

MAKITA CORP  
Form 6-K  
October 28, 2005

**Table of Contents**

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, 2005  
MAKITA CORPORATION

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

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

Yes  No

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**TABLE OF CONTENTS**

CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005  
THE MAKITA GROUP  
MANAGEMENT POLICIES  
OPERATING RESULTS AND FINANCIAL POSITION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW  
SIGNIFICANT ACCOUNTING POLICIES  
OPERATING SEGMENT INFORMATION  
MARKETABLE SECURITIES AND INVESTMENT SECURITIES  
DERIVATIVES TRANSACTIONS  
NET SALES BY PRODUCT CATEGORIES  
OVERSEAS SALES BY PRODUCT CATEGORIES  
EARNINGS PER SHARE  
SUPPORT DOCUMENTATION (CONSOLIDATION)

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**Table of Contents**

**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, 2005

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**Table of Contents**

Makita Corporation  
Consolidated Financial Results  
for the six months  
ended September 30, 2005  
(U.S. GAAP Financial Information)  
(English translation of KESSAN TANSHIN  
originally issued in Japanese language)

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**Table of Contents**

**CONSOLIDATED FINANCIAL RESULTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005**

October 28, 2005

**Makita Corporation**

Stock code: 6586

URL: <http://www.makita.co.jp/>

Masahiko Goto, President

Date of Board Meeting: October 28, 2005

(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, 2005 (From April 1, 2005 to September 30, 2005)****(1) CONSOLIDATED FINANCIAL RESULTS**

|                            | <b>For the six months ended September 30, 2004</b> |       | <b>Yen (million)<br/>For the six months ended September 30, 2005</b> |      | <b>For the year ended March 31, 2005</b> |       |
|----------------------------|--|-------|--|------|--|-------|
|                            |  | %     |  | %    |  | %     |
| Net sales                  | 97,430   | 6.2   | 106,649  | 9.5  | 194,737                                  | 5.8   |
| Operating income           | 19,464   | 110.5 | 25,897   | 33.1 | 31,398                                   | 113.6 |
| Income before income taxes | 20,238   | 104.5 | 26,504   | 31.0 | 32,618                                   | 101.7 |
| Net income                 | 12,953   | 160.0 | 25,807   | 99.2 | 22,136                                   | 187.8 |
| <b>Yen</b>                 |  |       |  |      |  |       |
| Net income per share:      |  |       |  |      |  |       |
| Basic                      | 90.03  |       | 179.52   |      | 153.89                                   |       |
| Diluted                    | 86.97  |       |  |      | 148.76                                   |       |

- 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, 2005: | 143,757,513 |
| Six months ended September 30, 2004: | 143,874,488 |
| Year ended March 31, 2005:           | 143,844,383 |

3. Change in accounting policies: None  
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**

|              | <b>Yen (million)</b>            |                                 |                             |
|--------------|---------------------------------|---------------------------------|-----------------------------|
|              | <b>As of September 30, 2004</b> | <b>As of September 30, 2005</b> | <b>As of March 31, 2005</b> |
| Total assets | 291,842                         | 298,978                         | 289,904                     |

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|   |          |            |          |
|---|----------|------------|----------|
| Shareholders equity                           | 211,721  | 245,579    | 219,640  |
| Shareholders equity ratio to total assets (%) | 72.5%    | 82.1%      | 75.8%    |
|   |          | <b>Yen</b> |          |
| Shareholders equity per share                 | 1,471.81 | 1,708.67   | 1,527.64 |

Note: Number of shares outstanding:

|                       |             |
|-----------------------|-------------|
| As of September 30,   | 143,725,251 |
| 2005:                 |             |
| As of September 30,   | 143,850,904 |
| 2004:                 |             |
| As of March 31, 2005: | 143,777,607 |

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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1

**Table of Contents****(3) CONSOLIDATED CASH FLOWS**

|   |  | <b>Yen (million)</b>                                       |  |
|---|--|--|--|
|   | <b>For the<br/>six<br/>months<br/>ended<br/>September<br/>30,<br/>2004</b> | <b>For the six months<br/>ended<br/>September 30, 2005</b> | <b>For the year<br/>ended<br/>March 31, 2005</b> |
| Net cash provided by operating activities           | 9,090  | 9,349  | 16,842   |
| Net cash provided by (used) in investing activities | (6,437)  | 6,176  | 154  |
| Net cash used in financing activities               | (2,211)  | (14,540)   | (16,177)   |
| Cash and cash equivalents, end of period            | 25,528   | 26,293   | 25,384   |

**(4) SCOPE OF CONSOLIDATION AND EQUITY METHOD**

Consolidated subsidiaries: 45 subsidiaries

Non-consolidated subsidiaries accounted for under the equity method: None

Affiliated companies accounted for under the equity method: None

**(5) CHANGE IN SCOPE OF CONSOLIDATION AND EQUITY METHOD**

Consolidation (Newly included): 2      Consolidation (Excluded): 1      Equity method: None

**2. Consolidated forecast for the year ending March 31, 2006 (From April 1, 2005 to March 31, 2006)**

|                            | <b>Yen (million)<br/>For the year<br/>ending<br/>March 31, 2006</b> |
|----------------------------|---|
| Net sales                  | 214,000   |
| Income before income taxes | 42,000  |
| Net income                 | 36,500  |
|                            | <b>Yen</b>  |
| Net income per share       | 253.96  |

**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.



**Table of Contents**

**THE MAKITA GROUP**

The Makita Group is comprised of 46 companies (Makita Corporation and 45 consolidated subsidiaries.) The Makita Group mainly manufactures and sells electric power tools.

The Makita Group is outlined as follows:

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|---|---|
| <i>English Translation of KESSAN TANSHIN originally issued in Japanese language</i> | 3 |
|---|---|

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**Table of Contents**

**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 Management 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. 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.

**3. Policy Regarding Reducing the Basic Trading Unit of Shares**

To expand the number of individual investors holding Makita shares and increase share liquidity, Makita has reduced the size of its stock trading unit from 1,000 to 100, effective October 3, 2005, based on a decision made by the Board of Directors on July 26, 2005.

**4. Target Management Indicators**

The Makita Group believes that attaining sustained growth and maintaining high profitability are the ways to increase corporate value. The Group's specific numerical target is to maintain a stable ratio of operating income to net sales on a consolidated basis of 10% or more.

**5. Medium-to-Long-Term Management Strategy and Issues to Be Addressed**

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's strong high quality brand and extensive domestic and overseas marketing and service networks.

In the future, the Company intends to further strengthen its subsidiaries in all overseas markets and will work to expand production overseas, in China and other countries, to substantially enhance its cost competitiveness. Also, by increasing its capabilities for developing new products that satisfy professional users and maintaining its brand image, Makita is striving to be what it refers to as a Strong Company, or, in other words, a company that can earn and maintain worldwide market leadership in markets for professional-use power tools. In this way, Makita is

striving to be such a Strong Company and achieve improved performance.

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4

**Table of Contents**

**6. 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

1. Makeup of Governance Units in the Company

Makita employs a board-of-auditors system. The Company's Board of Auditors comprises four members, of which two are outside auditors and not from the Company. The two full-time auditors facilitate capabilities for continuous monitoring of the directors' performance of their duties.

The Board of Directors makes decisions on the Company's basic policies and statutory issues as well as other important management issues. The Company has 13 directors. One of these was elected by the General Meeting of Shareholders held on June 29, 2005, and is an outside, part-time director who is not from the Company.

