



For immediate release

July 31, 2017

Company name: **Makita Corporation**
Representative: Munetoshi Goto, President, Representative Director
Stock ticker code: 6586

Notice Concerning Issuing of Stock-Compensation-Type Stock Options (Stock Acquisition Rights) for Directors

Makita Corporation (the “Company”) hereby announces that it has determined, at the meeting of its Board of Directors held on July 31, 2017, the subscription requirements for issuing the stock acquisition rights as stock-compensation-type stock options for its Directors (excluding Outside Directors) and the solicitation of subscribers of the said stock acquisition rights. The details are as follows:

(Please note that this English translation is only for reference purpose. When there are any discrepancies between Japanese version and English translation version, the original Japanese version always prevails.)

I. Reasons for the Introduction of Stock-Compensation-Type Stock Options

The purpose is that its Directors (excluding Outside Directors; hereinafter the same in this agenda) strengthen the morale and preparedness to contribute to enhancing the corporate value of the Corporation over the medium and long term as well as enabling them to share the advantages and risks of share price fluctuations with our shareholders.

II. Procedure for Issuing Stock Acquisition Rights

1. Name of Stock Acquisition Rights: 3rd Stock Acquisition Rights of Makita Corporation

2. Total Number of Stock Acquisition Rights: 511 units

The aforementioned total number represents the planned number to be allotted. In the case where there is a decrease in the total number of the stock acquisition rights to be allotted, due to lack of applicants, etc., the total number of the stock acquisition rights to be issued.

3. Type and Number of Shares to be Issued for Stock Acquisition Rights

The type of shares to be issued for the stock acquisition rights shall be common shares of the Company. The number of shares to be issued for a stock acquisition right (hereinafter referred to as “the number of granted shares”) shall be twenty (20) shares. Provided, however, that in the event the Company conducts a share split (including gratis allotments of common shares of the Company) or a consolidation of common shares, on or after the date of allotment of stock acquisition rights (hereinafter referred to as “the allotment date”), the number of granted shares shall be adjusted according to the formula below. Any fractional shares of less than one (1) share as a result of the adjustment shall be disregarded.

Number of Granted Shares after Adjustment = Number of Granted Shares before Adjustment x Ratio of Share Split or Consolidation of Shares

The number of granted shares after adjustment shall apply on or after the day following the record date of the applicable share split (or its effective date if the record date has not been specified) in the event of a share split, or on or after its effective date in the event of a consolidation of shares. Provided, however, that in the event the Company conducts a share split conditional on approval at a general meeting of shareholders of the Company of a proposal to decrease the amount of surplus and to increase the amount of capital or reserves, and the record date for the share split is set on the day prior to the date of the conclusion of the applicable general meeting of shareholders, the number of granted shares after adjustment shall apply retroactive to the day following the said record date on or after the day following the date of the conclusion of the applicable general meeting of shareholders.



In addition, in the event that the Company is subject to a merger, company split or any other similar cases on or after the allotment date, in which it is necessary to adjust the number of granted shares, the Company may appropriately adjust the number of granted shares within a reasonable range.

When adjusting the number of granted shares, the Company will notify or give public notice of necessary matters to the holders of the stock acquisition rights listed in the register of stock acquisition rights (hereinafter referred to as “stock acquisition rights holders”) no later than the day before the date on which the number of granted shares after adjustment is applied. Provided, however, that in the case where the Company cannot notify or give public notice no later than the day before the date of the said application date, it will do so immediately thereafter.

4. Amount of Assets to be Contributed upon Exercise of Stock Acquisition Rights

The amount of assets to be contributed upon exercise of each stock acquisition rights shall be the amount obtained by multiplying the exercise price per share to be issued upon exercise of such stock acquisition rights (which shall be one (1) yen), by the number of granted shares.

