



Annual Report 2020

Year Ended March 31, 2020



Live **Green**
&
Grow **Strong**



Tools for living

Long-term Target

Strong Company

Makita has set itself the goal of contributing to the creation of sustainable society and consolidating a strong position in the industry worldwide as a global supplier of a comprehensive range of tools for creating comfortable homes and living environments, including cordless power tools, battery-operated outdoor power equipment and pneumatic tools.

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).

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Editorial Policy

Report Period

FYE2020 (April 1, 2019 - March 31, 2020)

Scope of Report

54 companies: Makita Corporation and 53 Group companies inside and outside Japan. The report also includes some items only applicable to Makita Corporation.

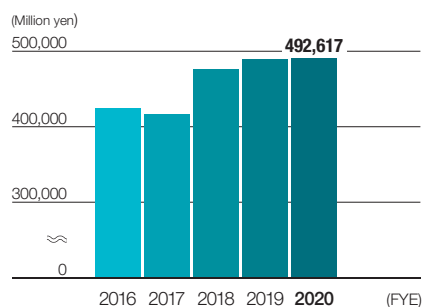
Financial & Non-financial Highlights

Financial

*Figures through the fiscal year ended March 31, 2017 are based on U.S. GAAP and figures from the fiscal year ended March 31, 2018 are based on IFRS.

Revenue

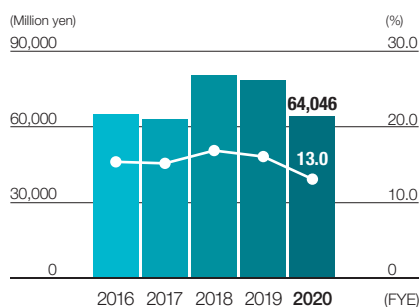
492,617 Million yen



Although overseas revenue converted into yen was eroded by currency exchange rates and there was a decrease in demand for tools due to COVID-19, we achieved our third consecutive year of record-breaking revenue, thanks to the on-going strength of lithium-ion battery product sales.

Operating profit & operating profit ratio

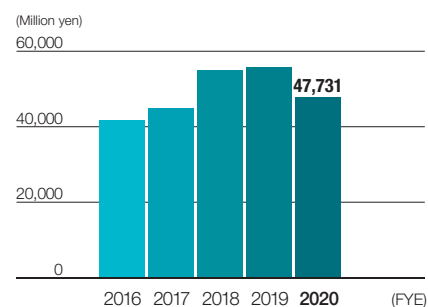
64,046 Million yen **13.0** %



Although revenue grew, operating profit showed an 18.2% year-on-year decrease to ¥64,046 million this fiscal year because of higher SG&A expenses and deterioration of the cost-of-sales ratio from foreign exchange rates and the impact of U.S.-China tariffs.

Profit attributable to owners of the parent

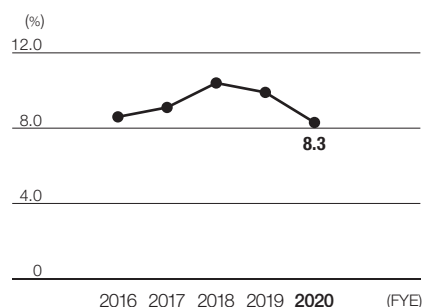
47,731 Million yen



Income tax expenses came to ¥17,957 million (an effective tax rate of 27.2%) and profit attributable to owners of the parent decreased 14.4% year on year to ¥47,731 million this fiscal year.

ROE

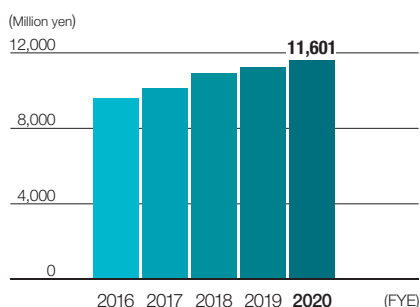
8.3 %



Due to a dip in profit attributable to owners of the parent, ROE fell to 8.3%, down 1.6 percentage points year on year.

R&D costs

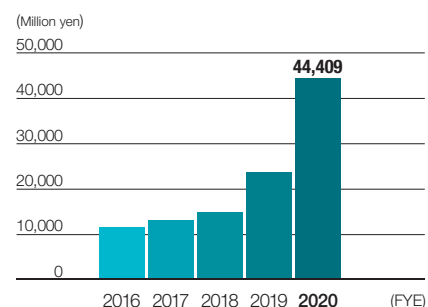
11,601 Million yen



Since Makita is aiming for cordless technology using lithium-ion batteries in all of our products, we are aggressively proceeding with development of cordless products leveraging battery charging/discharging, as well as motor technologies.

Capital expenditures

44,409 Million yen

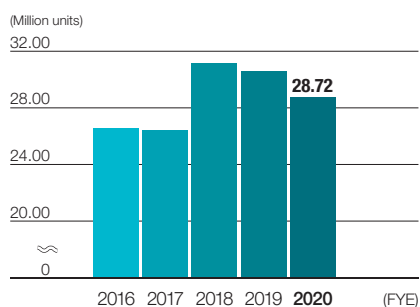


We are striving to strengthen and expand production capacity and build and expand logistics hubs as we work to grow sales of cordless gardening equipment. As a result, capital expenditures are rising and showed a large year-on-year increase to ¥44,409 million this fiscal year.

Non-financial

Production output

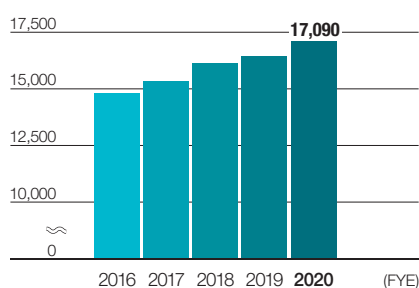
28.72 Million units



Up until the third quarter, our production volume was trending well. With the spread of COVID-19, however, production was impacted by some plants being idled, among other factors, and units were down 6.1% year on year to 28.72 million units.

Number of employees

17,090



Our number of employees rose 666 versus the previous fiscal year to 17,090 employees. While we streamline staffing and dedicate effort toward operator-less systems at manufacturing sites, we are also actively hiring and training new workers as we focus on expanding sales of cordless gardening equipment.

Increasing presence of female employees (As of March 31, 2020)

Female employees

5,556

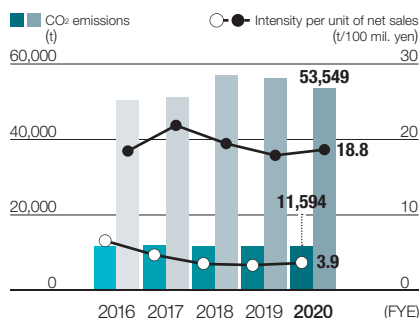
Female managers

182

Domestically, female employees have an average of approximately 17 years of seniority and are active in a variety of departments. Overseas, Makita has numerous female employees in management positions and these professionals support the Makita Group's operations around the world.

CO₂ emissions

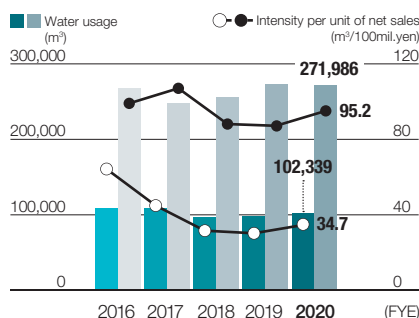
11.6 thou.t **53.5** thou.t



We are striving to reduce CO₂ emissions through energy-saving activities such as adopting LED lighting and high-efficiency equipment. Fiscal year CO₂ emissions for Makita Corporation fell 0.1% to 11,594 tons, and for overseas production subsidiaries fell 5.0% to 53,549 tons.

Water usage

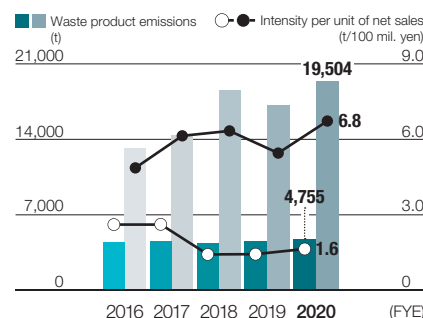
102.3 thou.m³ **272.0** thou.m³



We carry out monthly monitoring of water usage at business sites and strive to reduce usage. Fiscal year water usage for Makita Corporation rose 4.8% to 102,339 m³, while it fell 0.4% to 271,986 m³ at overseas production subsidiaries.

Waste emissions

4,755 t **19,504** t



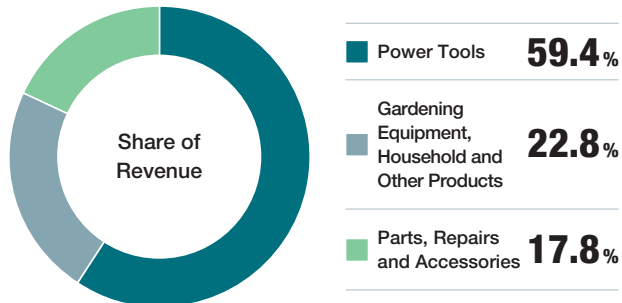
In order to promote waste reduction, we are striving to thoroughly sort waste and reduce our final disposal volume of waste. We have continuously achieved a final disposal volume of 0.5% or lower at Makita Corporation*.

*Applicable only to the Head Office, Okazaki Plant, and Nisshin Office.

Business Overview

As a global supplier of a comprehensive range of tools for creating Makita supports the creation of an affluent society.

