

# Mission Statement (revised in January 2024)

**As a global corporation continually striving to be the world's largest and most respected international manufacturer of turning centers, machining centers, mill-turn centers, grinders, additive manufacturing and process automation, we will:**

Enable our customers to maximize their potential and excel in their respective markets by continually striving to provide innovative, accurate, and trouble-free machines, automation systems, and digital technology at competitive prices;  
Increase our customers' productivity and efficiency through our latest developments in technology as manifested by our increasingly accurate and progressive manufacturing capabilities;  
Support our customers with our knowledgeable and responsive sales, applications, and service personnel.

**As befits a worldwide corporation, we will:**

Foster a fair and open corporate culture, utilizing appropriate management initiatives;  
Play hard and be dynamic to enrich our private lives, study continuously and be open to advance our professional careers, and work together and be innovative to bring innovation to the workplace;  
Respect each other's opinions and continually develop through fair competition.

**As profitability is a goal of all healthy business organizations and in keeping with the true nature of the machine tool industry, we will:**

**Work to increase the value of our company, the investment of all shareholders knowledgeable of the true nature of the machine tool industry, and the prosperity of our partners;**

Always remember that the pricing of our products and services is an integral factor of the prosperity and longevity of the corporation;  
Generate suitable profits to ensure the cash flow necessary to provide for the healthy operation of our corporation, research and development, stable customer services, employee training and development, and the maintenance of safe and efficient manufacturing facilities.

**As an industry leader and responsible corporate citizen, we will:**

Contribute our fair share to our local community and society;  
Conserve environmental resources at all times to preserve the global environment;  
Incorporate the highest standard of ethics while still encouraging an aggressive approach to our business activities.

# Medium-term Business Plan 2025

## Key points

**Management Objectives**

**Provide high value-added products, systems, and services through process integration, automation, DX, and GX**

- Enhanced profitability by offering value-added products with increased average sales price
- Stable growth in sales revenues and profits alongside effective use of resources driven by abundant order backlog
- Strengthened financial resilience through enhanced free cash flow generation
- Stable increase of dividends per share (Target: An increase of JPY 10 per year to reach JPY 100 per share at the end of Medium-term Business Plan 2025)

**Social Needs**

**Fundamental Challenges**

- Operator shortages
- Declining birthrate
- EV transition
- High-mix low-volume production
- Demand for smaller environmental (CO<sub>2</sub>) footprint

**New Challenges**

- Inflation
- Changes in energy policies
- Supply chain optimization (in response to geopolitical & tech-related conflicts)

Effective utilization of management resources (raw materials, labor, etc.)

**Major Management Policies**

**Topline stabilization = Lean use of management resources and diversified profit centers**

- Business model evolution**
  - Shift to high value-added machine models and solutions (5-axis machines, mill-turn centers, additive manufacturing)
  - Strengthening production engineering capabilities (covering all facets of different machining processes)
  - Promotion of DMQP (DMG MORI Qualified Products)
  - Expansion of maintenance and service business
  - Addressing environmental issues and improving economic efficiency through Green Transformation (GX)
- Reinforced business foundation**
  - Building a robust supply chain
  - Expanding capacity for in-house production of components
  - Investing in employees to provide high quality products and services
- Sustainability and social contribution**
  - Achieving carbon neutrality throughout the value chain
  - Offering greater education / training opportunities around the world

# First Year Results of the Medium-term Business Plan 2025

	2022 Results	2023 Results	2025 Target
Sales revenues	JPY 474.8 billion	JPY 539.5 billion	JPY 600 billion
Operating profit	JPY 41.2 billion	JPY 54.2 billion	JPY 72 billion
(Operating profit margin)	8.7%	10.0%	12.0%
Net profit	JPY 25.4 billion	JPY 33.9 billion	JPY 48 billion
(Net profit margin)	5.4%	6.3%	8.0%
ROE	11.1%	13.2%	>12.0%
Dividends per share	JPY 70	JPY 90	JPY 100
Net interest-bearing debt*1	JPY 47.6 billion	JPY 68.7 billion	JPY △30 billion
(incl. hybrid capital)	JPY 166.4 billion	JPY 179.5 billion	JPY 80 billion
Free cash flows	JPY 24.9 billion	JPY 14.9 billion	3 year cumulative total JPY 100 billion
Shareholders' equity ratio	36.1%	35.0%	>50.0%
Capital expenditure	JPY 41.1 billion	JPY 42.5 billion	3 year cumulative total JPY 100 billion
R&D investment	JPY 22.3 billion	JPY 28.2 billion	3 year cumulative total JPY 100 billion
Automation ratio	—	37%	50%

\*1 (Long- and short-term borrowings + convertible bonds) - (cash and cash equivalents + short-term financial assets).

