(Summary English Translation of the Materials disclosed via the Internet pursuant to Laws, Regulations, and the Articles of Incorporaion regarding the Notice of the 108th Ordinary General Meeting of Shareholders Originally Issued in Japanese Language)

June 3, 2020

MATERIALS DISCLOSED VIA THE INTERNET PURSUANT TO LAWS, REGULATIONS, AND THE ARTICLES OF INCORPORATION REGARDING THE NOTICE OF THE 108TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements

MAKITA CORPORATION

Pursuant to applicable laws and regulations and Article 15 of the Articles of Incorporation of the Corporation, these contents are deemed to be provided to shareholders by posting them on our website (https://www.makita.biz/ir/).

Notes to Consolidated Financial Statements

Notes to Important Basic Matters for Preparation of Consolidated Financial Statements

1. Basis of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to the provision of Article 120, paragraph 1 of the Ordinance on Accounting of Companies. Provided that certain statements and notes required by IFRS are omitted in accordance with the second sentence of said Article.

2. Scope of consolidation

Number of consolidated subsidiaries: 53

Major subsidiaries are as follows:

Makita U.S.A. Inc., Makita (U.K.) Ltd., Makita Werkzeug G.m.b.H. (Germany), Makita France SAS, Makita Oy (Finland), Makita LLC (Russia), Makita (China) Co., Ltd., Makita (Kunshan) Co., Ltd., Makita (Australia) Pty. Ltd., SC Makita EU S.R.L. , Makita do Brasil Ferramentas Elétricas Ltda., etc.

3. Valuation of Financial Instruments

(1) 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

An entity may, at initial recognition, 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. Makita determines the designation for each financial instrument.

(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 loss 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.

(2) 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 expectations 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.

(3) 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 loss are, after initial recognition, measured at fair value. Gain or loss 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.

(4) 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.

4. Valuation of 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.

5. Depreciation Method of Significant Depreciable Assets

(1) Property, plant and equipment

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.

(2) Intangible assets

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.

Development expenses:	5 years
Software:	2 to 10 years
Industrial property rights:	4 to 14 years

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

(3) Right-of-use assets

If the lease transfers ownership of the underlying asset to us by the end of the lease term or if it is reasonably certain that we will exercise a purchase option, after initial recognition, the right-of-use assets are depreciated by using the straight-line method over the estimated useful life of the underlying asset. In other cases, the right-of-use assets are depreciated by using the straight-line method over the shoter of the estimated useful life and the lease term.

6. 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.

7. 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.

8. 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.

9. 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 whose changes are recognized in 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.

10. 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 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.

11. Consumption tax is accounted for by allocation separately from related sales and purchase accounts.

Changes in accounting policies

Makita has adopted IFRS 16 “Lease” (“IFRS 16”) from the first date of the fiscal year ended March 31, 2020 (the “date of initial application”).

In accordance with IFRS 16, Makita has recorded leases that had been classified as operating leases under IAS 17 “Lease” as right-of-use assets and lease liabilities in the consolidated balance sheet. Upon transition to IFRS 16, Makita has chosen to apply the practical expedient that permits Makita to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 in determining whether an arrangement contains a lease, and not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17. In line with the transition provision in IFRS 16, Makita has adopted the modified retrospective approach (a method to recognize the cumulative effects of adopting IFRS 16 at the date of initial application). At the beginning balance of the fiscal year ended March 31, 2020, Makita additionally recognized total assets including right-of-use assets (which were included in property, plant and equipment in the consolidated balance sheet) of 10,656 million yen and lease liabilities of 10,656 million yen (which were included in other financial liabilities). Lease liabilities at the initial application were measured by present value, discounting the aggregate residual lease payments at the lessee’s incremental borrowing rate. The weighted average of the incremental borrowing rate was 2.5%. Upon transition to IFRS 16, Makita has adopted the following practical expedients:

・Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
・Applying the exemption on not recognizing right-of-use assets or lease liabilities for leases for which the lease term ends within 12 months of the date of initial application.

