

ESG Management

E 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 a company that maintains a steady eye on society, challenging ourselves to create a “sustainable recycling-oriented society” that combines 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 run its own environmental management system since 1998. After that year, 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, all of our 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.

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.



DUC254
 Achieves performance on par with a 23-mL engine-powered product
 Low noise with zero exhaust*, zero fuel consumption* and zero start-up procedures
 * During equipment operation

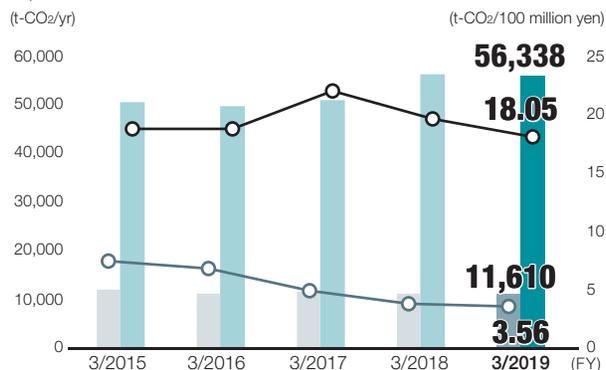
Preventing Global Warming

Makita is striving to improve environmental issues and, particularly with regard to trying to prevent global warming, has been dedicating effort toward reducing CO₂ emissions.

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

Changes in CO₂ emissions

Bar graph: CO₂ emissions
 Line graph: intensity per unit of net sales (scale on the right)
 Japan: ■○ Overseas: ■○



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Social

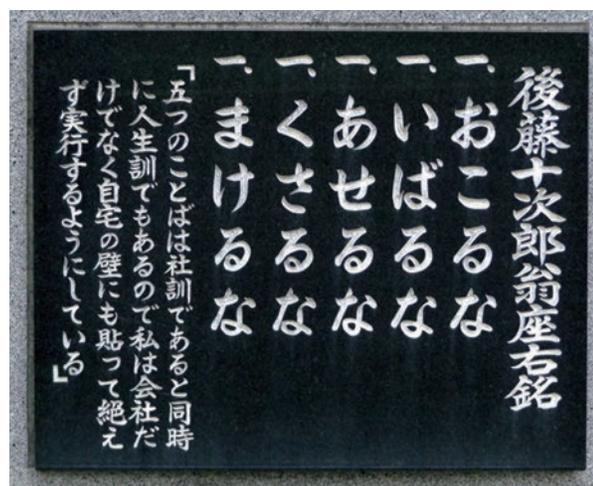
Quality Assurance

Makita has established a framework for assuring quality in all processes, from the design stage through mass production.

First, development strives to better incorporate certain features into product designs so that malfunctions do not occur. Next, evaluations are made from multiple perspectives (legal compliance, standards compliance, functionality, durability, etc.) and the product is tested to ensure that customers can use it safely, securely, and to their satisfaction.



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



CSR Procurement

Makita believes that working with business partners to promote procurement emphasizing social considerations is important in order to establish a framework for supplying safe, high-quality products.

Makita has created a “Basic Policy on Procurement” and requires that business partners comply with legal and social codes (including preventing corruption). We ask that partners pay due consideration to human rights and occupational health and safety (including prohibitions against forced labor, child labor, and human trafficking) and also give due consideration to the environment. We also carry out annual environmental protection activity surveys of business partners every year as we promote responsible procurement.

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.

Diversity Promotion

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

Hiring Employees of Foreign Nationality

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 our Head Office.

Active Employment of Female Employees

In the Makita Group, female employees are actively contributing in numerous divisions. We have more than 150 women in management positions in the Group, which supports our global business platform.

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Governance

Overview of the Corporate Governance Structure

Makita has adopted an Audit & Supervisory Board system. The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, three of whom are independent Outside Audit & Supervisory Board Members who are not and have not been employed by the Corporation, including two who serve in a part-time capacity. This system allows the two standing Audit & Supervisory Board Members to audit the execution of duties by Directors at all times. Two of the four Audit & Supervisory Board Members have considerable knowledge of finance and accounting. Makita's Articles of Incorporation stipulate that the number of Audit & Supervisory Board Members shall not exceed five.

The Board of Directors determines basic policies, matters required by law, and important matters relating to management. Makita introduced a Corporate Officer system in June 2009 to facilitate prompt implementation of the Group strategy and strengthen the business execution structure. As such, Makita strives to engage in flexible and efficient business operations, while enhancing corporate value. The Board of Directors currently consists of thirteen Directors, two of whom are independent Outside Directors. Makita's Articles of Incorporation stipulate that the number of Directors shall not exceed fifteen.