## Growth Investment in 2023

### High value-added products and software



- Development of ERGOline X / CELOS X
- World premiere of INH Series
- In-house production of key components
- Investments in line with intellectual property strategy

### Automation systems and peripherals

- Upgrading Nara System Solution Plant
- New additions to DMQP lineup (DMG MORI Qualified Products)
- New online shop on my DMG MORI

### Renewable energy

- Solar panels on factory roofs
- Electric furnaces for casting production

### Engineer training

- New Academies nationwide
- New curriculum combining face-to-face lectures and e-learning programs
- Hiring and developing female engineers

### New ERP system

- First launch in Bielefeld, Germany, in 2022, and global rollout planned

## Human Capital

- Annual salary\*<sup>1</sup> Average: JPY 8.92 million (JPY 8.35 million in 2022)
- Annual working hours\*<sup>1</sup> Average: 2,035 hours (Target: 2,000 hours)
- Paid holiday\*<sup>1</sup> Average: 17.9 days taken (Target: 20 days / year)
- Selected for "Health & Productivity Stock Selection 2024"\*<sup>2</sup>

## Environment

- Scope 1 & 2 CO<sub>2</sub> emissions equivalents reduced as planned
- 2030 Scope 3 target to be increased (▲13.5% → ▲27.5% vs. levels in 2019)
- Awarded A- rating by CDP for "Climate Change" and "Water Security" categories in 2023

## Society

- Enhanced supplier engagement
- Increased in-house production of key components
- Industry-wide human resources development
- Revitalization of landscapes around our factories

## Governance

- New Director candidate to promote board diversity (External 42%, Female 25%, Non-Japanese 25%)
- Globalized executive team, representing 7 nationalities across diverse age ranges (30s-60s)

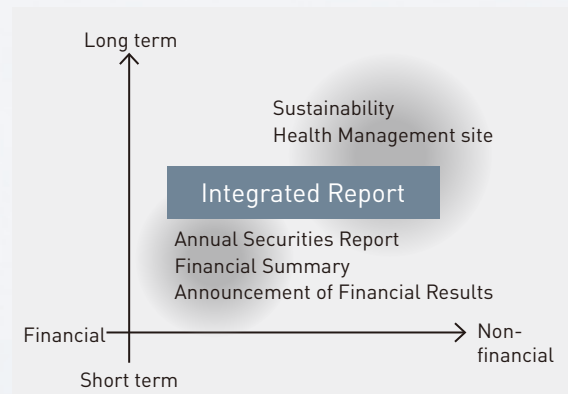
\*1 Japan only

\*2 "Health & productivity management" is a registered trademark of the non-profit organization Kenkokeiei.



# About the Integrated Report

Our Integrated Report serves a dual purpose. It not only aims to provide our stakeholders with an understanding of our current business operations but also serves as a communication tool to foster dialogue and contribute to our corporate value over the medium to long term. The Integrated Report is prepared with reference to the Integrated Reporting Framework recommended by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation provided by the Ministry of Economy, Trade, and Industry of Japan. For the year 2023, we have placed significant emphasis on disclosure aligned with the value creation process advocated by the IIRC. Our aim is to illustrate the growth of our various types of capital through our business model, Machining Transformation.



## Reporting organizations

134 DMG MORI Group companies (as of December 31, 2023), including DMG MORI CO., LTD., 125 subsidiary companies, and 9 affiliate companies.

## Reporting period

Fiscal year 2023  
(January 1, 2023 – December 31, 2023)

\*The report may partly include matters outside of the above-mentioned period.

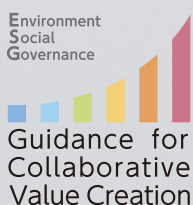
## Key Points of 2022

The Integrated Report 2022 gives a holistic introduction of our new business model "Machining Transformation" and outlines our roadmap to achieve our Medium-term Business Plan through high-value-added strategies. Furthermore, we share insights of how we address medium- and long-term management challenges through discussions with our CEO, CFO, institutional investors, and securities analysts to offer transparency in our interactions with investors. In addition, we showcase numerous specific examples of how we address climate change and highlight our pioneering approach in topics called for by our stakeholders.