Notes to Consolidated balance sheet

1. Allowance for doubtful receivables directly deducted from assets
   Trade receivables and other receivables: 1,182 million yen

2. Accumulated depreciation of property, plant and equipment: 136,591 million yen
   Accumulated depreciation includes accumulated impairment losses.

Notes to Consolidated Statement of Changes in Equity

1. Matter regarding shares issued

Kind of shares	Beginning of the period	Increase	Decrease	End of the period
Common stock	280,017,520 shares	-	-	280,017,520 shares

2. Matter regarding dividend distribution

(1) Amount of dividend distribution

Resolution	Type of shares	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2019	Common stock	14,116	52	March 31, 2019	June 27, 2019
Board of Directors’ meeting held on October 30, 2019	Common stock	2,715	10	September 30, 2019	November 28, 2019

(2) Dividends that becomes effective during the following period, whose record date falls during the period under review

Scheduled resolution	Type of shares	Dividend resource	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2020	Common stock	Retained earnings	11,675	43	March 31, 2020	June 26, 2020

Notes to Financial Instruments

1. Matter regarding status of financial instruments

In the course of business activities, Makita is exposed to financial risks, such asforeign exchange rate risks, stock price risks, interest rate risks, credit risks, and liquidity risks. We perform risk management activities to reduce such financial risks.

(1) Market risk

(i) Foreign exchange rate risk management

Makita operates business activities globally and is exposed to risks related to foreign exchange rate fluctuation in purchase and sales transactions denominated in foreign currencies. We hedge against the foreign exchange rate fluctuation risk through derivative transactions such as settlement and forward exchange contract in a bank account abroad to reduce the impact of the exchange rate fluctuation risk. Although we do not apply hedge accounting to these derivative transactions, we have judged that the transactions effectively offset the impact of the exchange rate fluctuation.

(ii) Stock price risk management

Makita holds listed stock and is exposed to market price fluctuation risks. To manage the risks, we periodically monitor the market prices and financial conditions of issuing entities and revise our stock holding status appropriately.

(2) Interest rate risk

Makita’s liabilities with interest include borrowings and lease obligations, which are financed principally at fixed interest rates. Accordingly, the matter of interest rate risks is immaterial for Makita.

(3) Credit risk

Makita is exposed to credit risks causing financial losses due to default by the other party of our financial assets. Trade accounts receivable and trade notes receivable, which are trade receivable, are exposed to the credit risk of customers. In order to reduce the risks, we established a credit limit for each partner in accordance with the credit management rules, and our sales management department manages a fixed date and balance of each partner, periodically monitoring the conditions of the major partners to identify doubtful accounts due to worsening financial conditions as soon as possible. In addition, we do not have over-concentration risks of a partner or of a group that the partner belongs to.

The fund management of Makita is exposed to credit risks of depositees or issuers of receivables. We hold cash and cash equivalents and other financial assets of only high-ranked financial institutions in accordance with the guidelines for fund managemet. Therefore, we believe that credit risks are low.

(4) Liquidity risk

The liquidity risk is a risk that Makita may be unable to repay the obligation related to a financial liability to be settled by cash or other financial assets on the due date.

Although trade payables and other payables, borrowings, and other financial liablities are exposed to liquidity risks, we manage the risks by maintaining borrowing limits of financial institutions as well as developing and renewing a cash plan in a timely manner.

2. Matter regarding such as fair value of financial instruments

The carrying amount and fair value of the financial instruments as of March 31, 2020 are as follows.

	(Millions of Yen)	
	Carrying amount	Fair value
Financial assets measured at amortized cost		
Debt securities	3,105	3,085

(Notes) 1. The table above does not include financial instruments measured at fair value in the consolidated balance sheet and financial instruments whose carrying amounts are reasonable approximations to the fair value.

