

Sustainability (ESG / CSR) Initiatives

Aiming for a sustainable society, DMG MORI is making efforts to reduce CO₂ emissions and create a resource-recycling society.

In particular, from 2021, all products produced globally by DMG MORI have been carbon neutral from procurement to shipment (Scope 1, Scope 2, and Scope 3 upstream) by partially using internationally certified CO₂ credits.



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Environmental Protection

Social issues

- Efforts against climate change
- Reduction of environmental load
- Forest conservation



DMG MORI's initiatives

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Efforts Against Climate Change

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Sustainability

Addressing climate change is a priority

The world's average temperature has already risen over 1°C since the industrial revolution. We have been witnessing various damages caused by abnormal weathers such as large-scale floods and typhoons attributed to global warming. The main cause of global warming is believed to be the increase in CO₂ emissions from the combustion of fossil fuels, and there is no time to spare to reduce such emissions. Under these circumstances, the Company is actively working to reduce its CO₂ emissions. Carbon neutrality is essential for the formation of a sustainable society and is a key issue in corporate social responsibility.

CO₂ emissions reduction based on third-party assessment

The Company has achieved carbon neutrality in 2021 in its supply chain from raw material production to product shipment (Scope 1, Scope 2, and Scope 3 upstream) through self-help efforts and offsetting of carbon footprint by investing in internationally-accredited climate protection projects. DMG MORI's production sites around the world have achieved carbon neutrality based on a calculation formula guaranteed in 2021 by PricewaterhouseCoopers GmbH, a third party, and have been manufacturing machines in a climate-neutral way called "GREENMACHINES." The Company is also working to reduce CO₂ emissions throughout our supply chain by setting targets certified by the Science Based Targets (SBT) initiative in 2021. The goal of the SBT Initiative is to limit the increase in global temperature to less than 2°C above pre-industrial levels, as adopted in the Paris Agreement, and strive to limit the increase to within 1.5°C. The Company aims to reduce the total amount of CO₂ emissions in Scope 1 and Scope 2 by 46.2% and in Scope 3 by 13.5%, respectively from the base year level of 2019 by 2030.

The Company will implement various initiatives to achieve its targets. The main initiatives are as follows:

Active introduction of solar power generation facilities

The Company will strive to increase the utilization rate of renewable energy throughout the Group. Specifically, the Company will switch from purchasing electricity to generating its own electricity from solar power. The Company has been promoting the introduction of CO₂-free electricity throughout the Group since 2020. The Company's factory, Iga Campus, introduced CO₂-free power in April 2021. CO₂ emissions related to electricity consumption at the Iga Campus is already zero, but the Company will further increase the use of renewable energy by introducing solar power generation facilities. Solar panels will be installed on the approximately 130,000 square meter factory roof throughout Iga Campus. The panels will have a capacity of approximately 13.4 megawatts, which will provide approximately 30% of the Iga Campus's annual electricity demand. This is the largest on-site, self-consumption solar power system in Japan.

Solar power generation will begin partially in 2023, and by the end of 2024, the facility will generate approximately 14 million kilowatt-hours per year. The effect of reducing CO₂ emissions through the introduction of solar power generation is about 5,300 tons annually, and it plays an important role not only in reducing CO₂ emissions but also in terms of business continuity. In response to the risk of energy procurement due to tight power supply and soaring fuel costs due to political instability and foreign exchange rates, on-site power generation by solar power generation enables the factory to run continuously by securing a long-term stable power source and reducing costs through long-term fixed unit prices in PPAs (Power Purchase Agreements). In the future, the Company will actively introduce solar power generation at Nara Campus and Group companies to increase the use of renewable energy and reduce CO₂ emissions.

CO₂ emissions reduction initiatives in the supply chain

DMG MORI CASTECH (Izumo City, Shimane Prefecture), a subsidiary of DMG MORI that produces castings, a key component of machine tools, is working to reduce CO₂ emissions from the casting process to virtually zero by 2025. In order to reduce CO₂ emissions and build a robust supply chain, casting procurement will be switched from overseas to domestic and casting production at DMG MORI CASTECH will be increased. DMG MORI CASTECH has been replacing the conventional coke oven, which emits a large amount of CO₂, with an electric furnace to achieve clean casting production using solar power and CO₂-free electricity. This will reduce CO₂ emissions from the combustion of coke fuel and other materials, as well as CO₂ emissions from renewable energy sources.

Reducing CO₂ emissions at the parts manufacturing stage requires collaborative efforts with suppliers. We will work with suppliers of major parts to calculate emissions for each part and reduce emissions.

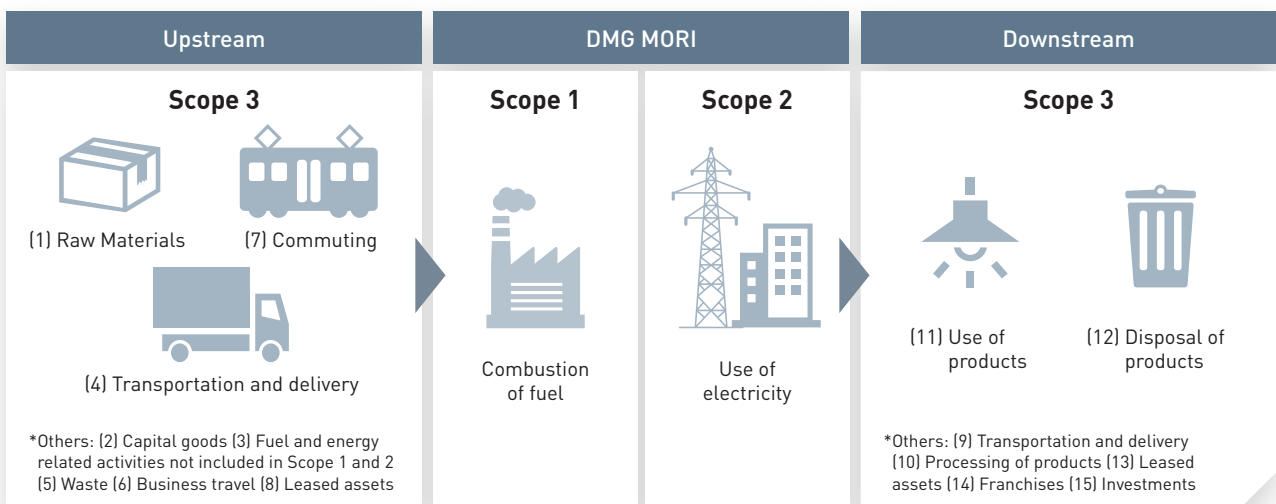
Promoting business strategies contributes to CO₂ emissions reduction

The Company’s products contribute to green transformation at customer factories by improving productivity through process integration, automation, and digital transformation, and reducing CO₂ emissions during their use by making products and peripheral equipment more energy efficient. More specifically, the machining process, which used to be done on multiple machines, can be integrated by using 5-axis machines and mill-turn centers which is capable of simultaneous machining with single chucking. On top of

process integration, automation solutions can reduce machine idling-time caused by loading and unloading workpieces or cleaning chips with air blow. The machining time per workpiece can be reduced by optimizing the machining process using digital twin technology. In this way, process integration, automation, and digital transformation, not only improve productivity, but also reduce power consumption and CO₂ emissions by reducing the time spent for and between machining processes. Furthermore, the Company intends to make peripheral equipment, which accounts for about 70% of the power consumption required to process workpieces, more efficient and reduce related CO₂ emissions.

In the world of subtractive machining, mist, chips, and coolant are known as the three evils, and they adversely affect machining accuracy and downtime of the machines. In order to solve these three evils, the Company developed and launched a new peripheral devices in 2021. Mist collector “zero FOG” reduces power consumption of the peripherals thanks to its optimally-designed mechanical parts, and “AI chip removal” recognizes the distribution and amount of chips in the machining chamber and stops the coolant pump when the amount of chips is low, thereby reducing power consumption. “Zero-Sludge Coolant” efficiently collects fine chips in the coolant tank, prevents them from building up in the tank, and inhibiting the growth of bacteria, thereby extending the replacement cycle time of the coolant oil due to decay. Extended life of coolant oil reduces the amount of oil waste and CO₂ emissions associated with final disposal of coolant oil.

Reducing CO₂ emissions throughout the supply chain



Climate-related Disclosure in Accordance with TCFD-recommendations



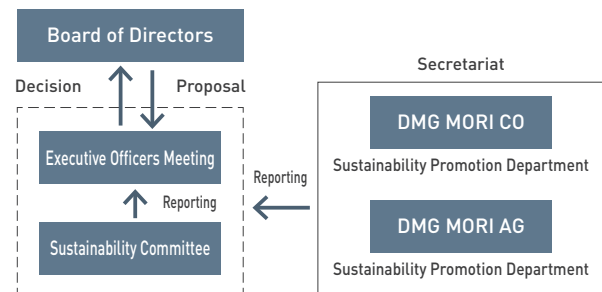
DMG MORI endorses the intention of proactively disclosing items related to climate change-related risks and opportunities in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are taking the following measures.

Governance

A dedicated department for planning, implementing, and monitoring climate-related measures

The Company have established Sustainability Promotion Department as a department that assesses risks and opportunities for business due to climate change, and plans, implements, and monitors the Company's countermeasures. This department reports the results of the Company's CO₂ emissions to the Board of Directors as necessary, and requests approval for CO₂ emissions reduction plans as well as related important capital investment plans from the Board of Directors.

Governance structure for climate-related risks and opportunities



Role of Climate-related Organizations

Organization	Role	Frequency to discuss climate-related issues
Board of Directors	Evaluates and manages climate-related risks and opportunities, and makes decisions on necessary investment	At least once a quarter (Board meeting is generally held once a month)
Executive Officers Meeting	Assesses and identifies climate-related risks and opportunities, and considers counter-measures to respond to specified issues	Once a month
Sustainability Committee (Sub-committee of Executive Officers Meeting)	Implements action plans including measures to reduce CO ₂ emissions in entire group, manages its progress and report to higher organizations.	Once a month

Strategy

Contribute to environmental protection through machine tool business itself

The Company believes that its machine tool business itself contributes to environmental protection through process integration, long product life and reduced or effective use of resources. Furthermore, the Company helps maximize the management resources both of its customers and its production sites by promoting process integration, automation, and digitization. In addition, "GREENMODE" technology contributes to the reduction of cumulative power consumption over the period of machine use.

Benefits of 5-axis machines and mill-turn centers

- Less machines
- Less manual labor
- Less work-in-progress
- Less energy consumption

+

Achieve high accuracy in dimensional, shape and surface by machining with single chucking



Green transformation

Risk & Opportunity

Considering proactive measures to address societal demands and environmental changes

When it comes to climate-related risks and opportunities, it is necessary to examine both “transitional” risks and opportunities caused by changes in policies, regulations or societal demands arising from customers and other stakeholders, and “physical” risks caused by natural disasters or rising temperatures.

The Company regards the risks and opportunities associated with its business as follows.

Climate-related risks

Type	Climate-related Risks	Potential financial impacts	Magnitude of impact	Specific description
Transitional risk	Increased carbon pricing mechanism (e.g. carbon taxes)	Increased direct costs	Medium	Procurement costs may increase due to the introduction of carbon taxes.
	Stricter reporting obligations related to carbon footprint	Higher compliance costs	Medium-Low	
	Increased prices 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, prices for electricity generated from renewable sources may rise due to the increased demand for such electricity.
	Changes in customer behavior	Reduced sales revenue caused by falling demand for products and services (due to shift in consumer preferences)	Medium	Manufacturers may choose climate-neutrally produced capital goods to achieve climate-neutrality throughout their supply chain. If the Company fails to respond to such trends, it may lose the competitive advantage.
	Increased concern or negative feedback from stakeholders	Reduced access to capital or increased equity cost	Low	The Company assumes that the risk of being subject to divestment is relatively low, since its business is not a carbon-intensive industry.
Physical risk	Intensified extreme weather	Reduced production capacity due to supply chain interruptions Impairment loss of existing assets due to damages caused to real property and other assets due to flooding, etc.	Low	The Company assumes this risk to be relatively low, since most of its production sites are not located in areas which are considered to be “high-risk.”
	Rising temperatures	Increased operating costs (e.g. cost of air-conditioning for factories)	Medium	Power consumption may increase to implement strict temperature control measures in factories to maintain the current precision of machine tools.

Climate-related opportunities

Type	Climate-related opportunities	Potential financial impacts	Magnitude of impact	Specific description
Products and Services	Development and / or expansion low-CO ₂ emissions product lines	Increased sales revenue caused by increased demand for low-CO ₂ emissions products	Medium	Customers may prefer DMG MORI’s carbon-neutral products as they reduce CO ₂ emissions throughout the entire supply chain.
Markets	Access to new markets / Markets Expansion in conventional markets	Emergence of new markets	High	<ul style="list-style-type: none"> New markets may emerge, such as those related to parts machining related to offshore wind power generators or those associated with the expansion of EV (electric vehicle) production. Demand for high-precision machine tools may increase caused by demand to improve engine efficiency and reduce CO₂ emissions in existing industries that rely on diesel engines, such as ships, trucks, buses, and construction machinery.

Climate-change, Sustainability and Risk management

Engagement as a critical management issue

The Sustainability Promotion Department identifies climate-related risks on a daily basis and reports them to the Sustainability Committee, which is held once a month in conjunction with the Executive Officers Meeting. The Board of Directors has established a process for discussing and making decisions on relevant agenda items at least quarterly or as needed. The monthly Sustainability Meeting sets a focus topic for each session and addresses a wide range of sustainability-related agenda items, including but not limited to climate change, and shares updates on the Company’s progress.

