Makita Corporation

Additional Information
for the year ended March 31, 2019

Consolidated Financial Statements

(Partial translation of "YUKASHOKEN HOKOKUSHO"
originally issued in Japanese)

CONTENTS

Consolidated Statement of Financial Position

In Millions of Yen

	Notes	Transition Date (April 1, 2017)	2018	2019
ASSETS				
Current Assets				
Cash and Cash equivalents	5	142,181	147,320	146,512
Trade and other receivables	6 ,21	67,262	78,988	79,450
Inventories	7	167,523	196,454	219,938
Other financial assets	27	50,112	48,037	37,828
Other current assets	8	6,682	8,663	9,401
Total current assets		433,760	479,462	493,129
Non-current assets				
Property, plant and equipment	9	95,488	100,813	112,441
Goodwill and Intangible assets	10	6,637	6,991	8,039
Other financial assets	27	43,800	45,561	43,566
Employee benefits assets	15	8,382	9,729	9,541
Deferred tax assets	24	9,169	10,049	9,342
Other non-current assets	8	2,317	2,236	4,192
Total non-current assets		165,793	175,379	187,121
Total assets		599,553	654,841	680,250

In Millions of Yen

	Notes	Transition Date (April 1, 2017)	2018	2019
LIABILITIES				
Current liabilities				
Trade and other payables	12	33,460	35,024	38,904
Borrowings	13	6,564	3,361	11,799
Other financial liabilities	27	284	429	220
Income tax payables		7,264	10,071	7,153
Provisions	17	3,412	2,928	3,040
Other current liabilities	14,21	24,899	29,294	29,678
Total current liabilities		75,883	81,107	90,794
Non-current liabilities				
Employee benefit obligations	15	3,161	3,206	3,231
Other financial liabilities	27	18	133	256
Provisions	17	1,440	1,352	1,293
Deferred tax liabilities	24	10,738	10,388	7,236
Other non-current liabilities	14	234	216	218
Total non-current liabilities		15,591	15,295	12,234
Total liabilities		91,474	96,402	103,028
EQUITY				
Share capital	19	23,805	23,805	23,805
Capital surplus	19	45,501	45,531	45,571
Retained earnings	19	427,999	469,232	508,622
Treasury shares	19	(11,623)	(11,617)	(11,681)
Other components of equity	19	18,557	27,095	6,431
Total equity attributable to owners of the parent		504,239	554,046	572,748
Non-controlling interests		3,840	4,393	4,474
Total equity		508,079	558,439	577,222
Total liabilities and equity		599,553	654,841	680,250

Consolidated Statement of Profit or Loss

In millions of Yen, per share amounts in Yen

	Notes	2018	2019
Revenue	4， 21	477,298	490,578
Cost of sales	22	(301,392)	(313,356)
Gross profit		175,906	177,222
Selling and general administrative expenses	22	(95,675)	(98,917)
Operating profit	4	80,231	78,305
Financial income	4， 23	3,180	2,680
Financial expenses	4， 23	(3,546)	(1,066)
Profit before tax	4	79,865	79,919
Income tax expense	24	(24,406)	(23,728)
Profit for current year		55,459	56,191
Attributable to:			
Owners of the parent		54,943	55,750
Non-controlling interests		516	441
Earnings per share	25		
Basic earnings per share		202.39	205.37
Diluted earnings per share		202.37	205.34

Consolidated statements of Comprehensive Income

In millions of Yen

	Notes	2018	2019
Profit for current year		55,459	56,191
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Net gain(loss) on revaluation of financial assets measured at fair value through other comprehensive income		(1,098)	(7,889)
Remeasurements of defined benefit plans		188	(87)
Total of items that will not be reclassified to profit or loss		(910)	(7,976)
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		9,853	(12,623)
Total of items that may be reclassified subsequently to profit or loss		9,853	(12,623)
Other comprehensive income, net of income taxes	26	8,943	(20,599)
Total comprehensive income		64,402	35,592
Attributable to:			
Owners of Makita		63,669	35,286
Non-controlling interests		733	306

Consolidated Statements of Changes in Equity

In millions of Yen

	Note	Issued capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total	Non-controlling interest	Total equity
Balance at April 1, 2017		23,805	45,501	427,999	(11,623)	18,557	504,239	3,840	508,079
Profit for currency year				54,943			54,943	516	55,459
Other comprehensive income, net of income taxes	26					8,726	8,726	217	8,943
Total comprehensive income		—	—	54,943	—	8,726	63,669	733	64,402
Dividends	20			(13,845)			(13,845)	(180)	(14,025)
Purchase of treasury shares	19				(5)		(5)		(5)
Disposal of treasury shares	19		(11)		11		0		0
Share-based payment transactions	16		41				41		41
Transfer from other components of equity to retained earnings	19			188		(188)	—		—
Other increase(decrease)				(53)			(53)		(53)
Total transactions with owners		—	30	(13,710)	6	(188)	(13,862)	(180)	(14,042)
Balance at March 31,2018		23,805	45,531	469,232	(11,617)	27,095	554,046	4,393	558,439
Net income				55,750			55,750	441	56,191
Other comprehensive income, net of income taxes	26					(20,464)	(20,464)	(135)	(20,599)
Total comprehensive income		—	—	55,750	—	(20,464)	35,286	306	35,592
Dividends	20			(16,560)			(16,560)	(225)	(16,785)
Purchase of treasury shares	19				(4)		(4)		(4)
Disposal of treasury shares	19		0		0		0		0
Share-based payment transactions	16		40				40		40
Transfer from other components of equity to retained earnings	19			200		(200)	—		—
Other increase/decrease					(60)		(60)		(60)
Total transactions with owners		—	40	(16,360)	(64)	(200)	(16,584)	(225)	(16,809)
Balance at March 31, 2019		23,805	45,571	508,622	(11,681)	6,431	572,748	4,474	577,222

Consolidated Statement of Cash Flows

In millions of Yen

	Notes	2018	2019
Cash flows from operating activities			
Net income		55,459	56,191
Depreciation and amortization	9,10	10,783	11,271
Income tax expenses	24	24,406	23,728
Financial (income) and expenses		366	(1,614)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets		18	113
(Increase) decrease in trade and other receivables		(11,187)	(2,085)
(Increase) decrease in inventories		(24,289)	(30,455)
Increase(decrease) in trade and other payables		2,495	2,581
Increase, decrease in asset and liability of Pension		(1,433)	395
Increase in guarantee deposits		—	(8,990)
Others		(3,103)	(4,487)
Subtotal		53,515	46,648
Dividends received		497	643
Interest received		2,409	2,004
Interest paid		(43)	(47)
Income taxes paid		(22,187)	(26,093)
Cash flows from operating activities		34,191	23,155
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment		(15,045)	(23,867)
Disposal of property, plant and equipment		496	382
Purchase of investments		(8,743)	(12,745)
Disposal and redemption of investments		16,193	5,634
Payments to time deposit		(51,010)	(31,902)
Proceeds from withdrawal of time deposits		42,374	47,758
Others		27	(589)
Cash flows from investing activities		(15,708)	(15,329)
Cash flows from financing activities			
Increase(decrease) in short-term borrowings	29	(3,667)	8,704
Purchase and re-issuance of treasury shares		(5)	(4)
Dividends paid	20	(13,845)	(16,560)
Others		(226)	(371)
Cash flows from financing activities		(17,743)	(8,231)
Effect of changes in exchange rates on cash and cash equivalents		4,399	(403)
Increase(Decrease) in cash and cash equivalents		5,139	(808)
Cash and cash equivalents at beginning of period	5	142,181	147,320
Cash and cash equivalents at end of period	5	147,320	146,512

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE1 BASIS OF PREPARATION

The consolidated financial statements of Makita Group for the year ended March 31, 2019, have been first prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The previous-year figures have been determined using the same principles. The transition date to IFRS was April 1, 2017. The effective of this transition for the financial position, operating performance and cashflow on transition date and the previous financial year are all listed in Note32 First adoption.

The consolidated financial statements are in line with the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation methods of consolidated financial statements (Ordinance of the Ministry of Finance of Japan No.28 of 1976), as they satisfy the requirements for an "IFRS Specified Company" in Article 1-2 of the same ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities including financial instruments measured at fair value as presented in Note3 "Significant Accounting Policies".

The functional and presentation currency is Japanese Yen. Unless stated otherwise, all figures are in millions of Yen.

The consolidated financial statements prepared as of March 31, 2019 were authorized for publication by management on June 27.

All accounting policies that are relevant to an understanding of financial statements are provided throughout the notes to the financial statements.

The group's consolidated financial statements include estimates and assumptions made by management regarding income and expenses, measurement of the carrying amounts of assets and liabilities, and disclosure of contingencies and others at the end of the reporting period. These estimates and assumptions are based on management's best judgement at the end of the reporting period, and take into account historical experience and various other factors that can be considered and reasonable. However, due to their nature, actual results may differ from these estimates and assumptions.
The estimates and their underlying assumptions are reviewed by management on an ongoing basis. The effects of revisions to accounting estimates and assumptions are recognized in the period when the estimates are revised and in future accounting periods.
Estimates and assumptions that significantly affect the amounts recognized in the Group's consolidated financial statements are as follows:

- Fair value of financial instruments – refer to Note3 Significant accounting policies and Note27 Financial instrument
- Defined benefit obligation – refer to Note3 Significant accounting policies and Note15 Employee benefits
- Provision – refer to Note3 Significant accounting policies and Note17 Provisions
- Deferred tax asset – refer to Note3 Significant accounting policies and Note24 Income taxes

The judgments made by management in the process of applying accounting policies that have a significant impact on consolidated financial statements are as follows:

- Revenue – refer to Note3 Significant accounting policies and Note15 Revenue

NOTE2 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS	Standards	Mandatory Adoption (from the fiscal year beginning)	Adoption by the Group	Overview of new or revised standards and interpretations
IFRS16	Leases	January1, 2019	March, 2020	Revised lease definitions, accounting treatment and disclosures

The new Standard IFRS 16 (Leases) sets out a new approach to accounting for leases by lessees**.** The leases classified as operating lease under IAS 17 will be accounted for as right-of-use asset and lease liabilities except for the exemptions by the lessee on the consolidated statement of financial statement.

The main impact of this adoption on the Group's consolidated financial statements is now on calculation.

NOTE3 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements present the operations of Makita Japan and all its subsidiaries.

Subsidiaries refer to all business entities controlled by the company. Financial statements of subsidiaries are included in the consolidated statements from the date the company gains the control of the subsidiary till the date the company loss the control of the subsidiaries. A change in the company's ownership interest without loss of control will be accounted for as equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attribution to the owner of Makita.

All intergroup balances, transactions, income and expenses, unrealized gains and losses arising from intergroup transactions are eliminated when prepare the consolidated statements.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration of an acquisition is measured as the aggregate of the acquisition-date fair value of the assets transferred, liabilities assumed and equity securities issued by the Company to the former owners of the acquire in exchange for control of the acquire.

Any excess of the consideration over the net fair value of identifiable assets acquired and liabilities assumed at the acquisition date is recognized as goodwill in the consolidated statement of financial position. Conversely, any deficit is immediately recognized as income in the consolidated statement of income.

Costs associated with business combinations are expensed as incurred.

Foreign currency translation

(1) Foreign Currency Transactions

Foreign currency transactions are conducted by translating into a functional currency of each company of Makita at the exchange rate as of the tansaction date.

Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated into functional currencies at the exchange rate as of the reporting date.

As for non-monetary assets and liabilities denominated in foreign currencies, those measured at the acquisition cost are translated by using the exchange rate as of the transaction date, and those measured at fair value are translated by using the exchange rate as of the date of calculation of the fair value. The exchange differences arising from the translation or the settlement are recognized in profit or loss. However, the differences arising from the translation of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

(2) Foreign operations

Assets and liabilities of a foreign operation are translated into Japanese yen at the exchange rate as of the reporting date, and its revenue and expenses are translted at the average exchange rate for the period except the case that the exchage rate changes significantly. The exchange differences as a result of this are recognized in other comprehensive income. The exchange differences of a foreign operation are recognized in profit or loss during the period in which the foreign operation is disposed.

