



CORPORATE SOCIAL RESPONSIBILITY

CSR activities of DMG MORI

DMG MORI's CSR-guideline sets goals for sustainable growth based on long-term business perspective.

As a globally operating company, DMG MORI commits itself to contribute to achieving the Sustainable Development Goals (SDGs).

Contributions to SDGs

Corporate Governance

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Risk Management System

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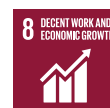
Environment

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SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

At “The United Nations Sustainable Development Summit” held in New York at the UN Headquarters from September 25 to 27, 2015, countries adopted “Transforming our world: the 2030 Agenda for Sustainable Development” - an action plan with goals and declarations for the human being, the planet and prosperity. Following the Millennium Development Goals (MDGs), “The Sustainable Development Goals (SDGs)” consist of 17 goals and 169 targets.

DMG MORI commits itself to make contributions to achieve these goals for sustainable development.



For the Society	DMG MORI's Actions
<ul style="list-style-type: none"> - Well-balanced management with respect to diverse stakeholders - Sustainable business as a base for continuous generation of values to the society - Preventing production of Weapons of Mass Destruction and contribution to peace 	<ul style="list-style-type: none"> - Diversified management - Appropriate risk control - Thoroughgoing export control
<ul style="list-style-type: none"> - Reduction of environmental burden arising from machine tool usage - Reduction of environmental burden arising from production and transportation of machine tools 	<ul style="list-style-type: none"> - Development and sale of energy saving products - Energy saving in production - More efficient transportation
<ul style="list-style-type: none"> - Equal and fair employment - Gender equality and empowerment of women in the society - Motivating and inspiring workplace for employees 	<ul style="list-style-type: none"> - Diverse workforce creating vibrant corporate culture - Empowerment of women at work - Supportive workplace - Human resources development
<ul style="list-style-type: none"> - Sustainability throughout the entire supply chain network 	<ul style="list-style-type: none"> - Supplier management based on procurement guideline
<ul style="list-style-type: none"> - Growth with community - Improvement of quality of life of even more people through technology development 	<ul style="list-style-type: none"> - Contribution to community activities - Technology research through business-academia collaborations
<ul style="list-style-type: none"> - Transparency of corporate activities and accountability toward stakeholders including financial supporters 	<ul style="list-style-type: none"> - Fair and timely disclosure of information

Corporate Governance

1. Our Basic Approaches to Corporate Governance

Enhancing corporate governance and management monitoring functions is the first priority for DMG MORI, because it would lead to even higher transparency of our business to the entire society including our shareholders, investors, customers and business partners, employees, and members of the community, and to make our business operations fair and efficient.

We will continue to work on improving our corporate value with consistency for long term, and continuing business based on even higher standard of corporate ethic.

2. Corporate Governance Structure

DMG MORI applies an audit system by Auditors.

Our basic approach is to execute top-down business decisions quickly and efficiently, founded on the prevailed audit system exercised by appointed Auditors.

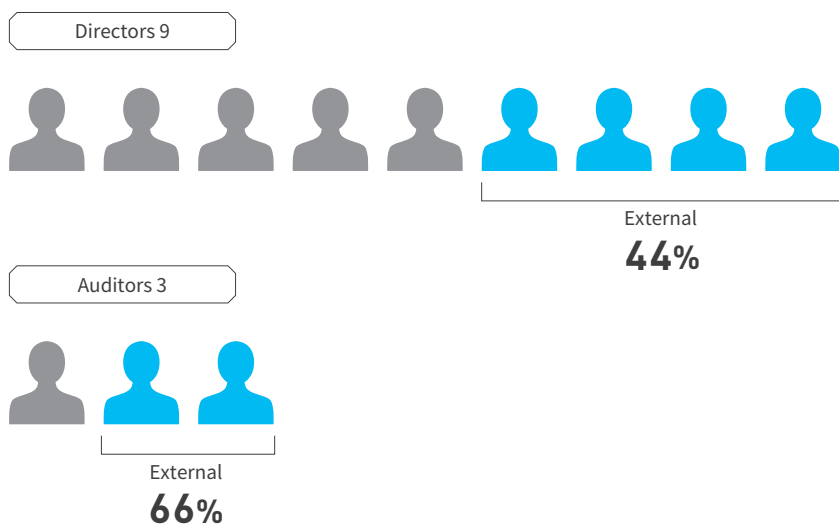
Out of 9 members of the Board of Directors, 4 are External Directors (Ratio of External Directors being 44%) as of March 22, 2018. We have been coping with quick changes in the market environment and technology trend that are unique to the machine tool industry. Against this background, our management structure consisted of a limited number of Directors supported by Operating Officers to enable quick decision making. Since 2015, however, we increase the number of Directors by appointing External Directors. The number of External Directors increased from 2 out of in total 7 Directors to 4 out of in total 9 Directors in 2017. Their presence

provides increased transparency and objectiveness to company's business. All of the 4 External Directors have professional management experience. They bring in a wide range of insights based on their specialized knowledge in engineering and other areas.

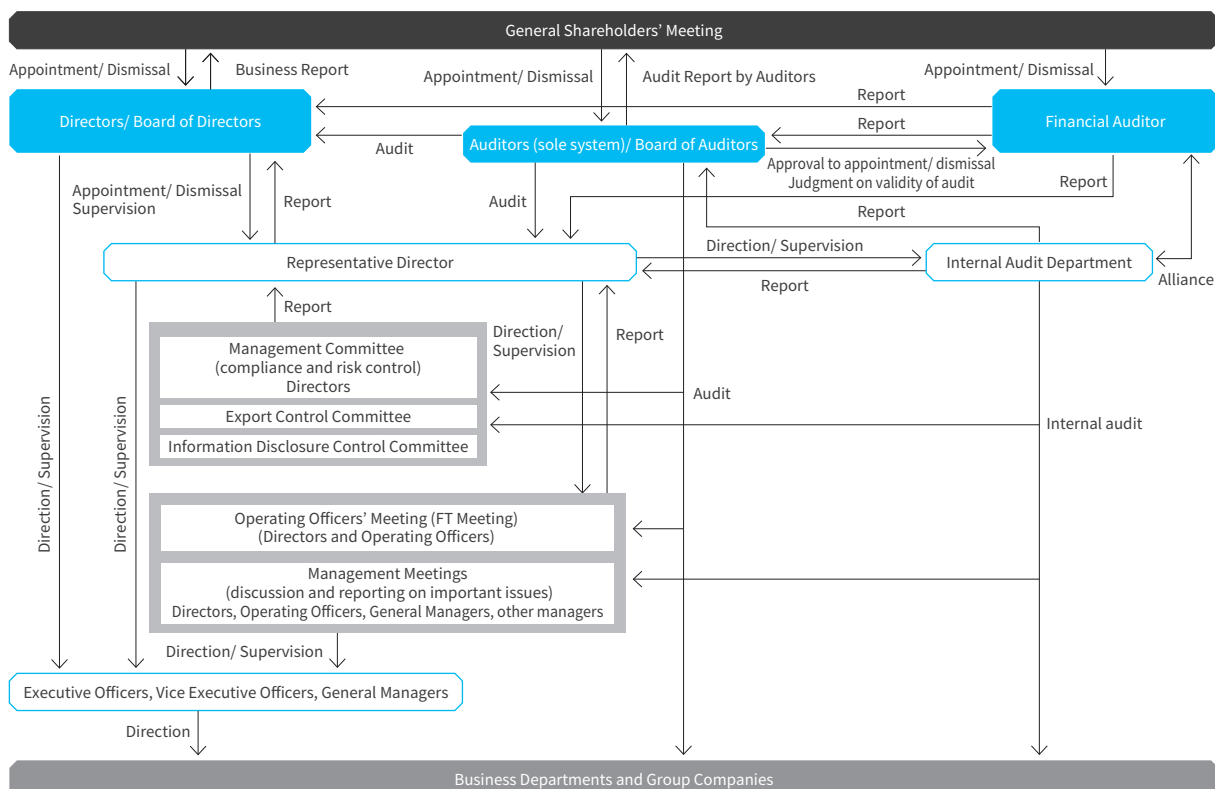
The Board of Directors discusses on important business strategies for the future of the company. Discussions on daily business operations are conducted at the meetings of Management Committee and Operating Officers. This structure enables extensive discussions by the Board of Directors and at the same time quick actions in business operations.

The Board of Auditors consists of a full-time Corporate Auditor, a former member of the Board of Directors with extensive knowledge in company's operations, and External Directors, who are more independent from company's business. In accordance with the audit principles, each Auditor attends and makes comments at meetings of the Board of Directors, Operating Officers and departments, and other important meetings. They inspect documents for important decision making and conduct strict audit over the headquarters, departments, campuses, technical centers, and subsidiaries in- and outside of Japan. To conclude, DMG MORI's corporate governance structure is efficient; it makes the company's management fair and transparent, because management reforms such as establishing a compliance system are made possible by quick decision making of a small number of Directors and by productive discussions at meetings of the Board of Directors.

■ Ratio of External Directors and Auditors (as of March 22, 2018)



Corporate Governance Structure of DMG MORI




Introduction of Board of Directors

As of March 22nd, 2018

Name	Brief personal history	External board members
 <p>Masahiko Mori President, Dr. Eng.</p>	<p>Dr. Mori is a grandchild of the company founder. After graduating from the Department of Precision Engineering, the Engineering Faculty, Kyoto University in 1985, he joined ITOCHU Corporation and was engaged in global sales and marketing of chemical textile machinery. He joined the management team of DMG MORI CO., LTD. (then Mori Seiki Co., Ltd.) in April 1993. After expanding machine tool sales network worldwide, he assumed the president office in June 1999, which made him the youngest among the presidents of the companies enlisted to Tokyo Stock Exchange Section No.1. With his rich experience in global business, he committed himself to investment and M&As at an unprecedented level for the industry, thus he was often called “outlandish.” In order to internalize latest technology and knowledge, he gained himself a doctorate in Engineering and actively hired and promoted external human resources. In the year of 20-year anniversary of his presidency, he will wrap up the integration with the German counterpart, which has been in process since 2009. As a top manager of the industry-leading company, he is determined to further enhance the company’s value by securing rigid governance structure and fulfilling the social responsibility.</p>	
 <p>Hiroaki Tamai Executive Vice President</p>	<p>After graduating from Doshisha University in 1983, he joined Accounting Department of DMG MORI Co., Ltd. (then Mori Seiki Co., Ltd.). He was transferred to the U.S. sales company in 1984, and studied machine tool business and accounting in the U.S. Upon return to Accounting Department in Japan in 1988, he practiced finances, tax and fund raising of a listed company. For a decade since 1992, he served the former president and learned management skill in the Management Planning Office, as he witnessed real-time management strategies and judgments of the 60% export-dependent company during the financial crisis incurred by stronger yen after Plaza Accord in 1985 and slow growth after the failure of bubble economy. Since August 2002, he led the partial business acquisition of Hitachi Seiki Co., Ltd., which had just applied for rehabilitation proceedings, and establishment of a new company. Since 2009 when DMG MORI started collaboration with AG, he has been Director in charge of human resources, and committed to the penetration of basic value throughout the group, business culture integration and staff trainings.</p>	
 <p>Hirotake Kobayashi Executive Vice President</p>	<p>Upon graduation from the Faculty of Economics, Keio University, he joined Kirin Holdings Company, Limited (then Kirin Brewery Co., Ltd.). He holds PMD, Harvard Business School. After assuming Representative Director of Kirin Holdings Company, Limited, he joined DMG MORI in October 2015 and has been CFO since March 2016. At Kirin Holdings Company, Limited, he started his career in Accounting Department of the factories and headquarters. During his tenure in International Brewery Business Department, he was engaged in planning and executing business growth strategy, such as leading an investment negotiation to a major brewery company in Australia. He has gained rich experiences in domestic and international M&As ever since. He became Representative Director in charge of accounting in 2007, Senior Executive Officer in charge of strategy planning in 2008, and Representative Director of Kirin Holdings in 2012 responsible for business investment, collaboration and information strategy. Now he heads accounting and finances in DMG MORI, utilizing his vast experiences to meet the expectations of shareholders and investors by promoting aligned management with AG and cultivating a financial and accounting basis for further growth of the industry-leading company.</p>	