## Key Points of 2023


The Integrated Report 2023 offers a comprehensive and detailed explanation of the positive cycle of sustainable growth generated by Machining Transformation. By summarizing our business risks and opportunities and disclosing our materiality, we showcase our effective allocation of management resources. Moreover, to provide greater insight into our human resource development efforts, we put emphasis on our employees not only in Japan but also in various locations worldwide, including Germany and the U.S. This conveys the diversity and richness of our workforce, which comprises over 13,000 individuals.



This Integrated Report was created by referring to the "The Guidance for Collaborative Value Creation" by Ministry of Economy, Trade, and Industry of Japan and "The International <IR> Framework" by the International Integrated Reporting Council.

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# Message from Group CEO



Masahiko Mori

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

## Enhancing Customer Productivity and Corporate Value through Machining Transformation (MX)

The year 2023 - the first year of the Medium-term Business Plan 2025 - kicked off with great momentum. We reached a significant milestone by achieving a 10% operating profit margin. Our goal is to revolutionize the manufacturing industry through Machining Transformation (MX), which involves process integration, automation, Green Transformation (GX), and Digital Transformation (DX). At the core of our efforts is our direct sales and service organization - a key strength that enables us to connect with customers worldwide. We strive to establish a positive cycle: when customers recognize the substantial value in our proposals, it ensures a sustainable profit margin. Simultaneously, we invest in our people, facilities, and research to enhance our overall company value, fostering long-term growth.

While the machine tool industry faced a challenging year with declining orders in the global market, our strategic approach enabled us to achieve a significant increase in sales, profits, and dividends compared to 2022. Regarding the financial results of 2023, consolidated orders

totaled at JPY 520.0 billion, down only 4.1% from the previous fiscal year. Sales revenues were JPY 539.5 billion, up 13.6% from the previous year. Operating profit was JPY 54.2 billion, up 31.4%, and net profit was JPY 33.9 billion, up 33.6%, reaching a new peak level following 2022. The operating profit margin improved to 10% (vs. 8.7% in 2022) and the net profit margin to 6.3% (vs. 5.4% in 2022). This increase was driven by higher unit order prices and lower discount rates as a result of providing high value-added solutions to our customers. Sales in the service and spare parts segment (22% of total orders) also contributed to stable growth with an increase of 16%. In 2023, we validated that our MX strategy is being well accepted by customers, reinforcing our confidence in our ability to achieve the goals of our Medium-term Business Plan.

However, we fell short of our targets in terms of cash flows and financial position. The net debt balance at the end of December 2023 was JPY 179.5 billion (End of December 2022: JPY 166.4 billion). This rise was due to a temporary increase in parts and materials inventory, aimed at mitigating supply chain

disruptions. However, this problem has been resolved since the fourth quarter with improvements anticipated starting in 2024. Furthermore, with the conversion of convertible bonds into shareholders' equity set for July 2024, we are optimistic about reducing the net debt balance to less than JPY 80 billion at the end of 2025, as planned.

To further ensure the success of our Medium-term Business Plan goals and pave the way for sustained growth thereafter, we must address our key challenges: 1) Adapt to significant changes in the business environment and customer demands, 2) Restructure our management organization to support global business development, 3) Enhance our export control framework in response to geopolitical uncertainties, and 4) Increase our investment in talent development.

### 1. Significant Changes in the Business Environment and Customer Demands

The manufacturing industry faces pressing challenges, including the worldwide shortage of machine operators, the demand for ultra-precision machining technologies in growing sectors, and the imperative to address social and environmental responsibilities. Moreover, escalating global geopolitical risks are reshaping supply chains and impacting economic stability worldwide. To meet these societal needs, our customers seek holistic solutions. In addition to enhancing machine performance - such as precision, speed, rigidity, and durability - we advocate integrating production processes and deliver comprehensive solutions to optimize efficiency. We refer to this strategy as "MX" (Machining Transformation) and see it as crucial for our customers to thrive in the rapidly changing manufacturing landscape.

