net income attributable to noncontrolling interests will be included in consolidated net income on the face of the consolidated income statement. This statement also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. Other than the recharacterization of minority interests, Makita does not expect the adoption of these statements will have a material impact on its consolidated results of operations and financial condition.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities- an amendment of FASB Statement No. 133, which amends and expands the current disclosures

required by SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 161 requires entities to provide greater transparency on how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, and how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. SFAS No. 161 does not change the existing standards relative to recognition and measurement of derivative instruments and hedging activities. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 and is required to be adopted by Makita, in this fiscal year.

In December 2008, the FASB issued FSP FAS No. 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*. FSP 132(R)-1 requires additional disclosures about plan assets including investment policies, fair value of each major category of plan assets, development of fair value measurements and concentrations of risk. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009 and is required to be adopted by Makita in the year ending March 31, 2010. Makita is currently evaluating these additional disclosure requirements, but Makita does not expect the adoption of FSP 132(R)-1 will have a impact on its consolidated results of operations and financial condition.

(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, 2009.

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Table of Contents**4. TRANSLATION OF FINANCIAL STATEMENTS**

Solely for the convenience of readers, the accompanying consolidated financial statement amounts as of and for the year ended March 31, 2009, 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 ¥99 to US\$1 at March 31, 2009. This translation should not be construed as a representation that the amounts shown could be or could have been converted into U.S. dollars at the rate indicated.

5. INVENTORIES

Inventories as of March 31, 2008 and 2009 comprised the following:

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
Finished goods	¥ 92,053	¥ 95,837	\$ 968,051
Work in process	2,607	2,408	24,323
Raw materials	17,527	12,757	128,858
	¥ 112,187	¥ 111,002	\$ 1,121,232

6. IMPAIRMENT OF LONG LIVED ASSETS

During the year ended March 31, 2007, Makita decided to relocate the manufacturing business (stationary woodworking machines) of its subsidiary, Makita Ichinomiya Corporation, to Makita's Okazaki plant in order to streamline the production function in Japan. As a result of this decision, Makita performed an impairment assessment pursuant to the provisions of SFAS No. 144 and recorded an impairment charge totaling ¥1,295 million for the year ended March 31, 2007 related to the assets that were not transferred. The fair value of the related assets was determined by reference to sales of comparable assets in similar markets. The impaired assets were sold during the year ended March 31, 2008 and the subsidiary liquidated during the year ended March 31, 2009. The impact of the sale and liquidation was not material.

Table of Contents**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, 2008 and 2009, were as follows:

As of March 31, 2008	Yen (millions)			Fair value	Carrying Amount
	Cost	Gains	Losses		
Available-for-sale:					
Marketable securities:					
Foreign government debt securities	¥ 1	¥	¥	¥ 1	¥ 1
Corporate and bank debt securities	3,410	83		3,493	3,493
Investments in trusts	42,563	991	616	42,938	42,938
Marketable equity securities	1,473	941	2	2,412	2,412
	¥47,447	¥2,015	¥ 618	¥ 48,844	¥ 48,844
Investment securities:					
Investments in trusts	¥ 184	¥ 4	¥ 6	¥ 182	¥ 182
Marketable equity securities	9,662	5,977	107	15,532	15,532
Non-marketable equity securities (carried at cost)	572			572	572
	¥10,418	¥5,981	¥ 113	¥ 16,286	¥ 16,286
Held-to-maturity:					
Marketable securities:					
Japanese corporate debt securities	¥ 599	¥	¥	¥ 599	¥ 599
	¥ 599	¥	¥	¥ 599	¥ 599
Investment securities:					
Japanese corporate debt securities	¥ 1,748	¥	¥ 71	¥ 1,677	¥ 1,748
	¥ 1,748	¥	¥ 71	¥ 1,677	¥ 1,748
Total marketable securities	¥48,046	¥2,015	¥ 618	¥ 49,443	¥ 49,443
Total investment securities	¥12,166	¥5,981	¥ 184	¥ 17,963	¥ 18,034

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As of March 31, 2009	Yen (millions)				Carrying Amount
	Cost	Gains	Losses	Fair value	
Available-for-sale:					
Marketable securities:					
Corporate and bank debt securities	¥ 954	¥ 60	¥	¥ 1,014	¥ 1,014
Investments in trusts	26,704	204	110	26,798	26,798
Marketable equity securities	998	343	33	1,308	1,308
	¥ 28,656	¥ 607	¥ 143	¥ 29,120	¥ 29,120
Investment securities:					
Investments in trusts	¥ 1	¥	¥	¥ 1	¥ 1
Marketable equity securities	7,818	1,847	177	9,488	9,488
Non-marketable equity securities (carried at cost)	402			402	402
	¥ 8,221	¥ 1,847	¥ 177	¥ 9,891	¥ 9,891
Held-to-maturity:					
Marketable securities:					
Japanese corporate debt securities	¥ 350	¥	¥ 2	¥ 348	¥ 350
	¥ 350	¥	¥ 2	¥ 348	¥ 350
Investment securities:					
Japanese corporate debt securities	¥ 1,399	¥ 1	¥ 52	¥ 1,348	¥ 1,399
	¥ 1,399	¥ 1	¥ 52	¥ 1,348	¥ 1,399
Total marketable securities	¥ 29,006	¥ 607	¥ 145	¥ 29,468	¥ 29,470
Total investment securities	¥ 9,620	¥ 1,848	¥ 229	¥ 11,239	¥ 11,290

As of March 31, 2009	U.S. dollars (thousands)				Carrying Amount
	Cost	Gains	Losses	Fair value	
Available-for-sale:					
Marketable securities:					
Corporate and bank debt securities	\$ 9,636	\$ 606	\$	\$ 10,242	\$ 10,242
Investments in trusts	269,737	2,061	1,111	270,687	270,687

