# Makita Corporation

## Additional Information
## for the year ended March 31, 2025

## Consolidated Financial Statements

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

# CONTENTS

## Consolidated Statement of Financial Position

In Millions of Yen

| | Notes | 2024 | 2025 |
| --- | --- | --- | --- |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and Cash equivalents | 5 | 196,645 | 253,279 |
| Trade and other receivables | 6,21 | 116,267 | 105,831 |
| Inventories | 7 | 345,491 | 338,116 |
| Other financial assets | 27 | 18,561 | 39,660 |
| Other current assets | 8 | 16,671 | 19,552 |
| Total current assets | | 693,635 | 756,437 |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 277,248 | 266,609 |
| Goodwill and Intangible assets | 10 | 10,206 | 9,574 |
| Other financial assets | 27 | 37,835 | 35,881 |
| Employee benefits assets | 15 | 14,968 | 17,710 |
| Deferred tax assets | 24 | 19,670 | 18,123 |
| Other non-current assets | 8 | 2,246 | 2,191 |
| Total non-current assets | | 362,173 | 350,088 |
| **Total assets** | | 1,055,808 | 1,106,525 |

In Millions of Yen

| | Notes | 2024 | 2025 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 49,987 | 54,628 |
| Borrowings | 13 | 19,891 | 10,152 |
| Other financial liabilities | 27 | 6,067 | 6,739 |
| Income tax payables | | 9,113 | 13,003 |
| Provisions | 17 | 5,113 | 6,216 |
| Other current liabilities | 14,21 | 55,304 | 48,259 |
| Total current liabilities | | 145,475 | 138,998 |
| **Non-current liabilities** | | | |
| Employee benefit obligations | 15 | 3,269 | 3,185 |
| Other financial liabilities | 27 | 17,150 | 15,584 |
| Provisions | 17 | 1,960 | 1,793 |
| Deferred tax liabilities | 24 | 12,546 | 14,341 |
| Income Taxes Payable | | — | 104 |
| Other non-current liabilities | 14 | 202 | 25 |
| Total non-current liabilities | | 35,127 | 35,032 |
| **Total liabilities** | | 180,602 | 174,030 |
| **EQUITY** | | | |
| Share capital | 19 | 23,805 | 23,805 |
| Capital surplus | 19 | 45,607 | 46,014 |
| Retained earnings | 19 | 669,359 | 732,556 |
| Treasury shares | 19 | (21,501) | (21,470) |
| Other components of equity | 19 | 150,886 | 145,101 |
| Total equity attributable to owners of the parent | | 868,156 | 926,005 |
| Non-controlling interests | | 7,050 | 6,490 |
| **Total equity** | | 875,206 | 932,495 |
| **Total liabilities and equity** | | 1,055,808 | 1,106,525 |

## Consolidated Statement of Profit or Loss

In millions of Yen, per share amounts in Yen

| | Notes | 2024 | 2025 |
|---|---|---|---|
| Revenue | 4, 21 | 741,391 | 753,130 |
| Cost of sales | 22 | (517,446) | (481,704) |
| Gross profit | | 223,945 | 271,426 |
| Selling and general administrative expenses | 22 | (157,776) | (164,388) |
| Operating profit | 4 | 66,169 | 107,038 |
| Financial income | 4, 23 | 4,643 | 7,450 |
| Financial expenses | 4, 23 | (6,795) | (6,011) |
| Profit before tax | 4 | 64,017 | 108,477 |
| Income tax expense | 24 | (20,402) | (29,274) |
| Profit for current year | | 43,615 | 79,203 |
| Attributable to: | | | |
| Owners of the parent | | 43,691 | 79,338 |
| Non-controlling interests | | (76) | (135) |
| Earnings per share | 25 | | |
| Basic earnings per share | | 162.13 | 294.90 |

## Consolidated statements of Comprehensive Income

In millions of Yen

| | Notes | 2024 | 2025 |
|---|---|---|---|
| Profit for current year | | 43,615 | 79,203 |
| Other comprehensive income, net of tax | | | |
| Items that will not be reclassified to profit or loss | | | |
| Net gain(loss) on revaluation of financial assets measured at fair value through other comprehensive income | | 5,883 | 289 |
| Remeasurements of defined benefit plans | | 1,955 | 1,835 |
| Total of items that will not be reclassified to profit or loss | | 7,838 | 2,024 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange difference on translation of foreign operations | | 63,703 | (5,990) |
| Total of items that may be reclassified subsequently to profit or loss | | 63,703 | (5,990) |
| Other comprehensive income, net of income taxes | 26 | 71,541 | (3,966) |
| Total comprehensive income | | 115,156 | 75,237 |
| Attributable to: | | | |
| Owners of Makita | | 114,558 | 75,436 |
| Non-controlling interests | | 598 | (199) |

## Consolidated Statements of Changes in Equity

In millions of Yen

| | Note | Issued capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance on April 1, 2023 | | 23,805 | 45,606 | 629,314 | (11,528) | 82,050 | 769,247 | 6,452 | 775,699 |
| Profit for currency year | | | | 43,691 | | | 43,691 | (76) | 43,615 |
| Other comprehensive income, net of income taxes | 26 | | | | | 70,867 | 70,867 | 674 | 71,541 |
| Total comprehensive income | | - | - | 43,691 | - | 70,867 | 114,558 | 598 | 115,156 |
| Dividends | 20 | | | (5,677) | | | (5,677) | - | (5,677) |
| Purchase of treasury shares | 19 | | | | (10,002) | | (10,002) | | (10,002) |
| Disposal of treasury shares | | | 0 | | 0 | | 0 | | 0 |
| Share-based payment transactions | 16 | | 1 | | 29 | | 30 | | 30 |
| Transfer from other components of equity to retained earnings | 19 | | | 2,031 | | (2,031) | - | | - |
| Total transactions with owners | | - | 1 | (3,646) | (9,973) | (2,031) | (15,649) | - | (15,649) |
| Balance on March 31,2024 | | 23,805 | 45,607 | 669,359 | (21,501) | 150,886 | 868,156 | 7,050 | 875,206 |
| Net income | | | | 79,338 | | | 79,338 | (135) | 79,203 |
| Other comprehensive income, net of income taxes | 26 | | | | | (3,902) | (3,902) | (65) | (3,966) |
| Total comprehensive income | | - | - | 79,338 | - | (3,902) | 75,436 | (199) | 75,237 |
| Dividends | 20 | | | (18,025) | | | (18,025) | - | (18,025) |
| Changes in ownership interests in subsidiary | | | 361 | | | | 361 | (361) | |
| Purchase of treasury shares | 19 | | | | (3) | | (3) | | (3) |
| Share-based payment transactions | 16 | | 46 | | 34 | | 80 | | 80 |
| Transfer from other components of equity to retained earnings | 19 | | | 1,883 | | (1,883) | - | | - |
| Total transactions with owners | | - | 407 | (16,142) | 31 | (1,883) | (17,587) | (361) | (17,948) |
| Balance on March 31, 2025 | | 23,805 | 46,014 | 732,556 | (21,470) | 145,101 | 926,005 | 6,490 | 932,495 |

## Consolidated Statement of Cash Flows

In millions of Yen

| | Notes | 2024 | 2025 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income | | 43,615 | 79,203 |
| Depreciation and amortization | 9,10 | 28,925 | 29,757 |
| Income tax expenses | 24 | 20,402 | 29,274 |
| Financial (income) and expenses | | 2,152 | (1,439) |
| (Gains) losses on sale and disposal of property, plant and equipment, and intangible assets | | (456) | (129) |
| (Increase) decrease in trade and other receivables | | 4,940 | 8,792 |
| (Increase) decrease in inventories | | 151,378 | 4,112 |
| Increase (decrease) in trade and other payables | | 4,661 | 6,124 |
| Increase, decrease in asset and liability of Pension | | (768) | (866) |
| Increase in guaranteed deposits | | 3,744 | 2,059 |
| Others | | (8,799) | (10,974) |
| Subtotal | | 249,794 | 145,914 |
| Dividends received | | 680 | 792 |
| Interest received | | 3,747 | 6,784 |
| Interest paid | | (1,680) | (1,341) |
| Income taxes paid | | (15,455) | (22,275) |
| Cash flows from operating activities | | 237,086 | 129,874 |
| Cash flows from investing activities | | | |
| Additions to intangible assets and property, plant and equipment | | (17,851) | (17,594) |
| Disposal of property, plant and equipment | | 1,691 | 930 |
| Purchase of investments | | (10) | (900) |
| Disposal and redemption of investments | | 151 | 91 |
| Payments to time deposit | | (12,973) | (34,377) |
| Proceeds from withdrawal of time deposits | | 3,832 | 13,037 |
| Others | | (459) | 943 |
| Cash flows from investing activities | | (25,619) | (37,872) |
| Cash flows from financing activities | | | |
| Increase (decrease) in short-term borrowings | 29 | (171,379) | (9,718) |
| Purchase and re-issuance of treasury shares | | (10,002) | (3) |
| Dividends paid | 20 | (5,677) | (18,025) |
| Lease liabilities paid | 29 | (4,228) | (5,623) |
| Others | | 9 | (175) |
| Cash flows from financing activities | | (191,277) | (33,545) |
| Effect of changes in exchange rates on cash and cash equivalents | | 13,735 | (1,824) |
| Increase (Decrease) in cash and cash equivalents | | 33,925 | 56,634 |
| Cash and cash equivalents at beginning of period | 5 | 162,720 | 196,645 |
| Cash and cash equivalents at end of period | 5 | 196,645 | 253,279 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE1 REPORTING ENTITY

Makita Corporation (hereinafter referred to as the “Company”) is a corporation located in Japan. The addresses of the Company’s registered head office is, 3-11-8, Sumiyoshi-cho, Anjo, Aichi.
The consolidated financial statements of the Company, financial year ended 31 March 2025, consist of the financial statements of the Company and its consolidated subsidiaries (collectively, the “Group”).
The Group is primarily involved in the production and sales of power tools, outdoor power equipment, pneumatic tools and household tools.

## NOTE2 BASIS OF PREPARATION

(1) Compliance with IFRS
The consolidated financial statements of the Group have been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.
The consolidated financial statements are in line with the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation methods of consolidated financial statements (Ordinance of the Ministry of Finance of Japan No.28 of 1976), as they satisfy the requirements for an “IFRS Specified Company” in Article 1-2 of the same ordinance.
The consolidated financial statements prepared as of March 31, 2025, were authorized for publication by management on June 24,2025.

