

(Summary English Translation of the Notice of the 103rd Ordinary General Meeting of Shareholders Originally Issued in Japanese Language)

## MAKITA CORPORATION

(Stock code: 6586)  
June 4, 2015

To the Shareholders of  
MAKITA CORPORATION

### **NOTICE OF THE 103RD ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are respectfully requested to attend the 103rd 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 proposition.

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

1. **Date and Time:** 10 a.m., Thursday, June 25, 2015
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 103rd period (from April 1, 2014 to March 31, 2015) and the Audit Reports on such Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Board
2. The Financial Statements for the 103rd period

**Items to be Resolved:**

- No.1** Appropriation of Surplus
- No.2** Election of 14 Directors
- No.3** Payment of Bonus to Directors
- No.4** Determination of the amount of compensation and specific details concerning the stock acquisition rights for the purpose of granting stock options to Directors

## **BUSINESS REPORT**

(From April 1, 2014 to March 31, 2015)

### **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, 2015, in Western Europe, the U.K. economy remained solid, while economic growth slowed in the euro zone. The Russian economy faced a tougher situation due to soured relations with Europe and the U.S. over political uncertainty in Ukraine and the economic sanctions. Meanwhile, the U.S. economy kept growing against the backdrop of solid consumer spending and housing investment. In Asia, the overall economy followed a moderate recovery track, despite the sluggish growth in China. The Japanese economy showed signs of recovery, aided by improved corporate capital investment and higher exports, which more than offset sluggish consumption following the increase of the consumption tax rate. Under these circumstances, on the development side, Makita was aggressive about developing new products. Among those launched in the year were high-capacity lithium-ion batteries and rechargeable electric power tools that are compact in size but achieve high output with the installation of brushless electric motors. On the production side, overseas factories strived to reduce costs while raising local content ratios. To improve product quality and enhance productivity, overseas factories worked on introducing facilities that require less manpower. On the marketing side, Makita maintained and enhanced customer-oriented sales and after-sale systems. Specifically, we established a sales subsidiary in Kazakhstan and relocated offices of our local subsidiaries in Australia and Mexico to upgrade systems to supply products and services.

Our consolidated net sales for this year increased by 8.2% to 414,718 million yen compared to the previous year, marking the fifth consecutive year increase and an all-time high. The strong showing was attributed to brisk sales in the domestic market and steady overseas sales in almost all countries, especially in Western Europe. The strong sales also reflected the yen's depreciation against other major currencies such as the dollar and the euro during the reporting year, which generated exchange gains.

Net sales results by region were as follows:

Net sales in Japan increased by 2.6% to 67,740 million yen compared to the previous year. This was because of brisk sales of lithium-ion batteries, which more than offset negative effects from a fall in housing starts.

Net sales in Europe increased by 6.0% to 175,254 million yen. This was because of steady demand in Western Europe and the yen's depreciation against the euro.

Net sales in North America increased by 14.6% to 57,168 million yen. This was because of favorable sales to home improvement retailers compared to the previous year, as well as the yen's depreciation against the U.S. dollar.

Net sales in Asia, although demand varied from country to country, increased by 13.3% to 39,643 million yen. This was because of firm sales mainly in countries where Makita had established sales subsidiaries in recent years, such as Vietnam and Malaysia. The sales situations in other regions are as follows.

Net sales in Central and South America increased by 7.9% to 30,287 million yen compared to the previous year due to steady sales, despite a stagnant market. In addition, net sales in Oceania increased by 14.2% to 23,759 million yen and those in the Middle East and Africa increased by 15.5% to 20,867 million yen because demand recovered in these regions.

Overall, overseas sales accounted for 83.7% of total sales.

Operating income increased by 30.9% to 71,905 million yen (operating income ratio: 17.3%) compared to the previous year because striving to reduce costs improved the ratio of cost against net sales. Income before income taxes and net income attributable to Makita Corporation increased by 20.0% to 68,394 million yen (income before income taxes ratio: 16.5%) and by 17.8% to 45,307 million yen (net income attributable to Makita Corporation ratio: 10.9%) compared to the previous year.

On March 21, 2015 Makita celebrated its 100th anniversary, and we would like to offer our heartfelt thanks to our shareholders and other stakeholders for the support and cooperation they have given us over many years. And as a token of gratitude to our shareholders, we wish to propose a commemorative dividend of 15 yen per share. And hereby, we will make a total dividend of 100yen per share at the year-end dividend for the year ended March 31, 2015.

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

In the future, demand is unlikely to grow sharply in advanced countries. Meanwhile, competition between companies is expected to intensify. In emerging countries including Asia, where economy is expected to expand over the medium term, the needs for affordable products are forecast to grow. With foreign exchange rate trends and international political

situations being unpredictable, Makita is expected to continue facing a challenging business environment.

Under these circumstances, Makita is developing new products that fully satisfy professional users. To that end, the Corporation is strengthen its R&D and product development capabilities with respect to environmentally friendly power tools and OPE, 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.

\*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 12,124 million yen for its capital expenditures. These funds used by the Corporation amounted to 3,289 million yen. This reflected mainly capital expenditures for buildings at the Okazaki plant and metal molds for new products. These funds also used by subsidiaries amounted to 8,835 million yen. This reflected mainly capital expenditures for machinery equipment and metal molds for new products at the China plant and buildings and machinery equipment at the Romania plant.

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

Description	100th period (ended March 31, 2012)	101st period (ended March 31, 2013)	102nd period (ended March 31, 2014)	103rd period (ended March 31, 2015)
Net sales (Millions of Yen)	295,711	309,630	383,207	414,718
Operating income (Millions of Yen)	48,516	45,366	54,914	71,905
Income before income taxes (Millions of Yen)	46,963	45,691	56,974	68,394
Net income attributable to Makita Corporation (Millions of Yen)	32,497	31,076	38,453	45,307
Earning per share (Basic) Net income attributable to Makita Corporation common shareholders (Yen)	236.78	228.92	283.28	333.79
Total assets (Millions of Yen)	383,256	440,974	519,121	575,328
Total Makita Corporation Shareholders' equity (Millions of Yen)	321,253	373,543	435,934	486,021
Return on equity (%)	10.3	8.9	9.5	9.8

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 is calculated based on the average number of outstanding shares during the period.

3. 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 161,400	100.0	Sales of power tools
Makita (U.K.) Ltd.	GBP 21,700	100.0*	Sales of power tools
Makita France SAS	EUR 12,436	55.0*	Sales of power tools
Makita Werkzeug G.m.b.H (Germany)	EUR 7,669	100.0*	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 201,948	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 hedge trimmers and petrol brushcutters, and household tools such as cordless cleaners.

