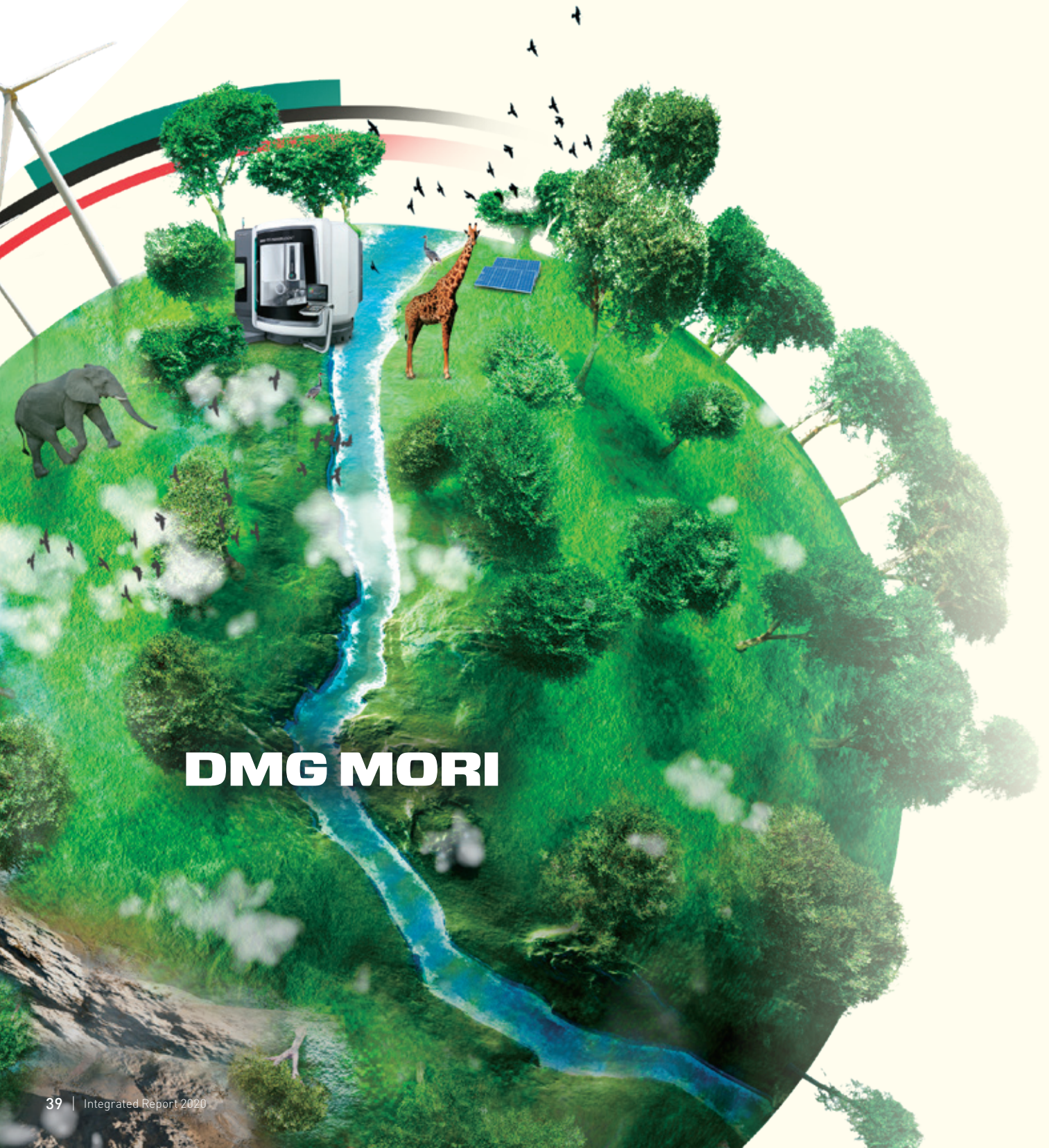






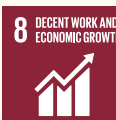


Sustainability (ESG / CSR) initiatives

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"> • Limitation of climate change effects • Reduction of environmental load • Forest conservation 	 	<ul style="list-style-type: none"> • Carbon neutrality in the process of procurement to shipment (upstream Scope 3) manufacturing (from 2021) • Reduction of CO₂ emission by using renewable energy sources • Energy friendly products • Supply chain optimization • Environmental preservation by utilizing abandoned farmland 	<p>P.41</p> <p>P.43</p> <p>P.44</p> <p>P.45</p>
Social	<ul style="list-style-type: none"> • Measures against labor shortage • Transfer technical know-how to next generations • Improve job satisfaction and productivity • Diversify human resources • Coexistence with local communities 	   	<ul style="list-style-type: none"> • Promotion