2. Debt securities of financial assets measured at amortized cost are included in "Other financial assets" in the consolidated balance sheet.

3. Measurement of fair value

(Cash and cash equivalents, trade receivables and other receivables, and trade payables and other payables)

Since they are settled in a short period, the carrying amounts are reasonable approximations to the fair value.

(Borrowings)

Since all of them are settled within one year, the carrying amounts are reasonable approximations to the fair value.

(Other financial assets and other financial liabilities)

Since time deposits due over three months of the other financial assets are settled in a short period, the carrying amounts are reasonable approximations to the fair value. Listed stock is determined by exchange market prices as financial assets measured at fair value through other comprehensive income. Debt securities are calculated at an exchange market price or a price presented by a financial institution as financial assets measured at fair value through profit or loss.

Derivatives are calculated as financial assets or financial liabilites measured at fair value through profit or loss, based on such basic conditions observable at the market as exchage rate.

Notes to Revenue Recognition

The content and time of revenue recognition of the performance obligations based on the contract with a customer in Makita's major business is stated in "10. Revenue Recognition" of Notes to Important Basic Matters for Preparation of Consolidated Financial Statements.

Notes to Information Per Share

Equity attributable to owners of the parent per share	2,104.01	yen
Profit attributable to owners of the parent per share (Basic)	175.80	yen

Notes to Significant Subsequent Events:

None.

*Amounts less than 1 million yen have been rounded.

Notes to Non-consolidated Financial Statements

Notes to Significant Accounting Policies

1. Valuation of securities

Held-to-maturity securities:	Amortized cost (straight-line method)
Stocks of subsidiaries:	At moving-average cost
Other securities	
Those having fair market value:	Fair market value as of the end of the period (Valuation differences are presented as valuation and translation adjustments in net assets. The cost of securities sold is calculated based on the moving-average method.)
Those having no fair market value:	At moving-average cost

2. Valuation of net assets and liabilities accrued from derivative transactions:

Fair market value as of the end of the period

3. Valuation of inventories

Inventories are valued at the lower of cost based (the balance sheet amount is computed using the method of devaluing the book price to reflect declines in profitability).

Finished goods, merchandise, work in process, and raw materials:

At average cost

Supplies: At latest purchase cost

4. Depreciation method of fixed assets

Tangible fixed assets:	Straight-line method	
(Excluding lease assets)	Useful life:	
	Buildings:	38 to 50 years
	Machinery and equipment:	5 to 10 years

Intangible fixed assets:	Straight-line method
(Excluding lease assets)	Software for internal use is depreciated on the straight-line method over its estimated useful life (5 years). Industrial property rights are depreciated on the straight-line method over 4 to 14 year period.
Lease assets:	Lease assets relating to finance lease transactions, excluding those whose ownership is transferred to the lessee upon lease expiration, are depreciated by the straight-line method over the lease term with no residual value, the lease term being regarded as the useful life.

5. Allowances

Allowance for doubtful accounts:	The allowance for doubtful accounts is reserved based on the historical write-off ratio for accounts receivable. For accounts receivable that are difficult to collect, individually estimated write-off amounts are reserved.
Allowance for directors’ bonuses:	In preparation for the anticipated payment of directors’ bonuses, we appropriate the amount estimated to pay for the period.
Allowance for product warranties:	In preparation for the payment of product after-service and free post-sale repair services, we appropriate the projected amount based on actual payment in the past.
Retirement and termination allowance:	To be prepared for employee retirement, retirement and termination allowance and prepaid pension cost are reserved based on projected benefit obligations and plan assets at the balance sheet date. In calculating the projected benefit obligations, the Corporation adopted the benefit formula basis as the method for attributing the expected benefit to the period up to the end of the period. Past service costs are amortized by the straight-line method over the average remaining employment period. Actuarial differences are amortized starting immediately after the year of accruement by the straight-line method over the average remaining employment period.
Retirement allowance for Directors and Audit & Supervisory Board Members:	The Corporation terminated the retirement allowance plan for Directors and Audit & Supervisory Board Members as of the conclusion of the ordinary general meeting of shareholders held on June 29, 2006. The balance of the period end is the amount of the reserve for the period of office served until abolition of the plan by those current directors (excluding outside directors) who served until June 29, 2006.