Internal Audits and Audits by Audit & Supervisory Board Members

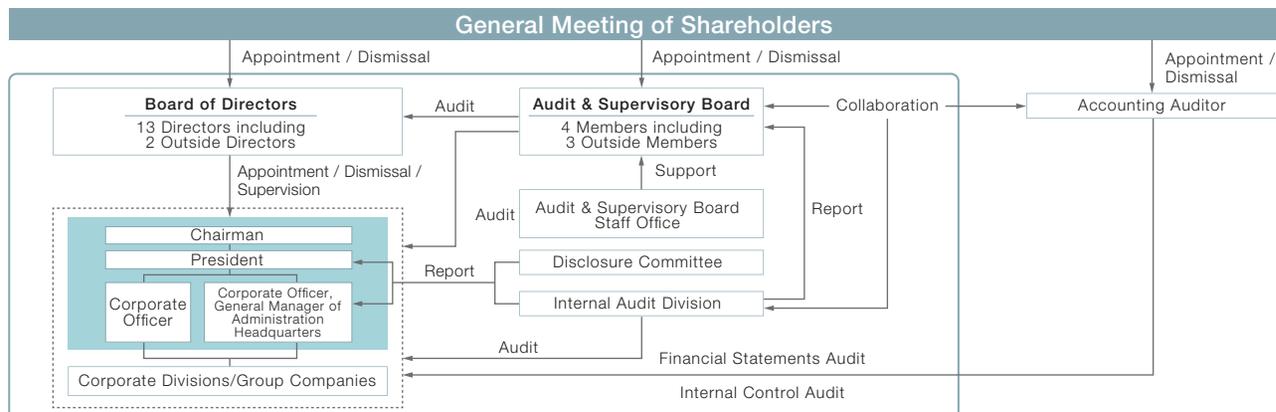
As an independent organization in charge of Makita's internal audits, the Internal Audit Division conducts the internal audits necessary to maintain the soundness of Makita's management.

With regard to audits by Audit & Supervisory Board Members, in accordance with the audit policy and division of duties established by the Audit & Supervisory Board, the four Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, receive reports on operations from the Directors, read important documents such as approval requests, and examine the status of operations and assets at the Head Office and principal places of business. They request business reports from subsidiaries, and as necessary, visit important subsidiaries to examine the status of operations and assets. They also share information by receiving, as needed, audit reports and reports on Makita's condition from the Accounting Auditor.

Relationships with the Outside Directors and Outside Audit & Supervisory Board Members

Outside Director Mr. Akiyoshi Morita has amassed 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. Mr. Morita attends meetings of Makita's Board of Directors and is responsible for strengthening management oversight functions, using his experience and knowledge as a management professional cultivated

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



throughout his career, offering advice and recommendations in accordance with that role.

Outside Director Mr. Masahiro Sugino has intimate knowledge of corporate management through many years of involvement in running INAX Corporation and LIXIL Group. Mr. Sugino attends meetings of Makita's Board of Directors and is responsible for strengthening management oversight functions, using his experience and knowledge as a management professional cultivated throughout his career, offering advice and recommendations in accordance with that role.

Although the Makita Group has business transactions with Aichi Steel Corporation and LIXIL Corporation, where Mr. Morita and Mr. Sugino were previously employed, the transactional relationships are not material, due to the transaction amounts being minor.

Outside Audit & Supervisory Board Member Mr. Akira Kodama has many years of experience at financial institutions, in addition to his professional knowledge of finance. He attends meetings of Makita's Board of Directors and Audit & Supervisory Board, offering opinions based on his perspective as an experienced professional.

Outside Audit & Supervisory Board Member Mr. Fusahiro Yamamoto has amassed intimate knowledge of corporate accounting in his capacity as a certified public accountant. He attends meetings of Makita's Board of Directors and Audit & Supervisory Board, offering opinions based on his perspective as an experienced professional.

Outside Audit & Supervisory Board Member Mr. Shoji Inoue has professional knowledge and abundant experience as an attorney. He attends meetings of Makita's Board of Directors and Audit & Supervisory Board, offering opinions based on his perspective as a professional.

Although the Makita Group has business transactions with The Hekikai Shinkin Bank, where Mr. Kodama was previously employed, the transactional relationship is not material, due to the business transactions being deposit-only.

Makita deems there is no risk of conflict of interest with ordinary shareholders and has designated Outside Directors Akiyoshi Morita and Masahiro Sugino as independent Directors and Outside Audit & Supervisory Board Members Akira Kodama, Fusahiro Yamamoto, and Shoji Inoue as independent Audit & Supervisory Board Members in accordance with the regulations of financial instruments exchanges. Makita has entered into agreements with the above-mentioned two Outside Directors and three Outside Audit & Supervisory Board Members, with respect to their liability for damages to the Corporation as prescribed in Article 423, Paragraph 1, of the Companies Act, to limit the total amount of liabilities to the sum of the amounts prescribed in the items of Article 425, Paragraph 1, thereof.

