

# MAKINO REPORT 2024

Makino Milling Machine Co., Ltd.



Quality First

# Quality

All machines are made  
This is the reason machine too  
These machines must be  
Makino will continue realizing sustainab  
and technologies which enhance produ  
customer expectations under

## Corporate philosophy

### Quality First

Trust is the foundation of a company's existence.

Makino pursues "Quality First" in all of its products and services, as well as in its own organization and employees, with a strong belief in mutual trust among everyone involved in building, selling, and using Makino products.

## Corporate tagline

### Promise of Performance

We measure our success by your success.

Our promise is rooted in relentless craftsmanship. Every day, we strive to get better and resolve to work harder.

Doing our unconditional best is more than a goal, it's a responsibility we feel to our customers.

Today, our Promise of Performance drives everything we do for you.

Makino is more than our name. It's our word.

## Code of Conduct

- 1 Compliance with laws and regulations**
- 2 Respect for human rights**
- 3 Sensible corporate activities**
- 4 Environmental protection**
- 5 Internal control**

[https://ir.makino.co.jp/en/company/code\\_of\\_conduct/pdf/2022/code\\_2022.pdf](https://ir.makino.co.jp/en/company/code_of_conduct/pdf/2022/code_2022.pdf)

# Quality First

By using machine tools.  
Machines are called mother machines.  
They are high quality and reliable.  
We achieve growth as a provider of machine tools  
through production efficiency, consistently exceeding  
our philosophy of Quality First.

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### Editorial policy

This report presents business activities and environmental, social and governance (ESG) efforts from a medium- to long-term perspective to aid shareholder, investor, and other stakeholder understanding of how Makino Milling Machine Co., Ltd., contributes to the resolution of social issues and the realization of a sustainable society.

Detailed information on ESG is available on our website. We sincerely hope the information presented in this report will assist readers in understanding Makino business activities.

### Applicable Period

April 2023 - March 2024

Note: Includes some information after April 2024 (FY2024)

### Scope

Makino Group, consisting of Makino Milling Machine Co., Ltd. and its 40 consolidated subsidiaries

### Referenced guidelines

- International Integrated Reporting Council (IIRC) Framework
- Corporate Governance Code of Japan
- Global Reporting Initiatives Sustainability Reporting Standards
- Environmental Reporting Guidelines 2018, Japan Ministry of the Environment
- ISO 26000 (International Social Responsibility Standard for Organizations)

### Caution regarding forward-looking statements

This report includes plans and strategies based on forward-looking statements. They involve risks, uncertainties, and other factors that may cause actual results and performance to differ materially from those described herein.

### Information

#### Investor information

- IR information  
→ <https://ir.makino.co.jp/en/>
- IR library  
→ <https://ir.makino.co.jp/en/library/>
- Securities report  
→ <https://ir.makino.co.jp/library/securities-report/> (Japanese only)
- Results briefing materials  
→ <https://ir.makino.co.jp/en/library/explanatory/>

Financial



Integrated report  
→ <https://ir.makino.co.jp/en/library/integrated-report/>

#### ESG and sustainability information

- Sustainability website  
→ <https://ir.makino.co.jp/en/sustainability/>
- SDGs VISION  
→ <https://ir.makino.co.jp/en/sdgs>
- ESG activities  
→ <https://ir.makino.co.jp/en/esg>
- Corporate Governance  
→ <https://ir.makino.co.jp/library/corporate-governance/> (Japanese only)

Non-financial

# We will meet and exceed the expectations of all stakeholders by rapidly developing strategic and highly effective measures to address issues aimed at enhancing corporate value.

Shotaro Miyazaki

President

### The Group will come together to tackle issues in order to enhance corporate value

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In fiscal 2023, our business activities were affected by the rapid weakening of the yen amid major changes, internationally. Although we passed on higher input costs to product prices to deal with the sharp rise in raw material and energy costs caused by the yen's depreciation, unfortunately, we posted consolidated net sales of ¥225.3 billion and operating income of ¥16.3 billion, both down compared to fiscal 2022, when we set record highs. Although the aerospace and medical fields in the United States remained strong just as in fiscal 2022, the economic slowdown in China intensified and sales, especially to small and medium-sized enterprises, slowed down. The effects of cost reductions and product mix

improvements that have been undertaken company-wide since fiscal 2022 are gradually materializing, resulting in an improvement in marginal profit ratio.

In October last year, we set four issues\* for enhancing corporate value and disclosed various financial indicators targeting fiscal 2027. We have incorporated measures to resolve the issues and achieve the targets into a Group-wide action plan, which also covers our overseas subsidiaries, and are implementing them. The Group will work together to achieve the targets through various activities.

\* Improving profitability, increasing asset efficiency, increasing shareholder returns, and enhancing sustainability

### Developing a business that fits the characteristics and needs of each region, with the key words “high speed, high precision, and high quality”

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The demand for machining accuracy from customers and the need for process integration and automation using 5-axis machines and large machines against the backdrop of labor shortages are increasing year by year. Based on these needs, we are developing products at our two business sites in Japan and Asia, and expanding our business according to the characteristics and needs of each region.

In terms of product development in Japan, since our founding, we have carefully responded to requests from mold makers who demand high precision and surface quality. Against this background, we have developed products that fully meet the needs of our customers with the key words “high speed, high precision, and high quality.” Also, we have expanded our product lineup to meet diverse demands and needs from customers in various business categories, and we are constantly refining our strengths, i.e., our ability to respond to changes in the market and to make proposals in response to new requests, by enhancing our technological development capabilities through repeated product development while addressing our customers' problems.

We sell these Japanese products through our business sites in Asia, the United States, and Europe, and make changes to meet the

business environment of each region. As in Japan, we are deeply committed to meeting the needs of our customers. However, by researching market potential and trends and focusing on industrial fields and processing content, we are able to develop a business that offers a high return on investment. In addition to sales of machines and parts, we also provide engineering services such as proposals for automation. The demand for engineering services is increasing with each passing year, and we are expanding our reach by increasing the number of business sites and personnel.

In Asia, we develop, produce, and sell products with excellent cost performance by focusing on highly versatile models, while maintaining the same basic quality as in Japan. In the region, we have manufacturing sites in Singapore, China, and India, and we have established a headquarters in Singapore, where it is easy to attract talent. This location also enables us to consolidate information from all over Asia and to develop highly competitive products. We are working to optimize quality and costs by establishing a department in 2023 to oversee procurement functions that were previously dispersed among manufacturing sites. For the growing Asian market, we will continue to increase orders for Asian products to improve profit margins.



## Strengthening profitability through pursuit of high-value-added products and Group-wide productivity improvement

There is growing demand for large machines, 5-axis machines, and automation. We plan to release value-added products that meet these needs in a systematic manner. At the same time, we plan to introduce 3-axis and 4-axis machines, as well as small and medium-sized machines that offer high speed, high precision, and high quality, thereby expanding the range of machining capabilities. In addition, we have released MAS-NX, our automation support software, to enhance the quality of automation. We are developing our own high-value-added products and services as a package of hardware and software to meet the needs of customers who are seeking to add value through metal processing.

In new product development, the R&D department visits customers many times to directly listen to their issues and requests, not just the sales department. This process is necessary to meet customers' needs and provide products and services that exceed their expectations. We intend to maintain this process going forward.

Furthermore, as an initiative to improve productivity in new product development, the R&D and production departments are working together to develop products that combine functionality and that we can produce efficiently through concurrent development in a cross-functional manner. In terms of production efficiency, we are trying to increase it and shorten production lead time at the time of new model launch, while at the same time shortening the lead time required to launch a new model. We are currently in the process of introducing a new system that will unify drawings and parts information among R&D, production, and service, and will strengthen the linkage between R&D and production in terms of systems. This will enable us to respond more quickly to customer needs.

In the production department, we have been working to improve productivity. Due to the rapid increase in demand after the end of the COVID-19 pandemic, we had an order backlog in excess of ¥100 billion. Although we were able to generally improve production lead time, which had been lengthened as a result of this

backlog, through kaizen activities and cross-functional efforts such as reviewing designs, there are still some models, such as large machines, for which improvements have yet to be rolled out. At this time, we began to take steps to improve productivity, which is necessary for sustainable growth, and we are currently expanding our plant in Fujiyoshida, Yamanashi Prefecture. This expanded plant will improve productivity of large machines, for which demand is increasing, and enable us to provide products for our customers with shorter lead times. The expanded plant will also be able to respond to changes in the market and customer needs over the medium to long term, and will have the flexibility to efficiently produce any type of machine, whether small, medium, or large.

Furthermore, we are upgrading our machining facilities, which will lead to higher profitability by improving machining efficiency through better machine performance, and also process integration and automation, which will reduce non-cutting time and promote labor savings and in-house production.

The service department is also an important team that listens to the requests of customers. It is working to strengthen our services to provide the best possible support to our customers. The Makino Machine Care Package, a preventive maintenance plan launched in 2022 as part of our service enhancement efforts, has been effective in preventing sudden machine stoppages for our customers, while also reducing unexpected workload for our employees. Today, we are increasing our service personnel and optimizing our service parts inventory. We will greatly improve the quality and added value of our services and increase profitability.

As in the past, we will maintain a system that can respond quickly to changes in the operating environment in each region by delegating authority to local subsidiaries for global operations. We will also strengthen information sharing globally to consolidate needs and synchronize the development of new models.



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## Increasing asset efficiency and generating cash

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Although we have resolved the parts and works-in-process inventories that temporarily built up in fiscal 2022 due to difficulties in procuring raw materials, the cash conversion cycle (CCC) has worsened compared to fiscal 2022 owing to the expansion of product inventories on the back of declining orders. We will continue our efforts to reduce product inventories, but since the speed of product development by our customers is accelerating, we will maintain the necessary inventories to promptly respond to customer requests. At the same time, we will conduct appropriate product inventory management and production planning in light of market trends. As orders for large machines with long lead times increase, it is also important to maintain a high turnover rate of parts inventory. We will promote efficiency in this area through collaboration with suppliers. We will focus on reducing parts inventories as

well as maintaining and managing appropriate product inventories to improve CCC.

On top of this, we will also reduce assets by selling cross-shareholdings to improve asset efficiency and generate funds for capital investment and shareholder returns.

With regard to capital investment, we will continue to invest in each of our business sites to improve productivity in Japan and Asia, while opening new sites and renovating technical centers in Vietnam, Mexico, and other emerging areas. The new plant in Vietnam and the technical center in Mexico are scheduled to be operational in fiscal 2025. We will continue to improve productivity and strengthen engineering services in each region.

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## Improving the total payout ratio through stable dividends and flexible share buybacks

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Our basic policy for profit distribution is to return profits to shareholders through stable and continuous dividends. We declared a dividend of ¥150 per share for fiscal 2023. We aim for a total payout ratio of 35 to 45% on average. We will flexibly implement

share buybacks while maintaining a balance with cash for major capital investments.

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## Achieving sustainable growth through global human resource development and environmental measures

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For Makino, human resources are the driving force behind the growth of the company. We will continue to provide opportunities for human resource development that will lead to the growth of each and every employee. As we expand our business globally going forward, we will need talent who can manage in cooperation with overseas Group companies. We will work to develop human resources who have not only technical skills, but also the ability to manage an organization with a global perspective and sensibility.

The Board of Directors regularly discusses environmental measures. Regarding greenhouse gas (GHG) emissions, we have

disclosed only Scope 1 and 2 so far, but we have finally completed the calculation of Scope 3 and have set specific targets. We will work to further reduce CO<sub>2</sub> emissions, including upstream and downstream in our supply chains. In addition, in fiscal 2023, we formally responded to the CDP for the first time and received a B-rating in climate change and water security. While we have implemented various environmental measures to achieve carbon neutrality by 2050, we view this rating as a challenge and will consider new measures to meet the expectations of society.

**Shotaro Miyazaki** President

# Makino's History

Since our establishment in 1937, Makino has created a number of advanced products and technologies as a specialized manufacturer of machine tools.

In the world of machine tools, where demands for functions and levels change with the times, we must continue to evolve.

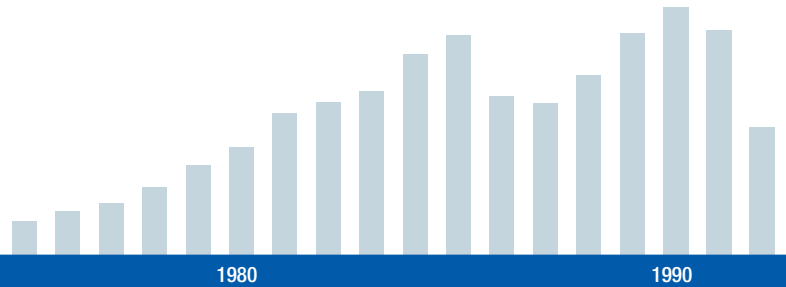
Makino has been able to do this by carrying on the pioneering spirit of our founder, Tsunezo Makino. He believed we should never imitate others and should do what no one else is doing. His dedication to Quality First in pursuing the best in each machine we make, was based on the idea that the manufacture of machine tools is an art.

Mindful of these enduring ideas, we will continue to take on the challenge of technological developments through continuous innovation and creativity, always betting on machine tools without hesitation as a specialized manufacturer.

This is in Makino's DNA, and will always be part of our identity.

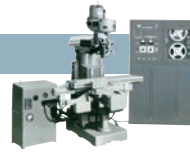
- 1937** Founded as a manufacturer specializing in No. 1-type vertical milling machines.
- 1964** Makino is listed on the Second Section of the Tokyo Stock Exchange.
- 1967** Atsugi Plant (Kanagawa Prefecture) is completed and begins operation.
- 1971** Makino is listed on the First Section of the Tokyo Stock Exchange (currently the Prime Market of the Tokyo Stock Exchange).
- 1975** Establishes Makino U.S.A. INC.
- 1977** Establishes Makino Technical Service Co., Ltd.
- 1978** Acquires an equity interest in Heidenreich & Harbeck Werkzeugmaschinenfabrik GmbH (currently Makino Europe GmbH) in Germany.
- 1981** Purchases LeBlond Machine Tool Company in the U.S., changes the name to LeBlond Makino Machine Tool Company (currently Makino Inc.).
- 1987** Fuji Katsuyama Plant (Yamanashi Prefecture) is expanded and begins operation. Acquires ownership of LeBlond Makino Asia (currently Makino Asia Pte Ltd).

Net sales  
■ Japan sales  
■ Overseas sales  
■ Non-consolidated sales



## Milling Machines

- 1952** G vertical milling machine
- 1958** KNC, the first NC vertical milling machine produced in Japan
- 1958** KNC vertical milling machine



## Machining Centers

- 1966** MCP-70 machining center, the first machining center produced in Japan
- 1966** MCP-70 machining center
- 1989** A55 horizontal machining center
- 1994** J55 horizontal machining center
- 1989** A55 horizontal machining center



## 5-axis machining center

- 1984** MC1813-5XB 5-axis control machining center

## Electrical Discharge Machines (EDM)

- 1979** EC3025 NC wire EDM
- 1980** EDNC22 NC sinker EDM
- 1980** EDNC22 NC sinker EDM



## Automation

- 1972** Transfer line (FMS) consisting of adaptive control machining centers
- 1986** MMC (Makino Machining Complex) automatic system module

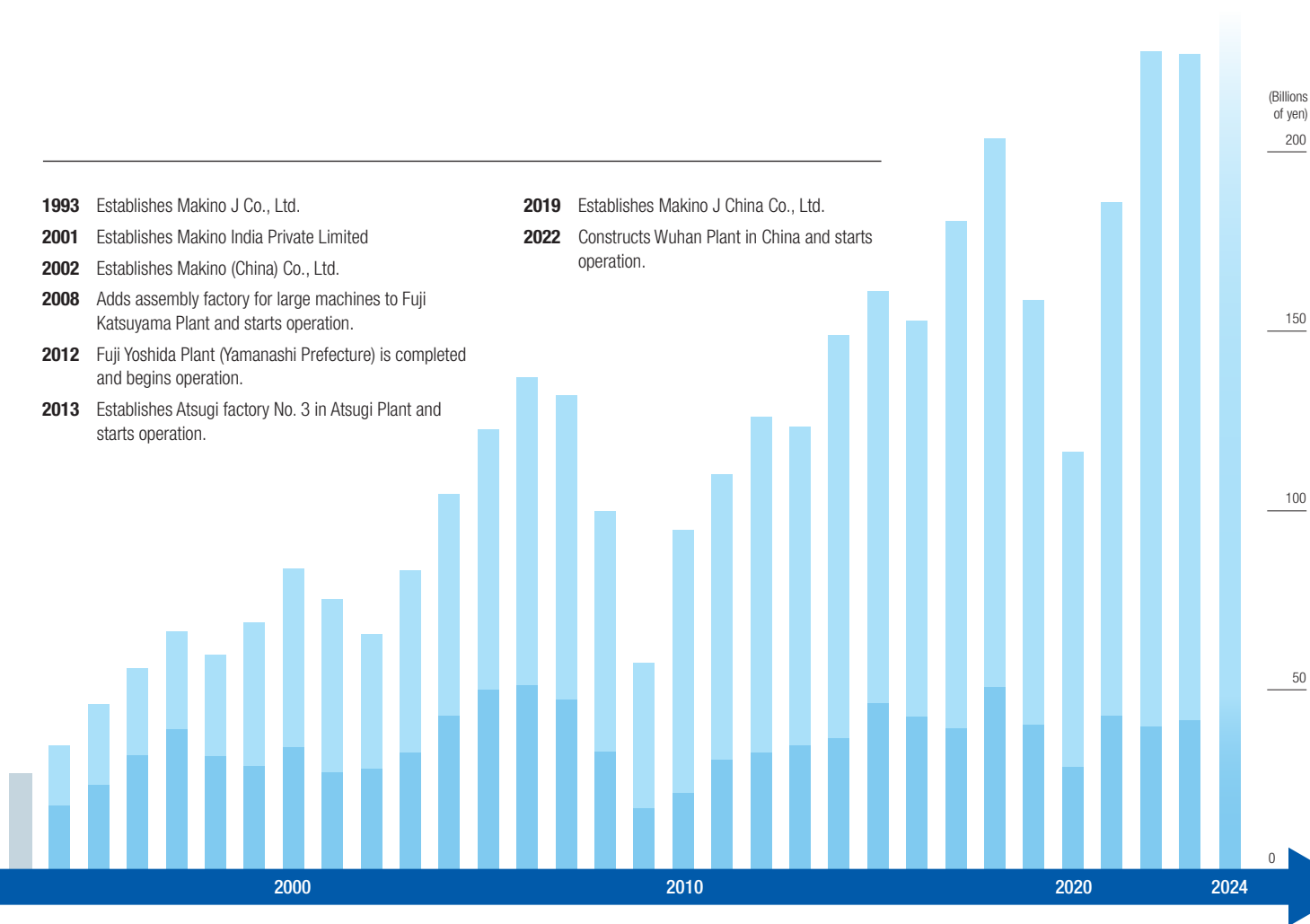
## Software/Control

- 1975** Hi-PROGRAM I, II automatic programming system
- 1989** Professional 1, 2 control devices
- 1991** GI Control and Super GI Control technologies



- 1993** Establishes Makino J Co., Ltd.
- 2001** Establishes Makino India Private Limited
- 2002** Establishes Makino (China) Co., Ltd.
- 2008** Adds assembly factory for large machines to Fuji Katsuyama Plant and starts operation.
- 2012** Fuji Yoshida Plant (Yamanashi Prefecture) is completed and begins operation.
- 2013** Establishes Atsugi factory No. 3 in Atsugi Plant and starts operation.

- 2019** Establishes Makino J China Co., Ltd.
- 2022** Constructs Wuhan Plant in China and starts operation.



**1992** KE55 operation input milling machine

**1999** V33 vertical machining center

**2001** a51 horizontal machining center

**2000** MAG series of 5-axis horizontal machining centers for aerospace components

**2008** D500 5-axis vertical machining center

**1995** U32/53 high-precision underwater wire EDM

**2001** EDGE2 and EDGE3 sinker EDMs

**2000** MMC2 automatic system module

**2008** MAS-A5 operation software for the pallet transfer system

**2010** MPMMax machine monitoring function

**1998** FF/CAM 3D CAM system for die & mold machining



**1999**  
V33 vertical machining center



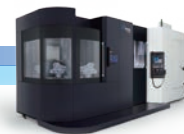
**2000**  
MAG Series 5-axis horizontal machining center

**2009** iQ300 precision micromachining center

**2021** JA6 horizontal machining center

**2017** V80S 5-axis vertical machining center

**2023** DA500 5-axis vertical machining center



**2023**  
DA500  
5-axis vertical machining center

**2012** EDBV3 EDM hole drilling

**2018** BX3 EDM hole drilling

**2017** iAssist manufacturing support mobile robots

**2019** PZ1 automatic pallet transfer system

**2023** MAS-NX operation software for the pallet transfer system

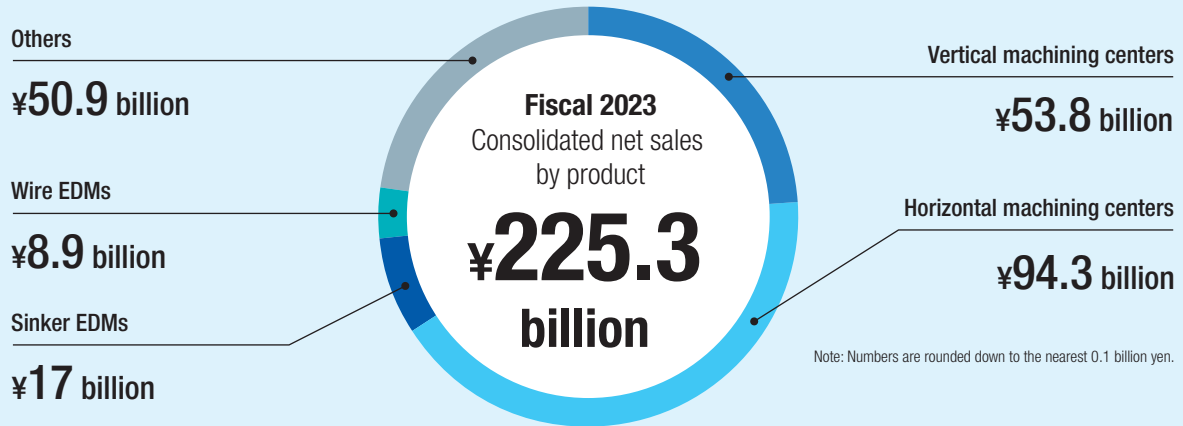
**2018** ProNetConnex cloud services

# Makino's Business Model

## Main products

In addition to vertical, horizontal, and 5-axis machining centers, Makino develops, manufactures, and sells machine tools\* that include electrical discharge machines (EDMs), laser machines, and milling machines.