(2) Basis of Measurement
The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities including financial instruments measured at fair value as presented in Note3 “Material Accounting Policies”.

(3) Functional Currency and Presentation Currency
The functional and presentation currency is Japanese Yen. Unless stated otherwise, all figures are in millions of Yen. Figures are rounded to the nearest million yen. Accordingly, totals may not precisely equal the sum of the individual amounts.

(4) Changes in accounting policies
None.

(5) New standards and interpretations not yet adopted
Below are the major newly issued or revised accounting standards and interpretation guidelines that had been announced by the date of approval of the consolidated financial statements, but which the Group has not opted for early adoption.
The impact of applying these standards is currently under review; however, the Group has determined that they are not expected to have a material effect on its operating results or financial position.

| IFRS | The title of standard | Mandatory adoption | To be adopted by the group from | Outline of new standards |
|---|---|---|---|---|
| IAS 21 (revision) | The Effects of Changes in Foreign Exchange Rates | January 1, 2025 | Fiscal Year 2026 (ending March) | Provisions for determining the appropriate exchange rate when a currency lacks exchangeability |
| IFRS 18 | Presentation and Disclosure in Financial Statements | January 1, 2027 | Fiscal Year 2028 (ending March) | Amendments related to the presentation and disclosure in financial statements |

| | | | | |
|---|---|---|---|---|
| IFRS 7<br>IFRS 9 | Financial Instruments — Disclosures | January 1, 2026 | Fiscal Year 2027 (ending March) | Clarification of the classification of financial assets, addition of derecognition requirements for financial liabilities, and amendments to disclosure requirements for financial assets measured at fair value through other comprehensive income. |

(6) Estimates and assumptions

The group's consolidated financial statements include estimates and assumptions made by management regarding income and expenses, measurement of the carrying amounts of assets and liabilities, and disclosure of contingencies and others at the end of the reporting period. These estimates and assumptions are based on management's best judgement at the end of the reporting period and take into account historical experience and various other factors that can be considered and reasonable. However, due to their nature, actual results may differ from these estimates and assumptions.

The estimates and their underlying assumptions are reviewed by management on an ongoing basis. The effects of revisions to accounting estimates and assumptions are recognized in the period when the estimates are revised and in future accounting periods.

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

- Revenue – refer to Note3 Material accounting policies (15) Revenue recognition

  Estimates and assumptions that significantly affect the amounts recognized in the Group's consolidated financial statements are as follows:

- Defined benefit obligation – refer to Note3 Material accounting policies (11) Post employment benefits and Note15 Employee benefits.

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

  The present value of the defined benefit obligations and the related current service cost and past service cost are calculated by actuarial assumptions. Actuarial assumptions require estimates and judgement for various factors including a discount rate. Actuarial assumptions are decided by estimates and judgement made by management; however it may be affected by the fluctuation of future uncertain financial condition or by amending or promulgating related laws.

  In the event that revision is necessary, it may have an adverse impact on the Group's financial condition and results of operations.

- Deferred tax asset – refer to Note3 Material accounting policies (17) Income taxes and Note24 Income taxes.

  Deferred tax assets are recognized for deductible temporary differences, the carryforward of unused tax losses and the carryforwards of unused tax credits to the extent of that it is probable that future taxable income will be available against such deferred tax assets. The period and amount which occurs taxable income may be affected by the fluctuation of future uncertain financial condition. In the event when the actual period and amount are different from the assumption for which the estimation is used, it may have an adverse impact on the Group's financial condition and results of operations. In the event when the effective tax rate is changed, the balance of deferred tax assets may increase or decrease.

- Inventories – refer to Note3 Material accounting policies (6) Inventories and Note7 Inventories

  Inventories are measured at the acquisition cost, however if the net realizable value is lower than the acquisition cost, they are measured at the net realizable value and the difference between the acquisition cost is recognized as cost of sales in principle.

  For inventories that stay outside of the business cycle process, the net realizable value is calculated by reflecting future demand and market trends. If the market environment deteriorates more than expected and the net realizable value falls significantly, it may have a significant impact on the amount recognized in the consolidated financial statements from the next consolidated fiscal year.

## NOTE3 MATERIAL ACCOUNTING POLICIES

Unless otherwise indicated, the accounting policies stated below have been consistently applied to all the periods reported in the consolidated financial statements.

(1) Basis of consolidation

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

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

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

(2) Business combinations

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

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

Costs associated with business combinations are expensed as incurred.

(3) Foreign currency translation

[1] Foreign Currency Transactions

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

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

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

[2] Foreign operations

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

(4) Financial instruments

Non-derivative financial assets

(i) Initial recognition and measurement

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

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

(a) Financial assets measured at amortized cost

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

(ii) Subsequent measurement

(a) Financial assets measured at amortized cost

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

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

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

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

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

(iii) Derecognition

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

<u>Impairment of financial assets</u>

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

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

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

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

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

<u>Non-derivative financial liabilities</u>

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

(a) Financial liabilities measured at amortized cost

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

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

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

(iii) Derecognition

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

<u>Derivatives</u>

The group 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.

(5) Cash and cash equivalents

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

(6) 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.

(7) Property, plant and equipment

[1]Recognition and measurement

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

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

[2] Subsequent expenditures

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

[3] Depreciation

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: | 2 to 20 years |

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

(8) Goodwill and Intangible Assets

1) Goodwill

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

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

2) Intangible Assets

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

The costs of separately acquired intangible assets comprise any costs directly attributable to acquisition of the assets.

An intangible asset acquired in a business combination is recognized as an intangible asset and measured at fair value at the acquisition date.

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

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

| | |
|---|---|
| Intangible asset arising from development phase | 5 years |
| Software | 2-10 years |
| Trademarks | 8-17 years |

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

(9) Lease

The Group determines whether contracts are, or contain a lease based on the substance of the contract, even if it is not legally a form of lease. The Group recognizes a right-of-use asset and a lease liability at inception date of the lease. Right-of-use assets are initially measured at cost. This cost includes the initial measurement amount of the lease liability, the lease payments made at or before the commencement date, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the underlying asset to the condition required by the terms and conditions of the lease, and borrowing costs that meet the capitalization requirements. Depreciation is amortized by using the straight-line method over the useful life of the underlying asset if the ownership of the underlying asset is transferred by the end of the lease term, or if it is reasonably certain to exercise the purchase option after initial recognition, in other cases, using the straight-line method over the useful life or the lease period, whichever is shorter. Right-of-use assets are measured at cost by deducting accumulated depreciation and accumulated impairment losses and adjusting any remeasurement of the lease liability. Right-of-use assets are included in property, plant and equipment in the consolidated statement of financial position. The lease term is determined by adding to the non-cancellable term of the lease the term of the extension option reasonably certain to be exercised or the term of the cancellation option reasonably sure not to be exercised. Lease liabilities are measured at present value by discounting the total remaining lease payments at the lease commencement date using the lessee's incremental borrowing rate as of that date. After initial recognition, lease liability measured by increasing the carrying amount to reflect interest on lease liability, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modification. Lease expenses are allocated to financial charges and the part of repayment of the lease liability. After the commencement date of the lease, the lease liability is remeasured as necessary due to changes in the lease terms and conditions. Lease liabilities are included in other financial liabilities in the consolidated statement of financial position. Interest expenses are shown as financial charges separately from depreciation of right-of-use assets in the consolidated statement of profit or loss. The Group has adopted not to recognize right-of-use assets and lease liabilities by applying the exemption provision of IFRS 16 for short-term leases with a lease term of 12 months or less and low-value leases. The Group recognizes lease payments related to these leases as expenses using the straight-line method over the lease term.

(10) Impariment of Non-financial Assets

We judge at the reporting date whether there are any indications that the Group’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.

The Group’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.

(11) Employee Benefits

[1]Post-employment benefits

The Group 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.

[2]Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the service is rendered.

Regarding bonuses and paid absences, accruals are recognized as a liability when the Group has present legal or constructive obligations to pay as a result of past employee service and when reliable estimates of the obligation can be made.

(12) Share-based payments

The Group has adopted the following equity-settled share-based payment plan as a payment plan for our directors (excluding outside directors) and employees.

Restricted share payment plan

Restricted share payment is measured by reference to the fair value of the Company's shares to be granted, and the calculated compensation is recognized as an expense in profit or loss and the same amount is recognized as an increase in equity.

(13) Provisions

Provisions are recognized when the Group 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.

(14) Equity and other capital

1) Ordinary shares

The amount of equity instruments issued by the Company is recognized in Share capital and Capital surplus, and direct issuance costs (net of tax) are deducted from Capital surplus.

2) Treasury shares

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

(15) Revenue Recognition

The Group 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

The Group is engaged mainly in production and sales of electric power tools and outdoor power 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.

(16) Financial income and expenses

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

Financial expenses consist of interest expense, foreign exchange loss, derivative loss, etc. Interest expense is recognized as incurred using the effective interest rate method.

(17) Income taxes

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

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

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

Deferred tax liabilities are recognized, in principle, for all taxable temporary differences.

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

- Taxable temporary differences arising from initial recognition of goodwill

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the year when the assets are realized or the liabilities are settled based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

The Group applies the exception to recognition and disclosure with respect to deferred tax assets and liabilities for income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the OECD.

(18) Earnings Per share

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

(19) Government Grant

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

Government grant related to income will be recognized in profit or loss on a systematic basis over the periods in which recognized as expenses the related costs for which the grants are intended to compensate.

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

## NOTE4 SEGEMENT INFORMATION

(1) Outline for reportable segment

The Group's reportable segment are the components of the Group for which discrete financial information is available, and which are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing their performance. The Group has an single business with core activities in the field of production and sales of electric power tools, pneumatic tools and outdoor power equipment. Local subsidiaries in Japan, Europe, North America, Asia and other regions work in cooperation with each other to achieve our aims.

Accordingly, the group's reportable segement is organized by the region of Japan, Europe, Northamerica and Asia.

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

(2) Reportable segment information

The accounting treatment in each reportable segment is the same as in Notes3 "Material Accounting policies and critical accounting estimates".