Breakdown by Product Category



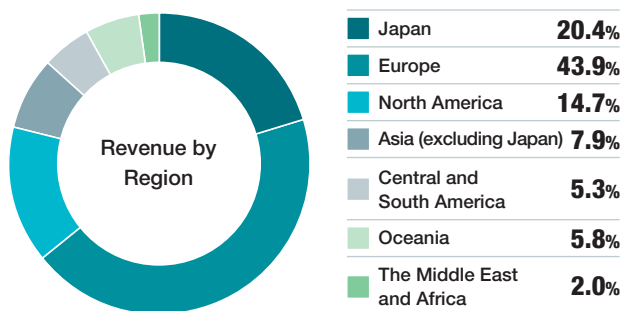
As a global supplier of a comprehensive range of tools for creating comfortable homes and living environments, Makita provides power tools, gardening equipment, and similar products to support the creation of an affluent society on a global scale. Being a leading company in the industry, we strive for an integrated framework covering development, manufacturing, sales, and after-sales services that deliver high-quality, appealing products and services that please our customers.



Power Tools

Makita power tools are used in many settings, such as residential and large-building construction sites and factories. Since becoming the first company in Japan to manufacture and sell portable electric planers in 1958, we have dedicated ourselves to daily technological development to enable better approaches to work that includes drilling, clamping, cutting, grinding, and more. We are responding to the diverse needs of customers with a robust lineup of products embodying our advanced technological expertise.

Breakdown by Region



Makita operates direct sales bases in approximately 50 countries, allowing us to sell products in some 170 countries. Our robust sales and after-sales service networks give us close contact with customers and geographical regions. Makita's manufacturing extends beyond the borders of Japan. On a product unit basis, approximately 90% of our goods are currently manufactured at overseas factories, including in China, the U.S., the U.K., Germany, Brazil, Romania, and Thailand.



| | |
|---------|-------------------|
| Japan | 19 branches |
| | 117 sales offices |
| Asia | 10 companies |
| Oceania | 2 companies |



comfortable homes and living environments,



Gardening Equipment, Household and Other Products

For users from home gardeners to professionals handling challenging tasks, Makita's broad range of gardening equipment supports design projects shaping nature and enlivening homes. Our efforts in recent years have also included rolling out cordless gardening equipment that is high performance, user friendly, and environmentally conscious. Furthermore, Makita's household product line includes radios, lights, coffee makers, and other items that fulfill key roles during outdoor activities or even times of disaster.



Parts, Repairs and Accessories

Accessories (including consumable parts such as saw blades and whetstones) have a significant impact on work quality and efficiency. Makita provides a lineup of long-life accessories optimized for work tasks. Additionally, our network of businesses in each part of the world allows for rapid repairs and parts supply, enabling Makita to support our customers with speedy and precise services.



Europe **27** companies
The Middle East and Africa **2** companies



North America **4** companies
Central and South America **6** companies



*Number of companies current as of March 31, 2020. Japan-only data includes the Isahaya Sales Office opened in April 2020.

Chairman's Message



**Achieving sustainability
by helping resolve
environmental and
social issues**

Chairman, Representative Director

Masahiko Goto

History

1915 —

Created in the age of electrification

In the time of economic prosperity during the First World War, demand for electricity surged. Seizing the wave of enthusiasm toward the electric industry, Makita Electric Works was founded as a lighting equipment, electric motor, and transformer sales and repair company.



Makita set out its shingle in the electric equipment sales and repair industry

1958 —

Becoming a power tool maker

Makita recognized the "development of proprietary products" as a crucial challenge and developed Japan's first electric planer. After garnering praise from construction and civil engineering companies across Japan, Makita embarked in a new direction as a manufacturer of power tools.



First portable electric planer manufactured in Japan

1970 —

Bridging to markets overseas

Makita U.S.A., Inc. was founded as our first overseas subsidiary. Subsequent expansion into France, the U.K., Australia, and other countries followed as Makita grew into a global brand through sales strategies fine-tuned to each market.



Demonstration van used for sales promotions in the U.S.

Makita Corporation made its first foray into business in Nagoya in 1915 as a lighting equipment and electric motor sales and repair company. In the 105 years since our founding, and continuing today, Makita has overcome major shifts in the business environment and achieved growth as a global supplier of a comprehensive range of tools for creating comfortable homes and living environments. This accomplishment has been solely due to the understanding and cooperation from stakeholders, for which we are extremely grateful.

In 1958, Makita became the first company in Japan to manufacture and sell portable electric planers. In the following year, Makita made the decision to exit the electric motor business and pivot to become a manufacturer specializing in power tools. Based on our philosophy of moving “closer to customers,” we established hubs in each area of Japan as part of a full-fledged manufacturing and services network. In 1970, we established our first overseas subsidiary in the U.S. and proceeded to build out a global network. At present (April 2020), we operate 117 sales and service sites in Japan, augmented by some 50 overseas sites, while selling products in approximately 170 countries around the world. Prompt and precise sales and service activities through a network closely aligned with markets and customers is the wellspring of Makita’s global competitiveness. Makita has overseas manufacturing hubs in China, the U.S., the U.K., Germany, Brazil, Romania, and Thailand, and approximately 90% of our manufacturing activities are currently positioned

overseas. This diversified manufacturing base not only allows us to quickly meet demand in each region, but also helps us address currency, disaster, geopolitical, and other risks, giving Makita a corporate structure largely resilient to the external environment. In 2005, Makita brought to market the world’s first professional-use electric power tools using lithium-ion batteries. Since then, we have devoted effort to the development, manufacture, and sale of cordless products. Cordless products offer many customer advantages, such as convenience, ease of use, and improved safety. These products include Makita’s focused effort in cordless gardening equipment, which, compared to conventional engine-powered models, offer zero exhaust during use and contribute to mitigating environmental issues. At the same time, they reduce physical strain for users and improve the environment around worksites, thanks to low noise and low vibration features. With a core product line of cordless products, Makita will continue achieving growth by solving social challenges—such as environmental issues—while we evolve into a manufacturer of cordless products including not only power tools but also gardening equipment.

Makita recognizes the accelerating and worsening issues affecting the global climate and feels that it is important to resolutely address not only our own corporate sustainability, but also the sustainability of the earth. By recommending that customers shift from engine-powered to battery-powered products, we aim for unending corporate development, while also contributing to social sustainability going forward.

1991 —

The rise of Makita

Makita renewed its corporate image, aiming to become a comprehensive supplier of all types of home-related tools, focusing on our core power tool products, but also encompassing gardening equipment, woodworking tools, and more.



Trade fair showcasing Makita’s new insignia

2005 —

Launch of lithium-ion battery products

Launched cordless impact drivers with high-energy-density lithium-ion batteries. These new batteries, which offer long life, lighter weight, and more compact size, garner focused attention at exhibitions around the world.



The batteries cause much fanfare at the 2006 European Trade Fair for Woodworking & Wood Processing in Nuremberg

2015 —


Embarking on another century

Makita celebrated its 100th anniversary in 2015. Recognizing the importance of being a robust company for the next 100 years as well, Makita will continue its initiatives, including strengthening cordless gardening equipment, while evolving as a manufacturer of cordless products.



Key lineup of cordless gardening equipment

Interview with the President

A photograph of Munetoshi Goto, President and Representative Director of Makita. He is a middle-aged man with short dark hair and glasses, wearing a dark blue suit, white shirt, and a patterned tie. He is gesturing with both hands as if speaking. The background is a soft-focus blue sky with clouds.

Transforming into
a comprehensive provider
of cordless power tools
and equipment

President, Representative Director

Munetoshi Goto

Cordless products gaining a strong following

In FYE 2020, we generated ¥492.6 billion in revenue for a third consecutive year of record-high earnings. Sales continued steadily growing for our cordless products in Japan and overseas, including for our line of gardening equipment that we have been aggressively marketing.

In power tools, we continued expanding our market share in Europe and other markets and increasing sales of cordless products in developing countries, notably in Central and South America. The sales growth is attributable to more customers actually using our cordless products and recognizing their superior performance and quality. I believe this is the result of our efforts to design and offer cordless products that are high powered and comfortable to use.

In gardening equipment, I believe we still have room to improve our technologies and service structure. In 2019, we progressed with steps to improve our production capacity, including constructing a factory in Romania in preparation for growing sales of cordless gardening equipment. We also expanded our distribution and service networks in Japan and overseas to further strengthen our sales activities geared to local customers and communities.

We broadened the lineup of cordless gardening equipment, including products offering performance on par with engine-powered products. To continue growing sales of cordless gardening equipment, we will have to further increase production capacity, develop cordless gardening equipment that is a compelling alternative to engine-powered equipment, and create service structures finely tuned to specific markets.

Although revenue remained strong and we took concrete measures to position the Company for the future, our operating profit for the year amounted to

“We are laying the foundation for long-term business growth”

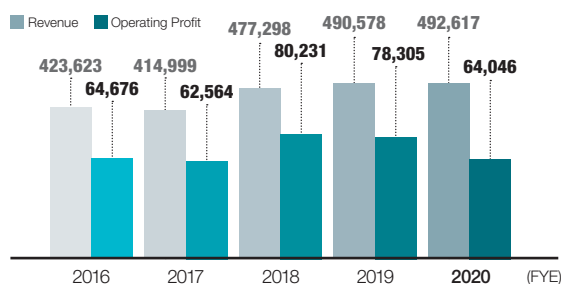
¥64.0 billion, a decline of ¥14.3 billion from the previous fiscal year. The decline was the result of the deterioration of the cost-of-sales ratio due to the foreign exchange rates and the trade dispute between the U.S. and China along with higher selling, general, administrative, and other costs. We have been aggressively advertising our products and increasing staff to prepare for expansion of business to ensure we attain greater success in our gardening equipment business. Although these contributed to a profit decline, we view them as investments that are essential for business growth. We are also advancing management strategies and actively installing labor-saving and automation equipment in our production sites to lay the foundation for long-term growth for the Company.

