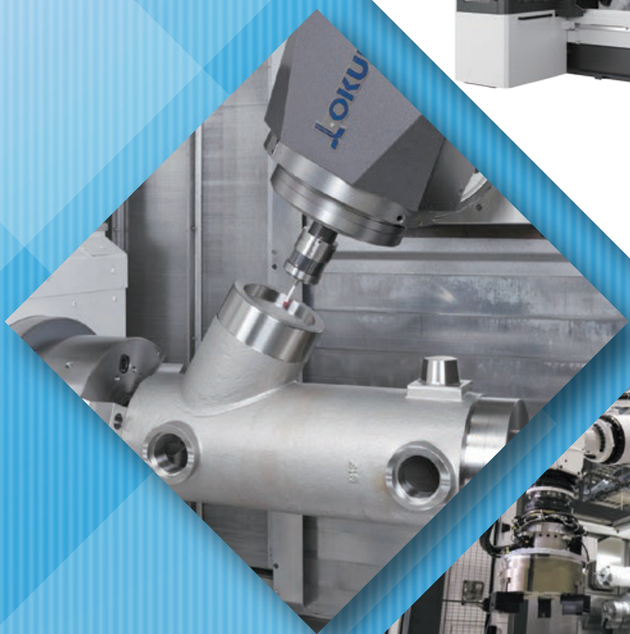
OKUMA CORPORATE REPORT 2025

OKUMA

Mission Statement

Through total and consistent Monozukuri* service, Okuma aspires to contribute to the business of customers throughout the world who create value, and thus bring happiness to all people who journey together with us.

* “Monozukuri”: making things (better than ever); where master craftsmanship meets cutting edge technology



OKUMA CORPORATE REPORT 2025

Editorial Policy:	Okuma Corporate Report 2025 is intended to disclose the Okuma Group's medium- to long-term initiatives for value creation to all stakeholders, including shareholders and investors, from both financial and non-financial perspectives. This report is edited with reference to the International Integrated Reporting Framework issued by the International Financial Reporting Standards (IFRS) Foundation and "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation 2.0" by the Ministry of Economy, Trade and Industry.
Audience:	All stakeholders who have an interest in the Okuma Group
Reporting Period:	This report mainly covers the fiscal year ended March 2025 (April 1, 2024, to March 31, 2025), but it also includes information before or after that period.
Scope:	The Okuma Group, consisting of Okuma Corporation and 16 consolidated subsidiaries.
Company Name Expressions:	"Okuma" and "the Company" refer to Okuma Corporation, and "Okuma Group" and "the Group" refer to Okuma group companies, including consolidated subsidiaries.
Issue Date:	November 2025 (English version)

Notes regarding information about the future: This report contains prospects for the future. Actual results may differ materially from those projected by the Company.

Key points of the Integrated Report 2025

Based on the opinions we obtained through dialogue with stakeholders, this report outlines our progress in fiscal 2024, the second year of our Medium-Term Management Plan "Get Ready 2025," as well as our future initiatives. We have reconfigured our sustainability disclosures based on the disclosure framework of "Risks and Opportunities," "Strategy," "Indicators and Targets," and "Governance" as required by the TCFD and the European Sustainability Reporting Standards (ESRS). In addition, we have endeavored to expand our disclosures regarding human capital through efforts such as a message from the CHRO and employee roundtable discussions.

Okuma will improve its corporate value and create social value through its efforts toward accomplishing the Purpose and the ideal image set forth in the Long-Term Vision.

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Chapter 1

Trajectory of Value Creation

CONTENTS

Okuma's Mission Statement

Embodying the corporate culture and sense of values that have been developed through such efforts, this reflects our desire for everybody who journeys together with Okuma to be happy now and in the future.

- Mission Statement -

**Through total and consistent Monozukuri* services,
Okuma aspires to contribute to the business of customers
throughout the world who create value,
and thus bring happiness to all people who journey together with us.**

* "Monozukuri": making things (better than ever); where master craftsmanship meets cutting-edge technology

- Okuma's Purpose -

**Contributing to society through the power of
"manufacturing services"**

- Values (The values we cherish most) -

Co-create / Share joy together

Inherited Culture

Okuma has been committed to innovation in manufacturing through creative technological development for 127 years, with “contributing to society” and “resolving issues at production and machining sites” at the core of our corporate culture.

We believed that information on the position of tools needed to be retained at manufacturing sites even when a machine tool was turned off. In the spirit of “We will create that which does not exist but should,” we developed OSP Ⅲ, an NC machine with the world's first absolute-position encoding system, in 1963. Moreover, in 1972 we developed the OSP2000 series, which was the world's first commercially viable computerized NC (CNC) with a built-in minicomputer. This greatly expanded the possibilities of NC machine tools in terms of improved productivity, consistent quality, and a reduced need for skilled operation. Thus, Okuma's creative technological development has paved the way for a transformation from manufacturing as a cottage industry that relied on intuition, experience, and skill to highly efficient and consistent production.

Later, in the 1980s, we moved beyond the realm of machine tools. Okuma digitized mold machining, bringing about creative and disruptive innovations that fundamentally transformed how production was done, as well as production systems.

Currently, we are actively using AI technology and we are working to provide automation that can easily be introduced both in large plants as well as in small- and medium-sized plants. The crux of this automation is our Green-Smart Machine lineup of machines that save energy while autonomously maintaining a high level of precision. Thus, we are striving to resolve issues at production sites and to help address social issues involving the manufacturing industry. Intimately familiar with production and machining sites, Okuma will continue to pursue high speeds, a high level of precision, and a high level of quality, which are the basic requirements of machine tools, and to pursue unique technology to “create what does not exist.” With that mindset, Okuma will work with its customers to revolutionize how manufacturing is done and help to resolve production and machining issues.

Driving Force for Value Creation

Solutions That Merge Mechanics, Electronics, Information, and Knowledge

The only comprehensive machine tool manufacturer in Japan that develops CNC in-house

As a machine tool manufacturer that understands Monozukuri sites, Okuma has developed unique NC products in order to provide customers with the optimal machine tools, along with developing solutions that merge mechanics, electronics, information technology, and knowledge creation.

We provide optimal solutions and help our customers improve their productivity by combining the exceptional mechanical properties of machine tools, advanced control technologies that maximize these properties, and differentiated intelligent and AI technologies. This high level of technology and ability to make proposals are the strengths of Okuma.

Technological Capabilities

Amassed basic research and elemental technologies

Okuma's Green-Smart Machines autonomously provide a high level of productivity and a high level of precision while simultaneously reducing energy consumption and helping to address social issues such as labor shortages and decarbonization.

Customers that have been using our machines for many years praise the unmatched consistency of their precision. Providing consistent precision while performing simultaneous 5-axis control machining and multitasking machining is particularly difficult, while machining large parts in double-column machining centers, and even in automated systems, is what clearly sets us apart. Our extensive pursuit of technology based on principles and our insistence on results have enhanced our basic research capabilities and differentiated our products and technologies.

Original technologies

Thermo-Friendly Concept

The Okuma Intelligent Technology that enables machines to autonomously maintain high accuracy stability

Shipments (fiscal 2001 to 2024)

More than 70,000 units

Expanding the possibilities of automation

In the past, automation had been introduced primarily at large plants that produce a few products in large volumes. Capitalizing on our technological capabilities, we are providing easy-to-use automation with consistent precision and a high level of process capability to small- and medium-sized plants that produce multiple products in small volumes through our smart machines. This will improve productivity at a wide range of manufacturing sites.

Next-generation robot systems

ARMROID

Combining machine tools and robots to resolve automation issues

- Enabling humans and robots to coexist, flexibly responding to multi-product/low-volume production
- Allowing easy operation even by machine operators

Proposal Skills for Solutions

Placing the highest priority on solving customers' problems, "We will create that which does not exist but should"

Since its founding, Okuma has always valued the mindset of "We will create that which does not exist but should." Okuma's history of developing products that do not exist but should from the perspective of operators at machining sites is the driving force behind our value creation.

In addition, the knowledge we have gained and the know-how we have amassed by continuing to respond to the difficult requests we receive from our customers is now one of Okuma's strengths as a proposer of solutions and has earned us the trust of our customers.

Okuma will continue to help resolve issues at our customers' production sites by capitalizing on the on-site expertise we have gained through practice at our own smart factories, Dream Sites, where automation and expert techniques are interwoven.

Products and technologies that are world firsts

1963 OSP Ⅲ
NC with absolute-position encoding system

1972 OSP2000
World's first commercial CNC

1982
World's first high-precision digital servo

2001 MB-46VA
Intelligent technology
Thermo-Friendly Concept

2023
AI machining diagnostics

History of Value Creation

Original Technologies and Spirit Going Down in History

"We rejoice in being blamed once, rather than being praised a hundred times."

The history of Okuma began in 1898, when Eiichi Okuma launched "Okuma Menki Shokai." The seed of technologies sown for the noodle-making machines sprouted as "machine tools" and it eventually blossomed as a comprehensive machine tools manufacturer that provides lathes, machining centers, grinders, multitasking machines, numerical controllers (NC), factory automation (FA) systems, etc.

Eiichi had a continuing passion for manufacturing throughout his life and never forgot to listen to customers' opinions, saying, "We rejoice in being blamed once, rather than being praised a hundred times." This spirit became the DNA of Okuma, fostered as a corporate culture in which clear-sightedness and original technologies were respected, and it has served as the driving force to form the Okuma Group.


Founder: Eiichi Okuma

Product Innovation: We will create that which does not exist but should

Under the spirit of "We will create that which does not exist but should," Okuma has pursued original technologies and world-leading state-of-the-art technologies. Through these efforts, Okuma continues making progress as a "Comprehensive Monozukuri Service" provider based on the idea of "total responsibility" in which a company provides everything related to machine tools, from mechanical technology to control technology, from hardware to software, from products to machining technology, and from before-sales to after-sales service.

1898

Start as a manufacturer and seller of noodle-making machines
Contribute to Japan's transformation into a modern nation

1963

Develop world-leading products

Start of "Mechanics" — Start of "Electronics" — Integration of "Mechanics and Electronics"

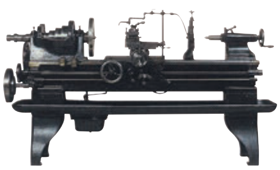
1898
Founding, and the basis as a machine tool manufacturer

In 1898, Eiichi Okuma started manufacturing and selling noodle-making machines as "Okuma Menki Shokai." Eiichi sought to improve the accuracy of the blade bar, the part that cuts the noodles, but was unable to achieve this with existing foreign-made lathes, so he developed high-precision lathes on his own. This "commitment" produced Okuma's manufacturing philosophy and corporate culture that "We will create that which does not exist but should."


1898
Manual noodle-making machine

1904
Began manufacturing machine tools

In 1904, Okuma began manufacturing and selling machine tools, and in 1918, Okuma Iron Works Ltd. was established. In order to encourage new industry for Japan to transform into a modern nation, Eiichi took Western-made machine tools as a model and sought avidly to absorb technologies. Eiichi later said, "The Meiji era (1868-1912) is the period of copying, the Taisho era (1912-1926) is the period of improvement, and in the Showa era (1926-1989) we shall pursue the path of creation" and devoted himself to technology and product development throughout his life.


1918
Center lathe OS type

1963
Development of OSP Ⅲ, NC with absolute-position encoding system

In the 1960s, the Company succeeded in the development of OSP Ⅲ, an NC tool with an absolute-position encoding system. This marked the beginning of the Company being Japan's only machine tools manufacturer that independently developed NC tools. The development of a detector, which ensures that the current position is not lost even when the power is turned off at a time when there was no non-volatile memory, was something only Okuma, with its integrated machinery and electronics, could have achieved. An absolute-position encoding system became the basic philosophy for Okuma's NC systems and has been passed down to the present day.

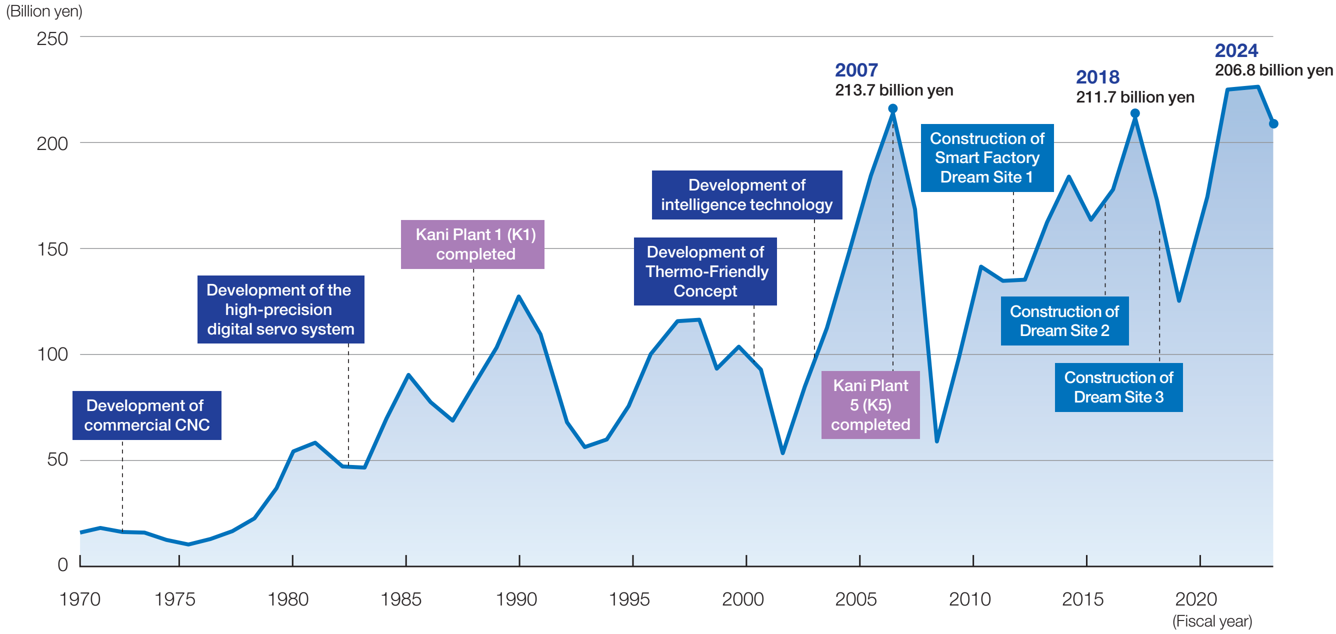

World's first
1963
OSPⅢ World's first absolute-position encoding system NC

1972
Development of the world's first commercial CNC

In 1972, Okuma developed the world's first commercial computerized NC (CNC), the OSP2000 series with a built-in minicomputer. We made this software changeable in anticipation of changes in customer operation methods and machining techniques. Upgrading software is common nowadays; however, when it was first developed, it was a world-leading advanced concept.


World's first
1972
OSP2000
World's first commercial CNC

Trends in Sales



2013 —

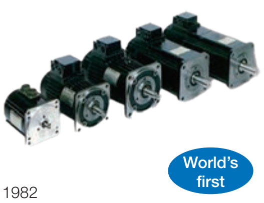
Provide solutions that create customer value

Integration of "Mechanics, Electronics, Information, and Knowledge Creation" | Deploying Smart Factory | Aiming to Solve Social Issues

1982

Complete digitization of the entire control

Pursuing stable and high-precision control, we developed the world's first high-precision digital servo system using a microprocessor. This system employed a high-resolution position sensor with a resolution of 160,000 elements per rotation of the motor and was controlled using software based on the digitally detected absolute position. Adopting software for control became the basis for the development of various servo technologies for high precision.



1982
World's first high-precision digital servo

2001

Development of intelligent technology with full knowledge of machining

We worked to develop intelligent technology based on the thinking that checking thermal deformation and collision avoidance at machining sites is included in the technical range of machining infrastructure to be provided to customers. In 2001, we pioneered innovative technologies such as the development of the Thermo-Friendly Concept to control thermal deformation and the Collision Avoidance System which prevents interference and collisions.

2001
MB-46VA intelligent technology Thermo-Friendly Concept

2013

Constructing Smart Factory

Smart factory Dream Sites were constructed at the Headquarters Plant. In order to achieve the same level of production efficiency as mass production, even for multi-product/low-volume production at this plant, it deploys Okuma's advanced automated and unmanned systems, IoT, big data, etc. utilizing smart manufacturing technologies with Okuma's smart machines at its core to promote the optimal kaizen (improvement) cycle. Through this, we are evolving the plant on a daily basis.

2019
Smart Factory Dream Site 3

2022

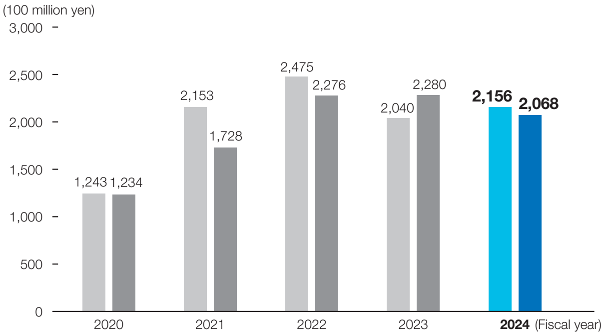
Developing Monozukuri DX Solutions

We provide solutions to social issues in manufacturing, such as decline in the working population, decrease in the number of highly skilled workers, reduction of environmental load, and decarbonization, using technology and know-how cultivated and demonstrated in our own smart factories. We are working to further develop our Monozukuri DX solutions with a lineup of cell controllers and other products that facilitate the introduction of automated systems.

2022
OSP-P500, new-generation CNC

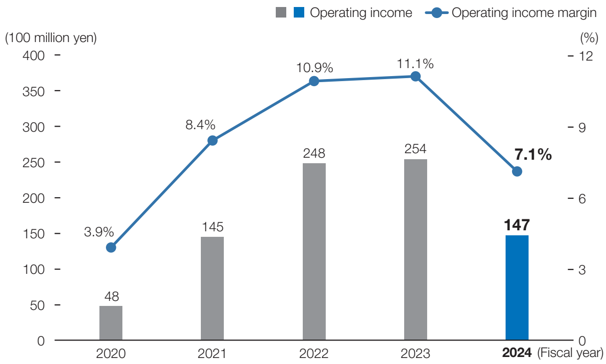
Financial Highlights

Orders Received and Net Sales



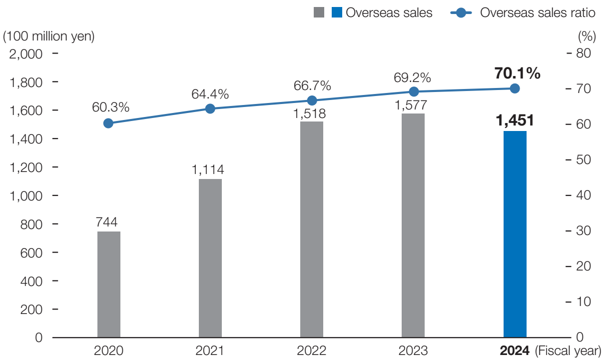
Orders received in fiscal 2024 increased 5.7% from the previous fiscal year to 215.6 billion yen, while net sales decreased 9.3% to 206.8 billion yen. In fiscal 2024, net sales experienced an increase from the first quarter to the fourth quarter. The order backlog at the end of fiscal 2024 of 96.5 billion yen (an increase of 8.9 billion yen from the end of the previous fiscal year) will lead to expanded sales in fiscal 2025.

Operating Income and Operating Income Margin



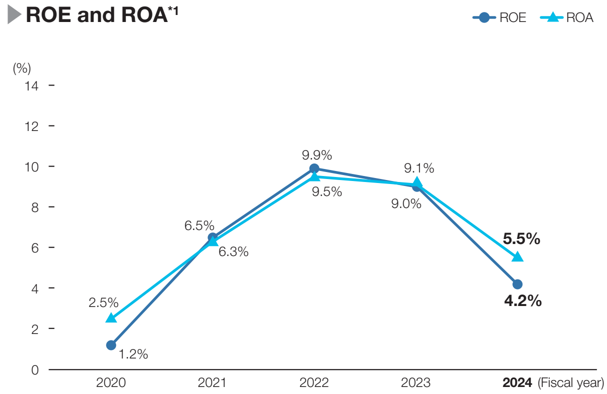
Operating income in fiscal 2024 was 14.7 billion yen (operating income margin: 7.1%), down 42.2% from the previous fiscal year, due to the impact of lower sales, high material and component costs, and an increase in general expenses, while the weaker yen and the effects of rationalization were factors for higher earnings.

Overseas Sales and Overseas Sales Ratio



Overseas sales in fiscal 2024 decreased 8.0% from fiscal 2023 to 145.1 billion yen. Sales in the Americas fell by 10.0% from the previous year, by 19.3% in Europe, and by 5.1% in Asia Pacific, and sales in Japan fell 12.2% to 61.8 billion yen. As a result, the ratio of overseas sales to net sales was 70.1%, up 0.9 percentage points from 69.2% in the previous fiscal year.

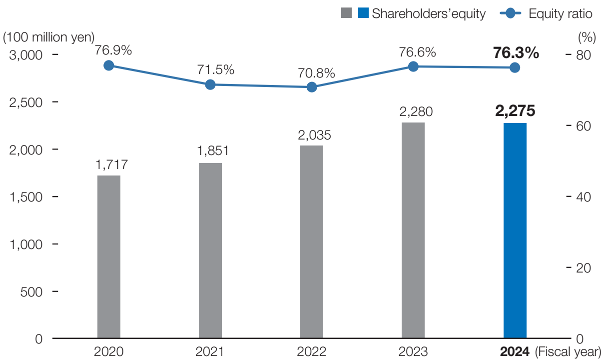
ROE and ROA[*1]



The ROE for fiscal 2024 decreased 4.8 pt from the previous fiscal year to 4.2%. Net income attributable to owners of the parent declined 50.5% from the previous fiscal year to 9.6 billion yen, while shareholders' equity remained unchanged from the end of the previous fiscal year at 227.5 billion yen. The ROA declined 3.6 pt to 5.5% from the previous fiscal year due to the impact of lower operating income, while total assets remained flat.

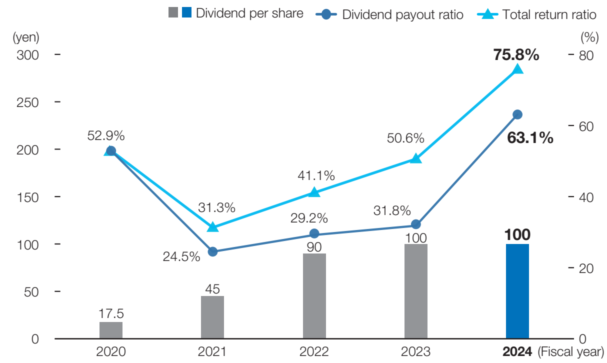
*1 Business profit in terms of the ROA (return on assets) is operating income plus interest and dividend income.

Shareholders' Equity and Equity Ratio



The equity ratio for fiscal 2024 decreased 0.3 pt from the previous fiscal year to 76.3%. Net assets amounted to 238.1 billion yen against total assets of 298.2 billion yen at the end of fiscal 2024, and shareholders' equity amounted to 227.5 billion yen. In addition, Okuma continues to have a strong financial base, with net cash of 43.1 billion yen.

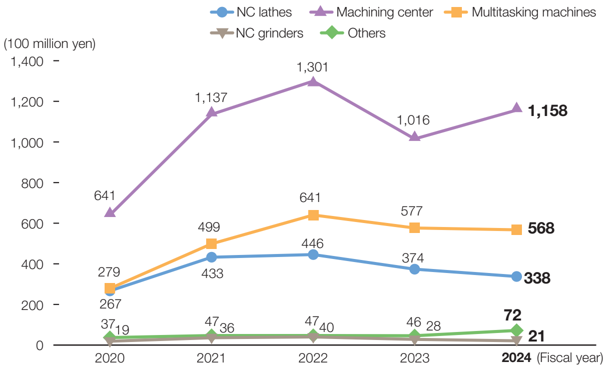
Dividend per Share[*2], Dividend Payout Ratio, Total Return Ratio



On October 1, 2024, the Company executed a two-for-one stock split of its common stock. Taking the stock split into account, the dividend for fiscal 2024 was 100 yen, which was the same amount as in the previous fiscal year, and the dividend payout ratio was 63.1%.

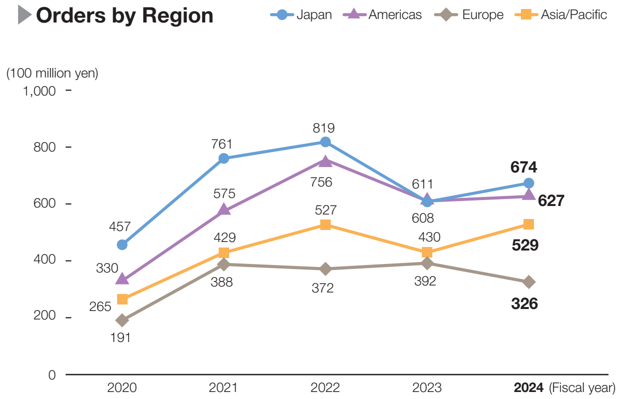
*2 Dividends prior to October 1, 2024 are shown as if the stock split had taken place.

Orders by Product



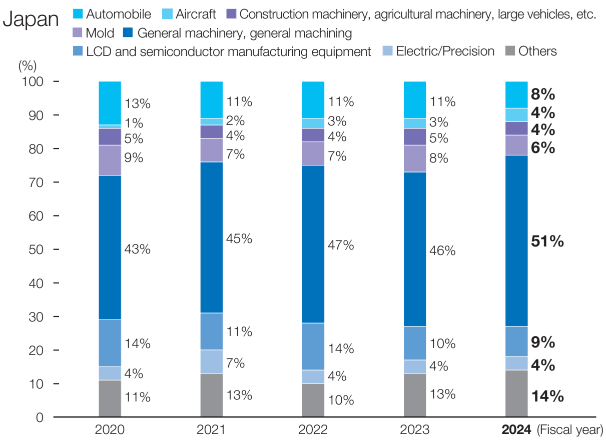
In terms of orders by product in fiscal 2024, orders for machining centers increased 14.0% from the previous fiscal year to 115.8 billion yen, backed by an increase in orders for double-column machining centers, while orders for multitasking machines also remained firm, down 1.6% from the previous fiscal year to 56.8 billion yen. The ratio of orders for high value-added products, the sum of machining centers and multitasking machines, was 80.0%, up 1.9 pt from the previous fiscal year.

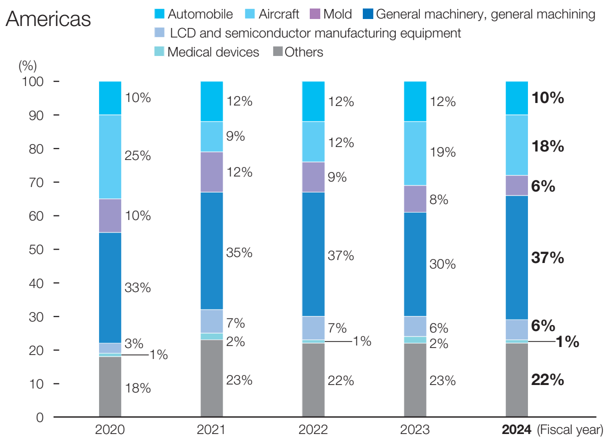
Orders by Region

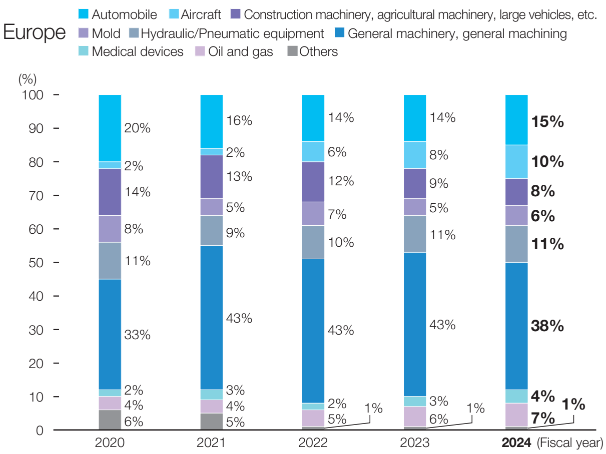


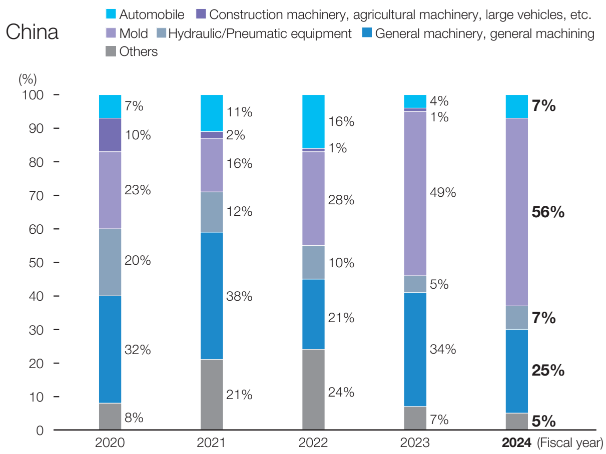
Orders by region in fiscal 2024 were affected by the weaker yen. Orders in the Americas were 62.7 billion yen (29.1% of total orders), up 2.8% from the previous fiscal year, orders in Europe were 32.6 billion yen (15.1% of total orders), down 16.8%, orders in the Asia-Pacific were 52.9 billion yen (24.5% of total orders), up 23.0%, and orders in Japan were 67.4 billion yen (31.3% of total orders), up 10.9%.

Ratio of Orders by Industry





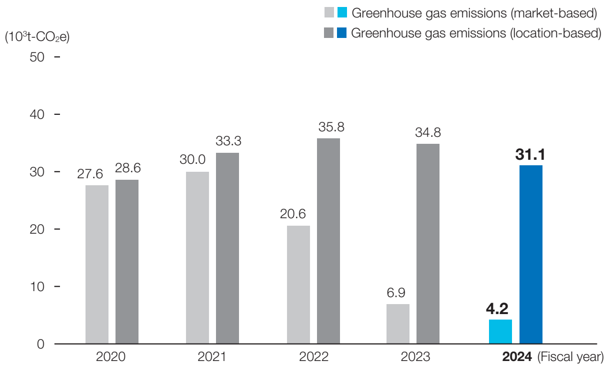




In terms of the proportion of orders by industry and region for fiscal 2024, orders for general machinery and industrial equipment, including those in various industries such as shipbuilding and printing machinery in Japan, rose by 5.0 pt from the previous fiscal year to 51.4%, but the proportion of orders for the automobile industry declined due to signs of holding off on capital investment. In the Americas, similar signs of capital investment in heavy industry were evident, and the proportion of orders for general machinery and industrial equipment rose to 36.6%, up 5.8 pt from the previous fiscal year. In Europe, demand remained generally weak, with the proportion of orders for general machinery and industrial equipment falling by 4.4 pt to 38.4%. In China, the proportion of orders for the automobile industry and the molding industry rose significantly as a result of increased demand for EVs.

Non-Financial Highlights

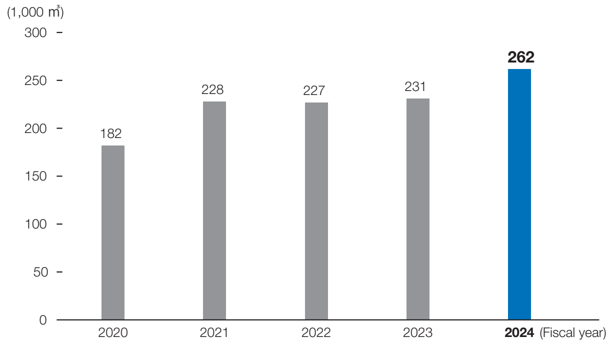
Greenhouse Gas Emissions*1



We calculated Scope 1 and Scope 2 for plants in Japan. In October 2022, three plants in Japan (the Oguchi Plant at Headquarters, the Kani Plant, and the Konan Plant) began introducing electricity obtained from renewable energy sources, and the Gunma Plant, which began operating in January 2023, expanded the introduction of electricity starting in January 2024. Greenhouse gas emissions in fiscal 2024 were reduced by 11% (location-based) from the previous fiscal year through the electrification of gas air conditioning and forklifts.

*1 Greenhouse gas emissions are calculated in accordance with the GHG Protocol for plants in Japan.

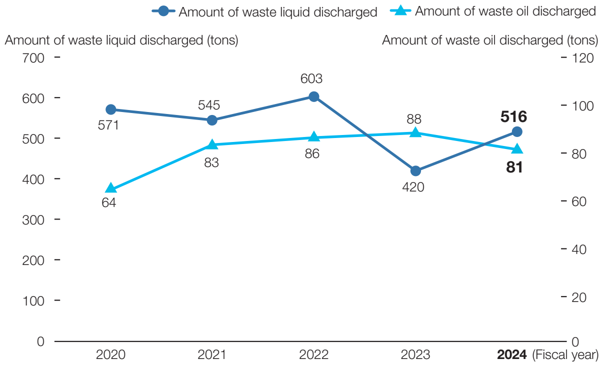
Water Withdrawal*2



In addition to WASH services for employees, water intake is used as dilution water for cutting fluids used in the machining of metal parts in the production process at plants in Japan. Water intake in fiscal 2024 increased by 13% from the previous fiscal year, mainly due to the redevelopment of the Konan Plant.

*2 Water withdrawal is the amount of water taken in at plants in Japan.

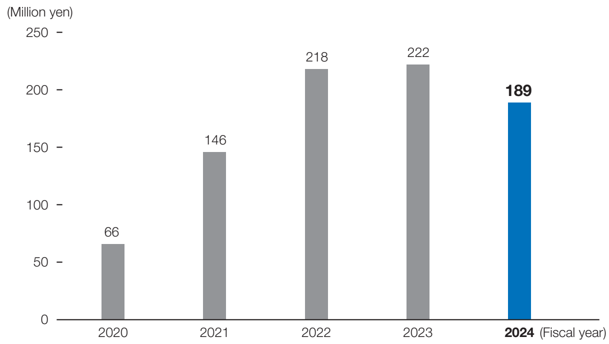
Amount of Waste Liquid and Oil Discharged*3



By utilizing our in-house developed sludgeless tanks and controlling the quality of cutting fluid, we have reduced the frequency of cutting fluid changes and reduced the amount of waste fluid discharged.

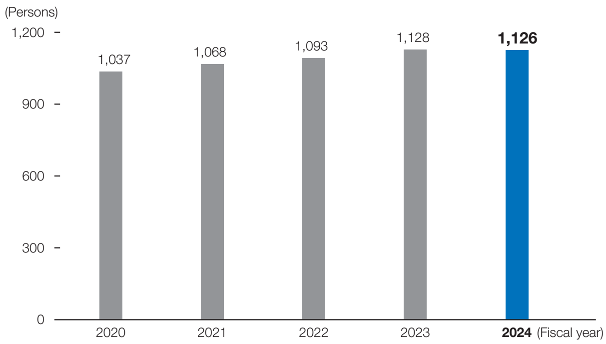
*3 The amounts of waste liquid and oil discharged are the measured amounts of liquid and oil discharged from the production processes at domestic plants.

Training Cost (Non-consolidated)



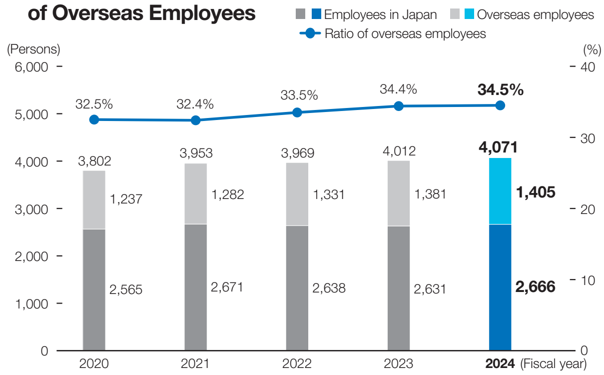
To create value with customers as a Comprehensive Monozukuri Service company, we are strengthening the development of human resources who can contribute to creating new value and strengthening the foundation in the belief that the growth of our employees will shore up our competitiveness.
Training expenses in fiscal 2024 decreased 15% from the previous fiscal year to 189 million yen, with support for development of human resources to promote a DX increasing by 2.2-fold.

Number of Qualified Employees who Have Passed the National Skill Test (Non-consolidated)



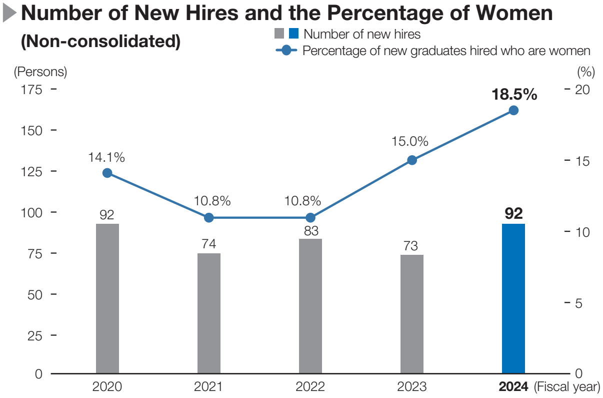
To be equipped with expert techniques and skills, which determine the accuracy of machine tools, employees are encouraged to take the National Skill Test and obtain certifications. The number of qualified employees who have passed the National Skill Test is on the rise, and their advanced skills and techniques are contributing to the provision of high-value-added products, technologies, and services.

Number of Employees (Consolidated), and Number and Ratio of Overseas Employees



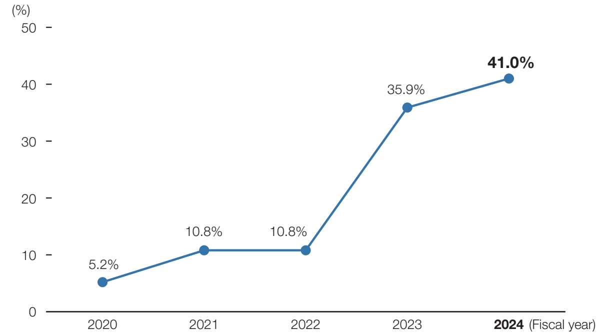
In order to expand sales and enhance services globally, we increased the number of employees mainly in Japan, the Americas, and Europe, which led to an increase in the number of consolidated employees. The proportion of employees overseas in fiscal 2024 was 34.5%, which was almost the same as in the previous fiscal year.