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

## 1. The Corporation

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
13,835	1,031 (Increase)

## 2. Employees of the Corporation

Number of Employees	Increase/Decrease	Average Age	Average Years of Service
2,878	88 (Decrease)	40.8	18.0

**2. Shareholding Status of the Corporation****(1) Total Number of Shares Authorized to be Issued by the Corporation:** 496,000,000 shares**(2) Total Number of Outstanding Shares:** 135,734,868 shares  
(excluding treasury stock of 4,273,892 shares)**(3) Number of Shareholders:** 10,623**(4) Major Shareholders:**

Name of Shareholders	Number of shares held (Thousands of Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	6,982	5.14
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,213	3.10
Maruwa, Ltd.	4,069	2.99
Japan Trustee Services Bank, Ltd. (Trust account)	3,710	2.73
Makita Cooperation Companies' Investment Association	3,686	2.71
Nippon Life Insurance Company	3,210	2.36
The Bank of New York Mellon as Depositary Bank for DR Holders	3,062	2.25
Sumitomo Mitsui Banking Corporation	2,900	2.13
State Street Bank and Trust Company 505001	2,546	1.87
The Bank of New York Mellon SA/NV 10	2,364	1.74

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

### 3. 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	In charge of Production and General Manager of Production Headquarters
Director Corporate Officer	Tomoyasu Kato	General Manager of Research and Development Headquarters
Director Corporate Officer	Tadashi Asanuma	In charge of Domestic Sales and General Manager of Domestic Sales Marketing Headquarters
Director Corporate Officer	Hisayoshi Niwa	General Manager of Quality Headquarters
Director Corporate Officer	Shinichiro Tomita	General Manager of Purchasing Headquarters
Director Corporate Officer	Tetsuhisa Kaneko	General Manager of Production Headquarters (in charge of China plant)
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	Akiyoshi Morita	Advisor of Aichi Steel Corporation Outside Director of Showa Denko K.K.
Standing Audit & Supervisory Board Member	Toshihito Yamazoe	
Standing Audit & Supervisory Board Member	Haruhito Hisatsune	
Audit & Supervisory Board Member	Michiyuki Kondo	Representative of Kondo Michiyuki Law Firm Outside Audit & Supervisory Board Member of Hoyu Co., Ltd
Audit & Supervisory Board Member	Fusahiro Yamamoto	Representative of Yamamoto Accounting Office Outside Audit & Supervisory Board Member of SHIROKI Corporation

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 16 members including directors.
3. Mr. Akiyoshi Morita is an Outside Director.
4. Mr. Haruhito Hisatsune, Mr. Michiyuki Kondo, and Mr. Fusahiro Yamamoto are Outside Audit & Supervisory Board Members.
5. Mr. Haruhito Hisatsune, 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. The Corporation has designated Mr. Akiyoshi Morita, a Director, and Mr. Haruhito Hisatsune, Mr. Michiyuki Kondo and Mr. Fusahiro Yamamoto 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
Directors	355	165	12	190	11
Audit & Supervisory Board Members	41	41	4	-	-
Total	396	206	16	190	11

Notes: 1. The aggregate amount of base compensation includes the amount of 31 million yen paid to Outside Executives (1 Outside Director and 3 Outside Audit & Supervisory Board Members).

2. Other than the above, the amount of 131 million yen was paid to 8 Directors who concurrently serve as employees as employee salaries (including bonuses).
3. The Corporation terminated the retirement allowance plan for Directors and Audit & Supervisory Board Members as of the end of the ordinary general meeting of shareholders held on June 29, 2006. At such ordinary general meeting of shareholders, it was resolved that retirement allowances 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 allowances for Directors and Audit & Supervisory Board Members as of March 31, 2015 is 360 million yen, which will be paid to 6 Directors.
4. 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.

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

Monthly compensation for the Directors is in the form of fixed compensation, as the consideration for each Director's performance of business in charge and responsibility therefore. After the termination of the retirement allowance plan for Directors and Audit & Supervisory Board Members by resolution of the General Meeting of Shareholders held on June 29, 2006, the compensation program linked to the stock price of the Corporation was introduced as part of director's compensation. The Directors acquire the stock of the Corporation by making contributions to the Executive Stock Ownership Plan in an amount equal to the retirement bonuses added to Directors' monthly compensation. Acquired stock for this purpose is retained by the Directors during their tenure. The introduction of this system effectively links a part of director's compensation to the stock price of the Corporation, providing further transparency of Directors' managerial responsibility to improve the Corporation's enterprise value.

For the purpose of enhancing corporate governance, the bonuses to Directors are to be paid to the Directors who are responsible for the consolidated business results, other than the Outside Directors, and are linked to consolidated business results so that the relevant Directors share the risks and returns with the 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 Director 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 11 of 12 meetings of the Board of Directors (attendance rate:92%) during the period. 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. Audit & Supervisory Board Member, Haruhito Hisatsune
  - (i) Major activities during the period  
Mr. Hisatsune attended all meetings of the Board of Directors and the Audit & Supervisory Board. 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. Hisatsune 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, Michiyuki Kondo
  - (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. Kondo attended all meetings of the Board of Directors held during this period. He also attended 13 of the 14 meetings of the Audit & Supervisory Board (attendance rate: 93%). 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. Kondo 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 all meetings of the Board of Directors and Audit & Supervisory Board held during this period. 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.

#### 4. 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	174
2. Total amount of cash and other financial benefits payable by the Corporation and its subsidiaries to the Accounting Auditor	174

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. 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

None.

#### (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 therefore 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 Shareholder.

Note: As the Act Concerning Partial Amendment to the Companies Act (Act No. 90 of 2014) came into effect on May 1, 2015, the Corporation has changed its policy.

## 5. Systems and Policies of the Corporation

### **Systems to Ensure that the Duties of Directors are Executed in Compliance with Laws and Regulations and the Articles of Incorporation, and Other Systems Necessary for Ensuring that the 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 Guidelines to the Code of Ethics 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, a system to discover problems within Makita is created by establishing consulting facilities inside and outside Makita as well as Internal Reporting Policy. In addition, an inquiry window 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 is established that 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 establish standards concerning management structure and organization, positions, divisions of functions and duties and powers, which constitute 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.
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) In order to enhance the corporate governance of Makita, Outside Directors shall be appointed.
  - (iv) 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 and such employees' independence from Directors

As employees assisting the duties of the Audit & Supervisory Board Members, necessary personnel be posted to assist the duties of the Audit & Supervisory Board Members. In order to ensure the independence of such employees from Directors, the consent of the Audit & Supervisory Board is required for the appointment and change of such employees.

7. Systems in accordance with which the Directors and employees report to the Audit & Supervisory Board Members and other systems concerning reports to the Audit & Supervisory Board Members

- (i) Directors, Corporate Officers and employees shall report to the Audit & Supervisory Board Members with respect to matters that may cause significant damage to the Corporation, 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 when necessary and that the Audit & Supervisory Board to exchange opinions with the Directors and Accounting Auditors.

8. 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.

9. Systems to ensure elimination of antisocial forces

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.

- (i) 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.
- (ii) Ban on transactions with antisocial forces are 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.
- (iii) 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.
- (iv) 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.