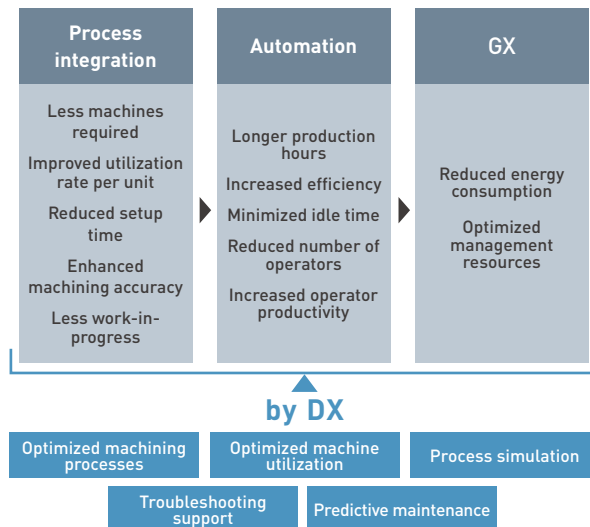
#### MX to Meet Evolving Processing Needs

MX (Machining Transformation) is our strategy to fundamentally transform traditional machining processes to drive value creation for our customers. In this transformation, the key sequence is "process integration → automation → and GX (Green Transformation)", which is facilitated by DX (Digital Transformation).

Process integration means that cutting operations such as turning, milling, and gear cutting, typically performed on several specialized machines, can now be integrated into single 5-axis machines or mill-turn centers. This also includes non-cutting processes like surface treatment and finished workpiece measurement. In the next step, we add automation systems to our process-integration machines. Process integration and automation together lead to less operators being required, reduced intermediate inventory, and extended machine utilization. Moreover, once a material is clamped, all surfaces can be machined without the need for re-clamping, thereby eliminating deviations and enhancing the accuracy of the finished product. The reduced number of machines and related peripheral equipment, along with reductions in cycle time and idle time, lead to lower power consumption and reduced use of other consumables. These environmental benefits and management resource optimizations contribute to GX. Furthermore, our Digital Twin technology allows for computer simulations of part machining, further facilitating the optimization of machining methods and production planning while reducing the use of resources. In addition, we utilize AI to

analyze and leverage our machining know-how gathered from having installed around 300,000 machines worldwide. The gained expertise is then applied to our customers' machining processes, fostering productivity enhancements and facilitating predictive maintenance.

#### | Effects of Introducing MX



#### Our Diverse Resources Enable MX

DMG MORI has the vertically integrated management resources required to achieve MX, including:

- A wide selection of process-integration machines such as 5-axis machines, mill-turn centers, and additive manufacturing (AM) machines
- Diverse lineup of standardized automation systems and DMQP (DMG MORI Qualified Products) that contribute to enhanced machine utilization
- Application software for optimizing machining processes, supporting process design, workpiece and pallet handling, and measurements
- A global team of application engineers proficient in proposing the most efficient machining methods and conducting machine installation
- A global team of service engineers capable of solving problems after installation
- Efficient system for swift delivery of spare parts, supported by in-house production of key components

We are continuously expanding our lineup of process-integration machines. In 2023, we released several new models, including the new INH 5-axis control horizontal machining center. We have approximately 13,000 employees worldwide, with roughly 5,000 dedicated to manufacturing and quality control. The remaining 8,000 are engaged in marketing, sales, engineering, and service, with around 3,000 specifically in



application and service engineering roles. With our diverse and global workforce, we are fully equipped to deliver the best support to our customers. Building upon our diverse management resources, DMG MORI has evolved from a mere machine tool manufacturer to being an engineering trading company (a manufacturing solution provider), offering a complete range of machining solutions as a one-stop shop for customers.

The most important factor in delivering solutions lies in having direct communication channels with customers. Through our collaboration with former GILDEMEISTER AG (hereinafter referred to as "AG") in Germany, we have built and gradually expanded a direct sales and service organization. Today, we manage key accounts consisting of major corporations with global operations. These key account customers are restructuring their production sites and supply chains to address issues such as quality control, geopolitical risks, sustainability, and critical component procurement. Therefore, they seek a reliable partner capable of delivering high-performance machine tool systems and swift maintenance services of consistent quality on a global scale.

We consider our ability to offer consistent communication, quality, and pricing across all regions without the necessity of local distributors and intermediaries as a growing advantage. Moreover, we have diversified our customer base beyond the automotive industry to include sectors such as aerospace, medical, and die & mold. This shift enables us to concentrate on technical negotiations with leading customers in each industry, free from the constraints of price-based competition and short delivery times.