Sustainability Conference

Agenda items ESG (Environment, Society, Governance)

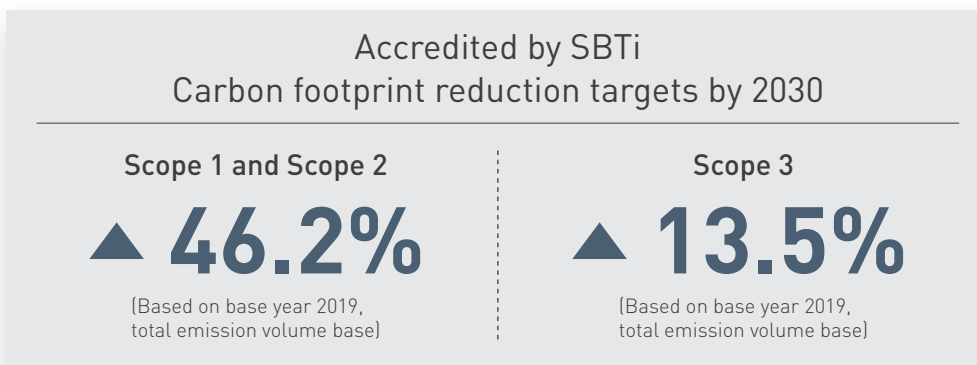
	ESG Category	Focus topic	Reporting month
1	Environment	Climate change	January
2	Society	Employee wellness	February
3	Governance	BCP (Business Continuity Plan)	March
4	Society	Product and service safety	May
5	Society	Diversity	June
6	Society	Human rights, supply chain management	August
7	Environment	Climate change	September
8	Society	Employee wellness	November

Contents of report The Company’s measures
 Response to risks
 Response to opportunity

Metrics and targets

Accredited by SBTi*1

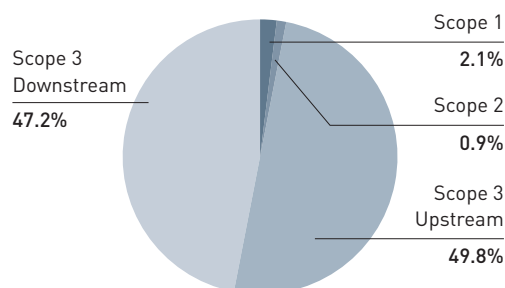
In order to make its measures against climate change even more effective, the Company has set targets for carbon footprint reduction to be achieved by 2030. In November 2021, DMG MORI’s targets were accredited by the international environmental body “SBT Initiative”. The Company intends to reduce its greenhouse gas by 46.2% in Scope 1 and 2, and 13.5% in Scope 3, respectively, by 2030 compared to the base year 2019.



*1 Abbreviation of “Science Based Targets” [the target is consistent with the Paris Agreement, which aims to limit the increase in global temperature to 1.5-2°C above pre-industrial levels]. The Company’s targets are at reduction rates that take into account the increase in the amount of activity compared to 2019.

Actual carbon footprint results in 2022 and progress against carbon footprint reduction targets accredited by SBT

In order to measure the progress towards its carbon footprint reduction targets accredited by SBT certification, the Company calculates the actual carbon footprint of the entire group each year and obtain limited assurance from a third party (PricewaterhouseCoopers GmbH). The carbon footprint results for fiscal 2022 are shown in the chart below, and the reduction progress in total amount was ahead of the carbon footprint reduction targets accredited by SBT.

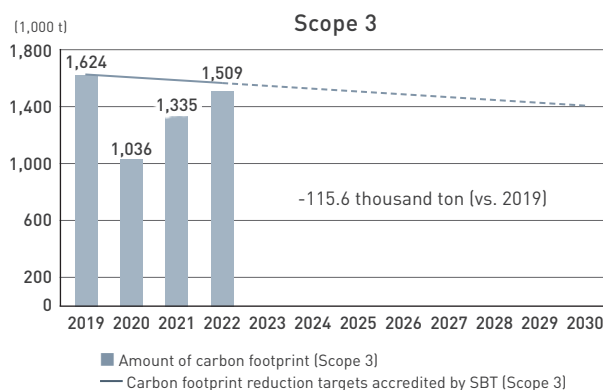
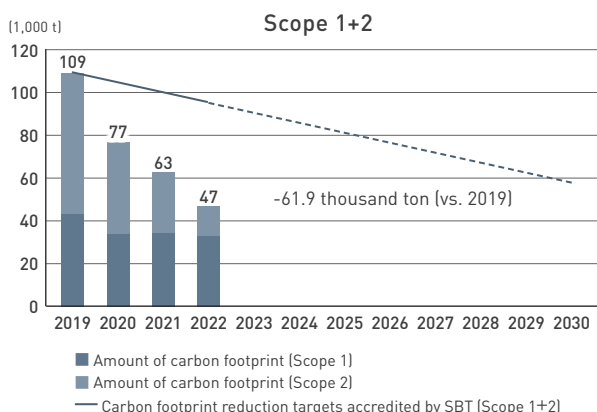


Carbon footprint for Scope 1, 2 and 3 (consolidated)

Period: January 1 to December 31

Scope	Category	Source of emission	2021 (consolidated)		2022 (consolidated)	
			ton	Ratio	ton	Ratio
Scope 1		Direct emissions from the Company	34,150	2.4%	33,147	2.1%
Scope 2		Purchased energy (electricity)	28,380	2.0%	13,884	0.9%
Scope 3	Category 1:	Purchased parts and services	614,552	44.0%	692,776	44.5%
	Category 3:	Fuel and energy related activities not included in Scope 1, 2	17,035	1.2%	17,593	1.1%
	Category 4:	Transportation and distribution (Upstream)	32,338	2.3%	36,456	2.3%
	Category 5:	Waste generated and water consumption in operations	530	0.0%	535	0.0%
	Category 6:	Business travel (airplane, train, car, bus, etc.)	5,309	0.4%	12,505	0.8%
	Category 7:	Commuting (public transportation, car)	14,186	1.0%	15,079	1.0%
	Category 9:	Transportation and distribution (downstream)	11,180	0.8%	11,957	0.8%
	Category 11:	Use of sold products	606,332	43.4%	686,594	44.1%
	Category 12:	Disposal of sold products	33,095	2.4%	35,002	2.2%
	Category 15:	Investments	165	0.0%	150	0.0%
Scope 1+2+3			1,397,252	100.0%	1,555,678	100.0%

Carbon footprint trend (compared to carbon footprint reduction targets accredited by SBT)



Both CO and AG responded to CDP Climate Change Questionnaire 2022

Achieving Carbon Neutrality Throughout the Entire Value Chain by Using Internationally Certified Carbon Credits

DMG MORI was one of the first companies to obtain certification by the SBT initiative for its carbon footprint reduction targets in the industry to address global climate change. The Company has been working on reducing its carbon footprint throughout the entire value chain based on specific action plans by 2030.

Promoting carbon footprint reductions by obtaining limited assurance from a third party (PricewaterhouseCoopers GmbH)

Gradually switching to CO₂-free electricity and introducing solar power generation at major global production sites

Results and Objectives

DMG MORI achieved carbon neutrality worldwide*1 (Scope 1,2 Scope 3 upstream category) by using internationally certified carbon credits



2015

2020

2021

Initiatives in Scope 1 and 2

Introduced solar power generation in Bielefeld and other locations in Germany



Expanded use of CO₂-free electricity globally

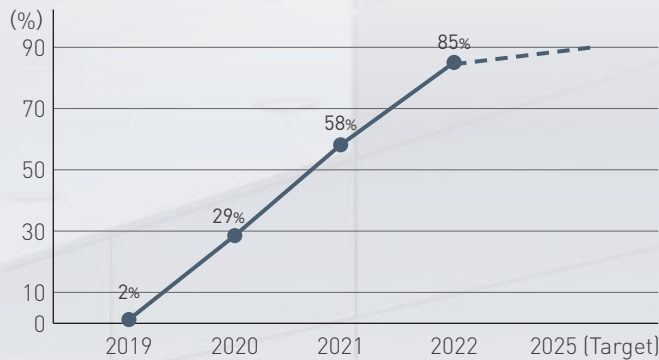
Initiatives in Scope 3

Major initiatives in Scope 3 (upstream)

- Reducing greenhouse gas emissions by rebuilding the main spindles and selling our used machines
- Using of scrap material when producing casting
- Working with suppliers to reduce carbon footprint related to procured parts



Percentage of electricity generated from renewable energy sources (consolidated)



* Figures include procured CO₂-free electricity and in-house power generation



Optimizing energy efficiency and reducing carbon footprint

New policy for machine model development: To reduce carbon footprint by **30%** by 2030 (compared to 2018)



Contributing to Green Technology

- Increased demand from industries related to renewable energy
- Increased demand caused by machining of high-precision, lightweight parts used in EVs

2022

Biomass power generation started operating at Iga Campus



2023

Large-scale solar power generation starts operating at Iga and Nara Campus (cover approx. 30% of annual electricity demand upon full operation)

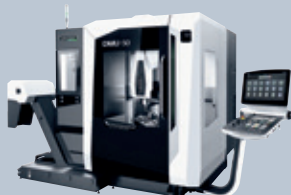
Coke oven is replaced with electric furnace at DMG MORI CASTECH (Shimane)



2030

Major initiatives in Scope 3 (downstream)

- Saving customers' management resources such as power consumption by proposing process integration, automation, and digital transformation
- GREENMODE as a standard to save power when using the machine (2017-)
- Energy saving of new products



*1 Carbon credits are consideration for investment on climate protection projects which are certified internationally in compliance with the CDM framework (ex. development of renewable energy facilities). This is a common practice in Europe.

Promoting Employee Wellness

The Company aims to improve the physical and mental wellness of its employees through its “Health Management Declaration.”

Kasumi Hirose

Staff
R&D Human Resources Department
Member of Health Management Promotion Committee

Kaori Taniguchi

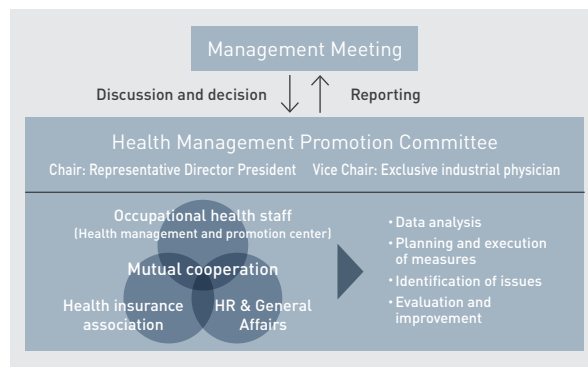
General Manager
General Affairs Department
Member of Health Management Promotion Committee

Norio Kurumatani, M. D.

Director
Health Care and Promotion Center
Occupational physician
Ph.D. in Medicine

Activities of the Health Management Promotion Committee

- 1) The Company has been ambitiously implementing measures to promote employee wellness, which includes the introduction of mandatory 12-hour work interval in 2018, full medical checkups, which are above and beyond the level of legal requirements, in 2019, and a total ban on smoking on the Company's premises in 2020.
- 2) The top management has, in the form of "Health Management Declaration" (please refer to the right page), announced its devotion to implement employee wellness measures in a more multifaceted, systematic, continuous, and organized manner both internally and externally.
- 3) Based on the Company's mission statement and this "Health Management Declaration," the Health Management Promotion Committee (please refer to the right) is promoting Company-wide efforts to further improve the physical and mental health of employees and help them feel more energetic at work under the guidance of the Management Meeting.



Infrastructure development for promotion of health measures

[A] Promoting work-life balance

The Company aims to realize one of its mission statement, "Play hard, study continuously, work together".

- 1) The Company will continue to provide a 12-hour work interval, which is longer than the legally required interval hours.
- 2) The Company will attempt to increase the average number of annual paid leaves taken by employees.
- 3) The Company will aim for 100% male employees with childcare duties to take childcare leave.

[B] Providing full medical checkups

The Company's full medical checkup include not only the statutory items in accordance with the Occupational Health and Safety Law, but also items added from a welfare perspective (ex. abdominal echo for all employees, gastroscopy and colonoscopy, chest and abdominal CT, mammography, cervical cancer screening for those of appropriate age), and are aimed at early detection of health issues such as cancer.

[C] Offering supporting after full medical checkups

A support system is in place to ensure that abnormal or suspicious findings identified in full medical checkups are addressed by treatment or follow-up examinations. Exclusive industrial physicians, commissioned industrial physicians, public health nurses, and nurses at the Health Management and Promotion Center, which is under the direct control of the administration department, provide follow-up services after medical examinations.

[D] Promoting measures against the new coronavirus infection

- 1) The Company has established a temporary health laboratory (licensed) that is capable of PCR testing.
- 2) The Company has offered vaccination opportunities at the workplace not only to its employees but also to their families and employees of its business partners.
- 3) The Company has initiated an in-house registration system for employees who tested positive to predict and evaluate outbreaks within the Company.

[E] Upgrading the Company cafeterias into in-house restaurants

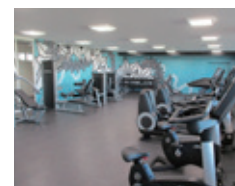
The Company has been transforming its on-premise cafeterias into "restaurants," by redesigning the interior and upgrading its menus with the expectation that they become places where people can enjoy, taste, and eat wisely, and where they can naturally acquire nutritional knowledge. All employee restaurants at all production sites and major business locations have received the highest rating of 3 stars under the Smart Meal (a nutritionally balanced meal that supports health) program, which is certified and evaluated by an association of professionals. Restaurant "Basho" on Iga Campus was featured in a Japanese magazine, "Weekly Bunshun."



[F] Securing and managing venues for exercise and sports

The Company's production sites and dormitories feature in-house sports facilities (such as an all-weather sports dome) and fitness studios with full-scale training machines. The Company also subsidizes employees' use of commercial fitness studios.

Based on these activities, the Company has been certified as a "Company Promoting Sports (Sports Yell Company)" by Japan Sports Agency.