The potential impact of the COVID-19 pandemic on our business performance is a point of concern. The pandemic reduced our sales and caused us to suspend factory operations in FYE 2020, and we anticipate the negative impact on business conditions to continue in FYE 2021.

Tools that protect the environment and offset labor shortages

Both advanced and developing countries worldwide are confronting increasingly serious environmental protection and labor shortage issues.

Revenue & Operating Profit



SDGs



Interview with the President



Our cordless gardening equipment offer a practical conversion from exhaust-emitting engines to clean-running cordless electric motors that directly reduces environmental impact and fulfills the United Nations' Sustainable Development Goal to "Take urgent action to combat climate change and its impacts." Power tools are essential equipment for maintaining social infrastructure. In short, people use our equipment to make society better. We will continue raising our status as a contributor to society and fulfilling our responsibility to help make a sustainable society.

The increasing frequency of natural disasters caused by global warming is highlighting the advantages of cordless equipment as tools for disaster preparation and recovery activities. We have designed emergency supply kits with power sources, lighting, and communication devices and are exploring new ways to make use of the ability of cordless equipment to be used anytime and anywhere.

Our tools and equipment also offer a range of solutions to deal with a shortage of labor. Our products not only help manufacturers improve production efficiency and shorten production time, they also improve safety and increase productivity. We need to strengthen our service structure to take full advantage of this trend. We are forming a structure to provide prompt service for maintenance as well as for logistics and sales support, and we are arranging and improving our communication channels with customers and distribution outlets. Our aim is for the system to enable us to be directly involved in raising productivity at our customers and to help offset the challenges of decreased labor supply. The services we supply through this system will also contribute to efficient disaster recovery.

**We're aiming to make
all of our products cordless
with lithium-ion batteries**

Customer-oriented management in all aspects

The 40Vmax series we launched in FYE 2020 highlights our latest advance as a manufacturer of cordless products. The series features a unique smart system that enables mutual communication between tool and battery for optimization of power supply. By optimizing the power output of both the tool and battery, the smart system extends the amount of time that a tool can be used for continuous high-load operations while also extending a battery's life. One of Makita's major strengths is our ability to harness our vast experience to develop new, unique systems that will open new paths for the future. We plan to continue expanding the 40Vmax series lineup for the gardening and other fields.

While enhancing our product lines, we are also planning to boost production capacity at our plant in China in anticipation of growing sales for our cordless gardening equipment.

We will similarly enhance our sales capabilities. We continued to improve our logistics structure in Japan by establishing new distribution warehouses in Aichi, Saitama, and Okayama prefectures. We also intend to expand or construct new logistics facilities overseas as our business grows. We will actively expand and construct service sites mainly in areas of high demand for gardening equipment to make it easier for customers who have never used our products to actually experience them.

Our management mission is "Makita is always at the customer's side," and we will continue building customer and market trust in Makita and increasing the value of the Makita brand.

Our path as a manufacturer of cordless products for the next century

Our long-term objective is to be the quintessential “strong company.” To achieve this, we must continue engaging our corporate DNA of staying on top of the needs of the times and developing business in tune with our customers. With that mindset, we will boldly take on new challenges as we lay the foundation for our next 100 years. I believe that maintaining our status as a company needed by both our customers and society is the path that will lead us to our goal.

The first step will be to use our strengths and make all of our products cordless with lithium-ion batteries. We must complement this by constructing a service platform enabling customers using our products to easily access our services.

Our mindset cannot be to simply continue the businesses we have established in the past. We all must work together with a spirit of eagerly pursuing new business directions and to raise our technologies, product attractiveness, and services to new levels. We plan to invest proactively to open new doors and enhance our capabilities.

We are grateful for the understanding and cooperation of our stakeholders as we take the steps necessary to deliver the Company to our long-term objective. We look forward to continuing to evolve and grow together with our stakeholders.

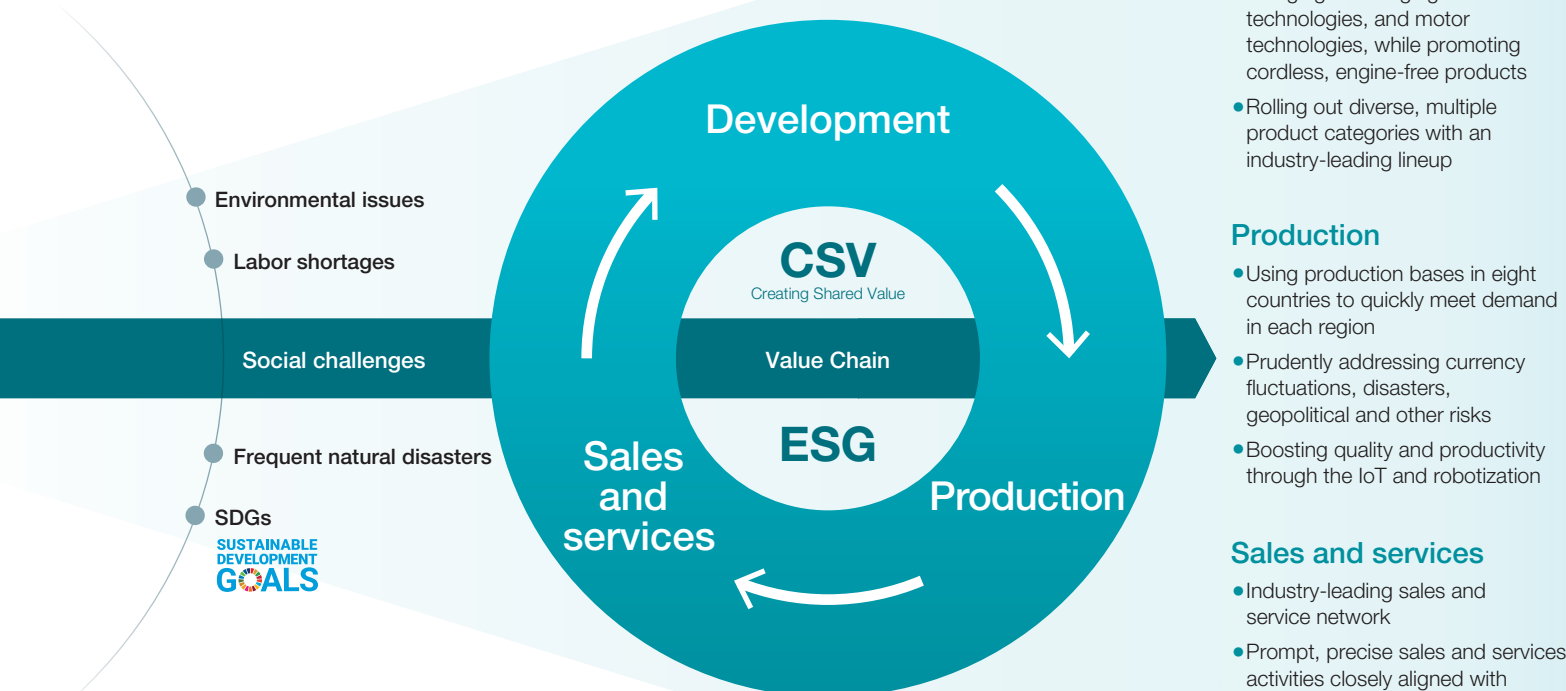
President, Representative Director
Munetoshi Goto

“We will raise
our technologies,
product appeal, and
services to new levels”



Value Creation Process

Striving to solve social challenges such as environmental issues in order to contribute to the creation of sustainable society.



Moving Forward as a Manufacturer of Cordless Products — bringing cordless tools to a whole new level.

Given the significant social issues of frequent natural disasters, labor shortages, and environmental problems, including climate change, Makita will continue contributing to solving these social issues by making all of our products cordless.

Cordless products offer many customer advantages, such as convenience, ease of use, improved safety, zero exhaust, low noise, and low vibration. With environmental problems being a particularly significant social issue, we believe that our cordless gardening equipment with zero emissions during use will greatly contribute to addressing these problems.

Makita will continue to evolve into a manufacturer of cordless products including not only power tools but also gardening equipment and expand into a company which does not rely only on a single area of business as we aim to become a “Strong Company” leveraging the benefits of cordless products to solve social issues.

Advantages of Cordless Products

- Higher work efficiency and ease of use from having no power cords
- Helps to reduce work-site accidents from tripping on power cords
- Contributes to greater work efficiency in places where no power outlets are available
- Zero exhaust*, lower noise, and lower vibration when switching from engine-powered models

*During equipment operation



Reducing
environmental
impacts



Boosting work
efficiency and
productivity



Early recovery
from disasters



Security during
disasters

Strong Company

The value Makita delivers

Makita's goal

Makita has set itself the goal of contributing to the creation of sustainable society and consolidating a strong position in the industry worldwide as a global supplier of a comprehensive range of tools for creating comfortable homes and living environments, including cordless power tools, battery-operated outdoor power equipment and pneumatic tools.

Supporting SDGs



ESG Management

Environment

The “Go Green” slogan symbolizes Makita’s commitment to continually providing new value as a comprehensive international supplier of tools. We hope to always remain as a company that maintains a steady eye on society, challenging ourselves to create a “sustainable recycling-oriented society” that harmonizes the environment with the economy.



Environmental Policy

Basic Principles

As a global supplier of power tools used in building homes and in everyday life, Makita is aiming to conduct a wide range of environmental protection activities, in order to contribute to have sustainable society and conservation of biodiversity.

Policies

1. Enforcement of environmental administrative structure
2. Continuous improvement and pollution prevention
3. Compliance with applicable laws and regulations
4. Establishment and review of objectives and aims
5. Reduction of environmental burden
6. Disclosure

Please see the Company website for the full text of our policies.

