

(Summary English Translation of the Notice of the 105th Ordinary General Meeting of Shareholders Originally Issued in Japanese Language)

## MAKITA CORPORATION

(Stock code: 6586)  
June 6, 2017

To the Shareholders of  
MAKITA CORPORATION

### **NOTICE OF THE 105TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are respectfully requested to attend the 105th Ordinary General Meeting of Shareholders of MAKITA CORPORATION, which is hereby announced.

If you do not expect to attend the meeting, you may exercise your voting rights through the enclosed voting form. Please review the accompanying information and send the enclosed voting form to us by return mail after indicating your vote for or against the propositions.

Shiro Hori  
President  
MAKITA CORPORATION  
3-11-8, Sumiyoshi-cho, Anjo City,  
Aichi Prefecture, 446-8502, Japan

1. **Date and Time:** 10 a.m., Wednesday, June 28, 2017
2. **Place:** Head Office of MAKITA CORPORATION, 5th Floor  
3-11-8, Sumiyoshi-cho, Anjo City,  
Aichi Prefecture, 446-8502, Japan
3. **Agenda:**  
**Items to be Reported:**
  1. The Business Report, Consolidated Financial Statements for the 105th period (from April 1, 2016 to March 31, 2017) and the Audit Reports on such Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Board
  2. The Financial Statements for the 105th period

**Items to be Resolved:**

- |             |  |
|-------------|--|
| <b>No.1</b> | Appropriation of Surplus                       |
| <b>No.2</b> | Election of 13 Directors                       |
| <b>No.3</b> | Election of 1 Audit & Supervisory Board Member |
| <b>No.4</b> | Payment of Bonus to Directors                  |

NOTES: The notes to the consolidated and non-consolidated financial statements are not included in the attachments since they are posted on the Corporation's website (<http://www.makita.biz/ir/stock.html>) as provided by laws and regulations and Article 15 of the Corporation's Articles of Incorporation. The consolidated and non-consolidated financial statements audited by the Accounting Auditor and the Audit & Supervisory Board consist of the documents included in the attachments and the notes to the consolidated and non-consolidated financial statements posted on the Corporation's website.

## **BUSINESS REPORT**

(From April 1, 2016 to March 31, 2017)

### **1. Matters on the Current Status of Makita**

#### **(1) Progress and Results of Operations**

Looking at the global economic situation for the year ended March 31, 2017, the regional economy remained robust in Europe, supported by solid domestic demand, although there was uncertainty regarding the outlook for the Western European economy in relation to Brexit (the British referendum on remaining in or leaving the E.U.). In the U.S., the economy recovered, driven by the favorable employment and income situation. In Asia, Southeast Asian countries and India saw their economies grow steadily, while the Chinese economy continued to slow down. Meanwhile, the economy gradually recovered in Japan, although some sectors, such as personal consumption, lacked strength.

Under these circumstances, on the development side, Makita expanded its product lineup, mainly lithium ion battery products, such as high power models using high-capacity lithium ion batteries and small and light models using 10.8-volt slide-on batteries. On the production side, overseas factories strove to reduce costs while raising local content ratios. To improve product quality and enhance productivity, we worked on introducing facilities that require less manpower in each factory worldwide. On the sales side, while we worked to expand sales channels leveraging our wide-ranging family of products, we sought to maintain and improve customer-based sales and after-sales services through various activities including the establishment of a new sales and distribution location in Dallas, USA, in March 2017.

Our consolidated net sales for this year decreased by 2.0% to 414,999 million yen compared to the previous year, due to appreciation of the yen compared with the previous year, although sales grew steadily at home and abroad, mainly in developed countries.

Net sales by region are as follows:

Net sales in Japan increased by 8.7% to 74,381 million yen compared to the previous year. This was because sales mainly on new products remained solid.

Net sales in Europe decreased by 2.9% to 168,992 million yen. This was due to the appreciation of the yen against the euro from a year earlier, although sales in general were steady in European countries.

Net sales in North America decreased by 2.4% to 66,148 million yen. This was due to the strengthening of the yen against the U.S. dollar compared to the same period of the previous year, despite an increase in local sales aided by the expanding U.S. economy.

Net sales in Asia decreased by 3.3% to 40,079 million yen. This was due to the appreciation of the yen against local currencies compared to the previous year, although we saw local sales grow in Vietnam, Taiwan and India.

Sales situations in other regions are as follows. Net sales in Oceania increased by 1.8% to 25,093 million yen due to steady sales, mainly of lithium-ion battery products. Due to the impact of the yen's appreciation against local currencies, net sales in Central and South America, where the Brazilian economy remained stagnant, decreased by 11.6% to 23,110 million yen; while those in the Middle East and Africa, where recession continued in oil-producing countries, decreased by 18.8% to 17,196 million yen.

Overall, overseas sales accounted for 82.1% of total sales.

Operating income decreased by 3.3% to 62,564 million yen (operating income ratio: 15.1%) because net sales declined due to the influence of the exchange rate, although Makita managed to keep the operating income ratio almost unchanged. Meanwhile, income before income taxes increased by 5.3% to 64,738 million yen (income before income taxes ratio: 15.6%) and net income attributable to Makita Corporation shareholders increased by 7.6% to 44,782 million yen (ratio of net income attributable to Makita Corporation shareholders: 10.8%) because we had recorded valuation losses on securities in the previous year.

#### **(2) Management Challenges**

In the future, political matters around the world remain very uncertain, trends of exchange rates and natural resource prices remain unpredictable, Makita is expected to continue to face a challenging business environment.

Under these circumstances, Makita is developing new products that fully satisfy professional users. To that end, Makita is strengthening its R&D and product development capabilities with respect to environmentally friendly power tools and gardening equipment among cordless products, while promoting the development of products that meet needs in both developed countries and emerging countries, which have been becoming bipolar. Also, Makita is strengthening its global

production organizations and enhancing its efficiency in production, procurement and distribution, thereby accommodating changes in demand status and exchange rates while achieving both quality and cost competitiveness. Further, Makita is addressing customer needs more precisely and enhancing its after-sale services, thereby strengthening its marketing in emerging countries that are expected to grow in the future, as well as in developed countries.

By taking these actions, Makita will strive to build strong brand equity and achieve a “Strong Company”, a company that can obtain and maintain the significant share in the worldwide market as a global total supplier of power tools for professional use, pneumatic tools, and OPE.

Makita will maintain a solid financial position so that it can implement these measures, regardless of changes in the global business environment. This, we believe, will lead to improve our corporate value through enhancing customer satisfaction and improving the standing of Makita in our business field.

In closing, we would like to thank you for your ongoing support and continuing assistance.

\*OPE stands for “Outdoor Power Equipment,” which is used for outdoor work such gardening, agriculture and forestry.

### (3) Capital Expenditures

During the period, Makita allocated 13,222 million yen for its capital expenditures. These funds used by the Corporation amounted to 2,808 million yen. This reflected mainly capital expenditures for machinery equipment and metal molds for new products at the Okazaki plant. These funds also used by subsidiaries amounted to 10,414 million yen. This reflected mainly capital expenditures for machinery equipment and metal molds for new products at the China plant and for land and buildings for the Dallas branch, a US sales subsidiary.

### (4) Financial Position and Results of Operations for the Recent 3 Periods

Description	102nd period (ended March 31, 2014)	103rd period (ended March 31, 2015)	104th period (ended March 31, 2016)	105th period (ended March 31, 2017)
Net sales (Millions of Yen)	383,207	414,718	423,623	414,999
Operating income (Millions of Yen)	54,914	71,905	64,676	62,564
Income before income taxes (Millions of Yen)	56,974	68,394	61,492	64,738
Net income attributable to Makita Corporation (Millions of Yen)	38,453	45,307	41,615	44,782
Earning per share (Basic) Net income attributable to Makita Corporation common shareholders (Yen)	141.64	166.89	153.30	164.96
Earning per share (Diluted) Net income attributable to Makita Corporation common shareholders (Yen)	-	-	153.29	164.95
Total assets (Millions of Yen)	519,121	575,328	558,024	597,249
Total Makita Corporation Shareholders' equity (Millions of Yen)	435,934	486,021	479,752	502,170
Return on equity (%)	9.5	9.8	8.6	9.1

Notes: 1. Consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles.

