Makita Corporation

Additional Information
for the year ended March 31, 2013

Consolidated Financial Statements

(Partial translation of "YUKASHOKEN HOKOKUSHO"

originally issued in Japanese)

CONTENTS

【Accounting-Consolidated Financial Statements】

1. Basis for Consolidated Financial Statements

Makita's Consolidated Financial Statements are prepared in accordance with the generally accepted accounting principles in the United States of America as prescribed in Article 95 of Regulations for the Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Finance Ministry Ordinance No. 28 of 1976, hereinafter called "Regulation for Consolidated Financial Statement").

2. Audit Attestation

Makita's Consolidated Financial Statements for the consolidated year from April 1, 2012 to March 31, 2013 were audited by KPMG AZSA LLC in accordance with the Article 193-2(1) of the Financial Instruments and Exchange Law.

3. Special measures for ensuring the appropriateness of Consolidated Financial Statements, etc.

Makita engages in special measures for ensuring the appropriateness of Consolidated Financial Statements, etc.

More specifically, Makita takes part in the FASF (Financial Accounting Standards Foundation) and attends seminars in order to properly understand current accounting standards and to promptly and adequately keep pace with their updates.

CONSOLIDATED BALANCE SHEETS

	Yen (millions)	
	As of March 31, 2012	As of March 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	44,812	62,283
Time deposits	13,504	13,262
Short-term investments	25,125	38,060
Trade receivables-		
Notes	1,769	1,398
Accounts	48,445	53,583
Less- Allowance for doubtful receivables	(753)	(899)
Inventories	129,571	138,953
Deferred income taxes	5,898	5,533
Prepaid expenses and other current assets	8,392	11,102
Total current assets	276,763	323,275
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land	20,498	22,710
Building and improvements	73,332	84,482
Machinery and equipment	75,460	80,484
Construction in progress	6,594	3,349
Sub total	175,884	191,025
Less- Accumulated depreciation and amortization	(98,146)	(104,740)
Total net property, plant and equipment	77,738	86,285
INVESTMENTS AND OTHER ASSETS:		
Investments	19,154	18,461
Goodwill	721	721
Other intangible assets, net	4,515	4,549
Deferred income taxes	853	961
Other assets	3,512	6,722
Total investments and other assets	28,755	31,414
Total assets	383,256	440,974

	Yen (millions)	
	As of March 31, 2012	As of March 31, 2013
LIABILITIES		
CURRENT LIABILITIES:		
Short-term borrowings	2,351	1,695
Trade notes and accounts payable	21,822	21,910
Other payables	4,313	5,556
Accrued expenses	6,314	7,148
Accrued payroll	7,803	8,295
Income taxes payable	5,293	5,221
Deferred income taxes	125	129
Other liabilities	5,697	6,371
Total current liabilities	53,718	56,325
LONG-TERM LIABILITIES:		
Long-term indebtedness	12	8
Accrued retirement and termination benefits	3,027	3,513
Deferred income taxes	130	3,136
Other liabilities	2,591	1,660
Total long-term liabilities	5,760	8,317
Total liabilities	59,478	64,642
EQUITY		
MAKITA CORPORATION SHAREHOLDERS' EQUITY:		
Common stock	23,805	23,805
Additional paid-in capital	45,421	45,421
Legal reserve	5,669	5,669
Retained earnings	316,937	338,239
Accumulated other comprehensive income (loss)	(59,066)	(28,064)
Treasury stock, at cost	(11,513)	(11,527)
Total Makita Corporation shareholders' equity	321,253	373,543
NONCONTROLLING INTEREST	2,525	2,789
Total equity	323,778	376,332
Total liabilities and equity	383,256	440,974

CONSOLIDATED STATEMENTS OF INCOME

	Yen (millions)			
	For the year ended March 31, 2012		For the year ended March 31, 2013	
		Composition ratio		Composition ratio
NET SALES	295,711	100.0%	309,630	100.0%
Cost of sales	180,541	61.1%	194,859	62.9%
GROSS PROFIT	115,170	38.9%	114,771	37.1%
Selling, general, administrative and others, net	66,654	22.5%	69,405	22.4%
OPERATING INCOME	48,516	16.4%	45,366	14.7%
OTHER INCOME (EXPENSE):				
Interest and dividend income	1,491		1,732	
Interest expense	(242)		(180)	
Exchange gains (losses) on foreign currency transactions, net	(2,150)		(1,324)	
Realized gains (losses) on securities, net	(652)		97	
Total other income (expense), net	(1,553)	(0.5%)	325	0.1%
INCOME BEFORE INCOME TAXES	46,963	15.9%	45,691	14.8%
Provision for income taxes:				
Current	14,309		13,206	
Deferred	(135)		1,301	
Total income tax expense	14,174	4.8%	14,507	4.7%
NET INCOME	32,789	11.1%	31,184	10.1%
Less-Net income attributable to the non-controlling interest	292	0.1%	108	0.1%
NET INCOME ATTRIBUTABLE TO MAKITA CORPORATION	32,497	11.0%	31,076	10.0%

	Yen	
PER SHARE OF COMMON STOCK AND ADS:	For the year ended March 31, 2012	For the year ended March 31, 2013
Earnings per share: Basic	236.8	228.9
Cash dividends per share paid for the year	66.0	72.0

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Yen (millions)	
	For the year ended March 31, 2012	For the year ended March 31, 2013
NET INCOME	32,789	31,184
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment	(4,952)	27,740
Unrealized holding gains (losses) on available-for-sale securities	487	2,699
Pension liability adjustment	77	821
Total other comprehensive income (loss)	(4,388)	31,260
COMPREHENSIVE INCOME (LOSS)	28,401	62,444
Less-Comprehensive income (loss) attributable to the non-controlling interest	146	366
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO MAKITA CORPORATION	28,255	62,078

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Yen (millions)							
	For the year ended March 31, 2012							
	Makita Corporation shareholders' equity						Non-controlling interest	Total
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock		
Beginning balance	23,805	45,420	5,669	293,532	(54,824)	(6,453)	2,529	309,678
Purchases and disposal of treasury stock, net		1				(5,060)		(5,059)
Cash dividends				(9,092)			(150)	(9,242)
Comprehensive income (loss)								
Net income				32,497			292	32,789
Foreign currency translation adjustment					(4,806)		(146)	(4,952)
Unrealized holding gains (losses) on available-for-sale securities					487			487
Pension liability adjustment					77			77
Ending balance	23,805	45,421	5,669	316,937	(59,066)	(11,513)	2,525	323,778

	Yen (millions)							
	For the year ended March 31, 2013							
	Makita Corporation shareholders' equity						Non-controlling interest	Total
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock		
Beginning balance	23,805	45,421	5,669	316,937	(59,066)	(11,513)	2,525	323,778
Purchases and disposal of treasury stock, net						(14)		(14)
Cash dividends				(9,774)			(102)	(9,876)
Comprehensive income (loss)								
Net income				31,076			108	31,184
Foreign currency translation adjustment					27,482		258	27,740
Unrealized holding gains (losses) on available-for-sale securities					2,699			2,699
Pension liability adjustment					821			821
Ending balance	23,805	45,421	5,669	338,239	(28,064)	(11,527)	2,789	376,332

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Yen (millions)	
	For the year ended March 31, 2012	For the year ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	32,789	31,184
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	7,237	7,542
Deferred income tax expense (benefit)	(135)	1,301
Realized (gains) losses on securities, net	652	(97)
Losses (gains) on disposal or sales of property, plant and equipment, net	(179)	59
Bad debt expense	131	169
Inventory write-downs	1,962	719
Impairment of goodwill and long-lived assets	214	45
Changes in assets and liabilities-		
Trade receivables	(3,430)	(720)
Inventories	(25,110)	2,519
Trade notes and accounts payable and accrued expenses	(3,554)	(1,097)
Income taxes payable	741	(1,857)
Accrued retirement and termination benefits	(1,235)	(1,100)
Other, net	(1,461)	(303)
Net cash provided by operating activities	8,622	38,364
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, including interest capitalized	(13,481)	(11,481)
Purchases of available-for-sale securities	(1,473)	(11,358)
Purchases of held-to-maturity securities	(6,099)	(1,216)
Proceeds from sales of available-for-sale securities	13,507	2,249
Proceeds from maturities of available-for-sale securities	71	156
Proceeds from maturities of held-to-maturity securities	300	3,900
Proceeds from sales of property, plant and equipment	709	759
Investment in term (time) deposit	(31,372)	(21,828)
Withdrawal of term (time) deposit	33,307	23,785
Other, net	31	(380)
Net cash used in investing activities	(4,500)	(15,414)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to (payments on) borrowings with original maturities of three months or less, net	(264)	-
Additions to borrowings with original maturities of more than three months	4,509	2,272
Payments on borrowings with original maturities of more than three months	(2,635)	(2,919)
Purchase (sale) of treasury stock, net	(5,059)	(15)
Cash dividends paid	(9,092)	(9,774)
Other, net	(166)	(214)
Net cash used in financing activities	(12,707)	(10,650)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,564	5,171
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,021)	17,471
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,833	44,812
CASH AND CASH EQUIVALENTS, END OF YEAR	44,812	62,283
SUPPLEMENT DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest, net of amount capitalized	198	175
Cash paid during the year for income taxes	13,568	15,063

NOTES TO COSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

In compliance with Article 95 of the Regulation for Consolidated Financial Statement, our Consolidated Financial Statements are prepared in accordance with the Generally Accepted Accounting Principles in the United States of America including, but not limited to, Accounting Standards Codification of Financial Accounting Standard Board (hereinafter called "ASC") in relation to the issuance of American Depositary Receipts (ADR).

