

(Summary English Translation of the Materials disclosed via the Internet pursuant to Laws, Regulations, and the Articles of Incorporation regarding the Notice of the 106th Ordinary General Meeting of Shareholders Originally Issued in Japanese Language)

June 5, 2018

**MATERIALS DISCLOSED VIA THE INTERNET PURSUANT TO LAWS, REGULATIONS,  
AND THE ARTICLES OF INCORPORATION REGARDING THE NOTICE OF THE 106TH  
ORDINARY GENERAL MEETING OF SHAREHOLDERS**

**Notes to Consolidated Financial Statements  
Notes to Non-consolidated Financial Statements**

**MAKITA CORPORATION**

Pursuant to applicable laws and regulations and Article 15 of the Articles of Incorporation of the Corporation, these contents are deemed to be provided to shareholders by posting them on our website (<http://www.makita.biz/ir/stock.html>).

## Notes to Consolidated Financial Statements

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

#### 1. Basis of presentation

The consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) pursuant to the provision of Article 120-3, paragraph 1 of the Ordinance on Accounting of Companies.

Provided that certain statements and notes required by U.S. GAAP are omitted in accordance with Article 120, the second sentence of Paragraph 1 of the said Ordinance, as applied *mutatis mutandis* pursuant to Article 120-3, Paragraph 3 of the said Ordinance.

#### 2. Scope of consolidation

Number of consolidated subsidiaries: 51

Major subsidiaries are as follows:

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

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

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

Held-to-maturity securities: Amortized cost

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

All valuation allowance are reported in Accumulated other comprehensive income (loss).

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

#### 4. Valuation of inventories

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

#### 5. Depreciation method of fixed assets

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

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

#### 6. Allowances

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

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

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

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

Unrecognized actuarial difference is recognized by amortizing a portion in excess of 10% of the greater of the projected benefit obligations or the fair value of plan assets at the beginning of the period by the straight-line method over the average remaining service period of employees.

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

### Changes in accounting principles, procedures and presentations

In July 2015, the U.S. Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory”. This Update applies to all inventory except for inventory which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. The Corporation adopted this standard on April 1, 2017. The adoption has no material impact on the Corporation’s consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes”. This Update requires that all deferred tax liabilities and assets be classified as noncurrent in a consolidated balance sheet. The Corporation adopted this standard on April 1, 2017.

### Notes to Consolidated Balance Sheet

Guarantee (contingent liabilities):

4 million yen

### Notes to Consolidated Statement of Changes in Equity

1. Matter regarding shares issued

Kind of shares	Beginning of the period	Increase	Decrease	End of the period
Common stock	140,008,760 shares	140,008,760 shares	-	280,017,520 shares

Note: The Corporation implemented a two-for-one common stock split, effective April 1, 2017. The number of increase in outstanding shares represents the 140,008,760 shares increased by the stock split.

2. Matter regarding dividend distribution

(1) Amount of dividend distribution

Resolution	Kind of shares	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2017	Common stock	11,130	82	March 31, 2017	June 29, 2017
Board of Directors' meeting held on October 30, 2017	Common stock	2,715	10	September 30, 2017	November 27, 2017

Note: The Corporation implemented a two-for-one common stock split, effective April 1, 2017. Dividends, the record date of which is March 31, 2017, were distributed based on the number of shares before the relevant stock split.

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

Scheduled resolution	Kind of shares	Dividend resource	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 27, 2018	Common stock	Retained earnings	13,845	51	March 31, 2018	June 28, 2018

### Notes to Financial Instruments

1. Matter regarding status of financial instruments

Makita carries out short-term and Investments in order to secure profits on a stable basis. Short-term investment consists primarily of MMF (Money Management Fund). Investment is made mainly in marketable shares (shares other than those purely for trading purpose). Long-term liabilities comprise long-term loans from capital-lease obligations.

Forward exchange contracts was entered into with the aim of reducing such market risks as foreign exchange rate fluctuations.

