

(Summary English Translation of the Notice of the 104th Ordinary General Meeting of Shareholders Originally Issued in Japanese Language)

## MAKITA CORPORATION

(Stock code: 6586)  
June 6, 2016

To the Shareholders of  
MAKITA CORPORATION

### **NOTICE OF THE 104TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are respectfully requested to attend the 104th Ordinary General Meeting of Shareholders of MAKITA CORPORATION, which is hereby announced.

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

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

1. **Date and Time:** 10 a.m., Tuesday, June 28, 2016
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 104th period (from April 1, 2015 to March 31, 2016) and the Audit Reports on such Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Board
2. The Financial Statements for the 104th period

**Items to be Resolved:**

- No.1** Appropriation of Surplus
- No.2** Election of 3 Audit & Supervisory Board Members
- No.3** Payment of Bonus to Directors

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

## **BUSINESS REPORT**

(From April 1, 2015 to March 31, 2016)

### **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, 2016, the Western European economy remained solid mainly in the major countries, while the Russian economy remained sluggish due to such factors as the impact of lower oil prices and a weaker ruble. The US economy gradually expanded on the back of robust consumer spending and housing investment. In Asia, the Chinese economy slowed down, causing the economies of neighboring countries to stagnate. Meanwhile, there were signs that the recovery in the Japanese economy was sputtering due to weak consumer spending, despite improvements in corporate results and the employment environment.

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 cordless tools that are compact in size but achieve high output with the installation of brushless electric motors. On the production side, overseas factories strove to reduce costs while raising local content ratios. To improve product quality and enhance productivity, we worked on introducing facilities that require less manpower in each factory worldwide. On the sales side, while we continued to carry out customer-based sales activities in Japan based on our network of 114 business locations nationwide, we strove to disseminate the Makita brand abroad by offering the most appropriate products and services from our vast family of products to accommodate the different needs in various countries and regions, as well as maintaining and improving our customer-based sales and after-sales service through various efforts including establishment of our new sales branches in Bolivia in October 2015, Latvia in January 2016 and Krasnodar, Russia in March 2016.

Our consolidated net sales for this year increased by 2.1% to 423,623 million yen compared to the previous year due to generally robust sales within and outside Japan, marking the sixth consecutive years of increasing sales, and an all-time high.

Net sales results by region were as follows.

Net sales in Japan increased by 1.0% to 68,445 million yen compared to the previous year. This was due to factors such as a further expansion of the lithium-ion battery product line and aggressive launches of new products.

Net sales in Europe decreased by 0.7% to 173,987 million yen. Despite steady sales in most countries, this was because of decreased sales in Russia and the yen's appreciation against the euro.

Net sales in North America increased by 18.5% to 67,759 million yen. This was due to robust demand for electric power tools as the economy expanded in the US, as well as the yen's depreciation against the US dollar compared to the previous year.

Net sales in Asia increased by 4.5% to 41,443 million yen. This was due to robust sales in countries such as Vietnam and the yen's depreciation against local currencies, despite sluggish demand in some countries due to the slowdown of the Chinese economy.

The sales situations in other regions were as follows. Net sales in Central and South America decreased by 13.7% to 26,149 million yen compared to the previous year due to sluggish sales in Brazil and the yen's appreciation against local currencies, despite increased demand in Mexico and other regions influenced by the U.S. economy. Net sales in Oceania increased by 3.8% to 24,653 million yen on the back of robust sales. Net sales in the Middle East and Africa increased by 1.5% to 21,187 million yen due to the yen's depreciation against local currencies, despite the impact of political unrest and lower oil prices, etc.

Overall, overseas sales accounted for 83.8% of total sales.

Operating income decreased by 10.1% to 64,676 million yen (operating income ratio: 15.3%) compared to the previous year, owing to deterioration in the cost-of-sales ratio due to the influence of exchange rate. Income before income taxes and net income attributable to Makita Corporation decreased by 10.1% to 61,492 million yen (income before income taxes ratio: 14.5%) and by 8.1% to 41,615 million yen (net income attributable to Makita Corporation ratio: 9.8%) compared to the previous year.

