

DMG MORI

COMPANY LIMITED

Integrated Report

2021

Fiscal Year 2021
(January - December)



DMG MORI
CO₂ neutral



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.

Integrated Report 2021 (January-December)

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Please click on  to find related videos on our website.
https://www.dmgmori.co.jp/corporate/en/ir/ir_library/annual_report.html

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

DMG MORI drives customer value through process integration, automation and digitization, and address climate change by providing environmentally friendly products and technologies.

■ How do you evaluate the changes in the business environment surrounding the machine tools industry?
How is DMG MORI responding to these changes?

The shift to electric vehicles (EVs), decarbonization, the global shortage of operators and the aging of population, as well as the impact of COVID-19, have significantly changed the needs of our customers for machining. The shift to EVs and decarbonization has resulted in the need to reduce coefficient of friction and

optimize the bonding between parts, which in turn has led to more stringent requirements in terms of not only conventional machining accuracy but also imposed shape and surface accuracy. In addition, single-chucking and single-pallet machining is required to realize these high precision

requirements. Demand for automation and full turn-key machining solution is accelerating to address the operator shortage and to prevent the spread of infectious diseases at manufacturing sites. Clearly, the way customers are installing machining equipment is shifting from simply replacing existing machines to optimizing the way workpieces are processed, optimizing their own management resources, and reducing CO₂ emissions in consideration to climate change.

In this context, our mission has been adapting to the changes in the business environment with process integration, automation, and digitization. Workpieces that were sequentially processed by three to five machines can now be manufactured by a single process-integrated machine, such as a 5-axis machine or a mill-turn center, or in other words, through a single chucking, to achieve higher accuracy. Following such process integration, automation leads to further resource optimizations, such as compensating for the lack of operators, eliminating intermediate work-in-process that used to be idling after each process, and reducing shop floor space. Digitization has helped optimize the machining process by visualizing and providing feedback on areas where operators cannot be involved due to automation.



As an example of process integration, in FY2021, we launched the NZ platform, the first jointly developed machine by Japan and Italy, a flexible turning center that can be equipped with up to four turrets with B-axis function (swivel function). In addition to 5-axis machines and mill-turn centers, this platform expanded our line-up of process-integration machines.

The Central Tool Storage (CTS) is an automated system with a large-capacity tool magazine up to 4,000 tools, and a transfer robot that loads and unloads tools into and out of the machine tool magazine of each machine tool. The system enables automation of high-mix production. We have also introduced the MATRIS Light robot system, which can be flexibly positioned. This is a system in which human-collaborative robot is amounted on a hand cart and can be moved freely by a single operator, significantly lowering introduction barrier. Currently, we offer 57 standardized automation solutions to our customers.

In order to keep these automation solutions running error-free for as long as possible, the machining environment and conditions must be optimized. The problems caused by chips, coolant, and mist generated in the cutting process are recognized as the three troublemakers of machining. They adversely affect the machining accuracy of the workpiece and can also cause machine failure. To solve these three troublemakers, we have introduced new peripheral devices. AI Chip Removal, Zero Sludge Coolant, and zeroFOG are contributing to further increase the productivity of our customers.

As mentioned above, we increasingly develop process-integration machines as well as automation systems and peripheral equipment that optimize the operation of those machines. These systems also contribute to the improvement of social value including the working environment and reduction of CO₂ emissions.

What do you consider to be the key elements for fulfilling DMG MORI's mission? What differentiates DMG MORI from your competitors?

We have around 12,000 employees globally, of which 4,800 (40%) are engaged in manufacturing machines and improving machine quality. The remaining 7,200 employees (60%) are engaged in marketing, sales, engineering and services. These employees help our customers to get the optimized performance out of their machining systems and solve production problems as quickly as possible.

In terms of manufacturing, we have 16 factories globally, aiming to produce machine tools and related products at the place of demand as much as possible, thereby diversifying risks. These 16 factories also serve as important marketing bases. We invite customers to our factories for test cuts and automation demonstrations to help them make decisions on their capital

investment. In addition, we are promoting the in-house production of key components with the aim of improving the accuracy of machine tools and safeguarding constant supply of difficult-to-procure parts. They include spindles, which are the heart of the machine tools, ball screws to improve positioning accuracy and ultra-precision measurement components supplied by Magnescale, a group company. In the future, reducing CO₂ emissions in the area of procurement will also be a major topic. WATANABE SEIKOSHO Co., Ltd., a group company, which is involved in the manufacturing of iron casting, has decided to switch to a less CO₂ emissions and high-efficiency electric furnace, leading to our advantage in the supply chain.

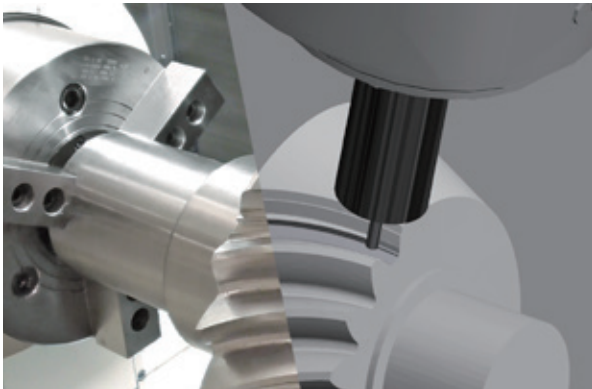
In terms of organization for providing and maintaining values to customers, we have 111 bases in 44 countries around the world. As the machine tools and automation systems we provide become more and more complex, we need a mechanism to directly propose and provide our value to customers.

We believe what differentiates DMG MORI from our competitors is not only the supply of products such as 5-axis machines and

mill-turn centers. It is also our ability to propose and realize solutions that maximize the value of these machines and are catered to customers' workpieces. From the planning stage of production customers can procure all service and products through a single source, DMG MORI. Our strength is that we are not only a machine tool manufacturer, but also an engineering company with trading company functions.

What are your thoughts on the progress of digitization and the fusion of digital and real?

The initial introduction of digital tools was completed by the end of 2020. In 2021, we have been moving to enhance the digital contents we provide. For internal use, we have introduced the "Sales Manual 2.0" to approximately 600 area sales managers globally, enabling them to customer needs digitally and contributing to increased productivity. The introduction of the Digital Twin Test Cuts enables significant time saving compared to actual test cutting, while at the same time reducing the costs related to materials, tools, and coolant. In 2021, we succeeded in significantly shortening the analysis and evaluation time by using the RIKEN supercomputer "Fugaku", for example in case of mold with complex curved surfaces. The portal site "my DMG MORI",



which was introduced in 2019, now has about 50,000 registered users. It facilitates communication with customers. Following the addition of the new "Service Request" function, customers are increasingly shifting their machine recovery request and repair parts orders online.

As mentioned above, we have enhanced our digital contents to make it more convenient for our customers, while, at the same time, acknowledging the resurging importance of real world experience. Even under COVID-19 in 2020, after thoroughly taking measures against the spread of infectious diseases, we held face-to-face business meetings with a small scale of customers at showroom in Iga and Tokyo, Japan. Physically experiencing machine tools in operation and performing test cuts is essential for our customers to make capital investment decisions. This is especially true for new technologies such as 5-axis machines, mill-turn centers and additive manufacturing. I am convinced that global expansion of these real and small-group business meeting in FY2021 have helped our customers better understand our efforts in process integration, automation / full turn-key and digitization, which led to increased orders. In the future, we will continue to pursue both efficiency through the enhancement of digital contents and the promotion of understanding of our initiatives through in-person meetings and demonstrations.

What is the purpose of the divisionalization from the beginning of FY2022?

I assume that the framework for creating and providing value to customers is now well in place. On the other hand, demand for more complex automation and turnkey as well as 5-axis machines and mill-turn centers is increasing, while the contribution of each function to profitability has become less transparent. In fiscal year 2021, we thoroughly managed the profitability of machines and systems we provided to our customers machine by machine. This has enabled us to capture the cost of the machines themselves, peripheral devices added for automation, software products, engineering, customer operator training, etc., as well as the lifecycle cost of the delivered machines and systems.

Since the cost of individual machine and system we provide has been clarified, the next step is to visualize the profitability of each functional organization, with the aim of further improving profitability. Since the beginning of 2022, we have visualized the profits or losses of the parts manufacturing, procurement, engineering, and research and development departments, and clarify the responsibilities of each function.

How do you evaluate the financial results of the strategies and measures?

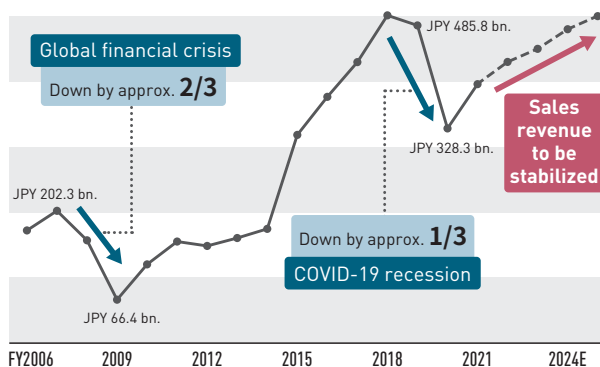
Firstly, we were able to reduce the volatility of our business performance during the recession. I have gained confidence in our ability to remain profitable even in times of recession. Secondly, our customers have recognized the added value of process-integration machines, automation / full turnkey, and digitization, which has led to an improvement in the gross profit margin. In addition, we have been able to collect down-payments of around 30% of the order price when we receive orders.

Regarding the first point, in the global financial crisis in 2008, our sales dropped by about two-thirds from 202.3 billion yen (fiscal year ended March 2008) to 66.4 billion yen (fiscal year ended March 2010), and our net loss for the same year was over 34 billion yen causing a significant financial impact. During the COVID-19 pandemic, however, for fiscal year 2020, sales dropped only by about one-third, from 485.8 billion yen (fiscal year ended December 2019) to 328.3 billion yen (fiscal year ended December 2020), and we secured a net profit of 1.7 billion yen. Compared to about a decade ago, we have been able to diversify our customer base by region, industry, and business size. However, what is more

important is that our business model has shifted to process-integration machines, and automation / full turnkey systems with an increase in industrial-based customers that are less affected by short-term changes in the economic environment. On top of that, these orders have a long lead time to shipment, and with an abundant order backlog, it has become possible to level out management resources, especially in production. We expect this trend to further increase the stability of our business performance over the medium to long term.

With regard to the second point, we have been able to increase customer satisfaction by proposing optimized machining methods for their workpieces, such as process-integration machines and automation / full turnkey systems, which in turn has eased price pressure from customers and thereby improved the gross profit margin. Previously, in the growing period for machine tools demand, we used to have to raise working capital from parts procurement to collection of trade receivables. However, since we have been able to collect down-payments when receive orders, we no longer have such financing needs and our financial stability has improved.

Trend in sales revenue



As for our business performance in FY2021, demand from semiconductor production equipment, EVs, space, molds and medical related industries expanded, and our key performance indicators had greatly exceeded our initial plan. Order intake was 456 billion yen (up 63% from the previous fiscal year), sales revenue was 396 billion yen (up 21%), operating profit was 23.1 billion yen (up 2.2 times) with the operating margin of 5.8%, and net profit attributable to owners of the parent was 13.5 billion yen (up 7.7 times). Order intake even exceeded the pre-pandemic fiscal year 2019 by 11.4%. Also compared against fiscal year 2019, sales revenue, operating profit and net profit attributable to owners of the parent recovered to 82%, 62% and 75% levels, respectively.

Please tell us about the ESG issues you are focusing on. What are you doing to address them?

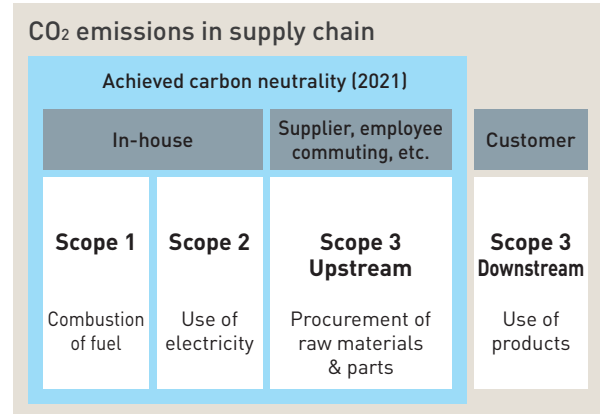
We place the highest priority on the health of employees. Employees are the key players in providing value to our customers and contributing to society through that value, so promoting their health is indispensable. At the beginning of 2021, we made the “DMG MORI Health Management Declaration” based on our management philosophy of “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”. Rather than managing by company-wide average, we have been able to thoroughly manage individual employees, and annual working hours of 2,000 hours, the interval of 12 hours between leaving and arriving at work and the number of paid vacation taken per year of 20 days have been firmly established. As part of our COVID-19 measures, we provided vaccination at the workplaces, encouraging employees, their

families and affiliated companies to take vaccines. The vaccination rate of employees in Japan and China exceeded 95%, while the rate in other regions was around 80%.

We have continued our efforts to protect the environment, in particular, in response to climate change. At the beginning of 2021, we achieved carbon neutrality, with the use of emission credits, of our machine tools manufactured across the world in the range of scope 1 to upstream of scope 3. We have been shipping products with the “GREENMACHINE” logo after obtaining a third-party evaluation and assurance. In July 2021, we disclosed the first draft in accordance with the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), including information on governance, business risks and opportunities, and specific initiatives to CO₂ emission reduction. In addition, in

November last year, we received SBTi (Science Based Targets initiative) certification. We set our CO₂ emission reduction targets of 46.2% in Scope 1 and Scope 2, and 13.5% in Scope 3 by 2030 from the base year 2019. In Scope 1 and 2, we have already decided to introduce biomass and solar power generation equipment, electric and fuel-saving vehicles, a high-efficiency electric furnace at the casting factory as well as purchase more CO₂ free electricity. In upstream of Scope 3 (CO₂ emissions caused by purchased goods and services), we have already negotiated with suppliers to make efforts to reduce CO₂ emissions, and we are considering providing technical support to achieve such reductions. In downstream of Scope 3 (CO₂ emissions when customers use our machines), we will reduce the power consumptions of our machines by introducing GREENMODE technology, and we continue to provide our customers with process-integration machines and automation / full turnkey systems, leading to less energy consumption. In addition, since small and medium-sized enterprises (SMEs), which

account for about 60% of our customers, are even facing challenges to investigating their current CO₂ emissions, we will be helping them to visualize their CO₂ emissions through our digital technology, "my DMG MORI".



Please tell us about your assessment of the current corporate governance and your vision for the future.

Our board of directors consists of 10 members with six internal directors, including two foreign nationals, U.S. and German citizens, and four external directors (40% of total directors), including one female director. Diverse opinions are brought to the table based on their respective expertise in general management, global expertise, technology, legal affairs, and accounting & finance. In addition, we are expecting another female director to join our Board of Directors subject to the approval of the General Meeting of Shareholders in fiscal year 2023. With the inclusion of

two female external directors from fiscal year 2023, the Board of Directors will become more gender diverse. At present, the female director is mainly from outside the company, but we are fostering of candidates from within the company, and we will make efforts to increase the share of female directors to more than 30% by 2030. The Board of Auditors consists of one internal auditor and two external auditors to strengthen the management monitoring function.

Human resource development is an important issue in the machine tool industry. What are you doing to develop future engineers?

Mori Manufacturing Research and Technology Foundation, which is approved at the 69th general shareholders' meeting (March 2017), plays an important role of human resource development and support of research and development. Since 2019, we have provided three-year scholarships to engineering graduate students in the second half of their doctoral courses. A total of 22 students will be supported including students who are expected to join in April 2022. In addition, for the Graduate School of Advanced Integrated Studies in Human Survivability (Shishu-kan), Kyoto University, we are fostering of doctoral students who would be active on the global stage. Furthermore, with the aim of promoting diversity in engineering workforce, we have concluded a

comprehensive cooperation agreement with Nara Women's University, which is the first women's university in Japan to open a department of engineering. We support the development of female engineers by dispatching instructors and advising curriculums and texts. In summer 2022, the Nara Product Development center (PDC) for DX (Digital Transformation) and advanced technologies will open in Nara, the place where Mori Seiki was founded. I expect it will be the place to promote the development of cutting-edge technologies such as 5G communication technology, AI (Artificial Intelligence), and digital twin as well as human resource development through industry-academia collaboration and close communication with related engineers.

Please tell us your efforts in other areas in ESG.

DMG MORI SAILING TEAM participated in the Vendée Globe 2020-2021, a solo, non-stop, round-the-world yacht race, skippered

by marine adventurer Kojiro Shiraishi, and finished 16th out of 33 boats. He was the first Asian to finish the race. During the race,

the team collected samples of microplastics in water that are rarely navigated by commercial ships or oceanographic research vessels, which cooperated with the Japan Agency for Marine-Earth Science and Technology (JAMSTEC) in their research and study.

In support of musical activities, we have been supporting Kyohei Sorita since 2018 and founded 'Japan National Orchestra Co., Ltd.' (JNO) in May 2021. At the present stage, Kyohei Sorita and 17 young soloists are engaged in activities.

— What are some of the other ESG issues that you need to address in the future?

A mutually supportive relationship with suppliers is one of them. While it is essential to eliminate unfair labor conditions for foreign labor forces and hazardous substances, we recognize that low wages and poor working environment are also important issues to be improved for the sustainability of society. We have traditionally interviewed our suppliers to understand issues and make improvement proposals. However, in light of the increasing social

demands for human rights issues and improvement of the working environment, we have implemented a more standardized and strict management system by utilizing the platform provided by INTEGRITY NEXT GmbH of Germany. The system has already been introduced in Europe, where supplier management has been centralized. Given its effectiveness, we introduced it in Japan from the beginning of 2022.

□ Please tell us about your medium-to long-term business challenges, financial targets, and shareholder return policy.

We are planning to formulate a medium-term business plan by the end of 2022 that will cover three-year period through 2025.

We have been promoting process-integration machines, automation / full turnkey systems, and digitization in response to changes in the business environment, such as the shift to EVs, decarbonization, and the aging of society. In addition, we have responded to material sustainability issues such as employee health and climate change. In the next medium-term business plan, we would like to re-evaluate our current understanding, clarify our materiality, and at the same time, formulate a plan to resolve / improve the material issues with concrete actions.

Our focus on process integration, automation, and digitization will bring about a major shift from quantity to quality. The machining process that used to be performed by 3-5 machines will be replaced with one integrated machine tool, and the importance of peripheral equipment such as robots and software products for optimizing the process will increase. Although it will depend on economic conditions, we aim to achieve sales revenue of 500-600 billion yen and operating profit margin of 10-12% around 2025 as an intermediated target. Looking ahead to the next 10 years, we expect our average unit price to rise from the current 39 million yen to 50 million yen as the automation and full turn-key system ratio increases. With the increase in unit price due to this qualitative shift and the expansion of service and repair parts business, we expect sales to reach around 1 trillion yen. We have already commented that the gross profit margin has been on an improving trend by proposing the optimized processing method for workpieces. As a result, we have a chance to aim for an operating profit margin of 12-15% when we achieve sales revenue of 1 trillion yen.

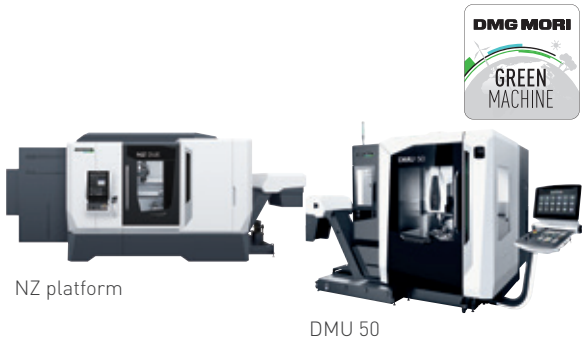
With less volatized business performance derived from diversified business opportunity, we expect to be able to generate rather stable free cash flows for the next couple of years. We aim to achieve a Net Debt of zero, excluding perpetual subordinated bonds and loans, by around 2024, and a shareholders' equity ratio to around 50% based on the assumption that convertible bonds issued in 2021 will be converted to common stock.

We aim for a dividend payout ratio of 30-35% as a shareholders' return policy. In fiscal year 2021, we raised the dividend per share to 40 yen, up 20 yen from the last fiscal year, 10 yen for the interim period and 30 yen for the year-end period. In fiscal year 2022, we plan to pay a dividend per share of 60 yen, as the initial plan.

We have introduced TQM (Total Quality Management) to improve the quality and productivity of our operations. The management policy associated with this management philosophy has been developed and disseminated throughout the company. At the present stage, about 400 QCs (Quality Circles) are working to visualize activities and improve and standardize daily operations. By implementing this SDCA (Standardize→Do→Check→Act) and PDCA (Plan→Do→Check→Act) cycles at high speed, we will improve customer satisfaction, thereby, leading to an increase in corporate value. In particular, the SDCA contributes to an improvement and increased productivity of operations combined with visualization and traceability by implementing TULIP (low code platform to realize DX at shop floor).

DMG MORI will strive to continuously improve its equity value, contribute to solving social issues and satisfy all stakeholders.

Comprehensive solutions to realize DMG MORI's missions



NZ platform

DMU 50

- Several processes combined in one single machine tool for better productivity
- Saving resources and reducing CO₂ emissions by process integration



Digital Twin Test Cuts

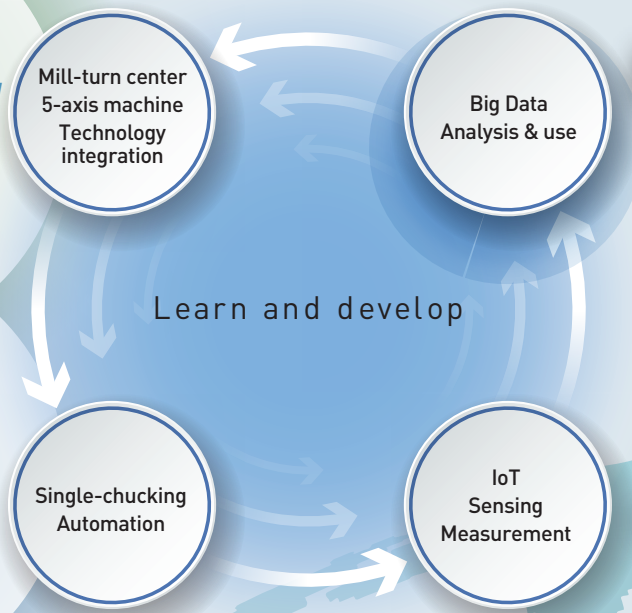
- Factory digitization to enhance productivity
- Efficient maintenance with centralized machine data management
- Efficient process simulation with digital test cuts

DMG MORI's social contribution 1

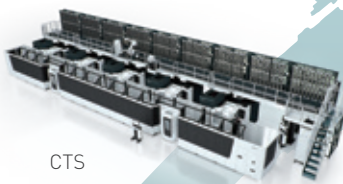
Maximizing management resources / Mitigating environmental impacts by process integration

DMG MORI's social contribution 2

Solving operator shortage by Automation



Workpiece handling system MATRIS Light



CTS

- Automatic workpiece and tool loading and transfer
- Solutions to the 3 troublemakers - chips, coolant, mist - for maximized efficiency of automation systems

Solutions to the 3 troublemakers of machining



zeroFOG



AI Chip Removal



Zero Sludge Coolant Tank



Tool Visualizer



Non-contact on-machine measuring system

- Shorter operation time and reduced workload realized by on-machine measuring of workpieces and tools
- Machining accuracy enhanced by combination of machine tools and measuring technology

DMG MORI's 5-axis machines, mill-turn centers, automation / full turn-key systems, and digitization, as well as our comprehensive proposals, help customers to enhance their entire factory's productivity.

Our 5-axis machines and mill-turn centers complete machining in single-chucking and integrate several production processes. This facilitates the automation of transfer and measurement operations.

The vast amount of data from automated processes will then be collected with our digital technology and sensing devices, and accumulated and analyzed by AI.

The analysis results help us improve quality of our machine tools, peripheral equipment, and all machining processes, creating a continuous growth cycle.



Consulting business
Higher operation
efficiency of
the entire factory



TULIP

Higher production efficiency

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



my DMG MORI

Installation
and
education business



DMG MORI's
social contribution **3**

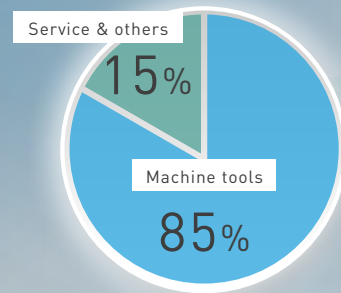
**Developing
top talents**
by extensive
training programs

01

DMG MORI's value creation story

DMG MORI's development amidst transforming demands

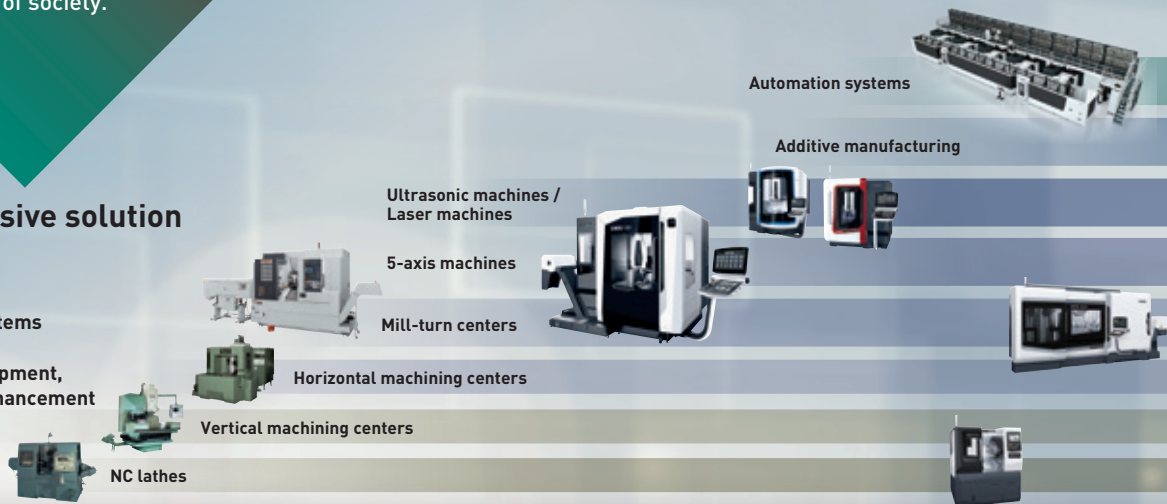
DMG MORI continuously evolves its business model and improves its products and services in response to major societal changes. We will continue to aim for further growth by providing products and services that reflect the demands of society.