of health management • Support of research & development and human resource development • DMG MORI Academy to develop skilled engineers • Engagement in local communities • Support of cultural activities and local communities 	<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"> • Corporate governance as foundation to contribute to a sustainable society • Realize a peaceful society 		<ul style="list-style-type: none"> • Diversified Board structure • Development of next generation leaders • Strict export control system and various risk managements 	<p>P.57</p> <p>P.58</p> <p>P.66</p>

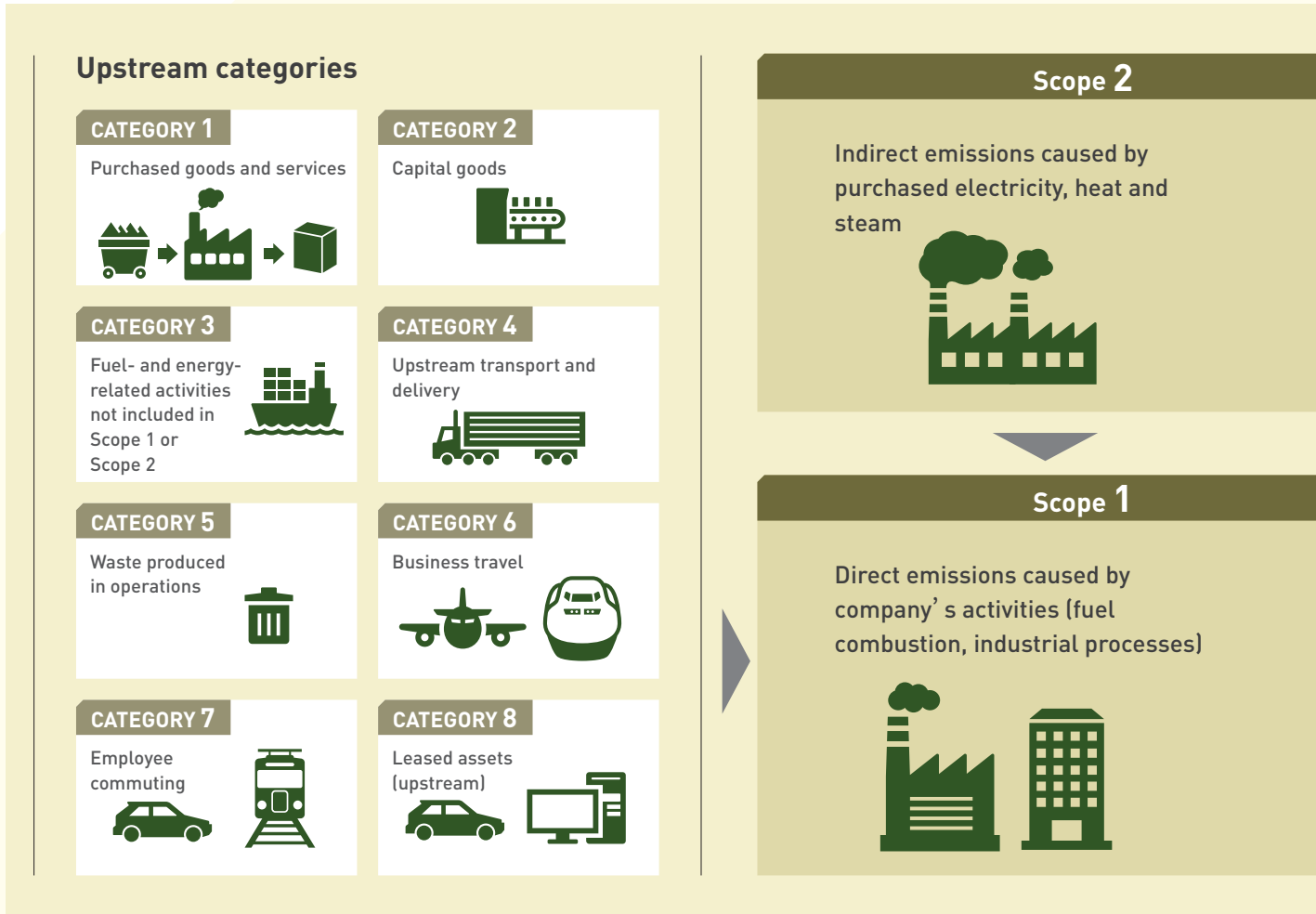
Environment

Social

Governance

Complete carbon-neutrality in the entire supply chain

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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ emissions by measures such as the purchase of CO₂ 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-

