



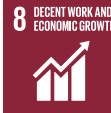




# Sustainability (ESG / CSR) initiatives

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"> <li>• Efforts against climate change</li> <li>• Reduction of environmental load</li> <li>• Forest conservation</li> </ul>	 	<ul style="list-style-type: none"> <li>• Carbon neutrality in the process of procurement to shipment (upstream Scope 3) manufacturing (since 2021)</li> <li>• Climate-related disclosure based on TCFD-recommendations</li> <li>• SBT-approved and CO<sub>2</sub> emissions reduction plan</li> <li>• Environmental preservation by utilizing abandoned farmland</li> </ul>	P.53  P.55  P.56 P.57 P.65
Social	<ul style="list-style-type: none"> <li>• Measures against labor shortage</li> <li>• Transfer technical knowhow to next generations</li> <li>• Improve job satisfaction and productivity</li> <li>• Diversify human resources</li> <li>• Coexistence with local communities</li> </ul>	   	<ul style="list-style-type: none"> <li>• Promotion of health management</li> <li>• Support for doctoral students in engineering</li> <li>• DMG MORI Academy to develop skilled engineers</li> <li>• Engagement in local communities</li> <li>• Support of cultural activities and local communities</li> <li>• Social responsibility in procurement throughout entire supply chain</li> </ul>	P.61 P.63  P.46  P.65  P.60
Governance	<ul style="list-style-type: none"> <li>• Corporate governance as foundation to contribute to a sustainable society</li> <li>• Realize a peaceful society</li> </ul>		<ul style="list-style-type: none"> <li>• Diversified Board structure</li> <li>• Development of next generation leaders</li> <li>• Strict export control system and various risk managements</li> </ul>	P.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 CO<sub>2</sub>-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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions in-house and by offsetting CO<sub>2</sub> 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 CO<sub>2</sub> reduction, and activities have started. We are already switching from high-emission areas, including group companies, to CO<sub>2</sub> 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 CO<sub>2</sub> emissions.

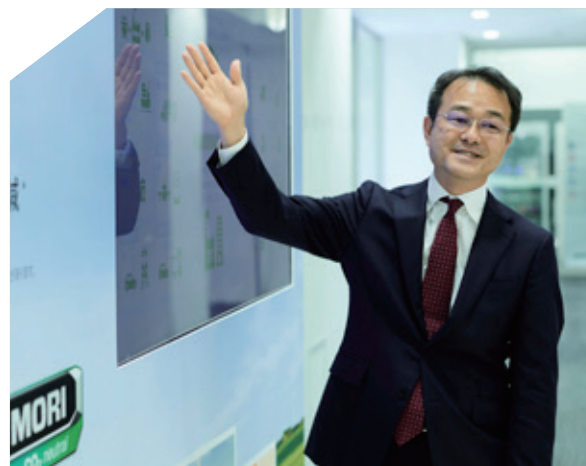
### Q. I would like to ask about activities that contribute to customers and society.

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, CO<sub>2</sub> 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 CO<sub>2</sub> emissions when using DMG MORI products, and achieves 25% power savings compared to conventional models. In addition, we will promote CO<sub>2</sub> 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 CO<sub>2</sub> 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.



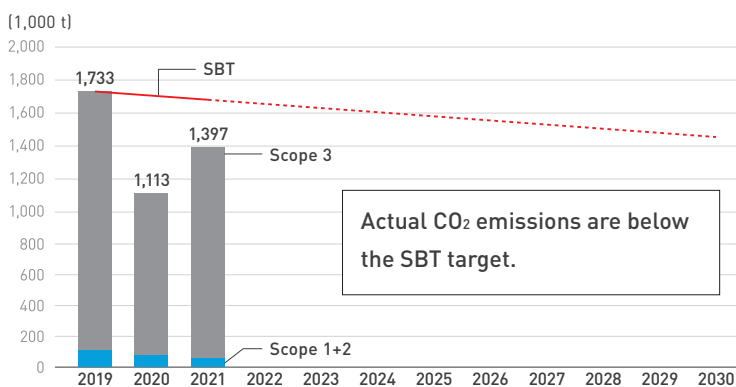
Hiroshi Yuki

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 CO<sub>2</sub> emissions (compared to SBT target)2021 CO<sub>2</sub> 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