[G] Operating recreational facilities

The Company operates recreational facilities where people can get away from work and refresh themselves. In addition to Warashina Highlands Lodge and Nemu-no Sato, Hayama Clubhouse is scheduled to open in the spring of 2024.

DMG MORI Health Management Declaration

DMG MORI places great importance on the health management of its employees and will promote efforts towards the realization of "Health Management."^{*1}

DMG MORI describes the following in its Mission Statement: "Play hard, study continuously, work together" DMG MORI believes that the employees' vitality is connected to a healthy mind and body. This vitality is essential to the sustainable growth of our company. DMG MORI pledges to support the health improvement activities of its employees and to implement health improvement strategies to foster a corporate culture in which each employee's health can reach its fullest potential.

January 4th, 2021
Masahiko Mori, Dr., Eng.
President
DMG MORI CO., LTD.

*1 "Health Management" is a registered trademark by the NPO "KenkoKeiei"

- ☑ Health management is defined by the Ministry of Economy, Trade and Industry as "the strategic implementation of employee health management from a corporate management perspective."
- ☑ Led by the management team, DMG MORI CO., LTD. is committed to becoming a corporate organization where employees can enjoy a more rewarding and satisfying working life, with good physical and mental health.
- ☑ The Company is developing ambitious employee wellness programs with the aim of achieving the target set for the end of the medium-term business plan year (2025).
- ☑ The newly redesigned website provides a message from the president, a "Health Management Strategy Map" based on the Company's mission statement, and details of the Company's initiatives. Please visit the URL for the website, <https://www.dmgmori.co.jp/sp/health/>.

DMG MORI ranking among Top 500 for Excellent Health & Productivity Management

In March 2023, DMG MORI was certified as one of the top 500 enterprises for excellent "Health and Productivity Management" by the Japanese Ministry of Economy, Trade and Industry, and the Japanese Health Council Nippon Kenko Kaigi. Each year, the top 500 companies are selected out of over 3,000 applications in recognition of outstanding efforts for employees' well-being. At DMG MORI, we have made it our mission to encourage employees to play hard and be dynamic, study continuously and be open, and work together and be innovative. We will further strengthen our initiatives for employees' well-being.



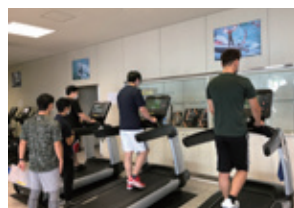
Initiatives to promote a healthy lifestyle

[H] Promoting of health management by industrial physicians and industrial nurses

- 1) The Company provides specific health guidance for employees over the age of 40 as required by the Ministry of Health, Labor and Welfare
- 2) The Company provides health guidance for employees under the age of 40 according to its own criteria
- 3) The Company offers a health consultation service such as "support for balancing treatment and work"
- 4) The Company identifies and guides employees who self-interrupt their hospital visits and medication
- 5) The Company assess dependency levels and supports smokers and heavy drinkers to change their behaviors

[I] Supporting lifestyle improvement

Since 2020, the Company has been offering "Lifestyle changes 101," a three-month program designed to create opportunities for employees to improve their lifestyles and strengthen their motivations. The program has thus far focused on topics such as "exercise class for the mildly obese," "measures to prevent lifestyle-related diseases starting while you are young," and "nutrition class for the severely obese."



[J] Supporting employees with mental issues

More often than not, workplace factors play a role in mental illness. Supporting employees with mental issues is an important topic for health management.

- 1) The Company conducts annual stress check as required by law
- 2) The Company interviews highly-stressed individuals based identified by stress check
- 3) Commissioned psychiatrists supports and determines if employees with mental issues can return to the workplace
- 4) The Company implements workplace measures based on group analysis

Online Training for Managers 2022 "Looking after the health of subordinates and ensuring health in the workplace"

Episode 1	Advance Health Management
Episode 2	Reaffirm the Occupational Health and Safety Law
Episode 3	Foster Healthy Lifestyle Habits
Episode 4	Look after the health of your subordinates
Mental	Monitor depression and returning to work

[K] Conduct in-house training for managers

The Company conducts online training on the expected role of managers regarding the health care of their subordinates. Approximately 400 employees at the section manager level and above are required to complete this training. Mental health training by a psychiatrist is also provided.

[L] Improve health literacy

The Company has set up a health information website featuring easy-to-understand materials and explanatory videos on health maintenance, desirable lifestyle habits, and common illnesses to improve employees' health literacy (the ability to find health-related information and link it to appropriate health actions).

Monitor progress and identify issues

- 1) Health and Safety White Paper (issued every April): This is an annual report that reports on the overall health situation at DMG MORI CO., LTD., focusing on analysis of the results of physical examinations.
- 2) Group Analysis of Stress Checks: This is used as basic data for discovering workplace factors of stress, establishing countermeasures, and promoting improvements.
- 3) Health management progress evaluation index survey: This tracks certain index values such as "Work Engagement" through annual surveys.



Health and Safety White Paper No. 2 (2022 / 4)

Supply Chain Initiatives

Announcement of “Declaration of Partnership Building”

In March 2022, DMG MORI CO., LTD. announced its “Declaration of Partnership Building” in support of the “Declaration of Partnership Building” established by the Cabinet Office, Ministry of Economy, Trade and Industry, Small and Medium Enterprise Agency and others. The Declaration is centered on the following two points.

- Coexistence and co-prosperity throughout the supply chain and new collaboration beyond scale, affiliations, etc.
- Compliance with “Promotion Standards”*.

*“Promotion Standards” based on the Law for the Promotion of Small and Medium-sized Subcontractors

[declaration public website](https://www.biz-partnership.jp/declaration/13339-05-18-tokyo.pdf) <https://www.biz-partnership.jp/declaration/13339-05-18-tokyo.pdf>

As stated in the Company’s mission statement, “We prosper together with our partners,” we continue to strive to build and maintain long-term relationships of trust with our business partners by establishing fair and equitable business relationships with them.



Introduction of a supplier management platform

Increasing awareness of social responsibility throughout its supply chain

As social responsibility through the supply chain becomes increasingly important, we are using the platform provided by INTEGRITY NEXT GmbH of Germany to monitor our suppliers and conduct due diligence on human rights and environment in order to build a sustainable supply chain.

For 16 sustainability issues such as environmental protection, human rights compliance, and worker health and safety, we work with suppliers to identify problems and implement improvement activities.

Through these activities, we are able to understand the international conventions and rules that companies must comply with, leading to an increased awareness of compliance throughout the supply chain. We will continue this activity to build a sustainable supply chain.



Main hearing items

Classification	Major items (excerpts)
Sustainability / CSR	<ul style="list-style-type: none"> • Environmental protection • Carbon footprint • Human rights and labor rights
Product safety	<ul style="list-style-type: none"> • Conflict minerals • RoHS Directive
Company overview	<ul style="list-style-type: none"> • Company information • Quality management
Cyber-attack countermeasures and data security	<ul style="list-style-type: none"> • EU General Data Protection Regulation (GDPR)
Others	<ul style="list-style-type: none"> • Response to COVID-19

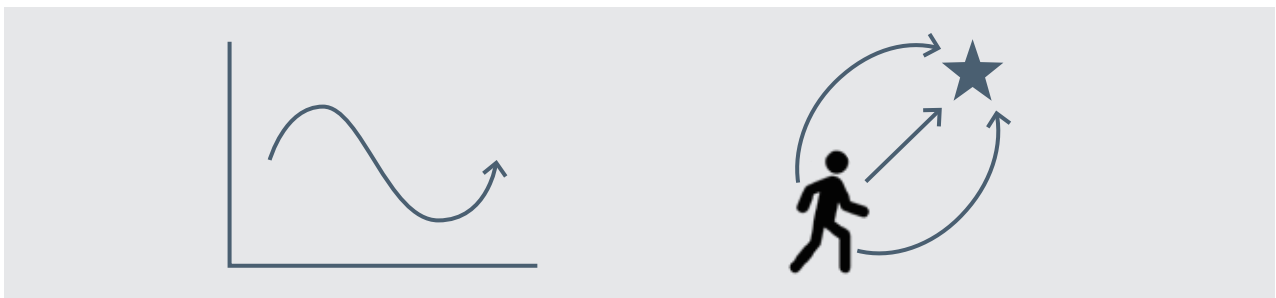
Survey results as of December 31, 2022

Number of companies by evaluation	CO (Japan) *Introduced in January 2022	AG (mainly German companies) *Introduced in July 2019
■ Sustainable	60% (127)	53% (335)
■ Less Critical	7% (14)	27% (172)
■ Critical	33% (70)	20% (124)
Number of suppliers in the scope	211	631

Quality Improvement Through TQM (Total Quality Management)

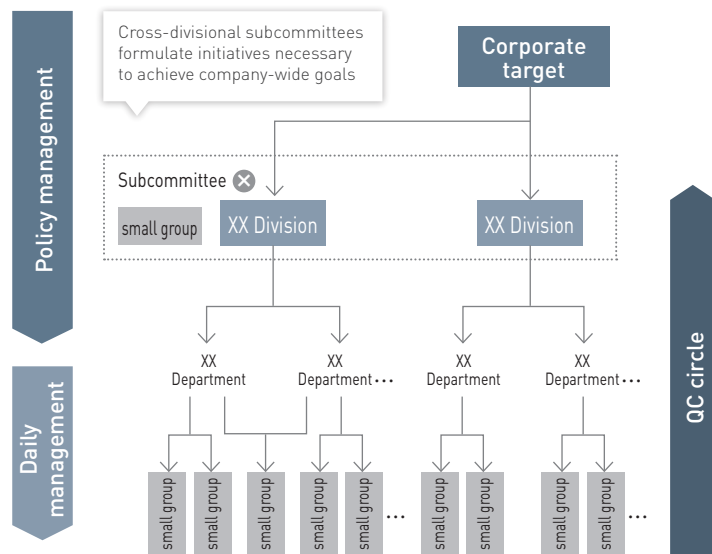
Ideal form of TQM

DMG MORI promotes TQM (Total Quality Management) activities to achieve management goals. In each organization, department heads and staff members incorporate top management policies into the goals of all employees. However, in the rapidly changing machine tool industry, if we only pursue the goals and policies set at the beginning of the year, the organization may head in the wrong direction. Therefore, all employees will be able to think about which direction they should go on their own, scientifically analyze the gap with the current situation, and reflect it in the actions of their departments and projects. This is the way DMG MORI aims for TQM.



Achieving the Medium-Term Business Plan

DMG MORI has formulated its Medium-Term Business Plan 2025. The formulation, implementation, and progress management of this plan have been carried out by six subcommittees. The subcommittees are small groups of personnel from various departments. Policies established by these subcommittees are then rolled out to each department so that all employees can align their day-to-day work in order to achieve the plan. While top-down policy management may lead to strong sectionalism due to stove-piping, a cross-departmental sub-group allows employees to work from the perspective of the Company as a whole.



QC circle activities (Quality Control)

In addition to performing daily tasks based on an understanding of company-wide policies, all employees form QC circles of approximately 400 teams to solve problems and accomplish tasks. The themes of QC circle activities reflect the policies of each department, and the system ensures that daily improvement activities lead to improved organizational capabilities. Every year, we hold a QC circle presentation contest to present the results of the year's QC circle activities and share the results learned throughout the Company. Each department conducts a first round (document screening) and a second round (presentation), and the seven teams that pass the preliminary rounds advance to the finals, where they make presentations in front of the president and other members of management. We have received feedback from outside consultants that the level of the competition has improved every year, and the competition also serves as an opportunity for human resources development.

Investment in R&D Activities and Human Resources Development

DMG MORI feels 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

Support for current and future generation of developers

Since its establishment in 2016, the Foundation has concentrated its effort in supporting activities which contribute to the development and sustainable growth of not only the machine tool industry but also the global industry, focusing on the three areas of “human resources development,” “community and culture,” and “research and development.” The Foundation will continue to strengthen its ties with local communities and fulfill its part of social responsibility.

1) Human resources development program

The Foundation continues to provide support for the endowed Chair of Digital Design and Production, Precision Measurement and Processing Research Consortium, which was established in April 2020 as part of Kyoto University’s 125th anniversary project, as well as the Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University (“Shishu-Kan”) and the Japanese-German Center Berlin “Young Leaders’ Forum”. In addition, from 2019 onwards, we provide 3-year scholarships to engineering graduate students at Kyoto University, Keio University, and the University of Tokyo. 5 students from the first term received their doctoral degrees in March 2022, and are now active in their respective fields, either working for private companies or continuing their research at universities. 5 students from the second term will be awarded in April 2023. In April 2023, one of the five second-term students is scheduled to join DMG MORI CO., LTD. Furthermore, from April 2023, the program will be expanded to five graduate students in the humanities and social sciences at Kyoto University.



Continuing from last year, a technical get-together by the scholarship recipients was held at the Nara PDC (Product



Technical Reception at Nara PDC on August 17, 2022



Mori Manufacturing Research and Technology Foundation
(General Incorporated Foundation)

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

Development Center) in August 2022. It was a very meaningful time with lively discussions that transcended the boundaries of universities and majors. We will continue to actively provide opportunities for exchanges like this to increase the number of doctoral students with advanced expertise and global activities.

2) Community and culture programs

Japan National Orchestra Co., Ltd., established in May 2021, performs concerts and other outreach activities for children at elementary and high schools in Nara Prefecture. In addition, the 140 cherry trees planted along the Bodaisen River in Yamato Koriyama City, Nara prefecture, where DMG MORI CO., LTD. was founded, have been well appreciated by many people including local residents. In addition, through its support for the reconstruction of shrines and temples as well as festivals and events, the Foundation shows its respect to the history and culture rooted in the region and contributes to further development.

