

MAKITA CORPORATION

(Stock code: 6586)

June 5, 2018

To the Shareholders of
MAKITA CORPORATION

NOTICE OF THE 106TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are respectfully requested to attend the 106th 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.

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

1. **Date and Time:** 10 a.m., Wednesday, June 27, 2018

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 106th period (from April 1, 2017 to March 31, 2018) and the Audit Reports on such Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. The Financial Statements for the 106th period

Items to be Resolved:

- No.1** Appropriation of Surplus
- No.2** Payment of Bonus to Directors

NOTE: 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.

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 10 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 61 yen per share that include interim dividends in the amount of 10 yen per share, and the consolidated dividend payout ratio is 30.2%.

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

51 yen per share of common stock

Total amount: 13,844,864,328 yen

2. Effective date of dividend payment

June 28, 2018

Agenda Item No. 2: Payment of Bonus to Directors

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

At end of the period, the Corporation has 13 directors. In accordance with above policy, we would like to pay directors' bonuses to 11 directors in the amount of 222 million yen considering performance during the period. This is with the exception of Mr. Akiyoshi Morita and Mr. Masahiro Sugino.

BUSINESS REPORT

(From April 1, 2017 to March 31, 2018)

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, 2018, developed countries' economies gradually recovered due to steady improvement in employment and income situation, although there were uncertainties regarding the international political situation and policies. In emerging countries, the economy in general remained robust, since domestic demand and exports grew steadily in Southeast Asia.

Under these circumstance, on the development side, Makita launched new products, mainly lithium-ion battery product lines, such as models with high power brushless motors featuring high power and speed equivalent to AC powered ones, and the industry's first ones that are wirelessly connected to vacuum cleaners. On the production side, our overseas factories strove to reduce costs while raising local content ratios. To improve product quality stability and enhance productivity, we continued to introduce facilities that require less manpower in each factory worldwide. On the sales side, while working hard to strengthen our community-and customer-based sales network, including the renovation of office buildings in New Zealand and Austria and the opening of sales and after-sales service bases in Poland, Lithuania, and Vietnam, we focused on expanding the sales of cordless gardening and cleaning tools.

Our consolidated net sales for this period increased by 15.0% from the previous year to 477,298 million yen, record-high sales, due to steady sales at home and abroad and depreciation of the yen compared with the previous year.

Net sales by region are as follows:

Net sales in Japan increased by 11.0% to 82,575 million yen compared to the previous year. This was due to robust sales of power tools and gardening equipment, mainly lithium-ion battery products.

Net sales in Europe increased by 19.6% to 202,054 million yen. This was due to a rise in sales in Western and Eastern Europe (almost in all regions).

Net sales in North America increased by 11.7% to 73,873 million yen, supported by solid housing demand.

Net sales in Asia increased by 10.0% to 44,094 million yen. This was due to recovery of sales in China.

Net sales in Central and South America increased by 20.8% to 27,922 million yen. This was because the Brazilian economy showed signs of breaking out from stagnation.

Net sales in Oceania increased by 24.7% to 31,284 million yen due to steady sales, mainly of lithium-ion battery products.

Net sales in the Middle East and Africa decreased by 9.9% to 15,496 million yen. This was because a fall in crude oil prices affected the economy and political uncertainty continued.

Overall, overseas sales accounted for 82.7% of total sales.

Operating income increased by 27.5% to 79,762 million yen (operating income ratio: 16.7%), thanks to the improvement in the cost-of-sales ratio due to the impact of the exchange rate and a rise in net sales.

Meanwhile, income before income taxes increased by 23.1% to 79,678 million yen (income before income taxes ratio: 16.7%) and net income attributable to Makita Corporation increased by 22.3% to 54,755 million yen (ratio of net income attributable to Makita Corporation: 11.5%).

(2) Management Challenges

In the future, Makita expects that the global economy will continue to recover gradually and demand will remain robust in markets where it has presence. However, uncertainty about the prospects for the economy is expected to remain high due to concerns over the Fed's interest rate policy and the Trump administration's trade policies and heightened geopolitical risks in Russia and the Middle East.

Under these circumstances, Makita is strengthening its R&D and product development capabilities with the focus on recharging and motor technologies. In addition, Makita is strengthening the development and sales expansion of new products by positioning rechargeable gardening equipment as a future pillar of business after electric power tools, with the aim of pursuing the further expansion of cordless power tools and the development of the market for gardening equipment. Besides, Makita is strengthening its global production organizations and enhancing the efficiency of its 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 gardening equipment.

