MAKITA CORP
Form 6-K
October 28, 2004

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

For the month of October, 2004

MAKITA CORPORATION

(Translation of registrant s name into English)
3-11-8, Sumiyoshi-cho, Anjo City, Aichi Prefecture, Japan

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

Form 20-F þ  Form 40-F o

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

Yes o  No þ

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## SIGNATURES

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

MAKITA CORPORATION

(Registrant)

By: /s/ Masahiko Goto

(Signature)
Masahiko Goto
President

Date: October 28, 2004

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Makita Corporation

**Consolidated Financial Results**
**for the six months**
**ended September 30, 2004**
**(U.S. GAAP Financial Information)**

(English translation of KESSAN TANSHIN
originally issued in Japanese language)

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**CONSOLIDATED FINANCIAL RESULTS**
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004**

**October 28, 2004**

**Makita Corporation**
Stock code: 6586
URL: http://www.makita.co.jp/
Masahiko Goto, President
Date of Board Meeting: October 28, 2004
(Consolidated financial information has been prepared in accordance
with accounting principles generally accepted in the United States.)

**1. Results of the six months ended September 30, 2004 (From April 1, 2004 to September 30, 2004)**

(1) CONSOLIDATED FINANCIAL RESULTS

| | Yen (million) | | | | | |
|---|---|---|---|---|---|---|
| | For the six months ended September 30, 2003 | | For the six months ended September 30, 2004 | | For the year ended March 31, 2004 | |
| | | % | | % | | % |
| Net sales | 91,757 | 4.7 | 97,430 | 6.2 | 184,117 | 4.8 |
| Operating income | 9,247 | 47.5 | 19,464 | 110.5 | 14,696 | 17.9 |
| Income before income taxes | 9,894 | 123.7 | 20,238 | 104.5 | 16,170 | 74.0 |
| Net income | 4,981 | 58.8 | 12,953 | 160.0 | 7,691 | 14.4 |
| | Yen | | | | | |
| Net income per share: | | | | | | |
| Basic | 34.25 | | 90.03 | | 53.16 | |
| Diluted | 33.32 | | 86.97 | | 51.92 | |

Notes:
1. Equity in net earnings of affiliated companies (including non-consolidated subsidiaries): Not applicable
2. Average number of shares outstanding:

| | |
|---|---|
| Six months ended September 30, 2004: | 143,874,488 |
| Six months ended September 30, 2003: | 145,451,532 |
| Year ended March 31, 2004: | 144,682,696 |

3. Change in accounting policies: Not applicable
4. The table above shows the change in the percentage ratio of Net sales, Operating income, Income before income taxes, and Net income against the corresponding period of the previous year.

(2) CONSOLIDATED FINANCIAL POSITION

| | Yen (million) | | |
|---|---|---|---|
| | **As of September 30, 2003** | **As of September 30, 2004** | **As of March 31, 2004** |
| Total assets | 277,647 | 291,842 | 278,116 |
| Shareholders equity | 185,134 | 211,721 | 193,348 |
| Shareholders equity ratio to total assets (%) | 66.7% | 72.5% | 69.5% |
| | **Yen** | | |
| Shareholders equity per share | 1,286.27 | 1,471.81 | 1,343.69 |

Note: Number of shares outstanding:

| | |
|---|---|
| As of September 30, 2003: | 143,850,904 |
| As of September 30, 2003: | 143,930,908 |
| As of March 31, 2004: | 143,893,191 |

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(3) CONSOLIDATED CASH FLOWS

| | Yen (million) | | |
|---|---|---|---|
| | For the six months ended September 30, 2003 | For the six months ended September 30, 2004 | For the year ended March 31, 2004 |
| Net cash provided by operating activities | 11,696 | 9,090 | 28,941 |
| Net cash used in investing activities | (4,994) | (6,437) | (17,262) |
| Net cash used in financing activities | (4,938) | (2,211) | (6,596) |
| Cash and cash equivalents, end of period. | 21,496 | 25,528 | 24,576 |

(4) SCOPE OF CONSOLIDATION AND EQUITY METHOD

Consolidated subsidiaries: 42 subsidiaries

Non-consolidated subsidiaries accounted for under the equity method: Not applicable

