

## MAKITA CORPORATION

(Stock code: 6586)

June 4, 2019

To the Shareholders of  
MAKITA CORPORATION

### **NOTICE OF THE 107TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are respectfully requested to attend the 107th 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 26, 2019

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 107th period (from April 1, 2018 to March 31, 2019) and the Audit Reports on such Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. The Financial Statements for the 107th period

**Items to be Resolved:**

- No.1** Appropriation of Surplus
- No.2** Election of 13 Directors
- No.3** Payment of Bonus to Directors
- No.4** Determination of Compensation for the Allotment of Restricted Shares to Directors (Excluding Outside 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/>) 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 profit, 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 Profit attributable to owners of the parent 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 62 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
  - 52 yen per share of common stock
  - Total amount: 14,116,286,964 yen
2. Effective date of dividend payment
  - June 27, 2019

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

The term of offices of all 13 Directors will have expired at the conclusion of this General Meeting of Shareholders.

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

The candidates are as follows:

Candidate Number	Name	Current positions and responsibilities at the Corporation
1	Masahiko Goto <u>Reelection</u>	Chairman and Representative Director
2	Munetoshi Goto <u>Reelection</u>	President and Representative Director
3	Tadayoshi Torii <u>Reelection</u>	Director, Managing Corporate Officer General Manager of Production Headquarters
4	Hisayoshi Niwa <u>Reelection</u>	Director, Corporate Officer General Manager of Quality Headquarters
5	Shinichiro Tomita <u>Reelection</u>	Director, Corporate Officer General Manager of Purchasing Headquarters
6	Tetsuhisa Kaneko <u>Reelection</u>	Director, Corporate Officer General Manager of Research and Development Headquarters
7	Tomoyuki Ota <u>Reelection</u>	Director, Corporate Officer Assistant General Manager of Research and Development Headquarters
8	Takashi Tsuchiya <u>Reelection</u>	Director, Corporate Officer General Manager of Domestic Sales Headquarters
9	Masaki Yoshida <u>Reelection</u>	Director, Corporate Officer Assistant General Manager of Production Headquarters
10	Takashi Omote <u>Reelection</u>	Director, Corporate Officer General Manager of International Sales Headquarters
11	Yukihiro Otsu <u>Reelection</u>	Director, Corporate Officer General Manager of Administration Headquarters
12	Akiyoshi Morita <u>Reelection</u> <u>Outside</u> <u>Independent</u>	Outside Director
13	Masahiro Sugino <u>Reelection</u> <u>Outside</u> <u>Independent</u>	Outside Director

Candidate Number	Name (Date of birth)	Brief personal background, title and position and Important concurrent posts		Number of the Corporation's shares held
1	<u>Reelection</u> Masahiko Goto (November 16, 1946)	March 1971	Joined the Corporation	2,817,886
		May 1984	Director, Manager of Corporate Planning Department	
		July 1987	Managing Director, General Manager of Administration Headquarters	
		May 1989	President and Representative Director	
		June 2013	Chairman and Representative Director (present)	
		[Reason for nomination as candidate for Director] Mr. Masahiko Goto has been engaged in the management of the Corporation for many years serving as President as well as Chairman, and has contributed to the enhancement of corporate value. The Corporation proposes his appointment as Director because we expect him to continue to utilize his extensive experience and broad insight to enhance the corporate value of the Corporation.		
2	<u>Reelection</u> Munetoshi Goto (April 26, 1975)	April 1999	Joined the Corporation	458,490
		April 2012	General Manager of International Sales Administration Department	
		June 2013	Director, Corporate Officer, General Manager of International Sales Headquarters	
		June 2017	President and Representative Director (present)	
		[Reason for nomination as candidate for Director] Mr. Munetoshi Goto has a deep understanding of the overall business and management of the Corporation, with experience of serving as General Manager of International Sales Headquarters since June 2013, as well as experience in domestic sales, development, and overseas sales subsidiaries. In addition, he is leading the growth of the Corporation as President since June 2017. The Corporation proposes his appointment as Director because we expect him to continue to utilize his great leadership to enhance the corporate value of the Corporation.		
3	<u>Reelection</u> Tadayoshi Torii (December 10, 1946)	March 1964	Joined the Corporation	52,000
		April 1998	General Manager of Production Department (Assembly)	
		October 1998	General Manager of Production Department	
		June 2001	Director, General Manager of Quality Control Headquarters	
		June 2003	Director, General Manager of Production Headquarters	
		June 2009	Director, Managing Corporate Officer, in charge of Production and General Manager of Production Headquarters	
		June 2015	Director, Managing Corporate Officer	
		June 2017	Director, Managing Corporate Officer, General Manager of Production Headquarters (present)	
		[Reason for nomination as candidate for Director] Mr. Tadayoshi Torii has served as General Manager of Quality Control Headquarters, General Manager of Production Headquarters, and Managing Corporate Officer of the Corporation. He has a deep understanding of the overall business and management mainly in the areas of production and quality of the Corporation. The Corporation proposes his appointment as Director because we expect him to continue to utilize his extensive experience and broad insight to enhance the corporate value of the Corporation.		
4	<u>Reelection</u> Hisayoshi Niwa (February 24, 1949)	March 1972	Joined the Corporation	22,200
		October 1991	Manager of E.D.P. System Department	
		October 1999	General Manager of Production Control Department	
		June 2003	Director, General Manager of Quality Control Headquarters	
		April 2005	Director, General Manager of Quality Headquarters	
		June 2009	Director, Corporate Officer, General Manager of Quality Headquarters (present)	
		[Reason for nomination as candidate for Director] Mr. Hisayoshi Niwa has held important positions in the E.D.P. system division and the production division, and currently serves as General Manager of Quality Headquarters of the Corporation. He has a deep understanding of the business and management mainly in the areas of quality, systems, and production of the Corporation. The Corporation proposes his appointment as Director because we expect him to continue to utilize his knowledge of the business and management to enhance the corporate value of the Corporation.		