\*Machines used to process workpieces by cutting or drilling holes



## Machining Centers

Machining centers are machine tools that can automatically select and change tools to perform multiple machining operations, such as drilling and facing, using a single machine.

Vertical machining centers have spindles for mounting and rotating tools vertically, and horizontal machining centers have spindles for doing so horizontally.



Vertical machining centers



Horizontal machining centers

## Electrical Discharge Machines

EDMs use electrical discharge for processing. They comprise Sinker EDMs and Wire EDMs.



Sinker EDMs



Wire EDMs

## Milling Machines

Milling machines process flat surfaces, holes, and grooves using rotating tools.

There are two types: manually operated milling machines and NC milling machines equipped with NC devices to enable automatic operation.



## Software

Innovative software enables optimal machine control, creation of highly efficient machining programs, machine monitoring and maintenance planning, and more, helping customers improve their productivity.



## Automation

We develop a variety of automation systems tailored to our customers' needs, enabling them to improve productivity, reduce costs, as well as improve and standardize quality.



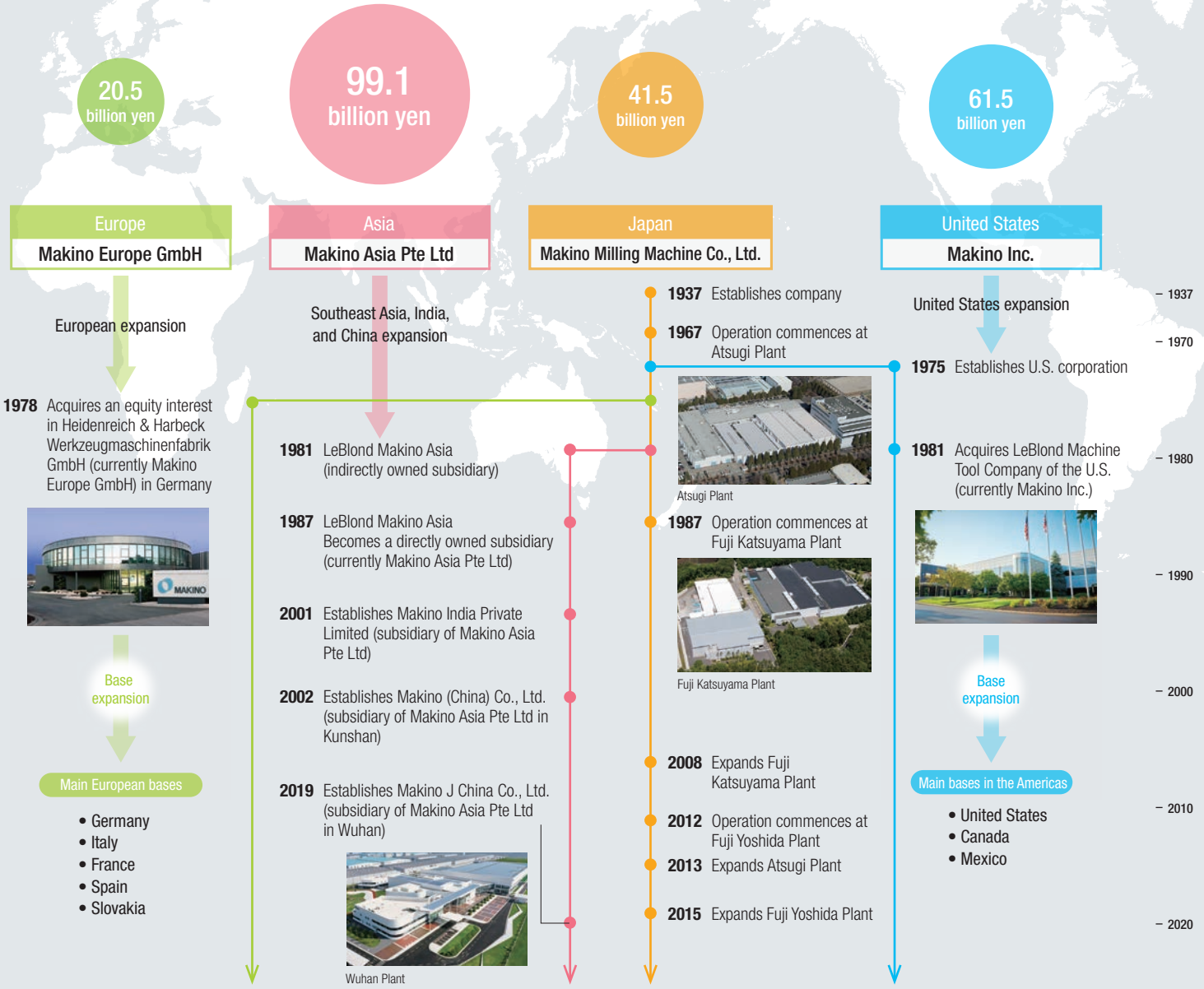
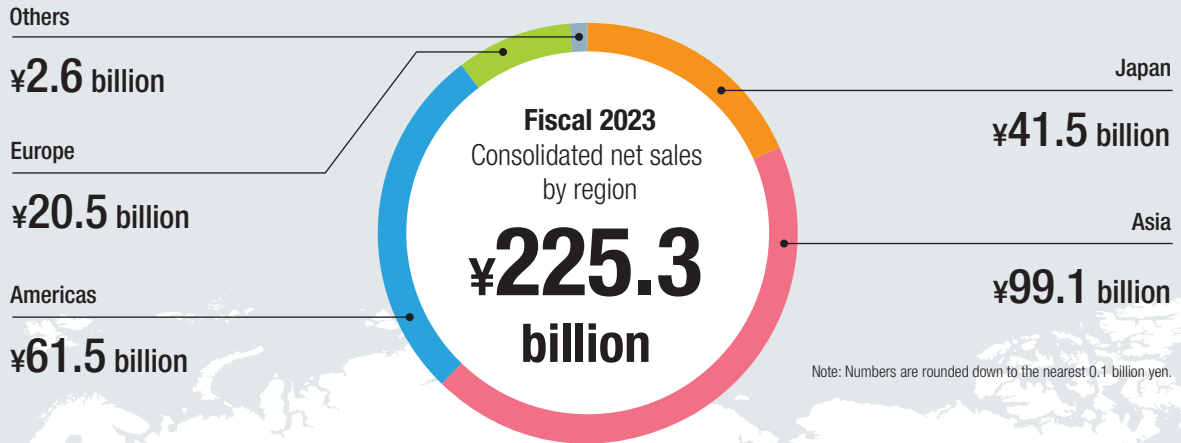
## Engineering Services

To reduce cycle time and improve ROI, we propose automation of the entire manufacturing process, including machining centers, machining technology, and automation systems.



# Global expansion

Makino has proactively expanded business globally since the 1970s. To maximize the utilization of Makino machines, we have established local business offices.



# Makino's Value Creation

We provide machine tools, peripheral equipment, and software, as well as engineering services utilizing these tools to facilitate automation. All these products are customized to meet the needs of the automotive, aerospace, medical, and other industries.

Through these efforts, we provide our customers with the latest know-how to maximize the use of their machines and help them solve issues in various industries.

Main Makino products and customer products created using Makino products

# Semi-conductor

## Semiconductor

Semiconductors are used in products that are indispensable to our daily lives, such as mobile phones, home appliances, and automobiles.

Semiconductor production requires vacuum environments, and the shape of machine parts used in the manufacturing process must be extremely precise.

Makino contributes to global semiconductor manufacturing through the provision of machines meeting the demands of high precision.

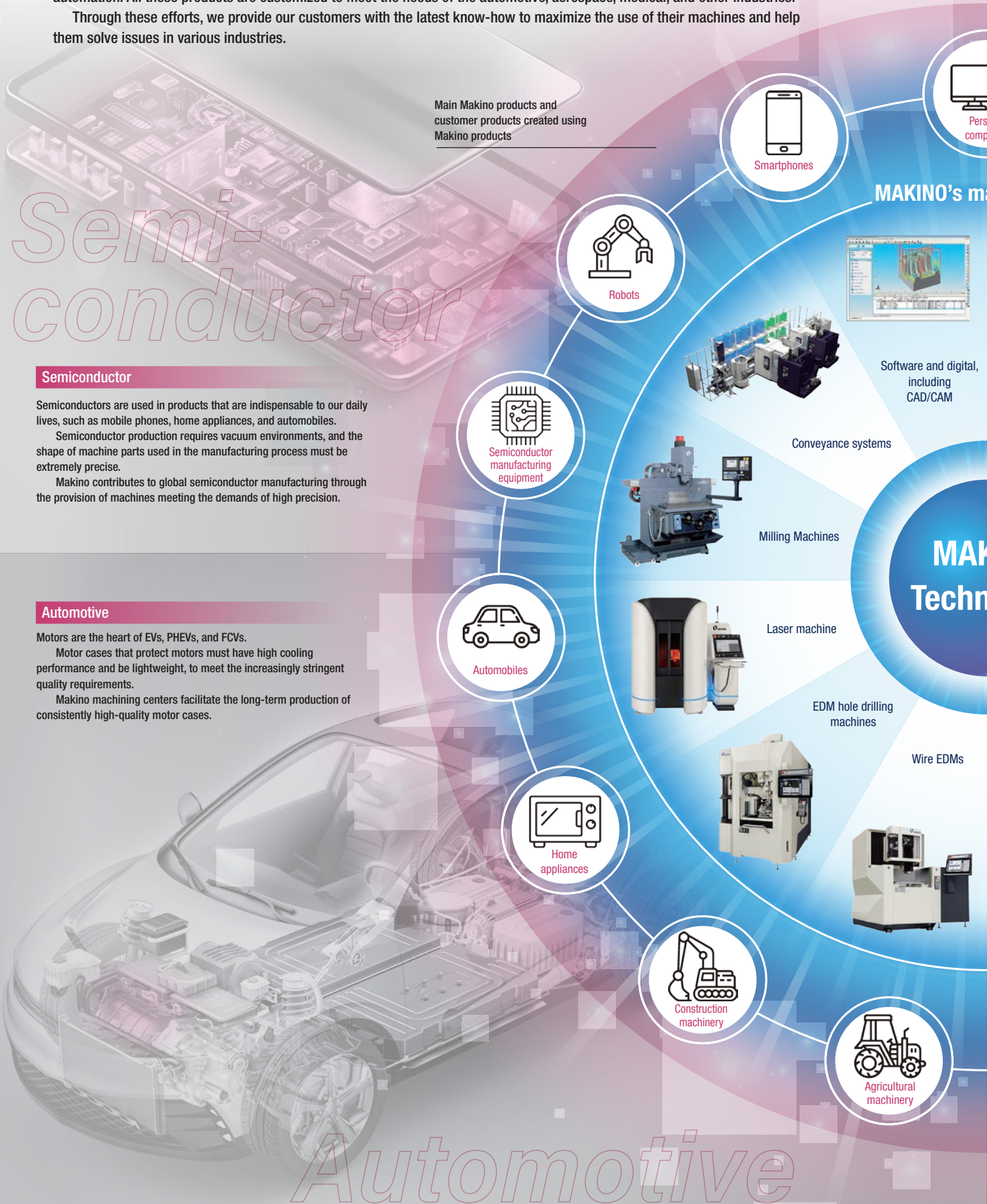
## Automotive

Motors are the heart of EVs, PHEVs, and FCVs.

Motor cases that protect motors must have high cooling performance and be lightweight, to meet the increasingly stringent quality requirements.

Makino machining centers facilitate the long-term production of consistently high-quality motor cases.

# Automotive



# Aerospace



## Products created by customers

**Aerospace**

Aircraft are indispensable for long-distance travel. In the manufacture of aircraft parts, large quantities of light and strong aluminum alloy are machined into complex shapes in order to achieve both light weight and high strength. Our MAG series, which processes aluminum alloy at high speeds with high precision, has become the standard for machining aircraft parts.

**Medical**

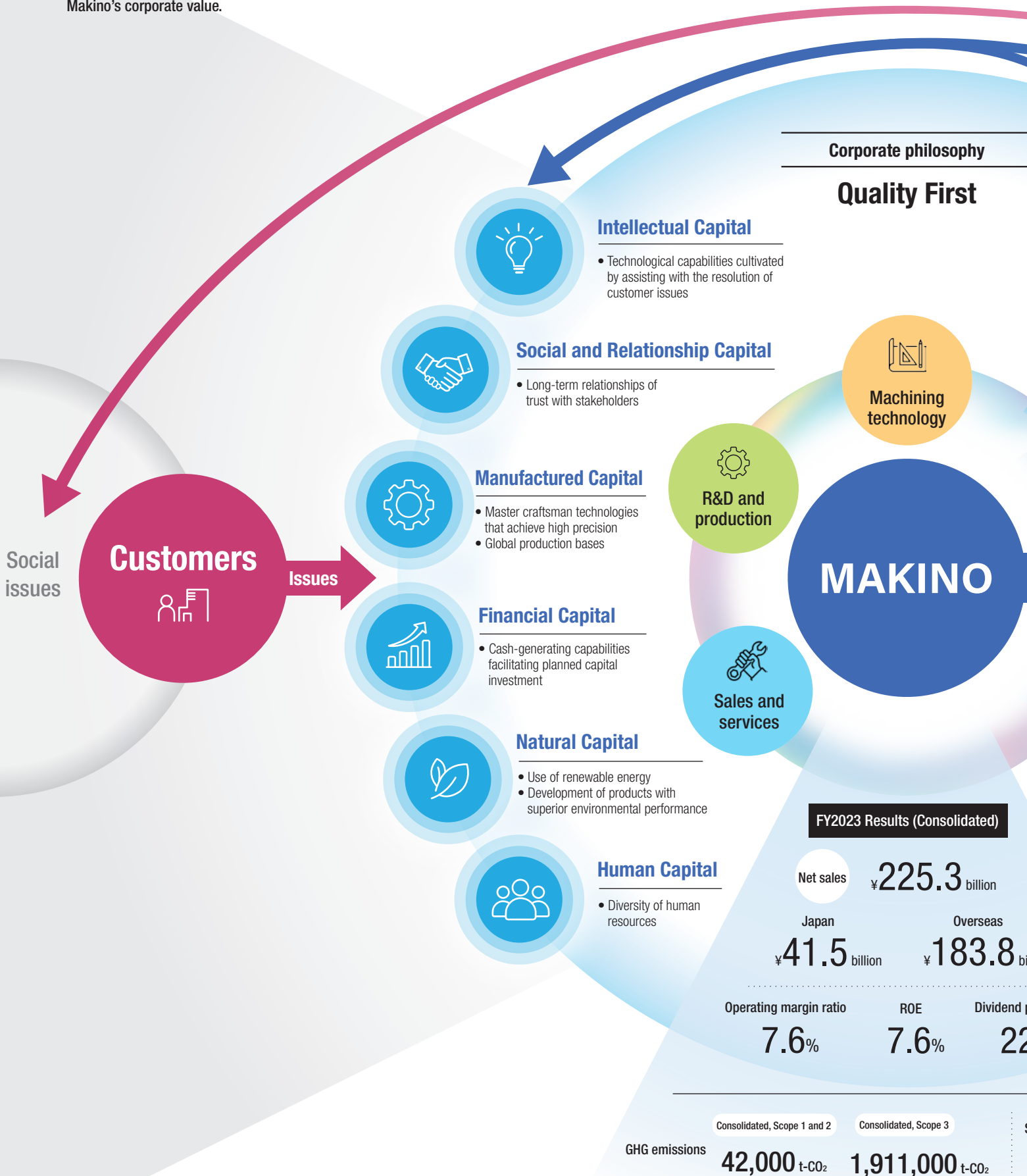
Titanium is one of the materials used for artificial joints. Although titanium is a lightweight, strong, and body-friendly metal compatible with living organisms, it is also difficult to machine because it causes severe tool wear during processing. Makino meets customer needs with machines that provide excellent rigidity suitable for machining difficult-to-cut materials.

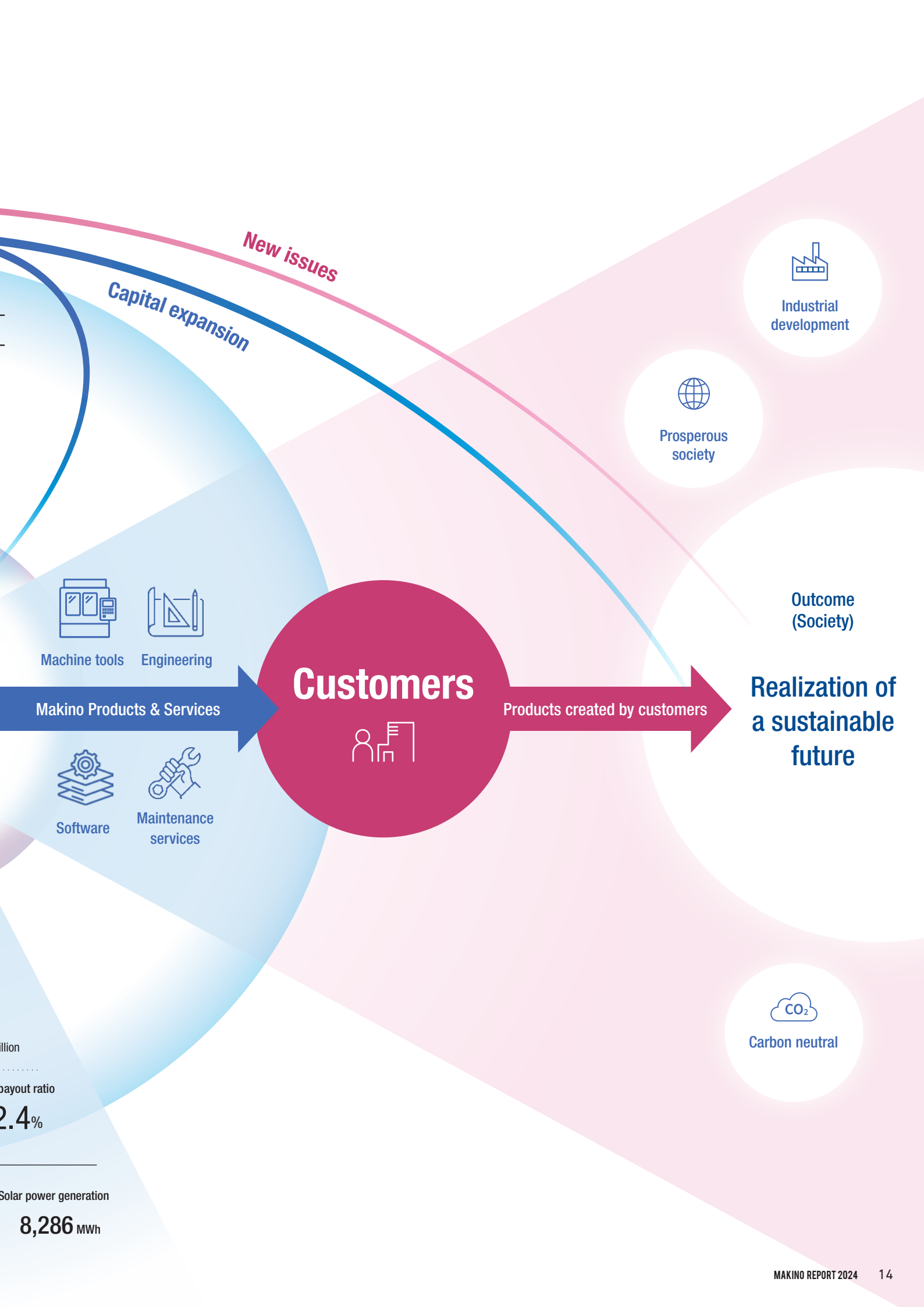
# Medical

# Makino's Value Creation Process

Makino's R&D, manufacturing, sales, and service organizations work in unison to propose and provide products and services to customers through a trial-and-error process, thereby supporting customers who are working to develop new products that have never existed before, further improve production efficiency, and solve other issues.

Identifying and solving customer issues drives industry advances and contributes to society, which leads to the enhancement of Makino's corporate value.





illion  
 .....  
 payout ratio  
**2.4%**

Solar power generation  
**8,286 MWh**

# Makino's Capital

Makino will continuously expand the six forms of capital, which have been accumulated by developing advanced technologies and solving customers' issues, and create the foundation of its business through strategic measures to form a competitive edge.



Since our founding, "high speed, high precision, and high quality" have been at the core of our product development. We have built a development system that can respond immediately to trends by pursuing technologies to meet the common needs of our customers, such as labor saving, as well as for manpower reduction, automation, and larger sizes. While confronting and solving needs and issues in various fields, we apply the knowledge we gain in this process to product development. Our customers' issues are the source of our technological innovation.

We provide one-stop services for our customers' production facilities, including machine tools, software for automation, and automatic pallet transfer systems.

We use our technological capabilities to help solve our customers' issues, which arise from social issues, i.e., addressing labor shortages in the manufacturing industry and reducing the use of raw materials and energy.



Our basic stance is to develop and provide products and technologies that meet the issues and needs of our customers. The relationships of trust we have built with our customers over many years of business, and our sales, technology, and service systems that listen to our customers' needs and realize them represent our assets and greatest strength. We have technical centers and sales offices around the world to promptly respond to customer needs, from proposing the optimal production equipment and machining methods for our customers, to developing products and providing support after delivery.

Makino is registered with the Declaration of Partnership Building. We are building strong partnerships with business partners in the supply chain by strengthening cooperation and promoting coexistence and co-prosperity.



We have built a production system to meet the demands of global customers with a total of nine production bases in five countries: Japan, Singapore, China, India, and Malaysia. In Japan, we develop and produce cutting-edge models with 5-axis, large size, high precision designs, while in Asia, we develop and produce models with localized specifications.

Our plants have strict temperature controls to prevent minute deformation of the machines due to temperature changes. This allows us to produce machines of high precision and quality. Our unique production system enables us to efficiently supply a wide range of products of various models and specifications.

In the rapidly changing market of machine tools, we are renovating, expanding, and building new plants in Japan and overseas in order to establish a production system that can flexibly respond to various needs.

**FY2023 results**

> R&D expenses (consolidated)

**¥9,257 million**

> Number of people in the R&D Division (consolidated)

**640**

**FY2023 results**

> Number of technical centers (consolidated)

**31 locations**

> Number of suppliers (consolidated)

**More than 2,000 companies**

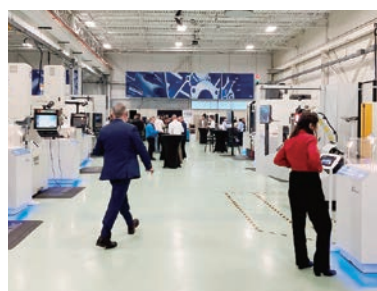
**FY2023 results**

> Capital investment (consolidated)

**¥12.0 billion**

> Number of production sites (consolidated)

**9 locations**







## Financial Capital

We have consistently maintained a shareholders' equity ratio of 50% or higher and have built a strong financial base in the rapidly changing machine tools market. As specific management indicators, we aim to achieve consolidated net sales of ¥270 billion, operating margin ratio of 12%, and ROE of 11% in fiscal 2027.

