



June 30, 2021

To whom it may concern

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|----------------|--|
| Company Name   | DMG MORI CO., LTD.   |
| Representative | Masahiko Mori<br>President and Representative Director<br>(Securities Code: 6141<br>Tokyo Stock Exchange, First Section) |
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## **Announcement Regarding the Issuance of Zero Coupon Convertible Bonds due 2024**

DMG MORI CO., LTD. (hereinafter the "Company" or "we") hereby announces that it has approved by the resolution of the Board of Directors as of June 30, 2021, to issue Zero Coupon Convertible Bonds due 2024 (bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*)) (the "Bonds with Stock Acquisition Rights"):

### **1. Background and Purpose of the Issuance of the Bonds with Stock Acquisition Rights**

We aim to be the Global One manufacturer of turning centers, machining centers, mill turn centers, grinders and processing automation by providing customers with innovative, accurate, and trouble-free machines, automation systems, and digital technology at competitive service and prices. At the same time, we strive to enhance our corporate value and to maximize stakeholder value by offering the most up-to-date and advanced technologies through our direct sales and service network and thus improving the productivity and efficiency of customers all over the world.

Process integration, automation and digitalization of operations are transforming our customers' production sites rapidly, which is a trend accelerated by the changes in the manufacturing environment caused by the global COVID-19 pandemic and its accompanying restrictions on travel as well as the orders to work from home. Our order intake situation is positive thanks to the rising capital investment activities in the global market and the order intake trend in the Japanese machine tool market. In order to respond to customers' expectations, we are promoting automation and digitalization, which uses process-integration machines, such as 5-axis machining centers and mill turn centers, or additive manufacturing machines as a platform, and thus continuing our endeavor to transform from a simple machine tools manufacturer into a total solution provider.

For example, we have started to offer "IoT connector", which helps to make the production process more efficient through accumulation and analysis of data by IoT, as a standard specification of our operating system CELOS. We continue to focus on the development of the latest technologies, for example, non-touch on-machine measuring system

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which is equipped with the latest sensor technologies and measures the workpiece automatically while the workpiece is mounted on the machine tool, and automatic guided vehicle (AGV), a driverless vehicle with human collaborative robot which utilizes local 5G. Furthermore, we offer a software product called “TULIP,” with which customers can easily create applications to support efficiency on the factory floor, and “my DMG MORI,” a one-stop portal site which offers customers the ability to manage all machines on the factory floor and to request repair service remotely, and proves to be an optimal support to customers despite the restrictions caused by the COVID-19 pandemic, which are examples of how we promote automation and digitalization at customer site.

The Chinese market, in which our machinery order intake in the first quarter of the period ending December 2021 was 3.4 times compared to the corresponding period in the previous year, is highly expected to be the next growing market. Looking at the order intake breakdown in China by industry segment, infrastructure and industries related to environmental solution are showing very positive signs, and we are seeing an increased demand for automation solutions which consist of large machine tools and a workpiece transportation system. To meet the growing demand and to increase production capacity in China, we plan to construct an additional building to the factory in Tianjin, which was established in October 2013. We also plan to construct new factory in Pinghu, a city near Shanghai. In these facilities, machine tools, automation systems and components of major units will be assembled and manufactured. Through the increase of production capacity, we would be able to deliver products to customers in China on time. In addition to those in the Chinese domestic market, we aim to contribute to all customers’ productivity through optimization of delivery time, promotion of efficient transportation and prompt response to various demands.

Additionally, we aim to contribute in realizing a sustainable society, which is free of carbon emission and generates less waste. Manufacturing processes, from procurement to shipment (i.e., upper stream process of Scope 3), of any product we produce globally has been carbon neutral since January 2021. We aim to achieve carbon neutrality in our entire supply chain in 2022. We have advanced technologies and abundant experiences to produce parts which will be used in the development and production of green-technology products, for example, renewable energy (such as wind power, hydroelectric power etc.), fuel cells and e-mobility, which are essential to achieve carbon neutrality. Therefore, we believe that we are able to accelerate our business, solve environmental problems, and create our business chances, at the same time.

In this context, we consider that, in order for us to carry out necessary tactics while coping with the environmental changes, it is necessary to invest actively for future growth in a medium- and long-term perspective and to establish a stronger and more stable financial ground. We also considered financing needs, financing costs, diversity in financing methods, effect of dilution, market environment and other factors. With these factors in mind, we decided for the issuance of the Bonds with Stock Acquisition Rights.

Lastly, we today filed an Amendment to Shelf Registration Statement with the Kanto Local Finance Bureau for issuance of unsecured perpetual bonds as one of the methods of funding to establish more stable financial ground.

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Further, we may exercise on September 2, 2021 the call option in the perpetual subordinated bonds we issued on September 2, 2016.

## **2. Use of Proceeds**

The net proceeds of the issue of the Bonds with Stock Acquisition Rights are estimated to be approximately ¥40 billion, and are expected to be applied as follows. Capital expenditures by domestic subsidiaries and abroad will be made through investments and/or loans from the Company to its subsidiaries.

- (1) approximately ¥28.7 billion, to be applied by the end of 2023, towards capital expenditure to reduce environmental impact and improve productivity, including:
  - introduction of biomass and solar energy generation equipment in the Iga and Nara Campuses in order to reduce environmental impact and improve productivity;
  - establishment of the Nara Product Development Centre, which will be a development site for environmentally sustainable and high productivity products using DX and advanced technology;
  - capital expenditure by Watanabe Seikoshō Co., Ltd., a subsidiary which produces casting, a main component in machine tools, to introduce state-of-the-art equipment with reduced environmental impact; and
  - introduction of a consolidated Enterprise Resource Planning system at the Company and its subsidiaries to enable decision making with more precision and speed; and
- (2) approximately ¥11.3 billion, to be applied by the end of 2023, towards investments in growth markets, including:
  - establishment of a second manufacturing site in Pinghu, a city near Shanghai, for producing the DMU Series 5-axis machining centres with specifications which are tailored to the Chinese market;
  - capital expenditure to improve productivity and expand production functions and capacity in the Tianjin Factory; and
  - establishment of a new factory for manufacturing machine tools in Egypt.

## **3. Aims of the Issuance of the Bonds with Stock Acquisition Rights**

We considered methods of funding which enable us to raise funds at as low cost as possible, to have less effect of dilution, and to expand capital flexibly depending on future business environment and financial condition, and then we have determined that the issuance of the Bonds with Stock Acquisition Rights, which have features below, is the optimal method.

- (1) Financing from overseas markets will enable us to diversify sources of financing.
- (2) Dilution of net income per share after issuance is expected to be moderate by setting the conversion price at the level higher than the current market price.

With the Bonds with Stock Acquisition Rights, we strive to stabilize the financial ground and aim to pursue sustainable development and improvement of the corporate value.

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#### 4. Key Terms of Bonds with Stock Acquisition Rights

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|-------------------------------|--|
| 1. Aggregate Principal Amount | ¥40 billion  |
| 2. Closing Date               | July 16, 2021  |
| 3. Maturity Date              | July 16, 2024  |
| 4. Coupon                     | 0%   |
| 5. Issue Price                | 100.0%   |
| 6. Redemption at Maturity     | 100.0%   |
| 7. Call Option                | Redemption at the option of the Company at 100.0% if the closing price of the shares of common stock of the Company for each of the 20 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which the notice of such redemption is first given, is at least 130.0% of the Conversion Price (on or after January 16, 2024) |
| 8. Conversion Price           | Undetermined   |

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