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Marketable equity securities	10,081	3,464	333	13,212	13,212
	\$ 289,454	\$ 6,131	\$ 1,444	\$ 294,141	\$ 294,141
Investment securities:					
Investments in trusts	\$ 10	\$	\$	\$ 10	\$ 10
Marketable equity securities	78,969	18,657	1,788	95,838	95,838
Non-marketable equity securities (carried at cost)	4,061			4,061	4,061
	\$ 83,040	\$ 18,657	\$ 1,788	\$ 99,909	\$ 99,909
Held-to-maturity:					
Marketable securities:					
Japanese corporate debt securities	\$ 3,536	\$	\$ 21	\$ 3,515	\$ 3,536
	\$ 3,536	\$	\$ 21	\$ 3,515	\$ 3,536
Investment securities:					
Japanese corporate debt securities	\$ 14,131	\$ 10	\$ 525	\$ 13,616	\$ 14,131
	\$ 14,131	\$ 10	\$ 525	\$ 13,616	\$ 14,131
Total marketable securities	\$ 292,990	\$ 6,131	\$ 1,465	\$ 297,656	\$ 297,677
Total investment securities	\$ 97,171	\$ 18,667	\$ 2,313	\$ 113,525	\$ 114,040

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, 2008 and 2009, 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.

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The following table shows the 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, 2008 and 2009.

The gross unrealized loss position of available-for-sale securities has been continuing for a relatively short period of time. Based on this and other relevant factors, management has determined that these investments are not considered other-than-temporarily impaired. Makita has not held unrealized losses for twelve months or more at March 31, 2008 and 2009 with respect to available-for-sale securities.

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 Gross Unrealized Holding Fair value	Less than 12 months Gross Unrealized Holding Losses	12 months or more Gross Unrealized Holding Fair value	12 months or more Gross Unrealized Holding Losses
As of March 31, 2008				
Available-for-sale:				
Marketable securities:				
Investments in trusts	¥ 3,502	¥ 616	¥	¥
Marketable equity securities	168	2		
	¥ 3,670	¥ 618	¥	¥
Investment securities:				
Investments in trusts	¥ 156	¥ 6	¥	¥
Marketable equity securities	1,386	107		
	¥ 1,542	¥ 113	¥	¥
Held-to-maturity:				
Investment securities:				
Japanese corporate debt securities	¥	¥	¥ 978	¥ 71
	¥	¥	¥ 978	¥ 71

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	Yen (millions)			
	Less than 12 months		12 months or more	
	Gross		Gross	
	Unrealized		Unrealized	
	Holding		Holding	
	Fair		Fair	
	value	Losses	value	Losses
As of March 31, 2009				
Available-for-sale:				
Marketable securities:				
Investments in trusts	¥ 1,739	¥ 110	¥	¥
Marketable equity securities	249	33		
	¥ 1,988	¥ 143	¥	¥
Investment securities:				
Investments in trusts	¥	¥	¥	¥
Marketable equity securities	2,142	177		
	¥ 2,142	¥ 177	¥	¥
Held-to-maturity:				
Marketable securities:				
Japanese corporate debt securities	¥	¥	¥ 148	¥ 2
Investment securities:				
Japanese corporate debt securities	98	2	749	50
	¥ 98	¥ 2	¥ 897	¥ 52
	U.S. dollars (thousands)			
	Less than 12 months		12 months or more	
	Gross		Gross	
	Unrealized		Unrealized	
	Holding		Holding	
	Fair		Fair	
	value	Losses	value	Losses
As of March 31, 2009				
Available-for-sale:				
Marketable securities:				
Investments in trusts	\$ 17,566	\$ 1,111	\$	\$
Marketable equity securities	2,515	333		
	\$ 20,081	\$ 1,444	\$	\$
Investment securities:				

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Investments in trusts	\$	\$	\$	\$
Marketable equity securities	21,636	1,788		
	\$ 21,636	\$ 1,788	\$	\$
Held-to-maturity:				
Marketable securities:				
Japanese corporate debt securities	\$	\$	\$ 1,495	\$ 21
Investment securities:				
Japanese corporate debt securities	990	21	7,566	504
	\$ 990	\$ 21	\$ 9,061	\$ 525

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Maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2009, regardless of their balance sheet classification, were as follows:

Maturities of debt securities based on Cost as of March 31, 2009

	Yen (millions)			U.S.dollars (thousands)		
	Available- for-sale	Held-to- maturity	Total	Available- for-sale	Held-to- maturity	Total
Due within one year	¥	¥ 350	¥ 350	\$	\$ 3,536	\$ 3,536
Due after one to five years	95	799	894	959	8,071	9,030
Due after five to ten years	859		859	8,677		8,677
Due after ten years		600	600		6,060	6,060
Total	¥ 954	¥ 1,749	¥ 2,703	\$ 9,636	\$ 17,667	\$ 27,303

Maturities of debt securities based on Fair Value as of March 31, 2009

	Yen (millions)			U.S.dollars (thousands)		
	Available- for-sale	Held-to- maturity	Total	Available- for-sale	Held-to- maturity	Total
Due within one year	¥	¥ 348	¥ 348	\$	\$ 3,515	\$ 3,515
Due after one to five years	99	798	897	1,000	8,061	9,061
Due after five to ten years	915		915	9,242		9,242
Due after ten years		550	550		5,555	5,555
Total	¥ 1,014	¥ 1,696	¥ 2,710	\$ 10,242	\$ 17,131	\$ 27,373

Gross realized gains on sales of marketable securities and investment securities for the years ended March 31, 2007, 2008 and 2009 amounted to ¥1,096 million and ¥365 million and ¥534 million (\$5,394 thousand), respectively.

Gross realized losses, which included the gross realized losses considered as other than temporary, during the years ended March 31, 2007, 2008 and 2009 amounted to ¥178 million, ¥1,749 million and ¥4,082 million (\$41,232 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 ¥159 million, ¥1,662 million and ¥4,059 million (\$41,000 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively. Proceeds from the sales and maturities of available-for-sale securities were ¥17,111 million, ¥25,412 million and ¥17,810 million (\$179,899 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively. Proceeds from maturities of the held-to-maturity securities were ¥1,500 million, ¥1,300 million and ¥600 million (\$6,061 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.