Number of New Hires and the Percentage of Women (Non-consolidated)



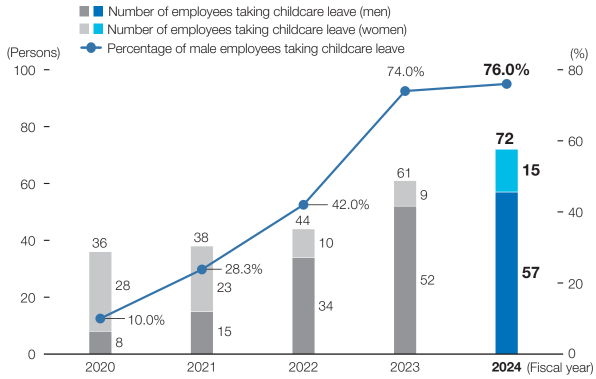
We believe that diverse human resources are essential to Okuma's growth. We have set a target of at least 15% for the proportion of women among new graduates by the end of fiscal 2025, and that proportion was 18.5%, exceeding the target for fiscal 2024. We are creating an environment in which employees can play an active role regardless of their gender through measures such as enhancing the recruitment of female career-track employees, revamping the corporate culture to promote them to management positions, and providing education for next-generation leaders.

Ratio of Medium-Career Recruitment (Non-consolidated)



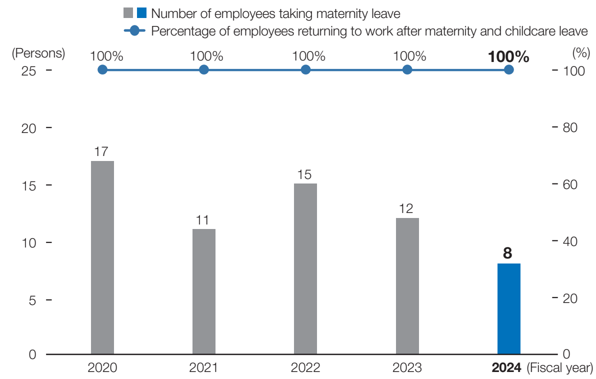
We are focusing on expanding our career recruitment to hire individuals with different backgrounds in order to facilitate the creation of new value. We have also been promoting phased efforts to develop a working environment that allows innovative creations.

Number of Employees Taking Childcare Leave (Non-consolidated)



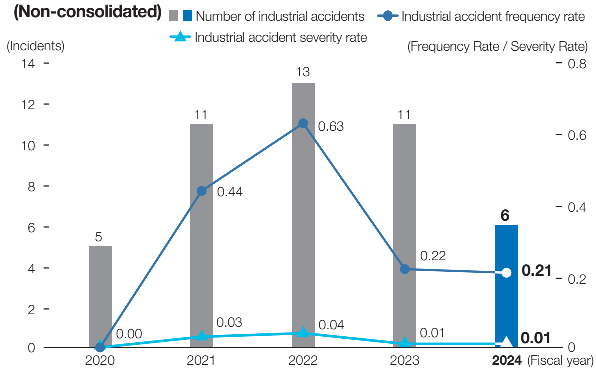
We encourage male employees to take childcare leave and strive to create an environment that is easy to work in for the child-rearing generation. In fiscal 2024, the number of male employees taking childcare leave was 57, and the percentage of male employees taking childcare leave was 76.0%, an increase of 2.0 pt from 74.0% in the previous fiscal year.

Percentage of Employees Returning to Work after Maternity and Childcare Leave (Non-consolidated)



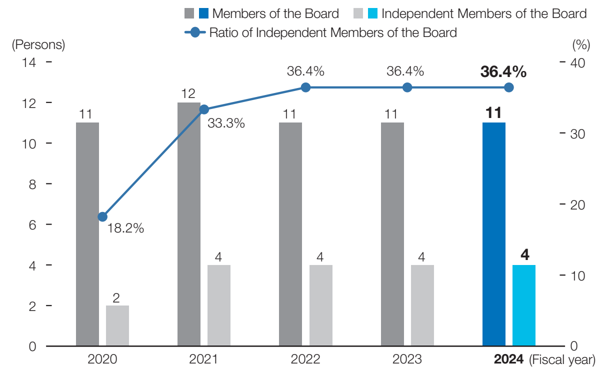
In fiscal 2024, the percentage of employees returning to work after maternity and childcare leave was 100%. We have promoted flexible working styles, such as improving the short working hours system and introducing the hourly paid leave system, so that employees can continue working while raising children.

Number of Industrial Accidents / Frequency Rate / Severity Rate (Non-consolidated)



Safety and Environment Meetings are held every month to share information on industrial accidents, and measures to prevent recurrence are implemented cross-divisionally. Although there have been only minor incidents to date, the Company has been strengthening its efforts to prevent industrial accidents by once again thoroughly implementing the 5S, etc.

Number and Composition Ratio of Members of the Board



In fiscal 2024, 4 of the 11 Members of the Board were Independent Members (including 1 woman), and the ratio of Independent Members of the Board was 36.4%, (one-third of the total or more), which satisfies the requirement of the revised Corporate Governance Code. After the General Meeting of Shareholders held on June 24, 2025, four out of nine Members of the Board (two of whom were women) were Independent Members of the Board, and the ratio of Independent Members of the Board was 44.4%.

Chapter 2

Vision and Value Creation Story

CONTENTS

Interview with the President

Atsushi Ieki
Representative Director and President

In the next medium-term management plan, Okuma will focus on value co-creation with its customers and transform into a manufacturing services company.

I A Commitment to Improving Corporate Value

Q: To start with, please describe your commitment to improving corporate value. What is the equity story to achieve that goal?

Over the past few years, Okuma has crafted a growth scenario for the medium to long term. While taking steps in that direction, it has returned the largest shareholder returns in its history. Despite that, price volatility has been limited, with a PBR ratio hovering at around 1. I sincerely take this to be an indication of the capital markets' assessment of the effectiveness of Medium-Term Management Plan 2025 and the Company's capital efficiency.

That is why I believe that we need to now reexamine the essence of management and work even more earnestly to fundamentally increase corporate value. The starting point for this will be the completion of Medium-Term Management Plan 2025 and the next medium-term management plan, which will begin in fiscal 2026. Here, we will clearly define and promote our vision for the future and how we will realize it, based on the pillars of shifting to a different business model through "the development of manufacturing services" and "growth of people and the organization." We will emphasize dialogue with the capital markets and strive to improve our corporate value.

At the heart of our equity story is our transformation into a "manufacturing services company." Thus far, we have made "contributing to society through the power of 'manufacturing services'" our purpose (raison d'être), and we have capitalized on our strengths in technologies combining machinery, electricity, information, and knowledge creation to provide technologies and solutions that truly help to address issues such as process integration, automation, and decarbonization. In the future, we need to delve further into those technologies and transform them into a business model that shares our customers' issues and that leads to solutions through a DX that organically harmonizes humans and AI.

Facilitating this transformation will be the Engineering Center and Innovation Center at the Konan Plant, which are scheduled for completion in December 2025. These facilities will be at the heart of our efforts to create new value. We have made investments that are crucial to our long-term vision for fiscal 2030.

What we offer is not just mechanical products but also the very value that we co-create with our customers. This chain of value creation leads to high profitability and sustainable growth. I am also convinced that in a manufacturing services company, fostering employees' autonomy, creativity, and their desire to contribute to society is the source of that company's intrinsic value. We will never stop fearlessly taking on challenges, and we will develop Okuma into a group of companies that can provide more social value.

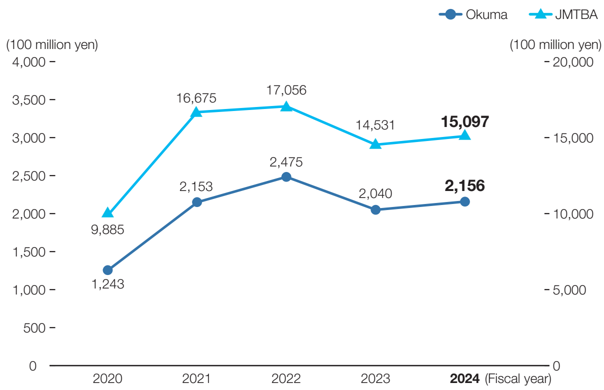
Q: Fiscal 2024 was the second year of Medium-Term Management Plan 2025, but it resulted in a bleak performance for Okuma. Could you tell us what issues there were and give us a forecast for fiscal 2025?

In fiscal 2024, the number of orders we received tended to gradually recover, similar to the trends in orders received in the machine tool industry, but our performance was bleak, falling short of our plan.

That said, our forecasts for fiscal 2025 were net sales of 230 billion yen, operating income of 22 billion yen (an operating margin of 9.6%), and an ROE and ROIC of 6-7%, but market recovery was slower than expected. We see a return to profitability as a pressing need.

Looking back at the state of orders received in fiscal 2024, capital investment in small- and medium-sized plants (facilities such as job shops), which account for 70-80% of our users, was limited partly due to inflation, resulting in

Value of orders reported by the JMTBA* and the value of consolidated orders received by Okuma



* JMTBA: Japan Machine Tool Builders' Association

a patchy recovery in demand. That said, we were able to secure large orders from major companies for automated systems based on process-intensive machines, such as 5-axis machining centers. In the domestic market, we achieved our target of at least 15% of the domestic share of orders reported by the JMTBA in the second half of the fiscal year, indicating the results of our efforts.

In terms of performance, profitability remained an issue due to slow growth in utilization of plant capacity and a combination of factors that led to decreased earnings in the fourth quarter of fiscal 2024. We will strive to improve profitability on the basis of an enhanced supply system to handle large projects and improved production efficiency.

In fiscal 2025, we expect shipments of 5-axis machining centers and double-column machining centers to increase. In response, we will promote the flexible swapping out of models produced at different plants in order to flexibly respond to the increase in production. In order to implement the production plan with the maximum usage of facilities, we are starting up the production of finished machines at the Gunma Plant as well. The Gunma Plant, which began operations in 2023, is the linchpin of our future manufacturing strategy.

Q: What have you focused on as a member of top management over the past few years? What management issues have emerged from the efforts and how are you addressing them?

As a member of top management, my focus has been on both “evolving into a manufacturing services company” and “strengthening the basis of our profitability.” Several efforts that we have particularly focused on are implementing high value-added pricing policies, restructuring our production system, and enhancing our value proposition with solutions that accord with the evolution of our maturity model, such as our Green-Smart Machines that correspond to Level 1 of that model.

First, we worked on “passing along added value” in our pricing policies, whereby we correctly communicate the intrinsic value of our products and services to customers and review prices after convincing customers of the value of those products and services. In fiscal 2024, the implementation of a pricing policy for those machines and services resulted in an increase in the proportion of sales of services compared to the previous fiscal year.

In terms of restructuring our production system, a four-plant system was created with the addition of the Gunma Plant to accommodate large projects in growth areas such as EVs, semiconductor manufacturing equipment, and aerospace. One such effort is the Engineering Center that will be established at the Konan Plant. The Center will play an important role in overall optimization as a centralized production base for automated systems. We are building an operational structure with cross-functional teams that transcend the boundaries of technology, production, and sales, and we are preparing to play a central role in providing new value.

At the heart of Okuma’s transformation is the full-scale rollout of our Green-Smart Machines. All of our mainstay models of machining centers (including 5-axis machining centers), multitasking machines, and lathes are now equipped with the OSP-P500, a new-generation CNC system, and we have established a line of products for the next generation. The CNC system switchover caused some issues that reduced production efficiency, but we took a major step toward creating new value.

These efforts revealed two themes that we need to promote. One is to better communicate the value of our products and services and to continue to develop our high-end brand strategy on a global basis. By establishing high value-added prices in each market, we will ensure stable profitability over the medium to long term. The second theme is to further enhance our ability to accommodate automation, which is one of our strengths, in response to changes in society, such as a declining population and the difficulty of passing on skills. By facing these challenges head-on and continuing to fearlessly take them on, we will achieve sustainable growth and further improve our corporate value.

II Okuma’s Growth Strategy

Q: What are your views on the U.S. tariff policy? How do you see it affecting medium- and long-term orders in the machine tool industry? In light of this, what is Okuma’s strategy?

The U.S. tariff policy has brought about major changes in the existing economic system, and supply chains are being restructured, particularly in the manufacturing industry. This has also relocated sites with a demand for machine tools to different places around the world, giving the market a more complex “patchy” appearance. In an environment like this, differences in investment attitudes among companies have emerged, and the timing of capital investment has become an important element that affects competitiveness.

However, machine tools are equipment at the heart of the manufacturing industry. Given a stronger manufacturing industry in the U.S. and the trend toward higher value-added products, we expect demand to remain strong over the medium to long term. The need for high-speed, high-precision, and high-functionality machining is further increasing, especially in the growth areas of aerospace, defense, semiconductor manufacturing equipment, and energy (wind power generation, LNG, power generation equipment for data centers, etc.), and we see this as a tailwind for the Company.

In terms of pricing, we will steadily implement price revisions in fiscal 2025 by passing on the cost increases caused by additional tariffs to sales prices for new orders while also promoting the use of local inventories. We will steadfastly apprise the market of the value of our products and increase our earnings.

Regarding the move to explore production systems in the U.S., we have determined that the best course for us is to continue to produce high-end machine tools in Japan. That said, Okuma America is constructing a spindle repair shop, which is scheduled to be operational in December 2025, to enhance our customer support system. By enhancing our service business locally, we will help our customers maximize machine utilization rates.

Q: Have you seen any changes in Okuma's approach to "what must change," such as "the mindset of making an attempt first" and "co-creation with other companies," which President Ieki mentioned in last year's Integrated Report?

I think the two are changing as a definite result. New challenges are being taken on with an attitude of "making an attempt first" within the Company. One of the results is the proposal of solutions to achieve higher levels in our maturity model. Proposals for Levels 3-4 and higher require not only the introduction of equipment but also proposals to optimize the customer's entire site, so we are offering proposals one by one.

▶A more compact automated cell

Co-creation with external entities is also steadily expanding. The Japan International Machine Tool Fair (JIMTOF) is a large exhibition of machine tools. At JIMTOF 2024 (the 32nd such fair), we showcased automated cells using AGVs that we jointly developed with an engineering company. We will create new value through co-creation with external entities. ARMROID is a machine with a built-in robot. With ARMROID, we were able to provide a clear solution to customers who wanted to automate but lacked the space. At the core of automation solutions are the Green-Smart Machines, which can flexibly handle everything from multi-product/low-volume production to mass production by coordinating with loaders and our OMR series of mobile cooperative robots.

Underlying these solutions is a shift from "selling products" to "being a partner in solving our customers' problems." We will combine AI, the IoT, and other technologies to optimize not only machining equipment but also the entire manufacturing process, including human movement and variations in quality. We have already begun to see examples where we helped to improve productivity, and we are getting a definite sense of the trust being placed in us by our customers.

What we are aiming for in the future is a new form of collaboration that organically harmonizes humans and AI and that leads to optimal decision-making at manufacturing sites. We believe that people can use AI to bring out their creativity and thus make manufacturing sites more appealing and dynamic. Manufacturing sites are now changing at an unprecedented pace. That is why I will continue to promote the spread of a corporate culture of "making an attempt first" and the building of an organization that can respond flexibly to change.

Q: AI is being used in a variety of industries, and changes at manufacturing sites are anticipated as well. How will Okuma use AI?

Manufacturing sites for production and machining will undoubtedly change due to the use of AI. We believe that this is not simply a world of digital twins and metaverse but an effort to bring about new iterations of machining sites and plants that cannot be achieved by ordinary production line designers and engineers.

In collaboration with Hitachi, Ltd., we introduced Hitachi's Lumada IoT platform at a Dream Site (DS), which is one of our own smart factories, in 2017. At the DS, we use AI technology that we developed to conduct field trials in order to achieve stable operations. Technologies that have proven highly effective in these trials are provided as solutions to facilitate stable operation of our customers' equipment. In addition, we identify the strengths and weaknesses of AI and we offer AI diagnostic tools as a differentiated technology to our customers.

One AI diagnostic tool, AI machining diagnostics, uses AI to ascertain the status of machining during drilling/machining and to detect tool abnormalities before damage occurs, preventing the risk of tool damage. We are able to create differentiated edge AI and utilize it in this manner not only because of our software and control technology, but also because of our extensive knowledge of machining and mechanical mechanisms. The development of AI machining diagnostics, for example, is only possible in a general sense when basic machining technologies have been researched and understood. This is an intrinsic strength of ours that no other company can imitate.

Q: How do you see the shift in Okuma's business model to a "manufacturing services company" increasing its profitability in the future?

There are two scenarios in which the shift to a "manufacturing services company" could increase our profitability. One would be to incorporate more proposals of high value-added solutions when selling machines. The other scenario would be to create a structure that continuously generates profits by expanding our recurring revenue business model in the area of post-installation services.

This investment in growth at the Konan Plant is more than just an expansion of equipment capacity. We expect to increase production by transferring automated lines from other plants, but this site will be the starting point that encourages the development of our business model and profit structure. In other words, it is a shift away from the conventional concept of our involvement "ending once a product is sold" to our involvement "just beginning once a product is sold." This is an important move in our shift to a business model of constantly being attuned to our customers' issues.

I am convinced that co-creation with our customers will be the key to creating a higher order of value in manufacturing in the future. Technical proposals starting in the conceptual stage, realistic machining verification, and digital simulations——through these processes, we will go beyond the conventional framework of "product sales & support" and become a "partner in creating value."

More in-depth contact with customers will lead to the expansion of our recurring revenue business model. Through assistance post-delivery, maintenance and inspections, and proposed upgrades, we intend to build a stable and sustainable business model by creating a long-term revenue base. Through this series of investments in growth, we will provide services that are a step ahead of our customers' "problems."

Q: What are the future policies and medium- to long-term goals for Okuma's recurring revenue business model?

Currently, we consider this to be a period of "laying the foundation" for these manufacturing services, and we have made important moves that will lead to future growth. To date, we have delivered a cumulative total of approximately 140,000 of our machine tools in Japan alone. This is truly a great boon for us, and it has the potential to expand our recurring revenue business model.

A prerequisite to developing this business is that "the machine is able to sustain consistent productivity even remotely." This prerequisite is based on cutting-edge technology using AI to provide consistent precision even when the environmental temperature changes. Even in automated, unmanned factories, performance is predicated on being able to ensure consistent precision autonomously. Here, diagnostic techniques, such as anticipating a machine's status through real-time monitoring of operating conditions and visual indication of signs of an abnormality and a change in precision, are important. To resolve these issues, we have focused on developing diagnostic techniques using AI and laying a foundation for proposal-based maintenance. Amidst moves towards automation and remote operation, the key differentiator is being able to achieve consistent precision even when the environment or temperature changes. In the future, we will systematically combine post-installation services into more complex and advanced services.

In the medium to long term, our policy will be to make this services business into one of the pillars of our business and to gradually increase its proportion of sales. Our goal is to create a business model in which our involvement does not end with the delivery of products but one in which "we provide true value to customers as they continue to use our products."

III Sustainability Strategy and the Next Medium-Term Management Plan

Q: Regarding Okuma's sustainability strategy, what do you see as the expected outcome of enhancing management capital? And please tell us about enhancing corporate governance.

In order to achieve sustainable corporate value, enhancing management capital, such as human, intellectual, manufacturing, and financial capital, is essential, in conjunction with business strategies. I believe that a growth strategy centered on "people" will be the driving force to continue increasing our corporate value.

To enhance our human capital, we introduced the Okuma's New Human Resources System which combines job-based and membership-based systems in 2025, and we have put in place a flexible system that responds to diverse working patterns and the desire for growth. We are also focusing on human capital investment, with wage increases exceeding 5% for three consecutive years beginning in fiscal 2022 and a non-consolidated increase of 6.0% in fiscal 2024. We will continue to strive to create value through human capital by enhancing employee growth and fulfillment.

In terms of intellectual capital, we are promoting development that will take manufacturing to the next level through the use of AI and basic research in machining and machinery. These efforts will lead to product differentiation as well as to the proposal of solutions based on Green-Smart Machines and the expansion of our recurring revenue business model.

In terms of manufacturing capital, we will work to improve production flexibility and efficiency and shorten lead times primarily at the Engineering Center at the Konan Plant and the new logistics center at the Kani Plant. We will strengthen our revenue base by increasing our ability to accommodate automation and projects involving our solutions.

In terms of financial capital, we intend to increase free cash flow and improve our asset efficiency and financial soundness by reducing inventories and reducing cross-shareholdings, in addition to increasing our operating margin by transforming our business. As free cash flow increases, we will increase shareholder returns.

Corporate governance is the foundation of management. In terms of governance, we reformed our Board of Directors at the annual General Meeting of Shareholders on June 24, 2025. The Board of Directors was decreased from 11 to 9 members, the proportion of Independent Members of the Board was increased to 44.4%, and new outside directors with expertise in ESG, legal affairs, finance, and insurance were appointed to enhance our sustainability management and our ability to respond to risks. We aim to achieve both "sustainable growth" and "maximization of corporate value" by promoting the enhancement of management capital and governance in an integrated manner.

Q: Finally, what is the direction for the next medium-term management plan starting in fiscal 2026?

We have already started considering the next medium-term management plan starting in fiscal 2026, and in April 2025 we launched a bottom-up project to formulate that plan with participation by the heads of sections and departments in each division.

At the heart of the next medium-term management plan is "a shift to a business model that meets the 'true' needs of our customers." In order to evolve as a company offering solutions to problems, and not just a company selling machines, we will make a full-fledged effort to transform our business, reallocate management resources, and restructure our organization and management. We are also focusing on the implementation of strategies, and we will review the systems to promote them and the system to manage KPIs. Numerical targets are still being considered, but our policy will be to clearly flesh out sustainable improvement in corporate value, with an emphasis on capital efficiency and profitability.

We will clearly position the period of the next medium-term management plan as a "full-fledged phase of business transformation." We will all work together to take on the challenge of taking every aspect of our business to the next level, including products and solutions, services, the profit structure, and working patterns.

Representative Director and President

Long-Term Vision

Okuma's Long-Term Vision

Over the 127 years since its founding, Okuma's history can be described as a history of developing products and expanding business to solve social issues. Our Long-Term Vision is based on such corporate culture. It picks up six social issues as Okuma's sustainability challenges and defines the course of action regarding what kind of new value we will create by solving these issues and how we will lead to the growth of our customers and for Okuma through such efforts.

By building on our efforts to solve issues, we aim to become an indispensable presence in society and a company that solves social issues in the global manufacturing industry.

Purpose: "Contributing to society through the power of 'manufacturing services'"

~ Becoming a company that is indispensable to society and solves production machining issues and social issues in the global manufacturing industry ~

Goals for fiscal 2030

Improving corporate value

- Sales: 300 billion yen
- Operating income margin: 15% or higher
- ROE: 13 to 15%

Improving social and environmental values

- Carbon neutral for Scope1 and Scope 2 (consolidated basis)

Okuma's Materiality

Fostering sustainable growth in the Monozukuri industry through creative innovation

- Providing solutions that improve productivity
- Developing and providing environment-friendly products and technology
- Reducing the load on the environment by the production process

Developing human resources that are the source of innovation

- Promoting technological research and the acquisition of skills
- Promoting diversity
- Creating a comfortable working environment

Okuma Sustainability Challenges (Six social challenges)

1. Decrease in the number of skilled technicians and the passing down of skills
2. Decline in labor force
3. Highly efficient and flexible production to cope with diversified needs and coping with mass customization
4. Reduction of environmental load and achieving a decarbonized society
5. Strengthening the supply chain
6. Safe and secure Monozukuri and cyber security

Okuma's "Green-Smart Machine" is required to solve social issues

One of the reasons our customers continue to choose Okuma's smart machines amid the many social issues in manufacturing is that they fit a wide range of industries and can be flexibly adapted to a variety of production forms, including mass production, multi-product/low-volume production and variable-mix/variable-volume production.

Okuma's Smart Machine is a Green-Smart Machine that achieves high machining performance and stable accuracy while saving space and energy. By proposing optimal machining technologies and machining setups, together with peripheral systems, we are able to achieve high productivity in various industries. Customers have told us that the combination of original intelligent technology and an easy-to-introduce packaged automation system has enabled customers to achieve a machining system with high accuracy stability and productivity at an early stage, and that has been highly rated.

Long-term demand outlook

As the business environment is changing rapidly and nothing is certain now, demand for establishing flexible production systems is expanding globally. To rapidly accommodate mass customization, we are contributing to our customers' value creation by providing solutions based on Green-Smart Machines with smart factories in mind.

Steady growth of demand is expected from here on out amidst structural changes in society and manufacturing, and we are steadily working to deal with those changes.

Topics Okuma's AI technology

Okuma's AI technology backed by deep expertise in manufacturing sites

Since the early 1990s, Okuma has been conducting research on AI to estimate thermal deformation in machine tools. By identifying AI's strengths and weaknesses and incorporating modeling objects in areas where AI falters, we have created a unique intelligent technology called the Thermo-Friendly Concept. More than 70,000 machines equipped with this technology have been shipped to date, and the stability of their machining accuracy has garnered a high level of trust from our customers. In addition, the know-how gained during the development process is put to use in AI to aid in developing technology.

That said, machine learning typically requires vast amounts of data, which hampers its rapid use at manufacturing sites. Therefore, Okuma's AI technology is being developed with an emphasis on enabling efficient learning by modeling objects while drawing on our expertise as a machine tool manufacturer. There are several reasons for this emphasis. Okuma uses its own machine tools to manufacture the machine tools it offers to customers, and Okuma is thoroughly familiar with manufacturing sites.

Introducing AI technology alone cannot resolve issues at manufacturing sites. Okuma's AI technology is unique in that Okuma pursues fundamental technologies and then uses AI as a means to resolve issues.

Deployment of AI technology

Okuma considers AI to be a necessary technology for machine tools and is developing AI, which includes efforts at co-creation with other companies.

To date, we have developed the world's first AI machine diagnostics, which ascertain the status of critical mechanical elements such as the main spindle of a machine tool, and AI machining diagnostics, which ascertain tool life and abnormalities during machining. In the future, we foresee a growing need to advance manufacturing by increasingly drawing upon know-how based on the knowledge and experience of skilled engineers.

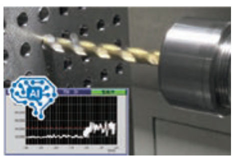
Okuma will use technology, including AI, to provide optimal solutions while focusing on resolving issues at manufacturing sites. We will also focus on both the introduction of technology and its use at manufacturing sites, and we will pursue reliability and performance.

AI machine diagnosis functions

Reducing downtime by detecting signs of a fault

- Upholding production plans and reducing maintenance costs through scheduled maintenance by predicting faults

AI machining diagnosis functions



AI detects machining abnormalities beforehand and automates the process until machining resumes

- Preventing workpiece defects due to broken tools
- Using tools for their full lives based on diagnostics

Medium-Term Vision

Business Environment and Social Issues

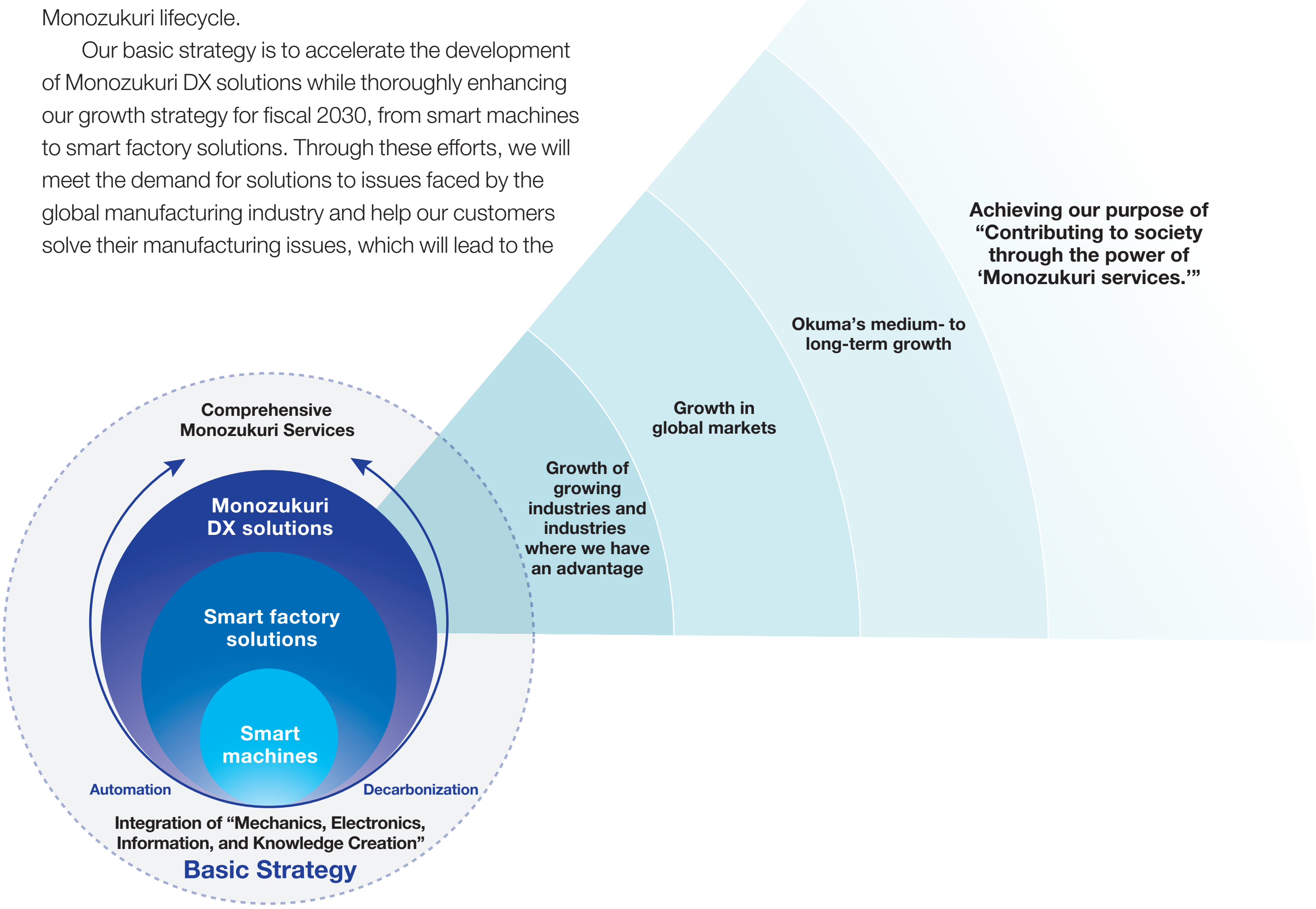
The environment surrounding the manufacturing industry is changing significantly. Developed countries are facing a decline in the working population, and emerging countries with marked economic growth are also worrying about labor shortages due to a declining birthrate and aging population. Improving labor productivity is a challenge to tackle on a global scale. In addition, consumers have started to prefer individuals to organizations and utilization to ownership, accelerating the diversification of society.

As shortages of resources and energy, global warming, and air and water pollution are becoming more and more serious, people are paying closer attention to environmental conservation, speeding up the transition to decarbonized society. Companies are increasingly required to give consideration to resources and the environment in business activities. We must also pay close attention to geopolitical risks such as economic security.

Growth Scenario

Toward Okuma's Mission Statement and Purpose of "Contributing to society through the power of Monozukuri services," our business strategy is to provide "comprehensive Monozukuri services" that create value by offering Monozukuri DX solutions and solving issues faced by individual customers throughout the entire Monozukuri lifecycle.

Our basic strategy is to accelerate the development of Monozukuri DX solutions while thoroughly enhancing our growth strategy for fiscal 2030, from smart machines to smart factory solutions. Through these efforts, we will meet the demand for solutions to issues faced by the global manufacturing industry and help our customers solve their manufacturing issues, which will lead to the growth of the Okuma Group. In addition, we will cover a wide range of growing industries and those in which we have an advantage, and promote growth in global markets with Global 70 (overseas sales ratio of 70% or more) in view. By multiplying these strategies, we will work to grow the Okuma Group in the medium to long term.



The ideal image of automated solutions

Toward the realization of the growth scenario, it is important to determine what kind of technology and product strategies will be used to respond to structural changes in manufacturing and social issues. In order to solve social issues such as the decline in the working population and decarbonization, we will determine the future course and aspirations for our technology and product strategy, including how to advance the digitalization and automation of manufacturing. When developing Monozukuri DX solutions in particular, Okuma has devised a maturity model for smart technology for manufacturing and a DX in manufacturing that consists of six levels. This model serves as the guiding star for the solutions that Okuma offers.

Level 1 of the maturity model focuses on the development and spread of smart machines. This corresponds to the use of smart machines, such as 5-axis machining centers and multitasking machines, and integrated processes. Next is Level 2, which is the automation of smart machines with smart machining cells. Level 3 is adding the automation of logistics between smart cells and process control to build a smart factory. Level 4 is providing additional technology for the transition to smart manufacturing, Level 5 is creating a cyber-physical system (CPS) via smart factories, and Level 6 is providing the optimization of machining plant operations through Monozukuri DX solutions. Currently, the greatest demand in the medium term will presumably be in the area of proposals for process integration and automation systems for individual machines at Levels 1-3 in particular.

▶Okuma's maturity model of smart technology for manufacturing and a DX in manufacturing

	Okuma's Approach	Okuma's Solutions	
Level 6	Monozukuri DX solutions	Provide optimization of the machining factory business	Level 6
Level 5	Smart factory CPS*	Provide smart technology at the CPS* level	Level 5
Level 4	Smart manufacturing	Provide smart technology for manufacturing	Level 4
Level 3	Expanding smart machining cells to whole factory	Provide the methods of linking and expanding smart machining cells	Level 3
Level 2	Smart machining cells	Provide smart machining cells and ways to fully utilize them	Level 2
Level 1	Smart machines	Provide smart machines. Expand the utilization of 5-axis machining centers and multitasking machines	Level 1

* CPS: Cyber Physical System

Providing decarbonization technologies

With the aim of clarifying the sort of machine tools Okuma should seek to offer in order to solve social issues, Okuma has established its own maturity model for machine tool decarbonization technology (See P. 59). In the decarbonization process, Okuma provides Green-Smart Machines as products and technologies that will greatly contribute to the energy consumption reduction activities and autonomously combine the stability of machining accuracy, which is affected by changes in room temperature and heat generated during operation, with energy reduction and minimization for machine cooling, in addition to the visual depiction of reduced energy consumption in order to ascertain the current status of machine tools, which is becoming more common.

Process for Value Creation

External environment

Societal issues
P.23

- Decrease in skilled workers and passing down skills • Decrease in labor force
- Highly efficient and flexible production to cope with diversifying needs and coping with mass customization
- Reducing the environmental load and achieving a decarbonized society • Strengthening the supply chain
- Safe and secure Monozukuri and cybersecurity

INPUT

Financial Capital
P.39

- High financial stability

Intellectual Capital
P.43

- Accumulation of techniques, specifications, and machining technologies
- Accumulation of basic research and elemental technologies (the ability to incorporate that research and those technologies in AI technology)
- Collaboration with universities, companies, and AI startups

Manufacturing Capital
P.45

- Production of premium products in Japan: 4 Sites
- Smart factories: 3 Factories (Dream Sites 1, 2, and 3)
- Smart manufacturing technologies demonstrated and accumulated at Dream Sites

Social and Relationship Capital
P.47

- Strong global sales network
- Sales with advanced ability to make proposals
- Green-Smart Machine to solve social issues
- Co-creation with suppliers

Human Capital
P.73

- Number of employees: Consolidated: 4,071 (non-consolidated: 2,318)
- Human resource development by Okuma University
- Sense of responsibility to and the desire to contribute to society and our customers

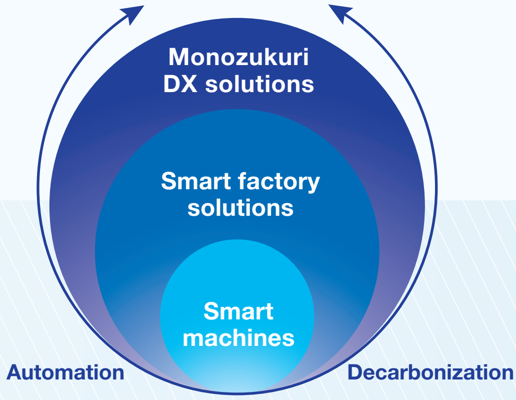
Natural Capital
P.81

- Energy use (consolidated): 98,853MWh
- Water use (consolidated): 336 thousand m³

BUSINESS STRATEGY

Okuma's Comprehensive Monozukuri Services

Comprehensive Monozukuri Services



Integration of "Mechanics, Electronics, Information, and Knowledge Creation"

Okuma's strengths

- **Technology to integrate "Mechanics, Electronics, Information, and Knowledge Creation"** P.7
- **Trust in the quality of smart machines and automation systems**
- **Capability to propose solutions**

Next-generation automated factory (Dream Site) demonstrating Monozukuri DX Solutions

Okuma's Purpose

P.5

Contributing to society through the power of "manufacturing services"

OUTPUT

Financial Capital

P.39

- Consolidated sales: 206.8 billion yen
- Operating income margin: 7.1%
- Equity ratio: 76.3%
- Total return ratio: 75.8%

Intellectual Capital

P.43

- ECO suite, ECO suite plus
  Cumulative units shipped: More than 59,000
- The Thermo-Friendly Concept
  Cumulative units shipped: More than 70,000

Manufacturing Capital

P.45

- Increase (decrease) in actual person-hours (non-consolidated): 2.6% (from the previous fiscal year)
- Increase (decrease) in production volume: -14.9% (from the previous fiscal year)

Social and Relationship Capital

P.47

- Share of orders (non-consolidated) reported by JMTBA: 10.9%
- Overseas sales ratio: 70.1%

Human Capital

P.73

- Number of qualified employees who have passed the national skill tests: 1,126
- Ratio of overseas employees: 34.5%

Natural Capital

P.81

- CO_2 emissions (consolidated, Scope 1, 2): 9.4×10^3 t-CO_2e (market-based)
- CO_2 emissions (consolidated, Scope 3): 1.02 million t-CO_2e

OUTCOME

Realization of a sustainable society through manufacturing

Solving social issues through value creation

P.53

Contribute to the sustainable growth of Monozukuri industries through innovation

13 CLIMATE ACTION
7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Providing solutions that improve productivity
- Develop and provide environmentally friendly products and technologies
- Reducing the load on the environment by the production process
- Carbon neutral for Scope1 and Scope 2 (consolidated basis)

Develop human resources that are the source of innovation

5 GENDER EQUALITY
4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH

- Promoting technological research and the acquisition of expert techniques
- Promoting diversity
- Creating a comfortable working environment

Improving corporate value

Fiscal 2025 Goals

- Sales: 250 billion yen
- Operating income rate: 13 to 15%
- ROE, ROIC: 10% or higher

Fiscal 2030 Goals

- Sales: 300 billion yen
- Operating income rate: 15% or higher
- ROE: 13 to 15%

Value Chain

The “Comprehensive Monozukuri Services” that Okuma provides are based on the value chain we have independently developed. By translating our management capital (inputs) into business activities (business model), including the value chain, to address a variety of social issues, we create outputs and outcomes that enhance both economic value and social value.

