

# DMG MORI

COMPANY LIMITED



The production process of this product - from procurement to shipment - is completely CO<sub>2</sub>-neutral.



# Integrated Report 2020

Fiscal Year 2020  
(January - December)

# Mission Statement (revised in January 2021)

**As a global corporation continually striving to be the world's largest and most respected international manufacturer of turning centers, machining centers, mill turn centers, grinders, and processing automation, we will:**

Enable our customers to maximize their advantages and excel in their respective markets by continually striving to provide innovative, accurate, and trouble-free machines, automation systems, and digital technology at competitive prices;  
Increase our customers' productivity and efficiency through our latest developments in technology as manifested by our increasingly accurate and progressive manufacturing capabilities;  
Support our customers with our knowledgeable and responsive sales, applications, and service personnel.

**As befits a worldwide corporation, we will:**

Foster a fair and open corporate culture, utilizing appropriate management initiatives;  
**Play hard and be dynamic to enrich our private lives, study continuously and be open to advance professional career, and work together and be innovative to bring innovation to workplace;**  
Respect each other's opinions and continually develop through friendly competition.

**As profitability is a goal of all healthy business organizations and in keeping with the true nature of the machine tool industry, we will:**

**Work to increase the value of our company, the investment of all shareholders knowledgeable of the true nature of the machine tool industry, and the prosperity of our partners;**

Always remember that the pricing of our products and services is an integral factor of the prosperity and perpetuity of the corporation;  
Generate suitable profits to ensure the cash flow necessary to provide for the healthy operation of our corporation, research and development, stable customer services, employee training and development, and, the maintenance of safe and efficient manufacturing facilities.

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

Contribute our fair share to our local community and society;  
Conserve environmental resources at all times to preserve the global environment;  
Incorporate the highest standard of ethics while still encouraging an aggressive approach to our business activities.



This Integrated Report was created by referring to the "Guidance for Collaborative Value Creation" by Ministry of Economy, Trade, and Industry of Japan and "The International <IR> Framework" by the International Integrated Report Council.

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## Integrated Report 2020

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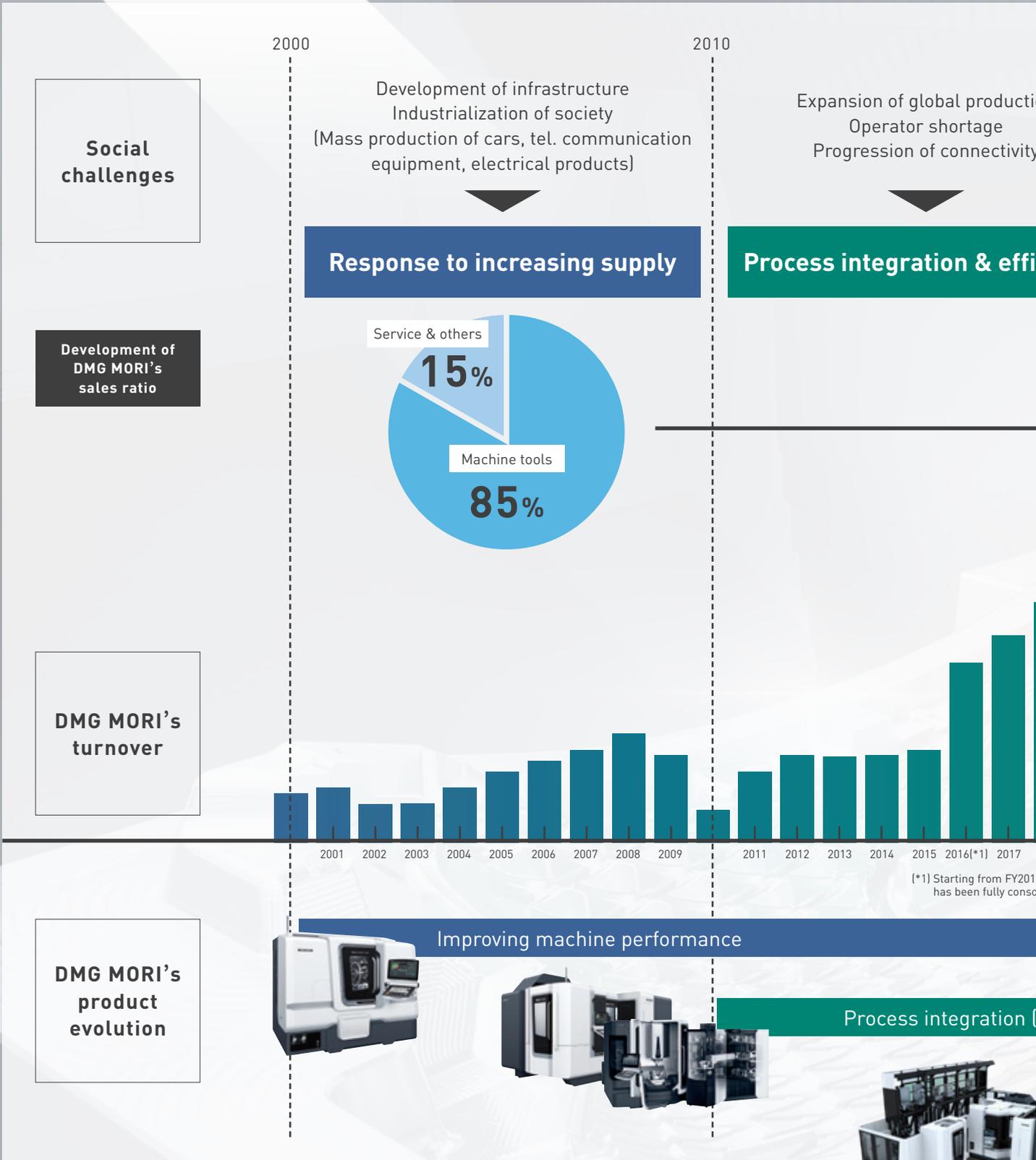
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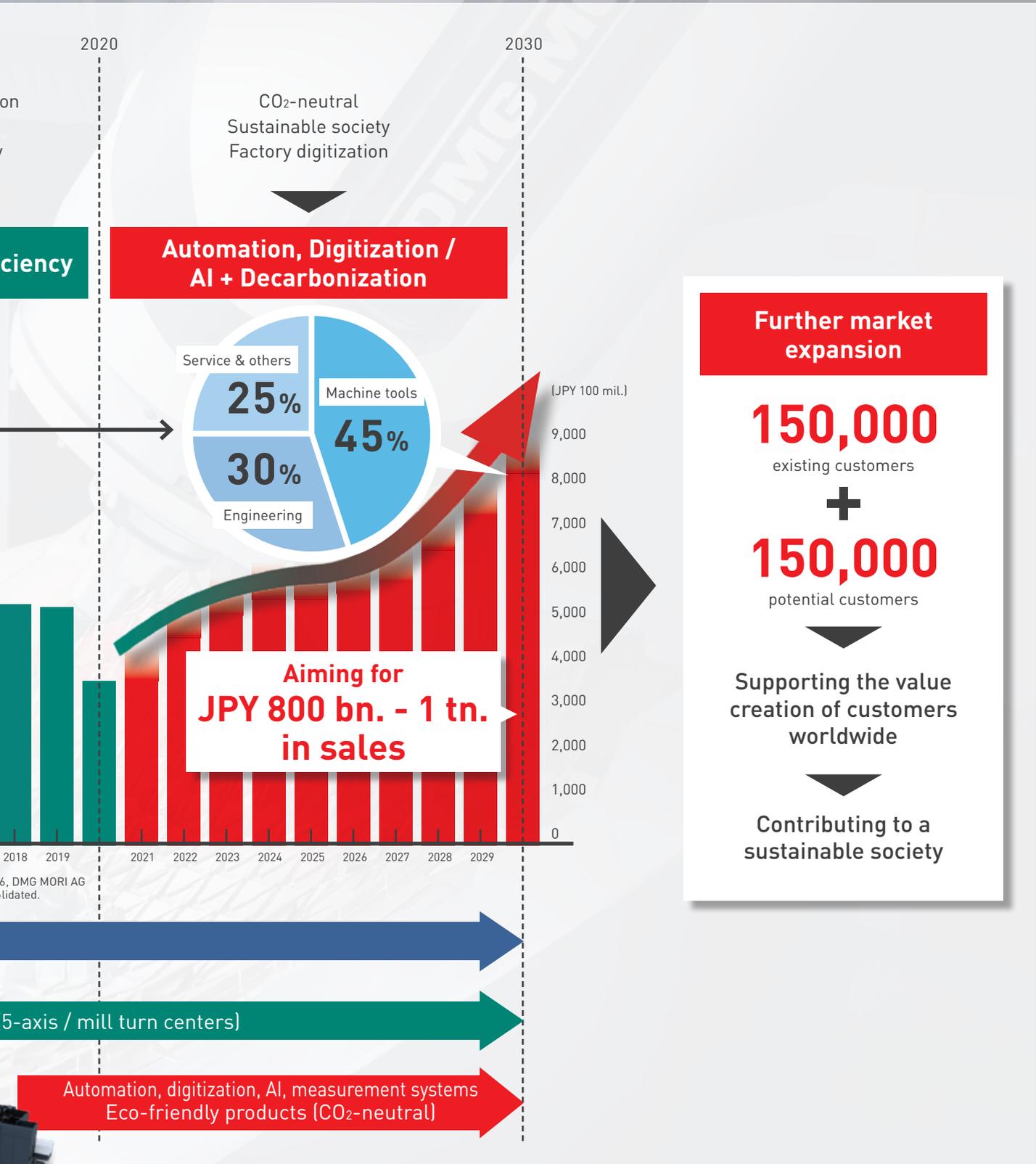
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# DMG MORI's development amidst transforming demands



DMG MORI continuously evolves its business model and improves its products and services in response to major societal changes. We will continue to aim for further growth by providing products and services that reflect the demands of society.



# Why customers choose DMG MORI

## The foundation of DMG MORI's services

Diversity  
Number of employees  
(consolidated):  
approx. **12,000** /  
**43** countries



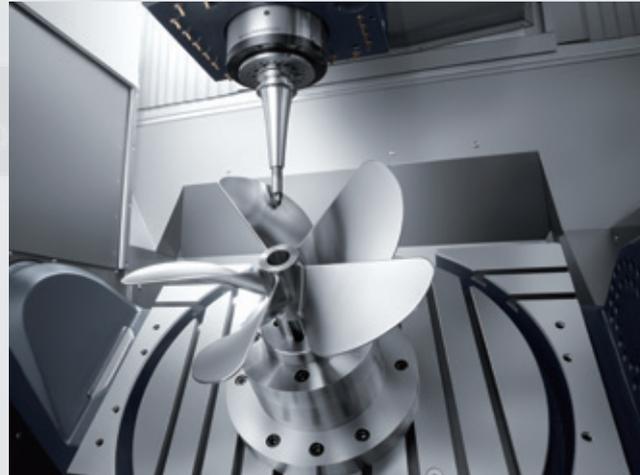
Integration of  
European and Japanese advantages



Close communication  
to identify  
customers' needs



High precision & high rigidity



Extensive product lineup,  
supply system, and software



We support customers' production processes by providing DMG MORI certified peripheral equipment and spare parts.

### Direct sales & services network

We precisely identify customers' needs and deliver our products and services through our broad direct sales and services network.

Quick response and  
support system

### Excellent engineering

Our experienced engineers provide customers with the optimal solutions, including automation.

With our diverse human resources and integrated European-Japanese corporate culture as a solid foundation, DMG MORI offers one-stop support throughout the complete manufacturing process of customers - starting from product purchase to after-sales service and maintenance. This has earned the trust of our customers and has given us a competitive advantage within the industry.



High-speed, high-accuracy & reliable machine tools to meet a wide range of machining demands from customers.

Quality that fulfills all demands

Quality

Provided by DMG MORI digital technologies



DMU 50 3<sup>rd</sup> Generation

LASERTEC 6600 DED hybrid

DMU 65 monoBLOCK + PH Cell

DMG MORI offers one-stop machining solutions to its customers - from process integration with 5-axis & mill turn centers to the latest additive and ultrasonic manufacturing machines.

Impeccable pricing throughout product lifecycle

Cost

**Worldwide sales and service locations**

Extensive network allows quick response to inquiries and service requests from customers.

**Long-term support for over 20 years**

We support our customers throughout the complete product lifecycle - as seen in the quick delivery of spare parts. By this we can gain the continuous trust of our customers.

Quick response and extensive support

Spare parts shipment within 24 hours

Delivery

# DMG MORI's value creation process

## INPUT Resources of our business foundation

### Human capital

- Management leadership ▶ **P.59**
- Diverse human resources with 12,000 employees in 43 countries ▶ **P.16**

### Intellectual capital

- Know-how as the market leader ▶ **P.13**
- Comprehensive technical capability of R&D, Production, Engineering, and Software ▶ **P.30**

### Manufactured capital

- 14 production locations worldwide ▶ **P.31**
- In-house manufacturing and flexible supply chain ▶ **P.32**

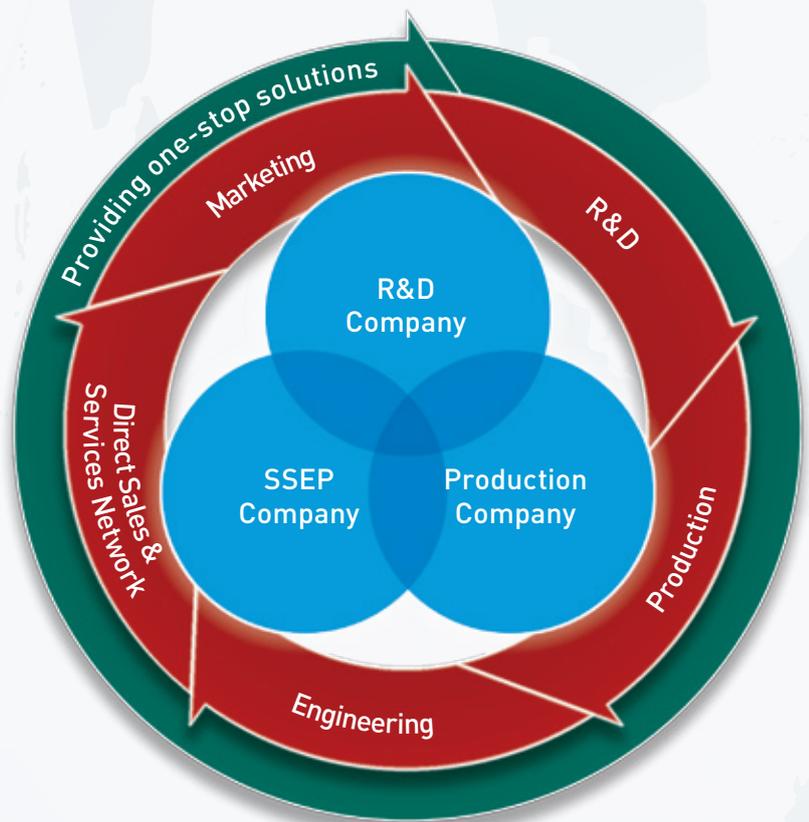
### Social and relationship capital

- Global branding ▶ **P.27**
- Global supply chain, overseas direct sales and services network ▶ **P.35**

### Financial capital

- Profit generation (sales and operating income) based on high value-added propositions ▶ **P.69**
- Capability of cash generation ▶ **P.72**
- Proactive investment

## DMG MORI's Value Chain



DMG MORI meets to realize the needs of society and continuously creates value by investing resources throughout its value chain.

## OUTPUT

Value creation through business

Improving customers' productivity and solving labor shortage



Realizing high mix-low volume production by new machining methods



Promoting digitization of customers' factories with software solutions



my DMG MORI strengthens communication with customers and maintenance & service



## OUTCOME

Social values

Market share over **10%** (Global No. 1)

Approx. **150,000** customers worldwide

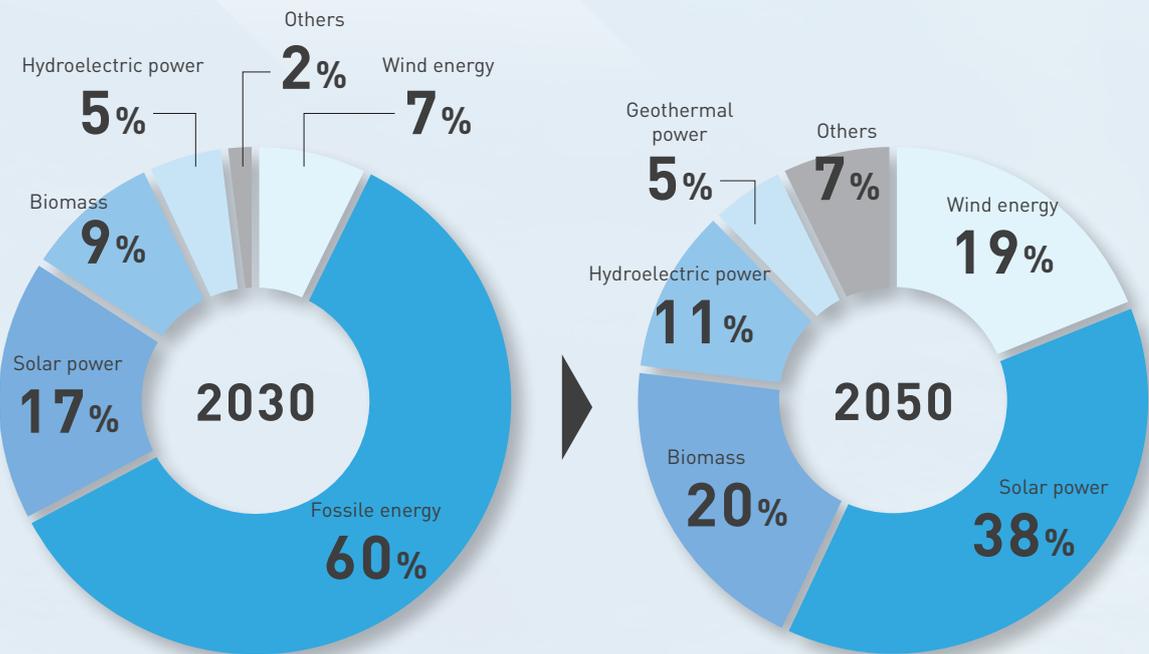
**Economic return** by FCF generation

**Quick response** to decarbonization, aging population & other societal changes

**A corporate group continues to create value**

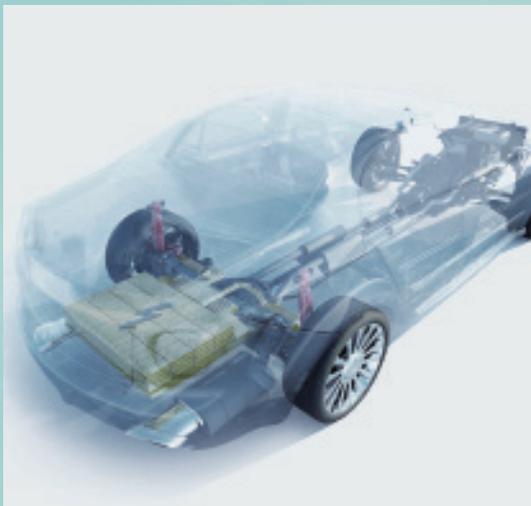
# Towards a decarbonized society

## Primary energy supply structure in a 100% renewable energy scenario



Source: Enerugi Keikaku 2050 Kōsō [A Vision for Energy Plan 2050]. Jufuku, 2019.

## Electric vehicles



EV motor

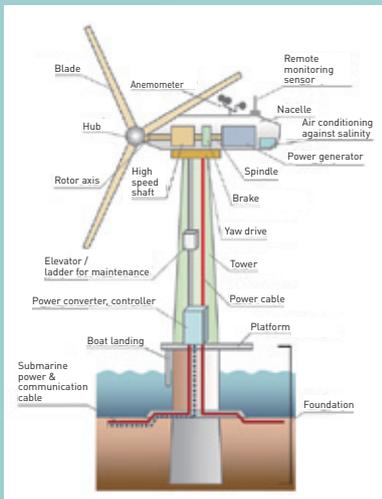


EV battery

Source: <https://www.audi-mediacenter.com/en/audi-e-tron-sportback-12270>

We are accelerating our efforts towards a global decarbonized society as a measure against climate change. DMG MORI's machine tools will be the answer to the rising demand for complex parts that are required in sustainable technologies such as electric vehicles and offshore wind power generation.

### Main components of offshore wind power generation systems



Source: NEDO Renewable Energy Technology White Paper, 2nd Edition, Chapter 3, Wind Power

### Value Chain for manufacturing in the offshore wind power generation industry

Value Chain	Nacelle	Power generator	High speed shaft	Spindle bearing	Spindle	Nacelle base	Nacelle cover	Control system	Yaw system	Yaw bearing
	Hub	Hub	Blade bearing	Pitch drive						
	Power converter	Transformer	Switch gear	Cable						
	Blade	Structural materials	Blade root	Lightning rod						
	Tower	Steel material for tower	Bolt	Flange	Elevator	Ladder	Control system			
	Foundation structure	Steel material for foundation	Monopile	Transition piece		Jacket				
	Electric power supply	Cable	Offshore power generation plant	Foundation for offshore substation		Land cable	Land substation			
	Installation work	Installation of windmill (crane vessel)		Installation of foundation (SEP vessel, cable layer)						
	Operation, Maintenance, Decommissioning	Maintenance & removal decommissioning of wind turbine (crane vessel)		Maintenance & removal decommissioning of foundation (SEP vessel, SOV)		Maintenance & removal decommissioning of submarine cables			Safety inspection, etc.	

### Offshore wind power generation system

Number of parts: >20,000 per wind turbine



#### Parts

- ▶ Increasing demand for high accuracy parts
- ▶ High product mix
- ▶ CO<sub>2</sub>-neutral

#### Machine tools in demand

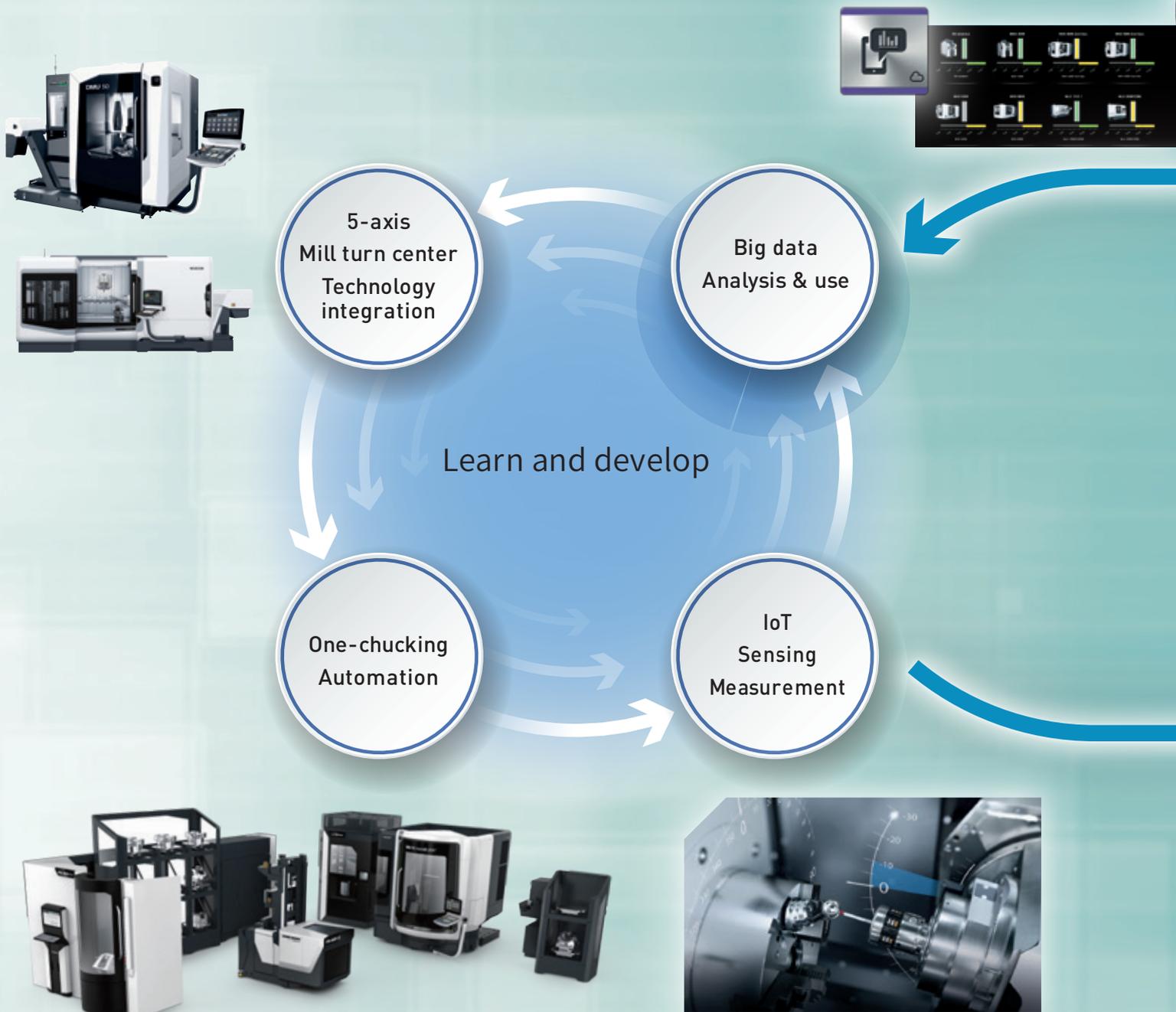
- ▶ 5-axis, mill turn centers
- ▶ Automation
- ▶ CO<sub>2</sub>-neutral machine tools



# Mission of DMG MORI's business

DMG MORI has a competitive advantage not only in its 5-axis and mill turn centers, but also in its capability to provide automation and digitization solutions. This will help customers improve their productivity throughout the factory.

