

# Corporate Governance Report

Last Update: November 25, 2021

**Makita Corporation**

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President

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<https://www.makita.biz/>

The corporate governance of Makita Corporation (the “Company”) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

The Company believes that the most important issue is to achieve unending development together with its various stakeholders. In order to achieve this, we have established a management policy/quality policy and are working to strengthen and enhance our corporate governance. From this perspective, we will work to maintain and improve the fairness and transparency of our management by striving to enhance management transparency and management checking functions, as well as proactively and promptly disclosing information.

### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code] **UPDATED****

This report has been prepared and submitted in accordance with the Corporate Governance Code after its revision in June 2021.

[Principle 2-4. Ensuring diversity within the Company, including an increased presence of female workers]  
Supplementary Principle 2-4-1

At the Company, we believe that it is essential to be a company that allows all employees to actively work and exercise their talents to the maximum degree. In the Guidelines to the Code of Ethics for Makita, which serves as a code of conduct for all officers and employees of the Makita Group, we have included a statement to the effect that we respect the diversity of individuals and are, in fact, working to ensure that diverse human resources can play active roles. To this end, we seek to actively develop human resources and ensure a work environment where diverse human resources can work actively with peace of mind. The details are disclosed in our integrated report, the Makita Report (<https://www.makita.biz/ir/>).

Currently, our goal is to increase the number of women in management positions. We do not set targets for foreign nationals and mid-career hires, but we ensure a fair personnel policy that includes women, and make no distinction in terms of hiring, placement, promotion, or any other personnel operations, and we believe that we have an environment where motivated people can play active roles. Meanwhile, the Makita Group has an overseas sales ratio of over 80%, and employees of foreign nationalities are active in the entire Group, which operates globally. This is evidenced by the fact that employees from overseas subsidiaries have been promoted to corporate officer positions at the Company. In addition, more than 190 women have been appointed to management positions overseas. We will continue our efforts to become a company where diverse human resources can play active roles.

[Principle 4-11: Preconditions for Ensuring the Effectiveness of the Board of Directors and Audit & Supervisory Board]

Directors of the Company, regardless of age, gender, or nationality, shall be appointed from among those who can contribute to the enhancement of its corporate value. Currently, the Company has no female Directors. We have appointed Internal Directors (excluding Director who is Audit & Supervisory Committee Member) who have the ability to formulate and execute management strategies based on their own experience and insight, Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) who have a wealth of experience and broad insight in corporate management, and Directors who are Audit & Supervisory Committee Members who have internal and external work experience and a wealth of experience and insight in various fields, including finance, accounting and legal affairs. Moreover, a number of Directors with overseas experience are in office. We, therefore, believe that the Board of Directors as a whole is functioning as an effective organization that ensures an appropriate balance and diversity of knowledge, experience and ability. However, we will positively consider appointing female Directors and increase the number of female workers in management positions who will be candidates for Directors in the future. We also believe that the current Board of Directors is of an appropriate size to enable prompt decision-making.

**[Disclosure Based on the Principles of the Corporate Governance Code] UPDATED**

[Principle 1-4: Strategic Shareholdings]

The Company holds shares of various companies, including clients and associates in business relationships, for strategic purposes from a medium- to long-term perspective, based on the criteria of whether or not the shares are beneficial for business execution, such as strengthening relationships with clients and business partners. In addition, the Board of Directors regularly examines the economic rationality and other factors of each individual stock based on the significance of holding the stock and the capital cost, and verifies the appropriateness of such holding from a medium- to long-term perspective. As a result of the verification, we will consider selling stocks for which the appropriateness of holding is not recognized, and work to reduce the amount.

We will make decisions on the exercise of voting rights from a comprehensive perspective, based on such factors as the improvement of corporate value at the investee company and the strengthening of the relationship with the Company.

[Principle 1-7: Transactions Between Related Parties]

Regarding transactions involving conflicts of interest between the Company and its Directors, the Company shall obtain the approval of the Board of Directors in accordance with laws and regulations and the Regulations of the Board of Directors, as well as the approval of the Audit & Supervisory Committee, in principle. With regard to other related party transactions, procedures shall be established in accordance with the importance and nature of the transaction. In addition, we conduct an annual survey of Directors and personnel responsible for subsidiaries to confirm whether or not there are any related party transactions.

[Principle 2-6: Roles of Corporate Pension Funds as Asset Owners]

The Company's corporate pension fund is managed by the Makita Corporate Pension Fund.

For the Fund, decisions on investment policies and strategic asset composition ratios for safe and efficient management are deliberated by the Asset Management Committee (including labor union representatives), which consists of personnel with sufficient experience and appropriate qualifications in finance, human resources and other fields. After the deliberation, such decisions are made by the Board of Delegates, the highest decision-making body consisting of representatives of both the Company and its employees.

Management of funds is entrusted to major trust banks, life insurance companies and investment management companies in Japan. The Fund regularly monitors the management status by receiving monthly reports on the investment results from all the investment institutions as well as quarterly direct reports from them.

[Principle 3-1: Enhancement of Information Disclosure]

(1) The Company's Goal (Management Philosophy, etc.), Management Strategy and Management Plan Management Policy/Quality Policy

- 1) Makita strives to exist in harmony with society (a company that observes laws and regulations, acts ethically and never allows intervention of the anti-social organizations).
- 2) Makita values its customers (a market-driven company).

- 3) Makita is managed in a consistent and proactive manner (a company that strives to exist in perpetuity by adhering to a sound profit structure).
- 4) Valuing a stalwart corporate culture, Makita encourages each individual to perform to his or her highest level (a happy company).

(2) Basic Views and Basic Policy on Corporate Governance

The Company believes that the most important issue is to achieve unending development together with its various stakeholders. In order to achieve this, we have established a management policy/quality policy and are working to strengthen and enhance our corporate governance. From this perspective, we will work to maintain and improve the fairness and transparency of our management by striving to enhance management transparency and management checking functions, as well as proactively and promptly disclosing information.

(3) Determination of Compensation for Management Team and Directors

Please refer to “Details of Disclosure of Policy on Determining Compensation Amounts and Calculation Methods” under “Compensation for Directors” in II. 1. of this report.