Table of Contents**8. ACQUISITION**

At the Board of Directors meeting held on March 20, 2007, in order to strengthen the gardening tool business, the Board of the Company decided to make Fuji Robin Industries Ltd. (Fuji Robin, which manufactures and sells engines, machinery for agriculture, forestry and construction industries, etc. in Japan) a wholly-owned subsidiary of the Company through a tender offer. As a result, the Company purchased 10,279,375 shares of Fuji Robin's outstanding shares, representing 79.3% interest, for total cash consideration of ¥2,673 million, and Fuji Robin became a subsidiary of the Company as of May 15, 2007. 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. On August 1, 2007, the Company acquired the remaining shares of Fuji Robin by exchanging 0.059 of the Company's treasury stock for each share of Fuji Robin's outstanding common stock. The Company and Fuji Robin obtained third party appraisals of the respective share prices which were used as a basis of negotiation over the share exchange ratio, and the Company issued 81,456 shares of treasury stock. Fuji Robin was renamed Makita Numazu Corporation (MNC) as of August 1, 2007. The total cost for acquiring MNC was ¥3,380 million. The Company, pursuant to SFAS No.141, used the purchase method to account for the acquisition of MNC.

The following table reflects the fair value of 100% of the assets and liabilities of Fuji Robin as of August 1, 2007:

	Yen (millions)
Cash and cash equivalent	¥ 788
Receivables and other assets	5,064
Property and equipment	3,951
Intangible assets	162
Goodwill (not deductible for tax purposes)	1,251
Trade payables, bank borrowings and other liabilities	(7,836)
Net assets	¥ 3,380

The results of operations and cash flows associated with MNC since May 15, 2007 have been included in the accompanying consolidated financial statements of Makita. Makita has not presented pro forma results of operations of the acquisition because the results are not material.

Table of Contents**9. INCOME TAXES**

Income before income taxes and the provision for income taxes for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	Yen (millions) 2008	2009	U.S. dollars (thousands) 2009
Income before income taxes:				
Domestic	¥ 16,341	¥ 19,896	¥ 8,523	\$ 86,091
Foreign	32,982	45,875	35,494	358,525
	¥ 49,323	¥ 65,771	¥ 44,017	\$ 444,616
Provision for income taxes:				
Current-				
Domestic	¥ 8,366	¥ 6,957	¥ 2,721	\$ 27,485
Foreign	8,120	12,191	8,556	86,424
	¥ 16,486	¥ 19,148	¥ 11,277	\$ 113,909
Deferred-				
Domestic	¥ (2,453)	¥ 1,283	¥ (158)	\$ (1,596)
Foreign	(1,681)	(703)	(388)	(3,919)
	(4,134)	580	(546)	(5,515)
Consolidated provision for income taxes	¥ 12,352	¥ 19,728	¥ 10,731	\$ 108,394

Total income taxes were allocated as follows:

	2007	Yen (millions) 2008	2009	U.S. dollars (thousands) 2009
Provision for income taxes	¥ 12,352	¥ 19,728	¥ 10,731	\$ 108,394
Shareholders' equity:				
Foreign currency translation adjustments	93	(107)	(127)	(1,283)
Net unrealized holding gains on available-for-sale securities	(935)	(4,320)	(2,066)	(20,868)
Minimum Pension liability adjustment	66			
Pension liability adjustment		(2,549)	(2,491)	(25,162)
	(110)			

Adjustment to initially apply SFAS
No.158

¥ 11,466 ¥ 12,752 ¥ 6,047 \$ 61,081

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, 2007, 2008 and 2009.

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

	Year ended March 31,		
	2007	2008	2009
Combined statutory income tax rate in Japan	40.3%	40.3%	40.3%
Non-deductible expenses	0.8	0.6	0.8
Non-taxable dividends received	(0.1)	(0.1)	(0.3)
Change in valuation allowance	(5.4)	(0.4)	0.1
Tax sparing impact	(2.1)	(0.7)	(3.0)
Effect of the foreign tax rate differential	(10.4)	(11.1)	(15.1)
Other, net	1.9	1.4	1.6
Effective income tax rate	25.0%	30.0%	24.4%

According to the provisions of the tax treaties which have been concluded between Japan and 12 countries, Japanese corporations can claim a tax credit against Japanese income taxes on income earned in one of those 12 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 ¥1,021 million or 2.1% and ¥453 million or 0.7% and ¥1,337 million or 3.0% for the years ended March 31, 2007, 2008 and 2009, respectively.

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 growth 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.

For the year ended March 31, 2008, an effect of the foreign tax rate differential of ¥7,334 million was recorded, which was attributable to a profit growth of subsidiaries. Due mainly to this effect, the effective tax rate for the year ended March 31, 2008 was 30.0%, a decrease of 10.3 % as compared with the statutory income tax rate of 40.3%.

For the year ended March 31, 2009, an effect of the foreign tax rate differential of ¥6,628 million was recorded, which was attributable to proportionately higher profits in the overseas subsidiaries compared to those in the Company and domestic subsidiaries. Due mainly to this effect, the effective tax rate for the year ended March 31, 2009 was 24.4%, a decrease of 15.9% as compared with the statutory income tax rate of 40.3%.