Previous consolidated fiscal year (2023.4.1~2024.3.31)

In millions of Yen

| | Japan | Europe | North America | Asia | **Subtotal** | Others | Reconciliation to Consolidated Financial Statements | **Consolidated** |
|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | |
| External Revenue | 141,766 | 359,348 | 96,111 | 32,592 | 629,817 | 111,574 | — | 741,391 |
| Inter-segment revenue | 179,477 | 11,726 | 4,184 | 207,617 | 403,004 | 294 | (403,298) | — |
| Total revenue | 321,243 | 371,074 | 100,295 | 240,209 | 1,032,821 | 111,868 | (403,298) | 741,391 |
| Operating Income | 19,006 | 17,830 | (126) | 17,256 | 53,966 | 5,470 | 6,733 | 66,169 |
| Financial income | — | — | — | — | — | — | — | 4,643 |
| Financial expenses | — | — | — | — | — | — | — | (6,795) |
| Income before income tax | — | — | — | — | — | — | — | 64,017 |
| Other items | | | | | | | | |
| Depreciation and Amortization | 8,961 | 7,783 | 2,422 | 8,719 | 27,885 | 1,293 | (253) | 28,925 |
| Segment Assets | 620,733 | 417,686 | 136,278 | 197,907 | 1,372,604 | 105,334 | (422,130) | 1,055,808 |
| Capital expenditures | 6,133 | 6,827 | 972 | 3,906 | 17,838 | 521 | (508) | 17,851 |

(Note)

1. Internal sales revenue or transfer amount between segments is based on the selling price decided through consultation in consideration of market conditions.
2. "Other" mainly consists of the regions of Australia, Brazil and the United Arab Emirates.
3. Reconciliation to Consolidated Financial Statements is as follows.

(1) The adjustment of operating income of 6,733 million includes the elimination of intersegment transactions.

(2) Depreciation and amortization adjustment of (253) million is the effect of consolidation adjustment between segments.

(3) The adjustment amount of (422,130) million yen for segment assets includes inter-segment transaction elimination amount.

(4) The adjustment of capital expenditure of (508) million yen is the effect of consolidated adjustment between segments.

Current consolidated fiscal year (2024.4.1~2025.3.31)

In millions of yen

| | Japan | Europe | North America | Asia | Subtotal | Others | Reconciliation to Consolidated Financial Statements | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | |
| External Revenue | 146,494 | 374,771 | 86,802 | 31,696 | 639,763 | 113,367 | — | 753,130 |
| Inter-segment revenue | 290,788 | 20,467 | 4,164 | 280,012 | 595,431 | 344 | (595,775) | — |
| Total revenue | 437,282 | 395,238 | 90,966 | 311,708 | 1,235,194 | 113,711 | (595,775) | 753,130 |
| Operating Income | 27,658 | 37,582 | (19) | 28,832 | 94,053 | 7,294 | 5,691 | 107,038 |
| Financial income | — | — | — | — | — | — | — | 7,450 |
| Financial Cost | — | — | — | — | — | — | — | (6,011) |
| Income before income tax | — | — | — | — | — | — | — | 108,477 |
| Other items | | | | | | | | |
| Depreciation and Amortization | 9,072 | 8,559 | 2,417 | 8,466 | 28,514 | 1,449 | (206) | 29,757 |
| Segment Assets | 624,980 | 451,669 | 131,821 | 172,973 | 1,381,443 | 106,508 | (381,426) | 1,106,525 |
| Capital expenditures | 8,554 | 4,940 | 320 | 2,792 | 16,606 | 1,010 | (22) | 17,594 |

(Note)

1. Internal sales revenue or transfer amount between segments is based on the selling price decided through consultation in consideration of market conditions.
2. “Other” mainly consists of the regions of Australia, Brazil and the United Arab Emirates.
3. Reconciliation to Consolidated Financial Statements is as follows.
   (1) The adjustment of operating income of 5,691 million includes the elimination of intersegment transactions.
   (2) Depreciation and amortization adjustment of (206) million is the effect of consolidation adjustment between segments.
   (3) The adjustment amount of (381,426) million yen for segment assets includes inter-segment transaction elimination amount.
   (4) The adjustment of capital expenditure of (22) million yen is the effect of consolidated adjustment between segments.

(3) Products and Service Information

In millions of Yen

| | Previous consolidated fiscal year (2023.4.1~2024.3.31) | Current consolidated fiscal year (2024.4.1~2025.3.31) |
|---|---|---|
| electric power tools | 403,968 | 405,660 |
| pneumatic tools and outdoor power equipment | 181,008 | 180,675 |
| Parts, accessories and maintenance | 156,415 | 166,795 |
| Total | 741,391 | 753,130 |

(4) Information about Geographical Areas

The breakdown of sales revenue and non-current assets by region is as follows.

[1] External revenue

In millions of Yen

| | Previous consolidated fiscal year (2023.4.1~2024.3.31) | Current consolidated fiscal year (2024.4.1~2025.3.31) |
|---|---|---|
| Japan | 123,222 | 127,168 |
| Europe<br>Germany | 356,491 | 371,798<br>(86,069) |
| North America<br>America | 93,677<br>(81,759) | 83,919<br>(72,433) |
| Asia | 46,133 | 45,031 |
| Others | 121,868 | 125,214 |
| Total | 741,391 | 753,130 |

(Note) Revenues are segmented by country or region, based on the location of the customers.

[2] Non-current assets

In millions of Yen

| | Previous consolidated fiscal year (2024.3.31) | Current consolidated fiscal year (2025.3.31) |
|---|---|---|
| Japan | 107,384 | 106,960 |
| Europe<br>(Romania) | 89,135<br>(33,040) | 86,907<br>(30,667) |
| North America | 24,949 | 22,327 |
| Asia<br>(China) | 53,441<br>(38,075) | 48,724<br>(32,881) |
| Others | 14,791 | 13,455 |
| Total | 289,700 | 278,374 |

(Note) Excludes financial instruments, deferred tax assets, and retirement benefit assets.

(5) Information about major customers

It is omitted because there are no customers who account for 10% or more of the revenue in the consolidated profit and loss statement among the sales income to external customers.

## NOTE 5 CASH AND CASH EQUIVALENTS

Cash and Cash equivalents comprise the following:

The balance of “cash and cash equivalents” in the consolidated statement of financial position and the balance of “cash and cash equivalents” in the consolidated statement of cash flows for the previous consolidated fiscal year and the current consolidated fiscal year are the same.

In millions of Yen

| | Previous consolidated fiscal year (2024.3.31) | Current consolidated fiscal year (2025.3.31) |
|---|---|---|
| Cash and deposit | 132,367 | 160,179 |
| Deposit within 3 months | 64,278 | 93,099 |
| Total | 196,645 | 253,279 |

(Note) Cash and cash equivalents are classified as financial assets measured at amortized cost.

## NOTE 6 TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables comprise the following:

In millions of Yen

| | Previous consolidated fiscal year (2024.3.31) | Current consolidated fiscal year (2025.3.31) |
|---|---|---|
| Notes receivables and Accounts receivables | 118,248 | 107,501 |
| Allowance of bad debt | (1,981) | △1,670 |
| Total | 116,267 | 105,831 |

(Note) Trade and other receivables are classified as financial assets measured at amortized cost.

## NOTE 7 INVENTORIES

Inventories comprise the following:

In millions of Yen

| | Previous consolidated fiscal year (2024.3.31) | Current consolidated fiscal year (2025.3.31) |
|---|---|---|
| Finished goods and goods for sale | 276,474 | 272,231 |
| Work in progress | 5,156 | 5,049 |
| Raw materials and supplies | 63,861 | 60,836 |
| Total | 345,491 | 338,116 |

(Note)
1.The Cost of sales includes inventories recognized as expense amounted to 511,758 million and 474,929 respectively, in fiscal year 2024 and 2025.
2.Write-downs to net realizable value amounted to 8,276 and 4,024 million, respectively, in fiscal year 2024 and 2025.
3.The amount of inventories recorded in the consolidated financial statements for the previous consolidated fiscal year and the current consolidated fiscal year was 345,491 million yen and 338,116 million yen, and the devaluation of book value due to the decline in net realizable value was 52,870 million yen. It is recorded after deducting yen and 49,136 million yen.
4.There are no inventories pledged for debt.
5.There was no reversal of significant devaluation during the previous and current consolidated fiscal years.

## NOTE 8 OTHER ASSETS

Other assets comprise the following:

In millions of Yen

| | Previous consolidated fiscal year (2024.3.31) | Current consolidated fiscal year (2025.3.31) |
|---|---|---|
| Tax receivable | 3,415 | 3,787 |
| Accrued expenses | 2,286 | 3,493 |
| Others | 13,216 | 14,463 |
| Total | 18,917 | 21,743 |
| Thereof Current | 16,671 | 19,552 |
| Thereof Non-Current | 2,246 | 2,191 |
| Total | 18,917 | 21,743 |

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT

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

(1) Tables

[1] Acquisition cost

In millions of Yen

| | Buildings and structures | Machinery and vehicles | Land | Construction in progress | Right-of-use asset | Total |
|---|---|---|---|---|---|---|
| April 1, 2023 | 216,271 | 162,783 | 38,393 | 14,157 | 27,421 | 459,025 |
| Additions | 3,633 | 6,698 | (54) | 5,713 | 6,040 | 22,030 |
| Sales and Disposals | (3,427) | (5,600) | (379) | (863) | (2,756) | (13,025) |
| Reclassification | 6,027 | 4,179 | 86 | (10,292) | — | — |
| Exchange differences on translation of foreign operations | 13,310 | 10,202 | 2,131 | 1,217 | 2,052 | 28,912 |
| March 31, 2024 | 235,814 | 178,262 | 40,177 | 9,932 | 32,757 | 496,942 |
| Additions | 1,185 | 5,287 | 17 | 8,536 | 4,790 | 19,815 |
| Sales and Disposals | (980) | (6,257) | (307) | (594) | (2,100) | (10,238) |
| Reclassification | 473 | 2,535 | — | (3,008) | — | — |
| Exchange differences on translation of foreign operations | (1,301) | (1,587) | (475) | (78) | (118) | (3,559) |
| March 31, 2025 | 235,191 | 178,240 | 39,412 | 14,788 | 35,329 | 502,960 |