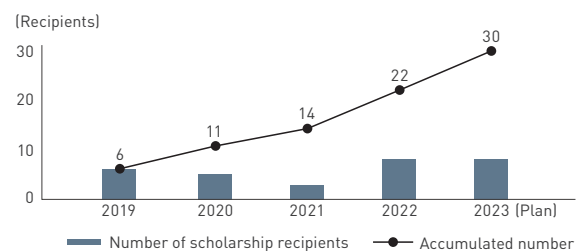
3) Research and development programs

While DMG MORI CO., LTD. funds R&D activities of machine tools and related technologies, the Foundation funds R&D programs with and loans or donates machine tools to universities and research institutes worldwide. Another main focus area of the Foundation is providing support for international academic conferences, etc.

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

		2019	2020	2021	2022	Plan for 2023
Number of scholarship recipients	Engineering	6	5	3	8*	3
	Humanities and social sciences	—	—	—	—	5
Accumulated number		6	11	14	22	30

*One recipient started in the fall of 2021



Industry-University collaboration and training of engineers

Advanced engineer training at Nara Product Development Center

The Nara Product Development Center (Nara PDC), which opened in July 2022, serves as a development center for digital transformation and advanced technologies, as well as a place to train and employ human resources skilled in cutting-edge digital transformation technologies and elemental technologies of machine tools. The center also serves as a base for promoting exchanges among engineers, including industry-academia collaborations, by taking advantage of its location, which is easily accessible from both Keihanshin (Kyoto, Osaka, and Kobe), a major center of electronics, industrial machinery, and medical equipment companies in Japan. The facility is also equipped with practical training facilities for students of the Faculty of Engineering at Nara Women's University to support the development of women in engineering.



Cooperation with national universities

Promoting diversity including gender equality in engineering

We signed a comprehensive agreement with Nara Women's University, the first women's university in Japan to establish an engineering department. We support the development of female human resources in engineering by dispatching lecturers and devising curricula that utilize machining technology.

Under the theme of "Advanced Design and Production Engineering," which organically links and teaches design and development technology, production technology, and advanced technology, eight lectures were held for 2022. In 2023, in addition to eight lectures, eight practical training sessions are planned, of which six will take place at DMG MORI's Nara PDC. The program will contribute to the development of engineers who can apply their specialized skills, knowledge and comprehensive knowledge of the manufacturing industry to the real world.



Fostering research and development activities

Joint R&D with universities and research institutes, and funding academic conferences

DMG MORI CO., LTD. promotes joint research and development*1 of machine tools and related technologies*2 with universities and research institutes in Japan and abroad. The Mori Manufacturing Research and Technology Foundation also provides operational support for international academic conferences such as CIRP (College International pour la Recherche en Productique: International Academy of Production Engineering). ICPE (International Conference on Precision Engineering) was held at the Nara Convention Center from November 28 to December 2, 2022. President Mori of DMG MORI CO., LTD. was appointed as the chairperson of the conference, and Executive Officer Irino was appointed as the vice chairperson, supporting the welcome party at the Nara Product Development Center and the banquet held at the hotel. On the final day, a tour of the Nara System Plant and the Nara Product Development Center was held. 290 presentations and nearly 400 participants made the first face-to-face ICPE meeting in four years with a great success.



ICPE (International Conference on Precision Engineering) 2022 held at Nara Convention Center

*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

Social Responsibility

Based on the belief that trust is fostered by fulfilling social responsibilities, DMG MORI takes active measures that contribute to society. It maintains the landscape in the areas around its campuses and promote culture, sports and other activities.

Environmental protection initiatives

Promoting agriculture



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

In December 2017, the Company established Mahoroba Farm Co., Ltd., cleared abandoned farmland near the Iga Plant, and started cultivating wine grapes in 2019. The Company is gradually increasing the area, and currently we are cultivating 5,300 vines on 5 hectares. In 2022, the Company harvested a total of 3,500 kg of grapes from 9 varieties.

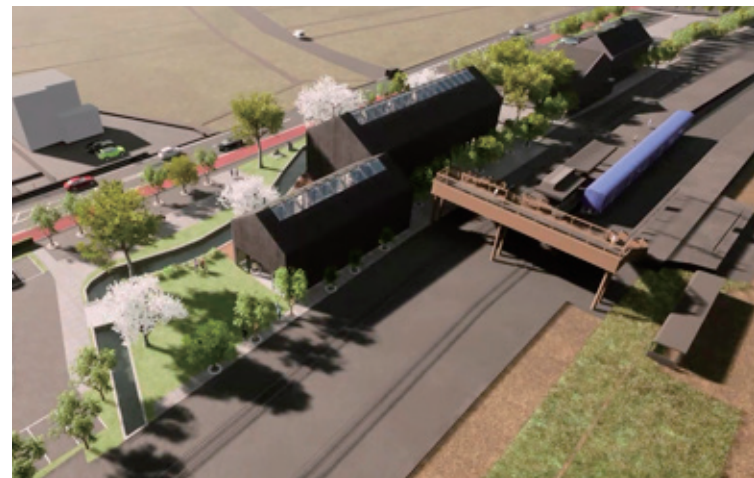
In addition, the Company has been actively promoting the employment of people with disabilities and aim to employ about 10 people in the future. The Company is working to enable people with disabilities to play an active role with confidence and purpose in life and participate in society.



Coexistence with local communities

Revitalization of the area surrounding the Iga Campus

In cooperation with Mie Prefecture and Iga City, where our Iga Campus is located, and the local community, the Company has been working to improve the landscape of the area surrounding Shindo Station on the JR Kansai main line, the nearest station. In front of Shindo Station, the Company has constructing a complex facility that will house a library, administrative offices, financial institutions, and other facilities to promote interaction among local residents and improve convenience for the community. The complex facility is scheduled to open in the fall of 2023, and is expected to serve as a center for promoting the landscape and attractions of the Iga region and to be the core of regional revitalization.



Creating local landscapes

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, the Company has also been renovating the pavement and streetlights. By improving the scenery around the Nara Campus, the birthplace of DMG MORI, the Company aims to create a beautiful environment that can be enjoyed by employees and residents.



Support for musical activities

Nurturing and promoting music culture

The Company has been supporting musician Kyohei Sorita since 2018 and established Japan National Orchestra, Co., Ltd. in May 2021. Together with Mr. Kyohei Sorita and 19 young soloists, the Company works in Nara, where the Company was founded, and globally to contribute to the creation and development of new culture and art through classical music. On February 28, 2022, the Company signed a “Collaboration Agreement on the Promotion of Cultural Activities” with Nara Prefecture, and started outreach activities to elementary, middle, and high schools in Nara Prefecture, with the aim of providing high-quality classic music.



©Kenryou Gu



Outreach activities: Kyohei Sorita giving piano lesson at Nara Prefectural Takamado Senior High School



JNO recital series: “The World of Violinist Tomohiro Arita”



JNO recital series: “The World of Violinist Kaoru Oe”



Concert rehearsal

Aiming for improving skills and motivation for operators at customers

Cutting Dream Contest

Dream contest special site ▶



The Cutting Dream Contest has been held since 2004 for companies, schools, and research institutes in Japan that are involved in the machining industry and use cutting-type machine tools, additive manufacturing, laser cutting machines, and other advanced machining equipment, with the aim of improving and exchanging technology and skills. The technologies and ideas contained in these masterpieces, as well as the spirit of improvement that spares no effort, support the world's manufacturing.

In 2022, the 17th edition of the contest, we welcomed seven judges, including the chairman of the judging committee, Mr. Mamoru Mitsuishi, Director*1 of the National Institution for Academic Degrees and University Reforms, Japan. As a result of rigorous screening, out of 50 entries, 5 were selected from the Industrial Parts Machining Division, 6 from the Prototype / Test Machining Division, 3 from the Artistic Modeling Division, 3 from the Advanced Machining Division, and 5 from the Academic Division, and was presented at the JIMTOF2022 on November 8, 2022.

The award ceremony was held on November 8, 2022 at a special venue in our booth at JIMTOF2022.

*1 As of October 2022

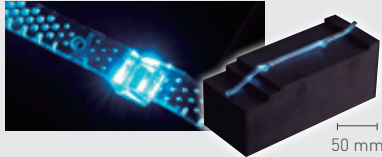
17th Cutting Dream Contest 2022 - Winning Works

Production Parts Machining - Gold Prize Winner

Industrial applications from the automotive, aerospace, medical, die & mold, semiconductor and new energy sector

Panasonic "RSE-LG" light guide for automotive applications

Circle & Square Co.,Ltd.



Material: PMMA [Polymethyl Methacrylate resin]
Machining time: 30 hours / unit
Machine type: Vertical machining center

Evaluation comments:

The work is highly evaluated the high precision finish of the light guide, which has a large number of conical dents in the PMMA and continue to be totally reflected on the entire surface.

The high quality of the machining can be seen from the fact that the intensity of the light is beautifully expressed in the fine pattern.

Prototype & Test Cut Machining - Gold Prize Winner

Non industry-specific sample parts with unique machining features

Ultra-thin metal capsule IG EVEARTH CO.,LTD.



Material: CENA1 [High-performance precipitation-hardening mold steel]
Machining time: 6 hours / 1set
Machine type: Vertical machining center

Evaluation comments:

We are amazed at the craftsmanship that carved the mold from the wall to the bottom with a thickness of 0.02 mm ± 0.003 mm. The work is also wonderful that it has smooth curved surface and it can be assembled with a fit of H6(h6).

Artistic Form Machining - Gold Prize Winner

Workpieces with unique modeling features

Striped green tit with coloration in the structure Circle & Square Co.,Ltd



Material: PMMA [polymethyl methacrylate resin]
Machining time: 18 hours / unit
Machine type: Vertical machining center

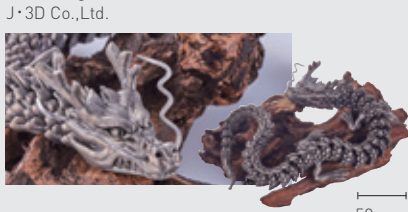
Evaluation comments:

The work has the iridescent patten of the features by grooving with a pitch of 2 μm on PMMA which is a material difficult to apply soft and fine texture. The butterfly's wings, antennae and legs are all thin and carefully crafted, and the overwhelming microfabrication is highly praised.

Advanced Machining - Gold Prize Winner

Workpieces with unique technical features (additive manufacturing, laser machining, ultrasonic machining)

Steel dragon J·3D Co.,Ltd.



Material: maraging steel
Machining time: 20 hours / unit
Machine type: Additive Manufacturing

Evaluation comments:

We are strongly attracted to the dynamic molding beauty of like the real dragon. Although the work is an integral model, it was carefully designed so that all parts can move. The work makes the most of the characteristics of AM with a high degree of perfection.

Academic Research - Gold Prize Winner

Works of students (individuals or groups) who are learning machining operations at high schools, technical college, universities or vocational training schools

Ferris wheel (movable gondola)

Kobe Advanced Institute of Technology



Material: Chemical wood
Machining time: 6 hours / unit
Machine type: DMU 50 5-axis machine

Evaluation comments:

Using chemical wood with low rigidity, thin-shaped parts with moving function are manufactured by integral mold. The machining order is well designed and the work has academic feel.

Societally responsible activities by DMG MORI AG

Support and sponsorship to local community

DMG MORI is engaged in societally responsible activities. We are part of society and strongly support it – with numerous campaigns, donations and sponsorships.

We support our employees who do voluntary work – for example in the company fire department. We give them days off for operations, exercises and training.

With joint activities around our sites, we are a strong part of society.

In the reporting year, for example, our apprentices made an important contribution to mitigating the already visible consequences of climate change and planted around 100 trees in the Teutoburg Forest in Bielefeld. In the Allgäu region at our Pfronten site, we once again joined the “Trash-Free Allgäu” challenge and collected just under 600 kg of trash.

In the financial year 2022, we spent around € 661,000 on donations and sponsorships. In the region of East Westphalia-Lippe, for example, DMG MORI AG has been involved for many years as a sponsor for the DSC Arminia Bielefeld soccer club – especially in the area of youth development – and as a member of the Alliance East Westphalia. We are particularly pleased that in the reporting year we also supported Arminia Bielefeld’s successful U17 women’s team for the first time, thus promoting diversity in sports. We also support Bielefeld Marketing GmbH and the Bielefeld Art Association via sponsorship agreements.

Numerous appeals for donations and collection campaigns for the people in Ukraine were also organized and actively supported at the workplace. Donations this year benefited “Aktion Deutschland hilft” in particular – as emergency aid for Ukraine – as well as local clubs, institutions, universities and the young talent foundation for mechanical engineering.

We promote employee wellness – that’s why there is always something going on at our sites. Organized by, with and for employees, there are numerous runs, for example the renowned Bielefeld Hermannslauf, joint hiking and climbing. But unusual sports, such as dragon boat races or the ski championship for the deaf, are also on the agenda. In the “Stadtradeln” campaign, employees from more than 10 different DMG MORI locations traditionally pedal together again. In this challenge, the car stays in the garage as much as possible for 21 days – because every kilometer cycled counts. This is climate protection that keeps you fit and healthy at the same time!



Realization of a Culturally Rich Society

DMG MORI aims to elevate its brand image and realize a society that is not only materially but also culturally rich.

DMG MORI SAILING TEAM

The DMG MORI SAILING TEAM was established in October 2018 accompanied by marine adventurer Kojiro Shiraishi as skipper, and from November 8, 2020, the team sailed the Vendée Globe 2020-2021, a solo, no-port, no-supply round-the-world yacht race, finished 16th out of 33 boats [94 days, 21 hours, 32 minutes, and 56 seconds]. The foiling boat "DMG MORI Global One" was equipped with some parts machined by our simultaneous 5-axis machines and mill-turn centers. Currently, we are working in accordance with three activity plans: (1) challenge Vendée Globe 2024 with Mr. Shiraishi, (2) promote more sailing culture in Japan, and (3) train young skippers and engineers.