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

In the future, demand is unlikely to grow sharply in developed countries. Meanwhile, competition between companies is expected to intensify. In addition, as to emerging countries, it does not seem probable that demand in China, Russia and

Brazil will turn significantly positive. 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 strengthening 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.

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

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

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

### (3) Capital Expenditures

During the period, Makita allocated 11,769 million yen for its capital expenditures. These funds used by the Corporation amounted to 3,830 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 7,939 million yen. This reflected mainly capital expenditures for machinery equipment and metal molds for new products at the China plant and machinery equipment and metal molds for new products at the Romania plant.

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

Description	101st period (ended March 31, 2013)	102nd period (ended March 31, 2014)	103rd period (ended March 31, 2015)	104th period (ended March 31, 2016)
Net sales (Millions of Yen)	309,630	383,207	414,718	423,623
Operating income (Millions of Yen)	45,366	54,914	71,905	64,676
Income before income taxes (Millions of Yen)	45,691	56,974	68,394	61,492
Net income attributable to Makita Corporation (Millions of Yen)	31,076	38,453	45,307	41,615
Earning per share (Basic) Net income attributable to Makita Corporation common shareholders (Yen)	228.92	283.28	333.79	306.59
Total assets (Millions of Yen)	440,974	519,121	575,328	558,024
Total Makita Corporation Shareholders' equity (Millions of Yen)	373,543	435,934	486,021	479,752
Return on equity (%)	8.9	9.5	9.8	8.6

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

4. 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 Werkzeug G.m.b.H. (Germany)	EUR 7,669	100.0*	Sales of power tools
Makita France SAS	EUR 12,436	55.0*	Sales of power tools
Makita Oy (Finland)	EUR 100	100.0*	Sales of power tools
Makita Gulf FZE (U.A.E.)	AED 22,391	100.0	Sales of power tools
Makita (China) Co., Ltd.	USD 80,000	100.0	Production and sales of power tools
Makita (Kunshan) Co., Ltd.	USD 25,000	100.0	Production of power tools
Makita (Australia) Pty. Ltd.	AUD 13,000	100.0	Sales of power tools
Makita do Brasil Ferramentas Elétricas Ltda.	BRL 254,929	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

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

## 2. Subsidiaries

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

**(8) Employees**

## 1. Employees of Makita

Number of Employees	Increase / Decrease
14,784	949 (Increase)

## 2. Employees of the Corporation

Number of Employees	Increase / Decrease	Average Age	Average Years of Service
2,856	22 (Decrease)	41.0	18.1

## 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: 135,733,261 shares  
(excluding treasury stock of 4,275,499 shares)
- (3) Number of Shareholders: 8,397

### (4) Major Shareholders:

Name of Shareholders	Number of shares held (Thousands of Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	7,928	5.84
Japan Trustee Services Bank, Ltd. (Trust account)	6,192	4.56
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,213	3.10
Maruwa, Ltd.	4,069	2.99
Makita Cooperation Companies' Investment Association	3,712	2.73
The Bank of New York Mellon SA/NV 10	3,402	2.50
The Bank of New York Mellon as Depository Bank for DR Holders	3,352	2.46
Sumitomo Mitsui Banking Corporation	2,900	2.13
Nippon Life Insurance Company	2,558	1.88
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,547	1.87

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

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

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

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

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

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

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

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

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

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

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

Title	Name	Position at the Corporation and Important Concurrent Posts
Chairman*	Masahiko Goto	
President*	Shiro Hori	
Director Managing Corporate Officer	Tadayoshi Torii	
Director Corporate Officer	Tomoyasu Kato	General Manager of Research and Development Headquarters
Director Corporate Officer	Hisayoshi Niwa	General Manager of Quality Headquarters
Director Corporate Officer	Shinichiro Tomita	General Manager of Purchasing Headquarters
Director Corporate Officer	Tetsuhisa Kaneko	General Manager of Production Headquarters
Director Corporate Officer	Yoji Aoki	General Manager of Administration Headquarters
Director Corporate Officer	Tomoyuki Ota	Assistant General Manager of Research and Development Headquarters
Director Corporate Officer	Munetoshi Goto	General Manager of International Sales Headquarters
Director Corporate Officer	Takashi Tsuchiya	General Manager of Domestic Sales Marketing Headquarters
Director Corporate Officer	Masaki Yoshida	Assistant General Manager of Production Headquarters (in charge of China plant)
Director	Akiyoshi Morita	Advisor of Aichi Steel Corporation Outside Director of Showa Denko K.K.
Director	Masahiro Sugino	Advisor of LIXIL Corporation
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 Daihatsu Motor Co., Ltd.