Makita's consolidated financial statements and non-consolidated financial statements are subject to audit by independent auditors. The Company engages KPMG AZSA & Co. (a member firm of KPMG International, a Swiss cooperative that provides no professional services to clients) to act 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, KPMG 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. Progress toward Improvements in Internal Control Systems

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

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.

1. The Company has 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.
2. To strengthen the auditing functions of the auditing firm, the Board of Auditors has established its Policy and Procedures Regarding Prior Approval of Matters to Be Audited and Those Excluded from Auditing. The prior approval of the Company's Board of Auditors is required when contracting for the

services of the auditing firm according to legally specified contracts.  
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.

The Company took initiatives to promote the awareness of legal compliance by holding a study meeting for newly elected directors in which the Company's legal counsel acted as instructor.

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5

**Table of Contents**

As measures to ensure strict adherence to corporate ethical and compliance standards, the Company has prepared rules related to internal notifications and set up a consultation facility (the Help Line ) with the aim of creating systems in which opinions and information from within the Company will be communicated to the proper persons. In addition, the Company has also provided a facility for receiving and responding to inquiries regarding accounting, internal controls, and auditing matters via its Web site.

3. Current State of Internal Auditing and Auditing by the Statutory Auditors

The Internal Auditing Office, which is responsible for internal audits, has six staff members.

The Board of Auditors comprises two corporate auditors and two external auditors, acting according to the policies established by the Board of Auditors and with their own areas of responsibility, attend meetings of the Board of Directors and other important meetings. In addition, these auditors listen to reports from directors and others regarding business matters, examine documents related to important decisions, inspect the business activities and condition of assets belong to the Company's Head Office and principal places of business, request reports from subsidiaries, and visit major subsidiaries as necessary and inspect their business activities and assets. In addition, the auditors share information within the Company by receiving periodic reports from the accounting auditor, reports on the condition of the Company, and other related documents.

4. Current State of the External Accounting Audit

1. The names of certified public accountants conducting the audits and the name of the firms they belong to: Tetsuzo Hamashima (Azsa & Co.), Hideo Okano (Azsa & Co.)

2. Persons assisting in the conduct of the audits: Certified public accountants: 2; Certified public accountants with U.S. CPA qualifications: 2; Junior accountants: 3; Other personnel: 1

5. Progress toward Improvements in Risk Management Systems

Policies related to ethics, ethical guidelines, and rules related to internal reporting have been prepared and activities are under way to promote and secure compliance and adherence to ethical codes.

Cash management guidelines and guidelines for management of risks, including foreign exchange risk, have been prepared, and the Company is managing its funds safely and avoiding foreign exchange and other risks.

In the event that a major problem occurs related to the Company's products or handling of products, a system has been established under which the Important Claims Investigation Committee investigates the reasons, considers policies, discusses ways of informing and reporting to related parties, and achieves a rapid solution of the problem.

To prevent disasters, the Company has also established regulations for dealing with fires and other disasters and related disaster management systems. In addition, the Company has formed in-house fire brigades, maintains and supervises disaster-prevention equipment, and conducts drills in preparation for disasters.

(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

At the General Meeting of Shareholders held on June 29, 2005, Motohiko Yokoyama was elected to the post of external director. Mr. Yokoyama is President and Representative Director of Toyoda Machine Works Ltd., with which Makita has transaction relationships, including the purchase and sale of equipment. The Company has no personal, capital, or other relationships with Mr. Yokoyama that represent a conflict of interest.

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.

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**Table of Contents**

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

Beginning in July 2005, the Company created a section on its Web site for handling inquiries regarding accounting, internal controls, and auditing matters.

**7. Parent Company and Other Matters**

Not applicable

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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7



**Table of Contents**

**OPERATING RESULTS AND FINANCIAL POSITION**

**1. Results of Operations**

**(1) Operations and Results during the Period Under Review**

Regarding economic trends overseas during the interim term under review, the U.S. economy showed gradual expansion as personal consumption and private capital investment remained firm. In the European area, economic growth in Russia continued to be stable, but in Western Europe, there were growing signs of economic stagnation owing to weakness in domestic demand in Germany and France. In Asia, although growth rates declined in some areas, overall rates of expansion remained high, especially in China.

The Japanese economy experienced gradual recovery as private consumption began to pick up and private capital investment increased along with the recovery in corporate profitability.

Under these conditions, the Makita Group worked to develop high-value-added products that accurately meet user needs. New products introduced included rechargeable power tools incorporating light, long-lived lithium ion batteries and hammer drills as well as other tools featuring Makita's original low-vibration designs.

In addition, the Company received permission from the Nagoya District Court on April 11, 2005, to withdraw from its golf course operations, which had been under civil rehabilitation proceedings since September 2004. Accordingly, based on rehabilitation plans confirmed on May 7, 2005, rehabilitation obligations were settled and management rights to the golf course were transferred to Tokyo Tatemono Co., Ltd., as of May 31, 2005.

Regarding consolidated results for the interim period under review, net sales rose 9.5% over the same period of the previous fiscal year, to 106,649 million yen, the first time for sales to exceed 100,000 million yen for an interim period. Sales in Japan rose 5.3%, to 20,029 million yen, as a result of the robust performance of newly introduced rechargeable power tools. Overseas sales expanded 10.5%, to 86,620 million yen, led by expansion in sales in European markets. As a result, overseas sales accounted for 81.2% of net sales for the period.

Examining overseas sales by individual region, sales in Europe were up 14.8%, to 41,802 million yen, while sales in North America expanded 4.8%, to 20,648 million yen. Sales in Asia declined 9.1%, to 8,472 million yen, and sales in other regions increased 21.0%, to 15,698 million yen.

Regarding earnings, the cost to sales ratio improved owing to the impact of a stronger euro. As a special factor, the resolution of the golf course rehabilitation issue was followed by a gain from the sale of this business amounting to 8.5 billion yen. Accordingly, operating income climbed 33.1%, to 25,897 million yen, and income before income taxes increased 31.0%, to 26,504 million yen. Regarding income taxes, the Company recorded an impairment loss on its golf course assets during the fiscal year ended March 31, 2004, and did not recognize any related deferred tax assets. However, accompanying the completion of civil rehabilitation proceedings, the Company recorded the deferred tax assets for the interim period under review. As a consequence, net income for the interim period was nearly double the amount for the interim term of the previous fiscal year and amounted to 25,807 million yen.

**Table of Contents****(2) Outlook for the Year Ending March 31, 2006**

Regarding the outlook for performance, there are still uncertainties in the operating environment, including the sharp rise in the price of crude oil and concerns about the future course of the U.S. economy.

In view of this outlook, Makita will work to improve its performance through increasing its share in the market for professional power tools, continuing to enhance its global sales and service capabilities, and developing high-value-added products.

As a comprehensive manufacturer of tools for professional use, Makita signed an agreement on September 30, 2005, to acquire the automatic nailer business of Kanematsu-NNK Corp. for a total of 1.6 billion yen as of January 1, 2006, to strengthen its position in the air-pressure power tool business. In acquiring this business, Makita will have no obligations for liabilities related to the issue of Kanematsu-NNK's falsification of certificates.

In forecasting performance for the fiscal year ending March 31, 2006, we have assumed the following:  
Competition will intensify in the market for professional power tools, including markets in Japan and North America.

Performance in the European market will be stable as the Company sustains its competitiveness.

Chinese power tool manufacturers will work to expand their positions in Asian markets.

Demand for high-value-added products in the industrialized nations will continue.