2. Matter regarding such as fair value of financial instruments

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

- (1) Cash and cash equivalents, Time deposits, Trade receivable, Short-term borrowings, Trade notes and accounts payable, Other payables, and Accrued expenses

The carrying amount is considered to be fair value since maturities are either short or do not exist.

- (2) Long-term time-deposits

The fair value is estimated by discounting the future cash flow by the market interest rate at the end of the period for time deposits for the period corresponding to the remaining period up to the maturity date.

- (3) Short-term investments and Investments

The fair value of marketable investment securities is estimated based on quoted market prices. For certain investments such as non-marketable securities, since there are no quoted market prices existing, a reasonable estimation of a fair value could not be made without incurring excessive cost, and such securities have been excluded from fair value disclosure. Fair value is measured if it declines significantly or there is a likelihood of such. There are non-marketable securities in the amount of 4 million yen for short-term investments and 382 million yen for investments as of March 31, 2018.

- (4) Long-term indebtedness

The fair value of the long-term indebtedness is calculated based on the present value, which is calculated by discounting from the future cash flow for each borrowing, using the borrowing rate at the end of the period that is applied to borrowings with similar maturity date.

- (5) Derivative financial instruments

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

The carrying amounts and estimated fair value of the financial instruments, and the amount of difference thereof as of March 31, 2018 are as follows:

	(Millions of Yen)		
	Carrying amount	Estimated fair value	Amount of difference
Short-term investments	14,778	14,778	0
Investments	33,433	33,437	4
Long-term time deposits	9	9	-
Long-term indebtedness including current maturities	(183)	(183)	-
Foreign currency contracts:			
Assets	125	125	-
Liabilities	(379)	(379)	-

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

These estimates are made by the Corporation based on the Corporation's judgment and contain uncertainties. Therefore, any changes to the underlying assumptions may significantly affect estimates.

**Notes to Information Per Share**

Total Makita Corporation shareholders' equity per share	2,033.16 yen
Total Makita Corporation shareholders' equity per share attributable to common stock was computed based on following;	
Total Makita Corporation shareholders' equity in the consolidated balance sheet	551,939 million yen
Total Makita Corporation shareholders' equity available to common stock	551,939 million yen
Number of shares issued (excluding treasury stock) as of March 31, 2018	271,467,928 shares
Earning per share (Basic) Net income attributable to Makita Corporation common shareholders	201.70 yen
Earning per share (Basic) Net income attributable to Makita Corporation common shareholders was computed based on following;	
Net income attributable to Makita Corporation in the consolidated statement of income	54,755 million yen
Net income attributable to Makita Corporation available to common stock	54,755 million yen
The average number of shares of common stock outstanding during the period	271,465,951 shares
Earning per share (Diluted) Net income attributable to Makita Corporation common shareholders	201.68 yen
Earning per share (Diluted) Net income attributable to Makita Corporation common shareholders was computed based on following;	
Net income attributable to Makita Corporation in the consolidated statement of income	54,755 million yen
Net income attributable to Makita Corporation available to common stock	54,755 million yen
The average number of diluted shares of common stock outstanding during the period	271,493,821 shares

**Notes to Significant Subsequent Events:**

None.

\*Amounts less than 1 million yen have been rounded.

## Notes to Non-consolidated Financial Statements

### Notes to Significant Accounting Policies

#### 1. Valuation of securities

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

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

Fair market value as of the end of the period

#### 3. Valuation of inventories

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

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

At average cost

Supplies:

At latest purchase cost

#### 4. Depreciation method of fixed assets

Tangible fixed assets:

Straight-line method

(Excluding lease assets)

Useful life:

Buildings: 38 to 50 years

Machinery and equipment: 5 to 10 years

Intangible fixed assets:

Straight-line method

(Excluding lease assets)

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

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

Lease assets:

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

## 5. Allowances

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

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

## Notes to Balance Sheet

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

Buildings	28,045	million yen
Structures	2,406	million yen
Machinery and equipment	12,964	million yen
Vehicles and transportation equipment	249	million yen
Tools, furniture and fixtures	26,907	million yen
Total	70,571	million yen

### 2. Guarantee:

Guarantee for borrowing from financial institution		
Maximum amount of guarantee for Makita U.S.A. Inc. (50 million U.S. dollars)	5,312	million yen
Guarantee for educational loan to employees	4	million yen
Guarantee for accounts payable of the following company Makita General Service Co., Ltd.	9	million yen
Total	5,325	million yen

### 3. Receivables and payables for affiliates:

Short-term receivables	39,915	million yen
Short-term payables	40,246	million yen

## Notes to Statement of Income

### Transactions with affiliates

#### Amount of operating transactions

Sales	200,717	million yen
Purchases, etc.	182,535	million yen
Amount of non-operating transactions	30,052	million yen

## Notes to Statement of Changes in Net Assets

### 1. Matter regarding treasury stock

Kind of shares	Beginning of the period	Increase	Decrease	End of the period
Common stock	4,278,474 shares	4,279,808 shares	8,690 shares	8,549,592 shares

#### (Reasons for the change)

#### The reasons for the increase are as follows:

Stock split:	4,278,474	shares
Purchase of shares constituting less than a full unit:	1,334	shares

#### The reasons for the decrease are as follows:

Exercise of stock options:	8,680	shares
Sales of shares constituting less than a full unit:	10	shares

Note: The Corporation implemented a two-for-one common stock split, effective April 1, 2017.



2. Matter regarding stock acquisition rights

Type and number of shares to be issued or transferred upon the exercise of Stock Acquisition Rights (excluding Stock Acquisition Rights that are not exercisable) at the end of the period

Common stock	29,180	shares
--------------	--------	--------

Note: The Corporation implemented a two-for-one common stock split, effective April 1, 2017. The number of the shares of common stock of the Corporation to be issued upon exercise of the stock acquisition rights was calculated, reflecting the stock split.

## Notes to Tax Effect Accounting

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

Short-term deferred income tax assets		
Accrued expenses	1,976	million yen
Inventories	591	million yen
Accrued enterprise taxes	424	million yen
Other	46	million yen
Net amount of short-term deferred income tax assets	<u>3,037</u>	<u>million yen</u>
Long-term deferred income tax assets		
Loss on evaluation of investment securities	593	million yen
Excess in depreciation	3,067	million yen
Retirement allowance for directors and audit & supervisory board members	98	million yen
Loss on impairment of fixed assets	84	million yen
Other	47	million yen
Subtotal	3,889	million yen
Valuation allowance	(369)	million yen
Total	<u>3,520</u>	<u>million yen</u>
Long-term deferred income tax liabilities		
Prepaid pension cost	(2,749)	million yen
Net unrealized gains on securities	(4,818)	million yen
Reserve for advanced depreciation of fixed assets	(593)	million yen
Other	(271)	million yen
Total	<u>(8,431)</u>	<u>million yen</u>
Net amount of long-term deferred income tax liabilities	<u>(4,911)</u>	<u>million yen</u>

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

Statutory income tax rate	30.4%
(Reconciliations)	
Dividend income and other permanently non-taxable income	(14.1%)
Withholding tax on foreign dividends	3.4%
Tax credit for R&D expenses	(0.9%)
Other	0.3%
Effective income tax rate after the adoption of tax effect accounting	<u>19.1%</u>