Notes: 1. \* denotes Representative Director.

2. In order to promote swift execution of group strategies and strengthen the business affairs of Makita, the Corporation has introduced the Corporate Officer System. Corporate officers consist of 18 members including directors.
3. Mr. Akiyoshi Morita and Mr. Masahiro Sugino are Outside Directors.
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. Changes of Directors during the period
  - 1) At the 103rd Ordinary General Meeting of Shareholders held on June 25, 2015, the following Director retired from its office.
 

Director	Tadashi Asanuma
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  - 2) At the 103rd Ordinary General Meeting of Shareholders held on June 25, 2015, the following Directors were newly elected and assumed office.
 

Director	Takashi Tsuchiya
Director	Masaki Yoshida
Director	Masahiro Sugino
  - 3) Changes of Directors positions during the period  
On June 25, 2015, the following changes of Directors positions were made.

Name	After	Before
Tadayoshi Torii	Director, Managing Corporate Officer	Director, Managing Corporate Officer In charge of Production and General Manager of Production Headquarters
Tetsuhisa Kaneko	Director, Corporate Officer General Manager of Production Headquarters	Director, Corporate Officer General Manager of Production Headquarters (in charge of China plant)

8. The Corporation has designated Mr. Akiyoshi Morita and Mr. Masahiro Sugino each 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	Stock Option (Millions of Yen)	Number of payment recipients
Directors	371	141	15	195	12	35	11
Audit & Supervisory Board Members	41	41	4	-	-	-	-
Total	412	182	19	195	12	35	11

Notes: 1. The aggregate amount of base compensation includes the amount of 34 million yen paid to Outside Executives (2 Outside Directors and 3 Outside Audit & Supervisory Board Members).

2. The aggregate amount of base compensation includes compensation for the 1 Director retired on June 25, 2015 during its term of office.

3. Other than the above, the amount of 143 million yen was paid to 10 Directors who concurrently serve as employees as employee salaries (including bonuses).

4. In addition to the above, the amount of 9 million yen was paid to 1 Director who retired during the period as a retirement allowance for a Director. 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, 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, 2016 is 351 million yen, which will be paid to 5 Directors, excluding the amount that was paid at this time.

5. The maximum amounts of annual compensation for all Directors and Audit & Supervisory Board Members, each of which was approved by a resolution passed at the Ordinary General Meeting of Shareholders held in May 1989, is 240 million yen (excluding bonuses and the amounts paid to Directors who concurrently serve as employees as employee salaries) and 60 million yen, respectively.

6. The maximum amount of annual compensation relating to stock-compensation-type stock options allocated to Directors, which was approved by a resolution passed at the Ordinary General Meeting of Shareholders held in June 2015, is 100 million yen, in addition to the amount of compensation set forth in Note 5 above.

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

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

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

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

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

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

1. Director, Akiyoshi Morita
  - (i) Relation between important organization of concurrent post and the Corporation  
There is no special interest between important organization of concurrent post and the Corporation.
  - (ii) Major activities during the period  
Mr. Morita attended all meetings of the Board of Directors. At the attended meetings, he expressed his opinions as necessary based on the great perspective and management experience in the Toyota Group companies which are a world's leading corporate group.
  - (iii) Outline of Liability Limitation Agreement  
With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Morita which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act.
2. Director, Masahiro Sugino
  - (i) Relation between important organization of concurrent post and the Corporation  
There is no special interest between important organization of concurrent post and the Corporation.
  - (ii) Major activities during the period  
Mr. Sugino attended 9 of the 10 meetings of the Board of Directors (attendance rate: 90%) after his assumption on June 25, 2015. At the attended meetings, he expressed his opinions as necessary based on the great perspective and management experience in the LIXIL Group companies which are a world's leading corporate group.
  - (iii) Outline of Liability Limitation Agreement  
With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Sugino which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act.
3. Audit & Supervisory Board Member, 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.
4. 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 and the Audit & Supervisory Board. 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.