We are focusing on shortening the cash conversion cycle (CCC) to improve asset efficiency and are working on specific measures to shorten the inventory turnover ratio. The cash generated through these measures is used to make strategic investments to strengthen our business foundation and return profits to shareholders. For example, this includes capital investment to improve productivity, development investment for new products, system development to promote global information sharing, human resource training for employees, and environmental measures to achieve carbon neutrality.

### FY2023 results

> ROE\*1

**7.6%**

\*1 Net income attributable to owners of the parent ÷ shareholders' equity

> Free cash flow\*2

**6.5 billion yen**

\*2 Cash flows from operating activities + Cash flows from investing activities



## Natural Capital

With regard to greenhouse gas (GHG) emissions, we have set a long-term target of becoming carbon neutral (effectively zero GHG emissions) by 2050 for Scopes 1 and 2, as well as a medium-term target of reducing CO<sub>2</sub> emissions (consolidated, Scopes 1 and 2) by 42% by 2030 compared to 2022, and reducing CO<sub>2</sub> emissions (consolidated, Scope 3 Category 1 and 11) by 25% by 2030 compared to 2022.

In order to achieve these targets, we have established a system to monitor energy consumption, including that of our overseas subsidiaries. We also visualize CO<sub>2</sub> emissions on a global basis and promote reduction of emissions and waste at our plants, various energy-saving activities, and utilization of renewable energy such as solar power generation. We also contribute to the reduction of environmental impact throughout the supply chain by developing products with high energy-saving performance and reducing waste in production.

### FY2023 results

> GHG emissions (consolidated, Scopes 1 and 2)

**42,000 t-CO<sub>2</sub>**

> GHG emissions (consolidated, Scope 3)

**1,911,000 t-CO<sub>2</sub>**

> Solar power generation (consolidated)

**8,286 MWh**



## Human Capital

As a global company, we have a corporate culture that embraces and values perspectives of a diverse range of human resources. Based on this culture, our human resources are active in solving our customers' issues in various countries, regions, and fields.

In order to form a virtuous cycle in which the growth of each employee leads to the growth of the company and the growth of the company further promotes the growth of employees, we provide various growth opportunities for autonomous career development, skill enhancement and skill shifting for employees regardless of nationality, gender, or age. In order to provide innovative and optimal products and services that fit the diverse issues of our customers, we are strategically developing our human resources and improving the work environment within the company.

### FY2023 results

> Ratio of overseas employees (consolidated)

**54.4%**

> Ratio of employees with expatriate experience (non-consolidated)

**12.8%**

> Utilization rate of childcare leave by male employees (Group companies in Japan)

**51.2%**



# Global MAP

Makino has major bases and production sites in Japan, Asia, the Americas, and Europe. Through business tailored to the operating environment and needs of each region, Makino provides cutting-edge manufacturing to the world.

## Europe

- 32 Warsaw
- 29 Kirchheim unter Teck
- 31 Bratislava
- 30 Milan

## Asia

- Osan 20
- Kunshan 16
- Wuhan 17
- Chengdu 18
- Dongguan 19
- Delhi 12
- Pune 13
- Bangkok 15
- Ho Chi Minh 22
- Chennai 14
- Bangalore 10
- Coimbatore 11
- Johor Bahru 9
- Singapore 8
- Cikarang 21

- ...Head Office
- ...Production base
- ...Major sales/service location

### Japan

- 1 Head Office (Tokyo Technical Center)
- 2 Atsugi Plant / Makino J
- 3 Fuji Katsuyama Plant
- 4 Fuji Yoshida Plant
- 5 Nagoya
- 6 Osaka
- 7 Kobe

+  
Sales offices: **12**

### Asia

- 8 Makino Asia Pte Ltd
- 9 Makino Asia Sdn Bhd
- 10 Makino India Private Limited (Bangalore)
- 11 Makino India Private Limited (Coimbatore)
- 12 Makino India Private Limited (Delhi)
- 13 Makino India Private Limited (Pune)
- 14 Makino India Private Limited (Chennai)
- 15 Makino Thailand Co., Ltd.



1 Head Office



2 Atsugi Plant



3 Fuji Katsuyama Plant



8 Makino Asia Pte Ltd (Singapore)



10 Makino India Private Limited (Bangalore, India)

# Japan

# Americas



## Asia

## North, Central and South America

## Europe

- 16 Makino (China) Co., Ltd.
- 17 Makino J China Co., Ltd.
- 18 Makino (China) Co.Ltd. (Chengdu)
- 19 Makino (China) Co.Ltd. (Dongguan)
- 20 Makino Korea Co., Ltd.
- 21 PT Makino Indonesia
- 22 Makino Vietnam Co., Ltd.

+  
Sales offices: **8**

- 23 Makino Inc.
- 24 Makino Inc. (Los Angeles)
- 25 Makino Inc. (Wichita)
- 26 Makino Inc. (Auburn Hills)
- 27 Makino Mexico, S. de R.L. de C.V.
- 28 Makino do Brasil Ltda.

+  
Sales offices: **2**

- 29 Makino Europe GmbH
- 30 Makino S.R.L.
- 31 Makino s.r.o.
- 32 Makino SP.z.o.o.

+  
Sales offices: **2**



11 Makino India Private Limited  
(Coimbatore, India)



16 Makino (China) Co., Ltd.  
(Kunshan, China)



17 Makino J China Co., Ltd.  
(Wuhan, China)



23 Makino Inc.  
(Ohio, U.S.A.)



29 Makino Europe GmbH  
(Kirchheim Untertek, Germany)

\*Commenced operations in November 2023

# Overseas Group Company Initiatives

## ASIA



Expanding business by leveraging the growth of Asia.  
Aiming for further success as we mark our 50th anniversary.

### Neo Eng Chong

President and CEO  
Makino Asia Pte Ltd

## Spreading the Makino Brand from Singapore to All of Asia

Makino Asia is headquartered in Singapore and is involved in R&D, manufacturing, and sales of products globally and is responsible for the China, India & Southeast Asia markets for both Makino Japan & Makino Asia products. In Asia, as in other regions, Makino's products are highly valued by customers who demand the high accuracy, speed, and reliability underpinning the Makino brand. Our responsibility and role is to uphold the standards the Makino brand represents. In addition, we design and manufacture cost-effective Makino Asia products that reflect the unique needs of clients in the various regions of Asia. Alongside Makino's famous high-end products, we enjoy strengths in providing products and services tailored to each client.

We have been deeply rooted in local markets for decades, and we are constantly gathering up-to-date information to gain a deep understanding of market trends, as well as the needs of not only our existing customers, but potential customers as well. Our development center is in Singapore, where our headquarters is located, and production facilities, in addition to Singapore, spread as far as China, India, Malaysia, and our in-construction facility in Vietnam. In addition, we have technical centers and sales offices in other regions, and by staying close to our customers, we are able to promptly provide products optimized to meet their needs.

With regard to overseas operations, the Makino Group's global headquarters gives regional and local leaders autonomy in managing their businesses. That is also how we manage our intra-regional practices within Makino Asia. We have leaders in various locations in Asia, and they have been delegated a certain level of authority to use their own judgment and make swift and optimal management decisions, because we know that they have deep insights into their respective markets and needs. At the same time, as members of the Makino Group, we all share common KPIs and a strong sense of

commitment to enhancing the Group's corporate value. This leads to strong teamwork across organizations.

## We will Lead the Industry with Technologies and a Track Record Accumulated Over Fifty Years

Makino Asia was founded in 1973 as LeBlond Asia Private Limited, initially manufacturing lathes under a well-known American brand in the industry. Makino became a major shareholder in the 1980s, and as the company expanded from Singapore into Asia, especially in China and India, it saw great market potential and established factories to expand its production capacity and expanded its workforce. Though I was not part of Makino at the time, my sense from present and former colleagues at Makino Asia is that it was an especially tough time for the company as we adapted to very different and new cultures and needs. After establishing our presence in India and China, we began in the mid-2000s to further globalize and export Makino Asia products to many more markets, including the U.S. & Europe.

In our more than 50-year history, there have been many important turning points, and we believe that there will continue to be equally significant and important changes in the years to come. There are a lot of evolving trends in the machine tool industry and many challenges for us to face, but we are constantly devising ways to stay ahead and cultivating strategies to maintain our position as an industry leader.

## Cultivating Growth Markets Such as China, India, and ASEAN to Achieve Targets for FY2027

Obviously, Asia is a growing market, and within the Makino Group, our contribution of over 40% to total Group sales puts us in a key position.

Within our own purview, China is a key market, and that will not change, even when there are views suggesting slowdowns in the Chinese economy. We are also looking toward India, a market that is showing a lot of potential. Not only is there already a robust market in place, particularly in the automotive industry, offering significant revenue contributions, multinational companies are showing great interest in investing in India. The Indian market is expected to grow significantly over the next 10 years, creating opportunities for us to further expand our business. ASEAN is also projected to become the world's fourth largest economy in the next decade.

In ASEAN, investments from China are growing in areas such as automobiles and semiconductors, and we expect to see many business opportunities for our company thanks to our presence in both ASEAN and China. ASEAN can be a complicated market with many different cultures and languages, but our five decades in Singapore, a diverse and growing international hub, gives us a unique advantage here.

We are working on establishing a new factory in Vietnam, a country with remarkable economic growth. Vietnam was the second country in Southeast Asia, after Singapore, to sign a free trade agreement with the European Union, and it also has close ties with China. This could lead to many business opportunities in the Vietnamese market, which could serve as a kind of "China Plus One." Our new factory will complement our Singapore factory operations and will be a base to support our growth in the advancing market of Vietnam.

## Optimizing Profitability and Asset Efficiency

For us, improving profitability and asset efficiency begins at the top line, and we are growing our sales revenue through expanding market reach in China, India, and Southeast Asia, plus exploring an even bigger presence in the U.S., Europe, and even Japan. On raw material costs, one advantage is our access to a global supply chain, including suppliers in Asia that are superior in terms of both cost and quality. Diversified sourcing lets us achieve the best possible cost, but also allows us to ride on currency fluctuations. In 2023, we established a central procurement department to strengthen our system for picking the best suppliers for the Makino Asia Group as a whole. Furthermore, we have been using Enterprise Resource Planning (ERP) for more than 10 years to manage information, providing management with real-time control of the big picture and improving inventory control efficiency. We are also working to improve our cash conversion cycle (CCC) by constantly reviewing transaction terms in response to changes in the environment.

We have also been working on digital transformation (DX) within Makino Asia over the past few years, transforming our operations with technologies such as AI and IoT that dramatically increase operational efficiency. In 2019, we inaugurated a factory in Singapore that is one of the most advanced across the entire Makino Group, maximizing automation.

In our factory, we are displaying real-time machine utilization and

individual employee performance on dashboards, and by digitizing information formerly managed in paper form, we are collecting and analyzing a range of data. This will strengthen our connections with customers and suppliers and increase work efficiency through the integration of operations. As we gather more data and more insights, we will be able to leverage AI for predictive solutions, offering further boosts in productivity.

As DX drives operational efficiency, we are also focusing on optimizing labor productivity. We work hard to ensure that all our managers understand exactly what rightsizing is all about, focusing management efforts on making sure that we have the right people in the right numbers with the right talent so that every single individual can be as effective as possible. We also focus on the selection and cultivation of human resources who can contribute to Makino Asia over the long term, and have put in place a system to support sustainable growth. Furthermore, regional plant management is an important component of fixed costs, and here we consider and determine the optimal timing for relocating or expanding to new facilities to ensure that underutilized facilities and equipment do not adversely affect asset efficiency.

## Focusing on Expanding Presence and Market Share in Growth Areas

Makino Asia must make further efforts to be in tandem with the Makino Group as a whole in the long run in terms of building relationships of trust with its customers under the Quality First philosophy. But given today's operating environment and its greater uncertainties, particularly with regards to geopolitics, we prefer to focus on the very exciting five years that lie ahead of us, rather than attempting to predict the next 10 years. The automotive industry and the advent of new energy vehicles particularly in China remains very appealing to us, and we will continue to focus our efforts here. Other up and coming industries like aerospace also offer great potential, and there are other industries expected to evolve going forward, like semiconductors and medical. We have many goals to achieve, and over the next five years we intend to achieve sustained growth, both in terms of revenue and market share.



# ASIA

## Makino Asia's Sustainability Initiatives

Makino Asia is committed to reducing CO<sub>2</sub> emissions, protecting water resources, and promoting diversity as key management sustainability issues.

### → Carbon neutral

The Makino Group promotes the use of renewable energy and is installing solar power generation equipment in its plants and facilities. At Makino Asia, too, we started with the installation of 5,300 solar panels at our plant in the Jurong area of western Singapore in 2019 and are also generating solar power at our plants in India, China, and other countries. Makino Asia accounted for 63% (34% in China, 21% in Singapore, and 8% in India) of the Group's total generation of 8,286 MWh in fiscal 2023. In Singapore, in particular, the tropical climate makes power generation highly efficient, providing 24% of the plant's total power consumption and reducing CO<sub>2</sub> emissions by 1,000 tons per year.



Makino Asia Pte Ltd (Singapore)  
Solar power generation: 1,754,230 kWh (FY2023)



Makino J China Co., Ltd. (Wuhan, China)  
Solar power generation: 1,635,807 kWh (FY2023)



Makino China Co., Ltd. (Kunshan, China)  
Solar power generation: 1,216,037 kWh (FY2023)

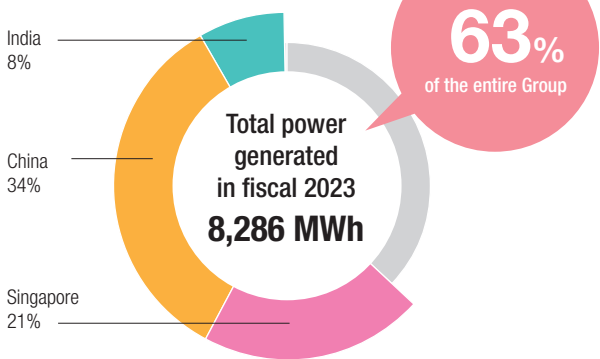


Makino India Private Limited (Bangalore)  
Solar power generation: 536,416 kWh (FY2023)



Makino India Private Limited. (Coimbatore, India)  
Estimated power generation: 684,000 kWh/year (power generation started on March 31, 2024)

### Global solar power generation



### → Water

In India, where high economic growth rates are expected to continue, a chronic shortage of water resources is a social issue. The Indian government is pursuing a policy to increase the water reuse rate to 70%, more than three times the current rate, by 2030. In this environment, the Coimbatore plant has conservation programs to make the best use of water resources. More than 70% of the rainwater that falls on the factory grounds is collected and used as water for factory consumption, and a sewage treatment system has been installed to reuse all sewage in the factory. This reuse of sewage is also an effort to prevent environmental pollution caused by sewage.



Reservoir at Coimbatore Plant

### → Diversity

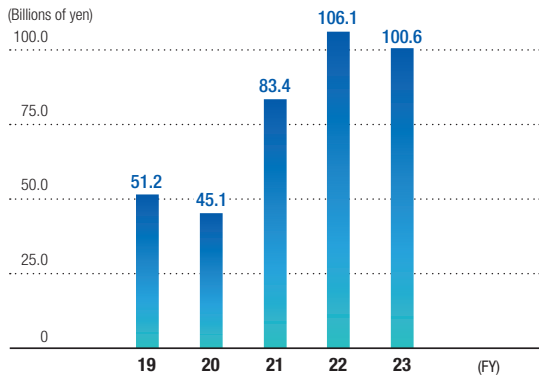
Singapore, where Makino Asia is headquartered, is a cosmopolitan and diverse city with a variety of people of Chinese and Indian descent. With roots in such an international hub for over 50 years, Makino Asia has fostered a climate of acceptance of all races and cultures. The Singapore site employs approximately 600 people of about 20 different nationalities from not only Southeast Asia, but also Japan, South Korea, China, India, Germany, Switzerland, Italy, and other countries. We will continue to position diversity as part of our corporate culture and hire talented people regardless of nationality in order to achieve sustainable growth as a company.



Makino Asia is the Makino Group company responsible for the Makino Group's business in the Asian region, with its headquarters and design and manufacturing facilities located in Singapore.

In addition to Singapore, we have production facilities in China, India, and Malaysia, and we have a wide range of sales and service offices in other parts of Asia.

Net sales



Makino Asia Pte Ltd Head Office (Singapore)

Makino Asia's main products



Vertical Machining Center f5



Vertical Machining Center Slim3n



Horizontal Machining Center JA6



Sinker EDM EDGE3i



Pallet and electrode automation system uCell B80

Location map



Bangalore Plant  
59,000m<sup>2</sup>

MC



Coimbatore Plant  
39,000m<sup>2</sup>

Fixtures for automation



Singapore Plant (Makino Asia Head Office)  
78,000m<sup>2</sup>

MC EDM

Chengdu

Dongguan

Bangkok

Ho Chi Minh

Cikarang



Malaysia Plant  
9,000m<sup>2</sup>

Sheet metal



Kunshan Plant  
72,000m<sup>2</sup>

EDM



Wuhan Plant  
174,000m<sup>2</sup>

MC

MC ...Machining center

EDM ...Electrical Discharge Machines

The Singapore, Kunshan, Wuhan, and Bangalore plants are ISO 9001 certified for quality management systems and ISO 14001 certified for environmental management systems. In addition, the Singapore and Bangalore plants are ISO 45001 certified for occupational health and safety management systems.



# AMERICAS



## Maximizing product value with exceptional engineering expertise

**Peter Hoecklin**

President and CEO  
Makino Inc.

### Offering a wide range of services required by customers

The manufacturing industry in the North American market is recovering from the pandemic in 2020, and hoped-for movement to rebuild trade policy and supply chains is playing an important role in facilitating growth. The momentum is especially remarkable in the medical, defense, aerospace, and automotive industries. In an environment with soaring labor costs like the United States, acquiring the appropriate human resources has become a major issue. In addition, with the recovery in the United States, it has become necessary to switch from previous machines to machines that make more advanced automation possible. To cope with this challenge, we have concentrated on offering customers reliable, highly productive machines, as well as a wide range

of services they require, including turnkey engineering and preventive maintenance programs.

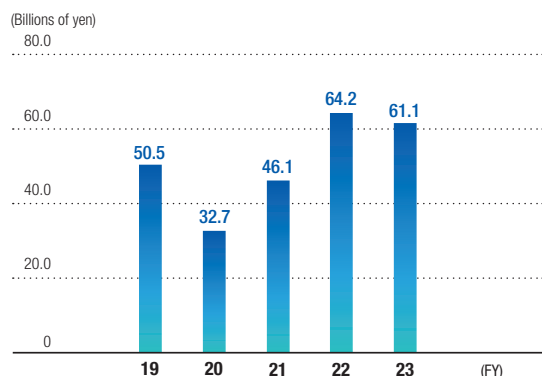
Based in the United States, Makino Inc. utilizes our excellent know-how regarding industry-leading turnkey engineering, automation, manufacturing processes, and peripheral equipment to sell Makino's high-speed, high-precision, high-quality products. We provide products customized by the Company in line with the requirements to respond to the needs and challenges of each customer. In addition, we have committed ourselves to enhancing and maintaining our support teams, including field service engineers and application engineers, to contribute to maximizing customers' production efficiency.

#### Corporate Overview

#### Makino Inc.

Headquartered in Ohio, USA, Makino Inc. is the Group company responsible for the Makino Group's business in North America and Latin America. We have an extensive network in these regions that provides engineering and after-sales services in addition to selling Makino products.

#### Net sales



Makino Inc. Headquarters (Ohio, USA)



## Breaking new ground in the North American market with the Makino brand's technical capabilities and the ability to make proposals meeting customer needs

The North American market demands highly productive machines, outstanding engineering, and optimal and prompt after-sales service. The demand for 5-axis machining centers for process integration is currently growing. More customers are also requesting automatic loading and unloading features for work in order to compensate further for the lack of skilled labor. Customers can gain a competitive edge with the abundant lineup of 5-axis machining centers provided from Japan and our strong ability to make proposals for automation.

Makino Inc. shares the approach of listening and responding to customers' issues with the Group as a whole. By actively building good relationships with customers, we use Makino's technology to its full extent, connecting that with resolving each customer's manufacturing issues. Furthermore, we confront customers' problems by enhancing aftermarket services. Customers concerned about the shortage of human resources are demanding more services from machine tool manufacturers. Empathizing with customers' viewpoints by offering services is part of our support to resolve customers' issues.

In the current environment of increased uncertainty due to geopolitical risks and the accelerating speed of technological change, many customers' planning periods for capital investment have shortened. Customers are requesting greater flexibility with shorter lead time. We have developed business with many Tier 1 and Tier 2 customers in the

markets on which we focus, and these customers are now requesting not only the necessities but also the flexibility to respond swiftly to future fluctuations in demand. To fulfill customer requests, we have adopted a flexible inventory strategy, and furthermore, in conjunction with our R&D departments in Japan and Asia, we have worked to make it easy to add features to machines even after they have been installed.

## Investing strategically for future growth

Demand for machine tools in Mexico is expected to grow at more than double the world average rate over the next decade due to the shortening of supply chains and the strengthening of regional trading blocks. To capitalize on these trends, we are making major strategic investments in Mexico, quadrupling our physical footprint with a technical center that will support our customers, both local and multinational, with advanced engineering services, including customization, integration, automation solutions, turnkey projects, and more training offerings.

Makino Inc. has a strong team made up of experienced professionals. Our employees' average number of years at the Company is more than double the average for the manufacturing industry in the United States. We will focus on active successor training as an important effort going forward. We are aiming to create opportunities for professional growth for the next generation through our established training and professional development program.

### Initiated the rebuilding of the technical center in Querétaro, Mexico

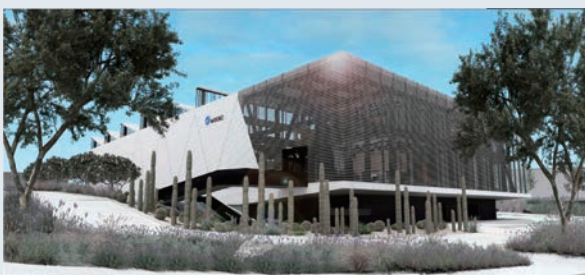


Image when completed (scheduled for completion in 2025)

### TOPIC

Currently, Mexico is attracting attention among companies not only in North America, but also in Asia and other countries around the world, as a manufacturing base, and the demand for production facilities is expected to increase along with economic growth. To meet this demand, Makino Inc. is beginning to rebuild its technical center in Querétaro, Mexico.