(4) Appointment and Dismissal of Management Team, Nomination of Candidates for Directors and Audit & Supervisory Board Members

The Board of Directors of the Company strives to have a well-balanced mix of knowledge, experience, and ability as a whole, to achieve both diversity and appropriate size, and to have a ratio of Independent Outside Directors of at least one-third.

We believe that it is necessary to appoint as Internal Directors (excluding Directors who are Audit & Supervisory Committee Members) those who have the ability to formulate and execute management strategies based on their own experience and insight, including a wealth of experience in the Company’s operations, and as Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) those who have a wealth of experience and broad insight in corporate management. We also believe that it is necessary for Directors who are Audit & Supervisory Committee Members to be appointed from among those who have internal and external work experience and a wealth of experience and insight in various fields, including finance, accounting and legal affairs, and that at least one of them is required to have a wealth of experience and insight in finance, accounting and other fields.

The Company has established the Nomination and Compensation Committee for the purpose of ensuring objectivity, transparency, and fairness in procedures related to the nomination and other matters concerning Directors, etc. (excluding Directors who are Audit & Supervisory Committee Members), as well as further enhancing the corporate governance system, by obtaining appropriate involvement and advice from Independent Outside Directors. The Board of Directors consults with the Nomination and Compensation Committee regarding the policy on the nomination of Directors, etc. (excluding Directors who are Audit & Supervisory Committee Members) and matters related to the appointment of Directors, etc. (excluding Directors who are Audit & Supervisory Committee Members), and decides on candidates based on the advice from the Nomination and Compensation Committee. With respect to Directors who are Audit & Supervisory Committee Members, candidates are determined by a resolution of the Board of Directors after obtaining the consent of the Audit & Supervisory Committee.

In the event that a Director (excluding a Director who is an Audit & Supervisory Committee Member) violates the criteria for dismissal set by the Board of Directors, such as an act that is suspected to be unfair, unjust or treacherous, the Board of Directors will consult with the Nomination and Compensation Committee regarding the dismissal of the relevant Director. Based on the advice from the Nomination and Compensation Committee, the Board of Directors will decide to submit a proposal for the dismissal of the relevant Director to the General Meeting of Shareholders.

(5) Explanation on Appointment, Dismissal and Nomination

The Company appoints and nominates the most suitable candidates for Directors in accordance with the policy described in (4) above. The reasons for nominating Directors, their backgrounds, and other matters are disclosed in the reference documents of the Notice of the General Meeting of Shareholders (<https://www.makita.biz/ir/>).

#### Supplementary Principle 3-1-3

As a global supplier of a comprehensive range of tools for creating comfortable homes and living environments, Makita places great importance on contributing to realizing a sustainable society. In 2021, Makita established the new Sustainability Committee, chaired by the President, to further promote sustainability throughout the Company. Our sustainability initiatives are disclosed in our integrated report, the Makita Report (<https://www.makita.biz/ir/>), which refer to international frameworks such as the International Integrated Reporting Council (IIRC). We have already expressed our support for the TCFD recommendations and are currently working on its disclosure.

In terms of investments in human capital and intellectual property, in order to evolve into a supplier of a comprehensive range of cordless products, we are actively hiring and training personnel with an eye to expanding our sales and also strengthening research and development to expand our lineup of cordless products. These efforts are also disclosed in the Makita Report.

#### [Principle 4-1: Roles and Responsibilities of the Board of Directors (1)]

##### Supplementary Principle 4-1-1

The Board of Directors of the Company decides on important management matters, including decisions on management policies and business plans, the conclusion of important agreements, and the establishment of subsidiaries in accordance with the Regulations of the Board of Directors, in addition to matters stipulated by laws and regulations and the Articles of Incorporation.

For other matters related to the execution of operations below a certain scale, judgments and decisions are delegated to the Representative Directors and the respective Directors in charge in accordance with internal regulations.

#### [Principle 4-9: Criteria for Determining Independence and Qualifications of Independent Outside Directors]

In determining independence, the Company follows the independence criteria stipulated by financial instruments exchanges as well as the standard that he or she has not held office in the Company as an Independent Officer for a long period of time.

#### [Principle 4-10: Use of Optional Approach]

##### Supplementary Principle 4-10-1

Makita has established the Nomination and Compensation Committee to ensure the objectivity, transparency, and fairness of procedures relating to the nomination, etc. and compensation, etc. of Directors (excluding Directors who are Audit & Supervisory Committee Members), etc., and to further enhance its corporate governance system by obtaining the appropriate involvement and advice of Independent Outside Directors. Please refer to “Voluntary Committees” in II. 1. of this report for details.

#### [Principle 4-11: Preconditions for Ensuring the Effectiveness of the Board of Directors and Audit & Supervisory Board]

##### Supplementary Principle 4-11-1

For policies and procedures regarding the election of Directors, please refer to [Principle 3-1: Enhancement of Information Disclosure] (4) above. The skill matrix that lists the knowledge, experience, abilities, and other aspects of the Directors is disclosed in the reference documents of the Notice of Convocation of the General Meeting of Shareholders (<https://www.makita.biz/ir/>). In addition, the Company has decided to appoint persons with a wealth of experience and broad insights in the field of corporate management to the position of Outside Director (excluding Directors who are Audit & Supervisory Committee Members), and has appointed persons who have management experience at other companies.

##### Supplementary Principle 4-11-2

The Company believes that the status of its Directors holding concurrent positions as officers at other listed companies is within a reasonable range. The status of concurrent positions of Directors is disclosed in the convocation notice of the General Meeting of Shareholders and the securities reports (<https://www.makita.biz/ir/>).

##### Supplementary Principle 4-11-3

Every year, the Company conducts a self-evaluation of the effectiveness of the Board of Directors by each Director in the form of a questionnaire.

As a result of analyzing the effectiveness evaluation for FYE2021, the Company assessed that its Board of Directors is generally functioning appropriately and that the effectiveness of the Board of Directors is ensured in terms of its composition, operation, supervisory function, and response to shareholders and stakeholders.