Based on these and other factors, Makita has prepared the following performance forecast.  
Forecast for the Year Ending March 31, 2006

|                            | <b>Yen (million)<br/>For the year<br/>ending<br/>March 31, 2006</b> |
|----------------------------|---|
| Consolidated Basis:        |   |
| Net sales                  | 214,000   |
| Operating income           | 39,000  |
| Income before income taxes | 42,000  |
| Net income                 | 36,500  |
| Non-consolidated Basis:    |   |
| Net sales                  | 101,500   |
| Operating income           | 12,800  |
| Ordinary profit            | 19,000  |
| Net income                 | 16,100  |

## Assumptions

1. The above forecast is based on the assumption of exchange rates of 108 yen to US\$1 and 135 yen to 1 Euro for the second half of the year.

The above forecast is based on the assumption of exchange rates of 109 yen to US\$1 and 135 yen to 1 Euro for the year ending March 31, 2006.

2. The forecast for consolidated financial results takes account of the special factors described below, which will have an estimated impact on net income of approximately 13.4 billion yen.
  - (1) Gains from the sale of the golf course business following the civil rehabilitation proceedings and disacquisition of the business amount to about 8.5 billion yen in income before income taxes and 11.9 billion yen in net income.
  - (2) As of October 1, 2005, UFJ Holdings Co., Ltd., and Mitsubishi Tokyo Financial Group Co., Ltd., will merge. The shares of UFJ Holdings that the Company now owns will be exchanged for shares of the newly merging corporation, Mitsubishi UFJ Financial Group Co., Ltd. As a result of this share exchange, unrealized gain will be recognized through income statement and such gain will amount to approximately 2.5 billion yen in income before income taxes and 1.5 billion yen in net income.
3. As of January 1, 2006, Makita will acquire the automatic nailer business of Kanematsu-NNK. This will result in an increase in net sales on a consolidated and non-consolidated basis of approximately 1 billion yen, a figure that is included the forecasts above. Please note that the impact on overall profitability will not be material.

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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**Table of Contents**

Our forecasts for dividends are as follows:

|  | <b>For the year ended<br/>March 31, 2005<br/>(Results)</b>                              | <b>For the year ending<br/>March 31, 2006<br/>(Forecast)</b> |
|--|---|--|
| Cash dividend per share for the interim period | 11 yen<br>(With a special dividend of 2 yen)<br>36 yen                                  | 19 yen (Note 1)<br>(With a special dividend of 10 yen)       |
| Cash dividend per share for the second half    | (With a special dividend of 23 yen<br>and 90 year memorial dividend of 4 yen)           | (Note 2)   |
| Total cash dividend per share for the year     | 47 yen<br>(With a special dividend of 25 yen<br>and 90 year memorial dividend of 4 yen) | (Note 2)   |

## Notes

1. At the meeting of the Board of Directors held today, the decision was made to pay interim dividends of 19 yen per share (payable on November 25, 2005).
2. The annual dividend, as indicated on page 3, will be set according to the Company's policy for distribution of earnings, which is to maintain a consolidated dividend payout ratio\* of 30% or more. However, as indicated in item 2. in the preceding section on the forecast for performance, there are special factors that will account for about 13.4 billion yen of the figure forecast for consolidated net income. Accordingly, this amount will be deducted from the net income figure used in computing dividends. In addition, the dividend for the second half of the fiscal year will be calculated by deducting the interim dividend from the annual dividend, and the final decision for the dividend will be made at the General Meeting of Shareholders to be held in June 2006.

\* The consolidated dividend payout ratio is calculated as annual dividends per share divided by consolidated net income per share (after adjustments for special factors).

**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.

**Table of Contents****2. Cash Flows and Financial Ratios**

Total cash and cash equivalents (cash) at the end of the interim period under review totaled 26,293 million yen, up 909 million yen from the end of the same period of the previous year.

(Net Cash Provided by Operating Activities)

Although inventories increased, strong performance, especially in Europe, resulted in net cash from operating activities amounting to 9,349 million yen.

(Net Cash Provided by Investing Activities)

Net cash from investing activities amounted to 6,176 million yen. Although the Company made capital expenditures, principally for metal molds for new products and the construction of new facility at the Okazaki plant, this cash outflow was more than offset by proceeds from the sale of securities.

(Net Cash Used in Financing Activities)

Net cash used in financing activities amounted to 14,540 million yen, as the Company repaid a portion of the deposits of members of the golf course subsidiary undergoing civil rehabilitation and made dividend payments.

**Financial Ratios**

|  | As of (year ended) March 31, |       |       |       | As of                 |        |
|--|------------------------------|-------|-------|-------|-----------------------|--------|
|  | 2002                         | 2003  | 2004  | 2005  | September 30,<br>2005 |        |
| Operating income to net sales ratio          | 3.5%                         | 7.1%  | 8.0%  | 16.1% |                       | 24.3%  |
| Equity ratio                                 | 66.6%                        | 65.5% | 69.5% | 75.8% |                       | 82.1%  |
| Equity ratio based on a current market price | 45.1%                        | 43.5% | 69.3% | 97.1% |                       | 110.6% |
| Debt redemption (years)                      | 1.4                          | 0.8   | 0.7   | 0.5   |                       | 0.2    |
| Interest coverage ratio (times)              | 20.8                         | 40.4  | 47.8  | 28.4  |                       | 37.7   |

**Definitions**

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

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

**Notes**

- All figures are calculated based on a consolidated basis.
- 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.)
- Interest-bearing debt includes all consolidated balance-sheet debt on which interest payments are made.
- 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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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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## **Table of Contents**

### **3. Risk factors**

Among the various risk factors that may have an effect on the management performance and financial position of the Makita Group, those that are believed likely to have a material impact on investor judgment are described below.

Note that items referring to the future reflect the Makita Group's forecasts and assumptions as of September 30, 2005.

(1) Makita's sales are affected by the levels of construction activities and capital investments in its markets.

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

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

Makita's principal management functions, including its headquarters, Information system center, and the companies on which it relies on for supplying major parts are located in Aichi Prefecture (Aichi), Japan. Makita's manufacturing facilities in Aichi and Kunshan, Jiangsu Province, China, collectively account for approximately 76% of Makita's total production volume on a consolidated basis in the interim period under review. Due to this geographic concentration of Makita's major functions, including plants and other operations in Japan and China, Makita's performance may be significantly affected by major natural disasters and other catastrophic events, including earthquakes, floods, fires, power outages, and suspension of water supplies. In addition, Makita's facilities in China may also be affected by changes in political and legal environments, changes in economic conditions, revisions in tariff rates, currency appreciation, labor disputes, power outages resulting from inadequacies in infrastructure, and other factors. In the event that such developments cannot be foreseen or measures taken to alleviate their damaging impact are inadequate, Makita's consolidated financial condition and results of operations may be adversely affected.