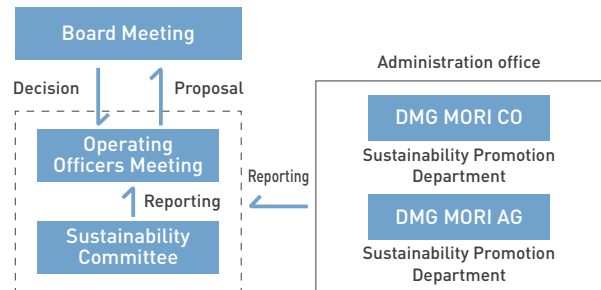
DMG MORI intends to proactively disclose climate-related risks and opportunities in accordance with the recommendations of The Task Force on Climate-related Financial Disclosures (TCFD), and expresses its support for the recommendations.

## 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 CO<sub>2</sub> emissions to the Board of Directors, and requests approval of the CO<sub>2</sub> 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	

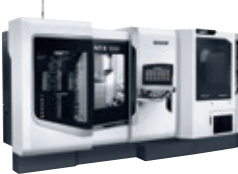
## Strategy

### 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 &amp; 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"> <li>Newly emerging demands, such as those for offshore wind power generation system or electric vehicle(EV)-related parts</li> <li>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.</li> </ul>

### 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 CO<sub>2</sub> 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.

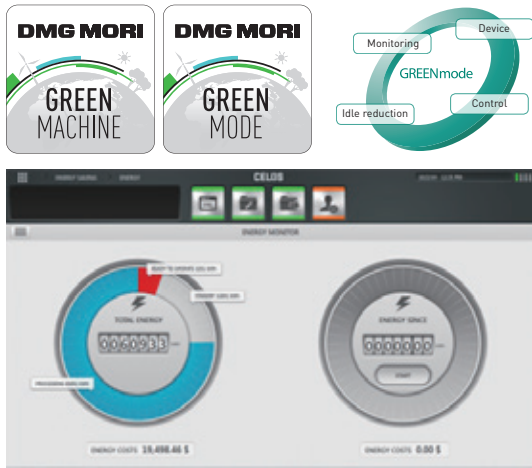


# CO<sub>2</sub> emissions reduction - roadmap until 2030

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.

## CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions reduction in Scope 3.



2017

2020

2021

Introduction of CO<sub>2</sub>-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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.

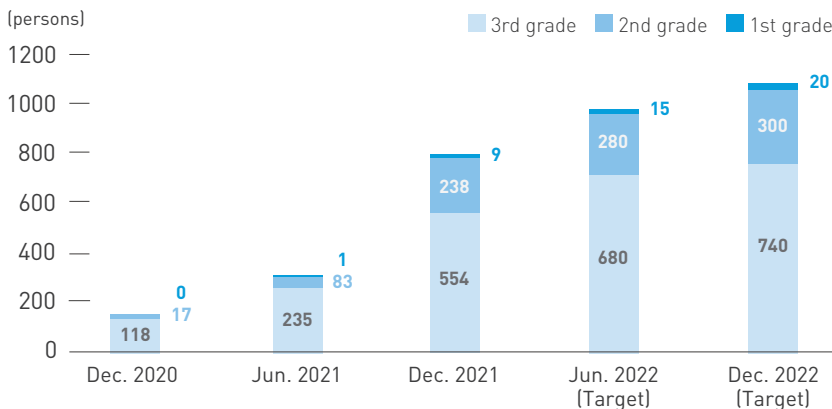
**Action for 11 items**

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

<b>Innovation</b>	: Siemens AG (Germany)
<b>Delivery Performance</b>	: Matsue Yamamoto Metal Co., Ltd. (Japan)
<b>Quality</b>	: Pragati Automation Pvt. Ltd. (India)
<b>DMQP</b>	: FUCHS PETROLUB SE (Germany)
<b>Sustainability</b>	: 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.

