



Makita Corporation

Additional Information
for the year ended March 31, 2024

General Overview of Business

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



CONTENTS

Management policies and Challenges the company faces.....	2
Risk factors.....	10
Analysis of Financial Position, Operating Results and Cash Flows.....	14
Production, Orders received and Sales.....	19
Research and Development.....	19
Facilities and Equipment.....	20



【Management policies and Challenges the Company faces】

1. Basic Policies

Makita has set itself the goal of consolidating a strong position in the global power tool industry as a global supplier of a comprehensive range of power tools (mainly for DC type, gardening equipment, air tools, etc.) that assist people in creating homes and living environments. In order to achieve this, Makita has established strategic business approaches and quality policies such as "A management approach in symbiosis with society" "Managing to take good care of our customers," "Proactive, sound management" and "Emphasis on trustworthy and reliable corporate culture as well as management to draw out the capabilities of each employee." Makita aims to generate solid profitability so that Makita can promote its sustained corporate development and meet the needs of its shareholders, customers, and employees as well as regional societies where Makita operates.

2. Target Management Indicators

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

3. Medium-to-Long-Term Management Strategy

Makita aims to establish high brand recognition and become a "Strong Company" capable of acquiring and maintaining the top market share as an international total supplier of power tools for professional use, gardening equipment, pneumatic tools and other tools in each international region. To achieve these objectives, we will put focus on maintaining and expanding our efforts to develop new products that guarantee great satisfaction to professional users, our global production structure realizing both high quality and cost competitiveness at the same time, and the best marketing and service structure of the power tools industry in Japan and in international regions. Especially having plenty stock in each region as we have production and sales sites in each country, that realizes not only marketing but also speedy after-sale service and distribution, and this leads to build the customer relationship.

In order to carry out this management strategy, Makita is focusing its management resources on the professional-use tool category, while maintaining its strong financial position that can withstand any unpredictable changes in the operational environment including those related to foreign exchange risk and country risk.

4. Preparing for the Future

In the future, the Makita Group expects that the prospect for the global economy will continue to be uncertain. Meanwhile, the Group believes that demand for environmental and human friendly tools that contribute to the solution of social issues, such as the labor shortage and environment conservation by increased efficiency of works, will continue to increase further both in emerging and developed countries.

To cope with these assumed conditions, Makita will:

- Strengthen its R&D and product development capabilities, mainly for the technologies of motors and technologies for discharge/charge of batteries, to take the initiative in cordless products market;
- Positioning cordless outdoor power equipment as the next pillar of our future business after power tools, we will contribute to the realization of a decarbonized society by promoting deep cultivation and development of the market.
- We will strengthen the development and sales expansion of new finished goods in new fields such as cleaning, outdoor activities, and disaster prevention, and work to evolve into a supplier of a comprehensive range of cordless products.
- Implement measures to strengthen and improve the efficiency of production, procurement and distribution, while further upgrading global production bases; and
- Strive to raise its brand power by promoting the establishment of a sales and after-sales service network to offer community-based and fine-tuned response to needs of customers around the world.

On the basis of these factors, the Group will strive to maintain a solid presence in the industry and contribute to achieve a sustainable society as a global supplier of a comprehensive range of tools for creating comfortable homes and living environments.

(Initiatives for the TCFD Recommendations)

The impact of climate change on society, such as frequent wind and flood disasters, is becoming more serious, and companies are playing an increasingly important role in realizing a decarbonized society. Our company views climate change as an important business issue.

For this reason, our company has prioritized contributing to the solution of climate change issues by, for example, focusing on cordless outdoor power equipment that does not emit exhaust gas when used. In order to further accelerate these efforts, we have newly set targets for reducing greenhouse gas (GHG) emissions. We are working on our targets are to reach net zero emissions by fiscal 2040 (FYE 2041).

In addition, recognizing the importance of dialogue with stakeholders on climate-related risks and opportunities, we disclosed information for the first time based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

See our website for more information. (<https://www.makita.co.jp/company/sustainability/environment>)

[Governance]

In 2021, the Company established a Sustainability Committee, chaired by the President, to promote Companywide efforts to address sustainability issues through business activities.

Based on the expectations of stakeholders and social trends, as well as current management issues and the management environment, the committee selects material issues and implements measures after discussions and deliberations.




The committee considers climate change to be one of the most important sustainability issues, and deliberates on policies, measures, and plans to reduce GHG emissions. The committee reports and submits proposals on important matters to the Board of Directors, which deliberates on these matters and makes decisions in the course of monitoring and overseeing the Company's climate-related risks and opportunities.

Material Issue Identification Process

Priority material issues were identified in the following process.



Material Issues

	Materiality	Specific Key Initiatives	SDGs Contributions
E	Reducing environmental impact <ul style="list-style-type: none"> Contribute to decarbonization Contribute to a resource-circulating society 	<ul style="list-style-type: none"> Active development of cordless OPE to replace engine-powered products Utilization of renewable energy and energy conservation Promotion of the elimination of plastic Battery recycling 	
S	Contribution to affluent communities and daily lives <ul style="list-style-type: none"> Improve work efficiency and the productivity of field operations Support early recovery from disasters Offer peace of mind during times of disaster 	<ul style="list-style-type: none"> Active development of cordless products Expansion of sales and service base network with close ties to customers and communities Expansion of logistics functions and production capacity Maintenance of a stable inventory that will not run out in times of emergency 	
G	Strengthening the management base <ul style="list-style-type: none"> Exercise respect for human rights Provide for employee training, safety, and health Ensure compliance Strengthen corporate governance 	<ul style="list-style-type: none"> Ensure thorough consideration of human rights throughout the supply chain Development of human resources and promotion of diversity and inclusion Ensure employee safety and health Ensure awareness of and ensure compliance with laws and regulations Further improvement of the effectiveness of the Board of Directors 	

[Risk Management]

The Company hold annual Disclosure Committee meetings to identify and scrutinize risks in our business activities as well as to evaluate and manage risks related to sustainability.

The details of climate change risks and opportunities are assessed and managed under the Sustainability Committee.

The Board of Directors monitors and supervises sustainability-related risks and opportunities. In addition, among material issues, climate change and human capital are recognized as particularly important issues that have an impact on the Company's sustainable enhancement of corporate value, and the Company is strengthening its efforts.