Financial instruments

Non-derivative financial assets

(i) Initial recognition and measurement

At initial recognition, Makita classifies financial assets as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. We initially recognize trade receivables and other receivables on the effective date, and other financial assets on the transaction date in which we become a party to the contract of the financial instrument.

All of the financial assets, except financial assets measured at fair value through profit or loss, are initially measured at the amount of fair value added to the transaction cost directly attributable to the financial asset. However, trade receivables without a significant financial component are initially measured at the transaction price.

(a) Financial assets measured at amortized cost

We classify financial assets that both of the following conditions are met as financial assets measured at amortized cost:

・ The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

・ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value through other comprehensive income

At initial recognition, Makita make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of a particular investment in an equity instrument not held for trading that would otherwise be measured at fair value and not classified as financial assets measured at amortized cost. If the group derecognized an investment, or if the fair value of the investment declines significantly, the cumulative gains or loss recognized in other comprehensive income is reclassified from other component of equity to retained earnings.

(c) Financial assets measured at fair value through profit or loss

Financial assets, other than financial assets measured at amortized cost or at fair value through other comprehensive income, are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are, after initial recognition, measured at amortized cost based on the effective interest method. Interest revenue calculated by using the effective interest method is recognized in profit or loss.

(b) Financial assets measured at fair value through other comprehensive income

Equity instruments measured at fair value through other comprehensive income are, after initial recognition, measured at fair value, and its subsequent changes are recognized in other comprehensive income. The cumulative amount that is recognized in other comprehensive income is transferred to retained earnings, when the amount is derecognized or when the fair value decreases significantly. In addition, dividends from equity instruments measured at fair value through other comprehensive income are recognized in profit or loss.

(c) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or losses are, after initial recognition, measured at fair value. Gain or loss of valuation arising from changes in fair value, dividends, and interest revenue are recognized in profit or loss.

(iii) Derecognition

Financial assets are derecognized, when the contractual rights to the cash flows from the financial asset expire, or when the contractual rights to receive the cash flows of the financial asset along with almost all of the risks related to the contract and its economic value transferred.

Impairment of financial assets

Makita recognizes allowance for doubtful receivables for expected credit losses related to financial assets measured at amortized cost. Expected credit losses are measured based on discounted present value of the difference between contractual cash flows to be received based on the contract and cash flows to be expected to be received.

If the credit risks related to the financial asset increase significantly after initial recognition, lifetime expected credit losses are recognized in allowance for doubtful receivables. If the risk does not increase significantly after initial recognition, 12-month expected credit losses are recognized in allowance for doubtful receivables. In addition, trade receivables without a significant financial component are classified in accordance with the credit risk of the other party based on the past due information or the internal credit rating, and their allowance for doubtful receivables are necessarily measured at an amount equal to lifetime expected credit losses, with the ratio of past credit losses calculated by the classification multiplied the provision ratio in consideration of expected future economic conditions.

We assess whether credit risks related to financial assets increase significantly after initial recognition or not by comparing the risk of default at initial recognition and the risk of default at each reporting date, taking into consideration the reasonable information with evidence as well as the past due information. If entire or part of a financial asset is judged to be impossible or incredibly difficult to be collected, it is considered to be in default and treated as credit-impaired financial assets.

We directly reduce the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof.

Allowance for doubtful receivables and reversal of allowance for doubtful receivables of financial assets are recognized in profit or loss.

Non-derivative financial liabilities

(i) Initial recognition and measurement

At initial recognition, Makita classifies financial liabilities as financial liabilities measured at amortized cost or liabilities measured at fair value through profit or loss. A financial liability is initially recognized on the transaction date in which we become a party to the contract of the financial liability.

All of the financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at the amount after deduction of the transaction cost directly attributable to the financial liabilities from the fair value.

(ii) Subsequent measurement

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are, after initial recognition, measured at amortized cost based on the effective interest method.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or losses are, after initial recognition, measured at fair value. Gain or losses of valuation arising from changes in fair value are recognized in profit or loss.

(iii) Derecognition

A financial liability is derecognized, when it is extinguished, namely, when the obligation specified in the contract is discharged, chancelled or expired.

Derivatives

Makita uses derivatives including forward exchange contracts and currency swap transactions in order to hedge the foreign currency risk. Derivatives are initially recognized at fair value and remeasured at fair value after initial recongnition. Changes in fair value of derivatives are recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and short-term that are highly liquid and readily convertible to known amounts of cash subject to an insignificantly risk of changes in value, and that mature or become due within 3 months from the date of acquisition.

Inventories

Inventories are measured at the lower of the acquisition cost and the net realizable value. Acquisition costs include all costs of purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. Acquisition costs are calculated by using the weighted average cost formula. Costs of conversion include production overheads based on the normal capacity of production. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are measured using the cost model and carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises any cost directly attributable to acquisition of the asset and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Regarding subsequent expenditures for the repairs and improvement of the item of property, plant and equipment, if they satisfy the requirements that it is probable that value of the property, plant and equipment will be improved and future economic benefits associated with the item will flow to the entity and it is clear that production capacity will be significantly increased, these repairs and improvement shall be recognized as part of the acquisition cost.

Property, plant and equipment other than land and construction in progress are depreciated by using the straight-line method, for its depreciable amount that is its acquisition cost less the residual value, over its estimated useful life beginning from the point when the assets are available for use. The estimated useful lives of the major assets are as follows.

Buildings and improvements:	3 to 60 years
Machinery and equipment:	3 to 15 years

Depreciation method, residual value and estimated useful lives are reviewed every year and revised if necessary.

Goodwill and Intangible Assets

1) Goodwill

Goodwill arising from a business combination is not amortized, and is carried at cost, determined at the acquisition date, less any accumulated impairment losses.

In addition, goodwill is allocated to the cash generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination, and is tested for impairment at least once a year by each fiscal year end or if there are indications of impairment. Impairment loss on goodwill is recognized in profit or loss and is not reversed in subsequent periods.

2) Intangible Assets

Intangible assets are measured using the cost model and carried at cost less any accumulated amortization and any accumulated impairment losses.

The costs of separately acquired intangible assets comprise any costs directly attributable to acquisition of the assets. An intangible asset acquired in a business combination is recognized as an intangible asset and measured at fair value at the acquisition date.

Development expenditures are capitalized only if they can be measured reliably, future economic benefits are probable and the Group intends to, and has sufficient resources to complete development and to use or sell the asset. If it is probable that internally used software enables an entity to obtain future economic benefits and cut the cost, the development cost can be recognized as an intangible asset.

Intangible assets with definite useful lives are amortized by using the straight-line method over each estimated useful life. The estimated useful lives of the major intagible assets are as follows:

Intangible asset arising from development phase	5 years
Software	2-10 years
Trademarks	20 years

Amortization method, residual value and estimated useful lives are reviewed every year and revised if necessary.

Lease

The group classifies a lease that transfers substantially all the risks and rewards incidental to ownership of an asset as a financial lease and a lease other than a finance lease as an operating lease.

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement, in accordance with IFRIC Interpretation 4 “Determining Whether an Arrangement Contains a Lease.”

In finance lease transactions, lease assets and lease obligations are initially recognized at the lower of the fair value of leased property and the present value of the minimum lease payments, each determined at the inception of the lease.

Lease assets are depreciated by using the straight-line method over the fewer years of the estimated useful life and the lease term.

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

Impariment of Non-financial Assets

We judge at the reporting date whether there are any indications that Makita’s non-financial assets except inventories and deferred income taxes may be impaired.

If any of those indications is present, we conduct impairment tests to estimate recoverable amount of the assets. Goodwill, intangible assets with no definite useful life, and intangible assets that are not yet available for use are not amortized, and the impairment tests are conducted every year and every time when indications of impairment are present.

Makita’s corporate assets do not generate independent cash inflow, therefore, if there is any indication that the corporate assets may be impaired, the recoverable amount of cash-generating unit to which the corporate assets is attributable is estimated.

A recoverable amount is the higher amount of the fair value less the cost of disposal and the value in use. In culculating value in use, an estimate of the future cash flows is discounted to the present value by using the discount rate before tax that reflects the time value of money and the risk inherent in the asset.

If the carrying amount of each asset or cash-generating unit exceeds the recoverable amount, the impaiement loss is recognized in profit or loss, and the carrying amount of the asset is reduced to a recoverable amount. Any impairment loss recognized related to cash-generating units or groups of cash-generating units is allocated to reduce the carrying amount of goodwill allocated to the unit, and then the carrying amount of other assets in the unit is reduced proportionally.

Impairment losses of goodwill are not reversed. As for impairment losses of non-financial assets other than goodwill, the recorvarable amount of the asset is estimated if there is no impairment losses or any indication of possibility that the impairment loss is reduced, and the impairment loss is reversed if the recoverable amount exceeds the carrying amount after impairment. In addition, reversal of impairment losses are recognized in profit or loss, within the range not exceeding the carrying amount when there was no impairment loss recognized in the asset in the past.

Post-emplyment Benefits

Makita has adopted defined benefit pension plans and defined contribution plans for post-employment benefits.

(i) Defined benefit pension plans

The present value of the defined benefit obligations and the related current service cost and past service cost are calculated by using the projected unit credit method.

A discount rate is calculated based on the market yields of high quality corporate bonds at the reporting date corresponding to a discount period which is determined based on the period until the expected date of future benefit payment in each fiscal year.

Assets and liabilities related to defined benefit pension plans are calculated by the amount of the present value of defined benefit obligations less the fair value of the plan assets. The current service cost and net interest on the net defined benefit liability are recognized in profit or loss. Past service costs are recognized as expense during the period in which they occur.

Remeasurements of the net defined benefit liability or asset are entirely recognized in other comprehensive income in the period in which they occur, and immediately transferred to retained earnings.

(ii) Defined contribution plans

The contribution payable to defined contribution plans is recognized as expense during the period in which employees render the related service.

Share-based payments

The group enacted stock option plan to its members of the board of directors, excluding outside directors. The plan is designed as equity-settled. Fair value is measured at grant date and is expensed over the vesting period.

Provisions

Provisions are recognized when Makita has a present legal obligation or constructive obligation as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the provision is measured at the present value of the expenditures that are expected to be required to settle the obligation. Present value is culculated by using the discount rate before tax that reflects the time value of money and the risks inherent in the liability. Rebate of the discounted amount arising from the passage of time is recognized as financial cost.

Warranty provisions are provided to prepare for the expense of after-sales service for the products based on the past actual cost, taking into consideration the defective rate of current products, the malfunction of specific products never manufactured before, the effects of the costs of materials and shipping related to repair of defective products. Warranty provisions are provided as provisions and cost of sales, when the revenue is recognized.

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.

Product warranty provisions are recorded as provisions and cost of sales when revenue is recognized.

Equity and other capital

1) Ordinary shares

Ordinary shares are recognized in share capital and capital surplus at their issue price. Share issuance costs are deducted from the issue price.

3) Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or retirement of the company’s treasury shares. Any difference between the carrying amount and consideration received on the sale of treasury shares is recognized directly in equity.

Revenue Recognition

Makita recognizes revenue by applying the following five steps.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

Makita is engaged mainly in production and sales of electric power tools and gardening equipment, etc. Regarding these product, we have determined that a performance obligation is satisfied when a product is transferred to a customer as the customer has control of the product. Therefore, revenue of these products is recognized at the point of transferring these products. In addition, the revenue is measured at the amount of the promised consideration in a contract with a customer less the amount of a reduction, rebate and returned products.

Financial income and expenses

Financial income consists of interest income, dividend income, foreign exchange gains, derivative income, etc. Interest income is recognized as incurred using the effective interest rate method. Dividend income is recognized when the Group's right to receive payment is established. Financial expenses consist of interest expense, foreign exchange loss, derivative loss, etc. Interest expense is recognized as incurred using the effective interest rate method.