Candidate Number	Name (Date of birth)	Brief personal background, title and position and Important concurrent posts	Number of the Corporation's shares held
5	<p style="text-align: center;"><u>Reelection</u> Shinichiro Tomita (January 11, 1951)</p>	<p>March 1974 Joined the Corporation October 2000 General Manager of Plant Engineering-maintenance Department October 2001 General Manager of Production Engineering Department September 2003 President of Makita (China) Co., Ltd. June 2007 Director, Assistant General Manager of Production Headquarters of the Corporation (in charge of China Plant) June 2009 Director, Corporate Officer, General Manager of Research and Development Headquarters (in charge of Product Development) May 2010 Director, Corporate Officer, General Manager of Purchasing Headquarters (present)</p>	14,400
<p>[Reason for nomination as candidate for Director] Mr. Shinichiro Tomita has held important positions in the production division, and has served as the head of the production subsidiary in China, a core facility of the production division, and General Manager of Research and Development Headquarters of the Corporation. He currently serves as General Manager of Purchasing Headquarters and has a deep understanding of the business and management mainly in the areas of purchasing, production, and development of the Corporation. The Corporation proposes his appointment as Director because we expect him to continue to utilize his knowledge of the business and management to enhance the corporate value of the Corporation.</p>			
6	<p style="text-align: center;"><u>Reelection</u> Tetsuhisa Kaneko (April 6, 1955)</p>	<p>March 1981 Joined the Corporation April 2004 General Manager of Technical Research Department August 2005 General Manager of Production Department 2 October 2006 General Manager of Production Department 1 June 2007 Director, General Manager of Purchasing Headquarters June 2009 Director, Corporate Officer, General Manager of Purchasing Headquarters May 2010 Director, Corporate Officer, General Manager of Production Headquarters (in charge of China Plant) June 2015 Director, Corporate Officer, General Manager of Production Headquarters June 2017 Director, Corporate Officer, General Manager of Research and Development Headquarters (present)</p>	20,000
<p>[Reason for nomination as candidate for Director] Mr. Tetsuhisa Kaneko has held important positions in the development division, and has served as the head of the production subsidiary in China, a core facility of the production division, General Manager of Purchasing Headquarters, and General Manager of Production Headquarters of the Corporation. He currently serves as General Manager of Research and Development Headquarters and has a deep understanding of the business and management mainly in the areas of development, purchasing, and production of the Corporation. The Corporation proposes his appointment as Director because we expect him to continue to utilize his knowledge of the business and management to enhance the corporate value of the Corporation.</p>			
7	<p style="text-align: center;"><u>Reelection</u> Tomoyuki Ota (March 22, 1956)</p>	<p>March 1978 Joined the Corporation October 2003 General Manager of Production Department 1 August 2005 General Manager of Products &amp; Engineering Administration Department July 2012 General Manager of Products &amp; Engineering Administration Department and General Manager of Product Design &amp; Development Department 1 June 2013 Director, Corporate Officer, Assistant General Manager of Research and Development Headquarters (present)</p>	13,000
<p>[Reason for nomination as candidate for Director] Mr. Tomoyuki Ota has experience of working at overseas production subsidiaries, and has held important positions in the production division and the development division. He currently serves as Assistant General Manager of Research and Development Headquarters and has a deep understanding of the business and management mainly in the areas of development and production of the Corporation. The Corporation proposes his appointment as Director because we expect him to continue to utilize his knowledge of the business and management to enhance the corporate value of the Corporation.</p>			

Candidate Number	Name (Date of birth)	Brief personal background, title and position and Important concurrent posts		Number of the Corporation's shares held
8	<u>Reelection</u> Takashi Tsuchiya (September 1, 1957)	March 1982	Joined the Corporation	15,600
		April 2001	Manager of Shizuoka Branch Office	
		October 2003	Manager of Tokyo Branch Office	
		April 2010	General Manager of Sales Administration Department	
		June 2013	Corporate Officer, General Manager of Domestic Sales Headquarters (in charge of Tokyo Sales Department)	
		June 2015	Director, Corporate Officer, General Manager of Domestic Sales Headquarters (present)	
		[Reason for nomination as candidate for Director] Mr. Takashi Tsuchiya has held important positions mainly in the domestic sales operations of the Corporation. He has served as General Manager of Domestic Sales Headquarters in charge of Tokyo Sales Department as Corporate Officer since June 2013. He currently serves as General Manager of Domestic Sales Headquarters as Director and Corporate Officer, and has a deep understanding of the business and management mainly in the area of domestic sales of the Corporation. The Corporation proposes his appointment as Director because we expect him to continue to utilize his knowledge of the business and management to enhance the corporate value of the Corporation.		
9	<u>Reelection</u> Masaki Yoshida (June 17, 1962)	March 1985	Joined the Corporation	8,300
		October 2007	General Manager of Production Control Department	
		April 2010	General Manager of Production Department 2	
		April 2011	General Manager of Production Development Department	
		February 2012	Vice President of Makita (China) Co., Ltd	
		June 2015	Director, Corporate Officer, Assistant General Manager of Production Headquarters of the Corporation (in charge of China Plant)	
		April 2018	Director, Corporate Officer, Assistant General Manager of Production Headquarters of the Corporation (present)	
		[Reason for nomination as candidate for Director] Mr. Masaki Yoshida has engaged in duties mainly in the production division of the Corporation, and has served as the head of the production subsidiary in China, a core facility of the production division, since June 2015. He currently serves as Assistant General Manager of Production Headquarters and has a deep understanding of the business and management mainly in the areas of domestic and overseas production of the Corporation. The Corporation proposes his appointment as Director because we expect him to continue to utilize his knowledge of the business and management to enhance the corporate value of the Corporation.		
10	<u>Reelection</u> Takashi Omote (February 10, 1959)	March 1982	Joined the Corporation	6,800
		January 1995	President of Makita Mexico, S.A. de C.V.	
		March 2001	President of Makita do Brasil Ferramentas Elétricas Ltda.	
		June 2013	Corporate Officer of the Corporation (in charge of Central and South America Sales)	
		June 2017	Director, Corporate Officer, General Manager of International Sales Headquarters (present)	
		[Reason for nomination as candidate for Director] Mr. Takashi Omote has engaged in duties mainly in the international sales operations of the Corporation, and has experience of working for many years at overseas sales subsidiaries. He was placed in charge of Central and South America Sales in June 2013, and serves as General Manager of International Sales Headquarters since June 2017. As such, he has a deep understanding of the business and management mainly in the areas of overseas sales of the Corporation. The Corporation proposes his appointment as Director because we expect him to continue to utilize his knowledge of the business and management to enhance the corporate value of the Corporation.		
11	<u>Reelection</u> Yukihiro Otsu (August 27, 1960)	March 1983	Joined the Corporation	6,000
		April 2009	Assistant Manager of Finance Department	
		December 2009	Vice President of Makita (China) Co., Ltd	
		October 2013	General Manager of Accounting Department of the Corporation	
		June 2017	Director, Corporate Officer, General Manager of Administration Headquarters (present)	
		[Reason for nomination as candidate for Director] Mr. Yukihiro Otsu has held important positions in the finance division of the Corporation, and has a wealth of experience in the administration divisions of overseas subsidiaries including the production subsidiary in China, a core facility of the production division. He serves as General Manager of Administration Headquarters since June 2017 and has a deep understanding of the business and management, mainly in the areas of administration, of the Corporation. The Corporation proposes his appointment as Director because we expect him to continue to utilize his knowledge of the business and management to enhance the corporate value of the Corporation.		