[Initiatives for decarbonization]

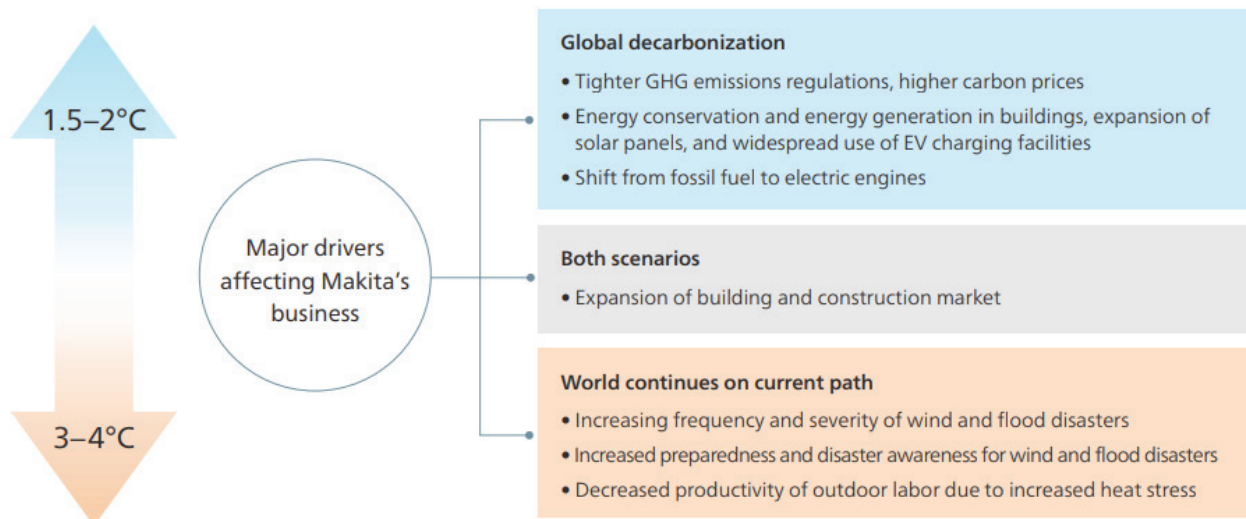
The impact of climate change on society, such as frequent wind and flood disasters, is becoming more serious, and companies are playing an increasingly important role in realizing a decarbonized society. The Makita Group views climate change as an important business issue.

For this reason, we have prioritized contributing to the solution of climate change issues by, for example, focusing on cordless outdoor power equipment that does not emit exhaust gas when used. In order to further accelerate these efforts, we have set targets for reducing greenhouse gas (GHG) emissions. We are working on our targets are to reach net zero emissions by fiscal 2040 (FYE 2041). In addition, recognizing the importance of dialogue with stakeholders on climate-related risks and opportunities, we disclosed information for the first time based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

See our website for more information. (<https://www.makita.biz/sustainability/environment/02/>)

[Strategy]

In identifying climate-related risks and opportunities that could affect our business, we have used climate change scenarios from the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), and other organizations to organize our views into (1) a 1.5°C to 2°C worldview in which decarbonization progresses and (2) a 3°C to 4°C worldview in which warming proceeds as it is now. The following is a summary of the results.



Based on these worldviews, we have identified our climate-related risks and opportunities and qualitatively assessed them. For more details, see our website.

Risks

Type	Category		Risk	Relevant period	Possibility
	Large	Small			
Transition	Policies and regulations	Rising carbon price/energy conservation and low-carbon regulations	Increased operating costs based on own GHG emissions	Short to medium term	Large
			Increased procurement costs of raw materials, energy, etc.		
			Increased capital expenditures to enhance energy efficiency	Short term	Large
			Increased renewable energy procurement costs		
		Battery regulations	Increased battery procurement costs	Medium to long term	Large
	Technology	Product technology development competition	Increased development costs for technologies and products with superior environmental performance (including portability and operational efficiency)	Short to medium term	Large
		Competition to develop next-generation battery technology	Increased development costs for next-generation batteries with superior capacity, voltage, life, safety, etc.		
	Market	Changes in market prices	Increased procurement costs due to increased battery demand	Short term	Large
			Increased procurement costs due to increased demand for semiconductors		
			Increased transportation costs due to decarbonization of transportation	Short to medium term	Large
	Reputation	Increased disclosure requests	Reputational damage due to inferiority of information disclosure compared to other companies	Short term	Medium
Physical	Acute	Increased frequency and severity of wind and flood disasters	Physical damage to our offices and facilities	Short term	Medium
			Losses due to business interruption		
			Losses due to supply chain disruptions		

Risk onset timing: Short-term: up to 3 years; Medium-term: over 3 years to 10 years; Long-term: over 10 years

Opportunities

Type	Category		Opportunity	Relevant period	Possibility
	Large	Small			
Transition	Energy sources	Increased carbon prices	Decrease operating costs by reducing GHG emissions to become carbon neutral	Short to medium term	Large
	Products and services	Product technology development competition	Differentiation from competitors' products through the development of products with superior environmental performance (including portability and work efficiency)	Short term	Large
		Competition to develop next-generation battery technology	Differentiation from competitors' products through the development of next-generation batteries with superior performance	Medium to long term	
	Market	Energy conservation and low-carbon regulations	Market expansion and product demand increase due to a shift from engine-powered to cordless products	Short term	Large
		Changes in the building and construction market	Increase in demand for products associated with ZEB*1/ZEH*2 conversion of buildings, installation of solar power generation equipment, and EV charging facilities, etc.		
		Increased disclosure requests	Improved reputation through enhanced disclosure information		Medium
Physical		Rising temperatures, climate and extreme weather	Increased demand for products in line with increased DIY demand due to longer time spent at home	Short to medium term	Large
	Resilience	Increased frequency and severity of wind and flood disasters	Expansion of the disaster readiness market, increase in product demand, and contribution to recovery and reconstruction in the affected areas	Short term	Large
		Rising temperatures	Increased demand for products to improve working conditions in hot environments	Short to medium term	

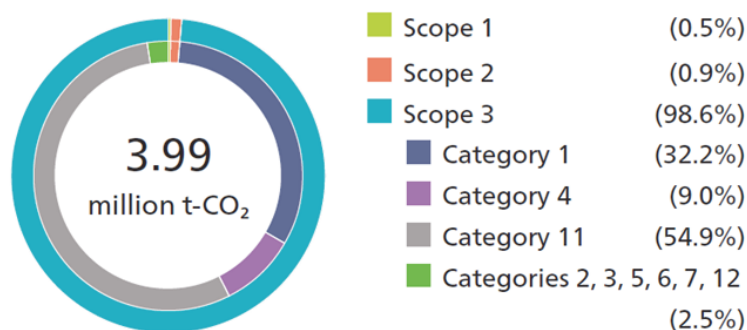
Opportunity onset timing: Short-term: up to 3 years; Medium-term: over 3 years to 10 years; Long-term: over 10 years

※1 Net Zero Energy Building ※2 Net Zero Energy House

[Indicators and Targets]

The Makita Group has set goals to reduce GHG emissions from its own business activities (Scope 1 and 2) to virtually zero by fiscal 2040 (FYE 2041) and from its entire supply chain (Scope 3) to virtually zero by fiscal 2050 (FYE 2051). The mid-term target for Scope 1 and 2 is to halve the fiscal 2020 (FYE 2021) level by fiscal 2030 (FYE 2031).