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

Makita derives a majority of its sales in markets located outside of Japan, including North America, Europe, Asia, Oceania, the Middle East, and emerging markets such as Russia and Eastern Europe. In the interim period under review, approximately 81.2% of Makita's consolidated net sales were derived from products sold overseas. The high percentage of overseas sales gives rise to a number of risks. If such risks occur, they may have a material adverse impact on Makita's consolidated financial condition and results of operations. Such risks include the following:

1. Unexpected changes in laws and regulations;
2. Disadvantageous political and economic factors;
3. The outflow of technical know-how and knowledge due to personnel turnover enabling Makita's competitors to strengthen their position;
4. Potentially unfavorable tax systems; and

5. Terrorism, war, and other factors that lead to social turbulence.

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---



**Table of Contents**

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

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

Makita is currently working to achieve compliance with two EU directives announced on February 13, 2003. One of them, entitled Waste Electrical and Electronic Equipment ( WEEE ) requires recycling and reproduction of materials of almost all electrical products. The other is Restriction of the Use of Certain Hazardous Substances ( RoHS ), which forbids the sale in EU member countries of products containing six toxic substances, namely lead, mercury, cadmium, hexavalent chrome, polybrominated biphenyls, and polysbriominated diphenyl ethers, beginning on July 1, 2006. In order to comply with these directives, especially with RoHS, the cooperation of parts suppliers is essential. Accordingly, Makita has taken a number of steps to comply with this directive, including making requests to suppliers for eliminating such toxic substances in their products and providing guidance to assist them. Makita has also strengthened its systems for inspecting parts as they are delivered. As a result of these measures, at the present time, Makita has now responded almost fully to the requirements of the directives. However, if Makita's suppliers have not fully shifted to alternative materials and Makita is not able to detect the present of the forbidden substances, then, if these substances are confirmed within the EU, Makita may face a number of risks, including the need to replace the defective parts, conduct recalls, and sustain damage to its brand image. In such cases, Makita's consolidated financial condition and results of operations may be adversely affected.

- (5) Currency exchange rate fluctuations may adversely affect Makita's financial results.

The functional currency for all of Makita's significant foreign operations is the local currency. The results of transactions denominated in local currencies of Makita's subsidiaries around the world are translated into yen using the average market conversion rate during each financial period. Assets and liabilities denominated in local currencies are converted into yen at the rate prevailing at the end of each financial period. As a result, Makita's operating results, assets, liabilities and shareholders' equity are affected by fluctuation in values of the Japanese yen against these local currencies.

Sales denominated in foreign currencies account for approximately 70% of Makita's consolidated net sales in the interim period under review, and, accordingly, Makita's operating income is significantly affected by foreign exchange fluctuations.

In an effort to minimize the impact of short-term exchange rate fluctuations between major currencies, mainly the U.S. dollar, the euro, and the yen, Makita engages in hedging transactions. Makita is also increasing the percentage of products that it manufactures in China, which has resulted in an increase in foreign-currency denominated production costs. While Makita believes that such measures may help reduce the impact of some exchange rate fluctuations, it cannot assure you that it will be able to successfully hedge its exchange rate risks. In addition, medium-to-long-term fluctuations of exchange rates may make it difficult for Makita to execute procurement, production, logistics, and sales activities as planned and may have an adverse impact on Makita's consolidated financial condition and results of operations.

- (6) Fluctuations in stock market prices may adversely affect Makita's financial statements.

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

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

---

**Table of Contents**

- (7) If Makita cannot respond to changes in construction method and trends in demand, Makita's sales may be materially and adversely affected.

In recent years, market trends in demand for various power tools have been changing significantly due to the adoption of new construction methods, especially in Japan. For example, as prefabricated housing construction becomes more common, the use of power tools at construction sites has been decreasing substantially, while demand for fastening tools has increased. If Makita does not or is unable to respond to these rapid shifts in demand for various power tools, Makita's sales may decline and this may have an adverse effect on Makita's consolidated financial condition and results of operations.

- (8) The rapidly growing presence of China-based power tool manufacturers may harm Makita's sales results.

In recent years, power tool companies in China have expanded their presence in the world market. In particular, in certain markets in Asia where purchasing power is relatively low, competition with power tools made in China has intensified, with respect to lower end products. As the technology of Chinese power tool manufacturers improves, competition in the markets for high-end products for professional use may also intensify. As a result, Makita's market share consolidated financial condition and results of operations may be adversely affected.

- (9) If Makita is not able to develop attractive products, Makita's sales activities may be adversely affected.

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

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

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

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

Makita's production activities are greatly dependent on the on-schedule delivery of materials and parts from its suppliers. Makita purchases some of its component parts from sole suppliers. There is no assurance that Makita will be able to find alternate suppliers that can provide materials and parts of similar quality and price in a sufficient quantity and in a timely manner. In the event that any of these suppliers cannot deliver the required quality and quantity of parts on schedule, this will have an adverse effect on Makita's production schedules and cause a delay in Makita's own product deliveries. This may cause Makita to lose some customers or require Makita to purchase replacement materials or parts from alternate sources at a higher price. Any of these occurrences may have a detrimental effect on Makita's consolidated financial condition

and results of operations.

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

In manufacturing power tools, Makita Group purchases raw materials and components, including silicon steel plates, aluminum, steel products, copper wire, and electronic parts. When sufficient amounts of these materials and parts are not available for purchase, this may have an impact on the Group's production schedules. In addition, the rise in crude oil prices in recent years has been a factor leading to increases in the prices of production materials. When these price increases are greater than Makita can absorb by increasing productivity or through other internal efforts and the prices of final products cannot be raised sufficiently, such circumstances may have a detrimental effect on the performance and financial position of the Makita Group.

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

---

**Table of Contents**

- (13) Product liability litigation or recalls may harm Makita's financial statements and reputation.

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

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*English Translation of KESSAN TANSHIN originally issued in Japanese language* 15

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**Table of Contents****CONDENSED CONSOLIDATED BALANCE SHEETS**

|  | <b>As of<br/>March<br/>31, 2005</b> | <b>Yen (millions)<br/>As of<br/>September 30,<br/>2005</b> | <b>Increase<br/>(Decrease)</b> |
|--|-------------------------------------|--|--------------------------------|
| <b>ASSETS</b>                                  |                                     |  |                                |
| <b>CURRENT ASSETS:</b>                         |                                     |  |                                |
| Cash and cash equivalents                      | 25,384                              | 26,293   | 909                            |
| Time deposits                                  | 7,867                               | 4,310  | (3,557)                        |
| Marketable securities                          | 57,938                              | 53,848   | (4,090)                        |
| Trade receivables-                             |                                     |  |                                |
| Notes  | 1,687                               | 1,819  | 132                            |
| Accounts                                       | 38,997                              | 39,679   | 682                            |
| Less- Allowance for doubtful receivables       | (1,178)                             | (1,025)  | 153                            |
| Inventories                                    | 66,003                              | 73,395   | 7,392                          |
| Deferred income taxes                          | 3,831                               | 6,612  | 2,781                          |
| Prepaid expenses and other current assets      | 7,363                               | 7,403  | 40                             |
| <b>Total current assets</b>                    | <b>207,892</b>                      | <b>212,334</b>   | <b>4,442</b>                   |
| <b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b> |                                     |  |                                |
| Land   | 17,673                              | 17,437   | (236)                          |
| Buildings and improvements                     | 51,085                              | 51,948   | 863                            |
| Machinery and equipment                        | 73,356                              | 74,047   | 691                            |
| Construction in progress                       | 790                                 | 1,973  | 1,183                          |
|  | 142,904                             | 145,405  | 2,501                          |
| Less- Accumulated depreciation                 | (90,080)                            | (90,363)   | (283)                          |
|  | 52,824                              | 55,042   | 2,218                          |
| <b>INVESTMENTS AND OTHER ASSETS:</b>           |                                     |  |                                |
| Investment securities                          | 22,106                              | 23,969   | 1,863                          |
| Deferred income taxes                          | 390                                 | 711  | 321                            |
| Other assets                                   | 6,692                               | 6,922  | 230                            |
|  | 29,188                              | 31,602   | 2,414                          |
|  | 289,904                             | 298,978  | 9,074                          |