[Principle 4-14: Training of Directors and Audit & Supervisory Board Members]

Supplementary Principle 4-14-2

In order for Directors to appropriately fulfill their expected roles and responsibilities, lectures and briefing sessions on the Companies Act, corporate governance, compliance and other topics are held by lawyers and other outside experts. In addition, opportunities are provided for Directors to participate in outside seminars as necessary.

Furthermore, when new Outside Directors assume office, the Company strives to create an environment in which they can effectively fulfill their roles and responsibilities by providing explanations of its management policies, business operations, management environment and other matters.

[Principle 5-1: Policy on Constructive Dialogue with Shareholders]

In order to promote constructive dialogue with shareholders, the Company is making efforts by adopting the following systems and measures.

- (1) The Director, Corporate Officer and General Manager of Administration Headquarters oversees overall dialogue with shareholders.
- (2) The accounting & finance, legal, and internal audit departments, led by the department in charge of IR, work together to promote constructive dialogue with shareholders by reviewing and sharing disclosure information and preparing disclosure materials. In addition, we have established the Disclosure Committee consisting of the General Managers of each department to deliberate on the content of disclosure, thereby striving to disclose information in an appropriate and responsible manner.
- (3) In order to promote understanding of the Company, we hold financial results presentations, conference calls and other meetings for analysts and institutional investors.
- (4) The opinions of shareholders and other information obtained through dialogue will be fed back to the management team, as necessary.
- (5) We comply with internal regulations for the management of insider information and strive to engage in appropriate dialogue with shareholders. In addition, we restrict dialogue with investors and securities analysts for a certain period as a silent period prior to the announcement of financial results.

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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### [Major Shareholders] **UPDATED**

Name or Company Name	Number of Shares Held (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	38,739,500	14.26
Custody Bank of Japan, Ltd. (Trust account)	12,878,800	4.74
Maruwa, Ltd.	8,638,378	3.18
MUFG Bank, Ltd.	8,426,446	3.10
The Bank of New York Mellon as Depository Bank for DR Holders	7,186,478	2.64
Makita Cooperation Companies' Investment Association	6,181,562	2.27
Sumitomo Mitsui Banking Corporation	5,800,458	2.13
State Street Bank and Trust Company 505001	5,541,760	2.04
Nippon Life Insurance Company	5,353,206	1.97
The Bank of New York Mellon 140044	4,454,411	1.64

Controlling Shareholder (Excluding Parent Company)	—
Parent Company	None

### Supplementary Explanation **UPDATED**

- [Major Shareholders] is provided based on the register of shareholders as of September 30, 2021. The percentage is calculated based on the total number of outstanding shares (excluding treasury stock of 8,484,811 shares) as of September 30, 2021.
- In the Change Report for the Large Shareholding Report of Mitsubishi UFJ Financial Group Inc., which was made available for public inspection as of August 30, 2021, it is stated that as of August 23, 2021, MUFG Bank, Ltd. and its two joint holders hold 17,754 thousand shares (shareholding percentage: 6.34%) of the Company's stock. However, as the Company is unable to confirm the number of shares actually held as of September 30, 2021, they are not included in the above list of major shareholders.
- In the Change Report for the Large Shareholding Report of Lazard Asset Management LLC, which was made available for public inspection as of March 4, 2021, it is stated that as of February 26, 2021, Lazard Asset Management LLC and its one joint holder hold 18,440 thousand shares (shareholding percentage: 6.59%) of the Company's stock. However, as the Company is unable to confirm the number of shares actually held as of September 30, 2021, they are not included in the above list of major shareholders.
- In the Change Report for the Large Shareholding Report of Sumitomo Mitsui Trust Bank, Limited, which was made available for public inspection as of December 4, 2020, it is stated that as of November 30, 2020, Sumitomo Mitsui Trust Bank, Limited and its two joint holders hold 14,086 thousand shares (shareholding percentage: 5.03%) of the Company's stock. However, as the Company is unable to confirm the number of shares actually held as of September 30, 2021, they are not included in the above list of major shareholders.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section Nagoya Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Machinery
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with an Audit & Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	20
Term of Office of Directors Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	Chairman (except when concurrently serving as President)
Number of Directors	15
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Directors	5

#### Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Masahiro Sugino	From another company									△			
Takahiro Iwase	From another company									△			
Akira Kodama	From another company									△			
Shoji Inoue	Lawyer												
Koji Nishikawa	CPA									△			

\* Categories for “Relationship with the Company”

\* “○” when the Director presently falls or has recently fallen under the category;

“△” when the Director fell under the category in the past

\* “●” when a close relative of the Director presently falls or has recently fallen under the category;

“▲” when a close relative of the Director fell under the category in the past

a Executive of the Company or its subsidiaries

b Non-executive director or executive of a parent company of the Company

c Executive of a fellow subsidiary company of the Company

d A party whose major client or supplier is the Company or an executive thereof

e Major client or supplier of the Company or an executive thereof

f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides officer compensation

g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

i Executive of a company, between which and the Company outside officers are mutually appointed (the Director himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k Others



Relationship with the Company (2)

Name	Membership of the Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masahiro Sugino		○	<p>The Company has a business relationship with LIXIL Corporation, at which Mr. Sugino served as President and Representative Director, and sells products, etc. to LIXIL Corporation. However, the transaction amount for the fiscal year ended March 31, 2021 was 2 million yen, which constituted less than 0.01% of the Company's consolidated revenue, so it is not a significant business relationship.</p>	<p>Mr. Sugino has participated in the management of LIXIL Group, 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 Company from a broad perspective. The Company has judged that he is suitable for the position of Outside Director because we believe that he will be able to utilize his wealth of experience and broad insight for the management of the Company from an independent perspective. We believe that there is no special interest between him and the Company and that there is no risk of conflict of interest with general shareholders.</p>
Takahiro Iwase		○	<p>The Company has a business relationship with Aichi Steel Corporation, at which Mr. Iwase served as Chairman and Representative Director, and mainly purchases components, etc. from Aichi Steel Corporation. However, the transaction amount for the fiscal year ended March 31, 2021 was 1,047 million yen, which constituted only 0.5% of the consolidated net sales of Aichi Steel Corporation, so it is not a significant business relationship.</p>	<p>Mr. Iwase has participated in the management of core companies of the Toyota Group, including TOYOTA MOTOR CORPORATION, for many years and has a thorough knowledge of corporate management. The Company has judged that he is suitable for the position of Outside Director because we believe that he will be able to utilize his wealth of experience and broad insight for the management of the Company from an independent perspective. We believe that there is no special interest between him and the Company and that there is no risk of conflict of interest with general shareholders.</p>