Marketing also plays a crucial role in enhancing our direct engagement with customers. In 2023, we participated in EMO 2023, the world's largest machine tool trade fair held in Hannover, Germany. Securing a large booth allowed us to effectively showcase our unique approach and differentiate ourselves from competitors. However, as the importance of providing tailored proposals aligned with individual customer needs continues to grow, we recognize the necessity for more targeted strategies. One of our key strengths lies in our implementation of MX across our 17 production sites around the world. When customers visit our plants and experience the benefits of MX firsthand, it significantly influences their investment decisions. We will continue to promote our unique value propositions directly to our customers by participating in major global trade shows and inviting them to visit our plants and showrooms.

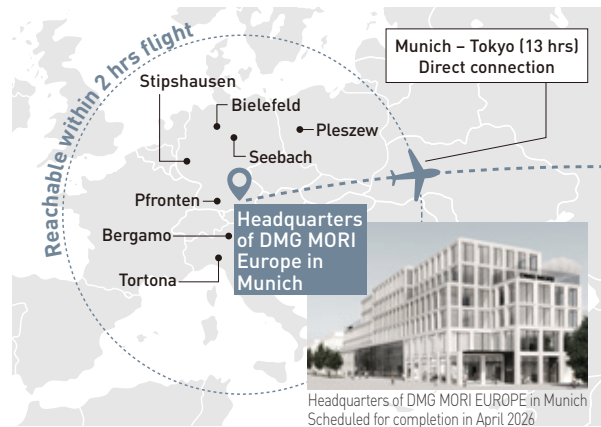
## 2. Restructuring our Management Organization

### Governance of Group Companies

Fifteen years have passed since we started the business and capital alliance with AG in 2009. Although we have grown steadily as "DMG MORI," there is an increasing need to further enhance our globally integrated management to address security concerns arising from geopolitical risks, inventory surges due to disruptions in the supply chain and logistics, and fluctuations in

exchange rates. Therefore, we have changed our internal organizational structure. Until now, the directors of the former Mori Seiki Co., Ltd. and AG have played a central role in ensuring alignment of management policies. However, in order to cope with the above-mentioned dynamic shifts in the economic landscape, as of 2023, we have shifted to a system where uniform information and decision-making processes are shared among executives worldwide. Specifically, we have increased the number of executive officers from AG, resulting in over 40% of the 41 members of the Executive Committee now being non-Japanese nationals. Additionally, we are actively fostering younger talents in their 40s to promote a global management perspective among our executive candidates.

Each of our European plants, known by names such as Deckel, Maho, and GILDEMEISTER, has a rich history of manufacturing unique products renowned for their cutting-edge technology and superior quality, each with its own distinct brand identity. While honoring these products and brands, in order to foster a sense of unity as the DMG MORI Group and share it with our stakeholders worldwide, including customers and employees, we will establish our European headquarters in Munich in 2024. Additionally, we will proceed to unify the names and logos of our subsidiaries under the global brand "DMG MORI," ensuring a cohesive identity across our entire organization.



## M&A Initiatives

To accelerate the long-term growth of the DMG MORI Group, we will also pursue M&A opportunities. Although we have substantial resources to promote MX, there are still areas for future improvement, such as expanding our customer base and increasing the number of R&D designers and engineers to meet the growing demand for automation. M&A presents itself as one effective method to achieve these goals.

We started negotiations with KURAKI Co., Ltd. (hereinafter referred to as "KURAKI") to join DMG MORI Group in 2023 and successfully closed the deal on January 5, 2024. With the addition of KURAKI's CNC horizontal boring and milling machines, we can effectively expand our product lineup and broaden our customer base. Furthermore, KURAKI's many

talented development designers and engineers will assist us in meeting customer demands in the future. So, we believe that this was the optimal M&A deal to enhance our management resources. KURAKI is situated in Nagaoka City (Niigata Prefecture), known for its rich heritage in the machine tool industry, coincidentally where our group company TAIYO KOKI also has its headquarters. Moving forward, we aim to enhance the corporate value of both companies and actively contribute to the development of Nagaoka. Although the KURAKI brand is well known, we plan to change the name to DMG MORI Precision Boring in April 2024 to foster a sense of unity as one group.