5-axis and mill turn centers make it possible to finish machining in one-chucking and facilitate process integration. This leads to higher demand for automatic loading / unloading and measurement of workpieces. The automated operations require monitoring by collected sensor data, and AI helps us analyze big data accumulated from past experiences. Lessons learned from the data contribute to further improvement of machine tools and peripheral equipment, and ultimately improve the productivity of the entire machining process. This is how a positive cycle is generated.



# DMG MORI's Digital Factory



Consulting business  
Higher operation  
efficiency of the  
entire factory

Higher production efficiency

IoT, monitoring  
/ machine  
people, material  
tools, fixtures  
peripheral  
equipment



Installation  
and  
education business



# Competitive advantages of DMG MORI

Directly connected to customers through extensive sales & services network

Covering 137 locations in 43 countries, DMG MORI possesses the largest direct sales and services network in the industry. By directly delivering added value to factories, we are helping customers to find solutions suitable for their business.

## DMG MORI's headcount in engineering and services

Sales	Approx. 1,100
R&D	Approx. 1,300
Engineering	Approx. 1,000
Service	Approx. 1,900
Parts	Approx. 300
Administration (EG / SS)	Approx. 1,600

Approx. 7,200



Technological innovation of machine tools precisely capturing societal needs

We will evolve our business by the use of advanced technologies respond to major changes in our society, such as the improvement of quality of life, the emergence of electric vehicles and AI.

Building platforms by software and IoT

We have built an integrated production system that not only delivers machines, but also the matching peripheral equipment and software to customers worldwide.

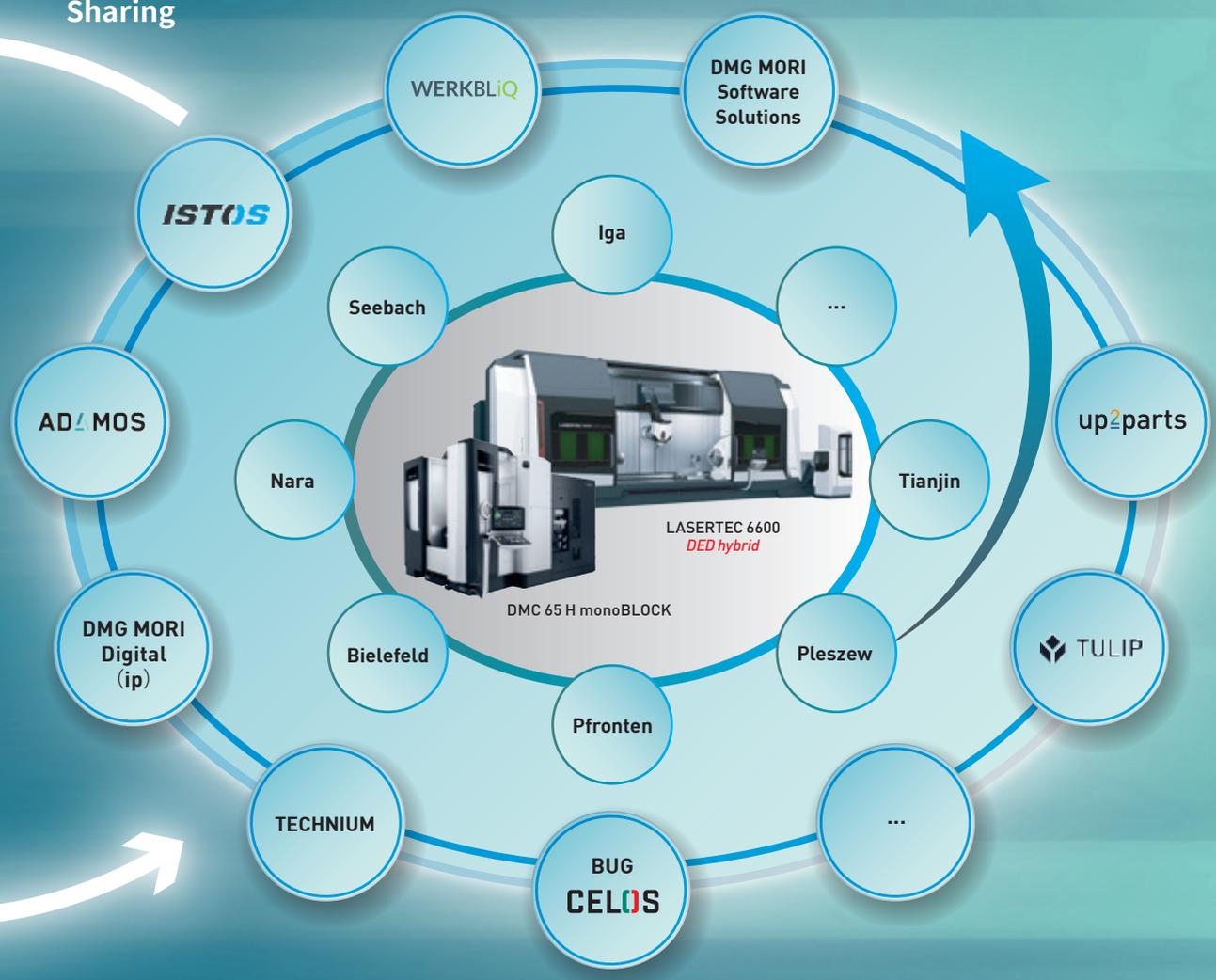
**DMG MORI's headcount in production**

Production	Approx. <b>2,800</b>
Quality Control	Approx. <b>400</b>
Purchasing	Approx. <b>800</b>
Administration (Production)	Approx. <b>800</b>

Approx. **4,800**

**Total**  
Approx. **12,000**  
employees

Sharing



# Diversity in DMG MORI

## Order composition ratio for process integration / advanced technology machines

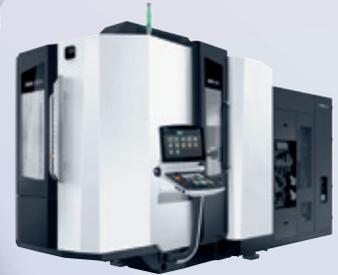
Since the 2010s, DMG MORI has been quick to respond to the demand for process integration. As a result, our representative 5-axis, mill turn centers and other advanced-technology machines are a driving force for growth.

## 5-axis / mill turn centers & advanced technology machines

# 68%



LASERTEC 125 DED hybrid



DMC 65 H monoBLOCK



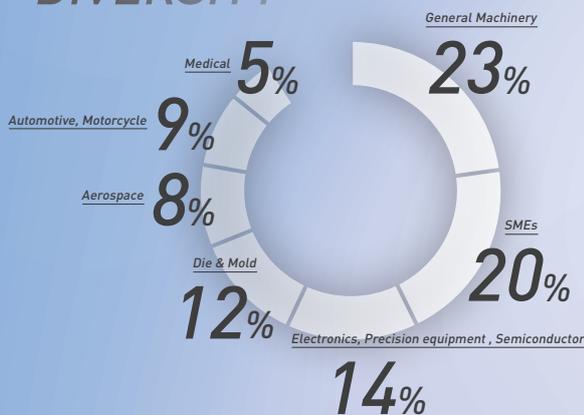
DMF 200 | 8



NTX 2500 2nd Generation

GLOBAL LEADER

## DIVERSITY



### Balanced customer base

DMG MORI's products are broadly accepted by customers from diverse industries. We maintain business relationships throughout the whole manufacturing industry and thereby contribute to the development of our industrial society.

## AUTOMATION



### DMG MORI's automation solutions

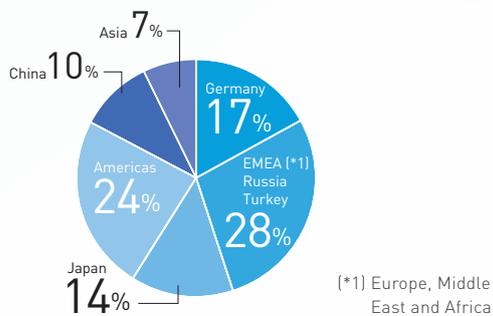
As a response to the rising demand for flexible automation of factories, we are offering a total of 53 automation solutions to our customers.

## DIVERSITY

### Global customer base

The machine tool industry is inevitably affected by demand fluctuations caused by unpredictable macroeconomic changes and capital investment trends. However, DMG MORI has stabilized its business by a solid customer base around the world.

- ▶ We will lead our business to sustainable growth by expanding our customer base from developed markets to promising emerging markets such as China and Southeast Asia.

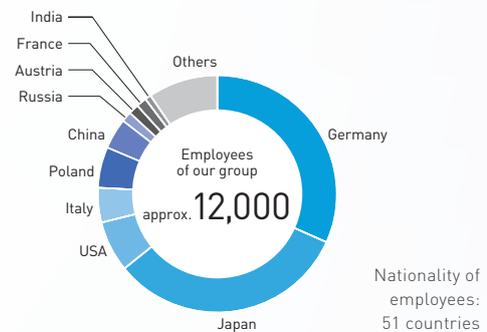


## HUMAN RESOURCES

### Multinational workforce

DMG MORI's workforce consists of approx. 12,000 employees in 43 countries (location base) of various languages, nationalities, genders and fields of specialty. In every field and level of our group, employees with different backgrounds cooperate closely with respect for each other.

- ▶ Our diverse employees help DMG MORI capture customers' needs and drive technological innovations.



## AUTOMATION

### Diverse Automation Solutions

We improve each customers' productivity by providing tailored automation solution based on the selected combination of our machines with peripheral equipment such as handling and measurement equipment and production management systems.

- ▶ As a result of the persistent labor shortage and recent global pandemic, we see an increasing demand for automated production systems. DMG MORI can offer customers 53 different types of automation solutions that can be delivered within the shortest lead times.



## DIGITIZATION

### Optimized factory operation with digital innovation

We provide various platforms and software solutions that digitally connect whole manufacturing processes — upstream and downstream — in order to optimize production efficiency.

- ▶ By connecting machines to the network via MESSENGER, customers can monitor operation status in real time, collect and analyze data, and automatically create reports.
- ▶ WERKBLiQ helps customers to digitally manage maintenance and service for their machines and peripheral equipment.

**MESSENGER** **ISTOS**

**WERKBLiQ** **TULIP**



# DMG MORI in 2020



## January

- Pfronten Open House



## May

- The 118th Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT (virtual meeting)



2020



## April

- Start of digital run-off



## March

- The 72nd Annual General Meeting of Shareholders
- Tokyo Global Headquarters switching to CO<sub>2</sub>-neutral electricity



## June

- Start of Technology Fridays
- Start of DMG MORI Online Seminars
- Release of LASERTEC 30 DUAL *SLM* (Japan)





## August

- Release of LASERTEC 6600 *DED hybrid* (laser metal additive manufacturing machine)

## November

- JIMTOF online
- DMG MORI Online Technology Days
- Establishment of “System Solution Center” as new addition to Digital Twin Showroom
- Race start of DMG MORI SAILING TEAM (Vendée Globe 2020-2021)

## July

- Opening of Digital Twin Showroom “Iga Global Solution Center”

## October

- Online GDS (Global Development Summit)
- DMG MORI Digital Event (Europe)
- Tianjin Online Open House (China)

## September

- Operation start of monoBLOCK Excellence Factory at Pfronten (Germany)
- Establishment of “T Project Co., Ltd.”

### T Project



# Message from group CEO



Masahiko Mori

DMG MORI Group CEO  
DMG MORI CO., LTD. President, Dr. Eng.  
DMG MORI AG Chairman of the Supervisory Board

## Summary of year 2020

Due to the spread of COVID-19 from early spring, 2020 was a year in which we were exposed to rapid changes in the economic environment, and our ability to respond to the crisis had been tested. In the financial crisis of 2008, 12 years ago, we recorded operating losses of JPY 26.9 bn. and net losses of JPY 34.6 bn. due to delays in responding to a changing economic environment. In 2020, however, we could continue to offer direct support to our customers despite all the travel and other restrictions. This was made possible by our direct sales and services network covering 137 locations in 43 countries, and by our continued efforts for digitization.

In 2020, we opened new ways of marketing. The Digital Twin Showroom provides convenient access for our customers to information on our cutting-edge products and technology such as our high-speed & high-accuracy 5-axis machining centers, mill turn centers, and full turnkey projects. In addition, our in-person open house event series, “Technology Fridays”, was born, where we invited small groups of customers every Friday. Also, by early actions for cost reductions we could significantly lower the break-even point. These measures bore fruit and resulted in operating income of JPY 10.7 bn. as well as net income of JPY 1.7 bn.

Our mission is to help our 150,000 existing and further 150,000 potential customers, who are the foundation of the

manufacturing industry, maintain and improve their production worldwide. I am proud that we could achieve our mission despite all the challenges. I am also convinced that this new environment will encourage our customers to shift even more to process integration, automation, and digitization, and lead to higher recognition of our efforts in these fields.

In line with the worldwide efforts to cope with climate change, DMG MORI started to deliver CO<sub>2</sub>-neutral products from January 2021 for the first time in the machine tool industry. I believe that in 2020 we could once again strengthen the foundation for sustainable growth by demonstrating our competence in dealing with changing economic circumstances, customers’ demand, and societal expectations.



## Financial Summary 2020

In addition to the continued effects from the US-China trade conflict since the second half of 2018, the spread of COVID-19 had a significant impact on the demand for machine tools in 2020. Consolidated order intake dropped by 31.7% year-on-year to JPY 279.7 bn. The machine order backlog at the end of the fiscal year 2020 dropped to JPY 96 bn., down JPY 50 bn. and 34.2% year-on-year. The decline in order intake led to lower sales revenues in 2020 with JPY 328.3 bn., down JPY 157.5 bn. and 32.4% year-on-year. Our strategy focusing on 5-axis and mill turn technologies and full turnkey projects contributed to an improvement of the ratio of gross income to sales revenues. We reduced

personnel costs and exhibition costs by shifting to digital marketing. Such efforts led to the operating income of JPY 10.7 bn. and represents a consolidated operating income margin of 3.3%. The acquisition of additional shares in DMG MORI AKTIENGESELLSCHAFT, Germany (hereinafter "AG"), reduced the net financial costs by JPY 0.4 bn. from the previous year, as the amount of the recurring compensation to minority shareholders of AG decreased. On the other hand, the net income attributable to the owners of the parent dropped by 90.3% to JPY 1.7 bn. from the previous year. This is because the effective tax rate surged to 66.8% due to net loss of some group companies.

Exchange rate (AR Yen) 121.8 / EUR

Consolidated order intake	JPY 279.7 bn. (2019: JPY 409.4 bn.)	EUR 2,296 Million
Machine's order backlog	JPY 96.0 bn. (2019: JPY 146.0 bn.)	EUR 788 Million
Sales revenues	JPY 328.3 bn. (2019: JPY 485.8 bn.)	EUR 2,695 Million
Operating income	JPY 10.7 bn. (2019: JPY 37.3 bn.)	EUR 88 Million
Operating income margin	3.3% (2019: 7.7%)	—
Net income attributable to the owners of the parent	JPY 1.7 bn. (2019: JPY 18.0 bn.)	EUR 14 Million

## Order intake

The consolidated order intake has been declining continuously since its peak in the 1st quarter 2018 (Jan.-Mar.). Due to the US-China trade conflict in 2019 and the worldwide spread of COVID-19 since early spring 2020, the consolidated order intake fell to JPY 279.7 bn. in 2020, down by 31.7% from the previous year. The order composition between the Japanese and overseas markets remained unchanged from 2019 at 14% and 86%, respectively. However, the regional breakdown of orders from overseas saw some changes in 2020. While Europe accounted for still 45% (54% in 2019), orders from Americas increased to 24% (18% in 2019) and from China and Asia to 17% (14% in 2019). We observe a growing demand for production of EV-related products including batteries, chemical processing equipment and drive components, renewable energy, clean engine, agricultural machinery, 5G communication devices, as well as medical and semiconductor production equipment.

## Sales revenues

Sales revenues decreased by 32.4% to JPY 328.3 bn. In particular, the 2nd quarter 2020 (Apr.-Jun.) saw the largest drop in sales due to delays in shipment and final acceptance. Our sales and service engineers had to postpone customer visits by respecting lockdown regulations and travel restrictions that came into effect worldwide. Given this background, DMG MORI introduced digital run-offs, remotely connecting our factories with customers via high-resolution video imaging. The acceleration of digitization is another example of our novel efforts to cope with the new environment. The travel restrictions have been gradually relaxed since then, but not to fully lifted yet, so that some acceptance inspections are still pending.

## ■ Financial position

Free cash flow was in deficit at JPY 5.2 bn. mainly due to lower down-payment driven from sluggish order intake and continued capital expenditures for an expansion of production capacity and productivity at the Pfronten factory in Germany. In order to cover necessary funds by shifting from short-term to long-term capital, we raised hybrid capital of JPY 70 bn. Our equity ratio rose to 35.2% from 23.6% at the end of 2019, net debt amount declined by JPY 11.1 bn. to JPY 64.4 bn., and net debt equity ratio improved to 35% from 61% at the end of 2019.

## ■ Research and Development

R&D expenses are strictly measured for effectiveness, but development of advanced technologies including integrated machines and additive manufacturing, automation and digitization are the drivers of our future growth, and we have continued to strengthen corresponding R&D activities. In 2020, we launched new products in our additive manufacturing range: LASERTEC 30 DUAL *SLM* which increases productivity by 70% and LASERTEC 6600 *DED hybrid* for large workpieces.

In the automation field, we added automated guided vehicles (AGV) using 5G technology to our existing portfolio of 53 standardized systems. In practical use, the new AGV allows for increased flexibility of equipment placement combined with safe and accurate material conveyance. In addition, we have introduced an automatic chip removal system with AI (Artificial Intelligence) and non-contact on-machine automatic measurement system using the latest sensing devices with an alliance of Nikon Corporation. These technologies are contributing to the improvement of cutting accuracy and productivity for customers.



## ■ Outlook for fiscal year 2021

Demand for machine tools has moderately recovered since the economic bottom in the 2nd quarter of 2020 (Apr.-Jun.). DMG MORI's consolidated order intake also marked the lowest point in the 2nd quarter (JPY 57.2 bn.) and recovered to JPY 73.3 bn. in the 4th quarter. Our customers are increasingly interested in our focal fields, process integration, automation, and digitization, and related inquiries show a significant increase in number. However, due to the resurgence of COVID-19 since the end of 2020, the lead time from inquiries to order intake tends to be longer than usual. We believe that the ongoing vaccination campaigns will bring a positive turn in the economic climate and in our order intake, both in the 2nd half of 2021. We expect an annual consolidated order intake of JPY 380 bn. in 2021 (36% up year-on-year).

On the other hand, the sales and operating income should remain stable at JPY 330 bn. and 11 bn. respectively. Because of the modest order backlog at the end of 2020 (JPY 96 bn.), we will strive to secure more orders and receive payments by year-end. However, with an average order intake-to-shipment lead time of 5 months, the order intake recovery in the 2nd half will not translate into sales revenues until 2022. We intend to continuously and strictly exercise cost control and maintain the break-even point at JPY 302 bn., the same level as the previous year.

We plan a full year dividend per share of JPY 20, with each JPY 10 for the first half and second half, which is the same as in 2020. Our dividend policy is to pay stable dividends even in economic down-cycles in combination with approx. 30% of payout ratio during up-cycles after consideration of free cash flow and the repayment of interest-bearing debt. We believe that we are in the early stages of demand recovery and we will assess the pace of such recovery in order intake and profits. At this early stage, we plan to maintain the same level of dividend per share for 2021.

## ▣ Sustainable Management Policy (ESG / CSR)

DMG MORI values its relationships with society and strives to satisfy all stakeholders' interests. As a measure against global climate change and for decarbonization, DMG MORI achieved carbon neutrality in the process of procurement to delivery (upstream Scope 3). It is a milestone, which no competitor has achieved yet. Starting January 2021, all machines are delivered carbon-neutral, bearing our "CO<sub>2</sub> Neutral" Logo. We believe these initiatives will help our customers to achieve CO<sub>2</sub> neutrality within their own supply chain, thereby providing us with a strategic advantage.

DMG MORI has also strived to enhance employees' quality-of-life. We have adopted the "DMG MORI Health Management Policy" as part of our commitment to health management under the corporate philosophy of "play hard, study continuously, and work together". In 2020, the number

of annually used paid holidays rose by 4 days year-on-year to 25.9 days per employee in average. The average annual working hours have been strictly controlled as well and reduced by 204 hours year-on-year to 1,806 hours per person.

In terms of corporate governance, we appreciate diversity and focus to diversify career backgrounds, nationality, and gender of our directors. With the approval from shareholders on March 29th, we will increase the ratios of external directors to 40%, non-Japanese directors to 20%, and female directors to 10%, respectively.

With the above mentioned measures, DMG MORI is committed to continuously enhance our corporate value and satisfy all stakeholders.



## Highlights

# DIGITAL INNOVATION

### 2020 Digitization Initiatives

In 2020, we were unexpectedly forced to limit our travels worldwide. DMG MORI took this opportunity to further advance digitization of machining processes and the entire supply chain, including sales, delivery and after-sales service. We have reinforced our digital and physical customer support system.



# 1



### Digital Twin Showroom

*Full Computer Graphics of Global Solution Center  
Highly realistic images give a real sense of immersion*

Our Digital Twin Showroom allows customers to visit our showroom anytime from anywhere and search and experience products and technologies of their interest.



# 2

### Online Technology Days

*DMG MORI  
Online Technology Days -  
Our first online exhibition held  
in November 2020*

With physical exhibitions being restricted, we decided to offer similar contents to our customers online - visits to our Digital Twin Showroom, overviews of our newest products, and various online seminars.

# Experience new values and industry trends



## 3

### Online seminars

#### *Wide range of online seminars made available*

DMG MORI's experts are offering online seminars tailored to customers' specific needs. Customers can take seminars of interest at anytime from anywhere. The new digital service has been well received by a high number of customers.

## 4

### Technology Cycles

#### *Application software to make complicated and advanced processes quicker and easier*

With DMG MORI's application software, customers can easily create advanced machining programs with the help of conversational automatic programming. We additionally offer our Technology Cycles, total software solutions that significantly shorten the total machining lead time.



## 50 Technology Cycles

Handling

Machining

Measuring

Monitoring

## Digital run-off <sup>(\*1)</sup>

### Digital run-off of machine tools via web conference systems

We are fully committed to meet the desired machine delivery times of our customers. Therefore, we connect our factories with customers online to perform the pre-shipment run-off and show the machine's operation in detail. This helps us to continuously support our customers' businesses.

(\*1) run-off: test machining at DMG MORI factories witnessed by customers

# 5

DMG MORI



- Camera images  
- Document sharing

Connected via online conference

- Live briefings  
- Q&A



iPhone / Web camera



Live shooting of points to be checked



iPhone / Web camera



Network connection

Customers

office

Connected via online conference

- See briefings  
- Q&A

- Camera images  
- Document sharing

home

Connectable from remote locations

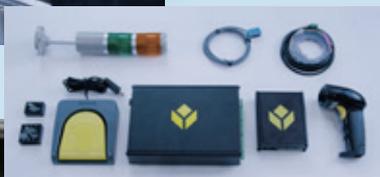


# 6

## TULIP

*Promoting factory digitization by user-friendly, cloud-based platform to create manufacturing app*

TULIP is a low-code manufacturing app platform that enables people on the shopfloor to easily create applications. TULIP contributes to the digitization of tacit knowledge, the transfer of know-how, and the improvement of operation efficiency and quality.





# 7

## my DMG MORI

### **Communication platform connecting DMG MORI and customers**

Our exclusive customer portal “my DMG MORI” enables members to digitally manage their manuals, drawings and machine information, and to make service requests easily online. It realizes a sustainable working environment.



# 8

## Digital Academy

### **Effective combination of e-Learning and on-site machining training Full utilization of rich digital contents**

Our customers can access Digital Academy to receive machining trainings from skilled engineers and start operation of newly installed machines easily.

# Marketing

In response to the increasing demand, we have established a combination of digital and on-site events for our customers. We are now offering online exhibitions and virtual tours through our Digital Twin Showroom, and on-site exhibitions for a small number of customers.

## Digital Twin Showroom

DIGITAL



We opened “Digital Twin Showroom” on our website in July 2020, which replicates the real Iga Global Solution Center and System Solution Center with the digital twin technology (\*1). With a 360-degree panorama view, the full CG Digital Twin Showroom (4K image quality) takes the visitors to a digital world that provides a real sense of immersion and makes them feel like they are actually walking around the showroom. It is easily accessible anytime from anywhere and provides visitors with the newest information about our machines, peripheral equipment, automation solutions and online seminars.

(\*1) Technology that creates a virtual copy of real-world machines and equipment and enables simulations based on the digital data.

## Online Exhibition

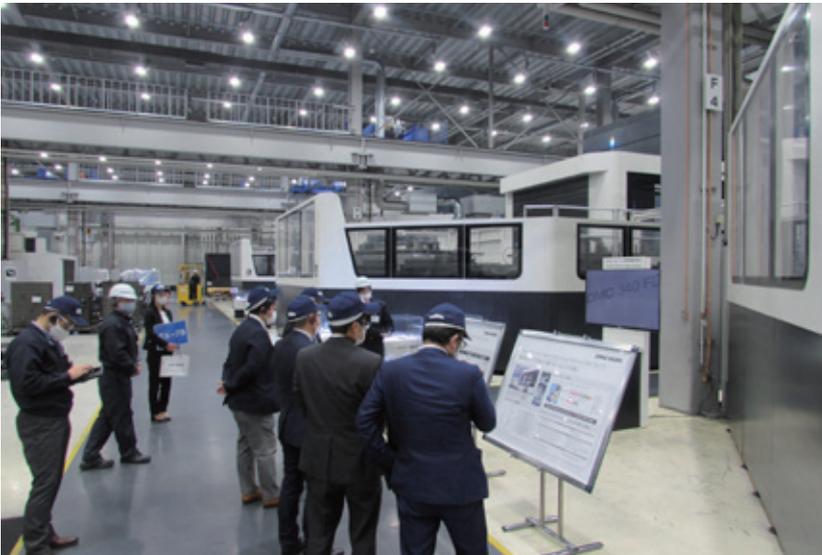
DIGITAL



The spread of COVID-19 led to the cancellation of major exhibitions worldwide. Instead, we held the online exhibition “DMG MORI Online Technology Days” in Japan on November 2020. The online exhibition was easily accessible from web browser and included contents such as online seminars, our Digital Twin Showroom and introductions to our newest products. It was well received by a high number of customers.