The new technical center, scheduled for completion in 2025, will have a showroom for actually seeing machines, as well as being able to integrate them to verify processing, making turnkey systems, and setting up automation and verifying operation. Together with a full complement of application engineers, it makes possible a wide range of proposals according to the customer's issues.

In addition, materials and construction that reduce the influence of outside air on indoor temperature maintains mechanical accuracy, which in turn reduces energy consumed by air conditioning equipment, contributing to sustainability.



# EUROPE



## Enhancing speed and flexibility to meet the diverse needs of Europe

**P. Anders Ingemarsson**

President and CEO  
Makino Europe GmbH

### Further enhancing the quality of products, technology, and services to pioneer a diversified market

The European market is the home base of many major machine tool manufacturers, and it can be said that the market is diversified in a variety of respects. Although we have gradually developed ties within the patchwork of connected EU member nations, disparities have arisen in various aspects due to factors such as differences of the roles in the supply chain and the industries regarded as important by each country, and the engagement of each country's government in the industry. Diverse demands are placed on Makino Europe in each country's market and industrial segments against this background. At the same time, the international situation has become increasingly complicated and uncertain, and political tensions and prolonged wars have exerted

a serious impact. Furthermore, there are also demands to react to climate change and other mega trends related to the SDGs.

The diversified European market is currently extremely unpredictable, even unstable. In addition to the principles of enhancing the quality of the variety of products, technology, and services we provide as Makino Europe, and supporting the resolution of customers' issues, we must establish a stronger presence in the market and improve the flexibility to respond quickly to unforeseen changes in demand.

Many customers are cautious about investments in new machinery due to the volatility of the market, and it tends to take time until orders are confirmed. Machines are therefore needed immediately when orders come in, and we are required to respond with a short deadline for delivery. To meet this demand, we have prepared high-demand models and features as packages to respond to the conflicting needs of delivering in a short period while presenting customers with competitive prices.

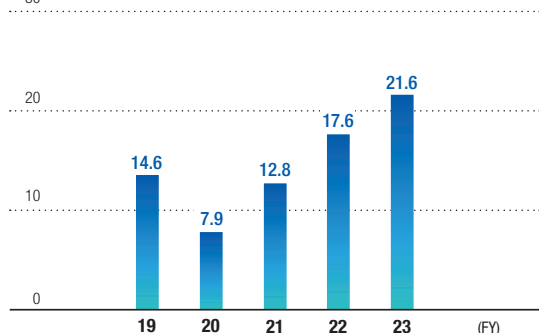
#### Corporate Overview

#### Makino Europe GmbH

Makino Europe, headquartered in Kirchheim, Germany, is the Makino Group company responsible for business in the European region. The company has an extensive network in this region and provides engineering and after-sales services in addition to sales of Makino products.

#### Net sales

(Billions of yen)



Makino Europe GmbH Headquarters (Kirchheim, Germany)

## Satisfying customers' needs and expectations to win their trust

Lean, effective processes are necessary to achieve the speed and flexibility to meet our customers' demands, and these will lead to increasing trust in us, customer satisfaction, and margin ratio. Makino Europe has focused efforts on process improvement and digitalization, and we have carried out a variety of initiatives to enhance the quality of customer support. One of them is the strengthening of after-sales service, making use of our service partners to respond quickly to customer demands and maximize machine operating hours.

Makino Europe's mission is to proactively develop processing technology with our customers and partner companies to offer machines with superior precision and reliability, turnkey engineering including automation, and after-sales service. For example, demand for automation capable of high-mix production is also on the rise in the European manufacturing industry. We have established predominance in various industrial fields by continuously working to develop and offer automation systems like these, and we have earned the trust of many customers seeking high speed, high precision, and high quality.

Several years ago, we made significant investments in human resources and various types of facilities, such as showrooms, to respond to the worldwide increase in demand for aircraft. By further reinforcing the proposals of Makino's proprietary 5-axis machining centers to handle processing of large pieces of aluminum and titanium, we have become indispensable to customers who manufacture structural components and engine parts for aircraft. As a result,

aerospace-related cutting and processing technologies have become one of our important pillars. These technologies have also become a foundation for developing processing technologies for large parts related to semiconductors, which play an important role in daily life.

## Diversity of human resources: a precious asset valued as one of our strengths

Motivated employees with advanced skills are an essential element in a business's success. Makino Europe is facing challenges in securing highly skilled human resources such as application engineers and service engineers. This is a challenge shared in all countries in Europe.

To cultivate the next generation of machine tool professionals, Makino Europe is cooperating closely with technical universities and endeavoring to continuously hire highly skilled engineers. Through these measures, many people in the young generation seem attracted not only to Makino's sophisticated technology and latest equipment but also to our cultural diversity and corporate climate as a company consisting of human resources from approximately 25 countries. In fact, one key aspect of our corporate value is that we actively encourage communication and understanding between different cultures, taking an open-minded approach to colleagues with different backgrounds and values, which generates all sorts of synergy. We respect diversity as a precious asset for the Company and capitalize on it considerably. We will pursue improving corporate value through the open exchange of knowledge, experience, and ideas.

### TOPIC

#### Proposal for automation at Europe's largest international machine tools fair

Makino Europe exhibited at EMO Hannover 2023, Europe's largest international machine tools fair, held in Hannover, Germany, from September 18 to 23, 2023. To meet the needs of our customers, we had specialized exhibits in each of the four themes of job shop, semiconductor/industrial equipment, transportation equipment, and dies and molds, and we were pleased to have many visitors to our booth.

For job shop customers, we focused on versatile, small-scale automation with the DA300 automation package (5-axis vertical machining center). For semiconductor/industrial equipment customers, we exhibited an automated machining line that can handle large and diverse products using the latest automation support software MAS-NX. We used our broad product lineup to make proposals tailored to each customer's specific issues.



EMO Hannover 2023

# Our Challenges

## Challenges Makino is Working on

Makino has set four issues as part of its efforts to enhance corporate value. We will continue with business activities for sustainable growth through improvements made by deploying highly effective measures.



### Improving Profitability

We will work to increase productivity by developing high-value-added products that meet customer needs, enhancing services, and rationalizing investments such as those for automation.



### Increasing Asset Efficiency

We will shorten the cash conversion cycle (CCC) by improving the turnover rate of our inventories, reduce our cross-shareholdings and utilize interest-bearing debt.



### Increasing Shareholder Returns

We will generate cash by increasing profitability and asset efficiency, and implement stable and continuous dividend payments along with flexible shareholder returns.



### Enhancing Sustainability

The entire Group will actively invest in human capital to develop global human resources and implement various environmental measures to address climate change issues.





## Production



### Promoting digital transformation on the production floor for shortening lead time and raising both productivity and profits

#### Tatsuaki Aiba

Executive Vice President, Director  
Executive Manager of Production Division

#### Advancing measures to shorten lead time

Lead times had been lengthening since fiscal 2022 due to semiconductor shortages and other factors, but as we have made efforts to shorten lead times and improved parts supply, the situation has been improving since the second half of fiscal 2023. The sudden increase in orders after the COVID-19 pandemic, which was one of the factors that lengthened lead times, placed a heavy burden on employees and partner companies and the situation was urgent. This is why we felt the need to fundamentally review production management and now we are working on improving productivity based on the lessons learned from that time.

To make the most of the space needed to manufacture products, it is necessary to constantly understand changing internal and external situations, assign workers with the necessary skills to each process in line with the progress of work on the production floor, and manage the placement of the necessary parts.

Makino's products feature a wide variety of models and specifications, and as the processes and assembly times vary greatly depending on the model and specifications, simple line production is not an option. Therefore, we adopt a modular production method with distributed processes, in which the assembly process is divided into small steps and the appropriate workers are assigned to each step. This method shortens lead times and simplifies the work, making it easier to acquire skills, but the increase in processes makes management more complicated. This problem becomes more pronounced as production volume increases, making it increasingly difficult to grasp accurate information about the various events that occur in the production process and make appropriate decisions. In turn, this increases the amount of management work required.

#### Makino's proprietary management system will efficiently manufacture products with different specifications

The system we are currently building represents a unique digital transformation of on-site management that will optimize the operation of our proprietary production system. By monitoring work instructions and their execution status in real time and understanding the progress of the entire process, we can assign optimal workers and provide optimal work instructions. As we build the system, we are organizing information while taking into account the skills and experience of each worker.

Optimizing the management of things as well as the management of people is vital. Even if you give instructions to workers, if there are no parts on site, work cannot progress, and if parts arrive when they are not needed,

work will be impeded. Real-time information is reflected in the system, and productivity is improved by smoothly synchronizing logistics and assembly work within the plant. We plan to further expand the scope of application of automatic transport using AGVs, for example. In addition to building a management system, we are also reviewing each process. Demand for large machines is growing both domestically and overseas, and we would like to shorten the delivery time by streamlining large machines, which have long delivery times, by further promoting process distribution in the same way as for small and medium-sized machines, meet customer demands, and increase profitability. Some core parts require adjustment work by skilled workers to minimize errors during assembly, which is a factor in reducing productivity. By further improving the accuracy of the parts processing stage through the new development of dedicated high-precision processing machines, we will minimize adjustment work and improve productivity.

Our new assembly plant currently under construction in Fuji Yoshida, Yamanashi Prefecture will begin operations in 2026. Aiming to maximize productivity at the new plant, we will focus on digital transformation of production floor management and reviewing processes.

#### Strengthening our production system overseas

We are expanding the modular production method that we established in Japan overseas. In 2025, a sub-assembly and unit assembly plant will commence operations in Vietnam. This Vietnam plant is scheduled to carry out sub-assembly and unit assembly for models produced in Singapore. We aim to increase productivity by consolidating unit production, as well as to achieve more stable quality by segmenting and simplifying processes and reducing variation in work skills.



## R&D



### Revamped our R&D system to engage in product development that meets customers' needs more deeply and quickly

**Haruyuki Shiraishi**

Director  
Executive Manager of R&D Division

#### ■ Built a seamless system speeding up R&D

The demands from customers for high level functions are a given, and demands for speed in R&D are also rapidly increasing. In response to these needs, we fundamentally revamped our internal R&D system in 2022. We returned to our customers' needs, prioritized product development projects, and eliminated redundant work between departments. Our sales, R&D, production, and service organizations share information from the initial stages of product development and pursue concurrent engineering. By speeding up decision-making and improving communication between organizations, we established a system that allows us to develop products combining the functions and performance required by customers with our own production efficiency in a short period of time. Our speedy response to customer issues ensures that we capitalize on business opportunities and get more new orders.

#### ■ Rapidly bringing new products to market that reflect customer needs

The first product we started developing after the new system was established was the DA500. The revamped R&D structure has enabled us to make speedy decisions about new product development, which has allowed us to release products incorporating customer needs more quickly than ever before. We have received many inquiries about the DA500, and we believe it is a product that matches current market needs. We will continue to strive to maintain and improve quality and speed up R&D, helping to increase value for our customers with products that meet their needs.

#### ■ Developed MAS-NX to meet high demand for automation

Automation is a major trend for improving productivity in the manufacturing industry, which faces many challenges such as labor shortages, rising raw

material costs, and labor costs. In particular, our customers have been asking us more and more questions, such as "What kind of processing can be done?" and "What kind of automation can Makino offer?" In addition to improving machine operation rates and reducing labor, there is a demand for the "quality" of automation to achieve more efficient and stable production. We have been providing many automation systems to customers since the 1980s, and in October 2023, we released a new automation support software called MAS-NX. This software is equipped with a "proactive scheduling" function predicting risks that may arise during the execution of production plans and an "insight" function analyzing production progress predictions and execution results to support customer improvements, thereby contributing to improving the "quality" of automation in our customers' production activities. The development of MAS-NX is also one of the results of our new development system that quickly reflects the voices of the field.

#### ■ Global information sharing improves business efficiency and promotes product development

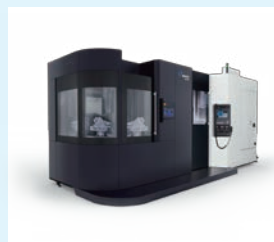
In fiscal 2024, we will plan and promote the expansion of our product lineup in line with market needs, focusing on 5-axis and large machines. By introducing a new common PLM system in Japan and Asia, we aim to strengthen information sharing regarding product development, production, and service. This will improve business efficiency and promote information sharing between organizations, accelerating the development of new models and the improvement of service quality. We will also work with our subsidiaries to further enhance MAS-NX functions localized to customers' needs. This will expand the scope of automation and help customers improve their productivity.

### ▶ TOPIC

#### Developing new products to meet the needs of process integration and automation

Due to labor shortages, there is a growing need for process consolidation and automation in various industries, including semiconductor manufacturing equipment and industrial robots. Our new 5-axis vertical machining center, the DA500, released in October 2023, is capable of high-speed, high-precision, and high-quality 5-axis machining for larger parts than the DA300 in the same series. The addition of a turning function enables further process consolidation, while the newly developed pallet magazine and the AI-based error detection function Vision W.S.C. achieve highly flexible automation. In addition, various functions, including the unique control technology eSTABILIZER, reduce power consumption and limit environmental impact.

We will expand our lineup of new products that meet customer needs by combining our basic development concepts of "high speed, high precision, and high quality" with the current trends of multi-axis, large size, and automation.



DA500 5-axis vertical machining center



Simultaneous 5-axis machining and turning functions consolidate the machining processes for complex three-dimensional shapes.

For details, view the video.

<https://www.youtube.com/watch?v=W5BToae0CY&t=0s>



## Sales



### Passing on and evolving the Makino-style sales force

**Tadashi Nishino**

Executive Officer  
Executive Manager, Sales Division

#### Strengthening human resources to uncover new needs

At Makino, sales is the department that takes the first step in connecting our customers with the company. It is no exaggeration to say that the relationship between each sales representative and the customer is the key to building trust between companies. As digital transformation progresses, the infrastructure for efficient sales activities has been established to a certain extent, but no matter how advanced sales tools become, we believe that human relationships remain the foundation. Makino's sales style starts with directly listening to the customer's issues. In order to achieve sustainable growth, it is important to develop as many human resources as possible who can appeal to the hearts of our customers. There is always information that can only be received by those who have gained the trust of our customers. We have many highly experienced employees who have been active on the front lines of sales for many years, and we believe that the key to strengthening our sales system is how to pass on their skills and sales techniques to the next generation in order to draw out customers' issues. We would like to develop human resources with the ability to make proposals that can work closely with the service and application departments backing up the sales department to solve our customers' issues.

#### Always providing the best products for customers

Makino excels at customizing and selling products by working closely with our customers. In order to grow further in the future, we need to broaden the range of proposals we offer even more than before, such as by utilizing the knowledge we have gained from various customizations to enrich our packaged products and provide cost benefits.

The 5-axis machining center DA300 Automation Package released in 2021 was developed as an entry level model for customers who want to

automate but find it difficult to introduce large-scale equipment. It comes standard with processing schedule management software and other features, allowing customers to achieve automation as is by simply installing the package. In response to the high praise of this product, in 2023 we released the latest model in the series, DA500, which not only meets the latest needs for automation but also for larger parts and process integration through turning functions.

We will also focus on establishing a sales style that allows us to make appropriate proposals tailored to customer needs and on developing the human resources required to achieve this.

#### Building strong relationships of trust with customers as an organization

Our goal is to achieve net sales of ¥270.0 billion in fiscal 2027. To achieve this goal, we must first become a company that our customers can trust more than before. Toward this end, we must combine the power of our frontline sales representatives with the inside sales staff who support them and build deeper and broader relationships with our customers.

While the COVID-19 pandemic made it difficult to conduct face-to-face sales as much as we would have liked, we pushed ahead with digital transformation and strengthened our foundations for inside sales, such as by enhancing online seminars, in order to increase sales opportunities without relying on personal sales activities.

Going forward, we will improve our organizational structure by shifting our focus from strengthening our foundations to leveraging them, and we will become a sales organization that can respond to customer requests more effectively than ever before and produce results.

### TOPIC

#### Building lasting relationships through online seminars



More than 100 free online seminars held each year

Our free online seminars, which we began in 2020, are held more than 100 times a year for a wide range of people, including users of Makino products and those considering their adoption, as well as those involved in machining. A total of around 20,000 people took part in fiscal 2023.

The seminars cover a variety of topics, from basic processing techniques to our latest technology, and are a forum for two-way communication, where we listen to the specific issues participants face and propose solutions. In addition, by holding these seminars frequently, we are able to build lasting relationships, rather than just one-time events.

Through these seminars, we not only help customers make the most of Makino products, but also create new business opportunities with customers who have not had contact with Makino before.



## Machining Technology



### Using our engineering expertise to help customers solve their problems Fostering trust and expectations for Makino and creating new businesses

**Jun Kanaya**

Executive Officer  
Executive Manager of Customer Application Center

#### ■ Providing total support to customers as a technological partner

The role of the Customer Application Center (CAC) is to understand the issues and needs of our customers and provide a full-range of support to them, from proposing optimal machining methods to introducing equipment and systems as well as providing after-sales support. When considering machinery and machining methods, the CAC explains our technology and products, creates actual processing samples, and coordinates to give concrete form to a wide variety of needs. In many cases, cooperation with various departments within the company, such as sales, R&D, and service, is essential. We also collaborate with universities, various research institutes, business partners, and other external parties to exchange information and collaborate at various levels. The CAC serves as a hub that connects the company and customers with technology and information, fostering expectations toward Makino through support for problem-solving and building relationships of trust that will lead to new business ventures.

#### ■ Providing new solutions from the customer's perspective

Leveraging the knowledge it has gained from helping solve customer problems, the CAC has been planning and developing engineering tools (Smart Tools) that contribute to quality improvement and cost reduction for several years, and has released many products. Among them, Rapid Calibrator, released in 2022, is a tool that allows anyone to easily and quickly calibrate automatic workpiece measurement devices. Not only does it reduce the time required for customer machine maintenance, but it also enables our products to stably fulfill their potential, thereby improving the productivity of many customers. It has also been effective in improving the efficiency of our operations, such as by dramatically reducing the number

of inquiries about automated measurement received by the IoT Center (support desk). Such tools are products that only the CAC, which can see issues from the same perspective as its customers, can develop. Although technical support is the main business of the CAC, we will continue to provide tools and services that contribute to improving our customers' productivity, thereby increasing the trust placed in us and the added value of our products as a whole.

#### ■ Becoming the choice of customers both in Japan and overseas

As our customers' business environments change rapidly, we are increasingly facing more advanced issues. In particular, the ability to tackle problems with new ideas is important, so we focus on training engineers who can get close to our customers and, with the machines and products at the site, tackle their problems. In addition, for a company that conducts about 80% of its business overseas, improving its technological capabilities on a global scale is an urgent task. Currently, we have resumed personnel exchanges with our overseas business sites, which had been suspended due to the COVID-19 pandemic, and are working to develop and strengthen human resources who can work globally by sending domestic engineers overseas and hosting overseas engineers in Japan. This will allow us to be consulted by customers when they take on new challenges, and we aim to earn greater trust from our customers by establishing a system that allows us to consistently help them solve problems before introducing machines and provide support beyond that. We believe that continuing to support the development of new needs for our customers both in Japan and overseas and having them think, "consult Makino first," will lead to our sustainable growth.

### ▶ TOPIC

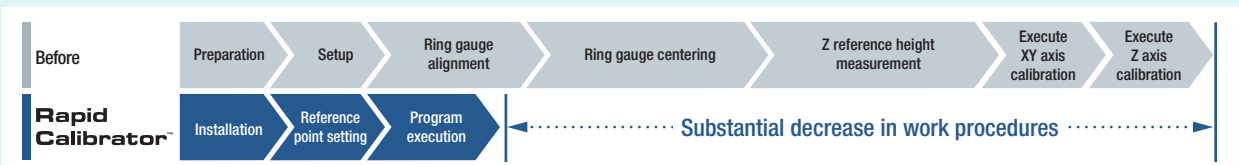
#### Developing tools to increase the added value of products from the customer's perspective



**SMART TOOL**  
Rapid Calibrator™



Rapid Calibrator is a tool for easily and accurately calibrating automated workpiece measuring devices. Calibration is essential to maintain high machining accuracy, but the work requires advanced skill, and even if someone has the skill, they have to stop the machine and work on it for more than an hour. By analyzing inquiries from customers, we found that many accuracy-related issues were occurring in calibration due to the difficulty of this work. Rapid Calibrator was created to solve this problem. This tool can be operated in just three steps, shortening the calibration time to about eight minutes. Since no special skills are required, anyone can use it easily, which not only reduces the burden on workers and improves productivity, but also allows more frequent calibration to maintain more stable accuracy.







Improving Profitability

## Technical Services



### Enhancing Makino's corporate value by helping sustain our customers' production activities

**Kazuhiko Matsunaga**

Representative Director, President  
Makino Technical Service Co., Ltd.

#### Supporting our customers' production activities throughout the machine life cycle

Makino Technical Service handles the aftermarket business for Makino Group products, providing services such as machine installation, maintenance, inspection, and parts sales. Our products usually last 20 to 30 years from delivery to end-of-life, with some lasting more than 40 years, and we provide approximately 20,000 services per year. Customer inquiries are collected at our IoT centers located in three locations across the country, creating a service system that allows for rapid response.

We are constantly improving our service techniques and skills in order to provide efficient and stable services that meet our customers' needs. We also utilize the latest digital technologies, and formalize and share the extensive experience and know-how we have gained so far with the next generation.

#### Providing new value by shifting from repairing what is broken to preventing machines from breaking

In 2022, we began offering a preventive maintenance service called the Makino Machine Care Package. This service prevents unexpected stoppages by conducting inspections and proactive maintenance tailored to the age, operating hours, and machining processes of the machine.

We are already providing this service for over 1,000 machines, ensuring their stable operation. Based on this track record, we will develop and provide more advanced services to maximize the mean time between machine failures, thereby contributing to improving our customers' productivity.

#### Bolstering infrastructure to expand services

We use digital technology to visualize the flow of our service operations through "dashboard management," and strive to improve work efficiency. We analyze the visualized information and use it to provide quick support to

customers, i.e., predicting the occurrence of problems and optimizing personnel allocation.

We also provide live diagnosis using video and images in response to customer inquiries. This is a service that uses the customer's smartphone, connecting the monitor at our IoT centers with the customer's smartphone, and diagnosing the machine's condition in real time using video and images captured by the camera; finally, suggesting replacement parts and appropriate measures.

For overseas customers, the above remote services are provided in real time under a three-shift support system from the IoT center in Japan. We also plan and implement training for overseas service engineers. Japan's manufacturing industry as a whole is facing a labor shortage due to the country's declining birthrate and aging population, but by promoting efficiency in this way and establishing a system that can respond quickly, we will continue to provide better service. We are committed to further evolving our global services and providing consistent service in every country and region.