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.

(3) Capital Expenditures

During the period, Makita allocated 14,149 million yen for its capital expenditures. These funds used by the Corporation amounted to 4,424 million yen. This reflected mainly capital expenditures for machinery equipment and metal molds for new products at the Okazaki plant. These funds also used by subsidiaries amounted to 9,725 million yen. This reflected mainly capital expenditures for machinery equipment and metal molds for new products at the China plant.

(4) Changes in Financial Position and Results of Operations

Description	103rd period (ended March 31, 2015)	104th period (ended March 31, 2016)	105th period (ended March 31, 2017)	106th period (ended March 31, 2018)
Net sales (Millions of Yen)	414,718	423,623	414,999	477,298
Operating income (Millions of Yen)	71,905	64,676	62,564	79,762
Income before income taxes (Millions of Yen)	68,394	61,492	64,738	79,678
Net income attributable to Makita Corporation (Millions of Yen)	45,307	41,615	44,782	54,755
Earning per share (Basic) Net income attributable to Makita Corporation common shareholders (Yen)	166.89	153.30	164.96	201.70
Earning per share (Diluted) Net income attributable to Makita Corporation common shareholders (Yen)	-	153.29	164.95	201.68
Total assets (Millions of Yen)	575,328	558,024	597,249	651,031
Total Makita Corporation shareholders' equity (Millions of Yen)	486,021	479,752	502,170	551,939
Return on equity (ROE) (%)	9.8	8.6	9.1	10.4

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

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

3. The Corporation implemented a two-for-one common stock split of the Corporation, effective April 1, 2017. Earning per share (Basic) Net income attributable to Makita Corporation common shareholders and earning per share (Diluted) Net income attributable to Makita Corporation common shareholders are calculated on the assumption that the relevant stock split had been implemented at the beginning of the 103rd period.

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

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

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

(5) Significant Subsidiaries

Company Name	Capital (Thousands)	Proportion of Ownership and Voting interest (%)	Principal Business
Makita U.S.A. Inc.	USD 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 LLC (Russia)	RUB 83,207	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 Elébricas Ltda.	BRL 717,567	99.9	Production and sales of power tools

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

(6) Principal Operations

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

(7) Principal Sales Offices and Plants

1. The Corporation

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

2. Subsidiaries

Name	Location
For Sales	
Makita U.S.A. Inc.	Los Angeles (United States)
Makita (U.K.) Ltd.	London (United Kingdom)
Makita Werkzeug G.m.b.H.	Ratingen (Germany)
Makita France SAS	Bussy Saint-Georges (France)
Makita Oy	Helsinki (Finland)
Makita LLC	Moscow (Russia)
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 Elébricas Ltda.	Ponta Grossa (Brazil)
For Production	
Makita (Kunshan) Co., Ltd.	Kunshan, Jiangsu (China)

(8) Employees

1. Employees of Makita

Number of Employees	Increase / Decrease
16,137	793 (Increase)

2. Employees of the Corporation

Number of Employees	Increase / Decrease	Average Age	Average Years of Service
2,877	24 (Increase)	41.6	18.5

2. Shareholding Status of the Corporation

- (1) Total Number of Shares Authorized to be Issued by the Corporation: 992,000,000 shares
- (2) Total Number of Outstanding Shares: 280,017,520 shares
(including treasury stock of 8,549,592 shares)
- (3) Number of Shareholders: 9,165

(4) Major Shareholders:

Name of Shareholders	Number of shares held (Thousands of Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	18,272	6.73
Japan Trustee Services Bank, Ltd. (Trust account)	12,149	4.47
Maruwa, Ltd.	8,438	3.10
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,426	3.10
The Bank of New York Mellon as Depositary Bank for DR Holders	8,166	3.00
Makita Cooperation Companies' Investment Association	6,917	2.54
Japan Trustee Services Bank, Ltd. (Trust account 9)	6,191	2.28
State Street Bank and Trust Company 505001	6,003	2.21
Sumitomo Mitsui Banking Corporation	5,800	2.13
Nippon Life Insurance Company	5,115	1.88

Notes: 1. The Percentage is calculated based on the total number of outstanding shares (excluding treasury stock) at the end of the period.