### 3. Strengthening our Export Control System

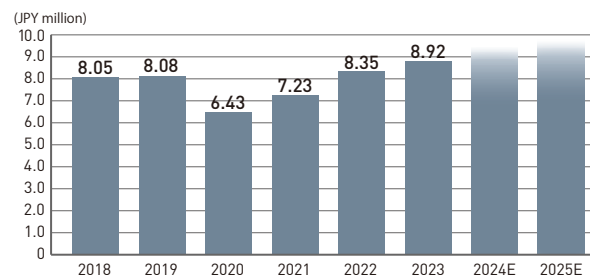
Amidst heightened geopolitical risks, some media outlets reported that DMG MORI machines manufactured in Russia were sold to companies after the invasion of Ukraine, and that machines manufactured by AG were resold in China. The former incident occurred under wartime conditions beyond our control, while the latter involved an illegal resale at the shipping destination, neither constituting a violation of laws which apply to us. We have been quick to strengthen our export control system, placing great importance on economic security. These two incidents have highlighted once more the need for additional measures beyond legal requirements to prevent unauthorized sales. On a positive note, these news reports have helped raise awareness about the importance of machine tools and the need for stricter export controls among the general public.

As a measure to strengthen our export control, we have been installing relocation detection devices since 2006. If a machine tool equipped with this device is relocated without permission, the machine will automatically activate a lock mechanism, rendering it inoperable. This prevents the machine from being relocated without prior notification and permission. In 2023, we have finally made the installation of the relocation detection devices also mandatory for all machines produced outside of Japan. We will continue to build a more sophisticated export control system and strictly enforce it throughout the world.

### 4. Investments in Human Capital

We have approximately 13,000 highly skilled employees around the world, and we remain committed to investing in their development to enhance our company's productivity. Since 2022, we have been adjusting employee salaries to better reflect job responsibilities, skills, and qualifications. Furthermore, we have set salary levels above industry standards to attract the best talent and reduce turnover, thereby ensuring that we can provide top-tier solutions to customers. While major revisions were completed in FY 2023, we intend to continue adjusting salaries regularly in line with the global inflation. We are aiming to eliminate salary disparities among employees across different countries by around 2030.

### Average annual income of employees (Japan)



\* Includes base salary, qualification salary, position salary, bonus, child allowance, housing allowance, and overtime allowance.

\* Excludes dormitory / company housing, meal allowance, commuting allowance, employee stock ownership incentive, childcare expense support, travel expense support for family visits, medical checkup support, and other fringe benefit related payments.

Our management philosophy is "Play Hard + Be Dynamic, Study Continuously + Be Open, Work Together + Be Innovative."