2. Earning per share (Basic) Net income attributable to Makita Corporation common shareholders and Earning per share (Diluted) Net income attributable to Makita Corporation common shareholders are calculated based on the average number of outstanding shares during the period.

3. The Corporation implemented a two-for-one common stock split of the Corporation, effective April 1, 2017. Earning per share (Basic) Net income attributable to Makita Corporation common shareholders and earning per share (Diluted) Net income attributable to Makita Corporation common shareholders are calculated on the assumption that the relevant stock split had been implemented at the beginning of the 102nd period.

4. Earning per share (Diluted) Net income attributable to Makita Corporation common shareholders for the 102nd period and 103rd period are not stated because dilutive potential shares do not exist.

5. Return on equity (ROE) = Net income attributable to Makita Corporation for the year / [(Makita Corporation shareholders' equity at the beginning of the period + Makita Corporation shareholders' equity at the end of the period) / 2]

6. Amounts of less than 1 million yen have been rounded.

**(5) Significant Subsidiaries**

Company Name	Capital (Thousands)	Proportion of Ownership and Voting interest (%)	Principal Business
Makita U.S.A. Inc.	USD 200,368	100.0	Sales of power tools
Makita (U.K.) Ltd.	GBP 21,700	100.0*	Sales of power tools
Makita Werkzeug G.m.b.H. (Germany)	EUR 7,669	100.0*	Sales of power tools
Makita France SAS	EUR 12,436	55.0*	Sales of power tools
Makita Oy (Finland)	EUR 100	100.0*	Sales of power tools
Makita Gulf FZE (U.A.E.)	AED 22,391	100.0	Sales of power tools
Makita (China) Co., Ltd.	USD 80,000	100.0	Production and sales of power tools
Makita (Kunshan) Co., Ltd.	USD 25,000	100.0	Production of power tools
Makita (Australia) Pty. Ltd.	AUD 13,000	100.0	Sales of power tools
Makita do Brasil Ferramentas Elétricas Ltda.	BRL 717,567	99.9	Production and sales of power tools

Note: \* indicates that the Proportion of Ownership and Voting interest include the shares owned by the subsidiaries.

**(6) Principal Operations**

Makita is primarily involved in the production and sales of electric power tools such as cordless impact drivers, rotary hammers, circular saws and angle grinders, pneumatic tools such as air nailers and tackers, OPE such as brushcutter, hedge trimmers, and household tools such as cordless cleaners.

**(7) Principal Sales Offices and Plants**

## 1. The Corporation

Name	Location
Head office	Anjo (Aichi)
Sales offices	Tokyo, Nagoya, Osaka
Plant	Okazaki (Aichi)

## 2. Subsidiaries

Name	Location
For Sales	
Makita U.S.A. Inc.	Los Angeles (United States)
Makita (U.K.) Ltd.	London (United Kingdom)
Makita Werkzeug G.m.b.H.	Ratingen (Germany)
Makita France SAS	Bussy Saint-Georges (France)
Makita Oy	Helsinki (Finland)
Makita Gulf FZE	Dubai (U.A.E.)
Makita (Australia) Pty. Ltd.	Sydney (Australia)
For Production and Sales	
Makita (China) Co., Ltd.	Kunshan, Jiangsu (China)
Makita do Brasil Ferramentas Elétricas Ltda.	Ponta Grossa (Brazil)
For Production	
Makita (Kunshan) Co., Ltd.	Kunshan, Jiangsu (China)

**(8) Employees**

## 1. Employees of Makita

Number of Employees	Increase / Decrease
15,344	560 (Increase)

## 2. Employees of the Corporation

Number of Employees	Increase / Decrease	Average Age	Average Years of Service
2,853	3 (Decrease)	41.2	18.3

## 2. Shareholding Status of the Corporation

**(1) Total Number of Shares Authorized to be Issued by the Corporation:** 496,000,000 shares

Note: The Corporation implemented a two-for-one common stock split of the Corporation, effective April 1, 2017. The total number of shares authorized to be issued by the Corporation after the relevant stock split shall be nine hundred and ninety-two million (992,000,000).

**(2) Total Number of Outstanding Shares:** 140,008,760 shares  
(including treasury stock of 4,278,474 shares)

Note: The Corporation implemented a two-for-one common stock split of the Corporation, effective April 1, 2017. The total Number of Outstanding Shares after the relevant stock split shall be two hundred and eighty million, seventeen thousand, five hundred twenty (280,017,520).

**(3) Number of Shareholders:** 8,249

### **(4) Major Shareholders:**

Name of Shareholders	Number of shares held (Thousands of Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	8,065	5.94
Japan Trustee Services Bank, Ltd. (Trust account)	5,295	3.90
The Bank of New York Mellon SA/NV 10	4,537	3.34
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,213	3.10
Maruwa, Ltd.	4,069	2.99
The Bank of New York Mellon as Depositary Bank for DR Holders	3,567	2.62
Makita Cooperation Companies' Investment Association	3,447	2.53
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,153	2.32
Sumitomo Mitsui Banking Corporation	2,900	2.13
Nippon Life Insurance Company	2,558	1.88

Note: The Percentage is calculated based on the total number of outstanding shares (excluding treasury stock) at the end of the period.

### 3. Status of the Stock Acquisition Rights, etc. of the Corporation

Status of the stock acquisition rights at the end of the period

#### (1) Description of the terms of the stock acquisition rights

An outline of stock acquisition rights issued by the Corporation is as follows.

Round of Issuance (Date of Resolution of Issuance at Meeting of Board of Directors)	Number of Stock Acquisition Rights	Kind of shares and number of shares to be acquired upon exercise of Stock Acquisition Rights	Amount to be paid for Stock Acquisition Rights (Yen)	Amount to be paid upon exercise of Stock Acquisition Rights (Yen)	Exercise Period of Stock Acquisition Rights
First Stock Acquisition Rights (July 31, 2015)	700	Common Stock 7,000	6,633	1	From August 19, 2015 To August 18, 2065
Second Stock Acquisition Rights (July 28, 2016)	682	Common Stock 6,820	6,569	1	From August 19, 2016 To August 18, 2066

#### (2) Description of the terms of the stock acquisition rights held by Directors

Classification	Round of Issuance	Number of the Stock Acquisition Rights	Kind of shares and number of shares to be acquired upon exercise of the Stock Acquisition Rights	Number of Holders
Director	First Stock Acquisition Rights	700	Common Stock 7,000	11
	Second Stock Acquisition Rights	682	Common Stock 6,820	11

Note: Stock acquisition rights are not allotted to Outside Directors and Directors who work overseas.

#### 4. Directors and Audit & Supervisory Board Members of the Corporation

##### (1) Directors and Audit & Supervisory Board Members

Title	Name	Position at the Corporation and Important Concurrent Posts
Chairman*	Masahiko Goto	
President*	Shiro Hori	
Director Managing Corporate Officer	Tadayoshi Torii	
Director Corporate Officer	Tomoyasu Kato	General Manager of Research and Development Headquarters
Director Corporate Officer	Hisayoshi Niwa	General Manager of Quality Management Headquarters
Director Corporate Officer	Shinichiro Tomita	General Manager of Purchasing Headquarters
Director Corporate Officer	Tetsuhisa Kaneko	General Manager of Production Headquarters
Director Corporate Officer	Yoji Aoki	General Manager of Administration Headquarters
Director Corporate Officer	Tomoyuki Ota	Assistant General Manager of Research and Development Headquarters
Director Corporate Officer	Munetoshi Goto	General Manager of International Sales Headquarters
Director Corporate Officer	Takashi Tsuchiya	General Manager of Domestic Sales Headquarters
Director Corporate Officer	Masaki Yoshida	Assistant General Manager of Production Headquarters (in charge of China plant)
Director	Akiyoshi Morita	Counselor of Aichi Steel Corporation Outside Director of Showa Denko K.K.
Director	Masahiro Sugino	Advisor of LIXIL Corporation
Standing Audit & Supervisory Board Member	Mitsuhiko Wakayama	
Standing Audit & Supervisory Board Member	Akira Kodama	
Audit & Supervisory Board Member	Fusahiro Yamamoto	Representative of Yamamoto Accounting Office Outside Audit & Supervisory Board Member of SHIROKI Corporation Outside Audit & Supervisory Board Member of Daihatsu Motor Co., Ltd.
Audit & Supervisory Board Member	Shoji Inoue	Attorney at Law (Sao & Inoue Law Firm) Outside Director of Meitetsu Transport Co., Ltd.