History of innovations

Comprehensive solution provider

- ▶ Full lineup
- ▶ Automation systems
- ▶ Digitization
- ▶ Peripheral equipment, Productivity enhancement proposals



1970-90s

2000s

2010s

Social needs

Development of infrastructure
Industrialization of society
(Mass production of cars, tel. communication equipment, electrical products)

Solutions

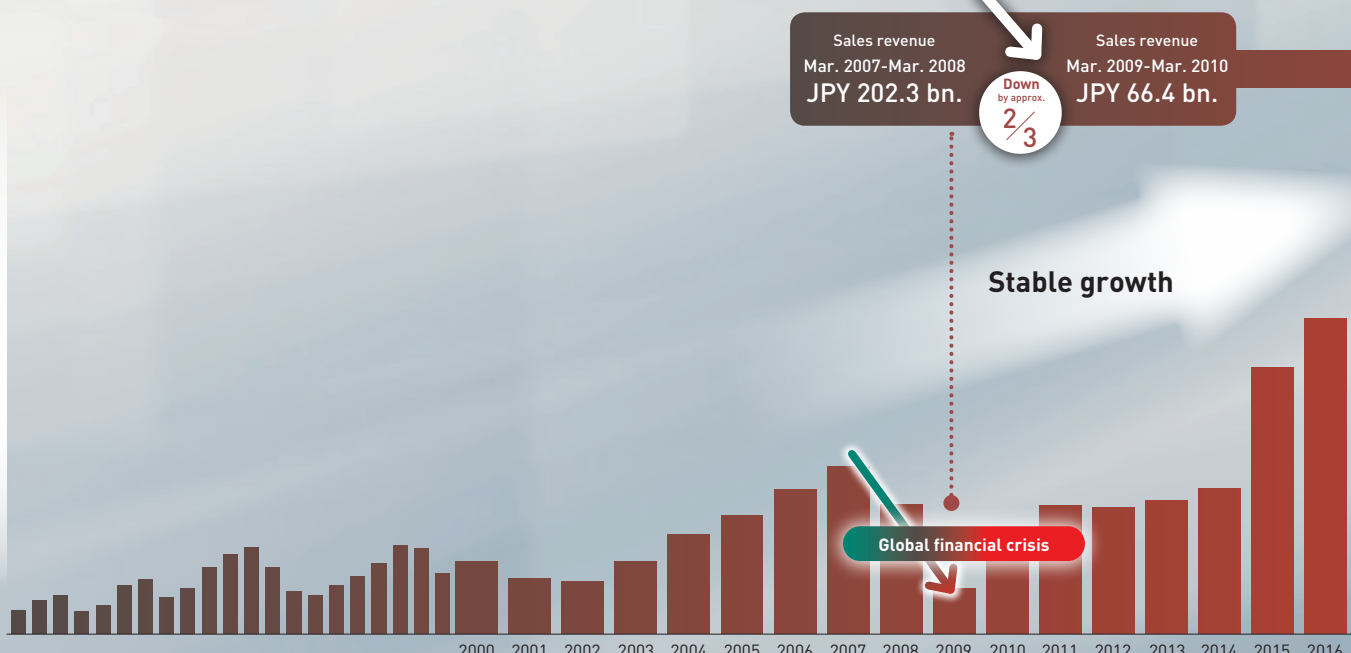
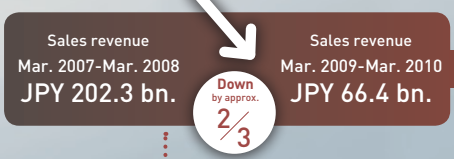
Mass production

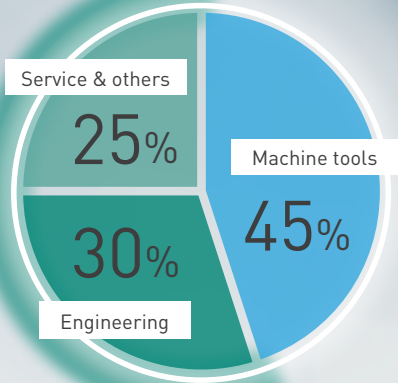
Average price per unit JPY 10 mil.

JPY 20 mil.

JPY 30 mil.

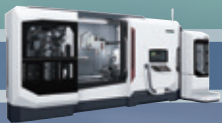
Sales revenue





Digitization & environmental initiatives

my DMG MORI, TULIP, CO₂-neutral products, Digital Twin Showroom, Digital Twin Test Cuts, etc.



2020s

2030s...

Expansion of global production
Operator shortage
Progression of connectivity

Declining birthrate and aging population, Operator shortage,
Increasing demand for high-mix low-volume production,
factory automation & digitization, sustainability

Process integration & streamlining

Automation, Digitization, AI & Decarbonization

JPY 39 mil.

JPY 50 mil.

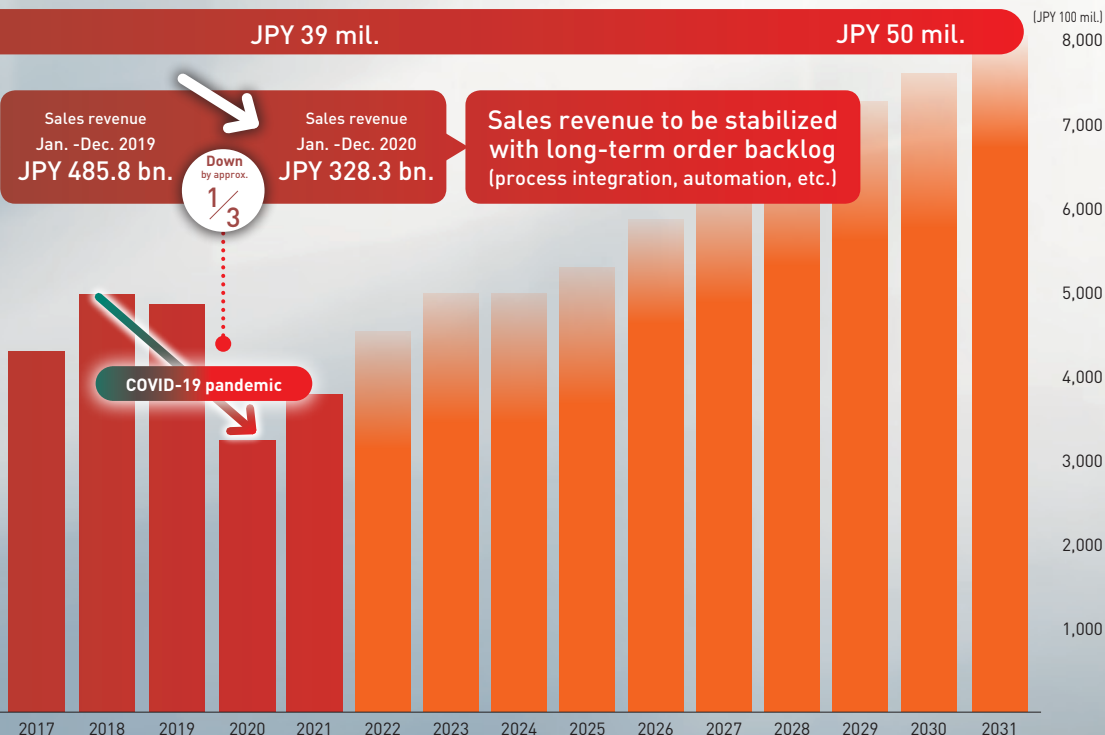
Sales revenue
Jan. -Dec. 2019
JPY 485.8 bn.

Sales revenue
Jan. -Dec. 2020
JPY 328.3 bn.

Sales revenue to be stabilized
with long-term order backlog
(process integration, automation, etc.)

Down
by approx.
1/3

COVID-19 pandemic



Further market expansion

150,000
existing customers

+

150,000
potential customers

∨

Supporting
the value
creation of
customers
worldwide

∨

Contributing
to a
sustainable
society

02

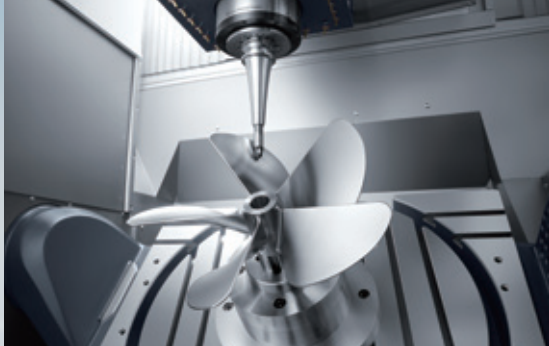
DMG MORI's value creation story

Why customers choose DMG MORI

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 precision & high rigidity



The foundation of DMG MORI's services

Diversity

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



Extensive product lineup, supply system, and software



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

– Integration of European and Japanese advantages –

Europe
Creative Thinking



Japan
Precise Implementation & Refined Customer Service



Close communication to identify customers' needs

Quick response and support system

Customer-oriented sales & service network

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



Excellent engineering

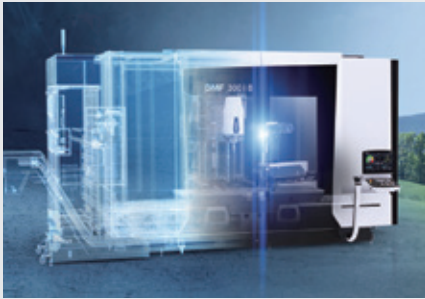
Our experienced engineers provide customers with the optimal solutions, including automation.



Products with a small environmental footprint

Our manufacturing process is fully carbon-neutral from the parts procurement to shipment.





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



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

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.



Operator training

We provide hands-on training and e-learning lessons to help our customers develop skilled operators of 5-axis machines and other machine models.



Energy saving functions for green machine operation



Contributing to the development & production of green technologies



Provided by DMG MORI digital technologies

Quality

Quality that fulfills all demands

Cost

Impeccable pricing throughout product lifecycle

Delivery

Quick response and extensive support

Spare parts shipment within 24 hours

Environment

Reducing customers' carbon footprint

03

DMG MORI's value creation story

DMG MORI's value creation process

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

INPUT

Resources of our business foundation

| Human capital

Management leadership ▶P.73
Diverse human resources with 12,000 employees in 44 countries ▶P.22

| Intellectual capital

Know-how as the market leader ▶P.19
Comprehensive technical capability of R&D, Production, Engineering, and Software ▶P.31

| Manufacturing capital

16 production locations worldwide ▶P.35
In-house manufacturing and flexible supply chain ▶P.37

| Social and relationship capital

Global branding ▶P.29
Global supply chain, overseas direct sales and services network ▶P.41

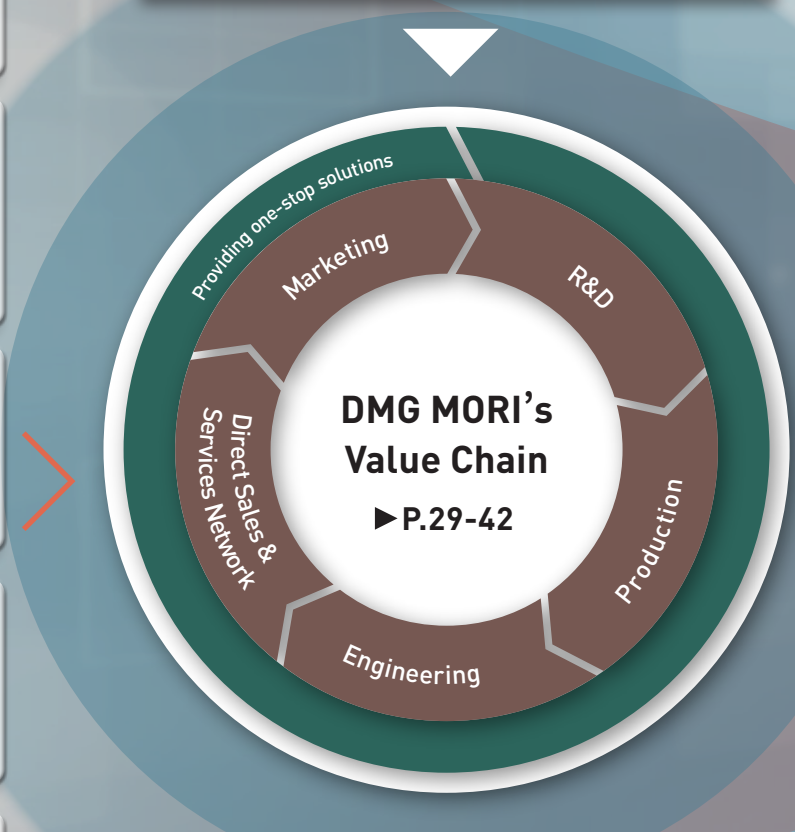
| Financial capital

Profit generation (sales revenue and operating profit) based on high value-added propositions ▶P.83
Capability of cash generation ▶P.86
Proactive investment

| Natural capital

Purchase of green electricity ▶P.57
Self-generated electricity (solar power, etc.)

External factors
EV transition, Aging, Decarbonization



Maximizing customer value
▶P.13-14

Reinforcing corporate governance
▶P.71

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



Carbon footprint reduction in line with SBT



OUTCOME

Social values

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

Approx. **150,000**
customers worldwide

Economic return
by FCF generation

Quick actions
against social changes
(EV, aging, etc.)

Contribution to
decarbonization

CO₂ reduction target approved by SBT

Scope 1,2 -46.2%
Scope 3 -13.5%
(from a base year 2019)

A corporate group that continues to create value

04

DMG MORI's value creation story

DMG MORI continues to evolve together with growing industries

We have seen surging demand for renewable energy power plants, EVs, and medical equipment, in line with growing concerns for climate changes and aging population. DMG MORI is committed to meeting those needs, which all require diverse and sophisticated machining methods.

Machining process revolution

Ultra precision = dimensional accuracy, geometric accuracy, surface accuracy

High-mix production

CO₂ footprint reduction

Process integration, automation, digitization

Renewable energy

Aircraft

Cutting-edge & emerging industries

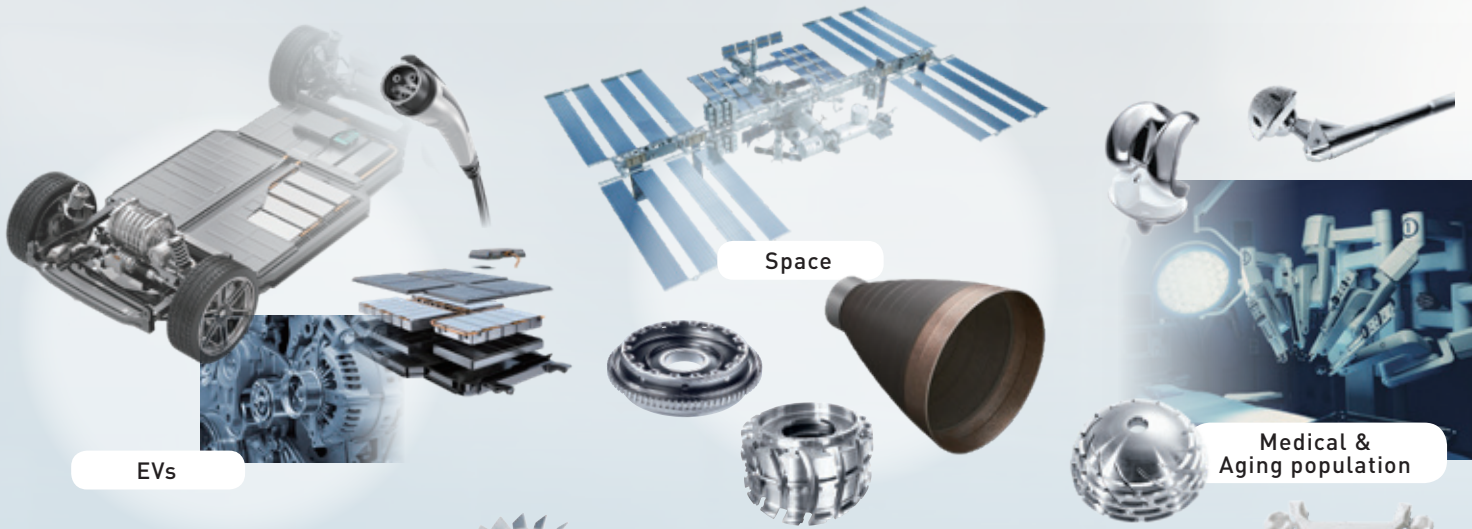
Electric & Home appliance

Commodity-based industries

Construction

Agricultural machinery

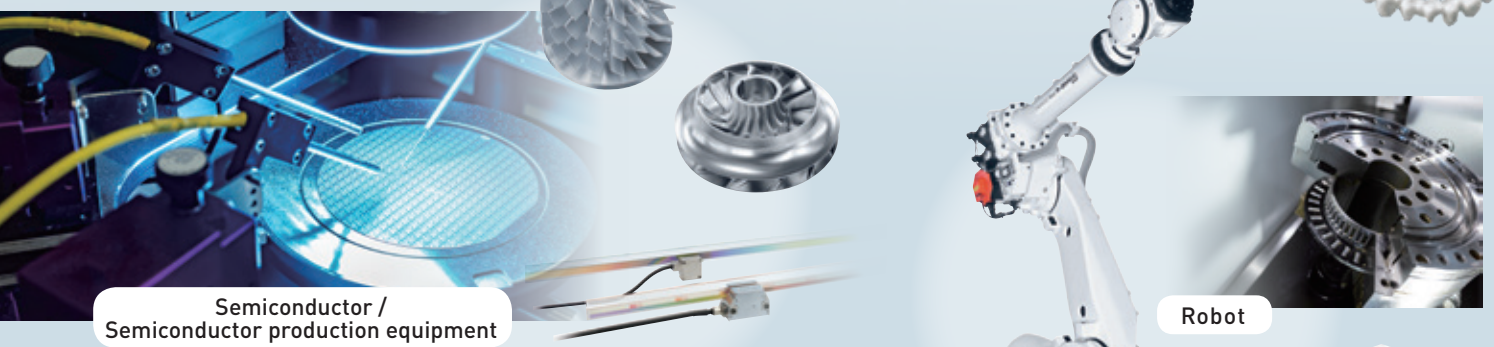
Basic industries



EVs

Space

Medical & Aging population



Semiconductor / Semiconductor production equipment

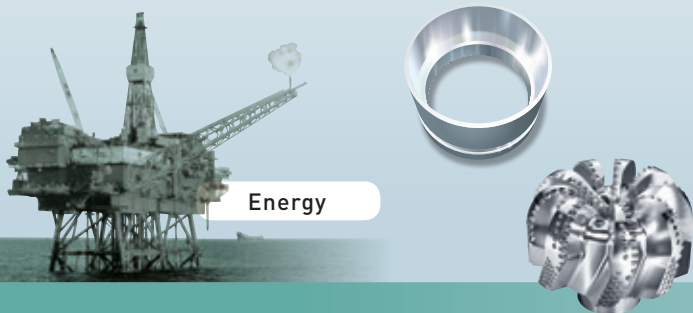
Robot



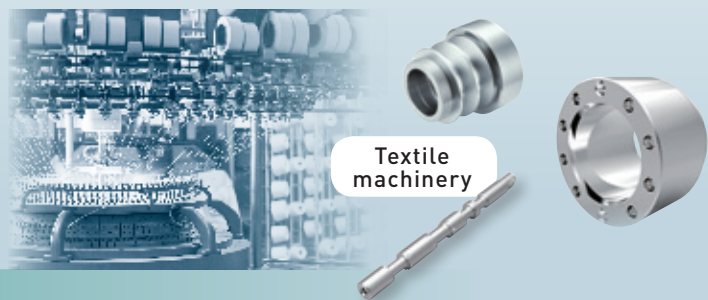
Die & Mold



Automotive (ICE vehicles)



Energy

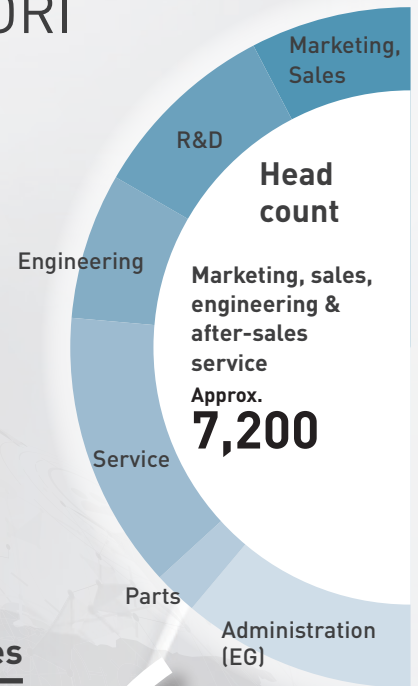


Textile machinery

Competitive advantages of DMG MORI

Directly connected to customers through extensive sales & services network

Covering 111 locations in 44 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.



Creating, providing & spreading values



DMG MORI's headcount in marketing, sales, engineering and services

Sales	Approx. 1,100	Service	Approx. 1,900	} Approx. 7,200
R&D	Approx. 1,300	Parts	Approx. 300	
Engineering	Approx. 1,000	Administration (EG)	Approx. 1,600	

Technological innovation of machine tools precisely capturing societal needs

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

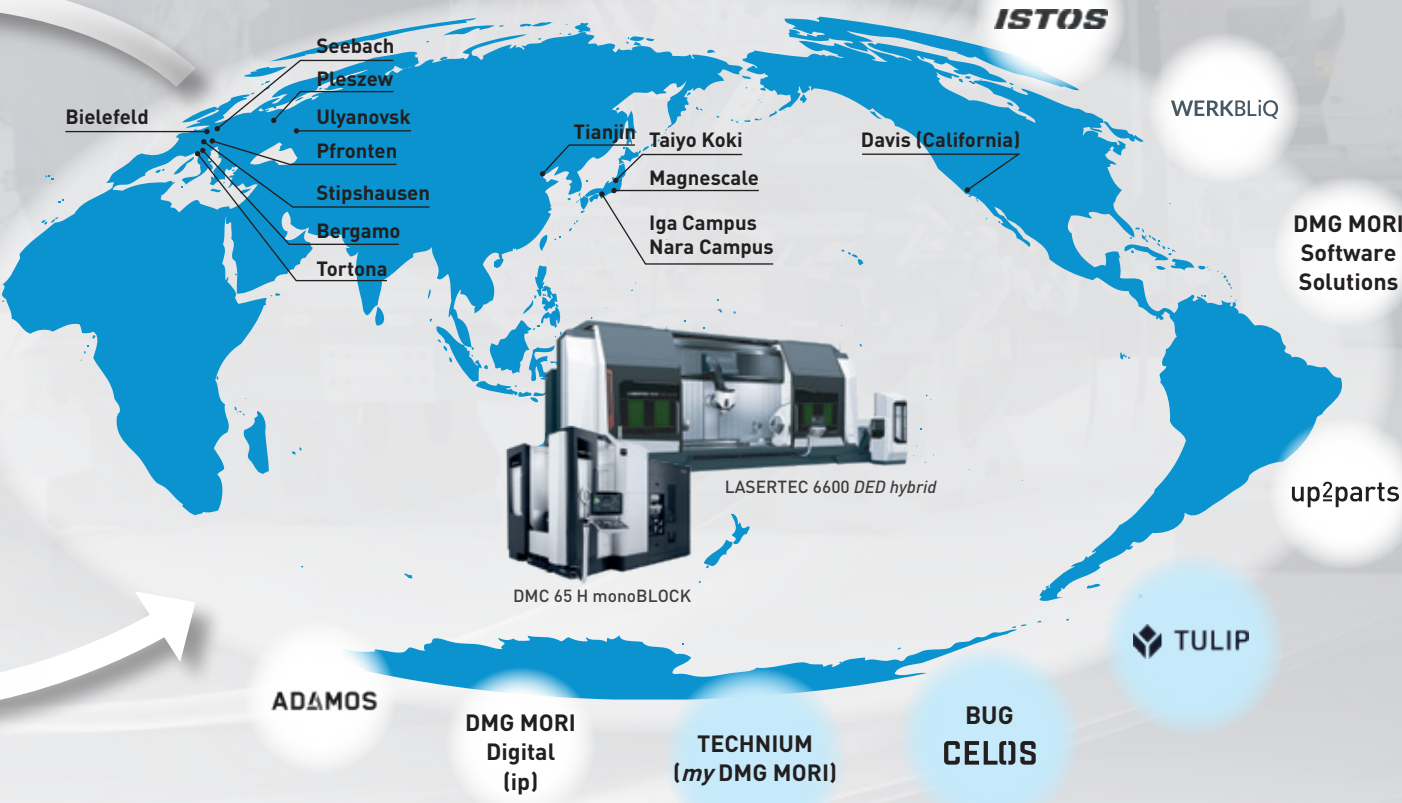
Building platforms by software and IoT

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



Value creation capability

Sharing



DMG MORI's headcount in production

Production	Approx. 2,800	} Approx. 4,800
Quality Control	Approx. 400	
Purchasing	Approx. 800	
Administration (Production)	Approx. 800	

Total
Approx. **12,000**
employees

Diversity in DMG MORI

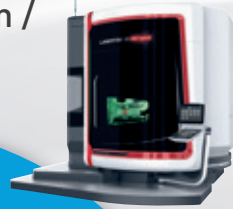
Order composition ratio for process integration / advanced technology machines

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

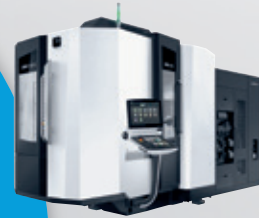
GLOBAL LEADER

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

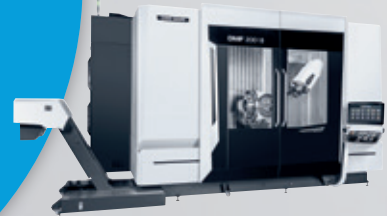
66%



LASERTEC 125 DED hybrid



DMC 65 H monoBLOCK



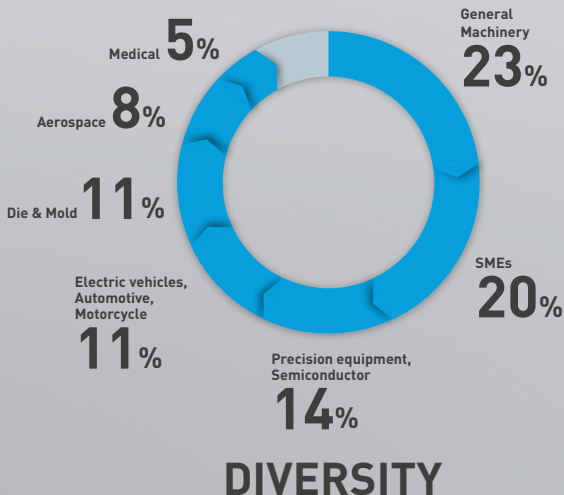
DMF 200 | 8



NTX 2500 2nd Generation

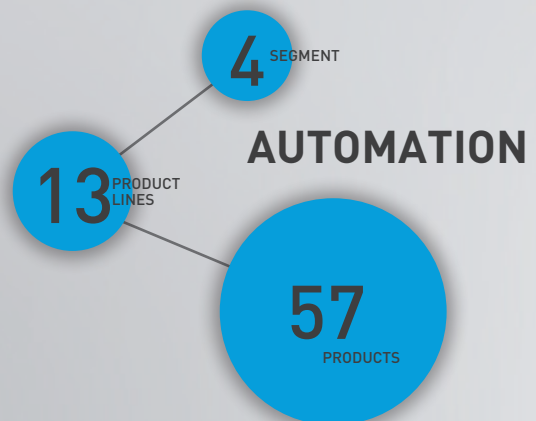
Balanced customer base

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.



DMG MORI's automation solutions

As a response to the rising demand for flexible automation of factories, we are offering a total of 57 automation solutions to our customers.



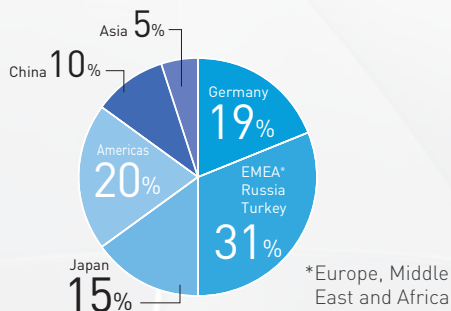
DIVERSITY by region

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.

Order composition by region



DIVERSITY in business size

Customers in all sizes

Approx. 60% of our 150,000 customers are relatively small companies with 100 or less employees. By covering customers of all sizes and addressing their diverse needs, DMG MORI is stabilizing the long-term sales revenue.

- ▶ Accumulated machining know-how gained from various customers helps us become an even better solution provider.

Order composition by customer size



DIVERSITY in human resources

Multinational workforce

DMG MORI's workforce consists of approx. 12,000 employees in 44 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.