## Notes to Fixed Assets Used through Leases

### Operating leases

Lease commitments under non-cancelable operating leases

Within 1 year	159 million yen
Over 1 year	601 million yen

## Notes to Transactions with Related Parties

### 1. Directors and primary individual shareholders

Attribute	Companies which directors and their relatives own the majority of voting rights (including the subsidiaries of such companies)	
Corporate name	TOA Co., Ltd. (Note 1)	Maruwa, Ltd. (Note 2)
Principal business or position	Design, production and distribution of automatic regulators	Real estate business
Owning and owned ratio of voting rights (%)	Direct owned ratio: 0.0	Direct owned ratio: 3.1
Relationship	Purchase of production equipment Interlocking Directors (Number of directors: 2)	Advertising Interlocking Directors (Number of directors: 2)
Principal transactions	Purchase of production equipment (Note 3)	Advertising (Note 3)
Transaction amount (Millions of Yen) (Note 4)	150	2
Account title	Other payable	-
Balance at end of the period (Millions of Yen) (Note 4)	6	-

### Terms of transactions and the policy to decide the terms

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

## 2. Subsidiaries

Attribute	Subsidiaries		
Corporate name	Makita U.S.A. Inc. (United States)		
Owning and owned ratio of voting rights (%)	Direct owning ratio: 100.0		
Relationship	Debt guarantee Sales, etc. of merchandise and finished goods Subscription of additional increase of capital Interlocking Directors (Number of directors:2)		
Principal transactions	Debt guarantee (Note 1)	Sales, etc. of merchandise and finished goods (Note 2)	Capital increase (Note 3)
Transaction amount (Millions of Yen) (Note 4)	5,312	31,043	11,606
Account title	-	Trade accounts receivable	Stocks of affiliates
Balance at end of the period (Millions of Yen) (Note 4)	-	4,549	38,047

Attribute	Subsidiaries		
Corporate name	Makita LLC (Russia)		
Owning and owned ratio of voting rights (%)	Direct owning ratio : 80.2 Indirect owning ratio: 19.8		
Relationship	Subscription of additional increase of capital		
Principal transactions	Capital increase (Note 3)		
Transaction amount (Millions of Yen) (Note 4)	12,145		
Account title	Investment in affiliates		
Balance at end of the period (Millions of Yen) (Note 4)	12,145		

Attribute	Subsidiaries
Corporate name	Makita Werkzeug GmbH (Germany)
Owning and owned ratio of voting rights (%)	Direct owning ratio: 75.3 Indirect owning ratio: 24.7
Relationship	Subscription of additional increase of capital Interlocking Directors (Number of directors:2)
Principal transactions	Capital increase (Note 3)
Transaction amount (Millions of Yen) (Note 4)	5,198
Account title	Investment in affiliates
Balance at end of the period (Millions of Yen) (Note 4)	5,236

Attribute	Subsidiaries	
Corporate name	Makita (China) Co., Ltd. (China)	Makita (Kunshan) Co., Ltd. (China)
Owning and owned ratio of voting rights (%)	Direct owning ratio: 100.0	Direct owning ratio: 100.0
Relationship	Purchase of merchandise and finished goods, etc. Interlocking Directors (Number of directors: 4)	Purchase of merchandise and finished goods, etc. Interlocking Directors (Number of directors: 4)
Principal transactions	Purchase of merchandise and finished goods, etc. (Note 2)	Purchase of merchandise and finished goods, etc. (Note 2)
Transaction amount (Millions of Yen) (Note 4)	43,328	133,243
Account title	Trade accounts payable	Trade accounts payable
Balance at end of the period (Millions of Yen) (Note 4)	9,436	28,816

Terms of transactions and the policy to decide the terms

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

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

(Note 3) Investment by way of capital increase was made.

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

**Notes to Information Per Share**

Net assets per share	1,196.29	yen
Net assets per share attributable to common stock was computed based on following:		
Total net assets in the balance sheet	324,755	million yen
Net assets available to common stock	324,755	million yen
Number of shares issued (excluding treasury stock) as of March 31, 2018	271,467,928	shares
Net income per share	182.09	yen
Net income per share attributable to common stock was computed based on following:		
Net income	49,432	million yen
Net income available to common stock	49,432	million yen
Average number of outstanding shares of common stock	271,465,951	shares

**Notes to Significant Subsequent Events:**

None.

\*Amounts less than 1 million yen have been rounded.