Environmental Management

Makita has established and operated its own environmental management system since 1998. Subsequent to that, for the purpose of leveraging that system as a tool for mitigating environmental burdens, our Head Office and Okazaki Plant first received ISO 14001 certification in 2007. In later years, our Nisshin Office and all of overseas production bases received the certification and are now operating environmental management systems.

We promote the protection of the environment at all of our business bases and carry out activities, such as Internal

Environmental Audits and environmental education, based on the requirements of the certification.

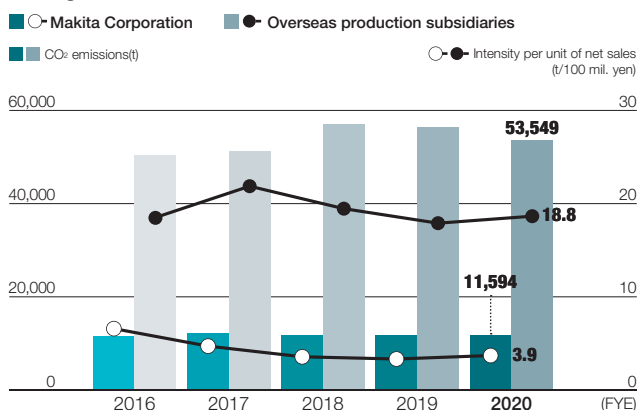
Preventing Global Warming

Among Makita’s initiatives for improving environmental issues, particular emphasis in recent years is going to activities to help prevent global warming.

Initiatives in our Business Activities

Our efforts toward reducing CO₂ emissions include energy-saving activities, such as installing LED lighting and high-efficiency equipment (AC units, compressors, manufacturing machinery, etc.), as we also carry out awareness activities, such as distributing energy-saving promotional material to employees and making regular patrols checking energy-saving responses in offices and plants.

Changes in CO₂ emissions



Initiatives with Our Products

Gardening equipment has conventionally been engine powered, which had advantages in terms of power and force, but also had the significant challenge of exhaust that affects the environment. With global warming being a particularly significant issue among the many environmental problems in recent years, Makita is dedicating effort to our cordless gardening equipment with zero emissions during use. This is part of our contribution to addressing global warming and other environmental problems.



Leveraging Makita's accumulated power tool technologies surrounding batteries and motors, we are accelerating our transition "from engine-powered to battery-powered" products through aggressive development and sales expansion of products that are cordless, yet basically feel as if they are engine-powered. In doing so, we will continue contributing to achieving a zero-emission society in the future.

Makita has been making progress in reducing our final disposal volume of waste. From FYE 2007 onward, we have been able to hold our final disposal volume to 1% of total waste or lower and from FYE 2015, we have continuously achieved what we define as "zero waste, zero emissions" (a final disposal volume of 0.5% or lower) at Makita Corporation*.

*Applicable only to the Head Office, Okazaki Plant, and Nisshin Office.

Reduced Use of Chemical Substances

With regard to the EU's REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations, since FYE 2010 we have promoted REACH-compliant component procurement by investigating, managing, and supplying information regarding substances of very high concern (SVHC) contained in our products.

We also continually engage in component procurement in compliance with the RoHS Directive (directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment) adopted by EU member states.

Makita Zero Waste, Zero Emissions

In light of the pressing social issues of depleted energy resources and availability of waste disposal sites in the future,

Environmentally Conscious Design

Makita's concepts for environmentally conscious products began with a product assessment in 1992 and was followed by the codification of the Makita's Global Environment Charter in 1993, the year that we kicked off our full-fledged development of products that take the environment into consideration.

We have endeavored to improve the energy efficiency, weight, and longevity of products, while also using materials that are considerate of the environment, as we continue developing tools that can be recycled.

DUC256

Achieves performance on par with tools using a 30ml engine, while being cordless and having zero exhaust.*

*During equipment operation



Makita's Efforts to Reduce Plastic Packaging

Plastics have brought convenience and benefits to our daily life. On the other hand, there is the problem of plastic waste that flows into the ocean due to improper disposal, causing concern about environmental pollution on a global scale. In order to protect the global environment, we need to work on reducing the use of single use plastics, as seen in the EU, which announced a law banning the use of certain types of single use plastics in June 2019.

Under these circumstances, Makita is committed to **the reduction of single use plastics used to package our products** as "a global supplier of a comprehensive range of tools for creating comfortable homes and living environments" in order to contribute to have sustainable society and conservation of biodiversity.

We have been working to simplify packaging and, in FYE 2021, we will begin to reduce the use of plastic bags and

other plastic materials for packaging our products, and shift to more environment-friendly materials, including paper.

Examples of single use plastics packaging materials we use



ESG Management

Social

Fostering Human Resources

What supports our growth is nothing other than the talents of the people working at Makita: “Don’t be angry, arrogant, panic, mope, or give up.” These are the words of Jujiro Goto, who along with founder Mosaburo Makita built this company and transformed it into “a power tools corporation.” Grounded in this personal philosophy of Mr. Goto, we strive to provide each and every Makita employee with the opportunity to exercise his or her talents.

For training programs, we carry out stratified training (tailored to match each employee’s career stage), correspondence training, as well as overseas job training actively offered to young employees to experience local workplaces through on-the-job training in order to allow our workers to build up professional skills as we foster human resources capable of being active on a global stage.

Furthermore, we are striving to cultivate human resources in each global region, which includes carrying out problem-solving training and manager training to boost leadership skills at the China plant.



CSR Procurement

Makita is striving Company-wide to deliver safe, high-quality products to our customers to ensure that they can enjoy peace-of-mind when using our tools.

In working to achieve this objective, we pursue strict adherence to relevant laws and regulations, while working to build partnerships with our clients based on just, fair, transparent, and sincere transactions. To that end, we stipulated our commitment to the importance of pursuing procurement activities that acknowledge social priorities, such as environmental consideration, respect for human rights, standing against corruption, and following appropriate hiring practices, which we codified in our Basic Policy on Procurement.

One pillar of this effort is our pursuit of responsible procurement activities, including annual surveys of the environmental protection activities of our business partners.

Basic Policy on Procurement

Policy

1. Compliance with laws and regulations and social codes
2. Consideration to reducing environmental impacts
3. Provision of fair and equitable transaction opportunities
4. Coexistence and coprosperity based on mutual trust

Please see the Company website for details.

Diversity Promotion

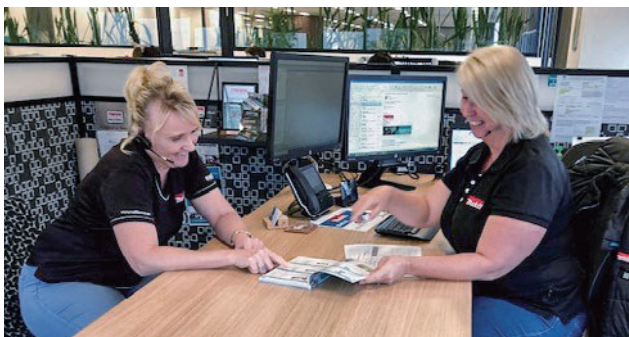
Makita strives to create a workplace that gives diverse employees a sense of purpose and a secure environment for their professional activity.

Increasing Presence of Female Employees

At Makita, 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, regardless of gender. As such, in our hiring, placement, promotions, and other personnel

practices, we do not discriminate based on gender and we strive for equitable treatment of employees.

At present, the Makita Group has more than 180 women in management positions actively supporting our global business in many divisions. Going forward, we will continue ensuring workplaces and environments conducive to the peace of mind of our employees.



Hiring of Foreign Employees

Approximately 80% of Makita Group employees are hired overseas and international students are also hired in Japan. Additionally, as a company that emphasizes a local, on-site business philosophy, we have, for many years, placed weight on diverse employees who can localize our business practices. Evidence of this is in the active contributions of employees with foreign nationality, including employees of overseas subsidiaries having been promoted to corporate officer positions at Makita Corporation.

Ensuring Employee-friendly Workplaces

In order to allow diverse employees to pursue their career with a sense of purpose, we offer a work environment that includes a childcare leave system, a childcare reduced working hours system, as well as other programs as part of our active efforts to facilitate work-life balance.

There has been steady utilization of the childcare leave system we introduced in 1990, even including a good number of employees utilizing the program twice or more. In FYE 2020, 44 employees (1 male employee) took part in the program and the return-to-work rate after childcare leave was 87% (26 of 30 employees).

In 1992, we also introduced a childcare reduced working hours system, which 48 employees (1 male employee) utilized in FYE 2020.

Securing Safety and Health of Employees

Makita's Safety and Health Committee members carry out regular patrols at each of our business sites. The Safety and Health Committee reports the results of those patrols and supports improvement measures for safer and healthier worksites, in order to preemptively prevent occupational accidents.

Furthermore, in terms of employee health, we provide influenza shots in house, while the Okazaki Plant has distributed Makita cordless fan jackets and also set up water coolers to help deal with hot weather. Through these and other efforts, we are striving to improve the work environment and ensure the health of employees throughout the Company.

Respect for Human Rights

Guidelines to the Code of Ethics for Makita, which outline the conduct expected of all Group directors and employees, clearly recognize "respect for human rights" and stipulate the importance of respecting all fundamental human rights and prohibiting discrimination and conduct that harms individual dignity. These Guidelines are regularly and continually distributed and explained to Directors and employees in order to thoroughly ensure respect for human rights.

Furthermore, since we believe that it is important to fulfill our social responsibility for recognizing human rights not just ourselves but alongside all of the businesses in our supply chain, the Guidelines to the Code of Ethics for Makita also stipulate that working to eliminate child labor and forced labor is a selection criteria for suppliers.