GHG Emissions (Scopes 1, 2, 3) (FYE 2024)



- Notes: 1. Of the 15 categories in Scope 3, categories 8, 9, 10, 13, 14, and 15 have been excluded from calculation.
 2. The figures in parentheses above are percentages of the total of Scopes 1 through 3, with 3.99 million t-CO₂ as the denominator.

Targets and results related to GHG emissions (t-CO₂)

	Fiscal 2020 (FYE 2021) Results	Fiscal 2030 (FYE 2031) Targets	Fiscal 2040 (FYE 2041) Targets	Fiscal 2050 (FYE 2051) Targets
Scope 1, 2	89,673	44,836	Virtually zero	
Scope 3	6,006,569	—	—	Virtually zero

[Initiatives related to utilization of human capital]

Our initiatives to the utilization of human capital are as follows. Although initiatives related to human capital utilization are implemented by each consolidated subsidiary company, it is difficult to describe them for the entire consolidated group due to differences in scale and systems. Therefore, the Company's non-consolidated indicators and results are presented.

[Basic approach and strategy to human capital]

After Makita's expansion into the U.S. in the 1970s, the Company has pressed forward and proactively grown internationally. In 2005, we launched our lithium-ion battery-powered professional-use cordless tools ahead of the competition and, more recently, with environmental issues globally growing into an important theme, we have been working towards evolving into a supplier of a comprehensive range of cordless products by shifting from engine-powered to battery-powered products. This ability to flexibly respond to global market environment changes is the source of Makita's growth. What supports our growth is nothing other than the talents of the people working at Makita. Moving forward, Makita will comprehend changes in the global market environment and strive to grow with demand. To this end, we will advance the activities of diverse human resources and globalize Makita.

[Indicators and targets for human capital]

(1) Efficiently training new human resources to be competitive as quickly as possible

Makita is expanding its business on a global scale, and many of its employees have experience temporarily working or training abroad. As of March 31, 2024, approximately 26% of employees have worked overseas on temporary transfers, excluding those working at the Research and Development Headquarters or Domestic Sales Headquarters. For Makita to continue to grow sustainably, it is essential that newly hired human resources (both new graduates and mid-career employees) with diverse values gain international experience early on and receive training to be globally active. We are working to achieve the target we have set of 20% of employees sent for overseas training or temporary transfer having worked at Makita (non-consolidated) for five years or less by March 31, 2030.

This year, the number declined temporarily because the majority of young employees sent overseas who have been working at Makita for five years entered their sixth year. At the same time, we introduced a short-term overseas training system, so an increasing percentage of our workforce now has overseas training experience. After finishing the training, they spend several months to a year in Japan on preparation, which leads to successful subsequent overseas assignment. To achieve our target, we will utilize short-term training programs to increase the number of young employees who are eligible for overseas work.

	2022	2023	2024	2030
Percentage of employees sent for overseas training or temporary transfer that worked at Makita for five years or less	17%	14%	12%	20%

(Initiatives for achievement)

- Proactively accepting internships and building relationships with university laboratories to lay the groundwork for attracting excellent human resources
- Launching short-term overseas training programs to enable more young employees to gain overseas experience
- To foster international career development and increase motivation amongst young employees, we held a roundtable discussion with employees with overseas work experience and shared the content in the Company newsletter.

(2) Promoting women's advancement

Makita is working to create an environment that is comfortable for women to work in and allows human resources with diverse values to demonstrate their abilities to the fullest. As a result, the average length of female employees working at Makita in Japan is almost the same as that of their male counterparts. We have set a target for the future to increase the percentage of female managers at Makita (non-consolidated) to at least 3% (10 or more people) by FYE 2030, so that every female employee can further play active roles, and we are advancing our efforts to achieve this target.

This year, we held the Women's Career Design Seminar over two sessions for interested female employees. Seminar participants reflected on their lives, identified their strengths and unique abilities, and created action plans for the future. At the second session, Ayumi Ujihara, Outside Director, spoke on stage, sharing her perspective as an experienced working woman about such subjects as looking at things positively, enjoying work, and networking.

Participants said that this was a good opportunity to think deeply about their own career development, and we will continue to implement measures to promote the active participation of female employee.

	2022	2023	2024	2030
Percentage of female managers	0.7% (2 people)	1.0% (3 people)	1.3% (4 people)	3.0% (10 or more people)

(Note)1 Average years of service as of 31 March 2024: 16.1 years for males, 17.4 years for females

(Initiatives for achievement)

- Creating systems that allow flexible work styles, such as through the expansion of the childcare reduced working-hours system
- Actively recruiting female new graduates and mid-career hires
- Encouraging women to take the exams for promotions to leadership and management positions

(3) Encouraging employees to take childcare leave

Creating a rewarding environment that allows human resources with diverse values to balance work and family is a vital component to Makita's continuous growth. We have put in place a childcare leave system and a childcare reduced-working-hours system. In recent years, the percentage of women who use these systems has remained high, but the percentage of men using them has room to improve. Therefore, we have set a target of having at least 90% of male employees at Makita (non-consolidated) use the childcare leave system by FYE 2030 and are working towards achieving this goal.

	2022	2023	2024	2030
Percentage of male employees using childcare leave system	8%	25%	49%	90% or more

(Initiatives for achievement)

- Making information on childcare leave available to workplace managers to promote the creation of an environment that encourages employees to the use of childcare leave



【Risk factors】

The following is a summary of some of the significant risks, concerning the business and financial conditions stated in the financial statements, which could affect investors' decision-making. Additionally, some risks that may be currently unknown to Makita and other risks that are currently believed to be immaterial, may become material.