2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd., effective April 1, 2018.

3. The Corporation owns treasury stock of 8,549,592 shares, but this is excluded from the major shareholders listed above.

(5) Other significant matter regarding Shareholding Status:

The Corporation implemented a two-for-one common stock split of the Corporation, effective April 1, 2017. As a result, the total number of shares authorized to be issued and the total number of outstanding shares increased by 496,000,000 shares and 140,008,760 shares, respectively.

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

(1) Description of the terms of stock acquisition rights

Round of Issuance (Date of Resolution of Issuance at the 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 (per share) (Yen)	Amount to be paid upon exercise of Stock Acquisition Rights (per share) (Yen)	Exercise Period of Stock Acquisition Rights
First Stock Acquisition Rights (July 31, 2015)	480	Common Stock 9,600	3,316	1	From August 19, 2015 To August 18, 2065
Second Stock Acquisition Rights (July 28, 2016)	468	Common Stock 9,360	3,284	1	From August 19, 2016 To August 18, 2066
Third Stock Acquisition Rights (July 31, 2017)	511	Common Stock 10,220	3,892	1	From August 19, 2017 To August 18, 2067

Note: “Kind of shares and number of shares to be acquired upon exercise of Stock Acquisition Rights” and “Amount to be paid for Stock Acquisition Rights (per share)” for the First Stock Acquisition Rights and the Second Stock Acquisition Rights were adjusted due to a two-for-one common stock split of the Corporation implemented effective April 1, 2017.

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

Classification	Round of Issuance	Number of Stock Acquisition Rights	Kind of shares and number of shares to be acquired upon exercise of Stock Acquisition Rights	Number of Holders
Director	First Stock Acquisition Rights	480	Common Stock 9,600	8
	Second Stock Acquisition Rights	468	Common Stock 9,360	8
	Third Stock Acquisition Rights	511	Common Stock 10,220	10

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*	Munetoshi Goto	
Director Managing Corporate Officer	Tadayoshi Torii	General Manager of Production 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 Research and Development Headquarters
Director Corporate Officer	Tomoyuki Ota	Assistant General Manager of Research and Development Headquarters
Director Corporate Officer	Takashi Tsuchiya	General Manager of Domestic Sales Headquarters
Director Corporate Officer	Masaki Yoshida	Assistant General Manager of Production Headquarters (in charge of China plant)
Director Corporate Officer	Takashi Omote	General Manager of International Sales Headquarters
Director Corporate Officer	Yukihiro Otsu	General Manager of Administration Headquarters
Director	Akiyoshi Morita	Counselor of Aichi Steel Corporation
Director	Masahiro Sugino	Advisor of LIXIL Corporation Outside Director of MISAWA HOMES CO., LTD. Outside Director of KITAKEI CO., LTD.
Standing Audit & Supervisory Board Member	Mitsuhiko Wakayama	
Standing Audit & Supervisory Board Member	Akira Kodama	
Audit & Supervisory Board Member	Fusahiro Yamamoto	Representative of Yamamoto Accounting Office Outside Audit & Supervisory Board Member of SHIROKI Corporation Outside Audit & Supervisory Board Member of Daihatsu Motor Co., Ltd.
Audit & Supervisory Board Member	Shoji Inoue	Attorney at Law (Sao & Inoue Law Firm) Outside Director of Meitetsu Transport Co., Ltd.

Notes: 1. * denotes Representative Director.

2. In order to promote swift execution of group strategies and strengthen the business affairs of Makita, the Corporation has introduced the Corporate Officer System. Corporate officers consist of 18 members including directors.
3. Mr. Akiyoshi Morita and Mr. Masahiro Sugino are Outside Directors.
4. Mr. Akira Kodama, Mr. Fusahiro Yamamoto, and Mr. Shoji Inoue are Outside Audit & Supervisory Board Members.
5. Mr. Akira Kodama, a Standing Audit & Supervisory Board Member, has a substantial amount of expertise in finance and accounting, through experience working at financial institution for many years.
6. Mr. Fusahiro Yamamoto, an Audit & Supervisory Board Member, is a certified public accountant both of Japan and U.S.A., and has a substantial amount of expertise in finance and accounting.