Technology Fridays: Open house seminars for a small number of customers

REAL



From June 2020, we started our new small-sized open house event series “Technology Fridays” at our Iga Campus and Tokyo Global Headquarters, as an alternative to the previous large-scaled events at our factories. Each Friday, we invite a small number of customers to technical seminars and cutting demonstrations with the newest products in our showroom.

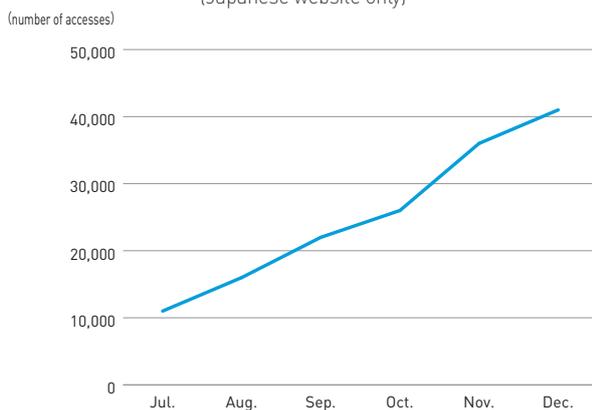
Digital Twin Showroom access numbers / Technology Fridays number of visitors

DIGITAL

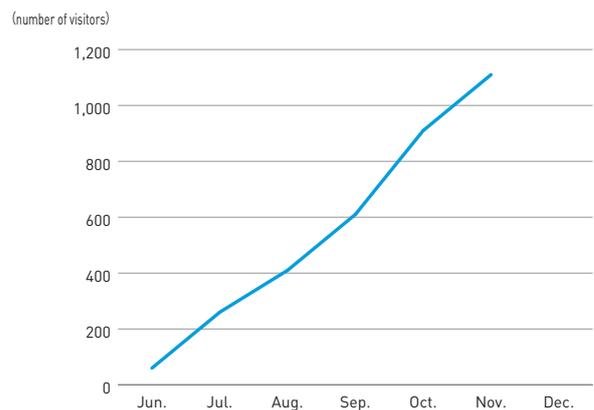


REAL

Digital Twin Showroom cumulative access numbers  
(Japanese website only)



Technology Fridays cumulative number of visitors

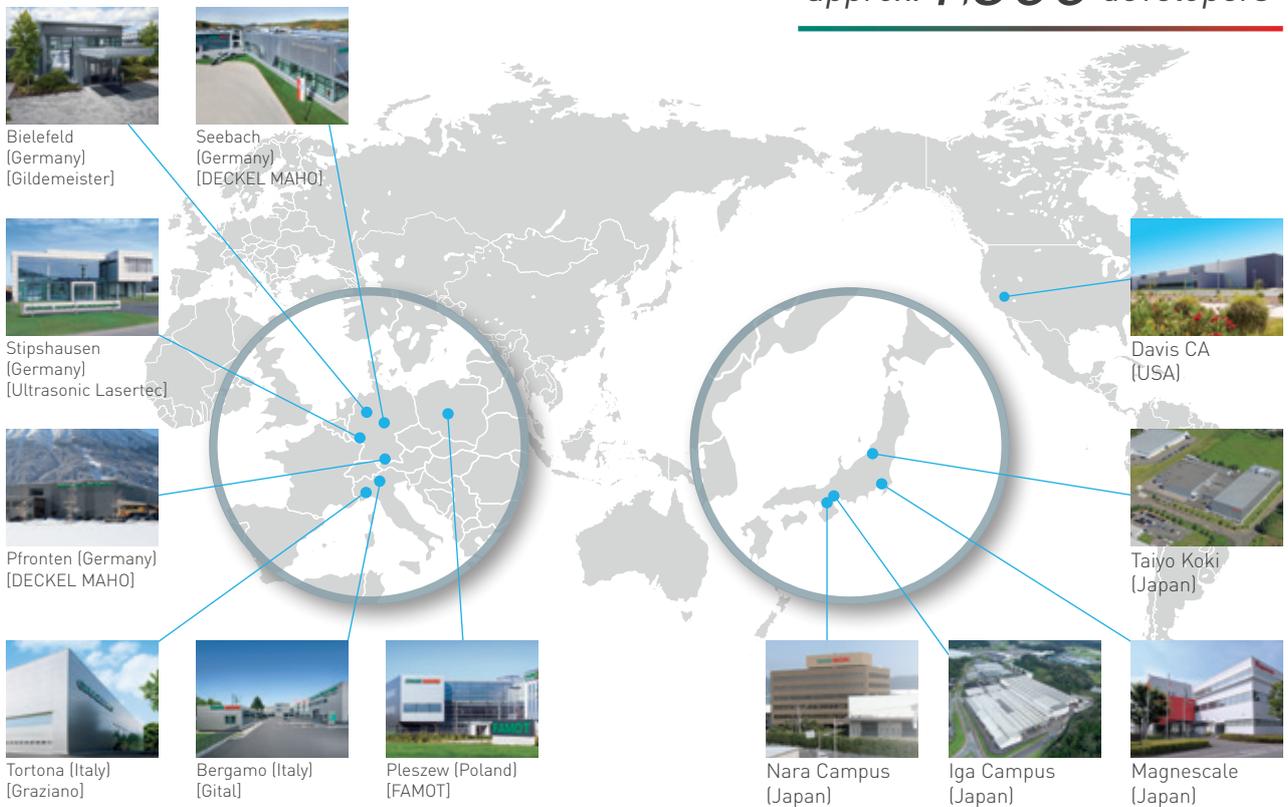


# R&D

DMG MORI is committed to developing cutting-edge and efficient products that meet the needs of customers around the world, taking advantage of our strengths from Japan and Germany combined.

## R&D sites across the world

*approx. 1,300 developers*



## Advanced Technologies

Additive Manufacturing, laser processing and ultrasonic processing are referred to as Advanced Technologies. They are applied in fields not suited for conventional cutting, such as machining of complex shapes and new types of material. Their usage is constantly growing.



LASERTEC 6600 DED hybrid

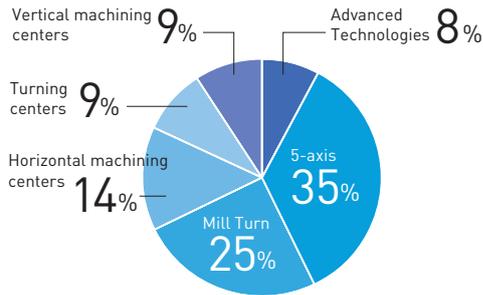
### Sample workpieces



### 5-axis & mill turn centers

5-axis and mill turn centers achieve higher accuracy by machining the workpiece in one chucking; they also shorten production lead time by integrating multiple processes.

#### Order composition by product type

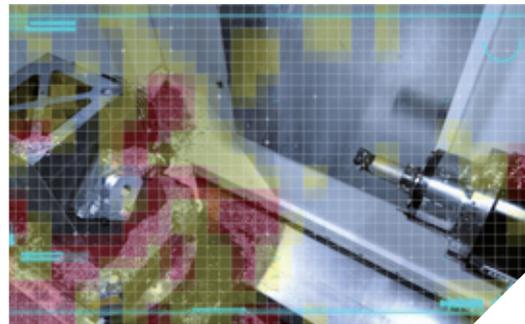


**60% of orders for process-integration machines**

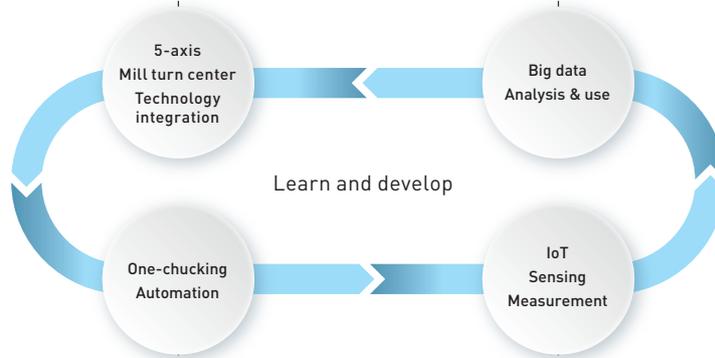


### “AI Chip Removal” solution

We have developed a technology that analyzes camera images by AI to identify where and how much chips are accumulated, and automatically adjusts the spraying angle of the coolant nozzles. This AI-based automatic washing solution improves machining accuracy, while reducing the work for operators, previously responsible for frequent cleaning of the cutting area. Therefore, long-time unmanned operation becomes possible.



### Processes for productivity improvement



### Automation

DMG MORI conducts joint experiments together with NTT Communications Corporation to test a guideless self-driving robot (AGV robot) [\*1] within a local 5G environment [\*2].



WH-AGV



### Sensing & Measurement

In collaboration with Nikon Corporation, DMG MORI developed a non-contact on-machine measurement system to automatically measure workpieces on the machine tool by state-of-the-art sensing technology.

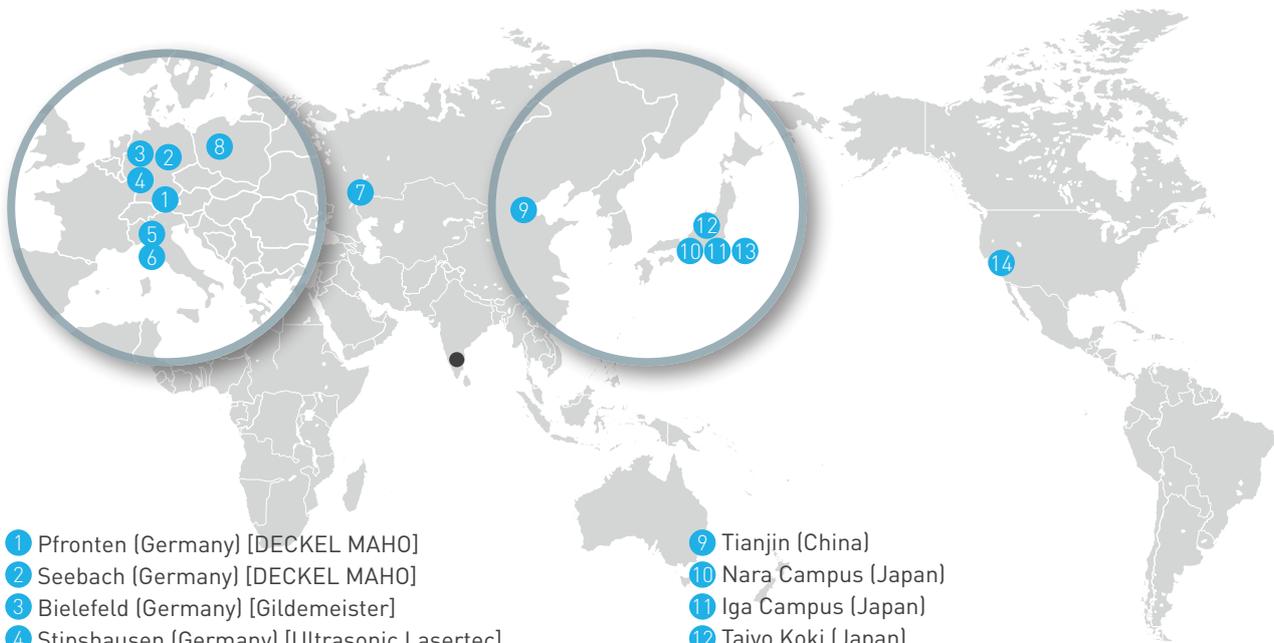


[\*1] AGV robots are collaborative robots mounted on AGVs (Automated Guided Vehicles) that can navigate autonomously without relying on rails by technologies such as 3D sensors.  
 [\*2] Different to 5G services provided by mobile phone companies, local 5G describes a 5G network built up by companies or communities for use inside their facilities and sites.

# Production

DMG MORI has production bases worldwide, with the biggest ones in Iga (Japan) and Pfronten (Germany). Our global presence allows us to produce machine tools closer to the end users, optimize transportation, secure short delivery time, and meet the diverse local needs.

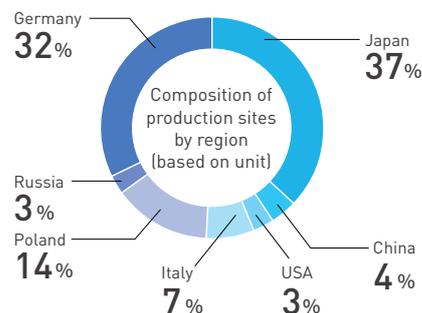
Global Production Sites: 14 fully owned + 1 partner production



- 1 Pfronten (Germany) [DECKEL MAHO]
- 2 Seebach (Germany) [DECKEL MAHO]
- 3 Bielefeld (Germany) [Gildemeister]
- 4 Stipshausen (Germany) [Ultrasonic Lasertec]
- 5 Bergamo (Italy) [Gital]
- 6 Tortona (Italy) [Graziano]
- 7 Ulyanovsk (Russia)
- 8 Pleszew (Poland) [FAMOT]
- 9 Tianjin (China)
- 10 Nara Campus (Japan)
- 11 Iga Campus (Japan)
- 12 Taiyo Koki (Japan)
- 13 Magnescale (Japan)
- 14 Davis CA (USA)
- Lakshmi (India) [Partner]

Our widespread production network

Our largest production sites are located in Japan and in Germany, while the remaining ones are spread across several European countries, the USA and China. By utilizing our global production span, we secure short delivery times and reduce transportation costs. Also, considering geopolitical risks, DMG MORI's diverse production network offers sustainable and safe operation, enabling continuous support towards our customers.



■ Implementing advanced digital technologies at Pfronten Factory (Germany)



September 2020 marked the opening of the monoBLOCK Excellence Factory in Pfronten, Germany, DMG MORI's largest production site in Europe. The monoBLOCK Excellence Factory offers 4,000 m<sup>2</sup> of space for line production by AGVs (Automated Guided Vehicles), which improved productivity by 30%. As a result, the annual production capacity has expanded from 600 to 1,000 units.

■ In-house production for key components

In-house production of main components



At DMG MORI, quality improvement and shorter lead times are in the center of our efforts, as is the shift to in-house production of key components for faster product development and stable parts supply. This applies to ball screws and ATCs, as well as spindles, which undergo an integrated production procedure from parts machining to assembly and quality control in our spindle plant. All our plants are promoting in-house production worldwide, including Japan and Germany.



# Engineering

DMG MORI provides peripheral and automation equipment alongside its high-accuracy / high-rigidity machine tools to generate additional value for customers by solving existing issues. This is supported by our engineering expertise, promoted through continuous education of our internal engineers and ultimately provided to our customers both digitally and physically.

## Automation System Solutions



DIGITAL X REAL



We observe a growing demand for automation of production processes by robots and other solutions to compensate for the lack of engineers and operators. Automation is made possible by connecting machines with peripheral equipment such as workpiece loading and measurement devices, and a production management system. DMG MORI has a system solution plant dedicated to assembling automation systems as turnkey projects to provide optimized solutions to customers. The System Solution Center inside our Digital Twin Showroom shows 16 accurate replications of different automation systems.

## Digital Run-off

DIGITAL X REAL

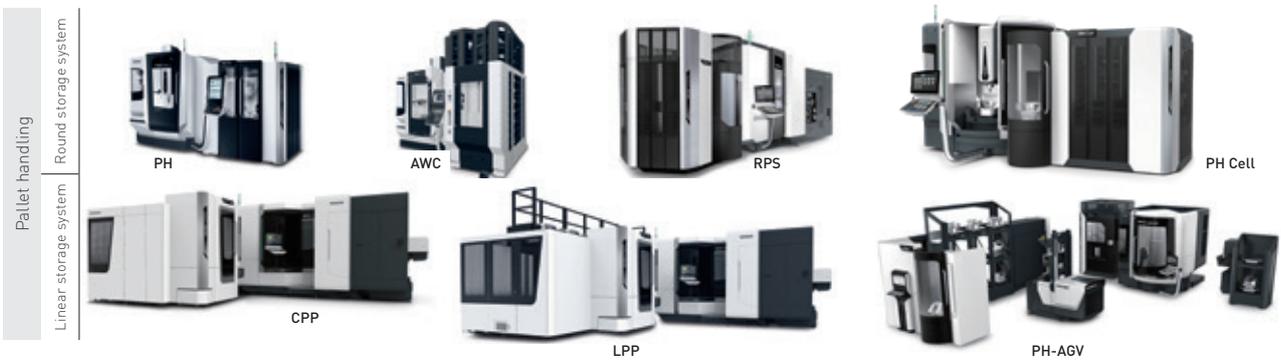


We successfully introduced digital run-off that connects our factories with our customers via web conferences. During the digital run-off, customers can verify their future machine's exterior appearance, the machining accuracy, the finished workpiece and system operation prior to the shipment to their plant. In recent years, we have received an increasing amount of orders for automation or complex systems instead of just standalone machines. This makes run-off even more important as a way of checking these kind of complex operations. Therefore, we offer a convenient and safe way of connecting from afar and can adjust flexibly to customers' delivery schedule.

Automation



4 SEGMENTS 13 PRODUCT LINES 53 PRODUCTS



50 types of Technology Cycles

DIGITAL



Technology Cycles are solutions to perform complex machining easily and quickly. They assist handling, machining, measuring and monitoring to achieve the highest quality. We offer our customers the newest software conveniently through online updates.

Excellence Centers

REAL



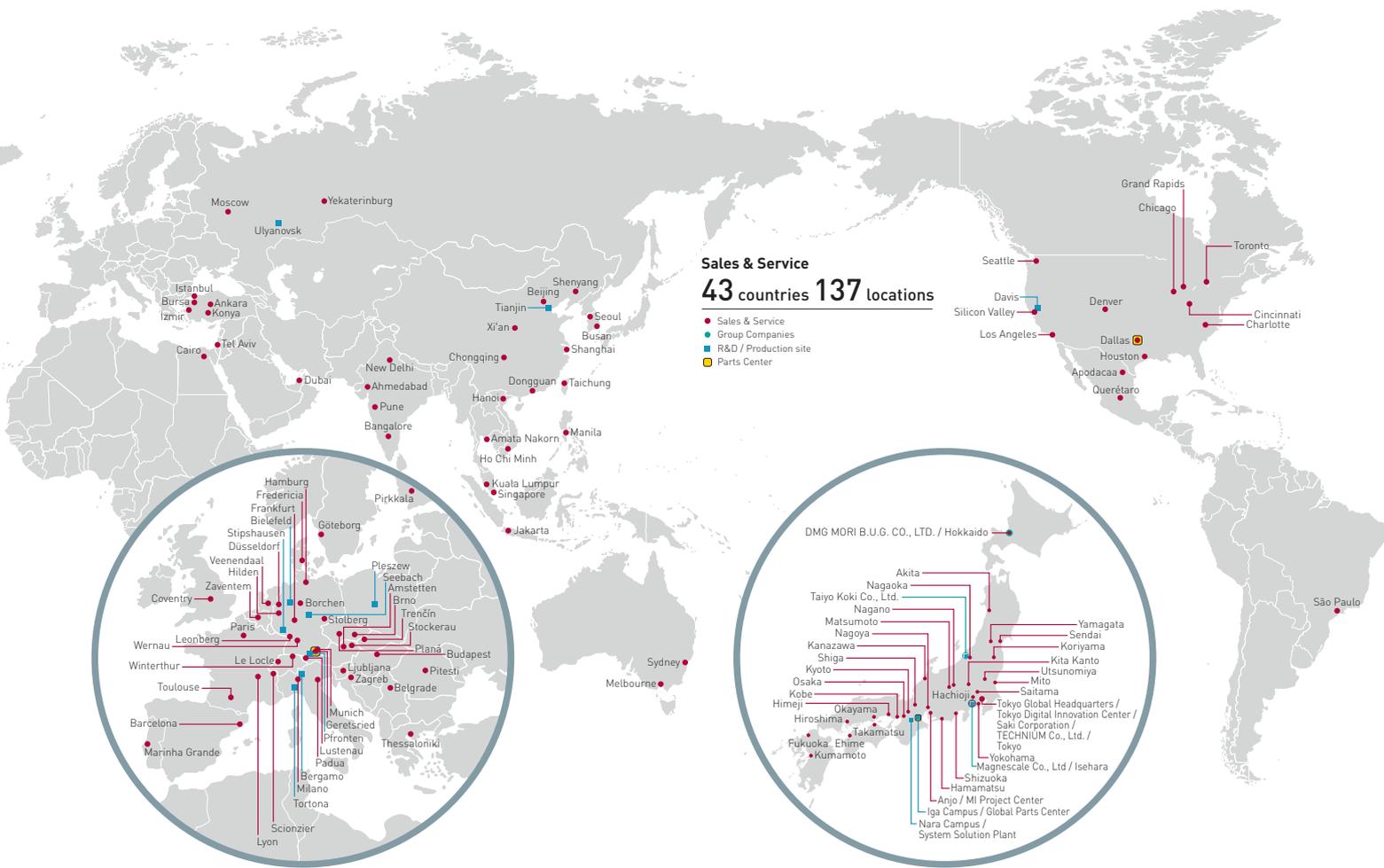
We have permanent exhibition areas for four major industries: Automotive, Medical, Die & Mold, and Aerospace. Engineers with specialized knowledge and expertise in each industry propose optimized solutions there.

# Direct Sales & Services Network

It is our mission at DMG MORI to offer our customers a way of improving their productivity while also supporting their business in the long-term. Through our direct sales and services network, we will continue to be a valuable partner to our customers.

Worldwide network covering 137 locations in 43 countries

REAL



*Providing the same-quality support worldwide*

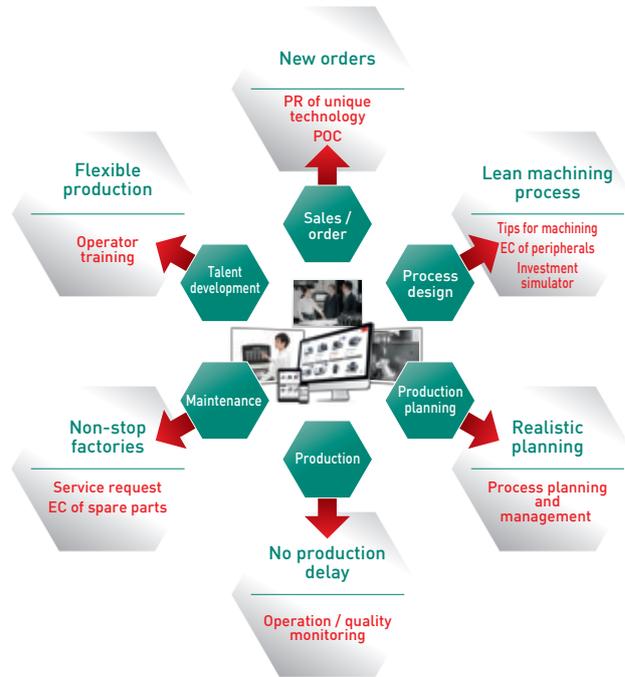
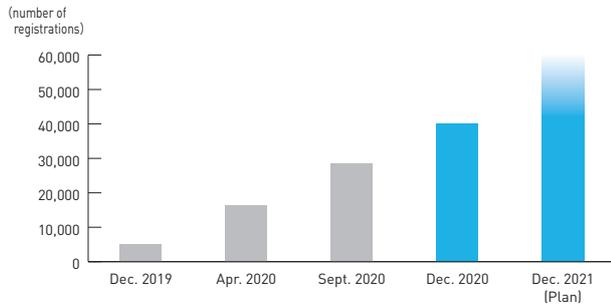
Quick trouble-shooting is essential for reliable and long-term machine tool usage. When a machine is down for a long time, it can negatively affect the owner's business performance. DMG MORI operates 137 locations in 43 countries and provides the same quality maintenance and recovery services to customers around the world.

**my DMG MORI**

**DIGITAL**

In September 2019, we launched a new exclusive customer portal “my DMG MORI” that brings additional value to customers through digitization. The website allows them a quick view through installed machines’ information in each factory, including the serial number, delivery date, and warranty expiry date. Manuals and service, repair, and spare parts histories are also easily accessible. We also have added functions for placing service and spare parts orders online.

Number of registrations to my DMG MORI



**e-Learning Service: Digital Academy**

**DIGITAL** × **REAL**

DMG MORI launched the “Digital Academy” to offer a more effective and efficient learning service consisting of e-Learning and machining practice. Participants can get great benefit because they can watch the e-Learning contents repeatedly and ask questions during the course. With the classroom training with e-Learning, we could shorten the practical training at DMG MORI’s factory to 2 days.



**TULIP: Supporting improvements on the shopfloor by digitization**

**DIGITAL** × **REAL**

TULIP provides a cloud-based platform to create applications for the shopfloor without programming knowledge. Established by MIT Media Lab in the United States, TULIP ensures higher efficiency and quality by offering solutions for people working on the shopfloor to create a wide range of applications for work instructions, quality control, and monitoring of equipment by themselves.



## Group Companies

# Pursuing expertise and added value

DMG MORI has group companies with high expertise. The Tokyo Digital Innovation Center (DIC) is home to the three group companies of DMG MORI specialized in digital technology. They provide their joint knowledge and support for improvement of efficiency at customer's site.

