



For immediate release

April 26, 2019

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

Notice Concerning Introduction of Stock-based Compensation Plan with Restrictions on Stock Transfers

Makita Corporation (hereinafter referred to as the “Company”) is pleased to announce that it resolved at a meeting of the Board of Directors held on April 26, 2019 to review the Directors’ compensation plan and introduce a stock-based compensation plan with restrictions on stock transfers (hereinafter referred to as the “Plan”), and decided to submit an agenda item concerning the Plan to the 107th Ordinary General Meeting of Shareholders to be held on June 26, 2019 (hereinafter referred to as the “General Meeting of Shareholders”).

1. Purpose and Conditions of Introducing the Plan

(1) Purpose of Introducing the Plan

The Company will introduce the Plan as a compensation plan that allots shares with transfer restrictions (hereinafter, the “restricted shares”), in place of existing stock acquisition rights as stock options to the Directors (excluding Outside Directors; hereinafter referred to as the “Eligible Directors”) in order to allow Eligible Directors to share the risks and benefits of stock price fluctuations with shareholders to a greater extent and further enhance their motivation to contribute to improving the stock price and the corporate value of the Company.

(2) Conditions for Introducing the Plan

Under the Plan, the Company will pay Eligible Directors monetary compensation receivables for the allotment of restricted shares as compensation, and therefore introduction of the Plan is subject to shareholder approval of the payment of such compensation at a General Meeting of Shareholders. The maximum amounts of annual compensation for the Company’s Directors was set at 240 million yen by a resolution passed at the 76th Ordinary General Meeting of Shareholders held on May 16, 1989. In addition, the maximum amounts of annual compensation relating to the stock acquisition rights for the purpose of granting stock options to the Directors (excluding the Outside Directors) was set at 100 million yen, separately from the amount of the above-mentioned compensation for the Directors, by a resolution passed at the 103rd Ordinary General Meeting of Shareholders held on June 25, 2015. At the General Meeting of Shareholders, the Company intends to seek shareholder approval to abolish the above-mentioned provisions for amounts of compensation relating to the stock acquisition rights for the purpose of granting stock options to the Directors after comprehensively taking into consideration various factors, such as the degree of contribution of Eligible Directors to the Company, and to set the maximum total annual amount of monetary compensation receivables to be paid to Eligible Directors as compensation relating to the restricted shares at 100 million yen, separately from the amount of the above-mentioned compensation for the Directors.

Subject to approval at the General Meeting of Shareholders, the Company will abolish the above-mentioned provisions for the amounts of compensation relating to the stock acquisition rights for the purpose of granting stock options to the Directors and not allot new stock acquisition rights for the purpose of granting stock options based on said provisions for the amounts of compensation. Additionally, subject to approval at the General Meeting of Shareholders, Eligible Directors will waive all their rights regarding stock acquisition rights for the purpose of granting stock options that have already been allotted to them in accordance with the said provisions on the amounts of compensation, but have not been exercised.

As transitional measures related to allotting restricted shares instead of the current stock acquisition rights for the purpose of granting stock options, only in the 108th fiscal year (from April 1, 2019 to March 31, 2020; hereinafter referred



to as “this fiscal year”), the Company proposes to allot restricted shares in the same number as the number of shares of the Company’s common stock (38,360 shares) that have already been allotted and are subject to the stock acquisition rights to be waived as provided for above, separately from the allotment of restricted shares based on the above-mentioned amounts of compensation related to the restricted shares.

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

2. Outline of the Plan

(1) Allotment and Payment of the Restricted Shares

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

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

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

(2) Total Number of the Restricted Shares

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

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

(3) Details of the Restricted Share Allotment Agreement

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

(i) Details regarding transfer restrictions

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

(ii) Gratis acquisition of the restricted shares

The Company shall acquire the restricted shares without compensation if an Eligible Director who has been allotted the Allotted Shares retires as a Director of the Company anytime between the initial day of the Transfer Restrictions



Period until the day preceding the first subsequent Ordinary General Meeting of Shareholders, except when there are reasons deemed legitimate by the Board of Directors.

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

(iii) Removal of Transfer Restrictions

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

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

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

(iv) Treatment upon organizational restructuring

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

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