[2] Accumulated depreciation and accumulated impairment

In millions of Yen

| | Buildings and structures | Machinery and vehicles | Land | Construction in progress | Right-of-use asset | Total |
|---|---|---|---|---|---|---|
| April 1, 2023 | (76,807) | (106,163) | — | — | (10,417) | (193,387) |
| Depreciation | (7,216) | (15,102) | — | — | (4,170) | (26,488) |
| Sales and Disposals | 3,495 | 5,802 | — | — | 2,803 | 12,100 |
| Exchange differences on translation of foreign operations | (4,094) | (6,730) | — | — | (1,095) | (11,919) |
| March 31, 2024 | (84,622) | (122,193) | — | — | (12,879) | (219,694) |
| Depreciation | (7,729) | (14,394) | — | — | (4,823) | (26,946) |
| Sales and Disposals | 1,054 | 5,970 | — | — | 1,938 | 8,962 |
| Exchange differences on translation of foreign operations | 540 | 571 | — | — | 216 | 1,327 |
| March 31, 2025 | (90,757) | (130,046) | — | — | (15,548) | (236,351) |

[3] Carrying Amount

In millions of Yen

| | Buildings and structures | Machinery and vehicles | Land | Construction in progress | Right-of-use asset | Total |
|---|---|---|---|---|---|---|
| March 31,2024 | 151,192 | 56,069 | 40,177 | 9,932 | 19,878 | 277,248 |
| March 31,2025 | 144,434 | 48,194 | 39,412 | 14,788 | 19,781 | 266,609 |

(Note)

1. Depreciation of property, plant and equipment is included in cost of sales, selling, general and administrative expenses and other operating expenses in the consolidated statement of profit or loss.
2. The amount of property, plant and equipment under construction is shown as construction in progress.
3. There is no borrowing cost included in the acquisition cost of property, plant and equipment.
4. There are no tangible fixed assets with mortgages as collateral for tangible fixed assets and liabilities with restrictions on ownership.
5. In the previous consolidated fiscal year and the current consolidated fiscal year, the amount of significant commitments regarding the acquisition of property, plant and equipment was 5,500 and 7,273 million.

(2) Right-of-use assets

The carrying amount of Right-of-use assets (finance leases in last fiscal year) included in property, plant and equipment are as following:

In millions of Yen

| | Buildings and structures | Machinery and vehicles | Land | Total |
|---|---|---|---|---|
| March 31,2024 | 17,881 | 705 | 1,292 | 19,878 |
| March 31,2025 | 17,005 | 823 | 1,953 | 19,781 |

## NOTE 10 GOODWILL AND INTANGIBLE ASSETS

(1) Tables

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

[1] Acquisition cost

In millions of Yen

| | Goodwill | Intangible Assets | | | | Total |
|---|---|---|---|---|---|---|
| | | Development Expenses | Software | Trademark | Others | |
| April 1,2023 | 862 | 13,339 | 8,299 | 2,940 | 1,985 | 27,425 |
| Acquisition | — | — | 938 | — | 485 | 1,423 |
| Internal development | — | 1,221 | 9 | — | — | 1,230 |
| Sales and disposals | — | — | (678) | (47) | (1,398) | (2,123) |
| Exchange differences on translation of foreign operations | — | — | 635 | — | 120 | 755 |
| March 31,2024 | 862 | 14,560 | 9,203 | 2,893 | 1,192 | 28,710 |
| Acquisition | — | — | 797 | 1 | 294 | 1,091 |
| Internal development | — | 1,339 | 37 | — | — | 1,376 |
| Sales and disposals | — | — | (476) | (2,769) | (314) | (3,558) |
| Exchange differences on translation of foreign operations | — | — | 98 | — | (13) | 85 |
| March 31,2025 | 862 | 15,899 | 9,659 | 125 | 1,159 | 27,704 |

[2] Accumulated amortization and Accumulated impairment losses

In millions of Yen

| | Goodwill | Intangible Assets | | | | Total |
|---|---|---|---|---|---|---|
| | | Development Expenses | Software | Trademark | Others | |
| April 1, 2023 | (141) | (7,800) | (5,509) | (2,756) | (792) | (16,998) |
| Depreciation | — | (1,435) | (795) | (91) | (116) | (2,437) |
| Impairment loss | — | — | — | — | — | — |
| Sales and disposals | — | — | 662 | 47 | 791 | 1,500 |
| Exchange differences on translation of foreign operations | — | — | (488) | — | (81) | (569) |
| March 31, 2024 | (141) | (9,235) | (6,130) | (2,800) | (198) | (18,504) |
| Depreciation | — | (1,779) | (879) | (8) | (145) | (2,811) |
| Impairment loss | — | — | — | — | — | — |
| Sales and disposals | — | — | 426 | 2,769 | 59 | 3,254 |
| Exchange differences on translation of foreign operations | — | — | (80) | — | 11 | (69) |
| March 31, 2025 | (141) | (11,014) | (6,663) | (39) | (273) | (18,130) |

[3] Carrying amount

In millions of Yen

| | Goodwill | Intangible Assets | | | | Total |
|---|---|---|---|---|---|---|
| | | Research | Software | Trademark | Others | |
| March 31,2024 | 721 | 5,325 | 3,073 | 93 | 994 | 10,206 |
| March 31,2025 | 721 | 4,885 | 2,996 | 86 | 886 | 9,574 |

(Note)

1. Amortization of intangible assets is included in cost of sales, selling, general and administration of the consolidated statement of Profit or Loss.
2. There are no intangible assets with mortgages as collateral for intangible assets and liabilities with restrictions on ownership.
3. No significant commitment to acquire intangible assets.
4. There are no significant intangible assets with indefinite useful lives.

(2) Impairment loss

There is no impairment loss in the last consolidated fiscal year and the current consolidated fiscal year.

(3) R&D expenses

Research expenses and development expenses that do not meet the asset recognition standard are recognized as expenses when incurred. R&D expenses recognized as expenses in selling, general and administration of the consolidated statement of Profit or Loss in the fiscal year 2024 and 2025 amounted to 12,879 and 13,335 respectively.

## NOTE 11 LEASES

The group, as a lessee, leases land, buildings and structures, machinery and vehicles.

Although some lease contracts have renewal options and purchase options, option lease payments that are not included in the lease term are immaterial to the lease payments. In addition, sublease agreements, variable lease payments and escalation clauses (clauses that raise the lease contract amount) and restrictions imposed by the lease agreements (dividends, additional borrowings, restrictions on additional leases, etc.) are not significant.

(1) Income and expenses relating to lease consists of the followings.

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Recognition Exemption－Short-term lease expenses | 1,044 | 557 |
| Recognition Exemption－Low-valued lease expenses (exclude short-term lease) | 111 | 113 |
| Depreciation of Right-of-use assets | | |
| Buildings and structures | 3,682 | 4,193 |
| Machinery and vehicles | 406 | 541 |
| Land | 82 | 89 |
| Total of depreciation | 4,170 | 4,823 |
| Interest expenses on lease liabilities | 527 | 713 |

(2) The total cashout flow of leases including low-value lease and short-term lease.

In millions of Yen

| | | |
|---|---|---|
| Total cashout flow | 5,383 | 6,293 |

Note 9 Property, plant and equipment presents additions and classification of right-of-use assets
Note 27 Financial Instrument presents maturity analysis of lease liability

## NOTE 12 TRADE PAYABLES AND OTHER PAYABLES

Trade payables and other payables comprise the following:

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Trade payables | 37,712 | 41,590 |
| Non-trade payables | 12,275 | 13,038 |
| Total | 49,987 | 54,628 |

(Note) Trade payables and other payables are classified as financial assets measured at amortized cost.

## NOTE 13 BORROWINGS

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Short-term borrowings | 19,891 | 10,152 |
| Total | 19,891 | 10,152 |

(Note)
1. Borrowings are classified as financial assets measured at amortized cost.
2, All borrowings are due in less than one year.
3. The average interest rate in fiscal year 2024 and 2025 were 4.98% and 3.09% and represents the weighted-average interest rate respectively.

## NOTE 14 OTHER LIABILITIES

Other liabilities comprise the following:

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Accrued expenses | 22,426 | 20,365 |
| Accrued payroll and bonus | 14,868 | 16,224 |
| Others | 18,212 | 11,696 |
| Total | 55,506 | 48,284 |
| Thereof Current | 55,304 | 48,259 |
| Thereof Non-current | 202 | 25 |
| Total | 55,506 | 48,284 |

## NOTE 15 EMPLOYEE BENEFITS

(1) Post-employment Benefits

[1] post-employment benefit outline

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

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

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

In the case of defined benefit plans, the responsibilities of employers, fund directors, and management institutions are stipulated in the Defined Benefit Corporate Pension Act. The director of the fund has the fiduciary duty to comply with laws, the dispositions of the Minister of Health, Labor and Welfare made pursuant to laws, the bylaws of the Fund and the decisions of the Board of Representatives, and to faithfully perform duties for the Fund including the management and operation of the contributions. Additionally, a code of conduct has been articulated, which prohibits the Director of the Fund from entering into asset management agreements for the purpose of benefiting a third party and from acts that constitute conflicts of interest.

The objective of managing pension assets is to earn returns to the greatest extent possible and ensure stable benefits and payments for plan participants. In order to meet this objective, The Group determines an optimal asset mix from a three-to-five-year's medium-to-long-term standpoint. To avoid a sharp decline in the asset value in the future, The Group updates the asset mix as necessary by monitoring risks and assessing the magnitude of the risks. The Group has an acceptable divergence indicator for the asset mix, and the proportion of the temporary asset allocations will be updated promptly when the divergence occurs. The Group determined the mix of equity securities and debt securities after taking into consideration of the expected long-term rate of return on pension assets. To decide whether changes in the basic portfolio are necessary, The Company and some subsidiaries examine the divergence between the expected long-term income and the actual income from the portfolio on an annual basis. The Company and some subsidiaries revise the portfolio when it is deemed necessary to reach the expected long-term yield.

[2] Defined benefit plan

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

| | | In millions of Yen |
|---|---|---|
| | 2024 | 2025 |
| Present value of defined benefit obligation | (36,041) | (32,958) |
| Present value of Plan asset | 47,740 | 47,483 |
| Total | 11,699 | 14,525 |
| Amount recognized in consolidated statement of financial position | | |
| Retirement benefit assets | 14,968 | 17,710 |
| Retirement benefit liabilities | (3,269) | (3,185) |

(b) Defined benefit obligations

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

| | | In millions of Yen |
|---|---|---|
| | 2024 | 2025 |
| Defined benefit obligations at beginning of year | 36,722 | 36,041 |
| Service cost | 1,718 | 1,626 |
| Interest expenses | 514 | 608 |
| Remeasurement | | |
| Actuarial (gains) losses arising from changes in demographic assumptions | 209 | 28 |
| Actuarial (gains) losses arising from changes in financial assumptions | (1,435) | (3,092) |
| Actuarial (gains) losses arising from others | (76) | 41 |
| Benefits paid | (1,991) | (2,190) |
| Exchange differences on translation of foreign operations | 380 | (104) |
| Defined benefit obligations at ending of year | 36,041 | 32,958 |

(Note) The weighted average duration of the defined benefit obligations was 14.4 years on March 31, 2024, and 14.8 years on March 31, 2025.