Name	Brief personal history	External board members
 <p>Naoshi Takayama Executive Director, Dr. Eng.</p>	<p>After graduating from the Department of Mechanical Engineering, College of Science and Engineering, Aoyama Gakuin University in 1981, he joined MAKINO MILLING MACHINE CO., LTD. After being engaged in grinding centers R&D, he was promoted to a project leader of horizontal machining center development. He moved to DMG MORI Co., Ltd. (then Mori Seiki Co., Ltd.) in December 2002, and has developed machining centers for mass production, camshaft lathes and 5-axis machines, which preceded the current i-series, NZX-S series and NMV series. Those machines were suitable for mass production of automotive parts, and have contributed to expand the share among major automobile manufacturers. He became Director and Executive General Manager of Development Headquarters in 2007 and headed procurement and quality in 2009. He gained an engineering doctorate from Osaka University in 2011. Throughout the collaboration with AG he has been committed to the integration of development process, unit components and our quality-securing system PPR. Currently he is Director in charge of development and quality, determined to develop and deliver the best products to customers with his motto “Best learning opportunities lie in customers’ plants.”</p>	
 <p>Kenji Oishi Executive Director</p>	<p>As he graduated from the School of Law, Waseda University in 1987, he started his career in DMG MORI CO., LTD (then Mori Seiki Co., Ltd.). He practiced procurement and accounting in Japan, after which he experienced 4-year tenure in Europe. Upon his return in 2002, he became General Manager of Procurement Department, and later General Manager of sales and development. He earned MBA from Waseda University in 2008, and assumed his position as Director and Executive General Manager of Procurement, Logistics and IT Headquarters in 2014. He has been Executive Director in charge of Procurement, Logistics and Manufacturing since March 2017. In his responsibility, he balances in-house production and outsourcing to streamline and facilitate the manufacturing process. He also oversees establishment of an IoT-equipped cutting-edge machining plant in Iga. Upon the integration with the German company, he will promote joint procurement and enhance strategic supplier sourcing, utilizing procurement capacity of the two companies and the confidences both sides have cultivated with Japanese and German potent suppliers. In this way, he will establish a mutually-beneficial relationship with the most competitive partners.</p>	
 <p>Tojiro Aoyama External Director, Ph D.</p>	<p>He obtained a bachelor’s degree in 1974, a master’s degree in 1976 and an engineering doctorate in 1979 from the Department of Mechanical Engineering, Faculty of Engineering, Keio University. His doctorate thesis themed “Dynamic behavior of hydrostatic thrust bearings and the optimum design method.” He became an assistant of the said department in April 1979, and after serving as a full-time lecturer and an associate college professor, he was promoted to a professor. During his tenure as an assistant, he studied tribology for one year at RWTH Aachen University in Germany. He was assigned to the dean of the Faculty of Science and Technology and the chair of Graduate School of Science and Technology in July 2009, and to a professor emeritus in April 2017. He has been the vice-president of Keio University since May 2017. He specializes in production engineering and his scope of researches includes sophistication of constituent elements of machine tools, development of functional materials and monitoring of machining process. He is a fellow for CIRP (The International Academy for Production Engineering), the Japan Society of Mechanical Engineers and the Japan Society for Precision Engineering. He has been in DMG MORI as an external director since June 2015, utilizing his academic expertise and experiences in university management to advise on technology development and trainings, in pursuit of further contribution to machine tool technology around the world.</p>	Yes

Name	Brief personal history	External board members
 <p>Tsuyoshi Nomura External Director, Dr. Eng.</p>	<p>He obtained a master's degree from the Department of Precision Engineering, Graduate School of Engineering, Kyoto University in 1978. Upon the graduation, he joined Kobe Shipyard & Machinery Works, Mitsubishi Heavy Industries, Ltd. and designed nuclear power plants. He moved to Production Engineering Laboratory, Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) in 1990. In 2000, he earned a qualification for Professional Engineer. He practiced analysis simulation technology (CAE), as well as measuring, inspection, kinematics, control, and material process technology, after which he joined a fuel cell project and Jisso Core Engineering Lab. He was assigned to President of Advanced Production Systems Development Company, Limited, which scope includes production facility, die and mold, and software businesses, and later to Executive Officer of Manufacturing Innovation Division to lead the production technology and manufacturing projects of the whole group. He became Director in 2009, Managing Director in 2013, and Managing Executive officer of Manufacturing Innovation Division in charge of manufacturing innovation, quality, logistics and procurement, and environment. He earned an engineering doctorate in 2013 from Osaka University. After retiring from Panasonic, he founded Nomura Techno Co., Ltd. to provide venture companies with support for manufacturing and management, utilizing industry-academia network. He contributes to further growth of DMG MORI with his long-term management experience, first-hand practices in production technology, quality, procurement and environment, and the wide range of technical knowledge.</p>	Yes
 <p>Makoto Nakajima External Director</p>	<p>After graduating from the Faculty of Law, University of Tokyo, he joined Ministry of International Trade and Industry. He was assigned as a responsible official for commercial negotiation and industrial cooperation at the Mission of Japan to the EC/Embassy of Japan in Belgium for 3 years since May 1984. Upon his return to Japan, he proceeded through Trade Policy Bureau, Industrial Policy Bureau (where he founded Intellectual Property Policy Office, using the word "intellectual property" for the first time, protected trade secrets with Unfair Competition Prevention Act, and introduced stock options to promote business innovations of companies and ventures), Secretary to the Minister, Director of Policy Evaluation and Public Relations Division, Trade Bureau (where he promoted trade insurance system), Director of Industrial Machinery Division and Director of Budget and Account Division. He became Director General of Kinki Bureau of Economy, Trade and Industry in 2001, and Director General of Trade and Economic and Cooperation Bureau (where he reached Japan-Mexico Economic Partnership Agreement). In 2005, he assumed office as Commissioner of Japan Patent Office, committed himself to acceleration of patent examination process, globalization and alignment with other countries' patent system. He also started the five-nation commissioner meeting with the U.S., EU, China and Korea during his tenure. He joined Sumitomo Electric Industries, Ltd. in 2008. He was registered as attorney in 2009, and practiced law in management planning, legal affairs, intellectual property, public relations and export control. In June 2016, when he was Representative Senior Managing Director of Sumitomo Electric, he retired from the company and soon after he joined Japan Institute of Invention and Innovation as Vice Chairman and Senior Executive Managing Director, where he has promoted invention and raised awareness of intellectual property system. He has been DMG MORI's External Director since March 2017.</p>	Yes
 <p>Takashi Mitachi External Director</p>	<p>He earned a bachelor's degree from the Faculty of Letters, Kyoto University in 1979, and MBA from Harvard Business School with Baker Scholar in 1992. He had been engaged in management consulting for directors of major companies in The Boston Consulting Group for 24 years. He served as Japan Co-chair of the said company and a member of Global Executive Committee for a long term, and is experienced in management of global company himself. He advises the government from business point of view, as Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives) and a member of several panels of experts. He is also a member of Global Agenda Council of World Economic Forum, and he proposes solutions to Global Agenda Council in his duty. He continuously contributes to enhance the corporate value of DMG MORI by supporting management internationalization with his rich experiences.</p>	Yes

Message from an External Auditor



Yasuyuki Kimoto

DMG MORI CO., LTD. External Auditor

Status of corporate governance

The status of corporate governance should be measured not only by external standards such as organization and system, but also by looking at the real management. Special attention should be paid to the following points: 1) Does the management and business execution team led by CEO exercise a full control over the entire company and facilitate internal communication?, 2) Do Directors and Auditors carefully monitor and control over business execution team?, and if yes, are both sides well balanced?

To the point 1), my evaluation is that under the strong leadership of CEO, the business execution team understands the situation of the company well. It's widely known that in most Japanese companies, employees have better access to the top management than in non-Japanese companies, and internal communication at Japanese companies takes place relatively often. Here at DMG MORI, like many other Japanese companies, internal communication takes place relatively often in a family-like atmosphere. Nevertheless, the company should learn lessons from a series of problems recently revealed at some big manufacturing companies in Japan where the management and business execution teams failed to exercise control over their companies.

Since the size and scope of business of DMG MORI are expanding dramatically during the past years, the company needs to further strengthen its corporate governance system. The company needs improvements for example in the following areas: ① To establish organizational structures to reduce excessive burden on CEO, ② To facilitate even closer mutual communication within the group with consideration to a possible risk at AG that decisions could be made for its own sake rather than for the benefit of the whole group.

To the point 2), my evaluation is overall positive, because the company pro-actively appointed external members of the Board of Directors and the Board of Auditors. Discussions at meetings of the Board of Directors are productive and involve External Directors. Auditors carry out their duties not only by evaluating documents, but also by visiting factories and other locations to have direct conversations, and by conducting individual meetings with each Director and the Financial Auditor.

Going forward, the company should take the difference in corporate structures of Japan and Germany into account, and set priority for thoroughly visualizing the information within AG and sharing that information with each other. I welcome regular reports by selected members of the business execution team including those from AG at meetings of the Board of Directors. The company should continue its efforts to make contents of such reports more fruitful.

It would be difficult to roll out Japanese approaches and standards as they are to all over the world. To establish a truly global corporate governance system, the company should take coordinated approaches in business operations through globally integrated corporate philosophy and systems, and facilitate open and global communication, while paying enough respect to different corporate cultures, customs, and approaches from country to country. Few Japanese companies have ever achieved that level. I encourage DMG MORI to continue its efforts to create a new model for Japanese companies in the 21st century.

Introduction of Auditors

As of March 22nd, 2018

Name	Brief personal history	External board members
 <p>Tatsuo Kondo Corporate Auditor</p>	<p>After graduating from Waseda University in 1973, Mr. Kondo joined NTN Corporation (formerly, Toyo Bearing Manufacturing Co., Ltd.) He acquired experience in financial control of major factories. From 1987 to 1994 he worked at the company's subsidiary in the United States and dealt with a variety of challenges in the midst of Japan-US trade conflict. After going back to Japan, he gained extensive global management experience in Business Planning Department through M&A projects and launch of new factories in overseas. In January 2009, he joined DMG MORI (formerly, Mori Seiki Co., Ltd.) to lead Accounting and Finance Headquarters and the business collaboration project with AG with a view to capital integration. After completion of the step-by-step capital integration project, introduction of IFRS, and conclusion of DPLTA, he headed the management integration project with AG and implemented restructuring of group companies and organizations. In March 2017, he was appointed as full-time Corporate Auditor. In addition to general duties as Auditor, he is responsible for audit of subsidiaries of AG. Founded on his expertise gained through his past assignments, he contributes to strengthening the company's governance system to match its global business operations.</p>	
 <p>Yasuyuki Kimoto External Auditor</p>	<p>Mr. Kimoto joined The Sumitomo Bank, Ltd. (currently, Sumitomo Mitsui Banking Corporation) in 1971. He gained experience mainly in international business, as well as in organization reform and large investment projects as a member of the headquarters. In 1987, he moved to London, and then to New York to gain further experience in international financial business. In 1997, he assumed office as head of the International Planning Department, and guided the company through the financial crisis in Asia. In 2001, he was appointed to lead the business in Europe and became President of Sumitomo Mitsui Banking Corporation Europe. In 2004, he became a member of the management committee to lead the entire business of the corporation. After serving as President of The Japan Research Institute, Ltd., he worked as Chairman of the Board of Director of Olympus Corporation from 2012 to 2015 to rebuild the company. Mr. Kimoto's business acumen was nurtured through his work experience in both field and the headquarters, and through hands-on management experience outside of Japan to overcome differences in cultures and approaches. As Auditor of DMG MORI, he contributes by sharing his practical knowledge and experience in tackling with and overcoming a variety of crisis and governance problems within the organization.</p>	Yes
 <p>Sojiro Tsuchiya External Auditor, Dr. Eng.</p>	<p>After graduating from the Graduate School of Engineering at Nagoya University, he joined Nippondenso Co., Ltd. (currently, DENSO CORPORATION) in 1975. As a production engineer, he developed production systems of precision parts of cars, including development and utilization of machining technologies such as cutting and grinding. Later, he was responsible for productivity improvement of the whole factory through CIM (Construction Information Modeling/Management) and FA (Factory Automation). In 2001, he earned a PhD in Engineering from Gifu University by his research in precision control of hydraulic technology. In 2002, he was appointed as Executive Director and Member of the Board to lead the entire production engineering and manufacturing departments at DENSO. In 2011, he became Executive Vice President to lead the production globally. In 2013, he left the position, but continued to provide advice on production engineering as Executive Advisory Engineer/Advisor until 2016. In March 2017, he was appointed as External Director of DMG MORI. At the same time, he serves as External Director of Toyoda Gosei Co., Ltd. and NISSEI CORPORATION, as well as Chairman of Japan Institute of Plant Maintenance. He engages himself pro-actively in management and development of production engineering. As External Auditor of DMG MORI, he provides insights from customers' point of view as a long-time user of machine tools, and exercises control over the company's management based on his knowledge in management and production engineering.</p>	Yes

Remuneration of Corporate Officers

The amount of compensations, etc. of DMG MORI's Corporate Officers and the principle for its calculation method are determined within the compensation framework approved by the Annual General Meeting of Shareholders. In case of Directors, compensations

are determined by taking each Director's contributions to business and the status of business execution into account. In case of Auditors, compensations are determined by discussions of Auditors.