**Table of Contents****CONDENSED CONSOLIDATED BALANCE SHEETS**

|   | <b>As of<br/>March<br/>31, 2005</b> | <b>Yen (millions)<br/>As of<br/>September 30,<br/>2005</b> | <b>Increase<br/>(Decrease)</b> |
|---|-------------------------------------|--|--------------------------------|
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>      |                                     |  |                                |
| <b>CURRENT LIABILITIES:</b>                     |                                     |  |                                |
| Short-term borrowings                           | 9,060                               | 3,962  | (5,098)                        |
| Trade notes and accounts payable                | 10,574                              | 11,827   | 1,253                          |
| Accrued payroll                                 | 7,695                               | 7,830  | 135                            |
| Club members deposits                           | 12,836                              |  | (12,836)                       |
| Accrued expenses and other                      | 12,248                              | 12,454   | 206                            |
| Income taxes payable                            | 5,695                               | 6,002  | 307                            |
| Deferred income taxes                           | 118                                 | 61   | (57)                           |
| <b>Total current liabilities</b>                | <b>58,226</b>                       | <b>42,136</b>  | <b>(16,090)</b>                |
| <b>LONG-TERM LIABILITIES:</b>                   |                                     |  |                                |
| Long-term indebtedness                          | 88                                  | 108  | 20                             |
| Estimated retirement and termination allowances | 5,126                               | 5,118  | (8)                            |
| Deferred income taxes                           | 4,538                               | 3,708  | (830)                          |
| Other liabilities                               | 887                                 | 920  | 33                             |
|   | 10,639                              | 9,854  | (785)                          |
| <b>MINORITY INTERESTS</b>                       | <b>1,399</b>                        | <b>1,409</b>   | <b>10</b>                      |
| <b>SHAREHOLDERS EQUITY:</b>                     |                                     |  |                                |
| Common stock                                    | 23,805                              | 23,805   |                                |
| Additional paid-in capital                      | 45,430                              | 45,434   | 4                              |
| Legal reserve and retained earnings             | 163,171                             | 183,802  | 20,631                         |
| Accumulated other comprehensive loss            | (9,249)                             | (3,824)  | 5,425                          |
| Treasury stock, at cost                         | (3,517)                             | (3,638)  | (121)                          |
|   | 219,640                             | 245,579  | 25,939                         |
|   | 289,904                             | 298,978  | 9,074                          |

Note: Accumulated other comprehensive loss as of March 31, 2005 and September 30, 2005 was as follows:

|  | <b>Yen (millions)<br/>As of<br/>March<br/>31, 2005</b> | <b>As of<br/>September 30,<br/>2005</b> |
|--|--|---|
|  |  |   |



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|   |          |          |
|---|----------|----------|
| Foreign currency translation adjustments                      | (14,486) | (11,481) |
| Net unrealized holding gains on available-for-sale securities | 6,680    | 9,103    |
| Minimum pension liability adjustment                          | (1,443)  | (1,446)  |
| Total accumulated other comprehensive loss                    | (9,249)  | (3,824)  |

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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17

**Table of Contents****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

Yen (millions)

|   | For the six months ended September 30, 2004 |       | For the six months ended September 30, 2005 |       | Increase (Decrease) |         | For the year ended March 31, 2005 |       |
|---|---|-------|---|-------|---------------------|---------|-----------------------------------|-------|
|   | (Amount)                                    | (%)   | (Amount)                                    | (%)   | (Amount)            | (%)     | (Amount)                          | (%)   |
| NET SALES   | 97,430                                      | 100.0 | 106,649                                     | 100.0 | 9,219               | 9.5     | 194,737                           | 100.0 |
| Cost of sales   | 56,375                                      | 57.9  | 61,554                                      | 57.7  | 5,179               | 9.2     | 113,323                           | 58.2  |
| GROSS PROFIT  | 41,055                                      | 42.1  | 45,095                                      | 42.3  | 4,040               | 9.8     | 81,414                            | 41.8  |
| Selling, general, administrative and other expenses           | 21,591                                      | 22.1  | 19,198                                      | 18.0  | (2,393)             | (11.1)  | 50,016                            | 25.7  |
| OPERATING INCOME  | 19,464                                      | 20.0  | 25,897                                      | 24.3  | 6,433               | 33.1    | 31,398                            | 16.1  |
| OTHER INCOME (EXPENSES) :                                     |   |       |   |       |                     |         |                                   |       |
| Interest and dividend income                                  | 535   | 0.5   | 548   | 0.5   | 13                  | 2.4     | 1,157                             | 0.6   |
| Interest expense  | (293)                                       | (0.3) | (233)                                       | (0.2) | 60                  | (20.5)  | (588)                             | (0.3) |
| Exchange gains (losses) on foreign currency transactions, net | (81)  | (0.1) | 4   | 0.0   | 85                  |         | 37                                | 0.0   |
| Realized gains on securities, net                             | 223   | 0.2   | 360   | 0.3   | 137                 | 61.4    | 453                               | 0.2   |
| Other, net  | 390   | 0.5   | (72)  | (0.0) | (462)               | (118.5) | 161                               | 0.1   |
| Total   | 774   | 0.8   | 607   | 0.6   | (167)               | (21.6)  | 1,220                             | 0.6   |
| INCOME BEFORE INCOME TAXES                                    | 20,238                                      | 20.8  | 26,504                                      | 24.9  | 6,266               | 31.0    | 32,618                            | 16.7  |
| PROVISION FOR INCOME TAXES:                                   |   |       |   |       |                     |         |                                   |       |
| Current   | 5,175                                       | 5.3   | 6,419                                       | 6.0   | 1,244               | 24.0    | 10,071                            | 5.2   |
| Deferred  | 2,110                                       | 2.2   | (5,722)                                     | (5.3) | (7,832)             | (371.2) | 411                               | 0.1   |
| Total   | 7,285                                       | 7.5   | 697   | 0.7   | (6,588)             | (90.4)  | 10,482                            | 5.3   |
| NET INCOME  | 12,953                                      | 13.3  | 25,807                                      | 24.2  | 12,854              | 99.2    | 22,136                            | 11.4  |

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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**Table of Contents****CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

|   | Yen (millions)   |   |
|---|--|---|
|   | For the<br>six<br>months<br>ended<br>September<br>30, 2004 | For the six months<br>ended<br>September 30, 2005 |
| <b>COMMON STOCK:</b>                                  |  |   |
| Beginning balance                                     | 23,803   | 23,805  |
| Ending balance  | 23,803   | 23,805  |
| <b>ADDITIONAL PAID-IN CAPITAL:</b>                    |  |   |
| Beginning balance                                     | 45,421   | 45,430  |
| Gain on sales of treasury stock                       | 2  | 4   |
| Ending balance  | 45,423   | 45,434  |
| <b>LEGAL RESERVE AND RETAINED EARNINGS:</b>           |  |   |
| <b>LEGAL RESERVE:</b>                                 |  |   |
| Beginning balance                                     | 144,488  | 163,171   |
| Cash dividends  | (1,871)  | (5,176)   |
| Net income  | 12,953   | 25,807  |
| Ending balance  | 155,570  | 183,802   |
| <b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):</b> |  |   |
| Beginning balance                                     | (17,048)   | (9,249)   |
| Other comprehensive income for the period             | 7,356  | 5,425   |
| Ending balance  | (9,692)  | (3,824)   |
| <b>TREASURY STOCK, at cost:</b>                       |  |   |
| Beginning balance                                     | (3,316)  | (3,517)   |
| Purchases   | (70)   | (123)   |
| Sales   | 3  | 2   |
| Ending balance  | (3,383)  | (3,638)   |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                     | <b>211,721</b>   | <b>245,579</b>                                    |
| <b>DISCLOSURE OF COMPREHENSIVE INCOME:</b>            |  |   |
| Net income for the period                             | 12,953   | 25,807  |
| Other comprehensive income for the period, net of tax | 7,356  | 5,425   |
| Total comprehensive income for the period             | 20,309   | 31,232  |