The significant components of deferred income tax expense attributable to income before income taxes for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Yen		U.S.
	(millions)		dollars
	2007	2008	2009
	¥(1,467)	¥ 765	\$ (5,515)

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Deferred tax expense (exclusive of the effects of other components below)

Increase (decrease) in

beginning-of-the-year balance of the

valuation allowance for deferred tax assets

(2,667) (185)

¥(4,134) ¥ 580 ¥(546) \$ (5,515)

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Significant components of deferred income tax assets and liabilities as of March 31, 2008 and 2009, were as follows:

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
Deferred income tax assets:			
Marketable securities and investment securities	¥ 1,495	¥ 2,854	\$ 28,828
Accrued retirement and termination benefits	1,681	2,423	24,475
Accrued expenses	517	502	5,071
Inventories	1,900	1,940	19,596
Property, plant and equipment	2,570	2,028	20,485
Accrued payroll	1,906	1,813	18,313
Net operating loss carryforwards	774	602	6,081
Other	1,713	2,550	25,757
Total gross deferred income tax assets	12,556	14,712	148,606
Valuation allowance	(331)	(329)	(3,323)
	¥ 12,225	¥ 14,383	\$ 145,283
Deferred income tax liabilities:			
Undistributed earnings of overseas subsidiaries	¥ (565)	¥ (449)	\$ (4,535)
Unrealized gain on available-for-sale securities	(2,929)	(859)	(8,676)
Property, plant and equipment	(1,699)	(1,353)	(13,667)
Other	(1)	(6)	(61)
Total gross deferred income tax liabilities	¥ (5,194)	¥ (2,667)	\$ (26,939)
Net deferred income tax assets	¥ 7,031	¥ 11,716	\$ 118,344

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

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
Deferred income taxes:			
Current assets	¥ 6,478	¥ 7,264	\$ 73,374
Investment and other assets	1,826	5,050	51,010
Current liabilities	(58)	(50)	(505)
Long-term liabilities	(1,215)	(548)	(5,535)
	¥ 7,031	¥ 11,716	\$ 118,344

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 utilizable. 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 are not achieved. Makita has recorded a valuation allowance of ¥329 million as of March 31, 2009 against certain deferred income tax assets due to the lack of available tax planning strategy to prevent a portion of net operating loss carryforwards from expiring unused.

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As of March 31, 2009, certain subsidiaries had net operating loss carryforwards for income tax purposes of ¥3,240 million (\$32,727 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	197	1,990
6 to 20 years	1,861	18,798
Indefinite	1,182	11,939
	3,240	32,727

As of March 31, 2009, Makita had net tax sparing carryforwards for income tax purposes of ¥1,103 million (\$11,141 thousand) which are available to reduce future income taxes payable, if any. The net tax sparing will expire within 3 years.

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 ¥108,819 million (\$1,099,182 thousand) as of March 31, 2009 because Makita considers these earnings to be indefinitely reinvested, and the calculation of the unrecognized deferred tax liabilities is not practicable.

Makita adopted FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 on April 1, 2007. The unrecognized tax benefits as of April 1, 2007 and for the years ended March 31, 2008 and 2009 were neither material nor expected to significantly increase or decrease within 12 months period subsequent to March 31, 2009. Makita classifies penalties and interest related to unrecognized tax benefits, if any, in provision for income taxes, and the total amounts of penalties and interest related to unrecognized tax benefits recorded were not material as of April 1, 2007 and for the years ended March 31, 2008 and 2009. Makita conducts business globally and, as a result, the Company and its subsidiaries file income tax returns in various jurisdictions all over the world. The Company is no longer subject to income tax examinations for the periods prior to the fiscal year ended March 31, 2005, and one of the Company's major subsidiaries in the United States remains subject to income tax examinations for the periods beginning in the fiscal year ended March 31, 2005.

Table of Contents**10. RETIREMENT AND TERMINATION BENEFIT PLANS**

The Company and certain of its 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 noncontributory 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 net periodic pension costs (benefit) of the defined benefit plans for the years ended March 31, 2007, 2008 and 2009 consisted of the following components:

	2007	Yen (millions) 2008	2009	U.S. dollars (thousands) 2009
Service cost-benefit earned during the year	¥ 1,611	¥ 1,410	¥ 1,525	\$ 15,404
Interest cost on projected benefit obligation	804	927	906	9,152
Expected return on plan assets	(1,268)	(1,459)	(1,444)	(14,586)
Amortization of prior service cost	(215)	(215)	(206)	(2,081)
Amortization of net transition obligation	37	37	4	41
Recognized actuarial loss	428	414	191	1,929
Net periodic pension costs (benefit)	¥ 1,397	¥ 1,114	¥ 976	\$ 9,859

Net actuarial loss and amortization of prior service cost will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are as follows:

	Yen (millions)	U.S. dollars (thousands)
Net actuarial loss	¥ 187	\$ 1,889
Amortization of prior service cost	(206)	(2,081)

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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)
	2008	2009	2009
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 37,389	¥ 38,898	\$ 392,909
Service cost	1,410	1,525	15,404
Interest cost	927	906	9,152
Plan amendment	136	(3)	(30)
Actuarial (gain) loss	104	(1,636)	(16,525)
Business acquired	761		
Benefits paid	(1,856)	(2,282)	(23,051)
Foreign exchange impact	27	(554)	(5,596)
 Benefit obligation at end of year	 38,898	 36,854	 372,263
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 38,456	¥ 35,052	\$ 354,061
Actual return on plan assets	(4,803)	(6,350)	(64,142)
Employer contributions	3,022	2,961	29,909
Benefits paid	(1,659)	(1,974)	(19,939)
Foreign exchange impact	36	(67)	(677)
 Fair value of plan assets at end of year	 35,052	 29,622	 299,212
 Funded status	 ¥ (3,846)	 ¥ (7,232)	 \$ (73,051)
Amounts recognized in accumulated other comprehensive income consisted of:			
Net actuarial loss	¥ 9,366	¥ 15,346	\$ 155,010
Prior service cost	(2,575)	(2,372)	(23,959)
Net transition obligation being recognized over 19 years	4		
	¥ 6,795	¥ 12,974	\$ 131,051
Amounts recognized in the consolidated balance sheet consisted of:			
Current liabilities	¥ (130)	¥ (116)	\$ (1,172)
Non-current liabilities	(3,716)	(7,116)	(71,879)
	¥ (3,846)	¥ (7,232)	\$ (73,051)

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

The accumulated benefit obligation for all defined benefit plans was as follows:

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
Accumulated benefit obligation	¥34,146	¥33,084	\$ 334,182

Assumptions

The weighted-average assumptions used to determine benefit obligations at March 31, 2008 and 2009, were as follows:

	2008	2009
Discount rate	2.4%	2.5%
Assumed rate of increase in future compensation levels	3.3%	2.8%

The weighted-average assumptions used to determine net periodic pension cost for each of the years in the three-year period ended March 31, 2009, were as follows:

	2007	2008	2009
Discount rate	2.2%	2.5%	2.4%
Assumed rate of increase in future compensation levels	3.3%	3.3%	3.3%
Expected long-term rate of return on plan assets	4.2%	4.2%	3.8%

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, 2008, and 2009, by asset category were as follows:

	2008	2009
Asset Category:		
Equity securities	45.7%	38.3%
Debt securities	36.8	34.0
Real estate	1.1	1.0
Life insurance company general accounts	11.4	16.8
Other	5.0	9.9
	100.0%	100.0%

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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. The plans' equity securities include common stock of the Company in the amount of ¥6 million (\$61 thousand) at March 31, 2009.