5. Period during which Stock Acquisition Rights may be Exercised

From August 19, 2017 to August 18, 2067, both inclusive

6. Matters Regarding Capital and Capital Reserves to be Increased in the event that Shares are Issued upon Exercise of Stock Acquisition Rights

- (1) The amount of capital to be increased when shares are issued upon exercise of the stock acquisition rights shall be one-half (1/2) of the maximum limit of increased capital, which is calculated in accordance with Paragraph 1 of Article 17 of the Corporate Accounting Regulations. Any of the resulting fractions of less than one (1) yen shall be rounded up.
- (2) The amount of capital reserves to be increased when shares are issued upon exercise of the stock acquisition rights shall be the amount obtained by deducting the increased amount of capital which is set forth in Item (1) above, from the maximum limit of increased capital stated in Item (1) above.

7. Restriction on Acquisition of Stock Acquisition Rights by Way of Transfer

Approval by a resolution of the Board of Directors shall be required for the acquisition of stock acquisition rights by way of transfer.

8. Clauses of Acquisition of Stock Acquisition Rights

In the event any of the following proposals (1), (2), (3), (4) or (5) has been approved at a general meeting of shareholders of the Company (or a resolution by the Board of Directors of the Company when such a resolution at a general meeting of shareholders is not required), the Company may acquire stock acquisition rights free of charge on a date separately designated by the Board of Directors of the Company.

- (1) Proposal for approval of a company split agreement under which the Company will become an extinct company;
- (2) Proposal for approval of a company split agreement or a company split plan under which the Company will become a split company;
- (3) Proposal for approval of a share exchange agreement or a share transfer plan under which the Company will become a wholly-owned subsidiary of another company;
- (4) Proposal for approval of an amendment to the Articles of Incorporation in order to establish a provision to the effect that, as a feature of all shares issued by the Company, approval of the Company is required to acquire such type shares by way of transfer; and
- (5) Proposal for approval of an amendment to the Articles of Incorporation in order to establish a provision to the effect, as a feature of all shares to be issued upon exercise of stock acquisition rights, approval of the Company is required to acquire such type of shares by way of transfer or the Company will acquire all shares of the said type by resolution at a general meeting of shareholders



9. Decision- Making Policy on Grant of Stock Acquisition Rights of a Reorganized Company in the Event of Reorganization

In the event the Company conducts a merger (limited to the case where the Company is to be extinct as a result of the merger); an absorption-type company split or an incorporation-type company split (limited to the case where the Company is to become a wholly-owned company) (hereinafter collectively referred to as the “Reorganization”), the Company shall grant stock acquisition rights of the company listed in sub-items (a) through (e) of Item 8, Paragraph 1 of Article 236 of the Companies Act (hereinafter the “Reorganized Company”) to those holders of stock acquisition rights that remain unexercised (hereinafter the “Remaining Stock Acquisition Rights”) at the time immediately prior to the day on which the Reorganization takes effect (in the case of absorption-type merger, the day on which absorption-type merger takes effect; in the case of incorporation-type merger, the day on which the new company incorporated by the incorporation-type merger; in case of absorption-type company split, the day on which absorption-type company split takes effect; in the case of incorporation-type company split, the day on which the new company is incorporated by the incorporation-type company split; in the case of share exchange, the day on which the share exchange take effect; and in the case of share transfer, the day on which the wholly owning parent company is incorporated by the share transfer. The same shall apply hereunder.). Provided, however, that the foregoing shall be limited to cases where the grant of stock acquisition rights of the Reorganized Company is stipulated in an applicable absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split agreement, share exchange agreement or share transfer plan.

(1) Number of Stock Acquisition Rights of Reorganized Company to be Granted

The same number of stock acquisition rights as the Remaining Stock Acquisition Rights possessed by each of the Person with the Stock Acquisition Rights shall be granted.

(2) Type of Shares of Reorganized Company to be Issued upon Exercise of Stock Acquisition Rights

The type of shares to be issued upon exercise of the stock acquisition rights shall be common shares of the Reorganized Company.

(3) Number of Shares of Reorganized Company to be Issued upon Exercise of Stock Acquisition Rights

The number of shares of Reorganized Company to be issued upon exercise of stock acquisition rights shall be determined in accordance with Paragraph 3 taking into account of terms and conditions of the Reorganization.