Affiliated companies accounted for under the equity method: Not applicable

(5) CHANGE IN SCOPE OF CONSOLIDATION AND EQUITY METHOD

Consolidation (Newly included): Not applicable Equity method: Not applicable

**2. Consolidated forecast for the year ending March 31, 2005 (From April 1, 2004 to March 31, 2005)**

| | Yen (million) |
|---|---|
| | For the year ending March 31, 2005 |
| Net sales | 191,000 |
| Income before income taxes | 29,500 |
| Net income | 18,600 |
| | Yen |
| Net income per share | 129.30 |

FORWARD-LOOKING STATEMENTS

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

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THE MAKITA GROUP

The Makita Group is comprised of 44 companies (Makita Corporation, 42 consolidated subsidiaries and 1 non-consolidated subsidiary, accounted for by the cost method.) The Makita Group mainly manufactures and sells electric power tools.

The Makita Group is outlined as follows:

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MANAGEMENT POLICIES

**1. Basic Policies**

Makita has set itself the goal of consolidating a strong position in the global power tool industry as a global supplier of a comprehensive range of power tools that assist people in creating homes and living environments. To do this, the Company is emphasizing such strategic management concepts as giving top priority to Managing to take good care of our customers, Proactive, sound management and symbiosis with society, and Emphasis on a trustworthy and reliable corporate culture as well as management to draw out the capabilities of each employee. The Company aims to generate solid profitability so that it can promote its sustained corporate development and meet the needs of its shareholders, customers, and employees as well as regional societies.

**2. Basic Policy Regarding Profit Distribution**

Makita s basic policy on the distribution of profits is to maintain a dividend payout ratio of 30% or greater, with a lower limit on annual cash dividends of 18 yen per share. 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.

**3. Medium-to-Long-Term Management Strategy**

Makita furthers its basic strategy of concentrating corporate assets in Makita s core business, which is principally power tools for professional use, by working to increase its sales and profitability in this business based on the solid foundation of Makita strong high quality brand and extensive domestic and overseas marketing and service networks.

In the future, the Company intends to further strengthen its subsidiaries and affiliates in each overseas market to maintain and expand its high quality brand and marketing systems and thus increase professional users satisfaction. These strategies are designed to make Makita what it refers to as a Strong Company, a company that can earn and maintain worldwide market leadership in markets for professional-use power tools. Makita is striving diligently to be such a Strong Company and achieve improved performance.

**4. Basic Policies Regarding Corporate Governance and Implementation of Related Measures**

Basic Policies Regarding Corporate Governance

Makita believes that bolstering its supervision of management is a crucial means of enhancing management transparency. It has strengthened the functions of the Board of Directors and the Board of Auditors and is working to enhance its corporate governance system further. In view of the need to ensure that corporate governance systems function effectively, the Company is endeavoring to proactively and promptly disclose information in a manner that promotes proper and transparent operations. The Company is also working to use the Internet to disclose financial information and otherwise undertake a broad range of information disclosure initiatives.

Implementation of Related Measures

(1) Current Management Administration Systems for Management Decision Making, Policy Execution, Supervision, and Other Aspects of Corporate Governance

Makita employs a board-of-auditors system. The Company s Board of Auditors comprises four members, of which two are outside auditors. The two full-time auditors facilitate capabilities for continuous monitoring of the directors performance of their duties. By presenting reports whenever necessary on auditing and corporate matters to the Company s independent auditor, who is responsible for conducting audits, we work to share information with independent auditors. In addition, the Board of Auditors has established policies and procedures related to preliminary approval for auditing and non-auditing operations to strengthen the oversight functions of the Company s auditing firm.

The Board of Directors makes decisions on the Company s basic policies and statutory issues as well as other important management issues.

An Internal Audit Department is established as a means of strengthening a system for performing internal audits whenever necessary.

The Company had formed a Disclosure Committee comprising representatives from each of its principal departments with the objective of substantially increasing the accuracy and reliability of information disclosed through the clarification of procedures and other matters related to disclosure.

The Company issues its Business Ethics Guidelines to provide guidance for actions of management and staff, clarify activities that are ethical, forbid conflicts of interest, ensure compliance with relevant laws and regulations, and provide guidelines for disclosure.

