

Interview with Management



**Implementing
investment on the
largest scale to date.
We will achieve solid
growth from a long-term
perspective.**

Munetoshi Goto
President,
Representative Director

Q What is your assessment of performance in fiscal 2019?

A We achieved the highest revenue in our history.

Revenue came to ¥490.6 billion, up 2.8% year on year, in fiscal 2019, ended March 31, 2019, which was a year of record numbers for Makita both inside and outside Japan. While operating profit declined slightly year on year, to ¥78.3 billion, it was still the second highest in our history.

Domestically, construction demand rose ahead of Tokyo’s hosting of the Olympic Games, and sales charted a steady path. Looking overseas, the problem of labor shortages continued in many regions, while our products were highly praised for their convenience. Our new lithium-ion battery products and gardening equipment—two categories of particular focus—were well received in various markets. Makita saw substantial results from a steady increase in sales in Europe and in emerging markets in Central and South America.

Additionally, we carried out record-high capital expenditures of ¥23.9 billion in fiscal 2019, as we move to expand future supply capacity. We also proceeded with consistent preparations to meet robust demand in each market, including strengthening production capacity at our plants in China and Romania. Furthermore, we enhanced our platforms closely aligned with local bases inside and outside Japan, including building out sales and service bases.

At the same time, factors that squeezed operating profit included an increase in employee numbers as we target growth, as well as fortified advertising campaigns, a strengthening yen, and a surge in raw material costs. In order to grow steadily from a long-term perspective, we feel that it is necessary to solidly confront these factors, expand our sales and service networks going forward, and proactively streamline staffing and operator-less systems at production bases.

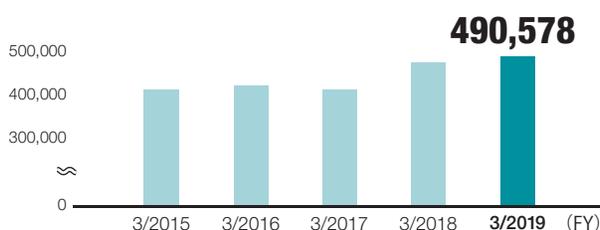
Q What are you focusing on from an ESG perspective?

A We are developing and recommending products that contribute to solving social challenges.

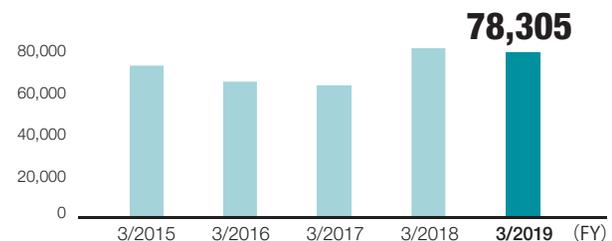
At present, labor shortages are an acute problem in many regions, be they developed or emerging countries. First, Makita must consistently develop products that streamline tasks that have been conventionally performed by multiple workers—making them tasks that a single person can perform—as we create products that also improve productivity, shorten work hours, and improve health and safety for laborers. On top of this, I feel that it is crucial to respond quickly when product issues arise, as we continue to build logistics and service frameworks that get Makita products into customers’ hands. By meeting these societal and consumer needs, we are contributing to solving the social issue of labor shortages.

Moreover, as myriad global disasters occurred in 2018, we received feedback from customers saying that Makita’s battery-powered lights and radios were extremely instrumental. Consequently, from February 2019, we have been selling these items as part of emergency supply kits. Makita has traditionally maintained a deep commitment to “always being on the support side in times of disaster,” so as we receive progress reports from the actual disaster site of how we supported the customers and business partners in need. Being of service to our partners, especially during difficult times, is Makita’s commitment. Going forward, we will continue endeavoring to solve long-term social issues and pursue operations aligned with society and customers, so that we can respond to the disasters that may occur and the customer concerns that may arise.

Revenue (Yen in millions)



Operating Profit (Yen in millions)



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Additionally, since people are the wellspring of Makita's corporate growth, we value our people by emphasizing "a stalwart corporate culture, encouraging all individuals to perform to their highest level." Given that some 80% of the Makita Group's employees are of non-Japanese nationality, we have had long-standing respect for diversity and have tried to localize our businesses. Through this emphasis on local operations, we have established a structure that brings value to markets, while respecting each region's culture and customs. Currently, we have three non-Japanese employees serving as corporate officers.

In terms of corporate governance, we have appointed two independent Outside Directors and three independent Outside Audit & Supervisory Board Members who provide timely input to the Board of Directors and help ensure oversight of management. In addition to internal Directors, independent Outside Audit & Supervisory Board Members visit overseas subsidiaries to perform audits and maintain a sound management structure Group-wide.

With regard to preventing corruption, we have established a "Code of Ethics" and "Guidelines to the Code of Ethics for Makita," which stipulate standards for Director and employee conduct. Throughout the Company, we are promoting ethical conduct, prohibitions against conflicts of interest, compliance with relevant laws and regulations, appropriate information disclosure, and respect for human rights, which includes offering ethics education once or more per year.



Q What are your main initiatives for fiscal 2020

A We will pursue development, production capacity enhancements, and service improvements that intuit customer needs.

On the product development side, we will continue expanding our range of cordless offerings. We are focusing on developing gardening equipment as the second pillar of our business after power tools. At the same time, we will develop products useful on diverse work sites as we aim for increased market share.

On the production side, we will expand plants in Romania, China, and elsewhere as we continue building out our production framework. Additionally, we will utilize robotics, the IoT for machinery maintenance, and other approaches to actively streamline staffing, create operator-less systems, and enhance efficiency.

In terms of sales and marketing, we will strengthen logistics functions domestically, as well as in Germany, the UK, and the USA, while tapping new sales channels and expanding sales bases to meet new markets for gardening equipment and other divisions. Also, as the number of our products increases, we have launched a new response system that utilizes AI, allowing us to accurately and quickly handle customer inquiries.

Starting from the UK, then moving to other English-speaking countries, and now we are rolling out this system in Spanish-speaking countries as well, and will expand it to cover other languages in the future.

Q Please tell us about your approach to dividends and shareholder returns.

A Setting 10 yen as a minimum for our annual dividend payment, we are striving for stable dividends following our basic policy to target a 30% consolidated payout ratio.

Q Last, what message would you like to give stakeholders?

A **We will steadily move forward in step with stakeholders as we keep our sights set on long-term growth.**

Makita's long-term goal is to be a "strong company." In order to display long-lasting strength in any business environment, the essential management policy for Makita is to "strive to exist in harmony with society," "value our customers," and promote "a stalwart corporate culture, encouraging all individuals to perform to their highest level." From the outset, Makita's ability to build our current position in the power tools market has come from our desire to move closer to customers. As such, we have dedicated energy to developing products and establishing service platforms that minutely respond to customer needs.

Consequently, we will continue identifying the needs of the times, passing on our corporate DNA of developing alongside customers, and boldly taking on new challenges as we build the foundation for the next 100 years. First, we will leverage Makita's strengths and strive for a cordless shift by using lithium-ion batteries in all of our products. Furthermore, we will grow sales in the gardening equipment business to bring them up to a level rivaling the power tools business. In the coming several years, I would like to emphasize active investments that will support these ambitions.

Makita is grateful for the on-going understanding of stakeholders, because it is this support that allows us to keep our eyes focused on long-term growth and steadily carry out what we must. We intend to manage our business with the aim of achieving mutual growth with all stakeholders, and we look forward to everyone's ongoing support.

Munetoshi Goto

President,
Representative Director