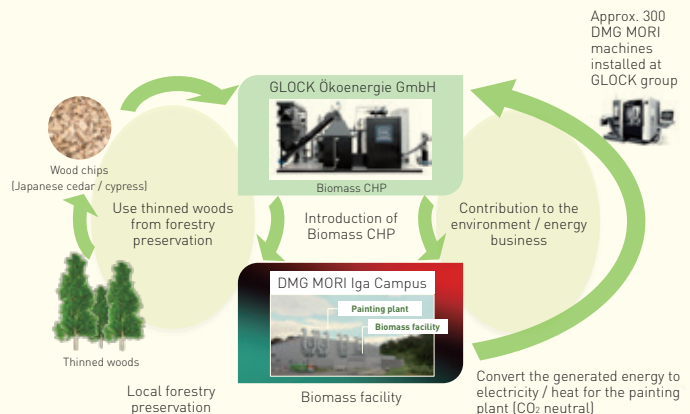
neutrality of society by using our advanced know-how and technology to develop components related to evolutionary green technologies such as wind and hydroelectric power generation, fuel cells and e-mobility.



GREENMACHINE mark

Introduction of biomass energy

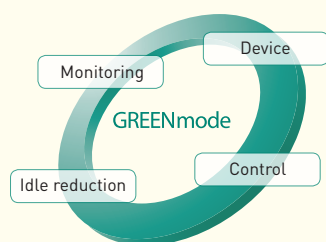
For fall of 2021, we plan to introduce a biomass power generation system at the painting plant on DMG MORI Iga Campus. This system is extremely efficient and energy saving because it can utilize 96% of the input energy by generating both electricity and heat. The usage of biomass energy is one of DMG 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 CO₂ 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 CO₂ 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.

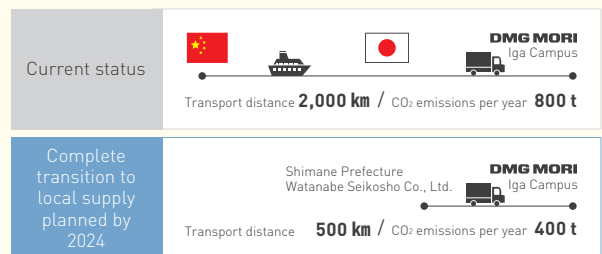


Supply chain optimization

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 CO₂ 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 CO₂ 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

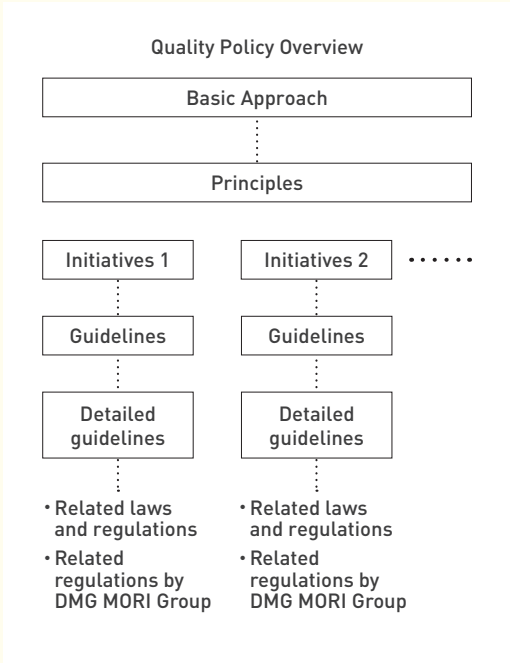
We at DMG MORI strive to realize our mission statement, deliver safe and reliable products & services to our customers, and be a trustworthy partner to all our stakeholders such as our suppliers, employees, shareholders, sponsors, and members of society. In order to achieve this, we have defined basic 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.”