5. Audit & Supervisory Board Member, Fusahiro Yamamoto

(i) Relation between important organization of concurrent post and the Corporation

There is no special interest between important organization of concurrent post and the Corporation.

(ii) Major activities during the period

Mr. Yamamoto attended 11 of the 12 meetings of the Board of Directors (attendance rate: 92%) and all meetings of Audit & Supervisory Board. At the attended meetings, he expressed his opinions from the professional perspective of certified public accountant.

(iii) Outline of Liability Limitation Agreement

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

**5. Accounting Auditor**

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

**(2) Compensation and Other Amounts**

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

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

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

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

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

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 Shareholders.

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

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

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

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

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

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

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

1. Compliance

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

## 2. Risk management

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

## 3. Internal audits

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

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

- (i) The Board of Directors approved annual targets set by each department and oversaw their progress toward achievement.
- (ii) Corporate Officers in charge of operation (18 officers as of March 31, 2016, including 5 officers overseas) were assigned to major departments in order to operate business systematically and efficiently.

## 5. Duties of Audit & Supervisory Board Members

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

## **CONSOLIDATED BALANCE SHEET**

(As of March 31, 2016)

(Millions of Yen)

(Assets)		(Liabilities)	
<b>Current assets</b>	<b>427,573</b>	<b>Current liabilities</b>	<b>64,898</b>
Cash and cash equivalents	99,915	Short-term borrowings	2,195
Time deposits	15,545	Trade notes and accounts payable	20,620
Short-term investments	48,263	Other payables	6,521
Trade receivables-		Accrued expenses	9,350
Notes	1,079	Accrued payroll	9,143
Accounts	64,309	Income taxes payable	4,440
Less- Allowance for doubtful receivables	(1,173)	Deferred income taxes	3,084
Inventories	178,791	Other liabilities	9,545
Deferred income taxes	5,454	<b>Long-term liabilities</b>	<b>9,756</b>
Prepaid expenses and other current assets	15,390	Long-term indebtedness	30
<b>Property, plant and equipment, at cost</b>	<b>92,823</b>	Accrued retirement and termination benefits	3,271
Land	22,436	Deferred income taxes	4,974
Buildings and improvements	94,704	Other liabilities	1,481
Machinery and equipment	91,365	<b>Total liabilities</b>	<b>74,654</b>
Construction in progress	2,662	(Equity)	
Less- Accumulated depreciation and amortization	(118,344)	Common stock	23,805
<b>Investments and other assets</b>	<b>37,628</b>	Additional paid-in capital	45,456
Investments	21,872	Legal reserve and retained earnings	
Goodwill	721	Legal reserve	5,669
Other intangible assets, net	4,107	Retained earnings	425,473
Deferred income taxes	610	Accumulated other comprehensive income (loss)	(9,049)
Other assets	10,318	Treasury stock, at cost	(11,602)
		<b>Total Makita Corporation shareholders' equity</b>	<b>479,752</b>
		Non-controlling interest	3,618
		<b>Total equity</b>	<b>483,370</b>
<b>Total assets</b>	<b>558,024</b>	<b>Total liabilities and equity</b>	<b>558,024</b>

## **CONSOLIDATED STATEMENT OF INCOME**

(From April 1, 2015 to March 31, 2016)

(Millions of Yen)

<b>Net sales</b>		<b>423,623</b>
<b>Cost of sales</b>		<b>270,121</b>
<b>Gross profit</b>		<b>153,502</b>
Selling, general, administrative and others, net		88,826
<b>Operating income</b>		<b>64,676</b>
<b>Other income (Expense):</b>		
Interest and dividend income	2,468	
Interest expense	(115)	
Exchange losses on foreign currency transactions, net	(1,552)	
Realized gains on securities, net	1,418	
Loss on valuation of securities	(5,403)	(3,184)
<b>Income before income taxes</b>		<b>61,492</b>
Income tax expense:		
Current	18,707	
Deferred	812	19,519
<b>Net income</b>		<b>41,973</b>
Less- Net income attributable to the non-controlling interest		358
<b>Net income attributable to Makita Corporation</b>		<b>41,615</b>