7. Changes of Directors during the period

- 1) At the conclusion of the 105th Ordinary General Meeting of Shareholders held on June 28, 2017, the following Directors retired from its office.

Director	Shiro Hori
Director	Tomoyasu Kato
Director	Yoji Aoki

- 2) At the 105th Ordinary General Meeting of Shareholders held on June 28, 2017, the following Directors newly elected and assumed offices.

Director	Takashi Omote
Director	Yukihiro Otsu

- 3) At the Board of Directors of the Corporation held on June 28, 2017, the following Representative Director newly appointed and assumed the office.

Representative Director	Munetoshi Goto
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Also, Mr. Munetoshi Goto assumed the office of President on the same day.

4) Changes of Directors positions during the period

On June 28, 2017, the following changes of Directors positions were made.

Name	After	Before
Tadayoshi Torii	Director, Managing Corporate Officer General Manager of Production Headquarters	Director, Managing Corporate Officer
Tetsuhisa Kaneko	Director, Corporate Officer General Manager of Research and Development Headquarters	Director, Corporate Officer General Manager of Production Headquarters

8. Change in important concurrent post after the term

On April 1, 2018, the following change of Director position was made.

Name	After	Before
Masaki Yoshida	Director, Corporate Officer Assistant General Manager of Production Headquarters	Director, Corporate Officer Assistant General Manager of Production Headquarters (in charge of China plant)

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

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

Classification	Total amounts of Compensation (Millions of Yen)	Total amounts of each type of Compensation and Number of payment recipients					
		Base Compensation (Millions of Yen)	Number of payment recipients	Bonuses (Millions of Yen)	Number of payment recipients	Stock Option (Millions of Yen)	Number of payment recipients
Directors	395	132	16	222	11	41	13
Audit & Supervisory Board Members	41	41	4	-	-	-	-
Total	436	173	20	222	11	41	13

Notes: 1. The aggregate amount of base compensation includes the amount of 36 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 3 Directors retired on June 28, 2017 during those term of office.

3. Other than the above, the amount of 135 million yen was paid to 11 Directors who concurrently serve as employees as employee salaries (including bonuses).

4. In addition to the above, the amount of 23 million yen was paid to 2 Directors who retired during the period as a retirement allowance for Directors. The Corporation terminated the retirement allowance plan for Directors and Audit & Supervisory Board Members as of the conclusion of the ordinary general meeting of shareholders held on June 29, 2006. At such ordinary general meeting of shareholders, it was resolved that retirement allowance for Directors and Audit & Supervisory Board Members were to be paid at the time of each retirement, and it was further resolved that the determination of the specific amount, payment method and other related matters are left to resolutions of the Board of Directors with respect to the Directors and discussion of the Audit & Supervisory Board Members with respect to the Audit & Supervisory Board Members. The amount recorded in the retirement allowance for Directors and Audit & Supervisory Board Members as of March 31, 2018 is 326 million yen, which will be paid to 3 Directors.

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

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

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

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

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

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

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

(4) Outside Directors and Audit & Supervisory Board Members

1. Relation between important organization of concurrent post and the Corporation

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

2. Major activities during the period

Classification	Name	Attendance rate of the Board of Directors (total attended / total held)	Attendance rate of the Audit & Supervisory Board (total attended / total held)	Major activities
Director	Akiyoshi Morita	100% (12/12)	-	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.
Director	Masahiro Sugino	100% (12/12)	-	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.
Audit & Supervisory Board Member	Akira Kodama	100% (12/12)	100% (14/14)	He expressed his opinions from his independent position as necessary.
Audit & Supervisory Board Member	Fusahiro Yamamoto	100% (12/12)	100% (14/14)	He expressed his opinions from the professional perspective of certified public accountant.
Audit & Supervisory Board Member	Shoji Inoue	100% (12/12)	100% (14/14)	He expressed his opinions from the professional perspective of attorney at law.

3. 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 each of the Directors and each of the Audit & Supervisory Board Members 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.

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	159
2. Total amount of cash and other financial benefits payable by the Corporation and its subsidiaries to the Accounting Auditor	198

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

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

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

(3) Contents of Non-Audit Services

The Corporation entrusts advisory services on the introduction of International Financial Reporting Standards to KPMG AZSA LLC and pays consideration for such services.