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

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
Projected benefit obligation	¥3,989	¥36,854	\$372,263
Accumulated benefit obligation	3,890	33,084	334,182
Fair value of plan assets	370	29,622	299,212
An accumulated benefit obligation in excess of plan assets	3,520	3,462	34,970

Cash flows**Contributions**

Makita expects to contribute ¥2,569 million (\$25,949 thousand) to its domestic and foreign defined benefit plans in the fiscal year ending March 31, 2010.

Estimated future benefit payments

At March 31, 2009, the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2010	¥ 1,864	\$ 18,828
2011	1,956	19,758
2012	1,853	18,717
2013	1,927	19,464
2014	1,801	18,192
2015-2019	8,937	90,273
Total	¥ 18,338	\$ 185,232

Certain foreign subsidiaries have defined contribution plans. The total expenses charged to income under these plans were ¥223 million, ¥270 million and ¥229 million (\$2,313 thousand) for the years ended March 31, 2007, 2008 and 2009, 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 ¥468 million and ¥450 million (\$4,545 thousand) as of March 31, 2008 and 2009, 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.

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Table of Contents**11. SHORT-TERM BORROWINGS AND LONG-TERM INDEBTEDNESS**

As of March 31, 2008 and 2009, short-term borrowings consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
Bank borrowings	¥ 1,582	¥ 110	\$ 1,111
Current maturities of long-term indebtedness	142	129	1,303
Total	¥ 1,724	¥ 239	\$ 2,414

Short-term borrowings, excluding current maturities of long-term indebtedness, amounting to ¥1,582 million and ¥110 million (\$1,111 thousand) as of March 31, 2008 and 2009, respectively, consisted primarily of bank borrowings of overseas subsidiaries denominated in foreign currencies.

As of March 31, 2008 and 2009, the weighted average interest rate on the borrowings was 8.9% and 8.0%, respectively.

Certain subsidiaries of the Company had unused lines of credit available for immediate short-term borrowings without restrictions amounting to ¥22,664 million and ¥15,969 million (\$161,303 thousand) as of March 31, 2008 and 2009, respectively.

As of March 31, 2008 and 2009, long-term indebtedness consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2008	2009	2009
1.9% (weighted average rate) unsecured loans from banks, due 2012	¥ 500	¥ 500	\$ 5,051
Capital lease obligations (see Note 3(g))	550	447	4,515
Less- Current maturities included in short-term borrowings	(142)	(129)	(1,303)
	¥ 908	¥ 818	\$ 8,263

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, 2009 are as summarized below:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2010	¥ 129	\$ 1,303
2011	278	2,808
2012	527	5,324
2013	11	111
2014	2	20
2015 and thereafter		

Total	¥	947	\$	9,566
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12. SHAREHOLDERS EQUITY

At the Board of Directors meeting held on April 30, 2008 and October 31, 2008, the Company authorized the repurchase of shares of its common stock pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act of Japan, 6,000,000 shares of treasury stock were repurchased during the fiscal year ended March 31, 2009. Further at the Board of Directors meeting held on January 30, 2009, the Company decided to retire the treasury stock pursuant to the provisions of Article 178 of the Companies Act of Japan. 4,000,000 shares of treasury stock were retired during the fiscal year ended March 31, 2009.

The Companies Act 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 25, 2009, the shareholders approved the declaration of a cash dividend in the amount of ¥6,888 million, which will be paid to shareholders of record as of March 31, 2009. The declaration of this dividend has not been reflected in the consolidated financial statements as of March 31, 2009.

The amount of retained earnings available for dividends distribution is recorded in the Company's non-consolidated books and amounted to ¥135,222 million (\$1,366 million) as of March 31, 2009.

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Table of Contents**13. OTHER COMPREHENSIVE INCOME (LOSS)**

Accumulated other comprehensive income (loss) as of March 31, 2007, 2008 and 2009, were as follows:

	2007	Yen (millions) 2008	2009	U.S.dollars (thousands) 2009
Foreign currency translation adjustments:				
Beginning balance	¥ (6,043)	¥ 2,764	¥ (7,510)	\$ (75,859)
Adjustments for the year	8,807	(10,274)	(28,051)	(283,343)
Ending balance	¥ 2,764	(7,510)	¥ (35,561)	\$ (359,202)
Net unrealized holding gains on available-for-sale securities:				
Beginning balance	¥ 11,666	¥ 10,280	¥ 3,885	\$ 39,243
Adjustments for the year	(1,386)	(6,395)	(3,065)	(30,960)
Ending balance	¥ 10,280	3,885	¥ 820	8,283
Minimum pension liability adjustment:				
Beginning balance	¥ (278)	¥	¥	\$
Adjustments for the year	94			
Adjustments to initially apply SFAS No.158	184			
Ending balance	¥	¥	¥	\$
Pension liability adjustment:				
Beginning balance	¥	¥ (347)	¥ (4,032)	\$ (40,727)
Adjustments for the year		(3,685)	(3,688)	(37,253)
Adjustments to initially apply SFAS No.158	(347)			
Ending balance	¥ (347)	¥ (4,032)	¥ (7,720)	\$ (77,980)
Total other accumulated comprehensive income (loss):				
Beginning balance	¥ 5,345	¥ 12,697	¥ (7,657)	\$ (77,343)
Adjustments for the year	7,515	(20,354)	(34,804)	(351,556)
Adjustments to initially apply SFAS No.158	(163)			