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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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**Table of Contents****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

|  |   | Yen (millions)                                    |
|--|---|---|
|  | For the<br>six<br>months<br>ended<br>September<br>30,<br>2004 | For the six months<br>ended<br>September 30, 2005 |
| Net cash provided by operating activities                    | 9,090   | 9,349   |
| Net cash provided by (used in) investing activities          | (6,437)   | 6,176   |
| Net cash used in financing activities                        | (2,211)   | (14,540)  |
| Effect of exchange rate changes on cash and cash equivalents | 510   | (76)  |
| Net change in cash and cash equivalents                      | 952   | 909   |
| Cash and cash equivalents, beginning of period               | 24,576  | 25,384  |
| Cash and cash equivalents, end of period                     | 25,528  | 26,293  |

**SIGNIFICANT ACCOUNTING POLICIES****1. Scope of consolidation and equity method**

Consolidated subsidiaries: 45 consolidated subsidiaries

Major subsidiaries are as follows:

Makita U.S.A. Inc., Makita Corporation of America, Makita (U.K.) Ltd.,

Makita Manufacturing Europe Ltd. (U.K.), Makita Werkzeug GmbH (Germany),

Dolmar GmbH (Germany), Makita S.p.A. (Italy), Makita Oy (Finland), Makita (China) Co., Ltd.,

Makita (Kunshan) Co., Ltd. (China), etc.

**2. Change in scope of consolidation and equity method**

Consolidation: (Newly included) 2: Makita EU S.R.L. (in Romania)

Makita Ukraine LLC (in Ukraine)

Consolidation: (Excluded) 1: Joyama Kaihatsu Ltd. (in Japan)

**3. Consolidated Accounting Policies (Summary)**

Consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

**(1) Marketable and Investment Securities**

The Company conforms with SFAS No.115 Accounting for Certain Investments in Debt and Equity Securities .

**(2) Inventories**

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

**(3) Property, Plant and Equipment and Depreciation**

Depreciation of property, plant and equipment is computed by using the declining-balance method over the estimated useful lives.

**(4) Income Taxes**

Provision is made currently for income taxes applicable to all items of revenue and expense included in the consolidated financial statements regardless of when such items are taxable or deductible. The Company conforms with SFAS No.109, Accounting for Income Taxes .

**(5) Pension Plans**

The Company conforms with SFAS No.87, Employer s Accounting for Pensions , in accounting for retirement and termination benefit plans.

---

20

*English Translation of KESSAN TANSHIN originally issued in Japanese language*

---

**Table of Contents**

**(6) Earnings Per Share**

The Company conforms with SFAS No.128, Earnings per Share . SFAS No.128 requires dual presentation of basic and diluted net income per share.

**(7) Impairment of Long-Lived Assets**

The Company conforms with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets , effective April 1, 2002.

**(8) Derivative Financial Instruments**

The Company conforms with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, and amendment of SFAS No. 133 and No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities.

**(9) Use of Estimates in the Preparation of Financial Statements**

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

**(10) Revenue Recognition**

In accordance with Staff Accounting Bulletin No. 104, the Company and its consolidated subsidiaries recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price is fixed or determinable and collectibility is reasonably assured.

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*English Translation of KESSAN TANSHIN originally issued in Japanese language* 21

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**Table of Contents****OPERATING SEGMENT INFORMATION**

Six months ended September 30, 2004

|                           | Yen (millions) |                  |        |        |        |         | Corporate<br>and<br>elimi-<br>nations | Consoli-<br>dated |
|---------------------------|----------------|------------------|--------|--------|--------|---------|---------------------------------------|-------------------|
|                           | Japan          | North<br>America | Europe | Asia   | Other  | Total   |                                       |                   |
| Sales:                    |                |                  |        |        |        |         |                                       |                   |
| (1) External<br>customers | 25,836         | 19,778           | 36,652 | 3,795  | 11,369 | 97,430  |                                       | 97,430            |
| (2) Intersegment          | 23,432         | 1,956            | 2,992  | 16,945 | 103    | 45,428  | (45,428)                              |                   |
| Total                     | 49,268         | 21,734           | 39,644 | 20,740 | 11,472 | 142,858 | (45,428)                              | 97,430            |
| Operating expenses        | 37,900         | 20,784           | 34,887 | 18,276 | 10,574 | 122,421 | (44,455)                              | 77,966            |
| Operating income          | 11,368         | 950              | 4,757  | 2,464  | 898    | 20,437  | (973)                                 | 19,464            |

Six months ended September 30, 2005

|                           | Yen (millions) |                  |        |        |        |         | Corporate<br>and<br>elimi-<br>nations | Consoli-<br>dated |
|---------------------------|----------------|------------------|--------|--------|--------|---------|---------------------------------------|-------------------|
|                           | Japan          | North<br>America | Europe | Asia   | Other  | Total   |                                       |                   |
| Sales:                    |                |                  |        |        |        |         |                                       |                   |
| (1) External<br>customers | 25,874         | 20,798           | 42,218 | 4,197  | 13,562 | 106,649 |                                       | 106,649           |
| (2) Intersegment          | 25,208         | 1,589            | 3,433  | 19,601 | 96     | 49,927  | (49,927)                              |                   |
| Total                     | 51,082         | 22,387           | 45,651 | 23,798 | 13,658 | 156,576 | (49,927)                              | 106,649           |
| Operating expenses        | 35,779         | 21,818           | 39,791 | 20,775 | 12,171 | 130,334 | (49,582)                              | 80,752            |
| Operating income          | 15,303         | 569              | 5,680  | 3,023  | 1,487  | 26,242  | (345)                                 | 25,897            |

For the year ended March 31, 2005

|                           | Yen (millions) |                  |        |        |        |         | Corporate<br>and<br>elimi-<br>nations | Consoli-<br>dated |
|---------------------------|----------------|------------------|--------|--------|--------|---------|---------------------------------------|-------------------|
|                           | Japan          | North<br>America | Europe | Asia   | Other  | Total   |                                       |                   |
| Sales:                    |                |                  |        |        |        |         |                                       |                   |
| (1) External<br>customers | 50,955         | 38,607           | 75,864 | 7,378  | 21,933 | 194,737 |                                       | 194,737           |
| (2) Intersegment          | 47,786         | 3,583            | 5,802  | 34,937 | 168    | 92,276  | (92,276)                              |                   |

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|                    |        |        |        |        |        |         |          |         |
|--------------------|--------|--------|--------|--------|--------|---------|----------|---------|
| Total              | 98,741 | 42,190 | 81,666 | 42,315 | 22,101 | 287,013 | (92,276) | 194,737 |
| Operating expenses | 82,826 | 40,580 | 71,541 | 37,389 | 21,146 | 253,482 | (90,143) | 163,339 |
| Operating income   | 15,915 | 1,610  | 10,125 | 4,926  | 955    | 33,531  | (2,133)  | 31,398  |