Income taxes

Income taxes consist of current income taxes and deferred income taxes. Income taxes are recognized as income or expenses and included in profit or loss, except for taxes related to business combinations and taxes related to items that are recognized directly in equity or in other comprehensive income.

Current income taxes are recognized in the amount of the expected taxes payable to or receivable from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period in countries where the Group conducts business and earns taxable income.

Deferred income assets and liabilities are recognized for temporary differences between the carrying amounts of assets or liabilities at the end of the reporting period and its tax base, and for tax loss carryforwards. Deferred tax assets are recognized for deductible temporary differences, the carryforward of unused tax losses and the carryforwards of unused tax credits to the extent of that it is probable that future taxable income will be available against such deferred tax assets. Deferred tax liabilities are recognized, in principle, for all taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising from initial recognition of goodwill
- Deductible temporary differences on investments in subsidiaries and associates, when it is probable that the temporary differences will not reverse in the foreseeable future
- Taxable temporary differences on investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

Earnings Per share

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share are calculated by adjusting the effects of all dilutive potential ordinary shares.

Government Grant

Government grants will be recognised if it is assurance that the grant will be received and the conditions attaching to them will be complied.

Government grant related to income will be included in “Other income”.

Government grant related to asset will be recognized as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

NOTE4 SEGEMENT INFORMATION

The group’s reportable segment are the components of the Group for which discrete financial information is available and which are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing their performance.

Makita group has an single business with core activities in the field of production and sales of electric power tools, pneumatic tools and gardening equipment. Local subsidiaries in Japan, Europe, North America, Asia and other regions work in cooperation with each other to achieve our aims.

Accordingly, the group’s reportable segement is organized by the region of Japan, Europe, North-american and Asia.

Reportable Segment	Major Countries
Japan	Japan
Europe	Germany、England、Russia、France、Finland
North-America	America、Canada
Asia	China、Thailand

Reportable segment information

The accounting treatment in each reportable segment is the same as in Notes4 “Significant Accounting policies and critical accounting estimates”.

Transition Date (April 1, 2017)

In millions of Yen

	Reportable segment				Subtotal	Others (Note1)	reconciliation (Note2)	Consolidated
	Japan	Europe	North-America	Asia				
Segment assets	357,349	187,805	52,322	162,115	759,591	70,973	(231,011)	599,553

"Other" mainly consists of the regions of Australia, Brazil and the UAE

Fiscal Year 2018

In millions of Yen

	Japan	Europe	North-America	Asia	**Subtotal**	Others	Reconciliation to Consolidated Financial Statements	**Consolidated**
Revenue								
External Revenue	106,862	202,364	76,325	26,139	411,690	65,608	—	477,298
Inter-segment revenue	202,827	4,811	4,388	212,697	424,723	1,560	(426,283)	—
Total revenue	309,689	207,175	80,713	238,836	836,413	67,168	(426,283)	477,298
Operating Income	31,671	19,211	2,250	24,565	77,697	5,484	(2,950)	80,231
Financial income	—	—	—	—	—	—	—	3,180
Financial expenses	—	—	—	—	—	—	—	(3,546)
Income before income tax	—	—	—	—	—	—	—	79,865
Other items								
Depreciation and Amortization	3,789	2,106	595	3,915	10,405	461	(83)	10,783
Segment Assets	395,440	227,253	61,570	162,975	847,238	72,067	(264,464)	654,841
Capital expenditures	5,414	2,860	625	5,561	14,460	497	88	15,045

Fiscal Year 2019

In millions of yen

	Japan	Europe	North-America	Asia	Subtotal	Others	Reconciliation to Consolidated Financial Statements	Consolidated
Revenue								
External Revenue	112,143	213,903	74,854	26,414	427,314	63,264	—	490,578
Inter-segment revenue	220,111	5,902	3,941	220,999	450,953	806	(451,759)	—
Total revenue	332,254	219,805	78,795	247,413	878,267	64,070	(451,759)	490,578
Operating Income	32,330	18,424	267	23,094	74,115	5,715	(1,525)	78,305
Financial income	—	—	—	—	—	—	—	2,680
Financial Cost	—	—	—	—	—	—	—	(1,066)
Income before income tax	—	—	—	—	—	—	—	79,919
Other items								
Depreciation and Amortization	3,948	2,163	702	4,108	10,921	454	(104)	11,271
Segment Assets	425,982	228,123	68,582	160,642	883,329	71,699	(274,778)	680,250
Capital expenditures	8,337	6,872	1,129	7,023	23,361	743	(237)	23,867

Products and Service Information

In millions of Yen

	2018	2019
electric power tools	299,264	300,118
pneumatic tools and gardening equipment	99,976	108,046
Parts, accessories and maintenance	78,058	82,414
Total	477,298	490,578

Information about Geographical Areas

External revenue

In millions of Yen

	2018	2019
Japan	82,575	92,129
Europe	202,054	213,238
North-America America	73,873 (64,089)	72,508 (62,892)
Asia	44,094	40,909
Others	74,702	71,794
Total	477,298	490,578

Non-current assets (excluding financial assets, deferred tax assets and retirement benefits assets)

In millions of Yen

	Transition Date (Apr.1.2017)	2018	2019
Japan	44,454	45,821	50,737
Europe （Romania）	22,164 (7,732)	24,709 (8,619)	29,732 （13,370)
North-America	4,629	4,667	5,259
Asia （China）	24,478 (18,232)	26,676 (20,146)	28,961 (21,592)
Others	8,717	8,167	9,983
Total	104,442	110,040	124,672

NOTE 5 CASH AND CASH EQUIVALENTS

Cash and Cash equivalents comprise the following: In millions of Yen

	Transition Date (Apr.1.2017)	2018	2019
Cash and deposit	95,621	116,147	111,220
Deposit within 3 months	46,560	31,173	35,292
Total	142,181	147,320	146,512

NOTE 6 TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables comprise the following:

In millions of Yen

	Transition Date (Apr.1, 2017)	2018	2019
Notes receivables and Accounts receivables	68,399	80,328	80,511
Allowance of bad debt	(1,137)	(1,340)	(1,061)
Total	67,262	78,988	79,450

NOTE 7 INVENTORIES

Inventories comprise the following:

In millions of Yen

	Transition Date (Apr.1, 2017)	2018	2019
Finished goods and goods for sale	144,268	164,785	185,774
Work in progress	2,431	3,117	3,010
Raw materials and supplies	20,824	28,552	31,154
Total	167,523	196,454	219,938

- The Cost of sales includes inventories recognized as expense amounted to 298,119 million and 310,058, respectively, in fiscal year 2018 and 2019.
- Write-downs to net realizable value amounted to 2,768 and 1,983 million, respectively, in fiscal year 2018 and 2019.

NOTE 8 OTHER ASSETS

Other assets comprise the following:

In millions of Yen

	Transition Date (Apr.1, 2017)	2018	2019
Tax receivable	1,650	736	1,433
Accrued expenses	1,398	1,859	1,647
Others	5,951	8,304	10,513
Total	8,999	10,899	13,593
Thereof Current	6,682	8,663	9,401
Thereof Non-Current	2,317	2,236	4,192
Total	8,999	10,899	13,593

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

The following tables present changes in acquisition costs, accumulated depreciation and accumulated impairment losses, and carrying amounts of property, plant and equipment.

Acquisition cost

In millions of Yen

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Total
Carrying amount at April 1, 2017	97,504	91,493	23,072	5,531	217,600
Additions	1,527	7,271	155	5,081	14,034
Sales and Disposals	(349)	(4,230)	(24)	(699)	(5,302)
Reclassification	1,366	2,787	—	(4,153)	—
Exchange differences on translation of foreign operations	1,170	1,547	135	267	3,119
Carrying amount at March 31, 2018	101,218	98,868	23,338	6,027	229,451
Additions	1,781	7,777	2,549	11,961	24,068
Sales and Disposals	(282)	(4,140)	(110)	(160)	(4,692)
Reclassification	919	3,054	167	(4,140)	—
Exchange differences on translation of foreign operations	(1,262)	(1,698)	(243)	(409)	(3,612)
Carrying amount at March 31, 2019	102,374	103,861	25,701	13,279	245,215

Accumulated depreciation and accumulated impairment

In millions of Yen

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Total
April 1, 2017	(51,660)	(70,039)	(413)	—	(122,112)
Depreciation	(2,639)	(6,489)	—	—	(9,128)
Sales and Disposals	292	3,888	—	—	4,180
Exchange differences on translation of foreign operations	(304)	(1,274)	—	—	(1,578)
March 31, 2018	(54,311)	(73,914)	(413)	—	(128,638)
Depreciation	(2,668)	(6,986)	—	—	(9,654)
Sales and Disposals	240	4,108	31	—	4,379
Exchange differences on translation of foreign operations	286	853	—	—	1,139
March 31, 2019	(56,453)	(75,939)	(382)	—	(132,774)

Carrying Amount

In millions of Yen

	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Total
April 1, 2017	45,844	21,454	22,659	5,531	95,488
March 31,2018	46,907	24,954	22,925	6,027	100,813
March 31,2019	45,921	27,922	25,319	13,279	112,441

Depreciation of property, plant and equipment is included in cost of sales, selling, general and administrative expenses and other operating expenses in the consolidated statement of profit or loss.

Leased asset

The carrying amount of lease assets from finance leases included in property, plant and equipment is as follows:

In millions of Yen

	Machinery and vehicles	Total
April 1, 2017	31	31
March 31,2018	178	178
March 31,2019	140	140

NOTE 10 GOODWILL AND INTANGIBLE ASSETS

The following tables present changes in acquisition costs, accumulated depreciation and accumulated impairment losses, and carrying amounts of Goodwill and Intangible assets.

Acquisition cost

In millions of Yen

	Goodwill	Intangible Assets				Total
		Development Expenses	Software	Trademark	Others	
Carrying amount at April 1, 2017	721	4,544	4,860	2,790	1,352	14,267
Acquisition	—	—	752	6	295	1,053
Internal development	—	897	—	—	—	897
Sales and disposals	—	—	(266)	—	(46)	(312)
Exchange differences on translation of foreign operations	—	—	96	—	35	131
Carrying amount at March 31,2018	721	5,441	5,442	2,796	1,636	16,036
Acquisition	141	—	1,076	72	311	1,600
Internal development	—	1,197	—	—	—	1,197
Sales and disposals	—	—	(643)	—	(177)	(820)
Exchange differences on translation of foreign operations	—	—	(104)	—	(6)	(110)
Carrying amount at March 31,2019	862	6,638	5,771	2,868	1,764	17,903

Accumulated amortization and Accumulated impairment losses

In millions of Yen

	Goodwill	Intangible Assets				Total
		Development Expenses	Software	Trademark	Others	
April 1, 2017	—	(1,642)	(3,574)	(1,514)	(900)	(7,630)
depreciation	—	(841)	(556)	(202)	(56)	(1,655)
Sales and disposals	—	—	264	—	45	309
Exchange differences on translation of foreign operations	—	—	(256)	—	187	(69)
March 31, 2018	—	(2,483)	(4,122)	(1,716)	(724)	(9,045)
depreciation	—	(825)	(555)	(201)	(36)	(1,617)
Sales and disposals	—	—	560	—	174	734
Exchange differences on translation of foreign operations	—	—	62	—	2	64
March 31, 2019	—	(3,308)	(4,055)	(1,917)	(584)	(9,864)

Carrying amount

In millions of Yen

	Goodwill	Intangible Assets				Total
		Research	Software	Trademark	Others	
April 1, 2017	721	2,902	1,286	1,276	452	6,637
March 31,2018	721	2,958	1,320	1,080	912	6,991
March31,2019	862	3,330	1,716	951	1,180	8,039

Amortization of intangible assets is included in cost of sales, selling, general and administration of the consolidated statement of income.