#### Rigorous implementation of safe work practices

The most important thing in machine tool maintenance work is to prevent injuries, which are considered workplace accidents. In order to carry out work safely anywhere in the country, Makino Technical Service obtained ISO 45001 Occupational Safety and Health Management System certification in January 2024. By implementing accident prevention measures using a company-wide system, we will improve the safety and working environment of our service engineers.

We will continue to focus on creating an environment where everyone can proactively work to solve customer problems and strive to improve the quality of our services.

## VOICE

Taiki Machinery Co., Ltd. (Kanagawa Prefecture), which supports manufacturing with high-quality, high-precision machining of truck auto parts, construction machinery parts, industrial engine parts, among others, introduced the Makino Machine Care Package to reduce the risk of machine stoppages and improve equipment performance. Our engineers propose repairs before machines break down, and by implementing planned repairs, the frequency of machine stoppages has decreased, resulting in a stable production system.

Representative Director Kawai said, "We absolutely need to avoid expenses incurred when a machine stops unexpectedly and the inconvenience that it causes to our customers. The Makino Machine Care Package prevents these things from happening. This makes it a service that is well worth the cost."





## Capital Strategy



### Deploying strategic measures to achieve targets set for fiscal 2027

#### Toshiyuki Nagano

Executive Vice President, Director  
Executive Manager of Corporate Service Division

#### ■ Sales and profits both down slightly in fiscal 2023

Consolidated net sales for the fiscal year ended March 31, 2024 totaled ¥225,360 million (down 1.2% year-on-year), operating income was ¥16,372 million (down 6.4% year-on-year), and net income came to ¥15,981 million (down 0.6% year-on-year). Consolidated orders received so far for fiscal 2024 amounted to 213,376 million yen (down 14.5% year-on-year). Due to concerns about a global economic slowdown and interest rates remaining high, customers have been refraining from making capital investments, and orders have decreased in all regions compared to the previous fiscal year, when orders were at a high level. However, the decrease was only minor compared to fiscal 2022, which recorded an all-time high, and we believe this is the result of the sudden increase in demand after the COVID-19 pandemic having subsided somewhat.

#### ■ Focusing on growth markets toward fiscal 2027 targets Implementing measures to improve profitability and asset efficiency

We believe that the rapidly growing Asian market will be important in achieving our target of ¥270 billion in consolidated net sales and 12% operating margin ratio in fiscal 2027. India in particular has a remarkable GDP growth rate and robust capital investment. By industry, we believe that semiconductors will be key. Semiconductors are essential for automobiles and data centers as well as home appliances and smartphones, and we expect demand for them to grow further along with the growth of the general market, so we will continue to keep a close eye on this. As demand increases, issues such as labor shortages and the associated rise in labor costs have materialized at manufacturing sites, and as a solution, there is rising demand for high-added-value products such as large machines and 5-axis machines to realize process consolidation and new production methods. We believe that our mission is not only to expand our lineup of large and 5-axis machines, but also to make the most of the various technologies we have cultivated and to propose these high-added-value machines together with automation systems so that they can be used to the fullest extent possible.

As we plan to increase our production volume, we need to shorten lead times by improving productivity in order to provide products by the delivery date requested by our customers. This is also an important issue in terms of improving profitability, and in order to achieve this, we urgently need to improve our production system. We are currently building a new plant in Fujiyoshida City, Yamanashi Prefecture, which will be equipped with the latest equipment. The plant will dramatically improve the productivity in terms of large machines and 5-axis machines, for which demand is expected to increase in the future.

We hope to make the new Fuji Yoshida Plant a model for improving production efficiency and utilize this knowledge for future plant-related capital investment both in Japan and overseas.

At the same time, we are reviewing our production processes and, with the cooperation of our suppliers, shortening the turnover period of our inventories; namely parts inventory, works in progress inventory, and finished goods inventory, and working to improve our cash conversion cycle (CCC). Furthermore, we are improving asset efficiency by using the cash generated from reductions in cross-shareholdings and utilizing interest-bearing debt to return profits to shareholders and make capital investments.

#### ■ Active investment in natural and human capital

We are working together with Group companies to achieve carbon neutrality by 2050. During the fiscal year under review, we received a B-rating from CDP and we will work to achieve a higher rating in fiscal 2024.

We have also completed calculations for our Scope 3 greenhouse gas (GHG) emissions. Going forward, we will continue to develop products that achieve high productivity and energy-saving performance, thereby contributing to reducing CO<sub>2</sub> emissions in our customers' production activities.

Investing in human capital takes time. In addition to in-house training, such as level-based training, we also collaborate with external institutions to provide comprehensive training. As a manufacturer with 80% of our business overseas, we require diverse talent, and will focus on developing two main types of human resources. One is people who are always exploring cutting-edge technology and can develop new technologies and production methods, while the other is people who can manage organizations globally. In order to develop both types in a well-balanced way, we will work to bring out the potential of all employees and lead them to growth.

#### ■ Increasing shareholder returns

Returning profits to shareholders through stable and continuous dividends is one of our key management priorities. Dividends will be determined after comprehensively considering our investment plans and business performance. Our aim is for a total return ratio, including share buybacks, of 35 to 45% on average over the five years from fiscal 2023 to fiscal 2027. The total return ratio for fiscal 2023 was 29%, a slight increase from 24% in fiscal 2022. However, we expect it to be 40% or higher in fiscal 2024\*. We will continue to work to increase shareholder returns by improving profitability through various measures.

\* As of October 31, 2024, the total acquisition cost of treasury stock in fiscal 2024 is 1,999 million yen.

## Fiscal 2027 targets

		Fiscal 2022 (April 1, 2022 to March 31, 2023)	Fiscal 2023 (April 1, 2023 to March 31, 2024)	Target for fiscal 2027
Profit and loss	Net sales (Millions of yen)	227,985	225,360	270,000
	Operating margin ratio	7.7%	7.6%	12.0%
Capital efficiency	ROE <sup>1</sup>	8.6%	7.6%	11.0%
	Cash Conversion Cycle (CCC) <sup>2</sup> (days)	171	188	155
Shareholder returns	Total payout ratio <sup>3</sup>	24%	29%	35–45% on average over the five-year period from fiscal 2023 to fiscal 2027

1 ROE = Net income attributable to owners of parent ÷ Shareholders' equity

2 CCC = Notes and accounts receivable, trade turnover days + Inventory turnover days - Notes and accounts payable, trade turnover days

3 Total payout ratio = (Dividends paid + Amount paid for share buybacks) ÷ Net income

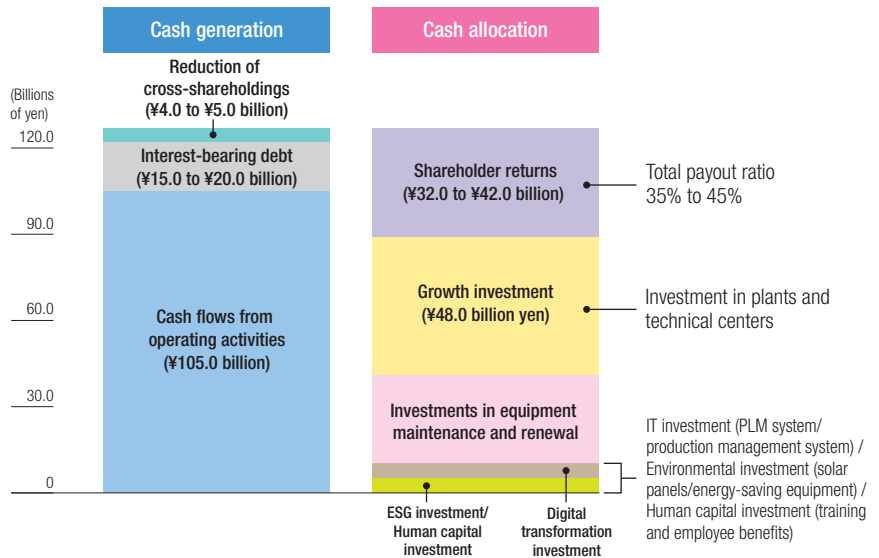
## Capital Strategy

We plan to generate operating cash flow of ¥105 billion over the five years from fiscal 2023 to fiscal 2027 by increasing profitability through increased sales, improved product mix, and fixed cost control. In addition, we will work to improve cash flows by increasing asset efficiency through measures such as reducing both inventories and cross-shareholdings.

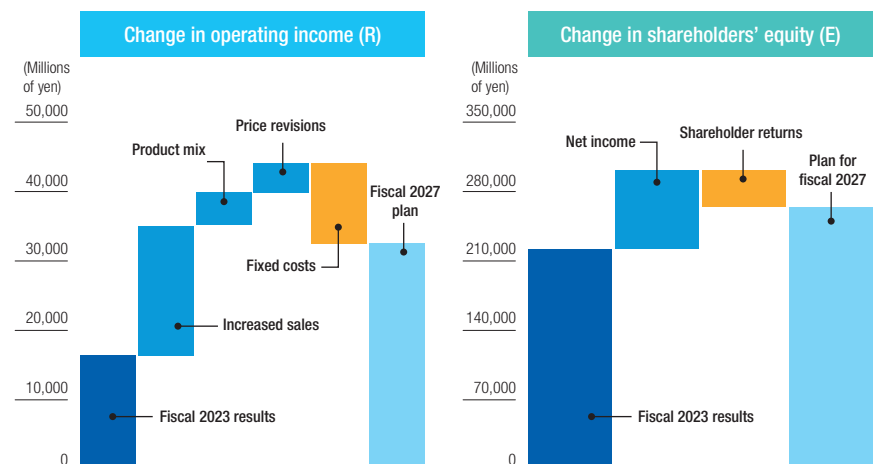
The cash generated will be allocated to growth investments in production facilities and technical centers, including new factories both in Japan and overseas, as well as digital transformation investments aimed at improving operational efficiency, environmental investments such as reducing GHG emissions, and human capital investments to create a better working environment and develop global human resources.

With regard to shareholder returns, we aim to achieve an average total return ratio of 35% to 45% over the five-year period from fiscal 2023 to fiscal 2027, based on the pursuit of a stable and continuous dividend policy and flexible share buybacks.

### Capital Plan (fiscal 2023 to fiscal 2027)



### ROE Plan



## Response to Climate Change Issues



■ **Linking environmental activities with the efforts of each individual to ensure internal penetration**

The Sustainability Promotion Office has been communicating with each department in Japan and overseas subsidiaries to promote activities that combat climate change. In advancing these activities, we emphasize the importance of applying each issue to Makino's current situation and linking it to the efforts of each individual. We shared at various occasions how daily efforts, such as the activities of each company and department based on ISO 14001, lead to reductions in CO<sub>2</sub> emissions.

The Board of Directors also regularly discusses the initiatives of each company and department, and we have established a Group-wide system to address environmental issues, from top management to front-line operations.

■ **Established Scope 3 reduction targets, with efforts focusing on the entire supply chain**

As part of our efforts to reduce Scope 1 and 2 CO<sub>2</sub> emissions, we are expanding the installation of solar power generation equipment at our plants and sales offices. We are also continuing our efforts to reduce greenhouse gas emissions (GHG) at our domestic and overseas business sites by changing over to high-efficiency air-conditioning equipment and LED lighting. For our plant expansion under construction in Fujiyoshida City, Yamanashi Prefecture, we are considering obtaining ZEB certification for some of its buildings.

Until now we have only calculated Scope 1 and 2 CO<sub>2</sub> emissions (consolidated), but we recently completed the calculation of Scope 3 (consolidated) as well. Following this, we established reduction targets in line with the SBT standards consistent with the Paris Agreement. In addition to the aforementioned constant efforts, the entire Group will continue to work together to develop environmentally friendly products and technologies and to reduce waste in production in order to achieve these targets.

■ **Creating a roadmap for corporate value enhancement from a long-term perspective**

In fiscal 2023, we made our first formal response to CDP, a global rating organization for corporate environmental responsiveness, and received a score of B- in climate change and water security. In fiscal 2024, we will work to improve disclosure information with the aim of achieving an even higher score. At the same time, rather than placing top priority on improving our score in the immediate future, we will examine what our priorities should be in light of our business activities and the "Quality First" philosophy, and promote initiatives that are grounded in a long-term perspective. We will then enhance our disclosures to ensure that our stakeholders are well informed about the day-to-day sustainability activities of each and every employee.

### Environmental policy

**Makino will always give consideration to the environmental impact of all processes in which our products are produced and used by customers to build societal trust.**

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Specific activities based on our environmental policy

1. Press ahead with energy and resource conservation.
2. Press ahead with waste reduction.
3. Offer products with low environmental impact.
4. Comply with laws, regulations, and voluntary controls.
5. Prevent environmental pollution.
6. Continue to enhance our environmental management system.
7. Build awareness of environmental conservation.

With regard to greenhouse gas (GHG) emissions, we have set a long-term target of becoming carbon neutral (effectively zero GHG emissions) by 2050 for Scope 1 and 2, as well as a medium-term target of reducing CO<sub>2</sub> emissions (consolidated Scope 1 and 2) by 42% by 2030 compared to 2022, and reducing CO<sub>2</sub> emissions (consolidated Scope 3 Category 1 and 11) by 25% by 2030 compared to 2022.

In order to achieve these targets, we have established a system to monitor energy consumption, including that of our overseas subsidiaries. We also visualize CO<sub>2</sub> emissions on a global basis and promote reduction of emissions and waste at our plants, various energy-saving activities, and utilization of renewable energy such as solar power generation. We also contribute to the reduction of environmental impact throughout the supply chain by developing products with high energy-saving performance and reducing waste in production.

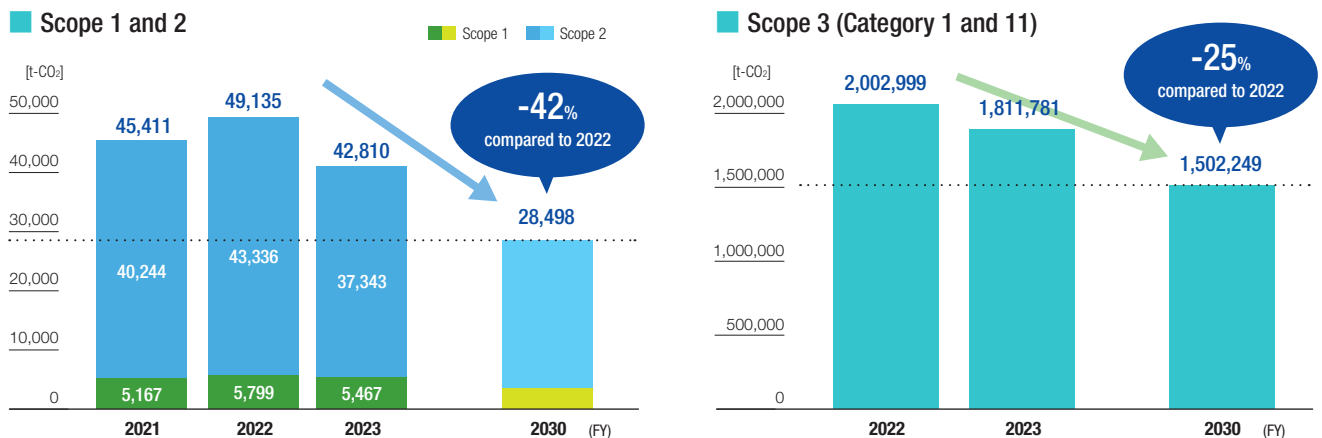
## GHG reduction efforts

We have endorsed the TCFD's recommendations and are implementing GHG reduction initiatives.



Governance	<p>The Board of Directors approves major investment plans aimed at reducing environmental impacts, receiving reports, and deliberating the implementation status of these plans as appropriate. In the event serious environmental risks materialize or are very likely to occur, the Board receives reports on each risk and discusses the status of responses. Makino selects a General Manager of Environmental Management from management ranks with the authority to formulate and review environmental policies, prepare and provide management resources necessary for the establishment, maintenance, implementation, and management of the Environmental Management System, and appoints a person in charge of steadily implementing the system.</p>						
Strategy	<p>Makino identified climate-related risks and opportunities with the potential of impacting business, strategies, and financial plans in the short, medium, and long-term based on multiple scenarios, with one assuming a 4°C temperature increase relative to pre-industrial times and the other assuming a limited temperature increase of 1.5°C. The following are risks Makino believes have the potential to significantly impact business.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #4a90e2; color: white; padding: 5px;">Transition risks</td> <td> <ul style="list-style-type: none"> <li>• Ongoing GHG emissions pricing, stricter energy conservation policies, mandates and regulations on existing products and services, and rising raw material costs in response to GHG emission reductions</li> </ul> </td> </tr> <tr> <td style="background-color: #4a90e2; color: white; padding: 5px;">Physical risks</td> <td> <ul style="list-style-type: none"> <li>• Increased severity and frequency of cyclones, floods, and other extreme weather events</li> </ul> </td> </tr> <tr> <td style="background-color: #4a90e2; color: white; padding: 5px;">Opportunities</td> <td> <ul style="list-style-type: none"> <li>• R&amp;D and expansion of low-carbon products and services</li> </ul> </td> </tr> </table>	Transition risks	<ul style="list-style-type: none"> <li>• Ongoing GHG emissions pricing, stricter energy conservation policies, mandates and regulations on existing products and services, and rising raw material costs in response to GHG emission reductions</li> </ul>	Physical risks	<ul style="list-style-type: none"> <li>• Increased severity and frequency of cyclones, floods, and other extreme weather events</li> </ul>	Opportunities	<ul style="list-style-type: none"> <li>• R&amp;D and expansion of low-carbon products and services</li> </ul>
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Risk management	<p>The Risk Management Promotion Office compiles and prioritizes manifested risks. The Board of Directors focuses on legal reform trends, the results of management reviews, and other information as risks that must be addressed from a Company-wide perspective, then presents them to each division. Executive managers in each division select major risks to be addressed, taking into consideration risks prioritized from a Company-wide perspective and risks identified in their division. They establish response policies and conduct risk mitigation, which includes monitoring and measurement activities. A portion of the results of these efforts is disclosed on the Makino website. The Environmental General Manager summarizes environmental activities conducted during the year and conducts management reviews. In addition to sharing findings with each division, the Risk Management Promotion Office reflects findings related to key risks from a Company-wide perspective and reports them to the Risk Management Committee. In the event of a particularly important risk issue, the details are reported to the Risk Management Committee for discussion as necessary.</p>						
Metrics and targets	<ul style="list-style-type: none"> <li>• Long-Term Target Achieve carbon neutrality (virtually zero greenhouse gas emissions) in 2050 in Scope 1 and Scope 2</li> <li>• Near-Term Target Reduce CO<sub>2</sub> emissions (Consolidated, Scope 1 and 2) by 42% from those of 2022 by 2030 Reduce CO<sub>2</sub> emissions (Consolidated, Scope 3 Category 1 and 11) by 25% from those of 2022 by 2030</li> </ul>						

## Consolidated CO<sub>2</sub> reduction targets

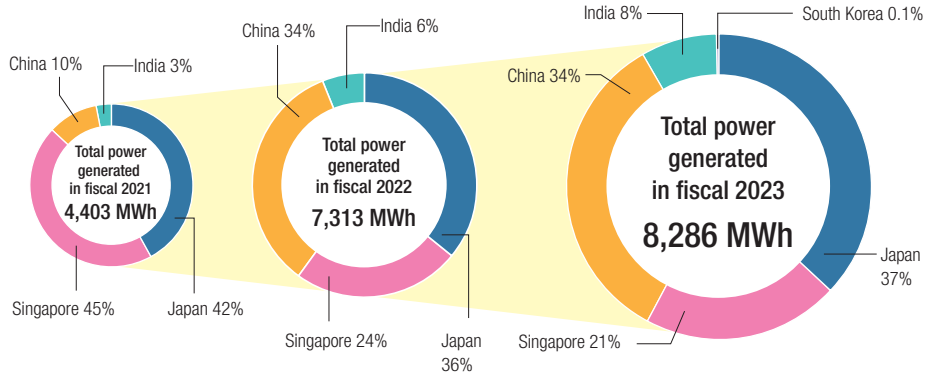


\*See p. 51 for details. → P.51

## Response to Climate Change Issues

### Global solar power generation equipment

An environment without fluctuations in temperature is essential to the production of high-precision machine tools, and a huge amount of energy is consumed in the air conditioning of facilities. In order to reduce the fossil energy consumed in these critical efforts, we endeavor to increase our use of renewable energy by installing solar panels at our plants and sales offices. All our facilities that will be constructed in the future are set to be equipped with solar panels.



### CDP assessment and ISO certification



We made our first formal response to CDP (Climate Change and Water Security) in fiscal 2023 and received a score of B- for both climate change and water security.



Atsugi and Fuji Katsuyama plants

The Atsugi, Fuji Katsuyama, Singapore, Kunshan, Wuhan, and Bangalore plants have obtained ISO 14001 certification for their environmental management systems.

### Environment-friendly products and technologies

We are developing products and technologies that achieve high productivity and energy savings to reduce GHG emissions throughout the supply chain.

Our proprietary technology eSTABILIZER (machine stabilization control technology) utilizes data from temperature sensors installed in machines to maintain high-precision machining by predicting and automatically controlling minute mechanical deformations caused by ambient temperatures. By achieving stable machining accuracy even when the temperature inside the plant changes, this system contributes to reducing the amount of electricity consumed by the plant for air conditioning, which was previously required to maintain accuracy.

Other functions that result in energy saving and high productivity include Makino's proprietary GI control and Super GI.5 control technologies. These reduce machining time and increase machining accuracy through smooth and efficient feed motion. In addition to this, we also provide energy saving functions that optimize auxiliary equipment operation, which accounts for a substantial portion of processing power consumption.

#### Power consumption reduction rate

eSTABILIZER	12% <sup>1 and 2</sup>
GI control and Super GI.5 control	9% <sup>1 and 3</sup>
Energy-saving features	30% (Standby mode) <sup>4</sup>

1 Compared with 2013.  
2 Reduction rates differ depending on machine installation environment and size.  
3 Reduction rates differ depending on processing program.  
4 Reduction rates differ depending on machine type and usage conditions.

Female Officers

External Director and External Audit and Supervisory Board Member

Female Employees



Roundtable Discussion on Promoting Women's Active Participation

Pictured from left

**Ayano Yaguchi**

(Joined the Company as a new graduate in 2019)  
Product Development Department 1, R&D Division

**Shino Takei**

(Joined the Company as a new graduate in 2017)  
Leader, Management Team, Customer Support Division, Makino Technical Service

**Hitomi Tani**

(Joined the Company as a mid-career hire in 2007)  
Manager, Sales Planning Department, Sales Division

Pictured starting fourth from left

**Naoko Takatsuka**

External Audit and Supervisory Board Member

**Ayako Takai**

External Director

**Mayumi Suga**

(Joined the Company as a new graduate in 1999)  
Manager, FA System Development Section, R&D Division

**Keiko Katahira**

(Joined the Company as a new graduate in 2006)  
Leader, Sales Engineering Section, EDM Business Division

In 2024, we welcomed a new female External Audit and Supervisory Board Member, bringing the number of female officers to two. In order to further accelerate the promotion of women's active participation in the workforce at Makino, a discussion was held on Makino's strengths, future challenges, and prospects.