	Research & Development	Receiving Orders	Designing & Engineering
Input	• Basic research-oriented culture • Accumulation in technologies experienced, specifications, and machining technologies • Achievements of environmental load and maintenance reduction technologies and data accumulated over many years • Development of new technologies in collaboration with universities, information and communications technology companies, and AI startups	• Global sales and services networks • Complete product lineup and differentiated products based on unique intelligent technology • Sales staff with extensive product knowledge • After-sales service with high problem-solving capability • Robust customer bases in Japan and overseas	• Accumulation of technologies experienced, specifications, and machining technologies • Rich technical documentation, and industry-specific examples • A wide variety of special specifications and functions to meet user needs, and mechanical designs that take them into consideration • Know-how to realize a Dream Site smart factory • Total responsibility through full lineup
Okuma’s strengths	**Research and development based on familiarity with on-site manufacturing** • Development of original technologies integrating “mechanics, electronics, information and knowledge creation” • Okuma’s proprietary AI and intelligent technologies optimized for machining • Development that meets customers’ various needs as flexibly as possible with advanced technologies • Development and deployment of automation, decarbonization, and digitalization technologies and products	**Co-creation of value with agencies, distributors, peripheral equipment manufacturers, and customers** • Sales in a wide range of industries, including growth industries • Okuma’s proposal-based sales to solve problems facing Monozukuri sites • Hybrid order-taking activities that maximize the advantages of both direct sales and distributor sales • Sales and service support with expertise in both machine bodies and control systems	**Providing Green-Smart Machines, automation that operators can use, and Monozukuri DX solutions to solve social issues** • Packaging know-how to realize automated and unmanned systems for mass customization, which Okuma has accumulated at its own Dream Site smart factories, to expand sales • Providing solutions that help customers solve their problems by accumulating records of individual customer proposals on a global basis • Complete packaged proposals for lathes, machining centers, and grinders for production lines and the entire factory
Perceived issues	• Enhance the development of maturity model Level 3 or above • Strengthen new development through co-creation	• Okuma brand penetration • Expand sales of 5-axis machining centers and multitasking machines • Speed up test cutting	• Strengthen development of automation packages • Engineering response (capability and speed)
Deepening efforts	• Development of smart machines and autonomous machine tools • Development of automation technology • Simulation and the development of digital twin technology • Development of technology to reduce environmental load • Strengthening of cyber security specifications • Creation of innovation through industry-academia collaboration and collaboration among businesses	• Accelerated response from a lead to contract closure • Expansion of sales network in Japan and overseas • Enhancement of sales staff’s capability to propose solutions	• Expansion of consulting personnel capable of supporting customers’ entire plants • Expansion of automation systems • Digitalization of designing and engineering • Strengthening automation and system capabilities with the establishment of the Engineering Center

OKUMA Value Chain

	Procurement	Production	After-sales Services and Solution Proposals
	• Relationships of trust with suppliers, including capital ties • Stable procurement of high-quality, high-precision parts and materials	• Production of premium products in Japan • Production of entry model products in Taiwan • Advanced automation system utilizing IoT, and smart manufacturing technology demonstrated in unmanned factories (Dream Sites 1, 2, and 3) • Many skilled technicians, including Contemporary Master Craftsmen with high technical skills, and the transmission of advanced skills • Analysis of the causes of problems, countermeasures and the accumulation of knowledge on services	• A full support system covering everything from machine installation, cell and line construction, production startup, maintenance, and inspections to the optimization of customers' production • Global supply capability for service parts through service parts centers in Japan and overseas bases
	Co-creation between Okuma and our partner companies and suppliers • Initiatives for quality control and productivity improvement in cooperation with suppliers • Overseas procurement at optimal QCD using procurement networks of manufacturing subsidiaries in Taiwan and China	**QCD trusted by customers** • Demonstration of "Monozukuri solution" at Dream Sites • Monozukuri using Cyber-Physical Systems • Production management with faster plant control • Establishing standardized production processes to ensure quality • Prompt investigation of the cause of a problem and service response • Small group activities to improve quality • Establishing optimal output through integrated production of machine bodies and control units	**Leveraging the know-how and knowledge demonstrated and cultivated at Dream Sites** • Proposing advanced solutions, developed through Okuma's smart factory, to address problems at customers' Monozukuri sites • Swift provision of high-quality services that only Okuma can provide as a mechanics and electronics-integrated manufacturer that develops both machines and control equipment on its own • Providing retrofit and overhaul services that would lead to reduced environmental load
	• Optimize production loads at partner companies	• Advance smart factories • Further increase in throughput	• Nurture human resources to provide services and solutions • Provide repair parts at the optimal timing and ensure efficient parts inventory management
	• Strengthening global procurement capabilities to cope with geopolitical risks • Strengthening BCP capabilities for stable procurement • Increasing the production capacity of partner factories	• Enhancing our ability to respond to increased orders for automation systems and turnkeys • Updating and upgrading DS1 automation systems • Strengthening traceability of quality information	• Developing digital Monozukuri services • Proposals for post-delivery machining improvements, automation of the entire factory, and training of Monozukuri service staff to support factory management • Expansion of factories dedicated to maintenance parts • Launch the Innovation Center • Upgrading and expansion of sales and service bases

Chapter 3

Medium-Term Management Plan 2025

CONTENTS

Medium-Term Management Plan 2025

Basic Policies

The Medium-Term Management Plan 2025 sets out five basic policies to achieve our Medium-Term Vision, improve profitability and capital efficiency, and build a business and corporate structure that is less sensitive to fluctuations in demand. We will create new value through our business activities, and thereby ensure the sustainable growth of Okuma and enhanced corporate value.

We have set a management target of achieving consolidated sales of ¥300 billion in fiscal 2030, and most importantly, we aim to achieve consolidated operating income margin of 15% or higher. As interim targets toward the vision, we set management targets for fiscal 2025. We will deploy initiatives based on the basic policies of the Medium-Term Management Plan to enhance profitability and realize highly efficient management, and thereby aim to achieve consolidated sales of ¥250 billion, a consolidated operating income margin of 13 to 15%, and an ROE/ROIC of 10% or higher.

Medium-Term Management Plan 2025

		Main Aims	Goals
Basic Policy 1	**Develop Monozukuri DX solutions and enhance manufacturing capital**	**Pursue value added**	**Fiscal 2030 Goals** • Sales: 300 billion yen • Operating income margin: 15% or higher • ROE: 13 to 15% (Set the balance between risks and opportunities)
Basic Policy 2	**Achieve Global 70**	**Grow and strengthen our ability to cope with fluctuating demand**	
Basic Policy 3	**Strengthen the business foundation (DX, select and concentrate, develop human resources)**	**Put high value-added and highly efficient management into practice**	**Fiscal 2025 Medium-Term Management Plan Goals** • Sales: 250 billion yen • Operating income margin: 13 to 15% • ROE, ROIC: 10% or higher
Basic Policy 4	**Optimize capital for the entire consolidated group**	**Optimize invested capital**	
Basic Policy 5	**Put ESG management that contributes to society into practice**	**Contribute to sustainable society**	

(Note) Based on the average annual exchange rate for fiscal 2022

Cash Allocation

We plan to invest in the range of ¥57 billion and dispense shareholder returns of approximately ¥22 billion, assuming that we can achieve total sales cash flows of ¥74 billion from fiscal 2023 to fiscal 2025.

In regard to DX/DS investment, which is important for medium- to long-term growth, we will invest in redeveloping our Konan Plant and software for smartification and improving operation efficiency via computerization. In regard to growth investment, we plan to reinforce our facilities and enhance our global site development, in order to improve our production capacity and production efficiency, including suppliers.

These investments will mostly utilize sales cash flows, and we will also flexibly utilize debt in line with our investment level, timing, and financial situation.

Medium-term Management Plan 2025: Cash Allocation (3-year aggregate)

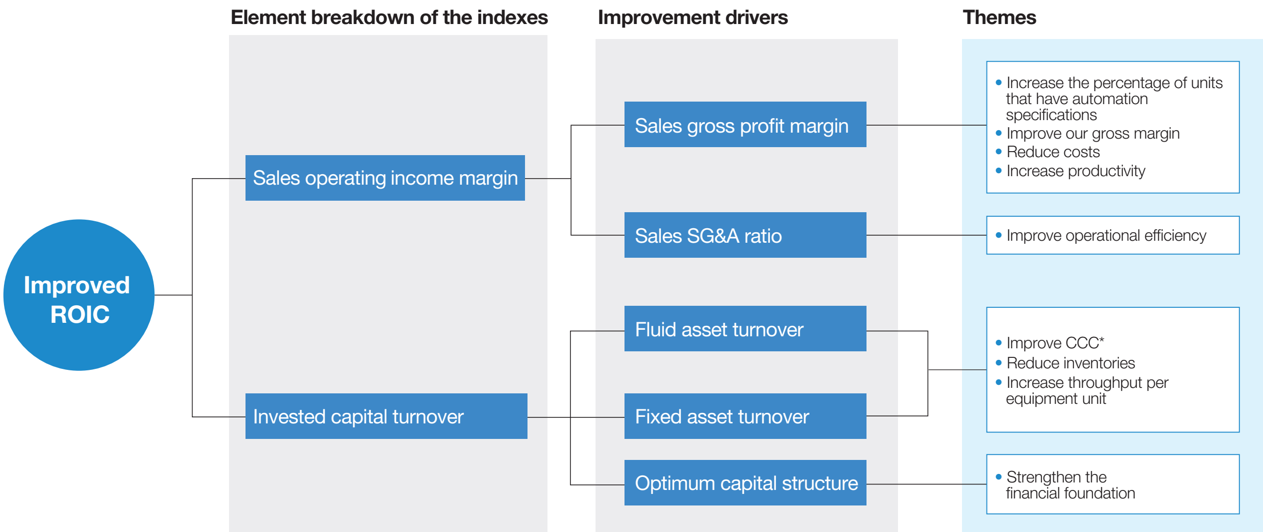
Cash-in	Cash-out	Main investment plans	Reference values
Operating CF 74 billion yen	**DX/DS investment 24 billion yen**	• Construction of the next DS • Introduction of a new ERP • Development of a new OSP	**Total investment amount 57 billion yen**
	Growth investment 23 billion yen	• Strengthening overseas facilities • Construction and strengthening of logistics facilities • Strengthening of large-part machining at the Gunma Plant • Strengthening of the supply chain and increasing group companies (Okuma Steel Techno, etc.)	
	ESG investment 6 billion yen	• Installation of solar panels • Improving the work environment	
	Renewal investment 4 billion yen		
Debt utilization 5 billion yen	**Shareholder return 22 billion yen**		**Average total return ratio 35% or higher**

Shareholder Return

With regard to shareholder returns, we intend to achieve an average total return ratio of 35% or more while securing investment quotas for future growth based on a stable financial base. Depending on the conditions of free cash flow (FCF), we will pay extra dividends to shareholders in a flexible manner while taking into account investment timing, financial soundness, the level of cash held, and stable dividends.

PDCA Management to Improve Asset Efficiency

In order to achieve the ROE target set out in the Medium-Term Management Plan, we will focus our efforts on enhancing our profitability while speeding up the business operation cycle, and thereby improve asset efficiency. To promote these efforts, detailed measures to be taken at each department will be decided based on an ROIC tree. The key issues for improving asset efficiency are optimizing inventories throughout the entire Group, shortening the cash conversion cycle from the reception of orders to the collection of accounts receivable, and strengthening group-wide cash management. To address issues in the PDCA cycle for improving ROIC, we established key improvement themes as KPIs for enhancing both profitability and asset efficiency, and we defined management and operation hierarchies at each division.



*CCC (Cash Conversion Cycle)

Improving the Price-to-Book Ratio (PBR)

In order to improve the PBR (= ROE×PER) of our company shares, we will implement initiatives to strengthen and stabilize profitability and thereby enhance capital efficiency.

We will pursue a high value-added strategy to improve our gross margin and increase order unit prices, and we will promote work reforms to enhance earning power and expand our sales cash flow. We will also achieve an optimum capital structure via flexible shareholder return and assets via inventory and cash optimization. By continuing to develop growing markets, we will stabilize our business results and thereby improve our capital costs and achieve stable management.

Improving Capital Efficiency

Strengthening earning power	• Pursue a high value-added strategy • Increase the gross profit margin and unit prices • Promote business process re-engineering (Okuma DX)
Optimize capital	• Implement flexible shareholder return • Optimize inventory and cash
Stabilize business results	• Promote Global 70 and develop growth markets • Respond to robust demand for solutions to social issues, and develop Monozukuri services

Overview of Fiscal 2024 and Key Issues

In fiscal 2024, toward the realization of the management targets established for fiscal 2030, we steadily carried out growth investments based on the five basic policies. Coupled with the passing on of product and service value, order unit prices improved. On the other hand, market conditions remained weak, and with SMEs still holding back on capital investment, demand both in Japan and overseas remained on a modest recovery trend, resulting in year over year declines in both revenue and operating income.

In fiscal 2025, we will pursue optimization of assets and capital with a focus on the balance sheet and aim to achieve our management targets by addressing key issues.

Fiscal 2024 progress of basic policies in the Medium-Term Management Plan 2025

	Progress in FY2024
Basic Policy 1	• Order unit prices (non-consolidated, compared with fiscal 2015) achieved the target through pricing policies and an increase in orders for large machines • For lathes, multitasking machines, and machining centers produced at plants in Japan, we completed the transition to the “Green-Smart Machine” equipped with the new-generation CNC “OSP-P500”
Basic Policy 2	• Opened Kyushu CS Center and Kumamoto Sales Office to strengthen our sales/service structure and opportunities for co-creation
Basic Policy 3	• To execute the production plan, including large-scale orders for double-column machining centers, we implemented flexible and efficient production with a domestic four-plant structure, adding the Gunma Plant
Basic Policy 5	• Decided to introduce the new personnel systems under the Senior Course to strengthen human capital • Completed Scope 1 and 2 carbon neutrality at overseas consolidated sales subsidiaries • Achieved the target percentage of new female recruits • Percentage of male employees taking childcare leave steadily improved

Key issues

In fiscal 2025, we will strengthen our management structure to prepare for the next phase of demand expansion and will aim to improve profitability.

	Key Issues to Tackle in FY2025
Basic Policy 1	• Strengthen proposal capabilities leading up to Monozukuri DX solutions, in anticipation of the completion of the Engineering Center and Innovation Center • Implement pricing policies for machines and services
Basic Policy 2	• Advance initiatives for global expansion of five-axis machining centers and multitasking machines, expansion of automation, capture of growth markets, and expansion of our recurring revenue business
Basic Policy 3	• Anticipating further medium- to long-term production expansion, launch the Engineering Center, the Innovation Center, and the Okuma Process Distribution Center (PDC), a new logistics center, to enhance productivity
Basic Policy 5	• Implement the new personnel system Group-wide

Progress with Medium-Term Management Plan 2025 Targets and KPIs

Management targets

	FY2023 Results	FY2024 Results	FY2025 Targets of the Medium-Term Management Plan
Sales	228.0 billion yen	**206.8 billion yen**	250 billion yen
Operating income margin	11.1%	**7.1%**	13-15%
ROE	9.0%	**4.2%**	10% or higher
ROIC	8.0%	**4.4%**	

KPI

			FY2023 Results	FY2024 Results	FY2025 Targets of the Medium-Term Management Plan
Basic Policy 1 Develop Monozukuri DX solutions and enhance manufacturing capital	Gross margin		32.7%	**31.7%**	34-35%
	Order unit prices* (Compared to FY2015)	Domestic	30.3% increase	**40.2% increase**	30% increase
		Overseas	48.6% increase	**52.1% increase**	30% increase
Basic Policy 2 Achieve Global 70	Percentage of overseas orders received		70%	**69%**	66%
Basic Policy 3 Strengthen the business foundation	Introduction of a new human resources system*		Design of new system	**Decided to introduce the new personnel system into the Senior Course**	Company-wide adoption of new system
Basic Policy 5 Put ESG management that contributes to society into practice	Achieve carbon neutrality (Scope 1 and 2)		Achieve carbon neutrality at OCJ and our domestic consolidated subsidiaries	**Achieve carbon neutrality at overseas consolidated sales subsidiaries**	Achieve carbon neutrality on a consolidated basis
	Percentage of new female recruits*		15.0%	**18.5%**	15% or higher
	Percentage of male employees taking childcare leave*		74.0%	**76.0%**	100%

*Okuma, non-consolidated

Development of Monozukuri DX Solutions

For the first basic policy of the business strategies in the Medium-term Management Plan 2025, “developing Monozukuri DX solutions,” we aim to create new customer value in response to demand and improve our earning power by taking the following three approaches: [1] developing technologies and products that solve Monozukuri issues, [2] increasing the added value in our core technologies, and [3] expanding new businesses.

The maturity model is the compass for the development of this Monozukuri DX solutions as conceived by Okuma. Currently, the highest percentage of sales in the maturity model is accounted for by Level 1 smart machines (autonomous machine tools equipped with proprietary intelligent and AI technologies), which we will comprehensively deploy in the market. In addition, to address the social issue of a shrinking workforce, we will roll out Level 2 smart machining cells, which combine robots and other equipment, to the market.

We will leverage the strengths of our smart machines to expand orders and broaden the base of demand for Level 2. In doing so, we will link these efforts to the expansion of needs for smart factories at Level 3 and beyond.

[1] Develop Technologies and Products That Solve Monozukuri Issues

At Level 1, the foundation of the maturity model, we are moving forward with the expansion of our smart machine lineup and development of the OSP-P500, a new NC machine. As efforts to offer a broad lineup of smart machines, we are trying to strengthen our competitiveness even further by launching new models into the market, starting with the LB3000EXⅢ, a 1-saddle CNC lathe, and the MB-46VⅡ, a vertical machining center, which are successors to our best-selling machines. Furthermore, in fiscal 2024, we completed the transition of lathes, multitasking machines, and machining centers produced at plants in Japan to the “Green-Smart Machine” equipped with the new-generation CNC “OSP-P500.”

By introducing new models of NC machines to the market, we will add value to our products, strengthen their competitiveness, and expand sales, in addition to enhancing profitability.

[2] Increase the Value Added in Our Core Businesses

As responses to labor shortages and mass customization are increasingly required, the need for process consolidation and automation is rising. To respond to these circumstances, we will globally deploy process-intensive machine tools such as multitasking machines and 5-axis machining centers (Level 1) and automation using smart machining cells and other equipment (Level 2) to add high value.

We are also aiming to set ourselves apart and broaden demand for automation by offering automation systems that are easy to introduce and use, even for small to medium-sized businesses, in addition to making use of digital and AI technologies. Furthermore, we will strengthen the development of automation solutions that can be implemented without going through system integrators, and we will expand to Level 3 and beyond, where multiple machining cells are combined to extend automation, thereby evolving factories into smart factories.

[3] Expand New Businesses

We will expand new businesses in the process of developing Monozukuri DX solutions. We will expand our provision of solutions in the area of Level 3 or above of the maturity model and beyond, with an eye toward providing factory proposals and support for operations through technology and product development and co-creation.

It is important to verify Okuma DX at our own smart factory Dream Sites in order to improve overall factory productivity. Through this demonstration, we will strengthen the system in order to enable our employees, who are well versed in Monozukuri and DX, to propose solutions to customers.

As solutions become more sophisticated, the importance of co-creation with business partners will increase. Under the initiative of the Partners in Technology network, Okuma America has worked in collaboration with peripheral equipment manufacturers, software companies, and others to provide solutions. Going forward, we will expand these efforts globally while developing places for co-creation.

Okuma DX as an Improvement to Management Infrastructure

Since 2021, we have been promoting Okuma DX to develop the foundation for developing Monozukuri DX solutions. Okuma DX is based on two pillars, DX for business innovation and DX for the offensive, and we are verifying each of these initiatives at our Dream Sites.

DX for business innovation

In “DX for business innovation,” we aim to make the entire value chain more visible and efficient by combining the establishment of a centralized database with the standardization of operations. In designing, for example, we will enhance our ability to respond to mass customization by making use of digitized drawings and know-how, and in manufacturing, we will improve throughput.

Furthermore, we will use a consolidated database of various data throughout our products’ lifecycles, including orders, design, procurement, manufacturing, quality assurance, delivery, and service records, to provide services more promptly and thereby to improve customer satisfaction. In addition, by improving operations through DX, we will create an environment where employees can focus on higher value-added operations, leading to their growth and greater satisfaction in their work.

DX for the offensive

In “DX for the offensive,” to create a new business for developing Monozukuri DX solutions, we will provide various types of know-how, including automation and decarbonization technologies demonstrated at Dream Sites, as Monozukuri DX solutions. Furthermore, we will also expand business opportunities throughout the lifecycle of our products, including the use of information in after-sales service and the development of advanced predictive maintenance.

Message from CFO

We will strengthen PDCA management by utilizing ROIC trees to improve capital efficiency, and by fully implementing growth investments, we will drive business transformation.

Okuma's Ideal Image for Financial and Capital Strategy

The Okuma Group's financial and capital strategy is guided by our Mission Statement, which serves as our compass: to "bring happiness to all people who journey together with us." As CFO, I have translated this philosophy into "financial terms," defining it as "delivering appropriate and maximum returns to all stakeholders." To bring this to reality, as the officer in charge of financial affairs, I believe it is my responsibility to promote the following four strategies: (1) securing the necessary management resources (especially human and financial assets) to promote profitable growth; (2) securing a revenue and financial structure that meets capital costs; (3) ensuring smooth access routes to capital and financial markets, and (4) devising growth strategies with an awareness of fixed cost control. In order to deliver appropriate and maximum returns, I will strive to enhance corporate value.

Initiatives to improve returns through increasing added value

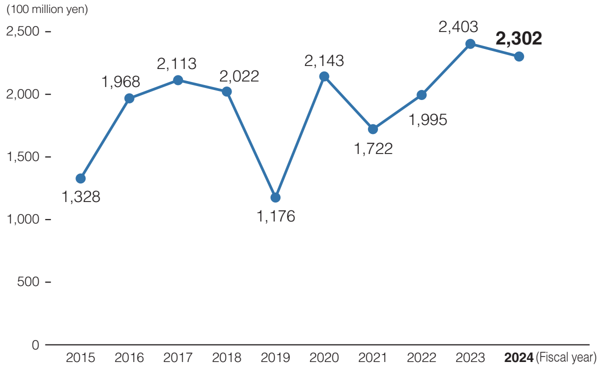
The company's primary goal in its financial and capital strategy is to improve returns by increasing added value. Centered on our globally acclaimed Green-Smart Machines, we will expand the base of high-value-added products such as 5-axis machining centers, multitasking machines, and double-column machining centers. Concurrently, we will enhance our operating income margin by expanding sales of automated solutions based on our maturity model. Together with this, as a Monozukuri services company, we are intensively executing DX and DS investments under our Medium-Term Management Plan 2025. Growth investments include the Engineering Center and Innovation Center scheduled for completion in December 2025 at the Konan Plant, and the new "Okuma PDC" logistics center that will be completed in September 2025 at the Kani Plant. We also believe it is important to set appropriate prices for the company's products and services, and we are promoting “price pass-throughs” to customers after they understand the added value. Customers also view our company’s products favorably and tend to accept the new pricing, and we sense a turning point has come.

These initiatives are expected to bear full fruit starting with the next Medium-Term Management Plan beginning in fiscal 2026. By fiscal 2030, we aim to achieve net sales of 300.0 billion yen, an operating income margin of 15% or higher, and an ROE of 13 to 15%. The key here, I believe, lies in just how much we can expand the areas covered by maturity model levels 1 to 6, and how we can increase the value we provide and the added value. This will lead to high profitability and high asset efficiency. By steadily implementing these measures, we believe the fiscal 2030 targets are achievable.

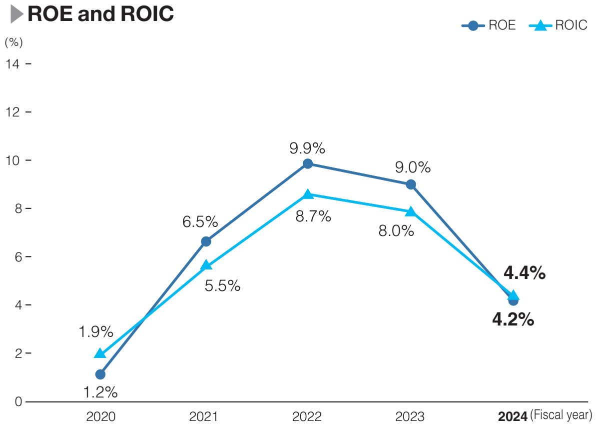
Improving our stock price

In improving our stock price, while improving profits and capital efficiency are certainly necessary conditions, it’s important to increase our PER by deepening understanding, building trust, and broadening awareness

Market capitalization



ROE and ROIC



of our business strategy. To achieve this, we aim to raise confidence in future cash flow generation through practical initiatives related to non-financial information.

Initiatives to Improve Asset Efficiency

Reflecting on Fiscal 2024 Performance

The fiscal 2024 performance resulted in decreased revenue and profit. In particular, the operating profit was significantly lower than the initial forecast, which we consider to be an issue. While operating income fell short of expectations, we focused on improving production efficiency and cutting costs, while also enhancing the value we provide. On the other hand, orders received showed gradual improvement, with notable achievements, such as an expansion in orders for high-value-added models for major companies and domestic order share (Japan Machine Tool Builders’ Association) exceeding the target of 15% in the second half of the fiscal year.

However, the operating rate of plants was insufficient, resulting in productivity issues. This impacted productivity because, while orders received overall shifted toward high-value-added models, recovery in orders for mass-production models, such as the NC lathe LB series and the vertical Machining Center MB-series, was sluggish. Conversely, orders for high-value-added machines, such as double-column machining centers, the multitasking machine MULTUS series, and the MU-V Series 5-axis machining center, remained steady, leading to a significant shift in the production model mix for fiscal 2024. High-value-added models have long lead times and require advanced technology and equipment for manufacturing, limiting the number of plants capable of producing them. Additionally, the LB series and MB series were also affected by model changes.

In the future, we need to further strengthen our flexible production system in line with order trends. Production of the double-column machining centers previously produced at the Kani Plant has already commenced at Dream Site 1 (DS1) at the Oguchi Plant. Production of machines has begun at the Gunma Plant, which began operations in 2023. We will further evolve our production flexibility, a core strength of the company, by engaging in human resource development, while seeking to shorten lead times, improve throughput, and increase production volume.

Utilization of ROIC trees

In order to increase corporate value, it is necessary to improve capital efficiency by enhancing the operating income margin, optimizing assets and capital, and improving invested capital turnover. ROE for fiscal 2024 was 4.2%, and ROIC remained at 4.4%, both falling below the cost of equity and WACC. This was primarily due to the operating income margin declining to 7.1%. As one tool for improving asset efficiency, we use PDCA management to set necessary KPIs for each division using ROIC trees that break down and visualize the components of ROE and ROIC. ROIC trees underwent a partial theme review at the start of 2025, but they are linked to the strategies of each business division in the business plan in Medium-Term Management Plan 2025.

We believe these initiatives will stay unchanged as a fundamental direction in the next Medium-Term Management Plan. The next Medium-Term Management Plan is expected to emphasize measures to strengthen automated solutions, strengthen businesses in global markets, and enhance and expand service businesses. We will link key measures with the strategies of each business division to further refine the ROIC trees.

Improving invested capital turnover

For invested capital turnover, we continue to focus primarily on improving the cash conversion cycle (CCC) and reducing inventories.

The holding period for inventories expanded to 6.7 months at the end of fiscal 2024, compared to the target of approximately 5 months. This was also due to the need for advance procurement of components and unit production at the end of the fiscal period. This was necessitated by a large order for a double-column machining center, which in turn required work-in-process inventory. We will strive for proper inventory control by utilizing a production management system that enables inventory simulation from the parts stage. Also, in the fourth quarter of fiscal 2024, we recorded an impairment loss on a portion of the FA-related parts purchased from a Business Continuity Plan (BCP) perspective. We will refine our procurement plans and exercise proper control.

On the other hand, in terms of working capital, excluding the easing of notes and accounts payable-trade conditions for procurement and an increase in some inventories, we assess that our cash generation capacity remains solid. We will continue to maintain cash and deposits equivalent to about three months of operating funds as working capital, while also reducing our cross-shareholdings to optimize our assets. Through these efforts, we will secure the financial generation capacity to simultaneously pursue growth investments and expand shareholder returns.

Performance Outlook and Issue Recognition for Fiscal 2025

For fiscal 2025, we are targeting net sales of 230.0 billion yen and operating income of 22.0 billion yen (operating income margin of 9.6%), aiming for ROE and ROIC of 6 to 7%. Even amid continued uncertainty, such as U.S. tariff policies and geopolitical risks, we will aim for sustainable growth amidst resilient demand for machine tools driven by addressing social issues. Operating income for fiscal 2025 is projected to increase by 50.2% from the previous fiscal year. This is due to changes in the production model mix, as well as the reflection of price pass-throughs implemented to offset cost increases. Price pass-throughs for orders in fiscal year 2025 are also expected to contribute to an improvement in gross profit margin going forward.

Cash Allocation

Our cash allocation prioritizes strengthening businesses. We plan to steadily execute growth investments, DX/DS investments, and ESG investments for this purpose while securing operating cash flow. Medium-Term Management Plan 2025 projected an operating cash flow of 74.0 billion yen, but the cumulative total for fiscal years 2023 to 2024 reached 23.1 billion yen. The main factors contributing to this were the impact of a decrease of approximately 8.0 billion yen in cash compared to projections, due to the company easing payment terms to improve the cash flow for our partner companies and parts suppliers, and a decrease of about 10.0 billion yen due to the slow pace of inventory reduction.

As for the utilization of interest-bearing debt, we borrowed 5.0 billion yen in fiscal year 2024. However, we are also considering the additional utilization of interest-bearing debt depending on the circumstances. The corporate bond rating of the company is A (Stable), reflecting a sound credit standing. However, rather than readily expanding our borrowing, we will strengthen our global cash management system going forward to centrally manage and utilize surplus funds held by Group companies in Japan and internationally. Our policy is to keep external funding to the absolute minimum necessary.

Additionally, while the sale of cross-shareholdings only amounted to approximately 600 million yen in fiscal 2024, we plan to reduce them to below 10% of net assets.

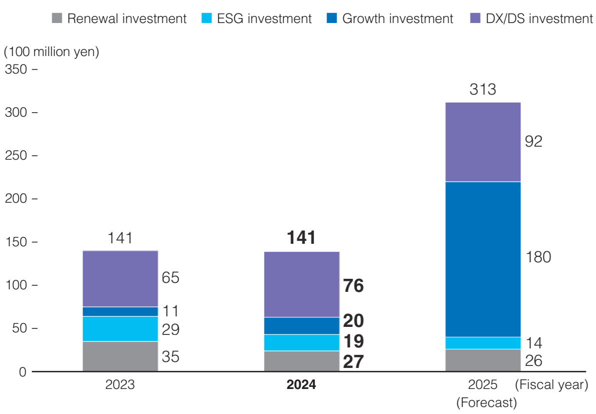
As of the end of fiscal 2024, the equity ratio stood at 76.3% and net cash at 43.1 billion yen. This indicates that the company continues to maintain a sound financial foundation. Our fundamental stance of improving medium- to long-term corporate value through optimizing our capital structure while being mindful of capital costs will remain unchanged.

Investments and shareholder returns

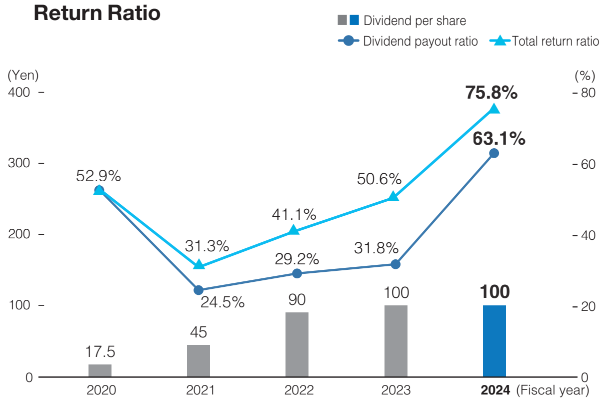
The investment plan totaling 57.0 billion yen, centered on 24.0 billion yen in cumulative DX/DS investments and 23.0 billion yen in growth investments for fiscal 2023 to 2025, is expected to slightly exceed the planned cumulative investment amount of 59.5 billion yen due to the addition of capital expenditures such as Okuma America's new spindle repair shop. The investment in the Engineering Center and Innovation Center at the Konan Plant (investment amount 14.7 billion yen, scheduled to begin operations in December 2025) is an investment to strengthen engineering and deepen future automated solutions, as well as an investment to improve the production efficiency of machine tools and increase production. We also project improved productivity and increased sales for existing models.

For shareholder returns, we implemented an annual dividend of 100 yen per share for fiscal 2024, achieving a high level of shareholder returns with a dividend payout ratio of 63.1% and a total return ratio of 75.8%. From February to April 2024, we acquired a cumulative total of 4.0 billion yen worth of treasury stock, demonstrating our commitment to fulfilling our responsibilities in the capital markets. From fiscal 2025 and thereafter, we plan to enhance shareholder returns in a phase where performance and free cash flow exceed projections. Additionally, as part of our capital policy, we conducted a 2-for-1 stock split on October 1, 2024. By improving liquidity, we will broaden the investor base to include individual investors, aiming to reduce capital costs.

Investment Performance and Plans



Dividend per Share*, Dividend Payout Ratio, and Total Return Ratio



* Dividends per share prior to October 1, 2024, are shown on an adjusted basis, as if a stock split had taken place.

Formulating the Next Medium-Term Management Plan

We will continue to actively pursue investments necessary for growth in our next Medium-Term Management Plan. Specifically, this includes DX investments, such as software, after-sales service businesses, automated solutions, and increasing our presence in emerging markets. We will also pursue M&A opportunities if they offer synergies and meet return on investment or IRR requirements. I will ensure that our financial and capital strategies circulate soundly as the lifeblood of our corporate activities, and I will clearly convey to our investors and shareholders the value creation story that drives the growth of the Okuma Group.

Measures for Strengthening Various Forms of Capital — Intellectual Capital

Harumitsu Senda
Member of the Board, Senior Executive Officer
Division Manager, Technology Division,
Quality Assurance Division
In charge of FA Systems Division, MR Department,
ESG Promotion Office,
Automation Promotion Project
Ph.D. (Engineering)

The product lineup of base machines, designed with a common design philosophy, has been completed. In the future, we will achieve high profitability through the development of our maturity model and a differentiation strategy as a machine tool manufacturer utilizing our proprietary AI technology.

A Base Machine Lineup Based on the New Design Philosophy Is In Place

We have prepared a product lineup of base machines with a unified design philosophy to realize product deployment based on the maturity model. Models corresponding to Level 1 of the maturity model are our main sources of revenue, and standardizing the design philosophy allows for efficiency and speed in design, assembly, and maintenance services. Furthermore, by unifying the design philosophy across different categories such as lathes, vertical machining centers, and horizontal machining centers, we have established a foundation for advancing data utilization. In particular, the LB-EXⅢ series of CNC lathes offers over 50 variations, and the MB-VII series of vertical machining centers has undergone a design review that incorporates customer requirements and automation proposed by Okuma. The fact that Okuma's machine tools offer high-precision and stable machining immediately after startup, in addition to stable machining precision over the long term, is a differentiating factor from other manufacturers' products and leads to the acquisition of orders. Furthermore, trust from customers who have actually used Okuma's machine tools continues to grow.

Currently, over 90% of orders fall under Level 1 to 2 of the maturity model, with approximately 70% concentrated at Level 1. Currently, business negotiations at Level 3 or above (automation connecting multiple automated cells) are limited to a few major customers. However, in the future, we will achieve medium- to long-term growth through vertical expansion based on base machines with a common design philosophy and maturity model.

Achievements and Issues in Fiscal 2024

In fiscal 2024, we developed two models of compact horizontal machining centers and further advanced the development of peripheral equipment compatible with automation. Our expanded lineup of peripheral equipment for automation has led to an increase in business negotiations related to automation. Development of new non-contact, vision-based measurement technologies has also progressed, such as detecting cutting tool breakage through video analysis.

In addition to fully automated solutions, we also offer semi-automated solutions that involve moderate human involvement. Having people support part of the process improves setup efficiency, enabling increased productivity while reducing the customer's initial investment. We are beginning to see the path toward "optimal automation," not complete automation. We have also received positive feedback from our customers regarding this highly cost-effective approach. We also proposed a new concept in the form of the MS-320H compact horizontal machining center. This model was developed envisioning flexible integration of various peripheral devices and modules with a base machine, enabling the construction of automation systems adapted to customers' production style.

As an issue for fiscal 2024, in addition to rising prices of raw materials due to inflation, there was an increase in costs associated with developing new unit elements and other components. We are already collaborating with our partner companies and implementing countermeasures, and we expect to see improvement results by the end of the year.

Q How is research and development linked to improving profitability?

A We are continuously advancing initiatives to enhance functionality while controlling costs, with the goal of achieving a 15% operating income margin by fiscal 2030. Amid the ongoing increase in the price of parts, the sales division is reviewing product prices and the development division is strengthening cost reduction activities focused on efficiency during the development and design stages. This is done specifically through design standardization and efficiency improvements, such as ease of processing/assembly.

When producing a new model for the first time, the Quality Evaluation and Prototype Development Center within the Technology Division collaborates with the Production Prototype Center within the Manufacturing Division to identify areas for improvement in production. By steadily implementing over 100 improvement themes, we achieve enhanced reliability and ease of production. As a result, we believe that customer satisfaction will increase and contribute to revenue.

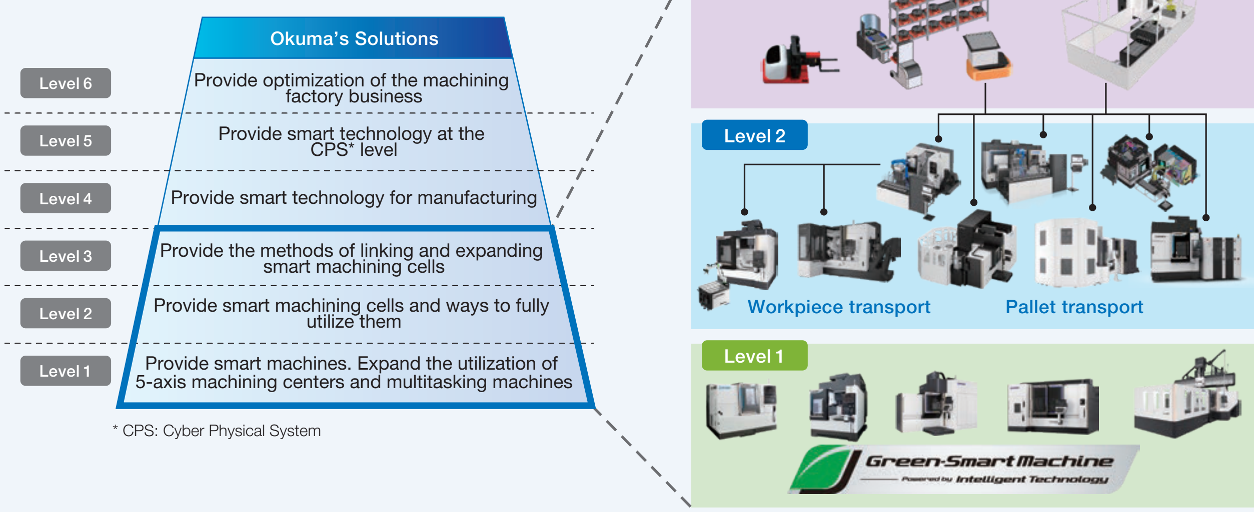
Q How is being an electronics-integrated manufacturer superior?