Notes: 1. \* denotes Representative Director.

2. In order to promote swift execution of group strategies and strengthen the business affairs of Makita, the Corporation has introduced the Corporate Officer System. Corporate officers consist of 17 members including directors.
3. Mr. Akiyoshi Morita and Mr. Masahiro Sugino are Outside Directors.
4. Mr. Akira Kodama, Mr. Fusahiro Yamamoto, and Mr. Shoji Inoue are Outside Audit & Supervisory Board Members.
5. Mr. Akira Kodama, a Standing Audit & Supervisory Board Member, has a substantial amount of expertise in finance and accounting, through experience working at financial institution for many years.
6. Mr. Fusahiro Yamamoto, an Audit & Supervisory Board Member, is a certified public accountant both of Japan and U.S.A., and has a substantial amount of expertise in finance and accounting.
7. Change of the Audit & Supervisory Board Members during the term
  - 1) At the conclusion of the 104th Ordinary General Meeting of Shareholders held on June 28, 2016, the following Audit & Supervisory Board Members retired from office due to the expiration of their terms of office.
 

Audit & Supervisory Board Member	Toshihito Yamazoe
Audit & Supervisory Board Member	Haruhito Hisatsune
Audit & Supervisory Board Member	Michiyuki Kondo
  - 2) At the 104th Ordinary General Meeting of Shareholders held on June 28, 2016, the following Audit & Supervisory Board Members newly elected and assumed offices.
 

Audit & Supervisory Board Member	Mitsuhiko Wakayama
Audit & Supervisory Board Member	Akira Kodama
Audit & Supervisory Board Member	Shoji Inoue

8. The Corporation has designated Mr. Akiyoshi Morita and Mr. Masahiro Sugino each a Director, and Mr. Akira Kodama, Mr. Fusahiro Yamamoto and Mr. Shoji Inoue each an Audit & Supervisory Board Member, as the “Independent Director(s) / Audit & Supervisory Board Member(s)” as required by the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and made required notification therefore to these stock exchanges.

**(2) Total Amounts of Compensation and Bonus to Directors and Audit & Supervisory Board Members**

Classification	Total amounts of Compensation (Millions of Yen)	Total amounts of each type of Compensation and Number of payment recipients					
		Base Compensation (Millions of Yen)	Number of payment recipients	Bonuses (Millions of Yen)	Number of payment recipients	Stock Option (Millions of Yen)	Number of payment recipients
Directors	374	136	14	193	12	45	11
Audit & Supervisory Board Members	41	41	7	-	-	-	-
Total	415	177	21	193	12	45	11

Notes: 1. The aggregate amount of base compensation includes the amount of 36 million yen paid to Outside Executives

(2 Outside Directors and 5 Outside Audit & Supervisory Board Members).

2. The aggregate amount of base compensation includes compensation for the 3 Outside Audit & Supervisory Board Members retired on June 28, 2016 during those term of office.
3. Other than the above, the amount of 145 million yen was paid to 9 Directors who concurrently serve as employees as employee salaries (including bonuses).
4. The Corporation terminated the retirement allowance plan for Directors and Audit & Supervisory Board Members as of the conclusion of the ordinary general meeting of shareholders held on June 29, 2006. At such ordinary general meeting of shareholders, it was resolved that retirement allowance for Directors and Audit & Supervisory Board Members were to be paid at the time of each retirement, and it was further resolved that the determination of the specific amount, payment method and other related matters are left to resolutions of meetings of the Board of Directors with respect to the Directors and discussion of the Audit & Supervisory Board Members with respect to the Audit & Supervisory Board Members. The amount recorded in the retirement allowance for Directors and Audit & Supervisory Board Members as of March 31, 2017 is 351 million yen, which will be paid to 5 Directors.
5. The maximum amounts of annual compensation for all Directors and Audit & Supervisory Board Members, each of which was approved by a resolution passed at the Ordinary General Meeting of Shareholders held in May 1989, is 240 million yen (excluding bonuses and the amounts paid to Directors who concurrently serve as employees as employee salaries) and 60 million yen, respectively.
6. The maximum amount of annual compensation relating to stock-compensation-type stock options allocated to Directors, which was approved by a resolution passed at the Ordinary General Meeting of Shareholders held in June 2015, is 100 million yen, in addition to the amount of compensation set forth in Note 5 above.

**(3) Decision-Making Policy on Compensation for Directors and Audit & Supervisory Board Members**

The Corporation pays monthly compensation to Directors based on their positions and other factors within the maximum total amount of monthly compensation, which was approved by a resolution passed at the General Meeting of Shareholders.

The bonuses are to be paid to Directors (excluding Outside Directors), and are linked to consolidated business results with the aim of enhancing their motivation for improvement of business results of Makita.

The stock-compensation-type stock options are allocated to Directors (excluding Outside Directors) with the aim of strengthening the morale and preparedness of Directors to contribute to enhancing the corporate value of the Corporation over the medium and long term as well as enabling them to share the advantages and risks of share price fluctuations with our shareholders.

Full amount of the compensation to Audit & Supervisory Board Members is fixed so that the independence of the Audit & Supervisory Board Members from the management can be secured and the specific amount for each Audit & Supervisory Board Member is decided through discussions among Audit & Supervisory Board Members.

#### **(4) Outside Directors and Audit & Supervisory Board Members**

1. Director, Akiyoshi Morita
  - (i) Relation between important organization of concurrent post and the Corporation  
There is no special interest between important organization of concurrent post and the Corporation.
  - (ii) Major activities during the period  
Mr. Morita attended all meetings of the Board of Directors. At the attended meetings, he expressed his opinions as necessary based on the great perspective and management experience in the Toyota Group companies which are a world's leading corporate group.
  - (iii) Outline of Liability Limitation Agreement  
With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Morita which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act.
  
2. Director, Masahiro Sugino
  - (i) Relation between important organization of concurrent post and the Corporation  
There is no special interest between important organization of concurrent post and the Corporation.
  - (ii) Major activities during the period  
Mr. Sugino attended all meetings of the Board of Directors. At the attended meetings, he expressed his opinions as necessary based on the great perspective and management experience in the LIXIL Group companies which are a world's leading corporate group.
  - (iii) Outline of Liability Limitation Agreement  
With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Sugino which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act.
  
3. Audit & Supervisory Board Member, Akira Kodama
  - (i) Major activities during the period  
Mr. Kodama attended all meetings of the Board of Directors and the Audit & Supervisory Board after his assumption on June, 2016. At the attended meetings, he expressed his opinions from his independent position as necessary.
  - (ii) Outline of Liability Limitation Agreement  
With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Kodama which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act.
  
4. Audit & Supervisory Board Member, Fusahiro Yamamoto
  - (i) Relation between important organization of concurrent post and the Corporation  
There is no special interest between important organization of concurrent post and the Corporation.
  - (ii) Major activities during the period  
Mr. Yamamoto attended 11 of the 12 meetings of the Board of Directors (attendance rate: 92%) and 13 of the 14 meetings of Audit & Supervisory Board (attendance rate: 93%) . At the attended meetings, he expressed his opinions from the professional perspective of certified public accountant.
  - (iii) Outline of Liability Limitation Agreement  
With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Yamamoto which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act.
  
5. Audit & Supervisory Board Member, Shoji Inoue
  - (i) Relation between important organization of concurrent post and the Corporation  
There is no special interest between important organization of concurrent post and the Corporation.
  - (ii) Major activities during the period  
Mr. Inoue attended 9 of the 10 meetings of the Board of Directors (attendance rate: 90%) and 9 of the 10 meetings of Audit & Supervisory Board (attendance rate: 90%) after his assumption on June, 2016. At the attended meetings, he expressed his opinions from the professional perspective of attorney at law.
  - (iii) Outline of Liability Limitation Agreement

With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Inoue which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act.