Nationality of employees: 60 countries

DIGITIZATION

Optimized factory operation with digital innovation

We provide various platforms and software solutions that digitally connect entire 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 2021

(January-December 2021)



January

- Started shipping products with a “GREENMACHINE” mark as a proof of its carbon-neutral production processes
- Formulated “DMG MORI Health Management Declaration”



March

- The 73rd Annual General Meeting of Shareholders

April

- Introduced CO₂-free electricity at Iga and Nagoya
- Launched “Service Request” on *my* DMG MORI
- Participated in CIMT2021 (Beijing, China)



2021

February



DMG MORI digital open house

- Mr. Kojiro Shiraishi (DMG MORI SAILING TEAM) became the first Asian skipper to finish the Vendée Globe
- Hosted a fully-digital open house (Pfronten, Germany)
- Launched “Digital Twin Test Cuts”



Digital Twin Test Cuts

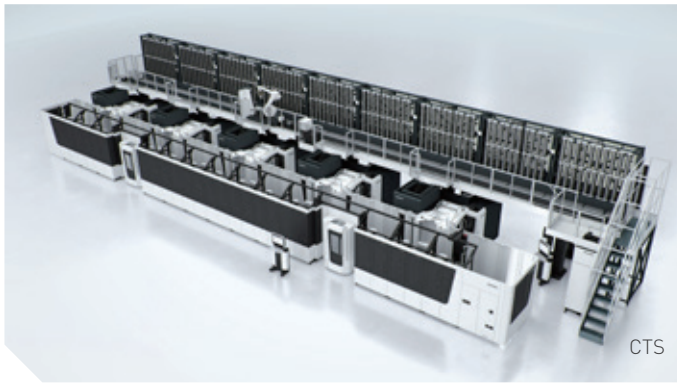


May

- The 119th Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT (virtual meeting)

June

- Released “Tool Visualizer,” a non-contact on-machine measurement system that allows high-level integration of machines with measuring technology



July

- Announced support for recommendations of Task Force on Climate-related Financial Disclosures (TCFD)
- Raised JPY 40 bn. through convertible bonds
- Developed large-capacity tool magazine “CTS” (Central Tool Storage) for up to 4,000 tools
- Developed built-in mist collector “zeroFOG”



zeroFOG

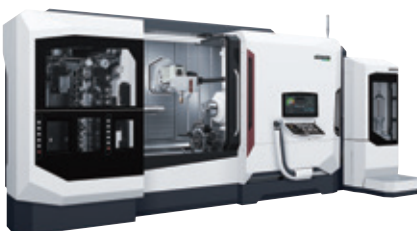
August

- Released flexible robot system “MATRIS Light”



September

- Developed new laser additive manufacturing machine “LASERTEC 3000 DED hybrid”
- Developed “NZ platform” a new turning center concept for up to 4 turrets with B-axis (swiveling axis)



LASERTEC 3000 DED hybrid



NZ platform

October

- Released “WH-AGV 5”
- Participated in EMO Milano 2021 and hosted an exclusive customer tour at our Milan Showroom



November

- Obtained approval from SBTi (Science Based Targets initiatives)

Highlights

PROCESS INNOVATION

Integrating the advantages of digital and real world for better customer experience

In 2021, DMG MORI enriched the digital content throughout the value chain - from marketing, sales, after-sales service to operator training - to improve customer experience.

At the same time, we also value face-to-face meetings with customers. By arranging consultation meetings and operator training at our factories and solution centers, we help them understand our solutions and values better.



1

Digital Twin Showroom



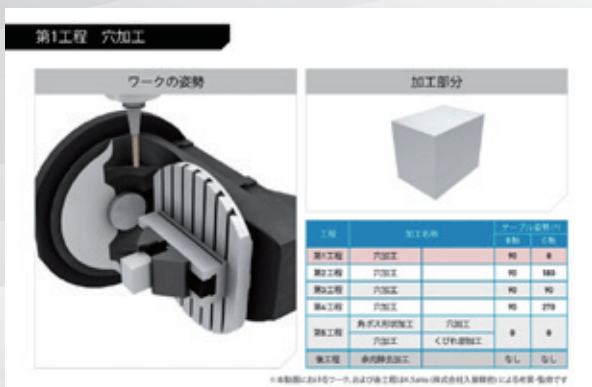
Full Computer Graphics of Iga Global Solution Center
Highly realistic images give a real sense of immersion

The Digital Twin Showroom was first launched in 2020 in Japanese and English. Later in 2021, we upgraded the usability by adding a list of available machines and releasing a German and Chinese version, too.

Enriched digital content

Process Planning Advisor
(100 instructional movies for 5-axis machining process design)
and other digital content available for better customer support

For those customers who are interested in 5-axis machines, we created 100 instructional movies of 5-axis machining processes in CG animation. Among the other available content are the Digital Twin Showroom and over 600 video clips about our products, technologies, services, and trainings on *my* DMG MORI.



Process Planning Advisor: 100 selections of indexing 5-axis machining examples

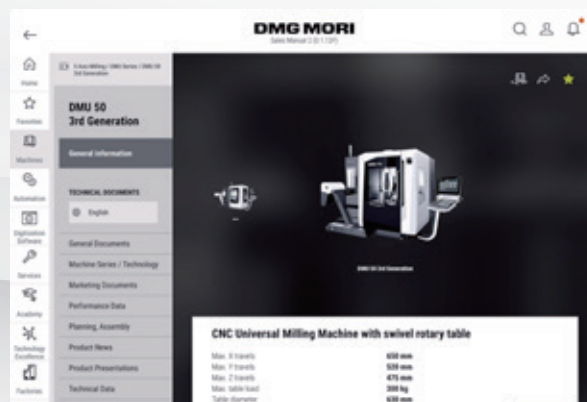
2

Sales Manual 2.0

Sales Manual 2.0 for approx. 600 Area Sales Managers worldwide

On this digital platform, we always share the newest information with sales managers worldwide. This benefits our customers with optimal proposals and better communication, as well as ourselves with enhanced productivity.

3



Weekly in-house small-scale events

4

Open house for small-scale business meeting with customers - from Japan to the world

We host Technology Fridays every week in Japan, where we invite customers to showroom tours and various seminars. The event originally started in Japan and is now rolled-out to other parts of the world, so we can propose better-fit solutions face-to-face with customers.



Digital Twin Test Cuts

5

Digital Twin Test Cuts powered by the supercomputer Fugaku of RIKEN

“Digital Twin Test Cuts” reproduce dynamic machining conditions in a digital realm and calculate the machining results in a significantly shorter time than conventional test cuts. This also saves the cost for materials, tools, coolant, and others, while reducing the environmental impact. Thanks to the RIKEN’s supercomputer “Fugaku,” the processing time can be shortened considerably even for molds with complex curved surfaces.



©RIKEN



Conventional on-machine test cut



Digital Twin Test Cuts with Fugaku

Automation

6

Total of 57 automation solutions now available

In order to fulfill our customers' needs even further, we added a few new automation solutions to our lineup in 2021. Among them is the large-capacity magazine "CTS (Central Tool Storage)" for up to 4,000 tools; and the robot system "MATRIS Light" for optimal and quick setup to support high-mix low-volume production.



CTS



MATRIS Light

7

Solutions to the 3 troublemakers of machining

Solve the 3 troublemakers of machining (chips, coolant, mist) to maximize automation efficiency

We have released 3 units of in-house peripheral equipment: "AI Chip Removal", "Zero Sludge Coolant Tank", and "zeroFOG". They are our solutions to the 3 biggest troublemakers of machining. In addition to preventing unexpected machine stops and improving efficiency of automation systems, they also help enhance factory conditions and reduce carbon emissions.

Chips



Coolant



Mist

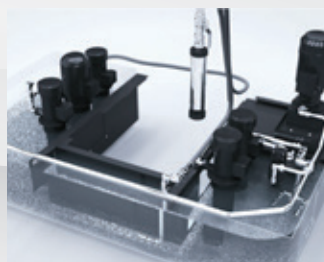


3 troublemakers of machining

Solutions by DMG MORI Peripherals



AI Chip Removal



Zero Sludge Coolant Tank



zeroFOG



8

my DMG MORI



“Service Request” released on my DMG MORI

The “Service Request” function is now available for ordering on-site repairs and spare parts on my DMG MORI, our customer portal launched in 2019.

9

DMG MORI Academy



“Service Skill Training Center” launched in Iga Campus

The new training facility provides curricula covering all machine models of DMG MORI, automation, and digitization to approx. 2,000 service engineers worldwide, and develops skilled engineers with extensive skillset to further enhance customer satisfaction.



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-scale group of customers.

Promoting global marketing making full use of digital and real-world measures



Q. What are the main features of marketing at DMG MORI?

First of all, we have a direct sales and service network. Being able to directly catch up with issues in the field and respond to them quickly is very significant in terms of marketing. In addition, because we have facilities around the world, we are able to communicate in the same language as our customers, with an understanding of the cultural background specific to each region. This is important for us to be able to provide the customers with the exact solution they need. In addition, our diverse product portfolio enables us to meet any challenge our customers face. Our strength lies in our ability to work directly with our customers to understand their needs and find a solution together.

Q. What were your key milestones in 2021?

We believe that the effective combination of digital and face-to-face events in our communications has paid off. Because we had already been developing our digital infrastructure for some time, we were able to respond quickly to changes in the global pandemic. In the Digital Twin Showroom, we have expanded its functionality in 2021 to promote its use. Face-to-face events have gradually resumed, and in Japan, direct dialogue is now possible at Technology Fridays, to which a small-scale group of customers are invited to our showrooms every Friday. In Europe, we respond online to customers who cannot attend due to travel restrictions. In such a way, while we are promoting a face-to-face approach especially in our factories, we are adopting a hybrid of face-to-face and digital approaches around the world. Although the COVID-19 pandemic has made things more complicated, I think

we have been able to respond flexibly to customers' needs and build good relationships.

Q. What do you think about digitization in marketing?

Marketing is not just advertising, but it is rather "communication with customers" about products and solutions. I feel that the digitization of marketing is accelerating the essential aspects of marketing. For example, our Digital Twin Showroom, which I mentioned earlier, is accessible to customers around the world 24 hours a day, 7 days a week, without being bound to time zones. The Showroom accumulates rich contents, including a huge variety of related videos, and customer case studies. As a result, customers can obtain much more information than they can by experiencing the actual machines at exhibitions. In addition, digitization in marketing allows us to communicate with customers through various communication channels, like social media as well.

Q. Please tell us about your future plan.

In terms of the relationship between marketing and sales, I believe that they will become increasingly integrated. In the past, the marketing department would create brochures and exhibition booths, and the sales staff would contact customers and sell products, but now communication through digital channels has been established. As a result, the marketing side also needs to constantly provide what is needed to support sales activities. With this background in mind, I think it is important that marketing in the future uses a variety of means, channels, and languages to provide in a way that suits various cultures.



Irene Bader

Executive Officer
Director, Global Marketing

■ Digital Twin Showroom



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.

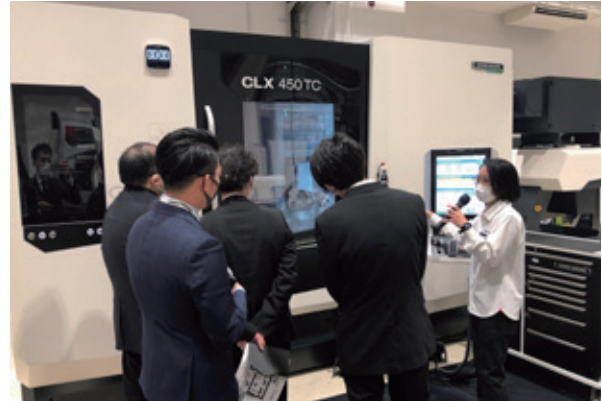
[*1] Technology that creates a virtual copy of real-world machines and equipment and enables simulations based on the digital data.

■ Exclusive open house events - at Milan Showroom and around the world



In addition to our presence at EMO 2021, we had active discussions with selected customers at our Milan Technical Center, conveniently located only 15 min. away from the main venue. With our global network of 16 production bases and Technical Centers, we will continue to host private shows and events to offer customers a first-hand experience of our machine tools.

■ Technology Fridays: Open house events for a small-scale group of customers



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.

Under the strict disease prevention measures, we invite a small-scale group of customers to our facilities and offer technical seminars on requested subjects and cutting demonstrations with the newest products in our showroom.

Being an established service provider that is close to customers worldwide

DMG MORI takes both the digital and physical approach towards customers. Our digital measures include the Digital Twin Showroom (a digital replica of Iga Global Solution Center, now available in Japanese, English, German and Chinese) and a series of full CG product introduction movies. We also value face-to-face meetings, such as our small-scale open house “Technology Fridays” with technical seminars, showroom tours and cutting demonstrations, as well as weekly consultation meetings between skilled engineers and customers.

We have started open house events in the USA (2020), as well as in Europe and Asia (2021), to become a close and established service provider to customers around the world.



Masami Hatano
Operating Officer
Corporate Communication
Fixed Asset

R&D

DMG MORI has been committed to developing cutting-edge and efficient products that meet needs of customers around the world, taking advantage of features of both Japan and Germany.

Total support for solving problems relating to manufacturing

Q. What are the strengths and guidelines for development at DMG MORI?

The strengths of DMG MORI is not only to develop machine tools but also to provide comprehensive solutions, and being capable of delivering entire manufacturing processes for customers. While promoting multi-axis machines and mill-turn centers, we deliver automation systems accompanied by sensing, through which big data is analyzed, leading to improved and developed machines. In addition, we can provide tools and peripheral equipment that used to be procured separately by customers, and offer services such as human resource education and consultancy for customers. As a result, we contribute to an improvement of customers' entire manufacturing process as well as developing our technology, which enables DMG MORI to provide even higher quality solution to customers.

Q. What is your review of newly developed products in 2021?

DMG MORI launched the Tool Visualizer, which uses high performance sensing technology to automatically measure tools, in June 2021. It automatically generates 3D models for collision prevention, eliminating a need of registration of tools which used to be a time consuming process, thereby saving a substantial time. It also can detect abnormalities such as tool breakages and chip wrapping, and automate tool correction. Furthermore, by quantifying the amount of wear, tool life can be predicted, leading to cost saving by maximizing the use of tools. Another product on the market in July 2021, zeroFOG, the built-in mist collector, efficiently and reliably collects the mist generated during metal processing and achieves a clean factory environment. It is very popular with customers because it can be built-in to the machine tool body in a compact housing.

Q. How are you involved in the SDGs?

DMG MORI proposes solution technology to integrate machining process and improve production efficiency, which contributes to a reduction of manufacturing floor space, shorter operating time, and a decrease in electric consumption as well as CO₂ emissions. We can expect a great effect in CO₂ emission reduction, considering the amount of energy consumption in the factory. In addition our proposal to improve working environment helps to protect human resources and greater job satisfaction, leading to a sustainable economic growth.



Q. What are main factors to support future developments and technological capabilities?

DMG MORI employs the largest number of people in the machine tool industry for development in Germany, Italy and Japan, and has established a collaborative system amongst them. The company holds a Product Development Conference every quarter and a Global Development Summit once a year, which enables people to share cutting-edge technologies as early as possible, collaborate with each other and leverage every person's strengths. It is an attractive environment for technicians and researchers, and a source of developing high-performance products. Our customers highly appreciate our advanced technologies, and we continue to make best efforts to respond to their expectations.

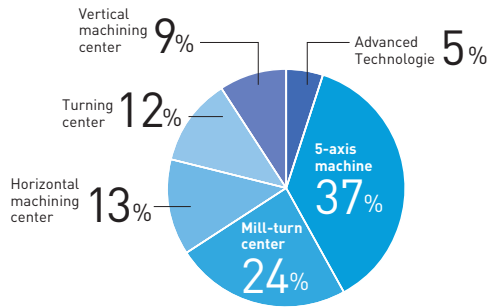


Tatsuhiko Kuriya
Dr. Eng.
Operating Officer
Mechanical Design

5-axis machines & mill-turn centers

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

Order composition by product type



66% of orders for process-integration machines

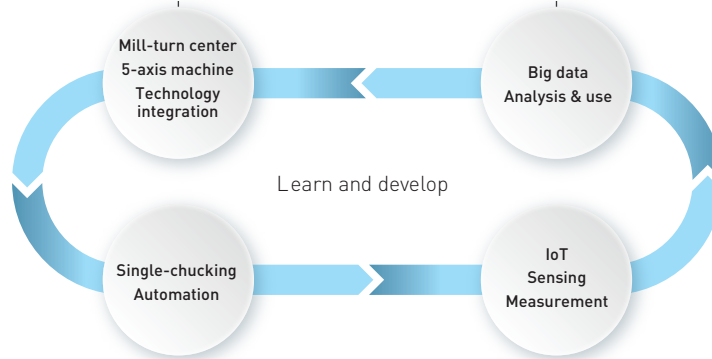
Big data analysis & use

We combined RIKEN's supercomputer "Fugaku" with "Digital Twin Test Cuts," our digital test-cut simulation tool. With the improved capacity, we shortened the processing time from 8 hours to 10 minutes (-98%).

* This study used computational resources of the supercomputer Fugaku provided by RIKEN through R3 Fugaku Trial Access Project (Project ID: hp210202).



Processes for productivity improvement



Automation

"MATRIS Light" consists of a collaborative robot mounted on a hand cart for free movement. Just one operator is enough to move the cart in front of the machine tool in use and automate workpiece loading and unloading within short time.



Sensing & Measurement



We developed "Tool Visualizer," a non-contact, on-machine automatic tool measuring system powered by cutting-edge sensing technology.





Make cutting-edge machining technology more relevant and available

Q. What is the position of Additive Manufacturing at DMG MORI?

DMG MORI positions Additive Manufacturing (hereinafter referred to as AM) among the integrated machines like 5-axis machines and mill-turn centers. Although AM is expected to be used to manufacture complicated workpieces, the applications are currently diversifying, and it is focused on repairing damaged metal components by adding functions with different materials other than the main materials. We have been developing machines to meet the increasing variety of customers' needs by making full use of the advantages of AM.

Q. What is the business outlook and the future potential of AM?

In 2020, the AM market was assumed to be around 260 billion yen. Although AM initially used to be applied to high value added industries such as aircraft and medical, its application is now expanding to the general industry, and, for example, inquiries are increasing from small and medium-sized enterprises at Higashi Osaka region in Osaka prefecture, which is known as a town of manufacturing. DMG MORI has two product lineups, a powder nozzle method (DED) that is suitable for relatively large workpieces and a powder bed method (SLM) for precision workpieces. We launched a newly developed AM "LASERTEC 3000 DED hybrid" in 2021. The SLM market is expected to increase by 2.3 times in 2025 from 2020, while the DED equipped with a laser or electron beam devices is predicted to jump up 5.3 times. We will surpass Death Valley by introducing new models with the DED method, of which demand is growing.

Q. What are the features of the "LASERTEC 3000 DED hybrid"?

The LASERTEC 3000 DED hybrid is a standard machine tool with integrated DED method AM, based on the cutting technology cultivated in NTX series and the AM technology. It has a function of mixing a variety of metal powders and switching to other metals, which enables the layered fabrication with different

materials on top of an original material. For example, the screw part of the shaft in an injection molding machine requires use of the abrasion-resistant material. While the entire screw used to be made of abrasion-resistant materials before introducing the AM technology, the new machine makes it possible to use the abrasion-resistant material only for a relevant part of the screw. There is a growing need of process integration in the automotive industry because of shifting to electric vehicles and high-mix small-volume production. The AM will deliver the opportunity to replace more than ten machines with one in the manufacturing process, which can be regarded as the ultimate process integration.

Q. What are your future prospects?

DMG MORI will celebrate its 10th year anniversary of developing DED technology in 2022. We will focus on the market development, and expect the AM business will account for around 10% of the company's total sales by 2030. Our target is to achieve at least annual sales of 10 units for the time being, and expand sales of the DED-based AM to 10 billion yen by 2030.



Yoko Hirono

P. E. Jp
Operating Officer for R&D
In charge of AM Development
General Manager
AM Development Department

Development of next-generation transfer system realizing entire factory automation

Q. Why have you developed the AGV in combination with robots?

DMG MORI has developed the AGV (Automated Guided Vehicle) with robots to promote automated manufacturing systems in the entire factory to respond to a variety of customers' needs. Unlike the conventional robot systems, one of the great advantages of AGVs with robots is to be able to flexibly adapt to changes of layout in the manufacturing process and the factory. In particular, we promote installation of AGVs to small and medium-sized customers who produce high-mix products and aim to automate loading and unloading tools out of machine tools, and logistics as well as to digitize the entire factory.

Q. What are the advantages of DMG MORI's AGVs?

Application of AGVs has been expanding throughout the factory by replacing hand-carryers and forklifts. However, it has been a general opinion that the introduction of AGVs in the machining process of the factory is difficult because it requires more precise positioning technology to load workpieces into machine tools and needs to drive on uneven floors and at sites where cable ducts are laid. We have been working on resolving such issues and developing AGVs very suitable for machine tools as well as added-value by equipping them with robots. We launched a automation system of the WH-AGV 5 combining the AGV and the human cooperative robot in October 2021, which is able to automate logistics and loading and unloading workpieces into and out of machine tools. The WH-AGV 5 is equipped with an internally developed vision system and realizes positioning accuracy of less than ± 1 mm, which enables it to directly load workpieces into machine tools. As for driving performance, it can not only drive on cable ducts of up to 35 mm in height, but still achieves ground contact stability when stopped. There is no need of magic tapes and markers for travel routes. It can avoid obstacles by using the radar scanner, which can eliminate safety fences. In addition, the laser range finder enables guideless travel, leading to flexibly responding to layout changes.

Q. What are the benefits for customers?

When introducing the conventional AGVs, construction work was required for each automation option for machine tools. However, the WH-AGV 5 enables automation with its standardized specification, and can be connected to each production equipment in the entire factory. It responds flexibly to layout changes, lowering installation risks of automation for customers. In addition, customers can reduce working hours and costs for the installation due to elimination of magnetic tapes and safety fences, and help improve the factory environment.

Q. What is the outlook and prospects of new models?

DMG MORI is the first company in the machine tool industry that introduced the autonomous driving robot system suitable for machine tools, and it has attracted the customers' attention. Our responsibility is increasing in terms of consulting on customers' entire factory and promoting automation. In addition, with its high flexible feature, the WH-AGV 5 can be installed in factories outside of the machine tool industry, leading to new business opportunities.



Hideki Nagasue
AGV Development Office
General Manager



Production

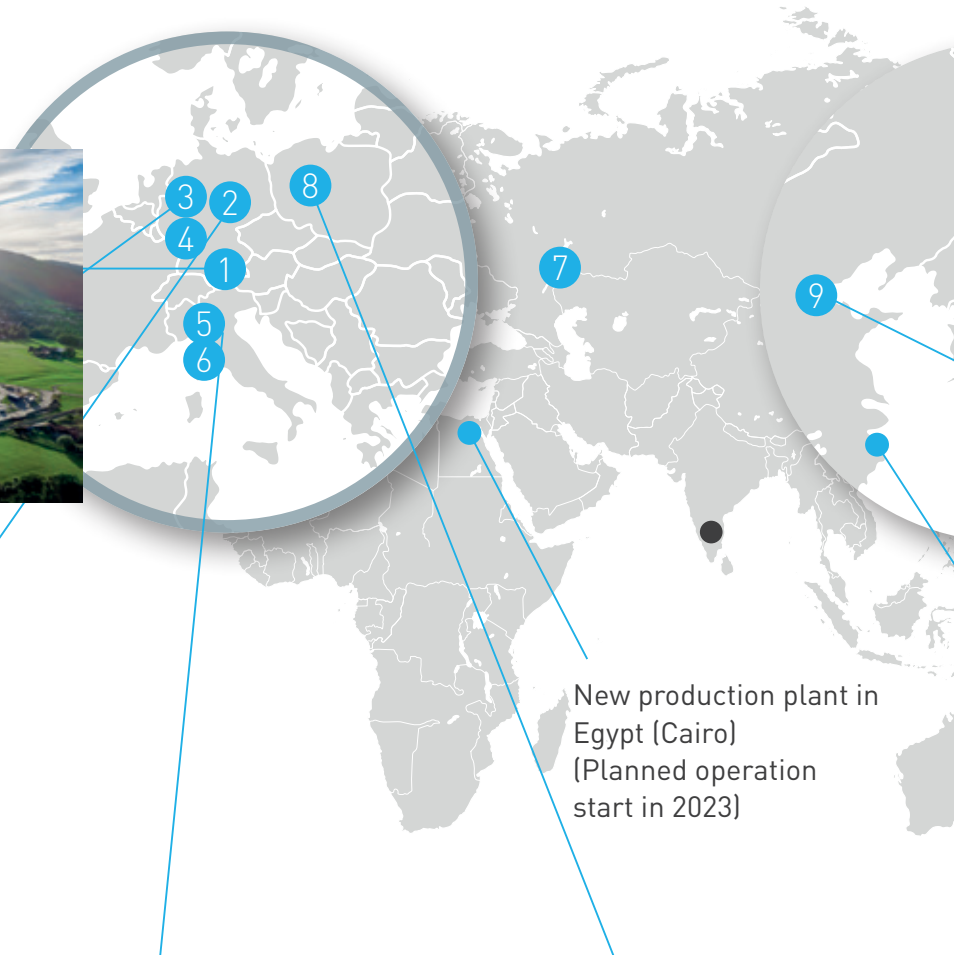
DMG MORI has production bases worldwide, with the biggest ones in Iga (Japan) and Pfronten (Germany). Our global presence allows us to produce machine tools closer to the end users, optimize transportation, secure short delivery time, and meet the diverse local needs.

Expansion of production capacity

DMG MORI is actively expanding its production capacity in response to the increasing demand for process integration and emerging markets, aiming for sustainable growth.

Pfronten (Germany)

The biggest production plant in the world for simultaneous 5-axis machine



Bielefeld (Germany)



New production plant in Egypt (Cairo) (Planned operation start in 2023)

Seebach (Germany)



Bergamo (Italy)



FAMOT (Poland)



Iga Campus

The biggest production plant in the world for turning / machining center & 5-axis machine / mill-turn center

Production capacity expansion with the opening of a 2nd assembly plant (Operation start in Sep. 2021)



Nara Campus

The biggest system solution plant in the world

Renovated to System Solution Plant (Planned operation start in 2023)



Davis CA (USA)



Tianjin (China)
Developing factory



Second production site to be built in China (Pinghu) (Planned operation start in 2023)

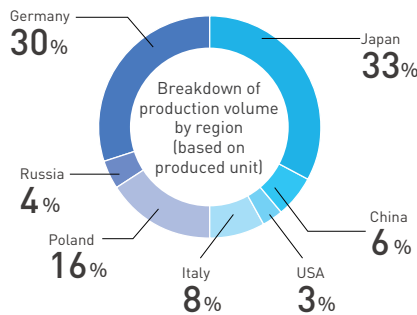


Global Production Sites:
16 fully owned +
1 partner production

- 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 Saki Corporation (Japan)
- 15 Watanabe Steel Works (Japan)
- 16 Davis CA (USA)
- Lakshmi (India) [Partner]

Geographically diversified production facilities

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 diversifying our global production reach, we secure short delivery time and reduce transportation costs. Also, considering geopolitical risks, DMG MORI's diversified production network offers sustainable and safe operation, enabling continuous support for our customers.



Digitization of the shopfloor
- Introducing TULIP to global production sites

TULIP, a manufacturing support application creation platform, has been introduced at DMG MORI's main production sites. TULIP enables on-site personnel to easily create applications with various functions such as work procedures, quality control, equipment monitoring, and data linkage with other systems such as MES. The system also makes it possible to digitize paper work procedures, quality check sheets, and various daily inspections, visualize and link production data, and quickly improve processes through efficient data collection and analysis.





Process integration at our own machining factory

Replaced 50 units of column type 5-side processing machines with 10 units of 5-axis DMC 340, which resulted in 42% less power consumption

Example of process integration initiatives at DMG MORI's machining factory

Comparison of machining of bed casting process for NLX 2500Y

	Installed floor space (m ²)	machining time (min)	Cutting removal amount (mL / min)	Power consumption (kWh)
Column type 5-side processing machine 	316 per unit 15,800 for 50 units	512	585	136
DMC 340 FD 	229 per unit 2,290 for 10 units	259	1,575	79
	86% reduction	49% reduction	169% up	42% reduction

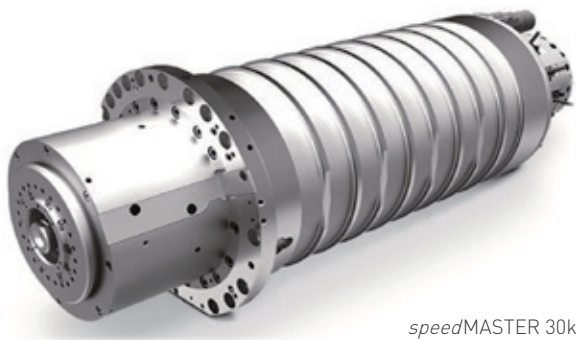


■ In-house production of key components



At DMG MORI, quality improvement and shorter lead time 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.