## **CONSOLIDATED BALANCE SHEET**

(As of March 31, 2015)

(Millions of Yen)

(Assets)		(Liabilities)	
<b>Current assets</b>	<b>429,111</b>	<b>Current liabilities</b>	<b>70,866</b>
Cash and cash equivalents	94,529	Short-term borrowings	4,647
Time deposits	15,283	Trade notes and accounts payable	25,124
Short-term investments	56,076	Other payables	6,140
Trade receivables-		Accrued expenses	10,594
Notes	1,315	Accrued payroll	9,568
Accounts	64,642	Income taxes payable	5,353
Less- Allowance for doubtful receivables	(998)	Deferred income taxes	1,529
Inventories	175,186	Other liabilities	7,911
Deferred income taxes	6,296	<b>Long-term liabilities</b>	<b>14,877</b>
Prepaid expenses and other current assets	16,782	Long-term indebtedness	383
<b>Property, plant and equipment, at cost</b>	<b>95,812</b>	Accrued retirement and termination benefits	3,701
Land	23,104	Deferred income taxes	9,521
Buildings and improvements	96,202	Other liabilities	1,272
Machinery and equipment	91,353	<b>Total liabilities</b>	<b>85,743</b>
Construction in progress	3,237	(Equity)	
Less- Accumulated depreciation and amortization	(118,084)	Common stock	23,805
<b>Investments and other assets</b>	<b>50,405</b>	Additional paid-in capital	45,421
Investments	31,395	Legal reserve and retained earnings	
Goodwill	721	Legal reserve	5,669
Other intangible assets, net	4,563	Retained earnings	399,874
Deferred income taxes	629	Accumulated other comprehensive income	22,842
Other assets	13,097	Treasury stock, at cost	(11,590)
		<b>Total Makita Corporation shareholders' equity</b>	<b>486,021</b>
		Noncontrolling interest	3,564
		<b>Total equity</b>	<b>489,585</b>
<b>Total assets</b>	<b>575,328</b>	<b>Total liabilities and equity</b>	<b>575,328</b>

## **CONSOLIDATED STATEMENT OF INCOME**

(From April 1, 2014 to March 31, 2015)

(Millions of Yen)

<b>Net sales</b>		<b>414,718</b>
<b>Cost of sales</b>		<b>257,582</b>
<b>Gross profit</b>		<b>157,136</b>
Selling, general, administrative and others, net		85,231
<b>Operating income</b>		<b>71,905</b>
<b>Other income (Expense):</b>		
Interest and dividend income	2,639	
Interest expense	(113)	
Exchange losses on foreign currency transactions, net	(6,480)	
Realized gains on securities, net	443	(3,511)
<b>Income before income taxes</b>		<b>68,394</b>
Provision for income taxes:		
Current	18,889	
Deferred	3,824	22,713
<b>Net income</b>		<b>45,681</b>
Less- Net income attributable to the non-controlling interest		374
<b>Net income attributable to Makita Corporation</b>		<b>45,307</b>

## **CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

(From April 1, 2014 to March 31, 2015)

(Millions of Yen)

	Makita Corporation shareholders' equity					
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income	Treasury stock
Beginning balance	23,805	45,421	5,669	366,919	5,693	(11,573)
Purchases and disposal of treasury stock, net						(17)
Cash dividends				(12,352)		
Comprehensive income (loss):						
Net income				45,307		
Other comprehensive income(loss)					17,149	
Ending balance	23,805	45,421	5,669	399,874	22,842	(11,590)

	Non- controlling interest	Total
Beginning balance	3,510	439,444
Purchases and disposal of treasury stock, net		(17)
Cash dividends	(145)	(12,497)
Comprehensive income (loss):		
Net income	374	45,681
Other comprehensive income(loss)	(175)	16,974
Ending balance	3,564	489,585

## Notes to Consolidated Financial Statements

### Notes to Important Basic Matters for Preparation of Consolidated Financial Statements

#### 1. Basis of presentation

The consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) pursuant to the provision of Article 120-2, paragraph 1 of the Ordinance on Accounting of Companies. However, certain disclosures required under U.S. GAAP are omitted pursuant to the second sentence of said paragraph.

#### 2. Scope of consolidation

Number of consolidated subsidiaries: 51

Major subsidiaries are as follows:

Makita U.S.A. Inc., Makita (U.K.) Ltd., Makita Werkzeug G.m.b.H (Germany), Makita France SAS  
Makita Oy (Finland), Makita Gulf FZE (U.A.E.), Makita (China) Co., Ltd., Makita (Kunshan) Co., Ltd.,  
Makita (Australia) Pty. Ltd., Makita do Brasil Ferramentas Elétricas Ltda., etc.

#### 3. Valuation of Short-term investments and Investments

The Corporation conforms to Accounting Standards Codification (“ASC”) 320, “Investments-Debt and Equity Securities”

Held-to-maturity securities: Amortized cost

Available-for-sale securities: Evaluation by the fair value

All valuation allowances are reported in Accumulated other comprehensive income.

The cost of securities sold is based on the moving-average method.

#### 4. Valuation of inventories

Inventories are valued at the lower of cost or market price, with cost determined principally based on the average method. Inventory costs include raw materials, labor and production overheads.

#### 5. Depreciation method of non-current assets

Property, plant and equipment: Depreciation of property, plant and equipment of Makita is computed by using the straight-line method for computing depreciation.

Goodwill and other intangible assets, net: With respect to goodwill, in compliance with ASC 350, “Intangibles -Goodwill and Other”, amortization is not performed, but impairment testing is carried out at least once a year in principle. Amortization is performed using the straight-line method with regard to other intangible assets with definite useful lives.

#### 6. Allowance

Allowance for doubtful receivables: The allowance is determined based on, but is not limited to, historical collection experience adjusted for the effects of the current economic environment, assessment of inherent risks, aging and financial performance. Allowance for doubtful receivables represents the Makita's best estimate of the amount of probable credit losses in its existing receivables.

Retirement and termination allowances: In accordance with ASC 715, “Compensation-Retirement Benefits”, pension and severance cost is accrued based on the projected benefit obligations and the fair value of plan assets at the balance sheet date.

Each overfunded plans and postretirement plans are recognized as an asset and each underfunded plan and postretirement plans are recognized as a liability.

Unrecognized prior service cost is amortized by the straight-line method over the average remaining service period of employees.

Unrecognized actuarial difference is recognized by amortizing a portion in excess of 10% of the greater of the projected benefit obligations or the fair



value of plan assets at the beginning of the period by the straight-line method over the average remaining service period of employees.

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

#### Notes to Consolidated Balance Sheet

Guarantee (contingent liabilities): 1 million yen

#### Notes to Consolidated Statement of Shareholders' Equity

1. Matter regarding shares issued

Kind of shares	Beginning of the period	Increase	Decrease	End of the period
Common stock	140,008,760 shares	-	-	140,008,760 shares

2. Matter regarding dividend distribution

(1) Amount of dividend distribution

Resolution	Kind of shares	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2014	Common stock	9,909	73	March 31, 2014	June 26, 2014
Board of Directors' meeting held on October 31, 2014	Common stock	2,443	18	September 30, 2014	November 26, 2014

(2) Although the record date falls during the period, some dividends become effective during the following period.