ESG Management

Governance

Basic Philosophy on Corporate Governance

Enhancing functions for management oversight from the perspective of transparency is an essential pursuit for Makita. Consequently, to enhance our corporate governance framework, we proactively seek out independent directors for the purpose of strengthening the functions of our Board of Directors and Audit & Supervisory Board, while also having an Internal Audit Division and other measures.

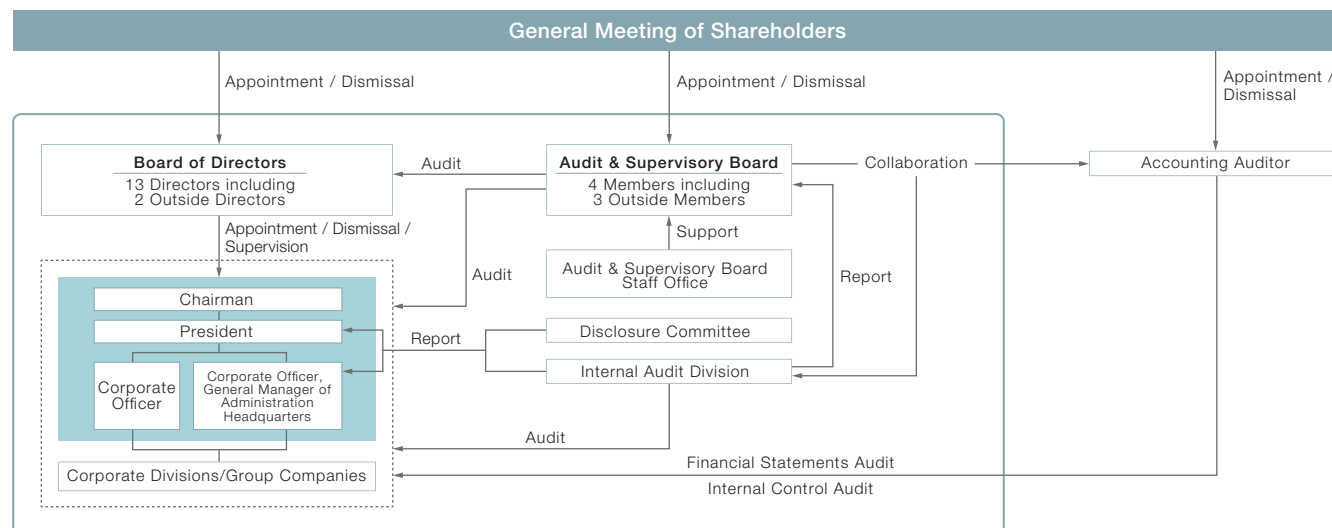
Overview of the Corporate Governance Structure

Based on its regulations, the Board of Directors decides on matters stipulated in laws, regulations, and Makita's Articles of Incorporation, in addition to important management matters such as management policies, business plans, signing important contracts, establishing subsidiaries, and the like. Of the 13 Directors, two are Independent Outside Directors. The Independent Outside Directors possess rich experience and abundant knowledge of corporate management and appropriately fulfill their role of strengthening corporate

governance by providing timely advice and other assistance. Additionally, Makita has hired several Directors with abundant business experience at overseas sites, which adds diversity to the Company.

The Audit & Supervisory Board audits the execution of duties by the Board of Directors. This Audit & Supervisory Board stipulates audit policies and division of duties, while each member conducts audits following said policies and division of duties. The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, three of whom are Independent Outside Members, including one who serves in a full-time capacity. This system allows the two standing Audit & Supervisory Board Members to audit the execution of duties by Directors at all times. Of the four Audit & Supervisory Board Members, two have considerable knowledge of finance and accounting, while one has a comparable level of knowledge of legal matters. They also share information by receiving, as needed, audit reports and other reports from the Accounting Auditor and the Internal Audit Division. With the objective of helping audits by the Audit & Supervisory Board proceed smoothly, Makita established the Audit & Supervisory Board Staff Office, where dedicated personnel support the work of the Audit & Supervisory Board.

The following is a schematic diagram of the Makita Group's corporate governance structure





Makita introduced a Corporate Officer system in June 2009 to facilitate proper implementation of the Group strategy and strengthen our business execution structure. As such, Makita strives to engage in flexible and efficient business operations, while enhancing corporate value.

Accounting audits are carried out by KPMG AZSA LLC. KPMG AZSA LLC and engagement partners have no interest in the Company which must be disclosed pursuant to the provisions of the Japanese Certified Public Accountants Act.

Status of Internal Audits

As an independent organization in charge of the Group's internal audits, the Internal Audit Division is staffed by more than 10 personnel and conducts the internal audits necessary to maintain the soundness of Makita's management. Results of audits are reported to the Audit & Supervisory Board and to management personnel. Furthermore, we have built a framework for making timely and appropriate revisions when inadequacies in the internal control system are discovered through internal audits.

Status of Outside Directors and Outside Audit & Supervisory Board Members

The Company provided notice on the following five Directors/Audit & Supervisory Board Members to the Tokyo Stock Exchange and Nagoya Stock Exchange as being independent directors appointed by the Company, in accordance with the rules and regulations of each exchange.

| Classification | Name | Reason for appointment | Attendance at Board of Directors meetings | Attendance at Audit & Supervisory Board meetings |
|----------------------------------|-------------------|---|---|--|
| Director | Akiyoshi Morita | Mr. Akiyoshi Morita has amassed an intimate knowledge of corporate management through many years of participating in the management of Toyota Motor Corporation and Aichi Steel Corporation, a core company of the Toyota Group. Currently, he offers valuable opinions from a broad perspective on Makita's management. The Company judges Mr. Morita to have no conflicts of interest with Makita or Makita's management team, as well as no risk of conflict of interest arising with ordinary shareholders. | 83% (10 of 12 meetings) | — |
| | Masahiro Sugino | Mr. Masahiro Sugino has an intimate knowledge of corporate management through many years of involvement in running INAX Corporation and LIXIL Group Corporation. Currently, he offers valuable opinions from a broad perspective on Makita's management. The Company judges Mr. Sugino to have no conflicts of interest with Makita or Makita's management team, as well as no risk of conflict of interest arising with ordinary shareholders. | 92% (11 of 12 meetings) | — |
| Audit & Supervisory Board Member | Akira Kodama | Mr. Akira Kodama has many years of experience at financial institutions, in addition to his professional knowledge of finance. He offers valuable opinions based on his perspective as an experienced professional. The Company judges Mr. Kodama to have no conflicts of interest with Makita or Makita's management team, as well as no risk of conflict of interest arising with ordinary shareholders. | 92% (11 of 12 meetings) | 93% (13 of 14 meetings) |
| | Fusahiro Yamamoto | Mr. Fusahiro Yamamoto has amassed abundant experience over many years with corporate accounting audits in his capacity as a certified public accountant in Japan and the U.S. He offers valuable opinions based on his perspective as an experienced professional. The Company judges Mr. Yamamoto to have no conflicts of interest with Makita or Makita's management team, as well as no risk of conflict of interest arising with ordinary shareholders. | 100% (12 of 12 meetings) | 100% (14 of 14 meetings) |
| | Shoji Inoue | Mr. Shoji Inoue has professional knowledge and abundant experience as an attorney. He offers valuable opinions based on his perspective as an experienced professional. The Company judges Mr. Inoue to have no conflicts of interest with Makita or Makita's management team, as well as no risk of conflict of interest arising with ordinary shareholders. | 100% (12 of 12 meetings) | 100% (14 of 14 meetings) |

Note: Attendance at Board of Directors and Audit & Supervisory Board meetings covers the period through the end of March 2020.

ESG Management

Policy on the Determination of Remuneration for Directors

The Company 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 restricted shares compensation are introduced to Directors (excluding Outside Directors) with the aim of sharing the risks and benefits of stock price fluctuations with shareholders to a greater extent and further enhancing their motivation to contribute to improving the stock price and the corporate value of the Company.

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.

Total Amounts of Compensation and Bonus to Directors and Audit & Supervisory Board Members
(fiscal year ended March 31, 2020)

unit: million yen

| | Total amounts of Compensation | Total amounts of each type of Compensation | | | |
|----------------------------------|-------------------------------|--|---------|---------------|---------------------------------|
| | | Base compensation | Bonuses | Stock option* | Restricted Shares Compensation* |
| Director | 359 | 122 | 195 | 10 | 32 |
| Audit & Supervisory Board Member | 41 | 41 | — | — | — |

Note: Amounts of stock options and restricted shares compensation are the amounts recorded as expenses in the fiscal year ended March 31, 2020. Note that stock options were abolished by a resolution at the General Meeting of Shareholders in June 2019.

Risk Management

In accordance with Makita's system for internal control based on the Companies Act, Makita strives for risk management and endeavors to be a company that is resilient toward crises. The Disclosure Committee, which identifies and investigates risks in the Group's business activities, holds annual meetings attended by the representative Directors, Directors in charge, standing Audit & Supervisory Board Members, and General Managers of the Internal Audit Division and respective departments of the Company. Matters that are deemed possible risk factors are disclosed on Makita's website.

Each Director exercises authority and takes responsibility for implementing the Group-wide risk management framework

in his or her own division, and also reports to the Board of Directors and Audit & Supervisory Board when a situation occurs that is material to business management. Also, in each division, regulations and guidelines are stipulated and followed in order to carry out risk management necessary for quality control, disaster prevention, capital utilization, and the like.

Amidst concern in recent years over the occurrence of major earthquakes and other natural disasters, Makita recognizes that being able to respond to disasters is a critical issue. Makita has formed a Fire & Disaster Prevention Committee comprised of directors and the heads of relevant divisions and has formulated disaster prevention regulations with this committee at the center. These disaster prevention regulations and other measures, which are reviewed regularly, define steps for disaster prevention, emergency response measures, and disaster recovery efforts. Similarly, these regulations and measures outline a business continuity plan (BCP) for times of disaster. The target organizations and scope of this plan are also reviewed as necessary.