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Ending balance	¥ 12,697	¥ (7,657)	¥ (42,461)	\$ (428,899)
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Tax effects allocated to each component of other comprehensive income were as follows:

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

	Pretax amount	Yen (millions) Tax benefit (expense)	Net of tax amount
<u>For the year ended March 31, 2008</u>			
Foreign currency translation adjustment	¥(10,381)	¥ 107	¥ (10,274)
Unrealized holding losses on available-for-sale securities:			
Unrealized holding losses arising during the year	(12,099)	4,878	(7,221)
Less- Reclassification adjustment for losses realized in net income	1,384	(558)	826
Net unrealized losses	(10,715)	4,320	(6,395)
Pension liability adjustment:			
Unrealized losses arising during the year	(6,470)	2,633	(3,837)
Less- Reclassification adjustment for losses realized in net income	236	(84)	152
Net unrealized losses	(6,234)	2,549	(3,685)
Other comprehensive losses	¥(27,330)	¥ 6,976	¥ (20,354)

	Pretax amount	Yen (millions) Tax benefit (expense)	Net of tax amount
<u>For the year ended March 31, 2009</u>			
Foreign currency translation adjustment	¥(28,178)	¥ 127	¥ (28,051)
Unrealized holding losses on available-for-sale securities:			

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Unrealized holding losses arising during the year	(8,679)	3,497	(5,182)
Less- Reclassification adjustment for losses realized in net income	3,548	(1,431)	2,117
Net unrealized losses	(5,131)	2,066	(3,065)
Pension liability adjustment:			
Unrealized losses arising during the year	(6,168)	2,487	(3,681)
Less- Reclassification adjustment for gains realized in net income	(11)	4	(7)
Net unrealized losses	(6,179)	2,491	(3,688)
Other comprehensive losses	¥ (39,488)	¥ 4,684	¥ (34,804)

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	U.S. dollars (thousands)		
	Pretax amount	Tax benefit (expense)	Net of tax amount
<u>For the year ended March 31, 2009</u>			
Foreign currency translation adjustment	\$ (284,626)	\$ 1,283	\$ (283,343)
Unrealized holding losses on available-for-sale securities:			
Unrealized holding losses arising during the year	(87,666)	35,322	(52,344)
Less- Reclassification adjustment for losses realized in net income	35,838	(14,454)	21,384
Net unrealized losses	(51,828)	20,868	(30,960)
Pension liability adjustment:			
Unrealized losses arising during the year	(62,304)	25,122	(37,182)
Less- Reclassification adjustment for gains realized in net income	(111)	40	(71)
Net unrealized losses	(62,415)	25,162	(37,253)
Other comprehensive losses	\$ (398,869)	\$ 47,313	\$ (351,556)

14. EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic earnings per share computations is as follows, there are no diluted effect during the representing fiscal years.

<u>Numerator</u>	2007	Yen (millions) 2008	2009	U.S. dollars (thousands) 2009
Net income available to common share holders Basic	¥ 36,971	¥ 46,043	¥ 33,286	\$ 336,222
<u>Denominator</u>		Number of shares		
Weighted average common shares outstanding Basic	143,706,789	143,749,824	140,518,582	
Earnings per share:		Yen		U.S. dollars
Basic	¥ 257.3	¥ 320.3	¥ 236.9	\$ 2.39

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Table of Contents**15. COMMITMENTS AND CONTINGENT LIABILITIES**

At March 31, 2009, the Company was contingently liable as a guarantor for housing and education loans to employees in the amount of ¥8 million (\$81 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, 2009, was insignificant.

At March 31, 2009, Makita was contingently liable as a guarantor for the borrowings of the union organized by customers in the amount of ¥93 million (\$939 thousand). The fair value of the liabilities for Makita's obligations under the guarantees described above as of March 31, 2009, was insignificant.

Makita's purchase obligations, mainly for raw materials, were ¥9,261 million (\$93,545 thousand) as of March 31, 2009.

At March 31, 2009, Makita was contingently liable in connection with discounts of notes receivable in the amount of ¥481 million (\$4,859 thousand).

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 ¥1,881 million, ¥2,132 million and ¥2,207 million (\$22,293 thousand) under cancelable and noncancelable operating lease agreements for offices, warehouses, automobiles and office equipment during the years ended March 31, 2007, 2008 and 2009, respectively. The minimum rental payments required under noncancelable operating lease agreements as of March 31, 2009, were as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2010	¥ 681	\$ 6,879
2011	503	5,081
2012	319	3,222
2013	242	2,444
2014	175	1,768
2015 and thereafter	283	2,859
	¥ 2,203	\$ 22,253

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, 2007, 2008 and 2009 was summarized as follows:

	2007	Yen (millions) 2008	2009	U.S. dollars (thousands) 2009
Balance at beginning of year	¥ 928	¥ 1,306	¥ 1,964	\$ 19,838
Addition	1,476	2,117	1,648	16,646
Utilization)	(1,357)	(1,593)	(16,091)

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	(
	1,163			
Foreign exchange impact	65	(102)	(342)	(3,454)
Balance at end of year	¥ 1,306	¥ 1,964	¥ 1,677	\$ 16,939

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Table of Contents**16. FAIR VALUE MEASUREMENTS**

In this fiscal year, Makita adopted SFAS No. 157, Fair Value Measurements, for all financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value in an entity's financial statements on recurring basis (at least annually). SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs are listed below.

1. Inputs are quoted prices for similar assets or liabilities in active markets,
2. Inputs are quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable,
3. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity's own assumptions about the assumptions that market participants would use in establishing a price.

The following table presents our assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2009 consistent with the fair value hierarchy provisions of SFAS No. 157.