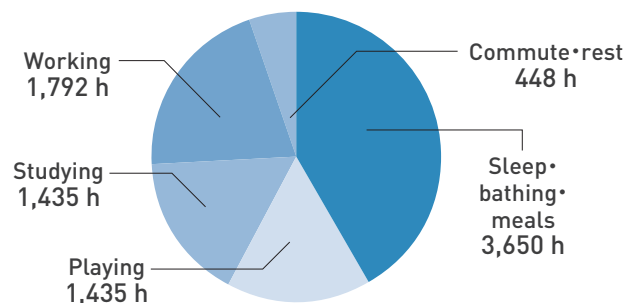
For enriching lives

## “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

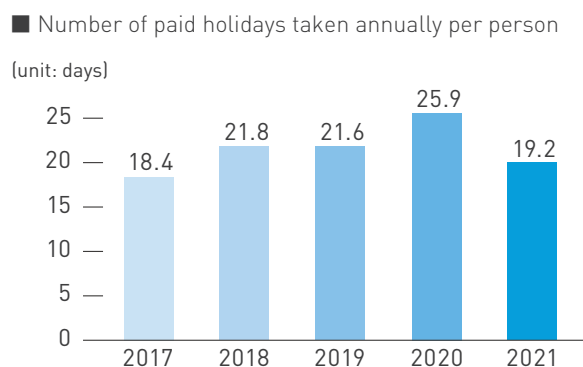


Example for balanced allocation of working hours in a year  
 (24h a day x 365 d = 8,760 h)

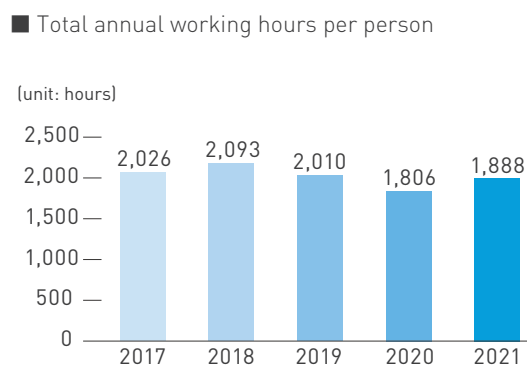
Creating an environment for healthy work

## 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](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.

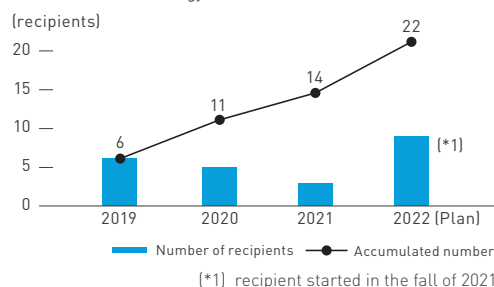
#### 2) Initiatives to foster local communities and cultures

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.

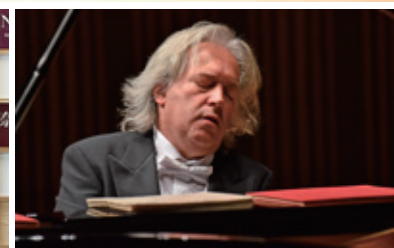
We are using their fresh vegetables in our canteens in Iga, Nara and Nagoya to promote the health of our employees.



## 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.



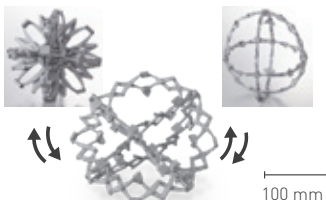
Prototype & Test Cut Machining  
– Gold Prize Winner  
**Amazing egg cup**  
CASTEM CO., LTD.