In addition, DMG MORI SAILING ACADEMY was established in June 2021 to nurture young sailors who can play an active role in ocean sailing. In the Mini 6.50 class, which is considered a gateway to success for young ocean sailors, we are working with four trainees to compete in the "Mini Transat 2023," a transatlantic race to be held in 2023.

On January 23rd, 2023, the team member from France, where the team is located, came to Japan to get together with sponsors, and reported the result of the race and plan of activities until 2028. The near-term purpose in the DMG MORI SAILING TEAM is, needless to say, to apply for "Vendée Globe 2024". In addition, the team presented its policy beyond Vendée Globe 2024.

Major topics are as follows:

- JAPAN TOUR 2025
- Build a new ship according to IMOCA class specifications from 2025
- Challenge "The Ocean Race 2027"
- Challenge "Vendée Globe 2028"

The next generation DMG MORI Global One, to be launched in 2025, will be used in races from 2026 onwards, with a view to training skippers for ocean sailing following Mr. Shiraishi. Races such as "The Ocean Race 2027" and "Vendée Globe 2028" will also be tackled by this new boat.



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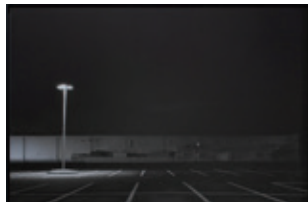
Contribution to the development of the arts

Support for young artists

Since 2020, the Company has been supporting ARTISTS' FAIR KYOTO, an exhibition of up-and-coming artists in their 20s and 30s, by taking up leading artists in Japan and abroad. Under the supervision of Professor Noboru Tsubaki of Kyoto University of Arts, who is also the director of ARTISTS' FAIR KYOTO, we have exhibited artists' works at our offices and facilities. We display more than 100 works of art, ranging from palm-sized objects to large-scale works up to 10 meters in length with the hope that they will not only be enjoyed by visitors but also stimulate the imagination of our employees and lead to the development of better products.



Yuki Saegusa, "Utopos.a"



Saki Maebata, "mass_DM1"



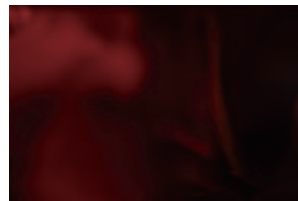
Shinya Imanishi, "clouds 15"



Ryo Shinagawa, "Pine and Stream"



Ryo Shinagawa, "Lily"



Noboru Tsubaki, "under the rose 1504"



Tomoko Takagi, "A couple in a photo studio"



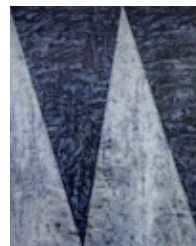
Yuka Tojo, "Awa odori"



Saki Matsumura, "DO"



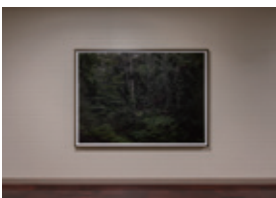
Saya Mimura, "garden"



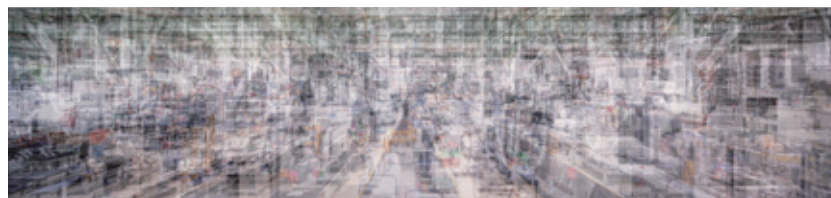
Saki Maeda, "19_21"



Nana Hirose & Kazuma Nagatani, "Warum ist der Himmel blau? (Why is the sky blue?)"



Kenryou Gu, "Heteropia 001"



Kenryou Gu, "DMG MORI IGA Campus - Assembly Plant"



Mina Katsuki, "0:41:57"



Mina Katsuki, "9:39:24"



Hayaki Nishigaki, "Ogatasozo-Sansui"



Ayaka Nishihara, "The light images. [Two circles]"

Environmental Data

<DMG MORI CO., LTD.>

Input energy and water consumption Key figures

INPUT items		Location	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Energy input	Production	Electricity (*1)	Japan thousand kWh	48,164	46,002	44,347	47,135	54,307
		Solar power	Japan thousand kWh	126	121	54	104	128
	Production	Heavy oil (*2)	Japan K \emptyset	2,218	2,132	1,898	879	714
		City gas	Japan thousand m ³	0	0	0	0	0
		LPG	Japan t	360	317	262	63	72
Water consumption	Production	Clean water	Japan thousand m ³	139	126	126	110	123
		Groundwater	Japan thousand m ³	72	37	35	3	0

Input energy and water consumption fluctuate depending on production conditions such as changes in production volume and production models in the fiscal year.
Transition of crude oil consumption equivalent to all input energy is as follows:

INPUT items		Location	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Energy input	Production	Crude oil equivalent	Japan K \emptyset	14,757	14,082	12,993	12,771	14,440
OUTPUT items		Location	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
CO ₂	Production	Carbon footprint (*3)	Japan t-CO ₂	29,633	26,865	24,791	24,111	2,151
Industrial waste	Production	Final disposal amount	Japan (Iga) t	130	96	39	49	72
		Final disposal rate	Japan (Iga) %	4	3	3	3	3

[Scope of data] DMG MORI's factories in Japan (Iga, Nara)

[Fiscal year period] from January 1st to December 31st.

Environmental data fluctuates depending on production conditions such as changes in production volume and production models in the fiscal year.

Carbon footprint in entire DMG MORI group

Unit: ton	FY2018	FY2019	FY2020	FY2021	FY2022
Total carbon footprint	—	797,248	497,646	613,435	681,807
Scope 1 (direct emission)	—	19,481	14,613	14,375	14,551
Scope 2 (indirect emission)	—	40,896	33,867	17,948	4,363
Scope 3 (Upstream)	—	289,641	179,582	293,811	328,413
Scope 3 (Downstream)	—	447,230	269,584	287,302	334,480

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

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

(*3) Volume of carbon footprint was calculated by using emission coefficients published by power generation companies.

⟨DMG MORI AG⟩

ENERGY KEY FIGURES (*4)(*5)

unit: MWh	FY2018	FY2019	FY2020	FY2021	FY2022
Fuel consumption from fossil energy sources	80,506	90,818	76,803	84,634	78,965
of which natural gas	32,491	33,611	28,730	36,904	25,085
of which liquefied gas	364	338	346	346	261
of which heating oil	55	0	0	0	533
of which fuel	47,596	56,869	47,727	47,384	53,086
Electricity consumption	48,962	52,441	45,956	49,542	45,704
of which procured from the grid	47,489	49,696	43,554	46,955	43,651
of which self-generation from renewable sources	1,473	2,745	2,402	2,587	2,053
Total energy consumption	129,468	143,259	122,759	134,176	124,669

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

Unit: ton	FY2018	FY2019	FY2020	FY2021	FY2022
Total carbon footprint	—	935,934	615,025	783,817	873,871
Scope 1 (direct emission)	—	23,712	19,304	19,775	18,596
Scope 2 (indirect emission)	—	24,793	8,785	10,432	9,521
Scope 3 (Upstream)(*9)	—	385,559	230,405	390,139	446,531
Scope 3 (Downstream)	—	501,870	356,531	363,471	399,223

(*4) includes locations in Germany (Bielefeld, Pfronten, Seebach, Geretsried, Idar-Oberstein); Italy (Brembate di Sopra, Tortona); Poland (Pleszew); and Russia (Ulyanovsk). Locations in Würzburg and Stuttgart were also included for 2018. The energy consumption of the above locations and vehicles represents 80% of DMG MORI AG's global energy consumption. Values for 2022 without Ulyanovsk.

(*5) Conversion factors for liquefied gas and kerosene use is based on 2017 data by the German Association of Energy and Water Industries (BDEW). Conversion factors for fuels use data is based on 2020 data from by the Federal Office for Economic Affairs and Export Control (BAFA), 2022.

(*6) Calculated with Ecocockpit software provided by the Energy Agency of the State of North Rhine-Westphalia. The software's emission factors are based on the GEMIS (Global Emission Model for integrated Systems) database. The missing emission factors are supplemented by the Probas database by the Federal Environment Agency. Volume of carbon dioxide equivalents are calculated based on emission of nitrogen trifluoride (NF₃) and the six main greenhouse gases under the Kyoto Protocol, which are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), and sulfur hexafluoride (SF₆). Other emissions are negligible, and the Company does not intend to report them separately. Indirect emissions are calculated using a simplified location-based method.

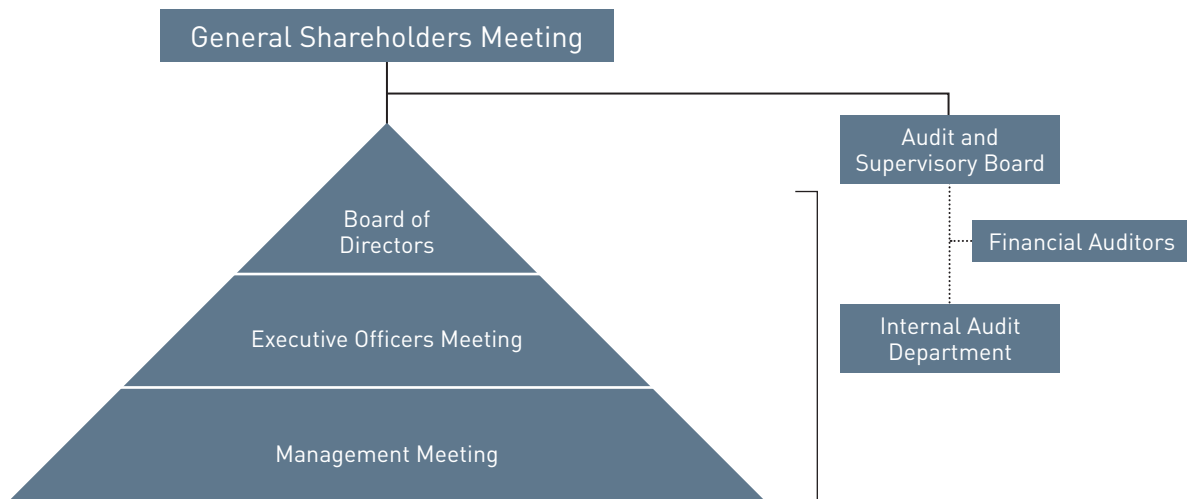
(*7) Based on the location-based method, electricity consumption is equivalent to 21,713 t of CO₂ emission. However, this does not take into account that out of DMG MORI AG's electricity consumption in 2020, 76.6% electricity is from renewable sources.

(*8) Unlike the figures stated in DMG MORI AG's Sustainability Report 2019, emissions during the pre-value chain due to gray power use are reported in Scope 3 (Category 3) instead of Scope 2. This reclassification has no impact on the volume of total emissions.

(*9) The determination of Scope 3 emissions is based on data from the previous year and corresponding projections for some categories.

Governance Structure

Corporate Governance Structure in 2023



Corporate Governance

1. Basic Principles on Corporate Governance

In order to realize higher transparency of management of the Company 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, the Company is working on enhancing corporate governance and management monitoring functions.

The Company will continue to work on improving its corporate value with consistency for long term, and to operate its business based on even higher standards of corporate ethics.

2. Introduction of the Audit and Supervisory Board

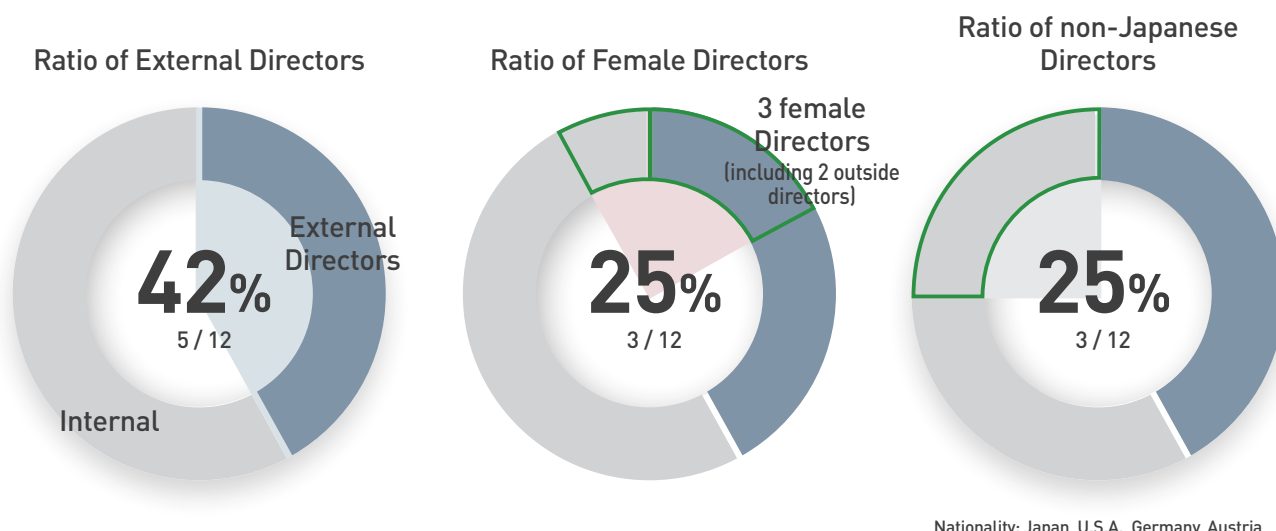
The Company has adopted a corporate governance structure based on audit and supervisory board. Based on the premise of auditing by a proven audit and supervisory board structure, the Company's basic policy is to conduct business operations in a flexible and efficient manner through a top-down approach.

3. Board of Directors

Out of 12 members of the board of directors, 5 are external directors (42% of total directors) and 3 are female directors (25%) as of March 28, 2023. The Company has been responding to rapid changes in the business environment and technology trends that are unique to the machine tool industry.