## 5. Accounting Auditor

**(1) Name of Accounting Auditor:** KPMG AZSA LLC

### **(2) Compensation and Other Amounts**

	Amount of payment (Millions of Yen)
1. Compensation and other amounts to the Accounting Auditor for the period	173
2. Total amount of cash and other financial benefits payable by the Corporation and its subsidiaries to the Accounting Auditor	185

Notes: 1. As the audit agreement between the Corporation and its accounting auditors does not differentiate compensation for audit under the Companies Act from the one for audit under Financial Instruments and Exchange Law, the amount shown in 1. above represents total compensation and other amounts for both audits.

2. The Audit & Supervisory Board agreed to compensation to Accounting Auditors as stipulated in Article 399, Paragraph 1 of the Companies Act, after examination of their performance of accounting audit services and basis for the calculation of the estimated amount of their compensation in the prior years, which examination was made in line with the “Practical Guidelines for Cooperation with Accounting Auditors” released by the Japan Audit & Supervisory Board Members Association.

3. KPMG AZSA LLC is a member firm in Japan of KPMG International and the accounting audits of all principal subsidiaries of the Corporation are conducted by member firms of KPMG International.

### **(3) Contents of Non-Audit Services**

The Corporation entrusts advisory services to KPMG AZSA LLC and pays consideration for such services.

### **(4) Decision-Making Policy on Dismissal or Non-Reappointment of Accounting Auditor**

If the accounting auditor falls under any of the events prescribed in each of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss such accounting auditor with the consent of all the Audit & Supervisory Board Members. In the case of such dismissal, such dismissal and reasons therefor shall be reported to the first General Meeting of Shareholders to be held after such dismissal.

In addition, if it is identified as difficult for the accounting auditor to properly conduct audits as a result of any reason that may harm the independence of the accounting auditor, the Audit & Supervisory Board will decide the details of the agenda concerning the non-reappointment of such accounting auditor that is to be submitted to a General Meeting of Shareholders, and pursuant to such decision, the Board of Directors will submit the agenda concerning the non-reappointment of such accounting auditor to the General Meeting of Shareholders.

## **6. Systems and Policies of the Corporation**

### **(1) Systems to ensure that Corporation's operation will be conducted appropriately**

1. Systems to ensure that the duties of Directors and employees are executed in compliance with laws and regulations and the Articles of Incorporation
  - (i) The Board of Directors establishes the "Code of Ethics" and the "Guideline to the Code of Ethics for Makita" as the principles for all Executives, and employees of Makita and each of the Directors shall keep all Corporate Officers and employees informed of and in compliance with such ethics.
  - (ii) In order to ensure corporate ethics and compliance, Makita establishes the "Regulations Regarding Corporate Ethics Help Line (Internal Reporting)," sets contact points both internally and outside Makita, and builds a system to discover internal problems. In addition, an inquiry point shall be established on the Makita's website, to receive opinions and suggestions from outside Makita concerning accounting, internal controls and auditing.
  - (iii) An Internal Audit Division conducts internal audit as deemed necessary.
2. Systems concerning the retention and management of information regarding the execution of duties by Directors

Information regarding the execution of duties by Directors shall be appropriately kept and managed in accordance with internal regulations such as the Regulations of the Board of Directors and the Regulations on Corporate Approval. Directors and Audit & Supervisory Board Members shall have access to such information.
3. Rules and other systems for risk management
  - (i) Each Director has the power and responsibility to build a risk management system in Makita in the business areas of which they are in charge, and in the case where a significant event affecting the management of Makita arises, the Director shall report such event to the Board of Directors and Audit & Supervisory Board.
  - (ii) Rules and guidelines on risk management regarding quality control, accident prevention, cash management and others, shall be established as necessary and operated by each department.
4. Systems to ensure the efficient execution of Director's duties
  - (i) A regular meeting of the Board of Directors shall be held once a month and extraordinary meetings shall be held whenever necessary. In addition, pursuant to management policy decided by the Board of Directors, priority targets shall be established for each department in each period. Each Director shall execute his duty to accomplish relevant target and the Board of Directors shall oversight the progress and performance thereof.
  - (ii) The Board of Directors establishes standards concerning management structure and organization, positions, divisions of functions and duties and powers, which constitutes the basis for implementing management policy, and operates business systematically and efficiently.
  - (iii) The Board of Directors introduces the Corporate Officer System in order to promptly implement Makita strategy and strengthen the operational organization, and thereby make the business operation flexible and efficient.
  - (iv) Makita assigns respective liaison departments to all subsidiaries within the Corporation, and makes efforts to enhance group-wide management efficiency through discussions and consultations, information exchanges with the objective of efficiently operating subsidiaries.
5. Systems to ensure the adequacy of business operations within Makita
  - (i) Each of all subsidiaries is under control of Directors who are in charge of such subsidiary and important management matters and matters concerning misconduct shall be reported appropriately to such Director in accordance with the Reporting Policy. The Director who is in charge of such subsidiary, upon receipt of such report, shall inform the Board of Directors of the status of supervision when necessary.
  - (ii) To ensure the credibility of financial reporting, the Board of Directors establishes policies on documentation and assessment of internal controls of financial reporting of Makita and evaluates the effectiveness of said policies.
  - (iii) For supervision and review of internal control systems of Makita by Audit & Supervisory Board Members, a system shall be established for Audit & Supervisory Board Members to cooperate with the Internal Audit Division and other related division and to receive report from Accounting Auditors.
6. Matters concerning employees posted to assist the duties of the Audit & Supervisory Board Members when the Audit & Supervisory Board Members so require

As employees assisting the duties of the Audit & Supervisory Board Members, necessary personnel shall be posted to assist the duties of the Audit & Supervisory Board Members.

7. Matters to ensure the independence of employees from Directors, as stated in the preceding item, and the effectiveness of directions given by Audit & Supervisory Board Members to those employees
  - (i) Employees assisting the duties of Audit & Supervisory Board Members shall not work concurrently at other divisions, but shall exclusively follow directions from Audit & Supervisory Board Members.
  - (ii) In order to ensure the independence of such employees from Directors, the consent of the Audit & Supervisory Board is required for matters concerning the appointment and change of such employees.
  
8. Systems in accordance with which the Directors and employees report to the Audit & Supervisory Board Members, other systems concerning reports to the Audit & Supervisory Board Members and systems to ensure that Directors and employees who make a report are not treated unfairly because of the report
  - (i) Directors, Corporate Officers and employees of Makita shall report to the Audit & Supervisory Board Members with respect to matters that may cause significant damage to Makita, important management matters, matters concerning misconduct, status of structures and operation of the internal control system, and the operation of internal reporting system and the results of reports received under such system.
  - (ii) The Corporation shall prepare a system that enables the Audit & Supervisory Board Members to request reports from Directors, Corporate Officers and employees of Makita when necessary and that the Audit & Supervisory Board to exchange opinions with the Directors and Accounting Auditors of Makita.
  - (iii) The Corporation prohibits any unfair treatment of Directors, Corporate Officers, and employees of Makita who make a report to the Audit & Supervisory Board Members as a result of such report, and ensures all Directors, Corporate Officers, and employees of Makita are informed to that effect.
  
9. Other systems to ensure that audits by the Audit & Supervisory Board Members will be conducted effectively
  - (i) In order to enhance the supervisory function of the Audit & Supervisory Board over Accounting Auditors, "Policies and Procedures concerning Prior Approval of Auditing and Non-Auditing Services" shall be established. In addition, to ensure that audits by the Audit & Supervisory Board Members will be conducted effectively, audit shall be conducted in accordance with Standards for audit by Audit & Supervisory Board.
  - (ii) Full amount of the compensation to Audit & Supervisory Board Members shall be fixed so that the independence of the Audit & Supervisory Board Members can be secured.
  - (iii) Expenses related to executing the duties of Audit & Supervisory Board Members are securely budgeted each fiscal year and borne by the Corporation.
  