The same applies to overseas, where proficient group companies individually develop proprietary technologies, while also merging them with other members of our group.

### TAIYO KOKI

#### TAIYO KOKI CO., LTD.

221-35, Seiryō-machi, Nagaoka City, Niigata, Japan



#### *Realize customer needs with custom responsiveness Front runner of vertical grinding machines*

Taiyo Koki is an innovative and highly skilled manufacturer specialized in grinding machines, such as vertical grinding machines. Grinding machines make the last step of metal processing; hence, require the highest level of accuracy within all machine types. To meet all customer needs, Taiyo Koki applies a flexible development and production system adjusted to the requirements of each order. After its foundation in 1986, the company became a member of the DMG MORI group in 2001, and listed in the JASDAQ Standard market in 2007. In 2019, Taiyo Koki's turnover surpassed JPY 10.0 bn. for the first time. With its technical expertise, highly praised both in- and outside of Japan, the company is devoted to further expanding its market in the world.

### Magnescale

#### Magnescale Co., Ltd

45 Suzukawa, Isehara City, Kanagawa, Japan



#### *Magnetic and optical position detection of highest precision*

For over 50 years, Magnescale has been providing high-precision encoders based on magnetic and laser technologies for machine tool and industrial machinery equipment. Its high-precision magnetic waveform recording and high-grade interpolation technology enable precision and resolution equal to optical technology, while its magnetic technology ensures high-level environmental resistance. This makes Magnescale's products highly reliable, even in the tough conditions of the metal cutting industry. In addition, Magnescale offers Laserscale, an optical encoder suited for semiconductor manufacturing systems and ultra-high-precision machines, capable of 2.1 picometer, the highest resolution in the world.

## **SAKI** *Saki Corporation*

DMG MORI Tokyo Digital Innovation Center, 3-1-4 Edagawa Koto-ku, Tokyo, Japan



### *Development of automatic inspection equipment for electronic parts mounting processes*

Saki Corporation provides automatic inspection equipment mainly used for circuit boards and semiconductors. Due to the miniaturization of electric components and the progress of high density mounting technology, the inspection of circuit boards used in 5G network systems, electric vehicles and others is becoming more difficult. Automatic quality inspection systems for manufacturing processes are increasingly necessary in order to secure the quality of our infrastructure. Saki Corporation contributes to the realization of smart factories through its total solution of hardware, software, and management system. This includes high speed, high definition imaging devices with cutting-edge optical and 3D X-ray inspection technology, software for advanced computing and judgement, and quality management systems for the entire factory.

## **TECHNIUM** *TECHNIUM Co., Ltd.*

DMG MORI Tokyo Digital Innovation Center, 3-1-4 Edagawa Koto-ku, Tokyo, Japan



### *Long-term support after machine delivery by DMG MORI's digital services*

In January 2018, TECHNIUM Co., Ltd. was founded through the joint investment by DMG MORI and the Nomura Research Institute, Ltd. TECHNIUM offers digital services that improve productivity and reduce costs throughout the lifecycle of customer's machines. myDMG MORI offered by TECHNIUM is a customer portal that enables members to manage all data related to installed machines, such as documents and the history of service and spare parts, all on one single platform. New functions are continuously added to the portal. With the newest function, customers can now send service requests for machine repair and recovery directly from myDMG MORI.

## **T Project** *T Project Co., Ltd.*

DMG MORI Tokyo Digital Innovation Center, 3-1-4 Edagawa Koto-ku, Tokyo, Japan



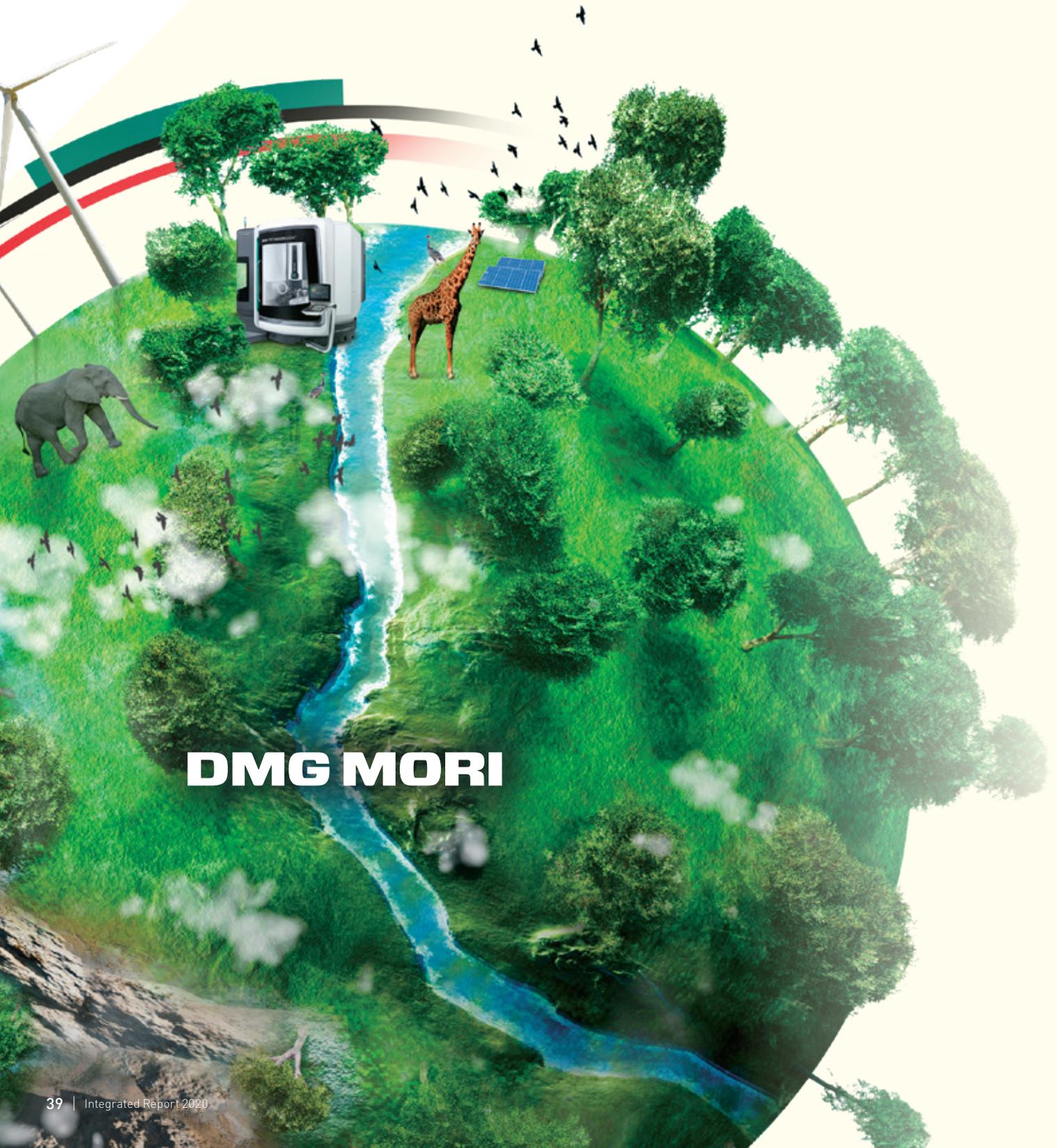
### *Promoting factory digitization by TULIP*

T Project Co., Ltd. was founded in September 2020 and became our Japanese distributor for TULIP, a manufacturing app platform invented by US-based Tulip Interfaces, Inc. TULIP enables the easy creation of applications without knowledge of programming. With its process digitization, efficiency and quality on the shopfloor is significantly improved. This is not only beneficial to machine tool users, but also to a wide range of other customers from various industries. By providing TULIP as a completely new digital solution, we are able to vastly improve productivity throughout the industries.

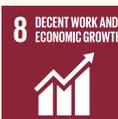
# Sustainability (ESG / CSR) initiatives

DMG MORI strives to make its contribution towards a sustainable society by taking measures for decarbonization and recycling.

From 2021, we will achieve carbon neutrality of our products manufactured in the world in the range from procurement to shipment (upstream Scope 3).



**DMG MORI**

Categories	Social issues		DMG MORI's actions	Related Pages
Environment	<ul style="list-style-type: none"> <li>• Limitation of climate change effects</li> <li>• Reduction of environmental load</li> <li>• Forest conservation</li> </ul>	 	<ul style="list-style-type: none"> <li>• Carbon neutrality in the process of procurement to shipment (upstream Scope 3 ) manufacturing (from 2021)</li> <li>• Reduction of CO<sub>2</sub> emission by using renewable energy sources</li> <li>• Energy friendly products</li> <li>• Supply chain optimization</li> <li>• Environmental preservation by utilizing abandoned farmland</li> </ul>	<p>P.41</p> <p>P.43</p> <p>P.44</p> <p>P.45</p>
Social	<ul style="list-style-type: none"> <li>• Measures against labor shortage</li> <li>• Transfer technical know-how to next generations</li> <li>• Improve job satisfaction and productivity</li> <li>• Diversify human resources</li> <li>• Coexistence with local communities</li> </ul>	   	<ul style="list-style-type: none"> <li>• Promotion of health management</li> <li>• Support of research &amp; development and human resource development</li> <li>• DMG MORI Academy to develop skilled engineers</li> <li>• Engagement in local communities</li> <li>• Support of cultural activities and local communities</li> </ul>	<p>P.47</p> <p>P.49</p> <p>P.50</p> <p>P.51</p> <p>P.52</p>
Governance	<ul style="list-style-type: none"> <li>• Corporate governance as foundation to contribute to a sustainable society</li> <li>• Realize a peaceful society</li> </ul>		<ul style="list-style-type: none"> <li>• Diversified Board structure</li> <li>• Development of next generation leaders</li> <li>• Strict export control system and various risk managements</li> </ul>	<p>P.57</p> <p>P.58</p> <p>P.66</p>

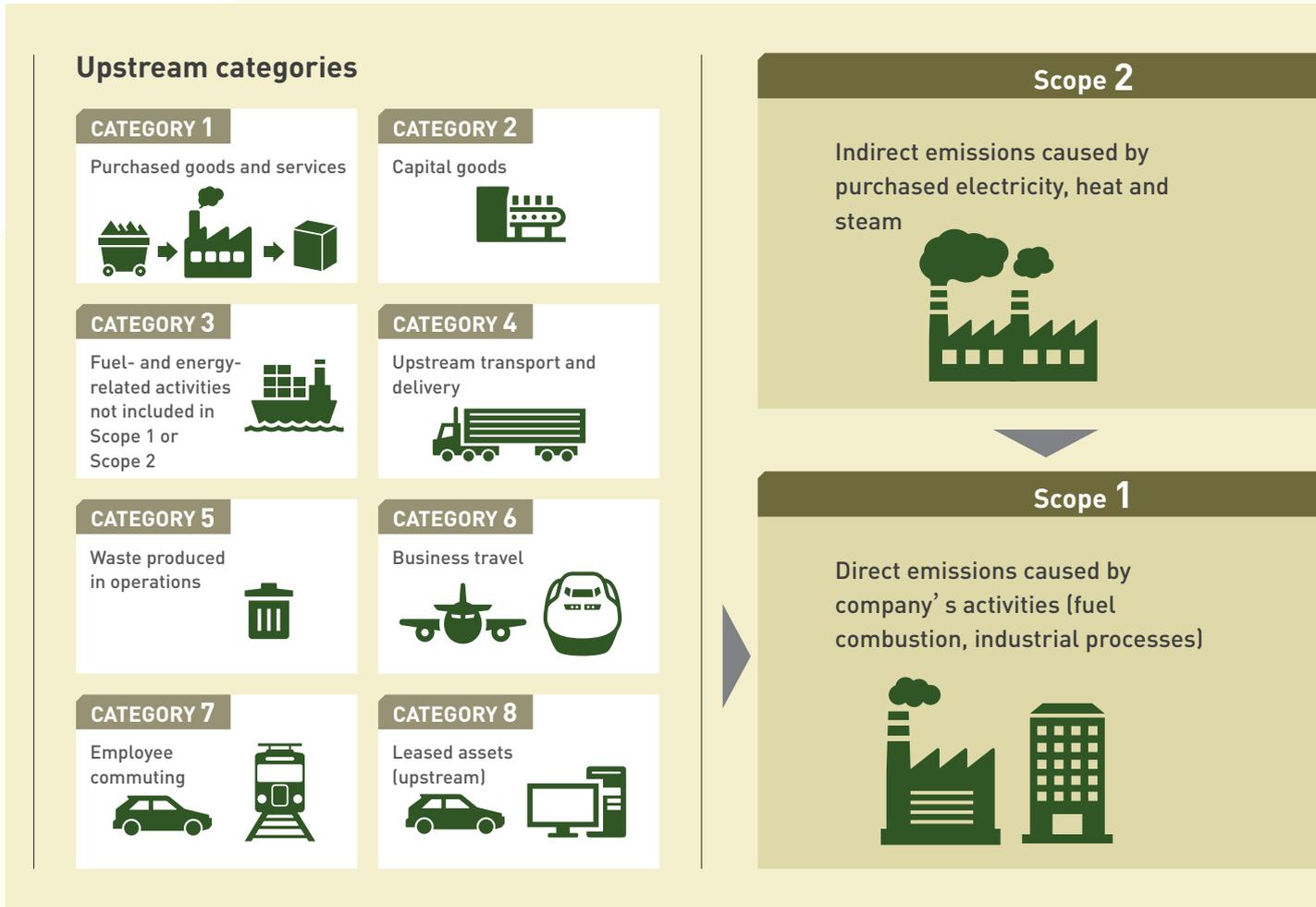
# Environment

# Social

# Governance

# Complete carbon-neutrality in the entire supply chain

## I Scope classification of supply chain emission



## Becoming a leading company towards a carbon-free society

In recent years, the world-wide awareness of environmental protection, prevention of global warming and climate change measures is on the rise. Consequently, companies have a growing social responsibility in regard to decarbonization. DMG MORI has already acquired the ISO14001 environmental management system (EMS) standard and continues to build environment friendly production facilities as well as develop energy friendly products to reduce CO<sub>2</sub> emission in customers use. Considering the future of the earth and our company, we realized that we need to promote further efforts. Therefore, we

established the Carbon Neutral Promotion Office in April 2020. The Carbon Neutral Promotion Office is dedicated to achieving DMG MORI's goal of carbon neutrality throughout the entire group, which is one of the Sustainable Development Goals (SDGs). The office is collaborating closely with AG, who is a frontrunner in CO<sub>2</sub> emission reduction based on Europe's strong environmental policies. Together we are working on a unified strategy to realize carbon neutrality for the entire group. However, Mr. Hiroshi Yuki, general manager of the Carbon Neutral Promotion Office, also aims to accelerate direct efforts towards environmental protection through the company's machine tool business. DMG MORI possesses the advanced knowhow and technology to manufacture components for green

### Scope 3

Indirect emissions besides Scope 1, Scope 2 (activities of the company's supply chain)

#### Downstream categories

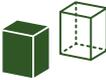
##### CATEGORY 9

Downstream transportation and delivery



##### CATEGORY 10

Processing of sold products



##### CATEGORY 11

Use of sold products



##### CATEGORY 12

Disposal of sold products



##### CATEGORY 13

Downstream leased assets



##### CATEGORY 14

Franchises



##### CATEGORY 15

Investments



Other (optional)



March 2021

Declaration of achieving carbon neutrality in Scope 1, 2, and Scope 3 upstream

March 2022

Achieving carbon neutrality in the entire supply chain (Scope 1, 2, and 3)

2022:  
Achieving carbon neutrality of the supply chain emissions

technologies needed to achieve carbon neutrality, e.g. wind or hydroelectric power plants, fuel cells and e-mobility. The promotion of such business activities will solve environmental problems and create new business opportunities at the same time. Therefore, the Carbon Neutral Promotion Office will focus on activities to promote environment protection and new business opportunities. By taking this two-sided approach, we are aiming to become a leading contributor to a carbon-free society.



**DMG MORI Co., Ltd.**  
**Carbon Neutral Promotion Office**  
**General Manager**  
**Hiroshi Yuki**

Joined the company in 1996 and is experienced with international projects. Played a leading role in management and sales support when CO and AG unified their European market sales and direct sales was introduced in America. Currently in charge of the realization of carbon neutrality as the general manager of the Carbon Neutral Promotion Office.

# Environmental protection

We at DMG MORI want our society to be sustainable. Therefore, we take actions to support a carbon-free, resource-recycling society, where humans and nature can coexist.

We see carbon-neutrality as especially crucial. Our whole group is speeding up its efforts towards this goal.

## Aiming for CO<sub>2</sub> neutrality

In 2021, DMG MORI delivers to our customers carbon neutral products (from procurement to shipment; upstream Scope 3). All machines shipped world-wide from the beginning of this year will carry the “GREENMACHINE” mark.

We are increasing our efforts in reducing our CO<sub>2</sub> emissions by measures such as the purchase of CO<sub>2</sub> free electricity, introduction of biomass power generation system and installation of energy saving equipment like LED lights in all facilities. Furthermore, we assist our customers in reducing their emissions with our energy-friendly products such as GREENmode. We are also contributing to the carbon-

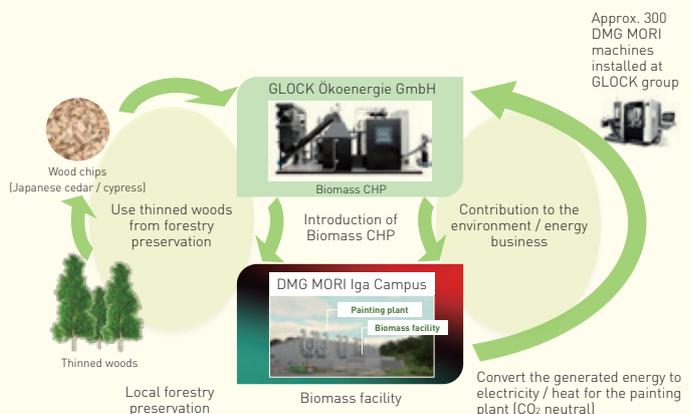
neutrality of society by using our advanced know-how and technology to develop components related to evolutionary green technologies such as wind and hydroelectric power generation, fuel cells and e-mobility.



GREENMACHINE mark

## Introduction of biomass energy

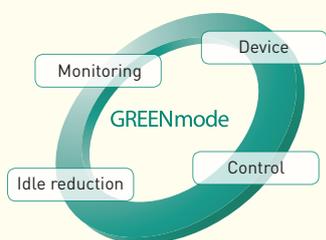
For fall of 2021, we plan to introduce a biomass power generation system at the painting plant on DMG MORI Iga Campus. This system is extremely efficient and energy saving because it can utilize 96% of the input energy by generating both electricity and heat. The usage of biomass energy is one of DMG MORI’s activities to protect the environment and contribute local communities. It not only helps to reduce our company’s energy consumption, but it also has zero emissions itself because it utilizes organic wood chips as fuel. By using wood chips made of thinned woods material, we can also make a contribution to environmental protection and the conservation of our forests. We are also supporting local industries by purchasing the wood chips from local suppliers.



Environmental protection through our own technology

## Reduction of annual CO<sub>2</sub> emissions by 2,650 kg / machine

Since September 2017, DMG MORI has made GREENmode a standard on all machines to save energy consumption. This covers four different approaches called GREEN control (shortening lead time), GREEN monitoring (visualizing), GREEN idling stop (eliminating idle time), and GREEN device (introducing cutting-edge technology). Based on these four approaches, optimized functions are added in accordance with each machine's machining application and characteristics, therefore supporting highly productive and eco-friendly operation at customers' sites. With GREENmode, a machine can reduce its annual CO<sub>2</sub> emission by 2,650 kg. This has a huge impact on saving energy, as machine tools are used for as long as 15 to 20 years.



40% energy saving by "GREENmode"

Initiative for environmental conservation

## Promoting greenery

<https://www.mahorobafarm.co.jp/>

In December 2017, DMG MORI founded the Mahoroba farm to utilize the abandoned fields around Iga Campus. In 2019, we started the cultivation of wine grapes and are going to expand the field size to 7 hectares over the next years. In 2020, we made wine from our first harvest. In addition, we are actively hiring persons with disabilities and aim to employ about 10 people in the future. We are working to ensure that people with disabilities can play an active role in society with confidence and motivation.



Resource efficiency

## Rebuild of spindle units

The spindle is the most important unit of a machine tool when it comes to machining accuracy. Depending on the age of machine, spindles can be affected by troubles such as reduced accuracy or rotation noise. In such cases, the spindle needs to be exchanged, but we are trying to repair or re-use functional parts as much as possible. By this, we can significantly reduce the costs and machine down times of our customers. We have established an in-house production system for essential machine components such as the spindle to guarantee the best quality and accuracy to our customers. We re-use our spindles and other main components after careful examination of the required quality accuracy, and address resource recycling and saving.



Supply chain optimization

## Improving casting production capacity of Watanabe Seikoshō (group company)

<https://w-seiko.co.jp/>

Our group company Watanabe Seikoshō Co., Ltd. (Izumo City, Shimane Prefecture) plans to invest about JPY 5 bn. to modernize and expand its casting production facilities. The upgrade will lead to significantly reduced CO<sub>2</sub> emissions from the casting production process. Further reductions can be expected when we fully switch to a local casting supply by Watanabe Seikoshō Co., Ltd. instead of imports from overseas. The new facilities will start operation in 2023, so by 2024 the total CO<sub>2</sub> emissions from casting production to transport to DMG MORI's factories in Japan will be reduced by max. 32,000 t (70%) compared to the amount of 2020.



\*Watanabe Seikoshō Co., Ltd. is also planning to achieve carbon neutrality.



# DMG MORI's Quality Policy

## Quality Policy

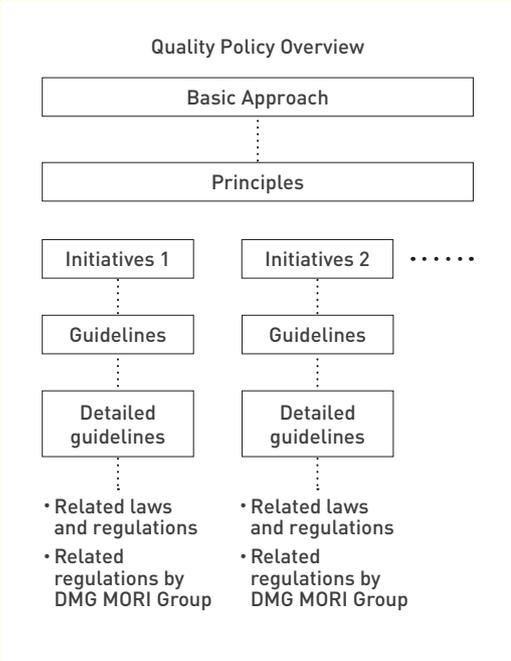
We at DMG MORI strive to realize our mission statement, deliver safe and reliable products & services to our customers, and be a trustworthy partner to all our stakeholders such as our suppliers, employees, shareholders, sponsors, and members of society. In order to achieve this, we have defined basic rules in our Quality Policy that all members of DMG MORI Group shall comply with. Our Quality Policy is also accessible on our website. It consists of 11 important items, which will be regularly reviewed and updated in response to changed circumstances.

### Basic Approach

We strive for cutting-edge technologies and services, and deliver added value and infinite possibilities through our machine tools to customers around the world.

### 11 items

1. Securing safety and quality of our products & services
2. Product liability & Basic Policy for Product Safety
3. Fair trade agreements with business partners and suppliers
4. Product safety commitment & customer service
5. Improving product quality for our customers through R&D
6. Secure trade control
7. Appropriate disclosure of information
8. Providing safe and friendly work environment
9. Environment-friendly initiatives
10. Quality Management System
11. Quality management education



### Quality Policy Website

<https://www.dmgmori.co.jp/corporate/sustainability/csr/quality.html>

## Diversity in the workplace

# Respecting each employee and promoting diverse workstyle

At DMG MORI, the employees are our most important assets. Therefore, our HR system is designed to encourage each employee to fully develop his / her capacities. The innovations necessary for the continuous growth of our company are a result of the teamwork of our diverse workforce to achieve joint goals based on mutual respect.

### Promoting Health and Productivity Management

## Cultivating a healthy work environment for mind and body

We at DMG MORI believe that the mental and physical health of employees is essential for the stable operation and continuous growth of our company. We expressed this philosophy in our “Health and Productivity Management Declaration” of January 2021. DMG MORI will continuously support its employees’ health management and improvement, and encourage them to stay motivated and energized by “play hard, study continuously, and work together”.

### DMG MORI Health and Productivity Management Declaration (Provisional translation)

DMG MORI places importance on the health management of its employees and will promote efforts towards the realization of “Health and Productivity Management.”[\*1]

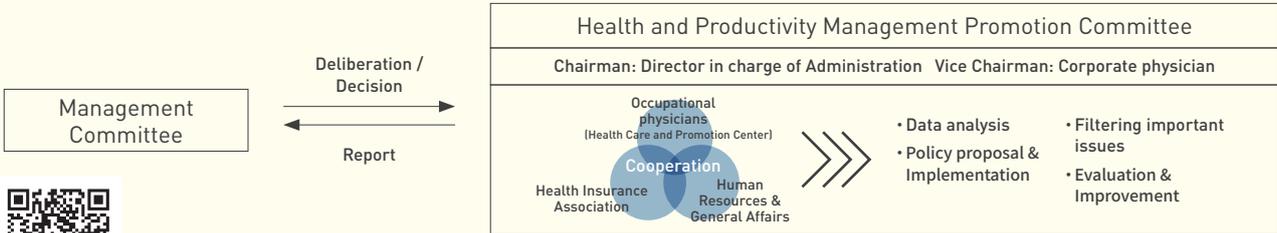
DMG MORI writes the following in its Mission Statement:  
 “Play hard and be dynamic to enrich our private lives, study continuously and be open to advance professional career, and work together and be innovative to bring innovation to workplace.”  
 DMG MORI believes that the employees’ vitality is connected to a healthy mind and body. This vitality is essential to the sustainable growth of our company. DMG MORI pledges to support the health improvement activities of its employees and to implement health improvement strategies to foster a corporate culture in which each employee’s health can reach its fullest potential.