R&D expenses

Research expenses and development expenses that do not meet the asset recognition standard are recognized as expenses when incurred. R&D expenses recognized as expenses in selling, general and administration of the consolidated statement of income in the fiscal year 2018 and 2019 amounted to 10,083 and 10,433 respectively.

NOTE 11 LEASES

(1) Finance Lease

The Group leases some vehicles as finance lease.

The total of future minimum lease payments and the present value under finance lease contracts comprise the following:

In millions of Yen

	Minimum lease payments			Present value of minimum lease payments		
	Transition date Apr.1, 2017	2018	2019	Transition date Apr.1, 2017	2018	2019
Not later than 1 year	15	50	44	15	50	37
Later than 1 year and not later than 5 years	19	134	132	18	133	124
Later than 5 years	—	—	—	—	—	—
Total	34	184	176	33	183	161
Financial charges	1	1	15			
Present value of minimum lease payments	33	183	161			

(2)Non-cancellable Operating leases

The group leased some office buildings as cancellable and non-cancellable operating leases. The total future minimum lease payments of non-cancellable operating lease are as following:

In millions of Yen

	Transition date April 1, 2017	2018	2019
Not later than 1 year	1,156	1,310	1,185
Later than 1 year and not later than 5 years	1,943	2,411	2,314
Later than 5 years	426	784	670
Total	3,525	4,505	4,169

The lease expenses under operating lease recognized in fiscal year 2018 and 2019 are as following:

In millions of Yen

	2018	2019
total of minimum lease payments	3,474	4,037

NOTE 12 TRADE PAYABLES AND OTHER PAYABLES

Trade payables and other payables comprise the following:

In millions of Yen

	Transition date Apr.1, 2017	2018	2019
Trade payables	26,347	28,156	29,114
Non-trade payables	7,113	6,868	9,790
Total	33,460	35,024	38,904

NOTE 13 BORROWINGS

In millions of Yen

	Transition date Apr.1, 2017	2018	2019
Short-term borrowings	6,564	3,361	11,799
Total	6,564	3,361	11,799

The average interest rate for loans from banks in transition date, fiscal year 2018 and 2019 were 0.21%, 0.25% and 0.33% respectively.

NOTE 14 OTHER LIABILITIES

Other liabilities comprise the following:

In millions of Yen

	Transition date Apr.1, 2017	2018	2019
Accrued expenses	10,665	12,046	12,243
Accrued payroll and bonus	9,431	10,731	10,667
Others	5,037	6,733	6,986
Total	25,133	29,510	29,896
Thereof Current	24,899	29,294	29,678
Thereof Non-current	234	216	218
Total	25,133	29,510	29,896

NOTE 15 EMPLOYEE BENEFITS

(１) Post-employment Benefits

① defined benefit plan

The Company and most of its consolidated subsidiaries have defined benefit plans, defined contribution plans and other plans for their post-employment benefits. Under these plans, employees are entitled to lump-sum payments or retirement benefits as pensions.

The Company's domestic retirement benefit plan covers all employees of the Company. Contribution to the defined benefit plan is determined by various factors such as the employee's salary level, service years, funded status of plan assets, actuarial calculation, etc. According to the provisions of defined benefit corporate pension law, the contributions to the fund will be reviewed every 5 years.

The defined benefit plan is legally separated from the parent company, and is responsible for the management and operation of the plan assets. Benefits payment is determined using the cumulative points granted each month and the position of the employees at the time of retirement, service year etc.

The objective of managing pension assets is to earn returns to the greatest extent possible and ensure stable benefits and payments for plan participants. 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 of 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.

② Defined benefit plan

(a) Defined benefit assets recognized in the consolidated statement of financial position

			In millions of Yen
	Transition date Apr.1, 2017	2018	2019
Present value of defined benefit obligation	(39,677)	(39,422)	(39,583)
Present value of Plan asset	44,898	45,945	45,893
Total	5,221	6,523	6,310
Amount recognized in consolidated statement of financial position			
Retirement benefit assets	8,382	9,729	9,541
Retirement benefit liabilities	(3,161)	(3,206)	(3,231)

(b) Defined benefit obligations

Changes in the present value of defined obligations are as follows:

In millions of Yen

	2018	2019
Defined benefit obligations at beginning of year	39,677	39,422
Service cost	1,650	1,716
Interest expenses	312	266
Premeasurement		
Actuarial(gains)losses arising from changes in demographic assumptions	246	(184)
Actuarial(gains)losses arising from changes in financial assumptions	294	496
Actuarial(gains)losses arising from others	(32)	(37)
Past service cost	(1,401)	—
Benefits paid	(1,638)	(1,919)
Exchange differences on translation of foreign operations	314	(177)
Defined benefit obligations at ending of year	39,422	39,583

The weighted average duration of the defined benefit obligations was 13.7 years at April 1, 2017, 13.0 years at March 31, 2018 and 12.5 years at March 31, 2019.

(c) Plan asset

Changes in the present value of plan asset are as follows:

In millions of Yen

	2018	2019
The fair value of plan assets at beginning of year	44,898	45,945
Interest income	328	280
Contribution by employees	1,350	1,226
Measurements-Return on Plan asset	741	215
Benefits paid	(1,443)	(1,724)
Exchange differences on translation of foreign operations	71	(49)
The fair value of plan assets at end of year	45,945	45,893

The group plans to contribute 1,183 Million in the year ending March 31, 2020.

The details of plan asset are as followings:

	Transition date Apr.1, 2017		2018		2019	
	Market price in an active market		Market price in an active market		Market price in an active market	
	quoted	unquoted	quoted	quoted	quoted	quoted
Cash and cash equivalents	5,399	—	9,007	—	7,752	—
Equity financial products						
Equity stock	1,314	—	1,433	—	1,330	—
Joint investment trust(domestic)	—	1,557	—	1,324	—	880
Joint investment trust(overseas)	—	3,525	—	2,427	—	2,467
Debt financial instruments						
Joint investment trust(domestic)	—	10,731	—	11,069	—	11,545
Joint investment trust(overseas)	—	7,279	—	5,362	—	5,757
Life Insurance general account	—	6,973	—	7,522	—	7,844
Alternative investment	—	8,120	—	7,801	—	8,318
Total	6,713	38,185	10,440	35,505	9,082	36,811

In millions of Yen

Virtually all equity securities have quoted prices in active markets. Makita group Conducted sufficient research and analysis on the management content and growth potential of the investment target company and appropriately diversifies investments by the type of industry.

Debt securities mainly composed of domestic and foreign government bonds and municipal bonds.Makita conducts a good research and analysis on issuance conditions, such as rating, coupon, maturity date, and issuer. 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, and hedge-funds (market neutral strategy for Japanese equity and relative value strategy for bonds).

(d) Significant actuarial assumptions and related sensitivity analysis

Significant actuarial assumptions are as follows:

	Transition date Apr.1, 2017	2018	2019
Discount rate	0.8%	0.7%	0.6%

(e) Sensitivity analysis on defined benefit obligations

The sensitivity analysis on defined benefit obligation is as follows:

In millions of Yen

	2018	2019
Discount rate		
0.25%increase	(1,158)	(1,130)
0.25%decrease	1,219	1,188

- Defined contribution plans

Expenses related to the defined contribution plan recognized in profit or loss were 355 million yen and 378 million yen for the fiscal year ended March 31, 2018 and March 31, 2019.

(２) Other employee benefit expenses

Other employee benefit expenses recognized in cost of sales, selling, general and administrative expenses in the consolidated statement of income for the fiscal years ended March 31, 2018 and 2019 were 69,623 million yen and 75,007 million yen, respectively.

NOTE 16 SHARE-BASED PAYMENTS

Share-based payment awards at Makita group are predominately designed as equity-settled, the group issued stock-option to its directors, excluding outside directors. The exercise period of the stock option is 50 years from the grant date. Directors can exercise the stock acquisition right form the next day of their employment termination from the Group.

(1) The content of stock-option

	First issue in Year 2015	Second issue in Year 2016	Third issue in Year 2017	Fourth issue in Year 2018
Number of person	Directors 2 Operating officer 9	Directors 2 Operating officer 9	Directors 2 Operating officer 8	Directors 2 Operating officer 8
Granted shares	14,000	13,640	10,220	9,180
Grant date	July 31, 2015	July 28, 2016	July 31, 2017	July 31, 2018
Conditions for vesting	Right can be exercised from the next day of employment termination	Right can be exercised from the next day of employment termination	Right can be exercised from the next day of employment termination	Right can be exercised from the next day of employment termination
Payment method	Equity settlement	Equity settlement	Equity settlement	Equity settlement
Exercise period	From August19,2015 to August18,2065	From August19,2016 to August18,2066	From August19,2017 to August18,2067	From August18,2018 to August17,2068

Number of stock option and the weighted average exercise price

	2018		2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance of outstanding	27,640	1	29,180	1
Granted	10,220	1	9,180	1
Exercised	(8,680)	1	-	-
Ending balance of outstanding	29,180	1	38,360	1
Ending balance of exercisable	—	—	—	—

The weighted average share price on the exercise date for the fiscal year 2018 is 4,135 Yen.
The weighted average remaining contractual life for stock option outstanding of fiscal year 2018 and 2019 is 48.4 years and 47.9 years, respectively.

Fair value and assumption of the stock option granted

The weighted average fair value of the stock option granted during the period is assessed by the Black-Shoals valuation Model.

In millions of Yen

	2018	2019
	Third issue in 2017	Forth issue in 2018
Share price on granted date	4,320Yen	4,900Yen
Expected Volatility	40.15%	32.23%
Expected remaining period	9.0Year	8.5Year
Expected dividends	50Yen	61Yen
Risk free rate	0.01%	0.04%

Share-based payment expenses

Share-based payment expenses recognized in selling, general and administration for fiscal year 2018 and 2019 is 41million and 40million, respectively.

NOTE 17 PROVISIONS

Components of and changes in provisions consist of the following:

In millions of Yen

	Production warranty	Others	Total
Balance as of April 1, 2017	3,163	1,689	4,852
Additions	3,619	103	3,722
Decrease(provision used)	(2,788)	(162)	(2,950)
Decrease(provision reversed)	(718)	(585)	(1,303)
Exchange differences on translation of foreign operations	24	(65)	(41)
Balance as of March 31, 2018	3,300	980	4,280
Additions	3,717	43	3,760
Decrease(provision used)	(2,601)	(47)	(2,648)
Decrease(provision reversed)	(913)	(20)	(933)
Exchange differences on translation of foreign operations	(53)	(73)	(126)
Balance as of March 31, 2019	3,450	883	4,333

	Transition date Apr.1, 2017	2018	2019
Thereof Current	3,412	2,928	3,040
Thereof Non-current	1,440	1,352	1,293

Provisions are recognized when Makita has a present legal obligation or constructive obligation as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Warranty provisions are provided to prepare for the expense of after-sales service for the products based on the past actual cost, taking into consideration the defective rate of current products, the malfunction of specific products never manufactured before, the effects of the costs of materials and shipping related to repair of defective products. Warranty provisions are provided as provisions and cost of sales, when the revenue is recognized.

The provision is generally expected to result in cash outflows during the next one year.

NOTE 18 CONTINGENT LIABILITIES

Although the Group is exposed to various legal allegations and litigation arising from its normal business activities, the ultimate consequences of these events will not have a significant impact on the Company's consolidated financial position.

NOTE 19 EQUITY

Capital and treasury shares

The number of authorized shares, the number of issued shares and the number of treasury shares are as follows.

Shares

	2018	2019
Type of Shares	Ordinary Shares	Ordinary Shares
Number of authorized shares	992,000,000	992,000,000
Number of issued shares		
Beginning	280,017,520	280,017,520
Increase/decrease	—	—
Ending	280,017,520	280,017,520
Treasury shares		
Beginning	8,556,948	8,549,592
Increase/decrease	(7,356)	871
Ending	8,549,592	8,550,463

Capital surplus

Capital surplus consists of capital reserve and other capital surplus.