Please find below the status of compensations in 2017.

■ Amount of compensations, etc. of Directors and Auditors (January-December, 2017)

Title	Right of representation	Name	Headcount	Basic compensation (mil. JPY)	Performance-based compensation (mil. JPY)	Total compensation amount (mil. JPY)
Total: Directors (excluding External Directors)			6	300	225	525
* Directors whose total compensations, etc. exceed 100 mil. JPY						
Director and President	Yes	Masahiko Mori	-	78	70	148
Director and Executive Vice President	Yes	Hiroaki Tamai	-	62	40	102
Director and Executive Vice President	Yes	Hirotake Kobayashi	-	59	42	101
Total: External Directors			4	68	—	68
Grand total: Directors			10	368	225	593
Compensation framework of Directors						600
Total: Auditors (excluding External Auditors)			2	40	20	60
Total: External Auditors			3	39	—	39
Grand total: Auditors			5	79	20	99
Compensation framework of Auditors						100

Attendance at board meetings by each Director

The Board of Directors convened 13 meetings with the attendance of External Directors and External Auditors to plan management strategies, and to enhance appropriate and efficient business execution by each Director.

Furthermore, the Management Committee consisting

of Directors and full-time Corporate Auditor convened 13 meetings, and Operating Officers convened 11 meetings, to understand and manage the risks of the entire business operation. Please find below the status of attendance by each Director and Auditor at meetings of the Board of Directors.

■ Status of attendance at meetings of the Board of Directors

	Name	Status of attendance	Note
Directors	Masahiko Mori	Attended 13 out of 13 meetings	
	Hiroaki Tamai	Attended 13 out of 13 meetings	
	Hirotake Kobayashi	Attended 13 out of 13 meetings	
	Naoshi Takayama	Attended 13 out of 13 meetings	
	Kenji Oishi	Attended 13 out of 13 meetings	
	Tojiro Aoyama	Attended 13 out of 13 meetings	
	Tsuyoshi Nomura	Attended 13 out of 13 meetings	
	Makoto Nakajima	Attended 9 out of 10 meetings	Appointed on March 22, 2017 with the total number of meetings convened being 10.
	Takashi Mitachi	Attended 10 out of 10 meetings	Appointed on March 22, 2017 with the total number of meetings convened being 10.
Auditors	Tatsuo Kondo	Attended 13 out of 13 meetings	Before March 22, 2017: Attended 3 meetings as Director. After March 22, 2017: Attended 10 meetings as Auditor.
	Yasuyuki Kimoto	Attended 13 out of 13 meetings	
	Sojiro Tsuchiya	Attended 10 out of 10 meetings	Appointed on March 22, 2017 with the total number of meetings convened being 10.

(Note) Auditors Mr. Hisao Sato and Mr. Yoshito Kato retired on March 22, 2018. Each of them attended 13 out of 13 meetings.

Risk Management

Recently, increased attention is given worldwide to non-proliferation of weapons of mass destructions and prevention of excessive accumulation of conventional weapons. Against this background, DMG MORI established the Export Control Committee headed by the company's President to stipulate or amend internal rules (compliance program) for strict implementation of export control laws and regulations, and to perform uncompromised control over each decision whether or not to export company's products. To further strengthen internal control system, the company established the Information Disclosure Control Committee, an advisory board to determine disclosure of information. Led by the head of Administrative Headquarters, the Committee should contribute to making the company's management more transparent and healthy.

About BCP (Business Continuity Plan):

After the Great East Japan Earthquake in March 2011, DMG MORI created manuals for disaster management. Its disaster management plan contains information on members assigned for disaster management in each department including group companies according to the areas affected by disasters. As part of disaster prevention activities, the company updates the manuals regularly, checks the inventory of disaster prevention goods, and tests connectivity of satellite phones, etc.

Others:

DMG MORI has established an internal reporting (or whistleblowing) system to facilitate autonomous improvement within the organization. In case of sexual harassment and other problems where special considerations to the privacy of employees are needed, an external third-party institution takes the lead. If employees have worries about health and other challenges in life, they can turn to professionals for free of charge. In this way, the company is trying to support employees to continue their career even in times of difficulties.

Information Security:

To guarantee continuous and stable business operations, DMG MORI gives special priority to appropriately protect and control its technology information, which is an

important business asset of the company, as well as various kinds of information received from customers and business partners. The Information Security Committee established in 2016 has completely renewed and strengthened the information control system.

The Information Security Committee will work on implementing the Basic Policy for Information Security strictly. By doing so, the Company will take necessary measures to guarantee the security of our products and to protect the customers' information, while offering manufacturing solutions mainly through machine tools. Further, the Company will continue to provide ever increasing value, innovation and unlimited possibilities of machine tools to customers worldwide while following international laws and regulations.

Basic Policy for Information Security:

1. In order to protect all of its information assets from unauthorized access, theft, destruction, manipulation, and leaks, the Company will appoint a person with overall responsibility for information security management. Further, the Company will establish the Information Security Committee to construct an appropriate management structure.
2. The Company will continuously implement educational programs necessary to raise the awareness of the importance of information security for all the employees and persons involved in its business.
3. The Company will strictly follow laws and regulations, code of ethics, and internal rules. By carefully observing the social environment and the technological advancement, the Company will continuously review its internal rules, structures, and systems. In this way, the Company will strive to evaluate, maintain, and improve its information security management system.
4. Any violation of the Basic Policy of Information Security and its related rules will be dealt with severely.

Export Control

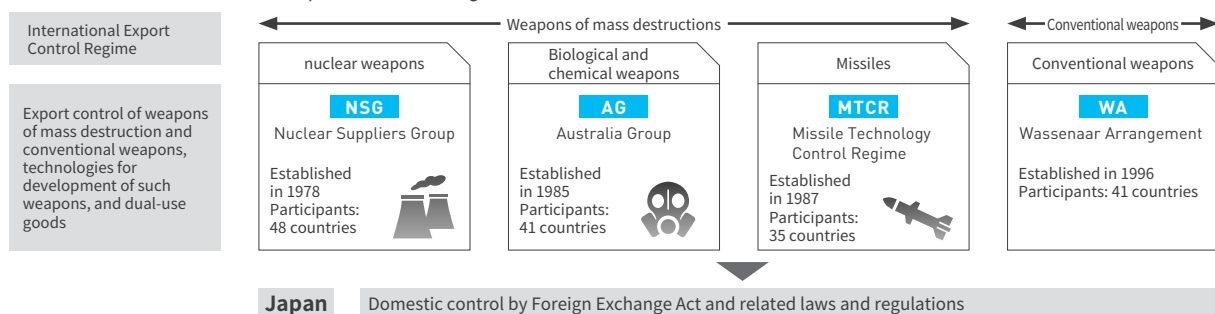
1. Export Control of Machine Tools

Machine tools with numerical control that we manufacture and sell are used for producing complex and precise metal parts, which means, machine tools are in principle capable of producing parts for weapons of mass destruction and conventional weapons as well, if users intend to do so. This is why high-performance machine tools are strictly controlled by “Foreign Exchange and Foreign Trade Act” (hereinafter referred to as “Foreign Exchange Act”) to avoid machine tools and their related technologies being used for production, etc. of weapons of mass destructions and conventional

weapons.

With a view to increasingly unstable international security environment, more attention is given worldwide to non-proliferation of weapons of mass destructions and prevention of excessive accumulation of conventional weapons. If our products were used for military purpose, this would be not only a significant risk for our business, but also a threat to international peace and security. This is why we put strong focus on strict evaluation and control of customers to avoid that our machine tools will be used for inappropriate purposes such as military use.

■ Outline of International Export Control Regime



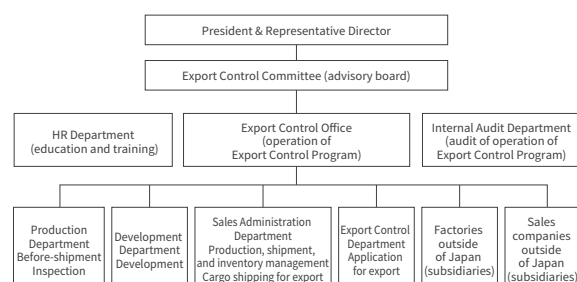
Source: Text of export control seminar hosted by Japan Machine Tool Builders' Association, General Incorporated Foundation

2. Export Control System

DMG MORI's basic approach is to follow Foreign Exchange Act and other laws and regulations when exporting goods, supplying technologies, and conducting agency transactions. DMG MORI has established a “DMG MORI Export Control Program” to make its employees understand and follow the said approach. The company continuously updates the content of the program in accordance with revisions of Foreign Exchange Act and changes of internal organizations. President & Representative Director of the company takes full responsibility for the program. He chairs the Export Control Committee, or an advisory board. Export Control Department implements the program. Members of the Export Control Committee are President & Representative Director (chairman) and all the internal Directors of the company. The Committee stipulates and amends internal rules and appoints persons in charge of operation. Export Control Department is responsible for operation of the program. They evaluate customers and make applications for export license to the Ministry

of Economy, Industry and Trade (hereinafter referred to as “METI”). In DMG MORI's export control system, every item to be exported or technologies to be supplied to overseas must obtain an approval by Export Control Department. In addition, to guarantee companywide operation of and education on export control, Human Resources Department makes training plans on export control and Internal Audit Department audits the operation.

■ Corporate Export Control Structure



3. Export Control Process (Pre-Export Assessment)

One of the key points in export control is to obtain a confirmation from companies or organizations that are going to purchase our products and services in advance “to utilize DMG MORI’s machines only for civil purpose and not for military purpose that will pose a threat to international peace and stability”. When Sales receives inquiries from customers, we first check the content of business of those customers. We also make sure whether the desired products are subjected to export control regulations or not. After receiving orders, we perform thorough background checks based on documents and visits. Thereafter, we apply for export license to METI. After receiving the export license, we perform the final check before shipment of the ordered machines.

If we have any doubt during the above mentioned process that our products may be used for military purpose, the head of Export Control Department will be informed and the Export Control Committee will make the final decision.

■ Pre-Export Assessment Process

When?	Who?	What?
At inquiry	Overseas offices, and Sales	Hearing and website information Consultation with Export Control Department
After receiving order	Overseas offices and Sales	Explanation to customers and collection of documents Visit customers (on-site check of expected installation locations)
Detailed assessment before application	Export Control Department	Check possibility for military use base on documents and web information - Does the user operate business with armed forces? - Do persons around the user have any connection to armed forces? - Is the user going to use our machines for civil purpose? - Any risk of resale or usage by the third party?
Application for export license to METI	Export Control Department	Prepare documents and answer to inquiries from METI
Final assessment	Export Control Department Head of Export Control Department	Final confirmation and evaluation of export control - Are products/technologies in question really subjected/not subjected to export control regulations? - Are all the producers appropriate based on laws and regulations? - Is there absolutely no concern about military use? - Are special conditions of approval required?
Final check before shipment	Chairman of the Export Control Committee	Final approval after consideration of concerns on export control, sales conditions, payment, etc.

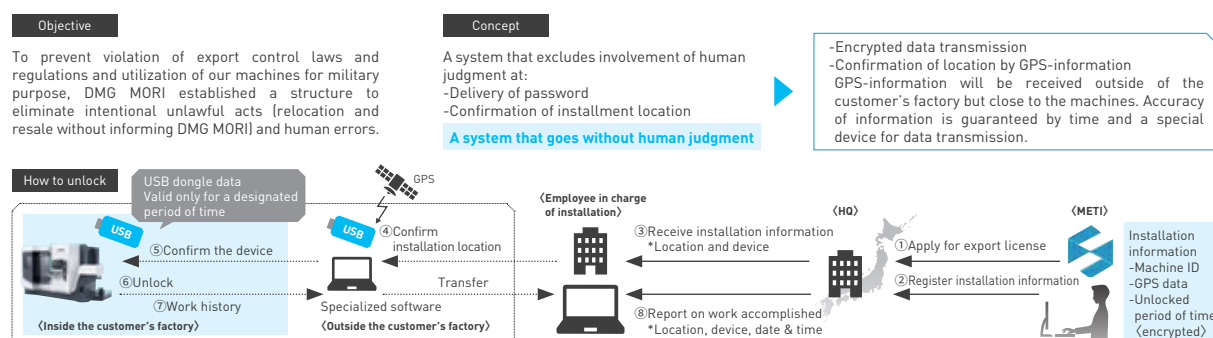
4. Export Control Process (After-export control by machine relocation detection devices)

In addition to pre-shipment assessment to prevent usage of our products for military purpose, we continue monitoring and control even after export of machines to guarantee that our products will never be used for military purpose as a result of unauthorized resale to the third party. To minimize the risk of unauthorized usage of our products by the third party, all the DMG MORI machines are equipped with GPS-based devices to detect machine relocation.