Candidate Number	Name (Date of birth)	Brief personal background, title and position and Important concurrent posts	Number of the Corporation's shares held
12	<p style="text-align: center;"> <span style="border: 1px solid black; padding: 2px;">Reelection</span>  <span style="border: 1px solid black; padding: 2px;">Outside</span>  <span style="border: 1px solid black; padding: 2px;">Independent</span> </p> <p style="text-align: center;">Akiyoshi Morita (August 23, 1941)</p> <p>[Attendance rate of the Board of Directors] 10/12 (83%)</p>	<p>April 1967 Joined Toyota Motor Co., Ltd. (present; Toyota Motor Corporation, "TOYOTA")</p> <p>September 1994 Director of TOYOTA</p> <p>June 1998 Managing Director of TOYOTA</p> <p>June 1999 Senior Managing Director of TOYOTA</p> <p>June 2000 Director and Vice President of Aichi Steel Corporation ("AICHI STEEL")</p> <p>June 2004 President and Representative Director of AICHI STEEL</p> <p>June 2008 Chairman and Representative Director of AICHI STEEL</p> <p>June 2011 Advisor of AICHI STEEL</p> <p>March 2012 Outside Director of Showa Denko K.K.</p> <p>June 2013 Outside Director of the Corporation (present)</p> <p>June 2015 Counselor of AICHI STEEL</p> <p>(Important Concurrent Posts)</p> <p style="text-align: center;">-</p>	-
<p>[Reason for nomination as candidate for Outside Director]</p> <p>Mr. Akiyoshi Morita has participated in the management of TOYOTA and AICHI STEEL, a core company of Toyota Group, for many years, and has a thorough knowledge of corporate management, with which he currently provides useful opinions on the management of the Corporation from a broad perspective. The Corporation proposes his appointment as Outside Director because we expect him to continue to utilize his wealth of experience and broad insight to enhance the corporate value of the Corporation.</p>			
13	<p style="text-align: center;"> <span style="border: 1px solid black; padding: 2px;">Reelection</span>  <span style="border: 1px solid black; padding: 2px;">Outside</span>  <span style="border: 1px solid black; padding: 2px;">Independent</span> </p> <p style="text-align: center;">Masahiro Sugino (November 18, 1944)</p> <p>[Attendance rate of the Board of Directors] 12/12 (100%)</p>	<p>April 1967 Jointed Ina Seito Co., Ltd. (present; LIXIL Corporation )</p> <p>January 1992 Director of INAX Corporation ("INAX", past; Ina Seito Co., Ltd.)</p> <p>January 1996 Managing Director of INAX</p> <p>January 2000 Senior Managing Director of INAX</p> <p>October 2001 President and Representative Director of INAX</p> <p>June 2007 Chairman and Representative Director of INAX</p> <p>June 2007 President and Representative Director of JS Group Corporation (present; LIXIL Group Corporation)</p> <p>April 2011 President and Representative Director of LIXIL Corporation</p> <p>June 2011 Director and Advisor of LIXIL Corporation</p> <p>June 2013 Advisor of LIXIL Corporation</p> <p>June 2015 Outside Director of the Corporation (present)</p> <p>June 2017 Outside Director of MISAWA HOMES CO., LTD. (present)</p> <p>February 2018 Outside Director of KITAKEI CO., LTD. (present)</p> <p>July 2018 Special Advisor of LIXIL Corporation (present)</p> <p>(Important Concurrent Posts)</p> <p>Special Advisor of LIXIL Corporation</p> <p>Outside Director of MISAWA HOMES CO., LTD.</p> <p>Outside Director of KITAKEI CO., LTD.</p>	-
<p>[Reason for nomination as candidate for Outside Director]</p> <p>Mr. Masahiro Sugino has participated in the management of LIXIL Group Corporation, including INAX, for many years and has a thorough knowledge of corporate management, with which he currently provides useful opinions on the management of the Corporation from a broad perspective. The Corporation proposes his appointment as Outside Director because we expect him to continue to utilize his wealth of experience and broad insight to enhance the corporate value of the Corporation.</p>			

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

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

- (i) Mr. Akiyoshi Morita served as an counselor of AICHI STEEL. Makita purchases components from AICHI STEEL and its corporate group. This year, such purchases amounted to 730 million yen, which constituted only 0.28% of Aichi steel group's consolidated sales.
- (ii) Mr. Akiyoshi Morita is currently an Outside Director of the Corporation, and his term of office will be six years at the conclusion of this General Meeting of Shareholders.
- (iii) With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Akiyoshi Morita which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act. If Mr. Akiyoshi Morita is appointed to be an Outside Director, the Corporation will extend such liability limitation agreement.
- (iv) The Corporation has designated Mr. Akiyoshi Morita as an "Independent Director / Audit & Supervisory Board Member" as required by the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and made required notification therefore to these stock exchanges. If Mr. Akiyoshi Morita is