(c) Plan asset

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

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| The fair value of plan assets at beginning of year | 46,049 | 47,740 |
| Interest income | 604 | 792 |
| Contribution by employees | 1,210 | 1,244 |
| Measurements-Return on Plan asset | 1,520 | (394) |
| Benefits paid | (1,666) | (1,885) |
| Exchange differences on translation of foreign operations | 23 | (14) |
| The fair value of plan assets at end of year | 47,740 | 47,483 |

(Note) The Group plans to contribute 1,282 million in the year ending March 31, 2026.

The details of plan asset are as followings:

In millions of Yen

| | 2024 | | 2025 | |
|---|---|---|---|---|
| | Market price in an active market | | Market price in an active market | |
| | quoted | unquoted | quoted | unquoted |
| Cash and cash equivalents | 2,987 | — | 3,374 | — |
| Equity financial products | | | | |
| Domestic shares | 1,270 | — | 1,273 | — |
| Joint investment trust(domestic) | — | 1,621 | — | 1,316 |
| Joint investment trust(overseas) | — | 3,125 | — | 3,192 |
| Debt financial instruments | | | | |
| Joint investment trust(domestic) | — | 6,731 | — | 5,335 |
| Joint investment trust(overseas) | — | 4,868 | — | 4,962 |
| Life Insurance general account | — | 11,362 | — | 12,098 |
| Alternative investment | — | 15,776 | — | 15,933 |
| Total | 4,257 | 43,483 | 4,647 | 42,836 |

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

Debt securities mainly composed of domestic and foreign government bonds and municipal bonds. The Group conducts a good research and analysis on issuance conditions, such as rating, coupon, maturity date, and issuer. Regarding investments in foreign equity and bonds, The Group has investigated the political and economic stability of the markets to be invested in, the market characteristics such as settlement systems and the taxation systems. On that basis, The Group selected countries and currencies appropriate for investment. For commingled funds, Makita selected those that have defined operating assets and management style. The Group also has alternative investments in private REITs, CAT Bond, and hedge-funds (market neutral strategy for Japanese equity and relative value strategy for bonds).

(d) Significant actuarial assumptions and related sensitivity analysis

Significant actuarial assumptions are as follows:

| | 2024 | 2025 |
|---|---|---|
| Discount rate | 1.8% | 2.5% |

(e) Sensitivity analysis on defined benefit obligations

The sensitivity analysis on defined benefit obligations is as follows.

Although sensitivity analysis assumes that the assumptions other than those that are subject to the analyses are held constant, in reality, it is possible for the sensitivity analysis to be impacted by other assumptions.

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Discount rate | | |
| 0.25% increase | (1,065) | (945) |
| 0.25% decrease | 1,121 | 993 |

[3] Defined contribution plans

Expenses related to the defined contribution plan recognized in profit or loss were 888 million yen and 916 million yen for the fiscal year ended March 31, 2024, and March 31, 2025.

(2) Other employee benefit expenses

Other employee benefit expenses recognized in cost of sales, selling, general and administrative expenses in the consolidated statement of income for the fiscal years ended March 31, 2024, and 2025 were 105,625 million yen and 116,481 million yen, respectively.

## NOTE 16 SHARE-BASED PAYMENTS

The Company aims to further increase the motivation of its directors and executive officers to contribute to the rise of share prices and the improvement of corporate value and share the merits and risks of share price fluctuations with shareholders. We have introduced a share compensation system that allocates restricted share to eligible directors. Based on this plan, the accounting treatment of equity-settled share plans is applied.

(1) Restricted shares compensation plan

[1] Outline

The Company and the eligible Directors have entered into a restricted shares agreement, and the content of the agreement is that the transfer restriction period is 50 years. During this period, transfer of restricted shares to a third party, setting of pledges, setting of security interests, gifts before birth, beneficiary and any other disposition acts are not permitted. With regard to the transfer restriction, provided that the eligible directors who received the allocation of the transfer-restricted shares remained in the position of directors of the Company from the start of the transfer restriction period until the date of the first ordinary general meeting of shareholders of the Company, all of the shares will be released when the transfer restriction period expires. On the other hand, if there are shares whose transfer restrictions have not been released when the transfer restriction period has expired, the Company will acquire the shares free of charge.

Furthermore, we have resolved to grant common share to executive officers who meet certain requirements. However, in order to encourage medium-to-long-term continuous work, we have decided to impose restrictions on the transfer of the Allotted Shares for the period up to retirement.

[2] The fair value is calculated based on the market price of the Company’s ordinary share.

Granted to Directors

| | 2024 | 2025 |
|---|---|---|
| Grant date | July 20, 2023 | July 19, 2024 |
| Granted shares | 8,637 | 6,564 |
| Fair value of grant date | 3,889 Yen | 4,386 Yen |
| Fair value measurement | Calculated based on the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on the business day immediately preceding the resolution date of the Board of Directors | Calculated based on the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on the business day immediately preceding the resolution date of the Board of Directors |

Granted to executive officers

| | 2024 | 2025 | |
|---|---|---|---|
| Grant date | March 28, 2024 | September 27, 2024 | March 28, 2025 |
| Granted shares | 6,447 | 5,379 | 5,626 |
| Fair value of grant date | 3,827 Yen | 4,756 Yen | 4,863 Yen |
| Fair value measurement | Calculated based on the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on the business day immediately preceding the resolution date of the Board of Directors | Calculated based on the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on the business day immediately preceding the resolution date of the Board of Directors | |

(2) Share-based payment expenses

Share-based payment expenses recognized in selling, general and administration for fiscal year 2024 and 2025 is as following:

| | March31, 2024 | March31, 2025 |
|---|---|---|
| Expenses on Restricted shares compensation plan | 34 | 56 |
| Total | 34 | 56 |

## NOTE 17 PROVISIONS

Components of and changes in provisions consist of the following:

In millions of Yen

| | Production warranty | Others | Total |
|---|---|---|---|
| Balance as of April 1, 2023 | 5,375 | 866 | 6,241 |
| Additions | 3,975 | 303 | 4,278 |
| Decrease (provision used) | (3,868) | (33) | (3,901) |
| Decrease (provision reversed) | (189) | (15) | (204) |
| Exchange differences on translation of foreign operations | 569 | 90 | 659 |
| Balance as of March 31, 2024 | 5,862 | 1,211 | 7,073 |
| Additions | 6,353 | 67 | 6,420 |
| Decrease (provision used) | (4,893) | (294) | (5,187) |
| Decrease (provision reversed) | (99) | (25) | (124) |
| Exchange differences on translation of foreign operations | (81) | (92) | (173) |
| Balance as of March 31, 2025 | 7,142 | 867 | 8,009 |

| | 2024 | 2025 |
|---|---|---|
| Thereof Current | 5,113 | 6,216 |
| Thereof Non-current | 1,960 | 1,793 |

The summary of provisions recorded by the Group and the periods in which the outflow of economic benefits is expected to occur are as follows.

Warranty provisions

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. Warranty provisions are generally expended within one year of recognition.

## NOTE 18 CONTINGENT LIABILITIES

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

## NOTE 19 EQUITY AND OTHER EQUITY ITEMS

(1) Capital and treasury shares
The number of authorized shares, the number of issued shares and the number of treasury shares are as follows.

Shares

| | 2024 | 2025 |
|---|---|---|
| Type of Shares | Ordinary Shares | Ordinary Shares |
| Number of authorized shares | 992,000,000 | 992,000,000 |
| Number of issued shares | | |
| Beginning | 280,017,520 | 280,017,520 |
| Increase/decrease | — | — |
| Ending | 280,017,520 | 280,017,520 |
| Treasury shares | | |
| Beginning | 8,475,674 | 10,993,621 |
| Increase/decrease | 2,517,947 | (16,869) |
| Ending | 10,993,621 | 10,976,752 |

(Note)

1.Issued shares are fully paid.

2.Changes in the number of treasury shares resulted from the repurchase of treasury shares by resolution of the Board of Directors, the purchase of odd shares and the disposal of treasury shares as allocation restricted share.

(2) Capital surplus

Capital surplus is composed of amounts arising from equity transactions that are not included in share capital. Major components of the capital surplus is legal capital surplus. The Companies Act in Japan (hereinafter referred to as the “Company Act”) provides that no less than 50% of the paid-in amount or proceeds of issuance of shares shall be incorporated in share capital, and that the remaining shall be incorporated in legal capital surplus. Legal capital surplus may be incorporated in share capital upon approval of the General Meeting of Shareholders.

(3) Retained earnings

Retained earnings consist of legal reserve and other retained earnings.

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

(4) Other components of equity

[1] Equity securities measured at fair value through other comprehensive incomes

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

[2] Remeasurement of defined benefit plans

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

[3] Exchange difference on translation of foreign operations

Foreign currency translation differences arise from the translation of financial statements of foreign operations prepared in foreign currencies.