A We develop high-performance products from the development stage to meet sophisticated customer demands, through collaboration between the FA Systems Division, responsible for control, and the Technology Division, responsible for the design of the machines themselves. For example, when errors occur on the tool path surface during mold machining, it is necessary to isolate and analyze whether the issue stems from the command data, the machine itself, or control-side errors, and then take appropriate action. Machine tool manufacturers can comprehend machining data, but only a limited number of companies can delve into and analyze the processing details within a control device. Okuma's major superiority lies in its ability to understand both the machine and the control aspects and to accurately diagnose each separately. Even in 5-axis machining centers, Okuma possesses patented technology capable of correcting 11 types of geometric errors, leading to a clear point of differentiation. Okuma is likely the world's only comprehensive general purpose machine tool manufacturer that develops not only NC systems but also NC devices such as servo motors, main spindle motors, and position encoders, as well as software. Our integrated machinery and electronics is our competitive advantage.

Q What is it about Okuma's AI technology that makes it superior?

A Stable machining is always required in machine tools, as even the slightest error can directly lead to the scrapping of expensive materials. Since the premise that "failure is not an option" also applies to technologies utilizing AI, precise decision criteria and rigorous reliability evaluation are indispensable for AI implementation. Okuma has a vast amount of bearing diagnostic data accumulated over the past 30 years, including data of customers. By integrating this with theoretical analysis, we are building an optimal and highly versatile machine diagnostic model using AI. When detecting and avoiding problems using AI, high-speed data processing becomes necessary. In such cases, processing on the NC device itself, rather than in the cloud, is essential. We are able to achieve this because Okuma develops both the machines themselves and control technology in-house. Demonstrating the effectiveness of those machines and that control technology at the Dream Sites has brought AI utilization in the cutting sector into practical use. Even if a problem occurs during machining, Okuma is the only company in the world that can continue the process by switching to the next tool, leading to clear differentiation.

▶ Maturity Model's Solutions



* CPS: Cyber Physical System

Measures for Strengthening Various Forms of Capital — Manufacturing Capital

Kinya Komura
Member of the Board, Senior Executive Officer
Division Manager, Manufacturing Division
Division Manager, Service Division
Chairman, Tatung-Okuma Co., Ltd.
In charge of Procurement Division
Representative, BYJC-Okuma (Beijing) Machine Tool Co., Ltd.

We will build a flexible production system capable of responding to fluctuations in ordered models, secure a supply system aligned with the maturity model's development, and improve profitability in our Monozukuri services through operations integrated with services.

Converting Plants into Smart Factories and Building Systems for the Development of Monozukuri Services

Okuma has established a production system across our four domestic plants in Oguchi, Kani, Konan, and Gunma and is developing proprietary smart factories at Dream Sites (DS) 1, 2, and 3. With the aim of offering Monozukuri DX solutions to our customers, we are pursuing cutting-edge initiatives encompassing the entire supply chain. By having our customers see the actual operation at our plants, they can experience the results and feasibility firsthand. Through the practical application of these advanced on-site examples, we will propose solutions that contribute to improving our customers' productivity and profitability. In 2026, we will start operations at our Engineering Center in Konan. By consolidating the implementation and launch of automated solutions we provide to customers, as well as customers' functional verification, we will enhance our automation system supply capabilities. This will also enhance the productivity and production capacity of individual machine tools at our Headquarters and Kani assembly plants, leading to increased production capacity for our core products: multitasking machines, 5-axis machining centers, and other machines to integrate processes.

In an effort to strengthen our Monozukuri services delivery system, in July 2025 we established an integrated retrofit sales system (modification of existing machines) through collaboration between the Sales Division and the Service Division. We also strengthened our systems to enhance the efficiency of procurement and logistics processes through collaboration between the Manufacturing Division and the Procurement Division. In the future, we will enhance profitability in our Monozukuri services by developing our maturity model and driving growth through both manufacturing and after-sales service.

Achievements and Issues in Fiscal 2024

In fiscal 2024, we focused on building a production system capable of flexibly responding to significant fluctuations in the models produced and unit volumes to meet the uneven market demand. We have seen the results of recent kaizen activities, and we feel that the ability of the frontline to respond flexibly to produce and adapt on the fly has improved even further. For the production lead time, we achieved a reduction of approximately 8% by steadily implementing various measures in-house.

On the other hand, inventories at the end of the period increased due to the rise in production of large machines. We view expanding our product lineup and holding strategic inventories as necessary initiatives to strengthen our competitiveness and increase our market share, and we will manage them steadily within our overall inventories.

While issues remained in synchronizing parts procurement with assembly, we commenced operations at the new logistics hub Okuma PDC (Process Distribution Center) at the Kani Plant in September 2025. This facility was constructed in collaboration with our Group company Nippon Seiki Shokai. We will enhance the parts availability rate in the assembly process by centralizing the receipt, storage, and issuance of parts and units, and through automation, labor-saving, and the use of robots (AI robots). Furthermore, by adding sub-assembly functionality, we aim to effectively utilize assembly space and shorten production lead times.

We have also focused on strengthening collaboration with suppliers. Through the Okuma Cooperative Association (130 companies), we deepened cooperation with our members in the production of the machines themselves while promoting the participation of partner companies in service operations, thereby strengthening our overall supply chain system.

In terms of services, we have delivered approximately 140,000 machines in Japan. Considering the anticipated increase in future shipments, maintaining and strengthening our service systems is essential. We will collaborate with service bases in each region and our Kani Plant service plant to build a flexible and efficient system, simultaneously expanding our service personnel and strengthening the resilience of our systems.

Q What is the status of securing production capacity for fiscal 2030?

A By fully operationalizing Okuma PDC, the Engineering Center, and the Innovation Center under our production system comprising four domestic plants and three overseas plants, we believe we can largely secure the production capacity to manufacture machine tools, including automated systems, exceeding the consolidated net sales target of 250 billion yen set in our Medium-Term Management Plan 2025. By utilizing the Engineering Center and Okuma PDC, we will take on the challenge of enhancing our ability to respond to increased demand for automated systems and shortening production lead times.

To improve our ability to supply automated systems, we will strengthen in-house production of peripheral equipment that constitutes automated systems, including at Group companies.

In terms of human assets, we have produced eight Contemporary Master Craftsmen and 29 Aichi/Gifu Master Craftsmen (including one from a subsidiary). As the proportion of young employees increases within our company, passing on advanced skills has become a critical theme. We are strengthening human assets development through guidance from master craftsmen and other skilled technicians, training at our monozukuri Dojo, and participation in the Techniques and Skills Competition. In addition to this, by promoting the rotation of human assets and multi-skilling between the Service Division and other departments, even when demand fluctuations for machine tools lead to significant changes in the models we produce, we are able to respond to customer needs with our flexible production system, which contributes to our advantage in our production capabilities.

By utilizing these facilities and developing our human assets, we are striving to improve production efficiency, shorten production lead times, and increase the in-house production rate. This will enable us to achieve our sales target for fiscal 2030 while also working to reduce manufacturing costs.

Q What are the strategies for accelerating after-sales service and improving customer satisfaction?

A Okuma machine tools are characterized by their high precision and stability, along with long machine and precision life. As a result, many machines delivered 30 to 40 years ago are still in operation at our customers' sites to this day. Due to the recent surge in raw material costs, logistics expenses, parts manufacturing costs, and procurement costs for purchased goods, we have reviewed our service part prices and labor charges. We are committed to providing our customers with reliable after-sales service, helping them maintain and improve the quality of their products, and contributing to their business of creating value.

To improve customer satisfaction through service support, we have secured a stable supply capacity for service parts and maintenance operations across the Japanese, American, European, and Asian markets and regions. However, to further enhance customer satisfaction, we are strengthening our service systems. In the U.S., we are strengthening our local service system to accelerate service delivery and to improve profitability. As part of this process, Okuma America is building a new spindle repair plant, aiming for operation by December 2025.

Moreover, in supplying service parts and service support, which greatly influences customer trust in Okuma and repeat orders, we will carefully listen to customer feedback, implement improvements, and strive to improve customer satisfaction.

Okuma PDC

Measures for Strengthening Various Forms of Capital — Sales Strategy

Takeshi Yamamoto
Member of the Board, Senior Executive Officer
In charge of Overseas Division
Responsible for China Sales Division
Board Chairman, Okuma America Corporation
Chief Executive Officer, Okuma Europe GmbH

Through our hybrid sales strategy, we will develop our proprietary proposal-based sales approach to contribute to our customers' value creation.

We Aim to Maximize Value Creation Through the Integration of Maturity Models and Hybrid Sales.

Okuma proposes a six-level maturity model to promote smart transformation and DX adoption in Monozukuri. This maturity model demonstrates the solutions provided by Okuma. If we classify customers engaging in business negotiations according to their maturity model level, those considering Level 1 to 2 solutions are primarily on-site managers. They seek machines with high precision and stability, aiming to enhance capabilities, update equipment, and save labor. On the other hand, customers at Levels 3 to 4 are primarily plant managers considering manufacturing strategies such as automation and labor-saving measures, while customers at Levels 5 to 6 are primarily management-level personnel responsible for medium- to long-term business strategies. Our hybrid sales system, which includes the agencies where the Okuma Group has strengths, takes on the role of bridging the gap between these diverse customer segments and the solutions Okuma provides. Levels 1 to 2, in particular, are the areas where smart machines and smart machining cells are targeted, and this is where Okuma's machine tools, which autonomously achieve both high productivity and high precision, proudly demonstrate their superiority as standalone units.

This area targets a wide range of customers, from large corporations to medium-sized and small businesses, across various industries. Therefore, a broad network of agencies closely aligned with our customers is highly effective. When we receive an inquiry from a customer, we not only propose individual machine tools but also develop proposals aimed at improving equipment operation rates.

Currently, orders for this maturity model at Levels 1 and 2 account for the majority of sales. However, we see customer needs expanding to Level 3 and above. We are working to expand order opportunities through Okuma's top sales representatives at each base. Together with our customers, we consider their strengths, challenges, and business opportunities, aiming to "help the customer increase their profitability."

In response to customer needs, by integrating Okuma's products, services, added value, and sales system with sales activities tailored to each maturity model level, we aim to solve diverse customer issues and achieve our vision as a "Monozukuri service company."

Achievements and Issues in Fiscal 2024

In fiscal 2024, we were able to achieve the increase in order unit prices targeted in our Medium-Term Management Plan. We also steadily implemented planned measures, such as starting construction of a new main spindle repair plant aimed at expanding our service system in the U.S. Additionally, we achieved results in major business negotiations, securing large projects, including a large project in China, aerospace projects in the U.S., and gas turbine for power generation projects in Europe and the U.S.

There has also been significant growth in the Indian market, with fiscal 2024 recording the highest order performance on record. We anticipate the market size will become more promising within the next few years, and we are enhancing our sales and service capabilities locally by establishing new bases and strengthening our personnel system.

On the other hand, the fact that order amounts globally fell short of plans remains an issue. By region, orders received in Japan and China were largely in line with plans, but results in the European and American markets fell short of projections. The primary factor was a tendency among customers, primarily small and medium-sized enterprises, to postpone capital investment amid a persistently high interest rate environment. Currently, manufacturers from various countries are announcing plans to build plants in the U.S., and the focus is shifting to the timing of the recovery in machine tool orders. However, that trend will depend on the timing and extent of interest rate cuts, so we will continue to closely monitor future monetary policy. In the future, we will collaborate with our agencies to strengthen sales targeting well-performing industries and markets. We will aim to acquire order opportunities through co-creation with agencies as we implement the maturity model.

Q What is your future outlook?

A Machine tool orders continue to plateau, and while we cannot be optimistic, we see order levels rising in the future. As a leading indicator, we are focusing on the manufacturing purchasing managers' index (PMI) for each country. Currently, only India's PMI is above the 50-point threshold. When the PMI exceeds 52, machine tool orders tend to start expanding. In addition to Germany's economic stimulus measures, expectations for tax cuts and lower interest rates are also rising in the U.S. Demand in the power generation gas turbine sector, driven by the construction boom of data centers, and in the aerospace industry, remains strong. Moreover, wind power-related sectors in China are showing signs of recovery. If Ukraine's reconstruction begins, we believe the European economy could improve dramatically.

Q Could you tell us about the implementation and adoption of price policies?

A For fiscal 2024, the unit price of orders received (Okuma, non-consolidated, compared to fiscal 2015) increased by 40.2% domestically and 52.1% overseas, significantly exceeding the 30% growth target set in the Medium-Term Management Plan. The rise in material costs and labor expenses is one factor behind the price revision. However, we explained that introducing Okuma machine tools enables environmentally friendly, stable, high-precision machining and allows customers to produce according to plan, thereby contributing to increased profitability, and this has gained customers' understanding. In the future, we will continue to offer proposals that help our customers increase their profitability, aiming to acquire new users and achieve fair pricing through passing on added value.

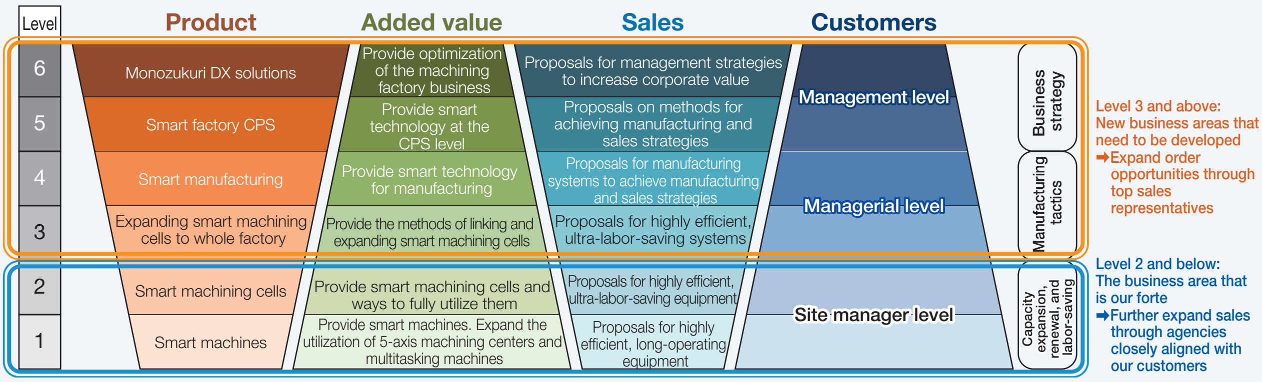
Some customers wish to continue using older machinery to maintain and improve the machining technologies they have developed over the years. We will also expand our retro-overhaul business, which combines overhauls, which extend service life by replacing or adjusting worn-out parts, with retro-fits, which improve performance and add functions by replacing NC devices with the latest models.

Q Please tell us about your differentiation strategy that addresses automation needs.

A Against the backdrop of a global decline in the working population, demand for automation and labor-saving equipment is increasing year by year. This is a challenge that not only the machine tool industry but all equipment manufacturers are addressing as a business opportunity. However, in the case of machine tools, even if peripheral equipment such as robots and loaders is introduced, true automation cannot be achieved unless the machine tool itself can consistently deliver high machining precision. Automation relying solely on peripheral equipment for machining, such as automatic workpiece conveyance devices, has its limits.

Okuma's strength and key differentiator lies in our ability to provide in-house manufactured NC equipment and peripheral automation equipment, including robots, with stable production and precision. Okuma's Green-Smart Machine is a machine tool that allows "anyone, anytime, anywhere" to consistently achieve the high precision they are looking for in their machining operations, making it the core of automation.

▶Hybrid sales strategy



Chapter 4

Sustainability Strategy

CONTENTS

Sustainability Management

Okuma views management themes from an ESG perspective, which contribute to the sustainable growth of society, as important sustainability challenges. Okuma will enhance its corporate and social value (becoming a company that is indispensable to society) by addressing these themes from both financial and non-financial perspectives.

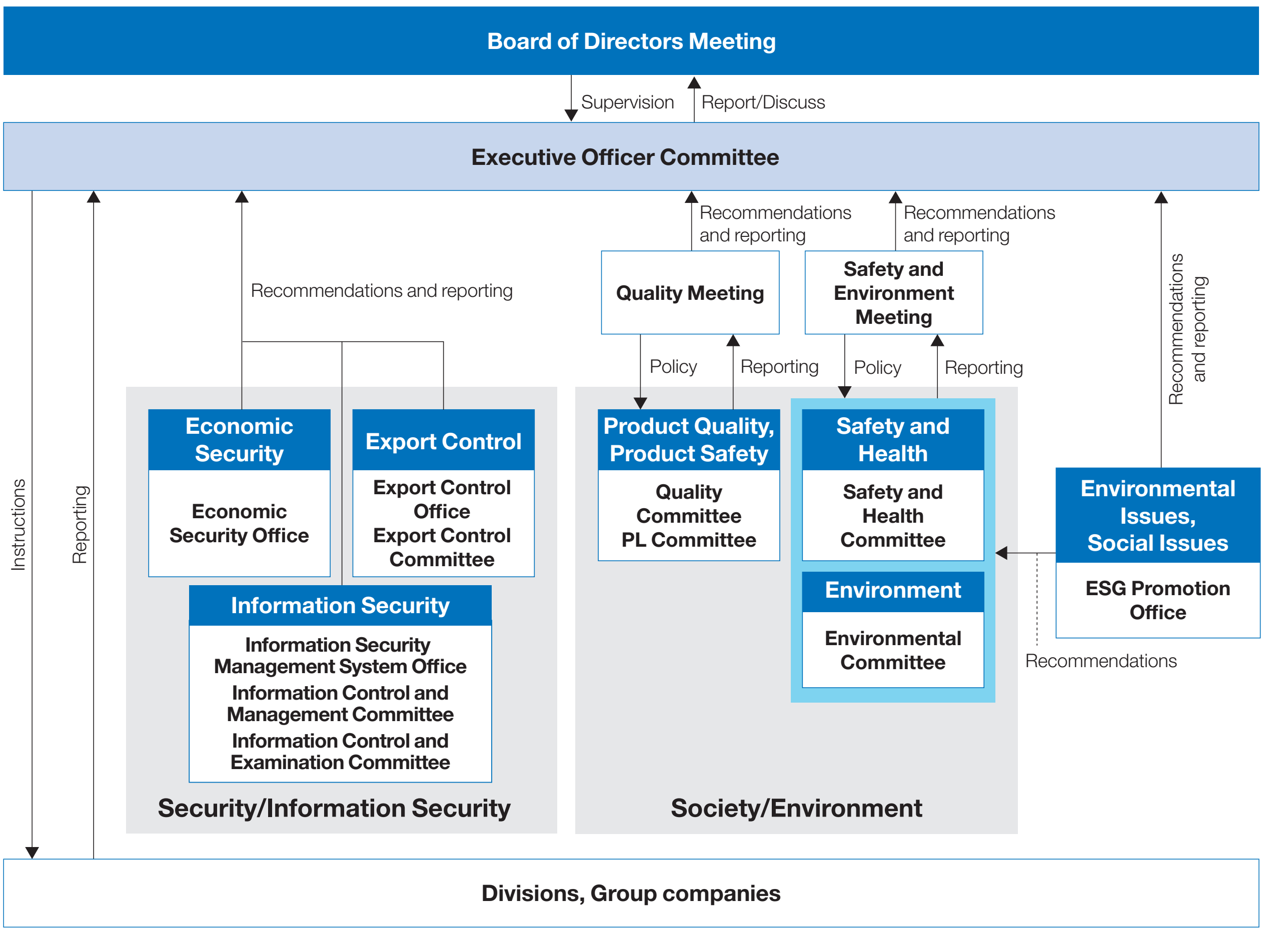
To enhance our corporate value, we will push ahead with initiatives to improve profitability, and at the same time work to allocate management resources in an optimal manner and to improve asset efficiency.

And in order to make sure that the initiatives to enhance our corporate value will lead not only to increased performance in the short term but also to the sustainable growth of Okuma, we will consider the risks and opportunities that our business activities pose from the perspective of ESG and SDGs, work on issues, and increase confidence in the long-term growth of Okuma.

Sustainability System

Okuma has established organizations and committees related to economic security, information security, and society and the environment. Important matters related to sustainability are discussed in these organizations and committees, deliberated and decided in the Executive Officer Committee, and reported to or discussed at the Board of Directors Meeting as necessary. In addition, the ESG Promotion Office identifies and makes recommendations on issues related to the environment and society, such as carbon neutrality and respect for human rights, and plans initiatives to address these challenges, promoting their implementation.

Sustainability System Chart



Security/Information Security

Export control

In order to help maintain peace and security in the international community, the Group has established a strict export control system and is engaged in corporate activities in compliance with the Foreign Exchange and Foreign Trade Act (the Foreign Exchange Act) and other relevant domestic and foreign laws and regulations.

To ensure that our products and technologies are not used for purposes that threaten international security, such as the development of weapons of mass destruction or excessive accumulation of conventional weapons, Okuma strictly implements steps such as the following before exporting (providing) products (technologies): checking whether those products are subject to regulation, confirming customers and the product's intended use, and applying for permission from the Ministry of Economy, Trade, and Industry when necessary, and managing shipments. In addition to ensuring the objectivity and rigor of audits through multi-step checks, the Internal Audit Office at Headquarters works to strengthen the framework for compliance with laws and regulations by auditing the operations of divisions and subsidiaries in charge of compliance.

Economic security

In the face of increasing geopolitical risks, strictly managing all sorts of sensitive cutting-edge information concerning exports, investments, research and development, procurement, and human capital resources, etc. is essential to Okuma's sustainability. Our Economic Security Office analyzes risks to economic security, and they are addressed through a project-based approach. As risks involving the supply chain increase, we are also working to identify and address risks related to the procurement of parts and materials and the shipment of products, and we are working on the requirements of a security clearance system, which is needed to develop business in sensitive cutting-edge industries.

Information security

In January 2025, an ISMS (Information Security Management System) Office was established to create and operate an information security management system for the entire Group from the perspective of ensuring security related to the use of IT and compliance with Japanese, European, and U.S. laws and regulations.

Prior to the establishment of the Company's ISMS Office, the Information Systems Division, which oversees Okuma's IT equipment and services, obtained ISO/IEC 27001:2022 certification, the latest standard for information security management, in September 2024. This standard requires companies to address recent security issues such as the use of cloud services and preventing the leaking of data, which include personal information. By operating our information security management system in accordance with this standard, we will continue to build an organizational structure and information technology infrastructure to respond to a rapidly changing security environment, protect our customers' data more securely, and provide highly reliable products and services.

Copy of our ISO/IEC 27001:2022 Certificate of Registration

bsi.

Certificate of Registration

情報セキュリティマネジメントシステム - ISO/IEC 27001:2022 / JIS Q 27001:2023

This is to certify that: オークマ株式会社
情報システム本部
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社内情報システムの開発・運用・保守
2024年8月13日付適用宣言書 第1版
The development, operation and maintenance of in-house information systems
Statement of Applicability, issued on 13/Aug/2024, Version 1

For and on behalf of BSI:

代表取締役社長 漆原 将樹

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発効日: 2024-09-25
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Page: 1 of 1

...making excellence a habit.™

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Toward Sustainable Growth of Okuma and Society

In compliance with its Mission Statement, “contribute to the business of customers throughout the world who create value,” Okuma aims to “open up possibilities with manufacturing through innovation.”

As the world is facing various environmental and social issues, Okuma makes sure that its Mission Statement, Purpose, and business activities conform to the goals and issues of SDGs and thereby aims to help bring about sustainable development and a sustainable society while promoting Okuma’s sustainable growth.

Based on this approach, we have defined Okuma’s sustainability challenges (six social issues) and two key issues that must be addressed to solve these social issues (Okuma Materiality). In addition, we are categorizing these into more specific issues and working on initiatives to develop them into a business strategy. Through these initiatives, we will contribute to the realization of a decarbonized society, leading to sustainable growth of society and improving Okuma’s medium- to long-term corporate value.

Contributing to the resolution of Okuma’s Sustainability Challenges (six social issues)

1 Decrease in skilled workers and passing down skills
2 Decrease in the working population
3 Highly efficient and flexible production to cope with diversifying needs and coping with mass customization
4 Reducing the environmental load and achieving a decarbonized society
5 Making the supply chain more robust
6 Secure and safe Monozukuri and cybersecurity

The Materiality Analysis Process

The process of materiality analysis was carried out in the following three steps.

Step 1 Identify issues and opportunities → **Step 2** Select Materiality → **Step 3** Plan measures and set KPIs to address issues

[Step 1] Identify issues and opportunities

With reference to frameworks such as the SDG Compass issued by the United Nations Global Compact and reporting standards issued by the Global Reporting Initiative (GRI), we examined the entire value chain, from material procurement to product disposal, and analyzed the initiatives in each division’s business plan in relation to the SDGs goals. We identified issues and opportunities, including the positive and negative impacts that Okuma’s technologies, products, sales, and production activities have had or could have on the environment and society, as well as the impact that changes in social conditions and the natural environment have had on our business.

[Step 2] Select materiality

The significance of the issues and opportunities identified in Step 1 was assessed and materiality was determined from two perspectives: “the significance to Okuma” and “the significance to stakeholders.” Those issues and risks included the magnitude of the impact on the economy, the environment, and society, increased costs and potential risks, and opportunities to increase competitiveness and opportunities for corporate growth.

In the face of six social issues related to manufacturing, such as a decline in the working population, the demand for greater energy efficiency, and decarbonization, the two topics below have been selected as materialities for Okuma in order to develop and provide technologies and products to reduce climate change and environmental impact, including high-efficiency production, greater energy efficiency, and reduced resource use, and to develop machining technology and devise and offer solutions to improve production efficiency.

- Contribute to the sustainable growth of the Monozukuri industry through innovation
- Develop human resources that will be the source of innovation

[Step 3] Plan measures and set KPIs to address issues

We will devise further measures by incorporating the two materialities selected in Step 2 into specific themes while linking them to the goals of the medium-term management plan and the SDGs, and we will promote those measures while setting KPIs for each of them.

Also, the linkage between measures/materiality and SDGs is clarified in the business plan of each division, which is formulated semiannually, and the business plan of each division is approved by the Executive Officer Committee and then reported at a Board Meeting.

Materiality and main issues to be addressed

Ideal image	Okuma Materiality	Basic policies of the Medium-Term Management Plan	Developed into a business strategy	Issues to be addressed		Main KPI
Contributing to the realization of a decarbonized society through Monozukuri	Contribute to the sustainable growth of the Monozukuri industry through innovation	Developing solutions for a DX in manufacturing	· Provide smart machines (Maturity Model Level 1 for Making Monozukuri Smart and Adopting DX)	• Provide solutions that improve productivity	Increasing added value, improving production efficiency, saving energy, and coping with the loss of technology and skills through smart machines	• Number of new models introduced to the market • Order amount and units of 5-axis machining centers and multitasking machines
			· Provide smart machining cells (Maturity Model Level 2 for Making Monozukuri Smart and Adopting DX) · Provide a method of linking and expanding smart machining cells (Maturity Model Level 3 for Making Monozukuri Smart and Adopting DX) · Smart manufacturing, cyber-physical system (Maturity Model Level 4 onward for Making Monozukuri Smart and Adopting DX)		Increased value added to Monozukuri through the development of automated and unmanned systems, improved safety, and making resilience against pandemics, etc more robust	• Number of models available for automated robot packages • Order amount and number of units with automation specifications
					Contributing to improving the quality of labor and addressing the decline in the working population by spreading automated systems	• Acquire information security certification
			· Develop decarbonization technologies (Decarbonization technology's Maturity Models Level 4 and 5)	• Develop and provide environmentally friendly products and technologies • Reduce the environmental load of the production process	Developing decarbonization and energy-saving technologies and applying to products	• Percentage of peripheral equipment that can be controlled • Number of models that have sludgeless tanks • Obtaining third-party verification of Scope 1-3 on a consolidated basis
					Reducing environmental load through the pursuit of high efficiency in high-mix, low-volume production	
					Improving energy efficiency by reducing power consumption during operation	
	Develop human resources that will be the source of innovation	Strengthening the management base (developing human resources)	· Education for human resources for Monozukuri DX · Professional human resources education · Expansion of qualification programs	• Promote research on technology and acquiring skills • Promote diversity • Create a positive work environment	Promoting the will to contribute to society, the will for individual growth, and creativity	• Female new graduates employment rate to be 15% or higher • Twenty or more female management candidates • Improve the working environment • Implement due diligence for human rights
			· Increase the percentage of female employees hired · Reform the environment and improve next-generation leader education so that more women can be on the path to management · Introduce a new personnel system and improve work environments		Diversity and inclusion	
					Workstyle reform	

Efforts to Address Environmental Issues

Society's demands for companies to address environmental issues have been increasing significantly. As a manufacturer, in addition to reducing the environmental load when manufacturing products, there is a demand for the provision of products and technologies that minimize the environmental load and energy consumption when customers use the products.

Okuma has a variety of proprietary technologies and achievements that reduce environmental load, including the Thermo-Friendly Concept. While defining a maturity model for machine tools that aim to decarbonize, we are providing products that correspond to this as Green-Smart Machines.

By providing Green-Smart Machines from Okuma's carbon-neutral factories, we will reduce environmental load when using Okuma machine tools during production, helping to reduce environmental load on society as a whole while also contributing to Okuma's growth.

Policy on Initiatives

Okuma's "Dream Site" smart factories are equipped with a large number of internally manufactured machine tools and produce the products we deliver to our customers. The low environmental load production methods we have developed at the Dream Site can be provided to our customers as solutions to address environmental issues. In addition, since we fall under the upstream category of Scope 3 for our customers' production, Okuma's environmental initiatives contribute to our customers' decarbonization.

Okuma, as a key player in the entire value chain, addresses environmental issues from both the risk and opportunity perspectives, and contributes to the realization of a sustainable society while also pursuing Okuma's growth.

Environmental Policy

Aiming for harmony between the environment and people, we contribute to the realization of a better environment through our corporate activities.

Principles of Conduct

As a leading global machine tool company, we shall provide products that satisfy our customers while also striving to protect the environment, based on the following principles.

1. Obey environmental and quality laws and other related regulations, and aim to become a socially trustworthy corporate citizen.
2. Work to prevent environmental pollution and make constant improvements on the following important ecological and quality issues.

   (1) Satisfy customer needs and expectations, through constant improvement and our innovation by offering products with low impact on delicate ecological systems.

   (2) Reduce burden, irregularities, and waste while implementing eco-friendly Monozukuri corporate activities.

To achieve this policy, we will set environmental and quality targets, ensure that all employees and other relevant parties are fully informed of them, and review them periodically to ensure that they remain appropriate.

Value Chain and Environmental Load

To incorporate initiatives for reducing environmental load into our business activities, we looked at the entire value chain and confirmed the impact of Okuma's business activities on biological resources, natural resources, water, etc., and to what extent we depend on them.

The production of machine tools consumes a large amount of electricity during the manufacture of castings and steel, which are the main materials, and in the machining of parts. Greenhouse gas emissions (Scope 3 Category 1) in this process account for about 40% of those in the entire value chain. During the use of machine tools, a lot of electricity is also consumed to power machines and to supply peripheral equipment to stabilize machining accuracy. Greenhouse gas emissions (Scope 3 Category 11) in this process account for about 50% of those in the entire value chain.

Therefore, we view greater energy efficiency in the production and use of machine tools and decarbonization as our most important initiatives to contribute to the achievement of a sustainable society and to conduct environmentally friendly business activities.

Okuma uses internally manufactured machine tools in production, and the initiatives it takes to reduce the environmental load in the production process can be used in customers' factories. Initiatives to reduce environmental load are a response to risks and, at the same time, a business "opportunity."

Also, overhauling products and repairing or refurbishing major types of units that have broken or deteriorated with age can help to minimize the amount of new resources that need to be invested or consumed, maximize the value of resources and products, and minimize resource consumption and waste generation, while also providing business "opportunities."

Bird's-eye view of the value chain and environmental impact

	Value chain (upstream)		Okuma	Value chain (downstream)		
Input	Raw materials[*2] Castings: 40,367 t		Energy consumption · Electricity: 76,597 MWh · Gas and fuel: 20,505 MWh Water withdrawal · Surface water and groundwater: 335.8 $\times 10^3$ m^3			
Okuma's value chain						Number of overhauled units: 38[*2]
	Materials and items purchased	Procurement and transportation	Manufacturing	Product transport	Use	Disposal
Output	Amount of greenhouse gas emissions		Scope 1: 5.0 $\times 10^3$ t-CO_2e (0.5%) Scope 2 (market-based): 4.4 $\times 10^3$ t-CO_2e (0.4%)			
	Scope3 Category 1 384.2 $\times 10^3$ t-CO_2e (37.3%)	Category 4 34.7 $\times 10^3$ t-CO_2e (3.4%)	Category 5 1.3 $\times 10^3$ t-CO_2e (0.1%)	Category 9 17.1 $\times 10^3$ t-CO_2e (1.7%)	Category 11 529.4 $\times 10^3$ t-CO_2e (51.3%)	Category 12 12.0 $\times 10^3$ t-CO_2e (1.2%)
			Waste and other materials generated (including valuable resources) · Waste oil: 106 t · Waste liquid: 589 t · Scrap metal: 4,241 t Wastewater: 166.6 $\times 10^3$ m^3			

*1 For greenhouse gas emissions, energy consumption, water withdrawal and wastewater discharge, and industrial waste generation, see Environment-Related Data on P. 81 to 82.
*2 Non-consolidated data.

Information Disclosure in Line with TCFD

The Okuma Group believes that the development and provision of products with a low environmental impact will meet the needs of customers and help bring about a decarbonized society. Therefore, in September 2021, we endorsed the TCFD recommendations, and we are working to address climate change based on the TCFD framework.

Governance

Okuma puts priority on measures to address climate change as a material issue. Okuma sets the concrete targets, plans, and measures as its business plan at the biannual meeting attended by all divisions based on recommendations of the Safety and Environment Meeting, which supervises Okuma's environmental management system, and the ESG Promotion Office, which manages opportunities. The plan is approved by the Executive Officer Committee and the details and progress are reported to the Board of Directors. The status of measures is reported to and discussed by the management meeting, which meets monthly, and additional or enhanced measures are implemented as necessary.
(See Sustainability System on P. 51)

Risks and Opportunities

We analyzed the risks and opportunities posed by climate change for our main production sites in Japan, the Headquarters, Kani, Konan, and Gunma Plants, based on two scenarios of the World Energy Outlook (WEO 2024) published by the International Energy Agency (IEA): the 2.5°C scenario (STEPS/Stated Policies Scenario) and the 1.7°C scenario (APS/Announced Pledges Scenario).

For physical risks, an analysis was conducted based on a report summarizing the findings on the observation, prediction, and impact assessment of climate change for Japan, titled "Synthesis Report on Observations, Projections and Impact Assessments of Climate Change, 2018 - Climate Change in Japan and its Impacts," which was compiled by the Ministry of the Environment; the Ministry of Education, Culture, Sports, Science and Technology; the Ministry of Agriculture, Forestry and Fisheries; the Ministry of Land, Infrastructure, Transport and Tourism; and the Japan Meteorological Agency.

Transition risks and physical risks

The Company procures raw materials, such as castings and steel, from external sources, and there are no processes within the Company that generate large amounts of greenhouse gases due to the combustion of gases or other substances. Greenhouse gas emissions in Scope 1 are mainly due to gas air conditioning. We intend to replace those air conditioners with electric ones step by step in consideration of their remaining depreciation period.

We checked the inundation risk with the Flood Hazard Map announced by the Ministry of Land, Infrastructure, Transport and Tourism. The result shows that water inundation is not expected at the Headquarters Plant and the Kani Plant, and although there is an inundation risk at the Konan Plant, the assumed rainfall was approximately twice that of the flood control plan, indicating that the risk is extremely low.

Opportunities

Since the power consumption at the plants accounts for most of the Scope 2 emissions from Okuma, it is a critical issues for us to improve the productivity and energy-saving performance of plants and machining equipment.

Even so, since almost all of the machining equipment is internally manufactured machine tools, our pursuing improved productivity and energy-saving performance will contribute to the reduction of environmental load at the factories of our customers who use Okuma's products.

Okuma has been developing technologies and products that help bring about a decarbonized society and providing the outcomes of these efforts for many years. For example, since 2001, we have shipped more than 70,000 products equipped with our unique intelligent technologies that promote Greenhouse gas emission reduction. When we evolve them into the solution business, we believe our efforts for addressing climate change will create opportunities for us to grow further.