Scheduled resolution	Kind of shares	Dividend resource	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 25, 2015	Common stock	Retained earnings	13,573	100	March 31, 2015	June 26, 2015

#### Notes to Financial Instruments

1. Matter regarding status of financial instruments

Makita carries out short-term and other investments in order to secure profits on a stable basis. Short-term investment consists primarily of MMF (Money Management Fund) and FFF (Free Financial Fund). Other investment is made mainly in marketable shares (shares other than those purely for trading purpose). Long-term liabilities comprise long-term loans from banks and capital-lease obligations. Forward exchange contracts and currency swap were entered into with the aim of reducing such market risks as foreign exchange rate fluctuations.

2. Matter regarding such as fair value of financial instruments

The following methods and significant assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate a fair value:

(1) Cash and Cash Equivalents, Time Deposits, Trade Receivable, Short-term Borrowings, Trade Notes and Accounts Payable, Other payables, and Accrued expenses

The carrying amounts approximate fair value because of the short maturities of those instruments.

(2) Long-term Time Deposits

The fair value is estimated by discounting future cash flows using the current rates that Makita would be offered for deposits with similar terms and remaining maturities.

(3) Short-term investments and Investments

The fair value of marketable and investment securities is estimated based on quoted market prices. For certain investments such as non-marketable securities, since there are no quoted market prices existing, a reasonable estimation of a fair value could not be made without incurring excessive cost, and such securities have been excluded from fair value disclosure. The fair value of such securities is estimated if and when there are indications that the investment may be impaired. Non-marketable securities amounted to 387 million yen as of March 31, 2015.

(4) Long-term Indebtedness

The fair value of long-term indebtedness is a present value of future cash flows associated with each instrument discounted using Makita's current borrowing rates for similar debt instruments of comparable maturities.

(5) Derivative Financial Instruments

The fair values of other derivative financial instruments, composed by foreign currency contracts, and currency swap agreements which are used for hedging purposes, are estimated by obtaining quotes and other relevant information from brokers.

The carrying amounts and estimated fair value of the financial instruments, and the amount of difference thereof as of March 31, 2015 are as follows:

	(Millions of Yen)		
	Carrying amount	Fair value	Amount of difference
Short-term investments	56,076	56,076	-
Investments	31,008	31,029	21
Long-term time deposits	15	15	-
Long-term indebtedness including current maturities	(393)	(393)	-
Foreign currency contracts:			
Assets	182	182	-
Liabilities	(273)	(273)	-
Currency swap agreements:			
Assets	664	664	-

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument.

These estimates are subjective in nature and involve uncertainties and are matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**Notes to Information Per Share**

Total Makita Corporation shareholders' equity per share 3,580.66 yen

Total Makita Corporation shareholders' equity per share attributable to common stock was computed based on following;

Total Makita Corporation shareholders' equity in the consolidated balance sheet 486,021 million yen

Total Makita Corporation shareholders' equity available to common stock 486,021 million yen

Number of shares issued (excluding treasury stock) as of March 31, 2015 135,734,868 shares

Earning per share (Basic) Net income attributable to Makita Corporation common shareholders 333.79 yen

Earning per share (Basic) Net income attributable to Makita Corporation common shareholders was computed based on following;

Net income attributable to Makita Corporation in the consolidated statement of income 45,307 million yen

Net income attributable to Makita Corporation available to common stock 45,307 million yen

Average number of outstanding shares of common stock 135,736,215 shares

## **BALANCE SHEET**

(As of March 31, 2015)

(Millions of Yen)

(Assets)		(Liabilities)	
<b>Current assets</b>	<b>96,690</b>	<b>Current liabilities</b>	<b>26,727</b>
Cash and time deposits	5,610	Trade accounts payable	12,584
Trade notes receivable	405	Other payable	2,455
Trade accounts receivable	27,820	Accrued expenses	6,231
Marketable securities	31,668	Income taxes payable	2,430
Finished goods and merchandise	14,192	Allowance for directors' bonuses	190
Work-in-process	1,266	Allowance for product warranties	395
Raw materials and supplies	2,915	Allowances for environmental measures	1,356
Short-term loans receivable	9,442	Other	1,086
Deferred income tax assets	2,896	<b>Long term liabilities</b>	<b>4,613</b>
Other	482	Retirement and termination allowances	232
Allowance for doubtful accounts	(6)	Retirement allowances for directors and audit & supervisory board members	360
<b>Fixed assets</b>	<b>185,380</b>	Asset retirement obligation	25
<b>Tangible fixed assets</b>	<b>36,803</b>	Deferred income tax liabilities	3,996
Buildings	17,166	<b>Total liabilities</b>	<b>31,340</b>
Structures	796		
Machinery and equipment	1,167	(Net assets)	
Vehicles and transportation equipment	62	<b>Shareholders' equity</b>	<b>239,980</b>
Tools, furniture and fixtures	2,442	<b>Common stock</b>	<b>24,206</b>
Land	13,800	<b>Capital surplus</b>	<b>47,526</b>
Construction in progress	1,370	Additional paid-in capital	47,525
<b>Intangible fixed assets</b>	<b>3,095</b>	Other capital surplus	1
Software	910	<b>Retained earnings</b>	<b>179,838</b>
Industrial property rights	1,682	Legal reserve	5,669
Other	503	Other retained earnings	174,169
<b>Investment and other assets</b>	<b>145,482</b>	Reserve for dividend	750
Investment securities	37,281	Reserve for technical research	1,500
Stocks of affiliates	63,248	Reserve for advanced depreciation	1,477
Investment in affiliates	36,108	General reserves	85,000
Long-term loans receivable	857	Retained earnings carried forward	85,442
Lease deposits	296	<b>Treasury stock</b>	<b>(11,590)</b>
Prepaid pension expenses	7,648	<b>Valuation and translation adjustments</b>	<b>10,750</b>
Other	58	Net unrealized gains on securities	10,750
Allowance for doubtful accounts	(14)	<b>Total net assets</b>	<b>250,730</b>
<b>Total assets</b>	<b>282,070</b>	<b>Total liabilities and net assets</b>	<b>282,070</b>

## **STATEMENT OF INCOME**

(From April 1, 2014 to March 31, 2015)

(Millions of Yen)

<b>Net sales</b>		<b>169,083</b>
<b>Cost of sales</b>		<b>115,502</b>
<b>Gross profit</b>		<b>53,581</b>
Selling, general and administrative expenses		32,043
<b>Operating income</b>		<b>21,538</b>
<b>Non-operating income</b>		
Interest and dividend income	7,316	
Exchange gains on foreign currency transactions, net	281	
Other non-operating income	811	8,408
<b>Non-operating expense</b>		
Foreign withholding taxes	151	
Other non-operating expenses	2	153
<b>Ordinary income</b>		<b>29,793</b>
<b>Extraordinary gain</b>		
Gain on sales of fixed assets	985	
Reversal of allowances for environmental measures	1,078	2,063
<b>Extraordinary loss</b>		
Loss on disposal of fixed asset	584	
Provision of allowance for environmental measures	200	784
<b>Income before income taxes</b>		<b>31,072</b>
Income taxes - current		6,771
Income taxes - deferred		1,361
<b>Net income</b>		<b>22,940</b>