The role of Makita's Outside Directors is to strengthen the efficacy of oversight by the Board of Directors concerning the duties by Directors, from an impartial, external perspective with no possibility of conflict of interest with ordinary shareholders. Moreover, Outside Audit & Supervisory Board Members of the Corporation have their own specialist expertise. Their role is to audit the execution of business by Directors, from an impartial, external perspective with no possibility of conflict of interest with ordinary shareholders. To properly fulfill their roles, Outside Directors and Outside Audit & Supervisory Board Members receive reports on business performance, internal control systems, and the like at Board of Directors meetings, where they cooperate with each other and exchange opinions as necessary. Makita has not established particular criteria or policies covering the independence of Outside Directors. When appointing Outside Directors and Outside Audit & Supervisory Board Members, we refer to criteria on the independence of Outside Directors determined by financial instruments exchanges. Accordingly, we believe our system for appointing Outside Directors and Outside Audit & Supervisory Board Members is appropriate.

Length of Appointment and Attendance at Board of Directors and Audit & Supervisory Board Meetings

Classification	Name	Length of appointment (tenure)	Attendance at Board of Directors meetings (fiscal year ended March 31, 2019)	Attendance at Audit & Supervisory Board meetings (fiscal year ended March 31, 2019)
Director	Mr. Akiyoshi Morita	6 years	83% (10 of 12 meetings)	—
	Mr. Masahiro Sugino	4 years	100% (12 of 12 meetings)	—
Audit & Supervisory Board Member	Mr. Akira Kodama	3 years	100% (12 of 12 meetings)	100% (14 of 14 meetings)
	Mr. Fusahiro Yamamoto	6 years	100% (12 of 12 meetings)	100% (14 of 14 meetings)
	Mr. Shoji Inoue	3 years	100% (12 of 12 meetings)	100% (14 of 14 meetings)

Note: Length of appointment (tenure) up to July 1, 2019

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Policy on the Determination of Remuneration for Directors

Compensation (for the year ended March 31, 2019) for Makita Directors is comprised of monthly salaries, bonuses, and stock options. Monthly salaries for Directors are paid according to position and the like, within limits for total monthly compensation prescribed by resolution of the General Meeting of Shareholders.

Director bonuses, which Directors (excluding Outside Directors) are eligible for, are linked to consolidated business results, with the aim of raising Directors' motivation to improve business performance.

Seeking to increase morale and motivation to help improve corporate value over the medium and long terms, Makita issues stock compensation-type stock options to Directors (excluding Outside Directors) so that they share the risks and rewards of stock price fluctuations with shareholders. In the fiscal year ended March 31, 2019, total compensation of 386 million yen was paid to 13 Directors. This included base compensation of 120 million yen, bonuses of 226 million yen (not applicable to the two Outside Directors), and stock options of 40 million yen (not applicable to the two Outside Directors).

At the 107th General Meeting of Shareholders held on June 26, 2019, the Corporation passed a resolution to adopt a restricted share-based compensation plan in place of the stock option-based compensation plan.

To ensure independence from management, the total amount of compensation for Audit & Supervisory Board Members is fixed, with the specific amount determined in consultation with auditors. In the fiscal year ended March 31, 2019, total compensation of 41 million yen was paid to four Audit & Supervisory Board Members.

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 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 executives 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 Executives 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. Executives and employees are provided with regular information and 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 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. 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

We will further polish Makita's strength of making operations "visual" as we improve Group governance.

On the Board of Directors, top management follows a thorough approach toward outlining global conditions and the market environment, while precisely identifying Makita's position in that context. This allows us to make decisions on future challenges and strategies. Additionally, each Director diligently visits work-sites inside and outside Japan in order to understand issues and create a corporate culture that implements local alignment with local products. Consequently, even as the market environment fluctuates greatly, Directors are able to take specific steps in their area of responsibility so that top management is not acting arbitrarily without consultation.

Makita has an overseas sales ratio above 80%, coupled with a sales network and service framework that spans the globe. Our greatest strength is highly visible Group-wide governance directed by Head Office management. In order to further increase our corporate prowess, I think that it will be important for us to have management that leverages this strength, hones our know-how to a new level, and boosts our technical capabilities. In addition, I would like us to encourage young professionals to challenge in new fields utilizing Makita's strengths.



Mr. Akiyoshi Morita
Outside Director

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.

In order to contribute to the sustainable development of the Company, we will fulfill check-and-balance functions from an objective standpoint.

In recent years, Makita has emphasized power tools as well as shifting from engine-powered to battery-powered gardening equipment, while being keenly aware of developing environmentally friendly products that are easy to use, quieter, and more energy efficient. Furthermore, Makita's management has emphasized more than profit alone and has broadened its focus to include higher customer satisfaction. The result of this mindset has been increased demand, new customer markets, and greater shareholder value as we continue to grow sustainably. At the same time, I think that a challenge for us going forward is to pursue further diversity.

Currently, Makita is actively growing our business and recording steady performance in the process. In this context, I would like to offer, as an objective Outside Director, advice and suggestions that fulfill checks and balances in order to contribute to Makita's sustainable development and continually ensure governance, transparency, ethical conduct, and a structure that preempts any improprieties at our subsidiaries.



Mr. Masahiro Sugino
Outside Director

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.