Name	Membership of the Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Akira Kodama	○	○	<p>The Company has a business relationship with Hekikai Shinkin Bank, at which Mr. Kodama served as Managing Director and Corporate Officer. However, the transactions between the Company and Hekikai Shinkin Bank are only deposits, so it is not a significant business relationship.</p>	<p>Mr. Kodama has many years of experience at financial institutions and his expertise in accounting and so on, with which he currently provides useful opinions from a professional perspective. The Company has judged that he is suitable for the position of Outside Director who is an Audit &amp; Supervisory Committee Member because we believe that he will be able to utilize his wealth of experience and insight to audit and supervise the management of the Company from an independent perspective. We believe that there is no special interest between him and the Company and that there is no risk of conflict of interest with general shareholders.</p>
Shoji Inoue	○	○	—	<p>Mr. Inoue has extensive knowledge and expertise gained through his practice as attorney at law, with which he currently provides useful opinions from a professional perspective. The Company has judged that he is suitable for the position of Outside Director who is an Audit &amp; Supervisory Committee Member because we believe that he will be able to utilize his wealth of experience and insight to audit and supervise the management of the Company from an independent perspective. We believe that there is no special interest between him and the Company and that there is no risk of conflict of interest with general shareholders.</p>

Name	Membership of the Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Koji Nishikawa	○	○	The Company has a business relationship with PricewaterhouseCoopers Aarata LLC, at which Mr. Nishikawa served as a partner, and receives corporate in-service training from PricewaterhouseCoopers Aarata LLC. However, the transaction amount for the fiscal year ended March 31, 2021 constituted less than 1 million yen, so it is not a significant business relationship.	Mr. Nishikawa has extensive knowledge and expertise in corporate accounting audits as a certified public accountant. The Company has judged that he is suitable for the position of Outside Director who is an Audit & Supervisory Committee Member because we believe that he will be able to utilize his wealth of experience and insight to audit and supervise the management of the Company from an independent perspective. We believe that there is no special interest between him and the Company and that there is no risk of conflict of interest with general shareholders.

#### [Audit & Supervisory Committee]

##### Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
The Audit & Supervisory Committee	4	2	1	3	Inside Director

Appointment of Directors and Employees to Assist the Duties of the Audit & Supervisory Committee	Appointed
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##### Matters Related to the Independence of Such Directors and Employees from Executive Directors

As employees assisting the duties of the Audit & Supervisory Committee, necessary personnel are posted to assist the duties of the Audit & Supervisory Committee. Employees assisting the duties of the Audit & Supervisory Committee shall not work concurrently at other divisions, but shall exclusively follow directions from the Audit & Supervisory Committee.

In addition, in order to ensure the independence of the employees assisting the duties of the Audit & Supervisory Committee, the consent of the Audit & Supervisory Committee is required for decisions on matters concerning the appointment and change of such employees.

##### Cooperation among the Audit & Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Audit & Supervisory Committee, internal audit departments, and the Accounting Auditors have a system in place that enables them to exchange information, opinions, and other forms of collaboration as necessary.

<Cooperation between the Audit & Supervisory Committee and the Accounting Auditors>

The Audit & Supervisory Committee holds regular meetings with the Accounting Auditors to receive reports and explanations on the results of audits and reviews, as well as to exchange information and opinions. In order to enhance the supervisory function of the Audit & Supervisory Committee over the Accounting Auditors, the Company shall establish the “Policies and Procedures concerning Prior Approval of Auditing and Non-Auditing Services” and obtain prior approval from the Audit & Supervisory Committee when the Company enters into an outsourcing contract with the Accounting Auditors.

<Cooperation between the Audit & Supervisory Committee and the Internal Audit Departments>

The Audit & Supervisory Committee conducts audits of the Company, including its subsidiaries, in cooperation with each department that has an internal audit function. In addition, the internal audit departments report to the Audit & Supervisory Committee on the status of the establishment of internal control systems throughout the Company, including audit results, and exchange information and opinions with the Audit & Supervisory Committee.

<Cooperation between the Accounting Auditors and the Internal Audit Departments>

The Accounting Auditors and the internal audit departments strive to collaborate by exchanging information and opinions regarding the development, operation and assessment of internal controls of financial reporting and the results of internal audits.

**[Voluntary Committees]**

Establishment of Voluntary Committees Equivalent to Nomination Committee or Compensation Committee	Established
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Establishment of Voluntary Committees, Composition, and Attributes of Chairperson

	Voluntary Committee Equivalent to Nomination Committee	Voluntary Committee Equivalent to Compensation Committee
Committee Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other Persons	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation **UPDATED**

The Nomination and Compensation Committee consists of at least three Directors, the majority of whom are Independent Outside Directors. The members of the Committee are selected from among the Directors by a resolution of the Board of Directors, and the Chairperson of the Committee is selected from among the Independent Outside Directors by a resolution of the Nomination and Compensation Committee. While including Internal Directors as members of the Committee to make discussions more substantive, the Company has enhanced the independence of the Nomination and Compensation Committee by appointing the Chairperson and a majority of members from among Independent Outside Directors.

The General Affairs Department is in charge of the secretariat, and the members as of the submission of this report and their attendance in FYE2021 (from December 2020, when the Nomination and Compensation Committee was established, to March 2021) are as follows.