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

The demand for power tools, Makita's main products, is affected to a large extent by the levels of new housing construction, demand for household renovations, public investment and private investments. Generally speaking, the levels of construction activities and capital investment and consumption trends depend largely on the economic conditions in the market.

As a result, when economic conditions weaken in Japan, Europe, North America, Asia, Central and South America, Oceania, the Middle East and Africa where Makita conducts business actively, this may have an adverse impact on Makita's financial condition and results of operations. Uncertainty of world economic condition may adversely affect construction activities and consumption, and Makita's sales may decrease. Consequently, the ratio of selling, general, administrative and others expense (hereinafter called "SGA expenses") against net sales may become relatively high, and as a result, profit margin may decrease. Such conditions may require reorganization and restructuring of production facilities and sales/distribution sites. If a sovereign debt crisis erupts in other country, it may have further adverse effects on the level of new housing construction, demand for household renovations, public investment and private investments due to the tightening of credit because of fears of failure of financial institutions or further decrease in public spending because of the austerity budget.

Currency exchange rate fluctuations may affect Makita's financial results.

The functional currency for all of Makita's significant foreign operations is the local currency. Assets and liabilities of overseas subsidiaries denominated in their local currencies are translated into Japanese yen at the exchange rate in effect at each fiscal year-end, and income and expenses are translated at the average rates of exchange prevailing during each fiscal year. The resulting currency translation adjustments are included in accumulated other comprehensive income (loss) in shareholders' equity. Currently, over 80% of Makita's overall production and sales are generated overseas and a significant portion thereof is dominated in currencies other than Japanese yen. Consequently, fluctuations in exchange rates may have a significant impact on Makita's results of operations, assets and liabilities and shareholders' equity when translated into Japanese yen.

Makita is affected by fluctuations in the value of the euro, the U.S. dollar and Chinese Renmin yuan, among other currencies. The euro and the U.S. dollar are the primary foreign currencies on which Makita bases its foreign sales and the U.S. Dollar and Chinese Renmin yuan are the primary foreign currencies on which Makita bases its foreign production.

In an effort to minimize the impact of short-term exchange rate fluctuations between major currencies, mainly the euro, the U.S. dollar, and the Japanese yen, Makita engages in hedging transactions. However, medium to long-term fluctuations of exchange rates may affect Makita's ability to execute procurement, production, logistics and sales activities as planned and may have an adverse impact on Makita's financial condition and results of operations.

Rapid fluctuation in exchange rates may give rise to more than expected effects on Makita's results of operations. In addition, further depreciation of the Japanese yen against the Chinese Renmin yuan, may have an adverse impact on Makita's financial condition and results of operation because significant amount of materials, parts and finished products are imported from China.

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

The high percentage of overseas sales and production gives rise to a number of risks. If such risks materialize, they may have a material adverse impact on Makita's financial condition and results of operations. Such risks include the following:

- (1) Disadvantageous political and economic factors;
- (2) Large-scale natural disaster, such as earthquakes, floods and fires;



- (3) Enactments of and changes in laws and regulations, such as protectionist trade policy or change in tariff policy affecting markets in which Makita conducts its business;
- (4) The outflow of technical know-how and knowledge decline due to increased personnel turnover, enabling Makita's competitors to strengthen their position;
- (5) Potentially unfavorable tax systems and tariffs;
- (6) Terrorism, war, and other factors that lead to social turbulence; and
- (7) The interruption of or disruption to Makita's operations due to labor disputes.

Makita faces intense competition in the global market for its power tools for professional use.

The global market for power tools for professional use is highly competitive. Factors that affect competition in the markets for Makita's products include the quality, functionality of products, price, technological developments, the pace of new product development, reliability of products, such as safety and durability, the rise of new competitors, brand images and after-sales service.

While Makita strives to ensure its position as a leading international supplier of power tools for professional use, there is no guarantee that it will be able to effectively maintain its competitiveness in the future.

If Makita is unable to compete effectively, it may lose market share and its earnings may be adversely affected. In particular, in the event of a global recession in which demand for goods and services sharply drops, earnings and cash flows of Makita may be negatively affected by intensified competition and lowered product prices.

If Makita is not able to develop attractive products, Makita's sales may be adversely affected.

In order to compete effectively, Makita needs to, among other things, provide its customers a diverse product line-up supported by the development of high-quality and high-performance professional power tools, and build on the MAKITA brand value maintained and promoted by the effort of a strong world-wide sales and after-sale service network. There is no assurance that Makita will be able to continue to develop new products across its diverse product line-up. If Makita is no longer able to develop in a timely manner new products that meet the changing needs and correspond to market price for high-end, professional users, Makita may not be able to compete effectively, and Makita's financial condition and results of operations may be adversely impacted.

If the procurement of raw materials used by Makita becomes difficult or prices of these raw materials rise sharply, this may have an adverse effect on Makita's performance.

Makita purchases raw materials and components, including silicon steel plates, aluminum, material of plastic, steel products, copper wire, and electronic parts for production activities. The production plans are dependent on the on-schedule delivery of materials. If Makita is unable to obtain the necessary quantities of these materials, this may have an adverse effect on production. If delivery takes longer due to the lack of certain elements, epidemic of new infectious disease and increase in production is difficult, production activity of electric components facing high demand of emerging countries may not be met. In addition, the change in the element markets, impact on currency exchange, or rise in labor of the markets may also push up the prices of raw materials and components. In such an event, if the increase in prices cannot be offset by improvements in Makita's productivity, other internal cost-cutting efforts and/or raising the prices of final products, this may have an adverse impact on Makita's financial condition and results of operations.

Geographic concentration of Makita's main offices and facilities may have adverse effects on Makita's business activities.

Makita's principal management functions, including its headquarters are located in Aichi Prefecture, Japan, while the production base is located in Kunshan, Jiangsu Province, China. Due to this geographic concentration of Makita's major functions, including plants and other operations in certain regions of Japan and China, Makita's performance may be significantly affected by the occurrence of major disasters and other catastrophic events, including earthquakes (particularly massive earthquakes in areas such as Kanto, Tokai, Tonankai or Nankai), radioactive contamination, floods, fires, power outages, and suspension of water supplies.

In addition, Makita's facilities in China may also be affected by changes in political and legal environments, changes



in economic conditions, revisions in tariff rates, labor disputes, hikes in personnel expenses, epidemics such as Covid-19 and other factors.