To unlock the machines from relocation detection

devices, which prevent the machines from being used for unintended purposes, authorized employees responsible for export control must register the GPS-information of the expected location for installation and the name of the employee who will visit the site. When the employee visits the location, he/she must obtain the GPS-information once again on-site and confirm that both data are identical before making the machines operational. If someone relocates or resells the machines without informing DMG MORI, the machines cannot be used.

■ Outline of GPS-based relocation detection devices



Internal Control

DMG MORI CO., LTD. resolved “Internal Control Guidelines” at the Board of Directors and accordingly implements the policy. The summary is as follows.

1. Compliance and risk management

DMG MORI defined criteria for specific actions of Directors, Operating Officers and other employees by specifying rules in Mission Statement, Employee Handbook, Compliance Handbook, Export Control Program, Information Security Policy, and Management System for environment, labor safety and health and quality, and secures compliance by accordingly implementing them. We also organize compliance trainings for new employees and other staffs, depending on their level, as well as associated e-learning and other learning opportunities.

In addition, we operate “Workflow” system as an electronic document processing system on a consolidated basis, in pursuit of quick decision making, transparency and secure management of electronic data.

We set up a compliance hotline and the associated regulations, while operating electronic weekly report system on a consolidated basis, to ensure smooth communication among management, superiors and subordinates.

We established Information Security Policy in 2015 against information leakage and cyber attacks, in order to enhance information security of the whole group. We also utilize IT for internal audits, such as monitoring with internal check systems to prevent information leakage.

For management of subsidiaries, we hold a series of regular meetings on a consolidated basis, occasionally utilizing TV conference system. We pay visit to the presidents and directors regularly or irregularly and implement periodic internal audit to understand and optimize their operation. 1 or more DMG MORI Directors are assigned to directors or auditors of the subsidiaries and attend the board of directors and other key meetings, in order to hear the updated status from the other directors or operating officers.

2. Internal audit

DMG MORI has a dedicated team for internal audits, Internal Auditing Office, directly under President. It oversees optimized and efficient business operation of the whole group. Appropriate criteria are applied when auditing risk management system of subsidiaries, taking the business nature and scale into account. Reports from subsidiaries are shared with Auditors upon audits or audit liaison meetings, given the contents of the report and the business scale.

Currently, Secretarial Department, Administrative Headquarters and Accounting/Finance Headquarters jointly develop a structure to efficiently discuss and share compliance-related issues and give associated instructions throughout the group, based on the abovementioned report and audit system.

3. Auditing by Auditors

The Audit & Supervisory Board or Auditors of DMG MORI have regular exchanges with President and irregular ones with Financial Auditors.

Auditors hear resolutions or reports at key meetings including the Board of Directors, Management Councils, FT Meetings, access to and investigate Workflows and weekly reports, and if necessary request explanations to Directors, Operating Officers and other employees.

If Directors, Operating Officers and other employees witness potential damages to the company, they need to immediately report it to the Audit & Supervisory Board or an Auditor, as is stipulated in “Regulation to ensure the effectiveness of audits conducted by Auditors”. It also allows the Audit & Supervisory Board or Auditors to request reports from Directors, Operating Officers or other employees.

DMG MORI prohibits itself from giving unreasonable treatment to the employees who inform Auditors of negative facts, and oblige all the staffs to follow the rule.

4. J-SOX

DMG MORI has established J-SOX section under Internal Auditing Office in October 2005, preceding the governmental regulations for the new internal control report system over financial reporting in accordance with the Financial Instruments and Exchange act. Since then, we have successfully developed and operated internal control system in line with the legal framework, inside and outside the group.

On the AG side, former ICS (Internal Control System) Department manages the new system in close cooperation with the AG internal audit section.

Our internal audit section and the AG counterpart operate J-SOX together, and Financial Auditors investigate the joint report as part of the internal control report system of the whole DMG MORI group.

Environment

As an industry leader and responsible corporate citizen, we will:

Conserve environmental resources at all times to preserve the global environment

1. Environmental policy

We will reduce energy consumption in our business activities, use resources effectively and prevent environmental pollution.

We will use resources and energy carefully and produce environmentally-friendly products.

We will raise our employees' environmental awareness and as a responsible corporate citizen comply with environmental laws and regulations and legal requirements that apply to us, and support environmental policy.

We will aim to disclose information relating to environmental protection.

2. Environmental management system

In pursuit of efficient use of resources and energy and protection of global environment, DMG MORI introduced an environment management system called ISO14001

and earned external certification. With this system for environment preservation, we have successfully reduced energy consumption and industrial waste at the factories, promoted recycling, and designed environment-friendly products.



We produce solar power energy at domestic and overseas factories.



Environment-friendly mobility concept: DMG MORI factory staffs share electric vehicles for short-distance transportation.

3. Initiatives for energy-saving products and logistics

With an average life span of 15-20 years, quality of machine tools has a long-lasting effect on energy consumption. DMG MORI is committed to minimizing energy consumption of the products and factories, to sell

secondhand machines for full utilization of resources, and to apply new packing and logistic methods with less wooden materials and CO₂.

GREENmode

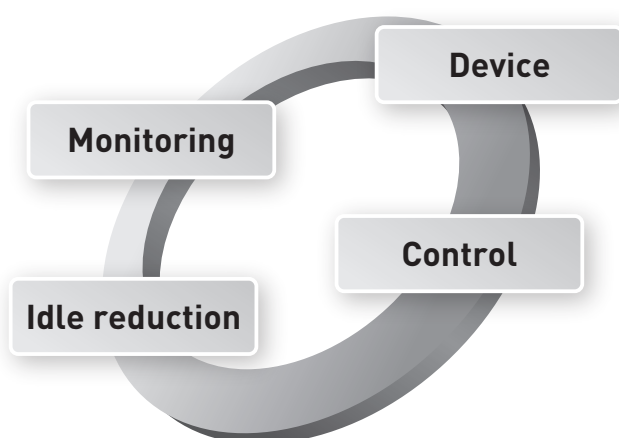
We have standardized GREENmode since September 2017, which saves energy consumption by 45% (*1). Optimized functions are added in accordance with each machine's application and characteristics, with a focus on 4 items; shortening lead time, visualizing, eliminating idle time and introducing cutting-edge technology. Most significantly we have 9 functions for improving machining conditions and shortening machining time with control technology. We encourage our customers to enhance

productivity by reducing energy consumption, while contributing to environmental protection.

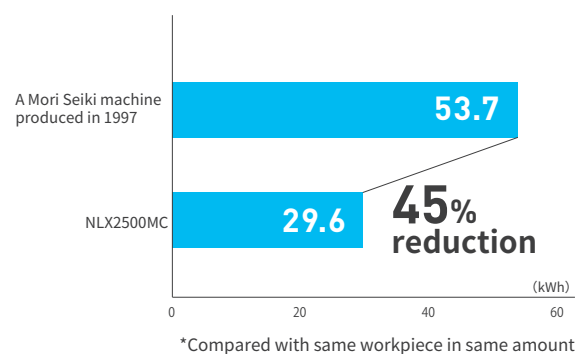
Since DMG MORI launched the sales of in-house operation system CELOS in 2013, we have invested in energy-saving function research. With over 150,000 installed machines and estimated 2,650 kg CO₂ reduction per machine, we expect CO₂ emission decrease of total 8 million tons or more in 20 years.

(*1) In comparison with FY1997 standard

Energy-saving with 4 technologies



■ Comparison in energy consumption volume



Annual CO₂ emission

Reduction by 2,650 kg

*Calculated from saved energy volume

Sales of used machines

DMG MORI reuses resources and saves energy consumption by selling retrofitted showroom machines, facility machines and trade-in machine. Since machine tools generally run for more than a decade, relatively young secondhand machines can turn into highly reliable products with a touchup of a skillful manufacturer like ourselves. Given the substantial amount of parts and materials used for a single machine tool, this approach greatly contributes to preserving natural resources.



Reforming the logistics procedure

Reusing in-house packages

Previously we used wooden boxes for machine transportation, which were discarded after one-time usage. But this approach was reviewed; the wooden containers were replaced with returnable pallets for overseas transportation and steel packages for domestic one, by which we reduced wood consumption by

approximately 4,900t. We carefully wrap our machines with in-house plastic sheets with DMG MORI logo, with the aim to deliver customers' valuable items in a way that represents the highest quality. DMG MORI is the first domestic company in the industry to design its own packing sheets.



Steel package



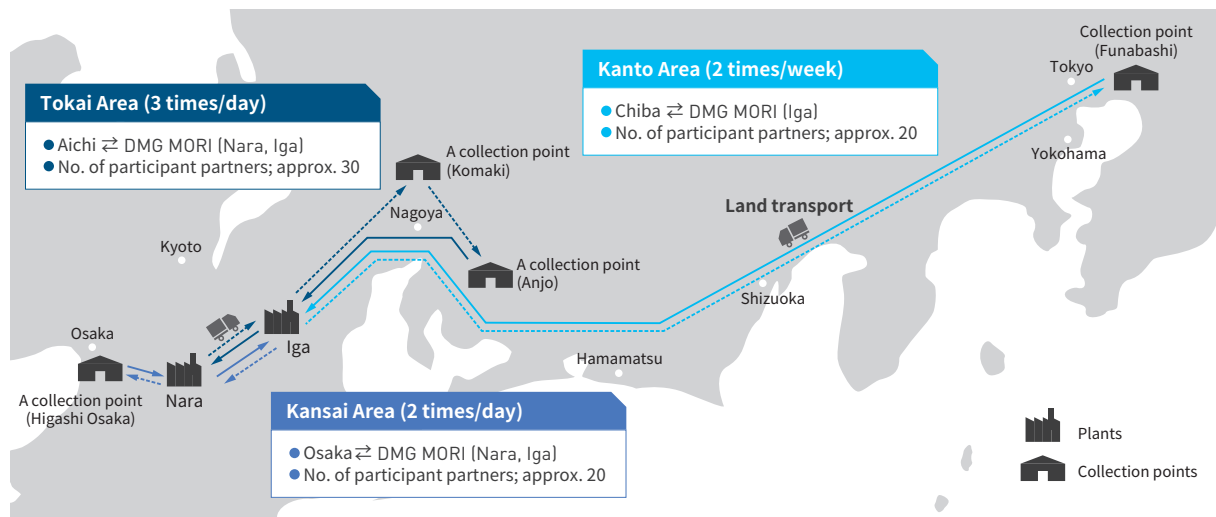
Packing with DMG MORI plastic sheet

Reducing CO₂ emission with collective transportation

Parts produced by partner companies in Kansai, Tokai and Kanto areas are gathered at one point in the respective areas, and are collectively transferred by trucks DMG MORI arranges; in this way, CO₂ emission was significantly reduced from the previous individual

transportation. 71 partners joined this initiative, which led us to decrease CO₂ emission by 5,856 t in 2017. We will apply this method to partners in Hokuriku area in 2018.

■ Parts procurement and collective



4. Environmental Data

<DMG MORI>

INPUT items			location	unit	2013	2014	2015	2016	2017
Energy input	Production	Electricity (*1)	Japan	thousand kWh	45,777	49,333	50,851	46,309	46,612
		Solar power	Japan	thousand kWh	134	126	123	130	127
		Heavy oil (*2)	Japan	K ℓ	1,894	2,136	2,574	3,187	3,129
		City gas	Japan	thousand m ³	195	173	196	175	0
		LPG	Japan	t	264	296	279	228	304
Water consumption	Production	Clean water	Japan	thousand m ³	111	117	121	126	138
		Groundwater	Japan	thousand m ³	84	75	74	104	93

Energy input and water consumption are dependent on production numbers and machine model composition of each fiscal year.

In the following table, we converted energy input to crude oil consumption.

INPUT items			location	unit	2013	2014	2015	2016	2017
Energy input	Production	Converted to crude oil	Japan	K ℓ	13,948	15,093	15,906	15,281	15,185

OUTPUT items			location	unit	2013	2014	2015	2016	2017
Greenhouse gas	Production	CO ₂ emission (*3)	Japan	t-CO ₂	30,004	32,498	33,815	32,425	32,197
Industrial waste	Production	Final disposal amount	Japan(Iga)	t	116	139	153	110	119
		Final disposal rate	Japan(Iga)	%	3	4	4	3	3

【Scope of data】DMGMORI's factories in Japan(Iga, Nara, Chiba (until FY 2016))

【Fiscal year period】FY 2013 and 2014: from April 1st to March 31st of the following year; FY 2015-2017: from January 1st to December 31st.

Environmental data are dependent on production numbers and machine model composition of each fiscal year.