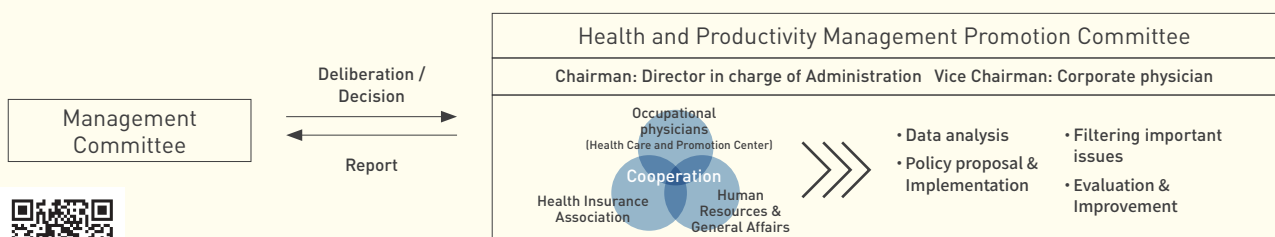
DMG MORI believes that the employees’ vitality is connected to a healthy mind and body. This vitality is essential to the sustainable growth of our company. DMG MORI pledges to support the health improvement activities of its employees and to implement health improvement strategies to foster a corporate 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>>

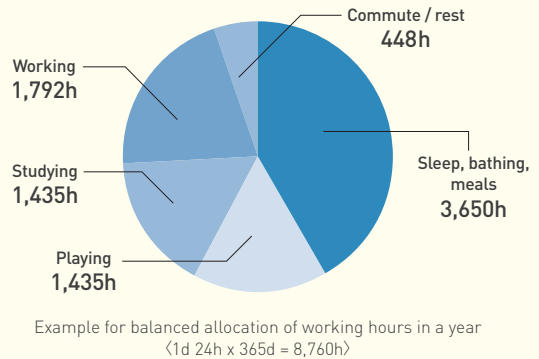
□ For enriching lives

“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.

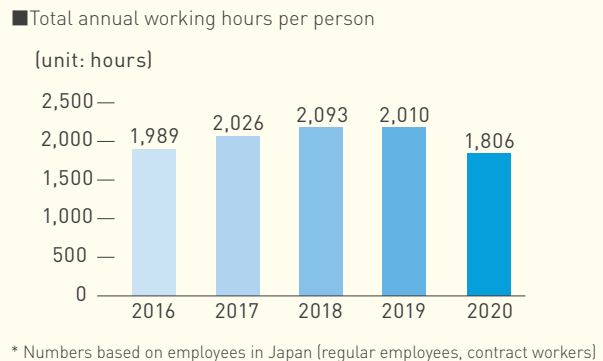
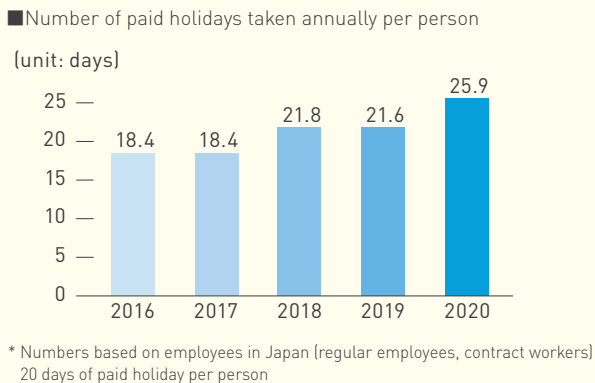
Play hard = Improving physical and mental health
Study continuously = Adapting to technological and social changes
Work together = Fostering productivity in result-oriented culture



□ 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).

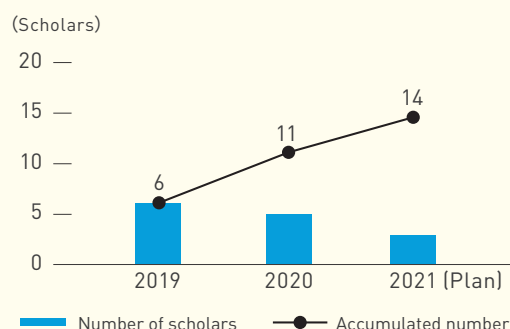
2) Initiatives to foster local communities and cultures

DMG MORI is making efforts to elevate the local scenery of its place of foundation, the Itonocho 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	Production Parts Machining – Gold Prize Winner	Prototype & Test Cut Machining – Gold Prize Winner	Free Form Machining – Gold Prize Winner
	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.
			