January 4th, 2021  
 Masahiko Mori, Dr., Eng.  
 President  
 DMG MORI Co., Ltd.

[\*1] “Health and Productivity management” is a registered trademark by the NPO Workshop for the Management of Health and Company and Employee

### Health and Productivity Management Promotion Committee

Under the leadership of the Director in charge of Administration and an occupational physician, DMG MORI established the Health and Productivity Management Promotion Committee. Our medical staff, Health Insurance Association, Human Resources and General Affairs sectors deliberate and implement initiatives to promote health and productivity management together, in order to maintain and improve each employee’s health and cultivate mentally- and physically-healthy working environment.



Please visit DMG MORI’s homepage from the QR code or URL below for further details of our health and productivity management.  
 <<https://www.dmgmori.co.jp/corporate/company/csr/health-management.html>>

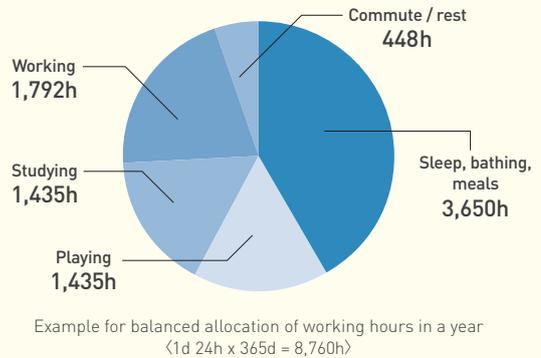
■ For enriching lives

## “Play hard, study continuously, work together”

DMG MORI’s Mission Statement says “Play hard and be dynamic to enrich our private lives, study continuously and be open to advance professional career, and work together and be innovative to bring innovation to workplace.”

We help each employee improve their work efficiency and lead well-balanced lives.

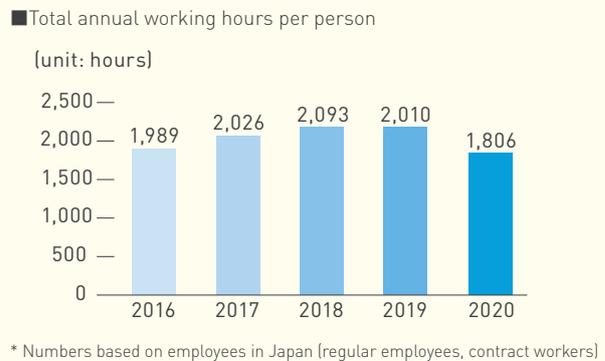
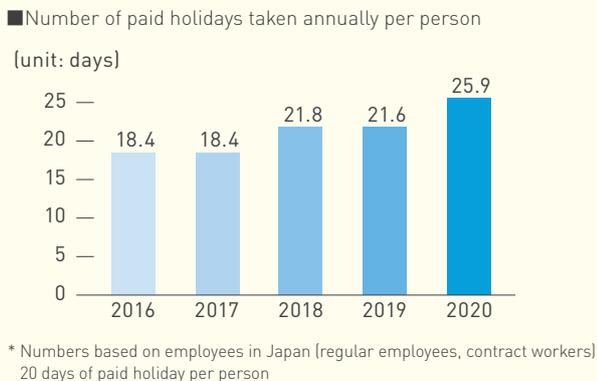
**Play hard = Improving physical and mental health**  
**Study continuously = Adapting to technological and social changes**  
**Work together = Fostering productivity in result-oriented culture**



■ Creating environment for healthy work

## Revision of working hours and the interval system

We are devoting ourselves to creating an environment and system which supports a healthy way of working. Our measures include the introduction of a mandatory complete medical examination since 2019, and strict management of each employee’s total working hours and the number of paid holidays taken. Our new interval system limits the max. time at workplace to 10 hours and obligates employees to take min. 12 hours break between each working day.



■ Promotion of work-life balance

## Stronger child care support

We are strengthening our internal systems to offer easy and long-term support to our employees. Apart from our original initiatives, such as the “DMG MORI Child Care Center,” we offer parental leave for fathers of 0 to 2 years old children and nursery school allowance as measures above the legal standards. Furthermore, starting from January 2020, the first 20 days of parental leave are treated as paid holidays in case of min. 20 days consecutive leave. We also actively encourage our male employees to take parental leave.



DMG MORI Childcare Center (Iga Campus)

## Human resources development

# Investment in R&D activities and human resources development

We are responsible for developing human resources in the machine tool industry. DMG MORI has internal training facilities worldwide, offers scholarships, and lends machine tools to fulfill its obligation to society.

### ■ Mori Manufacturing Research and Technology Foundation

## Investment in R&D activities and human resources development



**Mori Manufacturing Research and Technology Foundation**  
(General Incorporated Foundation)

<https://morifound.dmgmori.co.jp/>

The Mori Manufacturing Research and Technology Foundation was established in 2016 to institutionalize social activities such as our human resources development and investment in R&D. Since its establishment, the foundation has been fostering human resources development, local community culture and R&D in the machine tool industry and beyond as its three main areas of attention. It promotes projects that contribute to a global and sustainable economic development. DMG MORI's foundation will continue to fulfill its social responsibility by cooperating with local communities and supporting their cultural development in areas of high public interest.

### 1) Initiatives towards human resources development

Since April 2020, DMG MORI supports the "Digital Design & Manufacturing Laboratory" and "Precision Measurement and Machining Research Consortium" of Kyoto University, which were established as part of the university's 125th anniversary commemorative project.

In addition, DMG MORI is helping global leaders to earn their doctoral degree by supporting the Kyoto University Graduate School of Advanced Integrated Studies in Human Survivability (Shishu-Kan). To foster the development of next generation leaders and the cooperation between Japan and Germany, DMG MORI is also supporting the German-Japanese Young Leaders Forum of the Japanese-German Center Berlin. Since April 2019, DMG MORI is granting a 3-year scholarship to engineering graduate students of Kyoto University, Keio University and Tokyo University (first year: 6 students, second year: 5 students). During the current pandemic, the scholarship students continue to participate at seminars online and are actively proceeding with their research activities. They are expected to become valuable contributors

to the manufacturing industry in the future.

DMG MORI will sponsor the scholarship for additional student engineers who will begin their graduate studies at Kyoto and Keio University from April 2021 (third year: 3 students).

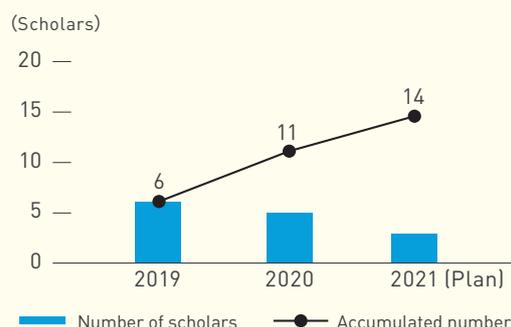
### 2) Initiatives to foster local communities and cultures

DMG MORI is making efforts to elevate the local scenery of its place of foundation, the Idoncho District of Yamatokoriyama City, located in Nara Prefecture. We planted a row of 140 cherry blossom trees along the neighboring Bodaisen river and continuously promote weeding activities throughout all districts to improve the whole city's landscape. Although the spreading of COVID-19 caused many of the events for 2020 to be cancelled, we will continue with our efforts to support the activities of local communities.

### 3) Support for R&D activities

DMG MORI supports research and development activities of machine tools and related technologies through its joint research and development activities with universities and research institutes worldwide. Another main focus area of the foundation is providing support for international academic conferences, etc.

Number of scholarship recipients by the Mori Manufacturing Research and Technology Foundation



Investment in research activities (MTTRF)

## Support for research institutes and participation in academic conferences



MTTRF (Machine Tool Technologies Research Foundation) is a non-profit organization accredited by the US government and financially supported by DMG MORI and other companies around the globe. Through MTTRF, DMG MORI has offered state-of-the-art machine tools, peripheral equipment, and software to universities and academic institutions globally.

Machines lent or donated to:

The United States	The University of California, Davis, The University of North Carolina at Charlotte MTTRF Berkeley Institute
Switzerland	The University of Zurich
Italy	The University of Florence
Austria	Vienna University of Technology
Belgium	Catholic University of Leuven
Japan	Kobe University, Kanazawa University, Osaka Institute of Technology, Toyohashi University of Technology

DMG MORI Academy

## Developing globally active human resources

We founded DMG MORI Academy to develop international-minded business people with technical and administrative skills. We also offer various on-site trainings and e-Learning programs for customers and develop human resources worldwide.



### Training programs for employees

We offer trainings to new employees, technical, sales, and production staff, and application and service engineers. The trainees can learn a variety of topics from basic knowledge and operation skills of machine tools to safety measures and business conduct.

With a series of latest machine models installed in the training facility, the academy also develops all-rounders who can operate different models from turning centers to 5-axis machining centers.

### Cutting Dream Contest

DMG MORI's Cutting Dream Contest invites companies and educational institutions from all industries to compete in work cutting and aims to promote the exchange and enhancement of cutting technologies. From the 55 works submitted for the 15th Cutting Dream Contest, external experts strictly selected 21 winning works for each category. From DMG MORI's side, we selected one winner for our 'DMG MORI 5-axis Grand Prize'.

15th Cutting Dream Contest

<b>Production Parts Machining – Gold Prize Winner</b>	<b>Prototype &amp; Test Cut Machining – Gold Prize Winner</b>	<b>Free Form Machining – Gold Prize Winner</b>
Bellows pump with super durability and angle stability ISHII lathefactory Co.,Ltd.	Ceramic wine glass KYOCERA Corporation, Corporate Fine Ceramics Group	Acrylic Cassegrain telescope Circle & Square Co.,Ltd.
		
<b>Advanced Machining – Gold Prize Winner</b>	<b>Academic Research – Gold Prize Winner</b>	<b>5-axis Grand Prize Winner</b>
Reborning Ohta Automobile's engine TAMACHI INDUSTRIES CO.,LTD.	Cherry blossom in gold, Cherry blossom in silver Hakata Technical High School, Manufacturing Specialty Club	Revolving slanted-lens holder for a microscope arTech Inc.
		

## Contribution to local communities

# Contribution to local communities

DMG MORI actively fulfills its social responsibility by supporting local communities, which we believe is a basis of a trusted relationship. We encourage development of young talents in education, science, art, culture, and sports.

■ Cooperating with local governments in Nara and Mie Prefecture

## Cooperating with local governments

To encourage regional development and promote technical education, DMG MORI concluded a comprehensive cooperation agreement with local governments in Nara, Mie and Hyogo Prefectures and is lending DMG MORI machine tools to educational institutions.

Furthermore, DMG MORI entered into a partnership with Iga City in Mie Prefecture, the base of our Iga Campus. In Iga City, we are promoting the revitalization of the Western Tsuge area.



■ Cooperation with SAKA NO TOCHU Co., Ltd.  
**Supporting small farmers**

<https://www.on-the-slope.com/>

To support new and small farmers, DMG MORI is cooperating with SAKA NO TOCHU, an online distributor of organic vegetables grown environment friendly without pesticides and fertilizer.

We are using their fresh vegetables in our canteens in Iga, Nara and Nagoya to promote the health of our employees.



Supporting music events

## Nurturing and promoting music culture

Since 2018, DMG MORI is a sponsor of the pianist Kyohei Sorita. To revitalize the Nara region and to contribute to the local music culture, we are strengthening our partnership with the “Japan National Orchestra” starting from January 2021 and actively promoting local activities. On December 25 in 2020, we organized a concert in the DMG MORI Yamato Koriyamajo Hall. Furthermore, we invited the pianist Adolfo Barabino from Europe to give concerts in Nara and Tokyo in December 2020.



Sharing our assets with locals

## Development of young talents

DMG MORI AG is committed to the training and further education of its employees, even in challenging times: It provides training in a total of 10 professions and offers courses of study in cooperation with regional technical universities and vocational academies. In the reporting year, DMG MORI AG was honored as one of “Germany’s best training companies” for the third time in a row. To promote young talents there are also trainee programs.



## □ Social contribution activities

# Social engagement of DMG MORI AG

With donations and sponsorships, DMG MORI AG promotes projects in the areas of community, education, science, art, culture, sports. In the region of East Westphalia-Lippe, DMG MORI AG has been a sponsor of the Arminia Bielefeld soccer club for many years – especially in the area of youth development. Sponsorship agreements exist with Bielefeld University, “Bielefeld Marketing GmbH” and the “Bielefelder Kunstverein” (art association). For example, donations were made to local associations, institutions, and universities, as well as to the young talent foundation for mechanical engineering. Another donation was made to the initiative “Bielefeld United”, which has set up sports and educational programs for refugee children. The production site in Ulyanovsk supported an association for the promotion of disabled athletes.



Certificate for “Exceptionally Family-Friendly”

## □ Revitalization of regional economies

# Honored as exceptionally family-friendly company

The city of Bielefeld recognized DMG MORI’s excellent employment opportunities in the region and qualities as an employer in Germany: the Local Alliance for Families of the City of Bielefeld City and the Association for Economic Development Bielefeld honored AG as an exceptionally family-friendly company. We will continue to reflect the needs of employees and surrounding communities in our business.

# Product promotion and social contributions through sports

DMG MORI supports sports teams.

We are working on sports marketing that links sponsorships and partnerships, and we are working to build win-win relationships.



### DMG MORI SAILING TEAM

## First Asian skipper to finish the toughest round-the-world yacht race

Together with the marine adventurer Kojiro Shiraishi as skipper, DMG MORI SAILING TEAM has participated in the single-handed, non-stop, round the world yacht race Vendée Globe 2020-2021. He finished in 94 days and 21 hours 32 minutes 56 seconds, achieving the feat of being the first Asian ever to finish the race; in 16th place out of 32 boats. The state-of-art foil yacht named "DMG MORI Global One" is built with parts that have been manufactured by our 5-axis and mill turn centers.

Furthermore, DMG MORI SAILING TEAM was collaborating with the Japan Agency for Marine-Earth Science and Technology (JAMSTEC) and collected microplastic samples from uncharted sea territories during the Vendée Globe.



### FIA World Rally Championship (WRC)

## Promotion as a technology partner

Since 2017, DMG MORI has been supporting technology partner of the TOYOTA GAZOO Racing World Rally Team (TGR WRT) at the FIA World Rally Championship (WRC). TGR WRT has displayed its excellent machine performance by winning the Manufacturer's title at the WRC 2018 and the Driver's title in 2019 and 2020. As TGR WRT's technology partner we support the team with DMG MORI machines to manufacture engine parts and other components at TGR-E (TOYOTA GAZOO Racing Europe GmbH) that are built into Toyota Yaris WRC.

The championship was affected by the spread of COVID-19 and only 7 of 14 events could take place during season 2020.



## Environmental data

### Environmental data

#### <DMG MORI CO>

INPUT items		Location	Unit	2015	2016	2017	2018	2019	2020	
Energy input	Production	Electricity (*1)	Japan	thousand kWh	50,851	46,309	46,612	48,164	46,002	<b>44,347</b>
		Solar power	Japan	thousand kWh	123	130	127	126	121	<b>54</b>
		Heavy oil (*2)	Japan	Kℓ	2,574	3,187	3,129	2,218	2,132	<b>1,898</b>
		City gas	Japan	thousand m <sup>3</sup>	196	175	0	0	0	<b>0</b>
		LPG	Japan	t	279	228	304	360	317	<b>262</b>
Water consumption	Production	Clean water	Japan	thousand m <sup>3</sup>	121	126	138	139	126	<b>126</b>
		Groundwater	Japan	thousand m <sup>3</sup>	74	104	93	72	37	<b>35</b>

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	2015	2016	2017	2018	2019	2020	
Energy input	Production	Converted to crude oil	Japan	Kℓ	15,906	15,281	15,185	14,757	14,082	<b>12,993</b>
OUTPUT items		Location	Unit	2015	2016	2017	2018	2019	2020	
Greenhouse gas	Production	CO <sub>2</sub> emission (*3)	Japan	t-CO <sub>2</sub>	33,815	32,425	32,197	29,633	26,865	<b>24,791</b>
Industrial waste	Production	Final disposal amount	Japan (Iga)	t	153	110	119	130	96	<b>39</b>
		Final disposal rate	Japan (Iga)	%	4	3	3	4	3	<b>3</b>

【Scope of data】DMG MORI's factories in Japan (Iga, Nara, Chiba (until FY2016))

【Fiscal year period】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 from self-generated power.

(\*3) Greenhouse gas: Volume of CO<sub>2</sub> emission was calculated by using emission coefficients published by power generation companies.

#### <DMG MORI AG>

##### ENERGY KEY FIGURES (\*1)(\*2)(\*3)

in MWh	2017	2018	2019	2020
<b>Fuel consumption from fossil energy sources</b>	76,281	80,506	90,818	<b>76,803</b>
of which natural gas	30,681	32,491	33,611	<b>28,730</b>
of which liquefied gas	325	364	338	<b>346</b>
of which heating oil	0	55	0	<b>0</b>
of which fuel	45,275	47,596	56,869	<b>47,727</b>
<b>Electricity consumption</b>	46,757	48,962	52,441	<b>45,956</b>
of which procured from the grid	45,456	47,489	49,696	<b>43,554</b>
of which self-generation from renewable sources	1,301	1,473	2,745	<b>2,402</b>
<b>Energy consumption in total</b>	123,038	129,468	143,259	<b>122,759</b>

##### AG GROUP-WIDE CO<sub>2</sub>-BALANCE (\*3)(\*4)(\*5)(\*6)

in t CO <sub>2</sub> e	2017	2018	2019	2020
<b>CO<sub>2</sub>-BALANCE Total</b>	—	—	434,064	<b>258,494</b>
Scope 1 (direct emissions)	—	—	23,712	<b>19,304</b>
Scope 2 (indirect emissions)	—	—	24,793	<b>8,785</b>
Scope 3 (other indirect emissions)	—	—	385,559	<b>230,405</b>

(\*1) Locations Germany (Bielefeld, Pfronten, Seebach, Geretsried, Idar-Oberstein); Italy (Brembate di Sopra, Tortona); Poland (Pleszew); Russia (Ulyanovsk) and vehicle fleet; corresponding to over 90% of DMG MORI AG's global energy consumption. Other sales and service locations are not included in this table.

(\*2) Conversion factors for fuels: German Federal Office of Economics and Export Control (BAFA) 2020

(\*3) Since the annual financial statements of DMG MORI AG were not yet available in full at the time the report was prepared, the data for 2020 are based on a projection using consumption from January to November.

(\*4) Calculations were made by using emission factors based on the DEFRA 2020 database. Missing emission factors were filled in by GEMIS, Probas Umweltbundesamt, Ecolnvent and Ecotransit database. Due to an update of the stored factors in the reporting year, there is only limited comparability with the previous year's figures. To calculate CO<sub>2</sub> equivalents (CO<sub>2</sub>e), nitrogen trifluoride (NF<sub>3</sub>) and the six main greenhouse gases under the Kyoto Protocol were considered: Carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrogen-containing hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>). Other emissions occur only in small amounts and are not reported separately. The location-based method was selected for the calculation of indirect emissions.

(\*5) Based on the location-based approach, electricity consumption causes 21,713 t CO<sub>2</sub> [source: Association of Issuing Bodies, 2019]. This does not take into account that DMG MORI used 76.6% electricity from renewable sources in 2020.

(\*6) Compared to the Sustainability Report 2019, the pre-chain emissions of gray electricity are reported in Scope 3 [Category 3] instead of Scope 2. This shift has no impact on the total emissions.

## CO<sub>2</sub> emissions of SCOPE 1, 2, 3 Upstream Categories (Consolidated)

Scope	Source of Emission	2019		2020	
		Kt CO <sub>2</sub>	Share	Kt CO <sub>2</sub>	Share
Scope 1	Stationary fuel combustion	43	5%	34	7%
	Fuel combustion by company-owned vehicles				
Scope 2	Purchased energy (electricity)	70	9%	43	9%
Scope 3	Category 1: Purchased goods and services	581	74%	352	72%
	Category 3: Fuel- and energy-related activities not included in Scope 1 or Scope 2	17	2%	17	3%
	Category 4: Upstream transport	31	4%	18	4%
	Category 5: Waste produced in operations Use of water	1	0%	1	0%
	Category 6: Business travel by employees (plane, train, car, bus)	23	3%	8	2%
	Category 7: Employee commuting (Public transport, car)	18	2%	15	3%
Total CO <sub>2</sub> emission in Kt CO <sub>2</sub>		784	100%	488	100%

## DMG MORI CO<sub>2</sub> emission reduction goal

Goal for 2030: -30% in CO<sub>2</sub> emission (compared to 2019)

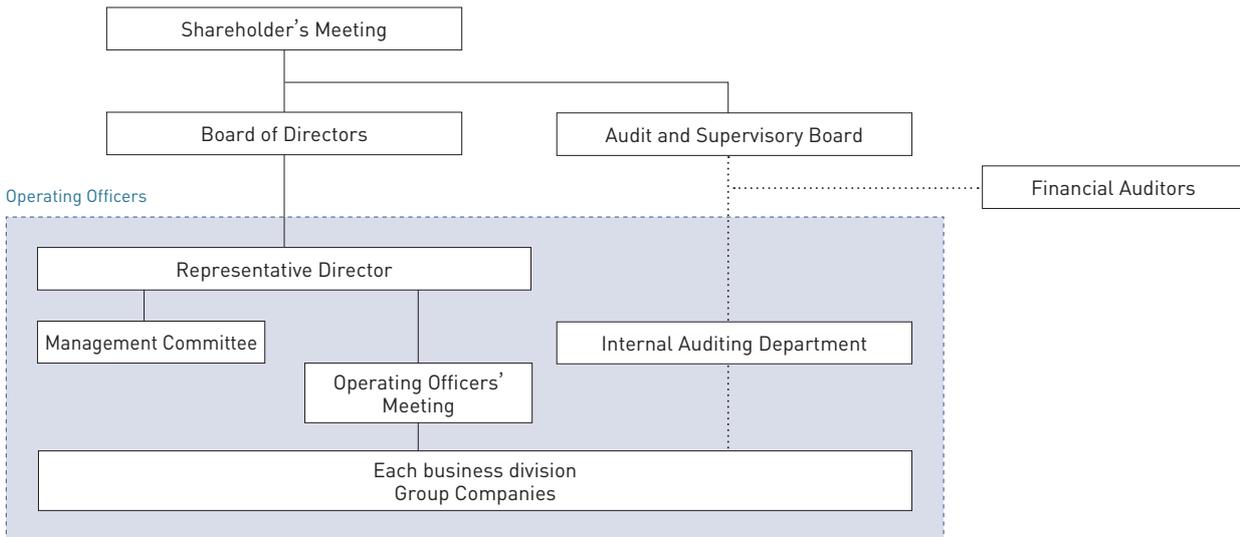
2019		▶	2030
Total emissions by DMG MORI Group	Emissions per unit		Emissions per unit
about 780,000 t	about 78 t		about 55 t

### Concrete examples of our measures

- Switching to CO<sub>2</sub>-free electricity
- Implementing renewable energy such as biomass
- Improved material logistics
- Introducing energy-saving equipment such as LED lights
- Carbon offsetting via investments into internationally accepted certified climate projects (Purchase of carbon credits)

## Governance Structure

### Corporate Governance Structure since 2021



### 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 leads to higher transparency of our business to the entire society including our shareholders, investors, customers and business partners, employees, and members of communities, 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 standards of corporate ethics.

#### 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 applied by appointed Auditors.

#### 3. Board of Directors

Out of 10 members of the Board of Directors, 4 are External Directors (Ratio of External Directors being 40%) as of March 29, 2021. We have been coping with quick changes in the business environment and technology trends that are unique

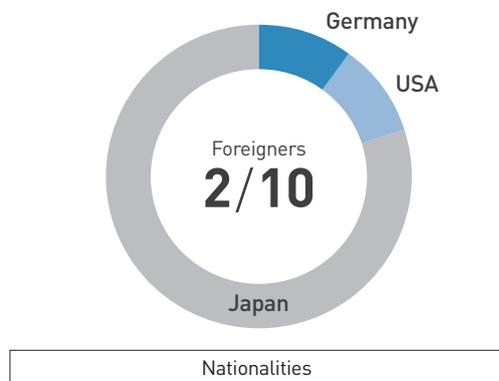
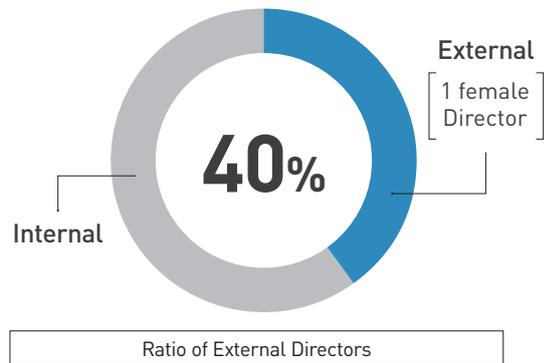
to the machine tool industry.

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 have been increasing the number of Directors by appointing External Directors. Since March 2019, the top executives of DMG MORI AG and DMG MORI USA Inc. have become members of the Board of Directors and we appointed a new female External Director to start from March 2021. This will lead to even more flexible management through diversity. The presence of four External Directors provides increased transparency and objectiveness to the company's business. All of them have professional management experience and bring in a wide range of insights based on their specialized knowledge in engineering and other areas.