Against this background, the Company's management structure was based on a lean board of directors, which enabled quick decision making, supported by operating officers. Since 2015, the Company has been promoting the appointment of external directors to enhance higher transparency and objectiveness. Our external directors are professional in organizational management, while they have specialized knowledge and a wide range of perspectives as well as technological backgrounds. In March 2019, the top executives of DMG MORI AG and DMG MORI USA, INC. became members of the board of directors. At the general shareholders meeting in March 2021, a new female external director was appointed as the board of directors. This has led to management structure in which diverse opinions have been being represented. The board of directors holds discussions on business strategies which are important for the future of the Company. Discussions on daily business operations are conducted at the Executive Officers Meeting and Management Meeting. The contents of the discussions at the Executive Officers Meeting and the Management Meeting are reported and reviewed at the board of directors meetings. This structure enables quick action in business operations as well as transparency to the board of directors.

Diversity within the Board of Directors (as of March 28, 2023)



4. Audit and Supervisory Board

The audit and supervisory board consist of one full-time audit and supervisory board member ("Corporate Auditor") who is well versed in internal affairs, and multiple highly independent external audit and supervisory board members. In accordance with the audit policy, Corporate Auditors attend and express opinions at the Board of Directors meetings, Executive Officers Meetings, Management Meeting and other important meetings, inspect important resolution documents, and conduct rigorous audits of departments in the head office, including those of overseas subsidiaries, as well as Campuses and affiliated subsidiaries. Thus, the Company has established an efficient corporate governance system that facilitates prompt decision-making and lively discussions by the Board of Directors and ensures fairness and transparency in its management.

5. Governance of DMG MORI AG

DMG MORI AG, a German subsidiary, has a governance structure that differs from that in Japan. The supervisory board, which is placed above the executive board, is responsible for appointing directors and approving major investments and business plans. The governance structure has been strengthened by the appointment of Dr. Masahiko Mori, president and CEO of DMG MORI CO., LTD., as chairman of the supervisory board of DMG MORI AG in May 2018. In addition, in March 2019, DMG MORI CO., LTD.'s Executive Vice

President James Nudo and then Senior Executive Officer Irene Bader (currently DMG MORI CO., LTD.'s director) were appointed respectively as member of the supervisory board. Daily business progress of each sales and service office and production site had been managed by the Joint Committee, a monthly meeting attended by President Mori and executive-level managers from DMG MORI CO., LTD. and DMG MORI AG, to ensure unified decision-making as a global company. Currently, the function has been integrated into the Executive Officer Meeting held by DMG MORI CO., LTD.

6. Executive Officer

The Company has appointed executive officers to vitalize the board of directors by separating decision making and supervision from operation and to train next generation of executive-level managers. As of March 28th, 2023, the Company has 26 executive officers who vary in age, nationality, and gender. Each executive officer bears great responsibilities as the head of division, such as sales and R&D, or region.

Members of the Board of Directors

Introduction of Directors As of March 28th, 2023



Masahiko Mori

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

- Mar. 1985 Graduated from the Department of Precision Engineering, 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)



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)



Christian Thönes

Vice President
Director in charge of DMG MORI AKTIENGESELLSCHAFT of the company

- 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 of the company (incumbent)

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



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 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
- 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.
- Aug. 2021 Vice President, Director in charge of the Americas, CEO, DMG MORI AMERICAS HOLDING CORPORATION
- Sep. 2022 Vice President, Director in charge of the Americas, President, DMG MORI AMERICAS HOLDING CORPORATION, Managing Director, DMG MORI EMEA GmbH (incumbent)



Irene Bader

Director in charge of Global Corporate Communication

- Jun. 1999 Graduated from Akademie für Sprachen und Wirtschaft
- Mar. 2001 Joined DMG Büll & Strunz GmbH (currently DMG MORI Austria GmbH)
- Jan. 2002 Technical Press and Marketing Manager, GILDEMEISTER AKTIENGESELLSCHAFT (currently DMG MORI AKTIENGESELLSCHAFT)
- Apr. 2005 Marketing Manager, MORI SEIKI GmbH (currently DMG MORI Global Marketing GmbH)
- Mar. 2012 MBA from The Open University Business School
- May 2016 Member of Supervisory Board, DMG MORI AKTIENGESELLSCHAFT (incumbent)
- Jan. 2017 Operating Officer in charge of Global Corporate Communication
- Jan. 2019 Executive Officer in charge of Global Corporate Communication
- Jan. 2023 Senior Executive Officer in charge of Global Corporate Communication (incumbent)

Introduction of External Directors As of March 28th, 2023



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)
Outside Director, Unicharm Corporation
- Jun. 2017 Director (Outside Director), Tokio Marine Holdings, Inc. (incumbent)
- Oct. 2017 Senior Advisor, The Boston Consulting Group
- Jun. 2022 Outside Director, Sumitomo Corporation (incumbent)




Makoto Nakajima
External Director
Attorney

- Mar. 1974 Graduated from the Faculty of Law, The 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)



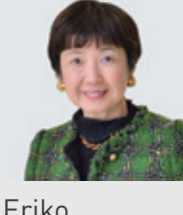
Hiroko Watanabe
External Director

- 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
- Mar. 2021 External Director of the Company (incumbent)
- Apr. 2021 Chairperson, Monozukuri Nadeshiko (incumbent)



Mamoru Mitsuishi
Ph D.
External Director

- Mar. 1979 Graduated from the Faculty of Science, The University of Tokyo
- Mar. 1981 Graduated from the Faculty of Engineering, The University of Tokyo
- Mar. 1986 Completed the Department of Mechanical Engineering, Graduate School of Engineering, The University of Tokyo (Doctor of Engineering)
- Apr. 1986 Lecturer, Faculty of Engineering, The University of Tokyo (Department of Industrial Mechanical Engineering)
- Apr. 1989 Assistant Professor, Faculty of Engineering, The University of Tokyo (Department of Industrial Mechanical Engineering)
- Aug. 1999 Professor, Graduate School of Engineering, The University of Tokyo (Department of Industrial Mechanical Engineering)
- Apr. 2014 Dean of the Graduate School of Engineering and Dean of the Faculty of Engineering, The University of Tokyo
- Apr. 2017 University Executive Director and Vice President, The University of Tokyo
- Feb. 2019 Representative Director, CIRP JAPAN
- Aug. 2019 President, CIRP (International Academy for Production Engineering)
- Apr. 2022 Director, National Institution for Academic Degrees and Quality Enhancement of Higher Education (incumbent)
Specially Appointed Professor, Teikyo University Advanced Comprehensive Research Organization (incumbent)
Researcher and Visiting Professor, Future Robotics Organization, Waseda University (incumbent)
- Jun. 2022 Professor Emeritus, The University of Tokyo



Eriko Kawai
External Director

- Sep. 1981 Graduated from Harvard University
- Oct. 1981 Joined Nomura Research Institute, Ltd.
- Jun. 1985 MBA from INSEAD (Institut Européen d'Administration des Affaires)
- Sep. 1985 Management Consultant, McKinsey & Company
- Oct. 1986 Fund Manager, Mercury Asset Management, SG Warburg
- Nov. 1995 Director and Executive Officer in charge of Investment (CIO), Yamaichi Regent ABC Polska
- Jul. 1998 Pension Fund Administrator, BIS (Bank for International Settlements)
- Oct. 2004 Pension Fund Administrator, OECD (Organization for Economic Cooperation and Development)
- Apr. 2012 Professor, Organization for the Promotion of Excellence in Higher Education, Kyoto University
- Jun. 2018 Outside Director, Daiwa Securities Group Inc. (incumbent)
- Mar. 2021 Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd. (incumbent)
- Apr. 2021 Professor Emeritus, Kyoto University
- Jun. 2021 Outside Director, Mitsui Fudosan Co., Ltd. (incumbent)

Skill matrix of directors

	Name	Business Management	Global	Marketing	Engineering	Legal & Compliance	Finance & Accounting
Internal	Masahiko Mori	●	●	●	●		●
	Hiroaki Tamai	●	●			●	●
	Hirotake Kobayashi	●	●				●
	Christian Thönes	●	●	●			●
	Makoto Fujishima		●		●		
	James Nudo		●			●	
External	Irene Bader		●	●			
	Takashi Mitachi	●	●				●
	Makoto Nakajima		●			●	
	Hiroko Watanabe	●	●		●		
	Mamoru Mitsuishi		●		●		
	Eriko Kawai		●			●	●

Audit and Supervisory Board Members (“Corporate Auditors”)

Introduction of Corporate Auditors As of March 28th, 2023



Mar. 1983 Graduated from the School of Economics, Kwansei Gakuin University

Mar. 1983 Joined the Company

Mar. 1998 President, MORI SEIKI FRANCE S.A.

May 2005 General Manager, Americas Department

Apr. 2010 Operating Officer, General Manager of President's Office and Public Relations Department

Apr. 2014 Operating Officer and Vice Executive General Manager, Administrative HQ

Nov. 2017 Senior Director and General Manager, Secretarial Department (incumbent)

Masahiro Yanagihara
Corporate Auditor

Introduction of External Auditors As of March 28th, 2023



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 and General Manager of the Structured Finance Department, Sumitomo Mitsui Banking Corporation

Jun. 2005 Managing Director and Head of the Americas Division, Sumitomo Mitsui Banking Corporation

Apr. 2008 Director and Senior Managing Executive Officer, 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
Director, HANSHIN ELECTRIC RAILWAY CO., LTD. (part-time, incumbent)

Jun. 2018 External Director, Japan Bank for International Cooperation (incumbent)

Mar. 2019 External Audit & Supervisory Board Member of the Company (incumbent)

Yoshinori Kawamura
External Corporate 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)

Takahiro Iwase
External Corporate Auditor

Important meetings held in 2022 and status of attendance of each director

In 2022, the Company held 10 board of directors meetings, attended by external directors and Corporate Auditors, in order to formulate management strategies, evaluate the progress and appropriateness of execution of duties by directors, and solve societal issues with a focus on reducing carbon footprint. In addition, the Company held 8 Operating Officer Meetings and 13 Management Meetings, consisting of internal directors and one full-time Corporate Auditor to confirm the progress of the responsible person's business and performance and status of response to risks. Attendance status at the board of directors meetings by each director and Corporate Auditor was as follows.

Status of attendance at Board of Directors Meetings (January–December, 2022)

Name	Position at DMG MORI	Status of attendance at the board of directors' meetings	Note
Masahiko Mori	President, Representative Director	10 / 10	
Hiroaki Tamai	Executive Vice President	10 / 10	
Hirotake Kobayashi	Executive Vice President	10 / 10	
Christian Thönes	Vice President	8 / 10	
Makoto Fujishima	Vice President	10 / 10	
James Nudo	Vice President	10 / 10	
Irene Bader	Director	—	Newly appointed
Takashi Mitachi	External Director	10 / 10	
Makoto Nakajima	External Director	10 / 10	
Hiroko Watanabe	External Director	10 / 10	
Mamoru Mitsuishi	External Director	—	Newly appointed
Eriko Kawai	External Director	—	Newly appointed

Remuneration of Directors and Corporate Auditors

The amount of remuneration, etc. of the Company's directors and Corporate Auditors and the method for its calculation are determined within the remuneration framework approved by the annual general shareholders meeting. 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 Corporate Auditors, remunerations are determined by discussions among Corporate Auditors. The table below shows the remunerations in 2022.

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 Corporate 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.

The Company has adopted the highly transparent remuneration system of Germany, in which remuneration is disclosed regardless of the amount, as its benchmark, given the nature of the Company's business and that the Company 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 business performance of a fiscal year, and a "stock compensation", based on the long-term business performance over multiple fiscal years.

In order to distinguish clear responsibilities among directors and achieve the fiscal year's target, the Company takes 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 amount. The target of each director includes an achievement of societal responsibility such as carbon footprint reduction.

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

The policy and composition of remuneration for directors are consulted with a voluntary remuneration committee consisting of one internal director, one external director and one external Corporate Auditor. Upon the opinion from the remuneration committee, the final decision is made in the board of directors meeting including 4 external directors and 2 external Corporate Auditors. The evaluation of business performance and compensation for each director is also consulted with the voluntary compensation committee. After receiving the report, the amount of remuneration for each director is entrusted to and determined by President and representative Director Dr. Masahiko Mori. Upon the opinion from the remuneration committee, the amount and the process of its determination is reported and approved in the board of directors meeting.

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 and representative director, vice president and representative directors, and other directors (executive vice president). With regard to the 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 and representative director only takes the consolidated business 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 this fiscal year are consistent with the decision policy resolved by the board of directors.

2) Total remuneration per category, total amount per type of remuneration, etc., and number of applicable directors and Corporate Auditors

Category (Director / Corporate Auditor)	Total remuneration, etc. (JPY mil.)	Total amount per type of remuneration, etc. (JPY mil.)			Applicable number of directors and Corporate Auditors
		Basic compensation	Remuneration based on business performance, etc.	Non-monetary remuneration, etc.	
Directors (excluding external directors)	931	516	396	18	5
Corporate Auditors (excluding external Corporate Auditors)	35	30	5	—	1
External Directors	96	96	—	—	4
External Corporate Auditors	30	30	—	—	2
Total	1,092	672	401	18	12

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

2. The figures listed above include the remuneration of 1 Director and 1 Corporate Auditor who retired at the end of the 73rd annual general shareholders meeting on March 29th, 2021.

3. The amount of remunerations, etc. of Directors is based on the decision of the 71st annual general shareholders meeting on March 22nd, 2019, determining that the total annual amount of remuneration shall be within JPY 2 billion (including the annual amount of remuneration for external directors, which shall be no more than JPY 200 million).

In addition, apart from the above, the 70th annual general shareholders meeting on March 22nd, 2018, determined that the total annual amount for transfer restricted shares shall be no more than JPY 300 million for internal directors (and such remunerations shall not be granted to external directors).