	Yen (millions)		
As of March 31, 2009	Level 1	Level 2	Level 3
Assets:			
Available-for-sale securities	¥ 38,609	¥	¥
Derivatives		119	
Liabilities:			
Derivatives	¥	¥ (1,288)	¥
	U.S. dollars (thousands)		
As of March 31, 2009	Level 1	Level 2	Level 3
Assets:			
Available-for-sale securities	\$ 389,989	\$	\$
Derivatives		1,202	
Liabilities:			
Derivatives	\$	\$ (13,010)	\$

Level 1:

Available-for-sale securities are comprised principally of investment in trusts and marketable equity securities, which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2:

Derivatives are comprised principally of foreign currency contracts and currency swaps, which are estimated by obtaining quotes and other relevant information from brokers.

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Table of Contents**17. 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 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 derivative instruments as of March 31, 2009 were as follows.

Yen (millions)

	Asset Derivatives Balance Sheet Location	Fair Value	Liability Derivatives Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments	Other current assets		Other liabilities	
Foreign currency contracts		¥ 22		¥ 863
Currency swaps	Other current assets	93	Other liabilities	414
Currency option contracts	Other current assets	4	Other liabilities	11
Total		¥ 119		¥ 1,288

U.S. dollars (thousands)

	Asset Derivatives Balance Sheet Location	Fair Value	Liability Derivatives Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments	Other current		Other liabilities	
Foreign currency contracts		\$ 222		\$ 8,717

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Currency swaps	assets Other current assets	940	Other liabilities	4,182
Currency option contracts	Other current assets	40	Other liabilities	111
Total		\$ 1,202		\$ 13,010

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The amount of gain or (loss) recognized in income on derivative for the year ended March 31,2009 was as follows.

Amount of Gain or (Loss) Recognized in Income on Derivative	Location of Gain or (Loss) Recognized in Income on Derivative	Yen (millions)	U.S. dollars
		Amount of Gain or (Loss) Recognized in Income on Derivative	(thousands) Amount of Gain or (Loss) Recognized in Income on Derivative
Derivatives not designated as hedging instruments		2009	2009
Foreign currency contracts	Exchange gains (losses)	¥ (836)	\$ (8,444)
Currency swaps	Exchange gains (losses)	(706)	(7,131)
Currency option contracts	Exchange gains (losses)	(12)	(122)
Total		¥ (1,554)	\$ (15,697)

Total gross notional amounts for outstanding derivatives (recorded at fair value) were as follows:

	Yen (millions) 2009	U.S. dollars (thousands) 2009
Foreign currency contracts	¥ 19,131	\$ 193,243
Foreign currency swaps	5,535	55,909
Currency option contracts	378	3,818
Total	¥ 25,044	\$ 252,970

The notional amounts for Foreign currency contracts, Foreign currency swaps and Currency option contracts, presented by currency, were as follows:

	Yen (millions) 2009	U.S. dollars (thousands) 2009
US\$	¥ 14,697	\$ 148,455
Euro	9,456	95,515
Other	891	9,000
Total	¥ 25,044	\$ 252,970

(c) *Interest rate risk management*

Makita executes financing and investing activities through the Company. As Makita's subsidiaries are financed by loans within the Group from subsidiaries with surplus funds to subsidiaries that lack funds, interest expense variation is insignificant.

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Table of Contents**18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

The carrying amounts approximate fair value because of the short maturities of those instruments.

(b) *Long-term Time Deposits*

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

(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, and such securities have been excluded from fair value disclosure. The fair value of such securities is estimated if and when there are indications that the investment may be impaired. Non-marketable securities amounted to ¥572 million and ¥402 million (\$4,061 thousand) as of March 31, 2008 and 2009, 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) *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)			
	2008	2009	2008	2009		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Marketable securities	¥49,443	¥ 49,443	¥29,470	¥ 29,468	\$297,677	\$ 297,656
Investment securities	17,462	17,391	10,888	10,837	109,979	109,464
Long-term time deposits	2,207 (1,050)	2,207 (1,050)	2,203 (947)	2,203 (947)	22,253 (9,566)	22,253 (9,566)

Long-term indebtedness including current maturities						
Foreign currency contracts:						
Assets	186	186	22	22	222	222
Liabilities	(191)	(191)	(863)	(863)	(8,717)	(8,717)
Currency swaps:						
Assets	408	408	93	93	940	940
Liabilities	(23)	(23)	(414)	(414)	(4,182)	(4,182)
Currency option contracts:						
Assets	7	7	4	4	40	40
Liabilities	(2)	(2)	(11)	(11)	(111)	(111)
(f) 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.

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Table of Contents**19. OPERATING SEGMENT INFORMATION**

The operating segments presented below are defined as components of the 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, 2007, 2008 and 2009, 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, 2007

	Yen (millions)						Corporate and Eliminations	Consolidated
	Japan	Europe	North America	Asia	Other	Total		
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

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Year ended March 31, 2008

	Yen (millions)						Corporate and Eliminations	Consolidated
	Japan	Europe	North America	Asia	Other	Total		
Sales:								
External customers	¥ 72,466	¥ 160,218	¥ 56,234	¥ 11,271	¥ 42,388	¥ 342,577	¥	¥ 342,577
Intersegment	69,540	5,606	5,212	101,211	172	181,741	(181,741)	
Total	¥ 142,006	¥ 165,824	¥ 61,446	¥ 112,482	¥ 42,560	¥ 524,318	¥ (181,741)	¥ 342,577
Operating expenses	¥ 120,020	¥ 138,850	¥ 59,727	¥ 98,468	¥ 36,964	¥ 454,029	¥ (178,483)	¥ 275,546
Operating income	21,986	26,974	1,719	14,014	5,596	70,289	(3,258)	67,031
Long-lived assets	42,752	10,563	2,656	9,961	3,313	69,245	(187)	69,058
Identifiable assets	264,721	126,428	39,523	52,890	31,556	515,118	(128,651)	386,467
Depreciation and amortization	4,874	1,653	691	1,397	320	8,935	(64)	8,871
Capital expenditures	8,637	2,453	713	2,220	1,113	15,136	(100)	15,036