**The proportion of women in the machine tool industry, and ultimately at Makino, is still low. What do you envision when it comes to building a career at a machine tool manufacturer?**

**Katahira:** For engineers, interacting with customers is an important opportunity to gather information. When my child was young, I felt frustrated because I had fewer opportunities to interact with customers due to time constraints for work and business trips. Now, online meetings with customers have become the norm, making it easier to gather information. Still, I feel a gap in knowledge compared to my colleagues, and I feel the need to urgently bury this gap. Also, when I became a leader, I felt anxious because there were no female engineers around me to look up to. I think this kind of anxiety is something that female engineers who work in an environment with few women feel.

**Takei:** As Ms. Katahira said, I feel that women experience greater changes in their life stages than men. Makino Technical Service, where I work, visits our customers' factories to repair machines. Until now, the workforce has been dominated by men, but last year, for the first time, two women joined the company as field service engineers. I think it is necessary to create a more comfortable working environment for women, regardless of the type of job.

**Yaguchi:** When I think about the fact that I may have less time to work after giving birth because I am busy with housework and childcare, I worry about whether I will be able to advance my career in the same way as male employees. At the same time, I should not be overly anxious about this, as there is so much information out there.



Women may face worries, such as a lack of role models, lost opportunities due to information gaps, and the impact of changes in life stages on careers. How have you, as managers, overcome such situations?

**Suga:** In 2007, when I gave birth to my first child, more women were entering the workforce, but the lack of daycare centers and other inadequate childcare environments was a social issue. I was the first person in the FA Systems Development Section to take maternity and childcare leave, and there was no precedent for this, so I considered quitting the company if I could not get my child into daycare. Now the environment has improved, and there are various systems within the company, such as flextime and reduced working hour systems, as well as subsidies for using housekeeping services, so I think it is important to understand the systems and make good use of them.

**Tani:** Until I gave birth, I was working abroad, but after giving birth, my working hours became limited, so I worked in an over-

seas sales office and then transferred to the Sales Planning Department. Information is important for sales, too. Even with the restrictions on my working hours, I visited customers and attended exhibitions as much as possible, so as not to miss any opportunities to obtain information.

Ms. Suga, as one of the first female managers at Makino, is there anything you have been conscious of?

**Suga:** Just because you are a leader does not mean you have to work hard all by yourself. When I became a leader, I could not handle all the work by myself, so I managed the team by distributing tasks to my team members. Since becoming a manager, I leave the daily management of the team to my team members, but I give instructions when necessary. It is the same at home. I used to do all the childcare and housework by myself, but now in the morning I just focus on the kids and preparing meals. I leave the cleaning and laundry to my husband, and he's in charge of bathing the kids in the evening. So I am creating an environment where I can delegate both work and home life to others.

**Katahira:** I am still not able to proactively delegate responsibilities to my team members, which is a bit worrying for me.

**Suga:** When I became a leader, about two-thirds of the team members were more senior than me. However, I reconsidered that as a leader, I have to give instructions and do my job. Becoming a leader means that you have accumulated a lot of experience. I think it is good to be confident.

Ms. Tani, having worked in sales, how have you dealt with changes in life stages and career advancement?

Makino makes it possible to take on new work if you want to





**Tani:** There was a time when I worked reduced hours, but at the time, the company told me to “put family first,” so I was able to adjust my hours and balance work and childcare with peace of mind. Raising children often brings with it many unexpected events. I also experienced having my child hospitalized, but I overcame that with the understanding and ingenuity of those around me.

**Yaguchi:** Changing life stages can be difficult, but I felt at ease knowing that with the help of my team and family, I could manage these stages.

**Takei:** When the team is aware that there are people around them who need support, it helps create an environment where people can support each other.

— **What is the key to advancing your career at Makino?**

**Suga:** After my childcare leave, I was a little worried about whether I would be able to keep up with everyone, but it turned out to be okay. When I became a leader, there was a psychological burden in giving instructions to employees who were more senior than me, but the people around me were very cooperative, perhaps because they understood my work. I think I was in a very fortunate environment.

**Tani:** Compared to the sales staff working on the front line, there is a difference in the amount of product knowledge I have, and when I face that reality, it can be disheartening. However, I believe that my motivation for work is something I can control myself. The work I’m currently in isn’t everything; if I change my perspective and think positively, there are fields where I can excel. After I was transferred to the Sales Planning Department, my original job was to compile numerical data, but when I expressed a desire to help promote sales of new models, I was kindly given the responsibility, and the experience I gained at that time is still useful to me today. I want people at Makino to know that there are opportunities to take on new work as long as you are willing.

— **Having heard the voices of these female employees, what do you two, as director and Audit and Supervisory Board Member, expect from Makino’s employees in the future?**

**Takai:** I feel encouraged that we have such wonderful people. We, as management, must further support success, alleviate the concerns of young employees, and strive to improve the work environment. Nowadays, it is often seen as something special for women to become managers. I also felt the need to change our mindset and realize that anyone can aim for a managerial position if they have the ability and the desire to do so.

**Takatsuka:** With the declining birthrate and the difficulty of recruiting new graduates, it is important for Makino to develop human resources, including women. In order to allow more women to play active roles at Makino, I think it is necessary to review the working environment so that women are not disadvan-



taged and to create an environment where everyone can work without feeling uncomfortable. Also, by highlighting active women like you here today in recruitment activities, we need to make improvements so that more students will choose us as a potential employer.

— **Can you provide a message to young employees?**

**Suga:** Speaking from my experience, your efforts will be recognized, and you will be more likely to receive support from those around you. Do not be anxious, just try to communicate what you want to do.

**Tani:** Everyone has their own life plan, but while you are still young and have the time, I want you to develop your strengths in areas you are good at or interested in. At work, I want you to work hard, believing that any task you undertake will be beneficial for your future.

— **After listening to the stories of those senior to you, has your image of working changed?**

**Katahira:** Listening to everyone’s stories has given me a positive feeling. I feel relieved to reconfirm my understanding that Makino has a culture that supports the challenges of ambitious employees. I would like the company to advertise this to increase the number of women in the workplace.

**Takei:** I realized that the improvements in the working environment and systems are thanks to the efforts of our predecessors. We will also work hard so that we can pass the baton to the next generation with better conditions.

**Yaguchi:** I realized through participating in the roundtable discussion that everyone has the same concerns. I would be happy if we could create an environment where we regularly meet and discuss our future plans so that new women joining the company do not have to have the same concerns as us.

— **Through today’s talk, we learned that Makino offers the opportunities and environment for women to thrive. In the future, we would like to share your concerns and use them to create opportunities and an environment that can alleviate them, so that we can increase the number of women who are active in the company. Thank you for today.**

## Greater Human Capital Investments



### Proactive human resource strategy supporting global business expansion

**Izumi Nakashima**

Deputy Executive Manager of Corporate Service Division  
General Manager, Human Resource Department

#### Pursuing human resources that can support “Quality First” and thrive globally

The business activities of the Makino Group take place globally on a scale that far exceeds domestic operations, with more than half of the employees in the Group on a consolidated basis being non-Japanese nationals. Therefore, it is essential to cultivate human resources who can collaborate and thrive at a high level with overseas Group companies, and we are addressing this as a management issue.

Some 12.1% of employees in the Makino Group in Japan have the experience of being posted overseas, and to further promote globalization, we have started initiatives to send motivated employees abroad earlier than before. In April 2024, we assigned employees in their fourth year to overseas assignments as expatriates, and we also plan to send employees in their third year of employment abroad to gain work experience before the end of 2024.

In addition, we introduced Global Mindset Training into new employee training with the aim of raising awareness from the time of joining the company. We will cultivate young employees to develop an international perspective and sensibility from an early stage, enabling them to thrive in global business in the future.

#### Promoting diversity

With respect for diversity deeply rooted in our Company, we believe a diverse workforce is critical for achieving our business goals. In Japan, we are also focusing on the recruitment of non-Japanese talent and the promotion of women’s active participation. Recently, we hired eight

excellent engineers of non-Japanese nationality, including former international students. We will continue to promote the establishment of relationships with overseas universities through acceptance of internships and collaborative research. Also, as one way of preparing for the shortage of human resources responsible for our domestic production activities in the future, we are newly advancing initiatives for the recruitment of non-Japanese workers in collaboration with overseas Group companies. In addition to supporting non-Japanese employees in starting their lives in Japan, we have also begun providing Japanese language learning through a self-development program, creating an environment where diverse human resources can thrive.

Also, as a new initiative to promote women’s active participation, we held a roundtable discussion with female employees. Going forward, we will continue to work on providing opportunities for female employees to think about their career options.

#### Creating an environment where each employee can continue to grow

We approach the issues faced by our customers from multiple angles by having diverse human resources with specialized skills communicate across departments, enabling us to persistently work on solving these issues. We are also reviewing career support and training curricula to enable diverse and ambitious career development. We want to create an environment where each employee can think broadly about their career and realize the career they desire.

### Human resource development and internal environmental improvement policies

We believe that the term “resources” in human resources is an “asset.” Makino, which provides high-precision and high-quality machine tools, needs to pass down the knowledge and know-how accumulated over many years in various fields, such as R&D, production, sales, and service, while also incorporating new technologies. Furthermore, our production bases are spread around the world, and with the rapid changes in technology and markets, the demands are also changing, requiring flexible responses.

Ensuring diversity is an essential element in addressing these issues and sustainably enhancing corporate value.

From this perspective, we have established the following policies regarding human resource development and the improvement of the internal environment.

1

To realize a virtuous cycle in which employee growth leads to Company growth and growth of the Company further promotes employee growth, Makino provides various opportunities for career development and skill enhancements.

2

Makino will endeavor to provide a work environment that embraces different values to continue creating innovative products and services that can respond to issues faced by our customers.

If we are to continue as a partner in resolving issues for customers in various countries, regions, and industries, it is free-thinking employees able to make customer proposals who shall drive Company growth. We will continue providing top-quality, high-precision machine tools, while creating an organization in which diverse human resources can play an active role in R&D, production, sales, service, and other areas, so that we can accurately respond to changing needs.

## Promoting diversity

We recognize that ensuring diversity in human resources is an essential element for achieving our business goals. At present, 2.4% of management positions (manager or higher) at Makino and its domestic Group companies are occupied by women. We aim to increase this ratio to 5% by 2026, then to 15% over the long term. To this end, we intend to increase the ratio of female section chiefs (candidates for managerial positions), which currently stands at 8.5%, to 10% by 2026, then to 15% over the longer term.

On a consolidated basis, the Makino Group is a multinational corporation that employs more non-Japanese than Japanese nationals. Overseas branches manage employees in accordance with the laws, systems, and practices in the countries in which they operate.

Female employee ratio (%) (As of March 31, 2024)

	Non-consolidated	Group companies in Japan
Manager	3.6	2.4
Section Chief	6.2	8.5
Regular employee	11.1	12.1
All employees	11.7	14.8

\* For other indicators, see P.52. → P.52

## Education programs

We are working to enhance our education programs based on our human resource development policies. We provide growth opportunities for all levels of employees and encourage the drawing up of personalized career plans.

In order to accelerate the development of employee skills, in 2021 we established an in-house university called MAKINO Business Academy. We provide various other learning opportunities, too, such as level-based training, joint research in collaboration with universities, and support for obtaining degrees. In addition, we are creating an environment where employees can proactively design their careers through regular career interviews and an internal recruitment system.

### Education available

Type of training	General positions	Section chief	Specialist positions	Managers
Level-based		One-on-one training		One-on-one training
		Evaluator training		Evaluator training
				New manager training
	Level-based			
Career development	Training for employees who have become 50 years of age			
	In-house examinations			
	Bachelor's degrees for working professionals, doctoral degrees for working professionals, and Master of Business Administration (MBA)			
New employee training	Engineering training			
	Craftsmanship training			
	Cross-functional training			
	Global mindset training			
Company-wide	MAKINO Business Academy			
	Harassment prevention training			
	Language training			
	IT training			

## VOICE

### As an overseas expatriate staff member, I am gaining diverse experiences that cannot be replicated in Japan.



Employee stationed in Slovakia  
(Assigned in April 2024)

I am stationed in Slovakia as an expatriate staff member from Japan, where I currently engage in IT-related work. In Japan, I was involved in infrastructure development in the IT department and the promotion of business automation using IT tools. Leveraging that experience, I am also working on solving internal IT infrastructure issues and automating the order process here in Europe.

There are times when I face cultural and language barriers, but in order to make this overseas assignment I had desired meaningful, I strive to actively communicate with local staff and work on problem-solving with the support of the IT team back in Japan. IT operations in Europe need to find solutions from a global perspective while taking into account the needs and IT environments of each region. This has provided me with diverse experiences that cannot be replicated in Japan.

On my days off, I enjoy visiting castles and eating traditional Slovak cuisine. My days are really fulfilling both personally and professionally.

I hope to continue my growth by taking on challenges in the future and contributing to Makino's development globally.

# Corporate Governance



## Basic approach to corporate governance

In line with its corporate philosophy and basic management policies, Makino considers corporate governance to be one of the measures that enhances its corporate value in the medium to long term, while giving due consideration to various stakeholders.

We aim to establish effective and efficient corporate governance given the extremely volatile nature of earnings in the machine tool industry.

## Corporate governance structure

Makino has adopted a company structure with an Audit and Supervisory Board from the institutional designs stipulated in the Companies Act and related laws. In addition, for the sake of transparency and more active discussion, four of the Company's eight directors are external directors (including one woman), and two of the three Audit and Supervisory Board members are external members (including one woman).

In an industry where earnings fluctuate widely from year to year, we have established the aforementioned structure to ensure that we can make decisions promptly, respond quickly to changes in the environment, and make sound management decisions.

Makino's policy is to appoint external directors and external corporate auditors based on their experience working for other organizations and their ability to appropriately fulfill the role from an independent standpoint of supervising or auditing the execution of duties by Makino's directors entrusted by shareholders. We also believe the appointment of external directors allows for the inclusion of a wide range of management expertise and ensures a more thorough role for the Board of Directors.

Director nomination and remuneration are decided by the Board of Directors after consultation and reviewing the recommendation of the Nomination and Remuneration Committee, a voluntary advisory committee to the Board of Directors chaired by an external director and comprising a majority of external directors.

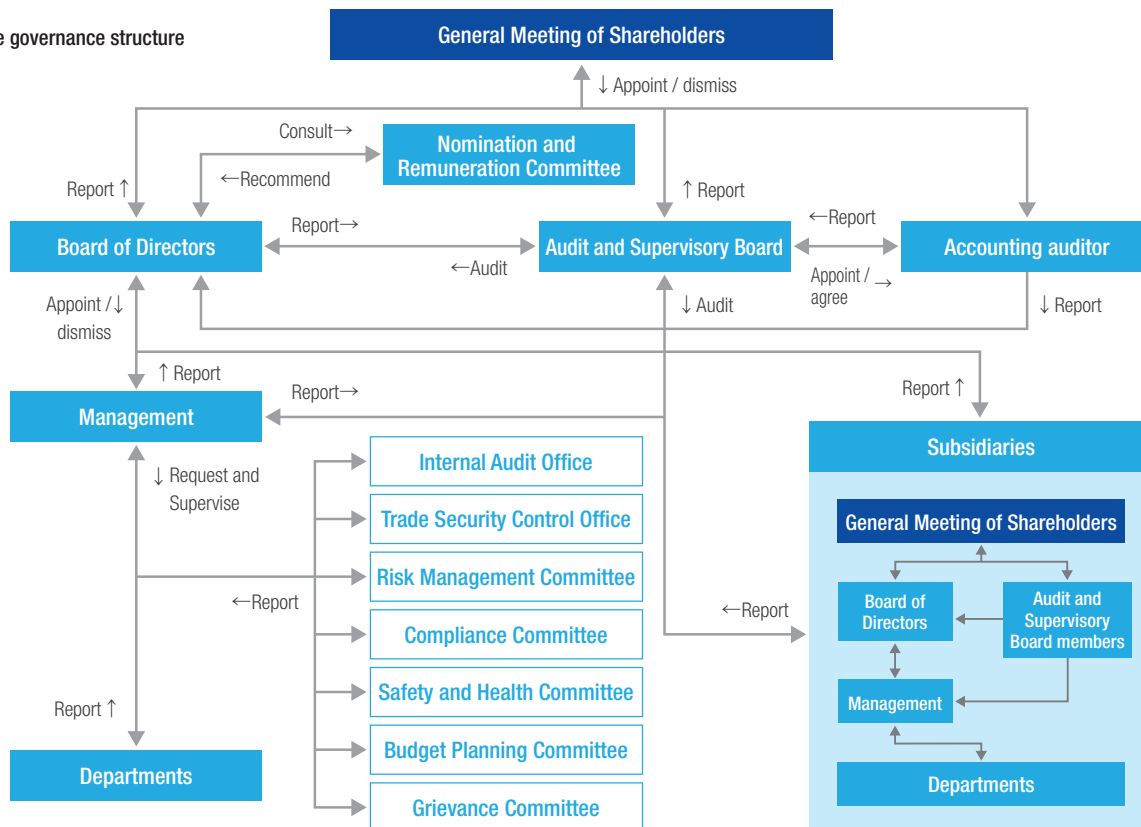
### Overview of our corporate governance structure

Organizational format	Company with an Audit and Supervisory Board
Directors	8 (including 4 external directors)
Audit and Supervisory Board members	3 (including 2 external audit and supervisory board members)
Term of office of directors under the articles of incorporation	1 year
Executive officer system	Adopted
Voluntary advisory committee to the Board of Directors	Nomination and Remuneration Committee
Accounting auditor	Gyosei & Co.
Corporate governance report	<a href="https://ir.makino.co.jp/library/corporate-governance/">https://ir.makino.co.jp/library/corporate-governance/</a> (Japanese Only)

## Progress in Strengthening Corporate Governance

2014	2017	2018	2019	2020	2021	2022
Appointed one external director	Began evaluating the effectiveness of the Board of Directors	Introduced the executive officer system	Appointed two external directors	Increased the external director ratio to one-third or more and established the Code of Conduct	Established the Risk Management Committee and Nomination and Remuneration Committee	Appointed one female director Introduced the restricted stock compensation plan

## Corporate governance structure



### Appointment and dismissal of senior management, nomination of candidates for the posts of director and member of Audit and Supervisory Board

It is Makino's policy to select candidates who are qualified for the duties to be entrusted to them and who excel in character, experience, and ability. The representative director prepares candidate proposals.

Management executives are discussed and approved by the Board of Directors after deliberation by the Nomination and Remuneration Committee. Director candidates are discussed and approved by the Board of Directors as an agenda item for the General Meeting of Shareholders after deliberation by the Nomination and Remuneration Committee. The Board of Directors approves Audit and Supervisory Board Member candidates as an agenda item for the General Meeting of Shareholders with the consent of the Audit and Supervisory Board.

In accordance with the regulations of the Board of Directors, the dismissal of senior executives is based on the policy of dismissal or non-reappointment in the event of misconduct or serious breach of laws, regulations, or the Articles of Incorporation in the performance of their duties, or in the event that they are unable or unwilling to perform their duties due to physical or mental disability.

Moreover, Makino believes that maintaining an appropriate balance, diversity, and size of the Board of Directors in aggregate, in terms of knowledge, experience, and skills is important for the effectiveness of the Board of Directors and considers these factors when selecting board candidates.

Please refer to page 48 for the combination of skills and other attributes possessed by directors.

### Policy on cross-shareholdings

Makino holds shares in operating companies for the purpose of maintaining relationships with its business partners and ensuring that transactions are smooth over the long term.

The Board of Directors annually reviews the appropriateness of each individual shareholding from a holistic standpoint, scrutinizing the degree of benefit commensurate with the cost of capital in terms of economic rationality and qualitatively considering the potential for contributing to the enhancement of Makino's medium-term corporate value through activities such as joint research and development.

As a result of this review, Makino will sell shares that are deemed to have minimal value as cross-shareholdings.

### Evaluating the efficacy of the Board of Directors

We conduct an annual survey of Board of Directors participants in recognition that improving the efficacy of the Board of Directors is one of the issues we face. The following is a summary of the most recent results. While we believe that our Board of Directors is performing effectively, we will work to further improve its efficacy in the future.

- 1 Regular monthly reports and regular resolutions, as well as business plans, investments, and other necessary agenda items are deliberated.
- 2 Directors and Audit and Supervisory Board members can engage in an active and constructive exchange of opinions and comment as appropriate.
- 3 The activities of the Board of Directors including the number of meetings and the time spent on them are rated at a certain level by the directors and Audit and Supervisory Board members.

### Succession planning

Makino's basic policy is to select its chief executive officers, including the president, from among individuals who are well versed in the machine tool industry and the attributes of Makino's business, and who have leadership qualities. To contribute to Makino's sustainable growth and medium- to long-term enhancement of corporate value, we provide educational opportunities through our executive officer system to candidates for the next generation of executives who have the necessary attributes to serve. We have also established the Makino Business Academy as an internal institution to provide employees with opportunities for education on a wide range of management-related topics.

The Nomination and Remuneration Committee will continue to consider the optimal state of Makino's succession planning.

# Corporate Governance

## Executive remuneration

Remuneration for directors is determined by the Board of Directors in consideration of shareholder value so that it functions as an incentive to improve the Company's corporate performance and the resultant corporate value, as well as in consideration of the individual responsibilities of each director.

Remuneration composition		Approach to performance-linked remuneration
1	Basic remuneration as monthly fixed remuneration in accordance with job responsibilities	Performance-linked remuneration for each position is determined within a range of up to 50% of the total amount of basic remuneration and stock-based remuneration, based on the Company's performance in the previous fiscal year and an evaluation of the individual director's performance. The amount of performance-linked remuneration is calculated by evaluating consolidated ROA, consolidated ROE, consolidated sales growth rate, and consolidated operating margin ratio as indicators of company performance. The forecasted values (externally announced values) of the performance-linked indicators for the current fiscal year are consolidated sales growth rate of -4.8% and consolidated operating margin ratio of 6.8%, while the actual values are consolidated ROA of 5.3%, consolidated ROE of 9.0%, consolidated sales growth rate of -1.2%, and consolidated operating margin ratio of 7.3%. Forecasts for consolidated ROA and consolidated ROE are not disclosed as they affect capital policy.
2	Performance-linked remuneration based on evaluations of the Company's business performance and individual directors	
3	Stock-based remuneration in the form of restricted stock	

Total amount of remuneration by officer classification, total amount of remuneration by type of remuneration, and number of directors eligible

Officer classification	Total amount of remuneration, etc. (Millions of yen)	Basic remuneration	Performance-linked remuneration	Non-monetary remuneration, etc.	Number of officers eligible (persons)
Director (excluding external directors)	193	110	35	47	4
Audit and Supervisory Board Member (excluding External Audit and Supervisory Board Members)	24	24	—	—	1
External officer	74	74	—	—	7

## Compliance

Makino has, and implements the following systems as measures to ensure compliance.