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

(From April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Makita Corporation shareholders' equity					
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Beginning balance	23,805	45,421	5,669	399,874	22,842	(11,590)
Purchases and disposal of treasury stock, net						(12)
Cash dividends				(16,016)		
Comprehensive income:						
Net income				41,615		
Other comprehensive income (loss)					(31,891)	
Other increase		35				
Ending balance	23,805	45,456	5,669	425,473	(9,049)	(11,602)

	Total Makita Corporation's shareholders' equity	Non- controlling interest	Total
Beginning balance	486,021	3,564	489,585
Purchases and disposal of treasury stock, net	(12)		(12)
Cash dividends	(16,016)	(177)	(16,193)
Comprehensive income:			
Net income	41,615	358	41,973
Other comprehensive income (loss)	(31,891)	(127)	(32,018)
Other increase	35		35
Ending balance	479,752	3,618	483,370

## **BALANCE SHEET**

(As of March 31, 2016)

(Millions of Yen)

(Assets)		(Liabilities)	
<b>Current assets</b>	<b>103,226</b>	<b>Current liabilities</b>	<b>25,317</b>
Cash and time deposits	9,902	Trade accounts payable	13,059
Trade notes receivable	237	Other payable	2,360
Trade accounts receivable	26,613	Accrued expenses	5,524
Marketable securities	19,512	Income taxes payable	2,151
Finished goods and merchandise	15,553	Allowance for directors' bonuses	195
Work-in-process	1,213	Allowance for product warranties	490
Raw materials and supplies	2,828	Allowances for environmental measures	560
Short-term loans receivable	23,391	Other	978
Deferred income tax assets	2,323	<b>Long term liabilities</b>	<b>1,758</b>
Other	1,661	Retirement and termination allowances	233
Allowance for doubtful accounts	(7)	Retirement allowances for directors and audit & supervisory board members	351
		Long-term deposits payable	248
<b>Fixed assets</b>	<b>178,812</b>	Asset retirement obligation	28
<b>Tangible fixed assets</b>	<b>38,443</b>	Deferred income tax liabilities	898
Buildings	18,842	<b>Total liabilities</b>	<b>27,075</b>
Structures	752		
Machinery and equipment	1,325	(Net assets)	
Vehicles and transportation equipment	64	<b>Shareholders' equity</b>	<b>247,509</b>
Tools, furniture and fixtures	3,099	<b>Common stock</b>	<b>24,206</b>
Land	13,824	<b>Capital surplus</b>	<b>47,527</b>
Construction in progress	537	Additional paid-in capital	47,525
<b>Intangible fixed assets</b>	<b>2,805</b>	Other capital surplus	2
Software	865	<b>Retained earnings</b>	<b>187,378</b>
Industrial property rights	1,476	Legal reserve	5,669
Other	464	Other retained earnings	181,709
<b>Investment and other assets</b>	<b>137,564</b>	Reserve for dividend	750
Investment securities	25,693	Reserve for technical research	1,500
Stocks of affiliates	63,248	Reserve for advanced depreciation	1,465
Investment in affiliates	38,892	General reserves	85,000
Long-term loans receivable	775	Retained earnings carried forward	92,994
Lease deposits	300	<b>Treasury stock</b>	<b>(11,602)</b>
Prepaid pension expenses	8,612	<b>Valuation and translation adjustments</b>	<b>7,419</b>
Other	44	Net unrealized gains on securities	7,419
		<b>Stock acquisition rights</b>	<b>35</b>
		<b>Total net assets</b>	<b>254,963</b>
<b>Total assets</b>	<b>282,038</b>	<b>Total liabilities and net assets</b>	<b>282,038</b>

## **STATEMENT OF INCOME**

(From April 1, 2015 to March 31, 2016)

(Millions of Yen)