(*1)Energy input "Electricity" indicates the volume purchased from power generation companies.

(*2)Energy input "heavy oil" includes consumption for private power generation.

(*3)Greenhouse gas: Volume of CO₂ emission was calculated by using emission coefficients published by power generation companies.

<DMG MORI AG>

ENERGY KEY FIGURES*1,*2,*4

in MWh	2016	2017	Change from previous year
Fuel consumption from fossil energy sources	76,214	76,281	67
of which natural gas	29,120	30,681	1,561
of which liquid gas	118	325	207
of which heating oil	329	0	-329
of which fuel	46,648	45,275	-1,373
Electricity consumption	44,531	46,757	2,226
of which procured from the grid	43,340	45,456	2,116
of which self-generation from renewable sources	1,191	1,301	110
Energy consumption in total	120,745	123,038	2,293

CO₂e EMISSIONS *1,*3,*4

	2016	2017	Change from previous year
CO₂e emissions in total (Scope 1, Scope 2) in t	37,552	38,430	878
Direct emissions (Scope 1) in t	18,241	18,164	-77
Indirect emissions (Scope 2) in t	19,311	20,266	955

*1: Includes the following sites in Germany: Bielefeld, Pfronten, Seebach; Italy: Brembate di Sopra, Tortona; Poland: Pleszew; Russia: Ulyanovsk.

*2: The conversion factors for liquid gas and heating oil are taken from the Bundesverband der Energie- und Wasserwirtschaft e. V. (BDEW – the federal association of the energy and water industries) 2017. The conversion factors for fuel were taken from the Bundesamt für Wirtschaft und Ausfuhrkontrolle (BAFA – Federal Office for Economic Affairs and Export Control) 2017.

*3: The CO₂e emissions were formed as a product of the energy used and the corresponding emission factor. The factors for calculating direct emissions (Scope 1) of heating oil, diesel, gasoline and natural gas, are taken from the Department for Environment, Food & Rural Affairs (Great Britain). The six main greenhouse gases (carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆), as defined by the Intergovernmental Panel on Climate Change (IPCC), were taken into account in calculating the CO₂ equivalents (CO₂e). The IPCC factors were used in the conversion. To calculate the indirect emissions (Scope 2) from electricity, country-specific factors were applied. The data was taken from "CO₂ Emissions from Fuel Combustion 2017", International Energy Agency, 2017. Other emissions only occur in small quantities and will not be reported individually.

*4: Figures are extracted from Sustainability Report 2017 of DMG MORI AG.

Human Capital

As befits a worldwide corporation, we will:

Foster a fair and open corporate culture, utilizing appropriate management initiatives;

Emphasize company-wide communication with the recognition of earnest
and enthusiastic team-oriented efforts;

Respect each other's opinions and continually develop through friendly competition
in energetic and cheerful workplaces.

—— From DMG MORI MISSION STATEMENT



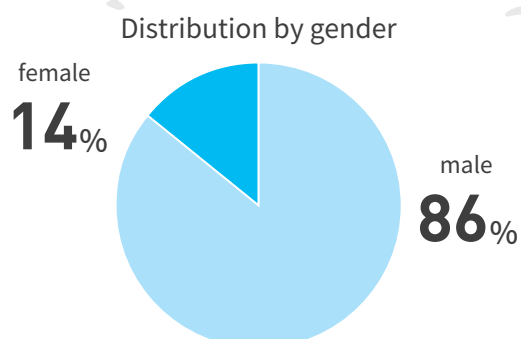
Employees from around the world (as of December 31, 2017)



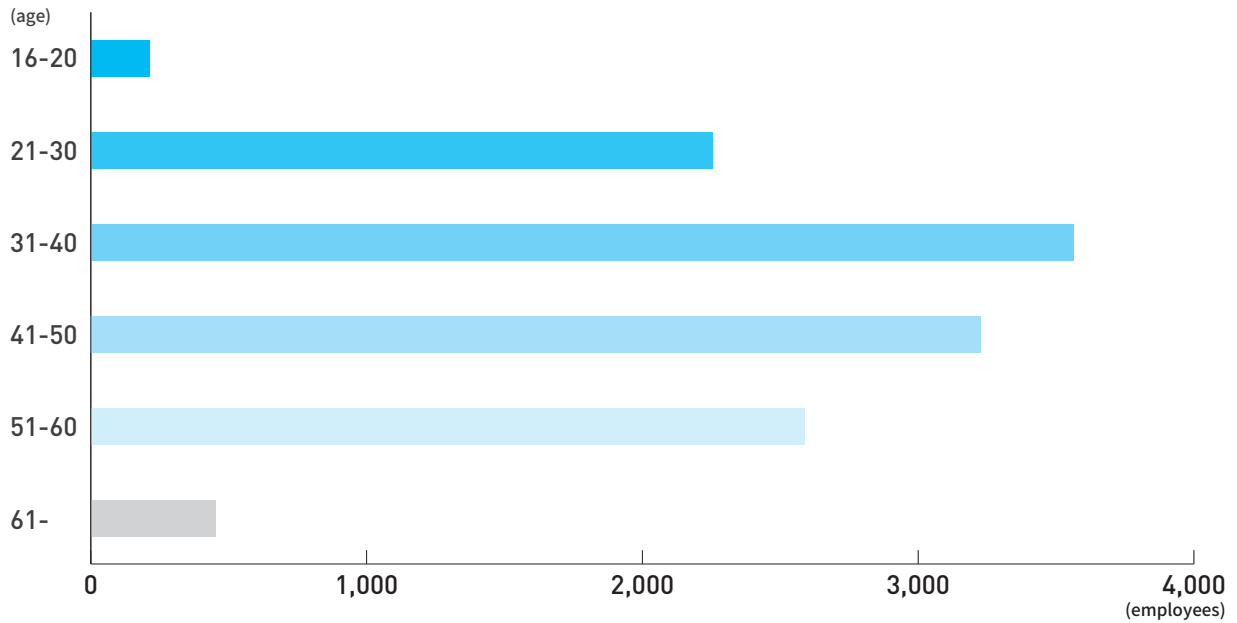
Global business (as of December 31, 2017)

12,375 staffs with different nationalities work for DMG MORI worldwide.

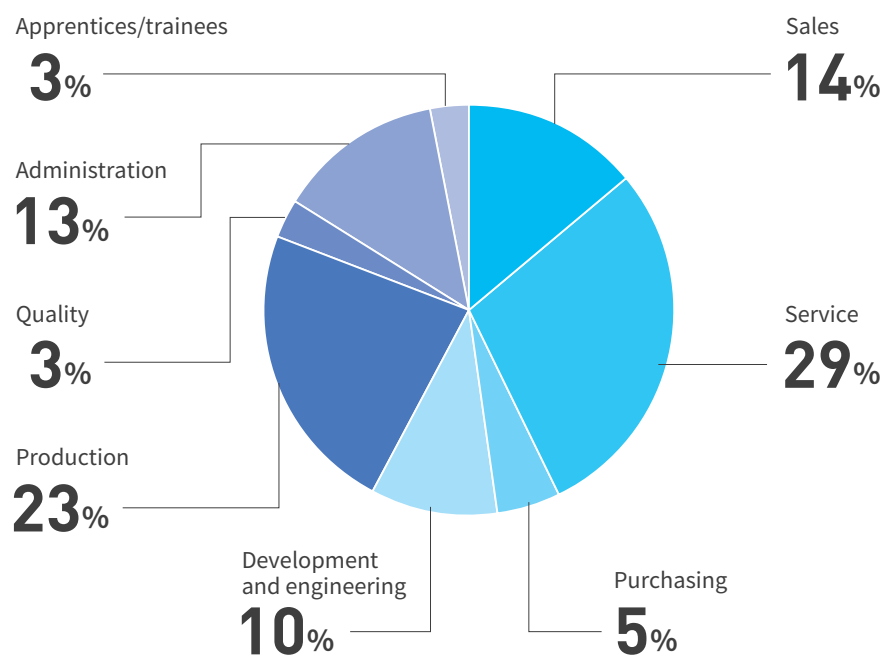
More than 14% are female employees, and around 60% come from Germany and Japan.



From young to old (as of December 31, 2017)



Distribution by job category (as of December 31, 2017)



DIVERSITY

DMG MORI offers the employees opportunities to participate in international projects. We believe that this cultural exchange nurtures diversity in the workforce, which leads to dynamic culture and sustainable growth. All employees are valued at DMG MORI, irrespective of their nationality or ethnic origin, gender, age, religion,

sexual orientation or physical impairment.

The management of DMG MORI emphasizes equal opportunities for all employees.

As a globally operating group, we make the best use of our diverse employees to satisfy various requirements from customers and business partners.

A professional team with different backgrounds

DMG MORI has approximately 12,400 employees from 46 countries, each with different mother language, nationality, gender and specialty.

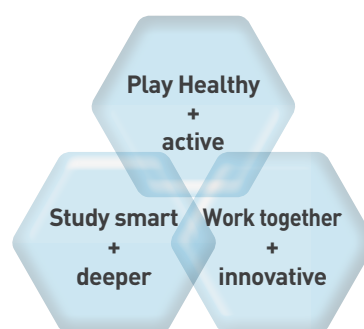
In every field and level, they are actively engaged with each other and respect the diversity. Although

with different backgrounds, DMG MORI staffs are all professionals and have a shared goal of offering best solutions to the customers. In pursuit of the best performance, we are continuously committed to nurturing inclusive working environment.

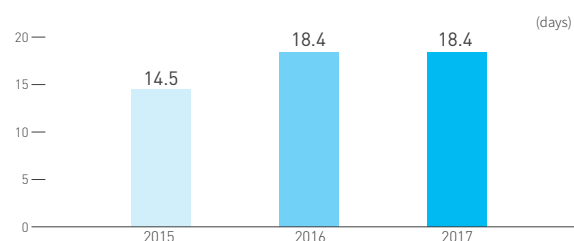
Diversified working style

By offering both core time system and shift system, we encourage an efficient working style and less working hours. We prepared independent working day calendar for each department based on the peak seasons and events, and working hours is also being reviewed.

The employees can choose geological range of transfer from 3 options; “anywhere in the world,” “anywhere in the country” or “within a certain region.” They are free to define their own working style that suits their skills and specialties.

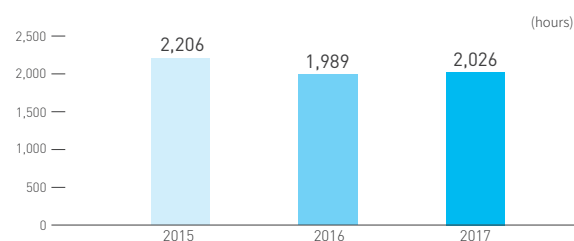


■ Average number of consumed annual paid holidays



Subject: permanent and contract Japanese employees
Calculated on a basis of 20 annual paid holidays

■ Average annual working hours

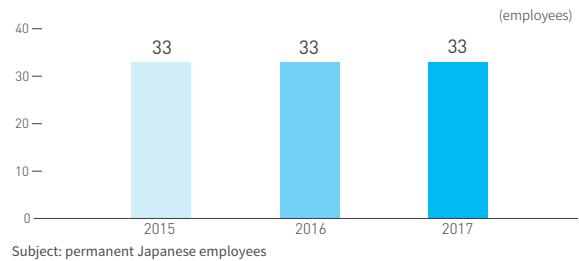


Subject: permanent and contract Japanese employees

Employing and supporting staffs with physical impairment

A number of staffs with physical impairment work for DMG MORI, and play important roles in production, procurement and spare parts delivery. We have actively recruited them by participating job fairs hosted by Hello Work, as well as by developing a connection with neighboring high schools in Mie and Osaka Prefecture. We are committed to encouraging their social contribution.