Transition risks and physical risks

Item	Assumed risks	Timing of materialization	Financial impact	Countermeasures
Policy and legal	• Increased business costs to respond to the introduction of carbon and environmental taxes and the strengthening of laws and ordinances related to energy saving and global warming	Short-to medium-term period	Medium	• Achieving carbon neutrality in Scope 1 and Scope 2 by FY2030 and achieving virtually zero greenhouse gas emissions in the entire value chain (Scope 1, 2, and 3) by 2050
Technology	• Shift to products with low environmental load • Increased development costs and shortage of engineers due to intensified market competition for energy-saving products and technologies	Short-to medium-term period	Small	• Beef up the development and sales expansion of energy-saving products and technologies by taking advantage of our strengths in the integration of mechanics, electronics, information and knowledge creation • Promote initiatives for open innovation
Market	• Impact on production from rising prices of raw materials, etc., and the difficulty in obtaining them due to a shift to decarbonization • Increased operating costs due to soaring energy prices such as electricity • Requesting the traceability of environmental impacts, such as greenhouse gas emissions, in the stage of product use	Short-to medium-term period	Large	• Diversify suppliers in consideration of the environmental load • Reduce the use of raw materials and parts • Reduce the environmental load through replacement with energy-saving equipment and introduction of renewable energy, and do so soon • Develop technologies and products that provide visualization of the environmental load
Reputation	• Change in the brand value and impact on business opportunities depending on the level of responses to climate change • Impact on corporate valuation caused by delays in addressing climate change and asymmetry in information on environmental measures with investors	Medium-term period	Small	• Enhance appropriate information disclosure and communication with stakeholders
Acute	• Difficulty in procuring materials due to severe natural disasters such as typhoons, tornadoes, and heavy rains, and the suspension of production due to damage to factories • Leakage of hazardous substances, waste fluids, waste oil, etc., due to natural disasters	Short-to medium-term period	Small	• Strengthen the Business Continuity Plan (BCP) • Strengthen measures against wind and flood damage at factories, and the maintenance and management of organic substances, waste fluids, waste oil, etc.
Chronic	• Impact on production from temporary suspension of operations, etc., due to electricity and water power shortages caused by rising temperatures • Increase in energy consumption for air conditioning and increase in energy cost due to rising temperatures	Medium- to long-term period	Small	• Reduce greenhouse gas emissions by switching to renewable energy • Introduce energy-saving equipment and conserve electricity at factories and offices

Opportunities

Item	Assumed risks	Timing of materialization	Financial impact	Countermeasures
Resource efficiency	• Increased demand for energy-saving technologies/products and high-efficiency machines • Ever-increasing need for higher productivity (including indirect work) such as optimization of inter-factory transport and high-efficiency mass customization production	Short-to medium-term period	Large	• Strengthen the development of high-efficiency production products, including energy-saving products, process-intensive machines, and robot systems • Further sophisticate smart factories, Dream Sites (DSs), and make use of the expertise cultivated at DSs as Monozukuri services
Energy source	• Use of policy incentives such as energy conservation subsidies • Higher evaluation by stakeholders for environmental measures by increasing the use of low-carbon energy	Medium-term period	Medium	• Develop energy-saving products and technologies that are recognized as having energy-saving effects in new energy-saving government policies • Develop energy-saving peripheral equipment through open innovation with peripheral equipment manufacturers
Products and services	• Increasing demand for energy-saving products and technologies • Increasing demand for high-accuracy, long-life, and high-efficiency machine tools that maintain the same accuracy as new products for a long period of time as the awareness of environmental load and resource conservation increases	Short-to medium-term period	Large	• Strengthen the development and sales of energy-saving products and technologies • Further strengthen Okuma quality • Expand the product lineup including 5-axis control machining centers, multitasking machines and robot systems that are equipped with AI and intelligent technology, and super-process-integration machines capable of metal lamination
Market	• Increase in new demand associated with the transition to a decarbonized society, such as the shift to EVs and hybrids for automobiles and vessels, and the expansion of the natural energy industry such as solar and wind power generation	Medium-term period	Large	• Intensify the effort to provide smart machines and solutions applicable to decarbonized industries

Environmental Strategy

In line with the materiality of "contributing to the sustainable growth of the manufacturing industry through the creation of innovation," Okuma has created a model for the maturity of decarbonization technologies for machine tools to specify the machine tools to create in order to develop and provide environmentally friendly products and technologies.

In order to ascertain the current state of the use of machine tools, Okuma provides products and technologies that greatly help to reduce energy consumption, in addition to tools to visualize, record, and analyze power supplied to machine tools at levels 1-3 of the model for the maturity of decarbonization technologies for machine tools.

We have positioned some of those machine tools, our line of Green-Smart Machines, as "machines that enable reduced energy consumption while autonomously maintaining both high productivity and high precision." These machines correspond to Level 4 or higher in the model for the maturity of decarbonization technologies for machine tools. We are also helping our customers to achieve decarbonization and use less labor in the decarbonization process.

Introduce Green-Smart Machine into the market

Okuma will globally deploy its Green-Smart Machines, which achieve an "autonomous balance between stable accuracy and reducing energy consumption," and contribute to the realization of a decarbonized society.

Machining accuracy varies greatly depending on "temperature changes around the machine," "heat generated by the machine due to operation," and "heat generated during machining." In order to use a machine while maintaining accuracy, a customer needed various know-how, such as for stabilizing the room temperature, cooling the machine, warming up the machine to stabilize its accuracy, searching for a machining method that stabilizes the accuracy of the workpiece, and performing in-process measurement work. It takes a great deal of preparation time to realize these tasks and know-how, and along with the power consumption associated with air conditioning and cooling, this is one of the factors that hinder improvements in productivity and energy efficiency. Okuma's Green-Smart Machine eliminates the need for operators to maintain such accuracy and reduce energy consumption and autonomously controls peripheral equipment such as cooling equipment.

Conditions in the Okuma Group and the Entire Value Chain Strategy

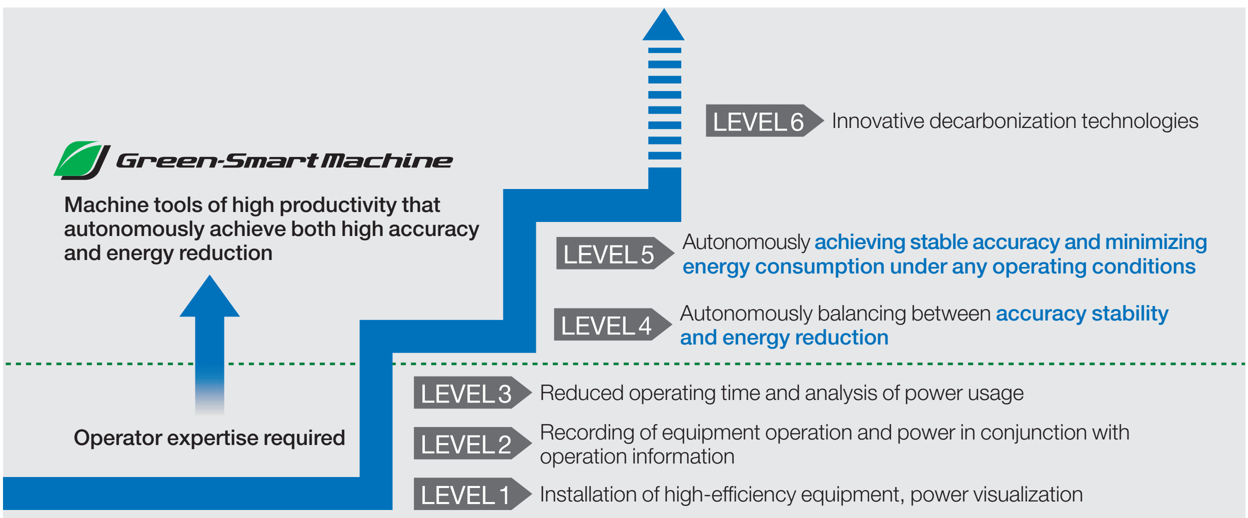
(1) The Okuma Group will achieve carbon neutrality (by FY2030)

- Greater energy efficiency...Installation or upgrading of energy-efficient equipment
- Energy generation...Introduction of solar power generation, conclusion of power purchase agreements (PPAs)
- Offsets...Procurement of energy attribute certificates

(2) Contributing to the carbon neutrality of the entire value chain

- Deployment of Green-Smart Machines
- Offering customers solutions that involve, as demonstrated at our own plants (Dream Sites), decarbonization, increased energy efficiency, and use of fewer resources

Okuma's maturity model for decarbonization technologies in machine tools



Transition Plan

Based on our environmental strategy, we have formulated a transition plan to “achieve carbon neutrality for the Okuma Group.” Our approach to environmental issues will lead to sustainable growth for Okuma while addressing those issues in terms of both risks and opportunities and helping to address social issues by reducing greenhouse gas emissions and use of water resources and by developing energy-saving technologies into products.

In terms of Scope 1 and Scope 2 greenhouse gas emissions, Okuma’s Headquarters and the Kani and Konan plants went carbon-neutral in October 2022. Okuma’s domestic sites and domestic consolidated subsidiaries went carbon-neutral in April 2024, and Okuma’s consolidated sales subsidiaries overseas went carbon-neutral in October 2024.

Going forward, Okuma intends to achieve carbon neutrality in Scope 1 and Scope 2 greenhouse gas emissions for the Okuma Group as a whole by FY2030 by going carbon-neutral at its consolidated production subsidiaries overseas.

The Okuma Group’s approach to achieving carbon neutrality

(1) Increasing energy efficiency

Electricity consumption at production sites accounts for about 80% of the Okuma Group’s greenhouse gas emissions. In order to reduce electricity consumption in production, internally manufactured machine tools, which represent the majority of production equipment, need to be more energy-efficient. We are also moving forward with switching to LED lighting and energy-efficient air conditioning equipment. If all of these measures were implemented, then the estimated investment would be about 2.5 billion yen, but we intend to proceed after determining the cost-effectiveness of these measures.

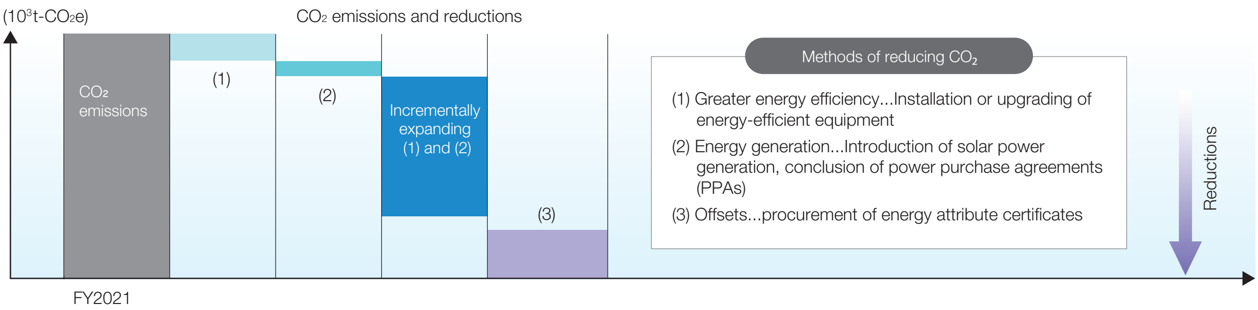
(2) Energy generation

Since FY2022, we have been promoting the use of renewable energy by installing solar power-generating equipment and by concluding PPAs. As a result, the amount of electricity generated in FY2024 represented approximately 8% of the Okuma Group’s electricity consumption.

(3) Offsets

Greenhouse gas emissions that cannot be reduced by independent efforts to increase energy efficiency and generate energy can be voluntarily offset, using energy attribute certificates and carbon credits, to achieve carbon neutrality.

The Okuma Group’s plan to achieve carbon neutrality and approaches to its achievement



	October 2022	April 2024	October 2024	By FY202X	FY2030
CN* plan	Okuma’s domestic plants	Okuma’s domestic sites and domestic consolidated subsidiaries	Consolidated sales subsidiaries overseas	Consolidated production subsidiaries overseas	The Okuma Group achieves carbon neutrality

*CN: carbon neutrality

Metrics and Targets

The Group has set net and gross greenhouse gas emissions targets for each Scope to accelerate its decarbonization efforts. In line with Japan's efforts to address climate change based on the Paris Agreement, we have set interim greenhouse gas emissions targets for Scope 1 and Scope 2 to achieve carbon neutrality on a net basis and a 90% reduction, compared to FY2013, on a gross basis by FY2030. In addition, we have set Scope 3 greenhouse gas emissions at 60% per unit of net sales (compared to FY2023) on a gross basis. Moreover, we have set a long-term goal of achieving carbon neutrality on a net basis for Scope 1, Scope 2, and Scope 3 greenhouse gas emissions by 2050.

Medium- and long-term greenhouse gas emissions targets

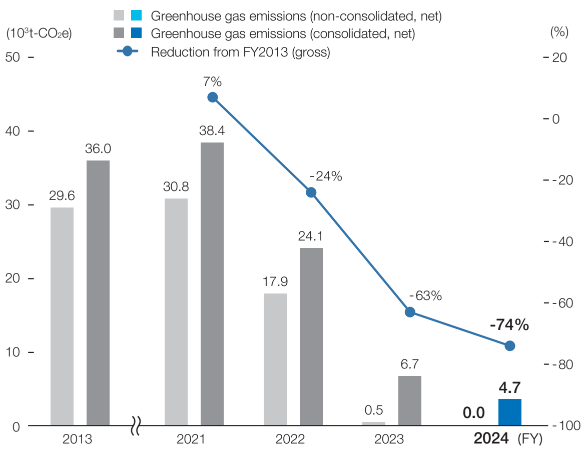
Greenhouse gas emissions targets	FY2030	2050
Net basis*1 (Net)	Scope 1 and 2 Carbon neutrality (0t-CO_2e)	Scope 1,2, and 3 Carbon neutrality (0t-CO_2e)
Gross basis*2 (Gross)	Scope 1 and 2 90% reduction (compared to FY2013)	–
	Scope 3 60% per unit of net sales (compared to FY2023)	

*1 Includes offsets by carbon credits.
*2 Does not include offsets by carbon credits.

The total greenhouse gas emissions of the Group in FY2024 were, along with Scope 1 and Scope 2 emissions on a market basis, 9.4 $\times 10^3$ t-CO_2e. The greenhouse gas emissions targets for Scope 1 and Scope 2, which were set as interim targets, were 4.7 $\times 10^3$ t-CO_2e on a net basis and a 74% reduction compared to FY2013 on a gross basis. Our greenhouse gas emissions in FY2024 were reduced by 2.3 $\times 10^3$ t-CO_2e compared to the previous fiscal year through the implementation of efforts to reduce Scope 1 greenhouse gas emissions, such as electrification of gas air conditioning and forklifts, and efforts to reduce Scope 2 greenhouse gas emissions, such as switching to renewable energy sources for 100% of the electricity used in our business activities. Together, Scope 1 and 2 emissions on a market basis were 4.4$\times 10^3$ t-CO_2e. In addition, we used 4.4$\times 10^3$ t-CO_2e of J-Credits (from enewable energy) certified by Japan, resulting in net Scope 1 and Scope 2 greenhouse gas emissions of 0 t-CO_2e, achieving carbon neutrality. Scope 3 greenhouse gas emissions were 1.021 million t-CO_2e. Emissions per unit of net sales, which is the interim target on a gross basis, were 92% of the emissions in FY2023.

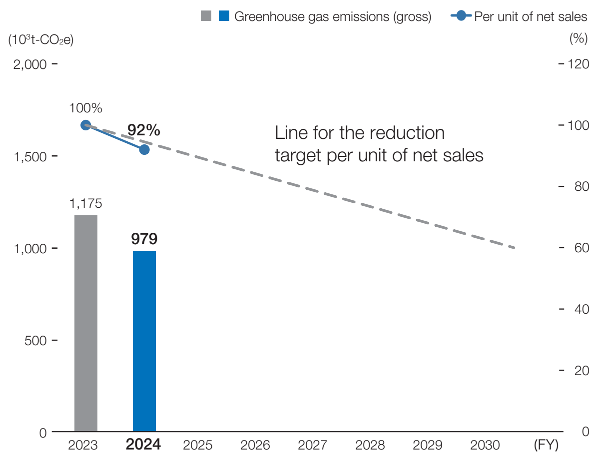
The Group undergoes third-party verification, providing a limited level of assurance, to improve the transparency and reliability of its disclosures.
(see Environment-Related Data on P. 81 to 82)

Progress in reducing greenhouse gas emissions (Scope 1 and 2)



*1 Values for FY2013 include some estimated values.
*2 Net greenhouse gas emissions include offsets by carbon credits.

Progress in reducing greenhouse gas emissions (Scope 3)



*1 Category 1, 4, 5, 9, 11, and 12 greenhouse gas emissions are related to the product life cycle.
(Category 2, 3, 6, 7, and 8 greenhouse gas emissions are excluded)

Participation in Initiatives, External Evaluation

Initiatives in which we participate, and external evaluation regarding ESGs

Task Force on Climate-related Financial Disclosures (TCFD)	In September 2021, we announced our assent to the TCFD and implemented climate change-related disclosures in line with TCFD recommendations	
CDP	Our score for 2024 was a B for Climate Change and a B- for Water Security.	

Topics Green Factory certification from the City of Beijing

The Okuma Group's BYJC-Okuma (Beijing) Machine Tool Co., Ltd. acquired Green Factory certification from the City of Beijing in July 2024.

Green Factory certification by the City of Beijing is a system designed to promote manufacturing with an emphasis on environmental protection and resource efficiency. The system evaluates aspects such as the efficient use of land and resources, clean production, reuse of waste, and the introduction of low-carbon energy, and certification is through a government and third-party review process.

Obtaining Green Factory certification is an effort to help "Achieve carbon neutrality by FY2030," which is the Okuma Group's Scope 1 and Scope 2 greenhouse gas emissions target. Okuma will provide customers with products that have limited environmental impact via facilities such as its carbon-neutral plants, which are its domestic production sites.

Topics The MS-320H received an award as one of the Best 10 New Products

The MS-320H, a compact horizontal machining center, received an award as one of the Best 10 New Products sponsored by Nikkan Kogyo Shimbun, Ltd. The Best 10 New Products are selected from products developed and made commercially available in a given year. This is the 21st time that Okuma has received this award, spanning the period from 2003 to 2024.

The MS-320H compact horizontal machining center was developed as a machine based on a new concept to solve the problem of an increasingly severe labor shortage and to facilitate the reform of working patterns in order to provide a new form of manufacturing for the future. The MS-320H enables automation of various types of production lines from multi-product/low-volume production to mass production while taking up little space. The innovative configuration of the machine eliminates problems with chips and minimizes human operation, allowing continuous operation for long periods of time. At a variety of machining sites where reforms of working patterns are being promoted, we will help to create an environment where production does not stop even if no one is present.

Response to TNFD

In order to appropriately ascertain risks and opportunities related to our dependence and impact on natural capital and biodiversity and our business activities, the Okuma Group is promoting efforts in line with the LEAP approach while referring to the recommendations announced by the Taskforce on Nature-related Financial Disclosures (TNFD) in September 2023.

Analysis of Risks and Impacts

Determination of the Scope of Analysis

To assess the extent to which the Okuma Group's business activities depend on nature and the impact of its business activities on nature, the economic activities of its direct operations and supply chain were classified according to the International Standard Industrial Classification of All Economic Activities (ISIC). For raw materials upstream of the supply chain, we used the High Impact Commodity List (HICL), a list of raw materials that are considered to have a large impact on nature, from the Science Based Targets Network (SBTN), an international group of non-profit organizations and economic organizations. Our analysis covered iron, steel, copper, and aluminum, which are raw materials that have been identified as having a particularly large impact on nature[*1].

*1 The main materials used in the production of machine tools are castings and steel products made from scrap steel. Also, in addition to machine tools, copper and aluminum are also important materials used in numerical control unit (CNC) systems that control machines, motors, servodrive units, and sensors.

Contact Points with Nature (Locate), Evaluation of Dependence and Impact (Evaluate)

Impact and Dependence of Our Business on Nature

We used the ENCORE[*2] nature-related risk assessment tool to qualitatively assess the potential dependence and impact of our direct operations and supply chain on nature.

While our direct operations and our business activities in the supply chain depend on nature to a limited extent, we found that those operations and those activities as a whole are likely to impact nature through water use and emissions of greenhouse gases, pollutants, and waste.

(See Assessment of Importance using ENCORE (Heat Map) on P. 65 and 66)

*2 ENCORE: Exploring Natural Capital Opportunities, Risk and Exposure. A tool to assess the dependence and impact on natural capital by business sector and production process. The Natural Capital Finance Alliance, an international finance ndustry organization in the natural capital sector, took the lead in developing this tool in collaboration with the Environment Programme World Conservation Monitoring Centre (UNEP-WCMC).

Identification of Priority Sites

In areas with a high ecosystem integrity, areas with a rapid decline in ecosystem integrity, or areas with high physical water risks, assessment of the potential dependence or impact on nature is particularly important. In order to quantitatively and qualitatively ascertain the relationship to nature in those areas and to strategically address both risks and opportunities, we assessed the biodiversity risk (physical risk and reputational risk) and "water stress," which has a significant impact on ecosystems and people's water use, for consolidated Group companies.

We performed an assessment using the Biodiversity Risk Filter from the World Wide Fund for Nature (WWF). No sites were identified as having a "Very High" level of biodiversity risk (physical risk and reputational risk).

We performed an assessment using Aqueduct from the World Resources Institute (WRI). Two production sites, one in Beijing and one in Changzhou, China, and seven sales and service sites were identified as being located in areas with an "Extremely High" level of water stress (the degree to which water supply is short of meeting water demand). That said, water withdrawal at these sites is low[*3], so we consider their dependence and impact on water resources to be limited.

*3 We have confirmed that the total water withdrawal at the two production sites in Beijing and Changzhou, China is about 3% of the total water withdrawal at our domestic production sites (four sites), and that the water used at the seven sales and service sites is for hand washing and drinking only, so the water withdrawal is even less.

Assessment Results Biodiversity Risks with the Biodiversity Risk Filter

Risk Level	Physical Risks				Reputational Risks			
	Japan	Americas	Europe	Asia/Pacific	Japan	Americas	Europe	Asia/Pacific
Very high	0	0	0	0	0	0	0	0
High	8	0	0	2 (1)	0	0	0	0
Medium	26 (4)	5	4	15 (2)	30 (3)	1	5	18 (3)
Low	0	0	3	2	4 (1)	4	2	1
Very low	0	0	0	0	0	0	0	0
Total Number of Sites	34	5	7	19	34	5	7	19

* The figures in ( ) indicate the breakdown of production sites, and sites with the same location are evaluated together

Results of Evaluating Water Stress Using Aqueduct

Risk Level	Water Stress			
	Japan	Americas	Europe	Asia/Pacific
Extremely High	0	1	0	8 (2)
High	0	0	1	3
Medium-High	12 (2)	4	1	2
Low-Medium	22 (2)	0	1	2 (1)
Low	0	0	4	4
Total Number of Sites	34	5	7	19

* The figures in ( ) indicate the breakdown of production sites, and sites with the same location are evaluated together

Risk and Opportunity Assessment (Assess)

Identifying Risks and Opportunities from Business Activities

Based on results of the Locate and Evaluate steps in the LEAP approach, we specified the following items as indicators with which to measure the impact of the Okuma Group's business activities on natural capital and biodiversity, and we have promoted efforts to ascertain actual conditions.

- Climate change (greenhouse gas emissions)
- Pollution (air pollution and chemical substances)
- Water stress (water withdrawal and wastewater discharge)
- Resource use (amount of waste generated)

We will continue to monitor these quantitative indicators and evaluate the impacts of and opportunities for the Okuma Group's business activities to address environmental issues, which include biodiversity. (See Environment-related Data on P. 81 and 82)

Importance Evaluation by ENCORE (Heat Map)

Dependencies

		Upstream					
		Iron ore mining	Copper and aluminum mining	Iron and steel manufacturing	Copper and aluminum manufacturing	Metal casting	Metalworking
Supply	Biomass provisioning	VL	VL	N/A	N/A	N/A	N/A
	Genetic material	N/A	N/A	N/A	N/A	N/A	N/A
	Animal-based energy	N/A	N/A	N/A	N/A	N/A	N/A
	Water supply	H	H	H	M	M	M
Conservation and coordination	Water purification	VH	VH	M	M	M	M
	Water flow regulation	H	H	H	M	M	M
	Rainfall pattern regulation	VH	VH	M	M	M	N/A
	Global climate regulation	H	H	VL	VL	ND	VL
	Local climate regulation	L	L	L	L	L	L
	Air filtration	VL	VL	VL	M	M	N/A
	Soil quality regulation	N/A	N/A	N/A	N/A	N/A	N/A
	Soil and sediment retention	M	M	L	L	M	L
	Storm mitigation	M	M	M	M	M	M
	Flood mitigation	H	H	M	M	M	M
	Nursery population and habitat maintenance	N/A	N/A	N/A	N/A	N/A	N/A
	Solid waste remediation	L	L	L	L	ND	M
	Pollination	N/A	N/A	N/A	N/A	N/A	N/A
	Biological control	N/A	N/A	N/A	N/A	N/A	N/A
	Dilution by the atmosphere and ecosystems	M	M	ND	ND	ND	L
	Noise attenuation	VL	VL	VL	N/A	N/A	VL
	Mitigation of sensory impacts (other than noise)	L	L	VL	N/A	N/A	VL
Culture	Recreation-related services	N/A	N/A	N/A	N/A	N/A	N/A
	Visual amenity services	N/A	N/A	N/A	N/A	N/A	N/A
	Educational, scientific, and research services	N/A	N/A	N/A	N/A	N/A	N/A
	Spiritual, artistic, and symbolic services	N/A	N/A	N/A	N/A	N/A	N/A

Pressures

	Upstream					
	Iron ore mining	Copper and aluminum mining	Iron and steel manufacturing	Copper and aluminum manufacturing	Metal casting	Metalworking
Emissions of GHG	M	M	H	M	M	L
Emissions of non-GHG air pollutants	M	H	H	H	M	L
Introduction of invasive species	VL	L	N/A	N/A	N/A	N/A
Biotic resource extraction	N/A	N/A	N/A	N/A	N/A	N/A
Abiotic resource extraction	H	H	N/A	N/A	N/A	N/A
Disturbances (e.g. noise, light)	H	VH	VH	VH	H	M
Generation and release of solid waste	VH	H	M	M	L	L
Area of land use	M	M	L	L	L	L
Area of freshwater use	H	VH	N/A	N/A	N/A	N/A
Area of seabed use	H	VH	N/A	N/A	N/A	N/A
Volume of water use	L	M	M	L	L	M
Emissions of toxic pollutants to water and soil	H	VH	VH	VH	H	VH
Emissions of nutrient pollutants to water and soil	ND	ND	N/A	M	M	N/A

ENCORE Partners (Global Canopy, UNEP FI, and UNEP-WCMC) (2024). ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. Online, October 2024, Cambridge, UK: the ENCORE Partners.
Available at: https://encorenature.org

Very High | High | Medium | Low | Very Low, N/A (Not Applicable), ND (No Data)

	Direct operations	Downstream					
Manufacture of motors and other electrical equipment	Machine tools						
	Manufacturing	Sales	Transport (by sea)	Transport (by land)	Installation	Use (metalworking)	Repair
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	M	N/A	N/A	N/A
M	M	L	L	VL	M	M	M
M	M	ND	M	ND	N/A	M	N/A
M	M	L	M	L	M	M	M
M	VL	VL	M	M	VL	N/A	VL
VL	VL	VL	M	M	VL	VL	VL
L	L	L	L	L	L	L	L
VL	VL	N/A	VL	VL	VL	N/A	VL
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
L	L	L	L	L	M	L	L
M	M	L	H	M	M	M	M
M	M	L	H	M	M	M	M
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
L	L	ND	ND	ND	ND	M	ND
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	VL	VL	ND	N/A	N/A	N/A
L	L	N/A	VL	VL	ND	L	L
VL	VL	N/A	N/A	VL	VL	VL	VL
VL	VL	N/A	N/A	N/A	VL	VL	VL
N/A	N/A	N/A	VH	N/A	N/A	N/A	N/A
N/A	N/A	N/A	VH	VH	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Direct operations	Downstream					
Manufacture of motors and other electrical equipment	Machine tools						
	Manufacturing	Sales	Transport (by sea)	Transport (by land)	Installation	Use (metalworking)	Repair
VL	L	M	H	M	M	L	L
L	L	L	H	L	M	L	M
N/A	N/A	ND	VH	L	L	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
M	M	L	VH	M	VH	M	M
L	L	VL	M	VL	L	L	L
L	L	L	N/A	M	L	L	L
N/A	N/A	N/A	ND	N/A	N/A	N/A	N/A
N/A	N/A	N/A	M	N/A	M	N/A	L
L	M	M	L	L	M	M	M
H	M	L	L	L	L	VH	M
N/A	N/A	N/A	L	M	N/A	N/A	N/A

Value Chain Management

Enhancing Corporate Value through Quality and Customer Satisfaction

Okuma Quality, in Okuma's view, is not merely a lack of defects in products, but rather seeking to create machine tools that provide machining beyond the customer's expectations. This view is founded on Okuma's corporate culture, which is the mindset of pursuing original technology to "create that which does not exist."

High value-added machine tools are products that require a wide range of technologies, including mechanical engineering, control technology, machining technology, and material technology. Furthermore, in recent years, as technology has become more complex and integrated, the process of bringing together diverse human resources from across divisions to share their knowledge and experience and think about issues from multiple perspectives has become even more important for solving issues that arise at Monozukuri sites.

Quality Policy

We will deliver the best products and services under the motto "Customer First."

Quality control system

Okuma has established a quality management system* in accordance with the requirements of ISO 9001.

Led by the Quality Assurance Division, the Quality Committee consists of members from the engineering (mechanical and control), procurement, manufacturing, sales, and service divisions, and it meets monthly, providing an opportunity to resolve issues related to Okuma Quality.

In addition, the Quality Meeting, which is in charge of the Quality Committee, deliberates on measures needed to maintain and improve quality at the Company or on important issues that span the Company, and the Quality Meeting makes recommendations to the Executive Officer Committee and the Board of Directors.

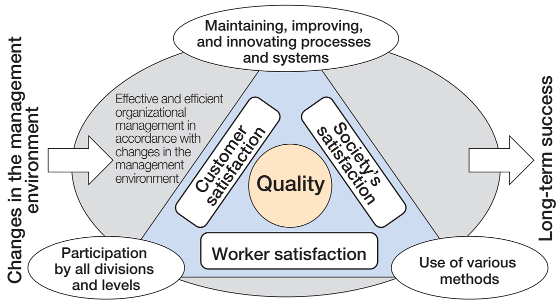
*URL: https://www.okuma.co.jp/about/csr.php

Promotion of total quality management (TQM)

In order to continue consistently providing products and services that satisfy customers and society despite changes in the management environment, we are promoting initiatives based on the concept of TQM.

We will enhance organizational resilience and increase corporate value by promoting the quality of products and services as well as the quality of operations.

Relationships among key elements related to TQM



*The term "quality" in the middle refers to the "quality of tangibles" as well as the "quality of intangibles" (e.g., the quality of services, the organization, and operations).

Source: Partially modified from the figure on p4 of JSQC-Std00-001:2023 Quality Control Terminology, Japanese Society for Quality Control

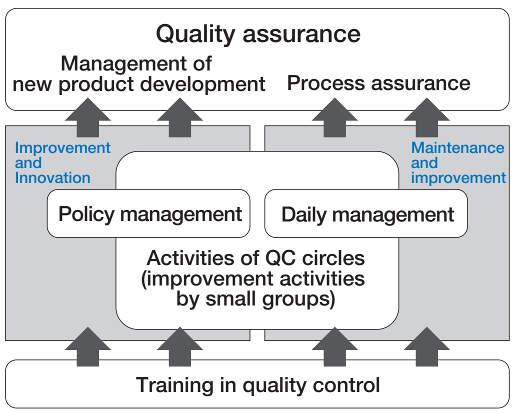
TQM activities

Quality assurance, management of new product development, and process assurance must be achieved to promote TQM and gain customer trust and satisfaction. Therefore, we are enhancing our understanding of TQM with the help of outside experts.

We encourage improvement and innovation through policy management and maintain and improve quality and other aspects through daily management. Through the activities of QC circles, all of our employees, from management to front-line personnel, are continuously promoting efforts. This will encourage individual employees to improve their skills, including their ability to solve problems independently, and will also improve the organizational climate by strengthening cooperation among circle members and collaboration within the Company.

With the idea of identifying skill levels in mind, we are also promoting certification on the Quality Management and Quality Control Examination (QC KENTEI). Starting in FY2023, all employees became eligible to receive benefits in accordance with certification on the QC KENTEI.

Structure of TQM



Source: Partially modified from Figure 2 on p9 of JSQC-Std33-001:2016 Guidelines for Policy Management, Japanese Society for Quality Control

Responsible Procurement

Okuma will consider the impact of procurement on the environment and society as a whole throughout the supply chain while conducting its business, and we will work with our partner companies partner companies and suppliers to contribute to the creation of a sustainable society.

Partnership Development Declaration

Okuma announced its Partnership Development Declaration* in April 2023, and we are promoting this effort.
*URL https://www.okuma.co.jp/about/partnership.php

Partnership Development Declaration

(1) Mutual prosperity throughout the supply chain and new partnerships that transcend scale, affiliation, etc.

• Okuma Cooperative Society
The Okuma Cooperative Society was established in 1989 to provide consistent supply, improve quality, and encourage sustainable development based on mutual trust and cooperation among its members. The Society strengthens the Company's cooperation with a number of partner companies providing materials, machining of parts, sheet metal, painting, units, assembly, FA (related to electrical equipment), service, and transportation by sharing market conditions and production plans on a quarterly basis.

• Implementation of software for business continuity plan (BCP) management
Damage to supply chains, such as more severe natural disasters due to climate change, has a massive impact on a BCP. Therefore, we have implemented BCP management software in cooperation with our partner companies and suppliers and we are creating a system that is highly resistant to procurement risks.

• Green Procurement Standards
Okuma has established Green Procurement Standards, which specify "prohibited substances" and "controlled substances" for both the general parts and packaging materials in our purchased products, and we strive to control the chemical substances contained in our products.

(2) Compliance with "Promotion Standards"

• Terms of bill payment
In order to help suppliers enhance their business, Okuma transitioned to cash payment for subcontracting as of October 2024, and Okuma will cover all transfer fees.

• Creation of a compliance system
Okuma promotes an understanding of and compliance with laws and regulations, and it uses Certification in Legal Affairs Related to Subcontracting to build appropriate relationships with suppliers.

(3) Co-creation with procurement partners

The casting industry is facing social issues such as a shortage of labor and the need to improve working conditions. In 2023, Okuma worked with Kimura Foundry Co., Ltd. to develop and demonstrate a new casting technology that automates the entire process with robots. We will continue to deploy this technology to Okuma's partner factories in the future.

Topics **Working with procurement partners -Sheet Metal Welding Skills Competition-**

In the pursuit of Okuma Quality, we feel that ensuring the quality of sheet metal, which is the "face" of a machine tool, is important.

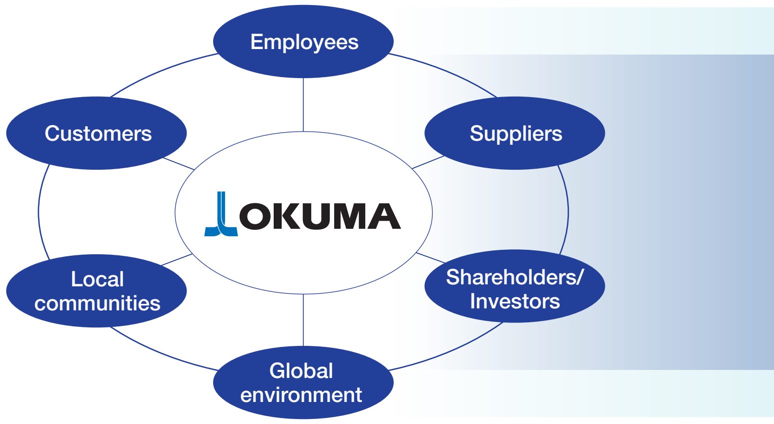
To help our customers understand the quality requirements that Okuma is seeking to meet, we have held the Sheet Metal Welding Skills Competition twice a year since 2023.

With the participation of almost every sheet metal supplier, the competition awards companies and individuals with exceptional performance and provides feedback on issues.

This event apprises suppliers of Okuma Quality and it also leads to opportunities for improvement. For example, sheet metal suppliers can use performance in the competition as an indicator of skill, and we will continue to collaborate with those suppliers in the future.

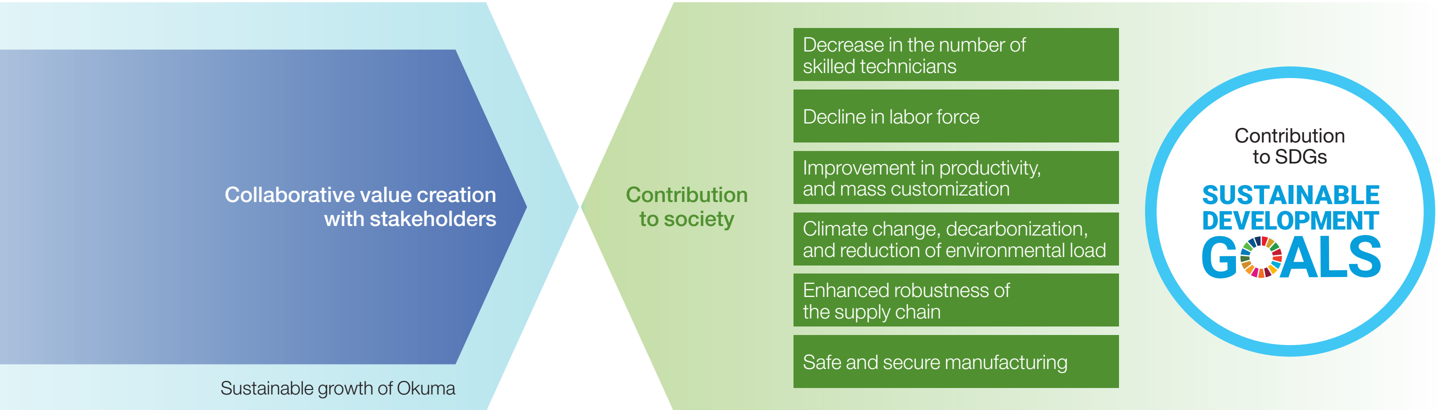
Engagement with Stakeholders

The Company strives to build relationships of trust with its stakeholders in order to bring “happiness to all people who journey together with us” as stated in its Mission Statement, pursuant to the Multi-Stakeholder Policy announced in April 2023. We will fulfill our social responsibilities as a business enterprise and contribute to solving social issues while developing communication activities with our stakeholders.