- elected, the Corporation intends to appoint him again as an Independent Director.
3. The matters concerning Outside Director candidate Mr. Masahiro Sugino are as follows:
- (i) Mr. Masahiro Sugino serves as a Special Advisor of LIXIL Corporation. Makita sells products to LIXIL Corporation and its corporate group. This year, such sales amounted to 4 million yen, which constituted less than 0.01% of our consolidated revenue.
  - (ii) Mr. Masahiro Sugino is currently an Outside Director of the Corporation, and his term of office will be four years at the conclusion of this General Meeting of Shareholders.
  - (iii) With respect to liabilities set forth in Article 423, Paragraph 1 of the Companies Act, the Corporation has entered into a liability limitation agreement with Mr. Masahiro Sugino which limits the maximum amount of his liabilities to the total amount provided for in each of the items of Article 425, Paragraph 1 of the Companies Act. If Mr. Masahiro Sugino is appointed to be an Outside Director, the Corporation will extend such liability limitation agreement.
  - (iv) The Corporation has designated Mr. Masahiro Sugino as an “Independent Director / Audit & Supervisory Board Member” as required by the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and made required notification therefore to these stock exchanges. If Mr. Masahiro Sugino is elected, the Corporation intends to appoint him again as an Independent Director.
4. The number of the Corporation's shares held by candidates for Directors represents the actual number of shares each candidate holds, including those vested to him in Makita's stock ownership plan for the Executives or for the employees.

**Agenda Item No. 3: 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 226 million yen considering performance during the period. This is with the exception of Mr. Akiyoshi Morita and Mr. Masahiro Sugino.



#### **Agenda Item No. 4: Determination of Compensation for the Allotment of Restricted Shares to Directors (Excluding Outside Directors)**

The maximum amount of annual compensation for the Corporation's Directors was set at 240 million yen by a resolution passed at the 76th Ordinary General Meeting of Shareholders held on May 16, 1989. In addition, the maximum amount of annual compensation relating to the stock acquisition rights for the purpose of granting stock options to the Directors (excluding the Outside Directors) was set at 100 million yen, separately from this amount of compensation, by a resolution passed at the 103rd Ordinary General Meeting of Shareholders held on June 25, 2015.

This time, we propose to allot shares of common stock subject to provisions including restrictions on transfer for a certain period and reasons for gratis acquisition by the Corporation (hereinafter, the "restricted shares"), as follows, in place of existing stock acquisition rights as stock options to the Corporation's Directors (excluding Outside Directors; hereinafter referred to as the "Eligible Directors") in order to allow Eligible Directors to share the risks and benefits of stock price fluctuations with shareholders to a greater extent and further enhance their motivation to contribute to improving the stock price and the corporate value of the Corporation.

Accordingly, after comprehensively taking into consideration various factors, such as the degree of contribution of Eligible Directors to the Corporation, we propose to set the maximum total annual amount of monetary compensation receivables to be paid to Eligible Directors as compensation relating to the restricted shares at 100 million yen, separately from the amount of the above-mentioned compensation for Directors. Furthermore, the Corporation believes the details of the allotment of restricted stock are appropriate, as they have been determined after comprehensively taking into consideration various factors, such as the degree of contribution of Eligible Directors to the Corporation. Subject to the approval of this proposal, the Corporation will abolish the above-mentioned provisions for the amounts of compensation relating to the stock acquisition rights for the purpose of granting stock options to the Directors and not allot new stock acquisition rights for the purpose of granting stock options based on said provisions for the amounts of compensation. Additionally, subject to the approval of this proposal, Eligible Directors will waive all their rights regarding stock acquisition rights for the purpose of granting stock options that have already been allotted to them in accordance with the said provisions on the amounts of compensation, but have not been exercised.

As transitional measures related to allotting restricted shares instead of the current stock acquisition rights for the purpose of granting stock options, only in the 108th fiscal year (from April 1, 2019 to March 31, 2020; hereinafter referred to as "this fiscal year"), the Corporation proposes to allot restricted shares in the same number as the number of shares of the Corporation's common stock (38,360 shares) that have already been allotted and are subject to the stock acquisition rights to be waived as provided for above, separately from the allotment of restricted shares based on the above-mentioned amounts of compensation related to the restricted shares.

Accordingly, we propose to set the maximum total annual amount of monetary compensation receivables to be granted as compensation to make such allotment to Eligible Directors at 300 million yen, separately from the amounts of compensation for Directors which were approved at the 76th Ordinary General Meeting of Shareholders held on May 16, 1989 and the above-mentioned amounts of compensation relating to the restricted shares. Such allotment will be made only upon the waiver of stock acquisition rights for the purpose of stock options which were allotted to Eligible Directors in previous fiscal years, and thus will not be substantially granted as additional compensation.

Additionally, the Corporation currently has 13 Directors (including 2 Outside Directors), and the number of Directors will remain the same if Agenda Item No. 2 is approved.

##### **Specific Details and Maximum Number of Restricted Shares for Eligible Directors**

###### **1. Allotment and Payment of the Restricted Shares**

The Corporation, based on a resolution of the Board of Directors, will grant monetary compensation receivables to Eligible Directors within the limit of the above-mentioned annual amount as compensation related to the restricted shares, and each Eligible Director will receive an allotment of the restricted shares by making an in-kind contribution of all said monetary compensation receivables.

The amount to be paid for the restricted shares shall be based on the closing price of the Corporation's common stock on the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors on the issue or disposition thereof (or at the closing price on the immediately preceding trading day, if no trading occurred on that day), and shall be determined by the Board of Directors within a range that is not particularly advantageous to Eligible Directors subscribing to the said restricted shares.