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

(From April 1, 2014 to March 31, 2015)

(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	1	47,526
Cumulative effect due to changes in accounting policies	-	-	-	-
Beginning balance of current period after changes in accounting policies	24,206	47,525	1	47,526
Changes during the period				
Transfer to reserve for advanced depreciation	-	-	-	-
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	1	47,526

	Shareholders' equity								
	Retained earnings							Treasury stock	Total shareholders' equity
	Other retained earnings						Total retained earnings		
	Legal reserve	Reserve for dividend	Reserve for technical research	Reserve for advanced depreciation	General reserves	Retained earnings carried forward			
Beginning balance	5,669	750	1,500	1,052	85,000	76,580	170,551	(11,573)	230,710
Cumulative effect due to changes in accounting policies	-	-	-	-	-	(1,301)	(1,301)	-	(1,301)
Beginning balance of current period after changes in accounting policies	5,669	750	1,500	1,052	85,000	75,279	169,250	(11,573)	229,409
Changes during the period									
Transfer to reserve for advanced depreciation	-	-	-	468	-	(468)	-	-	-
Reversal of reserve for advanced depreciation	-	-	-	(43)	-	43	-	-	-
Dividends paid	-	-	-	-	-	(12,352)	(12,352)	-	(12,352)
Net income	-	-	-	-	-	22,940	22,940	-	22,940
Purchase of treasury stock	-	-	-	-	-	-	-	(17)	(17)
Net change of items other than shareholders' equity	-	-	-	-	-	-	-	-	-
Total changes during the period	-	-	-	425	-	10,163	10,588	(17)	10,571
Ending balance	5,669	750	1,500	1,477	85,000	85,442	179,838	(11,590)	239,980

	Valuation and translation adjustments		Total net assets
	Net unrealized gains on securities	Total valuation and translation adjustments	
Beginning balance	8,916	8,916	239,626
Cumulative effect due to changes in accounting policies	-	-	(1,301)
Beginning balance of current period after changes in accounting policies	8,916	8,916	238,325
Changes during the period			
Transfer to reserve for advanced depreciation	-	-	-
Reversal of reserve for advanced depreciation	-	-	-
Dividends paid	-	-	(12,352)
Net income	-	-	22,940
Purchase of treasury stock	-	-	(17)
Net change of items other than shareholders' equity	1,834	1,834	1,834
Total changes during the period	1,834	1,834	12,405
Ending balance	10,750	10,750	250,730

## Notes to Non-consolidated Financial Statements

### Notes to Significant Accounting Policies

#### 1. Valuation of securities

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

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

Fair market value as of period-end

#### 3. Valuation of inventories

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

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

At average cost

Supplies:

At latest purchase cost

#### 4. Depreciation method of fixed assets

Tangible fixed assets:

Straight-line method

(Excluding lease assets)

Useful life:

Buildings:

38 to 50 years

Machinery and equipment:

5 to 10 years

Intangible fixed assets:

Straight-line method

(Excluding lease assets)

Software for internal use is depreciated on the straight-line method over its estimated useful life (5 years).

Industrial property rights are depreciated on the straight-line method over 8 to 14 year period.

Lease assets:

Lease assets relating to finance lease transactions, excluding those whose ownership is transferred to the lessee upon lease expiration, are depreciated by the straight-line method over the lease term with no residual value, the lease term being regarded as the useful life.



## 5. Allowances

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

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

## Notes to Change of Accounting Policies

### Application of the Accounting Standard for Retirement Benefits thereon

As the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on the Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015) may be applied from the beginning of the business year beginning on or after April 1, 2013, the Corporation adopted such standard and guidance from this business year and changed the calculation method of the projected benefit obligations and service costs. As a result, the Corporation changed the method for attributing the expected benefit to a period from the straight-line basis to the benefit formula basis, and also changed the method for determining the discount rate from the method using a single discount rate based on the number of years approximate to the average period up to the estimated timing of the benefit payment, to the method using a single weighted average discount rate that reflects the estimated timing of the benefit payment and its amount for each estimated timing.

As to the application of the Accounting Standard for Retirement Benefits and the Guidance thereon, pursuant to the transitional measure set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in the calculation method of projected benefit obligations and service costs was added to or subtracted from retained earnings carried forward, at the beginning of this business year.

As a result, the prepaid pension expenses and retained earnings carried forward at the beginning of this business year decreased by 1,970 million yen and 1,301 million yen, respectively. Any effect thereof on operating income, ordinary income, income before income taxes and information per share was insignificant.

## Notes to Balance Sheet

### 1. Accumulated depreciation on tangible fixed assets:

Buildings	25,677	million yen
Structures	2,305	million yen
Machinery and equipment	13,727	million yen
Vehicles and transportation equipment	305	million yen
Tools, furniture and fixtures	26,958	million yen
Total	<u>68,972</u>	<u>million yen</u>

### 2. Guarantee:

Guarantee for borrowing from financial institution		
Maximum amount of guarantee for Makita U.S.A. Inc. (50 million U.S. dollars)	6,009	million yen
Maximum amount of guarantee for Makita Power Tools India Private Ltd. (200 million Indian Rupee)	388	million yen
Guarantee for educational loan to employees	1	million yen
Guarantee for accounts payable of the following company Makita General Service Co., Ltd.	17	million yen
Total	<u>6,415</u>	<u>million yen</u>

### 3. Receivables and payables for affiliates:

Short-term receivables	23,549	million yen
Long-term receivables	200	million yen
Short-term payables	8,916	million yen

## Notes to Statement of Income

### Transactions with affiliates

Amount of operating transactions		
Sales	75,802	million yen
Purchases, etc.	58,036	million yen
Amount of non-operating transactions	7,073	million yen

## Notes to Statement of Changes in Net Assets

### Matter regarding treasury stock

Kind of shares	Beginning of the period	Increase	Decrease	End of the period
Common stock	4,271,134 shares	2,758 shares	-	4,273,892 shares

(Reasons for the change)

The reasons for the increase are as follows:

Purchase of shares constituting less than a full unit: 2,758 shares

## Notes to Tax Effect Accounting

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

Short-term deferred income tax assets		
Accrued expenses	1,721	million yen
Allowances for environmental measures	441	million yen
Inventories	457	million yen
Accrued enterprise taxes	249	million yen
Others	28	million yen
Net amount of short-term deferred income tax assets	<u>2,896</u>	<u>million yen</u>
Long-term deferred income tax assets		
Loss on evaluation of investment securities	1,869	million yen
Excess in depreciation	2,413	million yen
Retirement allowances for directors and audit & supervisory board members	115	million yen
Loss on impairment of fixed assets	89	million yen
Others	166	million yen
Subtotal	4,652	million yen
Valuation allowance	(370)	million yen
Total	<u>4,282</u>	<u>million yen</u>
Long-term deferred income tax liabilities		
Retirement and termination allowances	(2,303)	million yen
Net unrealized gains on securities	(5,013)	million yen
Reserve for advanced depreciation of fixed assets.	(689)	million yen
Other	(273)	million yen
Total	<u>(8,278)</u>	<u>million yen</u>
Net amount of long-term deferred income tax liabilities	<u>(3,996)</u>	<u>million yen</u>