Other components of equity comprise the following:

| | Remeasurement of defined benefit plans | equity securities measured at fair value through other comprehensive incomes | Exchange difference on translation of foreign operations | Adjustment for hyperinflation | Total |
|---|---|---|---|---|---|
| April 1, 2023 | 9,431 | — | 69,095 | 3,524 | 82,050 |
| Other comprehensive income | 5,883 | 1,955 | 63,029 | — | 70,867 |
| Transfer to retained earnings | (77) | (1,955) | — | — | (2,031) |
| March 31, 2024 | 15,237 | — | 132,124 | 3,524 | 150,886 |
| Other comprehensive income | 189 | 1,835 | (5,926) | — | (3,902) |
| Transfer to retained earnings | (48) | (1,835) | — | — | (1,883) |
| March 31, 2025 | 15,378 | — | 126,199 | 3,524 | 145,101 |

## NOTE 20 DIVIDENDS

(1) Payment of dividends

Fiscal year ended on March 31, 2024

| Date of Resolution | Type of shares | Amount of dividend in millions of Yen | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General meeting of Shareholders on June 28, 2023 | Ordinary share | 2,987 | 11 | March 31, 2023 | June 29, 2023 |
| Board of directors on October 31, 2023 | Ordinary share | 2,690 | 10 | September 30, 2023 | December 1, 2023 |

Fiscal year ended on March 31, 2025

| Date of Resolution | Type of shares | Amount of dividend in millions of Yen | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General meeting of Shareholders on June 26, 2024 | Ordinary share | 12,644 | 47 | March 31, 2024 | June 27, 2024 |
| Board of directors on October 30, 2024 | Ordinary share | 5,381 | 20 | September 30, 2024 | November 28, 2024 |

(2) Record date belongs to current fiscal year but the effective date belongs to the next fiscal year

Fiscal year ended on March 31, 2024

| Date of Resolution | Type of shares | Source of dividends | Amount of dividend in millions of Yen | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General meeting of Shareholders on June 26, 2024 | Ordinary share | Retained earnings | 12,644 | 47 | March 31, 2024 | June 27, 2024 |

Fiscal year ended on March 31, 2025

| Date of Resolution | Type of shares | Source of dividends | Amount of dividend in millions of Yen | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General meeting of Shareholders on June 25, 2025 | Ordinary share | Retained earnings | 24,214 | 90 | March 31, 2025 | June 26, 2025 |

## NOTE 21 REVENUE

(1) Revenues recognized from contracts with customers

[1] Revenue

The Group has an single business with core activities in the field of production and sales of electric power tools, pneumatic tools and outdoor power equipment. An analysis of revenue by segments is shown in Note 4 Segment Information. The revenue is all from contracts with customers.

[2]Contract balance

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

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Assets from the contract with customers | 118,248 | 107,501 |
| Contract liabilities | 613 | 281 |

Assets from the contract with customers are included in trade receivables and other receivables and contract liabilities are included in other current liabilities in the consolidated statement of financial position.

Of revenue recognized for the fiscal year 2024 and 2025, amounts included in the beginning balance of contract liabilities are immaterial.

(2) Performance obligation

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

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

(3) Transaction price allocated to the remaining performance obligation

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

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

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

## NOTE 22 COSTS OF SALES, SELLING AND GENERAL ADMINISTRATION EXPENSES

Cost of sales, selling and general administration expenses comprise the following:

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Materials and purchasing | 300,537 | 411,905 |
| Inventories (increase)/decrease | 108,260 | 7,376 |
| Employee benefits | 105,659 | 116,562 |
| Advertising | 10,808 | 10,081 |
| Freight expenses | 16,686 | 16,708 |
| Research and development | 12,879 | 13,335 |
| Depreciation and amortization | 28,925 | 29,757 |
| Loss (profit) on disposal of Fixed Assets | (456) | (129) |
| Others | 91,924 | 40,497 |
| Total | 675,222 | 646,092 |

## NOTE 23 FINANCIAL INCOME AND FINANCIAL EXPENSES

(1) Financial income

Financial income comprises the following:

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Interest Income | | |
| Financial assets measured at amortized cost | 3,963 | 6,658 |
| Financial assets measured through profit or loss | — | — |
| Dividend Income | | |
| Financial assets measured at fair value through other comprehensive income | 680 | 792 |
| Gain on sale | | |
| Financial assets measured at amortized cost | — | — |
| Financial assets measured through profit or loss | — | — |
| Valuation gain | | |
| Financial assets measured through profit or loss | — | — |
| Exchange gains or losses(net) | — | — |
| Total | 4,643 | 7,450 |

(2) Financial expenses

Financial expenses comprise the following

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Interest expenses | | |
| Lease liabilities | 527 | 713 |
| Financial liabilities measured at amortized cost | 2,028 | 553 |
| Loss on sale | | |
| Financial assets measured at amortized cost | — | — |
| Financial assets measured through profit or loss | — | — |
| Loss on valuation of fair value | | |
| Financial assets and liabilities measured through profit or loss | — | 12 |
| Adjusting for Hyperinflation - Loss on net monetary position | 473 | 118 |
| Exchange gains or losses(net) | 3,767 | 4,615 |
| Total | 6,795 | 6,011 |

## NOTE 24 INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

The allocation of deferred tax assets and liabilities to balance sheet line items **as of** 31 March 2024 is shown in the following table:

In millions of Yen

| | April 1,2023 | Recognized through profit or loss | Recognized through equity | Recognized through other comprehensive income | March 31,2024 |
|---|---|---|---|---|---|
| Deferred tax asset | | | | | |
| Property, plant and equipment | (1,178) | (117) | — | — | (1,295) |
| Inventories | 16,657 | 2,448 | — | — | 19,105 |
| Tax loss carries forward | 4,507 | (4,248) | — | — | 259 |
| Accrued expenses | 2,461 | 718 | — | — | 3,179 |
| Employee benefit obligation | 216 | 92 | — | — | 308 |
| Accrued Bonuses | 1,955 | 166 | — | — | 2,121 |
| Undistributed foreign earnings | (12,291) | 5,200 | — | — | (7,091) |
| Employee benefit asset | (3,499) | 19 | — | (870) | (4,350) |
| Financial assets valued on fair value | (2,494) | — | (123) | (2,546) | (5,163) |
| Others | (1,009) | 1,060 | — | — | 51 |
| Total | 5,325 | 5,338 | (123) | (3,416) | 7,124 |

(Note) The difference between the total amount of Recognized through profit and loss as above and Deferred tax expenses is due to foreign exchange fluctuations.

The allocation of deferred tax assets and liabilities to balance sheet line items as of 31 March 2025 is shown in the following table:

In millions of Yen

| | April 1,2024 | Recognized through profit or loss | Recognized through equity | Recognized through other comprehensive income | March 31,2025 |
|---|---|---|---|---|---|
| Deferred tax asset | | | | | |
| Property, plant and equipment | (1,295) | 868 | — | — | (427) |
| Inventories | 19,105 | (2,599) | — | — | 16,506 |
| Tax loss carries forward | 259 | 973 | — | — | 1,232 |
| Accrued expenses | 3,179 | (540) | — | — | 2,679 |
| Retirement benefit obligation | 308 | 13 | — | — | 321 |
| Accrued Bonuses | 2,121 | 217 | — | — | 2,338 |
| Undistributed foreign earnings | (7,091) | (1,677) | — | — | (8,768) |
| Retirement benefit asset | (4,350) | (223) | — | (793) | (5,366) |
| Valuation on debt securities | (5,163) | — | 67 | (351) | (5,447) |
| Others | 51 | 703 | — | — | 754 |
| Total | 7,124 | (2,265) | 67 | (1,144) | 3,782 |

(Note) The difference between the total amount of Recognized through profit and loss as above and Deferred tax expenses is due to foreign exchange fluctuations.

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

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Deferred tax assets | 19,670 | 18,123 |
| Deferred tax liabilities | (12,546) | (14,341) |
| Total | 7,124 | 3,782 |

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

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Deductible temporary difference | 6,135 | 5,073 |
| Tax loss carries forward | 17,520 | 14,152 |

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

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| No later than 1 year | 1 | — |
| Later than 1 year and not later than 2 years | 1,010 | — |
| Later than 2 years and not later than 3 years | 187 | 180 |
| Later than 3 years and not later than 4 years | 146 | 140 |
| Later than 5 years | 1,025 | 523 |
| No limited | 15,151 | 13,309 |
| Total | 17,520 | 14,152 |

The aggregate amounts of taxable temporary difference associated with investment in subsidiaries and associates for which deferred liabilities were not recognized in March 2024 and 2025 were 92,986 million yen and 106,603 million yen. The group did not recognize deferred tax liabilities because the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

(2) Income tax expenses

[1] Taxes on income comprise the following:

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Current tax expense | 25,077 | 26,821 |
| Deferred tax expense | | |
| thereof relating to temporary differences | (4,613) | 2,520 |
| Thereof Tax rate change | (62) | (67) |
| Sub-total | (4,675) | 2,453 |
| Total | 20,402 | 29,274 |

(Note)

1. The current tax expense for fiscal year2025 includes Pillar Two income taxes of 104 million yen.

2. Current tax expenses include the previously unrecognized tax losses, and this decreased the current tax expenses by 435 million yen and 857 million yen in fiscal year 2024 and 2025, respectively.

[2] Reconciliation of effective rate

The details of difference between the effective statutory tax rate and the Group's average actual tax rate consist of the following: The actual tax rate represents ratio of income taxes to profit before income taxes.

| | 2024 | 2025 |
|---|---|---|
| Effective statutory tax rate | 30.2% | 30.2% |
| (Reconciliation) | | |
| Items that are not counted as a deduction permanently such as entertainment expenses | 0.5 | 0.5 |
| Increase/Decrease of unrecognized deferred tax assets | 0.8 | (0.1) |
| Tax spring | (1.4) | (1.6) |
| Change in tax rates | (4.5) | (4.6) |
| Undistributed foreign earnings | 5.4 | 3.2 |
| Others | 0.9 | (0.6) |
| Actual tax rate | 31.9% | 27.0% |

(Note) The Company has been mainly imposed corporate income taxes, resident taxes and business taxes, thus the effective statutory tax rate based on these items is 30.2%.

## NOTE 25 EARNINGS PER SHARE

The Basis for calculating basic earnings per share is shown in the following table:

| | | 2024 | 2025 |
|---|---|---|---|
| Net profit attributable to the owners of the parent company | Yen Million | 43,691 | 79,338 |
| Weighted average number of ordinary shares during the period | Number | 269,484,912 | 269,031,331 |
| Basic earnings per share | Yen | 162.13 | 294.90 |

(Note) Diluted earnings per share for the previous and current consolidated fiscal year is not stated because there are no dilutive potential shares.