■ Number of employees with physical impairment



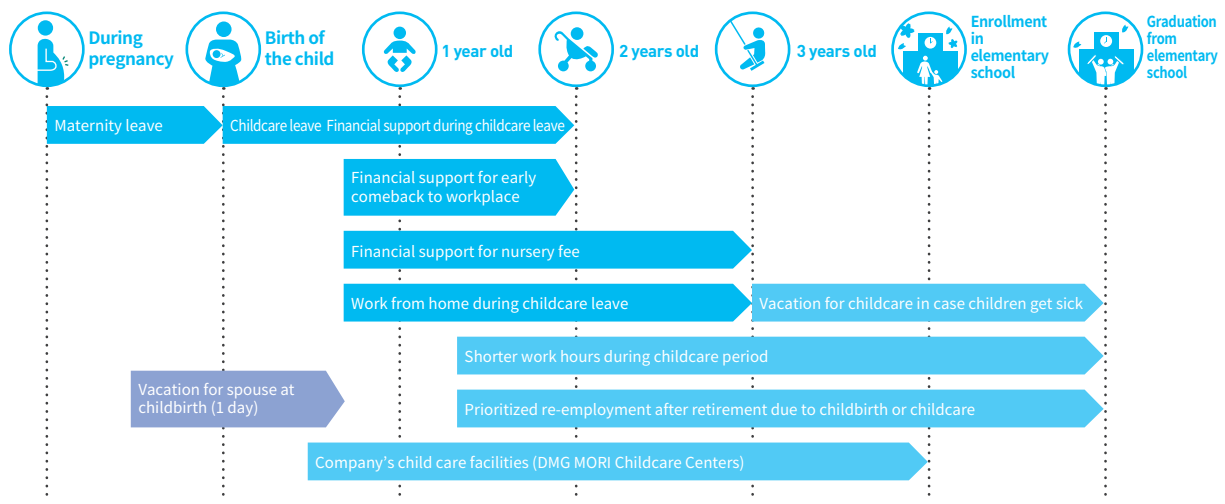
Supporting working parent

We hope that each employee pursues their professional careers throughout child-caring and nursing period. That is why we established various systems to encourage continuous careers at DMG MORI, even after taking leaves for life events.

We offer maternity, child-care and nursing leaves,

supporting allowances for early returners from childcare leave and for nursery school fees, short working hours, as well as telecommuting during childcare leave. Many employees utilize these services to continue working for the company.

■ Overview of company's childcare support



DMG MORI Childcare Centers (Iga, Nara, Nagoya, Tokyo)

In April 2018, DMG MORI will establish all-time childcare centers for the permanent employees at all the key bases in Japan; Iga Campus, Nara Campus, Nagoya National Head Office and Tokyo Global Headquarters. The facilities will accommodate around 120 children under the age of 6.

In-house childcare centers have been available during weekends since 2016, as an initiative to support working

parents with pre-school children. Upon strong requests from the center users, we decided to extend the service to weekdays, commemorating the 70-year anniversary in 2018.

We will be continuously keen to the needs of employees, so that they can lead fruitful professional and private lives with or without children.

DMG MORI Childcare Center



Appearance

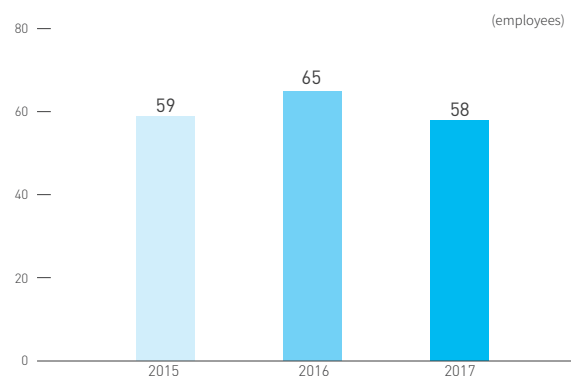


Interior



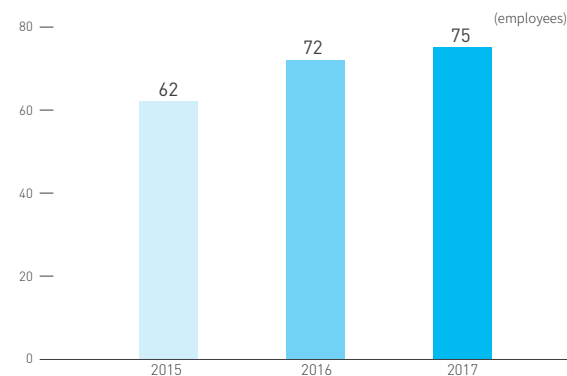
Inner court

■ Number of employees who take childcare or nursing leaves



Subject: permanent and contract Japanese employees

■ Number of employees who works with shorter working hours



Subject: permanent Japanese employees

For creating a better working place: harassment prevention

In pursuit of an optimal working environment for diverse culture, we are committed to eliminating sexual harassment. We offer an internal advisory center at Human Resources and local General Affairs

Departments for the victims and informers, as well as an external advisory center run by a professional consultation organization.

Human Resource Development

Training system to enhance individual skills

Human resource development is an important mission of DMG MORI; each employee is encouraged to be a global and professional player. We spend 1% of the annual turnover for trainings, in order to provide motivated staffs with ample learning opportunities. We offer level-specific trainings for new employees, management to Directors, as well as skill-specific trainings to brush-up expertise and management styles at DMG MORI Academy since 2006. TOEIC courses for English learners, open seminars

on latest machining technology and industrial trends, and online education system called EOD for machine tool-related topics are also among our lineup. The vast range of trainings successfully covers diverse career paths of the employees.

TQM activities

TQM (Total Quality Management) is a concept evolved from Toyota Group and other organizations. DMG MORI introduced it to the whole company operation and implements it with external help, aiming to stabilize and continuously enhance the quality of products, approaches to customers and internal processes through the activities.

In 2017, we generated a rule to implement TQM activities for 50 hours a year, applied it to all the domestic bases, and held a TQM tournament at the year-end. We will continue these activities in the following years for better products, services and customer approaches.



Spindle unit assembly team won the TQM tournament

DMG MORI Dojo

Passing down technology and raising successors are among the most significant challenges for technology companies. DMG MORI established a “Dojo (training area),” where skilled workers train younger ones. Dojos for scraping, safety and maintenance help us preserve the techniques and secure the best quality of our products.



‘Scraping’ Dojo

Emerging Technologies Laboratory

DMG MORI established Emerging Technologies Laboratory in July 2017, in order to develop young talents to lead IoT and other digital transformation in line with the ever-changing customers' and social needs. The new facility offers learning opportunities for selected employees and long-term internships from Kanto area. With a view to decades ahead, we are cultivating human resources with strength in connected industries, including AI and cloud technology.



Public relations activities to potential candidates

We emphasize the importance and beauty of machine tools to students who rarely see our products in daily lives. 2-week internships are available for students on long-term holidays, where they experience our real business among the employees. We also offer a variety of events from showroom tours, plant tours and introductory seminars, and 1,500 students joined them in 2017.



DMG MORI Academy

DMG MORI Academy is an internal training institution for machine tool operation. Currently 19 trainers with 47 machines offer seminars for turning centers, mill-turn centers, machining centers, 5-axis machines and robots. All the trainings focus on operations, using machines equipped with actual tools. The followings are the main available programs.

New employee trainings

All the employees take this course as soon as they join the company. It covers the basic knowledge required for safe operation, and the trainees learn about potential risks in lectures and demonstrations.

Skill trainings

After the new employee training, all staff is introduced to machining procedures with turning centers and machining centers. They learn about tools, programming, tool compensation and dimension adjustment to attain deeper understanding of our products. The trainings are held once a year as a continuous learning opportunity.

Service trainings

Service engineers from Japan and Asian countries gather at DMG MORI Academy in Iga for maintenance trainings. Similar courses are held in DMG MORI Academies in Germany and Chicago, respectively for the engineers in Europe and the United States. The attendees learn about new products and review basic service operation to brush up their professional skills, expertise and service quality.

Application trainings

Attendant application engineers learn about new products and enhance their skill sets during the trainings. Among the lineup is a long-term course for machining and measuring technique, where the trainees can familiarize themselves with the operation of universal lathes, fraises, turning centers, vertical and horizontal machining centers, mill-turn centers and 5-axis machining centers. Through these trainings, the engineers gain knowledge, skills and techniques

required for machining such as machine operation, machining processes, workpiece fixture, tool selection, CAM programming, CMM and other measuring equipment.

Sales trainings

ASMs (Area Sales Managers) from Japan, Asia and other parts of the world take the trainings to understand our products better and to enhance their sales skills. Through programming and operation of turning centers and robots, the attendees can familiarize themselves with DMG MORI products and the marketing strategies.

Manufacturing trainings

A variety of trainings are available for manufacturers. One example is a measuring course, which offers learning and practicing opportunities of measuring equipment from micrometers, calipers to CMM. A basic course helps attendees understand hydraulic, pneumatic, electrical and sequence circuits with a circuit assembly practice. After the trainings, the gained skills and knowledge are immediately utilized in their daily duties.



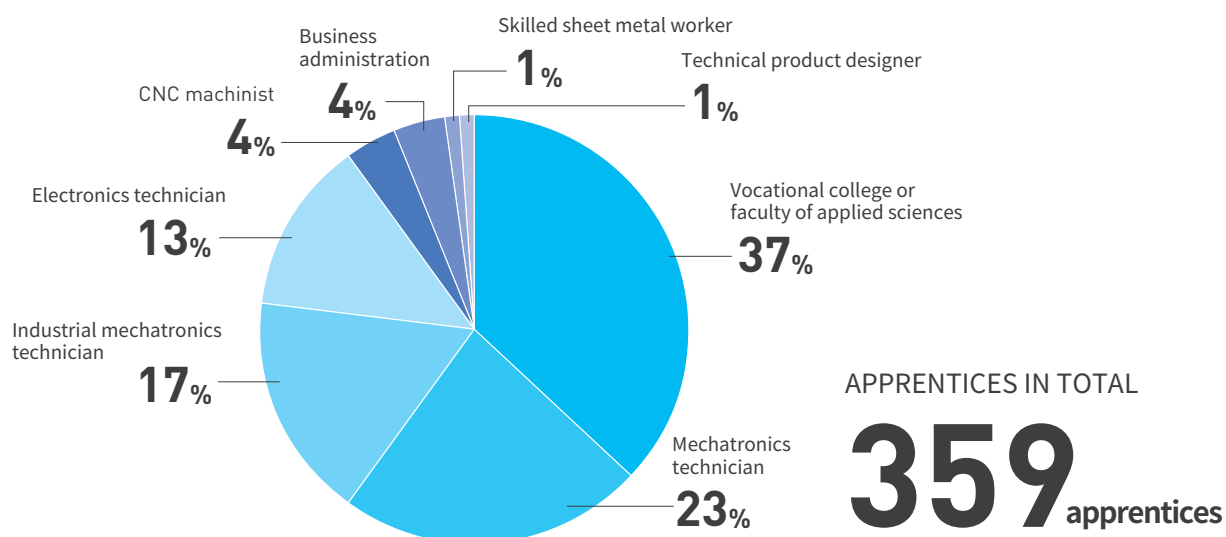
Training

Trainees

AG traditionally offers apprenticeship program to help young talents explore their skills and career paths. In 2017, 359 apprentices were enrolled to the program. Job trainings are available in 10 technical fields, and the trainees can take associated courses at local vocational

colleges or at applied science faculty of universities. The initiative was appreciated highly by German business magazine “Capital,” and appraised as the nation’s most committed enterprise to talent development.

■ BREAKDOWN OF APPRENTICES’ SPECIALIZATION AND MAJOR IN %



Training on the job: 39 apprentices were part of the DMG MORI team for EMO trade fair in September 2017. They helped with machine demonstrations, supported the sales staff, and welcomed international customers.

WorldSkills Competition

Worldwide support for young engineers

Young and skillful engineers from around the world gathered for the 44th “WorldSkills” in Abu Dhabi, UAE, to prove their vocational skills. During the event held from 15-18 October 2017, more than 1,200 engineers from 62 countries competed against each other in 51 skill areas. DMG MORI is a long-standing sponsor as a Global Industry Partner, and offered 17 machining centers and 12 turning centers for the metal-cutting sections.

In WorldSkills 2017, metal-cutting machines were provided to the young professionals in 4 events: CNC milling, CNC turning, Manufacturing team challenge and Plastic die engineering.

DMG MORI contributed 17 DMU 50 3rd Generation (machining centers) and 12 CTX alpha 500 (turning centers) for these competitions, both equipped with the required CNC technology, an intuitive operation system CELOS and a latest Siemens NC unit “Sinumerik840D Operate 4.7.”

In short, we are committed to the WorldSkills competitions by offering innovative and reliable CNC machine tools in compatibility with Industry 4.0.



DMG MORI was a main sponsor for the latest WorldSkills in Leipzig, Germany.

WorldSkills' sponsor since 2007



Tianjin factory: initiatives to cultivate human resources and raise employees' satisfaction

We are committed to securing safe and satisfactory working environment in factories worldwide, for employees' motivation and productivity and eventually for higher product and service quality and better feedback from customers. The following is an example from Tianjin factory, which achieved the highest turnover and gross margin last year in its 4-year history.

Principal approaches

1. Technical exchange meetings between after-shipment quality staffs and customers to enhance operation ratio of delivered machines.
2. Prospective graduates hired as factory interns and made ready for full-time job upon graduation.
3. A football club established to encourage healthy exercises and smooth communication among team members.
4. 4 lines of dedicated commuting buses for the employees' safety.
5. A new dormitory for single and long-standing employees.
6. The canteen ranked fourth in canteen satisfaction ratio and awarded Most Excellent Canteen Award out of the 4,000 companies in Tianjin Economic-Technological Development Area.