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

Statutory income tax rate	35.0%
(Reconciliations)	
Dividend income and other permanently non-taxable income	(7.5%)
Tax sparing impact	(1.9%)
Difference due to the change in the tax rate	0.9%
Other	(0.3%)
Effective income tax rate after the adoption of tax effect accounting	<u>26.2%</u>

3. Change of the amount of deferred income tax assets and liabilities due to a change in the statutory effective tax rate

As a result of the promulgation of the Act Concerning Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) and the Act Concerning Partial Amendment of the Local Tax Act, etc. (Act No. 2 of 2015) on March 31, 2015, the statutory effective tax rate used for calculating deferred income tax assets and liabilities in this business year was changed from the 35.1% that was applicable in the previous business year to 32.5% for the temporary difference expected to be eliminated during the business year beginning on April 1, 2015 and to 31.8% for the temporary difference expected to be eliminated during the business year beginning on April 1, 2016. As a result, the amount of deferred income tax assets (net of the amount of deferred income tax liabilities) and, income taxes - deferred and net unrealized gains on securities recorded in this business year increased by 252 million yen, 268 million yen and 520 million yen, respectively.

## Notes to Fixed Assets Used through Leases

### Operating leases

Lease commitments under non-cancelable operating leases

Within 1 year

147 million yen

Over 1 year

307 million yen

## Notes to Transactions with Related Parties

### 1. Directors and primary individual shareholders

Attribute	Companies which directors and their relatives own the majority of voting rights (including the subsidiaries of such companies)	
Corporate name	TOA Co., Ltd. (Note 1)	Maruwa, Ltd. (Note 2)
Principal business or position	Design, production and distribution of automatic regulators	Real estate business
Owning and owned ratio of voting rights (%)	Direct owned ratio: 0.0	Direct owned ratio: 2.9
Relationship	Purchase of production equipment Interlocking Directors (Number of directors: 2)	Advertising Interlocking Directors (Number of directors: 2)
Principal transactions	Purchase of production equipment (Note 3)	Advertising (Note 3)
Transaction amount (Millions of Yen) (Note 4)	83	2
Account title	Other payable	-
Balance at end of the period (Millions of Yen) (Note 4)	3	-

Terms of transactions and the policy to decide the terms

- (Note 1) Masahiko Goto, Chairman and Representative Director of the Corporation, Munetoshi Goto, Director of the Corporation, and their relatives own 100% of voting rights of TOA Co., Ltd.
- (Note 2) Masahiko Goto, Chairman and Representative Director of the Corporation, Munetoshi Goto, Director of the Corporation, and their relatives own 68.1% of voting rights of Maruwa, Ltd.
- (Note 3) The terms of the transactions with TOA Co., Ltd. and Maruwa, Ltd. are the same as those other general transactions.
- (Note 4) The above stated transaction amount do not include consumption tax, and that balance at end of the period includes consumption tax.

## 2. Subsidiaries

Attribute	Subsidiaries		
Corporate name	Makita U.S.A. Inc. (United States)		Makita Gulf FZE (U.A.E.)
Owning and owned ratio of voting rights (%)	Direct owning ratio: 100.0		Direct owning ratio: 100.0
Relationship	Debt guarantee Sales of finished goods and merchandise Interlocking Directors (Number of directors:2)		Money loan  Interlocking Directors (Number of directors: 1)
Principal transactions	Debt guarantee (Note 1)	Sales of finished goods and merchandise (Note 2)	Money loan (Note 3)
Transaction amount (Millions of Yen) (Note 4)	6,009	24,416	9,914
Account title	-	Trade accounts receivable	Short-term loans receivable
Balance at end of the period (Millions of Yen) (Note 4)	-	3,208	3,365

Attribute	Subsidiaries	
Corporate name	Makita (Kunshan) Co., Ltd. (China)	
Owning and owned ratio of voting rights (%)	Direct owning ratio: 100.0	
Relationship	Sales of merchandise Receipt of royalty Purchase of finished goods and merchandise Interlocking Directors (Number of directors: 5)	
Principal transactions	Sales of merchandise (Note 2) Receipt of royalty (Note 2)	Purchase of finished goods and merchandise (Note 2)
Transaction amount (Millions of Yen) (Note 4)	11,295	41,178
Account title	Trade accounts receivable	Trade accounts payable
Balance at end of the period (Millions of Yen) (Note 4)	3,329	5,705

Terms of transactions and the policy to decide the terms

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

(Note 2) The sales price and other sales conditions of products are determined upon consultation, considering the prevailing market conditions.

(Note 3) Regarding money loan, we decide upon reasonable rates of interest, considering the prevailing market rate. We have not taken collateral.

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

#### Notes to Information Per Share

Net assets per share	1,847.20	yen
Net assets per share attributable to common stock was computed based on following;		
Total net assets in the balance sheet	250,730	million yen
Net assets available to common stock	250,730	million yen
Number of shares issued (excluding treasury stock) as of March 31, 2015	135,734,868	shares
Net income per share	169.00	yen
Net income per share attributable to common stock was computed based on following;		
Net income	22,940	million yen
Net income available to common stock	22,940	million yen
Average number of outstanding shares of common stock	135,736,215	shares

**Independent Auditor's Report**

May 25, 2015

The Board of Directors  
Makita Corporation

KPMG AZSA LLC

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

Hisashi Ohkita (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, 2015 and for the year from April 1, 2014 to March 31, 2015 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 provision of the second sentence of Article 120-2-1 of the Ordinance of Companies Accounting 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 120-2-1 of the Ordinance of Companies Accounting 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 25, 2015

The Board of Directors  
Makita Corporation

KPMG AZSA LLC

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

Hisashi Ohkita (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, 2015 and for the year from April 1, 2014 to March 31, 2015 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 103rd period, from April 1, 2014 to March 31, 2015, 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

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.

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. 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. The Audit & Supervisory Board Members regularly received from Directors, employees and other related persons reports and, when necessary, requested explanations and expressed opinions with respect to the status of establishment and operation of systems to ensure that the Directors perform their duties stated in the Business Report in compliance with applicable laws and regulations and the Articles of Incorporation, the content of a resolution of the Board of Directors concerning the establishment of other systems necessary to ensure the propriety of company's operations as provided for in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act (internal control system), and the systems established based on said resolution. 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. According to the foregoing method, we examined the business report and the accompanying supplemental schedules for this period.

In addition, 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 as necessary. According to the foregoing method, the Audit & Supervisory Board Members reviewed 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 shareholders' equity and notes to consolidated financial statements).