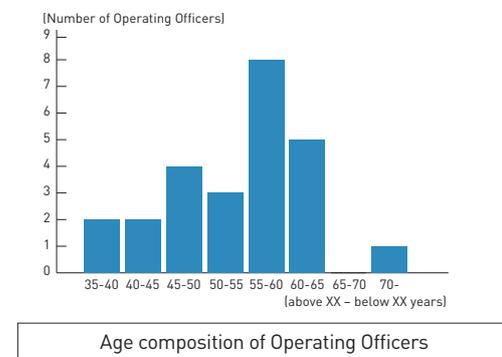
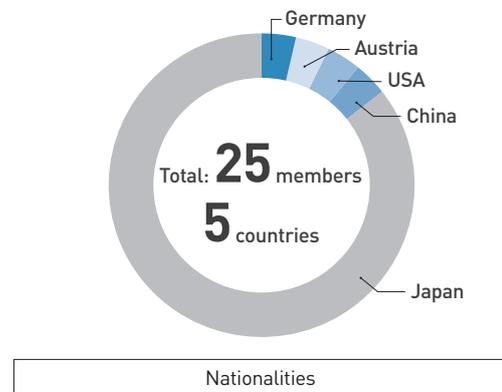
The Board of Directors holds discussions on important business strategies for the future of the company.

Discussions on daily business operations are conducted at the meetings of the Management Committee and Operating Officers. This structure enables extensive discussions by the Board of Directors and at the same time quick action in business operations.

**Diverse Board of Directors**  
(as of March 29, 2021)



**Structure of Operating Officers, ensuring business execution as well as developing the next generation leaders**  
(as of January 2021)



\*Please refer to the Annual Securities Report for the names of Operating Officers.

**4. Audit and Supervisory Board**

The Board of Auditors consists of a full-time Corporate Auditor, a former Executive Officer with extensive knowledge of 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.

**5. Governance at AG**

AG, as a German company, has a governance system different from the Japanese. At AG, appointment of Directors and approval of business and investment plans are determined by the Supervisory Board, which exercises control over the Board of Directors. Therefore, controlling the Supervisory

Board is crucial to appoint Directors who are appropriate to realize the integrated business and finance of CO and AG. Dr. Masahiko Mori, President of CO, was appointed as the Chairman of the Supervisory Board of AG in May 2018. In addition, Mr. James Nudo, Executive Director at CO, and Ms. Irene Bader, Executive Officer at CO, assumed office as supervisory board members in March 2019. This has further strengthened governance over AG. Joint meetings that consist of Dr. Mori and executives of CO and AG are held once a month to discuss and manage the status of everyday operations at the group's sales and production base, and progress of sustainable management including a reduction of CO<sub>2</sub> emission and etc. The result is joint decision making as one global company.

**6. Operating Officers System**

DMG MORI established the Operating Officers System to vitalize the Board of Directors by separating decision making / supervision from operation and to train next generation leaders. As of January 1st, 2021, DMG MORI has appointed 25 Operating Officers with diverse age, nationality and gender. Each Operating Officer carries great responsibilities, such as the execution of sales or engineering operations or the supervision over whole business regions.

# Governance (Members of the Board of Directors)

Introduction of Directors As of March 29th, 2021



**Masahiko Mori**

Dr. Eng.  
President  
Representative Director

Mar. 1985 Graduated from the Department of Precision Engineering, the Faculty of Engineering, Kyoto University  
Apr. 1985 Joined ITOCHU Corporation  
Apr. 1993 Joined the Company  
Jun. 1994 Director, General Manager, Planning / Management Office and International Affairs Department  
Jun. 1996 Senior Director  
Jun. 1997 Executive Director  
Jun. 1999 President (incumbent)  
Oct. 2003 Dr. Eng. of the University of Tokyo  
Nov. 2009 Member of Supervisory Board, DMG MORI AKTIENGESELLSCHAFT  
May 2018 Chairman of Supervisory Board, DMG MORI AKTIENGESELLSCHAFT (incumbent)



**Christian Thönes**

Vice President  
Director in charge of  
DMG MORI AKTIENGESELLSCHAFT

Jul. 1998 Graduated from the Business Management Department, University of Münster  
Aug. 1998 Joined GILDEMEISTER AKTIENGESELLSCHAFT (today DMG MORI AKTIENGESELLSCHAFT)  
Nov. 2001 Managing Director, SAUER GmbH(\*1) (today DMG MORI Ultrasonic Lasertec GmbH)  
Jul. 2009 Managing Director, DECKEL MAHO Pfronten GmbH(\*1)  
Jan. 2012 Executive Board Member, DMG MORI AKTIENGESELLSCHAFT  
Apr. 2016 Chairman of the Executive Board, DMG MORI AKTIENGESELLSCHAFT (incumbent)  
Mar. 2019 Vice President, Director in charge of DMG MORI AKTIENGESELLSCHAFT of the Company (incumbent)

(\*1) DMG MORI Ultrasonic Lasertec GmbH and DECKEL MAHO Pfronten GmbH are subsidiaries of DMG MORI AKTIENGESELLSCHAFT.



**Hiroaki Tamai**

Executive Vice President  
Representative Director in charge of  
Administration and Production

Mar. 1983 Graduated from the Faculty of Commerce, Doshisha University  
Mar. 1983 Joined the Company  
Jun. 2003 Director, Executive General Manager, Administrative HQ  
Jun. 2007 Senior Director, Executive General Manager, Administrative HQ  
Jun. 2008 Executive Director, Executive General Manager, Administrative HQ  
Jun. 2014 Executive Vice President, Director in charge of Sales & Marketing and Engineering / Administration, Executive General Manager, Sales & Marketing and Engineering HQ / Administrative HQ  
Mar. 2016 Executive Vice President, Director in charge of Administration, Executive General Manager, Administrative HQ  
Feb. 2020 Executive Vice President, Director in charge of Administration / Production, Executive General Manager, Administrative HQ, President, Production HQ (incumbent)



**Hirotake Kobayashi**

Executive Vice President  
Representative Director in charge of  
Accounting and Finance and SSEP

Mar. 1977 Graduated from the Faculty of Economics, Keio University  
Apr. 1977 Joined Kirin Brewery Company, Limited (currently Kirin Holdings Company, Limited)  
Mar. 2012 Representative Director, Managing Director, Kirin Holdings Company, Limited  
Oct. 2015 Joined the Company  
Senior Executive Officer, Vice Executive General Manager, Accounting / Finance HQ  
Mar. 2016 Executive Director, Director in charge of Accounting / Finance, Executive General Manager, Accounting / Finance HQ  
Mar. 2017 Executive Vice President, Director in charge of Accounting / Finance, Executive General Manager, Accounting / Finance HQ  
Jan. 2021 Executive Vice President, Director in charge of Accounting / Finance, Executive General Manager, Accounting / Finance HQ, President, SSEP (Sales, Service, Engineering, Parts) HQ (incumbent)



**Makoto Fujishima**

Dr. Eng.  
Executive Director in charge of Research &  
Development

Mar. 1981 Graduated from the Department of Electronic Engineering, Faculty of Engineering, Doshisha University  
Mar. 1981 Joined the Company  
Mar. 2001 General Manager, Control Technology Department  
Sep. 2002 Dr. Eng. of Kyoto University  
Jun. 2003 Director, General Manager, Control Technology Laboratory of the Company  
Jun. 2005 Senior Director, Executive General Manager, Development / Manufacturing HQ (in charge of Development), General Manager, Information System Department  
Apr. 2014 Senior Executive Officer, Manufacturing / Development / Quality HQ (in charge of Electrical Circuit / Control)  
Jan. 2019 Senior Executive Officer, President, R&D HQ  
Mar. 2019 Executive Director, Director in charge of Research & Development, President, R&D HQ (incumbent)



**James Nudo**

J.D.  
Executive Director in charge of the Americas

Jun. 1981 Juris Doctor of Loyola University Law School  
Nov. 1981 Registered as Attorney at law to the State of Illinois, U.S.A. and the United States Federal courts  
Jun. 1982 Established Law Offices of James V. Nudo  
Aug. 1992 Joined Yamazen, Inc.  
Apr. 2003 Joined the Company  
Jul. 2014 Operating Officer, General Manager, International Legal Department  
Jan. 2017 Executive Officer, General Manager, International Legal / International Human Resources Department  
Dec. 2017 Executive Officer of the Company  
President and Director, DMG MORI USA, Inc.  
Jan. 2019 Senior Executive Officer of the Company  
President and Director, DMG MORI USA, Inc.  
Mar. 2019 Executive Director, Director in charge of the Americas of the Company  
President and Director, DMG MORI USA, Inc.  
Jan. 2021 Executive Director, Director in charge of the Americas of the Company  
CEO, DMG MORI AMERICAS HOLDING CORPORATION (incumbent)

## Introduction of External Directors As of March 29th, 2021



### Tojiro Aoyama

Ph D.  
External Director

Mar. 1974 Graduated from the Faculty of Engineering, Keio University  
 Mar. 1979 Dr. Eng. of Keio University  
 Apr. 1988 Associate Professor, the Faculty of Science and Technology (Department of Mechanical Engineering), Keio University  
 Apr. 1996 Professor, the Faculty of Science and Technology (Department of System Design Engineering), Keio University  
 Jul. 2009 Dean, the Faculty of Science and Technology and Chair of Graduate School of Science and Technology, Keio University  
 Jun. 2015 External Director of the Company (incumbent)  
 Mar. 2017 Outside Audit & Supervisory Board Member, Mitsubishi Pencil Co., Ltd.  
 May 2017 Vice-President, Keio University (incumbent)  
 Mar. 2019 Outside Director, Mitsubishi Pencil Co., Ltd. (incumbent)



### Makoto Nakajima

External Director  
Attorney

Mar. 1974 Graduated from the Faculty of Law, University of Tokyo  
 Apr. 1974 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)  
 Jan. 2001 Director-General, Kansai Bureau of Economy, Trade and Industry, Ministry of Economy, Trade and Industry  
 Jun. 2004 Director-General, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry  
 Sep. 2005 Commissioner, Japan Patent Office  
 Jul. 2007 Retired from office  
 Feb. 2008 Consultant, Sumitomo Electric Industries, Ltd.  
 Apr. 2009 Registered as Attorney at law  
 Oct. 2009 Managing Executive Officer, Sumitomo Electric Industries, Ltd.  
 Jun. 2010 Managing Director, Sumitomo Electric Industries, Ltd.  
 Jun. 2014 Representative Senior Managing Director, Sumitomo Electric Industries, Ltd.  
 Jun. 2016 Vice Chairman and Senior Executive Managing Director, Japan Institute of Invention and Innovation (incumbent)  
 Mar. 2017 External Director of the Company (incumbent)



### Takashi Mitachi

External Director

Mar. 1979 Graduated from the Faculty of Letters, Kyoto University  
 Apr. 1979 Joined Japan Airlines Co., Ltd.  
 Jun. 1992 Received MBA from Harvard Business School  
 Oct. 1993 Joined The Boston Consulting Group  
 Jan. 1999 Vice President, The Boston Consulting Group  
 Jan. 2005 Japan Co-chair, The Boston Consulting Group  
 May 2005 Senior Vice President, The Boston Consulting Group  
 Jan. 2016 Senior Partner & Managing Director, BCG Fellow (Risk Management), The Boston Consulting Group  
 Mar. 2016 Outside Director, Rakuten, Inc. (incumbent)  
 Mar. 2017 External Director of the Company (incumbent)  
 Outside Director, Unicharm Corporation (incumbent)  
 Jun. 2017 Director (Outside Director), Tokio Marine Holdings, Inc. (incumbent)  
 Oct. 2017 Senior Advisor, The Boston Consulting Group (incumbent)



### Hiroko Watanabe

External Director

Mar. 1984 Graduated from the Faculty of Humanities, Jissen Women's University  
 Mar. 1986 Joined Fuji Electronics Industry Co., Ltd.  
 Jun. 1998 Director, Fuji Electronics Industry Co., Ltd.  
 Apr. 1999 Managing Director, Fuji Electronics Industry Co., Ltd.  
 Jun. 2008 President, Fuji Electronics Industry Co., Ltd. (incumbent)  
 May 2009 Director, Osaka Prefectural Manufacturing & Industrial Association (incumbent)  
 Jun. 2009 Director, Japan Metal Heat Treatment Association (incumbent)  
 May 2016 Director, Japan Industrial Furnace Manufacturers Association (incumbent)  
 Chairperson, Monozukuri Nadeshiko (incumbent)  
 Jun. 2017 Awarded by the Prime Minister for distinguished contribution toward the creation of a gender-equal society  
 Jan. 2021 Temporary Member, Council for Small and Medium Enterprise Policy, Ministry of Economy, Trade and Industry (incumbent)  
 Mar. 2021 External Director of the Company (incumbent)

## Skill matrix of External Directors and External Auditor

	Tojiro Aoyama (External Director)	Makoto Nakajima (External Director)	Takashi Mitachi (External Director)	Hiroko Watanabe (External Director)	Yoshinori Kawamura (External Auditor)	Takahiro Iwase (External Auditor)
Business Management			●	●	●	●
Global	●	●	●	●	●	●
Engineering	●			●		●
Legal		●				
Finance & Accounting			●		●	

## Governance (Members of the Auditor and Supervisory Board)

### Introduction of Auditors As of March 29th, 2021



**Toshio Kawayama**

Corporate Auditor

Mar. 1984 Graduated from the School of Law, Meiji University  
 Apr. 1984 Joined NTN Toyo Bearing Co., Ltd. (currently NTN Corporation)  
 Jan. 2009 Joined the Company  
 Apr. 2011 Operating Officer  
 Apr. 2015 Executive Officer  
 Mar. 2019 Full-time Corporate Auditor (incumbent)

### Introduction of External Auditors As of March 29th, 2021



**Yoshinori Kawamura**

External Auditor

Mar. 1975 Graduated from the Faculty of Economics, Kyoto University  
 Apr. 1975 Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)  
 Jun. 2002 Director, Sumitomo Mitsui Banking Corporation  
 Jun. 2005 Managing Director, Sumitomo Mitsui Banking Corporation  
 Apr. 2007 Managing Director, Sumitomo Mitsui Financial Group, Inc.  
 Apr. 2008 Senior Managing Director, Member of the Board, Sumitomo Mitsui Banking Corporation  
 Apr. 2009 Deputy President, Member of the Board, Sumitomo Mitsui Banking Corporation  
 Jun. 2011 President, Sumitomo Mitsui Finance and Leasing Company, Limited  
 Jun. 2017 Special Advisor, Sumitomo Mitsui Finance and Leasing Company, Limited (incumbent)  
 Director, HANSHIN ELECTRIC RAILWAY CO., LTD. (part-time, incumbent)  
 Jun. 2018 Outside Director, Japan Bank for International Cooperation (incumbent)  
 Mar. 2019 External Auditor of the Company (incumbent)



**Takahiro Iwase**

External Auditor

Mar. 1975 Graduated from the School of Engineering, Nagoya University  
 Mar. 1977 Completed master's course, Graduate School of Engineering, Nagoya University  
 Apr. 1977 Joined Toyota Motor Co., Ltd. (currently TOYOTA MOTOR CORPORATION)  
 Jun. 2005 Managing Officer, TOYOTA MOTOR CORPORATION  
 Jun. 2009 Senior Managing Director, TOYOTA MOTOR CORPORATION  
 Outside Audit & Supervisory Board Member, Chuo Spring Co., Ltd.  
 Apr. 2011 Vice Chairman of the Board of Directors, Toyota Motor Asia Pacific Pte Ltd.  
 Jun. 2011 Senior Managing Officer, TOYOTA MOTOR CORPORATION  
 Jun. 2014 President, TOYOTA AUTO BODY CO., LTD.  
 Apr. 2016 Standing Advisor, Aichi Steel Corporation  
 Jun. 2016 Chairman, Aichi Steel Corporation  
 Jun. 2017 Outside Audit & Supervisory Board Member, Chuo Spring Co., Ltd.  
 Mar. 2021 External Director of the Company (incumbent)

## Remuneration of Corporate Officers

The amount of remuneration, etc. of DMG MORI's Corporate Officers and the principle for its calculation method are determined within the remuneration framework approved by the Annual General Meeting of Shareholders. In case of Directors, remunerations are determined by taking each Director's contributions to business and the status of business execution into account. In case of Auditors, remunerations are determined by discussions among Auditors. The table below shows the remunerations in 2020.

1) Total remuneration, etc. per type of Directors and Auditors, total amount per remuneration type, etc., and number of applicable Directors and Auditors

Directors / Auditors	Total remuneration, etc. (mil. JPY)	Total per remuneration, etc. type (mil. JPY)			Applicable number of Corporate Officers
		Basic compensation	Stock compensation	Bonus	
Directors (External Directors excluded)	416	398	18	—	5
Auditors (External Auditors excluded)	27	27	—	—	1
External Directors	90	90	—	—	4
External Auditors	28	28	—	—	2
Total	562	544	18	—	12

- All listed figures are rounded down to millions of yen.
- The figures listed above include the remuneration of 1 Director who retired at the 72nd Annual General Meeting of Shareholders on March 24th, 2020.
- The amount of remunerations, etc. of Directors is based on the decision of the 71st Annual General Meeting of Shareholders on March 22nd, 2019, determining that the total yearly amount shall be within 2 billion yen (incl. set amount for External Directors within 200 million yen), and of the 70th Annual General Meeting of Shareholders on March 22nd, 2018, determining that the total payment for transfer restricted shares shall be within 300 million yen as a separate framework.
- Stock compensation includes the costs for transfer restricted shares.
- The amount of remunerations, etc. of Auditors is in accordance to the decision made at the 59th Annual General Meeting of Shareholders on June 28th, 2007, determining that the total yearly amount shall be within 100 million yen.
- The figures listed above do not include the remunerations, etc. of subsidiaries.

2) Total consolidated remuneration etc. per each Director and Auditor

Name	Directors / Auditors	Company name	Amount per consolidated remuneration type, etc. (mil. JPY)			Total consolidated remuneration, etc. (mil. JPY)	[For reference] Total consolidated remuneration, etc. of previous fiscal year (mil. JPY)
			Basic compensation	Stock compensation	Bonus		
Masahiko Mori	Director	DMG MORI	173	4	—	177	370
Christian Thönes	Director	DMG MORI AG	113	—	253	366	505
Hiroaki Tamai	Director	DMG MORI	86	5	—	91	177
Hirotake Kobayashi	Director	DMG MORI	86	8	—	94	181
Makoto Fujishima	Director	DMG MORI	43	—	—	43	77
James Nudo	Director	DMG MORI USA	50	—	—	50	85
1 other Director	Director	DMG MORI	8	—	—	8	54
4 External Directors	External	DMG MORI	90	—	—	90	96
Toshio Kawayama	Auditor	DMG MORI	27	—	—	27	30
2 External Auditors	External	DMG MORI	28	—	—	28	31

- All listed figures are rounded down to millions of yen.
- Director Masahiko Mori is also appointed Chairman of the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT and Director at Taiyo Koki, but does not receive any remunerations from either company.
- The 1 other Director refers to the Director who completed his term and retired at the 72nd Annual General Shareholder's Meeting of March 24th, 2020.
- Auditor Toshio Kawayama was newly appointed to his current position at the 72nd Annual General Shareholder's Meeting of March 24th, 2020.
- The applicable number of External Directors is 4 for both fiscal years 2019 and 2020.
- The applicable number of External Auditors is 2 for the fiscal year 2020 and 3 for the fiscal year 2019 (including 1 External Auditor who completed his term and retired at the 71st Annual General Shareholder's Meeting of March 22nd, 2019).
- The remuneration of Christian Thönes is paid by DMG MORI AG. Christian Thönes' remunerations are decided by the Supervisory Board of DMG MORI AG which performs strict examinations. The remuneration consists of fixed and variable components, as well as pension plan expenses. The variable components comprise a short-term incentive (STI) and a long-term incentive (LTI). The amount of STI and LTI is determined by the achievement ratio of AG's business performance targets on order intake amount and EBIT, and individual targets on specific business strategies. The remuneration amount is disclosed according to German regulations.
- The remuneration of James Nudo is paid by DMG MORI USA, INC.

## Attendance at important meetings by each Director and Auditor

The Board of Directors convened 10 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 operations. This table shows 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 (January-December, 2020)

Name	Position at DMG MORI	Attendance at the Board of Directors meeting	Note
Masahiko Mori	President, Representative Director	10 / 10	
Christian Thönes	Vice President	9 / 10	
Hiroaki Tamai	Executive Vice President	10 / 10	
Hirotake Kobayashi	Executive Vice President	10 / 10	
Makoto Fujishima	Executive Director	10 / 10	
James Nudo	Executive Director	10 / 10	
Tojiro Aoyama	External Director	10 / 10	
Makoto Nakajima	External Director	10 / 10	
Takashi Mitachi	External Director	10 / 10	
Hiroko Watanabe	—	—	Newly appointed

## Message from Germany



### Christian Thönes

**DMG MORI AKTIENGESELLSCHAFT**  
Chairman of the Executive Board  
DMG MORI Co. Ltd. Vice President

A challenging year lies behind us – the world has changed rapidly within a very short time. Already now it is clear: Corona was and is a catalyst. At DMG MORI AKTIENGESELLSCHAFT, the pandemic has accelerated a lot – above all: automation, digitization and sustainability. DMG MORI has been advancing these future fields for years. We can now proudly say that our strategic fit is more suitable than ever and fits perfectly into the “Next Normal”.

Corona pandemic plus economic weakness, geopolitical uncertainties, industrial restructuring. Also DMG MORI AG could not escape these consequences: Order intake, sales revenues and result were clearly below the record year 2019. The negative effects of the crisis could successfully be limited by rapidly introduced and consistently implemented measures to reduce costs, increase flexibility and secure liquidity – while maintaining a stable budget for research and development. Despite more difficult market and economic conditions worldwide DMG MORI achieved a strong result in financial year 2020.

We have created even more efficient structures, increased our resilience and further sustainably optimized costs. And all this with a high stability of our employees. We will continue this path in 2021 – also thanks to the outstanding cost discipline and the high commitment of our employees.

Innovation is more than ever a must and the only way out of the crisis. Waiting is no option! With the strategic triad of automation,

digitization and sustainability DMG MORI is the No. 1 partner for the future. There is no other supplier in the world with a comparable machine portfolio and such comprehensive automation, digitization and sustainability solutions.

Automation is the key to flexible production systems. We offer our customers a modular portfolio with 53 automation solutions – either for workpiece or pallet handling – for 154 different machine models.

The corona pandemic has sharpened awareness of digitization. This has also significantly accelerated the expansion of the whole DMG MORI digital architecture to the benefit of our customers, tested in our own production plants.

Sustainability and technological leadership are in harmony at DMG MORI. Since May 2020, we have already been climate-neutral in our own value added (Company Carbon Footprint). All machines delivered worldwide since January 2021 are completely climate-neutral – and that along the entire value chain: from raw material up to the delivery of our machines to the customer. Thus, as one of the first industrial companies DMG MORI also has a climate-neutral Product Carbon Footprint.

Our most important success factor is our great team. Every day around 12,000 employees in the “Global One Company” stand up for our customers, get their work on new ideas and go the famous extra mile.

The challenges are immense – but our confidence is great. High-precision machine tools and technologies from DMG MORI are at the beginning of global value chains. We are strategically and financially well positioned. With our global footprint, the broad machine portfolio, the far-reaching service offerings, comprehensive automation and digitization solutions we offer everything integrated end-to-end and sustainable from a single source – worldwide!

Our mission: We empower our customers in manufacturing and digitization! Only if our customers perform efficiently in the long term DMG MORI will also be successful in the long term. Our excellent team, strong partners and our TOP values (Trust, Openness and Passion) are the pillars of this mission. We want to be the most attractive global machine tool company with digitized and sustainable products.

Dear shareholders, we are motivated to the maximum! For our customers. For you. For DMG MORI.

## Governance (Message by External Director)



### Takashi Mitachi

#### External Director

Under the global pandemic of COVID-19, how to protect and improve corporate value has been a major issue for the past year. Looking back, the situation in Japan changed quickly and frequently beyond imagination, starting from the outbreak of the new coronavirus infection on cruise ships to the state of emergency. Not surprisingly, the United States, Europe, and Asian countries continued to undergo similar changes that overturned expectations. Although the challenges caused by the pandemic were universal, the situation was very different for each country, region, or customer industry, and was changing from moment to moment. Responding appropriately to this situation was the biggest challenge for a company like DMG MORI who is expanding its business globally.

Fortunately, our board of directors includes foreign nationalities who live not only in Japan but also overseas, and we were able to have a multifaceted perspective. While understanding the situation in each region and industry in a timely manner, we have been providing advice and supervision so that business execution can be carried out appropriately under a pandemic. While putting the first priority on safety of employees and business partners, we have developed and implemented sales and service methods that also utilize digital technology. While quickly implementing cost reductions from various perspectives, we have prepared for a coming recovery period of demand without hesitation. In order to proceed with such seemingly contradictory measures, we believe that the executive officers took a proactive plan and approach, and the Board of Directors, in which members from various

backgrounds, held open-minded discussions. I think that the above-mentioned management way of the Board of Directors has realized a certain level of success.

As vaccination progresses worldwide, it is expected that the impact of the pandemic will gradually diminish in some regions and industries from the next fiscal year onward, resulting in a significant increase in demand. On the contrary, depending on the region and industry, there are scenarios in which the impact of COVID-19 is prolonged or natural disasters and geopolitical risks, resulting in sluggish demand for capital equipment. As the difficult-to-read business environment remains unchanged, it is necessary to flexibly respond to demand and cost management, to address the big wave of digitization ahead of competitors and to review the business portfolio and corporate structure from a medium-term perspective. Through the above, we will continue to deliver value to our shareholders. This is the goal of the Board of Directors in DMG MORI.