	Relationship and opportunities for dialogue with stakeholders	
	Relationship with stakeholders	Major engagement opportunities
Customers	**Customer’s value creation** We provide support to customers who purchase our machine tools or services to solve issues faced in Monozukuri. Based on our founding philosophy of “We rejoice more in being blamed once than in being praised a hundred times,” we pursue products, technologies, and services that will create value for our customers diligently and honestly with them.	• Sales/service activities • Providing solutions and support for Monozukuri • Exhibitions (including private shows) • Plant tours
Employees	**Pursuit of job satisfaction and ease of working** Okuma’s Monozukuri services have been realized through the sincere and honest pursuit of future Monozukuri by employees with diverse personalities who work around the world. As we develop Monozukuri services, we will pursue new ways of working, get more people to agree with our philosophy, and enhance human resource development. We will promote constructive labor-management dialogue so that each person can grow and exercise his or her individual abilities.	• Goal management systems • All-staff meetings • Education/training at Okuma University • Labor-management negotiations
Suppliers	**Improving sustainability in the supply chain** The overall QCD competitiveness of Okuma’s smart machines is underpinned by the stable supply of components essential for smart machines from suppliers around the world. With the basic principle of adhering to the Partnership Development Declaration announced in 2023 and the OKUMA Human Rights Policy announced in May 2023, we work with suppliers to promote quality assurance and develop technologies to build a sustainable supply chain that is environmentally and socially conscious.	• Procurement activities • Activities of the Okuma Cooperative Society • Purchasing policy • Green Procurement Standards • ISO 9001 audit • Human rights due diligence
Shareholders/ Investors	**Maximizing corporate value** Our growth is supported by the financial capital provided by our shareholders and investors. Through IR activities and governance, we will disclose information appropriately and promptly and provide feedback to the management based on opinions obtained through constructive dialogue, thereby enhancing corporate value.	• General Meeting of Shareholders • Briefing session on financial results • Equitable, fair and prompt disclosure of information and opportunities for dialogue • IR website
Local communities	**Contributing to local communities as a corporate citizen** Okuma aims to contribute to society through its Monozukuri services and to the development of local communities, aiming for a sustainable society. Aiming to nurture the human assets responsible for the next-generation Monozukuri, we are strengthening activities to pass on skills and convey the joy of Monozukuri.	• Donation of the Okuma Machine Tool Technology Institute, Nagoya University, and the provision of sponsored courses • Activities to contribute to local communities (acquisition of naming rights, donations, and clean-up activities) • Technical guidance for high school students • Monozukuri workshops
Global environment	**Efforts to address climate change** We engage in environmentally conscious business activities in order to maintain a prosperous life for the future. We will promote decarbonization by reducing Greenhouse gas emissions.	• Endorsed the TCFD recommendations • Responses to CDP Water Resources and Climate Change Questionnaires • ISO 14001 audit

Multi-Stakeholder Policy: https://www.okuma.co.jp/about/multi-stakeholder.php Partnership Development Declaration: https://www.okuma.co.jp/about/partnership.php



	Expectations of and interests from the stakeholders	Collaborative value creation, which is more important for Okuma and its stakeholders, and SDGs that we can contribute to in particular	
		Relevant material issues	Related themes of SDGs
	• Providing solutions to issues faced by customers in Monozukuri (shortage of the labor force, decarbonization, productivity improvement, etc.) • Providing smart machines of high quality × high productivity × low environmental load • Providing smart machining cells that are easy for operators to use • High-quality delivery on agreed delivery dates • Prompt, high-quality after-sales services	• Providing solutions that achieve improved productivity • Development and supply of environmentally friendly products and technology	13 CLIMATE ACTION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 6 CLEAN WATER AND SANITATION 14 LIFE BELOW WATER
	• Environment where people can work energetically • System, environment, and awareness where diverse human assets can work • Flexible work style to facilitate work-life balance • Dialogue on career vision • Opportunities for career advancement and learning	• Promotion of research into technology and the learning of advanced skills • Promoting diversity and creating an environment where one can feel a sense of fulfillment and growth	4 QUALITY EDUCATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
	• Equitable, fair, and transparent transactions • Procurement activities with consideration to society and the environment • Cooperation system in the event of a disaster	• Reducing the environmental load in the production process	13 CLIMATE ACTION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	• Increasing corporate value • Shareholder return in excess of the cost of capital • Opportunities for constructive dialogue • Financial and non-financial (including ESG) initiatives and disclosure	• Promotion of diversity • Reducing the environmental load in the production process	13 CLIMATE ACTION 8 DECENT WORK AND ECONOMIC GROWTH 5 GENDER EQUALITY
	• Contribution to local development • Job creation	• Expanding access to high-quality education	4 QUALITY EDUCATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	• Measures to conserve the environment and reduce environmental load	• Reducing the environmental load in the production process	13 CLIMATE ACTION 15 LIFE ON LAND

Message from the CHRO

Ayumi Nozaki

Executive Officer

Joined the Company as a mid-career hire from an education and consulting firm in February 2023. Having been in charge of personnel and organizational departments, she was appointed as the Chief Human Resources Officer (CHRO) in July 2024.

What I am emphasizing is a “sense of growth through work” in Okuma’s workers.

When the three psychological conditions of “I can do it!” (self-competence), “I will decide what to do!” (self-determination), and “I am accepted” (social approval) are met, this encourages a willingness to take on challenges and it leads to independent action.

Q How do you foster an organizational culture with a shared long-term vision and purpose? And how will you motivate workers to change their behavior to fulfill the Company’s vision?

A When thinking about Okuma’s future, I am keenly aware of the need to discuss and verbalize with our employees the answers to these essential questions: What do we want to achieve through “manufacturing” and what are ideal products and services, in our view? I believe that we can change people’s minds by verbalizing how we want customers and the market to see us as a company and by my communicating as a CHRO what sort of actual efforts are required to achieve that goal and how we will work together to achieve it.

In order to encourage employees to share management’s purpose and vision, trust and a tolerance for taking on challenges needs to be ingrained in the workplace so that employees “can express their opinions and act, even if doing so goes beyond the scope of their job position.”

In order to promote a change in behavior in the workplace, what is important is creating an environment in which individuals feel that they are actively working at the Company and that they are committed to the Company’s direction. To achieve this, we are working to foster a culture of feedback through the MBO (management by objectives) system. In the past, there were few opportunities for supervisors in some departments to communicate their expectations and assessments of subordinates, but we are working to create a system in which supervisors and subordinates share their perspective through dialogue.

Q What initiatives have you implemented to address the materiality of human resources, i.e., “Developing human resources as a source of innovation,” and what is their status?

A In order to spur innovation, fostering a “culture in which people can freely express their opinions” is essential. Instead of expecting innovation to be created by specific human resources alone, the entire organization needs to be an environment in which psychological safety is protected. This requires a culture that allows conversations without deference to hierarchy, even if the person you are talking to is a general manager or division manager. We recommend using the honorifics Mr. or Ms. instead of job title (e.g., General Manager X) as part of this policy, and this approach is gradually spreading. Innovation is created in an environment where people respectfully talk and listen to each other rather than through top-down communication.

We encourage close communication between subordinates and supervisors when setting individual goals and at interim meetings to create interactions that can lead to new ideas and insights. There are some departments where management is spontaneously holding 1-on-1 meetings.

In addition, what is needed to implement the Company’s strategy is a culture of acclaim. We want to cultivate a corporate culture in which all employees celebrate examples of promoting activities in line with the strategy and one that respects attempts and suggestions to make changes.

Q Please tell us about building a human resources portfolio and attracting and developing specialized human resources based on the Company's long-term vision.

A We are redesigning the necessary organizational structure and management framework based on our business strategy of determining "who are our customers, what sort of value will we provide, and how will we provide it." In addition to implementing the human resources development plan, our policy is to create a future human resources portfolio and to then consider what sort of human resources are needed and to hire them.

Mid-career hiring in particular is predicated on developing management assets for the future, so we avoid undue expectations of an immediate contribution to the Company and draft a development plan before we hire those employees. Another attempt at mid-career hiring is an initiative to encourage approaches to work in the workplace and to stimulate ideas by drawing upon the knowledge of professional human resources. In addition, we are also looking for people who can help "build Okuma's future" by capitalizing on the willingness of senior human resources, who transformed a business in a severely competitive environment, to take on challenges.

In order to bring about change in our organizational culture, we are also focusing on training female candidates for management positions. We provide opportunities for interaction with other companies, career training, and learning of portable skills, and we provide assistance in terms of both fostering awareness and developing the capabilities of employees to seek management positions.

Q How will you promote the creation of a human resources pool and talent management that comport with changes in a competitive environment?

A In order to clearly indicate the steps by which we train employees to fill key positions, we launched a selective training program in 2024. In line with a three-year plan (FY2024-FY2026), the program will develop a group of human resources as management candidates, increase their understanding of customer value, and enable them to acquire conceptual skills for Okuma's future. With the goal of "creating colleagues, crafting the future of the business, and creating one's own career," the program is also expected to create a network that encourages collaboration among divisions through interaction with future management candidates.

In the future, we also intend to introduce a talent management system to visually depict our human resources portfolio. By identifying the gap between current circumstances and our vision, we can link investments in human resources such as hiring, training, and job assignment to management strategies. As CHRO, I also value gaining new perspectives through dialogue with people outside the Company, including management and professionals from manufacturers representing various industries, using my network from my previous position. We are committed to implementing a human resources strategy that is integrated with the management strategy while being mindful of not just system design but also changes in the external environment.

Q Please tell us about your efforts to visualize job satisfaction and improve engagement.

A We are currently designing an employee engagement survey, and we are preparing to devise our own questions and analyze responses in the future, including questions about the degree to which new human resources systems have spread and individual job satisfaction and a sense of growth. By analyzing data by job type and age group, we would like to visualize the characteristics of each division and areas for improvement and use this information for organizational management.

My own emphasis is on a "sense of growth through work." I believe that having self-competence, self-determination, and social approval encourages a willingness to take on challenges and leads to independent action. The results of analyzing the survey will be fed back to employees as well as management to foster a culture of "viewing change positively." To promote the next medium-term management plan starting in the coming fiscal year, we would like to visualize the status of employees and consider investment in human resources based on that information with members of management.

In addition, we will further enhance our internal study abroad program and job rotation system, and we will support career autonomy Company-wide through a self-reporting system and a system that enables employees to meet with a person with whom they wish to discuss their career. In the future, we are considering an internal open recruitment system, and we would like to create a culture in which people can volunteer to do things they would like to do.

We believe that these efforts will contribute to the fleshing out of our maturity model, the provision of Monozukuri services, and Okuma's growth. We will continue to focus on creating an environment that unlocks the potential of our employees.

Human Capital Management

Human Resource Strategy

Okuma established a human resources strategy and emphasized indexes with the aim of becoming a company indispensable for society by maintaining our Purpose (raison d'être), feeling the joy of "contributing to society," allowing each employee to grow, and solving Monozukuri issues.

As customer needs change from Monozukuri to Kotozukuri (making processes/events), what Okuma should pursue is to continue creating new value in production and machining by building on the technology and expert skills that create the era.

In addition, the various "improvements" and "reforms" that have come about at our production and machining sites are "solutions for a Monozukuri DX" that can help to resolve our customers' issues.

With those efforts in mind, our human resources strategy will help us to achieve our purpose, which is a desire to contribute to society, the independent growth of employees, and turning creativity into a source of competitiveness.

Become a company indispensable for society by maintaining our purpose (raison d'être), feeling the joy of "contributing to society," allowing each employee to grow, and solving Monozukuri issues.

Human Resource Strategy

Make the will to contribute to society, the individual growth of employees, and creativity the sources of Okuma's competitiveness.

Emphasized indexes

Okuma, non-consolidated	Results in FY2024	Targets for FY 2025
• Percentage of new graduates hired who are women	18.5%	15% or more
• Percentage of mid-career hires	41.0% (64 persons)	25% of all hires
• Percentage of employees with disabilities	2.63%	Higher than the legally mandated employment rate (2.5% is the legally mandated employment rate in FY2024)
• Rate of employees returning from maternity leave	100%	100%
• Percentage of male employees taking childcare leave	76.0%	100%

Human Resources and Organization to Achieve our Medium-Term Vision

We consider creating value for our customers and fostering employee fulfillment and growth to both be important to achieving our purpose and Medium-Term Vision. As of July 2024, we adopted a human resource management policy in which “each and every one of us plays a central role.” Based on our growth strategy, we have defined the sort of human resources and organization we need to have, and we are enhancing our investment in human resources to facilitate the fulfillment and independent growth of each and every employee. As part of this effort, we have implemented a new human resources system for all of our employees starting in FY2025.

By linking the new human resources system with training, we will promote changes in the attitudes and behavior of the organization and individuals (employees). And by promoting the use of a human resources portfolio and the creation of an environment that allow diverse human resources to maximize their abilities, we will substantially transform into a company that “creates intangibles.”

Human Resources and Organization for the Realization of the Medium-Term Vision

A state in which a diverse range of employees and organizations can fully maximize their abilities.

Required human resources and organization

- An organization that is compatible with our purpose and has diverse human resources to solve the issues facing society and our customers
- An organization that has next-generation leaders who can lead their teams to growth and that is open and flat

Creating new value

- Human resources for Monozukuri DX
- Human resources for management
- Creative human resources to create businesses

Strengthening the foundation

- Human resources who can create Monozukuri knowledge (professional human resources)
- Human resources who can execute improvement cycles which are strengths
- Human resources who can build in quality (skilled techniques, skilled human resources)

Achieving our Medium-Term Vision

Creating new value

- Develop Monozukuri DX solutions
- Develop in growing and strong industries
- Develop in markets in various regions

Strengthening the foundation

- Strengthen the system for providing customers with high QCD
- Continue to meet customer requests
- Turn our improvement cycle into a strength for overall optimization

Achieving our purpose

Introduction of a New Human Resources System

Goal of system revision	Establishing a new system to produce individuals who devise “improvements” and “reforms” that lead to new value based on the technology and expert skills that create the times
Key topics for the new human resources system	■ Appropriately evaluating ability displayed and performance ⇒ Reviewing evaluation criteria and revising the treatment of employees
	■ Clarifying growth-related issues and providing appropriate feedback ⇒ Setting goals with growth in mind and enhancing evaluation feedback
	■ Promoting “A Diversity of Knowledge and Experience” and flexible reassignments ⇒ Establishing steps for gradual growth based on the Company’s expectations

Human Resource Development

When creating new value, we believe that employee growth is the source of our competitiveness, so we emphasize “human resource development” and we are enhancing that development to attract the human resources we need.

In 2019, we changed the general term for training to “Okuma University.” We have established mandatory training programs for each division based on themes such as “Creativity and Skill,” “Monozukuri Training,” “Stratified Training,” and “Career Autonomy,” while also providing new opportunities to learn beyond divisional boundaries.

Enhancement of stratified training

Training is provided by level to promote the skill development and role awareness required for each level. Training for young employees prior to their third year with the Company is intended to improve their “communication skills” and “problem-solving skills” based on “logical thinking.” Training for mid-level employees relates to role awareness as the heart of the organization and leadership development. Training for managers focuses on improving management skills, including the development of younger employees (subordinates and junior staff). In FY2025, we will focus on training for evaluators as well as promoting understanding of the new human resources system and improving the sharing of evaluation criteria.

Promotion of career autonomy

Training in career design by age group has also been conducted since FY2024. The training starts with an understanding of the basic concepts of career design and then allows participants to take stock of their own careers thus far and to better understand themselves. It also provides an opportunity for participants to think about their own growth-related issues while plotting their future career.

We believe that each employee taking an active view of his or her own career will enhance the employee’s sense of job fulfillment and that increasing the number of human resources who actively learn, gain experience, and grow through assistance with their career autonomy will enhance the productivity and creativity of the organization as a whole.

Fiscal 2024 Employee Training System

Eligibility	Hierarchical	Selection	Independent career	Promotion of diversity	Quality and TQM	Technical skills and techniques	By objective	Global human resources	Self enlightenment	Professional expertise by job type
Managers	• Executive Officers: Fostering strategic thinking in relation to management • General Managers: Acquiring the perspective of a division manager • Section Chiefs (3 years continuously): Management • Newly appointed key personnel: One’s vision as a manager	• Deputy General Managers: Acquiring the perspective as a management leader (Executive Officer)	• 50s • 40s		• Deputy General Managers • Newly appointed Section Chiefs • Newly appointed key personnel QC KENTEI training		Security-related Harassment- and compliance-related	Training in the English language in accordance with the mission/role at a site overseas In-house (overseas) study abroad	Theme-based education that leads to the promotion of business strategy	Headquarters-based specialized skills training
Mid-level managers	• Group Leaders and Team Leaders: Principles of and pre-management for mid-level employees • Leadership: Improving team performance • Mid-level employees: Fostering awareness of core competencies	• Leader development: Learning about design thinking and business frameworks	• 30s	• Practical jobs: Fostering career awareness	• Group Leaders and Team Leaders • Leadership • Mid-level employees	• Techniques and Skills Competition · IT literacy, · Monozukuri basics, · Sales knowledge, etc. • Technical skills test training (Practical and academic) • Monozukuri Dojo				
Young employees	• Third year: Logical communication • Second year: Problem-solving		• 20s							
New hires	• New employees: How to proceed with work • Orientation: A basic understanding of the Company and business				• New employees					

Education for professional human assets and those with expert skills/techniques

In order to deliver high-accuracy, high-value-added machine tools and services to our customers, we aim to make every employee a professional in their field by having them acquire expert skills and techniques and by enhancing their expertise.

Job-specific specialized training is conducted as an opportunity for growth, and dojo training is conducted to acquire expert skills and techniques.

In addition, the Techniques and Skills Competition is held every year involving employees of the Okuma Group as well as employees of contractors in order to develop human assets and pass down skills to the next generation. This is a traditional event that has been held since 1978, and it is open to employees who have worked for not just the Okuma Group, but also our partner companies, for less than 10 years. The competitors are provided with training so that they can improve their expertise in each area, and then they demonstrate the skills they have acquired.

The techniques and skills developed there are used to take on the challenge of developing cutting-edge technologies. The obtaining of national certification also allows us to visualize who has certain skills.

Training creative human resources to create business

With initiatives for a Monozukuri DX in full swing, we significantly expanded our investment in training starting in FY2021.

Okuma's DX initiatives are not only about improving productivity through operational reforms but also about strengthening our "manufacturing services" business model. Those activities also play a role in fostering Human Resources for Manufacturing who will promote "use of digital technology, operational reforms, and business reforms based on a thorough understanding of manufacturing."

Increasing the number of creative human resources who can create new added value and turn that into business is vital. We select human resources who will be involved in promoting a DX and we conduct training to teach the thought process behind operational reforms and methods of designing a structure for a DX.

As an example, the Information and DX Division, which is responsible for creating systems using digital technology (Okuma DX), focuses on training new and young employees so that they can incrementally acquire the perspectives and skills needed to promote a DX. Along with training in IT, security, etc., they are also trained in the concept of "overall optimization" as part of a DX as well as in ideas and analytical methods that can be used to define requirements and identify issues. We believe that by fostering the ability to investigate and analyze the current situation, to consider the gap between that situation and how things should be, and to identify issues and resolve them, we can lay the foundation for human resources who suggest and devise optimal solutions to internal issues and customer issues.

Human resources for future management: identifying human resources and developing them into creative leaders

Since FY2024, we have conducted a program titled the "Creation" Workshop for mid-career employees selected from each division. The program uses a Business Model Canvas, which lays out an overall view of a business, to plan a new business model while incorporating design thinking. Through this program, we strive to create a pool of human resources with the potential to become management resources and leaders for the future.

Goals

- "Creating" the future of the business
  To acquire a framework (basic knowledge necessary to formulate management strategies) and to create self-awareness (a sense of ownership) as a future leader
- "Creating" colleagues
  Creating colleagues as future leaders who will foster closer collaboration and cooperation among divisions
- "Creating" a career
  Thinking more in-depth to link one's own career development to business growth and creating a career path for future leaders

Promoting Diversity and Inclusion

We believe that in order to create new value that will lead to improved corporate value, it is essential for diverse individuals to be able to fully demonstrate their abilities. Therefore, Okuma is working to create a framework and an environment that enables the recruitment and assignment of human resources with different backgrounds so that they can thrive.

Flexible working patterns through the use of a paid leave system and shorter working hours

To create more comfortable working conditions for a diverse workforce, in April 2024 Okuma relaxed the criteria for obtaining saved paid leave and increased the target for the number of days of paid leave to be taken the following year.

We also provide various systems and amenities, including childcare assistance and nursing care assistance. We are creating a comfortable working environment for medium- to long-term career development by, for example, allowing regular employees, regardless of gender, to work shorter hours until their children leave elementary school.

Employment of persons with disabilities

Okuma's Iki-Iki Farm was established to expand employment of persons with disabilities. In addition to the farm's office at our main facility, we started a farm in the City of Tokai, Aichi Prefecture in February 2020, followed by one in the City of Komaki, Aichi Prefecture in November 2022, and a third farm in the City of Nagoya, Aichi Prefecture in April 2024. Crops harvested from the farm are served in the cafeteria at the headquarters plant, contributing not only to the business but also to the welfare of employees.

Creating an environment in which diverse individuals can fulfill their potential

Okuma also promotes an environment in which employees with diverse values can fully demonstrate their abilities.

Examples of Initiatives

- Renovating and refurbishing office floors, including the creation of conversational areas to promote the gleaning of new insights and creation of innovation through active communication among divisions
- Using voice recognition applications to facilitate communication with employees who have difficulty hearing voices, such as hearing-impaired employees
- Distributing in-house newsletters (in Vietnamese) on occupational health and safety and quality to foreign employees
- Promoting the acquisition of diverse skills and providing benefits to human resources with expertise in specific fields

  Benefit for qualification: Maximum monthly benefit of 20,000 yen (applies to over 120 qualifications)

  Benefit for PhD holders: 50,000 yen/month

Topics

Creating a positive work environment

A new welfare building—use of Koguma Terrace

In June 2024, a new welfare building, Koguma Terrace, was opened at the headquarters plant. Koguma Terrace has a coworking area and an area for open use to meet the needs of employees who want to "concentrate while studying independently," those who want to "freely participate in group activities and group study," and those who want to "have the space and time for casual dialogue and inspiration," as well as a workshop area where employee training is conducted.

Employee training in the workshop area

Introduction of a new gender-neutral uniform

Okuma's domestic sites began introducing a new gender-neutral uniform in FY2024. A project was launched to incorporate the various opinions of employees when creating the uniform. Aspects of the uniform were examined, such as a design to engender a sense of "professionalism," its fabric and color scheme, and its functionality. Members actually felt samples to examine the texture and stretchability and then made a decision.

Project to create a new uniform

Employee Health and Occupational Health and Safety

Okuma promotes the creation of a workplace environment in which each and every employee can work safely and comfortably in good mental and physical health.

Employee health

We view employee health as an important management issue and are working on it in cooperation with consumer cooperatives, health insurance unions, labor unions, and other organizations.

Examples of Initiatives

- Disseminating information to improve health literacy
- Providing healthy menus in cafeterias to improve eating habits, and implementing programs to promote exercise
- Promoting job guidance and improvements in working conditions based on the results of stress checks

Occupational health and safety

Okuma aims for "zero industrial accidents" at all of its sites and Group companies, both in Japan and overseas. In Japan, we have established a Safety and Health Committee and we annually specify safety policies and targets to prevent industrial accidents. The committee includes members from each workplace, occupational physicians, and members of the labor union, and it meets once a month.
(See Human Capital-Related Data on P. 84)

Efforts to Respect Human Rights

Efforts to respect human rights, including in the supply chain

As a global manufacturer of machine tools, the Group is connected to a wide-ranging supply chain and its products are provided to a wide range of industries and customer segments. In this business environment, we believe that respect for human rights at Okuma and in our supply chain is a cornerstone of our business activities. In May 2023, we established the Okuma Human Rights Policy* as one of the highest norms for the Okuma Group. We also encourage our suppliers and other business partners to respect human rights.

We respect internationally recognized human rights (such as those expressed in the International Bill of Human Rights and the principles on fundamental rights listed in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work), and we implement initiatives to respect human rights and conduct human rights due diligence (DD) in accordance with guidelines such as the Guiding Principles on Business and Human Rights endorsed by the United Nations Human Rights Council. We will also comply with the laws and regulations applicable in each country or region in which we operate. Where there is a conflict between internationally recognized human rights and the laws and regulations of a country or region, we will seek ways to ensure that international human rights principles are respected to the extent possible.

*URL: https://www.okuma.co.jp/about/csr.html

Efforts at human rights due diligence (DD)

As part of our efforts to diversify our human resources, Okuma and its domestic Group companies are working to expand employment opportunities regardless of nationality. In April 2023, we began conducting human rights DD for workers of foreign nationalities.

In FY2024, human rights DD was conducted for specified skilled foreign nationals working at Okuma, and no significant risks to human rights were found. In addition, we worked to mitigate risks by translating in-house newsletters on safety and quality into local languages and sharing information. To prevent Japanese employees from unintentionally violating the human rights of foreign nationals due to differences in culture or customs, we are increasing the understanding of respect for human rights through training and educational campaigns.

Efforts to prevent child labor and forced labor

To prevent child labor, Okuma uses official documentation to verify the age of new employees to ensure child labor is not occurring.

In addition, we are using educational materials such as the e-learning course on "Business and Human Rights" to inform companies that both they and their suppliers are, in accordance with the UN Guiding Principles on Business and Human Rights, responsible for respecting human rights prohibiting child labor and forced labor.

Employee Roundtable Discussion

Daiki Shinohara
Solutions & Systems Engineering Department, Technology Division
(Joined in 2014)

Mizuki Watanabe
FA R&D Department, FA Systems Division
(Joined in 2018)

Shuta Sugiyama
Sales Division
Japan Sales Division
(Joined in 2016)

Maki Mizuno
Human Resources Department
(Joined in 2024)

Tomoki Asada
Production Engineering Department, Manufacturing Division
(Joined in 2020)

Creating value through employee fulfillment and growth

Okuma is steadily proceeding with efforts to create comfortable working conditions for employees, and we are also focusing on efforts to provide value to customers. In this era of drastic changes, what are employees feeling, what challenges are they taking on, and how are they creating value that helps to resolve customers' issues? Five employees from different departments freely shared their perspectives.

Comfortable working conditions are created by listening to workers' views

Mizuno ▶ Over the past few years, Okuma has been implementing numerous initiatives to enhance job satisfaction and comfort with an eye toward the materiality of human resources, i.e., "developing human resources as a source of innovation." I joined the Company in 2024, and apparently a policy allowing employees to freely choose between a work uniform and casual attire was introduced shortly before that.

Asada ▶ In 2024, the 4th and 5th floors of the Technology Center at Headquarters were renovated and refurbished. In June, Koguma Terrace, a new welfare building, was also completed and began operations.

Mizuno ▶ In August, a new HR system called COMPANY was also introduced. In terms of work scheduling, applying for things like leave and year-end tax adjustments was handled by mail or phone in the past, so there were some concerns about whether the application was being handled properly, but they were resolved by digitalization. That was followed by the campaign to use certain honorifics (Mr. and Ms. instead of job title), and I think this initiative is one that has contributed to psychological safety.

Shinohara ▶ I took childcare leave from April to May 2025. When I first joined the Company, there weren't as many men taking paternity leave as there are now, so I feel the atmosphere is more supportive of taking it.

Sugiyama ▶ I also took extended childcare leave from June 2023 until the end of April 2024. The fact that an atmosphere has spread in which both men and women can take leave without discrimination is a major change. I can now work from home and share with my wife the responsibility for taking our child to school or picking them up.

Watanabe ▶ A new gender-neutral uniform has been introduced on-site, and I like the fact that it is stretchier and more durable. The design also looks cooler. It has increased motivation.

Shinohara ▶ I think that's important. I think the Company has listened to the opinions of frontline personnel down to the smallest aspects of usability, such as ease of wear and pocket placement, and it has thought things out from the worker's perspective.

Asada ▶ The Koguma Terrace, which is an open area, has been created, and many people use it for independent study. Are they studying for qualifications? Their dedication is inspiring.

Shinohara ▶ In terms of the workplace, the 5th floor of the Technology Center at Headquarters has been renovated. A dedicated space for web conferences has been created, which has reduced the time spent searching for a meeting location and also seems to have improved the quality of meetings.

Watanabe ▶ We have foreign employees, too. Just looking at whistleblowing as an example, the Company is taking action, such as setting up a point of contact for Vietnamese-speaking whistleblowers. I often hear the term "diversification of working patterns." I get the impression that Okuma's approach to diversification is about responding flexibly to changes in working patterns and creating comfortable working conditions while maintaining order.

Mizuno ▶ I truly feel that working conditions are steadily becoming more comfortable. We in the Human Resources Department need to create an environment in which every employee can honestly express his or her needs or opinions. Making these changes leads to comfortable working conditions and innovation, so if you think of something, please feel free to contact us at any time.

Resolving customer issues with automation technology

Mizuno ▶ Something else to mention is that Okuma is accelerating its efforts to resolve customers' issues. Could you share some specific examples of initiatives?

Sugiyama ▶ In Sales Section 3 where I work, we emphasize promptly providing an estimate. An estimate is a crucial component of decision-making when potential customers are considering purchasing our machine tools. As a customer liaison between the technical division and sales, I feel that I can help a potential customer, albeit indirectly, by quickly providing an estimate.

Watanabe ▶ I work in the Automation Software Development Section, which is developing smart machining cells that correspond to Level 2 of our maturity model. Among automated systems, demand for smart machines (Level 1 of the maturity model) is expected to grow, as is demand for products and services (Level 2 of the model and higher). The Engineering Center and Innovation Center are scheduled to be complete by the end of 2025, creating an entity to provide automation systems and an entity to develop those technologies. Moreover, plans are to begin full-fledged collaboration with partners such as customers and tool manufacturers. One issue thus far is that even if we devised new features or mechanisms, there was no environment in which to test them. This environment has been created, so the quality and speed of the automated systems we offer will improve greatly, allowing us to better meet customer needs. This is exciting to me.

Shinohara ▶ Customer consultations with Okuma's engineers are increasing. Customers are expressing a desire to automate, which includes machine tools as well as tools and peripheral equipment. Our proposals are also expanding from suggesting individual machine tools to suggesting automation factory-wide. Enhancing our automation solutions is an important initiative to expand options for our customers and to help resolve their issues.

Asada ▶ The Production Engineering Department has constructed smart factories known as Dream Sites. Recently, we have been working to create a system at one of our plants to showcase a simple automation system that can easily be used even at small or medium-sized factories. We want to create a system that can easily be introduced even at small or medium-sized factories and that our customers would like to adopt.

Shinohara ▶ In terms of automation system initiatives that differentiate us from our competitors, ARMROID, a next-generation machine with a built-in robot, is a product unique to Okuma, in my view. It is automated and yet very compact. In addition, the types of workpiece stockers are also increasing, so proposing automation for various types of workpieces is becoming easier.

Sugiyama ▶ I believe ARMROID's automation technology has matured significantly over the past three or four years. We are also seeing an increase in requests for estimates from potential customers. I believe its strength lies in enabling automation even in small or medium-sized factories while taking up less space.

Shinohara ▶ In the past, automation was something that could only be accomplished by large companies, but ARMROID only takes up the space of a single machine, so we are now seeing inquiries from potential customers who were previously rather hesitant about undertaking automation.

Asada ▶ Automation definitely contributes to improved productivity. Enhancing automated solutions helps to resolve our customers' issues. We strive to create value for our customers while working under comfortable conditions. Both efforts are definitely proceeding, albeit gradually, and that is what makes my work fulfilling.

Mizuno ▶ I truly feel that both of these help to create value in terms of resolving our customers' issues. I enjoyed hearing from people in different departments today. Thank you.

Environment-Related Data

Greenhouse gas emissions (Scope 1 and 2)

(Units: 10^3 t-CO_2e)

		FY2020		FY2021		FY2022		FY2023		FY2024	
		Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Scope1		5.3	–	7.2	7.7	8.1	8.6	6.7	7.3	4.4	5.0
Scope2	Location-based	–	–	26.9	34.0	28.7	34.8	29.0	35.7	27.5	33.6
	Market-based	22.6	–	23.6	30.7	13.2	18.9	0.5	6.1	0.0	4.4
Total amount	**Location-based**	**–**	**–**	**34.1**	**41.7**	**36.8**	**43.4**	**35.7**	**43.0**	**31.9**	**38.6**
	Market-based	**27.9**	**–**	**30.8**	**38.4**	**21.3**	**27.5**	**7.2**	**13.4**	**4.4**	**9.4**

Note 1. Figures for FY2020 are calculated for domestic production sites in accordance with the Energy Conservation Act, and figures for FY2021 and afterwards are calculated in accordance with the GHG Protocol.
Note 2. Offsetting through carbon credits is not included.

Greenhouse gas emissions (Scope 3)

(Units: 10^3 t-CO_2e)

Category	FY2020		FY2021		FY2022		FY2023		FY2024	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated
1: Purchased goods and services	–	–	–	–	497.6	–	327.9	406.7	317.5	384.2
2: Capital goods	–	–	–	–	15.5	–	18.5	21.8	14.0	18.6
3: Fuel- and energy-related activities not included in Scope 1 and 2	–	–	–	–	6.0	–	6.0	7.0	5.4	6.5
4: Upstream transportation and distribution	–	–	–	–	36.4	–	59.5	71.3	28.9	34.7
5: Waste generated in operations	–	–	–	–	0.3	–	0.6	0.9	0.5	1.3
6: Business travel	–	–	–	–	2.9	–	3.1	–	3.1	10.8
7: Employee commuting	–	–	–	–	5.0	–	6.3	–	4.7	5.4
8: Upstream leased assets	–	–	–	–	1.5	–	1.7	–	1.5	1.7
9: Downstream transportation and distribution	–	–	–	–	–	–	37.5	46.2	14.7	17.1
11: Use of sold products	–	–	–	–	499.1	–	517.4	635.7	431.1	529.4
12: End-of-life treatment of sold products	–	–	–	–	0.5	–	11.9	13.8	10.8	12.0
Total amount	**–**	**–**	**–**	**–**	**1,064.8**	**–**	**990.4**	**–**	**832.2**	**1,021.7**

Note. Category 10, 13, 14, and 15 emissions are not calculated because our business does not involve activities for which those emissions would need to be calculated.

Energy consumption

(Units: MWh)

		FY2020		FY2021		FY2022		FY2023		FY2024	
		Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Total amount		**–**	**–**	**90,246**	**104,193**	**97,987**	**112,322**	**93,079**	**108,456**	**83,011**	**98,853**
Electricity	From renewable energy sources	–	–	0	80	31,896	32,403	64,985	66,785	65,146	68,800
	Amount of power generated in-house	–	–	0	0	0	0	31	31	70	185
	Amount of power purchased	–	–	0	80	31,896	32,403	64,954	66,754	65,076	68,615
	From fossil fuels	–	–	62,156	73,097	34,035	45,285	1,188	11,855	0	7,797
Fuel	City gas	–	–	26,587	28,785	30,562	32,684	25,790	27,511	17,231	19,165
	LP gas	–	–	1,126	1,126	1,135	1,135	782	782	353	353
	Fuel oil (diesel, kerosene, etc.)	–	–	377	381	359	363	334	980	281	987
Heat (steam and hot water)		–	–	0	724	0	452	0	543	0	1,751
Ratio of renewable energy (%)		–	–	0.0	0.1	32.6	28.8	69.8	61.6	78.5	69.6

Water withdrawal and wastewater discharge

(Units: 10^3 m^3)

		FY2020		FY2021		FY2022		FY2023		FY2024	
		Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Water withdrawal	**Total amount**	**182.3**	**–**	**228.0**	**–**	**227.4**	**–**	**264.9**	**–**	**308.4**	**335.8**
	Amount of groundwater	55.2	–	88.2	–	80.5	–	90.2	–	83.5	83.5
	Amount of water from third-party sources	127.1	–	139.8	–	146.9	–	174.7	–	224.9	252.3
Wastewater discharge	**Total amount**	**78.9**	**–**	**92.5**	**–**	**96.2**	**–**	**140.1**	**–**	**150.1**	**166.6**
	Amount of fresh surface water	0.0	–	0.0	–	0.5	–	1.8	–	1.7	1.7
	Amount of groundwater	0.0	–	0.0	–	0.0	–	0.2	–	0.3	0.3
	Amount discharged to third parties	78.9	–	92.5	–	95.7	–	138.1	–	148.1	164.6

Note. Non-consolidated figures are for domestic production sites until FY2022.

Waste and other materials generated (including valuable resources)

(Units: tons)

		FY2020		FY2021		FY2022		FY2023		FY2024	
		Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Waste	**Total amount**	**–**	**–**	**5,022**	**–**	**5,462**	**–**	**5,079**	**–**	**5,097**	**6,459**
	Amount of waste oil	64	–	83	–	86	–	88	–	81	106
	Amount of waste liquid	571	–	545	–	603	–	420	–	578	589
	Amount of scrap metal	–	–	3,293	–	3,294	–	2,993	–	3,229	4,241
	Amount of other materials	–	–	1,101	–	1,479	–	1,578	–	1,209	1,523

Note. Non-consolidated figures cover Headquarters and the Kani and Konan plants until FY2022 and Headquarters and the Kani, Konan, and Gunma plants in FY2023.

Air pollutant emissions

(Units: tons)

		FY2020		FY2021		FY2022		FY2023		FY2024	
		Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Air pollutants	**Total amount**	**59.4**	**–**	**87.6**	**–**	**98.9**	**–**	**115.6**	**–**	**96.1**	**96.8**
	Amount of NOx	1.9	–	1.8	–	1.8	–	1.0	–	0.8	0.8
	Amount of VOCs (atmospheric)	52.7	–	81.0	–	89.8	–	104.0	–	87.6	88.2
	Amount of VOCs (waste)	4.8	–	4.8	–	7.3	–	10.6	–	7.7	7.8

Note 1. Non-consolidated figures are for domestic production sites, while consolidated figures are for domestic and overseas production sites.
Note 2. Figures for Japan are calculated based on the Air Pollution Control Act and the PRTR Act, and figures for sites overseas are calculated based on the relevant laws and regulations in each country; both sets of figures are also calculated based on the amount of products containing controlled substances that were purchased.

In order to enhance the transparency and reliability of environmental data, the Group's greenhouse gas emissions (Scope 1, 2, and 3), water withdrawal, wastewater discharge, and waste generation are verified by a third party*, providing a limited level of assurance.
*URL: https://www.okuma.co.jp/english/about/csr.php

Human Capital-Related data

Number of employees

(Units: persons)

	Scope	FY2020	FY2021	FY2022	FY2023	FY2024
Japan	Consolidated	2,565	2,671	2,638	2,631	2,666
Americas		224	228	235	257	264
Europe		320	325	335	360	388
Asia/Pacific		693	729	761	764	753
Total		**3,802**	**3,953**	**3,969**	**4,012**	**4,071**

Diversity & inclusion

	Scope	FY2020	FY2021	FY2022	FY2023	FY2024
Number of employees (persons) (Ratio of overseas employees) (%)	Consolidated	3,802 (32.5%)	3,953 (32.4%)	3,969 (33.5%)	4,012 (34.4%)	4,071 (34.5%)
Number of new graduates hired (persons) (Ratio of women) (%)	Non-consolidated	92 (14.1%)	74 (10.8%)	83 (10.8%)	73 (15.0%)	92 (18.5%)
Number of mid-career hires (persons) (Percentage of mid-career hires) (%)		5 (5.2%)	9 (10.8%)	10 (10.8%)	41 (35.9%)	64 (41.0%)
Ratio of women in management positions (%)		–	–	1.4%	1.9%	2.3%
Percentage of employees with disabilities (%)		2.24%	2.22%	2.16%	2.27%	2.63%
Gender pay gap (%) All employees		–	–	59.3%	60.0%	63.7%
Percentage of regular full-time employees (%)		–	–	61.3%	63.1%	65.4%
Percentage of part-time and fixed-term (%)		–	–	52.7%	49.6%	51.3%
Career position employees and non-management employees pay gap (%) (Standard salary + bonuses) Foreperson		–	–	100.3%	100.0%	101.7%
Section head (%)		–	–	95.5%	97.2 %	97.9%

Creating a positive work environment

	Scope	FY2020	FY2021	FY2022	FY2023	FY2024
Average age (years) (Average length of service) (years)	Non-consolidated	38.7 (16.6)	39.0 (16.8)	39.0 (17.7)	39.1 (16.6)	38.9 (17.0)
Number of employees taking maternity leave (persons)		17	11	15	12	8
Percentage of employees returning to work after maternity and childcare leave of absence (%)		100%	100%	100%	100.0%	100.0%
Number of employees taking childcare leave (persons) (Number of male employees doing so)		36 (8)	38 (15)	44 (34)	61 (52)	72 (57)
Percentage of male employees taking childcare leave (%)		10.0%	28.3%	42.0%	74.0%	76.0%
Number of employees working shorter hours for childcare (persons) (Number of men)		45 (0)	33 (1)	49 (2)	55 (5)	54 (6)
Job turnover rate* (%)		1.6%	1.5%	1.9%	2.3%	2.0%

* The percentage of voluntary resignations out of the total number of full-time employees as of April 1st of each year

Development of human assets

	Scope	FY2020	FY2021	FY2022	FY2023	FY2024
Training cost (million yen)	Non-consolidated	66	146	218	222	189
Number of qualified employees who have passed the national skill tests (persons)		1,037	1,068	1,093	1,128	1,126
Number of employees receiving certification allowances (persons)		–	–	–	1,284	1,433

Status of industrial accidents

	Scope	FY2020	FY2021	FY2022	FY2023	FY2024
Number of casualties (persons)	Non-consolidated	0	2	3	1	1
Number of industrial accidents (cases)		5	11	13	11	6
Frequency rate		0.000	0.438	0.627	0.215	0.211
Number of days missed (days)		0	135	193	35	61
Severity rate		0.000	0.030	0.040	0.008	0.010

Note 1. Industrial accident frequency rate = (number of casualties due to industrial accidents ÷ total number of hours worked) × 1,000,000
Total hours worked represents actual hours worked.
Note 2. Industrial accident severity rate = (number of work days lost ÷ total hours worked) x 1,000
Number of work days lost due to fatalities and serious illnesses = 7,500

Chapter 5

Corporate Governance

CONTENTS

Interview with Newly-Elected Independent Members of the Board

"As an Independent Member of the Board, I intend to fulfill my monitoring role by keeping an eye on both aspects, i.e., pursuing potential growth from an 'offensive' perspective and ensuring soundness from a 'defensive' perspective."