The Companies Act in Japan (hereinafter referred to as the “Company Act”) stipulates that over half of the capital contributed from the issue of the shares must be included in share capital by resolution of the General Meeting of Shareholders.

Retained earnings

Retained earnings consist of legal reserve and other retained earnings.

The company Act requires that 10% of dividend payment must be appropriated as capital reserve or legal reserve till their aggregate amount equals to 25% of the capital shares. Legal reserve can be used for deficit compensation and can be reversed by the resolution of the general meeting of the shareholders.

(4) Other components of equity

- Equity securities measured at fair value through other comprehensive incomes

  This is the accumulated difference of changes in the fair value of financial assets. The amount recognized in other comprehensive income will be reclassified to retained earnings if the financial asset is derecognized or the fair value declined significantly.

- Premeasurement of defined benefit plans

  Premeasurement of defined benefit plans include the effect of any variances between actuarial assumptions at the beginning of the year and actual results, the effects of changes in actuarial assumptions, actual return on plan assets and interest income on plan assets(excluding amounts included in net interest on the net defined benefit liability (asset). Premeasurements of defined benefit plans are recognized in other comprehensive income and immediately reclassified to retained earnings from other components of equity in the period when they occur.

- Exchange difference on translation of foreign operations

  Foreign currency translation differences arise from the translation of financial statements of foreign operations prepared in foreign currencies. The exchange difference on the transition date is all transferred to retained earnings because the group adopted the IFRS1 exemptions.

Other components of equity comprise the following:

	Remeasurment of defined benefit plans	equity securities measured at fair value through other comprehensive incomes	Exchange difference on translation of foreign operations	Total
April 1, 2017	18,557	—	—	18,557
Other comprehensive income	(1,098)	188	9,636	8,726
Transfer to retained earnings	—	(188)	—	(188)
March 31, 2018	17,459	—	9,636	27,095
Other comprehensive income	(7,889)	(87)	(12,488)	(20,464)
Transfer to retained earnings	(287)	87	—	(200)
March 31, 2019	9,283	—	(2,852)	6,431

NOTE 20 DIVIDENDS

- Payment of dividends

Fiscal year ended on March 31, 2018

Date of Resolution	Type of stocks	Amount of dividend in millions of Yen	Dividend per share (Yen)	Record date	Effective date
General meeting of Shareholders on June 28, 2017	Common stock	11,130	82	March 31, 2017	June 29, 2017
Board of directors on October 30, 2017	Common stock	2,715	10	September 30, 2017	November 27, 2017

The common stock has been split to 2 shares from April 1, 2017. The dividend based on Record date on March 31, 2017 has been calculated on the stock split.

Fiscal year 2019

Date of Resolution	Type of stocks	Amount of dividend in millions of Yen	Dividend per share (Yen)	Record date	Effective date
General meeting of Shareholders on June 27, 2018	Common stock	13,845	51	March 31, 2018	June 28, 2018
Board of directors on October 30, 2018	Common stock	2,715	10	September 30, 2018	November 28, 2018

- Record date is belong to current fiscal year but the effective date belong to the next fiscal year

Fiscal year ended on March 31, 2018

Date of Resolution	Type of stocks	Source of dividends	Amount of dividend in millions of Yen	Dividend per share (Yen)	Record date	Effective date
General meeting of Shareholders on June 27, 2018	Common stock	Retained earnings	13,845	51	March 31, 2018	June 28, 2018

Fiscal year ended on March 31, 2019

Date of Resolution	Type of stocks	Source of dividends	Amount of dividend in millions of Yen	Dividend per share (Yen)	Record date	Effective date
General meeting of Shareholders on June 26, 2019	Common stock	Retained earnings	14,116	52	March 31, 2019	June 27, 2019

NOTE 21 REVENUE

Revenues recognized from contracts with customers

A) Revenue

Makita group has an single business with core activities in the field of production and sales of electric power tools, pneumatic tools and gardening equipment. An analysis of revenue by segments is shown in Note 4 “Segment Information”. The revenue is all from contracts with customers and is recognized at the time of delivery of the product.

B) Contract balance

Assets and liabilities from the contract with customers are as follows:

In millions of Yen

	Transition date (April 1, 2017)	2018	2019
Assets from the contract with customers	68,399	80,328	80,511
Contract liabilities	268	264	278

Assets from the contract with customers are included in trade receivables and other receivables on the consolidated financial statements. Contract liabilities are included in other current liabilities.

(２) Performance obligation

The normal payment deadline after fulfilling the performance obligation is within 2 months from the billing date. In addition, the contract with customers does not contain any significant financial components.

If the consideration promised in a contract includes a variable amount and the uncertainty related to the variable consideration is subsequently resolved, the variable consideration should be included in the transaction price only if the magnitude of a revenue reversal won’t occur.

⑶ Transaction price allocated to the remaining performance obligation

As there are no transactions with an individual expected contract period exceeding one year, the Group applies practical expedients and omits information on remaining performance obligations.

(4) Assets recognized from the cost of acquiring or fulfilling a contract with a customer

The Group has no assets recognized from the cost of acquiring or fulfilling a contract with a customer.

NOTE 22 COSTS OF SALES, SELLING AND GENERAL ADMINISTRATION EXPENSES

In millions of Yen

	2018	2019
Materials and purchasing	284,654	298,110
Inventories (increase)/decrease	(28,931)	(23,484)
Employee benefits	69,664	75,047
Advertising	8,363	9,383
Freight expenses	8,637	9,388
Research and development	10,083	10,433
Depreciation and amortization	10,783	11,271
Others	33,814	22,125
Total	397,067	412,273

NOTE 23 FINANCIAL INCOME AND FINANCIAL EXPENSES

(1) Financial income comprise the following:

In millions of Yen

	2018	2019
Interest Income		
Financial assets measured at amortized cost	1,629	1,587
Financial assets measured through profit or loss	780	417
Dividend Income		
Financial assets measured at fair value through other comprehensive income	497	643
Gain on sale		
Financial assets measured at amortized cost	0	0
Financial assets measured through profit or loss	274	1
Valuation gain		
Financial assets measured through profit or loss	—	32
Total	3,180	2,680

(2) Financial expenses

Financial expenses comprise the following

In millions of Yen

	2018	2019
Interest expenses		
Financial liabilities measured at amortized cost	43	49
Loss on sale		
Financial assets measured at amortized cost	0	1
Financial assets measured through profit or loss		
Loss on valuation of fair value		
Financial assets and liabilities measured through profit or loss	268	—
Exchange gains or losses(net)	3,235	1,016
Total	3,546	1,066

NOTE 24 INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

The allocation of deferred tax assets and liabilities to balance sheet line items at 31 March 2018 is shown in the following table:

In millions of Yen

	April 1 2017	Recognized through profit or loss	Recognized through other comprehensive income	March 31,2018
Deferred tax asset				
Property, plant and equipment	2,822	211	—	3,033
Inventories	8,214	1,174	—	9,388
Tax loss carry forward	47	(26)	—	21
Accrued expenses	1,613	141	—	1,754
Valuation on debt securities	2,914	22	—	2,936
Employee benefit obligation	165	(180)	179	164
Accrued Bonuses	1,581	129	—	1,710
Others	331	175	—	506
Total of Deferred tax asset	17,687	1,646	179	19,512
Deferred tax liabilities				
Undistributed foreign earnings	(7,261)	(487)	—	(7,748)
Property, plant and equipment	(732)	16	—	(716)
Employee benefit asset	(2,353)	(189)	(224)	(2,766)
Equity securities valued through other comprehensive income	(7,969)	—	475	(7,494)
Others	(941)	(186)	—	(1,127)
Total deferred tax liabilities	(19,256)	(846)	251	(19,851)
Net Amount	(1,569)	800	430	(339)

The allocation of deferred tax assets and liabilities to balance sheet line items at 31 March 2019 is shown in the following table:

In millions of Yen

	April 1,2018	Recognized through profit or loss	Recognized through other comprehensive income	March 31,2019
Deferred tax asset				
Allowances				
Property, plant and equipment	3,033	(543)	—	2,490
Inventories	9,388	(323)	—	9,065
Tax loss carry forward	21	(15)	—	6
Accrued expenses	1,754	(342)	—	1,412
Valuation on debt securities	2,936	(18)	—	2,918
Retirement benefit obligation	164	(9)	39	194
Accrued Bonuses	1,710	(10)	—	1,700
Others	506	(506)	—	—
Total of Deferred tax asset	19,512	(1,766)	39	17,785
Deferred tax liabilities				
Undistributed foreign earnings	(7,748)	225	—	(7,523)
Property, plant and equipment	(716)	(210)	—	(926)
Retirement benefit asset	(2,766)	96	(66)	(2,736)
Equity securities valued through other comprehensive income	(7,494)	—	3,413	(4,081)
Others	(1,127)	714	—	(413)
Total of deferred tax liabilities	(19,851)	825	3,347	(15,679)
Net amount	(339)	(941)	3,386	2,106

Deferred tax assets and deferred tax liabilities on consolidated statement of financial position

In millions of Yen

	Transition date (April 1, 2017)	2018	2019
Deferred tax assets	9,169	10,049	9,342
Deferred tax liabilities	(10,738)	(10,388)	(7,236)
Total	(1,569)	(339)	2,106

The deductible temporary difference and unused tax loss carryforward for which no deferred tax asset is recognized are as follows:

In millions of Yen

	Transaction date	2018	2019
Deductible temporary difference	8,253	10,132	9,459
Tax loss carry forward	9,716	10,344	8,703

Unused tax losses for which the deferred tax assets are not recognized will expires as following:

In millions of Yen

	Transition Date (April 1, 2017)	2018	2019
No later than 1 year	95	29	17
Later than 1 year and not later than 2 years	37	23	7
Later than 2 years and not later than 3 years	23	66	74
Later than 3 years and not later than 4 years	69	15	69
Later than 5 years	1,505	1,481	1,006
No limited	7,987	8,730	7,530
Total	9,716	10,344	8,703

The aggregate amounts of taxable temporary difference associated with investment in subsidiaries and associates for which deferred liabilities were not recognized at March 31, 2017, 2018 and 2019 were 155,926million yen、142,206 million yen and 142,378million yen. The group did not recognize deferred tax liabilities because it was able to control the timing of the temporary difference.