<Chairperson>

Mr. Masahiro Sugino, Outside Director, Attendance: 2 out of 2 meetings

<Members>

Mr. Masahiko Goto, Chairman and Representative Director, Attendance: 2 out of 2 meetings

Mr. Munetoshi Goto, President and Representative Director, Attendance: 2 out of 2 meetings

Mr. Takahiro Iwase, Outside Director, Attendance: —

Mr. Akira Kodama, Outside Director (Standing Audit & Supervisory Committee Member), Attendance: —

\* Mr. Iwase and Mr. Kodama were appointed as the members on June 25, 2021.

\* Attendance of Mr. Akiyoshi Morita, who passed away on April 29, 2021: 2 out of 2 meetings

The Nomination and Compensation Committee is responsible for the functions of both a nomination committee and a compensation committee. The Nomination and Compensation Committee deliberates and gives advice on the following matters based on the consultation of the Board of Directors: 1) policies concerning the nomination of Representative Directors and Directors, etc. (excluding Directors who are Audit & Supervisory Committee Members); 2) matters concerning the selection of Representative Directors and the selection of Directors, etc. (excluding Directors who are Audit & Supervisory Committee Members); 3) matters concerning the succession plan for the President; and 4) policies concerning decisions on the details of individual compensation for Directors, etc. (excluding Directors who are Audit & Supervisory Committee Members). In addition, based on the delegation of the Board of Directors, the Committee also determines the details of individual compensation for Directors, etc. (excluding Directors who are Audit & Supervisory Committee Members).

#### [Independent Directors]

Number of Independent Directors	5
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Matters relating to Independent Directors

All Outside Directors who satisfy the qualifications for Independent Directors have been designated as Independent Directors.

#### [Incentives]

Incentive Policies for Directors	Introduction of Performance-linked Compensation Plan, and Others
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Supplementary Explanation

[Bonuses]

Bonuses are paid to Directors, excluding Directors who are Audit & Supervisory Committee Members and Outside Directors, and linked to consolidated business result in order to motivate them to improve such business result. For the purpose of management of the Company in a manner favorable to shareholders, just as in the case of dividend payment, bonuses are based on the profit attributable to owners of the parent per share (Basic) after certain adjustments reflecting special circumstances. After consultation with and receiving advice from the Nomination and Compensation Committee, the Board of Directors determines the total amount of bonuses to be paid to Directors based on a certain formula and submits the total amount of bonuses to the General Meeting of Shareholders. The allocation of bonuses to each Director is determined by the Nomination and Compensation Committee under the authority delegated by a resolution of the Board of Directors, based on performance, positions and other factors.

[Restricted Shares Compensation]

Restricted shares compensation is introduced to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) in order to allow them 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 Company. The allotment of restricted shares to each

Director is decided based on position, etc. at the Board of Directors after consultation with and receiving advice from the Nomination and Compensation Committee.

In addition, for the purpose of providing sound incentives for improving the corporate value over the medium- to long-term, the Company appropriately determines the proportion of the monthly compensation, bonuses and restricted shares compensation.

Recipients of Stock Options	
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Supplementary Explanation
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### [Compensation for Directors]

Disclosure of Individual Directors' Compensation	Selected Directors
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Supplementary Explanation
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In securities reports and business reports, the total amount of each type of compensation shall be disclosed for each Director (excluding Directors who are Audit & Supervisory Committee Members) and each Director who is an Audit & Supervisory Committee Member.

\* In the Annual Securities Report and Business Report for the 109th period, the total amount of each type of compensation is disclosed for each Director and Audit & Supervisory Board Member as information prior to the transition to a Company with an Audit & Supervisory Committee.

In addition, the total amount of compensation is disclosed separately for those whose total amount of compensation is 100 million yen or more in the securities reports.

<Directors with Total Amount of Compensation of 100 Million Yen or More>

Mr. Masahiko Goto (Chairman and Representative Director)

Total amount of compensation: 109 million yen (base compensation: 39 million yen, bonus: 62 million yen, restricted shares compensation: 8 million yen)

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Details of Disclosure of Policy on Determining Compensation Amounts and Calculation Methods
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[Compensation for Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)]

The Board of Directors, after consultation with and receiving advice from the Nomination and Compensation Committee, determines the decision-making policy on the details of individual compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members). The compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) consists of monthly compensation, bonuses and restricted shares compensation, and for the purpose of providing sound incentives for improving the corporate value over the medium- to long-term, the Company appropriately determines the proportion of the monthly compensation, bonuses and restricted shares compensation.

With respect to monthly compensation and bonuses, decision of the amount of individual compensation for Directors shall be delegated to the Nomination and Compensation Committee pursuant to a resolution by the Board of Directors. The Nomination and Compensation Committee consists of five members: Chairman and Representative Director Mr. Masahiko Goto, President and Representative Director Mr. Munetoshi Goto, Outside Director Mr. Masahiro Sugino, Outside Director Mr. Takahiro Iwase, and Outside Director (Standing

Audit & Supervisory Committee Member) Mr. Akira Kodama. The Chairman of the Committee is Outside Director Mr. Masahiro Sugino.

<Monthly Compensation>

The amount of monthly compensation for each Director (excluding Directors who are Audit & Supervisory Committee Members) is determined by the Nomination and Compensation Committee under the authority delegated by a resolution of the Board of Directors, based on performance, positions, increase of employee salary and other factors, within the scope of the maximum amount of compensation resolved by the General Meeting of Shareholders.

<Bonuses>

Bonuses are paid to Directors, excluding Directors who are Audit & Supervisory Committee Members and Outside Directors, and linked to consolidated business result in order to motivate them to improve such business result. For the purpose of management of the Company in a manner favorable to shareholders, just as in the case of dividend payment, bonuses are based on the profit attributable to owners of the parent per share (Basic) after certain adjustments reflecting special circumstances. After consultation with and receiving advice from the Nomination and Compensation Committee, the Board of Directors determines the total amount of bonuses to be paid to Directors based on a certain formula and submits the total amount of bonuses to the General Meeting of Shareholders. The allocation of bonuses to each Director is determined by the Nomination and Compensation Committee under the authority delegated by a resolution of the Board of Directors, based on performance, positions and other factors. Bonuses to Directors are paid at a certain time each year.