The above-mentioned monetary compensation receivables will be provided on the condition that Eligible Directors of the Corporation have agreed to the above-mentioned in-kind contribution and have entered into a restricted share allotment agreement as specified in 3. below.

## 2. Total Number of the Restricted Shares

The total number of the restricted shares to be allotted to Eligible Directors of 100,000 shares shall be the maximum number of the restricted shares to be allotted in each fiscal year. Separately from the above, a total of 38,360 shares of the restricted shares will be set as the maximum limit for this fiscal year as a transitional measure related to allotting restricted shares instead of the current stock acquisition rights for the purpose of granting stock options.

However, if the Corporation's common stock is subjected to a stock split (including a gratis allotment of the shares) or stock consolidation after the date of the resolution regarding this agenda item, or if any other similar circumstances arise requiring an adjustment in the total number of the restricted shares, the total number of said restricted shares may be adjusted to a reasonable extent.

## 3. Details of the Restricted Share Allotment Agreement

The content of the restricted share allotment agreement to be concluded between the Corporation and Eligible Directors based on a resolution of the Board of Directors upon the allotment of the restricted shares shall be as follows.

### (1) Details regarding transfer restrictions

Eligible Directors to whom the restricted shares have been allotted shall not transfer such allotted shares (hereinafter referred to as the "Allotted Shares") to third parties, establish a pledge or a security interest on the shares, use them as an inter vivos gift, bequest them to another party, or otherwise dispose of the Allotted Shares (hereinafter referred to as "Transfer Restrictions") for a period of 50 years (hereinafter referred to as the "Transfer Restrictions Period").

### (2) Gratis acquisition of the restricted shares

The Corporation shall acquire the restricted shares without compensation if an Eligible Director who has been allotted the Allotted Shares retires as a Director of the Corporation anytime between the initial day of the Transfer Restrictions Period until the day preceding the first subsequent Ordinary General Meeting of Shareholders, except when there are reasons deemed legitimate by the Board of Directors.

In addition, the Corporation shall rightly acquire any of the Allotted Shares without compensation for which the Transfer Restrictions have not been removed in accordance with the reasons set forth in (3) below at the expiration of the Transfer Restrictions Period in (1) above.

### (3) Removal of Transfer Restrictions

The Corporation will remove Transfer Restrictions on all the Allotted Shares upon expiration of the Transfer Restrictions Period if an Eligible Director who has been allotted the restricted shares continues to hold the position of a Director of the Corporation from the initial day of the Transfer Restrictions Period until the day of the first subsequent Ordinary General Meeting of Shareholders.

However, if said Eligible Director has continued to hold the position of a Director of the Corporation upon expiration of the Transfer Restrictions Period, the Transfer Restrictions will not be removed on all the Allotted Shares held by said Eligible Transfer upon said expiration.

If said Eligible Director retires as a Director of the Corporation before the expiration of the Transfer Restrictions Period for reasons deemed legitimate by the Board of Directors, the number of the Allotted Shares for which the Transfer Restrictions will be removed and the timing of the removal of Transfer Restrictions shall be reasonably adjusted as needed.

### (4) Treatment upon organizational restructuring

During the Transfer Restrictions Period, if an agenda item regarding a merger agreement under which the Corporation becomes the dissolving company, or a share exchange agreement, or a share transfer plan under which the Corporation becomes a wholly-owned subsidiary, or any other organizational restructuring is approved at a General Meeting of Shareholders of the Corporation (or, if approval at a General Meeting of Shareholders of the Corporation is not required regarding the above-mentioned organizational restructuring then approval of the Board of Directors of the Corporation) (only if the effective date of the said organizational restructuring comes before the expiry of the Transfer Restriction Period; hereinafter referred to as "at the time of approval of organizational restructuring"), and if an Eligible Director who has been allotted the restricted shares leaves the Corporation due to said organizational restructuring, the Corporation, by a resolution of the Board of Directors, will remove the Transfer Restrictions on a reasonable number of the Allotted Shares prior to the effective date of said organizational restructuring, taking into consideration the period between the start of the Transfer Restrictions Period and the date of approval of said organizational restructuring.

At the time of approval of organizational restructuring, the Corporation shall rightly acquire without compensation any of the Allotted Shares for which the Transfer Restrictions have not been removed as of the day immediately preceding the effective date of said organizational restructuring.

# **BUSINESS REPORT**

(From April 1, 2018 to March 31, 2019)

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

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

We have adopted International Financial Reporting Standards (hereinafter “IFRS”) instead of accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”) from the beginning of the fiscal year ended March 31, 2019. In addition, financial figures for the year ended March 31, 2018, which was prepared in accordance with U.S. GAAP in the reporting of those previous periods, are also reclassified in accordance with IFRS and used in the comparative analysis.

Looking at the global economic situation for the year ended March 31, 2019, the economy gradually expanded, supported by a strong employment and income situation and robust business performance in developed countries, principally the U.S. However, there were growing concerns over the slowing global economy and uncertainties about the future because of escalating tensions between the U.S. and China over trade and a decline in emerging-country currencies.

Under these circumstances, on the development side, Makita concentrated its efforts on expanding lithium-ion battery product lines, such as cordless power tools with equal or better work efficiency than AC-powered ones, and cordless gardening equipment, such as grass cutters or steel deck-type lawnmowers with performance equal to engine-powered products. Moreover, we established a technology development base in South Korea to enhance our capability to develop electrical technologies and accelerate development speed.

On the production side, we continued to implement measures including the promotion of multi-polarized global production, cost reduction through local procurement of components, and introduction of labor-saving or unmanned facilities.

On the sales side, we focused on expanding the sales of lithium-ion battery products, such as cordless gardening equipment. Furthermore, we worked hard to strengthen our community- and customer-based sales network by increasing sales and after-sales service bases.

Our consolidated revenue for this period increased by 2.8% from the previous year to 490,578 million yen, record-high sales, due to robust sales primarily in Japan, although the value of overseas revenue translated into yen was eroded by a fall in emerging-country currencies.