In its initial issuance of American Depositary Receipts (ADR) in 1977, Makita prepared Consolidated Financial Statements based on USGAAP and registered them with the SEC. Since then, Makita has continued to prepare and file with the SEC its Consolidated Financial Statements based on USGAAP, in accordance with Article 13 of Securities Exchange Act of 1934. However, on April 11, 2013, Makita applied NASDAQ for delisting of its ADR (hereinafter called "Delisting") and filed with Form 25 with SEC for cancellation of registration, and on April 22, 2013, Delisting became effective. Subsequently, Makita's registration with the SEC is scheduled to terminate on July 10, 2013 and its continued reporting obligation under Article 15 of Exchange Act of 1934 is scheduled to terminate on July 22, 2013.

Followings are the summaries of major differences between generally accepted accounting principles in Japan and those in The United States of America. If the variance is significant in amount, the impact is disclosed. The impact on each item is net income before income tax basis but not net income attributable to Makita Corporation's shareholders basis.

(1) New share issuing expenses

New share issuing expenses net of taxes are deducted from Additional paid-in Capital.

(2) Allowance for retirement and benefits

Allowance for retirement benefits is recognized in accordance with ASC 715 "Compensation — Retirement Benefits."

(3) Goodwill and Other Intangible Assets

Goodwill and Other Intangible Assets are recognized in accordance with ASC 350 "Intangibles — Goodwill and Other."

Goodwill and Other Intangible Assets with indefinite useful lives are not depreciated but reassessed for impairment test at least once a year and whenever there is any indication of impairment.

2. OVERVIEW OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(1)Overview of business

Makita and its Group engage mainly in the business of production and sales of drills, grinders, sanders, hammer drills, rotary hammers, cordless impact drivers, cutters and circular saws, and also, production and sales of pneumatic tools and gardening tools.

Sales are made under the brand name of "Makita" or "Maktec" by Makita and another domestic subsidiary in the market in Japan and by sales subsidiaries and agents in overseas market.

Sales in overseas market accounts for 81.7% of consolidated sales; in Europe 40.4%, in North America 13.4%, in Asia 9.4% and in Other Region 18.5%.

Makita and its Group have 10 production facilities: two in Japan, two in China, and one each in the U.S.A., Brazil, U.K., Germany, Romania and Thailand.

(2) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, and all of its majority-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in the consolidation. Makita did not have any consolidated variable interest entities for any of the periods presented herein.

(3) Foreign Currency Translation and Transactions

Overseas subsidiaries' assets and liabilities on the consolidated balance sheet denominated in their local currencies are translated at the exchange rate in effect at each fiscal year-end and items on the consolidated profit and loss statement are translated at the average exchange rates prevailing during each fiscal year. The local currencies of the countries where the subsidiaries are located are regarded as their functional currencies. The resulting currency translation adjustments are included in accumulated other comprehensive income (loss).

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

(4) Cash and Cash Equivalents

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

(5) Short-term Investments and Investments

Makita classifies investments in debt and marketable equity securities as available-for-sale or held-to-maturity securities. Makita does not hold any marketable or investment securities that are bought and held primarily for the purpose of sale in the near term.

Except for non-marketable equity securities, available-for-sale securities are reported at fair value, and unrealized gains or losses are recorded as a separate component of accumulated other comprehensive income (loss), net of applicable income taxes. Non-marketable equity securities are carried at cost and reviewed periodically for impairment. Held-to-maturity securities are reported at amortized cost, adjusted for the amortization or accretion of premiums or discounts.

A decline in the fair value of any equity securities to below the carrying amount that is deemed to be other-than-temporary results in a write-down of the carrying amount to the fair value as a new cost basis and the amount of the write-down is included in earnings.

For debt securities for which the declines are deemed to be other-than-temporary and there is no intent to sell them, impairments are separated into the amount related to credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income (loss). For debt securities for which the declines are deemed to be other-than-temporary and there is an intent to sell them, impairments in their entirety are recognized in earnings.

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

Held-to-maturity securities are periodically evaluated for possible impairment by taking into consideration the financial condition, business prospects and credit worthiness of the issuer.

Makita classifies investments, which are available for current operations, in current assets. The other investments are classified as investments as a part of non-current investments and other assets in the consolidated balance sheets.

The cost of a security sold or the amount reclassified out of accumulated other comprehensive income (loss) into earnings is determined by the moving average cost method.

(6) Allowance for Doubtful Receivables

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

(7) Inventories

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

(8) Property, Plant and Equipment and Depreciation and Amortization

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

Depreciation and amortization expenses for the years ended March 31, 2012 and 2013 amounted to 6,534 million yen and 6,888 million yen, respectively, which included the amortization of capitalized lease equipment.

Certain leased buildings, improvements, machinery and equipment are accounted for as capital leases. The aggregate cost included in property, plant and equipment and the related accumulated amortization as of March 31, 2012 and 2013, were as follows:

	Yen in millions	
	2012	2013
Aggregate cost	188	166
Accumulated depreciation and amortization	159	147

(9) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. The goodwill impairment test is a two-step process. Under the first step, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairments exists for the reporting unit and the management must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in the same manner to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit's goodwill. Makita determines the fair value of its reporting units by using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

Makita performs its annual impairment review of goodwill every December 31, and when a triggering event occurs between annual impairment dates.

(10) Environmental Liabilities

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

(11) Research and Development Costs and Advertising Costs

Research and development costs, which are included in Selling, general, administrative and others, net in the consolidated statements of income, are expensed as incurred. Advertising costs are also expensed as incurred.

(12) Shipping and Handling Costs

Shipping and handling costs, which mainly include transportation to customers, are included in Selling, general, administrative and others, net in the consolidated statements of income.

(13) Income Taxes

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities on the consolidated financial statements and their respective tax bases and tax loss carry-forwards and tax credit carry-forwards. Deferred income tax assets and liabilities are measured by using the estimated effective statutory tax rates applicable to taxable income in the years during which those temporary differences and the tax consequences attributable to those carry-forwards are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in income in the period that includes the enactment date.

Makita recognizes in its consolidated financial statements the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured as the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Makita classifies penalties and interest related to unrecognized tax benefits, if any, in provision for income taxes.

(14) Product Warranties

A liability for the estimated product warranty-related cost is established at the time revenue is recognized and is included in other current liabilities and cost of sales. Estimates for accrued product warranty costs are primarily based on historical experience, and are affected by ongoing product failure rates, specific product class failures outside of the baseline experience, material usage and service delivery costs incurred in correcting a product failure.

(15) Pension and Retirement Benefits

Changes in the amount of either the projected benefit obligation or plan assets resulting from actual results different from those assumed and from changes in assumptions can result in gains and losses to be recognized in the consolidated financial statements in the future periods. Amortization of an unrecognized net gain or loss is included as a component of the net periodic benefit plan cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of (1) the projected benefit obligation or (2) the fair value of that plan's assets. In such a case, the amount of amortization recognized is the excess divided by the average remaining service period of active employees expected to receive benefits under the plan.

Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability on the consolidated balance sheet. Subsequent changes in the funded status are recognized as a component of accumulated other comprehensive income (loss).

(16) Earnings per Share

Basic earnings per share is computed by dividing the net income available to common shareholders by the weighted average common shares outstanding during each year.

(17) Impairment of Long-lived Assets

Long-lived assets, such as property, plant and equipment, and certain intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flow. Any acquired intangible asset determined to have an indefinite useful life is not amortized, but instead is tested for impairment based on its fair value until its life would be determined to be no longer indefinite. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. The fair value is determined by the projected discounted cash flows or other valuation techniques as appropriate.

Assets to be disposed of, if any, are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(18) Derivative Financial Instruments

Makita recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and on the type of hedging relationship.