4. The amount of remunerations, etc. for Corporate Auditors is in accordance to the decision made at the 59th annual general meeting of shareholders on June 28th, 2007, determining that the total annual amount shall be no more than JPY 100 million.

5. The amounts listed above do not include the remunerations, etc. paid by the Company's subsidiaries.

3) Total amount of consolidated remuneration, etc. per director and Corporate Auditor

Name or position	Category (Director / Corporate Auditors)	Company name	Amount per type of consolidated remuneration, etc. (JPY mil.)			Fiscal Year 2022 (current fiscal year) Total amount of consolidated remuneration, etc. (JPY mil.)	Amount of remuneration Performance evaluation (%)	[For reference] Fiscal Year 2021 Total amount of consolidated remuneration, etc. (JPY mil.)	[For reference] Fiscal Year 2020 Total amount of consolidated remuneration, etc. (JPY mil.)
			Basic compensation	Remuneration based on business performance, etc.	Non-monetary remuneration				
Masahiko Mori	Director	DMG MORI CO., LTD.	199	175	4	379	75	298	177
Hiroaki Tamai	Director	DMG MORI CO., LTD.	99	75	5	180	75	145	91
Hirotake Kobayashi	Director	DMG MORI CO., LTD.	99	70	8	178	70	149	94
Christian Thönes	Director	DMG MORI AG	165	510	—	676	90	453	366
Makoto Fujishima	Director	DMG MORI CO., LTD.	69	59	—	129	85	102	43
James Nudo	Director	DMG MORI CO., LTD./ DMG MORI USA, Inc./ DMG MORI EMEA GmbH	92	87	—	179	95	111	50
External Directors	External	DMG MORI CO., LTD.	96	—	—	96	—	94	90
Toshio Kawayama	Corporate Auditor	DMG MORI CO., LTD.	30	5	—	35	—	33	27
External Corporate Auditors	External	DMG MORI CO., LTD.	30	—	—	30	—	30	28

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

2. President and representative Director Dr. Masahiko Mori is also appointed as chairman of the supervisory board of DMG MORI AG and director of TAIYO KOKI CO., LTD., but does not receive any remunerations from either company.

3. The applicable number of External Directors is 4 for the fiscal year 2022, 5 for the fiscal year 2021 (including 1 External Director who completed his term and retired at the end of the 73rd Annual General Shareholders Meeting on March 29th, 2021) and 4 for fiscal year 2020.

4. The applicable number of External Corporate Auditors is 2 for the fiscal year 2022, 3 for the fiscal year 2021 (including 1 External Corporate Auditor who completed his term and retired at the end of the 73rd Annual General Shareholders Meeting on March 29th, 2021), 2 for the fiscal year 2020.

Message from Germany



Christian Thönes

DMG MORI AKTIENGESELLSCHAFT
Chairman of the Executive Board
DMG MORI CO., LTD. Vice President

2022 – a year of TOP performance for DMG MORI and at the same time a year of major global challenges: worldwide supply and material shortages, high raw material, energy and transport costs, rising interest and inflation rates, but also the ongoing corona pandemic and above all the war in Ukraine. Peace and freedom always take precedence over business interests.

DMG MORI nevertheless achieved a very successful financial year 2022 with all-time high figures for order intake in our core business with machine tools and services as well as for the EBIT margin. DMG MORI has proven to be a stable and reliable partner also under difficult external conditions. Our strong, long-standing network with customers and partners, innovative product portfolio and our highly qualified employees are the backbone of our success.

Our strategic fit and focus on our customers' shopfloors are a perfect match. The combination of machines, technologies, users, automation and digitization enables a high degree of process integration for resource-saving and efficient production. Our innovative solutions make a decisive contribution to the benefit of humans and the environment.

Following our motto "dynamic . Excellence", we dynamically drive forward our five strategic future fields automation, digitization, sustainability, additive manufacturing and DMG MORI Qualified Products (DMQP). At the same time, we optimize our expertise for excellence.

Automation: In addition to our comprehensive machine portfolio with 157 machines, DMG MORI is now also a full liner in automation, too. Our innovative and extensive automation portfolio with 57 products in 13 product lines includes machine-specific, universal and scalable solutions as well as the DMG MORI CELL CONTROLLER LPS 4 as a master control for workpiece, pallet and tool management.

Digitization: DMG MORI Connectivity is the solution for connectivity on the entire shopfloor – incl. 3rd party machines. *my*DMG MORI is our online portal and digital face to our customers. With over 140,000 networked machines, more than 75% of our customers already use *my* DMG MORI and benefit from up to 70% faster response times. CELOS X is a platform-based end-to-end shop floor solution for the connected manufacturing of the future. With CELOS Xperience, local machine and shopfloor tasks are organized in continuous app-based workflows. CELOS Xchange provides a trusted data hub to securely store, analyze and exchange manufacturing data in global production chains. CELOS X will be presented at EMO Hannover 2023.

Sustainability: DMG MORI is globally one of the most sustainable industrial companies. In 2022, we received the platinum medal in the Sustainability Rating from the renowned assessment institute EcoVadis, placing us among the TOP 1% of over 35,000 international evaluated companies. Under DMG MORI GREEN ECONOMY we summarize all initiatives towards the "100% green machine". Both our Company Carbon Footprint and our Product Carbon Footprint are CO₂ neutral through the climate triple "Avoid – Reduce – Compensate". We avoid and reduce emissions wherever possible. We compensate unavoidable emissions with CO₂ certificates. All machines delivered since January 2021 have been produced CO₂-neutrally (Scope 1, 2 and 3 upstream).

Dear shareholders, DMG MORI has a high degree of resilience and the strength to deal with changes quickly and agilely across the world. 2023 remains challenging but we stay confident. And there are good reasons for this:

1. We have a strong foundation and great employees.
2. We innovate and invest at a high level.
3. We believe in stable partnerships.

Progress through sustainable process integration and technologies – that is DMG MORI.

Message from External Director



Takashi Mitachi

External Director

Today, we are at a turning point in history, and various changes continue to increase in frequency and impact. Under such circumstances, how should the Company seize the wave of major changes ahead of its competitors, and how should the Company combine its offense and defense strategy?

Or, if unimaginable changes occur, how can the Company respond to them in an appropriate and quick manner? Maintenance and improvement of corporate value is the goal of the entire Board of Directors and it is the responsibility of external directors to contribute to such goal by providing different perspectives and information sources to the executive divisions which face these management issues head-on.

In addition to the pandemic, new changes and challenges emerged in 2022, including Russia's invasion of Ukraine, supply chain disruptions, the rise of inflation trends due to soaring energy prices, and major changes in exchange and interest rates. At the same time, the global economic cycle has reached its peak, making it a difficult year for the machine tool industry.

On the other hand, in the longer term, this year can be understood as a start of an era, in which the management of the Company is forced to tackle larger and more significant challenges such as how to deal with the macroscopic trends of climate change and digitalization.

For example, with regard to the Corona pandemic, the Board of Directors discussed how the disease may have a major impact on Japanese society and economy at a time when it was merely viewed as a cruise ship issue, and I believe this has helped the executive divisions to respond appropriately to the subsequent suspension of overseas traffic and other situations.

In addition, the machine tool industry is by nature highly sensitive to economic cycles. The simultaneous occurrence of pandemic, the emergence of geopolitical risks, energy price hikes, and supply chain disruptions have caused several industries of our customers to drastically reduce capital investment.

The Company's medium-term management plan is focused on how to overcome these fluctuations of demand in advance, and is designed to create a structure that is less susceptible to the impact of such trends than its competitors and a system that can respond quickly to changes in demand. Based on this, various discussions were held by the Board of Directors, which proactively implemented measures such as diversification of customer industries and regions, review of the scope of in-house production, and various cost-cutting measures.

I believe that this was also due to the fact that the executive divisions and the Board of Directors discussed major strategic issues in advance and prepared for them as much as possible.

This constant review of our customer and geographic portfolio, in turn, will lead to the need to rapidly develop a management team that is able to lead the Company with global perspectives.

The response to digitalization, which is key to our continued growth and profitability, likewise increases the need for a management team with improved digital literacy.

While the Company has taken steps in this regard in the past to stay ahead of its peers in the industry, the Board of Directors intends to contribute to the acceleration of this process as the Company moves forward with the next medium-term business plan.

Message from External Director



Hiroko Watanabe

External Director

Key Issues discussed at the Board of Directors meetings in 2022

In addition to ordinary matters such as reporting, reviewing, and approving the realized sales revenue, order intake, profit, and production volume in comparison to their plans, specific measures to achieve ESG management targets and topics related to digital transformation were often on the agenda during the 2022 board meetings.

For the most part, the Company has achieved above and beyond their targets. On the other hand, one of the most important events of 2022 was the impact of the Russian invasion of Ukraine in February and the Company's response to that invasion. I believe that the Company was able to respond promptly and thoughtfully to the situation by swiftly closing factories and sales and service offices, relocating some employees, and taking care of those who were unable to relocate.

In addition, the Company was able to respond promptly to the soaring energy and logistics costs and to the shortage of parts, which have become even worse since the invasion of Ukraine, and have hampered production in many manufacturing industries. This was due, in part, to the fact that the Company had already concluded a contract with an electric power company that limited our power supply to electricity from renewable energy sources, increased the weight of in-house power generation by starting biomass power generation at our Iga Campus, and was producing many of the key components necessary for production in-house. At the same time, I believe that the Company's medium- to long-term planning and implementation, such as lowering the discount rate and raising added value to enable long-term procurement planning, worked to its advantage during these emergencies.

Efforts to address Sustainability (ESG) Issues

As mentioned above, many ESG management initiatives have been successful.

Last year, I mentioned in this message page about the dispersion of 20 days of paid childcare leave, and I am convinced that the availability to take childcare leave one day at a time within a given fiscal year, along with the flexibility to take part time off on an hourly basis, will further contribute to increasing the rate of male employees taking childcare leave.

We have been striving to create a workplace in which the employees can work in good physical and mental health. Consultation desks for harassments and compliance helpline have been in existence for a while; however, the Company has clarified the contact point for these reports and made it even easier to report them. In addition, the Company built a system in which the information is conveyed to upper management before the situation escalates, so that the management can promptly make improvements.

Generally speaking, the larger the number of people in an organization, the greater the potential for harassment. In addition, it can be that what is good for one person may be unpleasant for another. That is why the Company is committed to creating a system that allows its employees to exercise their abilities to the fullest through by taking measures to prevent harassment, such as by providing coaching and other forms of training, as well as by properly dealing with personal prejudice and minor misunderstandings, rather than turning a blind eye to them.

Points that the Board of Directors should focus on in the future

I mentioned the Russian invasion of Ukraine at the beginning of this article, and I believe that it will become even more important to address economic security issues in the future. It is possible that the government will develop laws, and make various requests and regulations to private companies, including this Company, after considering all possible scenarios which may play out in terms of Japan's economic security. The Company shall consider and implement measures not only within the scope of conventional export control, but also to review the amount and content of parts procured from specific countries, to examine the level of products produced at production sites and the possibility of transfer, and to strengthen management of technical and personal information so that there is no panic in the event of an emergency. Needless to say, even in such cases, we must simultaneously consider how to deal with our employees and serve our customers.

We believe that this is one of the things that should be changed or strengthened at this time, since we have always been quicker to respond than laws and regulations.

Developing the Next Generation of Executive-level Managers Succession Plan

DMG MORI has dynamically evolved and adapted to an ever-changing business landscape, one of the biggest changes being the business integration with DMG MORI AG. The Company is now developing the next generation of executive-level managers to keep its dynamism alive and ensure sustainable and long-term growth.

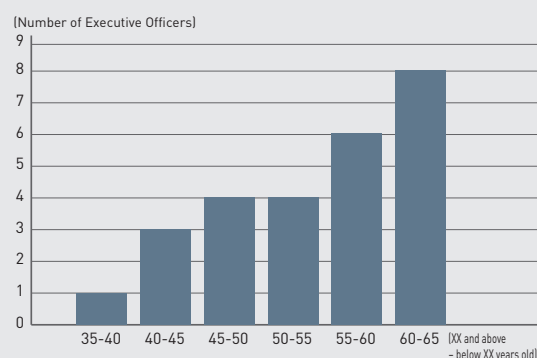
Executive Officers structure

The Company's executive officers are responsible for implementing the PDCA cycle for the departments under their control. As a place to develop the next generation of executive-level managers, the Company places importance on diversity in the composition of our executive officers. The executive officers range in age from those in their late 30s to those in their mid-60s, with the aim of ensuring a stable pool of executive-level managers for the future. In addition, as befits a global company, the executive officers now represent six different nationalities, including one woman. Our goal is to nurture as many people as possible who can take on group-wide managerial responsibilities in the future, starting with the executive officers.

Experience as a president of a major subsidiary or as a head of a business division

Effective January 2022, DMG MORI CO., LTD. was partially spun off as a separate company, and at the same time, each function within the Company was clarified as a division and a responsible person was assigned to each company and division. The responsible persons are mainly executive officers and department managers in their 40s. Taking on management responsibility, including performance management of each company and division, is a step toward becoming the next generation of executive-level managers.

Age composition of Executive Officers



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

Nationality



Risk Management



Arisa Numao

Group Manager
Export Control
Operation Office

Kazuya Yagi

General Manager
Export Control
Operation Office

Export controls

For World Peace and Japan's Economic Security

Q. Why is export control important to DMG MORI?

DMG MORI machine tools are high-performance, dual-use products that can be used for both civilian and military purposes and must be controlled in accordance with the Foreign Exchange and Foreign Trade Act (hereinafter referred to as the "Foreign Exchange Act"). When selling machines to overseas customers, the Company must obtain government permits and approvals after confirming that the product will not be used for military purposes. It is also necessary to track and control the product throughout its life cycle until it is destroyed. This Foreign Exchange Act is for the sake of world peace and stability of the international order, and violations are subject to major penalties including export bans. If exports, which account for more than 80% of our group sales, were to be delayed, the damage would be immeasurable, so the Company makes every effort to ensure that all employees, both in Japan and overseas, are fully aware of these regulations.