Makita s consolidated financial statements and non-consolidated financial statements are subject to audit by independent auditors. The Company employs AZSA & Co. (a member firm of KPMG International, a Swiss cooperative that provides no professional services to clients) to serve as its independent public accountants. There are no noteworthy interest as defined by provisions of the Certified Public Accountant Law in Japan with respect to the relationships among the Company, AZSA & Co., and engagement partners.

The Company s legal advisor performs a management control function with regard to legal issues by confirming the Company s legal compliance whenever the Company requires legal opinions and judgments.

(2) Overview of the Company s Human and Capital Relationships with Outside Directors and Outside Auditors as well as Transactional Relationships and Other Relationships of Material Interest

Makita does not currently have outside directors. The Company is not involved with personal, financial, technical, or other types of transactions that might create a conflict of interest with the companies for which outside auditors and their close relatives serve as directors. In addition, the outside auditors have neither been employees nor directors of the Company.

(3) Progress in Implementation of Measures Aimed at Strengthening the Company s Corporate Governance during the Past Year

As its shares are listed on NASDAQ, in accordance with U.S. Public Company Accounting Reform and Investor Protection Act (Sarbanes-Oxley Act), the Company is taking the following active initiatives to improve its corporate governance.

As a means of ensuring thorough conformance with rigorous corporate ethics and compliance standards, the Company established an internal reporting system in April 2004. A liaison office (help line) was established and a system for gathering opinions and information from within the Company was adopted.

To provide better disclosure, the Company started reporting consolidated segment and other information on a quarterly basis (using US GAAP) beginning with the first quarter of the fiscal year ending March 31, 2005.

OPERATING RESULTS AND FINANCIAL POSITION

## 1. Results of Operations

### (1) Operations and Results during the Year Under Review

Regarding economic trends overseas during the interim period under review, U.S. economic conditions remained robust on the whole despite the weakening of some economic indicators as a result of a sharp rise in crude oil prices and other factors. In Europe, the U.K. economy continued to be strong, with France and Germany showing signs of economic recoveries, bolstered by active external demand. Asian economies remained strong despite being affected by curtailed investment policies in China.

The Japanese economy encountered higher materials prices and other worrisome factors. Even so, the economy enjoyed a modest recovery, as indicated by solid increases in exports and capital investment as well as improved personal consumption.

Under these conditions, Makita worked to increase its profitability by making further progress in shifting its production to China, as well as by strengthening its sales capabilities in Russia, Eastern Europe and the Middle East in line with its sound and proactive global business strategy.

In the United States, the professional-use market was characterized by further escalation in competition, including mergers among major power tool makers and the aggressive marketing of professional-use power tools by home centers. Amid this situation, the Company focused on strengthening its marketing capabilities while taking steps to enhance its profit structure by making full use of its plants in China, reducing personnel, and implementing other measures.

Also, the Company decided to withdraw from golf course operations, and on September 8, 2004, petitioned the Nagoya District Court for the commencement of civil rehabilitation proceedings for its wholly owned subsidiary Joyama Kaihatsu, Ltd. Currently, a draft plan for rehabilitation is being drawn up to, among other things, choose an assignee for the golf course business, with a meeting of creditors scheduled for spring 2005.

Regarding consolidated results for the interim period under review, net sales totaled 97,430 million yen, up 6.2% from the previous interim period. Sales in Japan declined 1.1%, to 19,028 million yen, as weak sales of existing products more than offset strong sales of impact drivers and new products. Overseas sales rose 8.1% to 78,402 million yen, reflecting mainly strong sales in Europe and Asia. As a result, overseas sales accounted for 80.5% of net sales for the period.

Looking at overseas sales by individual region, sales in Europe were up 13.5%, to 36,415 million yen, while sales in North America fell 10.8%, to 19,697 million yen. Sales in Asia rose 27.4%, to 9,320 million yen, and sales in other regions increased 17.6%, to 12,970 million yen.

Regarding earnings, the cost to sales ratio improved significantly because of expanded production in Japan and at plants in China. The Company also recorded a gain of approximately 4.4 billion yen on the transfer to the government of the substitutional portion of the employees   pension fund managed by the Company. As a result, income before income taxes doubled from the previous interim period, to 20,238 million yen, while net income jumped 160%, to 12,953 million yen.

In connection with the commencement of civil rehabilitation proceedings for the golf course subsidiary, the Company recorded a non-consolidated loss of approximately 6.9 billion yen on the liquidation of an affiliated company. However, as the Company had already carried out impairment loss accounting for the assets in the previous year, consolidated earnings for the period under review were unaffected.