10. Systems to ensure elimination of antisocial forces
  - (i) From the viewpoint of corporate social responsibility, Makita will consistently take a resolute stance against involvement in, and have absolutely no relationship with, the activities of antisocial forces that may threaten the order and the security of civil society.
  - (ii) Makita's policy of "no intervention by antisocial forces has been permitted" is publicly announced, both internally and outside the Corporation, by expressly stipulating such in the management policy/quality policy and by displaying such on the Corporation's website.
  - (iii) Ban on transactions with antisocial forces is expressly stated in the "Guidelines to the Code of Ethics for Makita" which prescribes the standards for officer and employee conduct applicable in the execution of their tasks. Each Director shall keep all Corporate Officers and employees informed of and in compliance with such prohibition.
  - (iv) The Corporation has been liaising closely with the police and external related organizations, including the Public Interest Incorporated Foundation for Aichi Residents' Conference for Violence, and endeavors to prevent any involvement in activities of antisocial forces, any damage caused thereby, and others.
  - (v) In addition to collecting information relevant to activities of antisocial forces from the police and external related organizations, the Corporation voluntarily participates in seminars. Also, the Corporation endeavors to share information within the Corporation and related departments of Makita.

**(2) Implementation status of systems necessary for ensuring that the Corporation's operations are conducted appropriately**

1. Compliance

- (i) The Corporation kept all officers and employees of Makita informed and provided training on the "Code of Ethics," "Guidelines to the Code of Ethics for Makita," and "Regulations Regarding Corporate Ethics Help Line (Internal Reporting)," on a continual basis.
- (ii) The Corporation conducted a questionnaire survey of all employees to raise awareness about the importance of compliance and have them better understand the "Code of Ethics."

## 2. Risk management

The Disclosure Committee meetings were held three times during the period, at which Representative Directors, Directors in charge, Standing Audit & Supervisory Board Members, and General Managers of Internal Audit Division and respective departments of the Corporation met to detect and extract and examine risks involved in the business activities of Makita.

## 3. Internal audits

- (i) The Internal Audit Division carried out internal audits of Makita, and reported their results to the Audit & Supervisory Board and the management.
- (ii) The Corporation has established a framework under which any deficiency in internal controls found during an internal control audit is appropriately corrected or redressed in a timely manner.

## 4. Systems to ensure the efficient execution of Directors' duties

- (i) The Board of Directors approved annual targets set by each department and oversaw their progress toward achievement.
- (ii) Corporate Officers in charge of operation (17 officers as of March 31, 2017, including 4 officers overseas) were assigned to major departments in order to operate business systematically and efficiently.

## 5. Duties of Audit & Supervisory Board Members

- (i) Audit & Supervisory Board Members met Accounting Auditors and exchanged information every quarter.
- (ii) Audit & Supervisory Board Members had individual interviews with all Directors to exchange information.
- (iii) Expenses necessary for executing the Audit & Supervisory Board Members' duties were handled promptly at the request of Audit & Supervisory Board Members.

## **CONSOLIDATED BALANCE SHEET**

(As of March 31, 2017)

(Millions of Yen)

(Assets)		(Liabilities)	
<b>Current assets</b>	<b>452,569</b>	<b>Current liabilities</b>	<b>78,272</b>
Cash and cash equivalents	142,181	Short-term borrowings	6,579
Time deposits	34,329	Trade notes and accounts payable	26,347
Short-term investments	23,441	Other payables	7,122
Trade receivables-		Accrued expenses	10,537
Notes	1,199	Accrued payroll	9,431
Accounts	67,086	Income taxes payable	6,944
Less- Allowance for doubtful receivables	(1,137)	Deferred income taxes	3,134
Inventories	167,398	Other liabilities	8,178
Deferred income taxes	4,723	<b>Long-term liabilities</b>	<b>13,166</b>
Prepaid expenses and other current assets	13,349	Long-term indebtedness	18
<b>Property, plant and equipment, at cost</b>	<b>94,507</b>	Accrued retirement and termination benefits	3,161
Land	22,358	Deferred income taxes	8,313
Buildings and improvements	94,927	Other liabilities	1,674
Machinery and equipment	91,493	<b>Total liabilities</b>	<b>91,438</b>
Construction in progress	5,531	(Equity)	
Less- Accumulated depreciation and amortization	(119,802)	Common stock	23,805
<b>Investments and other assets</b>	<b>50,173</b>	Additional paid-in capital	45,501
Investments	34,004	Legal reserve and retained earnings	
Goodwill	721	Legal reserve	5,669
Other intangible assets, net	3,641	Retained earnings	456,546
Deferred income taxes	650	Accumulated other comprehensive income (loss)	(17,728)
Other assets	11,157	Treasury stock, at cost	(11,623)
		<b>Total Makita Corporation shareholders' equity</b>	<b>502,170</b>
		Non-controlling interest	3,641
		<b>Total equity</b>	<b>505,811</b>
<b>Total assets</b>	<b>597,249</b>	<b>Total liabilities and equity</b>	<b>597,249</b>

## **CONSOLIDATED STATEMENT OF INCOME**

(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

<b>Net sales</b>		<b>414,999</b>
<b>Cost of sales</b>		<b>267,506</b>
<b>Gross profit</b>		<b>147,493</b>
Selling, general, administrative and others, net		84,929
<b>Operating income</b>		<b>62,564</b>
<b>Other income (Expense):</b>		
Interest and dividend income	2,512	
Interest expense	(104)	
Exchange losses on foreign currency transactions, net	(233)	
Realized gains on securities, net	26	
Loss on valuation of securities	(27)	2,174
<b>Income before income taxes</b>		<b>64,738</b>
Provision for income taxes:		
Current	19,988	
Deferred	(378)	19,610
<b>Net income</b>		<b>45,128</b>
Less- Net income attributable to the non-controlling interest		346
<b>Net income attributable to Makita Corporation</b>		<b>44,782</b>

## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Makita Corporation shareholders' equity					
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Beginning balance	23,805	45,456	5,669	425,473	(9,049)	(11,602)
Purchases and disposal of treasury stock, net						(21)
Cash dividends				(13,709)		
Comprehensive income:						
Net income				44,782		
Other comprehensive income (loss)					(8,679)	
Other increase		45				
Ending balance	23,805	45,501	5,669	456,546	(17,728)	(11,623)

	Total Makita Corporation's shareholders' equity	Non- controlling interest	Total
Beginning balance	479,752	3,618	483,370
Purchases and disposal of treasury stock, net	(21)		(21)
Cash dividends	(13,709)	(124)	(13,833)
Comprehensive income:			
Net income	44,782	346	45,128
Other comprehensive income (loss)	(8,679)	(199)	(8,878)
Other increase	45		45
Ending balance	502,170	3,641	505,811

## **BALANCE SHEET**

(As of March 31, 2017)

(Millions of Yen)

(Assets)		(Liabilities)	
<b>Current assets</b>	<b>136,445</b>	<b>Current liabilities</b>	<b>58,690</b>
Cash and time deposits	50,910	Trade accounts payable	42,851
Trade notes receivable	228	Other payable	2,976
Trade accounts receivable	47,821	Accrued expenses	5,856
Marketable securities	4,160	Income taxes payable	4,684
Finished goods and merchandise	16,910	Allowance for directors' bonuses	193
Work-in-process	1,209	Allowance for product warranties	517
Raw materials and supplies	2,774	Allowance for environmental measures	560
Short-term loans receivable	9,015	Other	1,053
Deferred income tax assets	2,825	<b>Long term liabilities</b>	<b>6,604</b>
Other	599	Retirement and termination allowance	240
Allowance for doubtful accounts	(6)	Retirement allowance for directors and audit & supervisory board members	351
		Long-term deposits payable	212
<b>Fixed assets</b>	<b>219,339</b>	Asset retirement obligation	29
<b>Tangible fixed assets</b>	<b>38,530</b>	Deferred income tax liabilities	5,772
Buildings	17,924	<b>Total liabilities</b>	<b>65,294</b>
Structures	695		
Machinery and equipment	1,663	(Net assets)	
Vehicles and transportation equipment	73	<b>Shareholders' equity</b>	<b>272,123</b>
Tools, furniture and fixtures	3,649	<b>Common stock</b>	<b>24,206</b>
Land	13,635	<b>Capital surplus</b>	<b>47,527</b>
Construction in progress	891	Additional paid-in capital	47,525
<b>Intangible fixed assets</b>	<b>2,484</b>	Other capital surplus	2
Software	774	<b>Retained earnings</b>	<b>212,013</b>
Industrial property rights	1,275	Legal reserve	5,669
Other	435	Other retained earnings	206,344
<b>Investment and other assets</b>	<b>178,325</b>	Reserve for dividend	750
Investment securities	42,037	Reserve for technical research	1,500
Stocks of affiliates	72,554	Reserve for advanced depreciation	1,417
Investment in affiliates	53,791	General reserves	85,000
Long-term loans receivable	474	Retained earnings carried forward	117,677
Lease deposits	294	<b>Treasury stock</b>	<b>(11,623)</b>
Prepaid pension cost	9,135	<b>Valuation and translation adjustments</b>	<b>18,287</b>
Other	40	Net unrealized gains on securities	18,287
		<b>Stock acquisition rights</b>	<b>80</b>
		<b>Total net assets</b>	<b>290,490</b>
<b>Total assets</b>	<b>355,784</b>	<b>Total liabilities and net assets</b>	<b>355,784</b>