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

(19) Use of Estimates in the Preparation of Consolidated Financial Statements

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

Makita has identified the following areas where it believes assumptions and estimates are particularly critical to the consolidated financial statements. These are accounting for sales incentives, volume-based rebates and cooperative advertising, determination of an allowance for doubtful receivables, impairment of long-lived assets, realizability of deferred income tax assets, the determination of unrealized losses on securities for which the decline in market value is considered to be other than temporary, the actuarial assumptions on retirement and termination benefit plans and valuation of inventories.

(20) Revenue Recognition

Makita recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and the collectability is reasonably assured.

Makita offers sales incentives to qualifying customers through various incentive programs. Sales incentives primarily involve volume-based rebates, cooperative advertising and cash discounts, and are accounted for in accordance with ASC 605-50 “Customer’s Payments and Incentives.”

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

Under cooperative advertising programs, Makita does not receive an identifiable benefit sufficiently separable from its customers. Accordingly, cooperative advertising is also recognized as a reduction of revenue at the time the related revenue is recognized based on Makita’s ability to reliably estimate such future advertising to be taken.

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

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

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

(21) Subsequent events

Makita has evaluated the subsequent events through June 26, 2013, the date on which the financial statements are available to be issued.

(22) New Accounting Standards Adopted

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. Under this ASU, an entity will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. In December 2011, the FASB decided to defer the effective date of those changes in ASU 2011-05 that relate only to the presentation of reclassification adjustments in the statement of income by issuing ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive income in Accounting Standards Update 2011-05.

Except for some rules which ASU 2011-12 decided to defer the effective date of ASU 2011-05, this ASU is effective for fiscal years beginning after December 15, 2011.

Makita has adopted the ASU and started presenting a quarterly comprehensive income statement in the first quarter of this fiscal year. The ASU is applied retrospectively to each period presented in the financial statements.

Makita does not expect the adoption of the ASU to have a material impact on Makita's consolidated results of operations, financial conditions and cash flows, since the ASU refers to the provisions concerning disclosure.

(23) New Accounting Standards Not yet Adopted

In February 2013, FASB issued ASU 2013-02 which requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component, and to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. Makita will adopt this amended guidance from the quarter beginning April 1, 2013, and does not expect the adoption of this guidance to have a material impact on Makita's consolidated results of operations, financial condition and cash flows.

3. INVENTORIES

Inventories as of March 31, 2012 and 2013 comprised the following:

	Yen in millions	
	2012	2013
Finished goods and merchandise	108,875	118,585
Work in process	2,266	2,357
Raw materials	18,430	18,011
Total	129,571	138,953

Inventory write-downs, which are charged to cost of sales, amounted to 1,962 million yen, and 719 million yen for the years ended March 31, 2012 and 2013, respectively.

4. IMPAIRMENT OF LONG-LIVED ASSETS

Makita recognized an impairment loss of 214 million yen for the year ended March 31, 2012 on long-lived assets related to the gardening tools asset group within the Japan operating segment.

Management conducted the impairment test because of the continued stagnant business activity, and as result assessed that the impairment losses mainly consisted of the decrease in the fair value of the land for the plant.

The impairment losses were included in selling, general, administrative and others, net in the consolidated statements of income.

The long-lived assets consist of the land for the plant and other long-lived assets. The management estimated the fair value of the land for the plant by the market approach method and that of the other long-lived assets by the cost approach method and the income approach method with the assistance of an independent third party appraiser.

Makita recognized an impairment loss of 45 million yen for the year ended March 31, 2013 on long-lived assets related to the gardening tools asset group within the Japan operating segment.

Management conducted the impairment test because of the continued stagnant business activity, and as result assessed that the impairment losses mainly consisted of the decrease in the fair value of the land for the plant.

The impairment losses were included in selling, general, administrative and others, net in the consolidated statements of income.

The long-lived assets consist of the land for the plant and other long-lived assets. The management estimated the fair value of the land for the plant by the market approach method and that of the other long-lived assets by the cost approach method and the income approach method with the assistance of an independent third party appraiser.

5. SHORT-TERM INVESTMENTS AND INVESTMENTS

As of March 31, 2012 and 2013, short-term investments and investments consisted of available-for-sale securities and held-to-maturity securities and non-marketable equity securities (carried at cost).

The cost, unrealized gains and losses, fair value and carrying amount of such securities by major security type as of March 31, 2012 and 2013, were as follows:

	Yen in millions				
As of March 31, 2012	Cost	Unrealized gains	Unrealized losses	Fair value	Carrying amount
Short-term investments:					
Available-for-sale:					
Corporate debt securities	589	2	-	591	591
Investment trusts	6,074	451	13	6,512	6,512
MMF and FFF	13,336	-	-	13,336	13,336
Marketable equity securities	606	262	-	868	868
Sub-total	20,605	715	13	21,307	21,307
Held-to-maturity:					
Corporate debt securities	3,517	1	3	3,515	3,517
Public debt securities (except Government debt securities)	301	-	1	300	301
Sub-total	3,818	1	4	3,815	3,818
Total Short-term investments	24,423	716	17	25,122	25,125

Investments:	Cost	Unrealized gains	Unrealized losses	Fair value	Carrying amount
Available-for-sale:					
Marketable equity securities	7,173	4,704	-	11,877	11,877
Held-to-maturity:					
Corporate debt securities	6,086	10	18	6,078	6,086
Government debt securities	200	1	-	201	200
Public debt securities (except Government debt securities)	604	4	-	608	604
Sub-total	6,890	15	18	6,887	6,890
Total Investments	14,063	4,719	18	18,764	18,767

In addition to above investments, non-marketable equity securities (carried at cost) amounted to 387 million yen on March 31, 2012.

	Yen in millions				
As of March 31, 2013	Cost	Unrealized gains	Unrealized losses	Fair value	Carrying amount
Short-term investments:					
Available-for-sale:					
Corporate debt securities	726	32	-	758	758
Investment trusts	5,655	1,368	-	7,023	7,023
MMF and FFF	24,927	-	-	24,927	24,927
Marketable equity securities	587	951	-	1,538	1,538
Sub-total	31,895	2,351	-	34,246	34,246
Held-to-maturity:					
Corporate debt securities	3,513	3	-	3,516	3,513
Government debt securities	100	-	-	100	100
Public debt securities (except Government debt securities)	201	-	-	201	201
Sub-total	3,814	3	-	3,817	3,814
Total Short-term investments	35,709	2,354	-	38,063	38,060

Investments:	Cost	Unrealized gains	Unrealized losses	Fair value	Carrying amount
Available-for-sale:					
Marketable equity securities	6,910	7,232	-	14,142	14,142
Held-to-maturity:					
Corporate debt securities	3,432	23	-	3,455	3,432
Government debt securities	100	1	-	101	100
Public debt securities (except Government debt securities)	400	3	-	403	400
Sub-total	3,932	27	-	3,959	3,932
Total Investments	10,842	7,259	-	18,101	18,074

In addition to the above investments, non-marketable equity securities (carried at cost) amounted to 387 million yen on March 31, 2013.

During FY2013, we reclassified certain corporate bonds with book value of 203 million yen from Held-to-Maturity category to Available-for-sale category. This reclassification was made because credit rating agencies had lowered the rating of the issuing corporation and we decided to consider the possibility of their disposal. As a result of the reclassification, investments decreased by 203 million yen and realized gain on securities decreased by 93 million yen.

Investments in trusts represent funds deposited with trust banks in multiple investor accounts and managed by the fund managers of the trust banks. As of March 31, 2012 and 2013, each fund mainly consisted of marketable equity securities and interest-bearing bonds.

Investments in non-marketable equity securities are accounted for under cost method and amounted to 387 million yen and 387 million yen as of March 31, 2012 and 2013, respectively. For the years ended March 31, 2012 and 2013, Makita did not identify any events or changes in circumstances that might have had significant adverse effects on the fair value of those investments.

The following table shows the unrealized losses and fair value of available-for-sale securities, aggregated by the investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2012 and 2013.

The gross unrealized loss position of available-for-sale securities has been continuing for a relatively short period of time. Based on this and other relevant factors, management has determined that these investments are not considered other-than-temporarily impaired. Makita has not held unrealized losses for twelve months or more at March 31, 2012 and 2013 with respect to available-for-sale securities.

	Yen in millions			
	Less than 12 months		12 months or more	
As of March 31, 2012	Fair value	Unrealized losses	Fair value	Unrealized losses
Short-term investments:				
Available-for-sale:				
Corporate debt securities	490	-	-	-
Investment trusts	341	13	-	-
Sub-total	831	13	-	-

	Yen in millions			
	Less than 12 months		12 months or more	
As of March 31, 2013	Fair value	Unrealized losses	Fair value	Unrealized losses
Short-term investments:				
Available-for-sale:				
Corporate debt securities	490	-	-	-
Investment trusts	87	-	-	-
Sub-total	577	-	-	-

The following table shows the unrealized losses and fair value of held-to-maturity securities, aggregated by the investment category and length of time that individual securities have been in a continuous unrealized loss position, as of March 31, 2012 and 2013.