- **Code of Conduct:** We have the "Makino Milling Machine Employee Code of Conduct," which summarizes the behavior to be observed by our officers and employees and have notified all employees of the code.
- **Compliance Committee:** The Compliance Committee is chaired by the executive manager of the Corporate Service Division and deliberates on measures and activities necessary to promote compliance, including the status of compliance, details of new and revised laws and regulations and response to them, as well as reportable items and material compliance breaches. In addition, the committee's activities are reported to the Board of Directors on a regular basis and on an ad hoc basis for major issues.
- **Whistleblowing system:** The Company has a whistleblowing system, with internal and external contact points, and has "Rules for Public Interest Reporting System Operation," which stipulate protective measures for whistleblowers. Reporting and suggestion boxes were installed in 2022 at each business location to facilitate whistleblowing.
- **Relationship with suppliers:** We have established and distributed a code of conduct for suppliers that we expect our suppliers to comply with in terms of human rights, health and safety, labor environment, environment, fair trade, and related issues. We also have "Guidelines for Green Procurement" for the use of chemical substances, and promote the procurement of materials, etc. with low environmental impact.

### Trade security

Machine tools are subject to export restrictions if they have a certain level of performance due to the possibility of military diversion to weapons manufacturing and other uses. Many of our products are regulated and require strict export controls.

We have regulations for security aspects of export control to ensure full compliance with export control regulations. We also have a special department for export control that reports directly to the president. It is headed by a director and is independent of the sales division. This department ensures rigorous compliance with all regulations by examining export cases, providing training, conducting internal audits, and taking other measures.

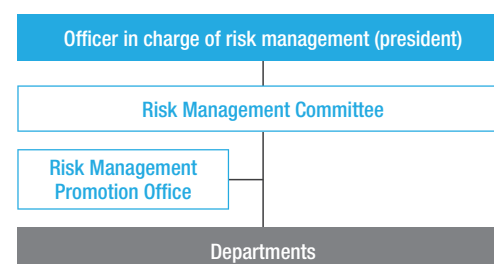
In addition, our products subject to export control are equipped with a relocation detection device (that functions to detect relocation of the machine). If we detect it is relocated, the machine is disabled, thereby preventing unauthorized military diversion.

## Risk management

The Company's policy is not only to manage the risk of loss but also to prevent deviation from laws and regulations and the Articles of Incorporation and thus ensure efficient business execution. This is accomplished by establishing a risk management framework, which is the basis of the structure to ensure the appropriateness of operations.

As part of the risk management framework, the Company has positioned the president as the officer in charge of risk management and established the Risk Management Committee to serve as an advisory body to the president. In principle, the Risk Management Committee meets twice a year to report on risks and the status of initiatives. In the event that a risk with a high degree of damage materializes, meetings are held as needed to report and deliberate on the status of the response, and matters that are particularly material are reported to the Board of Directors for necessary deliberation.

### Risk management framework



## Message from Newly Appointed External Director



### **Ayako Takai** Director / External & Independent

Today, most industries have matured, and competition is becoming more intense. Furthermore, we continue to live in difficult times, with unpredictable events occurring one after another both at home and abroad. However, no matter how the environment changes, the importance of manufacturing remains unchanged. Rather, the need to discover and commercialize new technologies is increasing. It is not easy to gain a sustainable competitive advantage, but Makino's products have earned a strong reputation around the world over the years for the company's "quality first" mindset.

On the other hand, the trends of customers and end products are undergoing major changes. It is necessary to listen to the needs of current customers and to propose value to new customers. It is also important to identify the source of the Company's competitiveness and continue to consciously strengthen it.

I have studied the relationship of competition between companies, and the strategy and performance of companies using various case studies, and I feel that Makino has an organizational culture that sincerely accepts external opinions. First, I think it is important to promote the active participation of women and at the same time create an environment that can further improve the productivity of all employees. Furthermore, I believe that greater growth is possible if Makino communicates clear and easy-to-understand management messages both inside and outside the company and works toward a common goal with a sense of unity.

#### Reason for Appointment

After working in management consulting, Ms. Takai has gained extensive experience and insight into management strategy theory, having served as a professor at the Yokohama National University Graduate School and in other roles.

## Message from Newly Appointed External Audit and Supervisory Board Member



### **Naoko Takatsuka** Audit and Supervisory Board Member / External & Independent

"Quality First" is a phrase that is thoroughly emphasized within the Company. It is also posted in visible places in plants and heard every morning on the Company's loudspeakers. In the history of Makino, which was founded before World War II and has supported Japan's manufacturing industry including during the period of rapid economic growth, I get the impression that this phrase has been passed down to each and every employee. When talking to employees, I can sense their pride in the fact that everything from airplanes to smartphones are made with Makino's machine tools, and this is likely due to the constant effort to always listen to and respond to customer feedback.

I think the most important thing is for Makino to continue to be a good company for the various people in society that it interacts with (business partners, employees, shareholders, local residents, etc.). To that end, I would like to take a bird's-eye view of the Company's overall corporate activities to see whether it is responding to rapidly changing laws and regulations and social demands, and whether there are any pitfalls that are difficult to see from inside the company. I would also like to keep an eye on areas that could become corporate value not appearing as figures in business performance, i.e., whether sufficient measures are being taken to enable diverse human resources such as women and foreigners to play an active role.

#### Reason for Appointment

Ms. Takatsuka has extensive knowledge and experience in accounting as a certified public accountant and tax accountant.

# Corporate Governance

## Board of Directors



### Directors

#### 01 President and Representative Director Shotaro Miyazaki

- 1986. 4 Joined the Company
- 1999. 1 Director, Heidenreich & Harbeck Werkzeugmaschinenfabrik GmbH
- 2000. 6 Representative Director, Makino Formenbautechnologie GmbH
- 2011. 3 General Manager, Asia Sales Department, Sales Division of the Company
- 2016. 9 General Manager, Overseas Sales Department, Sales Division
- 2021. 9 Executive Officer; Deputy Executive Manager, Sales Division; General Manager, Sales & Application, Makino Europe GmbH
- 2022. 6 President and Representative Director (to present)

#### 04 Director; Executive Manager, R&D Division; Manager, Design and Manufacturing Process Re-engineering Center Haruyuki Shiraishi

- 1985. 4 Joined the Company
- 2008. 1 Deputy Executive Manager, Development Division
- 2013. 2 Deputy Executive Manager, Production Division
- 2016. 1 Director, Makino Asia Pte Ltd
- 2020. 6 Executive Officer; Executive Manager, Production Division; Executive Manager, Company's Fuji Katsuyama Plant
- 2022. 6 Director, Executive Manager, R&D Division
- 2023. 2 Director; Executive Manager, R&D Division; Manager, Design/Production Data Utilization Promotion Office
- 2024. 6 Director; Executive Manager, R&D Division; Manager, Design and Manufacturing Process Re-engineering Center (to present)

#### 02 Executive Vice President and Representative Director, Executive Manager, Corporate Service Division; Office Manager, Trade Security Control Office Toshiyuki Nagano

- 2004. 5 Joined the Company
- 2006. 6 Director, Makino J Co., Ltd.
- 2008. 11 General Manager, Finance Department of the Company
- 2009. 6 Director; General Manager, Finance Department; Manager, Energy Control Office
- 2011. 4 Director; Executive Manager, Corporate Service Division; Manager, Trade Security Control Office; Manager, Energy Control Office
- 2014. 6 Vice President, Director; Executive Manager, Corporate Service Division; Manager, Trade Security Control Office; Manager, Energy Control Office
- 2016. 6 Executive Vice President, Director; Executive Manager, Corporate Service Division; Manager, Trade Security Control Office; Manager, Energy Control Office
- 2017. 4 Executive Vice President, Director; Executive Manager, Corporate Service Division; Manager, Corporate Planning Office; Manager, Trade Security Control Office, Office Manager, Energy Control Office
- 2021. 2 Executive Vice President, Director; Executive Manager, Corporate Service Division Manager, Trade Security Control Office; Manager, Energy Control Office Manager, Energy Control Office
- 2021. 6 Executive Vice President, Representative Director; Executive Manager of Corporate Service Division; Office Manager, Energy Control Office; Office Manager, Trade Security Control Office, Risk Management Promotion Division
- 2022. 6 Executive Vice President, Representative Director; Executive Manager of Corporate Service Division; Office Manager, Trade Security Control Office; Office Manager, Energy Control Office
- 2022. 10 Executive Vice President, Representative Director; Executive Manager, Corporate Service Division; Office Manager, Trade Security Control Office (to present)

#### 05 Director, External and Independent Naofumi Masuda

- 2008. 6 Managing Officer, TOYOTA MOTOR CORPORATION (Kinuura Plant General Manager, Myochi Plant General Manager)
- 2010. 6 Senior Managing Director, ADVICS CO., LTD.
- 2014. 6 Executive Vice President, ADVICS CO., LTD.
- 2017. 6 Advisor & Chief Engineer, ADVICS CO., LTD.
- 2018. 6 Executive Advisor, ADVICS CO., LTD.
- 2019. 6 External Director & Member of the Audit & Supervisory Committee, YASUNAGA CORPORATION (to present)
- 2020. 6 Director of the Company (to present)

**Significant concurrent positions** External Director & Member of the Audit & Supervisory Committee, YASUNAGA CORPORATION

#### 03 Executive Vice President and Representative Director; Executive Manager, Production Division Tatsuaki Aiba

- 1980. 4 Joined the Company
- 2002. 11 General Manager, Fuji Katsuyama Production Department
- 2004. 12 General Manager, Fuji Katsuyama Production Department; General Manager, Procurement Department
- 2005. 6 Director; Executive Manager, Production Division
- 2012. 10 Director; Executive Manager, Production Division; Executive Manager, Fuji Katsuyama Plant
- 2014. 6 Vice President, Director; Executive Manager, Production Division; Executive Manager, Fuji Katsuyama Plant
- 2020. 6 Vice President, Director
- 2021. 9 Vice President, Director; Executive Manager, Quality/Procurement Division
- 2022. 6 Executive Vice President, Representative Director; Executive Manager, Production Division (to present)

#### 06 Director, External and Independent Kodo Yamazaki

- 1989. 4 Assistant Professor, Takayama Junior College
- 1994. 4 Professor, Takayama Junior College
- 2001. 4 Professor, Faculty of Law, Kumamoto University
- 2003. 4 Managing Director, Japan Tax Jurisprudence Association
- 2007. 4 Dean, Faculty of Law, Kumamoto University
- 2015. 4 Trustee and Deputy President, Kumamoto University
- 2020. 4 Professor, Graduate School, Kumamoto Gakuen University (to present)
- 2020. 6 Director of the Company (to present)

**Significant concurrent positions** Professor, Graduate School, Kumamoto Gakuen University



## Skill matrix

		Management	International Experience	R&D / Production	Sales / Marketing	Finance / Accounting	Legal / Risk Management
01	<b>Shotaro Miyazaki</b> President and Representative Director	●	●		●	●	
02	<b>Toshiyuki Nagano</b> Executive Vice President and Representative Director	●	●			●	●
03	<b>Tatsuaki Aiba</b> Executive Vice President and Representative Director	●		●	●		
04	<b>Haruyuki Shiraishi</b> Director	●	●	●			
05	<b>Naofumi Masuda</b> Director, External and Independent	●		●			●
06	<b>Kodo Yamazaki</b> Director, External and Independent	●				●	●
07	<b>Kazuo Takahashi</b> Director, External and Independent	●			●	●	●
08	<b>Ayako Takai</b> Director, External and Independent	●				●	●
09	<b>Akio Koumura</b> Full-time Audit and Supervisory Board member	●		●	●		
10	<b>Jinei Yamaguchi</b> Audit and Supervisory Board member	●	●			●	●
11	<b>Naoko Takatsuka</b> Audit and Supervisory Board member	●				●	●

## Directors

### 07 Director, External and Independent **Kazuo Takahashi**

- 2007. 4 Executive Officer, Daiwa Securities SMBC Co. Ltd.
- 2010. 1 Executive Officer, Daiwa Securities Capital Markets Co. Ltd.
- 2010. 4 Executive Managing Director, Daiwa Securities Capital Markets Co. Ltd.
- 2012. 4 Executive Managing Director, Member of the Board, Daiwa Securities Co. Ltd.
- 2013. 4 Senior Executive Managing Director, Member of the Board, Daiwa Securities Co. Ltd.
- 2015. 4 Senior Executive Managing Director, Member of the Board, Head of Corporate Institution of Daiwa Securities Co. Ltd.
- 2017. 4 Deputy President, Daiwa Securities Group Inc.  
Deputy President, member of the Board, Daiwa Securities Co. Ltd.
- 2017. 6 Director, Deputy President, Daiwa Securities Group Inc.  
Deputy President, member of the Board, Daiwa Securities Co. Ltd.
- 2020. 6 Deputy President, Daiwa Securities Group Inc.
- 2022. 4 Adviser, Daiwa Securities Co. Ltd.
- 2023. 6 Director of the Company (to present)  
Outside Board Member (Audit and Supervisory Committee Member),  
Paramount Bed Holdings Co., Ltd. (to present)
- 2023. 9 Director (Outside), Ai Holdings Corporation (to present)

**Significant concurrent positions** Outside Director and Audit and Supervisory Committee Member, Paramount Bed Holdings Co., Ltd.  
Outside Director, Ai Holdings Corporation

### 08 Director, External and Independent **Ayako Takai**

- 1999. 4 Joined Sanwa Research Institute Corporation (currently Mitsubishi UFJ Research and Consulting Co., Ltd.)
- 2009. 4 Associate Professor, Department of Management, School of Management, Tokyo University of Science
- 2016. 4 Associate Professor, Division of International Social Sciences, Faculty of International Social Sciences, YOKOHAMA National University
- 2019. 4 Professor, Division of International Social Sciences, Faculty of International Social Sciences, and Professor, Department of Business Administration, Graduate School of International Social Sciences, and Professor of Specialization in Management, Department of Business Administration, College of Business Administration, YOKOHAMA National University (to present)
- 2019. 10 Public Interest Committee Member of Labor Council in Kanagawa Area (to present)
- 2021. 4 Professor, Interfaculty Graduate School of Innovative and Practical Studies YOKOHAMA National University (to present)
- 2022. 7 Councilor of Asahi Mutual Life Insurance Company (to present)
- 2023. 4 Public Interest Committee Member of Minimum Wages Council in Kanagawa Area (to present)
- 2023. 10 Councilor of the Academic Association for Organizational Science Specified Nonprofit Corporation (to present)
- 2024. 6 Director of the Company (to present)

#### Significant concurrent positions

Professor, Division of International Social Sciences, Faculty of International Social Sciences, and Professor of Department of Business Administration, Graduate School of International Social Sciences, and Professor of Specialization in Management, Department of Business Administration, College of Business Administration, and Professor of Interfaculty Graduate School of Innovative and Practical Studies, YOKOHAMA National University  
Councilor of Asahi Mutual Life Insurance Company  
Public Interest Committee Member of Labor Council in Kanagawa Area  
Public Interest Committee Member of Minimum Wage Council in Kanagawa Area  
Trustee, The Academic Association for Organizational Science

## Audit and Supervisory Board members

### 09 Full-time Audit and Supervisory Board Member **Akio Koumura**

- 1975. 4 Joined the Company
- 1999. 7 Office Manager, UG/EYE Development Office
- 2004. 12 Office Manager, UG/EYE Development Office; General Manager, DM System Development Department
- 2005. 6 Director; Office Manager, UG/EYE Development Office; General Manager, DM System Development Department
- 2006. 2 Director; Executive Manager, Mold Software Division
- 2008. 6 Director, Executive Manager, Sales Division
- 2009. 8 Director, Executive Manager, Sales Division; Domestic Sales Contoller
- 2010. 2 Director; Executive Manager, Sales Division; Executive Manager, Mold Software Division
- 2010. 5 Director; Executive Manager, Sales Division; Executive Manager, Production Software Division
- 2011. 6 President & Representative Director, Makino Technical Service Co., Ltd.
- 2020. 6 Advisor to Makino Technical Service Co., Ltd
- 2021. 6 Full-time Audit and Supervisory Board Member (to present)

### 10 Audit and Supervisory Board Member, External and Independent **Jinei Yamaguchi**

- 1984. 4 Joined Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
- 2006. 4 Deputy Branch Manager, Singapore Branch, Mitsubishi Bank, Ltd.
- 2009. 7 General Manager, International Business Department, Mitsubishi Bank, Ltd.
- 2011. 7 Branch Manager of London Branch, Mitsubishi Bank, Ltd.
- 2013. 7 Seconded to Chiyoda Corporation  
Acting General Manager, Planning Administration Division
- 2014. 4 Transferred to Chiyoda Corporation
- 2014. 4 Executive and Acting General Manager, Planning Administration Division, Chiyoda Corporation
- 2015. 4 Executive Officer and Acting General Manager, Project Procurement & Logistics Division, Chiyoda Corporation
- 2018. 4 Executive Officer and Acting General Manager, Corporate Planning Division, Chiyoda Corporation
- 2019. 7 Executive Officer and Assistant General Manager, Finance & Accounting Division, Chiyoda Corporation
- 2020. 6 Full-time Audit and Supervisory Board member of the Company
- 2024. 6 Audit and Supervisory Board member (to present)

### 11 Audit and Supervisory Board Member, External and Independent **Naoko Takatsuka**

- 1998. 4 Registered as a Certified Public Accountant
- 2002. 5 Registered as a Certified Public Tax Accountant
- 2002. 8 Joined Arai Takatsuka Tax Accountant Corporation (currently Takatsuka and Motegi Tax Accountant Corporation)
- 2011. 6 Auditor, Collabos Corporation
- 2013. 2 Representative Partner, Arai and Takatsuka Tax Accountant Corporation (currently Takatsuka and Motegi Tax Accountant Corporation) (to present)
- 2015. 4 Auditor, Signarex Co., Ltd. (to present)
- 2018. 12 Auditor, Palma Co., Ltd. (to present)
- 2020. 9 Auditor, Machine Tool Engineering Foundation (to present)
- 2022. 3 Auditor, ORTHOREBIRTH CO., LTD. (to present)
- 2024. 6 Audit and Supervisory Board member of the Company (to present)

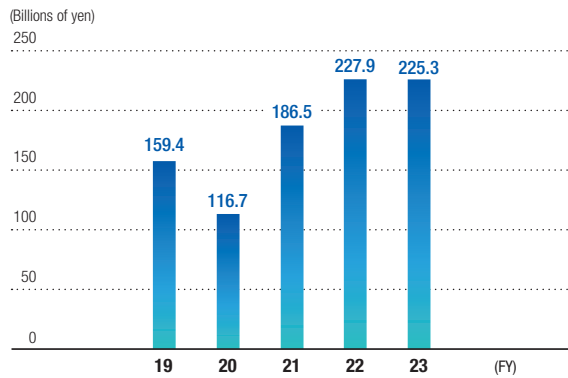
#### Significant concurrent positions

Representative Partner, Takatsuka and Motegi Tax Accountant Corporation  
Auditor, Signarex Co., Ltd.  
Auditor, Palma Co., Ltd.  
Auditor, Machine Tool Engineering Foundation  
Auditor, ORTHOREBIRTH CO., LTD.