(２) income tax expenses

①Taxes on income comprise the following:

In millions of Yen

	2018	2019
Current tax expense	25,487	22,409
Deferred tax expense		
thereof relating to temporary differences	(1,071)	1,289
Thereof Tax rate change	(10)	30
Sub-total	(1,081)	1,319
Total	24,406	23,728

Reconciliation of effective rate

The details of difference between the effective statutory tax rate and the Group's average actual tax rate consist of the following:

	2018	2019
Effective statutory tax rate	30.4%	30.2%
(Reconciliation)		
Items that are not counted as a deduction permanently such as entertainment expenses	0.5	0.3
Increase/Decrease of unrecognized deferred tax assets	1.0	0.1
Tax spring	(0.1)	(0.1)
Change in tax rates	(3.3)	(4.2)
Undistributed foreign earnings	3.5	3.7
Others	(1.4)	(0.3)
Effective tax rate	30.6%	29.7%

NOTE 25 EARNINGS PER SHARE

（1）The Basis for calculating basic earnings per share

		2018	2019
Net profit attributable to the owners of the parent company	Yen Million	54,943	55,750
Weighted average number of ordinary shares during the period	Number	271,465,951	271,467,574
Basic earnings per share	Yen	202.39	205.37

（2）The Basis for calculating Diluted earnings per share

		2018	2019
Net profit attributable to the owners of the parent company	Yen Million	54,943	55,750
Adjustments	Yen Million	-	-
Net profit used to calculate diluted earnings per share	Yen Million	54,943	55,750
Weighted average number of ordinary shares during the period	Number	271,465,951	271,467,574
Increase in ordinary shares by stock-option	Number	27,870	34,910
Weighted average number of ordinary shares after dilution	Number	271,493,821	271,502,484
Diluted earnings per share	Yen	202.37	205.34

NOTE 26 OTHER COMPREHENSIVE INCOME

Other comprehensive income for the period after tax comprises the following:

In millions of Yen

	2018	2019
Items not expected to be reclassified to the income statement in the future		
Equity financial instruments measured at fair value through Other comprehensive income		
Before Tax	(1,573)	(11,302)
Deferred Taxes	475	3,413
After Tax	(1,098)	(7,889)
Premeasurement of defined benefit plans		
Before Tax	233	(60)
Deferred Taxes	(45)	(27)
After Tax	188	(87)
Sub-total	(910)	(7,976)
Items expected to be reclassified to the income statement in the future		
Exchange difference on translation of foreign operations		
Before Tax	9,853	(12,623)
Deferred Taxes	-	-
After Tax	9,853	(12,623)
Sub-total	9,853	(12,623)
Total	8,943	(20,599)

NOTE 27 FINANCIAL INSTRUMENTS

(1)Classification of Financial Instruments

The carrying amount of other financial assets is as follows:

In millions of Yen

	Transition date (April 1, 2017)	2018	2019
At amortized cost			
Cash and cash equivalents	34,339	43,022	25,974
Debt securities	4,100	4,908	2,311
Deposit	461	440	9,508
Loans to third party	575	474	374
Sub-Total	39,475	48,844	38,167
At fair value through other comprehensive income			
Equity securities	39,375	40,815	31,032
Sub-Total	39,375	40,815	31,032
At fair value through Profit or loss			
Debt securities	14,788	3,814	11,992
Derivatives	274	125	203
Sub-Total	15,062	3,939	12,195
Total	93,912	93,598	81,394
Thereof Current Assets	50,112	48,037	37,828
Thereof Non-current Assets	43,800	45,561	43,566
Total	93,912	93,598	81,394

The carrying amount of other financial liabilities is as follows:

In millions of Yen

	Transition date (April 1, 2017)	2018	2019
Lease liabilities	33	183	161
At fair value through Profit or loss			
Derivatives	269	379	315
Sub-total	302	562	476
Thereof Current Liabilities	284	429	220
Thereof Non-current Liabilities	18	133	256
Total	302	562	476

(２) Financial assets measured at fair value through other comprehensive income

Equity securities held by the company for the purpose of maintaining and strengthening business relationships are designated as at fair value through other comprehensive income.

- Names of major equity securities and their fair value are as followings:

Transition date (April 1, 2017)

In millions of Yen

Company name	Fair value
Sharp corporation	16,846
OMRON Corporation	3,370
Mitsubishi UFJ Financial Group, Inc.	1,815
Suzuki Corporation	1,511
Sumitomo Real Estate Co., Ltd.	1,322
IDA Engineering Co., Ltd.	1,037
Mabuchi Motor Co., Ltd.	1,011
NSK Ltd.	1,009
Others	11,454
Total	39,375

Fiscal year March 31, 2019

In millions of Yen

Company name	Fair value
Sharp Corporation	11,398
OMRON Corporation	4,319
Toyota Motor Corporation	3,248
Suzuki Corporation	1,874
Mitsubishi UFJ Financial Group, Inc.	1,808
Sumitomo Real Estate Co., Ltd.	1,802
SEINO Holdings Co., Ltd.	1,402
IDA Engineering Co., Ltd.	1,350
Fuji Machine Mfg. Co., Ltd.	1,114
Others	12,500
Total	40,815

Fiscal year March 31, 2019

In millions of Yen

Company name	Fair value
Sharp Corporation	4,366
OMRON Corporation	3,574
Toyota Motor Corporation	3,087
Sumitomo Real Estate Co., Ltd.	2,100
Murata Manufacturing Co., Ltd.	1,845
Suzuki Corporation	1,602
Mitsubishi UFJ Financial Group, Inc.	1,426
SEINO Holdings Co., Ltd.	1,056
Toho Gas Co., Ltd.	1,046
Others	10,930
Total	31,032

● Dividend Income

In millions of Yen

	2018	2019
Investments derecognized during the period	—	7
Investments held at the end of the period	497	636
Total	497	643

- Derecognized Finance assets measured at fair value through other comprehensive income

The fair value of financial assets derecognized and the cumulative gains or losses are as follows:

In millions of Yen

	2018	2019
Fair value	—	683
Cumulative gains/losses	—	467

The group transfers the cumulative gains/losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income to retained earnings. The amount recognized in other comprehensive income will be transferred to retained earnings when the assets derecognized or the fair value decreased significantly. The amount transferred to retained earnings in fiscal year 2019 is (287) millions.

(３) Risk management on financial instruments

The group manages financial instrument risk based on the following policies to avoid and mitigate market risk, Interest risk, credit risk and liquidity risk.

- Capital management

The main indicators used by the company in capital management are as follows:

	Transition date (April 1,2017)	2018	2019
Capital amount in millions of Yen	504,239	554,046	572,748
Capital adequacy ratio (％)	84.1	84.6	84.2

- Financial risks

The Group is exposed to financial risks, such as foreign exchange risk, market price fluctuation risk, interest rate risk, credit risk, liquidity risk. The group manages to mitigate the risks as following.

A) **Market risks**

- **Currency risks**

As an enterprise with worldwide operations, the Makita Group conducts business in a variety of currencies from which currency risks arise. In order to hedge currency risks, the Group holds derivative financial instruments such as forward currency exchange.

The group did not apply hedge accounting for these derivative transactions, but determined that these transactions effectively offset the impact of fluctuations in exchange rate.

- **Currency exposure**

At the end of the reporting period, the currency exposure for the following year was as follows:

	Transition date (April 1, 2017)	2018	2019
U.S. Dollar	4,460	8,070	3,556
Euro	(158)	40	(258)

- **Exchange risk sensitivity analysis**

The following table illustrated the impact on income and equity in the consolidated statement of income from foreign currency-denominated financial instruments held by the Group at the end of each fiscal year if the Japanese yen appreciated by 10% against U.S. dollar and the euro.

In millions of Yen

Currency	Transition date (April 1, 2017)		2018		2019	
	Profit before tax	After tax	Profit before tax	After tax	Profit before tax	After tax
U.S. Dollar	(45)	(31)	(81)	(57)	(36)	(25)
Euro	2	1	(0)	(0)	3	2

- **Stock price fluctuation risk management**

The Group held marketable equity securities and exposed to price fluctuation risk. In order to manage this risk, the group regularly reviews market prices and financial conditions of the issuers, and review the holding status appropriately. The effects of the 1% decline in market prices on other comprehensive income (after tax effects) on listed shares held by the Group at the transition date, the end of the previous consolidated fiscal year and the end of the current consolidated fiscal year are as follows:

In millions of Yen

	Transition date (April 1, 2017)	2018	2019
Other comprehensive income(After tax)	(267)	(276)	(208)

B) Interest risk

The Group's borrowings and lease obligation generally have fixed interest rates.

Therefore, the interest rate risk is not important for the Group and interest rate risk sensitivity analysis has not been conducted.

There were no outstanding balances of floating interest rate at the transition date, the end of the previous consolidated fiscal year and the end of the current consolidated fiscal year.

Credit risk

- Credit risk management

The Group is exposed to credit risk if the counterparties default on contractual obligations resulting in financial losses to the group.

Note and accounts receivables are trade receivables that expose the Group to customer credit risk. The Group sets up credit limits for business partners in accordance with the credit management rules, the sales management department regularly monitors the status of major business partners, and manages due dates and balances for each business partner to identify quickly any concerns about collection due to deterioration of financial conditions.

The Group has no overly concentrated credit risk with respect to a single business partner or the group to which the business partner belongs.

The Group's fund management is exposed to the credit risk of the depositors and bond issuers.

Based on the Fund Management Guidelines, cash and cash equivalents and other financial assets the Group holded are issued by high-rated financial institutions, therefore the credit risk the group exposed is limited.

- Credit risk exposure

Credit risk exposure related to trade receivables and other receivables is present as following by days past due:

In millions of Yen

	Transition date (April 1, 2017)	2018	2019
Not due	64,116	74,486	76,276
Less than 30 days	2,487	3,405	2,315
Over 30days less than 60days	874	871	526
Over 60days less than 90days	114	452	462
Over 90days	808	1,114	932
Total	68,399	80,328	80,511

- Allowances for doubtful receivables

The changes of the allowances for doubtful receivables are as following:

In millions of Yen

	2018	2019
Beginning balance	1,137	1,340
Increase during the year	483	179
Decrease during the year(purpose use)	(264)	(13)
Decrease during the year (reversal)	(41)	(423)
Exchange difference on translation of foreign operations	25	(22)
Ending balance	1,340	1,061

- Liquidity risk

Liquidity risk is the risk that the Group will not be able to fulfill its obligations relating to pay financial liabilities that come due. The group stipulated its financial plan to understand its liquidity and consistently ensure the availability of sufficient funding to reduce the liquidity risk.

Transition date (April 1, 2017) In millions of Yen

	Book value	Cashflow on contract	Within 1year	Over 1 year within 5 years	Over 5 years
Non-derivative financial liabilities					
Trade liabilities and other liabilities	33,460	33,460	33,460	—	—
Loan	6,564	6,571	6,571	—	—
Lease liabilities	33	34	15	19	—
Derivative financial liabilities					
Currency related derivatives	269	269	269	—	—

Financial year ended March 31, 2018 In millions of Yen

	Book value	Cash flow on contract	Within 1year	Over 1 year within 5 years	Over 5 years
Non-derivative financial liabilities					
Trade liabilities and other liabilities	35,024	35,024	35,024	—	—
Loan	3,361	3,363	3,363	—	—
Lease liabilities	183	184	50	134	—
Derivative financial liabilities					
Currency related derivatives	379	379	379	—	—

Financial year ended March 31, 2019 In millions of Yen

	Book value	Cashflow on contract	Within 1year	Over 1 year within 5 years	Over 5 years
Non-derivative financial liabilities					
Trade liabilities and other liabilities	38,904	38,904	38,904	—	—
Loan	11,799	11,910	11,910	—	—
Lease liabilities	161	176	44	132	—
Derivative financial liabilities					
Currency related derivatives	315	315	315	—	—

(4) Fair value

① Fair value hierarchy

Level 1 : Fair value measured with quoted prices in active market for identical assets and liabilities

Level 2 : Fair value measured with inputs other than quoted prices categorized within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 : Fair value measured with inputs not based on observable market data for the asset or liability

② Measurement of fair value

The fair value of financial assets and liabilities are decided as following:

(Cash and Cash equivalent, Trade receivables and other receivables, Trade liabilities and other liabilities)

Carrying amounts approximate fair value because these are settled in the short term.

(Borrowings)

Carrying amounts approximate fair value because all repayments are made within one year

(Other financial assets and financial liabilities)

Regarding the other financial assets, time deposits longer than 3 months, carrying amounts approximate fair value because they are settled in the short term. Equity securities are designated at fair value measured through other comprehensive income and are measured using market prices on exchanges.

Debt securities measured at fair value through profit or loss is calculated on the price on the exchange or the price presented by the correspondent financial institution.

Derivative instruments measured at fair value through profit or loss is calculated based on observable market conditions such as exchange rates, interest rates and volatility.