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

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

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

6. Systems and Policies of the Corporation

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

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

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

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

7. Matters to ensure the independence of employees from Directors, as stated in the preceding item, and the effectiveness of directions given by Audit & Supervisory Board Members to those employees
 - (i) Employees assisting the duties of Audit & Supervisory Board Members shall not work concurrently at other divisions, but shall exclusively follow directions from Audit & Supervisory Board Members.
 - (ii) In order to ensure the independence of such employees from Directors, the consent of the Audit & Supervisory Board is required for matters concerning the appointment and change of such employees.

8. Systems in accordance with which the Directors and employees report to the Audit & Supervisory Board Members, other systems concerning reports to the Audit & Supervisory Board Members and systems to ensure that Directors and employees who make a report are not treated unfairly because of the report
 - (i) Directors, Corporate Officers and employees of Makita shall report to the Audit & Supervisory Board Members with respect to matters that may cause significant damage to Makita, important management matters, matters concerning misconduct, status of structures and operation of the internal control system, and the operation of internal reporting system and the results of reports received under such system.
 - (ii) The Corporation shall prepare a system that enables the Audit & Supervisory Board Members to request reports from Directors, Corporate Officers and employees of Makita when necessary and that the Audit & Supervisory Board to exchange opinions with the Directors and Accounting Auditors of Makita.
 - (iii) The Corporation prohibits any unfair treatment of Directors, Corporate Officers, and employees of Makita who make a report to the Audit & Supervisory Board Members as a result of such report, and ensures all Directors, Corporate Officers, and employees of Makita are informed to that effect.

9. Other systems to ensure that audits by the Audit & Supervisory Board Members will be conducted effectively
 - (i) In order to enhance the supervisory function of the Audit & Supervisory Board over Accounting Auditors, "Policies and Procedures concerning Prior Approval of Auditing and Non-Auditing Services" shall be established. In addition, to ensure that audits by the Audit & Supervisory Board Members will be conducted effectively, audit shall be conducted in accordance with Standards for audit by Audit & Supervisory Board.
 - (ii) Full amount of the compensation to Audit & Supervisory Board Members shall be fixed so that the independence of the Audit & Supervisory Board Members can be secured.
 - (iii) Expenses related to executing the duties of Audit & Supervisory Board Members are securely budgeted each fiscal year and borne by the Corporation.

10. Systems to ensure elimination of antisocial forces
 - (i) From the viewpoint of corporate social responsibility, Makita will consistently take a resolute stance against involvement in, and have absolutely no relationship with, the activities of antisocial forces that may threaten the order and the security of civil society.
 - (ii) Makita's policy of "no intervention by antisocial forces has been permitted" is publicly announced, both internally and outside the Corporation, by expressly stipulating such in the management policy/quality policy and by displaying such on the Corporation's website.
 - (iii) Ban on transactions with antisocial forces is expressly stated in the "Guidelines to the Code of Ethics for Makita" which prescribes the standards for officer and employee conduct applicable in the execution of their tasks. Each Director shall keep all Corporate Officers and employees informed of and in compliance with such prohibition.
 - (iv) The Corporation has been liaising closely with the police and external related organizations, including the Public Interest Incorporated Foundation for Aichi Residents' Conference for Violence, and endeavors to prevent any involvement in activities of antisocial forces, any damage caused thereby, and others.
 - (v) In addition to collecting information relevant to activities of antisocial forces from the police and external related organizations, the Corporation voluntarily participates in seminars. Also, the Corporation endeavors to share information within the Corporation and related departments of Makita.

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

1. Compliance

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

2. Risk management

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

3. Internal audits

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

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

- (i) The Board of Directors approved annual targets set by each department and oversaw their progress toward achievement.
- (ii) Corporate Officers in charge of operation (18 officers as of March 31, 2018, including 6 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, 2018)

(Millions of Yen)