(4) Amount of Assets to be Contributed upon Exercise of Stock Acquisition Rights

The amount of assets to be contributed upon the exercise of each stock acquisition right to be granted shall be the amount obtained by multiplying the exercise price after Reorganization stipulated below by the number of shares of Reorganized Company to be issued for the applicable stock acquisition rights as determined in accordance with Item (3) above. The exercise price after Reorganization shall be one (1) yen per share of the Reorganized Company that can be issued upon exercise of each stock acquisition right to be granted.

(5) Period during which Stock Acquisition Rights may be Exercised

The period shall be from the first day of the “Period during which Stock Acquisition Rights may be Exercised” stipulated in Paragraph 5 or the effective date of the Reorganization, whichever is later, to the last day of the “Period during which Stock Acquisition Rights may be Exercised” stipulated in Paragraph 5 above.

(6) Matters Regarding Capital and Capital Reserves to be Increased in the Event that Shares are Issued upon Exercise of Stock Acquisition Rights

The matters shall be determined in accordance with Paragraph 6 above.

(7) Restriction on the Acquisition of Stock Acquisition Rights by Way of Transfer

Approval by a resolution of the Board of Directors of the Reorganized Company shall be required for the acquisition of stock acquisition rights by way of transfer.

(8) Clauses of Acquisition of Stock Acquisition Rights

The clauses shall be determined in accordance with Paragraph 8 above.

(9) Other Conditions for Exercise of Stock Acquisition Rights

The other conditions shall be determined in accordance with Paragraph 11 below.



10. Arrangement of Fractions of Less Than One (1) Share Resulting from the Exercise of Stock Acquisition Rights

In the event the shares to be issued to a stock acquisition rights holder who has exercised the stock acquisition rights include any fractions less than one (1) share, such fractions shall be disregarded.

11. Other Conditions for Exercise of Stock Acquisition Rights

- (1) Stock acquisition rights holders may exercise their stock acquisition rights from the day following the date on which they lose their positions as Director of the Company.
- (2) Item (1) above shall not be applied to successors who have inherited the stock acquisition rights.
- (3) In the event a stock acquisition rights holder abandons his or her rights, such rights shall not be exercised.

12. Calculation Method of the Amount to be Paid in for the Stock Acquisition Rights

The amount to be paid in for each stock acquisition right shall be the amount obtained by multiplying the optional price per share (any fractions less than one (1) yen shall be rounded off) calculated by the following formula: Black-Scholes model on the basis of the basic values given in (2) to (7) below, by the number of granted shares.

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma\sqrt{T})$$

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- (1) Optional price per share (C);
- (2) Share price (S): the closing price of the common shares of the Company in regular transactions on the Tokyo Stock Exchange on August 18, 2017 (In the event no closing price is available on the said date, the standard price on the following trading day shall apply.);
- (3) Exercise price (X): One (1) yen;
- (4) Expected remaining period (T): 9.0 years;
- (5) Share price volatility (σ): share price volatility calculated on the basis of the closing price of the common shares of the Company in regular transactions on each of the trading days for 9.0 years (from August 18, 2008 to August 18, 2017, both inclusive);
- (6) Risk-free interest rate (r): interest rate of the Japanese government bonds for the remaining years to maturity corresponding to the expected remaining period;
- (7) Dividend yield (q): dividend per share (actual dividend during the fiscal year ended March 2017) / share price defined in Item (2) above.
- (8) Cumulative distribution function of standard normal distribution (N(·))

Note: The amount calculated by the above formula is the fair price of the stock acquisition rights, and does not fall under discounted share issues. The amount of compensation receivable by the persons to whom the stock acquisition rights are to be allotted from the Company that is equivalent to the total amount payable for the stock acquisition rights shall be offset by the amount payable for the stock acquisition rights.

13. Allotment Date of Stock Acquisition Rights

August 18, 2017

14. Deadline for Cash Payment in Exchange for Stock Acquisition Rights

August 18, 2017

15. Persons to be Allotted Stock Acquisition Rights, and their Number, and the Number of Stock Acquisition Rights to be allotted

Persons to be Allotted	Number	Number of Stock Acquisition Rights to be allotted
Makita Corporation's Directors (excluding Outside Directors)	10	511 units