■ Launch of new model of high-speed spindle, ‘speedMASTER’ series



As part of in-house production of key components, DMG MORI has released a new model in its high-speed spindle series *speedMASTER* in November 2021. The new ‘*speedMASTER 30k*’ is capable of a max. rotation speed of 30,000 min⁻¹. (existing models have the available max. rotation speeds of 15,000 min⁻¹ or 20,000 min⁻¹.) ‘*speedMASTER 30k*’ with its high speed & high output features contributes to shorten process time, improve customer productivity and reduce power consumption as well as CO₂ emissions.

Engineering

DMG MORI contributes to solving problems at customers' sites by providing engineering solutions that combine high-precision and high-rigidity machine tools with machining methods, tools, jigs, automation, software products, and sensors and AI technology. The Engineering Department aims to be an organization that provides the maximized production efficiency for customers by specifying workpieces with information on materials and product outputs.

Our knowledge cultivated in diverse industries helps solving the customers' problems

Q. What is the business environment and market background surrounding automation?

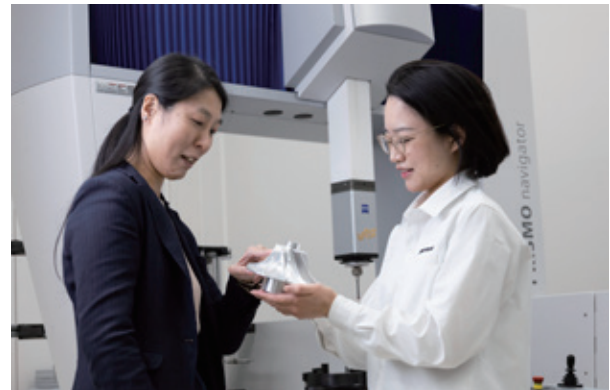
One of reasons to promote the automation lies on a shorter product life-cycle and high-mix, small-lot products. Demand for multi-purpose machine tools is increasing under those changed circumstances, compared to mass production systems with specialized machines. In addition, shortage of operators and labor in general requires automation.

Q. What is the strength of DMG MORI's engineering?

DMG MORI has been working on the development of automation solutions for more than 10 years before it became noticed in the market. We had already built up necessary machine models for automation such as multi-axis machines, mill-turn centers and additive manufacturing. The design team of 36 engineers specialized in automation has the capability to meet customers' demand for customized automation systems with short turnaround time, and supports customers' manufacturing process from ramp-up to maintenance, all with their advanced engineering abilities. In addition, with a wide network around the world, DMG MORI has accumulated experience and knowledge while solving customers' problems. We can make full use of such know-how.

Q. What is your view on the product development including MATRIS Light in 2021?

DMG MORI launched the MATRIS Light in August 2021, which enables customers to install automation systems for high-mix small-lot product in a short time. The features of the MATRIS Light are 1) it is easy for operators to use because it is equipped with a human-colaborative robot, and 2) a single operator can freely arrange the hand cart in front of the machine tools in use, and it automatically carries workpieces in and out of the machine tools. Demand for the system is expected to increase for small-sized manufactures engaged in high-mix, small-lot production as the first step. Some systems have already been introduced at small-sized customers and highly appreciated. We believe the advanced and easy-to-use automated robot system would be the driving force to help change the environment of production sites where young people tend to avoid working, and solve a shortage of operators and labors.



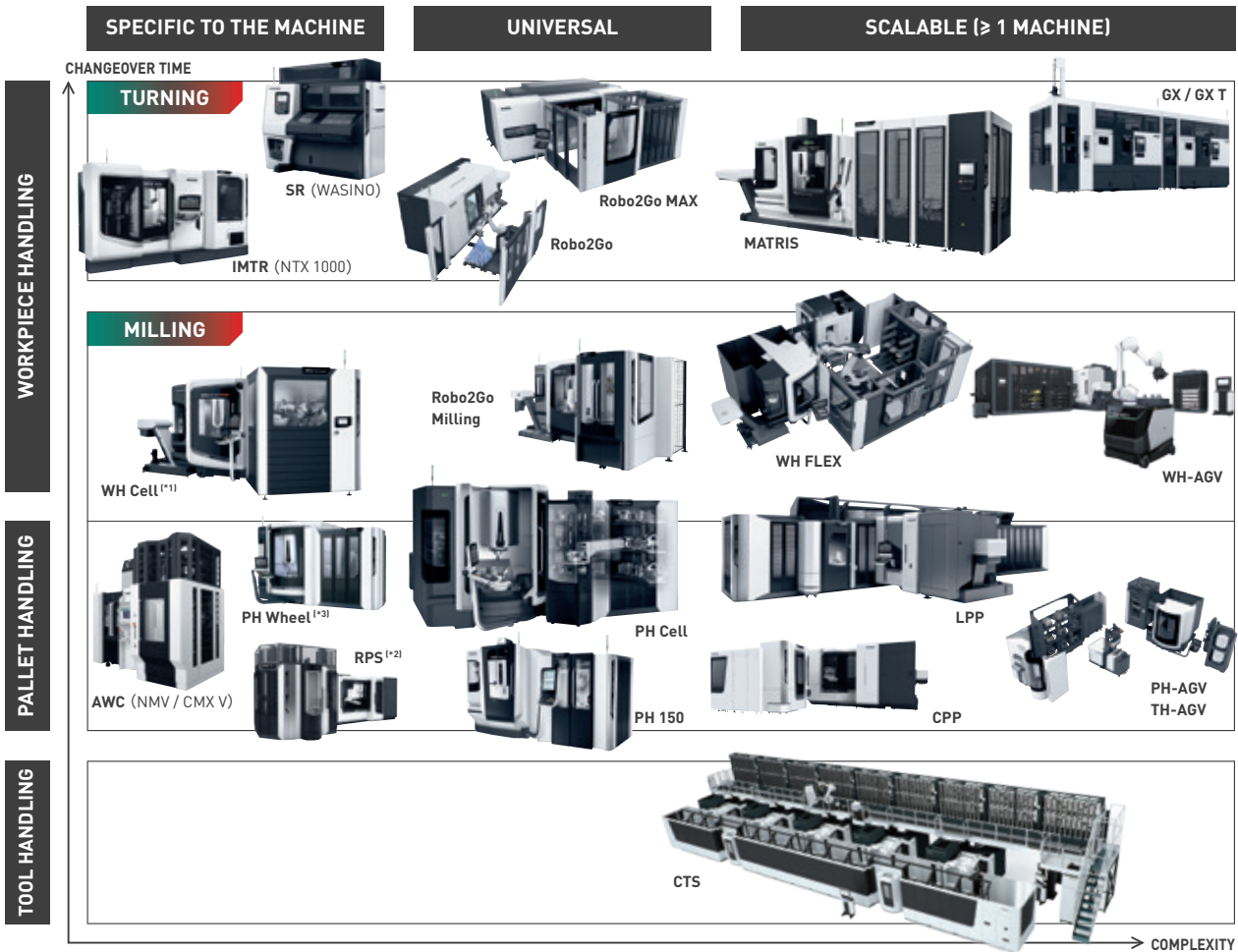
Q. What are benefit of digital technology?

In our digital twin initiatives, we have revamped and standardized our software products so that we can utilize 3D models from the very beginning of our customers' procurement journey. We can identify the main points of our customers' challenges in the virtual space at the quotation stage of proposal more smoothly than in 2D. In addition, we can pass the original information to the designers without creating data in CAD after the proposal is approved. This enables us to substantially shorten the lead time from the proposal to design output, leading to solving customers' issues much earlier than before.



Satoru Kashiwagi
Engineering Control Department
Technical Sales Department
General Manager

57 standardized automation portfolio



(*1) DMP, CMX V, CMX U, DMU, DMU monoBLOCK, DMU eVo, LASERTEC

(*2) NHX, DMC H linear, monoBLOCK, duoBLOCK, Portal

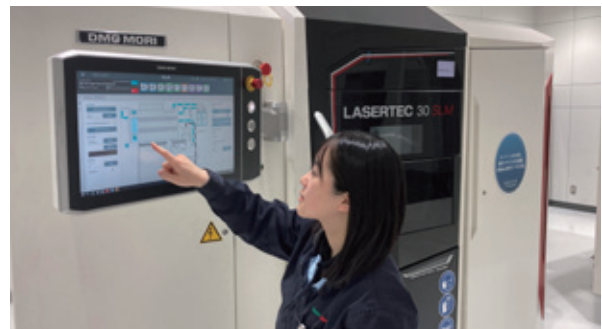
(*3) DMC 65 monoBLOCK, DMU 65 H monoBLOCK

55 types of Technology Cycles



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.

Participation of female engineers



At DMG MORI, female engineers play an active role at our offices in Japan and overseas. Although the machine tool industry used to be a male-dominated industry, the number of female engineers is steadily increasing in our company, which we believe contributes to an increase of female operators at our customers' sites.

Customer-oriented Sales & Service 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. We will continue to be a valuable partner to our customers.

Building a unique platform to connect with factories



Q. What is the background of development of *myDMG MORI*?

DMG MORI started to develop the system in 2017, which provides information and proactive services by using a digital technology, aiming to improve the quality of our communication with customers. In 2018, we set up Technium CO., LTD. in collaboration with Nomura Research Institute, Ltd., which boasts with IT technology, and launched *myDMG MORI*, an exclusive portal site for our customers. It was a pioneering initiative for the B-to-B business and a challenge for us. We currently have approximately 50,000 customers registered for the service around the world.

Q. What can users do with *myDMG MORI*?

I would like to focus on two functions out of six features in *myDMG MORI*: Manual Browsing, and Repair and Restoration Service. The former function is a first service from the beginning, and it allows users to view manuals, drawings and specifications of installed machines through PCs and smartphones. According to our customer satisfaction survey, users highly appreciate an easy way to find necessary information with high searchability, and the convenience to print out and use it in front of the machine tool, compared to the conventional paper manuals. We started the Repair and Restoration Service in 2021, which allows our Repair and Recovery Center to receive inquiries from customers through the web, and respond promptly. The advantage of this system is that customers can use text and images to describe the situation as they are, and the center can provide more precise information to solve the problems. In addition, users can confirm the correspondent status including the shipment of repair parts, and view their historical repair report.

Q. What are benefits for customers?

Our customers can reduce their work time because of high searchability of manuals and accumulated historical repair report. In addition, customers can reduce their burden, while we can improve the quality of services, by reducing waste time on inquiries. We believe this contributes to an improvement of productivity at our customers. Since 2019, we have been working on paperless initiatives, and have actually reduced the amount of paper used, leading to a contribution to society.

Q. What is your outlook for *myDMG MORI*?

Since DMG MORI has been promoting automation and robot systems, the number of inquiries about them is increasing. We plan to provide information and services about our machines as well as robots and other systems. Furthermore, the entire DMG MORI organization as well as Technium is working on a quick response to customers' requests and is promoting the use of *myDMG MORI*. *myDMG MORI* will continue to evolve, and we believe customers will enjoy more benefits from access to it.



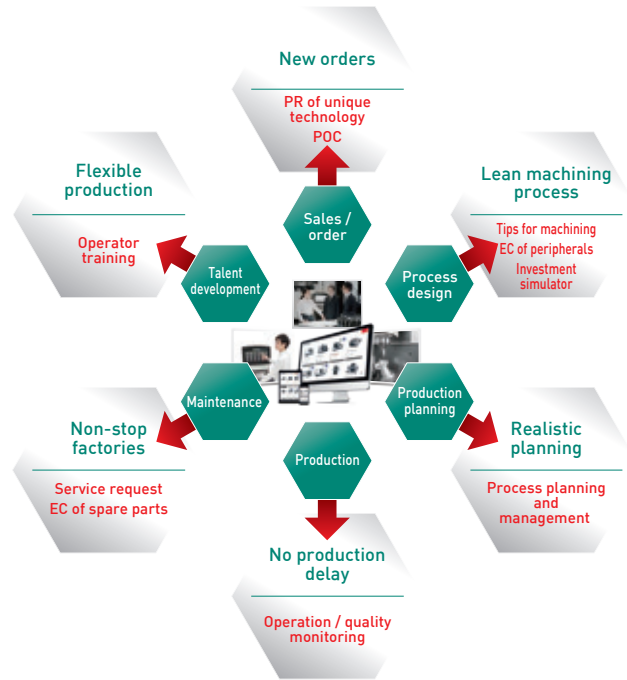
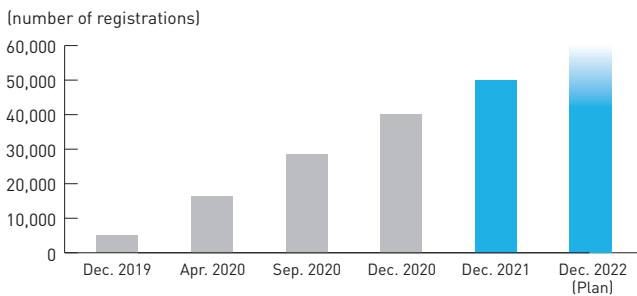
Kentaro Blumenstengel
Technium CO., LTD.
COO

my DMG MORI



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

Number of world registrations to my DMG MORI



e-Learning Service: Digital Academy

We established “Digital Academy”, which realizes more effective and efficient educational services combined with e-learning and process training in 2020. We have been expanding these services to school cooperations such as colleges of technology and universities since 2021. With e-learning, students can watch content repeatedly and ask questions during the course, thereby achieving a high learning effect. By adding e-learning lectures, the practical training at our factory is shortened to two days, and students can concentrate on learning the processing technology. In addition, customers considering an introduction of 5-axis machines, can learn various contents including “Process Design Advisor (*1)”, supervised by our customer Iriso Precision Co., Ltd., which reproduces with CG the machining process of 100 workpieces manufactured by 5-axis machines.

(*1) to be released in the spring of 2022.



100 selections of indexing 5-axis machining examples

TULIP: Supporting improvements on the shopfloor by digitization



TULIP, which was developed by Tulip interfaces, Inc., origin of MIT Media Lab in the U.S., is a cloud-based manufacturing support application creation platform, and this supports solving on-site issues through digital technology. There is no programming expertise required, and on-site personnel can create applications with various functions such as work procedure manuals, quality control and equipment monitoring, contributing to operational efficiency and quality improvement.



Leveraging individual diversity for organizational growth

Based on the philosophy, “people are the asset”, DMG MORI has introduced a personnel system that enables employees to maximize their abilities. As employees with different backgrounds work together for the same goal while respecting their respective strengths, innovations that are essential to the sustainable growth of the company are born.

Promoting the motto “Play hard, study continuously, work together”

Q. What is DMG MORI’s human resource strategy?

In the personnel department, we formulate and execute personnel strategies to achieve our business strategies with each business manager, and play the role of a so-called HRBP (Human Resources Business Partner). Especially for technicians and engineers, we manage employees in line with their role with the aim of avoiding long working hours, and improve efficiency of business and systemize training of engineers to increase organizational capability in the development department.

Q. What are the initiatives for diversity you have been focusing on?

At DMG MORI, we believe that it is our responsibility to create and offer opportunities for all employees to play an active role, and we have been working to promote diversity. In particular, we place an emphasis on providing a workplace where women can develop and demonstrate their abilities. Due to the characteristics of the machine tool industry, the number of female applicants is smaller than that of male applicants, leading to the lower hiring rate of women. However, the working fields for women are fairly open. For example, both women and men have already been given equal opportunities, and many female engineers are demonstrating their professional abilities as well as gaining experience. We think that the issues lie on business guidance and growth opportunities for women employees in the engineering department, and, therefore, we have integrated the office secretarial work in the manufacturing and development departments into one, and assigned a manager in charge from 2021. We will continue to focus on training female managers.

Q. What are your actions to implement Health and Productivity Management?

We formulated the “DMG MORI Health Management Declaration” in January 2021 and established the Health Management Promotion Committee consisting of dedicated industrial physicians, health insurance associations, and personnel at general affairs in order to study and promote measures. One of our goals is to be certified as an excellent health management corporation, and we have been steadily surveying necessary measures. In addition, we have introduced an employee commendation system to award employees who are recommended every month. The commendation is divided into three categories, “Play hard, study continuously, work together” in line with the DMG MORI’s management philosophy.

Q. What is your human resource development policy in the future?

More than half of our customers are SMEs (Small and Medium-sized Enterprises) with 100 or less employees. Our basic idea is “we want to be a group of friendly people”, who will support each and every one of our customers sites. To be more specific, we aim to develop people with such a mindset and the skills to support the entire production systems by promoting automation and digitization in accordance with customers’ requests. The organization has been growing year on year, and, in particular, the business environment has been changing significantly since the merger with DMG MORI AG. Given such circumstances, DMG MORI creates a working environment where employees personally can make a leap forward as the company grows, while actively promoting young people.



Yosuke Nakatsukasa

Operating Officer
R&D Management / Accounting /
Human Resources
Production Human Resources

Women's empowerment

DMG MORI's initiatives to promote female participation

In line with the "Act on the Promotion of Female Participation and Career Advancement in the Workplace", DMG MORI established an action plan to support female employees in various professional fields. In 2021, 22.0% of the new hires at DMG MORI were women. We have also encouraged full usage of the allocated paid holidays, and achieved an average usage rate in 2021 of 96% (19.2 days). Cultivating a working environment for anyone to feel comfortable in is crucial; we are committed to offering fulfilling career opportunities to professional women in both technical and administrative sectors.



Expanded childbirth and childcare support

In order to help our employees balance business and private lives, we have formulated an action plan based on the "Act on Advancement of Measures to Support Raising Next-Generation Children" for stronger childbirth and childcare support.

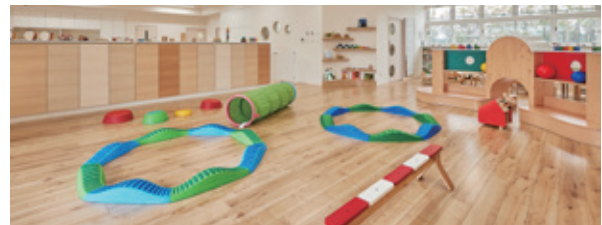
DMG MORI Child Care Center, a company-led nursery school, has been established at Iga and Nara Campus, and is ready to accept a total of 100 pre-school children under 6 years old.

The nursery school is available practically free of charge under the Japanese government's childcare subsidy system. It also operates on national holidays in accordance with the company's work calendar.

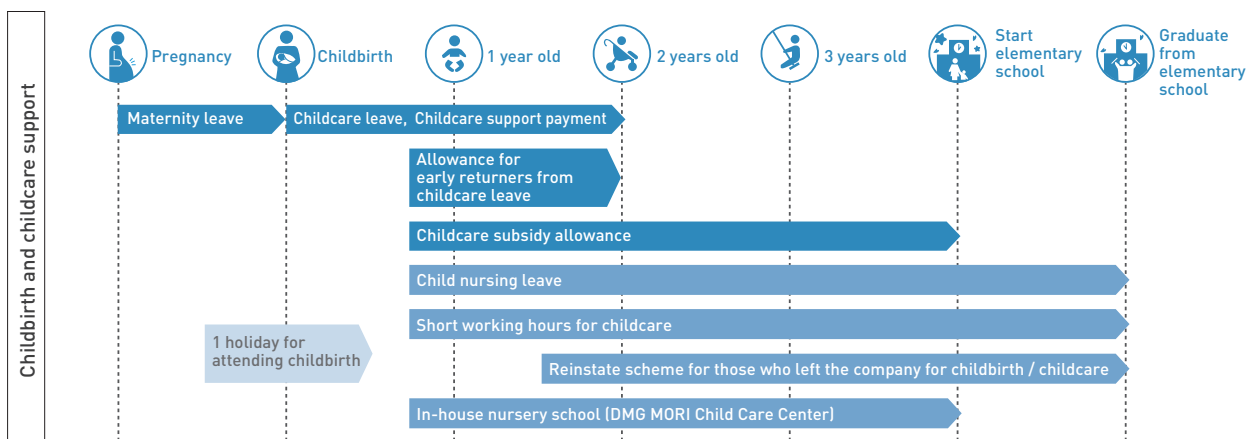
In addition, from January 2020, we have introduced a system whereby the first 20 days of childcare leave will be paid if the employee takes more than 20 consecutive days. In this way, we are encouraging male employees to take childcare leave.

In 2021, 71 employees (including 16 male employees) took childcare leave. We have introduced a system that allows employees to take a paid leave on an hourly basis since the beginning of 2022, and will flexibly respond to various work styles.

We will continuously listen to the voices of our employees and develop a comfortable working environment.



DMG MORI Child Care Center (Iga Campus)

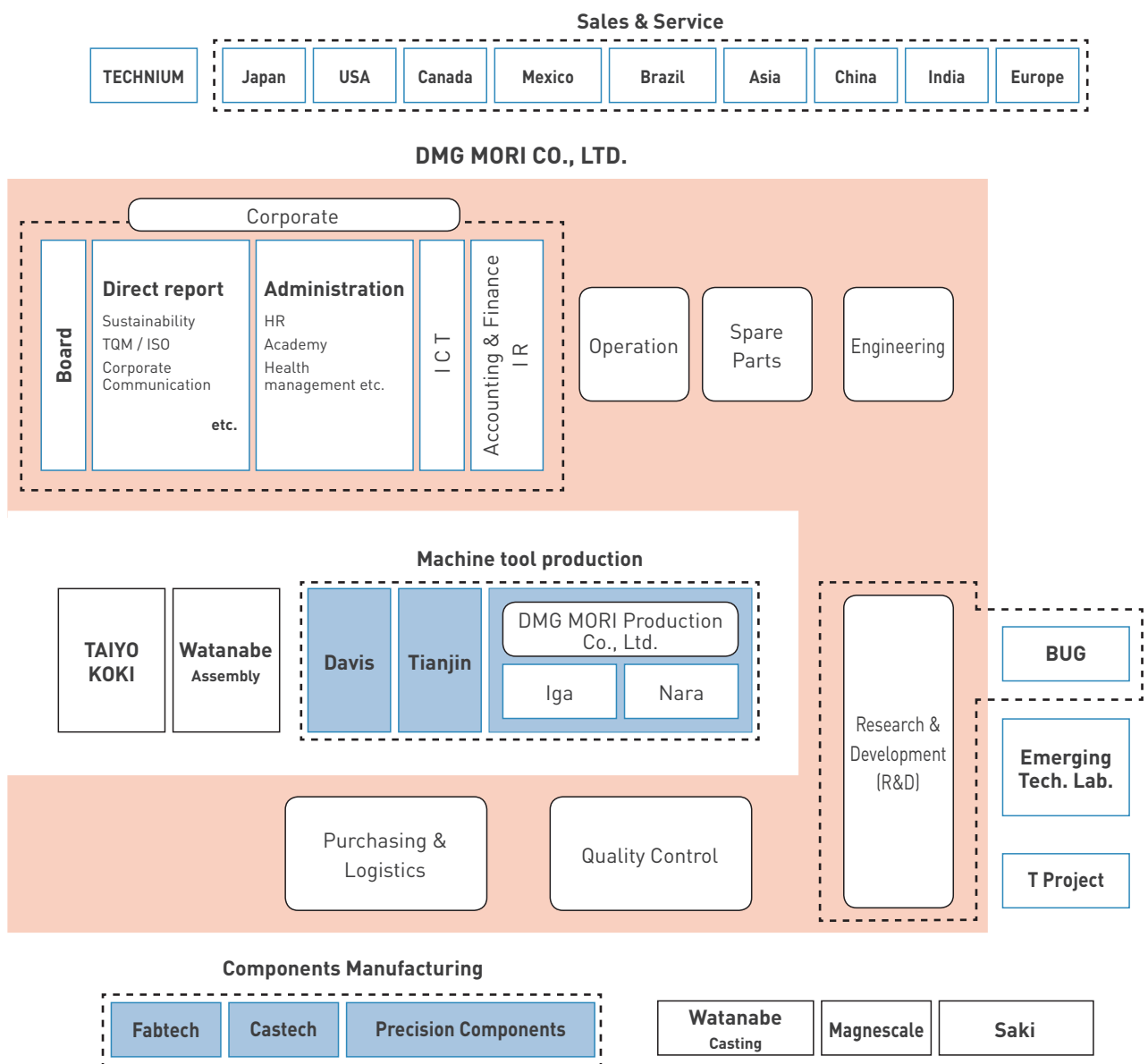


Divisionalization

Strengthen internal management system by divisionalization

DMG MORI has evolved from a machine tool seller to a comprehensive solution provider. In the course of this transition, we have redefined our value-providing framework by enhancing our marketing and engineering capacity and building a customer-oriented sales and service network. We have also upgraded our internal management structure, especially since 2019, when we introduced the “company system” and reinforced individual profitability management using sales ledgers by machine number.

In January 2022, we replaced the company system with a function-based organization structure. It involves the spin-off of some functions, such as the production division. In this way, we can clarify the responsibilities and roles of each division and ensure precise control over financial performance and profitability, all for better group-wide management.



Development of next-generation leaders

Succession plan

DMG MORI has dynamically evolved and adapted to an ever-changing business landscape, one of the biggest changes being the integration with AG. We are now developing the next-generation of leaders to keep our dynamism and ensure sustainable and long-term growth.

Operating Officers

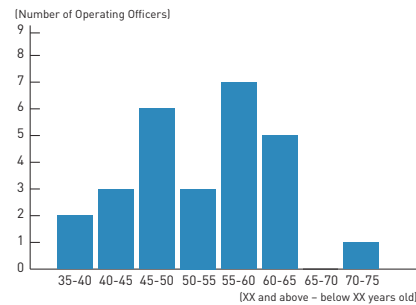
DMG MORI's operating officers are responsible for running PDCA cycles in each business sector to learn what it takes to become the next generation of management members. We particularly value the diversity among them, with some in their 30s and others in their 70s, to ensure strong and stable leadership over the coming years. As a global company, we pursue diversity in nationality and gender as well. While our operating officers originated from 5 different countries in 2020, they now span 7 different nationalities including 2 female members. We hope they grow to be skillful leaders and managers of the whole DMG MORI group.

Experience in managing subsidiaries and divisions

In January 2022, we spun-off a small part of DMG MORI CO., LTD. from the main corporate body, and divided the company based on functions. To each company and division, we assigned responsible persons to oversee and manage the business and financial performances (see page 45), most of them Operating Officers and General Managers in their 40s. We hope that by experiencing the management of smaller-sized companies and divisions, they will learn what it takes to lead a global company in the future.

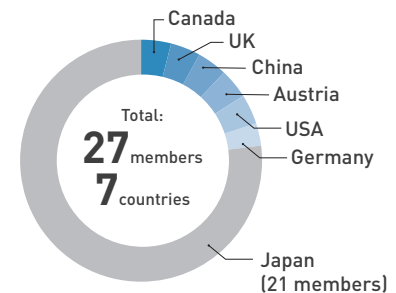
Vision 2030 for young talent development

In order to develop young talents and fuel their motivation, we picked some 20 promising employees in their 20s or early 30s and organized the working group "Vision 2030." The group discusses how DMG MORI should be in 2030 and lays out the path ahead. Under the guidance of external advisors, the members choose several management topics, perform investigation, implement measures, and make quarterly presentations to the Board of Directors.



Age composition of Operating Officers

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



Nationalities of Operating Officers

Developing globally active human resources

Developing engineers and emerging technology specialists

Emerging Technologies Laboratory

DMG MORI established the Emerging Technologies Laboratory to train next-generation leaders of digital transformation in the manufacturing industry. The laboratory aims at developing super engineers capable of implementing AI, IoT, and cloud computing, while helping long-term student interns deepen their knowledge in cutting-edge technology. More than 10 members are constantly improving themselves in this top-notch, global setting.