Yumiko Miwa

Independent Member of the Board

Q What do you consider corporate value to mean? Moreover, what perspectives and insights do you intend to bring to your role in helping to increase Okuma's corporate value?

A A basic concept in finance, corporate value is defined as the current value of future cash flows. Over the past few years, a broader concept of corporate value—encompassing non-financial elements like human capital and intellectual capital—has become increasingly important. These elements can be difficult to quantify, but I realize that they are essential aspects that lie at the heart of creating sustainable value for a company, serving as a source of medium- to long-term growth.

That said, various management risks are factors that increase the cost of capital. Therefore, properly limiting the cost of capital and ensuring that investors fully understand the Company's soundness and future prospects are critical topics in terms of increasing corporate value. In that sense, I believe that enhancing risk management systems and improving the quality of disclosures also directly affect corporate value.

As an Independent Member of the Board, I intend to fulfill my monitoring role by keeping an eye on both aspects, i.e., pursuing potential growth from an 'offensive' perspective and ensuring soundness from a 'defensive' perspective.

Q What is your stance on providing "supervision" and "advice," which are the fundamental roles of an Independent Member of the Board?

A In terms of providing "supervision," an Independent Member of the Board needs to independently verify whether management is making appropriate decisions and whether it is accountable, thereby facilitating a governance structure that contributes to the Company's sustainable growth. In terms of providing "advice," an Independent Member of the Board needs to provide an outside perspective and expertise not available within the Company, thereby improving the quality of decision-making and helping to make management more diverse and flexible.

Through my research on corporate governance and engaging with institutional investors, I have been apprised of the importance of transparency and accountability in corporate management. Drawing on this knowledge, I intend to repeatedly engage in constructive dialogues with management based on mutual respect, thus creating a healthy tension and building trust.

Q Given the rapidly changing external environment, what management issues should be prioritized for Okuma to achieve sustainable growth over the medium to long term?

A The global business environment is being heavily buffeted by shifts in U.S. trade policy, in addition to external changes, such as technological innovation, geopolitical risks, and the need to address climate change. Amidst this heightened uncertainty, I believe that "attracting diverse human resources" and "enhancing human resource development" are pressing issues in order for Okuma to achieve sustainable growth over the medium to long term.

Even though manufacturing processes are being further automated, our concern is that the passing down of skills—a strength conventionally fostered by on-the-job training (OJT) in the workplace—will become increasingly difficult. Historically, Okuma has created value through its production sites and customer engagement. In order to maintain and develop this strength going forward, an environment that systematically develops human resources needs to be rebuilt while respecting workplace diversity.

In an era of accelerating technological innovation and increasing use of generative AI and automation technology, the capabilities that people must have are shifting toward "creativity"—the ability to think freely without being constrained by conventional frameworks and to create new value. This creativity is fostered through challenges and failure. Therefore, I believe that fostering a healthy corporate culture that tolerates failure is crucial, enabling employees to actively take on the challenge of creating new value.

"Instead of being swayed by short-term results, I want to monitor management with a perspective focused on whether we are steadily 'sowing seeds' for the future."

Yoshimi Horinishi

Independent Member of the Board

Q What do you consider corporate value to mean? Moreover, what perspectives and insights do you intend to bring to your role in helping to increase Okuma's corporate value?

A I believe that corporate value is the "sum total of stakeholder satisfaction." For shareholders, that means returns commensurate with their investment; for employees, it means fair wages and satisfactory working conditions; for customers, it means quality products and reliable after-sales service; and for the local community, it means having an indispensable presence. I believe that providing value by exceeding each stakeholder's expectations ultimately leads to increased corporate value.

The prerequisite for this is the trust of stakeholders. I firmly believe that always acting with integrity and maintaining transparency and ethical standards are the basis for building trust over the long term.

As an Independent Member of the Board, my particular area of contribution lies in strengthening governance by drawing on my career as a legal professional. In light of my experience serving on the nomination and remuneration committee or the remuneration committee at other companies, I will strive to ensure that Okuma's Board of Directors fulfills its supervisory role more effectively. I intend to help to further increase corporate value while keeping the perspectives of shareholders and institutional investors firmly in mind.

Q What is your stance on providing "supervision" and "advice," which are the fundamental roles of an Independent Member of the Board?

A In order to fulfill the duties of providing "supervision" and "advice," an Independent Member of the Board must have both trust and the right amount of tension in his or her relationship with management. I believe that an Independent Member of the Board should provide advice, based on trust, while keeping his or her sights set on the common goal of increasing corporate value. If the direction taken by management appears to deviate from that goal, then an Independent Member of the Board should provide advice by candidly expressing his or her opinion without reservation.

In terms of supervision, I emphasize ensuring the objectivity and transparency of evaluations of management's performance through KPIs and MBOs and determining whether the compensation system encourages appropriate risk-taking. Verifying such systems from the shareholder's perspective and suggesting improvements as necessary are also crucial roles of an Independent Member of the Board. Instead of being swayed by short-term results, I want to monitor management with a perspective focused on whether we are steadily "sowing seeds" for the future.

Q Given the rapidly changing external environment, what management issues should be prioritized for Okuma to achieve sustainable growth over the medium to long term?

A The current external environment is characterized by heightened uncertainty for companies due to factors such as geopolitical tensions and changes in U.S. trade policy. Under these circumstances, I believe that Okuma must improve how it is structured so that it can flexibly and adeptly respond to both risks and opportunities in order to achieve sustainable growth over the medium to long term. Given that the U.S. and China currently account for a significant portion of overseas sales, a beneficial approach would be to further discuss the diversification of risk associated with dependence on certain regions.

Domestically, I consider enhancing human capital, and ensuring diversity in particular, to be key to growth. Okuma is working to train personnel who aspire to innovate. An essential part of that effort is drawing on diverse perspectives, including those of women. Okuma is currently reforming its human resources system, and I look forward to seeing this effort bear fruit.

Corporate Governance

Basic Principles

Corporate governance policy

Okuma's Directors and employees are committed to "Contributing to society through the power of 'manufacturing services'" as our "purpose (raison d'être)," and those directors and employees will comply with all laws, regulations, and company rules while conducting corporate activities in accordance with Okuma's Mission Statement in order to create social value and improve corporate value.

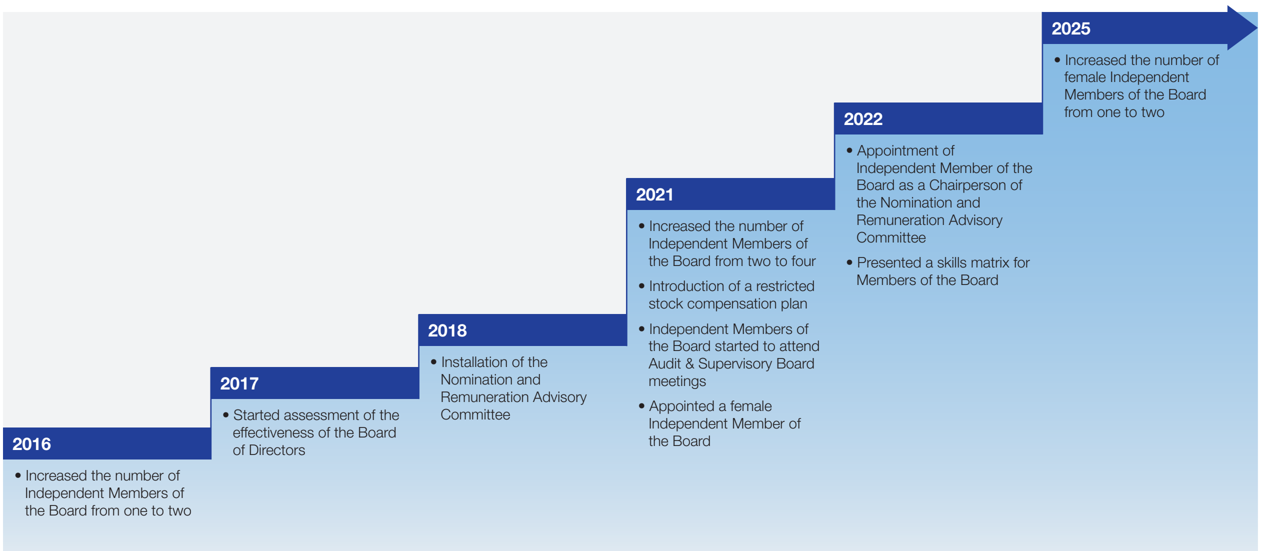
Reasons for becoming a company with an audit & supervisory board

Okuma has adopted the governance structure of a company with an Audit & Supervisory Board. The following structure is intended to enhance management decision-making by the Board of Directors, to manage and supervise the Board's conduct of operations, and to improve management transparency and objectivity by having four Independent Members of the Board. The Audit & Supervisory Board consists of four members, including two outside Audit & Supervisory Board members who are independent directors. The Audit & Supervisory Board conducts proper audits of the Board of Directors' performance of its duties. A system has thereby been created in which management is adequately monitored.

An overview of the corporate governance structure

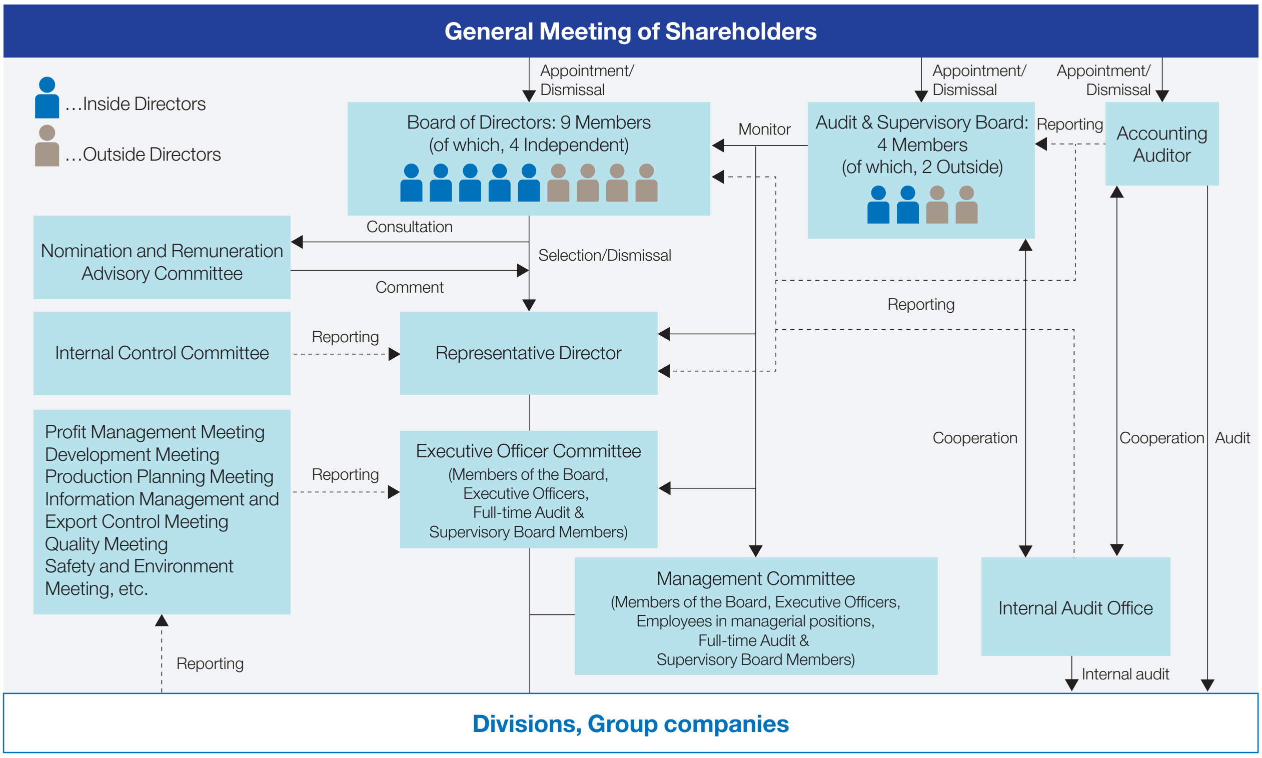
- Okuma is a company with an Audit & Supervisory Board. The Audit & Supervisory Board has four members, two of whom are outside Audit & Supervisory Board members as well as independent directors.
- The Board of Directors consists of nine directors and four Audit & Supervisory Board members, four of whom are Independent Members of the Board and two of whom are outside Audit & Supervisory Board members, all six of whom are independent directors.
- The term of office for a Member of the Board is one year, and the Company has adopted a system that clearly defines a Member of the Board's management responsibility.
- The Company has introduced an executive officer system to ensure the prompt conduct of operations.
- Full-time Audit & Supervisory Board members also attend monthly meetings of the Management Committee, where they monitor the conduct of operations by Members of the Board.
- The Company has appointed Crowe Toyo & Co. as its accounting auditor.
- The Company has established the Nomination and Remuneration Advisory Committee in order to provide objectivity and a multifaceted approach to the process of nominating directors and determining their compensation and to improve the appropriateness of that process.

Progress in Strengthening Governance



Corporate Governance System

(as of July 1, 2025)



Role and Composition of Each Supervisory Body (as of July 1, 2025)

	Board of Directors	Audit & Supervisory Board	Nomination and Remuneration Advisory Committee	Internal Control Committee
Composition	Males: 7 Females: 2 (Inside / Outside)	Males: 4 Females: 0 (Inside / Outside)	Males: 3 Females: 0 (Inside / Outside)	Males: 10 Females: 0
Role	Board meetings are held at least once every month, and extraordinary meetings are held as necessary. In addition to the matters stipulated by laws, regulations and the Articles of Incorporation, matters prescribed by the Rules of the Board of Directors are deliberated on to make important business decisions.	In addition to regular meetings, Audit & Supervisory Board meetings are held as needed, and important matters concerning audits are reported by Accounting Auditors, Members of the Board, the Internal Audit Office, etc., and resolved through consultation.	Nomination and Remuneration Advisory Committee meetings are held at least once every six months as needed, and the following matters are deliberated on to ensure the transparency and objectivity of the nomination and remuneration of Directors: (1) matters concerning the nomination of Directors, (2) matters concerning Directors' remuneration, (3) matters concerning governance, and (4) other important matters.	In addition to semiannual meetings, Internal Control Committee meetings are held as needed at the discretion of the Chairman. The Committee is in charge of and responsible for the determination of specific policies concerning the establishment of the internal control, risk assessment, and ensuring that internal controls are functioning as intended.
Ratio of Independent Members of the Board	44%	50%	67%	0%
Number of meetings	12 times	12 times	3 times	2 times

Composition of the Board of Directors and the Audit & Supervisory Board

Title	Name	Board of Directors	Attendance in FY2024	Audit & Supervisory Board	Executive Officer Committee	Internal Control Committee	Nomination and Remuneration Advisory Committee	Attendance in FY2024
Representative Director and President	Atsushi Ieki	◎	12/12		◎	◎	○	3/3
Member of the Board, Managing Executive Officer	Chikashi Horie	○	12/12		○	○		
Member of the Board, Senior Executive Officer	Takeshi Yamamoto	○	12/12		○	○		
Member of the Board, Senior Executive Officer	Harumitsu Senda	○	12/12		○	○		
Member of the Board, Senior Executive Officer	Kinya Komura	○	12/12		○	○		
Independent Member of the Board	Toshimichi Moriwaki	○	12/12				◎	3/3
Independent Member of the Board	Hiroki Takenaka	○	12/12				○	3/3
Independent Member of the Board	Yumiko Miwa	○	Newly appointed					
Independent Member of the Board	Yoshimi Horinishi	○	Newly appointed					
Full-time Audit & Supervisory Board Member	Hiroshi Yamawaki	○	12/12	○	○	○		
Full-time Audit & Supervisory Board Member	Shinji Nakayama	○	10/10*	○	○	○		
Outside Audit & Supervisory Board Member	Akihiko Nakamura	○	Newly appointed	○				
Outside Audit & Supervisory Board Member	Kazuyuki Saigo	○	Newly appointed	○				

Note ◎ indicates the chairman or chairperson
*Attendance records are listed for the period after assumption of office on June 21, 2024

Main Items to Be Discussed and Time Allocated for the Board of Directors' Meeting

The Board of Directors supervises the execution of duties by Executive Officers and Directors for the continuous enhancement of corporate value and the common interests of shareholders. The Board of Directors also discusses management strategies and business plans in addition to resolutions stipulated by laws, regulations, the Articles of Incorporation, and the rules on resolution and decision-making authority. The company also receives quarterly reports on financial results and the status of business execution at each division. The opinions and advice expressed in these reports are shared with the executive departments and utilized in business operations.

Status of the board of directors meetings in fiscal 2024

Number of times held: 12
Average number of agenda items: 2.4*
Average duration: 89.7 minutes

*Reported items are excluded

Main Themes and Agenda Items (FY2024)

Themes	Main agenda items
Management and business strategies	• Building of new plants (in Japan and overseas) • Evaluation of business plans • Confirmation of the status of the medium-term management plan
Financial policies and financial results	• Status of financials, including monthly financials • Shareholder return (dividends and purchase of treasury stock) • Verification of cross-shareholdings • Implementation of a stock split
Corporate governance and risk management	• Evaluation of the effectiveness of the Board of Directors • Operational status of the internal control system • Renewal of insurance policies • Creation, revision, etc. of regulations
Business execution status report	• Status of business execution of each division

Diversity of the Board of Directors (skills matrix)

Title	Name	Corporate management, corporate strategy	Accounting, financing	Human resource development & management, labor affairs	Technology, R&D, IT, DX	Quality control, customer service	Manufacturing, procurement	Marketing, sales	Global	Legal affairs, compliance, governance	Risk management, sustainability
Representative Director and President	Atsushi Ieki	●		●	●	●	●		●	●	●
Member of the Board, Managing Executive Officer	Chikashi Horie	●	●	●						●	●
Member of the Board, Senior Executive Officer	Takeshi Yamamoto	●					●	●	●		
Member of the Board, Senior Executive Officer	Harumitsu Senda	●			●	●					●
Member of the Board, Senior Executive Officer	Kinya Komura					●	●	●			
Independent Member of the Board	Toshimichi Moriwaki				●					●	●
Independent Member of the Board	Hiroki Takenaka	●	●			●	●		●	●	●
Independent Member of the Board	Yumiko Miwa	●	●						●	●	●
Independent Member of the Board	Yoshimi Horinishi			●						●	●

Note The above does not cover all expertise of each Member of the Board

Evaluation of the Effectiveness of the Board of Directors in FY2024

With the aim of ensuring the effectiveness and enhancing the functions of the Board of Directors, the effectiveness of the Board of Directors as a whole is evaluated and analyzed once a year. The effectiveness of the Board of Directors in fiscal 2024 was evaluated by the following measures and an outline of the results is shown below.

Methods of analysis and evaluation

We conducted an anonymous self-evaluation questionnaire for all Members of the Board and Audit & Supervisory Board Members (15 persons including Outside Directors).

Conducted in: March 2025
Topics
· Nature of the Board of Directors
· Monitoring of the Board of Directors
· Composition of the Board of Directors
· Performance of Internal Members of the Board
· Operations of the Board of Directors
· Performance of Independent Members of the Board

Evaluation result of fiscal 2024

The average score for responses to the survey questions was at the level of 3.9 (-0.3 from the previous survey) on a 5-point scale. The evaluation revealed no problems with the current corporate governance system and its operation, and the Company's Board of Directors was deemed to be functioning properly overall and acting effectively. In addition, analysis and evaluation by an external expert organization have concluded that the Board of Directors is fulfilling its role.

Responses to issues identified in fiscal 2023

Issues related to the composition (diversity) of the Board of Directors and training for Board members were identified in the fiscal 2023 effectiveness assessment, and the following actions have been taken to improve the effectiveness of the Board of Directors.

- At the annual General Meeting of Shareholders held on June 24, 2025, the number of Directors was reduced from 11 to 9. This change improved the proportion of Independent Members of the Board to 44.4% and increased the proportion of female directors to 22.2% (up from 9.1% the previous year), thereby strengthening the governance system.
- As for executive training, seminars on management were held by inviting managers from other industries. They also attended technical report meetings, conducted tours of factories, and increased their understanding of management and industry knowledge.

Issues identified in fiscal 2024

The following issues were identified in fiscal 2024. In the future, based on the evaluation of the effectiveness this year, we will review the issues fully and respond to them promptly, and we will continue to promote initiatives to enhance the effectiveness of the Board of Directors.

- Creation of a system to promote a DX and appropriate supervision
- Appropriate supervision of the human resources strategy
- Framework for promoting sustainability and its appropriate supervision
- Enhancement of discussion of the appropriateness of incentive-based compensation for management

Executive Compensation/Succession

Ratio of compensation by type and performance-linked indicators

Directors' compensation consists of fixed remuneration paid as monthly compensation, performance-linked remuneration (short-term incentives) that varies depending on the degree to which consolidated performance is achieved, and restricted stock compensation (medium- and long-term incentives).

Performance-linked remuneration (short-term incentive)

The index for performance-linked remuneration is consolidated operating income. The reason for this is because the key role that has been entrusted by shareholders to management is to increase the net income attributable to the ultimate shareholders. The results of management efforts to increase net income are primarily reflected in consolidated operating income. Accordingly, Okuma places a high priority on operating income and operating income margin as important indicators both for target performance and for measuring achievements in businesses.

Restricted stock compensation (medium- and long-term incentives)

The Company has introduced a restricted stock compensation system in order to provide incentives to sustainably increase corporate value and to further promote the sharing of value with shareholders. The number of shares to be granted as compensation is determined by multiplying each director's monthly executive remuneration by a certain coefficient based on consolidated operating income.

Note: Please refer to the Annual Securities Report for details on the coefficients for determining short-, medium-, and long-term incentives.

Succession

The Company considers the succession planning of the CEO as one of the most important management issues, and the Nomination and Remuneration Advisory Committee regularly checks on and discusses the status of the training plan every year. The Nomination and Remuneration Advisory Committee also confirms and discusses the status of nominations for positions other than the CEO, and it endeavors to systematically train those personnel.

Main items discussed by the nomination and remuneration advisory committee (FY2024)

Nomination	Approach to and procedures for nomination Criteria for nominating a candidate
Compensation	Level of compensation Mechanisms for a compensation system to increase corporate value Decision-making process Verification of the appropriateness of compensation

Ratio of Compensation by Type (Actual figures for FY2024)

Basic remuneration	Performance-Based Remuneration (Evaluation index: consolidated operating income)	
	Short-Term Incentive	Medium- and Long-Term Incentive
68%	18%	14%
Cash remuneration		Stock remuneration

Status of Activities of the Audit & Supervisory Board

The Audit & Supervisory Board consists of two full-time Audit & Supervisory Board members and two part-time outside Audit & Supervisory Board members. The Audit & Supervisory Board met 12 times in FY2024. The Audit & Supervisory Board formulated an audit plan. The specific aspects of the audit plan that were considered and activities in line with that plan are shown in the table below.

	Specific aspects considered	Activities
Audit & Supervisory Board	(1) Discussion of matters for resolution, including appointment of Audit & Supervisory Board members, reappointment of the Accounting Auditor, approval of audit plans, and preparation of audit reports (2) Reporting on the status of an audit and exchanging of opinions	• Deliberation on statutory matters for resolution • Reports on the status of audits: Full-time Audit & Supervisory Board members, the Accounting Auditor, and the Internal Audit Office
Operations audit	(1) The status of the conduct of operations by directors based on attendance at meetings of the Board of Directors and other important meetings and on review of important documents (Hearing reports from Members of the Board, executives, the Internal Audit Office, the Accounting Auditor, etc., as needed)	• Attendance at Meetings of the Board of Directors, Executive Officer Committee, and the Management Committee and other important meetings • Review of approved documents
Accounting audit	(1) Appropriate management of inventories and fixed assets (2) Status of collection of accounts receivable and management of slow-moving inventory (3) Status of the management and operation of subsidiaries and branches and the status of accounting audits	• Witnessing on-site inspections of inventories • Year-end audits of domestic subsidiaries, branches, etc. • Periodic audits of overseas subsidiaries and review of weekly and monthly reports, minutes of Management Committee meetings, etc. • Reporting from the Accounting Department on the status of management of subsidiaries
Corporate governance and internal control audit	(1) Results of evaluation of the operation of the Group's internal control system and the status of corrective actions taken (2) Status of compliance with laws and regulations, including export control-related laws and regulations, the Financial Instruments and Exchange Act, the Labor Standards Act, and the Subcontracting Act	• Attending Internal Control Committee meetings • Receiving audit reports from the Internal Audit Office and the Accounting Auditor and exchanging opinions • Hearing from a division's compliance officer on the status of compliance with different laws and regulations

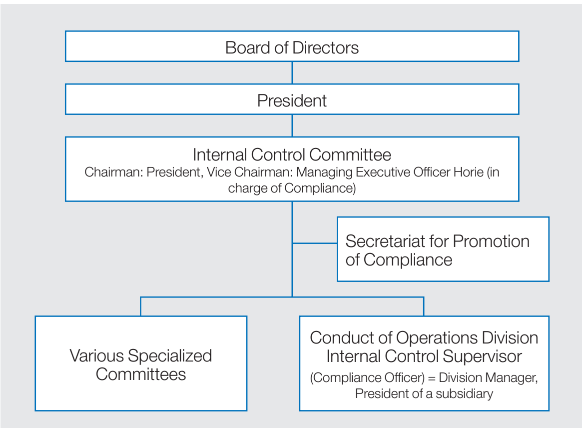
Compliance and Business Ethics

Okuma's promotion of compliance

From the perspective of increasing corporate value and ensuring the sustainability of management, Okuma promotes effective compliance by closely coordinating supervision by the Board of Directors and its conduct on-site.

1. An integrated governance structure	Compliance is promoted under the auspices of the Board Member in charge, in cooperation with the Internal Control Committee, the Internal Audit Office, and the heads of each division and under the supervision of the Board of Directors. Compliance is controlled Company-wide through rules on decision-making authority and deliberative bodies (the Management Committee and the Executive Officer Committee).
2. Systems for training, reporting, and corrective action	Compliance manuals are maintained, training is conducted for all employees, and whistleblowing points of contact are maintained internally and externally. In the event of a violation, a system is in place to take prompt corrective action and action to prevent its recurrence.
3. Documentation and implementation of efforts to respect human rights and meet ESGs	Human rights policies feature clear provisions on topics such as preventing harassment, eliminating forced labor, and protection of privacy. The ESG Promotion Office makes recommendations, which are overseen and implemented by the Executive Officer Committee and the Board of Directors.
4. Product security system	A product security incident response team (PSIRT) is established to manage security risks starting in the product design stage. Procedures for receiving, analyzing, and disclosing information in the event of an incident are established.
5. Coordination with the environment and quality	Ensuring compliance with environmental laws and regulations and quality assurance at ISO 14001/9001 certified sites. Promoting continuous improvement activities throughout the Company to ensure both the reliability of manufacturing and the fulfilment of our social responsibility.

Structural chart of bodies promoting compliance



Establishment of a whistleblower point of contact and operation of the whistleblower system

Okuma's whistleblowing system for violations of laws and regulations as well as internal rules, harassment, anti-corruption and other ethical violations applies not only to the employees of Okuma and our subsidiaries in Japan, but also to those who provide services under temporary staffing or subcontracting agreements. Confidentiality of the act of making a report and its contents is guaranteed by the parties involved in the response. A whistleblower will not suffer any form of retaliation due to the act of making a report. In response to the revised Whistleblower Protection Law, we have strengthened our whistleblower protection system by designating persons in charge of the whistleblowing process. Overseas subsidiaries are also taking actions in accordance with local laws and regulations.

Number of whistleblowing reports and consultations in FY2024: 43

Mission statement

Okuma has established the "Okuma Group Corporate Code of Behavior" that consists of the "Ethical Charter," which is a fundamental promise that all Directors and employees of the Okuma Group around the world should always adhere to, and the "Code of Conduct," which provides more specific guidelines for acting in accordance with the Ethical Charter. Okuma encourages all Directors and employees of the Okuma Group to be fully aware of the Corporate Code of Behavior and encourages them to always bear it in mind as the standard for their actions and decisions in daily operations. In addition to the Corporate Code of Behavior, Okuma has also established regulations on donations, entertainment, and business commissions, including "Decision and Approval Authority" that apply to both domestic and overseas subsidiaries.

Ethical charter

We conduct our corporate activities with integrity as a company that continues to earn the trust of society and our customers.

1. Compliance with laws and ethics
   We comply with all laws and regulations and act with high ethical standards.
2. Fair business practices
   We approach our work and address issues fairly.
3. Contributing to our customers and society
   We will contribute to society's development and build a sustainable future while meeting our customers' expectations.

Directors (as of July 1, 2025)

Members of the Board

Atsushi Ieki

Representative Director and President
In charge of Human Resource Development Innovations
Ph.D. (Engineering)

April 1985	Joined the Company
June 2012	Senior Director; Deputy Division Manager, Technology Division
July 2012	Senior Director; Division Manager, Technology Division
June 2015	Executive Director; Division Manager, Technology Division
July 2016	Executive Director; Division Manager, FA Systems Division
June 2017	Senior Executive Director; Division Manager, FA Systems Division
June 2018	Executive Vice President; Division Manager, FA Systems Division
July 2018	Executive Vice President
June 2019	Representative Director and President (present)

Chikashi Horie

Member of the Board, Managing Executive Officer
General Manager, Economic Security Office
Head of information Systems Division, Administration Division, Corporate Planning Department, Human Resources Department, Internal Audit Office, ISMS Office, EL Administration Office, and Export Control Office

April 1983	Joined the Company
June 2011	Senior Director; General Manager, Accounting and Planning Department
July 2014	Senior Director; General Manager, Accounting Department
June 2015	Executive Director; General Manager, Accounting Department
July 2015	Executive Director; Division Manager, Administration Division
June 2017	Senior Executive Director; Division Manager, Administration Division
June 2021	Member of the Board, Managing Executive Officer; Division Manager, Administration Division
January 2025	Member of the Board, Managing Executive Officer (present)

Takeshi Yamamoto

Member of the Board, Senior Executive Officer
In charge of Overseas Division
Board Chairman, Okuma America Corporation
Chief Executive Officer, Okuma Europe GmbH
Responsible for China Sales Division

April 1982	Joined the Company
June 2011	Members of the Board
April 2014	Senior Director; Division Manager, Overseas Division of the Company; Chief Executive Officer, Okuma America Corporation; Chief Executive Officer, Okuma Europe GmbH
June 2017	Executive Director; Division Manager, Overseas Division of the Company; Chief Executive Officer, Okuma America Corporation; Chief Executive Office, Okuma Europe GmbH
July 2017	Executive Director; Division Manager, Europe & The Americas Sales Division of the Company; Chief Executive Officer, Okuma America Corporation; Chief Executive Officer, Okuma Europe GmbH
June 2021	Member of the Board, Senior Executive Officer; Division Manager, Europe & The Americas Sales Division of the Company; Chief Executive Officer, Okuma America Corporation; Chief Executive Officer, Okuma Europe GmbH
July 2021	Member of the Board, Senior Executive Officer of the Company; Chief Executive Officer, Okuma America Corporation; Chief Executive Officer, Okuma Europe GmbH (present)

Harumitsu Senda

Member of the Board, Senior Executive Officer
Division Manager, Technology Division
Quality Assurance Division, FA Systems Division, MR Department, Head of the ESG Promotion Office
Ph.D. (Engineering)

April 1987	Joined the Company
June 2017	Senior Director; Division Manager, Technology Division
June 2021	Member of the Board, Executive Officer; Division Manager, Technology Division
June 2022	Member of the Board, Senior Executive Officer; Division Manager, Technology Division
July 2024	Member of the Board, Senior Executive Officer; Division Manager, Technology Division; Division Manager, Quality Assurance Division
July 2025	Member of the Board, Senior Executive Officer Division Manager, Technology Division (present)

Members of the Board

Kinya Komura

Member of the Board, Senior Executive Officer
Division Manager, Manufacturing Division
Division Manager, Service Division
Chairman, Tatung-Okuma Co., Ltd.
In charge of Procurement Division and BYJC-Okuma (Beijing) Machine Tool Co., Ltd.

November 1990	Joined the Company
June 2017	Senior Director; General Manager, Subcontractor Production Department
July 2017	Senior Director; Division Manager, Manufacturing Division
June 2021	Member of the Board, Executive Officer; Division Manager, Manufacturing Division
July 2021	Member of the Board, Executive Officer; Division Manager, Manufacturing Division of the Company; Chairman, Tatung-Okuma Co., Ltd.
November 2021	Member of the Board, Executive Officer; Division Manager, Manufacturing Division; Division Manager, Procurement Division of the Company; Chairman, Tatung-Okuma Co., Ltd.
June 2022	Member of the Board, Senior Executive Officer; Division Manager, Manufacturing Division; Division Manager, Procurement Division of the Company; Chairman, Tatung-Okuma Co., Ltd.
November 2023	Member of the Board, Senior Executive Officer Division Manager of Manufacturing Division; Division Manager of Service Division; Chairman, Tatung-Okuma Co., Ltd. (present)

Executive Officers

[Senior Executive Officer]

Satoshi Tanaka
Head of Service Business Innovation, Sales Division

Yasuhiro Asahi
Division Manager, China Sales Division
Chairman, Okuma Machine Tool (Shanghai) Corporation

Tomoki Shinozaki
Division Manager, Information Systems Division

[Executive Officers]

Kazunori Miyake
Division Manager, FA Systems Division

Kazunori Mizuno
President, Tatung-Okuma Co., Ltd.

Tomokazu Kato
Division Manager, Overseas Division

Kazutoshi Kuriyama
Deputy Division Manager, Technology Division
General Manager, MR Department

Yoshinori Oda
Division Manager, Sales Division

[Senior Officers]

James D. King
President (CEO & COO), Okuma America Corporation

Shinya Hibino
Division Manager, Administration Division

Ayumi Nozaki
CHRO

Yasunori Noda
Deputy Division Manager, Administration Division
General Manager, Corporate Planning Department

Michihiro Omori
Division Manager, Procurement Division

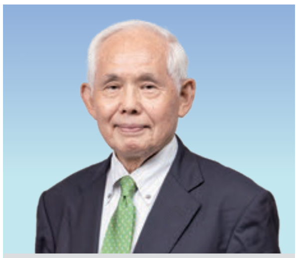
Tomohiro Yoshimura
President, Okuma Machinery (Shanghai) Co., Ltd.