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

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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22

**Table of Contents****MARKETABLE SECURITIES AND INVESTMENT SECURITIES**

## 1. Available-for-sale securities

As of March 31, 2005

|   | Yen (millions) |                                      |        | Fair<br>value | Carrying<br>Amount |
|---|----------------|--------------------------------------|--------|---------------|--------------------|
|   | Cost           | Gross unrealized<br>holding<br>Gains | Losses |               |                    |
| Marketable securities:                    |                |                                      |        |               |                    |
| Equity securities                         | 1,403          | 1,129                                |        | 2,532         | 2,532              |
| Debt securities                           | 5,680          | 152                                  | 1      | 5,831         | 5,831              |
| Funds in trusts and investments in trusts | 48,391         | 1,098                                | 14     | 49,475        | 49,475             |
|   | 55,474         | 2,379                                | 15     | 57,838        | 57,838             |
| Investment securities:                    |                |                                      |        |               |                    |
| Equity securities                         | 8,427          | 9,481                                | 7      | 17,901        | 17,901             |
| Debt securities                           | 1,594          | 20                                   |        | 1,614         | 1,614              |
| Investments in trusts                     | 645            | 94                                   |        | 739           | 739                |
|   | 10,666         | 9,595                                | 7      | 20,254        | 20,254             |

As of September 30, 2005

|   | Yen (millions) |                                      |        | Fair<br>value | Carrying<br>Amount |
|---|----------------|--------------------------------------|--------|---------------|--------------------|
|   | Cost           | Gross unrealized<br>holding<br>Gains | Losses |               |                    |
| Marketable securities:                    |                |                                      |        |               |                    |
| Equity securities                         | 1,530          | 2,116                                |        | 3,646         | 3,646              |
| Debt securities                           | 8,462          | 129                                  |        | 8,591         | 8,591              |
| Funds in trusts and investments in trusts | 39,107         | 1,316                                | 12     | 40,411        | 40,411             |
|   | 49,099         | 3,561                                | 12     | 52,648        | 52,648             |
| Investment securities:                    |                |                                      |        |               |                    |
| Equity securities                         | 8,249          | 12,395                               | 10     | 20,634        | 20,634             |
| Debt securities                           | 42             |                                      |        | 42            | 42                 |
| Investments in trusts                     | 666            | 76                                   |        | 742           | 742                |
|   | 8,957          | 12,471                               | 10     | 21,418        | 21,418             |

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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**Table of Contents**2. Held-to-maturity securities  
As of March 31, 2005

|                        | Yen (millions) |       |        | Fair<br>value | Carrying<br>Amount |
|------------------------|----------------|-------|--------|---------------|--------------------|
|                        | Cost           | Gains | Losses |               |                    |
| Marketable securities: |                |       |        |               |                    |
| Debt securities        | 100            |       |        | 100           | 100                |
| Investment securities: |                |       |        |               |                    |
| Debt securities        | 1,852          | 4     | 5      | 1,851         | 1,852              |

As of September 30, 2005

|                        | Yen (millions) |       |        | Fair<br>value | Carrying<br>Amount |
|------------------------|----------------|-------|--------|---------------|--------------------|
|                        | Cost           | Gains | Losses |               |                    |
| Marketable securities: |                |       |        |               |                    |
| Debt securities        | 1,200          |       |        | 1,200         | 1,200              |
| Investment securities: |                |       |        |               |                    |
| Debt securities        | 2,551          | 2     | 42     | 2,511         | 2,551              |

**DERIVATIVES TRANSACTIONS**

The publication is omitted in order to be disclosed by EDINET.

**NET SALES BY PRODUCT CATEGORIES**

|                                   | Yen (millions)                                    |        |   |        |                                      |       |
|-----------------------------------|---|--------|---|--------|--------------------------------------|-------|
|                                   | For the six months<br>ended<br>September 30, 2004 |        | For the six months<br>ended<br>September 30, 2005 |        | For the year ended<br>March 31, 2005 |       |
|                                   | (Amount)  | (%)    | (Amount)  | (%)    | (Amount)                             | (%)   |
| Finished goods                    | 81,982  | 84.1%  | 90,605  | 85.0%  | 163,579                              | 84.0  |
| Parts, repairs and<br>accessories | 15,448  | 15.9%  | 16,044  | 15.0%  | 31,158                               | 16.0  |
| Total net sales                   | 97,430  | 100.0% | 106,649   | 100.0% | 194,737                              | 100.0 |

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Table of ContentsOVERSEAS SALES BY PRODUCT CATEGORIES

|                                | Yen (millions)           |        |                          |        |                    |       |
|--------------------------------|--------------------------|--------|--------------------------|--------|--------------------|-------|
|                                | For the six months ended |        | For the six months ended |        | For the year ended |       |
|                                | September 30, 2004       |        | September 30, 2005       |        | March 31, 2005     |       |
|                                | (Amount)                 | (%)    | (Amount)                 | (%)    | (Amount)           | (%)   |
| Finished goods                 | 67,358                   | 85.9%  | 74,928                   | 86.5%  | 133,380            | 85.9  |
| Parts, repairs and accessories | 11,044                   | 14.1%  | 11,692                   | 13.5%  | 21,978             | 14.1  |
| Total overseas sales           | 78,402                   | 100.0% | 86,620                   | 100.0% | 155,358            | 100.0 |

EARNINGS PER SHARE

|                                | Yen                |                    |                |
|--------------------------------|--------------------|--------------------|----------------|
|                                | As of              | As of              | As of          |
|                                | September 30, 2004 | September 30, 2005 | March 31, 2005 |
| Shareholders' equity per share | 1,471.81           | 1,708.67           | 1,527.64       |

|                       | Yen                      |                          |                    |
|-----------------------|--------------------------|--------------------------|--------------------|
|                       | For the six months ended | For the six months ended | For the year ended |
|                       | September 30, 2004       | September 30, 2005       | March 31, 2005     |
| Net income per share: |                          |                          |                    |
| Basic                 | 90.03                    | 179.52                   | 153.89             |
| Diluted               | 86.97                    |                          | 148.76             |

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

|  | Yen (million)            |                          |                    |
|--|--------------------------|--------------------------|--------------------|
|  | For the six months ended | For the six months ended | For the year ended |
|  |                          |                          | March 31, 2005     |
|  |                          |                          |                    |

|   | <b>September<br/>30, 2004</b> | <b>September 30,<br/>2005</b> |             |
|---|-------------------------------|-------------------------------|-------------|
| Net income available to common shareholders | 12,953                        | 25,807                        | 22,136      |
| Effect of dilutive securities:              |                               |                               |             |
| 1.5% unsecured convertible bonds, due 2005  | 60                            |                               | 117         |
| Diluted net income                          | 13,013                        | 25,807                        | 22,253      |
|   |                               | <b>Shares</b>                 |             |
| Weighted average common shares outstanding  | 143,874,488                   | 143,757,513                   | 143,844,383 |
| Dilutive effect of:                         |                               |                               |             |
| 1.5% unsecured convertible bonds, due 2005  | 5,749,811                     |                               | 5,748,927   |
| Diluted common shares outstanding           | 149,624,299                   | 143,757,513                   | 149,593,310 |