Consolidated revenue by region are as follows:

Consolidated revenue in Japan increased by 11.6% to 92,129 million yen compared to the previous year. This was because sales of power tools and gardening equipment, particularly lithium-ion battery products, continued to be strong.

Consolidated revenue in Europe increased by 5.5% to 213,238 million yen, supported by solid demand for power tools in almost all areas and steady sales growth of cordless products, although sales of gardening equipment stagnated due to an extremely hot summer and droughts.

Consolidated revenue in North America decreased by 1.8% to 72,508 million yen, although we tried to expand sales, mainly lithium-ion battery products, amid intensifying competition.

Consolidated revenue in Asia decreased by 7.2% to 40,909 million yen. This was due to sluggish sales in countries other than China and India where the sales were robust.

Consolidated revenue in Central and South America decreased by 0.4% to 27,801 million yen. This was due to a sharp depreciation in each country’s currency against the yen compared to the same period of the previous year, although sales in almost all countries remained robust.

In Oceania, sales continued growing at a level as high as the previous year, although the housing market, which had been overheated, showed signs of slowing down. However, consolidated revenue declined by 3.4% to 30,222 million yen due to the yen’s appreciation against local currencies.

Consolidated Revenue in the Middle East and Africa decreased by 11.1% to 13,771 million yen. This was due to poor sales amid political and economic turmoil in the Middle East.

Overall, overseas revenue accounted for 81.2% of total revenue.

Operating profit decreased by 2.4% to 78,305 million yen (operating profit ratio: 16.0%), owing to the deterioration of the cost-of-sales ratio due to the impact of the exchange rate, although revenue increased. Meanwhile, profit before income taxes increased by 0.1% to 79,919 million yen (profit before income taxes ratio: 16.3%) and profit attributable to owners of the parent increased by 1.5% to 55,750 million yen (ratio of profit attributable to owners of the parent: 11.4%).

## (2) Management Challenges

In the future, Makita expects that the prospect for the global economy, including markets where it has presence, will continue to be uncertain, as the international political situation is likely to remain deadlocked. Meanwhile, Makita believes that demand for products and services that contribute to the solution of social problems, such as the labor shortage and environment conservation, will increase further.

Under these circumstances, Makita is strengthening its R&D and product development capabilities, mainly rechargeable batteries and motors, to take the initiative in expanding the market for cordless products. In addition, Makita is positioning cordless gardening tools as a future pillar of its business after power tools and focusing its efforts on the development and sales expansion of new products. Makita implements measures to strengthen and improve the efficiency of production, procurement, and distribution, while further upgrading global production organizations. Further, Makita is striving to raise its brand power by promoting the establishment of a sales and after-sales service network to offer community-based and fine-tuned responses to the needs of customers around the world.

By taking these actions, Makita will strive to achieve a “Strong Company,” a company that contributes to a sustainable society, and maintain a solid presence in the industry as a global supplier of a comprehensive range of tools for creating comfortable homes and living environments.

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

## (3) Capital Expenditures

During the period, Makita allocated 23,867 million yen for its capital expenditures. These funds used by the Corporation amounted to 8,326 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 15,541 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	104th period (ended March 31, 2016)	105th period (ended March 31, 2017)	106th period (ended March 31, 2018)		107th period (ended March 31, 2019)
	U.S. GAAP			IFRS	
Revenue (Millions of Yen)	423,623	414,999	477,298	477,298	490,578
Operating profit (Millions of Yen)	64,676	62,564	79,762	80,231	78,305
Profit before income taxes (Millions of Yen)	61,492	64,738	79,678	79,865	79,919
Profit attributable to owners of the parent (Millions of Yen)	41,615	44,782	54,755	54,943	55,750
Profit attributable to owners of the parent per share (Basic) (Yen)	153.30	164.96	201.70	202.39	205.37
Profit attributable to owners of the parent per share (Diluted) (Yen)	153.29	164.95	201.68	202.37	205.34
Total assets (Millions of Yen)	558,024	597,249	651,031	654,841	680,250
Equity attributable to owners of the parent (Millions of Yen)	479,752	502,170	551,939	554,046	572,748
Ratio of profit attributable to owners of the parent to total equity attributable to owners of the parent (ROE) (%)	8.6	9.1	10.4	10.4	9.9

Notes: 1. From the 107th period, consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Amounts for the 106th period based on IFRS are also stated for reference.

2. Changes in Financial Position and Results of Operations are stated under the terms of IFRS.

3. Profit attributable to owners of the parent per share (Basic) and profit attributable to owners of the parent per share (Diluted) are calculated based on the average number of outstanding shares of common stock during the period.

4. The Corporation implemented a two-for-one common stock split of the Corporation, effective April 1, 2017. Profit attributable to owners of the parent per share (Basic) and profit attributable to owners of the parent per share (Diluted) are calculated on the assumption that the relevant stock split had been implemented at the beginning of the 104th period.

5. Ratio of profit attributable to owners of the parent to total equity attributable to owners of the parent (ROE) =

Profit attributable to owners of the parent / [(Equity attributable to owners of the parent at the beginning of the period + Equity attributable to owners of the parent 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 (China) Co., Ltd.	USD 80,000	100.0	Production and sales of power tools
Makita (Kunshan) Co., Ltd.	USD 25,000	100.0	Production of power tools
Makita (Australia) Pty. Ltd.	AUD 13,000	100.0	Sales of power tools
Makita do Brasil Ferramentas Elétricas Ltda.	BRL 717,567	99.9	Production and sales of power tools

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

**(6) Principal Operations**

Makita is primarily involved in the production and sales of electric power tools such as cordless impact drivers, rotary hammers, circular saws and angle grinders, pneumatic tools such as air nailers and tackers, 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 (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
16,424	287 (Increase)

## 2. Employees of the Corporation

Number of Employees	Increase / Decrease	Average Age	Average Years of Service
2,906	29 (Increase)	41.5	18.3