Compliance

Makita holds a philosophy of "striving to exist in harmony with society," which is a uniform approach affecting our Management Policy / Quality Policy. As such, we thoroughly ensure that directors and employees comply with legal, regulatory, and ethical principles. Makita's Code of Ethics and Guidelines to the Code of Ethics for Makita, which outline the conduct expected of Group directors and employees, stipulate the importance of ethical conduct, avoiding conflicts of interest, complying with relevant laws and social standards, properly disclosing information, respecting human rights, restricting gifts and incentives, prohibiting bribes, and prohibiting unfair business transactions. Directors and employees are provided with regular information and on-going training about Makita's Code of Ethics and Guidelines to the Code of Ethics for Makita. In order to instill an awareness of the importance of compliance, employees are given an Ethical Compliance Survey, while new hires and newly appointed managers are provided with compliance training.

In order to minimize, preempt, and if necessary, quickly discover and resolve, conduct in violation of the Code of Ethics, Makita has established regulations regarding a Corporate Ethics Helpline (Internal Reporting) with provisions for accepting internal as well as external reports. Thorough measures are taken in these regulations to protect whistleblowers so that they do not incur any disadvantage for reporting to the Corporate Ethics Helpline. Furthermore, the framework allows anonymous whistleblower reports. If necessary, the content of reports is also shared within the Company, and steps are taken in order to remedy and prevent recurrence of the matter in question.



Messages from Outside Directors



Outside Director **Akiyoshi Morita**

Appointed to the position of Makita Outside Director in June 2013, Outside Director Mr. Morita has amassed impressive knowledge of corporate management through many years of participating in the management of Toyota Motor Corporation and Aichi Steel Corporation, a core company of the Toyota Group.

Outside Director **Masahiro Sugino**

Appointed to the position of Makita Outside Director in June 2015, Outside Director Mr. Sugino has intimate knowledge of corporate management through many years of involvement running LIXIL Group Corporation, including INAX Corporation.

Q. What is your assessment of the Board of Directors and the Company's governance?

Morita On the Board of Directors, Audit & Supervisory Board Members and Outside Directors draw on their fields of expertise to actively voice questions and receive clear responses. Even compared to the time around 2013, when I became a Makita Outside Director, there has been a boost in efficacy as discussions have become livelier and contributions are being made with a shared sense of objectives by all members.

Sugino Operations of the Board of Directors are being appropriately carried out from the perspectives of open inquiry, availability of speaking opportunities, and transparency of policies and the process followed for management decision making. Additionally, based on major Company policies, management is entrusted to the executive judgment and discretion of personnel responsible for each division and I sense the soundness of the corporate culture in the stance of responsible parties who engage in their work with vigor.

Q. What are the responsibilities and roles of an Outside Director?

Morita It is my responsibility to leverage my experience and provide copious, knowledgeable recommendations as the Company tackles operating challenges. Since Makita is developing its business on a global scale, I think my responsibility as an Outside Directors is to support continued growth as a global corporation by paying particular attention to geopolitical risks in each country.

Sugino In a company where overseas sales comprise approximately 80% of total sales, ensuring compliance at our myriad overseas subsidiaries is a crucial issue. By strengthening the management and audit frameworks for preventing misconduct at sales and production sites around the world, I am committed to making continued recommendations to mitigate risks.

Q. What expectations do you have for Makita going forward?

Morita I expect Makita to achieve further leaps of growth by strengthening business (such as expanding sales and enhancing the lineup in the current focus area of cordless gardening equipment), while also contributing to solving social issues, such as environmental challenges.

Sugino Makita's quality, product development ability, and worldwide service network are superb. My hope is for Makita to thoroughly continue customer-focused initiatives, strengthen the cordless gardening equipment business through active investment, boost recognition of the brand, and contribute to global environmental preservation.

10-Year Summary

Makita Corporation and subsidiaries for the years ended March 31

| U.S. GAAP | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|--|
| Net sales | ¥ 272,630 | ¥ 295,711 | ¥ 309,630 | ¥ 383,207 | ¥ 414,718 | ¥ 423,623 | |
| Domestic | 46,065 | 53,175 | 56,555 | 66,019 | 67,740 | 68,445 | |
| Overseas | 226,565 | 242,536 | 253,075 | 317,188 | 346,978 | 355,178 | |
| Operating income | 41,909 | 48,516 | 45,366 | 54,914 | 71,905 | 64,676 | |
| Income before income taxes | 42,730 | 46,963 | 45,691 | 56,974 | 68,394 | 61,492 | |
| Net income attributable to Makita Corporation | 29,905 | 32,497 | 31,076 | 38,453 | 45,307 | 41,615 | |
| Net cash provided by operating activities | ¥ 19,617 | ¥ 8,622 | ¥ 38,364 | ¥ 41,686 | ¥ 35,894 | ¥ 34,188 | |
| Net cash used in investing activities | (19,334) | (4,500) | (15,414) | (20,084) | (20,096) | (6,573) | |
| Free cash flows | 283 | 4,122 | 22,950 | 21,602 | 15,798 | 27,615 | |
| Net cash used in financing activities | (7,355) | (12,707) | (10,650) | (7,365) | (12,017) | (18,719) | |
| Capital expenditures | ¥ 9,742 | ¥ 13,481 | ¥ 11,481 | ¥ 11,417 | ¥ 12,124 | ¥ 11,769 | |
| Depreciation and amortization | 7,557 | 7,237 | 7,542 | 8,622 | 8,619 | 9,284 | |
| R&D cost | 7,283 | 7,603 | 8,396 | 8,720 | 9,117 | 9,593 | |
| Total assets | ¥ 372,507 | ¥ 383,256 | ¥ 440,974 | ¥ 519,121 | ¥ 575,328 | ¥ 558,024 | |
| Net working capital | 219,270 | 223,045 | 266,950 | 310,750 | 358,245 | 362,675 | |
| Total Makita Corporation shareholders' equity | 307,149 | 321,253 | 373,543 | 435,934 | 486,021 | 479,752 | |
| Interest-bearing debt | 887 | 2,363 | 1,703 | 4,163 | 5,030 | 2,225 | |

Per share amounts

| | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|--|
| Earning per share (basic) Net income attributable to Makita Corporation common shareholders | ¥ 108.54 | ¥ 118.39 | ¥ 114.46 | ¥ 141.65 | ¥ 166.89 | ¥ 153.30 | |
| Total Makita Corporation shareholders' equity per share | 1,114.8 | 1,183.2 | 1,375.9 | 1,605.8 | 1,790.3 | 1,767.3 | |
| Cash dividends applicable to the year per share | 66.0 | 72.0 | 69.0 | 91.0 | 118.0 | 101.0 | |

Other data

| | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--|
| Ratio of operating income to net sales | 15.4% | 16.4% | 14.7% | 14.3% | 17.3% | 15.3% | |
| ROE | 9.9% | 10.3% | 8.9% | 9.5% | 9.8% | 8.6% | |
| ROA | 8.3% | 8.6% | 7.5% | 8.0% | 8.3% | 7.3% | |
| Total Makita Corporation shareholders' equity ratio to total assets | 82.5% | 83.8% | 84.7% | 84.0% | 84.5% | 86.0% | |
| Average number of shares outstanding | 275,518,548 | 274,489,367 | 271,496,178 | 271,481,657 | 271,472,428 | 271,468,232 | |
| Number of shares issued excluding treasury stock | 275,515,398 | 271,501,036 | 271,491,854 | 271,475,252 | 271,469,736 | 271,466,522 | |
| Employees | 12,054 | 12,563 | 12,680 | 12,804 | 13,835 | 14,784 | |

Notes: 1. Earning per share (basic) Net income attributable to Makita Corporation common shareholders and profit attributable to owners of the parent per share (basic) is computed based on the average number of shares outstanding during the term.
2. Figures are rounded up/down to the nearest million yen.

Yen in millions

| 2017 | 2018 |
|-----------|-----------|
| ¥ 414,999 | ¥ 477,298 |
| 74,381 | 82,575 |
| 340,618 | 394,723 |
| 62,564 | 79,762 |
| 64,738 | 79,678 |
| 44,782 | 54,755 |
| ¥ 63,351 | ¥ 33,294 |
| (5,015) | (14,811) |
| 58,336 | 18,483 |
| (9,495) | (17,743) |
| ¥ 13,222 | ¥ 14,149 |
| 8,943 | 9,917 |
| 10,139 | 10,894 |
| ¥ 597,249 | ¥ 651,031 |
| 374,297 | 415,979 |
| 502,170 | 551,939 |
| 6,597 | 3,544 |

Yen

| | |
|----------|----------|
| ¥ 164.96 | ¥ 201.70 |
| 1,849.9 | 2,033.2 |
| 100.0 | 61.0 |

| | |
|-------------|-------------|
| 15.1% | 16.7% |
| 9.1% | 10.4% |
| 7.8% | 8.8% |
| 84.1% | 84.8% |
| 271,463,676 | 271,465,951 |
| 271,460,572 | 271,467,928 |
| 15,344 | 16,137 |