<Restricted Shares Compensation>

Restricted shares compensation is introduced to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) in order to allow them 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 Company. The allotment of restricted shares to each Director is decided based on position, etc. at the Board of Directors after consultation with and receiving advice from the Nomination and Compensation Committee. Restricted shares are granted at a certain time each year.

[Compensation to Directors Who Are Audit & Supervisory Committee Members]

Full amount of the compensation to Directors who are Audit & Supervisory Committee Members is fixed so that their independence from the management can be secured and the specific amount for each of them is decided through discussions among the Directors who are Audit & Supervisory Committee Members.

**[Supporting System for Outside Directors]**

Support for Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) is mainly provided by personnel of the General Affairs Department, while support for Outside Directors who are Audit & Supervisory Committee Members is mainly provided by dedicated personnel of the Audit & Supervisory Committee Staff Office. Of the matters to be deliberated at the Board of Directors meetings, the Company sets up a forum for information sharing in advance for particularly important matters. In the event that an Outside Director is absent from a meeting of the Board of Directors for unavoidable reasons, a system is in place to explain the outline of the matters to be resolved in advance whenever possible, listen to his opinions, and communicate them to the other Directors at the meeting.

**[Retired Representative Director and President, etc.]**

Information on Retired Representative Director and President, etc. Holding Advisory Positions (Consultants, Advisers, etc.)

Name	Title/position	Responsibilities	Working Arrangements and Conditions (full/part-time, with/without Compensation, etc.)	Date of Retirement from President, etc.	Term
—	—	—	—	—	—

Total Number of Retired Representative Director and Presidents etc. Holding Advisory Positions (Consultants, Advisers, etc.)

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**Other Matters**

The Company has established a system of consultants and advisers in its Articles of Incorporation, and persons who once served as Representative Director, Director (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors), and Corporate Officer may assume the office of consultant or adviser. Currently, two persons who once served as Director are holding the office of adviser. The appointment and dismissal of consultants and advisers shall be decided by the Board of Directors after consultation with and receiving advice from the Nomination and Compensation Committee. The details of individual compensation for consultants and advisers shall be determined by the Nomination and Compensation Committee based on the delegation of the Board of Directors. The term of office for each of these consultants and advisers is one year, and their main duties are to provide advice and other support in response to requests from the Company’s management. None of them attend the Board of Directors meetings or management meetings of the Company, nor do they have the authority to participate in the management decision-making of the Company.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)**

A regular meeting of the Board of Directors shall be held once a month and extraordinary meetings shall be held whenever necessary. The Board of Directors, as the decision-making body for management, decides on important management matters, including decisions on management policies and business plans, the conclusion of important agreements, and the establishment of subsidiaries in accordance with the Regulations of the Board of Directors, in addition to matters stipulated by laws and regulations and the Articles of Incorporation, and supervises the execution of operations. Outside Directors are appointed from among those who have a wealth of experience and broad insight in corporate management and those who have a wealth of experience and insight in various fields, including finance, accounting and legal affairs. They are responsible for strengthening corporate governance by providing opinions as appropriate from an independent perspective with no risk of conflict of interest with general shareholders. As of the date of submission of this report, the Board of Directors consists of 15 members, five of whom are Outside Directors with a high degree of independence. In addition, at the conclusion of the 109th Ordinary General Meeting of Shareholders held in June 2021, the Company has transitioned to a Company with an Audit & Supervisory Committee in order to strengthen the supervisory function of the Board of Directors. Moreover, we have established the Nomination and Compensation Committee with Independent Outside Directors as main members in order to ensure objectivity, transparency, and fairness in procedures related to nomination and compensation of Directors, etc. (excluding Directors who are Audit & Supervisory Committee Members), thereby striving to enhance our corporate governance system.

With respect to liability set forth in Article 423, Paragraph 1 of the Companies Act, the Company has entered into a liability limitation agreement with Directors (excluding those who are Executive Directors) which limits the maximum amount of their liability to the total amount provided for in each item under Article 425, Paragraph 1 of the Companies Act.



In accordance with internal regulations, judgments and decisions related to the execution of operations below a certain scale are delegated to the Representative Director and the respective Directors in charge. In addition, the Company has introduced the Corporate Officer System in order to promote swift execution of group strategies and strengthen systems for the execution of operation, thereby striving to make the business operation flexible and efficient.

A regular meeting of the Audit & Supervisory Committee shall be held once a month and as and when necessary. The Audit & Supervisory Committee audits and supervises the execution of duties by the Directors and investigates the status of business and assets by attending important meetings and hearing reports, in accordance with the established audit policy and allocation of duties. Furthermore, the Audit & Supervisory Committee appropriately exercises its right to express its opinions regarding the nomination and compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members). The Audit & Supervisory Committee consists of four Directors who are Audit & Supervisory Committee Members, including three Independent Outside Directors, and is independent of the management team. In order to strengthen the effectiveness of auditing and supervisory functions, two Standing Audit & Supervisory Committee Members have been selected. An Outside Director who is a Standing Audit & Supervisory Committee Member has many years of experience in financial institutions and expertise in financial matters. Two Outside Directors who are part-time Audit & Supervisory Committee Members have many years of experience and expertise as an attorney at law and a certified public accountant, respectively. Accordingly, the Company believes that they are capable of performing highly specialized auditing work from an independent perspective. In addition, the Audit & Supervisory Committee works to cooperate with the Accounting Auditors and the Internal Audit Division by receiving audit reports and other reports from them, as needed. With the objective of helping audits by the Audit & Supervisory Committee function smoothly, the Company established the Audit & Supervisory Committee Staff Office, whose dedicated staff members support the work of the Committee.

As an independent organization, the Internal Audit Division of the Company is staffed by no less than 10 members and conducts necessary internal audits, as needed. Results of audits are reported to the Audit & Supervisory Committee and to the management team. Furthermore, we have built a framework for making timely and appropriate revisions when inadequacies of internal control are discovered through internal control audits.

The Company has appointed KPMG AZSA LLC as its Accounting Auditor. The certified public accountants who performed the accounting audit for the Company in FYE2021 are Mr. Yasuyuki Morimoto and Mr. Masaki Kawaguchi of KPMG AZSA LLC, and the number of years of continuous auditing is seven years or less. The assistants for the audit work are 11 certified public accountants, 1 U.S. certified public accountant, and 18 others.