DMG MORI Academy

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.

Service Skill Training Center

The "Service Skill Training Center" was founded at Iga Campus in 2021. Our service engineers are required to develop an extensive skillset, given the rising demand for 5-axis machines, mill-turn centers, and automation. We installed over 40 advanced machines and automation systems in our new training facility for the training of quick, precise, and safe service operation.

Machining & Measuring Training Center

We offer machining and measuring training programs for both customers and employees. As for the internal training, our young engineers spend 18 full months at the training center, away from their normal job, and learn how to operate mill-turn centers and 5-axis machines. With our team of in-house machining experts, we will be able to meet increasingly complex machining needs in the future as well.

M&A history of DMG MORI and its contribution

DMG MORI was formed in 2015 through the integration of the former Mori Seiki and GILDEMEISTER (or DMG) of Germany.

Even before the integration, DMG MORI had been actively acquiring technologies and know-how through corporate acquisitions and business takeovers, leading to its business growth.

This section looks back at the major mergers and acquisitions to date and their results.

TAIYO KOKI joined in the group

- TAIYO KOKI, which developed the industry's first vertical grinding machine, has joined the group, and DMG MORI Group has become a metalworking manufacturer with a full lineup that covers everything from cutting to grinding.
- Listed in the JASDAQ Standard in December 2007 (Listing on the Tokyo Stock Exchange Standard Market from April 2022)

MORI SEIKI
THE MACHINE TOOL COMPANY

Acquired BUG, a software development company

- Leading to the development of CELOS, an operation software for machine tools
- BUG's software technology has led to *my* DMG MORI and other IoT enabling technologies to date.

Business succession of Hitachi Seiki Co., Ltd.

- Strengthen product lineup business succession of the company in Japan, which had strengths in mill-turn centers
- Mori Seiki, which mainly originated in Kansai, Western Japan, expanded its sales presence in Eastern Japan.
- Currently, Iga Campus has taken over mill-turn technologies and their production.

1948

2001

2002

2007

Acquisition of DIXI machines (Switzerland)

- Acquisition of high-precision, high-rigidity technology for machine tools, including scraping technology
- Gain access to the world's well-known customers with the DIXI brand
- Accumulated overseas production know-how as the first overseas production facility of the former Mori Seiki
- The technology was inherited by the Pfronten plant in Germany, after the closure of the Swiss plant in 2016.

GILDEMEISTER (DMG)

1870

1994

2001

Acquisition of majority stake in SAUER GmbH & Co.

- Acquisition of ultrasound technology

1920 MAHO

1913 DECKEL

GILDEMEISTER took over the assets required for operations and highly respected know-how in the industry from DECKEL MAHO AG.



Establishment of Magnescale Co., Ltd through business acquisition from the current Sony Group Corporation

- Acquisition of measuring equipment technology such as scales and sensors, which are important parts of semiconductor production equipment as well as machine tools
- Realize high precision machine tools with ultra-precision measurement technology

Consolidation of Saki Corporation

- Consolidation of the company engaged in in-line automated inspection systems for mounting circuit boards and semiconductors
- Contribution to expanding the customer base in the field of next-generation communication systems and EVs
- Realization of “defect-free” smart factories

Became possible of supplying sensor components and equipment from semiconductor manufacturing equipment (front-end process) to semiconductor utilization (back-end process)

Business transfer of small-size turning center from AMADA CO.,LTD.

- Added small-size turning center into product portfolio
- Offering WASINO brand products, featured with G Series, a ultra high precision turning center

Consolidation of Watanabe Steel Works

- Stable supply and quality improvement by in-house production of castings such as machine tool beds and columns
- CO₂ emission reduction by switching to an electric furnace

2008

2009

2010

2013

2015

2016

2020

Collaboration with DMG started

Company names unified to DMG MORI

Consolidation of AG

Accomplished business integration

DMG MORI
COMPANY LIMITED

- ✓ Global One machine tool manufacturer
- ✓ Support solving customers’ problems as one-stop
- ✓ Harmonized corporate culture between Japan, Europe and the US

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
<https://www.taiyokoki.com/en/>



CNC vertical grinding machine
CVG-9

CNC vertical grinding machine
Vertical Mate 85

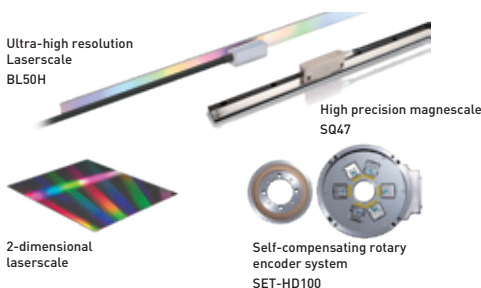
Realize customer needs with custom responsiveness Front runner of vertical grinding machines

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. TAIYO KOKI is aiming for a turnover of JPY 20.0 bn. or more by 2030. Towards the target, TAIYO KOKI is endeavoring to further expanding its market share in the world.

Magnescale

Magnescale Co., Ltd.

45 Suzukawa, Isehara City, Kanagawa, Japan
<https://www.magnescale.com/en/>



Ultra-high resolution
Laserscale
BL50H

High precision magnescale
SQ47

2-dimensional
laserscale

Self-compensating rotary
encoder system
SET-HD100

Magnetic and optical position detection of highest precision

Magnescale Co., Ltd. has been offering high-precision position detection systems based on magnetic and laser detection principles to the machine tool and industrial equipment fields for more than half a century. Magnescale, a measuring instrument using the magnetic detection method, is highly resistant to harsh environments such as condensation, oil, and vibration. Laserscale has realized the world's highest level of resolution, up to 2.1 picometers. It is widely used in semiconductor manufacturing and inspection equipment, where the extreme precision is required. The company is also accredited as a JCSS length and angle calibrator, providing products that are traceable to national standards.

SAKI

Saki Corporation

DMG MORI Tokyo Digital Innovation Center,
3-1-4 Edagawa
Koto-ku, Tokyo, Japan
<https://www.sakicorp.com/en/>



Delivering smart manufacturing quality in the digital age with automated inspection solutions for PCBs and semiconductors

Saki Corporation designs, manufactures, and markets automated in-line inspection systems for printed circuit board and semiconductor manufacturing. Electronic printed circuit boards, which are used in next-generation communication systems and electric vehicles, are critical components of today's digital society infrastructure. Driven by miniaturization of electric components and high-density mounting processes, the demand for high-precision automated quality inspection is rapidly growing. Saki Corporation's total solution of advanced optical and 3D X-ray imaging measurement technologies, as well as high-speed, high-precision quality inspection using AI, contributes to the realization of "defect-free" smart factories.

TECHNIUM

TECHNIUM Co., Ltd.

DMG MORI Tokyo Digital Innovation Center,
3-1-4 Edagawa
Koto-ku, Tokyo, Japan
<https://www.technium.net/>



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. 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 *my* DMG MORI, a customer portal offered by TECHNIUM, customers can now send service requests for machine repair and recovery directly.

T Project

T Project Co., Ltd.

DMG MORI Tokyo Digital Innovation Center,
3-1-4 Edagawa
Koto-ku, Tokyo, Japan
<https://tprj.co.jp/>



Launch of low-code platform 'TULIP' to enable shopfloor driven digital transformation

T Project Co., Ltd. was founded in September 2020 and became our Japanese distributor for TULIP, a manufacturing app platform developed by the 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 are 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.

WATANABE SEIKOSHO

Watanabe Steel Works

1378 Otsu, Izumo-City, Shimane prefecture
<https://w-seiko.co.jp>



Stable supply of high-quality, green casting products




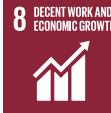


Watanabe Seikoshō Co., Ltd. (or Watanabe Steel Works) has its head office and factory in Izumo City, Shimane Prefecture, where it produces casting products for machine tools and industrial machinery, including beds and columns, which are key components of machine tools. In 2023, Watanabe will mark the 100th anniversary of its founding and switch the melting furnace from a cupola to an electric furnace to shift to green casting using carbon-free electricity. Watanabe will contribute to the stable supply of high-quality, green casting products with its accumulated casting know-how developed over many years.

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 achieved carbon neutrality of our products manufactured in the world in the range from procurement to shipment (upstream of Scope 3).



Categories	Social issues		DMG MORI's actions	Related Pages
Environment	<ul style="list-style-type: none"> • Efforts against climate change • 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 (since 2021) • Climate-related disclosure based on TCFD-recommendations • SBT-approved and CO₂ emissions reduction plan • Environmental preservation by utilizing abandoned farmland 	P.53 P.55 P.56 P.57 P.65
Social	<ul style="list-style-type: none"> • Measures against labor shortage • Transfer technical knowhow 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 for doctoral students in engineering • DMG MORI Academy to develop skilled engineers • Engagement in local communities • Support of cultural activities and local communities • Social responsibility in procurement throughout entire supply chain 	P.61 P.63 P.46 P.65 P.60
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.71 P.46 P.80

Environment

Social

Governance

Efforts against climate change

DMG MORI is working towards a carbon-free society and circular economy in attempt to realize a sustainable future. In particular, DMG MORI is accelerating actions towards carbon neutrality, as an entire group.

DMG MORI's production completely CO₂-neutral, throughout the whole process from parts procurement to shipment, since January 2021



Q. What are your carbon neutral initiatives?

In the first place, the machine tool business has the ability to contribute to reducing the environmental impact of society as a whole by reducing CO₂ emissions in the manufacturing process and enhancing the performance of our products.

Taking it a step further, DMG MORI has focused on carbon neutrality as part of its commitment to a sustainable society. In January 2021, we achieved carbon neutrality around the world from parts procurement to product shipments, including Japan. We have done so by reducing CO₂ emissions in-house and by offsetting CO₂ emissions from business activities and processes by investing in internationally certified climate protection projects. And between 2023 and 2030, we aim to achieve carbon neutrality in the entire supply chain.

Q. What are your specific activities and achievements?

I think that our efforts toward carbon neutrality in Japan have made it possible to achieve our goals smoothly through collaboration with DMG MORI AG, which was ahead of us. Even after the declaration of achievement of carbon neutrality, the Environmental Committee was established in April 2021 to promote actual CO₂ reduction, and activities have started. We are already switching from high-emission areas, including group companies, to CO₂ free electricity derived from renewable energy. In order to further increase the utilization rate of renewable energy, a project to install large-scale solar panels is underway at the Iga Plant. On the other hand, we support the recommendations of CDP (former name: Carbon Disclosure Project) and TCFD (Task Force on Climate Related Financial Information Disclosure) and disclose information. In November 2021, we obtained SBT (Science Based Targets) certification from the SBT Initiative, an international environmental organization. We will continue to work on reducing CO₂ emissions.

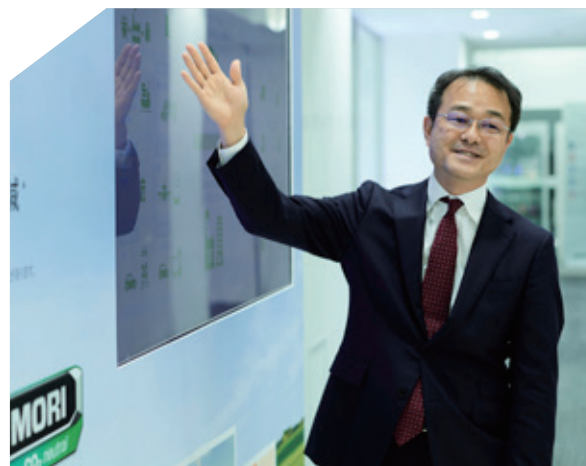
Q. I would like to ask about activities that contribute to customers and society.

DMG MORI has three keywords for activities that contribute to a carbon-free society: **GREENMACHINE**, **GREENMODE**, and **GREENTECH**. By achieving carbon neutrality, **GREENMACHINE** will be able to deliver to customers products produced in carbon neutrality in the entire process from procurement to shipping, and will display the **GREENMACHINE** mark on products shipped after January 2021. In addition, as can be seen from the table on the next page, CO₂ emissions from customers when using products account for a large proportion, and it is essential to address this

area. The second keyword, **GREENMODE**, is a function that guides customers to reduce CO₂ emissions when using DMG MORI products, and achieves 25% power savings compared to conventional models. In addition, we will promote CO₂ emission reduction by process consolidation, automation, digitization, and efficiency improvement of peripheral devices such as zeroFOG, AI chip removal, and zero sludge coolant tank, and contribute to CO₂ emission reduction when customers use our products. The third point, **GREENTECH**, uses DMG MORI's products and technologies in the fields of renewable energy and decarbonization technology development, and points out that our technology contributes to the formation of a decarbonization society.

Q. What is your future policy?

The Carbon Neutral Promotion Office, which was established in April 2020, was renamed the Sustainability Promotion Department in September 2021. Until then, the focus was on the environment, but the Sustainability Promotion Department will cover the topics of SDGs and CSR, and will promote and disseminate activities in collaboration with other departments. Going forward, we will work with our suppliers to pursue sustainable management, engage in activities such as human rights violations and environmental compliance, and contribute to increasing corporate value.



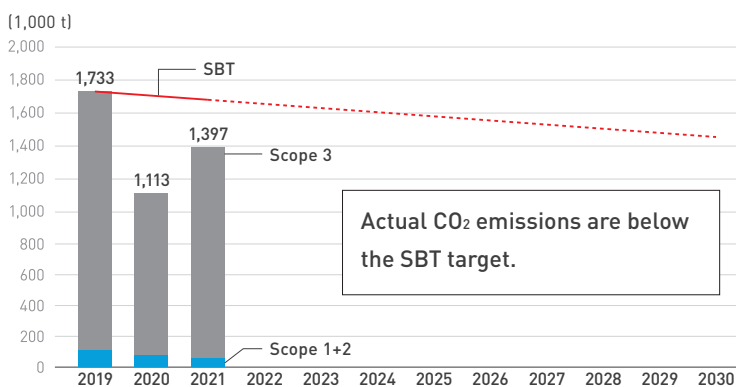
Hiroshi Yuki

Sustainability Promotion Department
General Manager

DMG MORI's global carbon footprint (consolidated)

Period : January 1 to December 31

Scope	Categories	Emission Category	FY2020 (consolidated)		FY2021 (consolidated)	
			TTL	Share of total emissions	TTL	Share of total emissions
Scope 1		Direct emissions	33,917	3.0%	34,150	2.4%
Scope 2		Purchased energy (electricity)	42,652	3.8%	28,380	2.0%
Scope 3	Category 1:	Purchased goods and services	352,052	31.6%	614,552	44.0%
	Category 3:	Fuel and energy related activities (not included in Scope 1, 2)	16,807	1.5%	17,035	1.2%
	Category 4:	Upstream transportation & distribution	18,480	1.7%	32,338	2.3%
	Category 5:	Waste generated in operations	719	0.1%	530	0.0%
	Category 6:	Business travel	7,944	0.7%	5,309	0.4%
	Category 7:	Employee commuting	13,985	1.3%	14,186	1.0%
	Category 9:	Downstream transportation & distribution	16,259	1.5%	11,180	0.8%
	Category 11:	Use of sold products	580,727	52.2%	606,332	43.4%
	Category 12:	End-of-life treatment of sold products	28,748	2.6%	33,095	2.4%
	Category 15:	Investments	381	0.0%	334	0.0%
Scope 1+2+3			1,112,671	100.0%	1,397,421	100.0%

Changes in CO₂ emissions (compared to SBT target)2021 CO₂ emission results

(compared to a base year 2019)

Scope	(unit: t)	FY2019	FY2021	FY2019 vs FY2021	
				changes (value)	changes (%)
Scope 1	TTL	43,193	34,150	-9,043	-21%
Scope 2	TTL	65,689	28,380	-37,309	-57%
Scope 3	Upstream	675,200	683,950	-3,586	-20%
	Downstream	949,100	650,941	-298,158	-31%
TTL	TTL	1,733,182	1,397,421	-335,761	-19%



Both CO and AG responded to CDP Climate Change Questionnaire 2021.

Climate-related disclosure based on TCFD-recommendations



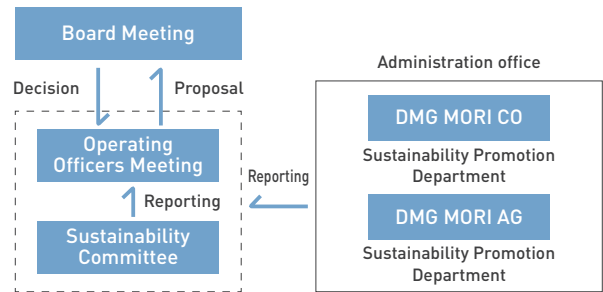
DMG MORI intends to proactively disclose climate-related risks and opportunities in accordance with the recommendations of The Task Force on Climate-related Financial Disclosures (TCFD), and expresses its support for the recommendations.

Governance

A dedicated department plans, implements, and monitors climate-related measures

DMG MORI has established the “Sustainability Promotion Office” as the department in charge of assessing climate change risks and opportunities, and then planning, implementing and monitoring associated countermeasures. The department regularly reports the calculation results of the Group’s CO₂ emissions to the Board of Directors, and requests approval of the CO₂ emissions reduction plan and important capital expenditures related to it.

Climate-related Governance Structure at DMG MORI



Role of Climate-related Organizations at DMG MORI

Organization	Role	Frequency to discuss climate-related matters
Board Meeting	Both assessing and monitoring climate-related issues, and making investment decisions as necessary	At least once per quarter (Board meeting itself is generally held once per month)
Operating Officers Meeting	Assessing climate-related risks and opportunities and examining alternative measures to deal with assessed issues	Once per month
Sustainability Committee (sub-committee of Operating Officers Meeting)	Implementing and monitoring group-wide climate-related measures, such as GHG emissions reduction actions	

Strategy

Contribution to environmental protection through our core business

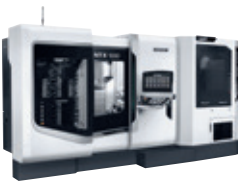
Regarding climate change, we believe that our machine tool business itself will contribute to protecting the environment. Process integration machines such as 5-axis machines and mill-turn centers save various resources, including electric power. Furthermore, by promoting automation and digitization, we will maximize the resource management of our customers and our own factories. Our “GREENMODE” technology contributes to the cumulative reduction of power consumption over the equipment usage period.

Benefits of 5-axis machines and mill-turn centers

- Saving customers' investment
- Less labor intensive
- Reduction of semi-finished inventories
- Reduction of energy consumption

+

- Achieving high dimensional, shape & surface accuracy by single-chucking



Risk & Opportunity

Examining proactive measures according to social demands and changes in the business environment

Regarding climate-related risks and opportunities in our machine tool business, we examined both “transition” risks and opportunities caused by changes in policies, regulations or social demands of customers and other stakeholders, and “physical” risks caused by natural disasters and rising temperatures.

Our analysis on the risks and opportunities associated with our business are as follows.

Climate-related Risks

Type	Climate-related risks	Potential financial impacts	Magnitude of impact	Specific description
Transition risks	Increased pricing of GHG emissions (e.g. carbon taxes)	Increased direct costs	Medium	Increased procurement costs due to the introduction of carbon taxes
	Enhanced emissions-reporting obligations	Higher compliance costs	Medium-Low	
	Increased cost of raw materials and energy	Increased production costs due to changing input prices (e.g.energy, water) and output requirements (e.g. waste treatment)	Medium-Low	In particular, renewable-sourced electricity prices may rise due to the increased demand for such energy
	Changing customer behavior	Reduced demand for goods and services due to shift in consumer preferences	Medium	Manufacturers may choose climate-neutrally produced capital goods in the efforts to achieve climate-neutrality throughout their supply chain. In case the company fails to respond to such trends, it may lose the competitive advantage.
	Increased stakeholder concern or negative stakeholder feedback	Reduction in capital availability or increased equity cost	Low	Since our business is not a carbon-intensive industry, we assume that the risk of being subject to divestment is relatively low.
Physical risk	Increased severity of extreme weather events	Reduced revenue due to supply chain interruptions Write-offs of existing assets due to damages to property and assets caused by e.g. flooding	Low	Most of our production facilities are not located in “high-risk” locations.
	Rising mean temperatures	Increased operating costs (e.g. air-conditioning for factories)	Medium	More strict temperature control in the factories will be required to guarantee the precision of machine tools, which will lead to increased power consumption.

Climate-related Opportunities at DMG MORI

Type	Climate-related opportunities	Increased direct costs	Magnitude of impact	Specific description
Products and Services	Development and / or expansion of low emission goods	Increased revenue through demand for lower emissions products and services	Medium	Customers may prefer our carbon-neutral products in their efforts to reduce GHG emissions throughout their supply chain
Markets	Access to new markets / Expansion in conventional markets	Increased revenues through access to new and emerging markets	High	<ul style="list-style-type: none"> Newly emerging demands, such as those for offshore wind power generation system or electric vehicle(EV)-related parts Increased demand from industries such as ships, trucks, buses, construction, etc., that use diesel engines, in pursuit of more energy-efficient engines with lower GHG emissions.

Risk Management

Addressed as an important management issue

In the DMG MORI Group, climate change-related risks are continuously identified and assessed by Sustainability Promotion Office, and reported to the Sustainability Committee which convenes once a month at the Operating Officers Meeting. The Board has established a process for discussing and deciding on climate-related issues, at least quarterly or whenever climate-related matters that may have a significant impact on the business arise.

Metrics and Targets

Approved by SBTi

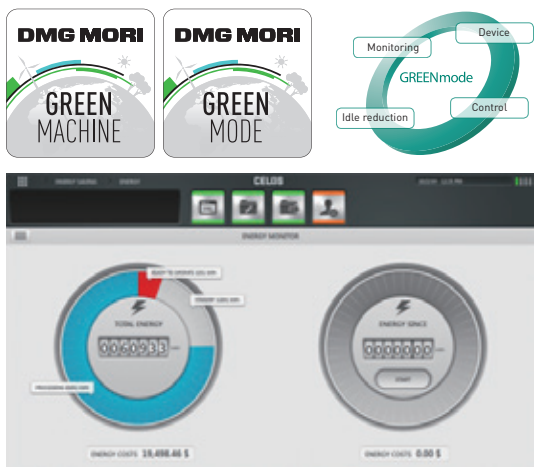
In order to be more effective in dealing with climate change, we have set our CO₂ emissions reduction targets by 2030. In November 2021, our targets were validated and approved by Science Based Targets (SBT) Initiative, an internationally-recognized environmental organization. An overview of our action plan is shown on the next page.

CO₂ emissions reduction - roadmap until 2030

In order to tackle climate change, DMG MORI has set targets for reducing greenhouse gas emissions from its own business activities and has obtained SBT approval, which certifies that the targets are based on scientific evidence. Here are the main action plans for achieving the targets.

CO₂ emissions reduction during machine use

Since September 2017, DMG MORI has made **GREENMODE** a standard on all machines to save energy consumption. **GREENMODE** technology contributes CO₂ emissions reduction by optimizing machining time and with monitoring function of energy consumption.



Rebuild of spindle units

DMG MORI offers the rebuild service of spindles, which are the most important unit of a machine tool. This will promote the resource recycling and CO₂ emissions reduction in Scope 3.



2017

2020

2021

Introduction of CO₂-free electricity

- Iga, Tokyo
- Europe and other regions

Further introduction of carbon-free electricity

- Expand globally step by step

Responded to CDP[*1] Climate Change Questionnaire



Joined SBT[*2] initiative

[*1] Formerly know as Carbon Disclosure Project
[*2] Science Based Targets

Shipment of carbon-neutrally produced products

From January 2021 onwards, all DMG MORI's machines have been shipped around the world with the "GREENMACHINE" mark.



SBT-approved CO₂ emissions reduction targets by 2030

Scope 1 and Scope 2

- 46.2%

(Absolute emissions from a 2019 base year)

Scope 3

- 13.5%

(Absolute emissions from a 2019 base year)



Biomass power generation at Iga campus



Solar panels to be installed on factory roofs (Iga, Nara)



Introduction of electric vehicles and fuel-efficient vehicles to company car fleet

Up to 50% of daily power usage in the facility to be provided by solar energy

2022

2024

2025

2030

Switching casting suppliers (China → Watanabe Steel Works in Shimane Prefecture, Japan)

Switch to an electric furnace for casting at Watanabe Steel Works

Emissions reduction in Scope 3

Upstream (purchased goods and services)

- Collaboration with suppliers
- Optimized logistics
- Provision of our products and technologies

Downstream (use of sold products)

- Energy-saving products with **GREENMODE** Technology
- Promotion of process integration, automation
- Visualization of CO₂ emissions by IoT (*my* DMG MORI)

DMG MORI's 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.

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.

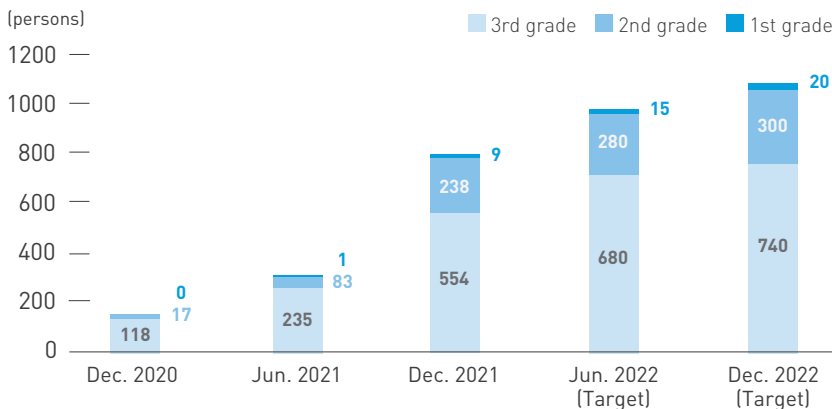
Action for 11 items

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 and timely 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>

In order to realize its mission statement, DMG MORI has introduced Total Quality Management (TQM) and is striving to create a corporate culture that enables the discovery and resolution of invisible issues. In addition to deploying management policies linked to the management philosophy at all levels, DMG MORI is promoting standardization of daily tasks and digitalization through TULIP. We are also proactively developing human resources through QC (Quality Control) circle activities in which all employees participate in, with about 400 teams, and encouraging employees to take the QC certification test. Through these series of PDCA / SDCA / KAIZEN activities / human resource development, we will continue to enhance our corporate value as a problem-solving company.

Number of QC certification qualified employees



DMG MORI Partner Award

Sustaining long-term partnerships

DMG MORI considers sustaining long-term relationships with its partners (suppliers) to be an important element for the sustainable growth. For 2021, we presented the DMG MORI Partner Award 2021 at the PRE-EMO show held at the Pfronten factory in Germany in September. We will continue to strive to realize the idea of “prosper together with our partners” as stated in our mission statement.



Winners of DMG MORI Partner Award 2021

Innovation	: Siemens AG (Germany)
Delivery Performance	: Matsue Yamamoto Metal Co., Ltd. (Japan)
Quality	: Pragati Automation Pvt. Ltd. (India)
DMQP	: FUCHS PETROLUB SE (Germany)
Sustainability	: INTEGRITY NEXT GmbH (Germany)

Introduction of a platform for supplier monitoring

Taking increased social responsibility in procurement throughout entire supply chain

With the growing importance of social responsibility over the supply chain, we started monitoring our suppliers by utilizing the platform provided by INTEGRITY NEXT GmbH of Germany. AG has already introduced it since July 2019, while CO implemented it in January 2022. Through this platform, we will address to sustainability issues such as environmental protection, human rights and safety of products as well as strengthening compliance.