### 2. Results of Audit

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

- A. 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.
- B. 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.
- C. 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 27, 2015

Audit & Supervisory Board  
Makita Corporation

Toshihito Yamazoe (Seal)  
Standing Audit & Supervisory Board Member

Haruhito Hisatsune (Seal)  
Standing Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board Member)

Michiyuki Kondo (Seal)  
Outside Audit & Supervisory Board Member

Fusahiro Yamamoto (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 a total dividend for the year ended March 31, 2015 as below. This contains a commemorative dividend of 15 yen per share to celebrate our 100th anniversary.

As this dividend, the total dividends for the period under review shall amount to 118 yen per share that include interim dividends in the amount of 18 yen per share, and the consolidated dividend payout ratio is 35.4% of net income.

1. Matters on allocation of dividends to shareholders and total amount of allocation  
     100 yen per share of common stock  
     Total amount: 13,573,486,800 yen
2. Effective date of dividend payment  
     June 26, 2015

#### **Agenda Item No. 2:** Election of 14 Directors

The term of offices of all 12 Directors will have expired at the conclusion of this General Shareholders' Meeting.

In order to cope with changes in global business environments quickly and to enhance corporate governance, we would like to request the election of 14 Directors (including two Outside Directors), and an increase of two Directors (including one Outside Director).

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	Masahiko Goto (November 16, 1946)	March	1971	Joined the Corporation	1,918,443
		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	Shiro Hori (February 24, 1948)	March	1970	Joined the Corporation	19,713
		March	1999	General Manager of Europe Sales Department	
		June	2003	Director, General Manager of International Sales Headquarters: America Region	
		September	2007	Director, General Manager of International Sales Headquarters: America, Asia and Oceania Region	
		June	2009	Director, Managing Corporate Officer, in charge of International Sales and General Manager of International Sales Headquarters: America, Asia and Oceania Region	
June	2013	President and Representative Director (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	Tadayoshi Torii (December 10, 1946)	<p>March 1964 Joined the Corporation</p> <p>April 1998 General Manager of Production Department (Assembly)</p> <p>October 1998 General Manager of Production Department</p> <p>June 2001 Director, General Manager of Quality Control Headquarters</p> <p>June 2003 Director, General Manager of Production Headquarters</p> <p>June 2009 Director, Managing Corporate Officer, in charge of Production and General Manager of Production Headquarters (present)</p>	24,500
4	Tomoyasu Kato (March 25, 1948)	<p>March 1970 Joined the Corporation</p> <p>March 1999 General Manager of Standard and Technical Administration Department</p> <p>June 2001 Director, General Manager of Development and Engineering Headquarters</p> <p>June 2009 Director, Corporate Officer, General Manager of Research and Development Headquarters (in charge of Research and Development)</p> <p>October 2010 Director, Corporate Officer, General Manager of Research and Development Headquarters (present)</p>	18,872
5	Hisayoshi Niwa (February 24, 1949)	<p>March 1972 Joined the Corporation</p> <p>October 1991 Manager of E.D.P. System Department</p> <p>October 1999 General Manager of Production Control Department</p> <p>June 2003 Director, General Manager of Quality Control Headquarters</p> <p>April 2005 Director, General Manager of Quality Headquarters</p> <p>June 2009 Director, Corporate Officer, General Manager of Quality Headquarters (present)</p>	10,900
6	Shinichiro Tomita (January 11, 1951)	<p>March 1974 Joined the Corporation</p> <p>October 2000 General Manager of Plant Engineering-maintenance Department</p> <p>October 2001 General Manager of Production Engineering Department</p> <p>September 2003 President of Makita (China) Co., Ltd.</p> <p>June 2007 Director, Assistant General Manager of Production Headquarters of the Corporation (in charge of China Plant)</p> <p>June 2009 Director, Corporate Officer, General Manager of Research and Development Headquarters (in charge of Product Development)</p> <p>May 2010 Director, Corporate Officer, General Manager of Purchasing Headquarters (present)</p>	7,000
7	Tetsuhisa Kaneko (April 6, 1955)	<p>March 1981 Joined the Corporation</p> <p>April 2004 General Manager of Technical Research Department</p> <p>August 2005 General Manager of Production Department 2</p> <p>October 2006 General Manager of Production Department 1</p> <p>June 2007 Director, General Manager of Purchasing Headquarters</p> <p>June 2009 Director, Corporate Officer, General Manager of Purchasing Headquarters</p> <p>May 2010 Director, Corporate Officer, General Manager of Production Headquarters (in charge of China Plant) (present)</p>	9,600
8	Yoji Aoki (May 22, 1950)	<p>March 1975 Joined the Corporation</p> <p>July 2001 General Manager of Personnel Department</p> <p>July 2004 General Manager of General Affairs Department</p> <p>June 2009 Director, Corporate Officer, General Manager of Administration Headquarters (present)</p>	7,500

Candidate Number	Name (Date of birth)	Brief personal background, title and position and Important concurrent posts	Number of the Corporation's shares held
9	Tomoyuki Ota (March 22, 1956)	<p>March 1978 Joined the Corporation</p> <p>October 2003 General Manager of Production Department 1</p> <p>August 2005 General Manager of Products &amp; Engineering Administration Department</p> <p>July 2012 General Manager of Products &amp; Engineering Administration Department and General Manager of Product Design &amp; Development Department 1</p> <p>June 2013 Assistant General Manager of Research and Development Headquarters (present)</p>	5,600
10	Munetoshi Goto (April 26, 1975)	<p>April 1999 Joined the Corporation</p> <p>April 2012 General Manager of International Sales Administration Department</p> <p>June 2013 Director, Corporate Officer of International Sales Headquarters (present)</p>	228,545
11*	Takashi Tsuchiya (September 1, 1957)	<p>March 1982 Joined the Corporation</p> <p>April 2001 Manager of Shizuoka Branch Office</p> <p>October 2003 Manager of Tokyo Branch Office</p> <p>April 2010 General Manager of Sales Administration Department</p> <p>June 2013 Corporate Officer, Domestic Sales Headquarters, in charge of Tokyo Sales Department (present)</p>	7,600
12*	Masaki Yoshida (June 17, 1962)	<p>March 1985 Joined the Corporation</p> <p>October 2007 General Manager of Production Control Department</p> <p>April 2010 General Manager of Production Department 2</p> <p>April 2011 General Manager of Production Development Department</p> <p>February 2012 Vice President of Makita (China) Co., Ltd (present)</p>	3,000
13	Akiyoshi Morita (August 23, 1941)	<p>April 1967 Jointed Toyota Motor Co., Ltd. (present; Toyota Motor Corporation, "TOYOTA")</p> <p>September 1994 Director of TOYOTA</p> <p>June 1998 Managing Director of TOYOTA</p> <p>June 1999 Senior Managing Director of TOYOTA</p> <p>June 2000 Director and Vice President of Aichi Steel Corporation ("AICHI STEEL")</p> <p>June 2004 President and Representative Director of AICHI STEEL</p> <p>June 2008 Chairman and Representative Director of AICHI STEEL</p> <p>June 2011 Advisor of AICHI STEEL (present)</p> <p>March 2012 Outside Director of Showa Denko K.K. (present)</p> <p>June 2013 Outside Director of the Corporation (present)</p> <p>(Important Concurrent Posts)</p> <p>Advisor of AICHI STEEL</p> <p>Outside Director of Showa Denko K.K.</p>	-
14*	Masahiro Sugino (November 18, 1944)	<p>April 1967 Jointed Ina Seito Co., Ltd.(present; LIXIL Corporation )</p> <p>January 1992 Director of INAX Corporation("INAX",past; Ina Seito Co., Ltd.)</p> <p>January 1996 Managing Director of INAX</p> <p>January 2000 Senior Managing Director of INAX</p> <p>October 2001 President and Representative Director of INAX</p> <p>June 2007 Chairman and Representative Director of INAX</p> <p>June 2007 President and Representative Director of JS Group Corporation (present; LIXIL Group Corporation)</p> <p>April 2011 President and Representative Director of LIXIL Corporation</p> <p>June 2011 Director and Advisor of LIXIL Corporation</p> <p>June 2013 Advisor of LIXIL Corporation (present)</p> <p>(Important Concurrent Posts)</p> <p>Advisor of LIXIL Corporation</p>	-