In the event that such developments cannot be foreseen or measures taken to alleviate their damaging impact are inadequate, it may have an adverse impact on Makita's financial condition and results of operations.

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

Makita's purchase activities include those dependent on certain suppliers who cannot be substituted. For example, when launching new products, sales commencement dates can slip if such manufacturers' technologies do not satisfy Makita's demands or take an inordinate amount of time to satisfy Makita's demands. This may result in lost sales opportunities. There is no assurance that Makita would be able to find alternate suppliers, if necessary, that can provide materials and parts of similar quality and price in a sufficient quantity and in a timely manner. If a supplier cannot deliver the required quality or quantity of parts on schedule due to reasons including natural disasters, government regulations, its production capacity or weakened business or financial condition, this may have an adverse effect on Makita's production schedules and cause a delay in Makita's own product deliveries. Any of these occurrences may have an adverse impact on Makita's financial condition and results of operations.

If Makita fails to maintain its relationships with its significant customers or if such significant customers reduce their purchases and sales of Makita's product, Makita's sales may be significantly affected.

Although Makita does not have any customer from which it derives 10% or more of its consolidated sales, it has significant customers in each country. If Makita loses these customers and is unable to develop new sales channels to take their place, or if any such customer faces significant financial difficulties or accumulates a considerable amount of bad debt, sales to such customers may decline and this may have an adverse impact on Makita's financial condition and results of operations. In addition, if significant customers of Makita select power tools from Chinese manufacturers or select products other than those produced by Makita and sell such products under their own brand instead of Makita's products, this may have an adverse impact on Makita's financial condition and results of operations.

Makita may not be able to protect its intellectual property rights and may incur significant liabilities, litigation costs or licensing expenses or be prevented from selling its products if it is determined to be infringing the intellectual property of third parties.

In regions significant for Makita's sales and production, Makita applies for patents, designs and trademarks, and strives to protect intellectual property rights proactively. However, Makita may not be able to eliminate completely third party products that infringe on the intellectual property rights of Makita or third party products similar to Makita's products. This may have a negative influence on Makita's results of operations. Moreover, while Makita believes that it does not infringe on intellectual property rights of third parties, it may be subject to infringement claims from third parties. When infringement of intellectual property rights is claimed by a third party and becoming trial, Makita may be required to pay damages or become subject to an injunction prohibiting production and sales of a product. This may have an adverse impact on Makita's financial condition and results of operation.

Product liability litigation or recalls may harm Makita's financial statements and reputation.

Makita is developing a variety of products including power tools under the safety standards of each country, and is manufacturing them globally based on the quality standards applicable to each factory. However, a large-scale recall and a large-scale product liability lawsuit may significantly damage Makita's brand image and reputation. In addition, related costs and time incurred through a recall or a lawsuit may affect business performance and financial condition of Makita if Makita's insurance policy does not cover the related costs. Accordingly, large-scale recalls and large-scale product liability lawsuits may have an adverse impact on Makita's financial condition and results of operations.

If Makita is unable to retain talented personnel, this may have an adverse effect on Makita's competitiveness



and result of operations.

Makita considers the retention and development of talented personnel with the expertise and technological skills to be critical to its competitiveness. Makita also considers important the development and retention of personnel in management in Makita's group companies. However, competition in recruiting and retaining global talent requisite for technology innovation and management has become increasingly challenging. Given such a labor and social climate, failure of the Makita Group to hire competent employees or develop human resources in accordance with the management plan or retain experienced employees may have an adverse effect on the business development, operational results and growth prospects of the Makita Group.

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

Makita maintains strict compliance with environmental, commercial, export and import, tax, safety and other regulations that are applicable to its business in all the countries and areas in which it operates. In light of the heightened awareness seen across the globe on environmental issues including global warming and climate change, new environmental or other government regulations designed to decrease environmental impact have been adopted in all over the world in recent years. Operational results and financial condition of Makita may be adversely affected if Makita fails to respond to such specifications or terms and conditions, unable to respond in a timely manner, or the cost of compliance is greatly higher.

If Makita's IT operations network halts or malfunctions, Makita's production and shipment schedule may be adversely affected.

Makita's headquarters and its major sales, manufacturing and R&D bases are located in Japan, and its procurement, manufacturing, sales and product development site are located worldwide. These sites are connected globally through an operational network. Our service via internet access increases. Safety measures are applied to those operational networks and to employees, security education is held on a regular basis. In addition, to important systems, vulnerability assessment is applied periodically to reduce the risk of being hacked. Furthermore, from 2023, Makita has developed a security monitoring system and reconsidered the dealing process when incident happen. However, if Makita's information network and systems, which rely on both company networks and systems and third party networks and systems, halt or malfunction due to any factor, such as natural disasters, wars, terrorist acts, cyber-attack, computer viruses, unexpected intrusion or illegal operation despite safety measures including security measures or education to employees Makita has undertaken, Makita may have to delay production and shipments, stop our service or the Company may leak privacy, credit worthiness and other information such as customer's personal information and confidential information about companies and other third parties. This may have an adverse impact on Makita's financial condition and results of operations. In addition, improper use of or accidents involving information network and systems may affect business operations or reveal confidential or private information, lead to legal liability, lawsuits or monetary damages or damages on Makita's reputation or brand images and thereby cause an adverse effect on its operating results.

Fluctuations in stock market prices may adversely affect Makita's financial statements.

Makita holds certain investments in Japanese equities and investments in trust, and records these investments as short-term investments and investments on its consolidated financial statements. The value of these investments changes based on fluctuations in the quoted market prices. Fluctuations in the value of these securities may have an adverse impact on Makita's financial condition and results of operations.

【Material contracts】

Not applicable.

【Analyses of Financial Position, Operating Results and Cash Flows】

The consolidated financial statements of the Makita Group are prepared in accordance with International Financial



Reporting Standards (hereinafter “IFRS”). Analyses and discussions of the Company’s Financial Position, Operating Results and Cash Flows are based on its Consolidated Financial Statements.

This report may constitute “forward-looking statements” based on our assumptions and assessment. The power tools market where the Company operates may be subject to sudden changes in economic circumstances, demand for housing, foreign exchange rate, changes in the competition with rival enterprises and other factors. These changes in risk and circumstances may bring about significantly different results from those described in this report. Accordingly, the description related to the future is the Company’s own judgment and does not state its reliability.