## NOTE 26 OTHER COMPREHENSIVE INCOME

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

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Items not expected to be reclassified to the income statement in the future | | |
| Equity financial instruments measured at fair value through Other comprehensive income | | |
| Before Tax | 8,429 | 540 |
| Deferred Taxes | (2,546) | (351) |
| After Tax | 5,883 | 189 |
| Remeasurement of defined benefit plans | | |
| Before Tax | 2,825 | 2,628 |
| Deferred Taxes | (870) | (793) |
| After Tax | 1,955 | 1,835 |
| Sub-total | 7,838 | 2,024 |
| Items expected to be reclassified to the income statement in the future | | |
| Exchange difference on translation of foreign operations | | |
| Before Tax | 63,703 | (5,990) |
| Deferred Taxes | — | — |
| After Tax | 63,703 | (5,990) |
| Sub-total | 63,703 | (5,990) |
| Total | 71,541 | (3,966) |

## NOTE 27 FINANCIAL INSTRUMENTS

(1) Classification of Financial Instruments

The carrying amount of other financial assets is as follows:

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| **At amortized cost** | | |
| Cash and cash equivalents | 13,039 | 34,324 |
| Debt securities | 210 | 510 |
| Deposit | 9,571 | 6,479 |
| Loans to third party | 2 | — |
| Sub-Total | 22,822 | 41,313 |
| **At fair value through other comprehensive income** | | |
| Equity securities | 32,544 | 32,993 |
| Sub-Total | 32,544 | 32,993 |
| **At fair value through Profit or loss** | | |
| Debt securities | — | 588 |
| Derivatives | 1,030 | 647 |
| Sub-Total | 1,030 | 1,235 |
| **Total** | 56,396 | 75,541 |
| Thereof Current Assets | 18,561 | 39,660 |
| Thereof Non-current Assets | 37,835 | 35,881 |
| **Total** | 56,396 | 75,541 |

The carrying amount of other financial liabilities is as follows:

| | | In millions of Yen |
|---|---|---|
| | 2024 | 2025 |
| Lease liabilities | 20,425 | 19,944 |
| **At fair value through Profit or loss** | | |
| Derivatives | 2,792 | 2,379 |
| Sub-total | 23,217 | 22,323 |
| Thereof Current Liabilities | 6,067 | 6,739 |
| Thereof Non-current Liabilities | 17,150 | 15,584 |
| **Total** | 23,217 | 22,323 |

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

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

[1] Breakdown of fair value through other comprehensive income:

| | 2024 | 2025 |
|---|---|---|
| Marketable | 31,100 | 31,315 |
| Non-marketable | 1,444 | 1,678 |
| Total | 32,544 | 32,993 |

(Note)

1.Names of major marketable equity securities and their fair value are as following:

Fiscal year March 31, 2024

| | In millions of Yen |
|---|---|
| Company name | Fair value |
| Mitsubishi UFJ Financial Group, Inc. | 4,038 |
| Sharp Corporation | 2,980 |
| Toyota Tsusho Corporation | 2,858 |
| Murata Manufacturing Co., Ltd. | 2,836 |
| Sumitomo Real Estate Co., Ltd. | 2,655 |
| Suzuki Corporation | 2,274 |
| Sumitomo Mitsui Financial Group, Inc. | 1,515 |
| Seino Holdings Co., Ltd. | 1,514 |
| Fuji Machine Mfg. Co., Ltd. | 1,426 |
| Aichi Financial Group, Inc | 1,098 |

Fiscal year March 31, 2025

In millions of Yen

| Company name | Fair value |
|---|---|
| Mitsubishi UFJ Financial Group, Inc. | 5,215 |
| Sharp Corporation | 3,383 |
| Sumitomo Real Estate Co., Ltd. | 2,562 |
| Suzuki Corporation | 2,367 |
| Murata Manufacturing Co., Ltd. | 2,316 |
| Toyota Tsusho Corporation | 2,082 |
| Sumitomo Mitsui Financial Group, Inc. | 1,935 |
| Seino Holdings Co., Ltd. | 1,651 |
| Aichi Financial Group, Inc | 1,182 |
| Fuji Machine Mfg. Co., Ltd. | 1,118 |

(Note)

2. Non-marketable equity securities are primarily those of companies with which we do business.

[2] Dividend Income

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Investments derecognized during the period | 2 | 1 |
| Investments held at the end of the period | 678 | 791 |
| Total | 680 | 792 |

[3] Derecognized Finance assets measured at fair value through other comprehensive income

The Company sold and derecognized a part of financial assets measured at fair value through other comprehensive income, primarily to increase asset efficiency and make more effective use of assets.

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

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Fair value | 151 | 91 |
| Cumulative gains/losses | 111 | 68 |

[4] Reclassification to Retained Earnings

Equity instruments measured at fair value through other comprehensive income are measured at fair value, and its subsequent changes are recognized in other comprehensive income. The group transfers the cumulative gains/losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income to retained earnings. The amount recognized in other comprehensive income will be transferred to retained earnings when the assets derecognized, or the fair value decreased significantly. The amount transferred to retained earnings was 77 million yen in FY2024 and 48 million yen in FY2025.

(3) Risk management on financial instruments

[1] Capital management

In order to increase shareholder returns through the implementation of flexible capital policies and improvement of capital efficiency, the Group's capital management policy is to maintain a financial position that can withstand any changes in the business environment, while also maintaining a solid financial position and an efficient capital structure that can secure funds for strategic investments in the expansion of our business globally.

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

| | 2024 | 2025 |
|---|---|---|
| Capital amount in millions of Yen | 868,156 | 926,005 |
| Capital adequacy ratio (%) | 82.2 | 83.7 |

(Note) The equity capital ratio represents total equity attributable to owners of the parent divided by total liabilities and equity.

[2] Financial risks

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

I. Market risks

(i) Currency risks management

(a) Currency risks

The Group is expanding its global business and conducts business in a variety of currencies from which currency risks arise. In order to hedge currency risks, the Group holds derivative financial instruments such as forward currency exchange. The group did not apply hedge accounting for these derivative transactions but determined that these transactions effectively offset the impact of fluctuations in the exchange rate.

(b) Currency risks exposure

At the end of the reporting period, the currency exposure for the following year was as follows, essentially offset the impact of fluctuation in the value of the yen through forward exchange contracts.

| | 2024 | 2025 |
|---|---|---|
| U.S. Dollar | (4,941) | (9,437) |
| Euro | (2,784) | (2,953) |

(c) Currency risk sensitivity analysis

The following table illustrated the impact on income and equity in the consolidated statement of income from foreign currency-denominated financial instruments held by the Group at the end of each fiscal year if the Japanese yen appreciated by 1% against U.S. dollar and the euro. The effect will be reversed in cases of depreciation by 1%. This analysis holds all other variables constant.

In millions of Yen

| Currency | 2024 | | 2025 | |
|---|---|---|---|---|
| | Profit before tax | After tax | Profit before tax | After tax |
| U.S. Dollar | 49 | 34 | 94 | 66 |
| Euro | 28 | 19 | 30 | 21 |

(ii)Share price fluctuation risks management

(a) Share price fluctuation risk

The Group held marketable equity securities and is exposed to price fluctuation risk. In order to manage this risk, the group regularly reviews market prices and financial conditions of the issuers and review the holding status appropriately.

(b) Share price fluctuation risk exposure

The effects of the 1% decline in market prices on other comprehensive income (after tax effects) on listed shares held by the Group at the transition date, the end of the previous consolidated fiscal year and the end of the current consolidated fiscal year are as follows.This analysis holds all other variables constant.

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Other comprehensive income (After tax) | (217) | (216) |

II. Interest risk

The Group's interest-bearing liabilities consist of borrowings and lease liabilities, and some of the borrowings are procured at floating interest rates. All such borrowings are short-term, and the impact of changes in market interest rates on the group's profit and loss is expected to be immaterial. Therefore, the interest rate risk is not important.

There were no floating-rate interest-bearing liabilities outstanding at the end of both the previous and current consolidated fiscal years.

III. Credit risk

(i) Credit risk management

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

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

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

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

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

(ii) Credit risk exposure

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

The carrying amount of the financial asset presented in consolidated statement of financial position is the Group's maximum exposure related to the credit risk. There are no collateral or other credit enhancements related to credit risk exposures.

| | | In millions of Yen |
|---|---|---|
| | 2024 | 2025 |
| No delay | 108,939 | 101,070 |
| Less than 30 days | 5,648 | 2,967 |
| Over 30days less than 60days | 812 | 676 |
| Over 60days less than 90days | 720 | 374 |
| Over 90days | 2,129 | 2,414 |
| Total | 118,248 | 107,501 |

(iii) Allowances for doubtful receivables

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

The Group applies the simplified approach stipulated in IFRS 9 to the calculation of expected credit losses, and expected credit losses are measured at amount equivalent to lifetime expected loss of all trade and other receivables.

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Beginning balance | 1,542 | 1,981 |
| Increase during the year | 380 | 122 |
| Decrease during the year (purpose use) | (24) | (148) |
| Decrease during the year (reversal) | (150) | (156) |
| Exchange difference on translation of foreign operations | 233 | (129) |
| Ending balance | 1,981 | 1,670 |

IV. Liquidity risk

Liquidity risk is the risk that the Group will not be able to fulfill its obligations relating to pay financial liabilities that come due.

Trade and other payables, borrowings and other financial liabilities are exposed to liquidity risk, but the Group manages this risk by creating and updating financial plans in a timely manner and maintaining borrowing limits from financial institutions.

The financial liability balance by maturity is as follows:

Financial year ended March 31, 2024 In millions of Yen

| | Book value | Cash flow on contract | Within 1 year | Over 1 year within 5 years | Over 5 years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Trade liabilities and other liabilities | 49,987 | 49,987 | 49,987 | — | — |
| Loan | 19,891 | 20,882 | 20,882 | — | — |
| Lease liabilities | 20,425 | 22,817 | 4,876 | 10,086 | 7,855 |
| Derivative financial liabilities | | | | | |
| Currency related derivatives | | | | | |
| Cash inflow | 65,837 | 65,837 | 63,079 | 2,758 | — |
| Cash outflow | 68,629 | 68,629 | 64,966 | 3,663 | — |
| Sub-total | 2,792 | 2,792 | 1,887 | 905 | — |

| Financial year ended March 31, 2025 | | | | | In millions of Yen |
|---|---|---|---|---|---|
| | Book value | Cashflow on contract | Within 1 year | Over 1 year within 5 years | Over 5 years |
| Non-derivative financial liabilities | | | | | |
| Trade liabilities and other liabilities | 54,628 | 54,628 | 54,628 | — | — |
| Loan | 10,152 | 10,466 | 10,466 | — | — |
| Lease liabilities | 19,944 | 22,764 | 5,118 | 10,253 | 7,393 |
| Derivative financial liabilities | | | | | |
| Currency related derivatives | | | | | |
| Cash inflow | 73,263 | 73,263 | 73,263 | — | — |
| Cash outflow | 75,642 | 75,642 | 75,642 | — | — |
| Sub-total | 2,379 | 2,379 | 2,379 | — | — |

(4) Fair value

[1] Fair value hierarchy

The fair value hierarchy of financial instruments is categorized as follows:

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

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

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

[2] Measurement of fair value

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

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

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

(Borrowings)

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

(Other financial assets and financial liabilities)

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

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

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

[3] Financial instruments measured at amortized cost

The carrying amount and fair value hierarchy of financial asset measured are as following:

March 31, 2024

In millions of Yen

| | Book value | Fair value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | total |
| Debt securities | 210 | 209 | — | — | 209 |

(Note)

1. Financial instruments, carrying amounts are a reasonable approximation of fair value, are not included in the above table.
2. Debt securities, financial instruments at amortized cost, are included in other financial assets in the consolidated statement of financial position.