(Assets)		(Liabilities)	
Current assets	496,577	Current liabilities	80,598
Cash and cash equivalents	147,320	Short-term borrowings	3,411
Time deposits	43,013	Trade notes and accounts payable	28,156
Short-term investments	14,782	Other payables	7,131
Trade receivables-		Accrued expenses	11,952
Notes	1,343	Accrued payroll	10,731
Accounts	79,092	Income taxes payable	9,720
Less- Allowance for doubtful receivables	(1,340)	Other liabilities	9,497
Inventories	196,217	Long-term liabilities	14,300
Prepaid expenses and other current assets	16,150	Accrued retirement and termination benefits	3,206
Property, plant and equipment, at cost	99,864	Deferred income taxes	9,391
Land	22,626	Other liabilities	1,703
Buildings and improvements	98,648	Total liabilities	94,898
Machinery and equipment	98,868		
Construction in progress	6,027	(Equity)	
Less- Accumulated depreciation and amortization	(126,305)	Common stock	23,805
Investments and other assets	54,590	Additional paid-in capital	45,531
Investments	33,815	Legal reserve and retained earnings	
Goodwill	721	Legal reserve	5,669
Other intangible assets, net	3,944	Retained earnings	497,456
Deferred income taxes	3,975	Accumulated other comprehensive income (loss)	(8,905)
Other assets	12,135	Treasury stock, at cost	(11,617)
		Total Makita Corporation shareholders' equity	551,939
		Non-controlling interest	4,194
		Total equity	556,133
Total assets	651,031	Total liabilities and equity	651,031

Note: Amounts less than 1 million yen have been rounded.

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

Net sales		477,298
Cost of sales		302,173
Gross profit		175,125
Selling, general, administrative and others, net		95,363
Operating income		79,762
Other income (Expense):		
Interest and dividend income	2,919	
Interest expense	(43)	
Exchange losses on foreign currency transactions, net	(3,235)	
Realized gains on securities, net	299	
Loss on valuation of securities	(24)	(84)
Income before income taxes		79,678
Provision for income taxes:		
Current	24,943	
Deferred	(536)	24,407
Net income		55,271
Less- Net income attributable to the non-controlling interest		516
Net income attributable to Makita Corporation		54,755

Note: Amounts less than 1 million yen have been rounded.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From April 1, 2017 to March 31, 2018)

(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	45,501	5,669	456,546	(17,728)	(11,623)
Purchases and disposal of treasury stock, net						(5)
Disposal of treasury stock by exercise of stock options		(11)				11
Cash dividends				(13,845)		
Comprehensive income:						
Net income				54,755		
Other comprehensive income (loss)					8,823	
Other increase		41				
Ending balance	23,805	45,531	5,669	497,456	(8,905)	(11,617)

	Total Makita Corporation's shareholders' equity	Non- controlling interest	Total
Beginning balance	502,170	3,641	505,811
Purchases and disposal of treasury stock, net	(5)		(5)
Disposal of treasury stock by exercise of stock options	0		0
Cash dividends	(13,845)	(180)	(14,025)
Comprehensive income:			
Net income	54,755	516	55,271
Other comprehensive income (loss)	8,823	217	9,040
Other increase	41		41
Ending balance	551,939	4,194	556,133

Note: Amounts less than 1 million yen have been rounded.

BALANCE SHEET

(As of March 31, 2018)

(Millions of Yen)

(Assets)		(Liabilities)	
Current assets	140,830	Current liabilities	62,449
Cash and time deposits	52,318	Trade accounts payable	43,855
Trade notes receivable	206	Other payable	3,477
Trade accounts receivable	49,080	Accrued expenses	6,355
Marketable securities	4,764	Income taxes payable	7,017
Finished goods and merchandise	19,103	Allowance for directors' bonuses	231
Work-in-process	1,319	Allowance for product warranties	482
Raw materials and supplies	3,294	Other	1,032
Short-term loans receivable	7,123	Long term liabilities	5,703
Deferred income tax assets	3,037	Retirement and termination allowance	247
Other	593	Retirement allowance for directors and audit & supervisory board members	326
Allowance for doubtful accounts	(7)	Long-term deposits payable	190
		Asset retirement obligation	29
Fixed assets	252,077	Deferred income tax liabilities	4,911
Tangible fixed assets	39,811	Total liabilities	68,152
Buildings	17,305		
Structures	654		
Machinery and equipment	2,111	(Net assets)	
Vehicles and transportation equipment	67	Shareholders' equity	307,733
Tools, furniture and fixtures	4,106	Common stock	24,206
Land	13,635	Capital surplus	47,544
Construction in progress	1,933	Additional paid-in capital	47,525
Intangible fixed assets	2,690	Other capital surplus	19
Software	763	Retained earnings	247,600
Industrial property rights	1,080	Legal reserve	5,669
Other	847	Other retained earnings	241,931
Investment and other assets	209,576	Reserve for dividend	750
Investment securities	43,797	Reserve for technical research	1,500
Stocks of affiliates	84,160	Reserve for advanced depreciation	1,370
Investment in affiliates	71,572	General reserves	85,000
Long-term loans receivable	374	Retained earnings carried forward	153,311
Lease deposits	302	Treasury stock	(11,617)
Prepaid pension cost	9,348	Valuation and translation adjustments	16,930
Other	23	Net unrealized gains on securities	16,930
		Stock acquisition rights	92
		Total net assets	324,755
Total assets	392,907	Total liabilities and net assets	392,907