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

	Yen in millions			
	Less than 12 months		12 months or more	
As of March 31, 2012	Fair value	Unrealized losses	Fair value	Unrealized losses
Short-term investments:				
Held-to-maturity:				
Corporate debt securities	1,704	3	100	-
Public debt securities (except Government debt securities)	199	1	-	-
Sub-total	1,903	4	100	-
Investments:				
Held-to-maturity:				
Corporate debt securities	2,127	7	588	11
Sub-total	2,127	7	588	11

	Yen in millions			
	Less than 12 months		12 months or more	
As of March 31, 2013	Fair value	Unrealized losses	Fair value	Unrealized losses
Short-term investments:				
Held-to-maturity:				
Corporate debt securities	201	-	501	-
Public debt securities (except Government debt securities)	-	-	-	-
Sub-total	201	-	501	-
Investments:				
Held-to-maturity:				
Corporate debt securities	-	-	-	-
Sub-total	-	-	-	-

Maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2013, regardless of their balance sheet classification, were as follows:

Cost	Yen in millions		
	Available-for-sale	Held-to-maturity	Total
Due within one year	170	3,814	3,984
Due from one to five years	556	3,332	3,888
Due from five to ten years	-	600	600
Due after ten years	-	-	-
Total	726	7,746	8,472

Fair Value	Yen in millions		
	Available-for-sale	Held-to-maturity	Total
Due within one year	185	3,817	4,002
Due from one to five years	573	3,344	3,917
Due from five to ten years	-	615	615
Due after ten years	-	-	-
Total	758	7,776	8,534

Gross realized gains on sales of short-term investments and investments for the years ended March 31, 2012 and 2013 amounted to 14 million yen and 386 million yen, respectively. Gross realized losses, which included the gross realized losses considered as other than temporary, during the years ended March 31, 2012 and 2013 amounted to 666 million yen, 289 million yen, respectively. The cost of the securities sold was computed based on the moving average method. Gross unrealized losses on short-term marketable investments and investments of which the declines in market value are considered to be other than temporary were charged to earnings as realized losses on securities, amounting to 666 million yen and 277 million yen for the years ended March 31, 2012 and 2013, respectively. Proceeds from the sales and maturities of available-for-sale securities were 13,578 million yen and 2,405 million yen for the years ended March 31, 2012 and 2013, respectively. Proceeds from maturities of the held-to-maturity securities were 300 million yen and 3,900 million yen for the years ended March 31, 2012 and 2013, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Intangible assets developed or acquired during the year ended March 31, 2013 totaled 875 million yen, which are subject to amortization and primarily consist of software. The weighted average amortization period for software, other and total is approximately 5 years, 5 years and 5 years, respectively. The components of intangible assets subject to amortization at March 31, 2012 and 2013 were as follows:

	Yen in millions					
	2012			2013		
	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount
Industrial property	2,879	579	2,300	2,881	790	2,091
Software	3,400	2,251	1,149	3,812	2,580	1,232
Other	1,487	477	1,010	1,793	623	1,170
Total	7,766	3,307	4,459	8,486	3,993	4,493

Aggregate amortization expense for the years ended March 31, 2012 and 2013 were 703 million yen and 654 million yen, respectively. As of March 31, 2013, the estimated amortization expense for intangible assets currently held for the next five years ending March 31 is 638 million yen in FY2014, 604 million yen in FY2015, 573 million yen in FY2016, 455 million yen in FY2017, and 260 million yen in FY2018.

Intangible assets not subject to amortization at March 31, 2012 and 2013 were as follows:

	Yen in millions	
	2012	2013
Acquisition cost	56	56

The changes in the carrying amount of goodwill for the years ended in March 31, 2012 and 2013 were as follows:

	Yen in millions	
	2012	2013
Beginning balance	721	721
Impairment	-	-
Other	-	-
Ending balance	721	721

The above goodwill was included in the Japan operating segment.

7. INCOME TAXES

Income before income taxes and the provision for income taxes for the years ended March 31, 2012 and 2013 were as follows:

	Yen in millions	
	2012	2013
Income before income taxes:		
Domestic	14,489	14,629
Foreign	32,474	31,062
Total	46,963	45,691
Income tax expenses:		
Current - Domestic	4,920	5,493
- Foreign	9,389	7,713
Sub-total	14,309	13,206
Deferred - Domestic	193	1,263
- Foreign	(328)	38
Sub-total	(135)	1,301
Total income tax expenses	14,174	14,507

Total income taxes including deferred tax for the years ended March 31, 2012 and 2013 were allocated as follows:

	Yen in millions	
	2012	2013
Income taxes	14,174	14,507
Other comprehensive income(loss) :		
Foreign currency translation adjustment	(49)	85
Unrealized holding gains (losses) on investment securities	120	1,478
Pension liability adjustment	62	472
Total income taxes	14,307	16,542

The Company and its domestic subsidiaries are subject to a National Corporate tax of 30.0%, an Inhabitant tax of 5.6% and a deductible Enterprise tax of 7.9%, which in the aggregate figure resulted in a combined statutory income tax rate of 40.3% for the year ended March 31, 2012.

The Company and its domestic subsidiaries are subject to a National Corporate tax of 25.5%, a Special Reconstruction Corporate tax of 2.55%, an Inhabitant tax of approximately 4.8% and a deductible Enterprise tax of approximately 7.9%, which in the aggregate resulted in a combined statutory income tax rate of approximately 37.7% for the years ended March 31, 2013.

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

	Year ended March 31	
	2012	2013
Standard tax rate	40.3%	37.7%
Non-deductible expenses	0.7	0.6
Non-taxable dividends received	(0.1)	(0.1)
Change in valuation allowance	(2.2)	0.3
Tax sparing impact	(1.0)	(0.7)
Effect of the foreign tax rate differential	(9.5)	(8.7)
Undistributed earnings	0.3	3.2
Other	1.7	(0.5)
Effective income tax rate	30.2%	31.8%

For the year ended March 31, 2012, an effect of the foreign tax rate differential of 4,460 million yen was recorded. This was attributable to proportionately higher profits earned in the overseas subsidiaries compared to those in the Company and domestic subsidiaries in the background of relatively lower tax rates applied in overseas subsidiaries. Due mainly to this effect, the effective tax rate for the year ended March 31, 2012 was 30.2%, a decrease of 10.1 points as compared with the statutory income tax rate of 40.3%. The decrease in valuation allowance for deferred tax assets was mainly due to the fact that at the end of the FY2012 it became highly certain that Makita Numazu was going to merge into Makita corporation and that we changed in estimate for the realizability of deferred tax assets of Makita Numazu accordingly.

For the year ended in March 31, 2013, an effect of the foreign tax rate differential of 3,998 million yen was recorded. This was attributable to proportionately higher profits earned in the overseas subsidiaries compared to those in the Company and domestic subsidiaries in the background of relatively lower tax rates applied in overseas subsidiaries. In addition, we changed policies of permanent reinvestment in certain foreign subsidiaries and accrued corresponding deferred tax liabilities for the undistributed earnings. Due mainly to these effects, the effective tax rate for the year ended March 31, 2013 was 31.8%, a decrease of 5.9 points as compared with the statutory income tax rate of 37.7%.

According to the provisions of the tax treaties which have been concluded between Japan and 7 countries, Japanese corporations can claim a tax credit against Japanese income taxes on income earned in one of those 7 countries, even though that income is exempted from income taxes or is reduced by special tax incentive measures in those countries, as if no special exemption or reduction were provided. The Company applied such “tax sparing” mainly to China with the indicated tax reduction effect. The effect of the “tax sparing” resulted in a decrease of tax expense by 482 million yen or 1.0% and 329 million yen or 0.7% for the years ended March 31, 2012 and 2013, respectively.