In order to further enhance the accuracy and reliability of the information disclosed, the Company has established the Disclosure Committee consisting of personnel responsible for each department. In the preparation of securities reports and quarterly reports, the validity of the content of the descriptions and the appropriateness of procedures for the disclosure are confirmed by the Disclosure Committee under the supervision of the President and the Director, Corporate Officer and General Manager of Administration Headquarters, who are responsible for establishing, maintaining, and ensuring the effectiveness of internal controls and disclosure controls.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company has chosen to adopt the system of a Company with an Audit & Supervisory Committee because the system further strengthens the supervisory function of the Board of Directors by enabling the Audit & Supervisory Committee Members, who are responsible for auditing the execution of duties by Directors, to exercise their voting rights at the Board of Directors meetings and also allowing the Audit & Supervisory Committee to have the right to express its opinions on the nomination and compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members). Furthermore, in order to ensure objectivity, transparency, and fairness in management, we have established the Nomination and Compensation

Committee with Independent Outside Directors as main members, thereby striving to enhance our corporate governance system.

Outside Directors are appointed from among those who have a wealth of experience and broad insight in corporate management and those who have a wealth of experience and insight in various fields, including finance, accounting and legal affairs, and are responsible for strengthening corporate governance by providing opinions as appropriate from an independent perspective with no risk of conflict of interest with general shareholders.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Realize Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Dispatch of Convocation Notice of General Meeting of Shareholders	Notices are sent out approximately three weeks prior to the date of the General Meeting of Shareholders. The information is posted on the Company's website and on the voting rights exercise platform provided by ICJ, Inc. prior to the date of dispatch.
Allowing Electronic Exercise of Voting Rights	The Company has adopted the exercise of voting rights via the Internet.
Participation in Electronic Voting Platforms and Other Measures to Improve the Environment for Institutional Investors to Exercise Voting Rights	The Company has adopted the electronic voting rights exercise platform for institutional investors operated by ICJ Inc.
Providing Convocation Notice (Summary) in English	The Company prepares the convocation notice in English and posts it on its website and the voting rights exercise platform provided by ICJ, Inc. prior to the date of dispatch.
Other	For the convenience of shareholders, the Articles of Incorporation and Share Handling Regulations are posted on the Company's website. In addition, the full texts of convocation notices for 10 periods are posted on the website together with the English texts.

#### 2. IR Activities **UPDATED**

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Analysts and Institutional Investors	The President, who is at the top of the management team, personally gives explanations at the financial results briefing held twice a year (at the end of the fiscal year and the end of the interim period). At the time of the announcement of the first and third quarter financial results, the Director, Corporate Officer and General Manager of Administration Headquarters (the officer in charge of IR) conducts a briefing session via conference call.	Yes
Posting of IR Materials on Website	In addition to the immediate disclosure of financial results, securities reports, extraordinary reports, materials for financial results briefings, press release materials and others on its website, the Company posts corporate governance reports, notices of convocation, business reports for shareholders, Makita Report (Integrated Report), and other such materials. ( <a href="https://www.makita.biz/">https://www.makita.biz/</a> ) Financial results information, press releases, and corporate governance reports are translated into English and simultaneously disclosed on the website. Furthermore, in addition to the consolidated financial statements and notes, major items in the securities reports, such as "Risk Factors," are translated into English and posted as "Additional Information" to provide information to overseas investors.	—
Establishment of Department (Person in Charge) of IR	Officer in charge of IR: Yukihiro Otsu, Director, Corporate Officer, General Manager of Administration Headquarters Department in charge of IR: General Affairs Department (TEL: +81-566-97-1717)	—

**3. Measures to Ensure Due Respect for Stakeholders** **UPDATED**

	Supplementary Explanations
Stipulation of Internal Regulations for Respecting the Position of Stakeholders	The Company has established the “Code of Ethics” as the principles for officers and employees, which stipulates conducts in accordance with ethics, prohibition of conflicts of interest, compliance with relevant laws and regulations, and appropriate information disclosure. In addition, as a measure to ensure corporate ethics and compliance, we have established the Internal Reporting Regulations and contact points (help lines) to collect opinions and information from inside and outside the Company.
Implementation of Environmental Conservation Activities, CSR Activities, etc.	The Company prepares environmental reports, corporate profile, and Makita Report (Integrated Report) to introduce its environmental conservation activities and CSR activities. These are posted on its website.

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

1. Systems to ensure that the Company'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
    - The Board of Directors establishes the "Code of Ethics" and the "Guidelines to the Code of Ethics for Makita" as the principles for all officers and employees of Makita and each of the Directors shall keep all Corporate Officers and employees informed of and in compliance with such ethics.
    - 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.
    - 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 shall have access to such information.
  - (3) Rules and other systems for risk management
    - 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 the Audit & Supervisory Committee.
    - 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
    - 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.
    - 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.
    - 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.
    - Makita assigns respective liaison departments to all subsidiaries within the Company, and makes efforts to enhance group-wide management efficiency through discussions and consultations, and information exchanges with the objective of efficiently operating subsidiaries.
  - (5) Systems to ensure the adequacy of business operations within Makita
    - 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.
    - To ensure the credibility of financial reporting, the Company establishes policies on documentation and assessment of internal controls of financial reporting of Makita and evaluates the effectiveness of said policies.
    - For supervision and review of internal control systems of Makita by the Audit & Supervisory Committee, a system shall be established for the Audit & Supervisory Committee to cooperate with the Internal Audit Division and other related division and to receive report from Accounting Auditors.