- Financial instruments measured at amortized cost

  The carrying amount and fair value hierarchy of financial asset measured at amortized cost on transition date, previous fiscal year ending on March 31,2018 and current fiscal year ending on March 31, 2019 are as following:

Transition date（April 1, 2017）

In millions of Yen

	Book value	Fair value			
		Level 1	Level 2	Level 3	total
Debt securities	4,100	2,100	1,997	-	4,097

March 31, 2018

In millions of Yen

	Book value	Fair value			
		Level 1	Level 2	Level 3	total
Debt securities	4,908	2,000	2,906	-	4,906

March 31, 2019

In millions of Yen

	Book value	Fair value			
		Level 1	Level 2	Level 3	total
Debt securities	2,311	1,003	1,304	-	2,307

- Fair value of the financial assets and liabilities measured at fair value

Transition date (April 1, 2017)

In millions of Yen

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets measured at fair value through other comprehensive income				
Stocks	38,185	—	1,190	39,375
Financial assets measured at fair value through profit or loss				
Derivative assets	—	274	—	274
Debt securities	2,938	11,458	392	14,788
Total	41,123	11,732	1,582	54,437
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	269	—	269
Total	—	269	—	269

Fiscal year ending on March 31, 2018

In millions of Yen

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets measured at fair value through other comprehensive income				
Stocks	39,494	—	1,321	40,815
Financial assets measured at fair value through profit or loss				
Derivative assets	—	125	—	125
Debt securities	3,511	241	62	3,814
Total	43,005	366	1,383	44,754
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	379	—	379
Total	—	379	—	379

Fiscal year ending on March 31, 2018

In millions of Yen

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets measured at fair value through other comprehensive income				
Stocks	29,806	—	1,226	31,032
Financial assets measured at fair value through profit or loss				
Derivative assets	—	203	—	203
Debt securities	3,604	8,332	56	11,992
Total	33,410	8,535	1,282	43,227
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	315	—	315
Total	—	315	—	315

Finance assets classified as level1 is mainly the publicly listed stocks and trade in active market。 Publicly listed stocks are based on quoted prices in active markets where there is sufficient trading volume and frequent trading.

Finance assets classified as level2 are mainly MMF、FFF and derivatives. MMF and FFF are aimed at securing stable earnings by investing mainly in domestic and foreign bonds and commercial paper.

Finance assets classified as level3 is primarily the unlisted equity securities. In accordance with the Group's accounting policies, the fair value is measured using the most recently available data.

NOTE 28 RELATED PARTY RELATIONSHIPS

（1） Transactions with related parties

Fiscal year 2018

In millions of Yen

	Company	Supplies and services performed	Transaction Amount	Outstanding balance
Other related parties	Maruwa Co. Ltd.	Advertising expense	2	—
Other related parties	Toa Co. Ltd.	Purchase of materials and production equipment	150	6

Fiscal year 2019

In millions of Yen

	Company	Supplies and services performed	Transaction Amount	Outstanding balance
Other related parties	Maruwa Co. Ltd.	Advertising expense	2	—
Other related parties	Toa Co. Ltd.	Purchase of materials and production equipment	97	6

(2) Primary executive management compensation

Primary executive management includes the member of the Board of directors and executive officers of the company.

Primary executive management compensation consists of the following:

In millions of Yen

	2018	2019
Short-term benefits	354	346
Compensation and bonus	135	140
Share-based payments	41	40
Total	530	526

NOTE 29 CASH FLOW INFORMATION

The changes in liabilities related to financing activities are as follows

Fiscal year 2018

In millions of Yen

	April 1,2017	Change with cashflow fluctuation	Change with cashflow fluctuation		March 31, 2018
			Exchange difference of foreign operations	Lease obligation	
Short-term Borrowings	6,564	(3,667)	464	—	3,361
Lease obligation	33	(20)	(7)	177	183
Total	6,597	(3,687)	457	177	3,544

Fiscal year 2019

In millions of Yen

	April 1,2017	Change with cashflow fluctuation	Change with cashflow fluctuation		March 31, 2019
			Exchange difference of foreign operations	Lease obligation	
Short-term Borrowings	3,361	8,704	(266)	—	11,799
Lease obligation	183	(36)	7	7	161
Total	3,544	8,668	(259)	7	11,960

NOTE 30 PRINCIPLE SUBSDIRIES

Principle subsidiaries consist of the followings. Voting rights on March 31, 2019 has no significant change from the former year.

Company name	Country	Capital (Thousand)	Principle business	Voting rights Proportion of Ownership (%)
Makita U.S.A.Inc.	USA Los Angeles	161,400	Sales of power tools	100.0
Makita Corporation of America	USA Atlanta	73,600	Production of power tools	100.0 (80.0)
Makita Canada Inc.	Canada Toronto	16,000	Sales of power tools	100.0
Makita (U.K.) Ltd.	United Kingdom London	21,700	Sales of power tools	100.0 (100.0)
Makita Manufacturing Europe Ltd.	United Kingdom Telford	37,600	Production of power tools	100.0 (100.0)
Makita France SAS	France Bussy Saint Georges	12,436	Sales of power tools	55.0 (55.0)
Makita S.p.A.	Italy Milan	16,000	Sales of power tools	100.0 (100.0)
Makita Verkzeik G.m.b.H. (Germany)	Germany Ratingen	7,669	Sales of power tools	100.0 (99.0)
Makita Engineering Germany G.m.b.H.	Germany Hamburg	3,105	Manufacture and sale of horticultural equipment	100.0 (75.3)
Makita Verkzeik G. m. B. H. (Austria)	Austria Vienna	12,173	Sales of power tools	100.0 (100.0)
Makita Sp.zo.o.	Poland Bielsko Beer	17,016	Sales of power tools	100.0 (100.0)
Makita Oy	Finland Helsinki	100	Sales of power tools	100.0 (100.0)
Makita LLC	Russia Moscow	83,207	Sales of power tools	100.0 (100.0)
Makita (China) Co., Ltd.	China Jiangsu Province Kunshan	80,000	Manufacture and sale of power tools	100.0
Makita (Kunshan) Co., Ltd.	China Jiangsu Province Kunshan	25,000	Production of power tools	100.0
Makita Australia Pty. Ltd.	Australia Sydney	13,000	Sales of power tools	100.0
Makita de Brazil Ltda.	Brazil Pontagrosa	717,495	Manufacture and sale of power tools	99.9
Makita Gulf FZE	United Arab Emirates Dubai	22,391	Sales of power tools	100.0
Other companies 34				

NOTE 31. SIGNIFICANT SUBSEQUENT EVENTS

There were no significant subsequent events.

NOTE 32. FIRST ADOPTION

The Group present consolidated financial statements in accordance with IFRS from the current consolidated fiscal year ended March 31, 2019. The most recent consolidated financial statements prepared on the general accepted accounting principles (hereinafter US GAAP) were for the fiscal year ended on March 31, 2018, the transition date of IFRS is April 1, 2017.
The accounting policies adopted to prepare the financial statement by IFRS are described in Note4 the significant accounting principles, and applied to the financial statements on the transition date, the fiscal year ended on March 31, 2018 and March 31, 2019.

IFRS 1 exemptions

For the company that first applies to IFRS, in general, IFRS1, First-time Adoption of International Financial Reporting Standards requires all the standards of IFRS should be adopted rretrospectively. However, IFRS provide limited exemptions from these requirements in specified areas and also prohibits retrospective application of IFRSs in some areas, the effect of these exemptions was adjusted by retained earnings and other equity components at the transition date.

Exemptions the group adopted are listed as followings:

・**Business combination**

Under IFRS１, for the business combination occurred before the transition date, the company can choose to adopt IFRS3 “Business combination” (hereinafter IFRS3) either retrospectively or prospectively. The group has chosen not to adopt IFRS3 retrospectively for the business combination occurred before transition date. Accordingly, goodwill before transition date was accounted for kept by US GAAP. Goodwill is tested for impairment test at the transition date, regardless of any indications of impairment.

・**Cumulative translation differences for foreign operations**

Under IFRS１, the cumulative translation differences for all foreign operations are deemed to be zero at the transition date or recalculated retrospectively up until the date the subsidiary or associate was established or acquired. The group selected to reset the cumulative translation differences to zero at the transition date.

・**Designation of previously recognized Financial instruments**

Under IFRS1, an entity may designate financial instruments recognized before the transition date in accordance with IFRS9 on the basis of the facts and circumstances that exist at the transition date. The group designated financial instruments in accordance with IFRS9 on the basis of the facts and circumstances that existed at the transition date.

Mandatory exception IFRS1

IFRS１prohibits retrospective application of IFRS for Estimate, derecognize of financial assets and liabilities, Non-controlling interests, and impairment of financial assets. The group has prospectively applied IFRS for these items from the transition date.

Reconciliation

The reconciliations required in first-time adoption of IFRS are listed as follows:

Items that do not affect retained earnings and comprehensive income are included in the “Reclassification” column, items that affect retained earnings and comprehensive income are included in the “Recognition and measurement” column.

Reconciliations of Equity as of the transition date (April 1, 2017)

In millions of Yen

Accounts under US GAAP	US GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Accounts under IFRS
ASSETS						ASSETS
CURRENT ASSETS						CURRENT ASSETS
Cash and cash equivalents	142,181	—	—	142,181		Cash and cash equivalents
Deposit	34,329	(34,329)	—	—		
Short-term investment	23,441	(23,441)	—	—		
Notes receivables	1,199	(1,199)	—	—		
Account receivables	67,086	(67,086)	—	—		
Allowance for bad debt	(1,137)	1,137	—	—		
	—	67,262	—	67,262		Trade receivables and other receivables
Inventories	167,398	—	125	167,523		Inventories
	—	50,112	—	50,112	E	Other financial assets
Deferred tax assets	4,723	(4,723)	—	—	E	
Other current assets	13,349	(183)	(6,484)	6,682	D	Other current assets
Total of current assets	452,569	(12,450)	(6,359)	433,760		Total current assets
						Non-current assets
Tangible assets						
Land	22,358	(22,358)	—	—		
Buildings and structures	94,927	(94,927)	—	—		
Machinery and equipment	91,493	(91,493)	—	—		
Construction in progress	5,531	(5,531)	—	—		
Accumulated depreciation	(119,802)	119,802	—	—		
Total of tangible assets	—	94,507	981	95,488		Property, plant and equipment
Investments and other assets						
Investment	34,004	(34,004)	—	—		
Goodwill	721	(721)	—	—		
Other intangible assets(Net)	3,641	(3,641)	—	—		
	—	3,735	2,902	6,637	A	Goodwill and intangible assets
	—	42,982	818	43,800	E	Other financial assets
	—	8,385	(3)	8,382	B	Employee benefits assets
Deferred tax assets	650	4,723	3,796	9,169	D,E	Deferred tax assets
Other assets	11,157	(8,703)	(137)	2,317		Other non-current assets
	144,680	12,756	8,357	165,793		Total of non-current assets
Total assets	597,249	306	1,998	599,553		Total assets

Accounts under US GAAP	US GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Accounts under IFRS
LIABILITIES AND EQUITY						Liabilities
Current liabilities						Current liabilities
Short-term borrowings	6,579	(15)	—	6,564		Borrowings
Notes payable and accounts payable	26,347	7,113	—	33,460		Trade payables and other payables
Other payable	7,122	(7,122)	—	—		
Accrued expenses	10,537	(10,537)	—	—		
Accrued bonus	9,431	(9,431)	—	—		
	—	284	—	284	E	Other financial liabilities
Income tax payables	6,944	320	—	7,264		Income tac payables
Deferred tax liabilities	3,134	(3,134)	—	—	E	
	—	3,412	—	3,412		Provision
Other current liabilities	8,178	16,273	448	24,899		Other current liabilities
Total current liabilities	78,272	(2,837)	448	75,883		Total current liabilities
LONG-TERM LIABILITIES						Non-current liabilities
Long-term indebtedness	18	(18)	—	—		
Accrued retirement and termination benefits	3,161	—	—	3,161		Employees benefit obligation
	—	18	—	18	E	Other financial liabilities
	—	1,440	—	1,440		Provision
Tax deferred liabilities	8,313	3,143	(718)	10,738	E	Deferred tax liabilities
Other liabilities	1,674	(1,440)	—	234		Other non-current liabilities
Total long-term liabilities	13,166	3,143	(718)	15,591		Total non-current liabilities
Total liabilities	91,438	306	(270)	91,474		Total liabilities
EQUITY						Equity
MAKITA CORPORATION SHAREHOLDERS' EQUITY						
Common stock	23,805	—	—	23,805		Capital stock
Additional paid-in capital	45,501	—	—	45,501		Additional paid-in capital
Retained earnings						
Legal reserve	5,669	(5,669)	—	—		
Other retained earnings	456,546	(29,516)	969	427,999	A,B,C,D	Retained earnings
Treasury stock	(11,623)	—	—	(11,623)		Treasury stock
Accumulated other comprehensive income (loss)	(17,728)	34,986	1,299	18,557	B,C	Other components of equity
Total Makita Corporation shareholders' equity	502,170	(199)	2,268	504,239		Equity attributable to the owner of the parent
Non-controlling interest	3,641	199	—	3,840	C	Non-controlling interest
Total equity	505,811	—	2,268	508,079		Total equity
Total equity and liabilities	597,249	306	1,998	599,553		Total liabilities and equity