The significant components of deferred income tax expense attributable to income before income taxes for the years ended March 31, 2012 and 2013 were as follows:

	Yen in millions	
	2012	2013
Deferred tax expense (benefit) (exclusive of the effects of other components below)	766	1,301
Increase (decrease) in beginning-of-the-year balance of the valuation allowance for deferred tax assets	(901)	-
	(135)	1,301

Significant components of deferred income tax assets and liabilities as of March 31, 2012 and 2013 were as follows:

	Yen in millions	
	2012	2013
Deferred income tax assets:		
Marketable securities and investment securities	2,417	2,354
Accrued retirement and termination benefits	724	649
Accrued expenses	888	1,257
Inventories	1,755	2,005
Property, plant and equipment	1,682	2,067
Accrued payroll	1,731	1,746
Net operating loss carryforwards of subsidiaries	666	1,022
Other	1,052	726
Total deferred income tax assets	10,915	11,826
Valuation allowance	(557)	(886)
Sub-total	10,358	10,940
Deferred income tax liabilities:		
Undistributed earnings of overseas subsidiaries	(364)	(1,881)
Accrued retirement and termination benefits	(321)	(1,263)
Unrealized gain on available-for-sale securities	(2,012)	(3,392)
Property, plant and equipment	(1,163)	(1,151)
Other	(2)	(24)
Total deferred income tax liabilities	(3,862)	(7,711)
Net deferred income tax assets	6,496	3,229

As of March 31, 2012 and 2013, deferred income tax assets and liabilities are recorded in the consolidated balance sheets as follows:

	Yen in millions	
	2012	2013
Current assets	5,898	5,533
Investments and other assets	853	961
Current liabilities	(125)	(129)
non-current liabilities	(130)	(3,136)
Net deferred tax assets	6,496	3,229

In assessing the realizability of deferred income tax assets, Makita considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and net operating loss carry-forwards are utilizable. Makita considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, Makita believes it is more likely than not that the benefits of these deductible differences and net operating loss carry-forwards, net of the existing valuation allowance, will be realized. The actual amount of the deferred income tax assets realizable, however, would be reduced if estimates of future taxable income during the carry-forward period are not achieved. Makita has recorded a valuation allowance of 886 million yen as of March 31, 2013 against certain deferred income tax assets primarily associated with net operating loss carry-forwards.

As of March 31, 2013, certain subsidiaries had net operating loss carry-forwards for income tax purposes of 3,688 million yen which are available to offset future taxable income, if any. The time limits during which the net operating losses may be offset against future taxable income are as follows:

March 31, 2013	Yen in millions
Within 5 years	190
6 to 20 years	1,840
Indefinite	1,658
Total	3,688

As of March 31, 2013, Makita had no foreign tax credit carry-forwards for income tax purposes.

Income taxes have not been accrued on undistributed earnings of domestic subsidiaries, as the tax law provides a means by which the investment in domestic subsidiaries can be recovered tax free. Makita has not recognized deferred tax liabilities for certain portions of undistributed earnings of foreign subsidiaries in the total amount of 158,288 million yen as of March 31, 2013, respectively. This is because Makita considers these earnings to be indefinitely reinvested, and the calculation of the unrecognized deferred tax liabilities is not practicable. The unrecognized tax benefits for the years ended March 31, 2012 and 2013 were neither material nor expected to significantly increase or decrease within the 12-month period subsequent to March 31, 2013. Makita classifies penalties and interest related to unrecognized tax benefits, if any, as provision for income taxes, and the total amounts of penalties and interest related to unrecognized tax benefits recorded were not material for the years ended March 31, 2012 and 2013. Makita conducts business globally and, as a result, the Company and its subsidiaries file income tax returns in various jurisdictions all over the world. The Company will no longer be subject to income tax examinations for the periods prior to the fiscal year ended March 31, 2009, and one of the Company's major subsidiaries in the United States remains subject to income tax examinations for the periods beginning in the year ended March 31, 2010.

8. ALLOWANCE FOR RETIREMENT BENEFIT

The Company and certain of its subsidiaries have various employee retirement benefit plans covering substantially all of their employees. Under these plans, employees are entitled to lump-sum payments at the time of termination or retirement, or to pension payments. A domestic retirement benefit plan covers substantially all of the employees of the Company. The amounts of lump-sum or pension payments under the plans are generally determined on the basis of length of service and remuneration at the time of termination or retirement. The net periodic pension costs of the defined benefit plans for the years ended March 31, 2012 and 2013 are as follows:

	Yen in millions	
	2012	2013
Service cost	1,345	1,341
Interest cost	833	779
Expected return on plan assets	(964)	(1,066)
Amortization of prior service cost	(221)	(226)
Amortization of actuarial loss	441	573
pension costs	1,434	1,401

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

	Yen in millions
	2014
Amortization of actuarial loss	649
Amortization of prior service cost	(221)

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

	Yen in millions	
	2012	2013
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	37,987	37,511
Service cost	1,345	1,341
Interest cost	833	779
Plan amendment	(10)	0
Actuarial difference	(26)	934
Benefits paid	(2,455)	(2,337)
Foreign exchange impact	(163)	315
Projected benefit obligation at end of year	37,511	38,543
Change in plan assets:		
Fair value of plan assets at beginning of year	34,625	35,654
Actual return on plan assets	854	2,991
Employer contributions	2,420	2,409
Benefits paid	(2,220)	(2,197)
Foreign exchange impact	(25)	51
Fair value of plan assets at end of year	35,654	38,908
Funding position	(1,857)	365
Amounts recognized in accumulated other comprehensive income consisted of:		
Actuarial loss	13,652	12,132
Prior service cost	(1,728)	(1,500)
	11,924	10,632
Amounts recognized in the consolidated balance sheet consisted of:		
Current liabilities	(122)	(181)
Non-current liabilities	(3,027)	(3,513)
Other assets	1,292	4,059
	(1,857)	365

Measurement date

The Company uses a March 31 measurement date for all of its plans. The accumulated benefit obligation for all defined benefit plans were as follows:

	Yen in millions	
	2012	2013
Accumulated benefit obligation	33,015	33,800

Weighted-average assumptions

The weighted-average assumptions used to determine the benefit obligations as of March 31, 2012 and 2013 were as follows:

Weighted-average rate used in determining the benefit obligation as of March 31	2012	2013
Discount rate	2.1%	1.8%
Salary increase rate	2.8%	2.8%

The weighted-average assumptions used to determine net periodic pension cost for the years ended in March 31, 2012 and 2013, were as follows:

Weighted-average rate used in determining the retirement benefit expenses for years ended March 31, 2012 and 2013	2012	2013
Discount rate	2.2%	2.1%
Salary increase rate	2.8%	2.8%
Expected long-term rate of return on plan assets	2.6%	2.9%

The discount rate is determined by aggregating average remaining service period and average payment period using an approximated curve developed from the rate of high-quality corporate bonds of grade AA or better and long-term government securities as of the measurement date. The pension fund's expected long-term rate of return on assets is derived from a review of actual historical returns achieved and anticipated future long-term performance of individual asset classes.

Plan Assets

The target asset allocations by asset class for the year ending March 31, 2014 are as follows:

Asset Class:

Asset Class:	Target Allocations
Equity securities	15%
Debt securities	41
Life insurance company general accounts	18
Short-term assets	2
Alternative investments	24
Total	100%

The overall objective of Makita's pension assets is to earn a rate of return to satisfy the benefit obligations of the pension plans and to pay benefits. In order to meet this objective, Makita determines an optimal asset mix from a three-to-five-year's medium and long-term standpoint. To avoid a sharp decline in the asset value in the future, Makita updates the asset mix as necessary by monitoring risks and assessing the magnitude of the risks. Makita has an acceptable divergence indicator for the asset mix, and the proportion of the temporary asset allocations will be updated promptly when the divergence occurs. Makita determined the mix of equity securities and debt securities after taking into consideration the expected long-term rate of return on pension assets. To decide whether changes in the basic portfolio are necessary, Makita examines the divergence between the expected long-term income and the actual income from the portfolio on an annual basis. Makita and some subsidiaries revise the portfolio when it is deemed necessary to reach the expected long-term yield. The plans' equity securities include common stock of the Company in the amount of 6 million yen as of March 31, 2013.

The fair values of Makita's pension plan assets as of March 31, 2012 and 2013, by asset class, were as follows:

As of March 31, 2012	Yen in millions			
	Total	Level 1	Level 2	Level 3
Equity securities:				
Domestic				
Stock	2,106	2,106	-	-
Stocks (commingled)	1,637	-	1,637	-
Overseas				
Stocks	1,296	1,296	-	-
Stocks (commingled)	3,857	-	3,857	-
Debt securities:				
Domestic				
Government bonds	1,248	-	1,248	-
Commingled	7,209	-	7,209	-
Overseas				
Government bonds	561	-	561	-
Commingled	6,145	-	6,145	-
Life insurance company general accounts	6,128	-	6,128	-
Short-term assets	2,668	2,607	61	-
Alternative investments				
Commingled funds	2,799	-	2,279	520
Total	35,654	6,009	29,125	520

As of March 31, 2013	Yen in millions			
	Total	Level 1	Level 2	Level 3
Equity securities:				
Domestic				
Stock	1,661	1,661	-	-
Stocks (commingled)	1,326	-	1,326	-
Overseas				
Stocks	23	23	-	-
Stocks (commingled)	4,300	-	4,300	-
Debt securities:				
Domestic				
Government bonds	481	481	-	-
Commingled	8,508	-	8,508	-
Overseas				
Government bonds	1,506	1,506	-	-
Commingled	6,172	-	6,172	-
Life insurance company general accounts	6,199	-	6,199	-
Short-term assets	3,851	3,844	7	-
Alternative investments				
Commingled funds	4,881	-	3,983	898
Total	38,908	7,515	30,495	898

Domestic and overseas equity securities consist primarily of stocks that are listed on the securities exchanges. Debt securities consist primarily of domestic and overseas government and municipal bonds. Short-term assets consist primarily of bank deposits with a short-term maturity. Level 1 assets are comprised principally of equity securities which are valued based on quoted prices in active markets for identical assets. Level 2 assets are comprised principally of government bonds, commingled funds that invest in equity and debt securities, investments in life insurance company general accounts and alternative investments.