- (6) Matters concerning employees to assist the duties of the Audit & Supervisory Committee  
As employees assisting the duties of the Audit & Supervisory Committee, necessary personnel shall be posted to assist the duties of the Audit & Supervisory Committee.
- (7) Matters to ensure the independence of employees from Directors (excluding Directors who are Audit & Supervisory Committee Members), as stated in the preceding item, and the effectiveness of directions given by the Audit & Supervisory Committee to those employees
- Employees assisting the duties of the Audit & Supervisory Committee shall not work concurrently at other divisions, but shall exclusively follow directions from the Audit & Supervisory Committee.
  - In order to ensure the independence of such employees from Directors, the consent of the Audit & Supervisory Committee is required for decisions on matters concerning the appointment and change of such employees.
- (8) Systems in accordance with which the Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees report to the Audit & Supervisory Committee, other systems concerning reports to the Audit & Supervisory Committee and systems to ensure that Directors and employees who make a report are not treated unfairly because of the report
- Directors, Corporate Officers and employees of Makita shall report to the Audit & Supervisory Committee 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.
  - The Company shall prepare a system that enables the Audit & Supervisory Committee Members selected by the Audit & Supervisory Committee of the Company to request reports from Directors, Corporate Officers and employees of Makita when necessary and allows the Audit & Supervisory Committee to exchange opinions with the Directors and Accounting Auditors of Makita.
  - The Company prohibits any unfair treatment of Directors, Corporate Officers, and employees of Makita who make a report to the Audit & Supervisory Committee 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 Committee will be conducted effectively
- In order to enhance the supervisory function of the Audit & Supervisory Committee 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 Committee will be conducted effectively, audit shall be conducted in accordance with Standards for audit, etc. by the Audit & Supervisory Committee.
  - Full amount of the compensation to Directors who are Audit and Supervisory Committee Members shall be fixed so that the independence of the Audit & Supervisory Committee can be secured.
  - Expenses related to executing the duties of the Audit & Supervisory Committee Members (limited to those related to executing the duties of the Audit & Supervisory Committee) are securely budgeted each fiscal year and borne by the Company.
- (10) Systems to ensure elimination of antisocial forces
- From the viewpoint of corporate social responsibility, Makita will consistently take a resolute stance against involvement in, and have absolutely no relationship with, the activities of antisocial forces that may threaten the order and the security of civil society.
  - Makita’s policy of “no intervention by antisocial forces has been permitted” is publicly announced, both internally and outside the Company, by expressly stipulating such in the management policy/quality policy and by displaying such on the Company’s website.
  - 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.
  - The Company 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.

- In addition to collecting information relevant to activities of antisocial forces from the police and external related organizations, the Company voluntarily participates in seminars. Also, the Company endeavors to share information within the Company and related departments of Makita.
2. Implementation status of systems necessary for ensuring that the Company's operations are conducted appropriately
    - (1) Compliance
      - The Company keeps all officers and employees of Makita informed and provides 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.
      - The Company conducts 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 will be held, at which Representative Directors, Directors in charge, Directors who are Standing Audit & Supervisor Committee Members, and General Managers of Internal Audit Division and respective departments of the Company meet to detect and extract and examine risks involved in the business activities of Makita.
    - (3) Internal audits
      - The Internal Audit Division shall carry out internal audits of Makita, and report their results to the Audit & Supervisory Committee and the management team.
      - The Company 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
      - The Board of Directors approves annual targets set by each department and oversees their progress toward achievement.
      - Corporate Officers in charge of operation (18 officers as of March 31, 2021, including 5 officers overseas) are assigned to major departments in order to operate business systematically and efficiently.
    - (5) Duties of the Audit & Supervisory Committee
      - The Audit & Supervisory Committee will have a meeting with Accounting Auditors and exchange information every quarter.
      - The Audit & Supervisory Committee will have individual interviews with all Directors (excluding Directors who are Audit & Supervisory Committee Members) to exchange information.
      - Expenses necessary for executing the Audit & Supervisory Committee Members' duties (limited to those related to executing the duties of the Audit & Supervisory Committee) will be handled promptly at the request of Audit & Supervisory Committee Members.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of System Development**

- (1) 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.
- (2) Makita's policy of "no intervention by antisocial forces has been permitted" is publicly announced, both internally and outside the Company, by expressly stipulating such in the management policy/quality policy and by displaying such on the Company's website.
- (3) 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.

- (4) The Company 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.
- (5) In addition to collecting information relevant to activities of antisocial forces from the police and external related organizations, the Company voluntarily participates in seminars. Also, the Company endeavors to share information within the Company and related departments of Makita.



## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	
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### 2. Other Matters Concerning Corporate Governance System **UPDATED**

#### ■ Overview of Timely Disclosure System

The status of the Company's internal system for the timely disclosure of corporate information is as follows. The Company has established the following internal rules as an internal system for timely disclosure of corporate information, which are constantly posted on the internal electronic bulletin board and other media to ensure that all employees are fully informed of them through all officers and personnel responsible for each department.

- (1) Internal Rules Regarding Insider Trading Regulations
- (2) Code of Ethics
- (3) Regulations Regarding Corporate Ethics Help Line (Internal Reporting)

In the event of the occurrence of corporate information that is required to be disclosed under the rules for timely disclosure of corporate information, the personnel responsible for each department shall report the fact to the General Manager of the General Affairs Department, and the General Manager of the General Affairs Department shall report the fact to the Director, Corporate Officer and General Manager of Administration Headquarters, who is responsible for the handling of information.

Meanwhile, the General Manager of the General Affairs Department will immediately create an internal information management card to prevent the spread of information and identify those who have access to internal information.

The Director, Corporate Officer and General Manager of Administration Headquarters discloses the relevant corporate information without delay after consulting with the Board of Directors and other bodies. In addition, the Company strives to promptly disclose information that is deemed important from the viewpoint of investor protection, even if it does not fall under the scope of timely disclosure.

In addition, in order to further enhance the accuracy and reliability of information by clarifying the procedures for information disclosure, the Company has established the "Disclosure Committee" consisting of personnel responsible for each department. In the preparation of securities reports and quarterly reports, the validity of the content of the descriptions and the appropriateness of procedures for the disclosure are confirmed by the Disclosure Committee under the supervision of the President and the Director, Corporate Officer and General Manager of Administration Headquarters, who are responsible for establishing, maintaining, and ensuring the effectiveness of internal controls and disclosure controls.

## Corporate Governance Structure