【Overview of operating results】

(1) Overview of operating results for the fiscal year ended March 31, 2024

General Overview

Makita’s principal business is manufacturing and sales of power tools for professional users worldwide. During this fiscal year, 83.4% of Makita’s sales were outside of Japan. Makita is affected to a large extent by demand for power tools worldwide, which in turn is influenced by factors including housing starts, demand for household renovations, public investment and private capital expenditures.

Net Sales

Makita’s consolidated net sales for FY2024 amounted to 741,391 million yen, decrease of 3.0%, or 23,311 million yen, from FY2023. In FY2024, the average Japanese yen-U.S. dollar exchange rate was 144.59 yen for U.S. \$1.00, representing a 6.7% devaluation of the Japanese yen compared to the average exchange rate in FY2023. The average Japanese yen-euro exchange rate in FY2024 was 156.75 yen for 1.00 euro, representing a 11.2% devaluation of the Japanese yen compared to the average exchange rate in FY2023. During the year, the weighted average of the Japanese yen’s devaluation against other currencies was 6.1%. That favorable currency translation effect increased Makita’s sales by 35,679 million yen. Excluding the effect of currency fluctuations, consolidated net sales would have decreased by 7.7% or 58,990 million yen in FY2024. Sales quantity decreased by 14.5%.

Developed countries in North America and Europe have mature markets for DIY products, and demand for power tools in developed countries is affected by changes in consumers spending. Demand for power tools in emerging countries is expected to expand as their economies grow.

Developments in technology have also driven the market for power tools. In particular, in recent years the development of rechargeable electric tools featuring small, light and high-capacity lithium-ion batteries has resulted in an increased demand for rechargeable electric tools.

Makita has established a solid presence worldwide with its portable power tools, however, competition is intensifying on a global basis.

Looking at the international economic situation during the fiscal year under review, though monetary tightening measures were implemented in various countries to control inflation, global economic growth slowed as housing investment remained low due to high interest rates and other factors. Furthermore, the international tension surrounding the Ukraine issue and unrest in the Middle East may cause inflation or deflation resulting in unpredictable situation.

Against this backdrop, our group focused its development efforts on expanding its lineup of rechargeable finished goods, including power tools and outdoor power equipment, in the "40Vmax Lithium-ion Battery" series, which offers high power, long life and high durability. In addition, we invested on new products for example, robotic mower and cordless vacuum sweeper.

On the production side, we strived to eliminate waste in the manufacturing process, while efforts at each manufacturing company were extended to other manufacturing companies to improve efficiency throughout Makita Group.

On the sales side, we focused on increasing the level of the community-based and customer-oriented service framework in order to further strengthen trusting relationships with customers around the world. We strive to deepen and develop the market centered on "40Vmax Lithium-ion Battery" products.

In terms of profit, operating profit increased 134.3% year-on-year to 66,169 million yen (an operating margin of



8.9%) due to decrease of transportation cost and foreign exchange which caused the cost rate to improve. Profit before tax increased 168.0% year-on-year to 64,017 million yen (a profit before tax rate of 8.6%), and profit attributable to owners of the parent company increased 273.3% year-on-year to 43,691 million yen (a profit rate attributable to owners of the parent company of 5.9%).

Makita's management goal is to generate substantial profits and maintain a 10% operating margin (ratio of operating income to net sales) through sustainable growth on a consolidated basis. Furthermore, as a medium-to-long-term strategy, Makita aims to enhance its brand value to attain and maintain its position as a leading multinational, integrated supplier of all types of tools such as power tools for professional use, pneumatic tools and gardening equipment.

Makita believes that this goal can be attained through the development of new products that bring high satisfaction to professional users; concerted global production systems targeting both high-quality and cost competitiveness; and the maintenance of industry-leading sales and after-sales service systems nurtured in Japan and extended overseas. To implement the foregoing, Makita is working to maintain a solid financial structure that responds well to unexpected changes in the business environment, including the risk of exchange rate fluctuations, geographical risks and the risk caused by the concentration of its management resources and manufacturing facilities.

The global economic situation is gradually returning to normal, and we expect the steady demand in the market of our products. On the other hand we concern over the durability of the staying-at-home demand occurred in FY2023 and uncertainties about the future.

Review of Performance by Product Group

Power Tools

The power tools group offers a wide range of products such as drills, hammer drills, grinders, cordless impact drivers and circular saws. These products represent the largest portion of Makita's consolidated net sales. In FY2024, sales of power tools decreased by 3.6% from the previous fiscal year to 403,968 million yen, accounting for 54.5% of consolidated net sales. In Japan, sales of power tools decreased by 3.4% to 53,682 million yen, accounting for 43.6% of domestic net sales. Overseas sales of power tools decreased by 3.6% to 350,286 million yen, accounting for 56.7% of overseas net sales.

New products launched during FY2024 include;

- Cordless Angle Grinder that provides higher motor rotation and higher efficiency than those of other manufacturers
- Cordless Compact Cutter that provides stable workability by minimizing the size
- Cordless Circular Saw that provides better usability by setting the saw blade on the left side of the handle

Gardening Equipment, Household and Other Products

Principal products in Makita's gardening equipment and household products group include chain-saws, brush-cutters, vacuum cleaners and cordless cleaners. In FY2024, sales of gardening equipment, household and other products decreased by 7.6% to 181,008 million yen, which accounted for 24.4% of consolidated net sales. Domestic sales of gardening equipment, household and other products increased by 0.7%, to 40,211 million yen, accounting for 32.6% of total domestic sales. Overseas sales in the product category decreased by 9.7%, to 140,797 million yen, accounting for 22.8% of total overseas sales in FY2024.

New products launched during FY2024 included;

- Cordless Pruning Shear that can cut off branches up to ϕ 30mm with 18V battery
- Cordless Vacuum Sweeper that provides high maintenance in addition to storage ability when it is not in use
- Robotic Mower with safety features along with high maintenance ability

Parts, Repairs and Accessories

Makita's after-sales services include the sales of parts, repairs and accessories. In FY2024, the sales of parts, repairs and accessories increased by 4.4%, to 156,415 million yen, accounting for 21.1% of consolidated net sales. Domestic sales of parts, repairs, and accessories increased by 6.8%, to 29,329 million yen, accounting for 23.8% of domestic net sales. Overseas sales of parts, repairs and accessories increased by 3.8%, to 127,086 million yen, accounting for 20.5%



of overseas net sales.