6. Income and Expense

The Corporation has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 30, 2018) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018), and recognizes revenue when promised goods or services are transferred to customers, in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services.

7. Consumption tax is accounted for by allocation separately from related sales and purchase accounts.

Notes to Balance Sheet

1. Accumulated depreciation on tangible fixed assets:

Buildings	29,588	million yen
Structures	2,498	million yen
Machinery and equipment	12,157	million yen
Vehicles and transportation equipment	243	million yen
Tools, furniture and fixtures	26,770	million yen
Total	71,256	million yen

2. Guarantee:

Guarantee for borrowing from financial institution

Maximum amount of guarantee for Makita U.S.A. Inc. (50 million U.S. dollars)	5,442	million yen

3. Receivables and payables for affiliates:

Short-term receivables	34,734	million yen
Short-term payables	19,731	million yen

Notes to Statement of Income

Transactions with affiliates

Amount of operating transactions

Sales	174,237	million yen
Purchases, etc.	173,236	million yen
Amount of non-operating transactions	38,683	million yen

Notes to Statement of Changes in Net Assets

1. Matter regarding treasury stock

Kind of shares	Beginning of the period	Increase	Decrease	End of the period
Common stock	8,550,463 shares	705 shares	50,638 shares	8,500,530 shares

(Reasons for the change)

The reason for the increase is as follows:

Purchase of shares constituting less than a full unit:	705	shares

The reason for the decrease is as follows:

Sales of shares constituting less than a full unit:	58	shares
Allotment of restricted shares	50,580	shares

Notes to Tax Effect Accounting

1. The main reasons for deferred income tax assets and liabilities are as follows:

Deferred income tax assets		
Accrued expenses	1,581	million yen
Inventories	675	million yen
Accrued enterprise taxes	239	million yen
Loss on valuation of investment securities	2,483	million yen
Excess in depreciation	3,175	million yen
Retirement allowance for directors and audit & supervisory board members	98	million yen
Loss on impairment of fixed assets	84	million yen
Other	82	million yen
Subtotal	8,417	million yen
Valuation allowance	(351)	million yen
Total	8,066	million yen
Deferred income tax liabilities		
Prepaid pension cost	(3,116)	million yen
Net unrealized gains on securities	(2,028)	million yen
Reserve for advanced depreciation of fixed assets	(1,059)	million yen
Other	(2)	million yen
Total	(6,205)	million yen
Net amount of deferred income tax assets	1,861	million yen

2. Major items causing the significant difference between the statutory income tax rates applicable to the Corporation and the effective income tax rates after the adoption of tax effect accounting are as follows:

Statutory income tax rate	30.2%
(Reconciliations)	
Dividend income and other permanently non-taxable income	(17.8%)
Withholding tax on foreign dividends	3.7%
Tax credit for R&D expenses	(1.2%)
Other	0.3%
Effective income tax rate after the adoption of tax effect accounting	15.2%

Notes to Fixed Assets Used through Leases

Operating leases

Lease commitments under non-cancelable operating leases

Within 1 year	255	million yen
Over 1 year	1,358	million yen

Notes to Transactions with Related Parties

1. Directors and primary individual shareholders

Attribute	Companies which directors and their relatives own the majority of voting rights (including the subsidiaries of such companies)	
Corporate name	TOA Co., Ltd. (Note 1)	Maruwa, Ltd. (Note 2)
Principal business or position	Design, production and distribution of automatic regulators	Real estate business
Owning and owned ratio of voting rights (%)	Direct owned ratio: 0.0	Direct owned ratio: 3.2
Relationship	Purchase of production equipment Interlocking Directors(Number of directors: 2)	Advertising Interlocking Directors (Number of directors: 2)
Principal transactions	Purchase of production equipment (Note 3)	Advertising (Note 3)
Transaction amount (Millions of Yen) (Note 4)	90	2
Account title	Other payable	-
Balance at end of the period (Millions of Yen) (Note 4)	3	-