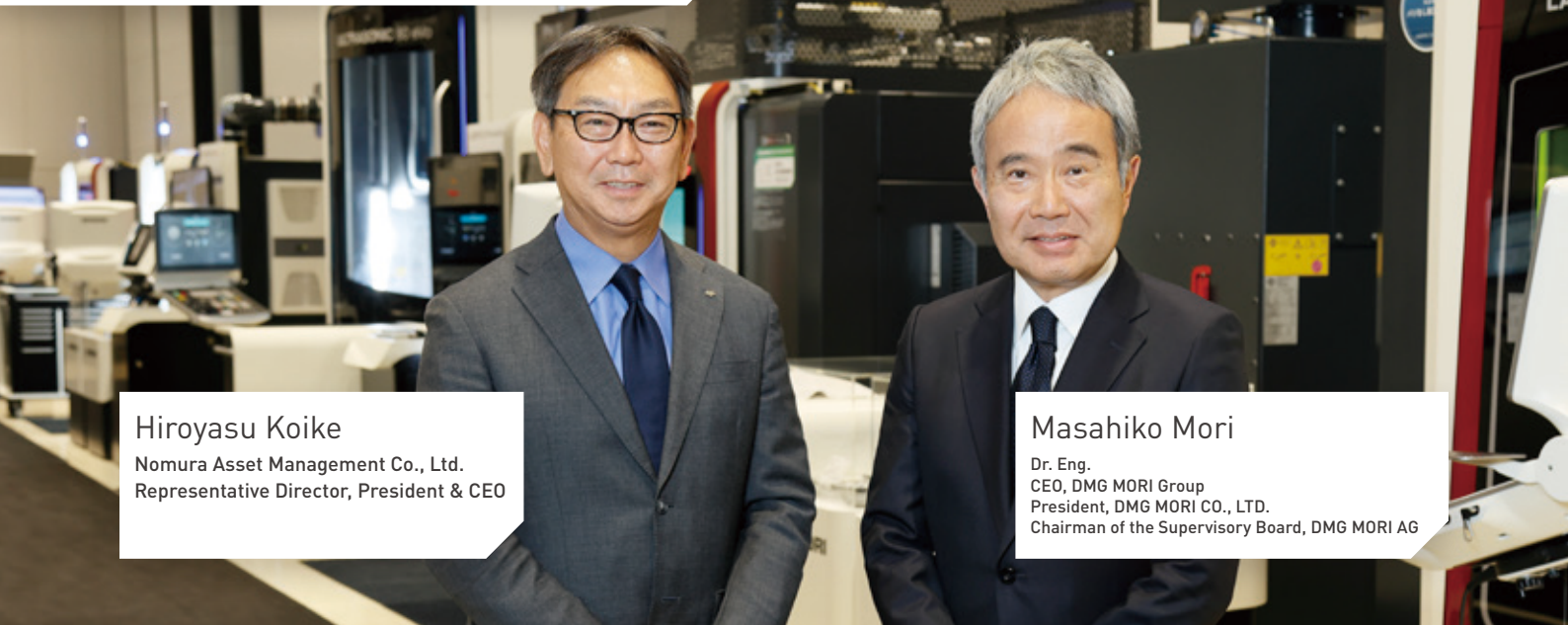
"Playing hard" encompasses not only fostering a vibrant work environment but also the maintenance and enhancement of physical and mental well-being. As part of this commitment, we are improving our physical checkup and preventive medical care system while also offering nutritionally balanced meals to support the health of our employees. In recognition of our efforts, we were certified as "White 500" by METI's Health & Productivity Outstanding Organizations Recognition Program in March 2023 and were selected in their "Health & Productivity Stock Selection" in March 2024.

Embracing the principle of "Study Continuously," we are also committed to fostering the skill development of our employees. To this end, we have been expanding our employee training programs according to job type and position. Special attention is given to engineer training, with our DMG MORI ACADEMY and group company TECHNIUM CO., LTD. collaborating to develop curricula, educational materials, and offer guidance. Through these efforts, we promote "Working Together" and enable the company as a whole to create higher added value.

The know-how we have developed through our in-house engineering training has become an important foundation for providing value to external parties such as our customers' operators and students. We offer hands-on training on actual machines at our DMG MORI ACADEMY facilities, as well as lectures and practical training at the Faculty of Engineering at Nara Women's University, a faculty which was established in 2022. In collaboration with technical colleges, we have also started to offer the "Digital Monozukuri Practice Course" across the country. In the increasingly sophisticated and complex field of engineering, our efforts contribute to the development of engineers regardless of gender and to the development of the industry as a whole.

With dedicated commitment to implementing these initiatives, we aspire to address both societal and customer concerns, while ensuring the successful realization of our Medium-term Business Plan 2025 and fostering sustainable growth thereafter. In doing so, we strive to enhance our corporate value and meet the expectations of all stakeholders, including our valued customers, employees, and shareholders.

# Shareholder Engagement



**Hiroyasu Koike**

Nomura Asset Management Co., Ltd.  
Representative Director, President & CEO

**Masahiko Mori**

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

This article was prepared by Nomura Asset Management Co., Ltd. and translated into English by DMG MORI.  
[Conversation held in November 2023.]

DMG MORI has its origins in 1948 when it was founded as Mori Seiki in Yamatokoriyama, Nara Prefecture, initially focusing on manufacturing and sales of textile machinery. From the 2000s onward, the company expanded through a series of strategic mergers and acquisitions. In 2009, it initiated a partnership with the German company GILDEMEISTER (DMG, hereinafter "AG"), ultimately acquiring a controlling stake in 2016. In this interview, Dr. Masahiko Mori, President and Group CEO of DMG MORI, and Mr. Hiroyasu Koike, President and CEO of Nomura Asset Management, elaborate on the company's sustained growth and its position as a world-class player in the machine tool industry.

## Key to Successful Machine Tool M&A: Approaching New Customers in the Right Way

**Mr. Koike:** DMG MORI became the world's largest machine tool company through a business merger between Mori Seiki and the German DMG. Since you became president, I have noticed that DMG MORI has enhanced its growth trajectory by increasing in-house parts production, and reinforcing its service capabilities. After the acquisition of AG, DMG MORI has been transitioning to a direct sales structure. Could you give us some background and thoughts on the change in management policy?