Yen in millions

| IFRS | 2018 | 2019 | 2020 |
|---|-----------|-----------|------------------|
| Revenue | ¥ 477,298 | ¥ 490,578 | ¥ 492,617 |
| Domestic | 82,575 | 92,129 | 100,697 |
| Overseas | 394,723 | 398,449 | 391,920 |
| Operating profit | 80,231 | 78,305 | 64,046 |
| Profit before income taxes | 79,865 | 79,919 | 66,008 |
| Profit attributable to owners of the parent | 54,943 | 55,750 | 47,731 |
| Net cash provided by operating activities | ¥ 34,191 | ¥ 23,155 | ¥ 57,310 |
| Net cash used in investing activities | (15,708) | (15,329) | (30,506) |
| Free cash flows | 18,483 | 7,826 | 26,804 |
| Net cash used in financing activities | (17,743) | (8,231) | (22,931) |
| Capital expenditures | ¥ 15,045 | ¥ 23,867 | ¥ 44,409 |
| Depreciation and amortization | 10,783 | 11,271 | 12,058 |
| R&D cost | 10,924 | 11,258 | 11,601 |
| Total assets | ¥ 654,841 | ¥ 680,250 | ¥ 674,564 |
| Net working capital | 398,355 | 402,335 | 575,748 |
| Equity attributable to owners of the parent | 554,046 | 572,748 | 571,275 |
| Interest-bearing debt | 3,544 | 11,960 | 19,737 |

Per share amounts

Yen

| | | | |
|---|----------|----------|-----------------|
| Profit attributable to owners of the parent per share (basic) | ¥ 202.39 | ¥ 205.37 | ¥ 175.80 |
| Equity attributable to owners of the parent per share | 2,040.9 | 2,109.8 | 2,104.0 |
| Cash dividends applicable to the year per share | 61.0 | 62.0 | 53.0 |

Other data

| | | | |
|--|-------------|-------------|--------------------|
| Ratio of operating profit to revenue | 16.8% | 16.0% | 13.0% |
| ROE | 10.4% | 9.9% | 8.3% |
| ROA | 8.8% | 8.4% | 7.0% |
| Ratio of equity attributable to owners of the parent to total assets | 84.6% | 84.2% | 84.7% |
| Average number of shares outstanding | 271,465,951 | 271,467,574 | 271,502,528 |
| Number of shares issued excluding treasury stock | 271,467,928 | 271,467,057 | 271,516,990 |
| Employees | 16,137 | 16,424 | 17,090 |

3. The Company implemented a two-for-one common stock split, effective April 1, 2017. Figures for Earning per share (basic) Net income attributable to Makita Corporation common shareholders, total Makita Corporation shareholders' equity per share, average number of shares outstanding, and number of shares issued excluding treasury stock are calculated based on the assumption that the relevant stock split was carried out for prior years as well. Regarding cash dividends applicable to the year per share, actual dividend amounts before the relevant stock split are stated.

Message from the Financial Officer



Pursuing investments for growth while maintaining a robust financial footing

Director, Corporate Officer
General Manager of Administration Headquarters

Yukihiro Otsu

Basic Policy

Makita's basic financial policy is to maintain a robust financial structure able to withstand unexpected changes in the business environment, including foreign currency risks and geopolitical risks. Thoroughly pursuing this policy brings us considerable strength, allowing us to carry out necessary investments appropriately timed, while continuing measures for improving customer satisfaction, even in times of adversity. We believe that, in order to consistently be a strong company, it is important not to rely on debt as much as possible during times of normal business operations. One example is the current concern over deteriorating economic conditions due to effects of COVID-19. Despite the circumstances, Makita is able to operate stably, thanks to our financial footing. As risk mitigation measures, we are working to optimize asset allocation through equity increases at subsidiaries, as well as loans and profit sharing.

Financial Condition

With regard to assets at the conclusion of the fiscal year ended March 31, 2020, adoption of the new IFRS 16 leases regulation resulted in an increase in "property, plant and equipment, at cost." However, we faced asset losses at overseas sites due to a strong yen when making currency conversions. Decreases in "other financial assets" and "trade receivables and other receivables" brought a 5,686-million-yen year-on-year dip in total assets to 674,564 million yen. With regard to liabilities, although adoption of the IFRS 16 leases regulation led to an increase in "other financial liabilities," a decrease in "trade payables and other payables" and "borrowings" brought a 4,212 million yen year-on-year dip in total liabilities to 98,816 million yen. Total equity fell 1,474 million yen year-on-year to 575,748 million yen. The main factor behind this was fluctuations in "exchange differences on converting equity of foreign operations" included in the "other components of equity." Total equity attributable to owners of the parent showed a similar decrease; however, the ratio

of equity attributable to owners of the parent increased 0.5 points year on year to 84.7%.

Investment Strategies

Makita is currently carrying out aggressive investments in order to further grow as a manufacturer of cordless products, including not only power tools but also gardening equipment. Capital expenditures in the fiscal year ended March 31, 2020 came to 44,409 million yen, a record high for the second year in a row. Where production is concerned, we expanded and enhanced our Romania plant. On the sales front, we are implementing investments for logistics hubs inside and outside Japan—building new facilities and expanding and enhancing existing facilities—while also increasing and strengthening personnel. Additionally, we are channeling effort toward PR activities, including advertising campaigns and events in each country. Our assessment is that we have successfully made progress in building a platform for expanding sales of cordless gardening equipment.

In the fiscal year ending March 31, 2021, we will continue making investments to further grow as a manufacturer of cordless products. In addition to expanding and enhancing our China plants, we are planning initiatives for logistics hubs (building new facilities and expanding and enhancing existing facilities) in regions across the globe, as we increasingly handle more large-size products.

Returns to Shareholders

Makita's basic policy on the distribution of profits is to maintain a consolidated dividend payout ratio of 30% or greater, with a lower limit on annual cash dividends of 10 yen per share. Following this policy, we paid a 53-yen annual dividend in the period. Going forward, we will continue striving to meet shareholder expectations and improve Makita's corporate value.

Consolidated Financial Statements

Makita Corporation and subsidiaries as of March 31, 2019 and 2020

Consolidated Statement of Financial Position

Yen in millions

| ASSETS | 2019 | 2020 |
|--|------------------|------------------|
| Current assets: | | |
| Cash and cash equivalents | ¥ 146,512 | ¥ 143,439 |
| Trade receivables and other receivables | 79,450 | 69,599 |
| Inventories | 219,938 | 214,560 |
| Other financial assets | 37,828 | 25,235 |
| Other current assets | 9,401 | 7,633 |
| Total current assets | 493,129 | 460,466 |
| Non-current assets: | | |
| Property, plant and equipment, at cost | ¥ 112,441 | ¥ 146,649 |
| Goodwill and intangible assets | 8,039 | 8,749 |
| Other financial assets | 43,566 | 38,551 |
| Net defined retirement benefit assets | 9,541 | 9,511 |
| Deferred income taxes | 9,342 | 6,932 |
| Other non-current assets | 4,192 | 3,706 |
| Total non-current assets | 187,121 | 214,098 |
| Total assets | ¥ 680,250 | ¥ 674,564 |
| LIABILITIES AND EQUITY | 2019 | 2020 |
| Liabilities | | |
| Current liabilities: | | |
| Trade payables and other payables | ¥ 38,904 | ¥ 34,959 |
| Borrowings | 11,799 | 7,997 |
| Other financial liabilities | 220 | 2,468 |
| Income taxes payable | 7,153 | 3,757 |
| Provisions | 3,040 | 2,931 |
| Other current liabilities | 29,678 | 27,264 |
| Total current liabilities | 90,794 | 79,376 |
| Non-current liabilities: | | |
| Retirement benefit liabilities | ¥ 3,231 | ¥ 3,138 |
| Other financial liabilities | 256 | 9,894 |
| Provisions | 1,293 | 1,248 |
| Deferred income taxes | 7,236 | 4,952 |
| Other non-current liabilities | 218 | 208 |
| Total non-current liabilities | 12,234 | 19,440 |
| Total liabilities | ¥ 103,028 | ¥ 98,816 |
| Equity | | |
| Common stock | ¥ 23,805 | ¥ 23,805 |
| Additional paid-in capital | 45,571 | 45,531 |
| Retained earnings | 508,622 | 540,063 |
| Treasury stock, at cost | (11,681) | (11,554) |
| Other components of equity | 6,431 | (26,570) |
| Total equity attributable to owners of the parent | 572,748 | 571,275 |
| Non-controlling interest | 4,474 | 4,473 |
| Total equity | ¥ 577,222 | ¥ 575,748 |
| Total liabilities and equity | ¥ 680,250 | ¥ 674,564 |

Consolidated Financial Statements

Makita Corporation and subsidiaries for the years ended March 31, 2019 and 2020

Consolidated Statements of Profit or Loss

Yen in millions

| | 2019 | 2020 |
|---|-----------|------------------|
| Revenue | ¥ 490,578 | ¥ 492,617 |
| Cost of sales | (313,356) | (323,776) |
| Gross profit | 177,222 | 168,841 |
| Selling, general, administrative and others, net | (98,917) | (104,795) |
| Operating profit | 78,305 | 64,046 |
| Financial income | 2,680 | 2,558 |
| Financial expenses | (1,066) | (596) |
| Profit before income taxes | 79,919 | 66,008 |
| Income tax expenses | (23,728) | (17,957) |
| Profit | 56,191 | 48,051 |
| Profit attributable to: | | |
| Owners of the parent | ¥ 55,750 | ¥ 47,731 |
| Non-controlling interests | 441 | 320 |
| Profit attributable to owners of the parent per share | | |
| Profit attributable to owners of the parent per share (basic) | ¥ 205.37 | ¥ 175.80 |
| Profit attributable to owners of the parent per share (diluted) | 205.34 | — |

Yen

Consolidated Statements of Comprehensive Income

Yen in millions

| | 2019 | 2020 |
|--|----------|-----------------|
| Profit | ¥ 56,191 | ¥ 48,051 |
| Other comprehensive income (loss), net of tax | | |
| Items that will not be reclassified to profit (loss) | | |
| Remeasurement of defined benefit plans | (87) | 201 |
| Equity financial goods measured at fair value through other comprehensive loss | (7,889) | (2,509) |
| Total of items that will not be reclassified to profit (loss) | (7,976) | (2,308) |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translating foreign operations | (12,623) | (30,328) |
| Total of items that may be reclassified to profit (loss) | (12,623) | (30,328) |
| Total other comprehensive income (loss), net of tax | (20,599) | (32,636) |
| Comprehensive income | ¥ 35,592 | ¥ 15,415 |
| Comprehensive income attributable to: | | |
| Owners of the parent | ¥ 35,286 | ¥ 15,271 |
| Non-controlling interests | 306 | 144 |