Consolidated revenue by region are as follows:

In Japan, though the demand was severely low, the construction demand on public facility continued to change steadily. As a result of efforts to expand sales of professional products of gardening equipment, there was an increase of 0.2% compared with the same period of previous year resulting in 123,222 million yen.

In Europe, demand for tools at active building and construction sites and sales of cordless outdoor power equipment stayed low due to high interest rate of each country. However, the devaluation of the Japanese yen caused the increase in sales of 2.1% year on year to 356,491 million yen.

In North America, altogether, sales to personal consumption remain steadily, housing demand was dull and sales of hardware store decreased, resulting in a decrease in sales of 21.3% year on year to 93,677 million yen.

In Asia, the demand for tools remained low due to real estate market depression including China, which resulted in a decrease in sales of 13.4% year on year to 46,133 million yen.

In Central and South America, despite the severe demand, efforts were made to expand sales of "40Vmax Lithium-ion Battery" series focused on each country and the devaluation of the Japanese yen resulted in an increase in sales of 5.2% year on year to 49,697 million yen.

In Oceania, sales decreased by 3.8% year on year to 56,340 million yen due to inflation and high interest rate making the housing investment stay at a low standard.

In the Middle East and Africa, though it differs between each country, sales increased by 8.9% year on year to 15,831 million yen as the demand for tools at building and construction sites in each country was captured.

Regional Segments

Segment information described below is based on the location of the Company and its relevant subsidiaries. Sales by segment are based on the locations of the Company or its relevant subsidiaries that transacted the sales and, accordingly differ from the geographic area information provided elsewhere in this document.

We evaluate the performance of all reportable segments using accounting standards generally accepted by IFRS. The method of calculating operating income for each segment is equivalent to the method of calculating operating income in the consolidated statement of income, not including interest income and dividends, interest expense, foreign exchange gains and losses, gains and losses on sales of financial assets and valuation gains and losses on financial assets and liabilities.

Japan Segment

In FY2024, sales in the Japan segment decreased by 22.6% on a year-over-year basis, amounted to 321,243 million yen. Sales to external customers decreased by 3.1%, amounted to 141,766 million yen, which accounted for 19.1% of consolidated net sales. This was due to less sales in the overseas market. Due to the devaluation of the Japanese yen and the decrease in transportation cost, operating income ratio increased by 6.4 percent point to 5.9% in FY2024 from -0.5% in FY2023. Operating income was 19,006 million yen in FY2024 (Operating loss of 2,119 million yen in the previous year).

Europe Segment

In FY2024, sales in the Europe segment increased by 2.2% on a year-over-year basis, amounted to 371,074 million yen. Sales to external customers increased by 2.3%, amounted to 359,348 million yen, which accounted for 48.5% of consolidated net sales. This was due to the devaluation of the Japanese yen and the big recovery of sales from hardware stores and online. More increase in net sales than the increase in operating expenses increased operating income ratio by 2.3 percent point to 4.8% in FY2024 from 2.5% in FY2023. Accordingly, segment income increased by 96.2%, amounted to 17,830 million yen in FY2024.

North America Segment

In FY2024, sales in the North America segment decreased by 19.8%, amounted to 100,295 million yen. Sales to



external customers decreased by 21.0% to 96,111 million yen, which accounted for 13.0% of consolidated net sales. This was due to high inflation and interest rate making the housing sales decline. Due to decrease in transportation and procurement cost, operating income ratio increased by 0.6 point to -0.1% in FY2024 from -0.7% in FY2023. Accordingly, segment loss has decreased by 86.2%, amounted to -126 million yen in FY2024.

Asia Segment

In FY2024, sales in the Asia segment decreased by 28.5%, amounted to 240,209 million yen. Sales to external customers decreased by 5.5%, amounted to 32,592 million yen, which accounted for 4.4% of the consolidated net sales. This decrease reflects the demand for tools remaining low because of real estate market depression including China, which resulted in a decrease in sales. Due to the decrease in sales, operating income ratio decreased by 2.6 point to 7.2% in FY2024 from 9.8% in FY2023. Accordingly, segment income decreased by 47.8%, amounted to 17,256 million yen in FY2024.

Other Segment

In FY2024, sales in the other segment increased by 0.4%, amounted to 111,868 million yen. Sales to external customers increased by 0.6%, to 111,574 million yen, which accounted for 15.0% of the consolidated net sales. This is because of the increase of sales revenue due to the devaluation of the Japanese yen. Due to the decrease in transportation and procurement cost, operating income ratio increased by 2.8 point to 4.9% in FY2024 from 2.1% in FY2023. Accordingly, segment income increased by 136.0%, amounted to 5,470 million yen in FY2024.

Financial Position

			<u>Million yen</u>
	2023	2024	Increase/Decrease
Assets	1,099,351	1,055,808	(43,543)
Liabilities	323,652	180,602	(143,050)
Equity	775,699	875,206	99,507
Equity per share attributable to owners of the parent (yen)	2,832.89	3,227.06	394.17
Ratio of equity attributable to owners of the parent to total assets (%)	70.0%	82.2%	12.2%

Total assets as of the end of the year decreased by 43,543 million yen to 1,055,808 million yen compared to the balance as of March 31, 2023. This decrease was mainly due to the decline in “Inventories.”

Total liabilities decreased by 143,050 million yen to 180,602 million yen compared to the balance as of March 31, 2023. This decrease was mainly due to the decline in “Borrowings.”

Total equity increased by 99,507 million yen to 875,206 million yen compared to the balance as of March 31, 2023. This increase was mainly due to the rise in “exchange differences on translation of foreign operations .”

Cash Flows

Million yen

	2023	2024
Cash flows from operating activities	44,430	237,086
Cash flows from investing activities	(37,680)	(25,619)
Cash flows from financing activities	80,970	(191,277)
Increase (Decrease) in cash and cash equivalents	91,663	33,925
Cash and cash equivalents at end of period	162,720	196,645

Total cash and cash equivalents amounted to 196,645 million yen, increased by 33,925 million yen compared to the end of the previous year.

Net cash provided by operating activities amounted to 237,086 million yen (4,430 million yen in the previous year), up 192,656 million yen over the previous year due mainly to a decrease in inventories.

Net cash used in investing activities amounted to 25,619 million yen (37,680 million yen in the previous year), down 12,061 million yen over the previous year, due to the acquisition of fixed assets.

Consequently, free cash flows (the sum of cash flows from operating activities and investing activities) amounted to 211,467 million yen (6,750 million yen in the previous year), up 204,717 million yen over the previous year.