It is indispensable to have a global perspective and insights from different industries and to understand various areas which could affect our business from healthcare to geopolitics. Multiple outside directors with different specialties will work together to continue providing advice and supervision from the perspective of shareholders. Thank you very much for your continued support.

## Governance (Message by External Auditor)



Yoshinori Kawamura

**External Auditor**

In 2020, the world economy fell substantially due to the unprecedented crisis of rapid global expansion of COVID-19, which, in particular, hit the air transportation, tourism, and service industries.

The machine tool industry also experienced a very tough year with a rapid and significant decline in demand, as demand for the aircraft industry, which had been strong until last year, stopped.

In addition, due to the pandemic, business travel to and from other countries has been stopped, and, even in Japan, some restrictions have been imposed to operations that require direct contact, such as meetings with customers, installation of machines, operational training, etc. We faced a business environment that we had never experienced, forcing us to rethink our traditional practices.

Considering these changes in the demand environment, the Board of Auditors has been paying close attention to respond to sudden decrease in demand, new forms of business operation and risk management as major issues.

The Board of Directors discussed the outlook and analysis of orders, production plans, cost reduction measures and non-contact customer service including utilization of online meeting. We have generally evaluated the countermeasures, and risk management was appropriate and prompt. As the business environment became more uncertain, financial structure was also steadily strengthened with the enhancement of shareholders' equity through hybrid capital.

Regarding sales activities, it was reported that the business policy is to maintain and improve the selling price even in declining demand, and to make efforts to increase the added value of the product itself.

Demand for machine tools has been on a gradual recovery trend since the latter half of last year, and is expected to increase this year. However, business performance is still uncertain due to a sharp decline in orders last year and the impact of continued COVID-19, despite vaccinations progressing worldwide. Like last year, I think that quick response to changes in business environment and through risk management remain critical issues.

In addition to these urgent issues, medium- to long-term issues include contribution to the SDGs (Sustainable Development Goals), promotion of digitization, and further strengthening of consolidated management. These cannot be achieved overnight, and require tenacious efforts every year. The board of directors deepened the discussion on initiative for zero emissions as a response to SDGs. It is necessary to achieve not only in the manufacturing process but also the comprehensive process from upstream to downstream of the supply chain. In the future, we will work on other goals of the SDGs such as gender equality and building a foundation for industry and technological innovation.

Another important task for DMG MORI is to take thorough security measures and strengthen information management against cyber-attacks. Based on this precondition, it will be possible to take positive measures to promote digitization and create a mechanism for the utilization of big data.

Our strong cooperation between Germany and Japan is a competitive advantage that other companies cannot replicate. On the other hand, it is necessary to recognize that there exists a large risk of consolidated management that other companies do not face, and further strengthening of consolidated management is an indispensable premise in terms of risk management. It is essential to perform consolidated accounting promptly and disclose accurate financial statement. Furthermore, DMG MORI needs to strengthen mutual supply of machine tools of each company to customers.

I look forward to continued lively discussions on these medium-to-long term issues at the Board of Directors. The Board of Auditors will thoroughly examine the progress of these issues and the discussions at the Board of Directors, hold meetings with the Accounting Auditor, and strengthen monitoring of each subsidiary including DMG MORI AG, a German company.

## Governance (risk management)

### Basic approaches to Compliance

DMG MORI defined criteria for specific actions of Directors, Operating Officers and other employees by stipulating rules in its Mission Statement, Employee Handbook, Compliance Handbook, Export Control Program, Information Security Policy, and Management System for environment, labor safety and health and quality. By putting these rules into practice, we aim to achieve legal compliance. 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 have established an international whistleblowing service in accordance with the compliance hotline rules. 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.

#### 1. Comply with GDPR and CCPA

As a company with major bases in Europe, we promptly adjusted ourselves to comply with the GDPR (General Data Protection Regulation) after the enforcement in May 2018. We assigned a person in charge of data security in each company, in order to establish a sound management system for customers' and employees' personal information. In addition, we established a new policy and management system according to the California Consumer Privacy Act (CCPA) in California, the United States after the enforcement in January 2020.

#### 2. Compliance System

In addition to audits by Audit & Supervisory Board Members, DMG MORI conducts audits by the Internal Audit Department to promote compliance with each Group company. We also have an organization to be able to keep the certain level of quality in compliance by supervising and training local compliance officers in each region.

#### 3. Risk Assessment

DMG MORI's Compliance Officers are in charge of risk assessment and they especially focus on perceived high-risk countries in Asia. Throughout the group, we apply the same indicators and evaluation tools to objectively assess the compliance system and utilize the result to improve our trainings and organizations.

#### 4. Establishment of International Whistleblowing Service

DMG MORI established an international whistleblowing service to prevent, quickly detect and take measures against compliance risks. In December 2020, we additionally introduced a multi-lingual service for our overseas' group companies to strengthen our compliance system on a global level. The service is available in 8 languages such as Japanese, English and Chinese.

### BCP (Business Continuity Plan)

Since the Great East Japan Earthquake in March 2011, DMG MORI has continuously updated the manuals for disaster management. The Disaster Management Plan assigns disaster management staff by department and by affected area in all the group companies. As part of disaster prevention activities, the company checks the inventory of disaster prevention goods and tests the connectivity of satellite phones, in addition to the regular updates of the manuals. Our 14 global production bases help us promptly react to our customers' needs, as well as to sustain our business in case of disaster.

### Information Security

It is one of DMG MORI's highest management responsibilities to secure our information against the rising threat of cyber attacks. To strengthen our company-wide information control system, we are working with external security consultants since 2015 and have implemented our Basic Policy for Information Security and the Information Security Committee. We also established Information Security Committees at each of our group companies and are working closely together as a whole group against the increased security risk. In 2020, we witnessed a rising number of companies being impacted by cyber attacks. As a response, we strengthened our security measures further and promptly adjusted our information management system while placing the highest priority on protecting the sensitive information entrusted to us by our customers. In addition to the Information Security Committee which manages internal information assets, DMG MORI has the Control Security Committee and other organizations to manage and reinforce security of customers' network and after-sales services. In collaboration with our partner companies, we are fully committed to protecting our customers' increasingly-digitized factories.

### Internal Whistleblowing Service

We established a new whistleblowing system in 2020. With this service, employees are able to report to through a third party vendor via verbal or electronic communications suspected violation of internal regulations such as sexual harassment, power harassment, bribery and unauthorized use of company assets. This service is available in local language for our employees worldwide, and if requested, reports can also be made anonymously. We believe this has successfully strengthened our global compliance system.

## Basic approaches to Export Control

DMG MORI's basic approach is to follow Foreign Exchange and Foreign Trade Act (hereinafter referred to as "Foreign Exchange Act") when exporting goods, supplying technologies, and conducting agency transactions. Our Export Control Committee consists of all the board members and is chaired by President & Representative Director. The Committee stipulates and amends internal rules, such as the "DMG MORI Export Control Program", and appoints persons in charge of operation. Export Control Office is responsible for operation of the program. It evaluates customers and makes applications for export licenses to the Ministry of Economy, Trade and Industry (hereinafter referred to as "METI"). In DMG MORI's export control system, for every item to be exported or technology to be supplied overseas an approval by Export Control Office must be obtained. In addition, Human Resources Department makes training plans on export control and the Internal Audit Department audits the operation.

### 1. Pre-export assessment

Prior to export, we need to confirm whether the companies or organizations that are going to purchase our products and services plan to utilize DMG MORI's machines only for civil purposes and not for military purpose that will pose a threat to international peace and stability. We first check the content of business of those customers and whether the desired products are subject to the Foreign Exchange Act or other export control regulations. After receiving orders, we perform thorough background investigations based on documents and visits. Thereafter, we apply for export license to METI.

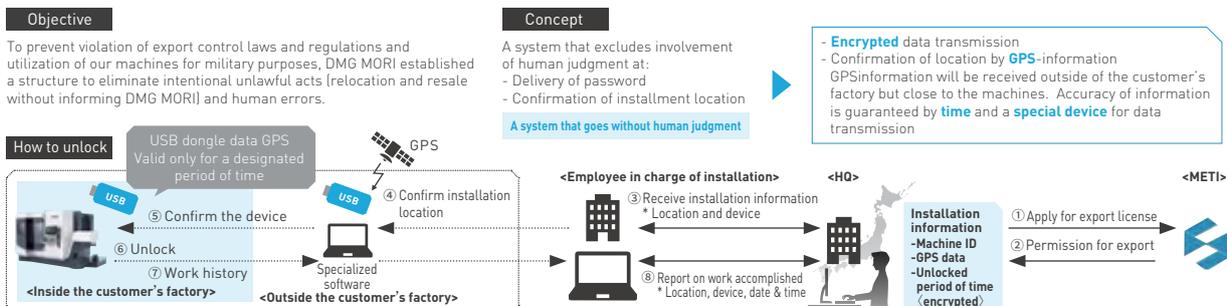
After receiving the license, we conduct a final check before shipment of the ordered machines. Recently, we started applying the same procedures to machines produced in the United States, Europe (Germany, etc.), China and India as well, in addition to those produced in Japan, to ensure compliance with both local and Japanese laws.

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

### 2. Post-export procedures

Continuous monitoring and control after export is important to guarantee proper usage of our machines. DMG MORI equips all of its machines with GPS-based devices for detection of machine relocation to prevent military usage by third parties through unauthorized sale or after bankruptcy. To unlock the machines, authorized employees responsible for export control must register GPS information of the expected installation location and the name of an employee who will visit the site. When our employees visits the location, they must obtain the GPS information once again on-site and confirm that both data are identical. In case of unauthorized relocation, the machine remains deactivated.

## Outline of GPS-based relocation detection devices



## Basic approach to Internal Control

DMG MORI CO., LTD. resolved “Internal Control Guidelines” at the Board of Directors’ meeting and accordingly implements the policy.

### **1. Auditor Audit**

Auditors witness resolutions and require reports at key meetings including the Board of Directors’ meeting, Management Committee, and Operating Officers’ meeting, and if necessary request additional explanations from Directors, Operating Officers and other employees.

### **2. Internal audit**

DMG MORI has a dedicated team for internal audits, the Internal Auditing Department which directly reports to the President. It oversees optimized and efficient business operation of the entire group. Auditors also monitor the risk management of subsidiaries; reports from subsidiaries are shared with Auditors upon audits or audit liaison meetings with auditors of subsidiaries.

### **3. Subsidiary Management**

One or more DMG MORI’s Directors are appointed as Directors or Auditors of subsidiaries and attend the Board of Directors’ and other key meetings, in order to understand and handle appropriately the updated status from the other Directors or Operating Officers of each subsidiary.

### **4. J-SOX**

DMG MORI has established a J-SOX section under the Internal Auditing Department 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 (J-SOX).

Since then, we have successfully developed and operated an internal control system in line with the legal framework, inside and outside the group. Our internal audit section operates J-SOX with its AG counterparty. Together with the evaluation results of AG, we are audited by our Financial Auditors and prepare a joint report on the internal control system of the entire DMG MORI group.

# FINANCIAL SECTION

*Financial information*

## Financial Summary

### Key financial figures

FY	Million Yen				
	2016	2017	2018	2019	2020
<b>Profit or loss</b>					
Sales revenues	376,631	429,664	501,248	485,778	<b>328,283</b>
Operating income	1,961	29,391	36,261	37,339	<b>10,674</b>
(Operating income margin)	0.5%	6.8%	7.2%	7.7%	<b>3.3%</b>
Earnings before income taxes	-1,064	24,803	31,275	31,451	<b>5,106</b>
Net income	-5,749	15,676	19,374	18,861	<b>1,696</b>
Income attributable to owners of the parent	-7,826	15,263	18,517	17,995	<b>1,745</b>
<b>Cash flows</b>					
Free cash flows (*1)	8,229	30,036	30,378	20,101	<b>-5,212</b>
<b>Financial position</b>					
Equity attributable to owners of the parent	100,449	107,617	111,113	124,006	<b>185,420</b>
Total assets	558,222	567,411	528,423	524,606	<b>526,526</b>
Ratio of equity attributable to owners of the parent (*2)	18.0%	19.0%	21.0%	23.6%	<b>35.2%</b>
<b>Per-share information</b>					
Equity per share attributable to owners of the parent (Yen) (*3)	836.25	886.73	910.25	1,008.36	<b>1,493.86</b>
Dividends per share (Yen)	26	40	50	60	<b>20</b>
<b>Other management indicators</b>					
Ratio of income attributable to owners of the parent (ROE) (*4)	-6.1%	14.7%	16.9%	15.3%	<b>1.1%</b>
Return on Assets (ROA) (*5)	0.3%	5.2%	6.6%	7.1%	<b>2.0%</b>

FY	Million EUR				
	2016	2017	2018	2019	2020
<b>Profit or Loss</b>					
Sales revenues	3,130	3,392	3,843	3,979	<b>2,695</b>
Operating income	16	232	278	306	<b>88</b>
(Operating income margin)	0.5%	6.8%	7.2%	7.7%	<b>3.3%</b>
Earnings before income taxes	-9	196	240	258	<b>42</b>
Net income	-48	124	149	154	<b>14</b>
Income attributable to owners of the parent	-65	120	142	147	<b>14</b>
<b>Cash flows</b>					
Free cash flows (*1)	68	237	233	165	<b>-43</b>
<b>Financial position</b>					
Equity attributable to owners of the parent	835	850	852	1,016	<b>1,522</b>
Total assets	4,639	4,479	4,051	4,297	<b>4,322</b>

(\*1) Free cash flows = Cash flows from operating activities + Cash flows from investment activities.

(\*2) Equivalent to shareholders' equity ratio. Divided the equity attributable to owners of the parent by total assets.

(\*3) Equity attributable to owners of the parent per share includes hybrid capital.

(\*4) Equivalent to Return on Equity. Divided the net income or loss attributable to owners of the parent by the average of equity attributable to owners of the parent at the beginning of the period (end of the previous period) and the end of the period.

(\*5) ROA is calculated by dividing operating income by the average of total assets as of the beginning of the period (end of the previous period) and as of the end of the period.

#### Changes in lease accounting standard

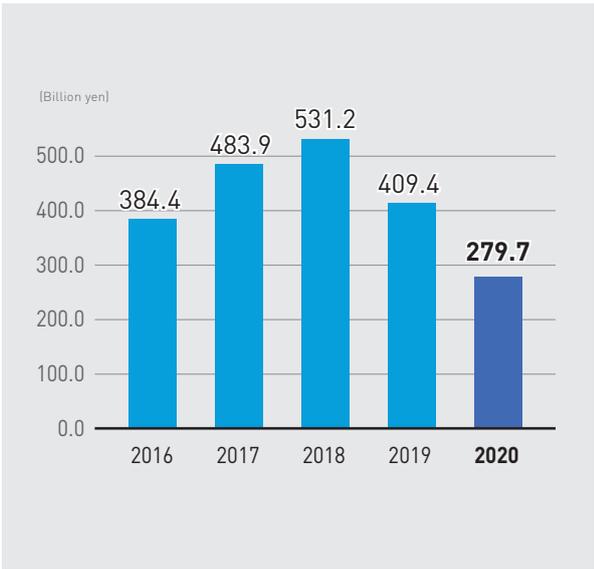
Effective January 1, 2019, the Group has implemented IFRS 16 "Leases." Operating leases and real-estate rents weren't previously presented on Statement of Fiscal Position, whereas they are now presented under the new regulation.

Due to the change, additional 16.7 billion JPY non-current assets (i.e. right-of use assets) were recognized at the beginning of FY2019, compared to the end of FY2018.

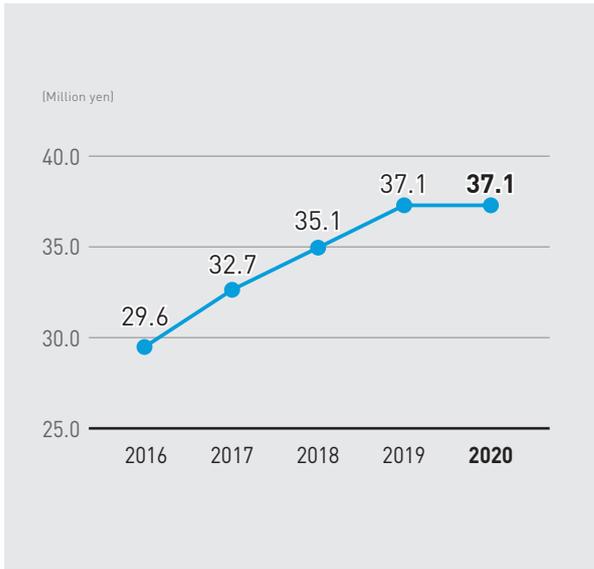
# Financial Summary

## Financial Summary

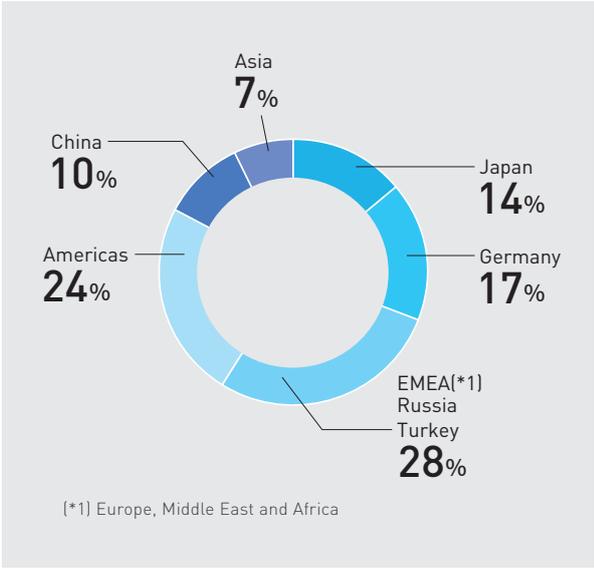
Company-wide order intake



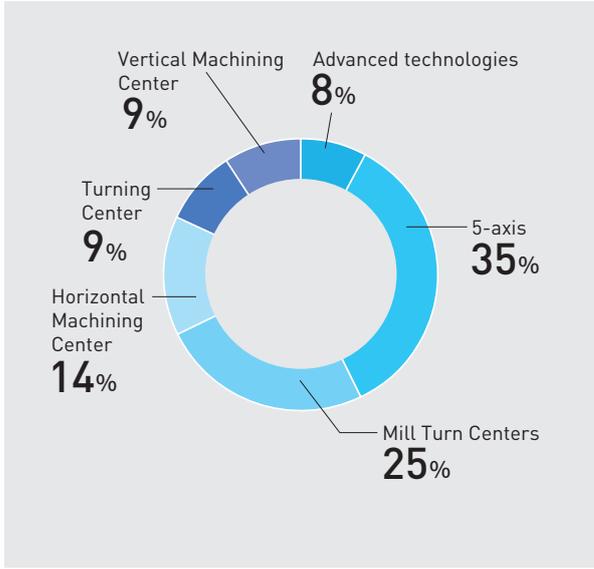
Average order price per unit



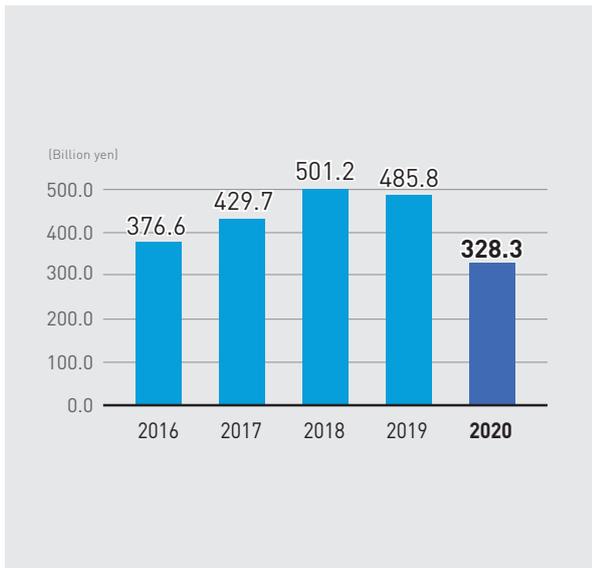
Order composition by region



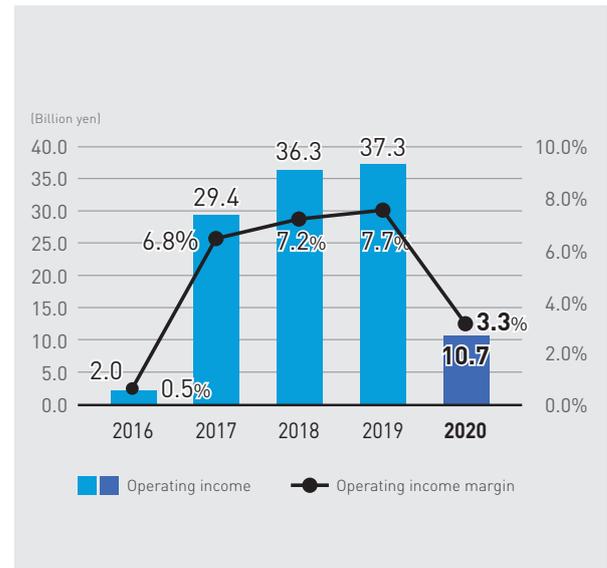
Order composition by product type



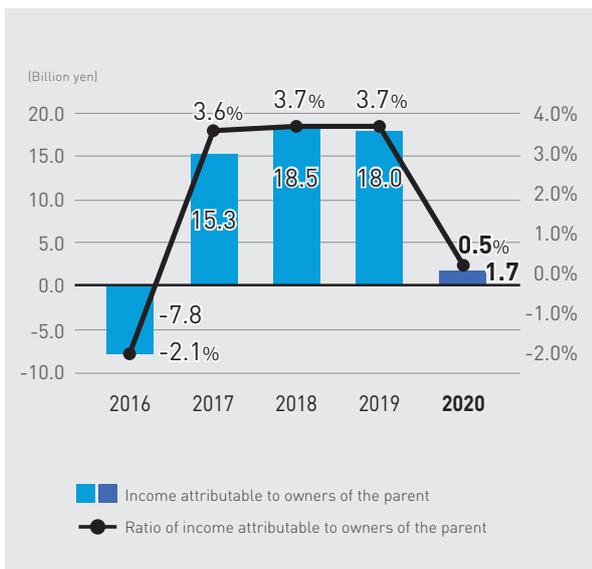
**█ Sales revenues**



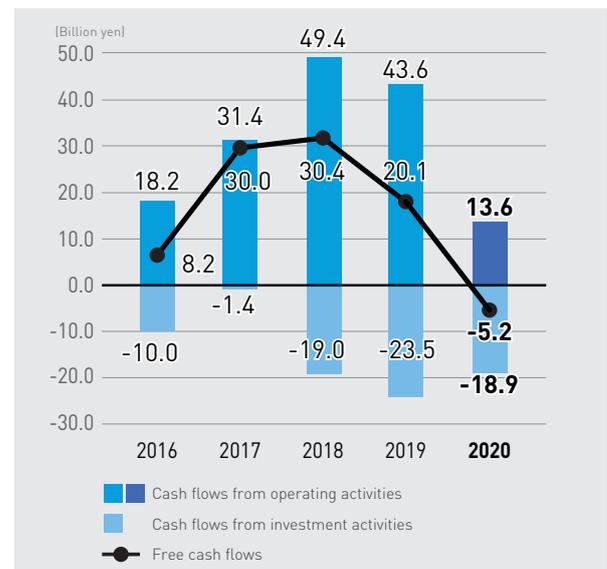
**█ Operating income**  
**Operating income margin**