	Advanced Machining – Gold Prize Winner	Academic Research – Gold Prize Winner	5-axis Grand Prize Winner
	Reborn 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	44,347
		Solar power	Japan	thousand kWh	123	130	127	126	121	54
		Heavy oil (*2)	Japan	Kℓ	2,574	3,187	3,129	2,218	2,132	1,898
		City gas	Japan	thousand m ³	196	175	0	0	0	0
		LPG	Japan	t	279	228	304	360	317	262
Water consumption	Production	Clean water	Japan	thousand m ³	121	126	138	139	126	126
		Groundwater	Japan	thousand m ³	74	104	93	72	37	35

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	12,993

OUTPUT items			Location	Unit	2015	2016	2017	2018	2019	2020
Greenhouse gas	Production	CO ₂ emission (*3)	Japan	t-CO ₂	33,815	32,425	32,197	29,633	26,865	24,791
Industrial waste	Production	Final disposal amount	Japan (Iga)	t	153	110	119	130	96	39
		Final disposal rate	Japan (Iga)	%	4	3	3	4	3	3

【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 CO₂ 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
Fuel consumption from fossil energy sources	76,281	80,506	90,818	76,803
of which natural gas	30,681	32,491	33,611	28,730
of which liquefied gas	325	364	338	346
of which heating oil	0	55	0	0
of which fuel	45,275	47,596	56,869	47,727
Electricity consumption	46,757	48,962	52,441	45,956
of which procured from the grid	45,456	47,489	49,696	43,554
of which self-generation from renewable sources	1,301	1,473	2,745	2,402
Energy consumption in total	123,038	129,468	143,259	122,759

AG GROUP-WIDE CO₂-BALANCE (*3)(*4)(*5)(*6)

in t CO ₂ e	2017	2018	2019	2020
CO₂-BALANCE Total	—	—	434,064	258,494
Scope 1 (direct emissions)	—	—	23,712	19,304
Scope 2 (indirect emissions)	—	—	24,793	8,785
Scope 3 (other indirect emissions)	—	—	385,559	230,405

(*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, Ecolinvent 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 CO₂ equivalents (CO₂e), nitrogen trifluoride (NF₃) and the six main greenhouse gases under the Kyoto Protocol were considered: Carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrogen-containing hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆). 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 CO₂ [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.

CO₂ emissions of SCOPE 1, 2, 3 Upstream Categories (Consolidated)

Scope	Source of Emission	2019		2020	
		Kt CO ₂	Share	Kt CO ₂	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 ₂ emission in Kt CO ₂		784	100%	488	100%

DMG MORI CO₂ emission reduction goal

Goal for 2030: -30% in CO₂ emission (compared to 2019)

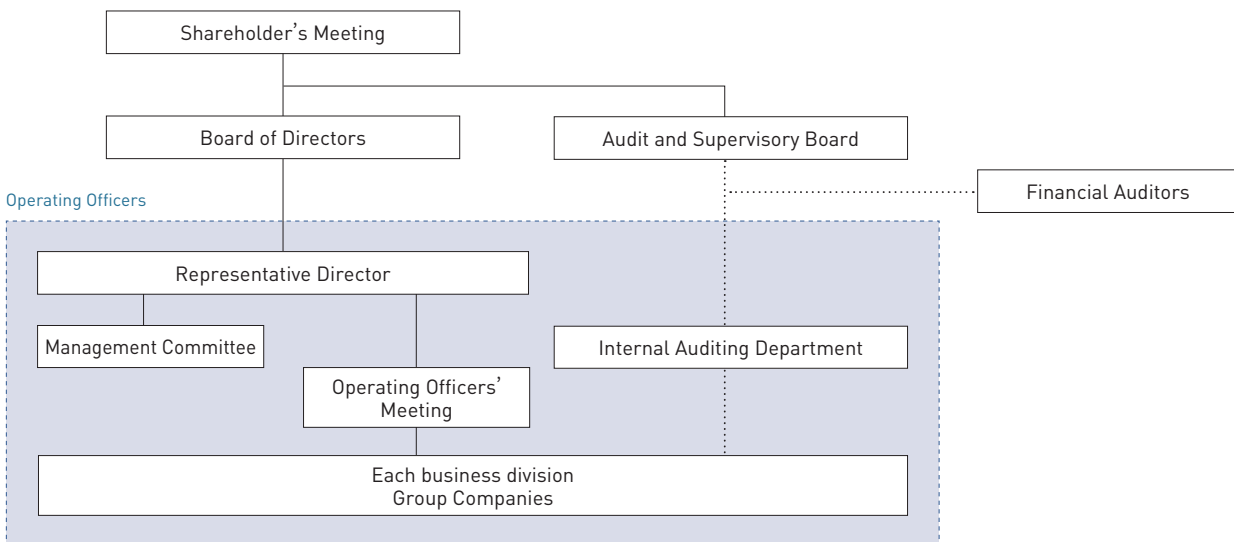
2019		▶	2030
Total emissions by DMG MORI Group	Emissions per unit		Emissions per unit
about 780,000 t	about 78 t		about 55 t