Investments in life insurance company general accounts are valued at the amounts that are the conventional interest added to the principle amounts calculated by the life insurance company. See note 14 for additional information about fair value hierarchies and valuation techniques.

Regarding the debt securities selection, Makita conducts a good research and analysis on issuance conditions, such as rating, coupon, maturity date, and issuer. Makita appropriately diversifies investments by maturity and issuer. The equity securities are selected primarily from stocks that are listed on securities exchanges and over-the-counter market. Makita conducts a good research and analysis on the business scope and growth potential of companies to be invested in, and appropriately diversifies investments by the type of industry. Regarding investments in foreign equity and bonds, Makita has investigated the political and economic stability of the markets to be invested in, the market characteristics such as settlement systems and the taxation systems. On that basis, Makita selected countries and currencies appropriate for investment. For commingled funds, Makita selected those that have defined operating assets and management style. Makita also has alternative investments in J-REIT, G-REIT, commodities, high-yield debts and hedge-funds (market neutral strategy for Japanese equity and relative value strategy for bonds).

The following table summarizes the changes in Level 3 plan assets for the years ended March 31, 2012 and 2013:

	Yen in millions	
	2012	2013
Balance at beginning of year	-	520
Actual return on plan assets relating to assets held at year end	20	42
Purchases	500	336
Balance at end of year	520	898

Level 3 assets consist of hedge-funds investment (relative value strategy for bonds). They are valued at the net asset value. Information for retirement benefit plans with an accumulated benefit obligation in excess of plan assets is as follows:

	Yen in millions	
	2012	2013
Projected benefit obligation	3,596	4,199
Accumulated benefit obligation	3,526	4,119
Fair value of plan assets	447	509
Accumulated benefit obligation in excess of plan assets	3,079	3,610

Cash flows

Contributions:

Makita expects to contribute 2,479 million yen to its defined benefit pension plan in the year ending March 31, 2014.

Estimated future benefit payments

At March 31, 2013, the benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five years thereafter are as follows:

Year ending March 31,	Yen in millions
2014	1,822
2015	1,821
2016	1,803
2017	1,356
2018	1,650
2019-2023	9,744
Total	18,196

Certain foreign subsidiaries have defined benefit pension plans. The total expenses charged to income under these plans were 185 million yen and 201 million yen for the years ended March 31, 2012 and 2013, respectively. The Company has unfunded retirement allowance programs for the Directors and the Statutory Auditors. Under such programs, the aggregate amount set aside as retirement allowances for the Directors and the Statutory Auditors were 384 million yen and 384 million yen as of March 31, 2012 and 2013, respectively, which are included in other liabilities in the accompanying balance sheets. This executive retirement and termination allowances program was abolished by the Annual General Meeting of Shareholders held in June 2006. The aggregate amount set aside will be paid to the Directors and the Statutory Auditors when they retire.

9. SHORT-TERM BORROWINGS AND LONG-TERM INDEBTEDNESS

As of March 31, 2012 and 2013, short-term borrowings consisted of the following:

	Yen in millions	
	2012	2013
Bank borrowings	2,335	1,686
Current maturities of long-term indebtedness	16	9
Total	2,351	1,695

Short-term borrowings, excluding long-term indebtedness maturing within one year, consisted primarily of bank borrowings of overseas subsidiaries denominated in foreign currencies. As of March 31, 2012 and 2013, the weighted average interest rate on short-term bank borrowings was 13.7% and 9.4%, respectively. Certain subsidiaries of the Company had unused lines of credit available for immediate short-term borrowings without restrictions amounting to 15,280 million yen and 11,292 million yen of March 31, 2012 and 2013, respectively.

As of March 31, 2012 and 2013, long-term indebtedness consisted of the following:

	Yen in millions	
	2012	2013
Capital lease obligations (see Note 2 (8))	28	17
Current maturities included in short-term borrowings	(16)	(9)
Total	12	8

There were no covenants or cross default provisions under the Makita's financing arrangements. Furthermore, there were no subsidiary level dividend restrictions under the financing arrangements. The aggregate annual maturities of long-term indebtedness subsequent to March 31, 2013 are as summarized below:

Year ending March 31,	Yen in millions
2014	9
2015	5
2016	2
2017	1
2018	-
2019 and after	-
Total	17

10. SHAREHOLDERS' EQUITY

The Companies Act of Japan provides that an amount equal to 10% of distributions from retained earnings paid by the Company should be appropriated as a capital reserve or earned reserve (hereinafter called reserve). No further appropriations are required when the total amount of the reserve exceeds 25% of the capital stock. After shareholders' approval of the declaration of a cash dividend in the amount of 7,330 million yen at the annual meeting of shareholders held on June 25, 2013 based on a resolution of the Board of Directors, cash dividends will be paid to shareholders of record as of March 31, 2013. The declaration of this dividend has not been reflected in the consolidated financial statements as of March 31, 2013.

The amount of retained earnings available for dividends distribution is recorded in the Company's non-consolidated financial statement and amounted to 134,958 million yen as of March 31, 2013.

11. OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) as of March 31, 2012 and 2013, were as follows:

	Yen in millions	
	2012	2013
Foreign currency translation adjustment:		
Beginning balance	(50,041)	(54,847)
Adjustments for the year	(4,806)	27,482
Ending balance	(54,847)	(27,365)
Unrealized gains on investment securities:		
Beginning balance	2,412	2,899
Adjustments for the year	487	2,699
Ending balance	2,899	5,598
Pension liability adjustment:		
Beginning balance	(7,195)	(7,118)
Adjustments for the year	77	821
Ending balance	(7,118)	(6,297)
Total accumulated other comprehensive loss:		
Beginning balance	(54,824)	(59,066)
Adjustments for the year	(4,242)	31,002
Ending balance	(59,066)	(28,064)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments were as follows:

	Yen in millions		
For the year ended March 31, 2012	Before tax adjustment	Amount of tax	After tax adjustment
Foreign currency translation adjustment	(4,855)	49	(4,806)
Unrealized gains on investment securities:			
Unrealized losses arising during the year	(45)	143	98
Addition-Reclassification adjustment for losses realized in net income	652	(263)	389
Net unrealized gains	607	(120)	487
Pension liability adjustment:			
Unrealized losses arising during the year	(81)	27	(54)
Addition-Reclassification adjustment for losses realized in net income	220	(89)	131
Net unrealized gains	139	(62)	77
Other comprehensive losses	(4,109)	(133)	(4,242)

For the year ended March 31, 2013	Yen in millions		
	Before tax adjustment	Amount of tax	After tax adjustment
Foreign currency translation adjustment:			
Unrealized gain arising during the year	27,532	(85)	27,447
Addition-Reclassification adjustment for losses realized in net income	35	-	35
Net unrealized gains	27,567	(85)	27,482
Unrealized gains on investment securities:			
Unrealized gains arising during the year	4,274	(1,515)	2,759
Deduction-Reclassification adjustment for income realized in net income	(97)	37	(60)
Net unrealized gains	4,177	(1,478)	2,699
Pension liability adjustment:			
Unrealized gains arising during the year	946	(340)	606
Addition-Reclassification adjustment for losses realized in net income	347	(132)	215
Net unrealized gains	1,293	(472)	821
Other comprehensive income	33,037	(2,035)	31,002

12. EARNINGS PER SHARE

Basic earnings per share computations were as follows. There were no diluted effects during the years ended March 31, 2012 and 2013.

	Yen in millions	
Numerator	2012	2013
Net income available to common shareholders- Basic	32,497	31,076

	Number of shares	
Denominator	2012	2013
Weighted-average number of common shares outstanding- Basic	137,244,683	135,748,088

	Yen	
	2012	2013
Earnings per share: Basic	236.8	228.9

13. COMMITMENTS AND CONTINGENT LIABILITIES

Makita guarantees borrowings of its employees from external financial institutions. As of March 31, 2013, the Company was contingently liable as a guarantor for housing and education loans to employees in the amount of 2 million yen. The Company will be required to satisfy the outstanding loan commitments of certain employees in the event those employees are not able to fulfill their repayment obligations. The fair value of the liabilities for the Company's obligations under the guarantees described above as of March 31, 2013, was insignificant.