Year ended March 31, 2009

	Yen (millions)						Corporate and Eliminations	Consolidated
	Japan	Europe	North America	Asia	Other	Total		
Sales:								
External customers	¥ 63,859	¥ 137,230	¥ 42,446	¥ 9,954	¥ 40,545	¥ 294,034	¥	¥ 294,034
Intersegment	56,371	4,154	4,690	86,697	121	152,033	(152,033)	
Total	¥ 120,230	¥ 141,384	¥ 47,136	¥ 96,651	¥ 40,666	¥ 446,067	¥ (152,033)	¥ 294,034
Operating expenses	¥ 112,109	¥ 121,668	¥ 46,291	¥ 84,438	¥ 35,816	¥ 400,322	¥ (156,363)	¥ 243,959
	8,121	19,716	845	12,213	4,850	45,745	4,330	50,075

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Operating income								
Long-lived assets	44,114	11,395	2,231	11,302	3,827	72,869	(173)	72,696
Identifiable assets	235,252	110,897	33,533	48,311	36,134	464,127	(127,483)	336,644
Depreciation and amortization	5,084	1,534	586	1,493	268	8,965	(78)	8,887
Capital expenditures	6,682	5,245	359	3,045	1,856	17,187	(141)	17,046
Year ended March 31, 2009								

U.S. dollars
(thousands)

	Japan	Europe	North America	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	\$ 645,040	\$ 1,386,162	\$ 428,747	\$ 100,545	\$ 409,546	\$ 2,970,040	\$	\$ 2,970,040
Intersegment	569,404	41,960	47,374	875,727	1,222	1,535,687	(1,535,687)	
Total	\$ 1,214,444	\$ 1,428,122	\$ 476,121	\$ 976,272	\$ 410,768	\$ 4,505,727	\$ (1,535,687)	\$ 2,970,040
Operating expenses	\$ 1,132,414	\$ 1,228,970	\$ 467,586	\$ 852,908	\$ 361,778	\$ 4,043,656	\$ (1,579,424)	\$ 2,464,232
Operating income	82,030	199,152	8,535	123,364	48,990	462,071	43,737	505,808
Long-lived assets	445,596	115,101	22,535	114,162	38,657	736,051	(1,748)	734,303
Identifiable assets	2,376,283	1,120,172	338,717	487,990	364,990	4,688,152	(1,287,708)	3,400,444
Depreciation and amortization	51,354	15,495	5,919	15,081	2,707	90,556	(788)	89,768
Capital expenditures	67,495	52,980	3,626	30,758	18,747	173,606	(1,424)	172,182

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

There are no individually material countries which should be separately disclosed in Europe, North America, Asia, and Other, except for the United States of America and Finland on sales.

	Yen (millions)	U.S. dollars (thousands)
The United States of America	¥ 32,105	\$ 324,293
Finland	29,745	300,455

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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, 2007, 2008 and 2009.

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.

	Consolidated Net Sales by Product Categories (Yen millions, except for percentage amounts)						U.S. dollars
	Year ended March 31,						(thousands)
	2007		2008		2009		2009
Power Tools	¥ 210,894	75.3%	¥ 255,869	74.7%	¥ 214,703	73.0%	\$ 2,168,717
Gardening and Household Products	28,123	10.0	40,410	11.8	36,916	12.6	372,889
Parts, Repairs and Accessories	40,916	14.7	46,298	13.5	42,415	14.4	428,434
Total	¥ 279,933	100.0%	¥ 342,577	100.0%	¥ 294,034	100.0%	\$ 2,970,040

20. RELATED PARTY TRANSACTIONS

The transactions between the Company and Maruwa Co., Ltd. (Maruwa), for which a representative director of the Company, Masahiko Goto, 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, 2007, 2008 and 2009.

The Company's purchases of raw materials and production equipment from Toa Co., Ltd., for which a representative director of the Company, Masahiko Goto, and certain of his family members have a majority of the voting rights, were ¥129 million, ¥96 million and ¥109 million (\$1,101 thousand) during the years ended March 31, 2007, 2008 and 2009, respectively. The accounts payable of the Company related to these transactions were ¥6 million, ¥15 million and ¥5 million (\$51 thousand) as of March 31, 2007, 2008 and 2009, respectively.

The outside director, Motohiko Yokoyama is a president of JTEKT Corporation. The Company's purchases of raw materials and production equipment from JTEKT Corporation, were ¥498 million during March 31, 2007, ¥658 million during the year ended March 31, 2008 and ¥614 million (\$6,202 thousand) during the year ended March 31, 2009. The accounts payables of the Company related to these transactions were ¥35 million, ¥65 million and ¥27 million (\$273 thousand) as of March 31, 2007, 2008, and 2009 respectively.

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MAKITA CORPORATION AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE YEARS ENDED MARCH 31, 2007, 2008 AND 2009

Descriptions	Japanese Yen (millions)					Balance at end of year
	Balance at beginning of year	Additions Charged to costs and expenses	Charged to Other Accounts	Deductions from reserves	Translation adjustments	
2007:						
Allowance for doubtful receivables	¥1,016	¥ 175	¥	¥ (386)	¥ 64	¥ 869
Deferred income tax assets valuation allowance	2,973	34		(2,701)	12	318
Volume-based rebates	2,724		7,477	(6,139)	(203)	3,859
Cooperative advertisings	577		3,026	(2,576)	(70)	957
Cash discounts	491		5,315	(5,439)	(19)	348
2008:						
Allowance for doubtful receivables	869	269		(73)	(47)	1,018
Deferred income tax assets valuation allowance	318		251	(237)	(1)	331
Volume-based rebates	3,859		9,897	(9,626)	346	4,476
Cooperative advertisings	957		3,517	(3,585)	64	953
Cash discounts	348		5,881	(5,891)	58	396
2009:						
Allowance for doubtful receivables	1,018	474		(131)	(232)	1,129
Deferred income tax assets valuation allowance	331		41	(32)	(11)	329
Volume-based rebates	4,476		7,866	(10,343)	662	2,661
Cooperative advertisings	953		3,435	(3,981)	185	592
Cash discounts	396		5,444	(5,514)	14	340

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