Hideki Fujii
Deputy Division Manager, Sales Division

Hitoshi Furuya
Vice President, TATUNG-OKUMA CO., LTD

Norio Yano
Deputy Division Manager, FA Systems Division

Members of the Board



Toshimichi Moriwaki

Member of the Board
Doctor of Engineering

April 1968	Research Associate, Faculty of Engineering, Kobe University
June 1974	Assistant Professor, Faculty of Engineering, Kobe University
January 1976	Assistant Professor, McMaster University (Canada)
April 1985	Professor, Faculty of Engineering, Kobe University
April 2000	Dean, Faculty of Engineering, Kobe University
April 2005	Director General, Kobe City Industrial Promotion Foundation
April 2007	Emeritus Professor, Kobe University (present)
April 2007	Specially Appointed Professor, Faculty of Engineering, Setsunan University
April 2008	Dean, Faculty of Engineering, Setsunan University
March 2010	Chairman, The Japan Society for Precision Engineering
April 2010	Dean, Faculty of Science and Engineering, Setsunan University
January 2016	Established Moriwaki Technical Research Institute (present)
April 2016	Emeritus Professor, Setsunan University (present)
May 2019	Advisor, Kobe City Industrial Promotion Foundation
May 2021	Senior Fellow, Kobe City Industrial Promotion Foundation
June 2021	Independent Member of the Board of the Company (present)
April 2025	Senior Follow, Kobe Industry and Career Support Foundation (present)

Hiroki Takenaka

Member of the Board

April 1973	Joined IBIGAWA ELECTRIC INDUSTRY CO., LTD. (currently IBIDEN CO., LTD.)
June 1997	Director, IBIDEN CO, LTD.
June 2001	Managing Director, IBIDEN CO., LTD.
June 2005	Director & Executive Managing Director, IBIDEN CO., LTD.
April 2007	President & CEO, Representative Director, IBIDEN CO., LTD.
June 2014	Chairman of the Board Meeting, IBIDEN CO., LTD.
June 2017	Chairman of the Board, IBIDEN CO., LTD.
June 2022	Chairperson, IBIDEN CO., LTD.
June 2023	Senior Advisor, IBIDEN CO., LTD. (present) Independent Member of the Board of the Company (present)

Yumiko Miwa

Member of the Board
Ph.D. (Commerce)

April 1988	Joined Nomura Securities Co., Ltd.
April 1996	Full-time Research Associate, School of Commerce, Meiji University
April 1997	Full-time Lecturer, School of Commerce, Meiji University
April 2000	Full-time Associate Professor, School of Commerce, Meiji University
October 2005	Full-time Professor, School of Commerce, Meiji University (present)
June 2020	Outside Director (Audit Committee member), Eisai Co., Ltd.
June 2022	Outside Director, Pigeon Corporation (present)
June 2025	Independent Member of the Board of the Company (present)

Yoshimi Horinishi

Member of the Board
Lawyer

April 2000	Admitted to the Bar and the Nagoya Bar Association
December 2004	Admitted to the Asahikawa Bar Association
April 2007	Re-admitted to the Aichi Bar Association
November 2009	Founded Horinishi Law Office Head of the firm (present)
June 2016	Outside Director (Audit Committee member) (present), Menikon Co., Ltd.
June 2020	Outside Director (Chairperson of the Compensation Committee), Menikon Co., Ltd. (present)
March 2024	Outside Director (Audit Committee), Hoshizaki Corporation (present)
June 2025	Independent Member of the Board of the Company (present)

Audit & Supervisory Board Members

Hiroshi Yamawaki

Audit & Supervisory Board Member
Full-time

April 1980	Joined the Company
June 2007	General Manager, Planning Department
July 2017	Executive Officer; General Manager, Internal Audit Office
June 2018	Full-time Audit & Supervisory Board Member (present)

Shinji Nakayama

Audit & Supervisory Board Member
Full-time

April 1988	Joined the Company
July 2014	Assistant General Manager, Accounting Department of the Company
July 2015	General Manager, Corporate Planning Office of the Company
January 2019	General Manager, Human Resources Department of the Company
July 2021	General Manager, Internal Audit Office of the Company
June 2024	Full-time Audit & Supervisory Board Member (present)

Akihiko Nakamura

Audit & Supervisory Board Member
Part-time

April 1982	Joined Tokai Bank, Ltd. (now MUFG Bank, Ltd.)
June 2009	Executive Officer, in charge of the Chubu Area Branch Bank of Tokyo-Mitsubishi UFJ, Ltd. (now MUFG Bank, Ltd.)
May 2012	Senior Executive Officer, in charge of the Chubu Area Branch, Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2016	Senior Managing Executive Officer, in charge of the East Japan Area Branch, Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2018	Deputy President and Executive Officer stationed in Chubu, MUFG Bank, Ltd.
June 2018	Deputy President and Executive Officer stationed in Chubu, MUFG Bank, Ltd.
June 2022	Full-time Advisor, MUFG Bank, Ltd.
June 2023	Outside Audit & Supervisory Board member, Toho Gas Co., Ltd. (present)
June 2024	Outside Director, Maruhachi Securities Co., Ltd. (present)
April 2025	Advisor, MUFG Bank, Ltd. (present)
June 2025	Outside Audit & Supervisory Board Member of the Company (present)

Kazuyuki Saigo

Audit & Supervisory Board Member
Part-time

April 1988	Joined Nippon Life Insurance Company
March 2010	General Manager of the Secretarial Department and General Manager of the Planning and General Affairs Department, Nippon Life Insurance Company
March 2011	General Manager of the Secretarial Department, General Manager of the Planning and General Affairs Department, and General Manager of the CSR Promotion Office, Nippon Life Insurance Company
March 2013	General Manager of the Ota Branch, Nippon Life Insurance Company
March 2016	Executive Officer, General Manager of the Human Resources Department, and General Manager of the Sales and Human Resources Department, Nippon Life Insurance Company
March 2017	Executive Officer, General Manager of the Human Resources Development Department, and General Manager of the Human Resources Department, Nippon Life Insurance Company
March 2018	Executive Officer, General Manager of the Overseas Business Planning Department, and General Manager of the Overseas Insurance Business Department, Nippon Life Insurance Company
March 2020	Managing Executive Officer, Head of Asia Pacific, and Head of India, Nippon Life Insurance Company
March 2022	Advisor, Nissay Leasing Co., Ltd.
June 2022	President and Representative Director, Nissay Leasing Co., Ltd. (present)
June 2025	Outside Audit & Supervisory Board Member of the Company (present)

Chapter 6

Financial Results and Company Information

CONTENTS

Consolidated Summary for the Past 10 Years

		(Fiscal Year)	2015	2016	2017
	(Reference) Total amount of orders reported by the Japan Machine Tool Builders' Association	(100 million yen)	13,990	12,893	17,803
Order Status	Net Orders (Total)	(Million yen)	181,896	156,976	207,138
	Order Backlog (Total)	(Million yen)	52,484	46,782	71,790
Operating Results	Net Sales	(Million yen)	183,478	162,679	182,130
	Cost of Sales	(Million yen)	126,909	114,604	125,039
	Gross Profit	(Million yen)	56,568	48,075	57,091
	Selling, General and Administrative Expense	(Million yen)	34,984	32,514	34,597
	Operating Income	(Million yen)	21,583	15,560	22,493
	Ordinary Income	(Million yen)	21,596	15,961	22,583
	Net Income Attributable to Owners of the Parent	(Million yen)	13,697	10,241	14,226
Financial Position	Total Assets	(Million yen)	202,594	211,117	232,002
	Liabilities	(Million yen)	67,889	65,963	71,100
	Net Assets	(Million yen)	134,705	145,153	160,902
	Net Cash (Cash and Deposits – Interest-Bearing Debt)	(Million yen)	42,069	39,441	54,976
Key Financial Indices	Gross Profit Margin	(%)	30.8	29.6	31.3
	Operating Income Margin	(%)	11.8	9.6	12.4
	ROE (Return on Equity)	(%)	10.8	7.6	9.7
	ROA (Return on Assets)[*3]	(%)	11.0	7.8	10.5
	Ratio of Net Income to Net Sales	(%)	7.5	6.3	7.8
	Total Assets Turnover[*4]	(Times)	0.91	0.79	0.82
	Equity Ratio	(%)	63.9	66.1	66.5
Cash Flows	Cash Flows from Operating Activities	(Million yen)	23,668	9,928	29,827
	Cash Flows from Investing Activities	(Million yen)	-5,826	-9,633	-12,441
	Cash Flows from Financing Activities	(Million yen)	-7,435	-1,264	-6,135
	Cash and Cash Equivalents at End of Year	(Million yen)	49,570	48,369	59,371
	Free Cash Flow (Operating CF + Investing CF)	(Million yen)	17,842	295	17,386
Capital Expenditures, Depreciation and Amortization, Research and Development	Capital Investment	(Million yen)	3,472	9,362	5,484
	Depreciation and Amortization	(Million yen)	5,501	5,463	5,065
	Research and Development Costs	(Million yen)	4,142	4,179	3,928
Shareholder Return	Cash Dividends	(Million yen)	2,887	2,887	3,368
	Dividend Payout Ratio[*1]	(%)	21.1	28.2	23.7
	Treasury Stock Acquisition Amount[*2]	(Million yen)	—	—	—
Metrics per Share	Net Income per Share of Common Stock[*1]	(yen)	214	160	222
	Net Assets per Share of Common Stock[*1]	(yen)	2,020	2,176	2,408
	Dividend per Share of Common Stock[*1]	(yen)	45	45	52.5
Segment Information Sales (Geographical Information)	Japan	(Million yen)	79,666	73,848	78,549
	Americas	(Million yen)	46,060	42,268	48,276
	Europe	(Million yen)	25,405	22,035	26,919
	Asia/Pacific	(Million yen)	32,345	24,526	28,384
	(China)	(Million yen)	21,661	14,279	17,906
	(other than China)	(Million yen)	10,683	10,246	10,477
	Total	(Million yen)	183,478	162,679	182,130
	Overseas Sales Ratio	(%)	56.6	54.6	56.9
Sales to Outside Customers (Information by Products and Services)	NC lathes	(Million yen)	37,899	36,845	43,859
	Machining centers	(Million yen)	97,310	82,975	92,301
	Multitasking machines	(Million yen)	41,393	36,068	38,778
	NC grinders	(Million yen)	3,681	3,994	3,237
	Others	(Million yen)	3,192	2,795	3,953
	Total	(Million yen)	183,478	162,679	182,130

*1 A reverse stock split was conducted at a ratio of 5 common shares to 1 common share on October 1, 2017. The Company's dividend payout ratio and per share indicators prior to October 1, 2017 have been restated as if the reverse stock split had been conducted. In addition, the Company executed a 2-for-1 split of its common stock on October 1, 2024. The Company's dividend payout ratio and per share indicators prior to October 1, 2024 have been restated as if the stock split had been conducted.

*2 Represents the acquisition of treasury stock implemented as part of the shareholder return measure.

*3 Business income refers to operating income plus interest and dividend income.

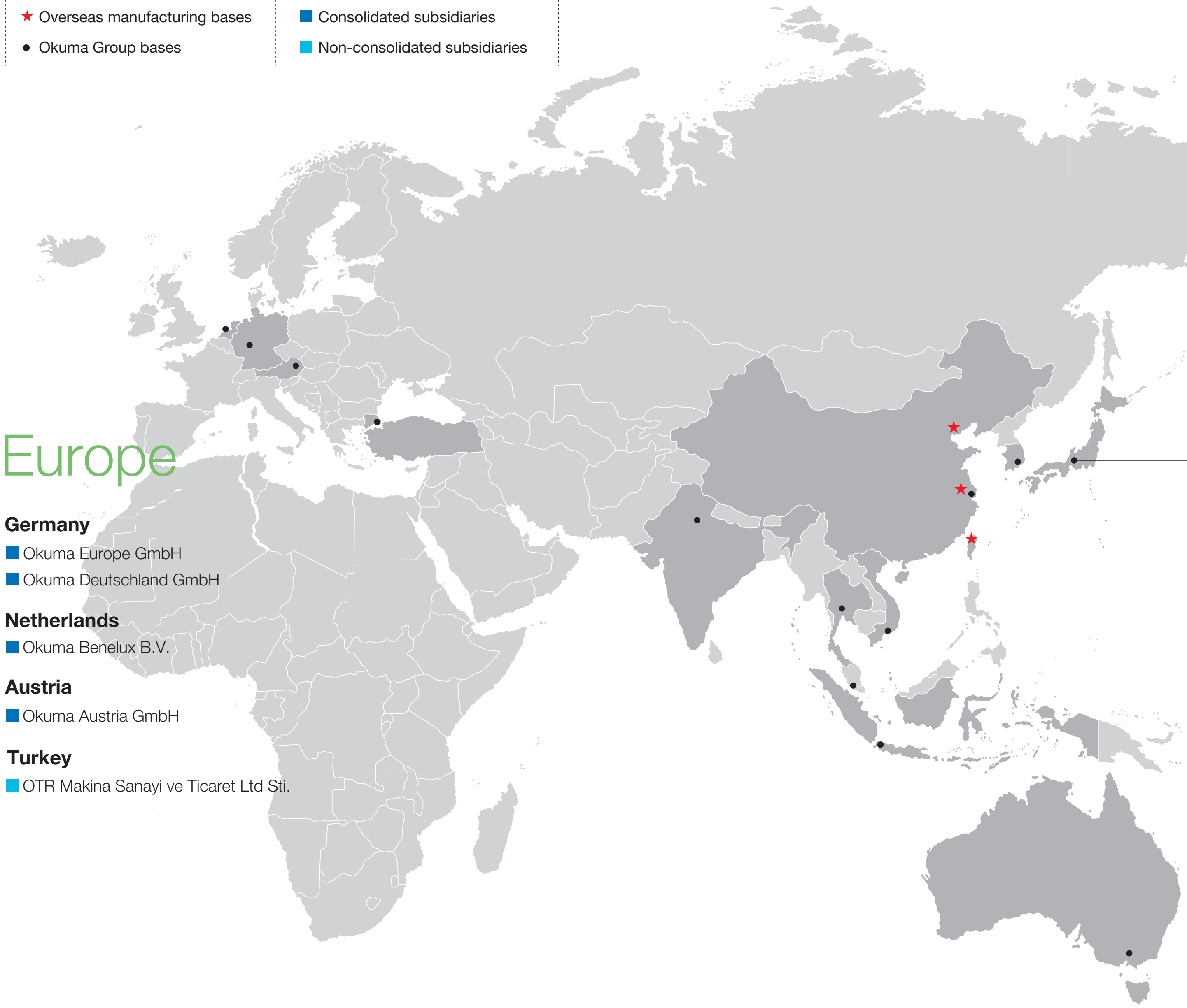
*4 Total assets in the total asset turnover is the average during the term.

2018	2019	2020	2021	2022	2023	2024
16,891	10,995	9,885	16,675	17,056	14,531	**15,097**
218,490	140,473	124,259	215,282	247,469	204,019	**215,627**
78,548	46,927	47,792	91,789	111,621	87,646	**96,452**
211,732	172,094	123,394	172,809	227,636	227,994	**206,822**
146,007	121,009	88,896	120,569	154,560	153,551	**141,185**
65,724	51,085	34,498	52,240	73,076	74,443	**65,636**
38,149	36,089	29,678	37,778	48,272	49,079	**50,985**
27,575	14,995	4,820	14,462	24,804	25,364	**14,651**
28,186	15,549	5,459	15,577	26,446	25,557	**15,528**
18,521	10,712	2,088	11,579	19,195	19,381	**9,590**
237,720	212,318	223,244	258,985	287,538	297,774	**298,168**
69,139	40,943	43,985	65,328	74,688	59,928	**60,103**
168,580	171,375	179,258	193,656	212,850	237,846	**238,065**
51,222	41,937	53,508	63,827	64,703	49,528	**43,079**
31.0	29.7	28.0	30.2	32.1	32.7	**31.7**
13.0	8.7	3.9	8.4	10.9	11.1	**7.1**
11.7	6.6	1.2	6.5	9.9	9.0	**4.2**
12.1	7.1	2.5	6.3	9.5	9.1	**5.5**
8.7	6.2	1.7	6.7	8.4	8.5	**4.6**
0.90	0.76	0.57	0.72	0.83	0.78	**0.69**
68.0	77.3	76.9	71.5	70.8	76.6	**76.3**
11,649	10,041	18,962	16,160	16,061	5,251	**17,802**
-4,913	-15,539	-5,872	-8,709	-6,528	-12,579	**-15,257**
-7,471	-8,219	-4,072	-3,043	-7,616	-10,727	**-3,498**
58,367	44,369	54,078	60,954	64,696	49,242	**48,276**
6,736	-5,498	13,090	7,451	9,533	-7,328	**2,545**
7,172	10,328	3,047	5,677	6,396	7,587	**7,287**
5,598	5,989	6,581	7,018	7,963	9,634	**9,209**
4,596	4,597	4,713	4,634	4,835	4,199	**4,409**
3,976	4,104	1,105	2,832	5,590	6,122	**6,050**
21.6	38.3	52.9	24.5	29.2	31.8	**63.1**
2,999	—	—	795	2,341	3,683	**1,223**
289	170	33	183	308	315	**158**
2,561	2,599	2,720	2,947	3,287	3,747	**3,760**
62.5	65	17.5	45	90	100	**100**
90,441	69,108	48,970	61,438	75,791	70,307	**61,753**
55,885	46,943	32,252	47,115	67,848	70,021	**63,016**
30,095	25,438	17,659	29,696	38,055	41,353	**33,386**
35,310	30,604	24,512	34,559	45,941	46,312	**48,665**
23,005	17,063	15,686	23,159	29,759	31,229	**34,182**
12,304	13,541	8,825	11,400	16,182	15,083	**14,483**
211,732	172,094	123,394	172,809	227,636	227,994	**206,822**
57.3	59.8	60.3	64.4	66.7	69.2	**70.1**
48,258	42,735	25,054	33,150	44,593	40,571	**37,366**
110,067	80,093	65,456	88,769	115,442	118,480	**104,235**
46,058	40,670	27,127	43,657	59,152	60,753	**55,653**
3,859	4,370	1,912	2,816	3,939	3,549	**2,280**
3,488	4,225	3,843	4,415	4,508	4,640	**7,287**
211,732	172,094	123,394	172,809	227,636	227,994	**206,822**

Global Network

★ Overseas manufacturing bases
● Okuma Group bases

■ Consolidated subsidiaries
■ Non-consolidated subsidiaries



Europe

Germany
- ■ Okuma Europe GmbH
- ■ Okuma Deutschland GmbH

Netherlands
- ■ Okuma Benelux B.V.

Austria
- ■ Okuma Austria GmbH

Turkey
- ■ OTR Makina Sanayi ve Ticaret Ltd Sti.

Asia/Pacific

China
- ■ BYJC-Okuma (Beijing) Machine Tool Co., Ltd.
- ■ Okuma Machine Tool (Shanghai) Corporation
- ■ Okuma (Changzhou) Machine Tool Co., Ltd.
- ■ Shanghai Nissei Production Machinery Corporation

Korea
- ■ Okuma Korea Corporation

Taiwan
- ■ Tatung-Okuma Co., Ltd.

Vietnam
- ■ Okuma Vietnam Co., Ltd.

Thailand
- ■ Okuma Techno (Thailand) Ltd.

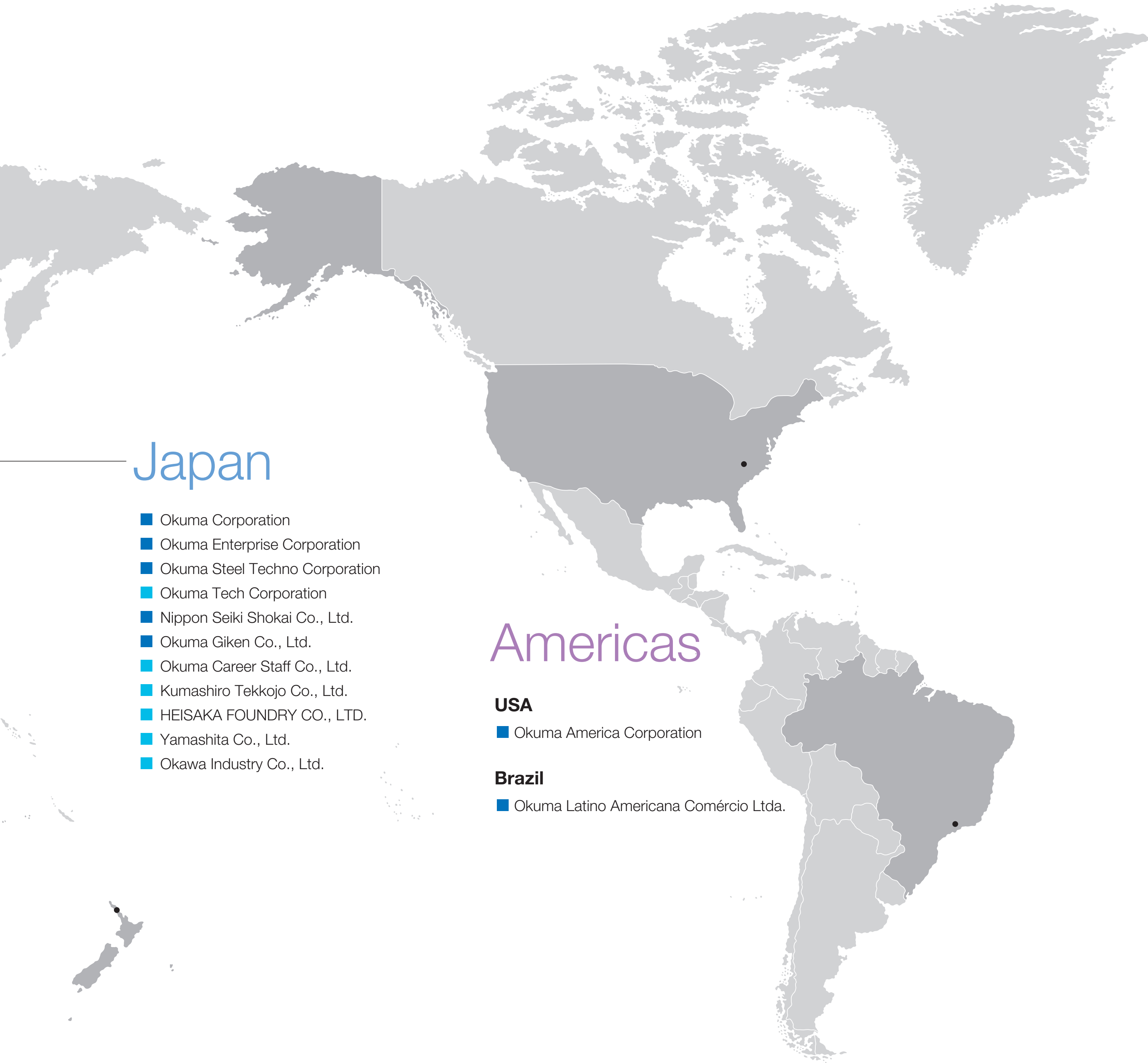
Indonesia
- ■ PT. Okuma Indonesia

India
- ■ Okuma India Pvt. Ltd.

Australia
- ■ Okuma Australia Pty. Ltd.

New Zealand
- ■ Okuma New Zealand Ltd.

Malaysia
- ■ Okuma Malaysia Sdn. Bhd.



Japan

- Okuma Corporation
- Okuma Enterprise Corporation
- Okuma Steel Techno Corporation
- Okuma Tech Corporation
- Nippon Seiki Shokai Co., Ltd.
- Okuma Giken Co., Ltd.
- Okuma Career Staff Co., Ltd.
- Kumashiro Tekkojo Co., Ltd.
- HEISAKA FOUNDRY CO., LTD.
- Yamashita Co., Ltd.
- Okawa Industry Co., Ltd.

Americas

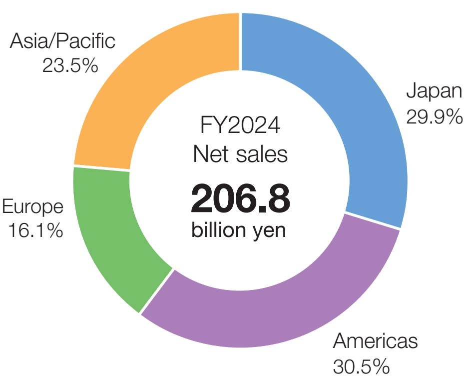
USA

- Okuma America Corporation

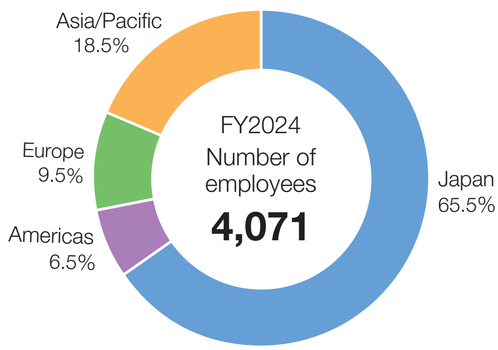
Brazil

- Okuma Latino Americana Comércio Ltda.

Percentages of net sales by region



Percentages of personnel by region



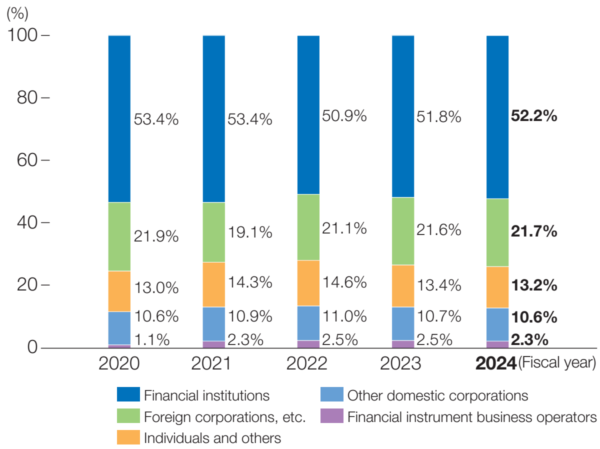
Stock Information

(as of March 31, 2025)

Listed markets: Tokyo Stock Exchange Prime Market
Nagoya Stock Exchange Premier Market
Securities code: 6103
Status of shares: Total number of authorized shares: 197,000,000
Total number of outstanding shares: 67,510,308
(including 7,008,644 treasury shares)
Number of shareholders: 8,837
Number of shares per unit: 100
Shareholder registry: Sumitomo Mitsui Trust Bank, Limited
Administrator's office: Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited 15-33, Sakae 3-chome, Naka-ku, Nagoya City, 460-8685 Japan
TEL: 0120-782-031
Business year: From April 1 of each year to March 31 of the following year
Annual General Meeting of Shareholders: Every June

Record date for the year-end dividends: March 31 every year
Record date for the interim dividends: September 30 every year

Shareholding ratio by owner (FY2020 to FY2024)



Principal shareholders (top 10)

Shareholder name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,780	19.47
Custody Bank of Japan, Ltd. (Trust Account)	7,100	11.74
Nippon Life Insurance Company	4,265	7.05
MUFG Bank, Ltd.	2,480	4.10
SSBTC CLIENT OMNIBUS ACCOUNT	2,170	3.59
Sumitomo Mitsui Trust Bank, Limited	2,090	3.45
Okuma Business Partners Shareholding Association	1,619	2.68
Okaya & Co., Ltd.	1,293	2.14
Okuma Association for Mutual Prosperity	1,073	1.77
Okuma Employee Shareholding Association	919	1.52

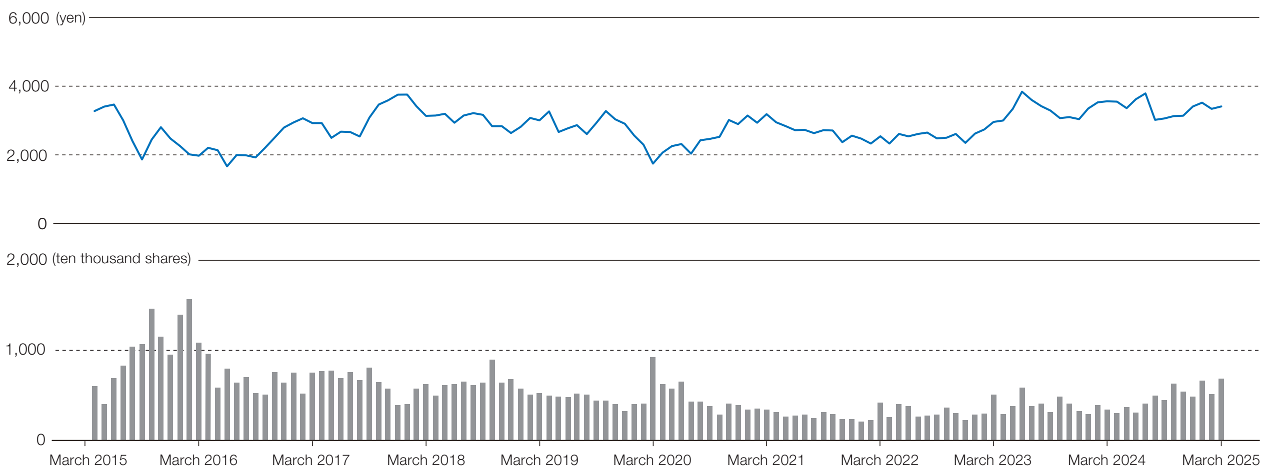
(Note) The shareholding ratio is calculated after deducting treasury stock (7,008,644 shares).

Stock valuation

	2021/3	2022/3	2023/3	2024/3	2025/3
Year-end stock price (yen)	6,350	5,100	5,910	7,119	**3,410**
PER (times)	96.0	13.9	9.6	11.3	**21.5**
PBR (times)	1.2	0.9	0.9	1.0	**0.9**
Year-end market capitalization (million yen)	214,345	172,151	199,492	240,302	**230,210**

*Market capitalization as of March 2025: 3,410 yen (stock price) × 67,510,308 shares (number of shares issued including treasury stock) = 230,210 million yen

Trends in share prices and trading volume over the past 10 years (from April 2015 to March 2025)



(Note) As of October 1, 2017, the Company concluded a reverse stock split by consolidating five shares of its common stock into one share. The share prices and trading volume of the Company's stock prior to October 1, 2017, have been restated to reflect the consolidation of shares.
As of October 1, 2024, the company conducted a stock split by consolidating one shares of its common stock into two share. The share prices and trading volume of the Company's stock prior to October 1, 2024, have been restated to reflect the split of shares.

Company Profile

(as of March 31, 2025)

Company name:	Okuma Corporation
Headquarters:	5-25-1, Shimooguchi, Oguchi-cho, Niwa-gun, Aichi 480-0193, Japan
Tel:	0587-95-9295
Website:	https://www.okuma.co.jp/english/
Representative:	Atsushi Ieki, Representative Director and President
Foundation:	January 1898
Common stock:	18.0 billion yen
Employees:	4,071
Number of plants:	7 (including 3 overseas plants)
Key products:	NC lathes, machining centers, multitasking machines, NC grinders, NC machine tools, NC units, servo motors, etc.

Corporate Offices

Headquarters Plant:	5-25-1, Shimooguchi, Oguchi-cho, Niwa-gun, Aichi, Japan
Kani Plant:	3-6, Himegaoka, Kani City, Gifu, Japan
Konan Plant:	1, Maeno-cho Higashi, Konan City, Aichi, Japan
Gunma Plant:	2086-1, Obara-cho, Ota City, Gunma, Japan
Branch and CS Center:	East Japan Branch and East Japan CS Center (Saitama City, Saitama) Osaka Branch and Osaka CS Center (Suita City, Osaka) Nagoya Branch, Nagoya CS Center (Oguchi-cho, Niwa-gun, Aichi) Tohoku CS Center (Koriyama City, Fukushima) West Kanto CS Center (Atsugi City, Kanagawa) West Japan CS Center (Fukuyama City, Hiroshima) Kyusyu CS Center (Mashiki-machi, Kamimashiki-gun, Kumamoto)
Business offices:	Sendai, Yamagata, Koriyama, Mito, Niigata, Ota, Tokyo, Mishima, Hamamatsu, Anjyo, Nagano, Kanazawa, Keiji, Akashi, Fukuyama, Hiroshima, Takamatsu, Kyusyu, Kumamoto

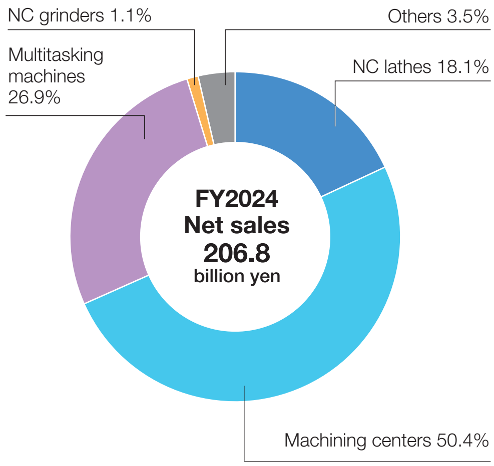
Major Group Companies

Okuma America Corporation	Charlotte, USA
Okuma Latino Americana Comercio Ltda.	São Paulo, Brazil
Okuma Europe GmbH	Krefeld, Germany
Okuma Deutschland GmbH	Köln, Germany
Okuma Benelux B.V.	Houten, Netherlands
Okuma Austria GmbH	Vienna, Austria
Okuma Australia Pty. Ltd.	Melbourne, Australia
Okuma Techno (Thailand) Ltd.	Bangkok, Thailand
BYJC-Okuma (Beijing) Machine Tool Co., Ltd.	Beijing, China
Okuma Machine Tool (Shanghai) Corporation	Shanghai, China
Okuma (Changzhou) Machine Tool Co., Ltd.	Changzhou, China
Tatung-Okuma Co., Ltd.	New Taipei City, Taiwan
Nippon Seiki Shokai Co., Ltd.	Komaki-shi, Aichi
Okuma Enterprise Corporation	Oguchi-cho, Niwa-gun, Aichi
Okuma Steel Techno Corporation	Kani-shi, Gifu
Okuma Giken Co., Ltd.	Oguchi-cho, Niwa-gun, Aichi

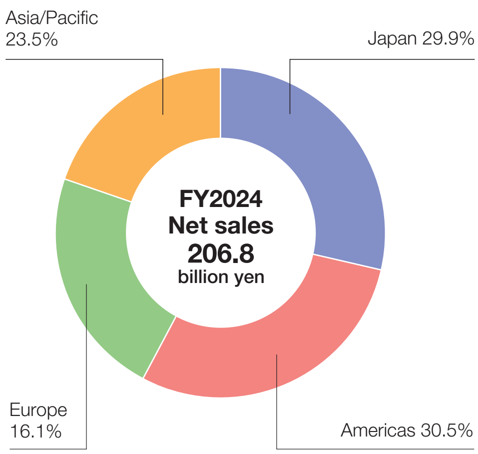
Major Group Companies

USA (Chicago, Houston), Mexico, Germany (Langenau), Turkey,
Australia (Sydney, Brisbane, Adelaide, Perth), New Zealand, India, Singapore, Indonesia,
Vietnam, Malaysia, China (Dalian, Guangzhou, Chongqing, Wuhan, Xi'an, Jinan, Ningbo),
South Korea

Net Sales by product category



Percentages of net sales by region



Term	Outline
WASH services	Services to protect employee health and hygiene, i.e., “wa” for water (a safe water supply), “s” for sanitation (sanitation facilities, toilets, etc.), and “h” for hygiene (hygiene practices such as hand washing and cleanliness).
AGV (automatic guided vehicle)	Automatic guided vehicles that transport materials and parts in manufacturing plants and distribution centers.
NC	Refers to controlling the movement of a machine tool with numerical information during machining. An NC device uses a tool or workpiece’s corresponding numerical information to direct its movement or position.
OSP	The brand name of Okuma’s NC unit. It is an abbreviation of Okuma Sampling Path control.
Overhaul	Work to restore the performance of a machine tool that has been used for a long time by disassembling and cleaning it, replacing worn parts, adjusting its accuracy, etc.
Machining cell	Production system consisting of machine tools, robots, and peripheral devices.
Geometric error	Misalignment in the right angle between orthogonal axes or deviation of rotation axes in a machine tool.
Hot chips (kiriko)	Chips generated during machining.
Metal lamination	A machining method that produces an actual physical object based on a three-dimensional model. Our LASER EX series performs additive manufacturing by sintering powdered metal, creating three-dimensional shapes by laser sintering metal powder.
Green-Smart Machine	Okuma’s intelligent machine tools that contribute to the environment by autonomously achieving both the “stability of dimensional accuracy” and “reduction of energy consumption” toward the realizing of a decarbonized society.
Global 70	Okuma’s policy of reinforcing its sales and service system in overseas markets while maintaining its strong presence in the domestic market, as well as supporting overseas customers in their manufacturing and raising the overseas sales ratio to 70%.
5-axis control	A technique to control a tool or workpiece by adding two axes, “rotation” and “tilt,” to three “perpendicular” axes (x, y, and z). Simultaneous 5-axis control enables the machining of smooth curved surfaces, such as those on aircraft propellers, turbine blades in generators, and molds.
Cyber-Physical System (CPS)	The concept of a system for the optimization of production, etc. which links data obtained from sensors embedded in a physical space, such as machines and humans, with a cyberspace realized by software, etc. to analyze them.
Subassy (subassembly)	A partially completed part or unit of a machine tool in which several parts are combined to form a unit with a single function.
System integration	The construction and operation of a system that combines machine tools, robots, transporting equipment, a network, etc. System integration is an integrated technological approach, from design to installation, adjustment, and maintenance, that contributes to the optimization of the manufacturing site.
Bearing	A part that supports the rotating shaft in a machine tool and ensures its smooth rotation while limiting wear on moving parts.
Automated cell	A production unit built with a combination of machine tools and robots that autonomously performs machining, transport, inspection, etc.
Spindle	A shaft that is rotated with a workpiece being machined or one that is rotated with a tool attached. A workpiece is attached to the spindle of a lathe, and a tool is attached to the spindle of a machining center.
Smart Factory	A highly productive factory that maximizes factory capacity, enables a variety of products to be delivered in a short time, and is able to respond flexibly to fluctuations in demand.
Smart manufacturing	The concept of optimizing both processes of production management (supply chain) and production technology (engineering chain) by using machine tools equipped with AI and utilizing various pieces of information related to production systems.
Smart Machine	An intelligent machine tool that autonomously performs optimum machining by judging machine and machining conditions.

Term	Outline
Sludgeless tank	Metal powder generated by the cutting of a workpiece becomes an impurity (sludge) when mixed into the coolant (machining cooling water). A sludgeless tank developed by Okuma efficiently recovers sludge to reduce the frequency of tank cleaning, ensuring stable operation over a long period of time.
Cell controller	A dedicated controller that can easily control and operate an entire machining cell integrating machine tools, robots, and peripheral equipment. A cell controller is designed to allow a machine tool operator to handle complex controls that previously had to be handled by a system integrator.
Lathe	A machine tool that machines workpieces generally by rotating a cylindrical or disc-shaped structure.
Absolute-position encoding	A method of detecting the amount of movement from the origin in absolute value. Once a detector is incorporated into a machine, the position of the origin is determined, and a position command is digitally output with the zero position always as the coordinate origin. No data errors due to noise, etc. Return to the origin is not necessary at start-up either.
Warm-up operation	Preparatory operation, prior to machining a part on a machine tool, in which the machine tool is run for a set period of time to stabilize its temperature and lubrication conditions.
Setup	The work of changing the setup of jigs and various devices to fix a workpiece according to the workpiece.
Turnkey	A form of service that provides equipment, machining processes, peripheral equipment, controls, and operational guidance in one package so that a machine tool operator (worker) can start production “by simply turning a key.”
Digitalization	Transforming businesses and business models to “create value from the customer’s point of view” through cross-organizational digitization of operations and manufacturing processes.
Digital servo system	An electronic control system for machine tools to actuate a motor in accordance with commands from an NC machine and precisely control the motor’s position, speed, and torque.
Digital twin	Acquiring information in the physical space to reproduce the environment of the physical space in cyber space.
Total responsibility	Okuma’s concept that a company has a wide product lineup and provides total services from mechanical technology to control technology, from hardware to software, from products to machining technology, and from before-sales to after-sales services.
Multitasking machines	A machine tool that has both the functions of an NC lathe and those of a machining center.
Microprocessor	A small computer circuit that performs operations, makes decisions, and executes instructions according to a program in order to control the operation of a machine tool.
Machining center	An NC machine tool that can continuously perform various types of machining, such as boring, milling, drilling, threading, and reaming, and is equipped with a function to automatically change the tools necessary for each machining task. Depending on the shaft configuration of the machine, it may be vertical, horizontal, or double-column.
Mass customization	A concept and a mechanism for realizing a productivity in producing custom-made products that is equal to that of mass production.
Line builder	A specialized contractor that undertakes all of the work to create a production line, including design, procurement, assembly, trial runs, operational guidance, and maintenance.
Retrofitting	At Okuma, retrofitting refers to the process of adding or replacing hardware, software, or mechanical units according to the new machining needs of a customer in order to add functionality or improve performance.
Loader	A device that automatically feeds material to a machine tool before machining and that unloads parts after machining.
Workpiece stocker	A device in the automated cell of a machine tool that stores workpieces (materials and finished products).

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