Terms of transactions and the policy to decide the terms

(Note 1) Masahiko Goto, Chairman and Representative Director of the Corporation, Munetoshi Goto, President and Representative Director of the Corporation, and their relatives own 100% of voting rights of TOA Co., Ltd.

(Note 2) Masahiko Goto, Chairman and Representative Director of the Corporation, Munetoshi Goto, President and Representative Director of the Corporation, and their relatives own 68.1% of voting rights of Maruwa, Ltd.

(Note 3) The prices of the transactions with TOA Co., Ltd. and Maruwa, Ltd. are determined upon negotiation, considering the prevailing market prices.

(Note 4) The above stated transaction amount does not include consumption tax, and that balance at the end of the period includes consumption tax.

2. Subsidiaries

Attribute	Subsidiaries	
Corporate name	Makita U.S.A. Inc. (United States)	
Owning and owned ratio of voting rights (%)	Direct owning ratio: 100.0	
Relationship	Debt guarantee Subscription of additional increase of capital Interlocking Directors (Number of directors: 2)	
Principal transactions	Debt guarantee (Note 1)	Capital increase (Note 3)
Transaction amount (Millions of Yen) (Note 4)	5,442	4,687
Account title	-	-
Balance at end of the period (Millions of Yen) (Note 4)	-	-

Attribute	Subsidiaries	
Corporate name	Makita (China) Co., Ltd. (China)	Makita (Kunshan) Co., Ltd. (China)
Owning and owned ratio of voting rights (%)	Direct owning ratio: 100.0	Direct owning ratio: 100.0
Relationship	Purchase of merchandise and finished goods, etc. Interlocking Directors (Number of directors: 3)	Purchase of merchandise and finished goods, etc. Interlocking Directors (Number of directors: 3)
Principal transactions	Purchase of merchandise and finished goods, etc. (Note 2)	Purchase of merchandise and finished goods, etc. (Note 2)
Transaction amount (Millions of Yen) (Note 4)	37,918	125,522
Account title	Trade accounts payable	Trade accounts payable
Balance at end of the period (Millions of Yen) (Note 4)	3,769	13,286

Attribute	Subsidiaries
Corporate name	Makita Engineering Germany GmbH (Germany)
Owning and owned ratio of voting rights (%)	Direct owning ratio:89.4 Indirect owning ratio:10.6
Relationship	Subscription of additional increase of capital Interlocking Directors (Number of directors: 2)
Principal transactions	Capital increase (Note 3)
Transaction amount (Millions of Yen) (Note 4)	7,008
Account title	-
Balance at end of the period (Millions of Yen) (Note 4)	-

Terms of transactions and the policy to decide the terms

(Note 1) For Makita U.S.A. Inc., the Corporation has guaranteed its debt, and the amount shown in "Transaction amount" represents the maximum amount of guarantee (50 million U.S. dollars with no payment deadline).

(Note 2) The price of goods and other terms of transactions are determined upon negotiation, considering the prevailing market prices.

(Note 3) Investment by way of capital increase was made.

(Note 4) Consumption tax is not included in the transaction amount and the balance at the end of the period.

Notes to Revenue Recognition

It is omitted as described in "Notes to Revenue Recognition" of the Notes to the Consolidated Financial Statements.

Notes to Information Per Share

Net assets per share	1,467.16	yen
Net income per share	192.89	yen

Notes to Significant Subsequent Events:

None.

*Amounts less than 1 million yen have been rounded.