**█ Income attributable to owners of the parent**  
**Ratio of income attributable to owners of the parent**



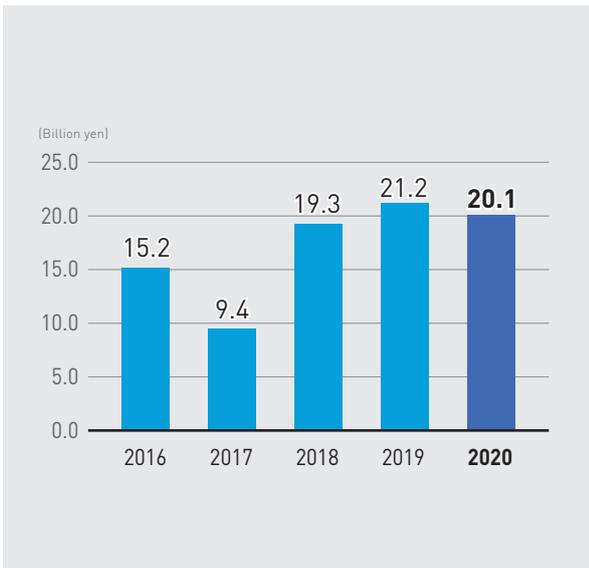
**█ Free cash flows**



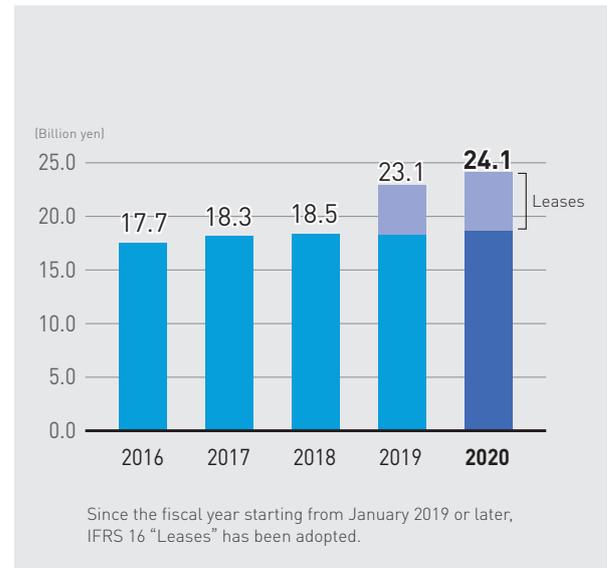
# Financial Summary

## Financial Summary

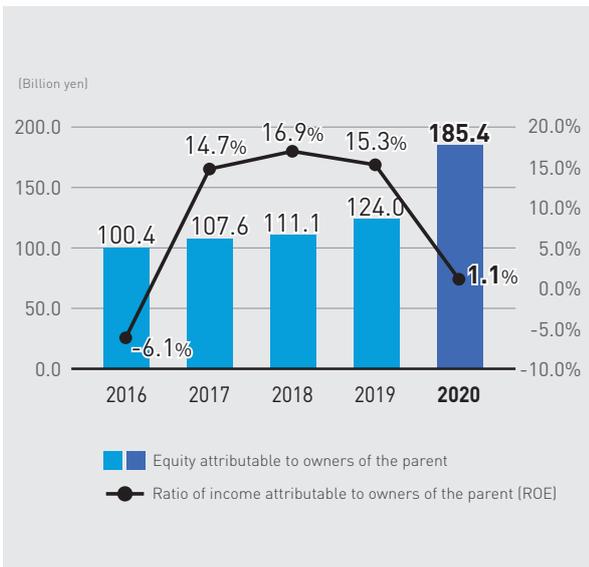
### Capital Expenditure



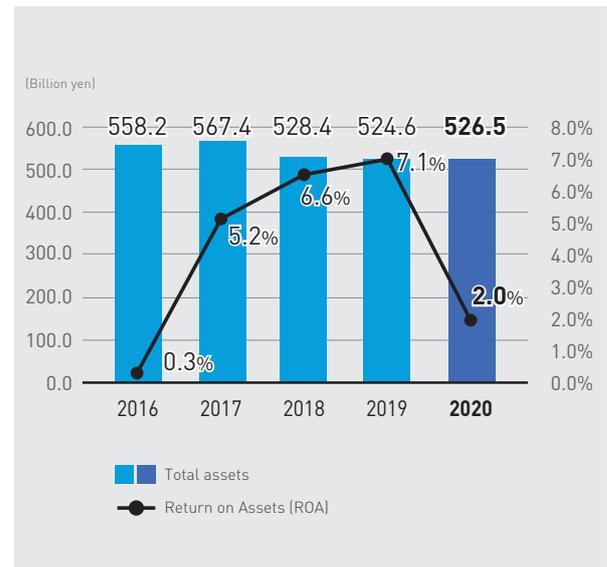
### Depreciation & Amortization



### Equity attributable to owners of the parent Ratio of income attributable to owners of the parent (ROE)

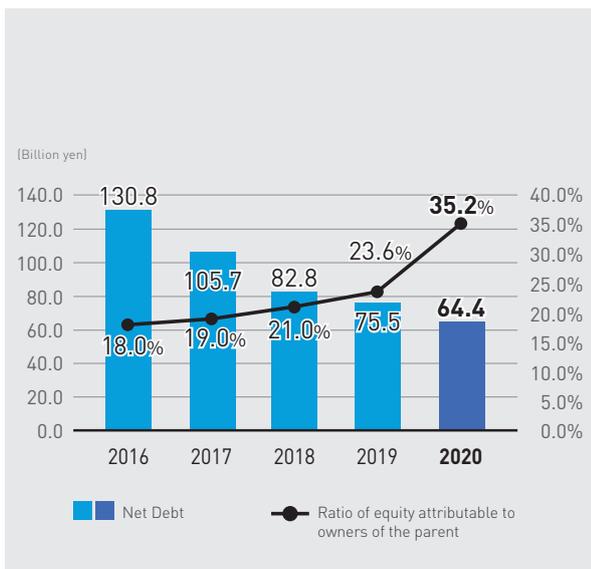


### Total assets Return on Assets (ROA)

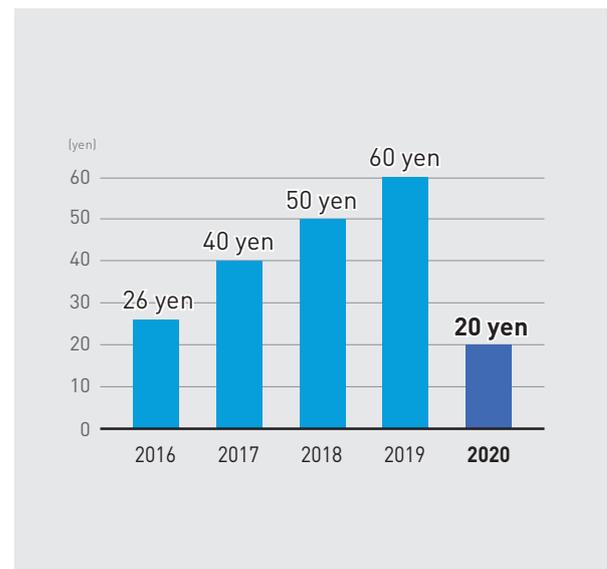


**Net Debt**

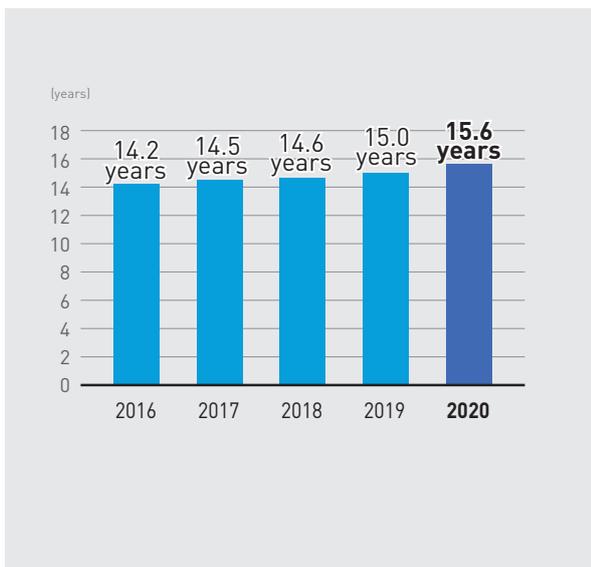
Ratio of equity attributable to owners of the parent (Shareholders' equity ratio)



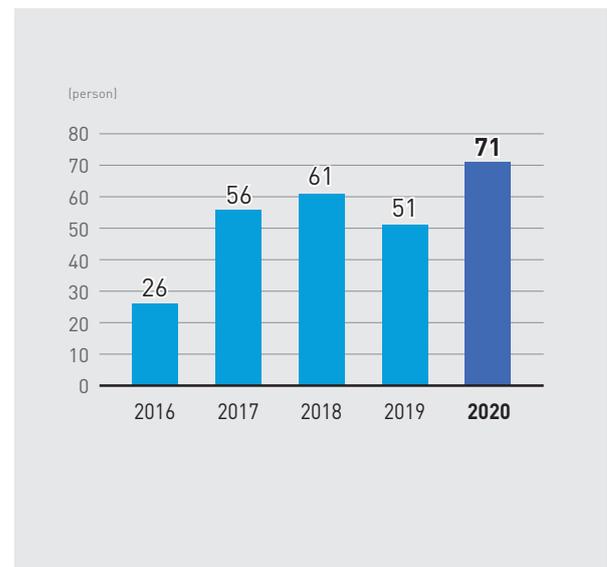
**Dividend per share**



**Average years of service (domestic offices)**



**Number of employees taking childcare leave (domestic offices / full-time employees)**



## Financial Summary

# Consolidated Statement of Financial Position

	Million Yen		Million EUR	
	Previous fiscal year December 31, 2019	Current fiscal year December 31, 2020	Previous fiscal year December 31, 2019	Current fiscal year December 31, 2020
	Exchange rate (CR Yen) 126.97 (*) / EUR			
<b>Assets</b>				
Current assets				
Cash and cash equivalents	27,695	<b>33,754</b>	218	<b>266</b>
Trade and other receivables	55,314	<b>42,563</b>	436	<b>335</b>
Other financial assets	5,464	<b>4,254</b>	43	<b>34</b>
Inventories	120,862	<b>121,008</b>	952	<b>953</b>
Other current assets	9,072	<b>7,976</b>	71	<b>63</b>
<b>Total current assets</b>	<b>218,409</b>	<b>209,557</b>	<b>1,720</b>	<b>1,650</b>
Non-current assets				
Property, plant and equipment	130,943	<b>130,809</b>	1,031	<b>1,030</b>
Right-of-use assets	18,095	<b>19,792</b>	143	<b>156</b>
Goodwill	66,516	<b>68,807</b>	524	<b>542</b>
Other intangible assets	62,773	<b>66,944</b>	494	<b>527</b>
Other financial assets	12,871	<b>16,636</b>	101	<b>131</b>
Investments in associates and joint ventures	5,751	<b>5,222</b>	45	<b>41</b>
Deferred tax assets	4,074	<b>4,064</b>	32	<b>32</b>
Other non-current assets	5,170	<b>4,691</b>	41	<b>37</b>
<b>Total non-current assets</b>	<b>306,196</b>	<b>316,969</b>	<b>2,412</b>	<b>2,496</b>
<b>Total assets</b>	<b>524,606</b>	<b>526,526</b>	<b>4,132</b>	<b>4,147</b>

(\*) Euro amount is converted from yen at the closing rate of Dec. 2020 (126.97) for both previous and current fiscal year.  
See Security Report for the financial statements after the audit.

Exchange rate (CR Yen) 126.97 / EUR

	Million Yen		Million EUR	
	Previous fiscal year December 31, 2019	Current fiscal year December 31, 2020	Previous fiscal year December 31, 2019	Current fiscal year December 31, 2020
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Current liabilities				
Trade and other payables	54,851	<b>47,908</b>	432	<b>377</b>
Interest-bearing bonds and borrowings	35,157	<b>36,993</b>	277	<b>291</b>
Contract liabilities	37,517	<b>33,679</b>	295	<b>265</b>
Other financial liabilities	98,505	<b>58,085</b>	776	<b>457</b>
Accrued income taxes	7,388	<b>3,451</b>	58	<b>27</b>
Provisions	34,738	<b>33,593</b>	274	<b>265</b>
Other current liabilities	4,393	<b>3,961</b>	35	<b>31</b>
Total current liabilities	272,553	<b>217,674</b>	2,147	<b>1,714</b>
Non-current liabilities				
Interest-bearing bonds and borrowings	73,539	<b>65,413</b>	579	<b>515</b>
Other financial liabilities	32,566	<b>35,142</b>	256	<b>277</b>
Net employee defined benefit liabilities	5,594	<b>5,817</b>	44	<b>46</b>
Provisions	5,219	<b>5,007</b>	41	<b>39</b>
Deferred tax liabilities	6,203	<b>6,374</b>	49	<b>50</b>
Other non-current liabilities	1,123	<b>1,201</b>	9	<b>9</b>
Total non-current liabilities	124,246	<b>118,957</b>	979	<b>937</b>
Total liabilities	396,799	<b>336,631</b>	3,125	<b>2,651</b>
<b>Equity</b>				
Subscribed capital	51,115	<b>51,115</b>	403	<b>403</b>
Capital surplus	—	<b>—</b>	—	<b>—</b>
Hybrid capital	49,505	<b>118,735</b>	390	<b>935</b>
Treasury shares	-6,319	<b>-3,735</b>	-50	<b>-29</b>
Retained earnings	46,399	<b>40,452</b>	365	<b>319</b>
Other components of equity	-16,695	<b>-21,148</b>	-131	<b>-167</b>
Equity attributable to owners of the parent	124,006	<b>185,420</b>	977	<b>1,460</b>
Non-controlling interests	3,800	<b>4,475</b>	30	<b>35</b>
Total equity	127,807	<b>189,895</b>	1,007	<b>1,496</b>
Total liabilities and equity	524,606	<b>526,526</b>	4,132	<b>4,147</b>



# Consolidated statement of comprehensive income

	Exchange rate (CR Yen) 126.97 / EUR			
	Million Yen		Million EUR	
	Previous fiscal year January 1, 2019 to December 31, 2019	Current fiscal year January 1, 2020 to December 31, 2020	Previous fiscal year January 1, 2019 to December 31, 2019	Current fiscal year January 1, 2020 to December 31, 2020
<b>Net income</b>	18,861	<b>1,696</b>	149	<b>13</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	-521	<b>87</b>	-4	<b>1</b>
Change in fair value measurements of financial assets at fair value through other comprehensive income	1,108	<b>198</b>	9	<b>2</b>
Share of other comprehensive income of associates accounted for using equity method	5	—	0	—
Subtotal	591	<b>286</b>	5	<b>2</b>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	773	<b>-5,478</b>	6	<b>-43</b>
Effective portion of changes in fair value of cash flow hedge	55	<b>11</b>	0	<b>0</b>
Total of other comprehensive income of associates accounted for using equity method	—	<b>13</b>	—	<b>0</b>
Subtotal	829	<b>-5,452</b>	7	<b>-43</b>
Total other comprehensive income	1,421	<b>-5,166</b>	11	<b>-41</b>
Comprehensive income	20,283	<b>-3,469</b>	160	<b>-27</b>
<b>Comprehensive income attributable to:</b>				
Owners of the parent	19,411	<b>-3,375</b>	153	<b>-27</b>
Non-controlling interests	871	<b>-93</b>	7	<b>-1</b>
Comprehensive income	20,283	<b>-3,469</b>	160	<b>-27</b>

[\*] Euro amount is converted from yen at the closing rate of Dec. 2020 (126.97) for both previous and current fiscal year. See Security Report for the financial statements after the audit.

## Financial Summary

# Consolidated statement of changes in equity

	Million Yen									Exchange rate (CR Yen) 126.97 / EUR
	Equity attributable to owners of the parent									Million EUR
	Subscribed capital	Capital surplus	Hybrid capital	Treasury shares	Retained earnings	Other components of equity	Total	Non- controlling interests	Total equity	Total equity
As of January 1, 2019	51,115	—	49,505	-8,571	37,498	-18,435	111,113	3,053	114,166	899
Impact of changes in accounting policies					-347		-347		-347	-3
As of January 1, 2019 (revised)	51,115	—	49,505	-8,571	37,151	-18,435	110,765	3,053	113,818	896
Total comprehensive income										
Net income					17,995		17,995	866	18,861	149
Other comprehensive income						1,416	1,416	4	1,421	11
Total comprehensive income	—	—	—	—	17,995	1,416	19,411	871	20,283	160
Transaction with owners of the parent										
Payments to owners of hybrid capital					-1,076		-1,076		-1,076	-8
Treasury shares acquisition				-1			-1		-1	-0
Treasury shares disposition		-586		2,253		-195	1,471		1,471	12
Cash dividends					-6,705		-6,705	-132	-6,837	-54
Transfer from retained earnings to capital surplus		581			-581		—		—	—
Share-based payments		2				-2	—		—	—
Changes due to business combinations					138		138	49	188	1
Changes in equity from transaction with non-controlling interests							—	-201	-201	-2
Changes due to capital increase of consolidated subsidiaries							—	140	140	1
Transfer from other components of equity to retained earnings					-521	521	—		—	—
Total transactions with owners of the parent	—	-2	—	2,251	-8,746	323	-6,173	-143	-6,316	-50
Acquisition of non-controlling interests		2					2	19	22	0
Changes in ownership interests in subsidiaries and others	—	2	—	—	—	—	2	19	22	0
As of December 31, 2019	51,115	—	49,505	-6,319	46,399	-16,695	124,006	3,800	127,807	1,007
As of the beginning of the period	51,115	—	49,505	-6,319	46,399	-16,695	124,006	3,800	127,807	1,007
Impact of changes in accounting policies										
As of January 1, 2020 (revised)	51,115	—	49,505	-6,319	46,399	-16,695	124,006	3,800	127,807	1,007
Total comprehensive income										
Net income					1,745		1,745	-49	1,696	13
Other comprehensive income						-5,121	-5,121	-44	-5,166	-41
Total comprehensive income	—	—	—	—	1,745	-5,121	-3,375	-93	-3,469	-27
Transaction with owners of the parent										
Issuance of hybrid capital			70,000				70,000		70,000	551
Issuance cost of hybrid capital			-770				-770		-770	-6
Payments to owners of hybrid capital					-1,086		-1,086		-1,086	-9
Treasury shares acquisition				-0			-0		-0	-0
Treasury shares disposition		-933		2,743		-152	1,657		1,657	13
Cash dividends					-4,916		-4,916	-117	-5,034	-40
Transfer from retained earnings to capital surplus		865			-865		—		—	—
Share-based payments		3				-3	—		—	—
Changes due to business combinations				-82			-82	539	456	4
Changes in equity from transaction with non-controlling interests				-76			-76	76	—	—
Changes due to capital increase of consolidated subsidiaries		62					62	237	300	2
Transfer from other components of equity to retained earnings					-825	825	—		—	—
Total transactions with owners of the parent	—	-1	69,229	2,583	-7,692	668	64,787	735	65,523	516
Acquisition of non-controlling interests		1					1	32	34	0
Total changes in ownership interests in subsidiaries and others	—	1	—	—	—	—	1	32	34	0
As of December 31, 2020	51,115	—	118,735	-3,735	40,452	-21,148	185,420	4,475	189,895	1,496

[\*] Euro amount is converted from yen at the closing rate of Dec. 2020 (126.97) for both previous and current fiscal year.

See Security Report for the financial statements after the audit.

# Consolidated statement of cash flows

Exchange rate (CR Yen) 126.97 / EUR

	Million Yen		Million EUR	
	Previous fiscal year January 1, 2019 to December 31, 2019	Current fiscal year January 1, 2020 to December 31, 2020	Previous fiscal year January 1, 2019 to December 31, 2019	Current fiscal year January 1, 2020 to December 31, 2020
<b>Cash flows from operating activities</b>				
Earnings before income taxes	31,451	5,106	248	40
Depreciation and amortization	23,079	24,118	182	190
Loss (gain) on sales / disposal of property, plant and equipment ( - : gain)	447	-387	4	-3
Financial income and costs ( - : gain)	5,938	5,042	47	40
Share of profits of associates and joint ventures accounted for using equity method ( - : gain)	-50	526	-0	4
Other non-cash transactions ( - : gain)	330	-4,632	3	-36
Changes in inventories ( - : increase)	7,312	1,242	58	10
Changes in trade and other receivables ( - : increase)	12,600	13,215	99	104
Changes in trade and other payables ( - : decrease)	-1,897	-7,818	-15	-62
Changes in contract liabilities ( - : decrease)	-22,189	-4,405	-175	-35
Changes in provisions ( - : decrease)	3,993	-2,581	31	-20
Others	295	-4,340	2	-34
(Subtotal)	61,311	25,085	483	198
Interest received	314	260	2	2
Dividends received	107	104	1	1
Interest paid	-4,749	-3,394	-37	-27
Income tax paid	-13,337	-8,408	-105	-66
Net cash flows from operating activities	43,647	13,647	344	107
<b>Cash flows from investment activities</b>				
Purchases of property, plant and equipment	-14,564	-12,062	-115	-95
Proceeds from sales of property, plant and equipment	3,888	2,211	31	17
Purchases of intangible assets	-6,612	-8,080	-52	-64
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-395	-130	-3	-1
Acquisition of associates, net of cash acquired	-2,538	-137	-20	-1
Purchases of financial instruments	-3,462	-747	-27	-6
Proceeds from sales of financial instruments	—	75	—	1
Others	138	12	1	0
Net cash flows from investment activities	-23,546	-18,859	-185	-149
<b>Cash flows from financing activities</b>				
Net increase (decrease) in short-term borrowings ( - : decrease)	561	2,680	4	21
Proceeds from long-term borrowings	19,949	37,801	157	298
Payments for long-term borrowings	-17,410	-46,148	-137	-363
Proceeds from issue of bond	9,955	—	78	—
Payments for bond redemption	-20,000	—	-158	—
Proceeds from issue of hybrid capital	—	69,229	—	545
Payments of lease liabilities	-5,402	-5,780	-43	-46
Dividends paid	-6,691	-4,917	-53	-39
Dividends paid to non-controlling interests	-131	-121	-1	-1
Acquisition of treasury shares	-1	-1	-0	-0
Payments for obligations for non-controlling interests	-111	-42,289	-1	-333
Payments to owners of hybrid capital	-1,076	-1,086	-8	-9
Proceeds from capital increase of a subsidiary	—	300	—	2
Others	1,338	1,125	11	9
Net cash flows from financing activities	-19,019	10,792	-150	85
Effect of exchange rate changes on cash and cash equivalents	-752	478	-6	4
Increase (decrease) in cash and cash equivalents ( - : decrease)	327	6,058	3	48
Cash and cash equivalents at the beginning of period	27,368	27,695	216	218
Cash and cash equivalents at the end of period	27,695	33,754	218	266

[\*] Euro amount is converted from yen at the closing rate of Dec. 2020 (126.97) for both previous and current fiscal year.

See Security Report for the financial statements after the audit.

## Financial Summary

# Corporate information

as of December 31, 2020

### Corporate Profile

Company Name	DMG MORI CO., LTD.	
Subscribed Capital	51,115 million yen	
Established	October, 1948	
Registered Head Office	106, Kitakoriyama-cho, Yamato-Koriyama City, Nara 639-1160, Japan	Phone: +81-743-53-1125
Tokyo Global Headquarters	2-3-23, Shiomi, Koto-ku, Tokyo 135-0052, Japan	Phone : +81-3-6758-5900
Business Operations	Provision of total solutions consisting of machine tools (machining centers, turning centers, mill turn centers, 5-axis machines, etc.), software (user interface, Technology Cycles, embedded software, etc.), measurement equipment, service support, applications, and engineering	
Number of employees	12,160 (consolidated)	
Website	<a href="https://www.dmgmori.co.jp">https://www.dmgmori.co.jp</a>	

### Shares

Total number of authorized shares	300,000,000
Number of shares outstanding	125,095,913 shares (treasury shares of 857,770 shares excluded)
Units	100
Number of shareholders	34,608

### Top share holders

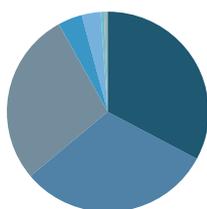
Name	Position (in thousand shares)	% of outstanding shares
The Master Trust Bank of Japan, Ltd. (trust account)	10,878	8.70
Custody Bank of Japan, Ltd. (trust account)	7,632	6.10
THE BANK OF NEW YORK MELLON 140051	5,461	4.37
DMG MORI Employee Shareholders Association	3,864	3.09
Masahiko Mori	3,591	2.87
Custody Bank of Japan, Ltd. (Mori Manufacturing Research and Technology Foundation account)	3,500	2.80
The Nomura Trust and Banking Co., Ltd. (investment trust account)	2,482	1.98
SAJAP	2,103	1.68
Custody Bank of Japan, Ltd. (trust account 5)	1,984	1.59
Custody Bank of Japan, Ltd. (trust account 6)	1,792	1.43

[Note] 1. Acquisition and disposal of treasury shares in FY 2020

Treasury shares acquisition	Acquisition of shares from subsidiaries	95,370 shares
	Acquisition of fractional shares	405 shares
Treasury shares disposition	Decrease due to exercising stock options	552,000 shares

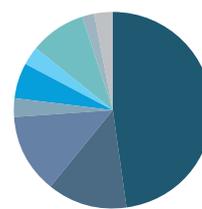
2. The shareholding ratio is calculated excluding the treasury shares. 967,100 shares owned by The Nomura Trust and Banking Co., Ltd. [DMG MORI Co., Ltd. Employee Shareholders Association trust account] are not included in the treasury shares.

### Shareholder composition



	Number of shares (1,000 shares)	Number of shareholders
■ Individuals / Others	41,524	33,917
■ Financial institutions (including securities investment trust)	38,999 (31,105)	48
■ Foreign corporate bodies (other than individuals)	35,752	288
■ Financial instruments firm	5,034	45
■ Other corporate bodies	3,758	269
■ Treasury shares	857	1
■ Foreign individual investors	25	40

### Distribution by position



	Number of shares (1,000 shares)	Number of shareholders
■ 1,000,000 shares or more	60,412	23
■ 500,000 shares or more	16,333	24
■ 100,000 shares or more	16,161	69
■ 50,000 shares or more	3,649	52
■ 10,000 shares or more	7,594	429
■ 5,000 shares or more	4,033	656
■ 1,000 shares or more	11,330	6,802
■ 500 shares or more	2,672	4,489
■ Up to 500 shares	3,766	22,064

## Glossary

Below are additional explanations to some selected vocabulary in this Integrated Report.

Descriptions in the Integrated Report	Explanations
DMG MORI DMG MORI Group	The entire DMG MORI Group consisting of DMG MORI CO., LTD, DMG MORI AKTIENGESELLSCHAFT, and other group companies
DMG MORI CO CO	DMG MORI CO., LTD.
DMG MORI AG AG	DMG MORI AKTIENGESELLSCHAFT

## Financial Calendar

DMG MORI CO., LTD.		DMG MORI AKTIENGESELLSCHAFT	
29 March 2021	73rd Annual General Meeting of Shareholders	27 April 2021	Release for the 1st Quarter 2021
12 May 2021	Release for the 1st Quarter 2021	7 May 2021	119th Annual General Meeting of Shareholders
5 August 2021	Release for the 1st Half 2021	23 July 2021	Release for the 1st Half 2021
5 November 2021	Release for the 3rd Quarter 2021	26 October 2021	Release for the 3rd Quarter 2021

## Reporting term

### January 2020 – December 2020

Some contents include subjects that occurred outside of this term.

## Disclaimer

This Integrated Report contains targets, plans, etc. concerning the future of DMG MORI. All predictions concerning the future are judgments and assumptions based on information available to DMG MORI at the time of writing.

There is a possibility that the actual future results may differ significantly from these forecasts, and described plans may not be implemented. There are many factors which contain elements of uncertainty or the possibility of fluctuation for a variety of reasons.

**DMG MORI CO., LTD.**

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