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 CO<sub>2</sub> 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 CO<sub>2</sub> 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	<b>47,135</b>
		Solar power	Japan	thousand kWh	130	127	126	121	54	<b>104</b>
		Heavy oil (*2)	Japan	Kℓ	3,187	3,129	2,218	2,132	1,898	<b>879</b>
		City gas	Japan	thousand m <sup>3</sup>	175	0	0	0	0	<b>0</b>
		LPG	Japan	t	228	304	360	317	262	<b>63</b>
Water consumption	Production	Clean water	Japan	thousand m <sup>3</sup>	126	138	139	126	126	<b>110</b>
		Groundwater	Japan	thousand m <sup>3</sup>	104	93	72	37	35	<b>3</b>

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

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

INPUT items			Location	Unit	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	<b>12,771</b>
OUTPUT items			Location	Unit	2016	2017	2018	2019	2020	2021
Greenhouse gas	Production	CO <sub>2</sub> emission (*3)	Japan	t-CO <sub>2</sub>	32,425	32,197	29,633	26,865	24,791	<b>24,111</b>
Industrial waste	Production	Final disposal amount	Japan (Iga)	t	110	119	130	96	39	<b>49</b>
		Final disposal rate	Japan (Iga)	%	3	3	4	3	3	<b>3</b>

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

【Fiscal year period】from January 1st to December 31st.

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

### CO<sub>2</sub> emissions of DMG MORI

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

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

(\*2) Energy input "Heavy oil" includes consumption from self-generated power.

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

## ⟨DMG MORI AG⟩

### ENERGY KEY FIGURES (\*4)(\*5)

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

### AG GROUP-WIDE CO<sub>2</sub>-BALANCE (\*6)(\*7)(\*8)

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

(\*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 CO<sub>2</sub> equivalents (CO<sub>2</sub>e), nitrogen trifluoride (NF<sub>3</sub>) and the six main greenhouse gases under the Kyoto Protocol were considered: Carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrogen-containing hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>). Other emissions occur only in small amounts and are not reported separately. A simplified market-based approach is used to calculate Scope 2 emissions. Sites that purchase green electricity are included in the calculation with a CO<sub>2</sub> coefficient of zero. For all other sites, the average German CO<sub>2</sub> 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 CO<sub>2</sub>-intensive electricity mix.

(\*7) Based on the location-based approach, electricity consumption causes 21,713 t CO<sub>2</sub> (source: Association of Issuing Bodies, 2020). This does not take into account that DMG MORI used 76.6 % electricity from renewable sources in 2020.

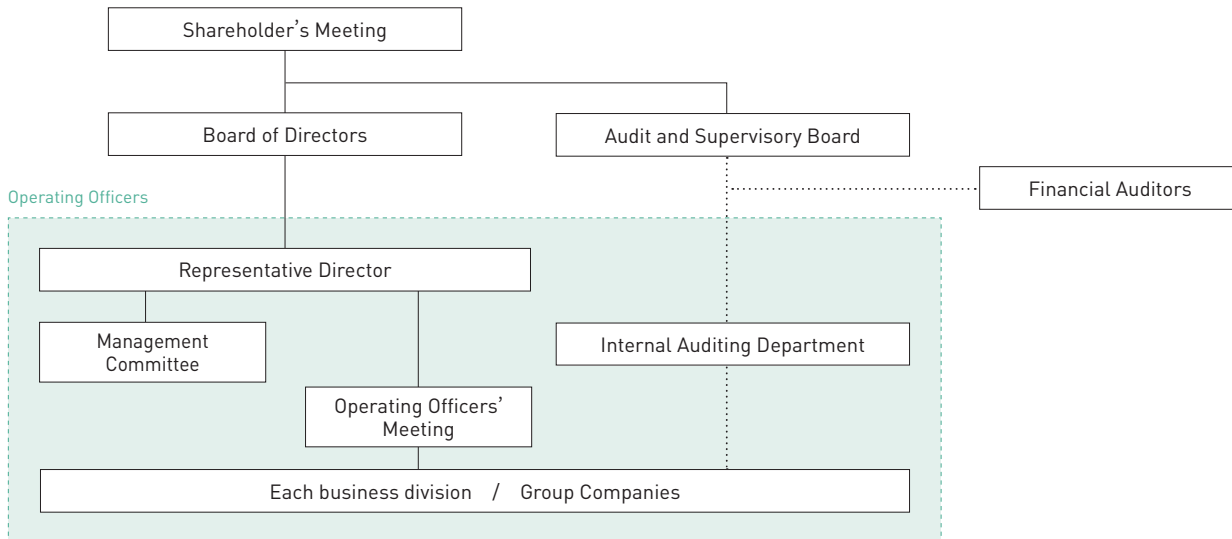
(\*8) Compared to the Sustainability Report 2019, the pre-chain emissions of gray electricity are reported in Scope 3 (Category 3) instead of Scope 2. This shift has no impact on the total emissions.