## **STATEMENT OF INCOME**

(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

<b>Net sales</b>		<b>242,267</b>
<b>Cost of sales</b>		<b>186,045</b>
<b>Gross profit</b>		<b>56,222</b>
Selling, general and administrative expenses		33,150
<b>Operating income</b>		<b>23,072</b>
<b>Non-operating income</b>		
Interest and dividend income	24,377	
Other non-operating income	364	24,741
<b>Non-operating expense</b>		
Exchange losses on foreign currency transactions	913	
Other non-operating expense	3	916
<b>Ordinary income</b>		<b>46,897</b>
<b>Extraordinary gain</b>		
Gain on sales of fixed assets	2	
Gain on sales of investment securities	5	7
<b>Extraordinary loss</b>		
Loss on sale and disposal of fixed assets	234	234
<b>Income before income taxes</b>		<b>46,670</b>
Income taxes - current		8,655
Income taxes - deferred		(329)
<b>Net income</b>		<b>38,344</b>

## **STATEMENT OF CHANGES IN NET ASSETS**

(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Beginning balance	24,206	47,525	2	47,527
Changes during the period				
Reversal of reserve for advanced depreciation	-	-	-	-
Dividends paid	-	-	-	-
Net income	-	-	-	-
Purchase of treasury stock	-	-	-	-
Net change of items other than shareholders' equity	-	-	-	-
Total changes during the period	-	-	-	-
Ending balance	24,206	47,525	2	47,527

	Shareholders' equity								
	Retained earnings							Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings				Retained earnings carried forward	Total retained earnings		
Reserve for dividend		Reserve for technical research	Reserve for advanced depreciation	General reserves					
Beginning balance	5,669	750	1,500	1,465	85,000	92,994	187,378	(11,602)	247,509
Changes during the period									
Reversal of reserve for advanced depreciation	-	-	-	(48)	-	48	-	-	-
Dividends paid	-	-	-	-	-	(13,709)	(13,709)	-	(13,709)
Net income	-	-	-	-	-	38,344	38,344	-	38,344
Purchase of treasury stock	-	-	-	-	-	-	-	(21)	(21)
Net change of items other than shareholders' equity	-	-	-	-	-	-	-	-	-
Total changes during the period	-	-	-	(48)	-	24,683	24,635	(21)	24,614
Ending balance	5,669	750	1,500	1,417	85,000	117,677	212,013	(11,623)	272,123

(Millions of Yen)

	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Net unrealized gains on securities	Total valuation and translation adjustments		
Beginning balance	7,419	7,419	35	254,963
Changes during the period				
Reversal of reserve for advanced depreciation	-	-	-	-
Dividends paid	-	-	-	(13,709)
Net income	-	-	-	38,344
Purchase of treasury stock	-	-	-	(21)
Net change of items other than shareholders' equity	10,868	10,868	45	10,913
Total changes during the period	10,868	10,868	45	35,527
Ending balance	18,287	18,287	80	290,490

**Independent Auditor's Report**

May 23, 2017

The Board of Directors  
Makita Corporation

KPMG AZSA LLC

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

Masaki Kawaguchi (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity and the notes to consolidated financial statements of Makita Corporation as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 444-4 of the Companies Act.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting, as applied mutatis mutandis pursuant to Article 120-3-3 of the said Ordinance, that prescribes some omissions of disclosure items required under accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above, which were prepared in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting, as applied mutatis mutandis pursuant to Article 120-3-3 of the said Ordinance, that prescribes some omissions of disclosure items required under accounting principles generally accepted in the United States of America, present fairly, in all material respects, the financial position and the results of operations of Makita Corporation and its subsidiaries for the period, for which the consolidated financial statements were prepared.

**Other Matter**

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

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

**Independent Auditor's Report**

May 23, 2017

The Board of Directors  
Makita Corporation

KPMG AZSA LLC

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

Masaki Kawaguchi (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the notes to non-consolidated financial statements, and the supplementary schedules of Makita Corporation as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

**Management's Responsibility for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Makita Corporation for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

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

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## AUDIT REPORT

The Audit & Supervisory Board, having discussed with each other based on the audit reports prepared by each Audit & Supervisory Board Member regarding the performance of duties of Directors during the 105th period, from April 1, 2016 to March 31, 2017, does hereby report the results of their audit as follows:

### 1. Auditing Method Employed by Audit & Supervisory Board Members and Audit & Supervisory Board and Details Thereof

- (1) The Audit & Supervisory Board established the audit policy and duties of each Audit & Supervisory Board Member, received reports from each Audit & Supervisory Board Member on the execution of audits and results thereof and received reports from Directors and other related persons and Accounting Auditors on the performance of their duties, and, when necessary, requested explanations.
- (2) In conformity with the auditing standards for the Audit & Supervisory Board Members established by the Audit & Supervisory Board and in accordance with the audit policy and the duties assigned to each Audit & Supervisory Board Member by the Audit & Supervisory Board, each Audit & Supervisory Board Member has had communication with Directors, employees such as a staff of Internal Audit Division and other related persons and endeavored to gather information and create an improved environment for auditing, and conducted the audits in the following methods:
  - (i) Each Audit & Supervisory Board Member also attended meetings of the Board of Directors and other important meetings, received from Directors, employees and other related persons reports on the performance of their duties, and, when necessary, requested explanations. Each Audit & Supervisory Board Member also inspected the important documents and examined the status of operations and properties at the head office and the principal offices of the Corporation. As for the subsidiaries of the Corporation, the Audit & Supervisory Board Members, having communication with the directors and Audit & Supervisory Board Members and other related persons of the subsidiaries and sharing information among them, received reports from such subsidiaries as necessary.
  - (ii) Audit & Supervisory Board Members regularly received from Directors, employees and other related persons reports and, when necessary, requested explanations and expressed their opinions in connection with the resolution of the Board of Directors concerning the internal control systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the properness of operations of a corporate group composed of a company and its subsidiary, prescribed in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, and the status of framework construction and operations of such internal control systems, developed based on the said resolution.
  - (iii) The Audit & Supervisory Board Members also monitored and examined whether the Accounting Auditors maintain their independence and conduct their audits in an appropriate manner. The Audit & Supervisory Board Members received reports from the Accounting Auditors on the performance of their duties and, when necessary, requested their explanations. The Audit & Supervisory Board Members also received notification from the Accounting Auditors that they have taken steps to improve the “system for ensuring appropriate execution of the duties of the accounting auditors” (as set forth in Items of Article 131 of the Ordinance on Corporate Accounting) in compliance with the “Quality Control Standard for Auditing” (adopted by the Business Accounting Council on October 28, 2005). The Audit & Supervisory Board Members requested explanations on such notifications when necessary.

According to the foregoing method, the Audit & Supervisory Board Members reviewed the business report, the accompanying supplemental schedules and the financial statements for this period (balance sheet, statement of income, statement of changes in net assets and notes to non-consolidated financial statements) and the accompanying supplemental schedules and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements).