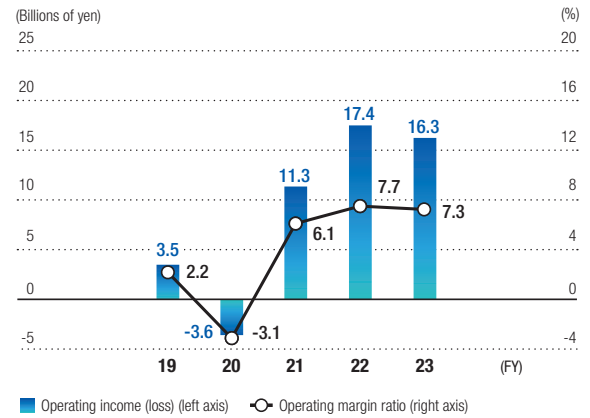
# Financial and Non-financial Highlights

## Financial Highlights

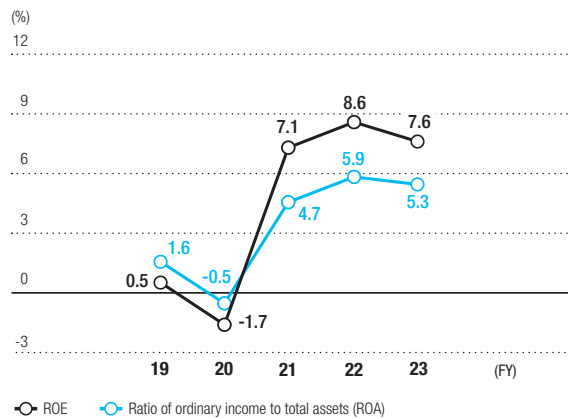
### Net sales



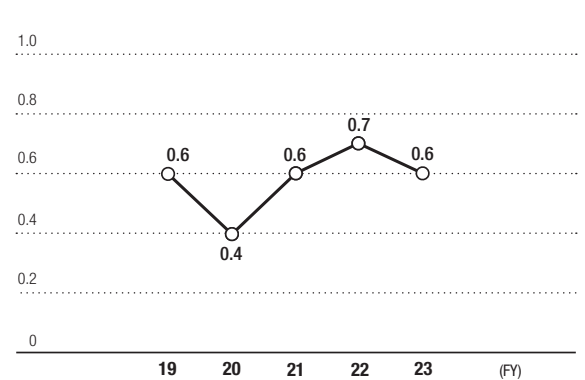
### Consolidated operating income (loss)/ Operating margin ratio



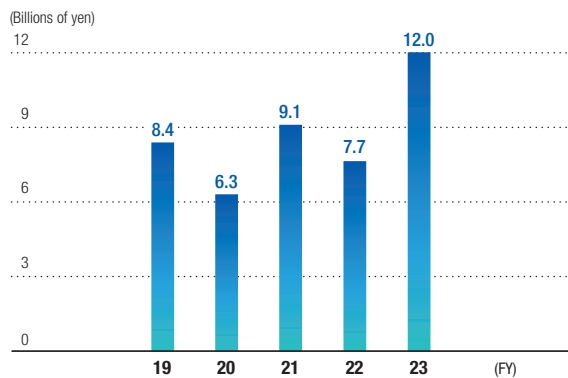
### ROE/Ratio of ordinary income to total assets (ROA)



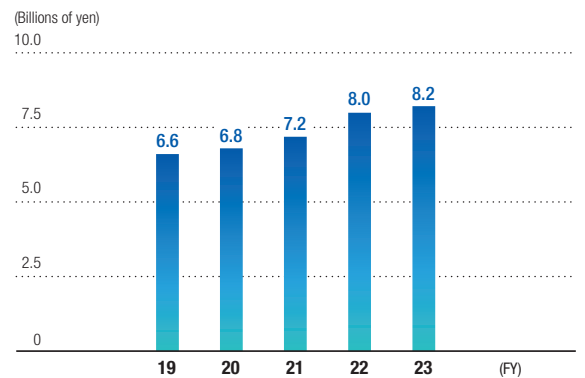
### Total asset turnover



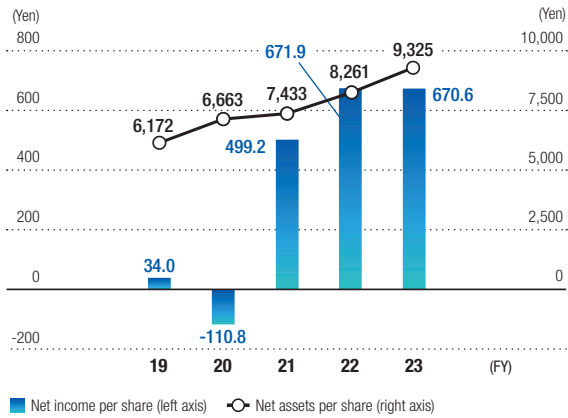
### Capital expenditures



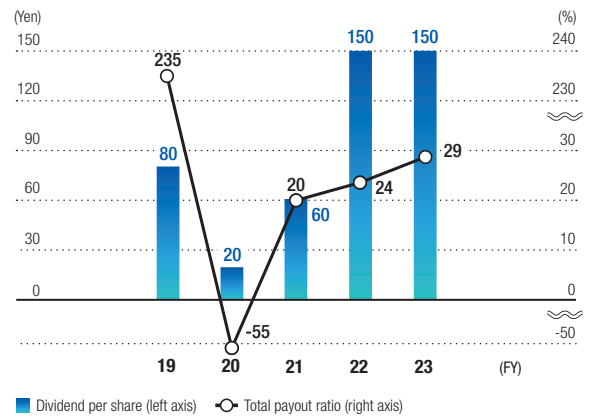
### Depreciation



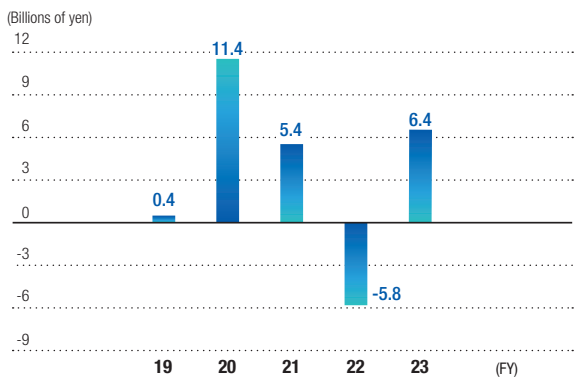
## Net income per share/Net assets per share



## Dividend/total payout ratio

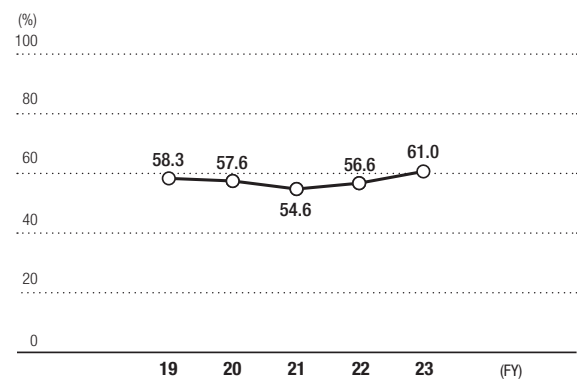


## Free cash flow\*

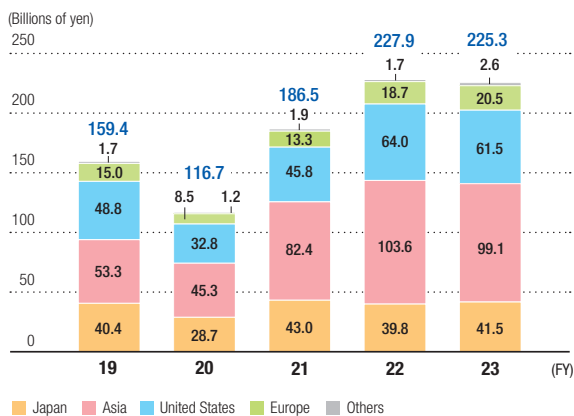


\* Cash flows from operating activities + Cash flows from investing activities

## Shareholder's equity ratio

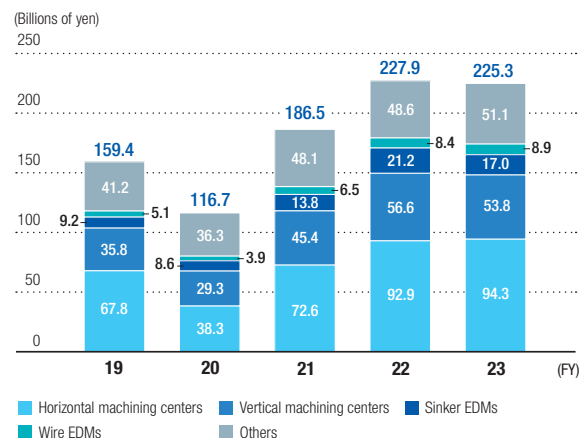


## Net sales by region



Note: Numbers are rounded down to the nearest 0.1 billion yen.

## Net sales by product



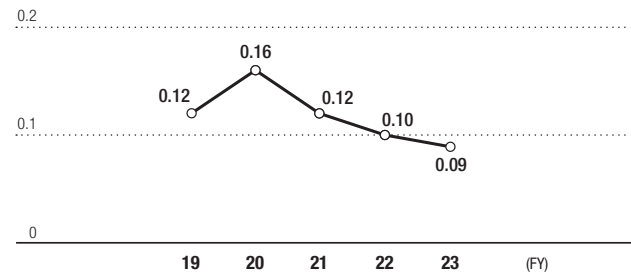
Note: Numbers are rounded down to the nearest 0.1 billion yen.

Non-financial Highlights

Environmental Data

Energy consumption in the Atsugi and Fuji Katsuyama Plants (energy intensity)

(kL/millions of yen of production)



\* The figures are calculated by converting the amount of energy consumed (electricity, kerosene, and gas) into crude oil volume (kL) and dividing the figure by the yen value of production.  
 \* Energy intensity (kL/millions of yen) = crude oil equivalent of energy consumption (kL) / production value (millions of yen).

Scopes 1 and 2 Emissions (consolidated)

	FY2022		FY2023		Change Emissions (t-CO <sub>2</sub> )
	Emissions (t-CO <sub>2</sub> )	Percentage	Emissions (t-CO <sub>2</sub> )	Percentage	
Scope 1 (Direct emissions)	5,799	11.8%	5,467	12.8%	-332
Scope 2 (Indirect emissions)	43,336	88.2%	37,343	87.2%	-5,993
<b>Total</b>	<b>49,135</b>	<b>100%</b>	<b>42,810</b>	<b>100%</b>	<b>-6,325</b>

Scope 3 Emissions (consolidated)

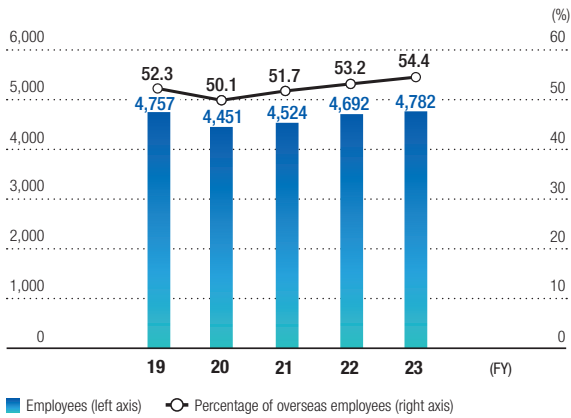
	FY2022		FY2023		Change Emissions (t-CO <sub>2</sub> )
	Emissions (t-CO <sub>2</sub> )	Percentage	Emissions (t-CO <sub>2</sub> )	Percentage	
Category 1 Purchased goods and services	897,738	42.6%	872,321	45.6%	-25,418
Category 2 Capital goods	17,758	0.8%	22,692	1.2%	4,934
Category 3 Fuel- and energy-related activities (not included in scope 1 or scope 2)	6,690	0.3%	6,359	0.3%	-332
Category 4 Upstream transportation and distribution	42,844	2.0%	38,846	2.0%	-3,997
Category 5 Waste generated in operations	2,264	0.1%	2,397	0.1%	133
Category 6 Business travel	612	0.0%	623	0.0%	12
Category 7 Employee commuting	2,033	0.1%	2,075	0.1%	42
Category 8 Upstream leased assets	3,716	0.2%	3,774	0.2%	58
Category 11 Use of sold products	1,105,261	52.4%	939,460	49.1%	-165,801
Category 12 End-of-life treatment of sold products	28,410	1.3%	23,347	1.2%	-5,064
<b>Total</b>	<b>2,107,326</b>	<b>100%</b>	<b>1,911,894</b>	<b>100%</b>	<b>-195,433</b>

Environmental Data for Our Japanese Production Bases (Atsugi, Fuji Katsuyama, and Fuji Yoshida)

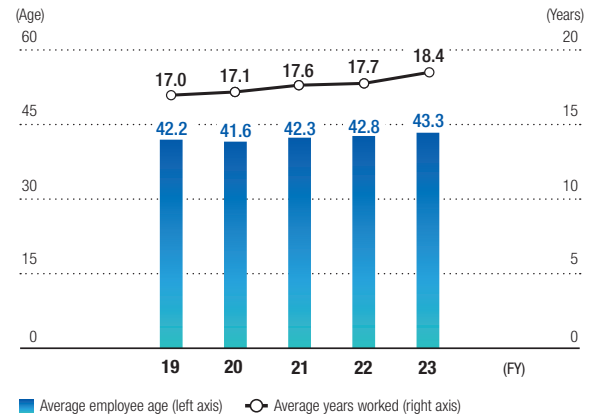
		FY2021	FY2022	FY2023	
Water	Withdrawals	Total (1,000 m <sup>3</sup> )	140	150	152
		Groundwater (1,000 m <sup>3</sup> )	77	80	83
		Third-party sources (1,000 m <sup>3</sup> )	62	69	68
	Discharges	Total (1,000 m <sup>3</sup> )	130	140	143
		Fresh surface water (1,000 m <sup>3</sup> )	—	—	—
		Third-party destination (1,000 m <sup>3</sup> )	130	140	143
Industrial waste	Discharges (t)	—	1,420	1,612	

## Human capital

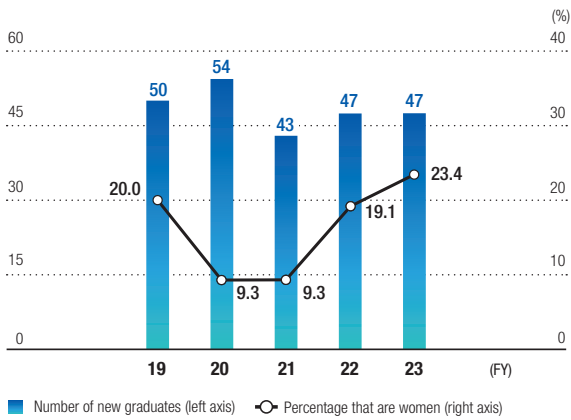
### Employees/percentage of overseas employees (consolidated)



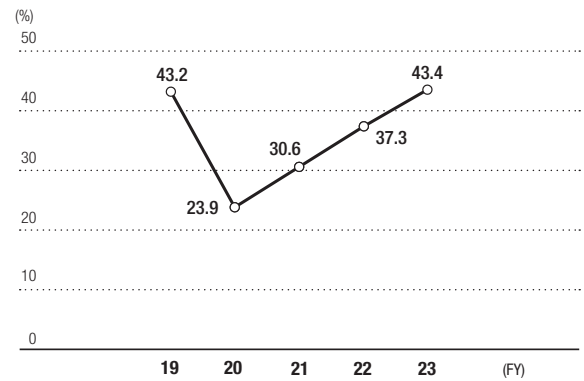
### Average employee age/years worked (non-consolidated)



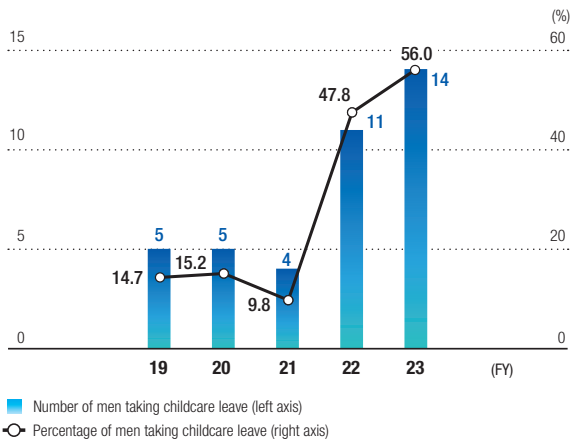
### Number of new graduates hired/Percentage that are women (Group companies in Japan)



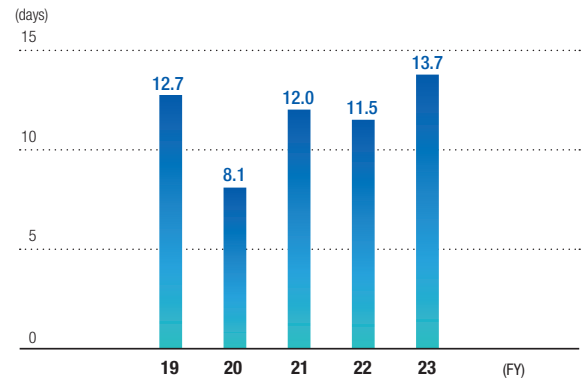
### Percentage of mid-career hires (Group companies in Japan)



### Number of men taking childcare leave/Percentage of men taking childcare leave (non-consolidated)



### Average number of days of paid vacation taken (non-consolidated)



# Consolidated Financial Statements As of March 31, 2024

## Consolidated balance sheet (at March 31)

	(Unit: millions of yen)	
	2023	2024
<b>Assets</b>		
<b>Current assets</b>	<b>229,713</b>	<b>231,576</b>
Cash and time deposits	68,312	69,565
Notes and accounts receivable – trade, and contract assets	50,634	47,842
Marketable securities	4,234	3,236
Merchandise and finished goods	28,276	34,618
Work in process	21,140	18,859
Raw materials and supplies	45,699	48,069
Other current assets	12,961	11,144
Allowance for doubtful accounts	-1,544	-1,760
<b>Non-current assets</b>	<b>118,747</b>	<b>130,759</b>
<b>Property, plant and equipment</b>	<b>79,215</b>	<b>86,470</b>
Buildings and structures	37,565	40,037
Machinery, equipment, and vehicles	9,570	11,665
Tools, furniture, and fixtures	5,034	5,539
Land	19,080	20,230
Lease assets	6,012	6,770
Construction in progress	1,950	2,226
<b>Intangible assets</b>	<b>2,952</b>	<b>3,150</b>
Others	2,952	3,150
<b>Investments and other assets</b>	<b>36,580</b>	<b>41,138</b>
Investment securities	27,100	28,156
Long-term loans receivable	620	542
Deferred tax assets	4,867	5,647
Retirement benefit asset	970	2,333
Other investments	3,163	4,552
Allowance for doubtful accounts	-141	-94
<b>Total assets</b>	<b>348,461</b>	<b>362,335</b>

## Consolidated statements of cash flows

	(Unit: millions of yen)	
	2023	2024
Cash flow from operating activities	2,948	12,910
Cash flow from investing activities	-8,793	-6,411
Cash flow from financing activities	-340	-6,390
Effect of exchange rate changes on cash and cash equivalents	-59	3,002
Net increase (decrease) in cash and cash equivalents	-6,245	3,111
Cash and cash equivalents, beginning of period	75,712	69,467
Cash and cash equivalents, end of period	69,467	72,578

	(Unit: millions of yen)	
	2023	2024
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>	<b>90,698</b>	<b>82,124</b>
Notes and accounts payable	20,068	18,345
Electronically recorded obligations - operating	19,019	15,263
Short-term loans payable	—	2,277
Current portion of long-term debt	6,707	5,816
Lease liabilities	932	1,219
Income taxes payable	2,080	2,522
Other current liabilities	41,890	36,681
<b>Non-current liabilities</b>	<b>59,975</b>	<b>58,657</b>
Bonds payable	20,000	20,000
Long-term borrowings	26,228	24,500
Long-term lease obligations	3,210	3,533
Deferred tax liabilities	6,973	7,494
Allowance for directors' and corporate auditors' retirement benefits	122	148
Retirement benefit liability	1,357	697
Other non-current liabilities	2,083	2,284
<b>Total liabilities</b>	<b>150,674</b>	<b>140,782</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>168,681</b>	<b>180,149</b>
Share capital	21,142	21,142
Capital surplus	37,056	37,092
Retained earnings	114,714	127,113
Treasury stock	-4,233	-5,199
<b>Accumulated other comprehensive income</b>	<b>28,606</b>	<b>41,018</b>
Unrealized gains on available-for-sale securities	15,160	16,034
Foreign currency translation adjustments	12,880	23,100
Remeasurements of defined benefit plans	565	1,883
<b>Non-controlling interests</b>	<b>499</b>	<b>385</b>
<b>Total net assets</b>	<b>197,787</b>	<b>221,553</b>
<b>Total liabilities and net assets</b>	<b>348,461</b>	<b>362,335</b>

## Consolidated statements of changes in net assets

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	21,142	37,056	114,714	-4,233	168,681
Changes during period	—	35	12,398	-966	11,467
Change in ownership interest of parent due to transactions with non-controlling interests		23			23
Dividends of surplus			-3,582		-3,582
Profit (loss) attributable to owners of parent			15,981		15,981
Purchase of treasury shares				-1,002	-1,002
Disposal of treasury shares		11		36	47
Net changes in items other than shareholders' equity					
<b>Balance at end of period</b>	<b>21,142</b>	<b>37,092</b>	<b>127,113</b>	<b>-5,199</b>	<b>180,149</b>

## Consolidated statements of income

(Unit: millions of yen)

	2023	2024
Net sales	227,985	225,360
Cost of sales	161,596	157,354
Gross profit	66,388	68,005
Selling, general and administrative expenses	48,895	51,633
Operating income	17,492	16,372
Non-operating income	3,130	2,944
Interest income	595	594
Dividend income	542	554
Rental income	216	—
Subsidy income	661	289
Foreign exchange gains	—	577
Other revenue	1,114	929
Non-operating expenses	716	398
Interest expense	220	211
Interest expenses on bonds	96	96
Foreign exchange losses	335	—
Other expenses	63	89
Ordinary income	19,906	18,918
Extraordinary income	66	788
Gain on sales of property, plant, and equipment	66	246
Gain on sales of investment securities	—	542
Subsidies for employment adjustment	—	—
Extraordinary losses	522	78
Loss on disposal of property, plant, and equipment	499	55
Loss on sales of investment securities	—	—
Loss on valuation of shares of subsidiaries and associates	22	23
Income before income taxes	19,450	19,629
Income taxes	3,360	3,633
Income taxes – current	4,283	4,223
Income taxes – deferred	-922	-589
Net income	16,089	15,995
Net income attributable to non-controlling interests	16	14
Profit (loss) attributable to owners of parent	16,073	15,981

(Unit: millions of yen)

Accumulated other comprehensive income					Noncontrolling interests	Total net assets
Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
15,160	12,880	565	28,606	499	197,787	
874	10,219	1,318	12,411	-113	23,765	
					23	
					-3,582	
					15,981	
					-1,002	
					47	
874	10,219	1,318	12,411	-113	12,298	
16,034	23,100	1,883	41,018	385	221,553	

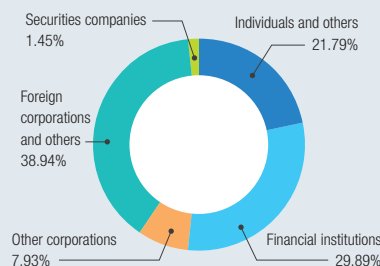
## Corporate data

<b>Company Name</b>	Makino Milling Machine Co., Ltd.	
<b>Head Office</b>	3-19, Nakane 2-chome, Meguro-ku, Tokyo 152-8578, Japan Phone: +81-3-3717-1151	
<b>Established</b>	May 1937	
<b>Paid-in capital</b>	¥21,142 million	
<b>Number of employees</b>	4,782 (consolidated basis)	
<b>Major businesses</b>	Manufacture, sale, and maintenance of machine tools, including machining centers, NC EDMs, NC milling machines, milling machines, FMSs, CAD/ CAM and other products	
<b>Directors and Audit and Supervisory Board Members</b>	As of June 20, 2024	
	President and Representative Director	Shotaro Miyazaki
	Executive Vice President	Toshiyuki Nagano
	Executive Vice President	Tatsuaki Aiba
	Director	Haruyuki Shiraishi
	Director, External and Independent	Naofumi Masuda
	Director, External and Independent	Kodo Yamazaki
	Director, External and Independent	Kazuo Takahashi
	Director, External and Independent	Ayako Takai
	Full-time Audit and Supervisory Board Member	Akio Koumura
	Audit and Supervisory Board Member	Jinei Yamaguchi
	Audit and Supervisory Board Member	Naoko Takatsuka

## Shareholder returns

## Total number of shares issued ■ Composition of shareholders

24,893,841  
(including treasury stock of  
1,176,243 shares)



## Number of shareholders

6,054

## Major shareholders (Top 10)

Name	Number of shares owned (Thousands)	Ownership percentage of total shares issued
The Master Trust Bank of Japan, Ltd. (Trust account)	3,330	14.04
Custody Bank of Japan, Ltd. (Trust account)	1,514	6.39
DEUTSCHE BANK AG FRANKFURT CCCLTOMNI 5000000 (Standing proxy: Mizuho Bank, Ltd. Settlement & Cleaning Services Department)	1,166	4.92
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052274)	1,000	4.22
Machine Tool Engineering Foundation	893	3.77
OASIS JAPAN STRATEGIC FUND LTD. (Standing proxy: Citibank, N.A., Tokyo Branch)	750	3.16
CACEIS BANK S.A., GERMANY BRANCH-CUSTOMER ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	527	2.22
Jiro Makino	478	2.02
MUFG Bank, Ltd.	436	1.84
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd. Settlement & Cleaning Services Department)	429	1.81

Note: The ownership percentage of total shares issued has been calculated after the deduction of treasury stock.

Rounded down to the nearest 1,000 shares



For inquiries, contact

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