Concrete examples of our measures

- Switching to CO₂-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

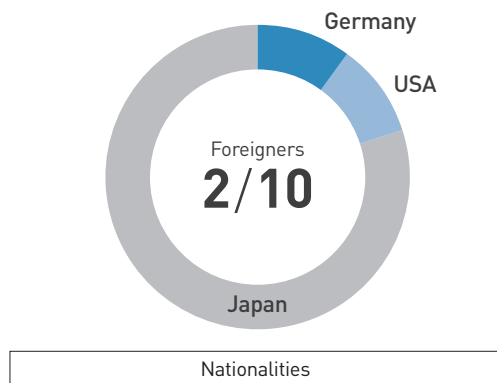
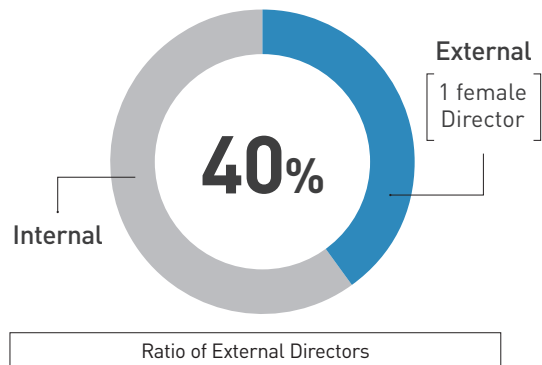
to the machine tool industry.

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.

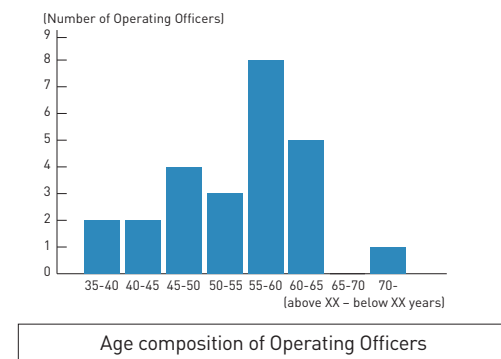
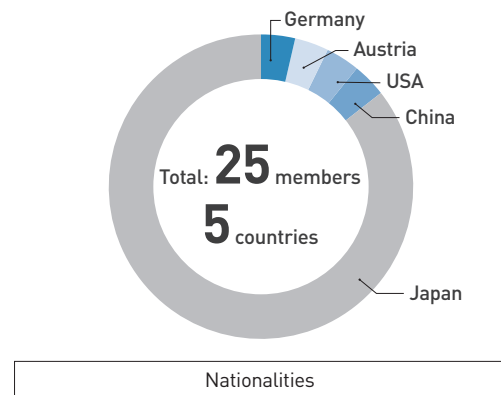
The Board of Directors holds discussions on important business strategies for the future of the company.

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 CO₂ 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)
 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.

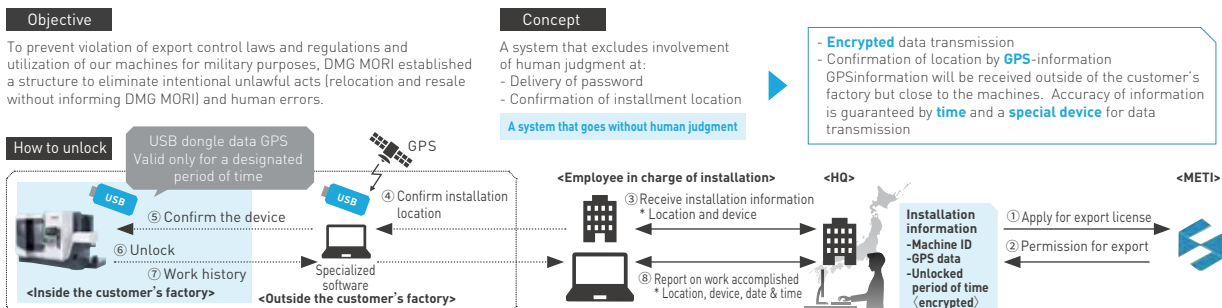
After receiving the license, we conduct a final check before shipment of the ordered machines. Recently, we started applying the same procedures to machines produced in the United States, Europe (Germany, etc.), China and India as well, in addition to those produced in Japan, to ensure compliance with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