Q. Please tell us about the flow of DMG MORI's export control.

Broadly speaking, there are pre-export screening and post-export management. In the pre-export screening, the Company investigates the scope of business and purpose of those who are interested in purchasing DMG MORI machine tools, by gathering information via the Internet or by conducting on-site surveys and confirm whether there are any military concerns. After receiving an order, the Company prepares the necessary documents for application to the Ministry of Economy, Trade and Industry ("METI") and conduct a more in-depth investigation. On the other hand, for post-export management, the Company reconfirms whether there are any military concerns when the equipment is relocated or resold. Furthermore, to prevent inappropriate use in countries of concern or for military purposes, the Company is mounting a machine relocation detection device on the machine that uses GPS location information (which will lock machine operation after detecting a tremor / movement).

As for the internal structure, the Export Control Operations Office plays

a central role in practical matters, and the representative and Executive Vice President makes operational decisions. In addition, the Export Control Committee, headed by the Company's president, makes the final decision on matters of strong concern.

Q. In 2022, Russia's invasion of Ukraine has had a major impact around the world. How did and will this affect DMG MORI's export control program?

Immediately after Russia's invasion of Ukraine at the end of February 2022, the Company made a decision to suspend exports of machine tools and related parts and technologies to Russia and Belarus, as reported in newspapers and other media. Although some of our products had already been approved for export by the Ministry of Economy, Trade and Industry ("METI"), the Company has decided to prohibit exports, including those that had been approved by METI, and to suspend all transactions with Russia and Belarus. This decision has resulted in an increase in the number of cancellations and inquiries, but we are responding to each case strictly and carefully to ensure that neither DMG MORI machines nor other products will be diverted to military use.

Q. Besides Russia, the international situation is changing rapidly. What changes, including changes to your procedures, have you taken as a result?

In Japan, during the period from the latter half of 2021 to the present alone, there have been changes in country categories, embargoes on Russia and Belarus, and revisions to the government's ordinance notifications for "strengthening control of provision of services to non-residents of certain countries" (commonly known as "deemed export controls"). In addition, export control laws and regulations have been tightened overseas, particularly in the United States, requiring increasingly strict controls. In response to these changes in the business environment, the Company has made various changes (as shown in the list below), including the decision to equip machine tools

manufactured at subsidiaries of DMG MORI AG in Germany with relocation detection devices. In addition, since global collaboration is also necessary, we launched the Global Export Control Council in October 2022. Although the meeting has only just kicked off, the export control managers from Europe, the United States, and Japan meet several times a year to share information on legal and regulatory updates and procedures in each region, discuss responses to regulations such as the International Traffic in Arms Regulations (commonly known as "ITAR"), which should be managed and operated globally, and determine company-wide direction and operations. The Company is working to raise awareness and strengthen management of export control throughout the DMG MORI group.

Main implementation items

item	Outline and Purpose
Suspension of transactions with Russia and Belarus (Law revised on March 15, 2022)	To address amendments to the Foreign Exchange Act of Japan and to prevent DMG MORI products from being used in Russia and Belarus for military purposes, including the invasion of Ukraine
Installation of relocation detection device on DMG MORI AG manufacturing machines (from January 2023)	Equipped with relocation detection device step by step To minimize the risk of our machine tools being illegally resold or diverted to military use without our knowledge
Deemed export restrictions (Law revised on May 1, 2022)	Obtain written pledges from all employees once a year To regularly check laws and regulations and to maintain and improve the awareness of all employees
Change in country category	Educate employees (web or in person)
Implement Global Export Control Conference	Share information and decide operations by local responsibilities To enhance DMG MORI's export control

Q. What is unique about DMG MORI's export control program?

For the pre-export screening, the Company emphasizes the importance of onsite visits to customers, in addition to collecting information on the Internet and other sources, so that the Company can conduct a more reliable screening. The onsite visits are categorized into three levels depending on the degree of scrutiny, and the Company has a system in place whereby employees at the

managerial level are required to visit customers with whom the Company has even the slightest concern about military use of DMG MORI products. Another unique aspect about the DMG MORI's program is that the Company is one of the first companies to have introduced machine relocation detection devices, and since 2008, all machine tools manufactured by DMG MORI CO., LTD. have been equipped with such devices, even if they are sold to the Japanese market.

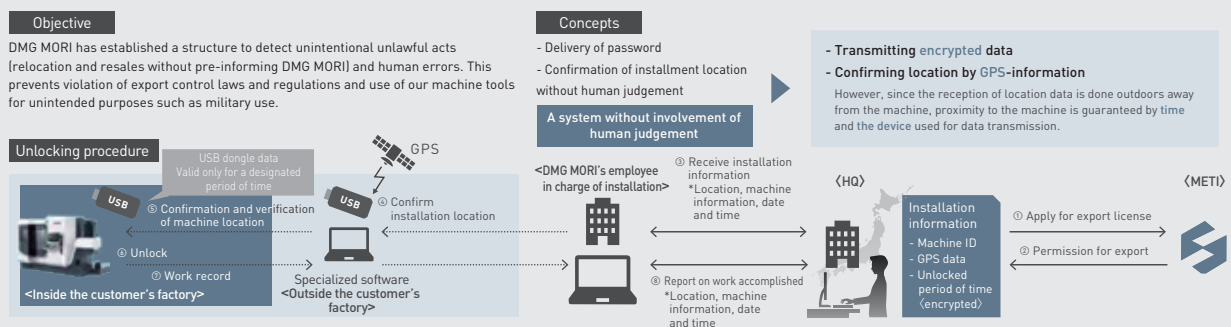
Q. What export control challenges do DMG MORI face?

In order to obtain the cooperation and understanding of approximately 12,000 employees worldwide, the Company needs to make them aware of the rules, procedures, and "why export control is necessary," including the establishment of a compliance system and training. In the current business environment, it is not enough for only those in charge of export control to be familiar with the implications and regulations. It is essential that all employees across the board, such as sales and engineers, understand the applicable laws and internal regulations, and then conduct business, while making sure that customers, suppliers, and others understand them. To this end, the Company has established the "Global Export Control Conference" stated above and is working to make the regulations easier to comprehend and to develop efficient ways of training.

Q. What are your thoughts on the role that the export control program to the society as a whole?

DMG MORI sells machines from each of its production sites, crossing national boundaries and sharing information with colleagues in order to increase satisfaction of customers in diverse industries around the world. At the same time, many nations are tightening law and regulations on exports of products and technologies, and each employee must understand the applicable laws and regulations in different countries and strive to comply with them. Furthermore, we live in a world in which the conflict between the United States and China is intensifying in various areas, including the economic field. In Japan, the term "economic security" was born, and the government is about to strengthen its control on what technology can be shared with other countries. Against this backdrop, I believe that export control is becoming increasingly important not only for the sake of world peace and stability of the international order, but also for the protection of domestic industries and the technology that they rely on.

Preventing unauthorized machine relocation using GPS information



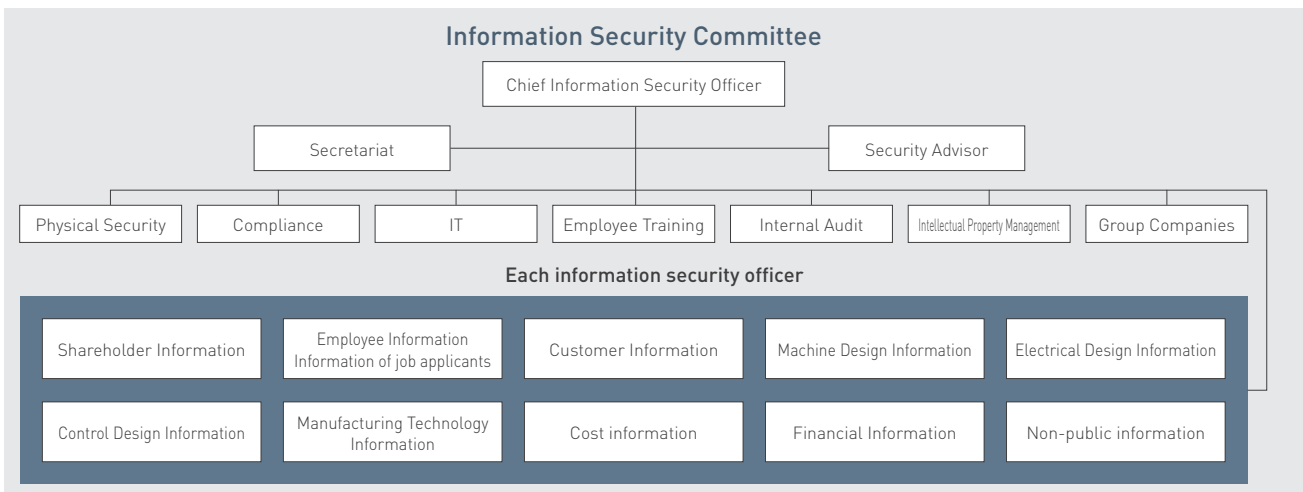
Information Security

In response to the recent increase in the risk of cyber-attacks, the Company has positioned information security as an important management issue. In 2015, the Company has concluded an advisory contract with an external security expert and, since then, formulated an information security policy, established an information security committee, and have been working to strengthen its systems related to information security management. Furthermore, the Company has also established information security committees at its group companies and utilizes such platform to share best practices within the DMG MORI group to respond to increasing threats. DMG MORI places the highest priority on the important information entrusted to itself by its customers and are constantly reviewing its management methods and strengthening its security measures. In addition to internal information management, the Company has also established a security management system centered on the Control Security Committee to protect the security of our customers' networks and services for customers through DMG MORI machine tools. The Company is also promoting the enhancement of security in factories, which are becoming increasingly digitalized, while working together with our business partners.



Promotion System for Improving Information Security

The Company has established a system in which the "Information Security Committee," headed by the director in charge of administration, who also acts as the chief information security officer of the committee, conducts regular meetings and decides on information security management measures, which are deployed to the Company and its group companies. The committee formulates security strategies, promotes employee training on information security, implements security measures, and conducts information security audits, incorporating physical, organizational, and technical measures. In addition, global cyber security meetings are held regularly with overseas group companies.



BCP (Business Continuity Plan)

The Company first created its disaster preparedness manual after the Great East Japan Earthquake in March 2011. Since then, the Company has been continuously updating this manual. The disaster preparedness plan designates employees who shall take the lead for each region and department, including the group companies, in case a disaster occurs. Our activities for disaster prevention include regular updates of the disaster prevention manual, employee training, inspection of disaster prevention equipment, and tests of satellite phones. DMG MORI's global footprint of 16 production sites not only allows quick responses to customers' requirements, but also contributes to continued business operations in case of large-scale natural disasters. To contain the infection of COVID-19, the Company installed four units of PCR testing equipment in Iga Campus to provide testing to employees quickly and at an appropriate timing. Employees with frequent contact with customers and business partners have regular testing opportunities. The Company will strengthen its efforts for preventing infections and maintaining good health conditions of employees; they are the foundation of stable business operations.

BCP (Business Continuity Plan) Basic Plan	<p>Updates on Large-Scale Disaster Preparedness</p> <ul style="list-style-type: none"> • Addition of Hazards (Nankai megathrust earthquakes, larger earthquakes occurring directly underneath highly populated regions, Tsunami) • Addition of production sites and major offices (Nara Campus, Tokyo GHQ, Nara PDC, Nagoya)
	<p>Addition of measures related to pandemic preparedness</p>
BCP (Business Continuity Plan) Action Plan	<p>Renewal of BCP action plans for each department</p>

Principles regarding Compliance

The Company defines criteria for specific actions of directors, executive officers, and other employees by stipulating rules in its Mission Statement, Employee Handbook, Compliance Handbook, Export Control Program, Information Security Policy, and management systems for environment, labor safety and health and quality. By putting these rules into practice, the Company aims to achieve legal and regulatory compliance.

The Company has rolled out multiple compliance trainings for new employees and other staff, depending on their managerial level, as well as other learning opportunities. In addition, the Company has 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, employees can report the matter to a hotline that is operated by a third-party.

We have strengthened our global compliance system, which includes overseas group companies, by establishing an additional multilingual hotlines for internal and external reporting in Japanese, English, Chinese, and eight other languages.

Principles regarding Internal Control

The Company's internal control is based on the "Internal Control Guidelines" resolved by its board of directors.

1. Audit by Corporate Auditors

Corporate Auditors attend regularly held important meetings such as the board of directors' meetings, Executive Officers Meetings and Management Meetings to hear matters to be resolved and reported, and request directors, executive officers, and managers to report as necessary.

2. Internal Audit

The internal audit department, which is an independent dedicated organization with three members and reports directly to the president, audits whether the business of the entire group is executed in an optimized and efficient manner. In addition, the internal audit department evaluates the effectiveness of internal controls of financial reporting (J-SOX) based on the Financial Instruments and Exchange Act. Furthermore, the internal audit department monitors the risk management of subsidiaries and shares its findings upon subsidiary audits by Corporate Auditors and liaison meetings with internal audit departments of subsidiaries. The results of audit carried out by the internal audit department is reported to the president and periodically to the Corporate Auditors, sharing information. The internal audit department has a close cooperation with accounting auditors, exchanging information such as audit schedules and audit procedures as needed.

3. Management of Subsidiaries

With one or more of the Company's directors appointed as directors or corporate auditors of subsidiaries, the directors or auditors attend the board of directors' meeting and other important meetings to receive updates on matters related to business execution from directors of subsidiaries or responsible employees, leading to strengthening the governance of subsidiaries.