Interns and apprentices



Safety training



Football club



Lunch at the canteen



Canteen satisfaction ratio, Excellent Canteen Award



Labor Safety and Health

DMG MORI CO., LTD. is committed to the preservation of safe working environment for employees and partner companies under a Labor Safety and Health Policy.

1. Labor Safety and Health Policy

“We recognize the importance of labor safety and health of all the individuals under the company’s administration and are committed to creating a safe and comfortable working environment. For prevention of injuries and sickness of all the individuals under the company’s administration, we study past instances based on scientific facts and take necessary measures. We create a culture to respect labor safety and health, and strictly follow the associated regulations and requirements as a responsible member of the society. We disclose information relating to labor safety and health policy as much as possible.

2. Safety and health promotion

Heads of each plant and office host monthly Safety and Health Committees. The committee is consisted of the same numbers of management staffs and employees, resident partners and suppliers.

3. Labor safety management system

For the continuous implementation and enhancement of labor safety and health activities, we have introduced labor safety and health management system “OHSAS18001” and accordingly receive an external certification.

This system helps us extract potential risks for labor disasters and sickness, share the information among all the employees and commit ourselves to eliminate labor disasters.

Our next goal is to attain ISO45001 certification, the internationally-standardized management system.

4. Labor safety and health education and trainings

Each base has a “Safety Dojo” to teach basics of safe operation to all the employees.



Iga plant

5. Initiatives to reduce labor disasters

- Safety Sub Committees are organized in Manufacturing Headquarters and other sections, where the members make proposals to eliminate potential risks. They also report it at monthly Safety and Health Committees to share the ideas with other bases.
- Contracted consultants for labor safety and health occasionally visit and evaluate each manufacturing base and give instructions for improvement. Their main focuses are dynamic factors of labor disasters, such as unstable postures and working procedures, as well as enforcement of 2S (Seiri Seiton, cleaning and organizing of working places).
- We distribute “today’s safety check point” regularly for daily KY (Kiken Yochi, danger prediction) activities.
- In order to raise awareness of KY activities, service engineers in domestic Technical Centers put on KY board (safety declaration board) before starting maintenance operation at customers’.

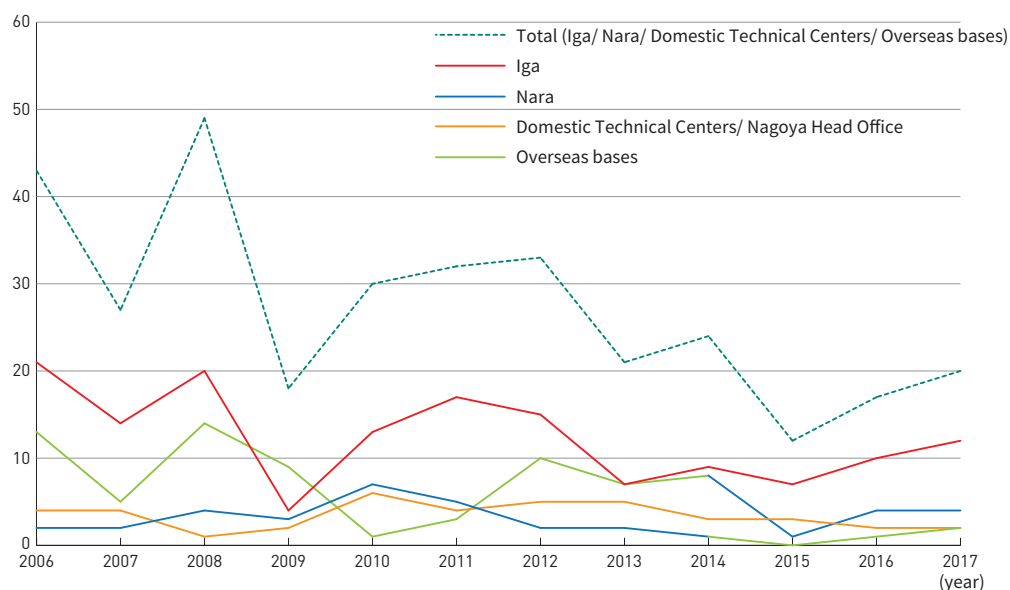
6. Traffic safety activities

- For traffic safety promotion and accident prevention, we hold an annual traffic safety seminar with the local police offices in Nara and Iga plants, both of which have a large number of car commuters.
- For the service engineers in domestic Technical Centers, we track the record with drive recorders and encourage safe driving.
- To enhance awareness for safety and accident prevention, we distribute “traffic safety slogan” monthly.
- To promote safe driving, we equip all the company cars with drive recorders.

7. Initiatives to support health

- We introduced “core-time system” to reduce overtime working hours. “Core-time system” allows each employee to flexibly set working hours based on their business schedule.
- We conduct an annual stress assessment.
- We conduct risk assessments of chemical materials to comprehend the existing poisonous materials and to minimize the amount.

■ The number of labor disasters



Supply chain management

We will:

Work to increase the prosperity of our suppliers;

—— From DMG MORI MISSION STATEMENT

An important instrument in sustainable value creation at DMG MORI is the management of the supply chain. We thus pay attention to compliance with environmental standards and social requirements in our supplier relationships.



DMG MORI Partner Award 2017: DMG MORI recognized five supply partners with the “Partner Award 2017” at the EMO Hannover – the leading trade fair worldwide for manufacturing technologies.

To take advantage of synergy effects, material group management for production materials is carried out jointly with DMG MORI AG. Due to the procurement of complex subassemblies, supplier management takes

place with predominantly globally positioned system suppliers. They represent step one in the supply chain and at the same time take over both pre-assembly and the coordination with subsuppliers.

SAFEGUARDING AND MONITORING SUSTAINABILITY

Our Code of Conduct sets out the binding foundation for compliance with essential requirements as regards acting responsibly, as well as for environmental standards and social requirements for cooperation with new supply partners.

We expect our suppliers:

- to make a binding commitment to comply with our ethical and principle requirements prior to any cooperation
- to comply with our guiding principles
- to pass on these requirements in the supply chain

This process is an essential part of our purchasing guidelines.

In the event of a refusal to comply, or the suspicion of a breach of the ethical or principle requirements, an escalation process has been provided for in the purchasing guideline. This process determines how the partnership will continue, either by determining joint supplier development measures or even by terminating the cooperation. In addition to the purchasing guideline, sustainable procurement is also referred to in the DMG MORI purchasing terms and conditions. Furthermore, our purchasing terms and conditions set out the conservative use of natural resources as well as energy-saving and environmentally friendly procedures.

To verify these requirements, we offer our purchasers training courses focusing on compliance. This enables them to pay greater attention to sensitive and risky aspects in supplier management when screening new suppliers.

RISK MANAGEMENT AND ASSESSMENTS

In the case of global sourcing, in particular, and when selecting suppliers from Asia, we assess criteria regarding environmental standards and social requirements separately in the supplier self-assessment. This includes, for example, working times, employee wages, current environmental certificates, such as ISO14001, and the clear rejection of child labor. In the previous year, the purchasing volume for production materials from one new Asian suppliers totaled EUR 147,322. This is equivalent to a share of 9% of the purchasing volume of AG's all new suppliers of production materials. This supplier was screened on the basis of our supplier self-disclosure, which covers environmental standards and social requirements among others. A visit to the suppliers' premises did not reveal any evidence of breaches of the social requirements. A "global sourcing" team of purchasing and quality specialists deals with supplier information.

To assess the risk of our current direct suppliers, we use our early warning system "RISKMETHODS". Through this we are in a position to be informed proactively not only of the risk of creditworthiness, supply and quality performance, but also to be timely informed of risks relating to sustainability, such as violations of labor practices and human rights, or environmental risks. Should a risk occur in the supply chain, or with an individual supplier, those in charge will be informed proactively.

The early warning system facilitates a risk assessment on the basis of reports. The corresponding overall score per risk criterion is decisive and serves firstly as the basis for supplier talks with the aim of reducing the number of suppliers exposed to risk. Secondly, the score is included as a partial result in the overall supplier assessment. To record the effects for DMG MORI even more specifically and to reduce risks further, in financial year 2018 we will implement further IT solutions.

Social contributions

As an industry leader and responsible corporate citizen, we will:
Contribute our fair share to our local community and society.

—— From DMG MORI MISSION STATEMENT



Contribution to technological development

DMG MORI lends or donates its machine tools worldwide to strengthen alliances with industrial and administrative partners and research institutes at universities, etc. and to support their application research activities. In addition, the company has established a scholarship fund and made donations to nurture talented engineers in Japan and overseas. Mori Manufacturing Research and Technology Foundation was established to conduct such corporate social responsibility activities of DMG MORI continuously by maintaining a designated business volume. The foundation has taken over the responsibility for the said activities from DMG MORI. We believe that the foundation's activities to provide continuous support for technology development and innovation of machine tools will strengthen the basis for sustainable growth of the machine tool industry as a whole. We also believe that human resources development through the alliances with research institutes worldwide will contribute to global industrial development including in emerging countries. Further, as a part of its social contribution activities, the foundation will strengthen the alliance with local communities by extending support for constructing a cultural environment with higher public value.

1) Support for research and development

Support for research and development of machine tools and related technologies is handled by DMG MORI, financial contributor to the foundation, through its joint research and development activities (*2) with universities and research institutes worldwide (*1). The main focus areas of the foundation are providing support for international academic conferences, etc.

2) Support for human resources development

The foundation took over responsibility for operation and management of "DMG MORI Scholarship Fund", which was established by both DMG MORI Co., Ltd. and DMG MORI AG to support technical college students who suffered from the Great East Japan Earthquake in March 2011. In 2017, it made

Letter of appreciation from National Institute of Technology



a contribution of 15 million JPY to National Institute of Technology, an independent administrative agency.

In 2018, the foundation plans a scholarship program that will support engineering students (7 students) who enter PhD course at either Kyoto University or Keio University in Japan.

3) Support for local communities and cultural activities

The foundation's support for local communities and cultural activities is centered in Nara Prefecture, where DMG MORI was founded, and Iga City in Mie Prefecture, where company's main plant is located. In Yamato-Koriyama City of Nara, the birthplace of DMG MORI, it planted 140 cherry blossom trees alongside the Bodaisen River which runs close to Nara Campus in Idono-cho, Yamato-Koriyama City, and donated the trees to the city to create a beautiful landscape. In addition, DMG MORI sponsors various local events hosted by local communities in Yamato-Koriyama, Iga, and Nabari such as cherry blossom festivals, summer festivals, fireworks festivals, etc.



Cherry blossom trees alongside the Bodaisen river planted by DMG MORI

(*1) University of Tokyo, Kyoto University, Keio University, University of California Berkeley and Davis (USA), University of Hannover (Germany), etc.

(*2) Joint research and development projects on machining technologies, intelligence, network technologies, etc.



Mori Manufacturing Research and Technology Foundation
(General Incorporated Foundation)

Support for research through MTTRF <http://www.mttrf.org/>

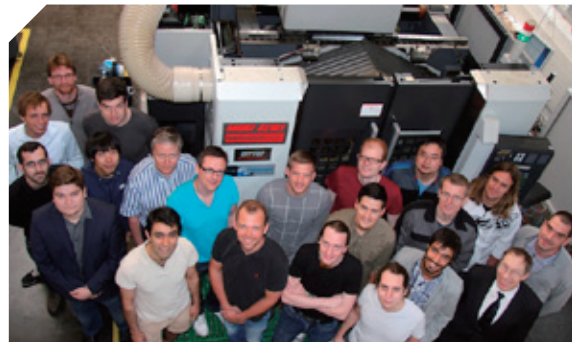
In October 2002, DMG MORI and other companies in- and outside of Japan established MTTRF (Machine Tool Technologies Research Foundation), a non-profit organization accredited by the US government. The head office of MTTRF is located in San Francisco, California, USA.

The objective of MTTRF is to develop researchers of machine tools and MTTRF provides latest machine tools, software, and research expenses to researchers and students of machine tools. The number of research institutes with sufficient budget to purchase machine tools at universities and to conduct researches by using their machine tools is very limited. This is why DMG MORI provides its cutting-edge 5-axis machine tools and millturn centers for research and education at universities worldwide. Students can always utilize the latest equipment for their researches.