Introduction of INTEGRITY NEXT(*1)

**Platform for supplier monitoring
Sustainability issues, compliance, and more**

(*1) Supplied by German company INTEGRITY NEXT GmbH

DMG MORI (AG) : Implemented in July 2019

DMG MORI (CO) : Start from January 2022

Managing employees' health, who support organizational sustainability

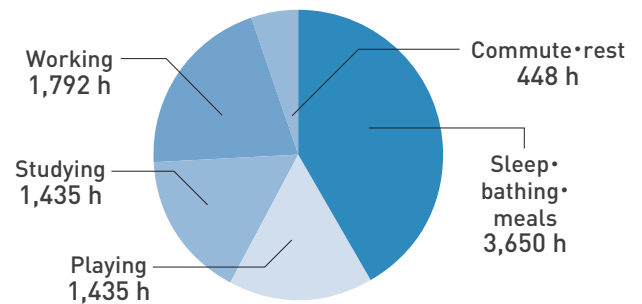
DMG MORI, with its mission statement “Play hard, study continuously, work together”, places great importance on employee health management as a fundamental condition for corporate sustainability, and strives to promote measures to keep employees working in good health and to improve the work environment.

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 wellbalanced lives.

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

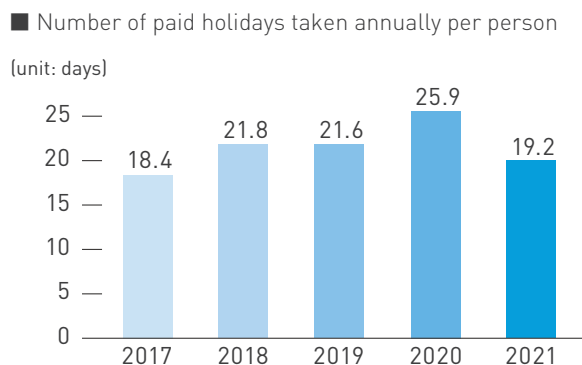


Example for balanced allocation of working hours in a year
 (24h a day x 365 d = 8,760 h)

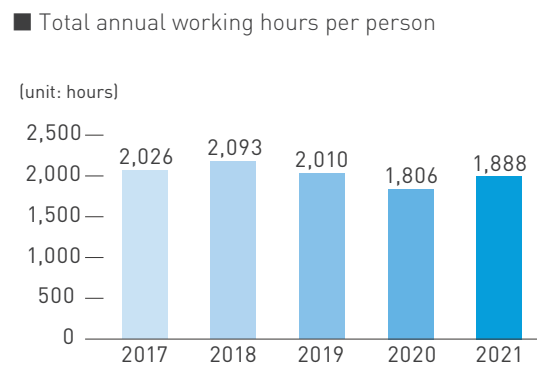
Creating an environment for healthy work

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 (in Japan), and strict management of each employee’s total working hours and the number of paid holidays taken. Our new interval system limits the maximum time at workplace to 10 hours and obligates employees to take minimum 12 hours break between each working day.



* Numbers based on employees in Japan (regular employees, contract workers)
 20 days of paid holiday per person



* Numbers based on employees in Japan (regular employees, contract workers)

Promoting Health Management

Cultivating a healthy work environment for mind and body

DMG MORI is promoting Health Management based on “DMG MORI Health Management Declaration” announced in January 2021.

DMG MORI Health Management Declaration

DMG MORI places importance on the health management of its employees and will promote efforts towards the realization of “Health 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.

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

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

Health promotion initiatives

COVID-19 preventive measures

- Opened a temporary PCR test station
- Workplace vaccinations for employees of DMG MORI group and partner companies

Professional guidance to improve health standards

- Legally-required health guidance & exercise classes for under-40 employees
- In-house clinics for health consultation

Support for establishing regular exercise habits

- Fitness rooms in Iga & Nara Campus
- Listed as “Sports Yell Company” by Japan Sports Agency

Dietary education at the company’s restaurant

- Increased the number of healthy meals served
- Nutritional information displayed for all menu items



Kaori Taniguchi

Health and Productivity Management Promotion Committee

Health management promotion in collaboration with in-house physicians

DMG MORI’s health management initiatives are mainly led by our Health and Productivity Management Promotion Committee. Our corporate physician, Dr. Kurumatani, and the other committee members are currently working to visualize the employee’s health conditions and implement various health promotion measures.

For example, they are analyzing the annual health checkup data and compiling a white paper on the general trend of our employees. They have also set 14 action items for health improvement, and are tracking each of them to create a healthy work 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/sustainability/esg/health_management.html>

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 our obligation to society.

Mori Manufacturing Research and Technology Foundation

Investment in R&D activities and human resources development

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

We have been sponsoring the "Precision Measurement and Machining Research Consortium" and "Digital Design & Manufacturing Laboratory", an endowed course launched in April 2020 to celebrate the 125th anniversary of Kyoto University. We also provide financial support to the Graduate School of Advanced Integrated Studies in Human Survivability (Shishu-Kan), Kyoto University, to help global talents with doctorate degrees. We also fund "The German-Japanese Young Leaders Forum" by the Japanese-German Center Berlin (JDZB) - another example of our commitment to developing next-generation young leaders and cooperative Japanese-German relationships. In addition, DMG MORI launched a 3-year scholarship program in April 2019. The program supports doctorate students in engineering at Kyoto and Keio University and the University of Tokyo - six in term 1, five in term 2, three in term 3, and one in term 4. We held an online meeting in August 2021, where participants presented their engineering research results and progress. Lively discussions took place despite contact restrictions due to the coronavirus. They continue their research pro-actively and build mutually inspiring relationships. From April



Mori Manufacturing Research and Technology Foundation
(General Incorporated Foundation)
<https://morifound.dmgmori.co.jp/>

2022, seven students will be added to term 4 members and receive the scholarship. All of them are new doctorate students who study engineering at Kyoto University.

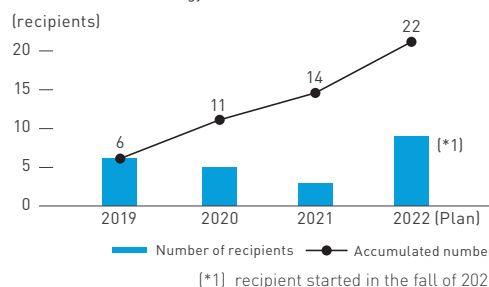
2) Initiatives to foster local communities and cultures

In May 2021, the Mori Manufacturing Research and Technology Foundation and NEXUS Co., Ltd. founded the Japan National Orchestra Co., Ltd. (JNO) in a joint investment. We aim to create a stable environment where Mr. Kyohei Sorita and other passionate musicians can fully commit to their learning and training. Additionally, to make Nara Prefecture, the birthplace of DMG MORI, a center of classical music and other cultural and artistic activities, we are organizing regular concerts, an online music streaming service, and the music salon "Solistiade". We have also planted 140 cherry trees along the banks of the Bodaisen River in Yamato Koriyama City (Nara), aiming to create a beautiful landscape. We are committed to continuously support the community and the local residents.

3) Support for R&D activities

While DMG MORI funds R&D activities of machine tools and related technologies, the MORI Manufacturing Research and Technology Foundation invests its resources in joint R&D with universities and research institutes worldwide, as well as in loans and donations of machine tools. 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



Nara Product Development Center (Planned operation start in summer 2022)

R&D headquarters for digital transformation and advanced technologies

The Nara Product Development Center (Nara PDC) is being built in Nara, the birthplace of DMG MORI CO, as a research and development base for digital transformation and advanced technologies.

Nara PDC will become the largest and most advanced R&D center in the DMG MORI Group and will drive digital transformation and connectivity in our industry, utilizing 5G digital communication technology, AI, our Digital Twin technology, and more.

It will also serve as DMG MORI's base to conduct state-of-the-art development experiments on elemental technologies, next-generation mill-turn centers, and other machine types and peripheral equipment, as well as the control software installed on them. In addition, Nara PDC will be our center of exchange and collaboration between engineers, researchers, manufacturers, and academic institutions.



Cooperation with national universities

Promoting gender equality in engineering

DMG MORI has concluded a comprehensive cooperation agreement with Nara Women's University, the first Japanese women's university to establish a faculty of engineering. We will promote the education and career development of female researchers and engineers by providing guest lecturers and curricula with practical training on DMG MORI machines. According to a survey by the OECD, Japan has the lowest percentage of female students who major in engineering at universities and other higher educational institutions among the countries surveyed. Japan lies at only 16% compared to 26% on average among member countries. With this cooperation, we hope to establish a greater gender equity in engineering and contribute to technological innovation in Japan.



Fostering research and development activities

Joint R&D with universities and research institutes Funding academic conferences

DMG MORI has partnerships with universities and research institutes(*1) across the world to conduct joint research and development(*2) of machine tools and related technologies. In addition, the Mori Manufacturing Research and Technology Foundation funds international academic conferences such as CIRP(*3).

(*1) The University of Tokyo, Kyoto University, Keio University, University of California (Berkeley), Leibniz University Hannover

(*2) Joint research and development mainly in the fields of machining technology, intelligent systems and network technology

(*3) CIRP: College International pour la Recherche en Productique

Contributing to society

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

Initiative for environmental conservation

Promoting agriculture



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

In December 2017, DMG MORI established the vineyard company “Mahoroba Farm”, which started to grow wine grapes on abandoned farmland near the Iga Campus in 2019. The vineyard will be extended to 7 hectares in the coming years. In 2021, we harvested 2,200 kg of 9 different sorts of grapes in total.

In addition, we are actively promoting the employment of people with disabilities and aim to employ about 10 people at Mahoroba Farm in the future.

By this, we want to enable people with disabilities to play an active role in society with confidence and a sense of purpose.



Making urban landscapes greener

Planting cherry blossom trees around Nara Campus

DMG MORI has been making efforts to improve the scenery around the Nara Campus (along the former highway Route 24) since December 2021.

Besides planting around 100 cherry blossom trees, we are also renovating the pavement and streetlights.

By improving the scenery around the Nara Campus, the birthplace of DMG MORI, we aim to create a beautiful environment that can be enjoyed by employees and residents.



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.

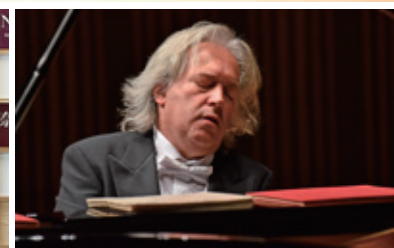
We are using their fresh vegetables in our canteens in Iga, Nara and Nagoya to promote the health of our employees.



Nurturing and promoting music culture

Established Japan National Orchestra Co.,Ltd.

We have been supporting the pianist Kyohei Sorita since 2018. We established Japan National Orchestra Co., Ltd. under Mr. Sorita's lead on May 20, 2021. Together with Mr. Sorita and 17 young soloists, we are actively engaged in community-based activities to make Nara, the birthplace of DMG MORI CO, a new place for cultural and artistic creation through classical music. The orchestra held its first concert at the DMG MORI Yamato Koriyamajo Hall on May 28 2021. In November of the same year, we also organized a piano recital by the Europe-based pianist Adolfo Barabino in Nara and Tokyo.



Mr. Kyohei Sorita paid a courtesy visit to Nara Governor, Mr. Arai

Aiming for improving skills and motivation for operators at customers

The Cutting Dream Contest

DMG MORI's The 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.



Please check here to see the collection of previous works.

The Cutting Dream Contest 2021 - Winning Works

Production Parts Machining
– Gold Prize Winner
Adsorption mesh
Canon Machinery Inc.



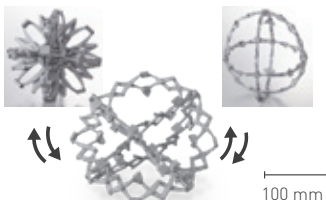
Prototype & Test Cut Machining
– Gold Prize Winner
Amazing egg cup
CASTEM CO., LTD.



Artistic Form Machining
– Gold Prize Winner
Flight of the micro Messerschmitt Bf109
Circle & Square Co., Ltd.



Advanced Machining
– Gold Prize Winner
All-in-one metal sphere ball
Komine Products Co., Ltd



Academic Research – Gold Prize Winner
Vermeer's precise art meets precise machining
KINDAI UNIVERSITY TECHNICAL COLLEGE



DMG MORI 5-axis Grand Prize Winner
Shuttle cock
NODA PLASTIC SEIKOU Co. Ltd.



Social contributions by DMG MORI AG

Promoting volunteer activities by employees

DMG MORI AG gives donations and sponsorships to various initiatives and also works closely with universities, clubs and associations around the world.

DMG MORI AG primarily donates to local organizations, institutions, universities, and foundations to promote young talents in mechanical engineering.

Near the new production plant to be built in Cairo, we are supporting The Littlest Lamb, an orphanage in Egypt. Our Famot factory in Pleszew, Poland, donated medical first aid equipment to a local school. Our Graciano plant in Italy supported a local hospital to enhance medical care during the pandemic.

Furthermore, DMG MORI AG also supports employees who volunteer, e.g. for fire brigades and disaster relief activities by a flexible organizational structure and work arrangements. Thorsten Schmitt, who works at DMG MORI Ultrasonic Lasertec GmbH in Stipshausen, Germany, is a member of the voluntary fire brigade. During the flood disaster in Rhineland-Palatinate, a German state in July 2021, he also worked with his disaster rescue dog to search for survivors.



Nine members of rescue unit "RHOT 3" deployed to the flooded areas in Germany



Thorsten Schmitt with his labrador Fire Dragon

Climate action by DMG MORI AG

“Stadtradeln Challenge 2021” - A City Cycling Challenge

“Stadtradeln” – literally translated as City Cycling – is a German competition where participants have to utilize their bicycle as a means of transport in their daily lives as much as possible for 21 days. 90 DMG MORI employees across 10 locations in Europe participated in the cycling challenge to make a personal contribution to environmental protection and CO₂ reduction. Together, they cycled over 1,300 km per day and reached a total distance of 27,332 km. By this, they could cut down on 3.8 t of CO₂ emissions.



Product promotion and social contributions through sports

DMG MORI supports sports teams.

We are committed to sports marketing that combines sponsorship and business partnership to build win-win relationships.

DMG MORI SAILING TEAM

Winning yacht visits Japan together with Kojiro Shiraishi, the first Asian to complete the world's toughest yacht race

Together with the marine adventurer Kojiro Shiraishi as skipper, DMG MORI SAILING TEAM participated at the solo, non-stop, around-the-world yacht race Vendée Globe 2020-2021 starting from November 8, 2020.

Kojiro Shiraishi completed the race as the first Asian with a race time of 94 days, 21 hours, 32 minutes, and 56 seconds, placing 16th out of 33 skippers.

The foil yacht "DMG MORI Global One" is equipped with parts machined by our simultaneous 5-axis machines and mill-turn centers.

After the race, the winning yacht was brought from France to Japan to visit three marinas between July and November 2021. Many people in Japan used this opportunity to take a look at the yacht that survived the rough seas.

DMG MORI SAILING TEAM will continue its activities in pursuit of 3 major goals: 1) Take on the challenge of Vendée Globe 2024 with Kojiro Shiraishi, 2) Expand the sailing culture in Japan and 3) Train the next generation of skippers and engineers.



FIA World Rally Championship (WRC)

Promotion as a technology partner

DMG MORI has been supporting the TOYOTA GAZOO Racing World Rally Team (TGR WRT) at the FIA World Rally Championship (WRC) since 2017. TGR WRT won the Manufacturers' title in the WRC 2018 season and the Drivers' title in the 2019 and 2020 seasons, demonstrating the high performance of their rally car Yaris WRC. DMG MORI also supports the TGR WRT as a technology partner.

Many parts, including the engine, are processed on our machines at TGR-E (TOYOTA GAZOO Racing Europe GmbH) and installed in the Yaris WRC. In the 2020 season, due to the spread of the coronavirus, only 7 out of the 14 scheduled races could take place.



Environmental data

<DMG MORI CO>

Key figures of energy input and water consumption

INPUT items			Location	Unit	2016	2017	2018	2019	2020	2021
Energy input	Production	Electricity (*1)	Japan	thousand kWh	46,309	46,612	48,164	46,002	44,347	47,135
		Solar power	Japan	thousand kWh	130	127	126	121	54	104
		Heavy oil (*2)	Japan	Kℓ	3,187	3,129	2,218	2,132	1,898	879
		City gas	Japan	thousand m ³	175	0	0	0	0	0
		LPG	Japan	t	228	304	360	317	262	63
Water consumption	Production	Clean water	Japan	thousand m ³	126	138	139	126	126	110
		Groundwater	Japan	thousand m ³	104	93	72	37	35	3

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	2016	2017	2018	2019	2020	2021
Energy input	Production	Converted to crude oil	Japan	Kℓ	15,281	15,185	14,757	14,082	12,993	12,771
OUTPUT items			Location	Unit	2016	2017	2018	2019	2020	2021
Greenhouse gas	Production	CO ₂ emission (*3)	Japan	t-CO ₂	32,425	32,197	29,633	26,865	24,791	24,111
Industrial waste	Production	Final disposal amount	Japan (Iga)	t	110	119	130	96	39	49
		Final disposal rate	Japan (Iga)	%	3	3	4	3	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 volume and machine model composition of each fiscal year.

CO₂ emissions of DMG MORI

in t CO ₂	2017	2018	2019	2020	2021
Total CO₂ emissions	—	—	797,248	497,646	613,604
Scope 1	—	—	19,481	14,613	14,375
Scope 2	—	—	40,896	33,867	17,948
Scope 3 (Upstream)	—	—	289,641	179,582	293,811
Scope 3 (Downstream)	—	—	447,230	269,584	287,470

(*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 (*4)(*5)

in MWh	2017	2018	2019	2020	2021
Fuel consumption from fossil energy sources	76,281	80,506	90,818	76,803	84,634
of which natural gas	30,681	32,491	33,611	28,730	36,904
of which liquefied gas	325	364	338	346	346
of which heating oil	0	55	0	0	0
of which fuel	45,275	47,596	56,869	47,727	47,384
Electricity consumption	46,757	48,962	52,441	45,956	49,542
of which procured from the grid	45,456	47,489	49,696	43,554	46,955
of which self-generation from renewable sources	1,301	1,473	2,745	2,402	2,587
Energy consumption in total	123,038	129,468	143,259	122,759	134,176

AG GROUP-WIDE CO₂-BALANCE (*6)(*7)(*8)

in t CO ₂	2017	2018	2019	2020	2021
Total CO₂ emissions	—	—	935,934	615,025	783,817
Scope 1	—	—	23,712	19,304	19,775
Scope 2	—	—	24,793	8,785	10,432
Scope 3 (Upstream) (*9)	—	—	385,559	230,405	390,139
Scope 3 (Downstream)	—	—	501,870	356,531	363,471

(*4) 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's global energy consumption. Other sales and service locations are not included in this table.

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

(*6) Calculations were made by using emission factors based on the DEFRA 2021 database. Due to an update of the stored factors in the reporting year, there is only limited comparability with the previous year's figures. Missing emission factors were filled in by GEMIS, Probas Umweltbundesamt, Ecolnvent and Ecotransit database.

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. A simplified market-based approach is used to calculate Scope 2 emissions. Sites that purchase green electricity are included in the calculation with a CO₂ coefficient of zero. For all other sites, the average German CO₂ factor is used for simplification (source: GEMIS 5.0). The only exception is our site in Poland, which is included in the calculation with the national factor due to the more CO₂-intensive electricity mix.

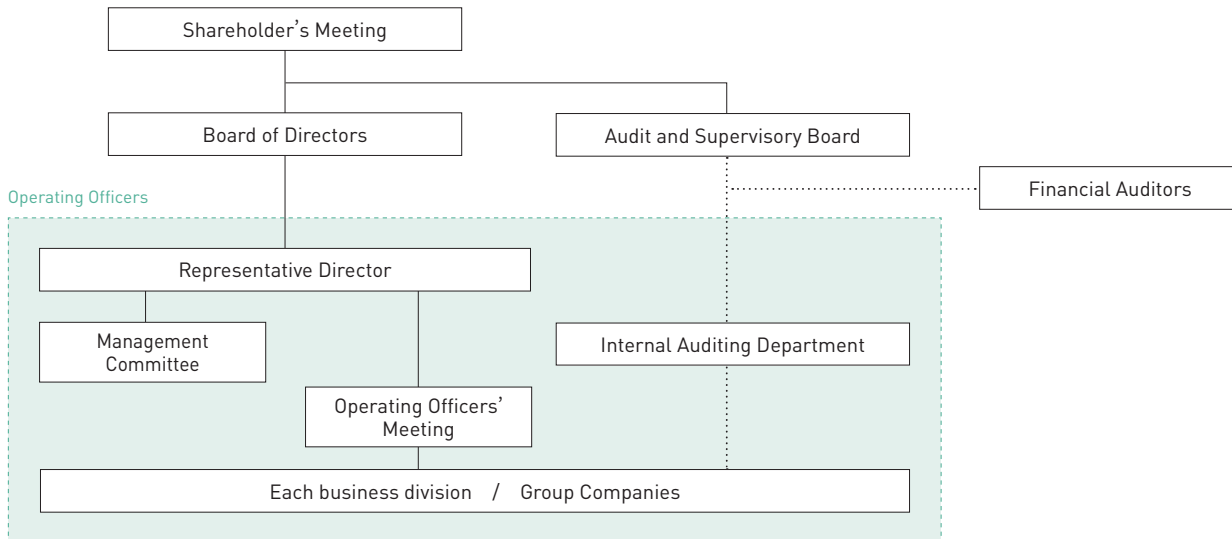
(*7) Based on the location-based approach, electricity consumption causes 21,713 t CO₂ (source: Association of Issuing Bodies, 2020). This does not take into account that DMG MORI used 76.6 % electricity from renewable sources in 2020.

(*8) 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.

(*9) The determination of Scope 3 emissions is based on prior-year data and corresponding projections in some categories.

Corporate Governance

Corporate Governance Structure in 2022



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 adopts an audit committee 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

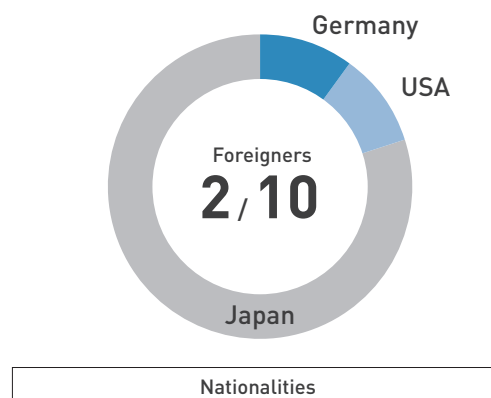
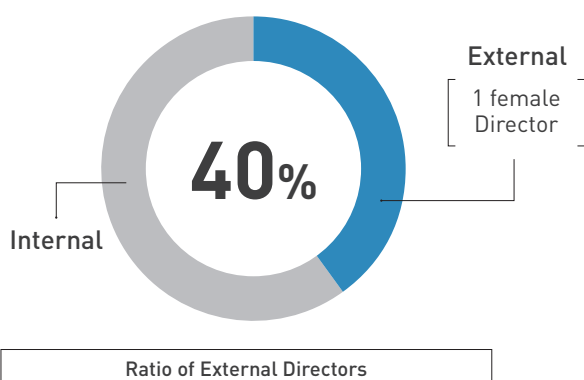
Out of 10 members of the Board of Directors, 4 are external directors (share of external directors being 40%) as of March 22, 2022. We have been coping with quick changes in the business environment and technology trends that are unique to the machine tool industry.

Against this background, our management structure consisted of a limited number of directors supported by Operating Officers to

enable quick decision making. Since 2015, we have been increasing the number of directors by appointing external directors. Then, 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 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 management. 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 meetings. This structure enables extensive discussions by the Board of Directors as well as quick action in business operations.

Diverse Board of Directors (as of March 22, 2022)



4. Audit and Supervisory Board

The Board of Auditors consists of a full-time Corporate Auditor, a former Executive Officer with an extensive knowledge of company's operations, and External Directors, who are more independent from company's business operations. In accordance with the audit principles, each Auditor attends and makes comments at the Board meetings, Operating Officers meetings and other important management 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 Board meetings.

5. Governance at AG

AG, as a German company, has a governance system different from that of Japanese companies. At AG, appointment of directors and approval of business and investment plans are made by the Supervisory Board, which exercises control over the Executive Board. Therefore, controlling the Supervisory Board is crucial to appoint directors who are suitable to realize the integrated business operations and financing 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, vice president at CO, and Ms. Irene Bader, Executive Officer at CO, have assumed office as supervisory board members since March 2019. This has further strengthened governance over AG. Joint meetings that consist of Dr. Mori and executives of both CO and AG are held once a month to discuss and manage the status of daily 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 and supervision from operation and to train next generation leaders. As of January 1st, 2022, DMG MORI has appointed 27 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.

Members of the Board of Directors

Introduction of Directors As of March 22nd, 2022



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 (currently DMG MORI AKTIENGESELLSCHAFT)
Nov. 2001 Managing Director, SAUER GmbH(*1) (currently 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 (incumbent)
(*1) DMG MORI Ultrasonic Lasertec GmbH and DECKEL MAHO Pfronten GmbH are subsidiaries of DMG MORI AKTIENGESELLSCHAFT.



Hiroaki Tamai

Executive Vice President
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 and Engineering / Administration, Executive General Manager, Sales 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 (incumbent)



Hirotake Kobayashi

Executive Vice President
Director in charge of Accounting / Finance and Sales

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 and Sales, Executive General Manager, Accounting / Finance HQ (incumbent)



Makoto Fujishima

Dr. Eng.
Vice President
Director in charge of Quality

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
Apr. 2021 Executive Director, Executive General Manager, Quality HQ
Aug. 2021 Vice President, Director in charge of Quality, Executive General Manager, Quality HQ (incumbent)



James Nudo

J.D.
Vice President
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, President and Director, DMG MORI USA, Inc.
Mar. 2019 Executive Director in charge of the Americas President and Director, DMG MORI USA, Inc.
Jan. 2021 Executive Director in charge of the Americas CEO, DMG MORI AMERICAS HOLDING CORPORATION
Aug. 2021 Vice President, Director in charge of the Americas CEO, DMG MORI AMERICAS HOLDING CORPORATION (incumbent)

Introduction of External Directors As of March 22nd, 2022



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 External Audit & Supervisory Board Member, Mitsubishi Pencil Co., Ltd.
 May 2017 Vice-President, Keio University
 Mar. 2019 External Director, Mitsubishi Pencil Co., Ltd. (incumbent)
 Aug. 2021 President, KEIO Engineering Foundation (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
 Mar. 2017 External Director of the Company (incumbent)
 Jun. 2021 Advisor, Japan Institute of Invention and Innovation (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. 2005 Japan Co-chair, The Boston Consulting Group
 Mar. 2016 Outside Director, Rakuten, Inc. (currently Rakuten Group, Inc.) (incumbent)
 Mar. 2017 External Director of the Company (incumbent)
 External Director, Unicharm Corporation
 Jun. 2017 Director (External Director), Tokio Marine Holdings, Inc. (incumbent)
 Oct. 2017 Senior Advisor, The Boston Consulting Group



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
 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)
 Apr. 2021 Chairperson, Monozukuri Nadeshiko (incumbent)

Skill matrix of board members

Name		Business Management	Global	Engineering	Legal & compliance	Finance & Accounting
Internal	Masahiko Mori	●	●	●		●
	Christian Thônes	●	●			●
	Hiroaki Tamai	●	●		●	●
	Hirotake Kobayashi	●	●			●
	Makoto Fujishima		●	●		
	James Nudo		●		●	
External	Tojiro Aoyama		●	●		
	Makoto Nakajima		●		●	
	Takashi Mitachi	●	●			●
	Hiroko Watanabe	●	●	●		

Members of the Auditor and Supervisory Board

Introduction of Auditors As of March 22nd, 2022



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 22nd, 2022



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 External 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 External Audit & Supervisory Board Member, Chuo Spring Co., Ltd.
 Mar. 2021 External Auditor of the Company (incumbent)
 Jun. 2021 External Director of Makita Corporation (incumbent)

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 8 meetings, to understand and manage the risks of the entire business operations. The below 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, 2021)

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	Vice President	10 / 10	
James Nudo	Vice President	10 / 10	
Tojiro Aoyama	External Director	10 / 10	
Makoto Nakajima	External Director	10 / 10	
Takashi Mitachi	External Director	10 / 10	
Hiroko Watanabe	External Director	7 / 7	Since the appointment was on March 29, 2021, 7 Board meetings were relevant

Remuneration of Corporate Officers

The amount of remuneration, etc. of DMG MORI's Directors and Auditors and the method for its calculation 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 2021.