## 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 8,550,463 shares)

(3) Number of Shareholders: 11,665

### (4) Major Shareholders:

Name of Shareholders	Number of shares held (Thousands of Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	18,824	6.93
Japan Trustee Services Bank, Ltd. (Trust account)	12,849	4.73
Maruwa, Ltd.	8,638	3.18
MUFG Bank, Ltd.	8,426	3.10
The Bank of New York Mellon as Depositary Bank for DR Holders	7,714	2.84
Makita Cooperation Companies' Investment Association	6,515	2.40
Japan Trustee Services Bank, Ltd. (Trust account 9)	6,442	2.37
Sumitomo Mitsui Banking Corporation	5,800	2.13
JPMorgan Chase Bank 385151	5,634	2.07
State Street Bank and Trust Company 505001	5,592	2.06

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 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
Fourth Stock Acquisition Rights (July 31, 2018)	459	Common Stock 9,180	4,407	1	From August 18, 2018 To August 17, 2068

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
	Fourth Stock Acquisition Rights	459	Common Stock 9,180	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*	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
Director Corporate Officer	Takashi Omote	General Manager of International Sales Headquarters
Director Corporate Officer	Yukihiro Otsu	General Manager of Administration Headquarters
Director	Akiyoshi Morita	
Director	Masahiro Sugino	Special 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. 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	386	120	13	226	11	40	11
Audit & Supervisory Board Members	41	41	4	-	-	-	-
Total	427	161	17	226	11	40	11

- 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. Other than the above, the amount of 140 million yen was paid to 8 Directors who concurrently serve as employees as employee salaries (including bonuses).
3. The Corporation terminated the retirement allowance plan for Directors and Audit & Supervisory Board Members as of the 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, 2019 is 326 million yen, which will be paid to 3 Directors.
4. The maximum amounts of annual compensation for all Directors and Audit & Supervisory Board Members, each of which was approved by a resolution passed at the Ordinary General Meeting of Shareholders held in May 1989, is 240 million yen (excluding bonuses and the amounts paid to Directors who concurrently serve as employees as employee salaries) and 60 million yen, respectively.
5. 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 4 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	83% (10/12)	-	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	148
2. Total amount of cash and other financial benefits payable by the Corporation and its subsidiaries to the Accounting Auditor	148

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 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, 2019, 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 STATEMENT OF FINANCIAL POSITION

(As of March 31, 2019)

(Millions of Yen)

(Assets)		(Liabilities)	
<b>Current assets</b>	<b>493,129</b>	<b>Current liabilities</b>	<b>90,794</b>
Cash and cash equivalents	146,512	Trade payables and other payables	38,904
Trade receivables and other receivables	79,450	Borrowings	11,799
Inventories	219,938	Other financial liabilities	220
Other financial assets	37,828	Income taxes payable	7,153
Prepaid expenses and other current assets	9,401	Provisions	3,040
<b>Non-current assets</b>	<b>187,121</b>	Other current liabilities	29,678
Property, plant and equipment	112,441	<b>Non-current liabilities</b>	<b>12,234</b>
Goodwill and intangible assets	8,039	Retirement benefit liabilities	3,231
Other financial assets	43,566	Other financial liabilities	256
Retirement benefit asset	9,541	Provisions	1,293
Deferred income taxes	9,342	Deferred tax liabilities	7,236
Other non-current assets	4,192	Other non-current liabilities	218
		<b>Total liabilities</b>	<b>103,028</b>
		(Equity)	
		Common stock	23,805
		Additional paid-in capital	45,571
		Retained earnings	508,622
		Treasury stock, at cost	(11,681)
		Other components of equity	6,431
		Total equity attributable to owners of the parent	572,748
		<b>Non-controlling interest</b>	<b>4,474</b>
		<b>Total equity</b>	<b>577,222</b>
<b>Total assets</b>	<b>680,250</b>	<b>Total liabilities and equity</b>	<b>680,250</b>

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



## **CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

REVENUE	490,578
Cost of sales	(313,356)
GROSS PROFIT	177,222
Selling, general, administrative and others, net	(98,917)
OPERATING PROFIT	78,305
Financial income	2,680
Financial expenses	(1,066)
PROFIT BEFORE INCOME TAXES	79,919
Income tax expenses	(23,728)
PROFIT	56,191
Profit attributable to:	
Owners of the parent	55,750
Non-controlling interests	441

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

	Equity attributable to owners of the parent					Total
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	
Balance at April 1, 2018	23,805	45,531	469,232	(11,617)	27,095	554,046
Profit for the period			55,750			55,750
Other comprehensive income					(20,464)	(20,464)
Comprehensive income	-	-	55,750	-	(20,464)	35,286
Dividends paid			(16,560)			(16,560)
Purchase of treasury stock				(4)		(4)
Disposal of treasury stock		0		0		0
Share-based payment transaction		40				40
Transfer from other components of equity to retained earnings			200		(200)	-
Other increase or decrease				(60)		(60)
Total amounts of transactions with owners	-	40	(16,360)	(64)	(200)	(16,584)
Balance at March 31, 2019	23,805	45,571	508,622	(11,681)	6,431	572,748

	Non-controlling interest	Total equity
Balance at April 1, 2018	4,393	558,439
Profit for the period	441	56,191
Other comprehensive income	(135)	(20,599)
Comprehensive income	306	35,592
Dividends paid	(225)	(16,785)
Purchase of treasury stock		(4)
Disposal of treasury stock		0
Share-based payment transaction		40
Transfer from other components of equity to retained earnings		-
Other increase or decrease		(60)
Total amounts of transactions with owners	(225)	(16,809)
Balance at March 31, 2019	4,474	577,222

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

## **BALANCE SHEET**

(As of March 31, 2019)

(Millions of Yen)