Note: Amounts less than 1 million yen have been rounded.

STATEMENT OF INCOME

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

Net sales		309,647
Cost of sales		242,505
Gross profit		67,142
Selling, general and administrative expenses		37,136
Operating income		30,006
Non-operating income		
Interest and dividend income	30,391	
Other non-operating income	643	31,034
Non-operating expense		
Exchange losses on foreign currency transactions	276	
Other non-operating expense	2	278
Ordinary income		60,762
Extraordinary gain		
Gain on sales of fixed assets	2	
Reversal of allowance for environmental measures	491	493
Extraordinary loss		
Loss on sale and disposal of fixed assets	170	
Loss on valuation of securities	18	188
Income before income taxes		61,067
Income taxes - current		12,120
Income taxes - deferred		(485)
Net income		49,432

Note: Amounts less than 1 million yen have been rounded.

STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Beginning balance	24,206	47,525	2	47,527
Changes during the period				
Reversal of reserve for advanced depreciation				
Dividends paid				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			17	17
Net change of items other than shareholders' equity				
Total changes during the period			17	17
Ending balance	24,206	47,525	19	47,544

	Shareholders' equity								
	Retained earnings							Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings					Total retained earnings		
		Reserve for dividend	Reserve for technical research	Reserve for advanced depreciation	General reserves	Retained earnings carried forward			
Beginning balance	5,669	750	1,500	1,417	85,000	117,677	212,013	(11,623)	272,123
Changes during the period									
Reversal of reserve for advanced depreciation				(47)		47			
Dividends paid						(13,845)	(13,845)		(13,845)
Net income						49,432	49,432		49,432
Purchase of treasury stock								(6)	(6)
Disposal of treasury stock								12	29
Net change of items other than shareholders' equity									
Total changes during the period				(47)		35,634	35,587	6	35,610
Ending balance	5,669	750	1,500	1,370	85,000	153,311	247,600	(11,617)	307,733

(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	18,287	18,287	80	290,490
Changes during the period				
Reversal of reserve for advanced depreciation				
Dividends paid				(13,845)
Net income				49,432
Purchase of treasury stock				(6)
Disposal of treasury stock			(29)	0
Net change of items other than shareholders' equity	(1,357)	(1,357)	41	(1,316)
Total changes during the period	(1,357)	(1,357)	12	34,265
Ending balance	16,930	16,930	92	324,755

Note: Amounts less than 1 million yen have been rounded.

Independent Auditor's Report

May 21, 2018

The Board of Directors
Makita Corporation

KPMG AZSA LLC

Yasuyuki Morimoto (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, 2018 and for the year from April 1, 2017 to March 31, 2018 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.

Note 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 21, 2018

The Board of Directors
Makita Corporation

KPMG AZSA LLC

Yasuyuki Morimoto (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, 2018 and for the year from April 1, 2017 to March 31, 2018 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.

Note 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 106th period, from April 1, 2017 to March 31, 2018, 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 Auditor maintains its independence and conducts its audits in an appropriate manner. The Audit & Supervisory Board Members received reports from the Accounting Auditor on the performance of its duties and, when necessary, requested its explanations. The Audit & Supervisory Board Members also received notification from the Accounting Auditor that it has taken steps to improve the “system for ensuring appropriate execution of the duties of an accounting auditor” (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 Auditor, 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 Auditor, are appropriate.

May 23, 2018

Audit & Supervisory Board
Makita Corporation

Mitsuhiko Wakayama (Seal)
Standing Audit & Supervisory Board Member

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

Fusahiro Yamamoto (Seal)
Outside Audit & Supervisory Board Member

Shoji Inoue (Seal)
Outside Audit & Supervisory Board Member