<b>Net sales</b>		<b>169,180</b>
<b>Cost of sales</b>		<b>118,880</b>
<b>Gross profit</b>		<b>50,300</b>
Selling, general and administrative expenses		31,808
<b>Operating income</b>		<b>18,492</b>
<b>Non-operating income</b>		
Interest and dividend income	14,112	
Other non-operating income	1,103	15,215
<b>Non-operating expense</b>		
Foreign withholding taxes	584	
Exchange losses on foreign currency transactions	624	1,208
<b>Ordinary income</b>		<b>32,499</b>
<b>Extraordinary gain</b>		
Gain on sales of investment securities	620	
Reversal of allowance for doubtful accounts	15	635
<b>Extraordinary loss</b>		
Loss on disposal of fixed asset	61	
Unrealized losses on stock investment securities	4,659	4,720
<b>Income before income taxes</b>		<b>28,414</b>
Income taxes - current		5,581
Income taxes - deferred		(723)
<b>Net income</b>		<b>23,556</b>

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

(From April 1, 2015 to March 31, 2016)

(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
Changes during the period				
Transfer to reserve for advanced depreciation	-	-	-	-
Reversal of reserve for advanced depreciation	-	-	-	-
Dividends paid	-	-	-	-
Net income	-	-	-	-
Purchase of treasury stock	-	-	-	-
Disposal of treasury stock	-	-	1	1
Net change of items other than shareholders' equity	-	-	-	-
Total changes during the period	-	-	1	1
Ending balance	24,206	47,525	2	47,527

	Shareholders' equity								
	Retained earnings							Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings				Retained earnings carried forward	Total retained earnings		
Reserve for dividend		Reserve for technical research	Reserve for advanced depreciation	General reserves					
Beginning balance	5,669	750	1,500	1,477	85,000	85,442	179,838	(11,590)	239,980
Changes during the period									
Transfer to reserve for advanced depreciation	-	-	-	33	-	(33)	-	-	-
Reversal of reserve for advanced depreciation	-	-	-	(45)	-	45	-	-	-
Dividends paid	-	-	-	-	-	(16,016)	(16,016)	-	(16,016)
Net income	-	-	-	-	-	23,556	23,556	-	23,556
Purchase of treasury stock	-	-	-	-	-	-	-	(12)	(12)
Disposal of treasury stock	-	-	-	-	-	-	-	0	1
Net change of items other than shareholders' equity	-	-	-	-	-	-	-	-	-
Total changes during the period	-	-	-	(12)	-	7,552	7,540	(12)	7,529
Ending balance	5,669	750	1,500	1,465	85,000	92,994	187,378	(11,602)	247,509

(Millions of Yen)

	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Net unrealized gains on securities	Total valuation and translation adjustments		
Beginning balance	10,750	10,750	-	250,730
Changes during the period				
Transfer to reserve for advanced depreciation	-	-	-	-
Reversal of reserve for advanced depreciation	-	-	-	-
Dividends paid	-	-	-	(16,016)
Net income	-	-	-	23,556
Purchase of treasury stock	-	-	-	(12)
Disposal of treasury stock	-	-	-	1
Net change of items other than shareholders' equity	(3,331)	(3,331)	35	(3,296)
Total changes during the period	(3,331)	(3,331)	35	4,233
Ending balance	7,419	7,419	35	254,963

**Independent Auditor's Report**

May 23, 2016

The Board of Directors  
Makita Corporation

KPMG AZSA LLC

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

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

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to consolidated financial statements of Makita Corporation as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

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

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

**Auditor's Responsibility**

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

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

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

**Opinion**

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

**Other Matter**

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

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

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

**Independent Auditor's Report**

May 23, 2016

The Board of Directors  
Makita Corporation

KPMG AZSA LLC

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

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

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the notes to non-consolidated financial statements, and the supplementary schedules of Makita Corporation as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 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 104th period, from April 1, 2015 to March 31, 2016, does hereby report the results of their audit as follows:

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

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

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

### 2. Results of Audit

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

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

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

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

(3) Results of Audit of the Consolidated Financial Statements

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

May 25, 2016

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 year-end dividends to shareholders as follows.

As this dividend, the total dividends for the period under review shall amount to 101 yen per share that include interim dividends in the amount of 18 yen per share, and the consolidated dividend payout ratio is 32.9%.