1) Company Policy regarding Deliberation of Remuneration, etc. for Directors and Auditors

To attract and retain personnel who will contribute to the sustainable enhancement of the Company's corporate value on a global scale, the remuneration system of Directors and Auditors shall be based on the short- and long-term business performance and be transparent and competitive as required of a public company in a global market.

We selected the highly transparent remuneration system of Germany in which remuneration is disclosed regardless of the amount as our benchmark, given the nature of our business that appoints non-Japanese Directors and has DMG MORI AG, a listed company on the German stock market, as a part of the consolidated result. Accordingly, the remuneration, etc. consists of fixed and variable remuneration.

The variable remuneration consists of a "bonus", based on the short-term performance of a fiscal year, and a "stock compensation", based on the long-term performance over multiple fiscal years.

In order to distinguish clear responsibilities between Directors and achieve the fiscal year's target, we take the company-wide achievement ratio of financial targets such as consolidated sales revenue and consolidated operating profit, and the personal achievement ratio of targets under the jurisdiction of each Director into account when calculating the bonus.

Furthermore, as set by the Board of Directors as a fixed standard, the remuneration shall not exceed 50 times the average annual salary of the general employee. However, External Directors and Auditors who are independent from the execution of business shall only receive the fixed remuneration, which is the basic compensation.

The outline and composition of the remuneration of Directors are decided by the Board of Directors, which includes 4 External Directors and 2 External Auditors. The decision on the individual remuneration amount is entrusted to President and Representative Director Dr. Masahiko Mori, who is also appointed Chairman of the Supervisory Board of DMG MORI AG and gained rich experience in the deliberation process of remunerations at the Remuneration Committee of DMG MORI AG. The deliberation method and final remuneration amount (including the bonus amount) are reported to the Board of Directors.

The fixed remuneration, which is the basic compensation, is based on each Director's position and level of responsibility and is set at a ratio of 4:2:1.4 for President & Representative Director, Executive Vice President & Representative Directors, and other Directors.

Regarding remuneration related to business performance, the bonus bound to the result of one fiscal year cannot exceed 1.5 times the basic compensation and depends on the consolidated performance indicators and the individual performance evaluation. However, the bonus of the President only takes the consolidated performance indicators into account.

With regard to stock compensation, stock compensation with transfer restrictions is granted irregularly and is determined by the Board of Directors on a case-by-case basis.

The Board of Directors has confirmed that the method of determining the details of remuneration, the final remuneration amount, etc. for each Director for the fiscal year 2021 are consistent with the decision policy resolved by the Board of Directors.

2) 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 Directors / Auditors
		Basic compensation	Performance remuneration	Non-monetary remuneration	
Directors (External Directors excluded)	762	464	279	18	5
Auditors (External Auditors excluded)	33	28	5	—	1
External Directors	94	94	—	—	5
External Auditors	30	30	—	—	3
Total	920	617	284	18	14

(notes) 1. All listed figures are rounded down to millions of yen.

2. The figures listed above include the remuneration of 1 Director and 1 Auditor who retired at the end of the 73rd Annual General Meeting of Shareholders on March 29th, 2021.

3. Non-monetary remuneration includes the costs for granting restricted shares.

4. The amount of remunerations, etc. of Directors is based on the decision of the 71st Annual General Meeting 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).

In addition, at the 70th Annual General Meeting of Shareholders on March 22nd, 2018, it was determined that the total payment for transfer restricted shares shall be within 300 million yen for Internal Directors as a separate framework.

5. 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.

6. The figures listed above do not include the remunerations, etc. of subsidiaries.

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

Name	Directors / Auditors	Company name	Amount per consolidated remuneration type, etc. (mil. JPY)			Fiscal Year 2021 Total consolidated remuneration, etc. (mil. JPY)	[For reference] Fiscal Year 2020 Total consolidated remuneration, etc. (mil. JPY)	[For reference] Fiscal Year 2019 Total consolidated remuneration, etc. (mil. JPY)
			Basic compensation	Performance remuneration	Non-monetary remuneration			
Masahiko Mori	Director	DMG MORI CO	186	108	4	298	177	370
Christian Thönes	Director	DMG MORI AG	140	313	—	453	366	505
Hiroaki Tamai	Director	DMG MORI CO	93	47	5	145	91	177
Hirotake Kobayashi	Director	DMG MORI CO	93	47	8	149	94	181
Makoto Fujishima	Director	DMG MORI CO	54	47	—	102	43	77
James Nudo	Director	DMG MORI CO / DMG MORI USA, Inc.	59	51	—	111	50	85
External Directors	External	DMG MORI CO	94	—	—	94	90	96
Toshio Kawayama	Auditor	DMG MORI CO	28	5	—	33	27	30
External Auditors	External	DMG MORI CO	30	—	—	30	28	31

(notes) 1. All listed figures are rounded down to millions of yen.

2. 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.

3. The applicable number of External Directors is 5 for the fiscal year 2021 and 4 for both fiscal years 2020 and 2019 (including 1 External Director who completed his term and retired at the end of the 73rd Annual General Shareholder's Meeting of March 29th, 2021).

4. The applicable number of External Auditors is 3 for the fiscal year 2021, 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 end of the 71st Annual General Shareholder's Meeting of March 22nd, 2019).

Message from Germany



Christian Thönes

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

[Challenging and successful – that was 2021 for DMG MORI]

The effects of the Corona pandemic on almost all areas of life were again unprecedented. We were able to solve the global supply shortages for the most part with a close, personal exchange with our partners and suppliers. More difficult material supplies, increasing logistic shortages, high raw material and transport costs and rising inflation will remain for some time. Thanks to our consistent cost and supplier management and comprehensive health protection measures, we have been and will continue mastering these challenges.

Our strategic fit of automation, digitization and sustainability is currently more suitable than ever. New machine tool business enhanced significantly. Overall, the core business with machine tools and services were even above the high pre-Corona level in 2019. In challenging times, we have demonstrated financial strength, resilience, innovation and team spirit. 2021 has shown one thing: DMG MORI has the people and the courage to actively tackle changes!

DMG MORI is well positioned. Above all, this is also an expression of the outstanding commitment of the more than 12,000 employees in the “Global One Company”. Our thanks go to them – as well as to our more than 150,000 customers all around the world.

We have become more innovative, more digital and more resilient. Holistic sustainability in machine tool manufacturing – from raw materials to recycling – as well as a unique future architecture for networked solutions consisting of machine, automation and

digitization. Our combination of highly productive, flexible machines and the strategic triple of automation, digitization and sustainability is strong for the future – and fits perfectly into the current times.

Also, we have been addressing sustainability. All machines delivered worldwide since January 2021 are manufactured completely CO₂-neutral (Scopes 1, 2 and 3 upstream). DMG MORI has both a CO₂-neutral “Company Carbon Footprint” and a climate-neutral “Product Carbon Footprint”.

DMG MORI AG was awarded the Platinum Medal in the Sustainability Rating by the globally renowned assessment institute EcoVadis. This means that we are among the top 1% of over 35,000 international companies evaluated. The CSR rating includes the categories environment, labor and human rights, ethics and sustainable procurement. DMG MORI will continue to be a role model and continue to create value and innovations – for people and the environment.

DMG MORI is keeping up the pace – both operationally and strategically. We innovate and invest – we continue to align ourselves for the future. With a new production plant for 5-axis machines, we are expanding our global presence in China – the world’s largest market for machine tools with high demand for high-tech machines. The same for Egypt, where we are opening an important market with high demand for future technologies through a joint venture.

Dear shareholders, even under difficult external conditions, DMG MORI is a stable and reliable partner. And we have reason enough to look ahead with confidence. We are entering 2022 with a strong foundation and a clear strategic plan for the future. With our excellent team, our valued customers and strong partners, we will continue our growth course.

Message from External Director



Hiroko Watanabe

External Director

[Impression as an external director of DMG MORI's Board of Directors and ESG management initiatives]

The first meeting of the Board of Directors was held through the web due to the pandemic. My impression at the time was the company has excellent management.

In particular, I was impressed how serious they are about ESG management initiatives (unfortunately, many other Japanese companies do not take ESG management serious enough and engage in more or less window-dressing), and the company made a great progress. In the area of carbon neutrality, there is already broad, long-term, environmentally conscious strategy being implemented that reaches into the supply chain. In addition, the company has been promoting education and training of its global human resources with an eye on the long-term development of management candidates. I think it's really wonderful that the discussion at the Board of Directors are led always against the backdrop of sustainability in the true spirit of the world. That is also very inspiring for me.

[Important issues discussed at the Board of Directors in 2021]

In addition to the above-mentioned ESG management, we focused on the following issues: How to improve our order intake as well as profitability and financial position, while strengthening our business strategy with process integration, automation and digitization, all in the aftermath of the damage caused by the COVID-19 pandemic in 2020. At the center of the discussion was the need to limit discount rates toward customers, leading to better profit margins per unit, and also a way to proper return of a fair share of such profits to employees.

Although, many manufactures have currently been suffering from shortages and price hikes of key components, we have been able to anticipate and manage such issues by dealing with them at an early stage. I believe this is another proof that the company has been managed with a clear vision of the future.

[My role as an external director]

On the other hand, I am slightly concerned that consideration for female employees and the child rearing generation is a bit out of sync with reality.

The current education system in Japan is very different from what it used to be, depending on the region. The generation below the age of 38 is called the Kyoshu generation. School attendance numbers are balanced between the genders, and both girls and boys receive education in home economics and technology during their compulsory education period. Therefore, girls who are good at hammering nails and boys who are good at sewing are the new norm. Apart from a few exceptions and diverging aspirations, it has also become the standard for them to both work and raise children together. Unfortunately, this seems to not be well understood by the management of many companies. The management philosophy of a well-balanced time allocation such as "Play hard, study continuously, work together" is very impressive. However, I am very concerned about the absence of housekeeping and childcare in the balanced distribution of time during the year. Even in a family without children, household chores such as cooking, laundry, and cleaning are absolutely necessary. Nowadays, both wives and husbands share the work.

I don't like to use the term "uniquely to women", but I would like to explain exactly the differences between generations and genders so that those differences can be reflected in future diversity management initiatives.

For example, we have been taking progressive approach by paying for the first 20 days of consecutive childcare leave. However, for those who are working and raising children, I think it would be more beneficial to have a system that allows them to take childcare leave flexibly as needed, rather than consecutively. I would like to make such proposal in the future, as I believe women will actually play an active role in the Japanese manufacturing industry which is lagging behind in this area. I am sure that if such new initiatives are implemented, they will be highly appreciated by shareholders and other stakeholders.

Message from External Auditor



Takahiro Iwase

External Auditor

[We asked Mr. Iwase, an external auditor, about his review of the audit in 2021 and key auditing issues for 2022, as well as his thoughts on the company's business as an external auditor.]

In 2021, despite of the wave of COVID-19 infections, economic activity has improved significantly compared to the previous year, in part due to the effects of the global vaccination program, and demand for machine tools has also recovered rapidly.

However, in the second half of the year, new challenges arose such as shortages of goods, especially semiconductors, and disruptions in global logistics. In response to these changes in the economic environment, which are expected to continue medium term, we have strengthened our supply chain, increased production with an improved productivity, and shortened our delivery lead times by flexible use of inventories, all leading to stable business performance.

In addition, 2021 was a year when finding the balance between environment and societal sustainability and a sustainable business was particularly challenging. In response to this difficulty, the Board of Directors has launched a series of strategic initiatives as a top runner in ESG and carbon neutrality, and each of these measures has been implemented.

In light of the above, the Board of Auditors had focused its review in 2021 on efforts to environmental protection, centered on carbon neutrality, and improvement of management including labor management in the manufacturing division.

On the hand, shortage of goods and logistics are fundamental issues in the global economy and supply chain system that are likely to continue in the future.

For 2022, I think the Board of Auditors will be responsible for continuing re-examine and reinforce our global supply chain with a aim at maintain the sustainability of the machine tool business, which is indispensable for manufacturing. Another critical point is to audit overseas business entities and affiliates through remote technology under the impact of the COVID-19 pandemic.

Finally, I would like to discuss the following business issues from a different angle.

Although the products which are supplied to various social systems will change in the medium to long term together with the markets, the necessity of things in general will remain unchanged in any case. I believe that materials, molds, and machines are the three most important elements in manufacturing. The machine tool business is one of the foundations in this process.

In order for Japan to maintain its role in the world as the center of manufacturing, DMG MORI must continue to innovate key machine tool technologies and lead the Japanese machine tool industry.

Given such circumstances, it is important not only to continue technological innovation, but also create an excellent system to protect, utilize, and manage it. In that sense, DMG MORI must take its patent, strategy, export control and information security systems to the next level. As the Board of Auditors, I believe the above issues are also important audit subjects.

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. 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.

2. 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.

3. Education System

We educate our employees on the risks identified in the Compliance Officer's assessment. In order to provide overseas employees with a better understanding of topics such as antitrust, bribery, data privacy, discrimination and harassment, we use an outside vendor to provide online training in not only major languages such as English, Chinese, and Spanish, but also in Asian languages such as Thai, Korean, Indonesian and Vietnamese.

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.

5. Due Diligence in the Supply Chain

In January 2022, we introduced a monitoring platform to the efforts of each company in our supply chain to comply with laws and regulations on CSR topics such as environmental protection, occupational safety, respect for human rights, and anti-bribery. With this platform, we will further promote CSR topics and legal compliance throughout our supply chain.

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.

For world peace and Japan's economic security

Q. Why is export control so important for DMG MORI?

Our machine tools are high-performance and dual-use products that can be used for both civilian and military purposes. As a result, our machine tools exported overseas are managed in accordance with the Foreign Exchange and Foreign Trade Law. When selling our products to overseas customers, we need to obtain a national license to approve the export after confirming that they will not be used for military purposes. In addition, we have to track and manage them throughout the product lifecycle until they are destroyed. The regulation is for the purpose of world peace and stable international order. If we fail the regulation, we are imposed big penalties such as export ban and others. If our exports from Japan, which account for around 70% of domestic products, were banned, the damage to our customers would be immeasurable. So, we make sure that our domestic and overseas employees are aware of the importance of export control.



Q. What is the flow of export control at DMG MORI?

Broadly, there are two steps in the management, pre-export inspections and post-export control. The pre-export inspection examines the business and purpose of purchase at customers who are interested in our machine tools, and confirm they are not involved in any activity for military purposes. We collect information by not only accessing through the Web, but also visiting the customers in person. After receiving the orders, we prepare the documents necessary for application to the Ministry of Economy, Trade and Industry as well as conduct a deeper investigation. On the other hand, at the post-export controls, we reconfirm that the machine tools we shipped are not used for military purposes in case that they are relocated and resold. Furthermore, our machine tools are equipped with a machine relocation detective device using GPS location information, which

locks the machine operation when detecting a tremor, preventing our machine tools to be used in countries of concern and for military purposes.

Q. What are the characteristics of DMG MORI's export control?

In the pre-export inspections, we place the focus on obtaining information from a direct visit to customers as well as the internet. We divide our targets into three categories according to the degree of necessary scrutiny, and have adopted a system that the manager visits the customers who may be engaged in a military business. DMG MORI is the first company in the machine tool industry to introduce the machine relocation detection device, and all machine tools manufactured after 2008 are equipped with the device, even if they are sold in Japan.

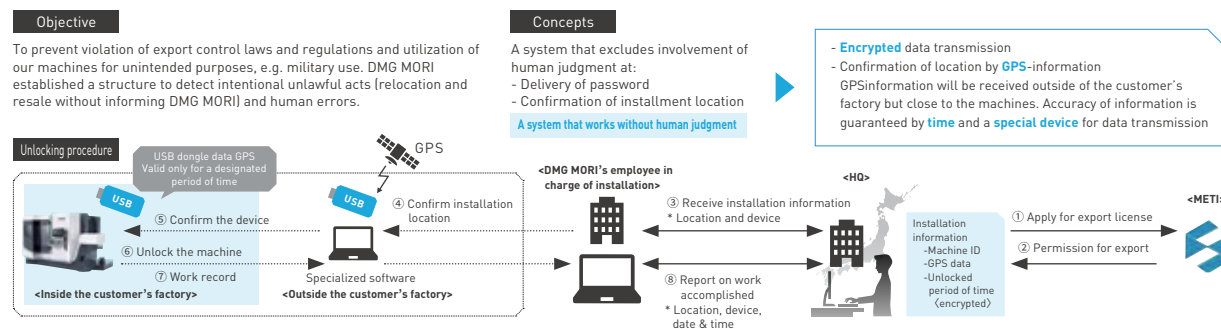
Q. What are your thoughts on the social significance of export control?

DMG MORI is selling machine tools manufactured around the world in order to raise satisfaction among customers in the various industries, while sharing information with cross-border colleagues. On the other hand, every country has tightened regulations on exports and technology leaks. Each employee must comply with regulations while understanding that there are different laws and regulations in each country. As a social background, the conflict between the U.S. and China has intensified in various areas including the economic arena. The term of economic security was born and, especially, the prevention of technology leaks is being strengthened in Japan. Therefore, we believe that export control is of increasing importance not only for world peace and stability of international order, but also for the protection of domestic industry and technology.



Kazuya Yagi
Export Control
Operation Office
General Manager

Outline of GPS-based relocation detection devices



BCP (Business Continuity Plan)

We first created our disaster prevention manual after the Great East Japan Earthquake in March 2011. Since then, we have been continuously updating this manual. Our disaster prevention plan designates employees who shall lead disaster prevention activities in each region and department, including the group companies. Our activities for disaster prevention include regular updates of the disaster prevention manual, education and training, checking disaster prevention equipment, and testing satellite phones. DMG MORI has 16 production locations worldwide to provide quick responses to customers' requirements. Additionally, they help us continue business operations in case of large-scale natural disasters, etc. To contain the infection with COVID-19, we installed four units of PCR testing equipment in Iga Campus to provide testing to employees more quickly and at an appropriate timing. Employees with frequent contact with customers and business partners have regular testing opportunities. DMG MORI will strengthen its efforts for preventing infections and maintaining good health conditions of employees; they are the foundation of stable business operations.

Information Security

When it comes to information security, risk management is one of our top priorities. Since 2015, we are working together with external security specialists, have formulated an information security policy, and established an Information Security Committee to strengthen the information security management system throughout DMG MORI.

At present, we are expanding these activities to our group companies, sharing information across the group, and are educating and training our employees.

In 2021, the challenges of information security have become increasingly significant, not only due to the increase in cyber-attacks but also due to the increased teleworking caused by the spread of the coronavirus. Against this backdrop, we have made it our top priority to protect the important information entrusted to us by our customers and have considered and implemented a variety of measures to ensure the continuity of our business. In addition, we have established a Control Security Committee for the security of our machine tools and services for customers, and are working with our partners to strengthen the security of our increasingly digital factories.

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 regularly attend important meetings such as the Board of Directors, Management Committee, and Operating Officers' Meetings to hear matters to be resolved and reported, and request directors, operating officers, and employees to report as necessary.

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 implemented 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

	Million Yen				
FY	2017	2018	2019	2020	2021
Profit or loss					
Sales revenues	429,664	501,248	485,778	328,283	396,011
Operating profit	29,391	36,261	37,339	10,674	23,067
(Operating profit margin)	6.8%	7.2%	7.7%	3.3%	5.8%
Profit before income taxes	24,803	31,275	31,451	5,106	19,609
Net profit	15,676	19,374	18,861	1,696	13,231
Net profit attributable to owners of the parent	15,263	18,517	17,995	1,745	13,460
Cash flows					
Free cash flows (*1)	30,036	30,378	20,101	-5,212	30,357
Financial position					
Equity attributable to owners of the parent	107,617	111,113	124,006	185,420	213,139
Total assets	567,411	528,423	524,606	526,526	597,117
Equity Ratio (*2)	19.0%	21.0%	23.6%	35.2%	35.7%
Per-share information					
Equity attributable to owners of the parent per share (Yen) (*3)	886.73	910.25	1,008.36	1,493.86	1,703.51
Dividends per share (Yen)	40	50	60	20	40
Other management indicators					
Return on Equity (ROE) (*4)	14.7%	16.9%	15.3%	1.1%	6.8%
Return on Assets (ROA) (*5)	5.2%	6.6%	7.1%	2.0%	4.1%

(Reference: converted into EUR)	(Million EUR)				
EUR / JPY	126.7	130.4	122.1	121.8	129.9
FY	2017	2018	2019	2020	2021
Profit or loss					
Sales revenues	3,392	3,843	3,979	2,695	3,049
Operating profit	232	278	306	88	178
(Operating profit margin)	6.8%	7.2%	7.7%	3.3%	5.8%
Profit before income taxes	196	240	258	42	151
Net profit	124	149	154	14	102
Net profit attributable to owners of the parent	120	142	147	14	104
Cash flows					
Free cash flows (*1)	237	233	165	-43	234
Financial position					
Equity attributable to owners of the parent	850	852	1,016	1,522	1,641
Total assets	4,479	4,051	4,297	4,322	4,597
Equity Ratio	19.0%	21.0%	23.6%	35.2%	35.7%

(*1) Free cash flows = Cash flows from operating activities – Cash flows from investment activities

(*2) Equity attributable to owners of the parent divided by total assets

(*3) Equity attributable to owners of the parent includes hybrid capital

(*4) ROE: Net profit attributable to owners of the parent divided by the average of equity attributable to owners of the parent at the beginning and end of the period

(*5) ROA: Operating profit divided by the average of the total assets at the beginning and end of the period

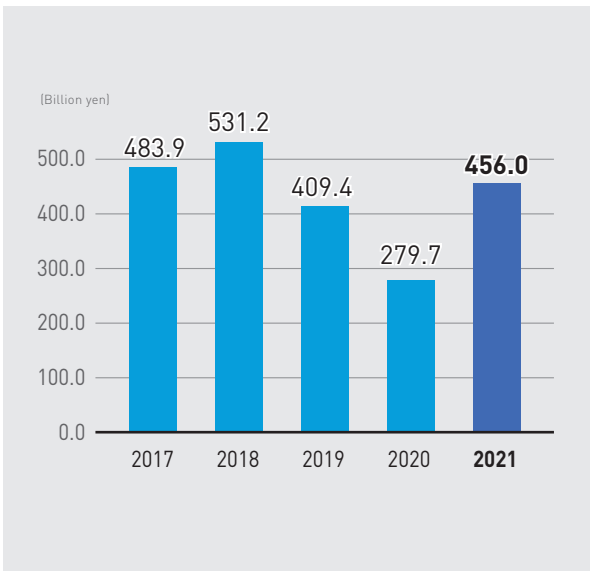
Changes in accounting standard for lease

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 standard. 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.

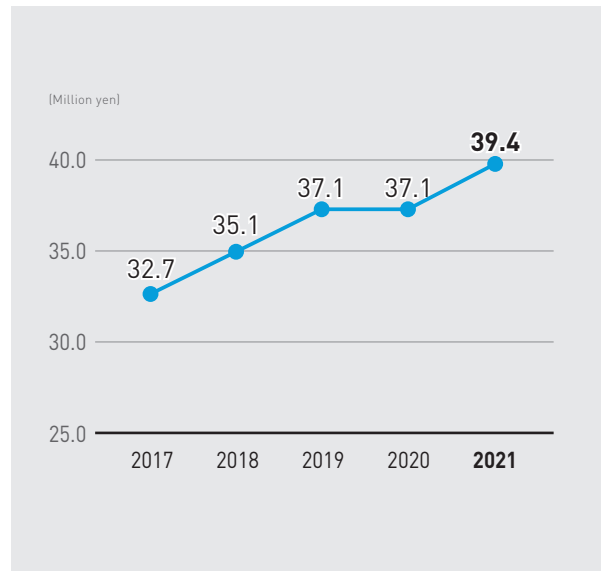
Financial Summary

Financial summary

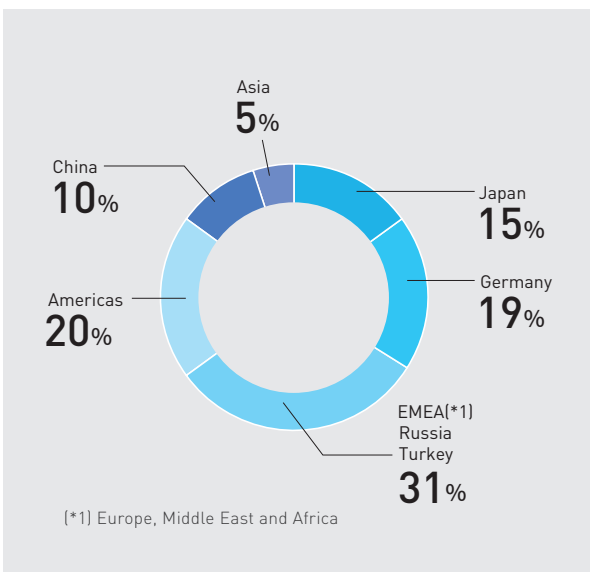
Consolidated order intake



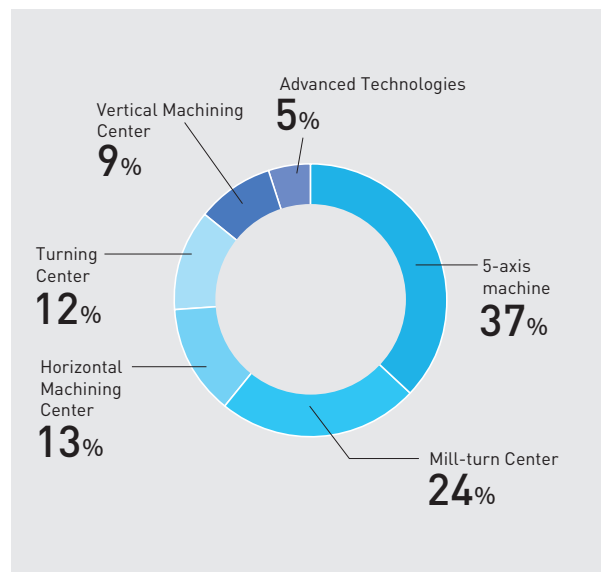
Average order price per unit



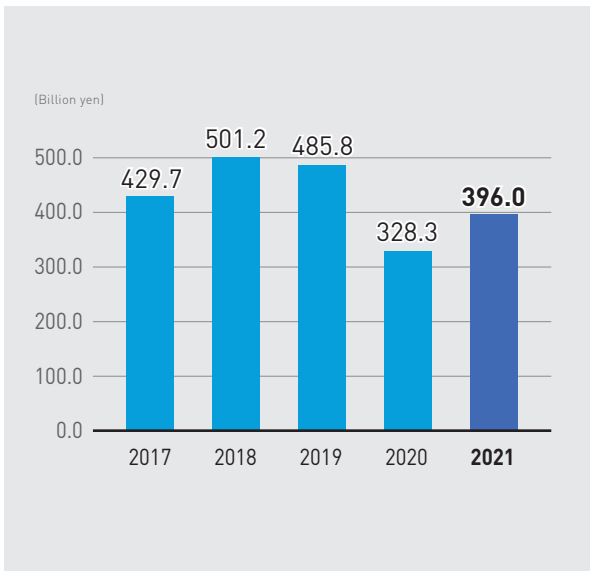
Order composition by region



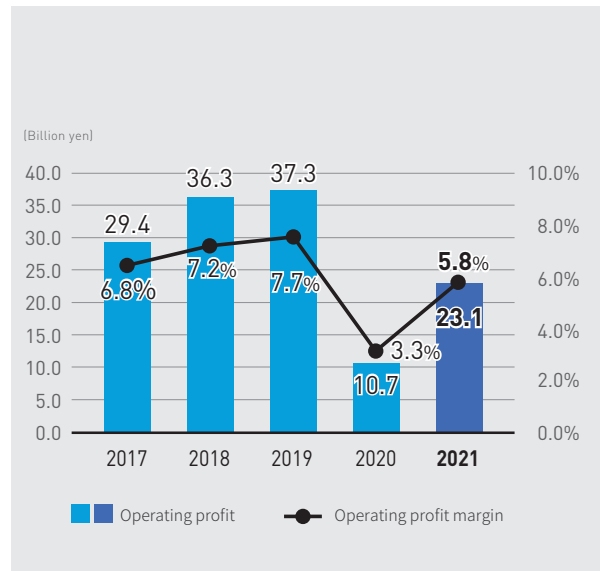
Order composition by product type



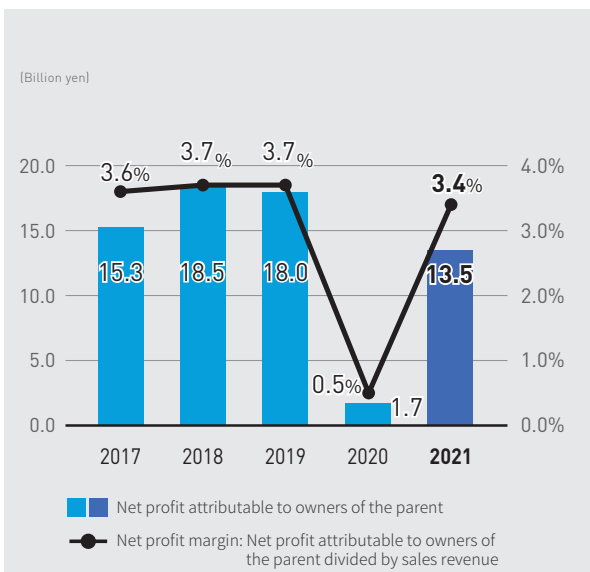
█ Sales revenues



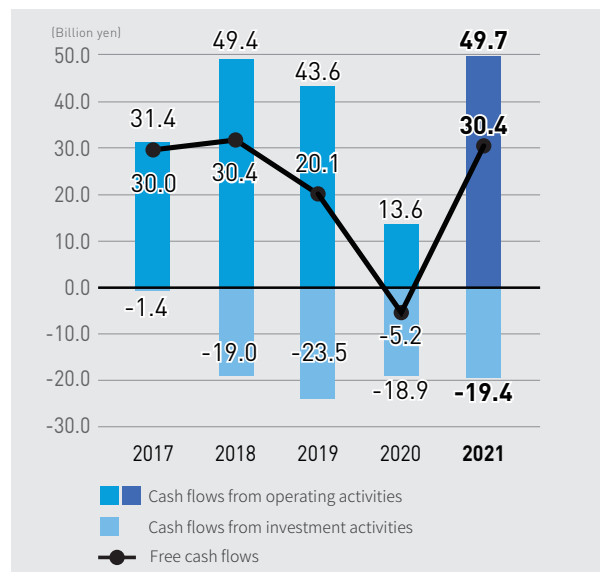
█ Operating profit
Operating profit margin