(Assets)		(Liabilities)	
<b>Current assets</b>	<b>155,599</b>	<b>Current liabilities</b>	<b>54,751</b>
Cash and time deposits	60,676	Trade accounts payable	38,380
Trade notes receivable	205	Other payable	3,793
Trade accounts receivable	58,776	Accrued expenses	6,215
Marketable securities	2,061	Income taxes payable	4,548
Finished goods and merchandise	20,003	Allowance for directors' bonuses	226
Work-in-process	1,343	Allowance for product warranties	519
Raw materials and supplies	4,055	Other	1,070
Short-term loans receivable	5,351	<b>Long term liabilities</b>	<b>927</b>
Other	3,136	Retirement and termination allowance	253
Allowance for doubtful accounts	(7)	Retirement allowance for directors and audit & supervisory board members	326
<b>Fixed assets</b>	<b>265,788</b>	Long-term deposits payable	187
<b>Tangible fixed assets</b>	<b>43,764</b>	Other	161
Buildings	16,935	<b>Total liabilities</b>	<b>55,678</b>
Structures	2,074		
Machinery and equipment	2,620	(Net assets)	
Vehicles and transportation equipment	79	<b>Shareholders' equity</b>	<b>356,770</b>
Tools, furniture and fixtures	4,681	<b>Common stock</b>	<b>24,206</b>
Land	14,858	<b>Capital surplus</b>	<b>47,544</b>
Construction in progress	2,517	Additional paid-in capital	47,525
<b>Intangible fixed assets</b>	<b>2,954</b>	Other capital surplus	19
Software	900	<b>Retained earnings</b>	<b>296,641</b>
Industrial property rights	951	Legal reserve	5,669
Other	1,103	Other retained earnings	290,972
<b>Investment and other assets</b>	<b>219,070</b>	Reserve for dividend	750
Investment securities	34,043	Reserve for technical research	1,500
Stocks of affiliates	87,402	Reserve for advanced depreciation	1,437
Investment in affiliates	78,343	General reserves	85,000
Long-term loans receivable	274	Retained earnings carried forward	202,285
Lease deposits	8,137	<b>Treasury stock</b>	<b>(11,621)</b>
Prepaid pension cost	9,774	<b>Valuation and translation adjustments</b>	<b>8,807</b>
Deferred income tax assets	1,075	Net unrealized gains on securities	8,807
Other	22	<b>Stock acquisition rights</b>	<b>132</b>
		<b>Total net assets</b>	<b>365,709</b>
<b>Total assets</b>	<b>421,387</b>	<b>Total liabilities and net assets</b>	<b>421,387</b>

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

## **STATEMENT OF INCOME**

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

<b>Net sales</b>		<b>326,390</b>
<b>Cost of sales</b>		<b>256,631</b>
<b>Gross profit</b>		<b>69,759</b>
Selling, general and administrative expenses		37,584
<b>Operating income</b>		<b>32,175</b>
<b>Non-operating income</b>		
Interest and dividend income	45,645	
Other non-operating income	462	46,107
<b>Non-operating expense</b>		
Exchange losses on foreign currency transactions	445	
Other non-operating expense	11	456
<b>Ordinary income</b>		<b>77,826</b>
<b>Extraordinary gain</b>		
Gain on sales of fixed assets	135	
Gain on sales of investment securities	468	603
<b>Extraordinary loss</b>		
Loss on sale and disposal of fixed assets	284	
Loss on sales of investment securities	1	
Loss on valuation of investment securities	55	340
<b>Income before income taxes</b>		<b>78,089</b>
Income taxes - current		11,922
Income taxes - deferred		566
<b>Net income</b>		<b>65,601</b>

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

## STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at April 1, 2018	24,206	47,525	19	47,544
Changes during the period				
Provision of reserve for advanced depreciation				
Reversal of reserve for advanced depreciation				
Dividends paid				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net change of items other than shareholders' equity				
Total changes during the period	-	-	0	0
Balance at March 31, 2019	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			
Balance at April 1, 2018	5,669	750	1,500	1,370	85,000	153,311	247,600	(11,617)	307,733
Changes during the period									
Provision of reserve for advanced depreciation				112		(112)	-		-
Reversal of reserve for advanced depreciation				(45)		45	-		-
Dividends paid						(16,560)	(16,560)		(16,560)
Net income						65,601	65,601		65,601
Purchase of treasury stock								(4)	(4)
Disposal of treasury stock								0	0
Net change of items other than shareholders' equity									
Total changes during the period	-	-	-	67	-	48,974	49,041	(4)	49,037
Balance at March 31, 2019	5,669	750	1,500	1,437	85,000	202,285	296,641	(11,621)	356,770

	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Net unrealized gains on securities	Total valuation and translation adjustments		
Balance at April 1, 2018	16,930	16,930	92	324,755
Changes during the period				
Provision of reserve for advanced depreciation				-
Reversal of reserve for advanced depreciation				-
Dividends paid				(16,560)
Net income				65,601
Purchase of treasury stock				(4)
Disposal of treasury stock				0
Net change of items other than shareholders' equity	(8,123)		40	(8,083)
Total changes during the period	(8,123)		40	40,954
Balance at March 31, 2019	8,807	8,807	132	365,709

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

**Independent Auditor's Report**

May 17, 2019

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 statement of financial position, the consolidated statements of profit or loss, the consolidated statement of changes in equity and the notes to consolidated financial statements of Makita Corporation as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 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 that prescribes some omissions of disclosure items required under IFRS, 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 that prescribes some omissions of disclosure items

required under IFRS, 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 17, 2019

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, 2019 and for the year from April 1, 2018 to March 31, 2019 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 107th period, from April 1, 2018 to March 31, 2019, 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 statement of financial position, consolidated statements of profit or loss, 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 21, 2019

Audit & Supervisory Board  
Makita Corporation

Mitsuhiko Wakayama (Seal)  
Standing Audit & Supervisory Board Member

Fusahiro Yamamoto (Seal)  
Outside Audit & Supervisory Board Member

Shoji Inoue (Seal)  
Outside Audit & Supervisory Board Member

Note: Mr. Akira Kodama, an Audit & Supervisory Board Member, was absent from the meeting of the Audit & Supervisory Board held on May 21, 2019 when this Audit Report was prepared, and has therefore not placed his signature or seal on this Audit Report. However, an audit report has been received from him in advance, and the methods and results of said audit are the same as that described above.