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

83 yen per share of common stock

Total amount: 11,265,860,663 yen

2. Effective date of dividend payment

June 29, 2016

#### **Agenda Item No. 2:** Election of 3 Audit & Supervisory Board Members

The term of office of 3 Audit & Supervisory Board Members presently in office, Mr. Toshihito Yamazoe, Mr. Haruhito Hisatsune, and Mr. Michiyuki Kondo will have expired at the conclusion of this General Shareholders' Meeting. We would like to request the election of 3 Audit & Supervisory Board Members.

The candidates are as follows:

Audit & Supervisory Board has agreed to this proposal.

Candidate Number	Name (Date of birth)	Brief personal background, title and position and Important concurrent posts	Number of the Corporation's shares held
1*	Mitsuhiko Wakayama (July 6, 1956)	March 1981 Joined the Corporation October 2007 General Manager of America Sales Department April 2012 General Manager of Latin America Sales Department (present)	3,900
2*	Akira Kodama (April 30, 1954)	April 1978 Joined the Bank of Japan March 1987 Seconded to Ministry of Foreign Affairs of Japan November 1999 Senior Examiner of Examination Department of the Bank of Japan December 2003 Chief Representative in Hong Kong December 2005 Director of International Department (in charge of Center for Monetary Cooperation in Asia) July 2008 Joined the Hekikai Shinkin Bank Senior Manager of Corporate Solution October 2008 General Manager of Corporate Solution June 2009 Standing Director April 2011 Managing Director and Corporate Officer June 2014 Standing Corporate Auditor (present) (scheduled to retire from the bank in June 2016)	-
3*	Shoji Inoue (July 29, 1957)	April 1991 Attorney-at-law, admitted and belonging to the Nagoya Bar Association (currently, Aichi Bar Association) April 1991 Joined Katayama Kinji Law Firm July 2009 Established Inoue Shoji Law Firm October 2010 Appointed as a Civil Conciliator at Nagoya Summary Court October 2013 Established Sao & Inoue Law Firm (present) June 2015 Outside Director of Meitetsu Transport Co., Ltd. (present) (Important Concurrent Posts) Attorney at Law (Sao & Inoue Law Firm) Outside Director of Meitetsu Transport Co., Ltd.	200

- Notes: 1. \* indicates a candidate to be posted as a Audit & Supervisory Board Member of the Corporation for the first time.
2. There is no special interest between the above candidates and the Corporation.
  3. Mr. Akira Kodama and Mr. Shoji Inoue are candidates for Outside Audit & Supervisory Board Members.
  4. The Corporation proposes the election of Mr. Akira Kodama as Outside Audit & Supervisory Board Member, considering that his many years of experience at financial institutions and his expertise in accounting, etc. will greatly contribute to the auditing system of the Corporation.
  5. The Corporation proposes the appointment of Mr. Shoji Inoue as an Outside Audit & Supervisory Board Member, considering that, although he does not have any experience directly involving the corporate management, he will be appropriate to perform the duties of such office with his extensive knowledge and expertise gained through his practice as attorney at law.
  6. If Mr. Akira Kodama and Mr. Shoji Inoue are appointed as Outside Audit & Supervisory Board Members, 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 them which limits the maximum amount of their liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act.
  7. The Corporation plans to designate Mr. Akira Kodama and Mr. Shoji Inoue as the “Independent Audit & Supervisory Board Members” as required by the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and make a required notification therefore to these stock exchanges.  
Although Mr. Akira Kodama had served as an executive officer of the Hekikai Shinkin Bank, which is one of the counterparty financial institution of the Corporation, the Corporation has no material business relations with the Hekikai Shinkin Bank, since the Corporation has only a term deposit with the Hekikai Shinkin Bank in an insignificant amount equivalent to 0.1% of the total deposit account of the Hekikai Shinkin Bank as of March 31, 2016.
  8. The stated number of the Corporation’s shares held by candidates for Audit & Supervisory Board Members represents the actual number of shares each candidate holds, including those vested to him in Makita’s stock ownership plan 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 14 directors. In accordance with above policy, we would like to pay directors’ bonuses to 12 directors in the amount of 195 million yen considering performance during the period. This is with the exception of Mr. Akiyoshi Morita and Mr. Masahiro Sugino, who are Outside Directors.