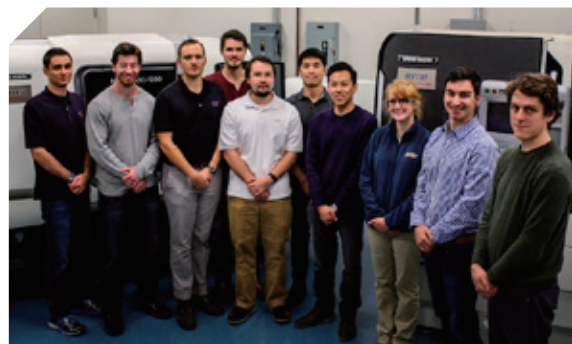
Results of researches will be published in journals and presented at international conferences. At the MTTRF Annual Meeting, representatives of all the research institutes who use machine tools provided by MTTRF get together to present the progress of researches and share knowledge and technology. The annual meeting is also open to parties who are neither sponsor nor user of MTTRF's support to share research results among a wider range of participants.

Currently, following research institutes use machine tools provided for rent by MTTRF: Osaka Institute of Technology, Kanazawa University, Kobe University, Toyohashi University of Technology, ETH Zurich, K.U. Leuven, MTTRF Berkeley Institute, University of California Davis, University College Dublin, University of Firenze, University of North Carolina, Charlotte, University of Wisconsin-Madison, Vienna University of Technology.

Machine tools are advancing rapidly by incorporating control technologies, IoT, intelligence technologies and new structural materials. DMG MORI is committed to continue its social contribution activities by lending its latest machine tools through MTTRF to develop machine tool technology and nurture talented engineers.



Machine tools provided for rent at ETH Zurich and researchers



Machine tools provided for rent at Vienna University of Technology and researchers



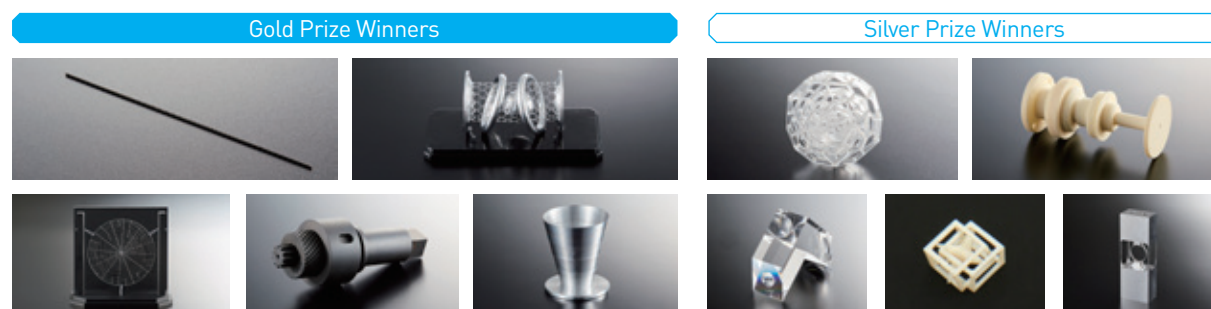
MTTRF ANNUAL MEETING 2017

The Cutting Dream Contest

The Cutting Dream Contest has been held 12 times since 2004 to facilitate exchange and development of cutting technologies and techniques of the industry. Users of cutting machine tools at companies, technical colleges, universities, and research institutes in Japan are eligible participants. The contest started also in the U.S. in 2006, and we had one in Europe in 2007. The event has been well received and appreciated in both regions. The prize winners are selected by category through a rigorous screening process by juries comprised of university professors. The five categories of

the contest are: Production Parts Machining, Prototype & Test Cut Machining, Die & Mold / Form Machining, Micro Machining and Academic Research. The award ceremony of the 12th Cutting Dream Contest was held in November 2016 on the sidelines of JIMTOF. Since then, the awarded work pieces are on display at the Iga Global Solution Center of DMG MORI. Every day, a lot of visitors from Japan and overseas enjoy the extraordinary techniques and innovative ideas represented by these work pieces.

Prize winners of the 12th Cutting Dream Contest



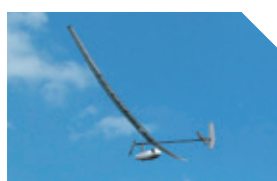
Birdman Rally

On Sunday, July 30, 2017, DMG MORI's Birdman Club "BIRDMAN HOUSE Iga" won the 40th Japan International Birdman Rally (hosted by Yomiuri Telecasting Corporation) at the edge of Biwako Lake in Shiga Prefecture by setting a new tournament record at the second appearance.

The team attended the Distance of Human-powered Propeller Airplane Category, and achieved a 40km round-trip flight - the longest distance ever achieved in the history of Birdman Rally. They clearly exceeded the

last year's own record of 17.8km. Audience welcomed the DMG MORI team flying back to the platform with standing ovations. It was the moment when all the members' dream came true.

In 2018, BIRDMAN HOUSE Iga will make another trial to achieve 60km distance flight under the new regulations of the rally. Further, the team will continue challenging the new world record (115km!) in compliance with IATA regulations.



BIRDMAN HOUSE Iga in flight



The moment of victory



Some metal parts of the airplane were produced by NHX4000, DMG MORI's machine tool.



Contributions to local communities

Cultural activities in Nara, the birthplace of DMG MORI

DMG MORI has put a great deal of value in interaction with the local community in Nara and promotion of culture for 70 years since its foundation in Yamato-Koriyama City, Nara in 1948. We continue to pro-actively support the traditional cultural activities in an effort to further strengthen ties with local communities

“Comprehensive Agreement on Partnership and Cooperation” with Nara Prefecture

DMG MORI concluded a comprehensive agreement with Nara Prefecture in March 2017 to promote landscaping appropriate to the ancient capital Nara, to facilitate advanced technical education and to support engineers and researchers from overseas. Within this framework,

DMG MORI takes pro-active actions including lending its cutting-edge machine tools to local technical high schools and other educational institutions and planting cherry blossom trees along the embankment of the Bodaisen River.

List of Partnership activities:

1. For development of industry in Nara
2. For research and promotion of science and technologies
3. For promotion of science and technology education
4. For support of foreign scientist and researchers
5. For promotion of culture, arts, and sports
6. For landscaping appropriate and desirable as ancient capital Nara to meet expectations from visitors and residents
7. For creating safe and secure local community



Conclusion of Comprehensive Agreement

DMGMORI YAMATO KORIYAMAJO HALL

In January 2017, DMG MORI acquired the naming rights of the hall that has been familiar to the people of Yamato-Koriyama City, and named it “DMG MORI YAMATO KORIYAMAJO HALL.”

Besides support to maintenance and improvement of the hall’s facilities, the company is committed to make it a place for transmitting various cultures and to improve the quality of life of the people in the city.



Outside view

Sponsorship of fireworks festivals in local communities

DMG MORI sponsors fireworks festivals hosted by local communities in Iga and Nara. We value ties to local administration and people and contribute to creating safe and secure communities.



Fireworks at Iga summer festival

Cultural assets of ancient Nara

DMG MORI supports ancient capital Nara's historic monuments such as Kasuga Taisha Shrine and Kofukuji Temple.

Material credit:
Kasuga Taisha Shrine



Material credit:
Nara City Tourist Association
(Kofukuji Temple)



Sports Marketing

DMG MORI sponsors two sports teams in Nara – “Bambitious Nara”, a professional basketball team since 2014, and “NARA CLUB”, a JFL soccer team since 2017. In the area of motorsports, DMG MORI supports TOYOTA GAZOO Racing at the FIA World Rally Championship (WRC) since 2017 based on a partnership agreement with TOYOTA.



Material credit: Bambitious Nara



Material credit: NARA CLUB



TOYOTA GAZOO Racing Yaris WRC

Goodwill Award by Yamato-Koriyama City

In November, 2017, Yamato-Koriyama City convened the “Goodwill Award” ceremony in DMG MORI YAMATOKORIYAMAJYO HALL. This is an annual event to recognize individuals and groups who contributed to development of local industry and environment of Yamato-Koriyama. In 2017, Mori Manufacturing Research and Technology Foundation's project sponsored by DMG MORI to plant cherry blossom trees alongside the Bodaisen River received this honorable award. DMG MORI will continue to support local

communities especially in Nara Prefecture and Iga City in Mie Prefecture to construct cultural environment.



Support for Cultural Activities

Sponsorship of Piano Concerts

“Nara Piano Friends,” a new music event featuring the piano, takes place annually in Nara and specially-sponsored by DMG MORI since 2012. The company also supports piano recitals by a Europe-based pianist Mr.

Adolfo Barabino living in the UK since 2015. Mr. Barabino was the first foreign artist who was invited to Nara Piano Friends in 2014, and gave a joint performance with several Japanese pianists from a wide variety of genres.



Nara Piano Friends



Adolfo Barabino Piano Recital

Transmitting Information from Perspective of “Tsunagari”

Since January 2012, DMG MORI publishes a public relations magazine “Tsunagari,” which means “connection”, with the basic concept of interconnection between society and companies. In “Tsunagari” we not only look at the processes to produce goods and the history of these items, but also search for the ideal society from the perspective of “Tsunagari” as well as from a panoramic view. Also, design has a focus of appealing to emotion of people as an important element for linking humans to goods.



*Available in digital format on our website

Social and Local Contributions in Germany

DMG MORI AG, too, prioritizes contributions to society and local communities and conducts a wide range of projects.

DMG MORI gets involved locally. For that reason our locations (factories and solution centers) decide by themselves which projects they want to support and the form this should take. Another provision to be followed is that DMG MORI focuses on three target groups in its social commitment: employees, schools and universities, and charitable associations.

For its employees, for instance, DMG MORI encourages solutions to harmonize work and family life by offering flexible work hours and developing individual arrangements to achieve an optimum work-life balance. We support schools and universities through donations and cooperation by exchanging ideas and knowledge. We regularly take part in events such as “Girls Day” and “Future Day”, and facilitate visits to our production sites for school children and students. In addition, we are heavily involved at all of our sites in local organizations and projects so as to actively form networks, and through

these to be able to support the interests of the respective region. At German headquarters in Bielefeld and other German production sites, for example, DMG MORI sponsors projects in local communities in education, science, arts, culture and in encouraging young talent.

In 2017, we invested about EUR 450,000 in donations and sponsoring. In Bielefeld and Ostwestfalen-Lippe region, DMG MORI has been heavily involved for years as a sponsor for the Arminia Bielefeld football club. Moreover, we have sponsoring agreements with Bielefeld Marketing GmbH and Bielefeld Kunstverein (arts association).

The donations were made nearly exclusively to the benefit of local associations and institutions, as well as to universities such as RWTH Aachen University and to fostering young talents. Many employees also dedicate their time and efforts to charitable causes and support DMG MORI in its social activities.

DMG MORI AG, too, dedicated its worldwide Christmas campaign to a good cause and donated EUR 15,000 to the Good Hope Centre e.V. (Halle, Westphalia) a charitable society supporting disadvantaged children in Tanzania.



Good Hope Centre e.V.: The charitable society supports disadvantaged children in Tanzania and runs several primary schools there.



FUTURE DAY 2017: More than 500 school children discovered the potential of up-to-date apprenticeships available at DMG MORI

IR activity

DMG MORI's basic approach is to always pay attention to expectations from shareholders and society, and to take actions for higher accountability. This is our base for information disclosure and IR activities including communication with shareholders, investors and other parties.

Every year, we invite individual shareholders to our Solution Centers in Iga Campus and Tokyo Global Headquarters (totaling to 2 events per year). Shareholders have opportunities to look at the latest machine tools and to better understand DMG MORI's technologies and efforts. We recognize Fair Disclosure as an integral part of our IR activity. We always publish information for investors both in Japanese and English. We also proactively disclose information from CSR point of view in addition to financial information, which is usually required by regulations.

In 2017, we conducted more than 230 meetings with investors.



Individual shareholders visiting DMG MORI

■ Major IR activities in 2017

Activities	Details
Visits by individual shareholders	Every year, we invite individual shareholders to our Solution Centers in Iga Campus and Tokyo Global Headquarters (totaling to 2 events per year). Results are shared in the Shareholders' Newsletter.
Meetings for financial analysts and institutional investors	Twice a year face-to-face meetings following disclosure of mid-term and full-year results. Additionally, twice a year phone-conferences after disclosure of the 1st and 3rd Quarter results.
Meetings for institutional investors outside of Japan	An Operating Officer dedicated for IR holds individual meetings with investors in Europe (twice a year), Americas (twice a year), and Asia (4 times a year).
Disclosure of IR documents on company's website	Disclosure of IR documents in both Japanese and English on company's website (https://www.dmgmori.co.jp/corporate/ir/) after closing of each quarter and as necessary.

■ Communications with institutional investors in 2017

One-on-one meetings with investors	75 meetings			52 meetings			55 meetings			55 meetings			
Factory tour for investors	Twice			Three times			Twice			Three times			
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	
Road show (foreign investors)	Quiet period	Hong Kong New York • Boston			Quiet period	London Singapore		Quiet period	Taiwan Hong Kong New York • Chicago • Toronto			Quiet period	London