█ Net profit attributable to owners of the parent
Net profit margin



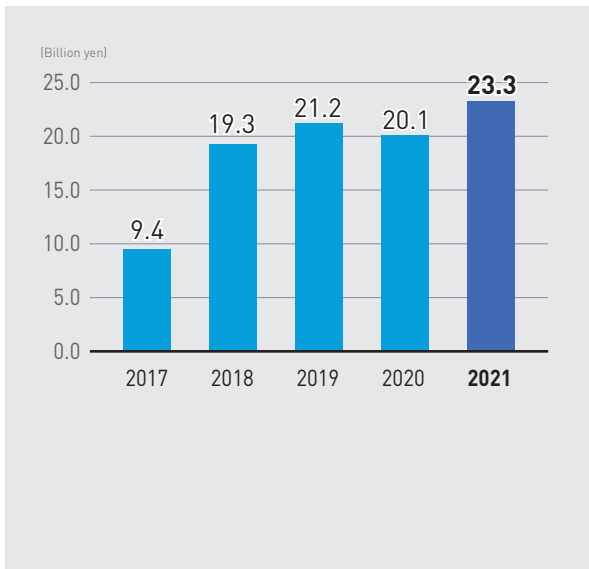
█ Free cash flows



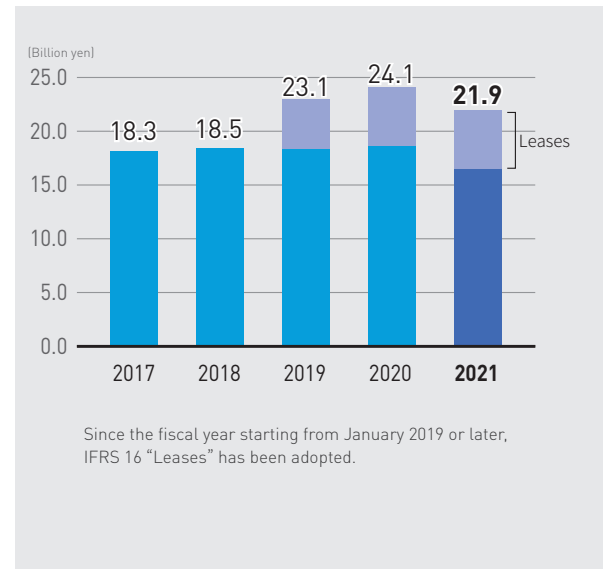
Financial Summary

Financial summary

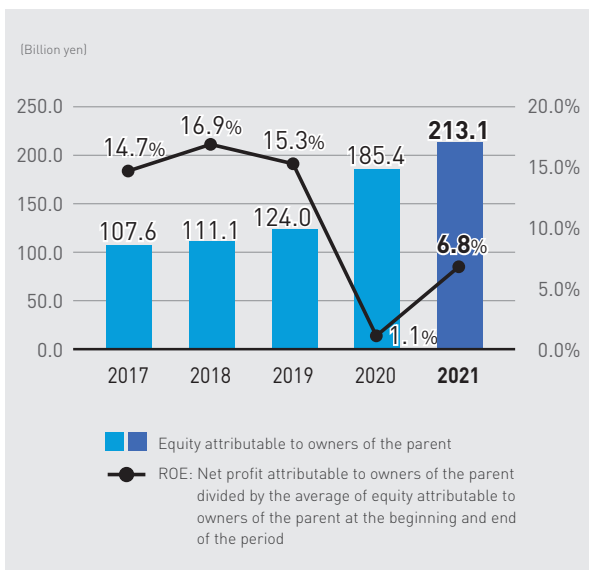
Capital expenditure



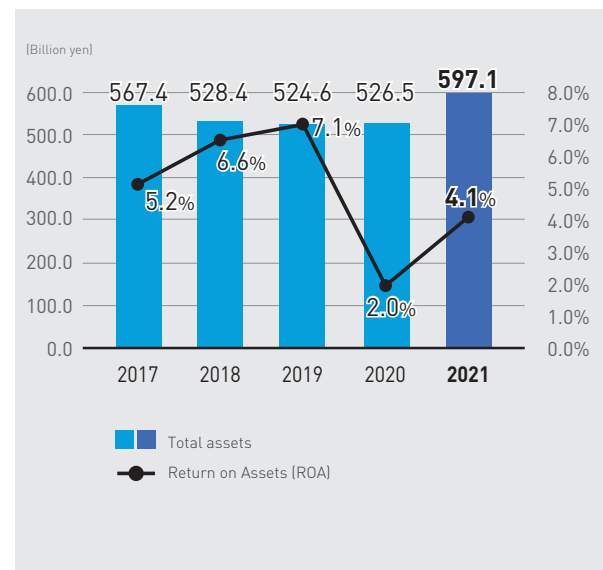
Depreciation & amortization



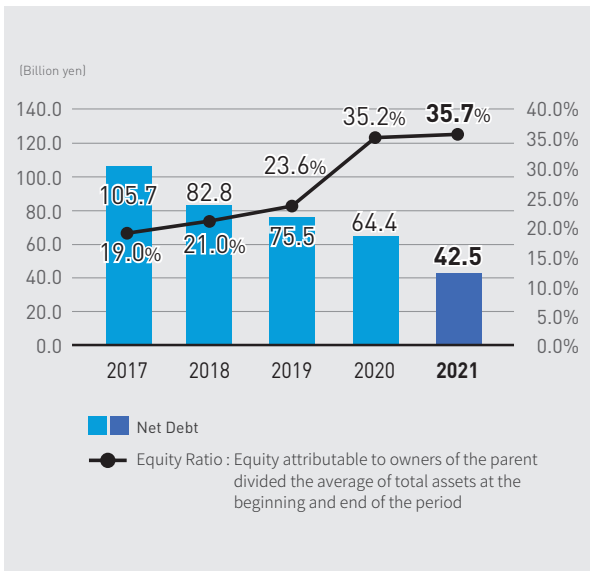
Equity attributable to owners of the parent ROE



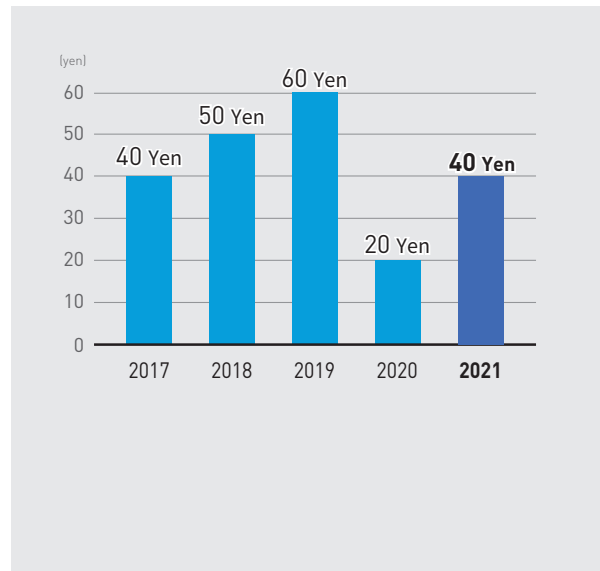
Total assets Return on Assets (ROA)



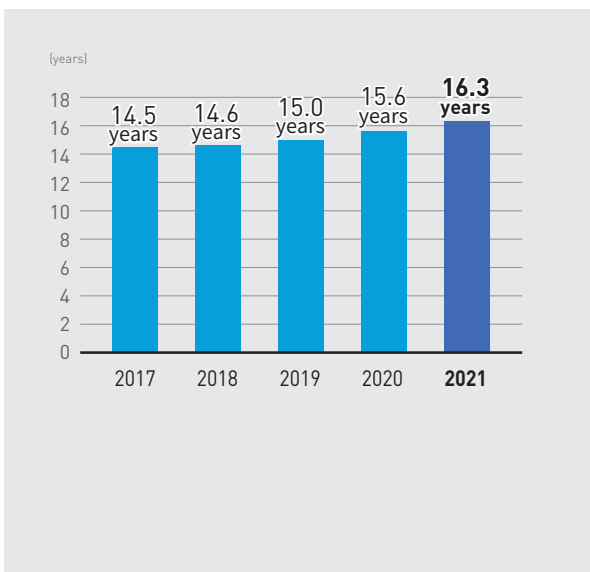
**Net Debt
Equity Ratio**



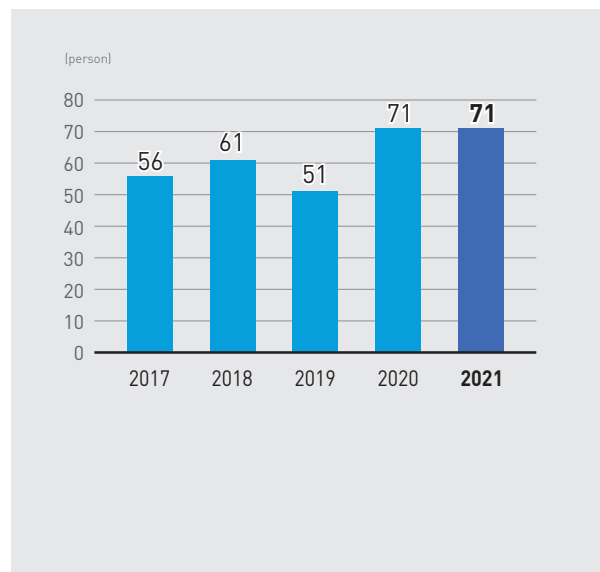
Dividend per share



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



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



Financial Summary

Consolidated statements of financial position

	Million Yen		Million EUR	
	Previous fiscal year December 31, 2020	Current fiscal year December 31, 2021	Previous fiscal year December 31, 2020	Current fiscal year December 31, 2021
	Exchange rate (CR Yen) 130.51 (*) / EUR			
Assets				
Current assets				
Cash and cash equivalents	33,754	47,298	259	362
Trade and other receivables	42,563	59,677	326	457
Other financial assets	4,254	5,557	33	43
Inventories	121,008	129,542	927	993
Other current assets	7,976	12,616	61	97
Total current assets	209,557	254,692	1,606	1,952
Non-current assets				
Property, plant and equipment	130,809	138,076	1,002	1,058
Right-of-use assets	19,792	22,099	152	169
Goodwill	68,807	70,834	527	543
Other intangible assets	66,944	74,514	513	571
Other financial assets	16,636	21,989	127	168
Investments in associates and joint ventures	5,222	5,704	40	44
Deferred tax assets	4,064	5,132	31	39
Other non-current assets	4,691	4,073	36	31
Total non-current assets	316,969	342,425	2,429	2,624
Total assets	526,526	597,117	4,034	4,575

(*) Euro amount is converted from yen at the closing rate of Dec. 2021 (130.51) for both previous and current fiscal year. See Security Report for the audited financial statements.

Exchange rate (CR Yen) 130.51 / EUR

	Million Yen		Million EUR	
	Previous fiscal year December 31, 2020	Current fiscal year December 31, 2021	Previous fiscal year December 31, 2020	Current fiscal year December 31, 2021
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	47,908	54,169	367	415
Interest-bearing bonds and borrowings	36,993	10,259	283	79
Contract liabilities	33,679	65,707	258	503
Other financial liabilities	58,085	74,677	445	572
Accrued income taxes	3,451	4,734	26	36
Provisions	33,593	40,543	257	311
Other current liabilities	3,961	4,316	30	33
Total current liabilities	217,674	254,409	1,668	1,949
Non-current liabilities				
Interest-bearing bonds and borrowings	65,413	85,133	501	652
Other financial liabilities	35,142	22,406	269	172
Net employee defined benefit liabilities	5,817	5,180	45	40
Provisions	5,007	5,871	38	45
Deferred tax liabilities	6,374	5,429	49	42
Other non-current liabilities	1,201	1,407	9	11
Total non-current liabilities	118,957	125,428	911	961
Total liabilities	336,631	379,838	2,579	2,910
Equity				
Subscribed capital	51,115	51,115	392	392
Capital surplus	—	—	—	—
Hybrid capital	118,735	118,753	910	910
Treasury shares	-3,735	-1,889	-29	-14
Retained earnings	40,452	52,817	310	405
Other components of equity	-21,148	-7,657	-162	-59
Equity attributable to owners of the parent	185,420	213,139	1,421	1,633
Non-controlling interests	4,475	4,139	34	32
Total equity	189,895	217,279	1,455	1,665
Total liabilities and equity	526,526	597,117	4,034	4,575

Financial Summary

Consolidated statements of profit or loss

	Million Yen		Million EUR	
	Previous fiscal year January 1, 2020 to December 31, 2020	Current fiscal year January 1, 2021 to December 31, 2021	Previous fiscal year January 1, 2020 to December 31, 2020	Current fiscal year January 1, 2021 to December 31, 2021
	Exchange rate (CR Yen) 130.51 / EUR		Exchange rate (CR Yen) 130.51 / EUR	
Revenue				
Sales revenues	328,283	396,011	2,515	3,034
Other operating revenues	6,451	6,103	49	47
Total revenue	334,734	402,114	2,565	3,081
Cost				
Changes in merchandise, finished goods and work in progress for sale	-3,946	7,148	-30	55
Costs of raw materials, consumables and goods for resale	145,083	170,917	1,112	1,310
Personnel costs	107,818	119,327	826	914
Depreciation and amortization	24,118	21,894	185	168
Other operating costs	50,985	59,759	391	458
Total costs	324,060	379,047	2,483	2,904
Operating profit	10,674	23,067	82	177
Finance income	357	429	3	3
Finance costs	5,399	3,919	41	30
Profits (losses) relating to equity method	-526	30	-4	0
Profit before income taxes	5,106	19,609	39	150
Income taxes	3,409	6,377	26	49
Net profit	1,696	13,231	13	101
Profit attributable to:				
Owners of the parent	1,745	13,460	13	103
Non-controlling interests	-49	-229	-0	-2
Net profit	1,696	13,231	13	101
			Exchange rate (CR Yen) 130.51 / EUR	
			Yen	EUR
Earnings per share				
Basic	3.40	91.75	0.03	0.70
Diluted	3.40	91.75	0.03	0.70

(*) Euro amount is converted from yen at the closing rate of Dec. 2021 (130.51) for both previous and current fiscal year. See Security Report for the audited financial statements.

Consolidated statements of comprehensive income

	Exchange rate (CR Yen) 130.51 / EUR			
	Million Yen		Million EUR	
	Previous fiscal year January 1, 2020 to December 31, 2020	Current fiscal year January 1, 2021 to December 31, 2021	Previous fiscal year January 1, 2020 to December 31, 2020	Current fiscal year January 1, 2021 to December 31, 2021
Net profit	1,696	13,231	13	101
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	87	380	1	3
Change in fair value measurements of financial assets at fair value through other comprehensive income	198	10,826	2	83
Subtotal	286	11,207	2	86
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	-5,478	7,013	-42	54
Effective portion of changes in fair value of cash flow hedge	11	-473	0	-4
Total of other comprehensive income relating to equity method	13	6	0	0
Subtotal	-5,452	6,546	-42	50
Total other comprehensive income	-5,166	17,754	-40	136
Comprehensive income	-3,469	30,985	-27	237
Comprehensive income attributable to:				
Owners of the parent	-3,375	31,230	-26	239
Non-controlling interests	-93	-244	-1	-2
Comprehensive income	-3,469	30,985	-27	237

(*) Euro amount is converted from yen at the closing rate of Dec. 2021 (130.51) for both previous and current fiscal year. See Security Report for the audited financial statements.

Financial Summary

Consolidated statements of changes in equity

	Million Yen								Exchange rate (CR Yen) 130.51 / 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, 2020	51,115	—	49,505	-6,319	46,399	-16,695	124,006	3,800	127,807	979
Net profit					1,745		1,745	-49	1,696	13
Other comprehensive income						-5,121	-5,121	-44	-5,166	-40
Total comprehensive income	—	—	—	—	1,745	-5,121	-3,375	-93	-3,469	-27
Issuance of hybrid capital			70,000				70,000		70,000	536
Costs associated with issuance of hybrid capital			-770				-770		-770	-6
Payments to owners of hybrid capital					-1,086		-1,086		-1,086	-8
Acquisition of treasury shares				-0			-0		-0	-0
Disposal of treasury shares		-933		2,743		-152	1,657		1,657	13
Dividends					-4,916		-4,916	-117	-5,034	-39
Transfer from retained earnings to capital surplus		865			-865		—		—	—
Share-based payments		3				-3	—		—	—
Change in consolidated subsidiaries				-82			-82	539	456	3
Changes in equity from transaction with non-controlling interests				-76			-76	76	—	—
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	502
Acquisition of non-controlling interests		1					1	32	34	0
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	1,455
As of the beginning of the period										
Net profit					13,460		13,460	-229	13,231	101
Other comprehensive income						17,769	17,769	-15	17,754	136
Total comprehensive income	—	—	—	—	13,460	17,769	31,230	-244	30,985	237
Issuance of hybrid capital			30,000				30,000		30,000	230
Issuance cost of hybrid capital			-282				-282		-282	-2
Payments of hybrid capital		-300	-29,699				-30,000		-30,000	-230
Payments to owners of hybrid capital					-2,123		-2,123		-2,123	-16
Acquisition of treasury shares				-0			-0		-0	-0
Disposal of treasury shares		-325		1,846		-132	1,388		1,388	11
Dividends					-2,488		-2,488	-87	-2,576	-20
Transfer from retained earnings to capital surplus		849			-849		—		—	—
Share-based payments		58				-33	25	19	45	0
Issuance of Bonds with stock acquisition rights						253	253		253	2
Capital increase of consolidated subsidiaries		-71					-71	71	—	—
Change in non-controlling interests due to decrease in number of consolidated subsidiaries							—	-84	-84	-1
Change in equity due to acquisition of shares in consolidated subsidiaries		-226					-226	93	-133	-1
Sales of shares of consolidated subsidiaries		3					3	11	15	0
Transfer from other components of equity to retained earnings					4,365	-4,365	—		—	—
Total transactions with owners of the parent	—	-11	18	1,845	-1,095	-4,278	-3,522	22	-3,499	-27
Acquisition of non-controlling interests		11					11	-113	-102	-1
Total changes in ownership interests in subsidiaries and others	—	11	—	—	—	—	11	-113	-102	-1
As of December 31, 2021	51,115	—	118,753	-1,889	52,817	-7,657	213,139	4,139	217,279	1,665

(*) Euro amount is converted from yen at the closing rate of Dec. 2021 (130.51) for both previous and current fiscal year.

See Security Report for the audited financial statements.

Consolidated statements of cash flows

Exchange rate (CR Yen) 130.51 / EUR

	Million Yen		Million EUR	
	Previous fiscal year January 1, 2020 to December 31, 2020	Current fiscal year January 1, 2021 to December 31, 2021	Previous fiscal year January 1, 2020 to December 31, 2020	Current fiscal year January 1, 2021 to December 31, 2021
Cash flows from operating activities				
Profit before income taxes	5,106	19,609	39	150
Depreciation and amortization	24,118	21,894	185	168
Loss (gain) on sales / disposal of property, plant and equipment (- : gain)	-387	230	-3	2
Finance income and costs(- : gain)	5,042	3,489	39	27
Share of profits of associates and joint ventures accounted for using equity method(- : gain)	526	-30	4	-0
Other non-cash transaction	-4,632	-817	-35	-6
Changes in inventories (- : increase)	-217	-4,130	-2	-32
Changes in trade and other receivables (- : increase)	12,498	-15,479	96	-119
Changes in trade and other payables (- : decrease)	-10,106	-406	-77	-3
Changes in contract liabilities (- : decrease)	-3,802	30,599	-29	234
Changes in provisions (- : decrease)	-1,737	5,937	-13	45
Others	-1,323	-2,451	-10	-19
(Subtotal)	25,085	58,444	192	448
Interest received	260	354	2	3
Dividends received	104	84	1	1
Interest paid	-3,394	-3,464	-26	-27
Income tax paid	-8,408	-5,685	-64	-44
Net cash flows from operating activities	13,647	49,733	105	381
Cash flows from investment activities				
Purchases of property, plant and equipment	-12,062	-12,645	-92	-97
Proceeds from sales of property, plant and equipment	2,211	1,210	17	9
Purchases of intangible assets	-8,080	-10,606	-62	-81
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-130	—	-1	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	-399	—	-3
Acquisition of associates, net of cash acquired	-137	-276	-1	-2
Purchase of investment securities	-747	-1,518	-6	-12
Proceeds from sales of investment securities	75	5,440	1	42
Others	12	-580	0	-4
Net cash flows from investment activities	-18,859	-19,376	-145	-148
Cash flows from financing activities				
Net increase (decrease) in current borrowings (- : decrease)	2,680	-21,730	21	-167
Proceeds from long-term borrowings	37,801	5,000	290	38
Payments for long-term borrowings	-46,148	-20,882	-354	-160
Proceeds from issuance of bonds with stock acquisition rights	—	39,887	—	306
Payments of bonds	—	-10,000	—	-77
Proceeds of issuance of hybrid capital	69,229	29,717	530	228
Payments of hybrid capital	—	-30,000	—	-230
Payments of lease liabilities	-5,780	-6,035	-44	-46
Dividends	-4,917	-2,496	-38	-19
Dividends paid to non-controlling interests	-121	-299	-1	-2
Acquisition of treasury shares	-1	-0	-0	—
Payments for obligations for non-controlling interests	-42,289	-8	-324	-0
Payments to owners of hybrid capital	-1,086	-2,123	-8	-16
Proceeds from capital increase of consolidated subsidiaries	300	—	2	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	-133	—	-1
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	—	15	—	0
Others	1,125	820	9	6
Net cash flows from financing activities	10,792	-18,270	83	-140
Effect of exchange rate changes on cash and cash equivalents	478	1,459	4	11
Increase (decrease) in cash and cash equivalents (- : decrease)	6,058	13,544	46	104
Cash and cash equivalents at the beginning of period	27,695	33,754	212	259
Cash and cash equivalents at the end of period	33,754	47,298	259	362

(*) Euro amount is converted from yen at the closing rate of Dec. 2021 (130.51) for both previous and current fiscal year.

See Security Report for the audited financial statements.

Corporate information as of December 31, 2021

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	12,259 (consolidated)	
Website	https://www.dmgmori.co.jp	

Share

Total number of authorized shares	300,000,000
Number of shares outstanding	125,574,988 shares (treasury shares of 378,695 shares excluded)
Units	100
Number of shareholders	29,394

Top share holders

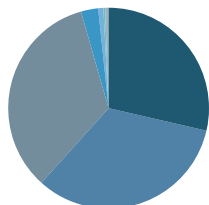
Name	Position (1,000 shares)	% of outstanding shares
The Master Trust Bank of Japan, Ltd. (trust account)	16,667	13.27
Custody Bank of Japan, Ltd. (trust account)	11,434	9.11
THE BANK OF NEW YORK MELLON 140051	6,833	5.44
DMG MORI Employee Shareholders Association	4,003	3.19
Masahiko Mori	3,591	2.86
Mori Manufacturing Research and Technology Foundation account (Custody Bank of Japan, Ltd.)	3,500	2.79
The Nomura Trust and Banking Co., Ltd. (investment trust account)	2,300	1.83
DMG MORI Business Partner Shareholders Association	1,772	1.41
Masaru Mori	1,697	1.35
BBH FOR UMB BK, NATL ASSOCIATION-GLOBAL ALPHA INTL SMALL CAP FUND LP	1,660	1.32

(Note) 1. Acquisition and disposal of treasury shares in FY 2021

Treasury shares acquisition	Acquisition of fractional shares	425 shares
Treasury shares disposition	Decrease due to exercising stock options	479,500 shares

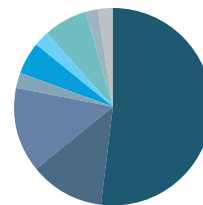
2. The shareholding ratio is calculated excluding the treasury shares. 499,500 shares owned by The Nomura Trust and Banking Co., Ltd. (DMG MORI Co., Ltd. Employee Shareholders Association trust account) are not included in the treasury shares.

Composition by shareholder type



	Number of shares (1,000 shares)	Number of shareholders
Individuals / Others	35,943	28,728
Financial institutions	41,039	50
(including securities investment trust)	(32,976)	
Foreign corporate bodies (other than individuals)	42,032	291
Financial instruments firm	3,593	45
Other corporate bodies	2,939	232
Treasury shares	378	1
Foreign individual investors	26	47

Composition by number of shares held



	Number of shares (1,000 shares)	Number of shareholders
1,000,000 shares or more	65,749	20
500,000 shares or more	15,120	23
100,000 shares or more	17,710	73
50,000 shares or more	3,109	45
10,000 shares or more	6,814	368
5,000 shares or more	3,115	505
1,000 shares or more	9,050	5,454
500 shares or more	2,112	3,568
Up to 500 shares	3,171	19,338

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 (Schedule)

DMG MORI CO., LTD.

22 March 2022	74th Annual General Meeting
12 May 2022	Release for the 1st Quarter 2022
4 August 2022	Release for the 1st Half 2022
7 November 2022	Release for the 3rd Quarter 2022

Reporting term

January 2021 – December 2021

(*) 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.



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