Consolidated Statement of Changes in Equity

Yen in millions

| | Equity attributable to owners of the parent | | | | | | Non-Controlling interest | Total equity |
|---|---|----------------------------|-------------------|----------------|----------------------------|-----------|--------------------------|------------------|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Other components of equity | Total | | |
| Balance at April 1, 2018 | ¥ 23,805 | ¥ 45,531 | ¥ 469,232 | ¥ (11,617) | ¥ 27,095 | ¥ 554,046 | ¥ 4,393 | ¥ 558,439 |
| Profit for the period | | | 55,750 | | | 55,750 | 441 | 56,191 |
| Other comprehensive income | | | | | (20,464) | (20,464) | (135) | (20,599) |
| Comprehensive income | — | — | 55,750 | — | (20,464) | 35,286 | 306 | 35,592 |
| Dividends paid | | | (16,560) | | | (16,560) | (225) | (16,785) |
| Purchase of treasury stock | | | | (4) | | (4) | | (4) |
| Disposal of treasury stock | | 0 | | 0 | | 0 | | 0 |
| Share-based payment transaction | | 40 | | | | 40 | | 40 |
| Transfer from other components of equity to retained earnings | | | 200 | | (200) | — | | — |
| Other increase or decrease | | | | (60) | | (60) | | (60) |
| Total amounts of transactions with owners | — | 40 | (16,360) | (64) | (200) | (16,584) | (225) | (16,809) |
| Balance at March 31, 2019 | ¥ 23,805 | ¥ 45,571 | ¥ 508,622 | ¥ (11,681) | ¥ 6,431 | ¥ 572,748 | ¥ 4,474 | ¥ 577,222 |

Yen in millions

| | Equity attributable to owners of the parent | | | | | | Non-Controlling interest | Total equity |
|---|---|----------------------------|-------------------|----------------|----------------------------|-----------|--------------------------|------------------|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Other components of equity | Total | | |
| Balance at April 1, 2019 | ¥ 23,805 | ¥ 45,571 | ¥ 508,622 | ¥ (11,681) | ¥ 6,431 | ¥ 572,748 | ¥ 4,474 | ¥ 577,222 |
| Profit for the period | | | 47,731 | | | 47,731 | 320 | 48,051 |
| Other comprehensive income | | | | | (32,460) | (32,460) | (176) | (32,636) |
| Comprehensive income | — | — | 47,731 | — | (32,460) | 15,271 | 144 | 15,415 |
| Dividends paid | | | (16,831) | | | (16,831) | (145) | (16,976) |
| Purchase of treasury stock | | | | (2) | | (2) | | (2) |
| Disposal of treasury stock | | (13) | | 61 | | 48 | | 48 |
| Share-based payment transaction | | (27) | | 68 | | 41 | | 41 |
| Transfer from other components of equity to retained earnings | | | 541 | | (541) | — | | — |
| Total amounts of transactions with owners | — | (40) | (16,290) | 127 | (541) | (16,744) | (145) | (16,889) |
| Balance at March 31, 2020 | ¥ 23,805 | ¥ 45,531 | ¥ 540,063 | ¥ (11,554) | ¥ (26,570) | ¥ 571,275 | ¥ 4,473 | ¥ 575,748 |

Consolidated Financial Statements

Makita Corporation and subsidiaries for the years ended March 31, 2019 and 2020

Consolidated Statements of Cash Flows

Yen in millions

| | 2019 | 2020 |
|--|-----------|-----------|
| Cash flows from operating activities: | | |
| Profit | ¥ 56,191 | ¥ 48,051 |
| Depreciation and amortization | 11,271 | 14,349 |
| Income tax expenses | 23,728 | 17,957 |
| Financial expenses (income) | (1,614) | (1,962) |
| Loss (gain) on sales and retirement of property, plant and equipment | 113 | (808) |
| Decrease (increase) in trade receivables and other receivables | (2,085) | 4,396 |
| Decrease (increase) in inventories | (30,455) | (9,148) |
| Increase (decrease) in trade payables and other payables | 2,581 | (1,499) |
| Increase in retirement benefit assets and liabilities | 395 | 586 |
| Decrease (increase) in guarantee deposits | (8,990) | 741 |
| Other | (4,487) | 3,538 |
| Subtotal | 46,648 | 76,201 |
| Dividends received | 643 | 712 |
| Interest received | 2,004 | 1,488 |
| Interest paid | (47) | (431) |
| Income taxes paid | (26,093) | (20,660) |
| Cash flows from operating activities | 23,155 | 57,310 |
| Cash flows from investing activities: | | |
| Purchase of non-current assets | (23,867) | (44,409) |
| Proceeds from sales of non-current assets | 382 | 2,574 |
| Purchase of investments | (12,745) | (4,000) |
| Proceeds from sales and redemption of investments | 5,634 | 7,641 |
| Payments into time deposits | (31,902) | (33,534) |
| Proceeds from withdrawal of time deposits | 47,758 | 40,960 |
| Other | (589) | 262 |
| Cash flows from investing activities | (15,329) | (30,506) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term borrowings | 8,704 | (3,461) |
| Purchase and sales of treasury stock, net | (4) | 46 |
| Cash dividends paid | (16,560) | (16,831) |
| Repayment of lease liabilities | (36) | (2,537) |
| Other | (335) | (148) |
| Cash flows from financing activities | (8,231) | (22,931) |
| Effect of exchange rate changes on cash and cash equivalents | (403) | (6,946) |
| Net change in cash and cash equivalents | (808) | (3,073) |
| Cash and cash equivalents, beginning of year | 147,320 | 146,512 |
| Cash and cash equivalents, end of year | ¥ 146,512 | ¥ 143,439 |

Corporate Overview (As of March 31, 2020)

Corporate Data

| | |
|-----------------|--|
| Corporate Name | Makita Corporation |
| Head Office | 3-11-8, Sumiyoshi-cho, Anjo, Aichi 446-8502, Japan |
| Paid-in Capital | 24,205,610 thousand yen |

Director

| | |
|--------------------------------------|--|
| 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 |
| | Shinichiro Tomita General Manager of Purchasing Headquarters |
| | Tetsuhisa Kaneko General Manager of Research and Development Headquarters |
| | Tomoyuki Ota Assistant General Manager of Research and Development Headquarters |
| | Takashi Tsuchiya General Manager of Domestic Sales Headquarters |
| | Masaki Yoshida Assistant General Manager of Production Headquarters |
| | Takashi Omote General Manager of International Sales Headquarters |
| | Yukihiro Otsu General Manager of Administration Headquarters |
| Outside Director | Akiyoshi Morita |
| | Masahiro Sugino Advisor of LIXIL Corporation |

*Denotes representative directors

Audit & Supervisory Board Members

| | |
|---|--|
| Standing Audit & Supervisory Board Member | Mitsuhiro Wakayama |
| | Akira Kodama |
| Audit & Supervisory Board Member | Fusahiro Yamamoto Certified Public Accountant |
| | Shoji Inoue Attorney at Law |

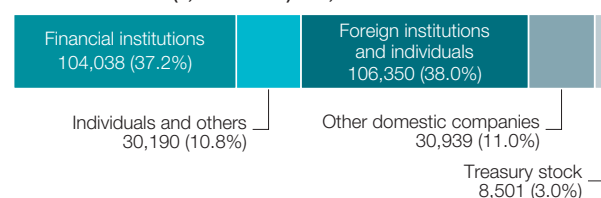
Note: Messrs. Akira Kodama, Fusahiro Yamamoto and Shoji Inoue are Outside Audit & Supervisory Board Members.

Stock Information

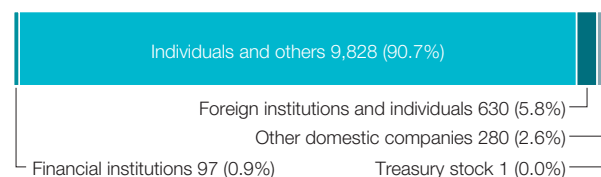
| | |
|------------------------------------|---|
| Total number of shares authorized | 992,000,000 shares |
| Total number of shares outstanding | 280,017,520 shares (Including treasury stock 8,500,530 shares) |
| The number of shareholders | 10,836 shareholders |

Breakdown by type of shareholder

Number of shares (1,000 shares) 280,018



The number of shareholders 10,836



Major shareholders

| Name | Number of shares held (1,000 shares) | Ratio of shareholding (%) |
|---|--------------------------------------|---------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 21,623 | 7.96 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 11,362 | 4.18 |
| Maruwa, Ltd. | 8,638 | 3.18 |
| MUFG Bank, Ltd. | 8,426 | 3.10 |
| Japan Trustee Services Bank, Ltd. (Trust account 9) | 7,217 | 2.65 |
| The Bank of New York Mellon as Depositary Bank for DR Holders | 6,549 | 2.41 |
| Makita Cooperation Companies' Investment Association | 6,442 | 2.37 |
| Sumitomo Mitsui Banking Corporation | 5,800 | 2.13 |
| JPMorgan Chase Bank 385151 | 5,626 | 2.07 |
| State Street Bank and Trust Company 505001 | 5,440 | 2.00 |

Note: The shareholding ratio is calculated based on the total number of shares issued as of the end of the fiscal period (excluding 8,500,530 shares of treasury stock).



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



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