Reconciliations of Equity of previous consolidated fiscal year ending on March 31, 2018

In millions of Yen

Accounts under US GAAP	US GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Accounts under IFRS
ASSETS						ASSETS
CURRENT ASSETS						CURRENT ASSETS
Cash and cash equivalents	147,320	—	—	147,320		Cash and cash equivalents
Deposit	43,013	(43,013)	—	—		
Short-term investment	14,782	(14,782)	—	—		
Notes receivables	1,343	(1,343)	—	—		
Account receivables	79,092	(79,092	—	—		
Allowance for bad debt	(1,340)	1,340	—	—		
	—	78,988	—	78,988		Trade receivables and other receivables
Inventories	196,217	—	237	196,454		Inventories
	—	48,037	—	48,037	E	Other financial assets
Deferred tax assets	16,150	(43)	(7,444)	8,663	D	
Other current assets	496,577	(9,908)	(7,207)	479,462		Other current assets
Total of current assets						Total current assets
						Non-current assets
Tangible assets	22,626	(22,626)	—	—		
Land	98,648	(98,648)	—	—		
Buildings and structures	98,868	(98,868)	—	—		
Machinery and equipment	6,027	(6,027)	—	—		
Construction in progress	(126,305)	126,305	—	—		
Accumulated depreciation	—	99,864	949	100,813		
Total of tangible assets						Property, plant and equipment
Investments and other assets	33,815	(33,815)	—	—		
Investment	721	(721)	—	—		
Goodwill	3,944	(3,944	—	—		
Other intangible assets(Net)	—	4,033	2,958	6,991	A	Goodwill and intangible assets
	—	44,621	940	45,561	E	Other financial assets
	—	9,564	165	9,729	B	Employee benefits assets
Deferred tax assets	3,975	—	6,074	10,049	D	Deferred tax assets
Other assets	12,135	(9,755)	(144)	2,236		Other non-current assets
	154,454	9,983	10,942	175,379		Total of non-current assets
Total assets	651,031	75	3,735	654,841		Total assets

Accounts under US GAAP	US GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Accounts under IFRS
LIABILITIES AND EQUITY						Liabilities
Current liabilities						Current liabilities
Short-term borrowings	3,411	(50)	—	3,361		Borrowings
Notes payable and accounts payable	28,156	6,868	—	35,024		Trade payables and other payables
Other payable	7,131	(7,131)	—	—		
Accrued expenses	11,952	(11,952)	—	—		
Accrued payroll	10,731	(10,731)	—	—		
	—	429	—	429	E	Other financial liabilities
Income tax payables	9,720	351	—	10,071		Income tax payables
Deferred tax liabilities	—	2,928	—	2,928		Provision
Other current liabilities	9,497	19,363	434	29,294		Other current liabilities
Total current liabilities	80,598	75	434	81,107		Total current liabilities
LONG-TERM LIABILITIES						Non-current liabilities
Long-term indebtedness	3,206	—	—	3,206		Employees benefit obligation
Accrued retirement and termination benefits	—	133	—	133	E	Other financial liabilities
	—	1,352	—	1,352		Provision
Tax deferred liabilities	9,391	—	997	10,388		Deferred tax liabilities
Other liabilities	1,703	(1,485)	(2)	216		Other non-current liabilities
Total long-term liabilities	14,300	—	995	15,295		Total non-current liabilities
Total liabilities	94,898	75	1,429	96,402		Total liabilities
EQUITY						Equity
MAKITA CORPORATION SHAREHOLDERS' EQUITY:						
Common stock	23,805	—	—	23,805		Capital stock
Additional paid-in capital	45,531	—	—	45,531		Additional paid-in capital
Legal reserve	5,669	(5,669)	—	—		
Retained earnings	497,456	(29,044)	820	469,232	A,B,C,D	Retained earnings
Treasury stock	(11,617)	—	—	(11,617)		Treasury stock
Accumulated other comprehensive income (loss)	(8,905)	34,514	1,486	27,095	B,C	Other components of equity
Total Makita Corporation shareholders' equity	551,939	(199)	2,306	554,046		Equity attributable to the owner of the parent
Non-controlling interest	4,194	199	—	4,393	C	Non-controlling interest
Total equity	556,133	—	2,306	558,439		Total equity
Total liabilities and equity	651,031	75	3,735	654,841		Total liabilities and equity

Reconciliations of consolidated statements of profit or loss for previous fiscal year ending on March 31, 2018

In millions of Yen

Accounts under US GAAP	US GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Accounts under IFRS
NET SALES	477,298	—	—	477,298		Revenues
Cost of sales	(302,173)	159	622	(301,392)	B	Cost of sales
GROSS PROFIT	175,125	159	622	175,906		Gross profit
Selling, general, administrative and others	(95,363)	(563)	251	(95,675)	A,B	Selling, general administrative and others
OPERATING INCOME	79,762	(404)	873	80,231		OPERATING INCOME
OTHER INCOME (EXPENSE)						
	—	3,218	(38)	3,180	F	Financial income
	—	(3,302)	(244)	(3,546)	F	Financial expenses
Interest and dividend income	2,919	(2,919)	—	—		
Interest expense	(43)	43	—	—		
Exchange gains (losses) on foreign currency transactions, net	(3,235)	3,235	—	—		
Realized gains (losses) on securities, net	299	(299)	—	—		
Impairment loss on securities	(24)	24	—	—		
INCOME BEFORE INCOME TAXES	79,678	(404)	591	79,865		PROFIT BEFORE INCOME TAXES
Provision for income taxes						
Current	(24,943)	404	(948)	(25,487)		
Deferred	536	—	545	1,081		
	(24,407)	404	(403)	(24,406)	D	Income tax expenses
Net Income	55,271	—	188	55,459		Profit
						Profit attributable to:
Net income attributable to Makita cooperation	54,755	—	188	54,943		Owners of parent company
Net income attributable to non-controlling interest	516	—	—	516		Non-controlling interests

Reconciliation of other comprehensive income statements for previous fiscal year ending on March 31, 2018

In millions of Yen

Accounts under US GAAP	US GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Accounts under IFRS
NET INCOME	55,271	—	188	55,459		NET INCOME
OTHER COMPREHENSIVE INCOME (LOSS)－(after tax)						OTHER COMPREHENSIVE INCOME (LOSS)－(net of tax)
						Items that will not be reclassified to profit or loss
Unrealized gain(loss) on securities	(1,364)	—	266	(1,098)		Financial instruments at fair value measured through other comprehensive income
Pension liability adjustment	544	—	(356)	188		Premeasurements of defined benefit plans
	(820)	—	(90)	(910)		Total of items that will not be reclassified to profit or loss
						Items that will be reclassified to profit or loss
Foreign currency translation adjustment	9,860	—	(7)	9,853		Translation difference on foreign operations
	9,860	—	(7)	9,853		Total of items that will be reclassified to profit or loss
Total other comprehensive income (loss)	9,040	—	(97)	8,943		Total other comprehensive income (loss)-net of income tax
COMPREHENSIVE INCOME (LOSS)	64,311	—	91	64,402		Total comprehensive income
						Attributable to:
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO MAKITA CORPORATION	63,578	—	91	63,669		Owners of the parent
Comprehensive income (loss) attributable to the non-controlling interest	733	—	—	733		Non-controlling interests

Notes to reconciliation

A. Intangible assets

Under US GAAP, development cost in R&D expenses was recognized as expenses, Under IFRS, the development cost that meet the capitalization requirements were recognized as intangible assets and amortized over its expected useful lives on a straight-line method.

As above recognition difference, the development cost capitalized in intangible on transition date and the previous consolidated fiscal year 2018 were 2,902Millions and 2,958Millions respectively, after the deduction of deferred tax of 876Million and 893Million, the remaining 2,026Millions and 2,065Millions are transferred to retained earnings respectively.

B. Employee benefits

Under US GAAP, service cost, interest expenses and expected return on plan assets were recognized in profit or loss. In addition, the actuarial differences and past service cost under the plan which was not recognized as expenses in the current period should be recognized as other comprehensive income after tax adjustment and amortized on a straight-line basis over the average remaining service period of employees.

Under IFRS, the actuarial gains and losses are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings. Current service costs and Past service costs are recognized in profit or loss when incurred. In addition, the remeasurement of defined benefit obligation and asset will be first recognized in other comprehensive income and transferred to retained earnings from other components of equity when occurred.

As above recognition difference, actuarial difference 8,869 million (loss) and past service liabilities 2,455 Million (profit) were transferred to retained earnings at the transition date.

C. Exchange difference on foreign operations

As an exemption elected under IFRS1, the cumulative translation differences for all foreign operations were reclassified to retained earnings on transition date.

As above recognition difference, the exchange difference amounted to 28,572millions in other comprehensive loss on transition were all transferred to retained earnings.

D. Income taxes

Under US GAAP, the tax effects from the elimination of unrealized gains on intergroup transactions were calculated by the tax rate of sales side. Under IFRS, it should be calculated by the tax rate of purchasing side.

As a result, on the transition date and the previous consolidated fiscal year ended at March 31, 2018, other current assets decreased by 6,484million yen and 7,444million yen, deferred tax asset increased by 5,730million yen and 6,420million yen, retained earnings decreased by 754milion yen and 1,024million yen respectively.

E. Reclassification on consolidated financial statements

Reclassifications are made to comply with the requirements of IFRS. The reclassifications are as follows:

① Financial assets and financial liabilities are disclosed separately based on the requirements of IFRS.

② Deferred tax asset, Deferred tax liabilities classified as current items under US GAAP are classified as non-current items under IFRS.

③ Some line items are aggregated or separated.

F. Reclassification on consolidated statements of profit or loss

Reclassifications are made to comply with the requirements of IFRS. The reclassifications are as follows:

① Financial income and financial expense are listed separately under IFRS.

Reconciliation of consolidated cashflows for the year ended March 31, 2018

There are no significant differences between the consolidated statement of cash flows under US GAAP and under IFRS.

(TRANSLATION)

Independent Auditor’s Report on the Financial Statements

and

Internal Control Over Financial Reporting

June 27, 2019

To the Board of Directors of Makita Corporation:

KPMG AZSA LLC

Yasuyuki Morimoto (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masaki Kawaguchi (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 “Financial Information” section in the company’s Annual Report, which comprise the consolidated balance sheet as at March 31, 2019 and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to consolidated financial statements and schedule to the consolidated financial statements , in accordance with Article 193-2(1) of the Financial Instruments and Exchange Law of Japan.
With article 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 International Financial Reporting Standards, 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, 2019, 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 also have audited the accompanying internal control report of Makita Corporation as at March 31, 2019, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Law of Japan.

Management's Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibility

Our responsibility is to independently express an opinion on the internal control report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the internal control report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the assessment of internal control over financial reporting in the internal control report. The procedures selected depend on the auditor's judgement, including

significance of effect on the reliability of financial reporting. Also, an internal control audit includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management, and the overall internal control report presentation.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the internal control report, in which Makita Corporation states that internal control over financial reporting was effective as at March 31, 2019, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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.