March 31, 2025

In millions of Yen

| | Book value | Fair value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | total |
| Debt securities | 510 | — | 499 | — | 499 |

(Note)

1. Financial instruments, carrying amounts are a reasonable approximation of fair value, are not included in the above table.
2. Debt securities, financial instruments at amortized cost, are included in other financial assets in the consolidated statement of financial position.

Fair value of debt securities classified as level 1 are based on quoted prices in active markets where there is sufficient trading volume and frequent trading.

[4] Fair value of the financial assets and liabilities measured at fair value on a periodical basis

The financial assets and liabilities, measured at fair value on a periodical basis categorized by the fair value hierarchy, are as follows. Transfers between fair value hierarchy levels are recognized on the date the event or condition prompting the transfer occurred.

Fiscal year ending on March 31, 2024

In millions of Yen

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial Assets | | | | |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Shares | 31,100 | — | 1,444 | 32,544 |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative assets | — | 1,030 | — | 1,030 |
| Total | 31,100 | 1,030 | 1,444 | 33,574 |
| Financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative liabilities | — | 2,792 | — | 2,792 |
| Total | — | 2,792 | — | 2,792 |

(Note)
1. There are no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy in fiscal year 2024.
2. Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are included in other financial assets in the consolidated statement of financial position. Financial liabilities measured at fair value through profit or loss are included in other financial liabilities in the consolidated statement of financial position.

Fiscal year ending on March 31, 2025

In millions of Yen

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial Assets | | | | |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Shares | 31,315 | — | 1,678 | 32,993 |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative assets | — | 647 | — | 647 |
| Debt securities | — | 588 | — | 588 |
| Total | 31,315 | 1,235 | 1,678 | 34,228 |
| Financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative liabilities | — | 2,379 | — | 2,379 |
| Total | — | 2,379 | — | 2,379 |

(Note)
1. There are no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy in fiscal year 2025.
2. Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are included in other financial assets in the consolidated statement of financial position. Financial liabilities measured at fair value through profit or loss are included in other financial liabilities in the consolidated statement of financial position.

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

Finance assets and liabilities classified as level2 are mainly asset derivatives and debt securities. Derivatives are mainly exchange contracts and are calculated based on the basic conditions observable in the market such as exchange rates. Debt securities are the unlisted investments in trust and calculated based on the price presented by securities company.

Finance assets classified as level3 are primarily the unlisted equity securities. In accordance with the Group's accounting policies, the fair value is measured using the most recently available data. There were no significant changes in financial assets classified as Level 3 between the previous fiscal year and the current fiscal year.

## NOTE 28 RELATED PARTY RELATIONSHIPS

(1) Transactions with related parties

Fiscal year 2024

In millions of Yen

| | Company | Supplies and services performed | Transaction Amount | Outstanding balance |
|---|---|---|---|---|
| Other related parties | Maruwa Co., Ltd. | Advertising expense | 2 | — |
| Other related parties | Toa Co., Ltd. | Purchase of materials and production equipment | 30 | 2 |

Fiscal year 2025

In millions of Yen

| | Company | Supplies and services performed | Transaction Amount | Outstanding balance |
|---|---|---|---|---|
| Other related parties | Maruwa Co., Ltd. | Advertising expense | 2 | — |
| Other related parties | Toa Co., Ltd. | Purchase of materials and production equipment | 32 | 1 |

(Note)

1.Maruwa Co., Ltd is a company at which Mr. Masahiko Goto, Mr. Munetoshi Goto and close relatives of them own 100% of the voting rights.

2.Toa Co., Ltd is a company at which Mr. Masahiko Goto, Mr. Munetoshi Goto and close relatives of them own 68.1% of the voting rights.

3.Terms and conditions

Terms and conditions of transactions with related parties are determined in consideration of market price by negotiating the price every term.

(2) Primary executive management compensation

Primary executive management compensation consists of the following:

In millions of Yen

| | 2024 | 2025 |
|---|---|---|
| Short-term benefits | 261 | 305 |
| Compensation and bonus | 126 | 121 |
| Share-based payments | 34 | 30 |
| Total | 421 | 456 |

(Note) Primary executive management are the Company’s directors working in the respective fiscal years.

## NOTE 29 CASH FLOW INFORMATION

The changes in liabilities related to financing activities are as follows

Fiscal year 2024

In millions of Yen

| | April 1,2023 | Change with cashflow fluctuation | Change with cashflow fluctuation | | March 31, 2024 |
|---|---|---|---|---|---|
| | | | Exchange difference of foreign operations | Lease obligation | |
| Short-term Borrowings | 186,390 | (171,379) | 4,880 | — | 19,891 |
| Lease obligation | 17,225 | (4,228) | 1,059 | 6,369 | 20,425 |
| Total | 203,615 | (175,607) | 5,939 | 6,369 | 40,316 |

Fiscal year 2025

In millions of Yen

| | April 1,2024 | Change with cashflow fluctuation | Change with cashflow fluctuation | | March 31, 2025 |
|---|---|---|---|---|---|
| | | | Exchange difference of foreign operations | Lease obligation | |
| Short-term Borrowings | 19,891 | (9,718) | (21) | — | 10,152 |
| Lease obligation | 20,425 | (5,623) | (42) | 5,184 | 19,944 |
| Total | 40,316 | (15,341) | (63) | 5,184 | 30,096 |

## NOTE 30 PRINCIPLE SUBSIDIARIES

Principle subsidiaries consist of the followings.

| Company name | Country | Capital (Thousand) | Principle business | Voting rights<br>Proportion of Ownership (%) |
|---|---|---|---|---|
| Makita U.S.A. Inc. | USA<br>Los Angeles | USD 161,400 | Sales of power tools | 100.0 |
| Makita Corporation of America | USA<br>Atlanta | USD 73,600 | Production of power tools | 100.0<br>(80.0) |
| Makita Canada Inc. | Canada<br>Toronto | CAD 16,000 | Sales of power tools | 100.0 |
| Makita (U.K.) Ltd. | United Kingdom<br>London | GBP 158,923 | Sales of power tools | 100.0 |
| Makita Manufacturing Europe Ltd. | United Kingdom<br>Telford | GBP 37,600 | Production of power tools | 100.0<br>(100.0) |
| Makita France SAS | France<br>Bussy Saint Georges | EUR 12,436 | Sales of power tools | 55.0<br>(55.0) |
| Makita S.p.A. | Italy<br>Milan | EUR 16,000 | Sales of power tools | 100.0<br>(100.0) |
| Makita Werkzeug G.m.b.H. (Germany) | Germany<br>Ratingen | EUR 7,669 | Sales of power tools | 100.0<br>(99.0) |
| Makita Engineering Germany G.m.b.H. | Germany<br>Hamburg | EUR 3,105 | Manufacture of horticultural equipment | 100.0<br>(34.1) |
| Makita Werkzeug G. m. B. H. (Austria) | Austria<br>Vienna | EUR 34,823 | Sales of power tools | 100.0<br>(100.0) |
| Makita Sp.z o.o. | Poland<br>Bielsko Biala | PLN 17,016 | Sales of power tools | 100.0<br>(100.0) |
| Makita Oy | Finland<br>Helsinki | EUR 100 | Sales of power tools | 100.0<br>(100.0) |
| Makita LLC | Russia<br>Moscow | RUB 83,207 | Sales of power tools | 100.0<br>(19.8) |
| Makita (China) Co., Ltd. | China<br>Jiangsu Province<br>Kunshan | USD 80,000 | Manufacture and sale of power tools | 100.0 |
| Makita (Kunshan) Co., Ltd. | China<br>Jiangsu Province<br>Kunshan | USD 25,000 | Production of power tools | 100.0 |
| MAKITA EU SRL | Romania<br>Branesti | RON 975,942 | Production of power tools | 100.0 |
| Makita Australia Pty. Ltd. | Australia<br>Sydney | AUD 13,000 | Sales of power tools | 100.0 |
| Makita de Brazil Ltda. | Brazil<br>Ponta Grossa | BRL 917,495 | Manufacture and sale of power tools | 99.9 |
| Makita Gulf FZE | United Arab Emirates<br>Dubai | AED 22,391 | Sales of power tools | 100.0 |
| Other companies 34 | | | | |

There are no significant changes in percentage of voting rights at the end of the current consolidated fiscal year from the end of the previous consolidated fiscal year.

The Group has no material non-controlling interests in subsidiaries in the previous consolidated fiscal year and the current consolidated fiscal year,

## NOTE 31. SIGNIFICANT SUBSEQUENT EVENTS

Repurchasing treasury shares

At the meeting of the Board of Directors held on April 28, 2025, the Company resolved to repurchase treasury shares based on Paragraph 1 of Article 459 of the "Companies Act", and the company's Articles of Incorporation. The Company implemented the repurchasing treasury shares as follows:

1.Reason for the repurchase of treasury shares

To flexibly return profits to shareholders based on the Company's basic profit distribution policy

2.Details of matters related to the repurchase

| | |
|---|---|
| (1) Class of shares to be repurchased | Common shares |
| (2) Total number of shares to be repurchased | Up to 7,000,000 shares (2.60% of total number of issued shares (excluding treasury shares)) |
| (3) Total purchase price for repurchase of shares | Up to 20 billion yen |
| (4) Period of repurchase | April 30, 2025, to September 30, 2025 |

3.Situation of repurchased treasury shares

Total number of repurchased treasury shares from April 30, 2025, to May 31, 2025, in accordance with the resolution of its board of directors mentioned above

| | |
|---|---|
| (1) Total number of shares repurchased | 2,462,800 |
| (2) Total purchase price for repurchase of shares | 10,866,716,100 Yen |