### 2. Results of Audit

#### (1) Results of Audit of the Business Report and Others

- (i) We confirm that the business report and the accompanying supplemental schedules present fairly the status of the Corporation in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Corporation.
- (ii) We confirm that there are no fraudulent acts or material facts that violated the applicable laws and regulations of Japan or the Articles of Incorporation of the Corporation in the course of the performance of the duties of the Directors.
- (iii) We confirm that the substance of the resolutions by the Board of Directors regarding establishment of Internal Control System is appropriate. We do not see anything to be pointed out on the description of the business report, and the performance of the Directors regarding the Internal Control System.

(2) Results of Audit of the Financial Statements and the Accompanying Supplemental Schedules

We confirm that the method and the results of the audit conducted by KPMG AZSA LLC, the Accounting Auditors, are appropriate.

(3) Results of Audit of the Consolidated Financial Statements

We confirm that the method and the results of the audit conducted by KPMG AZSA LLC, the Accounting Auditors, are appropriate.

May 25, 2017

Audit & Supervisory Board  
Makita Corporation

Mitsuhiro Wakayama (Seal)  
Standing Audit & Supervisory Board Member

Akira Kodama (Seal)  
Standing Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board Member)

Fusahiro Yamamoto (Seal)  
Outside Audit & Supervisory Board Member

Shoji Inoue (Seal)  
Outside Audit & Supervisory Board Member

## REFERENCE DOCUMENT

### Propositions and Explanatory Information

#### **Agenda Item No. 1:** Appropriation of Surplus

The Corporation has its basic policy for profit distribution to propose the dividends with a target consolidated dividend payout ratio of at least 30% of net income, with a minimum amount for annual total dividends at 18 yen per share; provided, however, that if special circumstances arise, the amount of dividends will be determined based on Net income attributable to Makita Corporation after certain adjustments reflecting such circumstances.

In accordance with this basic policy for profit distribution, and based on our comprehensive review of the consolidated business result for this period and forecasts and plans of our future businesses, we propose year-end dividends to shareholders as follows.

As this dividend, the total dividends for the period under review shall amount to 100 yen per share that include interim dividends in the amount of 18 yen per share, and the consolidated dividend payout ratio is 30.3%.

1. Matters on allocation of dividends to shareholders and total amount of allocation

82 yen per share of common stock

Total amount: 11,129,883,452 yen

2. Effective date of dividend payment

June 29, 2017

Note: The Company implemented a two-for-one common stock split, effective April 1, 2017. Year-end dividend above is based on the number of shares before the relevant stock split.

#### **Agenda Item No. 2:** Election of 13 Directors

The term of offices of all 14 Directors will have expired at the conclusion of this General Shareholders' Meeting.

We would like to request the election of 13 Directors (including two Outside Directors).

The candidates are as follows:

Candidate Number	Name (Date of birth)	Brief personal background, title and position and Important concurrent posts	Number of the Corporation's shares held
1	<u>Reelection</u> Masahiko Goto (November 16, 1946)	March 1971    Joined the Corporation	2,837,886
		May 1984    Director, Manager of Corporate Planning Department	
		July 1987    Managing Director, General Manager of Administration Headquarters	
		May 1989    President and Representative Director	
		June 2013    Chairman and Representative Director (present)	
2	<u>Reelection</u> Munetoshi Goto (April 26, 1975)	April 1999    Joined the Corporation	457,890
		April 2012    General Manager of International Sales Administration Department	
		June 2013    Director, Corporate Officer, General Manager of International Sales Headquarters (present)	

Candidate Number	Name (Date of birth)	Brief personal background, title and position and Important concurrent posts	Number of the Corporation's shares held
3	<u>Reelection</u> Tadayoshi Torii (December 10, 1946)	March 1964 Joined the Corporation April 1998 General Manager of Production Department (Assembly) October 1998 General Manager of Production Department June 2001 Director, General Manager of Quality Control Headquarters June 2003 Director, General Manager of Production Headquarters June 2009 Director, Managing Corporate Officer, in charge of Production and General Manager of Production Headquarters June 2015 Director, Managing Corporate Officer (present)	50,000
4	<u>Reelection</u> Hisayoshi Niwa (February 24, 1949)	March 1972 Joined the Corporation October 1991 Manager of E.D.P. System Department October 1999 General Manager of Production Control Department June 2003 Director, General Manager of Quality Control Headquarters April 2005 Director, General Manager of Quality Management Headquarters June 2009 Director, Corporate Officer, General Manager of Quality Management Headquarters (present)	22,200
5	<u>Reelection</u> Shinichiro Tomita (January 11, 1951)	March 1974 Joined the Corporation October 2000 General Manager of Plant Engineering-maintenance Department October 2001 General Manager of Production Engineering Department September 2003 President of Makita (China) Co., Ltd. June 2007 Director, Assistant General Manager of Production Headquarters of the Corporation (in charge of China Plant) June 2009 Director, Corporate Officer, General Manager of Research and Development Headquarters (in charge of Product Development) May 2010 Director, Corporate Officer, General Manager of Purchasing Headquarters (present)	14,400
6	<u>Reelection</u> Tetsuhisa Kaneko (April 6, 1955)	March 1981 Joined the Corporation April 2004 General Manager of Technical Research Department August 2005 General Manager of Production Department 2 October 2006 General Manager of Production Department 1 June 2007 Director, General Manager of Purchasing Headquarters June 2009 Director, Corporate Officer, General Manager of Purchasing Headquarters May 2010 Director, Corporate Officer, General Manager of Production Headquarters (in charge of China Plant) June 2015 Director, Corporate Officer, General Manager of Production Headquarters (present)	20,000
7	<u>Reelection</u> Tomoyuki Ota (March 22, 1956)	March 1978 Joined the Corporation October 2003 General Manager of Production Department 1 August 2005 General Manager of Products & Engineering Administration Department July 2012 General Manager of Products & Engineering Administration Department and General Manager of Product Design & Development Department 1 June 2013 Director, Corporate Officer, Assistant General Manager of Research and Development Headquarters (present)	12,100
8	<u>Reelection</u> Takashi Tsuchiya (September 1, 1957)	March 1982 Joined the Corporation April 2001 Manager of Shizuoka Branch Office October 2003 Manager of Tokyo Branch Office April 2010 General Manager of Sales Administration Department June 2013 Corporate Officer, Domestic Sales Headquarters (in charge of Tokyo Sales Department) June 2015 Director, Corporate Officer, General Manager of Domestic Sales Headquarters (present)	15,600

Candidate Number	Name (Date of birth)	Brief personal background, title and position and Important concurrent posts	Number of the Corporation's shares held
9	<u>Reelection</u> Masaki Yoshida (June 17, 1962)	March 1985 Joined the Corporation October 2007 General Manager of Production Control Department April 2010 General Manager of Production Department 2 April 2011 General Manager of Production Development Department February 2012 Vice President of Makita (China) Co., Ltd June 2015 Director, Corporate Officer, Assistant General Manager of Production Headquarters of the Corporation (in charge of China Plant) (present)	7,300
10	<u>New Candidate</u> Takashi Omote (February 10, 1959)	March 1982 Joined the Corporation January 1995 President of Makita Mexico, S.A. de C.V. March 2001 President of Makita do Brasil Ferramentas Elébricas Ltda. (present) June 2013 Corporate Officer of the Corporation (in charge of Central and South America Sales) (present)	6,500
11	<u>New Candidate</u> Yukihiro Otsu (August 27, 1960)	March 1983 Joined the Corporation April 2009 Assistant Manager of Finance Department December 2009 Vice President of Makita (China) Co., Ltd October 2013 General Manager of Accounting Department of the Corporation (present)	5,800
12	<u>Reelection</u> <u>Outside</u> <u>Independent</u> Akiyoshi Morita (August 23, 1941)	April 1967 Jointed Toyota Motor Co., Ltd. (present; Toyota Motor Corporation, "TOYOTA") September 1994 Director of TOYOTA June 1998 Managing Director of TOYOTA June 1999 Senior Managing Director of TOYOTA June 2000 Director and Vice President of Aichi Steel Corporation ("AICHI STEEL") June 2004 President and Representative Director of AICHI STEEL June 2008 Chairman and Representative Director of AICHI STEEL June 2011 Advisor of AICHI STEEL March 2012 Outside Director of Showa Denko K.K. (present) June 2013 Outside Director of the Corporation (present) June 2015 Counselor of AICHI STEEL (present) (Important Concurrent Posts) Counselor of AICHI STEEL Outside Director of Showa Denko K.K.	-
14	<u>Reelection</u> <u>Outside</u> <u>Independent</u> Masahiro Sugino (November 18, 1944)	April 1967 Jointed Ina Seito Co., Ltd. (present; LIXIL Corporation ) January 1992 Director of INAX Corporation ("INAX", past; Ina Seito Co., Ltd.) January 1996 Managing Director of INAX January 2000 Senior Managing Director of INAX October 2001 President and Representative Director of INAX June 2007 Chairman and Representative Director of INAX June 2007 President and Representative Director of JS Group Corporation (present; LIXIL Group Corporation) April 2011 President and Representative Director of LIXIL Corporation June 2011 Director and Advisor of LIXIL Corporation June 2013 Advisor of LIXIL Corporation (present) June 2015 Outside Director of the Corporation (present) (Important Concurrent Posts) Advisor of LIXIL Corporation	-