Notes: 1. \* indicates a candidate to be posted as a Director of the Corporation for the first time.

2. There is no special interest between the above candidates and the Corporation.

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

4. 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 receive his useful opinions from his broad perspective as top management of the above mentioned companies.

- (ii) Mr. Akiyoshi Morita serves as an advisor of AICHI STEEL. Our corporate group purchases components from AICHI STEEL and its corporate group. This year, such purchases amounted to 643 million yen, which constituted only 0.27% 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 two years at the close of this General Meeting of Shareholders.
- (iv) With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation enter 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 plans to designate Mr. Akiyoshi Morita as the "Independent Director" as required by the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and made a required notification therefore to these stock exchanges.

5. 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. The Corporation proposes his appointment as Outside Director, considering that the Corporation will be able to receive his useful opinions from his broad perspective as top management of the above mentioned company.
- (ii) Mr. Masahiro Sugino serves as an advisor of LIXIL. Our corporate group sells products to LIXIL and its corporate group. This year, such sales amounted to 4 million yen, which constituted only 0.01% of our consolidated net sales.
- (iii) If Mr. Masahiro Sugino appointed to be an Outside Director, with respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation will enter 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.
- (iv) The Corporation plans to designate Mr. Masahiro Sugino as the "Independent Director" as required by the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and made a required notification therefore to these stock exchanges.

6. The stated 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: 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 Director and Audit & Supervisory Board Members are fixed, and they are not eligible to receive bonus payments.

At end of the period, the Corporation has 12 directors. In accordance with above policy, we would like to pay directors' bonuses to 11 directors in the amount of 190 million yen considering performance during the period. This is with the exception of Mr. Akiyoshi Morita, who is an Outside Director.

**Agenda Item No. 4: Determination of the amount of compensation of and specific details concerning the stock acquisition rights for the purpose of granting stock options to Directors**

At the 76th Ordinary General Meeting of Shareholders of the Corporation held on May 16, 1989, approval was granted for the annual amounts of compensation for Directors to fall within 240 million yen, which currently remains effective, and the Corporation terminated its retirement allowance plan for Directors and Audit & Supervisory Board Members as of the end of the 94th Ordinary General Meeting of Shareholders of the Corporation held on June 29, 2006. Following the termination of such plan, Directors of the Corporation contribute a part of their monthly compensation to a stock ownership plan to appropriate such compensation for acquiring the stock of the Corporation. In the present time, the Corporation would like to allot stock acquisition rights for the purpose of granting stock options to its Directors (excluding Outside Directors; hereinafter the same in this agenda) 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.



Therefore, comprehensively considering various matters, such as the degree of contributions of Directors to the Corporation, the Corporation would like to set the amount of annual compensations relating to the stock acquisition rights for the purpose of granting stock options to Directors at within 100 million yen, separately from the amount of existing Director compensation.

As this stock option is a “stock compensation-type stock option” in which the amount to be paid per share upon the exercise of the stock acquisition right is one (1) yen, and because the Corporation made the decision upon considering various matters, such as the degree of contributions of Directors, we consider the details thereof to be appropriate.

In addition, the consideration for the stock acquisition right for the purpose of granting stock options that is to be determined based on the fair value when it is allotted is to be paid by setting off against the Directors’ rights to compensations relating to the stock acquisition rights for the purpose of granting stock options set forth in this agenda item, instead of actual payment thereof.

Currently, there are 12 Directors (including one Outside Director) and, if Agenda Item No. 2 is approved, there will be 14 Directors (including two Outside Directors).

(i) Underlying share classes and number of shares per stock acquisition right

Ten shares of common stock of the Corporation shall be granted per one stock acquisition right. However, in the event the Corporation conducts a share split (including gratuitous allocation share of common shares of the Corporation; hereinafter, the same shall apply, when referring to share split) or reverse stock split, after the date of resolution of the proposal (hereinafter referred to as the “Date of Resolution”), the number of shares granted will be adjusted in accordance with the following formula. Fractions of shares resulting from the adjustment will be truncated to the nearest whole share.

Number of shares granted after adjustment = Number of shares granted before adjustment × Stock split ratio or reverse stock split ratio

Moreover, in the event that the Corporation is, after the Date of Resolution, subject to merger, company split or any other similar cases other than the above, in which it is necessary to adjust the number of shares granted, the Corporation may appropriately adjust the number of shares granted to a reasonable extent.

(ii) Total number of stock acquisition rights

The maximum number of stock acquisition rights allotted to Directors (excluding Outside Directors) within one year from the date of the Ordinary General Meeting of Shareholders for the corresponding business year shall be 5,000 (total number of shares to be acquired upon exercise of the stock acquisition rights is 50,000 shares, which represents 0.03% of the total number of issued shares (excluding treasury shares) as of the end of March, 2015).

(iii) Amount to be paid in for the stock acquisition rights

The amount to be paid in for one stock acquisition right shall be the amount to be determined at the Board of Directors meeting of the Corporation based on the fair value of the stock acquisition rights calculated using a fair calculation method for the allotment of stock acquisition rights, such as the Black-Scholes Model.

(iv) Amount of assets to be contributed upon exercise of the stock acquisition rights

The amount of assets to be contributed upon exercise of each stock acquisition right shall be an amount obtained by multiplying the exercise price per share to be issued upon exercise of such stock acquisition rights (which shall be one yen), by the number of shares granted.

(v) Period during which the stock acquisition rights may be exercised

The exercise period must lie within fifty years from the day following the allotment date of the stock acquisition rights and shall be determined at the Board of Directors meeting of the Corporation.

(vi) Restriction on acquisition of stock acquisition rights by way of transfer

The acquisition of stock acquisition rights by transfer requires the approval by a resolution of the Board of Directors meeting of the Corporation.

(vii) Terms for exercise of stock acquisition rights

Persons who receive an allotment of the stock acquisition rights are permitted to exercise stock acquisition rights on or after the day following the day on which they cease to hold a position as Director of the Corporation. Any other terms for the exercise of stock acquisition rights shall be determined at the Board of Directors meeting of the Corporation.