**(2) Outlook for the Year Ending March 31, 2005**

Despite expectations for a global trend of modest economic recovery, sharply higher crude oil prices and other factors make the corporate operating environment uncertain.

In light of this outlook, Makita will continue working to improve its performance by expanding its share of the professional-use tool market, and it will seek to accomplish this by bolstering its marketing and service networks and developing high-value-added products. The outlook for the year ending March 31, 2005 is as follows:

Competition is expected to intensify in the U.S. and other world markets for power tools.

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Competitive strength is anticipated to continue to be at a high level in the West European market, while the East European and Russian markets will expand market.

Based on these and other factors, Makita has prepared the following performance forecast.
Forecast for the Year Ending March 31, 2005

| | Yen (million) |
|---|---|
| | For the year ending March 31, 2005 |
| Consolidated Basis: | |
| Net sales | 191,000 |
| Operating income | 29,200 |
| Income before income taxes | 29,500 |
| Net income | 18,600 |
| Non-consolidated Basis: | |
| Net sales | 92,000 |
| Operating income | 10,300 |
| Ordinary profit | 15,000 |
| Net income | 6,900 |

Assumptions

1. The above forecast is based on the assumption of exchange rates of 105 yen to US$1 and 130 yen to 1 Euro for the second half of the year.

2. The above forecast is based on the assumption of exchange rates of 107 yen to US$1 and 131 yen to 1 Euro for the year ending March 31, 2005.

Our forecasts for dividends are as follows:

| | For the year ended March 31, 2004 (Results) | For the year ending March 31, 2005 (Forecast) |
|---|---|---|
| Cash dividend per share for the interim period | 9 yen | 11 yen (Note 1) (With a special dividend of 2 yen) |
| Cash dividend per share for the second half | 13 yen (With a special | (Note 2) |

| | | |
|---|---|---|
| | dividend of 4 yen) | |
| Total cash dividend per share for the year | 22 yen<br>(With a special<br>dividend of 4 yen) | (Note 2) |

Notes

1. Commencement of payment of interim dividend: November 25, 2004

2. The Board of Directors plans to meet in April 2005 for a report on earnings for the year ending March 31, 2005. At such time, in accordance with the Basic Policy Regarding Profit Distribution on page 4, the Board of Directors plans to propose a dividend equivalent to at least 30% of net income, with a lower limit for the annual dividend set at 18 yen per share (consisting of an interim dividend of 9 yen per share and a term-end dividend of 9 yen per share). The Board of Directors will submit this proposal to the General Meeting of Shareholders.

FORWARD-LOOKING STATEMENTS

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

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## 2. Cash Flows and Financial Ratios

Total cash and cash equivalents (cash) at the end of the interim period under review totaled 25,528 million yen, up 952 million yen from the end of the same period of the previous year.

(Net Cash Provided by Operating Activities)

Although inventories increased, interim net income amounted to 12,953 million yen (including a no cash gain on the transfer to the government of the substitutional portion of the employee s pension fund formerly managed by the Company). As a result of these and other factors, cash flows from operating activities amounted to 9,090 million yen, representing a decline of 2,606 million yen from the same period of the previous year.

(Net Cash Used in Investing Activities)

Net cash used in investing activities amounted to 6,437 million yen, up 1,443 million yen from the level of the same period of the previous year. This reflected mainly investment in property, plant and equipment, principally metal molds to be used for new products.

(Net Cash Used in Financing Activities)

Net cash used in financing activities declined 2,727 million yen from the same period of the previous fiscal year, to 2,211 million yen, reflecting the payment of cash dividends and other factors.

Financial Ratios

| | **As of (year ended) March 31,** | | | | **As of September 30,** |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2004** |
| Equity ratio | 65.5% | 66.6% | 65.5% | 69.5% | 72.5% |
| Equity ratio based on a current market price | 40.1% | 45.1% | 43.5% | 69.3% | 76.7% |
| Debt redemption (years) | 6.3 | 1.4 | 0.8 | 0.7 | 1.2 |
| Interest coverage ratio (times) | 4.3 | 20.8 | 40.4 | 47.8 | 30.1 |
| Operating income to net sales ratio | 4.5% | 3.5% | 7.1% | 8.0% | 20.0% |

Definitions

Equity ratio: shareholders equity/total assets

Equity ratio based on a current market price: total current market value of outstanding shares/total assets

Debt redemption: interest-bearing debt/net cash inflow from operating activities

Interest coverage ratio: net cash inflow from operating activities/interest expense

Operating income to net sales ratio: operating income/net sales

Notes

1. All figures are calculated based on a consolidated basis.

2. The total current market value of outstanding shares is calculated by multiplying the closing market price at the period end by the number of outstanding shares (after deducting the number of treasury stock.)