Notes: 1. There is no special interest between the above candidates and the Corporation.

2. Mr. Akiyoshi Morita and Mr. Masahiro Sugino are candidates for Outside Director.

3. The matters concerning Outside Director candidate Mr. Akiyoshi Morita are as follows:

- (i) Mr. Akiyoshi Morita has great perceptiveness and many years of experience as a management of TOYOTA and AICHI STEEL, core companies of Toyota Group which is a world's leading corporate group. The Corporation proposes his appointment as Outside Director, considering that the Corporation receives his useful opinions from his broad perspective as top management of the above mentioned companies.
- (ii) Mr. Akiyoshi Morita serves as an counselor of AICHI STEEL. Makita purchases components from AICHI

STEEL and its corporate group. This year, such purchases amounted to 555 million yen, which constituted only 0.26% of Aichi steel group's consolidated sales.

- (iii) Mr. Akiyoshi Morita is currently an Outside Director of the Corporation, and his term of office will be four years at the conclusion of this General Meeting of Shareholders.
  - (iv) With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Akiyoshi Morita which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act. If Mr. Akiyoshi Morita is appointed to be an Outside Director, the Corporation will extend such liability limitation agreement.
  - (v) The Corporation has designated Mr. Akiyoshi Morita as the "Independent Director(s) / Audit & Supervisory Board Member(s)" as required by the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and made required notification therefore to these stock exchanges. If Mr. Akiyoshi Morita is elected, the Company intends to appoint him again as an Independent Director.
4. The matters concerning Outside Director candidate Mr. Masahiro Sugino are as follows:
- (i) Mr. Masahiro Sugino has great perceptiveness and many years of experience as a management of LIXIL Group Corporation and LIXIL Corporation. The Corporation proposes his appointment as Outside Director, considering that the Corporation receives his useful opinions from his broad perspective as top management of the above mentioned companies.
  - (ii) Mr. Masahiro Sugino serves as an advisor of LIXIL Corporation. Makita sells products to LIXIL Corporation and its corporate group. This year, such sales amounted to 3 million yen, which constituted less than 0.01% of our consolidated net sales.
  - (iii) Mr. Masahiro Sugino is currently an Outside Director of the Corporation, and his term of office will be two years at the conclusion of this General Meeting of Shareholders.
  - (iv) With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Masahiro Sugino which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act. If Mr. Masahiro Sugino is appointed to be an Outside Director, the Corporation will extend such liability limitation agreement.
  - (v) The Corporation has designated Mr. Masahiro Sugino as the "Independent Director(s) / Audit & Supervisory Board Member(s)" as required by the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and made required notification therefore to these stock exchanges. If Mr. Masahiro Sugino is elected, the Company intends to appoint him again as an Independent Director.
5. The Corporation implemented a two-for-one common stock split of the Corporation, effective April 1, 2017. The number of the Corporation's shares held by each candidate for Directors is based on the number of shares after the relevant stock split.
6. The number of the Corporation's shares held by candidates for Directors represents the actual number of shares each candidate holds, including those vested to him in Makita's stock ownership plan for the Executives or for the employees.

**Agenda Item No. 3: Election of 1 Audit & Supervisory Board Member**

The term of office of an Audit & Supervisory Board Member presently in office, Mr. Fusahiro Yamamoto will have expired at the conclusion of this General Shareholders' Meeting. We would like to request the election of 1 Audit & Supervisory Board Member.

The candidate is as follows:

Audit & Supervisory Board has agreed to this proposal.

Name (Date of birth)	Brief personal background, title and position and Important concurrent posts	Number of the Corporation's shares held
<div style="text-align: center;"> <span style="border: 1px solid black; padding: 2px;">Reelection</span>  <span style="border: 1px solid black; padding: 2px;">Outside</span>  <span style="border: 1px solid black; padding: 2px;">Independent</span> </div> Fusahiro Yamamoto (December 6, 1952)	November 1977 Joined Ito Audit Corporation August 1981 Qualified as certified public accountant September 1985 Seconded to Asahi & Co. America September 1989 Qualified as US certified public accountant June 2000 Representative partner of Ito Audit Corporation January 2001 Merged with Chuo Aoyama Audit Corporation Representative Partner of Chuo Aoyama Audit Corporation September 2006 Joined PricewaterhouseCoopers Aarata (Present:PricewaterhouseCoopers Aarata LLC) Representative Partner of PricewaterhouseCoopers Aarata June 2013 Outside Audit & Supervisory Board Member of the Corporation (present) July 2013 Representative of Yamamoto Accounting Office (present) June 2014 Outside Audit & Supervisory Board Member of SHIROKI Corporation (present) June 2015 Outside Audit & Supervisory Board Member of Daihatsu Motor Co., Ltd (present) (Important Concurrent Posts) Representative of Yamamoto Accounting Office Outside Audit & Supervisory Board Member of SHIROKI Corporation Outside Audit & Supervisory Board Member of Daihatsu Motor Co., Ltd	-

- Notes: 1. There is no special interest between the above candidate and the Corporation.
2. Mr. Fusahiro Yamamoto is a candidate for an Outside Audit & Supervisory Board Member.
3. The Corporation proposes the election of Mr. Fusahiro Yamamoto as an Outside Audit & Supervisory Board Member, considering that, he has substantial amount of experience as a certified public accountant in Japan and the U.S. in the field of corporate accounting audits, and he provides the Corporation with informative opinions.
4. Although Mr. Fusahiro Yamamoto does not have experience directly involving corporate management, the Company considers that he will be able to execute the duties appropriately as Outside Audit & Supervisory Board Member of the Corporation, with his extensive knowledge and abundant experience through his practices as a certified public accountant.
5. Mr. Fusahiro Yamamoto is currently an Outside Audit & Supervisory Board Member of the Corporation, and his term of office will be four years at the conclusion of this General Meeting of Shareholders.
6. With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Fusahiro Yamamoto which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act. If Mr. Fusahiro Yamamoto is appointed to be an Outside Director, the Corporation will extend such liability limitation agreement.
7. The Corporation has designated Mr. Fusahiro Yamamoto as the “Independent Director(s) / Audit & Supervisory Board Member(s)” as required by the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and made required notification therefore to these stock exchanges. If Mr. Fusahiro Yamamoto is elected, the Company intends to appoint him again as an Independent Audit & Supervisory Board Member.

**Agenda Item No. 4: Payment of Bonus to Directors**

Bonus to Directors of the Corporation are, as with the basic policy for profit distributions, linked to consolidated business result. Compensation to Outside Directors and Audit & Supervisory Board Members are fixed, and they are not eligible to receive bonus payments.

At end of the period, the Corporation has 14 directors. In accordance with above policy, we would like to pay directors’ bonuses to 12 directors in the amount of 193 million yen considering performance during the period. This is with the exception of Mr. Akiyoshi Morita and Mr. Masahiro Sugino, who are Outside Directors.