(\*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

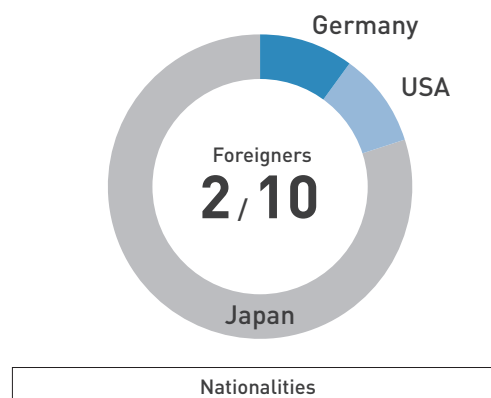
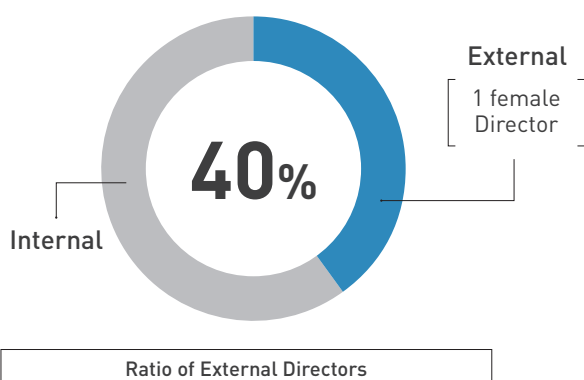
Out of 10 members of the Board of Directors, 4 are external directors (share of external directors being 40%) as of March 22, 2022. We have been coping with quick changes in the business environment and technology trends that are unique to the machine tool industry.

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 CO<sub>2</sub> emission and etc. The result is joint decision making as one global company.

#### 6. Operating Officers System

DMG MORI established the Operating Officers System to vitalize the Board of Directors by separating decision making 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 CO<sub>2</sub>-neutral (Scopes 1, 2 and 3 upstream). DMG MORI has both a CO<sub>2</sub>-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.

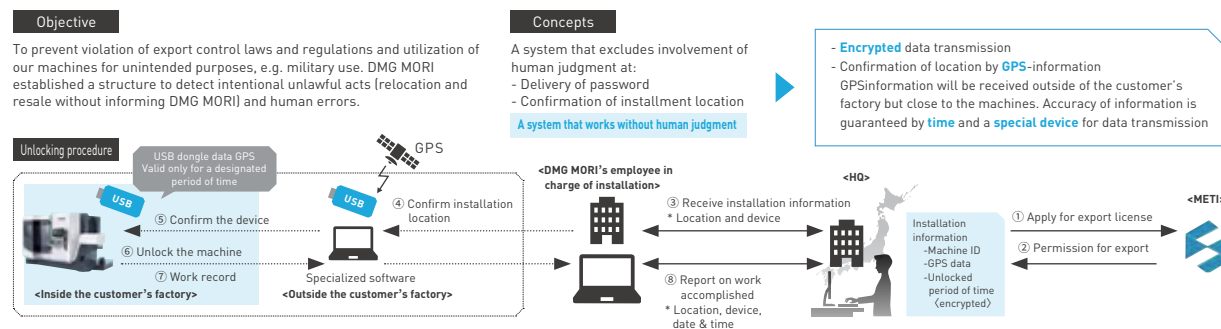
## Q. What are your thoughts on the social significance of export control?

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.