3. Interest-bearing debt includes all consolidated balance-sheet debt on which interest payments are made.

4. The debt redemption period for the interim period is calculated based on an estimate of operating cash flows computed by multiplying operating cash flow for the interim period by two.

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CONDENSED CONSOLIDATED BALANCE SHEETS

| | Yen (millions) | | |
|---|---|---|---|
| | As of March 31, 2004 | As of September 30, 2004 | Increase (Decrease) |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 24,576 | 25,528 | 952 |
| Time deposits | 4,050 | 6,068 | 2,018 |
| Marketable securities | 63,990 | 66,271 | 2,281 |
| Trade receivables- | | | |
| Notes | 2,254 | 2,542 | 288 |
| Accounts | 34,787 | 35,943 | 1,156 |
| Less- Allowance for doubtful receivables | (1,346) | (1,445) | (99) |
| Inventories | 54,326 | 62,343 | 8,017 |
| Deferred income taxes | 3,691 | 3,492 | (199) |
| Prepaid expenses and other current assets | 8,117 | 7,010 | (1,107) |
| Total current assets | 194,445 | 207,752 | 13,307 |
| PROPERTY, PLANT AND EQUIPMENT, at cost: | | | |
| Land | 18,326 | 18,458 | 132 |
| Buildings and improvements | 50,648 | 51,722 | 1,074 |
| Machinery and equipment | 73,000 | 73,973 | 973 |
| Construction in progress | 222 | 398 | 176 |
| | 142,196 | 144,551 | 2,355 |
| Less- Accumulated depreciation | (89,231) | (91,338) | (2,107) |
| | 52,965 | 53,213 | 248 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities | 22,139 | 21,230 | (909) |
| Deferred income taxes | 880 | 455 | (425) |
| Other assets | 7,687 | 9,192 | 1,505 |

| | | | |
|---|---|---|---|
| | 30,706 | 30,877 | 171 |
| | 278,116 | 291,842 | 13,726 |

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CONDENSED CONSOLIDATED BALANCE SHEETS

| | Yen (millions) | | |
|---|---|---|---|
| | **As of March 31, 2004** | **As of September 30, 2004** | **Increase (Decrease)** |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Short-term borrowings | 14,128 | 14,251 | 123 |
| Trade notes and accounts payable | 8,525 | 9,766 | 1,241 |
| Accrued payroll | 7,168 | 7,201 | 33 |
| Accrued expenses and other | 10,656 | 11,571 | 915 |
| Income taxes payable | 6,093 | 5,529 | (564) |
| Deferred income taxes | 53 | 237 | 184 |
| Total current liabilities | 46,623 | 48,555 | 1,932 |
| LONG-TERM LIABILITIES: | | | |
| Long-term indebtedness | 7,364 | 7,222 | (142) |
| Club members deposits | 13,045 | 12,701 | (344) |
| Accrued retirement and termination benefits | 15,536 | 5,600 | (9,936) |
| Deferred income taxes | 235 | 3,880 | 3,645 |
| Other liabilities | 711 | 827 | 116 |
| | 36,891 | 30,230 | (6,661) |
| MINORITY INTERESTS | 1,254 | 1,336 | 82 |
| SHAREHOLDERS EQUITY: | | | |
| Common stock | 23,803 | 23,803 | |
| Additional paid-in capital | 45,421 | 45,423 | 2 |
| Legal reserve and retained earnings | 144,488 | 155,570 | 11,082 |
| Accumulated other comprehensive loss | (17,048) | (9,692) | 7,356 |
| Treasury stock, at cost | (3,316) | (3,383) | (67) |
| | 193,348 | 211,721 | 18,373 |

| | | |
|---|---|---|
| 278,116 | 291,842 | 13,726 |