Net cash used in financing activities amounted to 191,277 million yen (net cash provided by financing activities amounted to 80,970 million yen in the previous year), due to a decrease in short-term borrowings.

The main source of liquidity of the Group consists of cash on hand, cash and deposits obtained from business activities, and borrowing within the credit limit.

Currently, we raise the funds by putting in place the cash management system within the group and we are also leveraged in order to ensure the enough liquidity as a group.

There were 196,645 million yen in cash and cash equivalents at the end of the current consolidated fiscal year and 307,767 million yen in credit limit, which was partly used 19,891 million yen and unspent 287,876 million yen. There were 19,891 million yen in short-term borrowings, which was used for our daily business activities.

Part of borrowings is on a variable rate basis, there is no materiality in impact on our profit by the fluctuation in market interest ratio as it is all short-term. In terms of average interest rate of borrowings, refer to the note 13.

We have maintained a higher current ratio than before, and at the end of the current consolidated fiscal year, there were 196,645 million yen in cash and cash equivalents. We expect that these cash and the cash generated by our business activities will be sufficient for future demand for working capital, capital investment and research and development, and believe that working capital is sufficient according to the current needs.



【Production, Orders Received and Sales】

Makita does not present orders received in amount or in quantity because it operates under make-to-stock manufacturing system.

Production volume, based on selling price, for this fiscal year decreased by 59,906 million yen (12.8%) to 409,822 million yen compared to the previous year.

Consolidated net sales for this year decreased by 3.0% to 741,391 million yen compared to the previous year.

Because Makita operates in a single business of manufacturing and selling mainly power tools, and has organized as a single business division, no explanations are provided for in the context of business segments.

【Research and development】

As an global supplier of power tools that benefit people's daily lives and assist in home improvements, Makita pursues the development of power tools, gardening equipment and pneumatic tools in its own Research and Development division, 1,354 of Makita's employees are engaged in research and development of technologies in which Makita has a competitive edge and the development of new products.

Makita regards R&D as a high priority and believes that having a strong capability in R&D is crucial to its continuing development of high-quality, reliable products that meet users' needs.

In FY2024, Makita allocated 14,100 million yen (including the development cost that has been capitalized) to R&D, an decrease of 6.5% compared with FY2023. As of March 31, 2024, Makita owned 5,833 patents, utility model registration and design rights (inclusive of 4,683 patents and utility model registration) in and outside of Japan.

Makita is placing greater emphasis on the expansion of cordless tools running on li-ion batteries. Makita is expanding lineup of cordless tools such as ones achieved high speed equivalent to engine powered or conventional AC corded equipment, ones realized further small and light design, and ones enhancing more user comfort in workplace. In the field of outdoor power equipment (OPE), regulation for gas emission has been tightened in accompany with increasing awareness of health and living environment.

Makita is also placing emphasis on market survey through our global sales channel in order to develop, in a timely manner, new products that meet the needs for whole users.

New products launched during FY2023 included;

- Cordless Angle Grinder that provides higher motor rotation and higher efficiency than those of other manufacturers
- Cordless Compact Cutter that provides stable workability by minimizing the size
- Cordless Circular Saw that provides better usability by setting the saw blade on the left side of the handle
- Cordless Pruning Shear that can cut off branches up to ϕ 30mm with 18V battery
- Cordless Vacuum Sweeper that provides high maintenance in addition to storage ability when it is not in use
- Robotic Mower with safety features along with high maintenance ability

Because Makita operates in a single business of manufacturing and selling mainly power tools, and has organized as a single business division, no explanations are provided for in the context of business segments.

【Facilities and Equipment】

(1) Head Office

As of March 31, 2024

Office Name (Location)	Content of Facilities	Net Book Value (Millions of Yen)				Number of Employees (average number of temporary staff)
		Buildings	Machinery and Equipment	Land [Square Meters]	Total	
Makita Corp (Anjo, Aichi)	R&D	12,990	5,564	251 [40,330]	18,805	1,291 (213)
Okazaki Plant (Okazaki, Aichi)	Production	19,902	5,895	2,997 [188,269]	28,794	939 (76)
Nisshin (Nisshin, Aichi)	R&D	1,527	109	1,818 [43,102]	3,454	175 (37)
Saitama Distribution Center (Kazo, Saitama)	Distribution	10,223	1,646	1,533 [34,833]	13,402	2 (0)
Okayama Distribution Center (Okayama, Okayama)	Distribution	9,797	2,770	1,982 [70,572]	14,549	2 (0)
Tokyo Branch (Bunkyo, Tokyo)	Sales point	192	27	57 [323]	276	32 (5)
Nagoya Branch (Nakamura, Nagoya)	Same as above	191	2	352 [1,238]	545	34 (1)
Osaka Branch (Kita, Osaka)	Same as above	619	2	69 [335]	690	37 (3)

Note: Right-of-use assets are included.

(2) Overseas Subsidiaries

As of March 31, 2024

Company Name	Location	Contents of Facilities	Net Book Value (Millions of Yen)				Number of Employees (average number of temporary staff)
			Buildings	Machinery and Equipment	Land [Square Meters]	Total	
Makita Corporation of America	Atlanta U.S.A.	Production	471	420	119 [230,825]	1,010	124 (107)
Makita (China) Co., Ltd.	Kunshan China	Same as above	15,952	15,598	824 < 220,834 >	32,374	4,563 (55)
Makita (Kunshan) Co., Ltd.	Kunshan China	Same as above	2,291	1,488	231 < 87,683 >	4,010	1,167 (21)
Makita Manufacturing Europe Ltd.	Telford U.K.	Same as above	892	976	191 [50,600]	2,059	337 (68)
Makita Engineering Germany GmbH	Hamburg Germany	Same as above	8,034	965	795 [58,366]	9,794	194 (89)
Makita EU S.R.L. (Romania)	Branesti Romania	Same as above	18,448	6,821	1,287 [291,166]	26,556	1,760 (103)
Makita do Brasil Ferramentas Elétricas Ltda.	Ponta Grossa Brazil	Same as above	1,356	2,311	695 [271,931]	4,362	759 (149)
Makita Manufacturing (Thailand) Co., Ltd.	Sriracha, Thailand	Same as above	6,913	2,532	1,330 [172,436]	10,775	423 (208)

(Attention)

1. < > means rental from other than Makita Group.
2. () means average numbers of temporary staff for this Fiscal Year.