Makita's purchase obligations, mainly for purchase of raw materials, were 9,561 million yen as of March 31, 2013.

Makita is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on Makita's consolidated financial position, results of operations, or cash flows.

Makita made rental payments of 2,407 million yen and 2,589 million yen under cancelable and noncancelable operating lease agreements for offices, warehouses, automobiles and office equipment during the years ended March 31, 2012 and 2013, respectively. The minimum rental payments required under noncancelable operating lease agreements as of March 31, 2013, were as follows:

March 31, 2013	Yen in millions
2014	931
2015	710
2016	489
2017	348
2018	137
2019 and after	162
Total	2,777

Makita generally guarantees the performance of products delivered and of services rendered for a certain period or term. Estimates for product warranty cost are made based on historical warranty claim experience. The changes in provision for product warranty cost for the years ended March 31, 2012 and 2013 are summarized as follows:

	Yen in millions	
	2012	2013
Balance at beginning of year	2,015	2,032
Increase amount	1,482	1,859
Decrease amount (Utilization)	(1,404)	(1,736)
Foreign exchange adjustments	(61)	202
Balance at end of year	2,032	2,357

14. FAIR VALUE MEASUREMENTS

ASC 820 establishes a fair value hierarchy that prioritizes the inputs applied to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1:

Inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2:

Inputs are those other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3:

Inputs are unobservable types for the asset or liability.

The level in the fair value hierarchy within which a fair values measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets and liabilities measured at fair value on a recurring basis

The following table presents the placement in the fair value hierarchy of Makita's assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2012 and 2013:

As of March 31, 2012	Yen in millions			
	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments:				
Corporate debt securities	591	-	591	-
Investment trusts	6,512	5,596	916	-
MMF and FFF	13,336	-	13,336	-
Marketable equity securities	868	868	-	-
Derivatives	129	-	129	-
Investments:				
Marketable equity securities	11,817	11,877	-	-
Liabilities:				
Derivatives	(281)	-	(281)	-

As of March 31, 2013	Yen in millions			
	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments:				
Corporate debt securities	758	-	758	-
Investment trusts	7,023	6,154	869	-
MMF and FFF	24,927	-	24,927	-
Marketable equity securities	1,538	1,538	-	-
Derivatives	125	-	125	-
Investments:				
Marketable equity securities	14,142	14,142	-	-
Liabilities:				
Derivatives	(229)	-	(229)	-

Level 1:

Short-term investments are comprised principally of investment in trusts. Investments are comprised of marketable equity securities. They are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2:

Investments in trusts are comprised principally of domestic stock investment funds, domestic bond investment funds, and foreign bond investment funds, which are estimated by using observable inputs, such as net asset value per share. Almost all investments in trusts can be liquidated within 30 days.

MMF and FFF are acronyms for "Money Management Funds" and "Free Financial Funds". They are comprised principally of domestic public bonds, domestic corporate bonds, commercial papers, foreign public bonds and foreign corporate bonds which are operated to accrue stable capital gain.

Corporate bonds are not directly observable, but are valued using observable market data obtained from the financial institutions.

Derivatives are comprised of foreign currency contracts which are estimated by using observable market inputs, such as foreign currency exchange rates, interest rate and volatility.

Assets and liabilities measured at fair value on a nonrecurring basis

During the year ended March 31, 2012, Makita recognized an impairment loss of 214 million yen on long-lived assets. The impairment loss was included in the results of the Japan segment.
These long-lived assets consist of the land for the plant and other long-lived assets.
The management estimated the fair value of the land for the plant by the market approach method and that of the other long-lived assets by the cost approach method and the income approach method with the assistance of an independent third-party appraiser.

The following table presents Makita's assets that are measured at fair value on a non-recurring basis as of March 31, 2012:

As of March 31, 2012	Yen in millions			
	Fair Value			
	Level 1	Level 2	Level 3	Impairment loss
Assets:				
Long-lived assets	-	-	2,630	214

During the year ended March 31, 2013, Makita recognized an impairment loss of 45 million yen on long-lived assets. The impairment loss was included in the results of the Japan segment. These long-lived assets consist of the land for the plant and other long-lived assets.
The management estimated the fair value of the land for the plant by the market approach method and that of the other long-lived assets by the cost approach method and the income approach method with the assistance of an independent third-party appraiser.

The following table presents Makita's assets that are measured at fair value on a non-recurring basis as of March 31, 2013:

As of March 31, 2013	Yen in millions			
	Fair Value			
	Level 1	Level 2	Level 3	Impairment loss
Assets:				
Long-lived assets	-	-	2,580	45

15. DERIVATIVES AND HEDGING ACTIVITIES

Risk management policy

Makita is exposed to market risks, such as changes in currency exchange rates and interest rates. The Company and certain of its subsidiaries enter into foreign exchange contracts to reduce these risks. Makita does not use derivative instruments for trading or speculation purpose. Makita is also exposed to a risk of credit-related losses in the event of nonperformance by counter parties to the financial instrument contracts; however it is not expected that any counter parties will fail to meet their obligations, because the contracts are diversified among a number of major internationally recognized credit-worthy financial institutions.

Foreign exchange rate risk management

Makita operates internationally, giving rise to significant exposures to market risks from changes in foreign exchange rates, and enters into foreign currency contracts to hedge the foreign currency exposure.

These derivative instruments are principally intended to protect against foreign exchange exposure related to intercompany transactions and financing activities.

The fair value of the derivative instruments as of March 31, 2012 and 2013 were as follows.

Derivatives not designated as hedging instruments	Account title	Yen in millions March 31, 2012	Yen in millions March 31, 2013
Assets			
Foreign currency contracts	Other current assets	129	125
Liabilities			
Foreign currency contracts	Other current liabilities	(281)	(229)

The amount of gains (losses) recognized in income from derivatives for the years ended March 31, 2012 and 2013 were as follows:

Derivatives not designated as hedging instruments	Account title	Yen in millions Amount of gains (losses) on valuation of derivative 2012	2013
Foreign currency contracts	Net exchange gains (losses)	236	48

As of March 31, 2012 and 2013, the components of the notional amounts related to outstanding derivative assets and liabilities, by product and by currency, were as follows:

Breakdown of notional amounts outstanding by derivative product	Yen in millions March 31, 2012	Yen in millions March 31, 2013
Foreign currency contracts	27,450	33,487

Breakdown of notional amounts outstanding by currency	Yen in millions March 31, 2012	Yen in millions March 31, 2013
U.S. Dollars	18,445	26,000
Euro	6,933	5,707
Other	2,072	1,780
Total	27,450	33,487

Interest rate risk management

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

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The carrying amounts approximate to the fair value because of the short or no maturities of those instruments.

(2) Long-term Time Deposits

The fair value is estimated by discounting future cash flows using the market rate at the end of the year, in which Makita would be offered for deposits with similar terms and remaining maturities.

(3) Short-term Investments and Investments

The fair value of marketable short-term investments is estimated based on quoted market prices. For non-marketable securities, since there are no quoted market prices existing, a reasonable estimation of a fair value is impracticable, and such securities have been excluded from fair value disclosure. The fair value of such securities is estimated if and when the fair value becomes extremely low, or there may be indications of this.

Non-marketable securities amounted to 387 million yen and 387 million yen as of March 31, 2012 and 2013, respectively.

(4) Long-term Indebtedness

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

(5) Derivatives

The fair values of derivative financial instruments, consisting of foreign currency contracts used for hedging purposes, are estimated by obtaining quotes from brokers.

As of March 31, 2012 and 2013, the estimated fair value of the financial instruments was as follows:

	Yen in millions				
	March 31, 2012		March 31, 2013		
	Carrying amount	Fair value	Carrying amount	Fair value	Fair Value Hierarchy Levels
Short-term investments (see Note 14)	25,125	25,122	38,060	38,063	1 or 2
Investments (see Note 14)	18,767	18,764	18,074	18,101	1 or 2
Long-term time deposits	15	15	28	28	2
Long-term indebtedness including current maturities	(28)	(28)	(17)	(17)	2
Foreign currency contracts:					
Assets (see Note 15)	129	129	125	125	2
Liabilities (see Note 15)	(281)	(281)	(229)	(229)	2

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and are matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

17. SEGMENT INFORMATION

The operating segments presented below are defined as components of the enterprise for which separate financial information is available and regularly reviewed by the Company's chief operating decision maker. The Company's chief operating decision maker utilizes various measurements to assess segment performance and allocate company resources to the segments.

Segment by region

For the years ended March 31, 2012 and 2013, Makita's operating structure included the following geographical operating segments: Japan Group, Europe Group, North America Group, Asia Group, and Other Regions Group. Segment information is determined by the location of the Company and its relevant subsidiaries, as reported to the Company's chief operating decision maker.