**Table of Contents****SUPPORT DOCUMENTATION (CONSOLIDATION)**

## 1. Consolidated results and forecast

|                               | For the six months ended<br>September 30, 2003<br>(Results) |        | Yen (millions)<br>For the six months ended<br>September 30, 2004<br>(Results) |        | For the six months ended<br>September 30, 2005<br>(Results) |         |
|-------------------------------|---|--------|---|--------|---|---------|
|                               | (Amount)  | (%)    | (Amount)  | (%)    | (Amount)  | (%)     |
|                               | Net sales   | 91,757 | 4.7   | 97,430 | 6.2   | 106,649 |
| Domestic                      | 19,244  | (0.1)  | 19,028  | (1.1)  | 20,029  | 5.3     |
| Overseas                      | 72,513  | 6.0    | 78,402  | 8.1    | 86,620  | 10.5    |
| Operating income              | 9,247   | 47.5   | 19,464  | 110.5  | 25,897  | 33.1    |
| Income before income taxes    | 9,894   | 123.7  | 20,238  | 104.5  | 26,504  | 31.0    |
| Net income                    | 4,981   | 58.8   | 12,953  | 160.0  | 25,807  | 99.2    |
| EPS (Yen)                     | 34.25   |        | 90.03   |        | 179.52  |         |
| Cash dividend per share (Yen) | 9.00  |        | 11.00   |        | 19.00   |         |
| Dividend payout ratio (%)     | 26.3  |        | 12.2  |        | 10.6  |         |
| Employees                     | 8,471   |        | 8,598   |        | 8,557   |         |

|                                     | For the year ended<br>March 31, 2005<br>(Results) |         | Yen (millions)<br>For the year ending<br>March 31, 2006<br>(Forecast) |         |
|-------------------------------------|---|---------|---|---------|
|                                     | (Amount)  | (%)     | (Amount)  | (%)     |
|                                     | Net sales   | 194,737 | 5.8   | 214,000 |
| Domestic                            | 39,379  | 0.6     | 41,000  | 4.1     |
| Overseas                            | 155,358   | 7.2     | 173,000   | 11.4    |
| Operating income (Note 2)           | 31,398  | 113.6   | 39,000  | 24.2    |
| Income before income taxes (Note 2) | 32,618  | 101.7   | 42,000  | 28.8    |
| Net income (Note 2)                 | 22,136  | 187.8   | 36,500  | 64.9    |
| EPS (Yen) (Note 2)                  | 153.89  |         | 253.96  |         |
| Cash dividend per share (Yen)       | 47.00   |         |   |         |
| Dividend payout ratio (%)           | 30.5  |         |   |         |
| Employees                           | 8,560   |         |   |         |

Notes: 1. The table above shows the change in the percentage ratio of Net sales, Operating income, Income before income taxes, and Net income against the previous year.

2. After taking account of the special circumstances mentioned in footnote 2. on page 9, the forecasts for Operating income, Income before income taxes, Net income, and Net income per share are as follows:

|  |                  |
|--|------------------|
| Operating income for the year ending March 31, 2006:           | 30.5 billion yen |
| Income before income taxes for the year ending March 31, 2006: | 31.0 billion yen |
| Net income for the year ending March 31, 2006:                 | 23.1 billion yen |

Net income per share for the year ending March 31, 2006:

Approximately 160 yen

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26

**Table of Contents**

## 2. Consolidated net sales by geographic area

|               | Yen (millions)  |       |   |        |   |       |
|---------------|---|-------|---|--------|---|-------|
|               | For the six months ended<br>September 30, 2003<br>(Results) |       | For the six months ended<br>September 30, 2004<br>(Results) |        | For the six months ended<br>September 30, 2005<br>(Results) |       |
|               | (Amount)  | (%)   | (Amount)  | (%)    | (Amount)  | (%)   |
| Japan         | 19,244  | (0.1) | 19,028  | (1.1)  | 20,029  | 5.3   |
| North America | 22,085  | (8.7) | 19,697  | (10.8) | 20,648  | 4.8   |
| Europe        | 32,085  | 19.4  | 36,415  | 13.5   | 41,802  | 14.8  |
| Asia          | 7,314   | 1.9   | 9,320   | 27.4   | 8,472   | (9.1) |
| Other regions | 11,029  | 8.8   | 12,970  | 17.6   | 15,698  | 21.0  |
| Total         | 91,757  | 4.7   | 97,430  | 6.2    | 106,649   | 9.5   |

Note: The table above sets forth Makita's consolidated net sales by geographic area based on customers location for the periods presented.

## 3. Exchange rates

|          | Yen   |   |   |
|----------|---|---|---|
|          | For the six months ended<br>September 30, 2003<br>(Results) | For the six months ended<br>September 30, 2004<br>(Results) | For the six months ended<br>September 30, 2005<br>(Results) |
|          | Yen/U.S. Dollar   | 118.07  | 109.80  |
| Yen/Euro | 133.51  | 133.28  | 135.61  |

|                 | Yen   |   |
|-----------------|---|---|
|                 | For the six months ending<br>March 31, 2006<br>(Forecast) | For the year ending<br>March 31, 2006<br>(Forecast) |
| Yen/U.S. Dollar | 108   | 109   |
| Yen/Euro        | 135   | 135   |

## 4. Sales growth in local currency basis (major countries)

**For the six months  
ended  
September 30, 2005  
(Results)**

|           |        |
|-----------|--------|
| U.S.A.    | 4.7%   |
| Germany   | 6.8%   |
| U.K.      | 7.9%   |
| France    | 20.8%  |
| China     | 3.0%   |
| Australia | (6.9%) |

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*English Translation of KESSAN TANSHIN originally issued in Japanese language*

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**Table of Contents**

## 5. Production ratio (unit basis)

|          | <b>For the six<br/>months ended<br/>September 30,<br/>2003<br/>(Results)</b> | <b>For the six<br/>months ended<br/>September 30,<br/>2004<br/>(Results)</b> | <b>For the six<br/>months ended<br/>September 30,<br/>2005<br/>(Results)</b> |
|----------|--|--|--|
| Domestic | 34.7%  | 31.6%  | 28.9%  |
| Overseas | 65.3%  | 68.4%  | 71.1%  |

## 6. Consolidated capital expenditures, depreciation and amortization, and R&amp;D cost

|                               | <b>Yen (millions)</b>  |  |  |  |
|-------------------------------|--|--|--|--|
|                               | <b>For<br/>the six<br/>months<br/>ended<br/>September<br/>30,<br/>2003<br/>(Results)</b> | <b>For the six<br/>months ended<br/>September 30,<br/>2004<br/>(Results)</b> | <b>For the six<br/>months ended<br/>September 30,<br/>2005<br/>(Results)</b> | <b>For the year<br/>ending<br/>March 31,<br/>2006<br/>(Forecast)</b> |
| Capital expenditures          | 2,270  | 2,071  | 4,856  | 11,800   |
| Depreciation and amortization | 4,330  | 2,664  | 2,658  | 5,400  |
| R&D cost                      | 1,954  | 2,048  | 2,148  | 4,300  |

## 7. Consolidated cash flow

|   | <b>Yen (millions)</b>  |  |  |
|---|--|--|--|
|   | <b>For the<br/>six<br/>months<br/>ended<br/>September<br/>30,<br/>2003<br/>(Results)</b> | <b>For the six months<br/>ended<br/>September 30,<br/>2004<br/>(Results)</b> | <b>For the six months<br/>ended<br/>September 30, 2005<br/>(Results)</b> |
| Net cash provided by operating activities           | 11,696   | 9,090  | 9,349  |
| Net cash provided by (used in) investing activities | (4,994)  | (6,437)  | 6,176  |
| Net cash used in financing activities               | (4,938)  | (2,211)  | (14,540)   |

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