



MAKINO INC.

California Transparency in Supply Chains Act

Effective January 2012, companies doing business in California with global revenue in excess of \$100 million were subject to the above captioned law.

The legislative intent is to bring visibility to, and thereby address, human rights abuses regardless of location, that may exist in the regulated companies' supply chains. It has been documented that US companies have in the past sourced products from suppliers who have used forced or compulsory labor, labor subject to extreme abuse or harassment, and child labor. It is hoped that by bringing visibility to the issue by reporting, that these conditions can be eliminated.

Specifically, the law neither prohibits such practices in sourcing nor imposes specific procedures. Its provisions focus on disclosure. Broadly speaking, it does require subject companies to provide information on their websites regarding actions to:

- Review its supply chain for the presence of listed abuses
- Audit its suppliers for awareness of such practices
- Obtain certification from suppliers
- Maintain internal standards regarding compliance
- Provide training for employees

The fundamental policy of Makino Inc. is respect for human rights and dignity. We do not engage in behaviors that contravene this objective nor condone this behavior in our suppliers. Therefore, we do not use forced or involuntary labor, violate child or other labor laws. We require our suppliers to also embrace this objective and maintain compliance procedures.

In pursuance of the objectives established by the State of California, Makino Inc. states:

1. Our Terms and Conditions of Purchase will reflect our policy by requiring Suppliers to warrant that products are not produced using labor subject to the listed abuses.
2. Our purchases will be reviewed for areas of risk and we will conduct such necessary subsequent procedures as called for to ensure that our objective is met. This may include supplier certification and audit, depending upon circumstances. Presently we have not identified situations requiring third-party assistance.
3. Train our management and purchasing professionals on the legislation and its importance, requirements and Company Policy regarding this legislation.
4. Include this Policy and the above disclosures in our website to increase awareness.

Makino Inc. expects its employees and suppliers to respect human rights. We will not knowingly source products from suppliers who violate our fundamental policy. We will endeavor to review our sourcing



for risks and take such additional steps as necessary, including certification and audit, under the circumstances. We expect all employees and suppliers to cooperate in the administration of this Policy.