Major countries or regions in each geographic area:

(1)Europe:
Germany, United Kingdom, Italy, France, Finland

(2)North America:
United States, Canada

(3)Asia:
China, Singapore, Thailand

(4)Other regions:
Australia, Brazil, United Arab Emirates

Makita evaluates the performance of each operating segment based on U.S. GAAP information. Segment profit and loss is measured in a consistent manner with consolidated operating income, which excludes interest income, dividend income, interest expense, foreign exchange gains or losses, realized gains and losses on investment securities, and other. Segment assets are based on total assets attributable to the segment. The accounting policies used in the segments information are the same as those used in the preparation of the consolidated financial statements. Inter-segment sales are made at estimated arm's-length. Eliminations and corporate items include inter-segment transactions, inter-segment payables and receivables, and elimination of unrealized profits related to inter-segment transactions. Makita is a manufacturer and wholesaler of electric power tools and other tools. The operating segments derive substantially all of their revenues from the sale of electric power tools and parts and their repairs.

Year ended March 31, 2012
(From April 1, 2011 to March 31, 2012)

	Yen in millions							
	Japan	Europe	North America	Asia	Other regions	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	71,499	123,537	38,073	12,887	49,715	295,711	-	295,711
Inter-segment (including transfers)	54,183	4,094	3,145	108,288	351	170,061	(170,061)	-
Total	125,682	127,631	41,218	121,175	50,066	465,772	(170,061)	295,711
Operating expenses	110,086	113,726	38,921	110,396	43,614	416,743	(169,548)	247,195
Operating income	15,596	13,905	2,297	10,779	6,452	49,029	(513)	48,516
Non-operating income	-	-	-	-	-	-	-	(1,553)
Income before income taxes	-	-	-	-	-	-	-	46,963
Long-lived assets	39,765	15,407	1,898	16,847	3,956	77,873	(135)	77,738
Total assets	236,620	121,502	30,966	82,859	52,647	524,594	(141,338)	383,256
Capital expenditures	3,991	2,182	492	6,589	320	13,574	(93)	13,481
Loss on valuation of inventories	14	1,326	34	12	576	1,962	-	1,962
Depreciation and amortization	3,791	1,244	366	1,486	406	7,293	(56)	7,237
Impairment loss	214	-	-	-	-	214	-	214
Government Grants	-	-	-	-	954	954	-	954

The Long-lived assets in China included in the Asia Segment amount to 12,112 million yen.

Year ended March 31, 2013
(From April 1, 2012 to March 31, 2013)

	Yen in millions							
	Japan	Europe	North America	Asia	Other regions	Total	Corporate and Eliminations	Consolidated
Sales:								
External customers	77,194	126,380	41,885	13,104	51,067	309,630	-	309,630
Inter-segment (including transfers)	47,835	3,892	2,466	111,478	137	165,808	(165,808)	-
Total	125,029	130,272	44,351	124,582	51,204	475,438	(165,808)	309,630
Operating expenses	109,883	118,466	42,689	110,158	46,150	427,346	(163,082)	264,264
Operating income	15,146	11,806	1,662	14,424	5,054	48,092	(2,726)	45,366
Non-operating income	-	-	-	-	-	-	-	325
Income before income taxes	-	-	-	-	-	-	-	45,691
Long-lived assets	38,310	18,498	2,104	21,054	6,489	86,455	(170)	86,285
Total assets	243,033	142,252	36,351	113,564	60,154	595,354	(154,380)	440,974
Capital expenditures	2,714	2,784	295	3,474	2,259	11,526	(45)	11,481
Loss on valuation of inventories	4	359	9	163	184	719	-	719
Depreciation and amortization	3,657	1,314	328	1,908	381	7,588	(46)	7,542
Impairment loss	45	-	-	-	-	45	-	45
Government Grants	-	-	-	-	494	494	-	494

The Long-lived assets in China included in the Asia Segment amount to 14,891 million yen.

Makita's current revenues by geographic area are set forth below.

	Yen in millions, except for percentage amounts			
	Year ended March 31,			
	2012		2013	
Japan	53,175	18.0%	56,555	18.3%
Europe	123,251	41.7	125,024	40.4
United States	28,660	9.7	32,393	10.5
North America (excluding United States)	8,815	3.0	9,090	2.9
Asia (excluding Japan)	26,013	8.8	29,106	9.4
Other	55,797	18.8	57,462	18.5
Total	295,711	100.0%	309,630	100.0%

No single external customer accounted for 10% or more of Makita's net sales for each of the year ended Mar 31, 2012 and 2013.

Consolidated Net Sales by Product Categories are as follows:

	Yen in millions, except for percentage amounts			
	Fiscal Year ended March 31,			
	2012		2013	
Electric Power Tools	213,274	72.1%	223,069	72.1%
Gardening Equipment, Household and Other Products	39,827	13.5	42,136	13.6
Parts, Repairs and Accessories	42,610	14.4	44,425	14.3
Total	295,711	100.0%	309,630	100.0%

18. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF INCOME

The following items and amounts were included in selling, general, administrative and others, net:

	Yen in millions	
Item	2012	2013
Research and Development Costs	7,603	8,396
Advertising Costs	4,713	5,310
Shipping and Handling Costs	6,180	6,116
Government Grants *	(954)	(494)

Government Grants are related to value-added tax incentives granted by Parana state in Brazil.

19. RELATED PARTY TRANSACTIONS

The transactions between the Company and Maruwa Co., Ltd. ("Maruwa"), for which the representative director of the Company, Masahiko Goto, and certain of his family members have a majority of the voting rights, amounted to 2 million yen for advertising expenses for each of the years ended March 31, 2012 and 2013.
The accounts payable of the Company related to these transactions were nil as of March 31, 2012 and March 31, 2013.

The Company's purchases of raw materials and production equipment from Toa Co., Ltd., for which a representative director of the Company, Masahiko Goto, and certain of his family members have a majority of the voting rights, were 75 million yen and 45 million yen during the years ended March 31, 2012 and 2013, respectively. The other payables of the Company related to these transactions were 2 million yen and 2 million yen as of March 31, 2012 and 2013, respectively.

The former outside director, Motohiko Yokoyama is the chairman of JTEKT Corporation. The Company's purchases of raw materials and production equipment, as well as payments to employees from JTEKT Corporation were 633 million yen during the year ended March 31, 2012 and 360 million yen during the year ended March 31, 2013. The accounts payables of the Company related to these transactions were 44 million yen and 40 million yen as of March 31, 2012 and 2013 respectively.

【Supplementary Schedules】

a. List of Bonds Payable

Makita has no Bonds Payable.

b. List of Borrowings

Please refer to Notes 9 of the Consolidated Financial Statements

c. List of Asset Retirement Obligation

Since the balance of Asset Retirement Obligation was less than one-hundredth of the total of liabilities and net assets as of the beginning and ending of FY2013, a detailed description of this is omitted.

(TRANSLATION)

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

June 26, 2013

To the Board of Directors of Makita Corporation:

KPMG AZSA LLC

Noriaki Habuto (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hideaki Koyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hisashi Ohkita (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Financial Statement Audit

We have audited the accompanying consolidated financial statements of Makita Corporation and its consolidated subsidiaries provided in the "Accounting" section in the company's Annual Report (YUKASHOKEN HOKOKUSHO), which comprise the consolidated balance sheet as at March 31, 2013, and the related consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Law of Japan.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to the Article 95 of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consideres internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Makita Corporation and its consolidated subsidiaries as at March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Audit

We have audited Makita Corporation's internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in accordance with Article 193-2(2) of the Financial Instruments and Exchange Law of Japan. Makita Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control Over Financial Reporting. Our responsibility is to independently express an opinion on Makita Corporation's internal control over financial reporting.

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

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

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

In our opinion, Makita Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Major Differences with Auditing Standards for Internal Control over Financial Reporting Generally Accepted in Japan

We conducted internal control audit in accordance with the PCAOB auditing standards. Major differences between the PCAOB auditing standards and the auditing standards for internal control over financial reporting generally accepted in Japan are as follows:

1. We express an audit opinion on the Report of Management on Internal Control Over Financial Reporting prepared by the company's management under the auditing standards generally accepted in Japan while we express an audit opinion on the internal control over financial reporting under the PCAOB auditing standards.
2. As the scope of internal control over financial reporting is different between the auditing standards generally accepted in Japan and the PCAOB auditing standards, our internal control audit only covers internal controls for preparation of consolidated financial statements provided in the "Accounting" section, and does not cover internal controls related only to non-consolidated financial statements or internal controls related to disclosure items which could have material effects on the reliability of the company's financial statements.

Other Matter

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

Notes to the reader of audit report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Law of Japan.