**Dr. Mori:** After graduating from college in 1985, I joined ITOCHU Corporation and worked in textile machinery. Carbon fiber was just starting to be introduced and I was selling related equipment to major Japanese synthetic fiber manufacturers. Observing companies during the challenging economic times

has significantly shaped my belief in the necessity of continuous corporate growth.

I returned to Nara in 1993 and took over the company from my father in 1999, when I was 37 years old. The turning point for me came in 2002 when we took over the business of Hitachi Seiki. At the time, Hitachi Seiki was our largest competitor, but it was practically insolvent. Our substantial cash reserves through our main bank, on the other hand, allowed us to acquire their Japanese business.

**Mr. Koike:** What insights did you gain from this M&A?

**Dr. Mori:** I believe that successful M&A in the machine tool industry is all about approaching new customers in the right way. The first thing we did after the business transfer was to train our service personnel in how to repair the machines of Hitachi Seiki. By this, we expanded our service capabilities and gradually began to receive more repeat orders. Following this success, we ventured



into the global market and acquired DIXI (Switzerland) and TOBLER (France), but these acquisitions were not that smooth.

## Preserving the Diversity and Creativity of Local Employees

**Mr. Koike:** Could you share details about the acquisition of AG and what you took into consideration?

**Dr. Mori:** Around 2008, when the global machine tool industry was in a state of flux due to the financial crisis ("Lehman Shock"), I reached out to several German machine tool companies. While most declined, the management of AG was open to discussions about a potential collaboration. Ultimately, this paved the way for our management integration in 2016, and we have since operated as a unified company. I attribute our success to the preservation of diversity and creativity within our development and production teams in Germany and Italy. We embraced our differences and harnessed them as a driving force for innovation.

The management integration had a positive impact on our employees in Japan. Simply put, we were able to realize that we had become a leader in our industry. As DMG MORI, we established relationships with leading European companies such as Siemens, Rheinmetall, and Volkswagen in Germany, becoming a comprehensive provider from the initial test cutting to the final product delivery. I believe this has contributed to creating a sense of enjoyment and excitement in the work of our younger employees.

The integration has diversified our project portfolio and expanded our global reach. We now have the ability to partner with customers worldwide on cutting-edge processes and materials in various industries like aerospace and medical. For instance, we are currently collaborating with a customer in the race car industry, supporting them in manufacturing new engine parts from 2026. Additionally, in the field of semiconductor lithography equipment, we have been approached by a major manufacturer of ultraviolet lithography equipment for the production of next-generation models.

## Aiming for Enhanced Corporate Value by Optimizing the Balance Sheet

**Mr. Koike:** I can see that DMG MORI built such a strong and trusted brand that manufacturers find it difficult to develop new products without seeking your expertise. After undergoing changes through M&A, what future vision and strategies do you have in mind?



**Dr. Mori:** Our sales revenue in 2022 was JPY 474.8 billion. I think there is room for organic growth to about JPY 800 billion by 2028-2030, our 80th anniversary. We are optimistic about the future because of the ongoing global consolidation of machine tool companies. With the role of distributors decreasing, our strong direct sales structure allows us to engage directly with customers and positions us well against competition, particularly in the United States and Europe.

Although distributors have historically played a strong role in Japan, we are witnessing a similar shift here as well. We have developed into a one-stop provider of comprehensive manufacturing solutions including peripherals through direct sales. We are also in the process of setting up a new system that utilizes our Digital Twin technology to test the operation of complete automation systems with peripherals. Additionally, we recognize the demand for annual maintenance of machine tools and recurring tasks like replacing consumable parts, and we are well-positioned to address this need.

**Mr. Koike:** While your ROE is close to the target level, your ROIC is relatively low and needs to be improved. To enhance the corporate value, it will be essential to achieve a reduction in interest-bearing debt, including hybrid capital, as planned in your Medium-term Business Plan. Can you share your perspective on maintaining a consistent and balanced approach between growth and financial strategies?

**Dr. Mori:** Given DMG MORI's sales target of JPY 600 billion, it is appropriate that its total balance sheet should be approximately the same amount. However, our current total assets amount to over JPY 700 billion. We are just entering the final stage of our business integration and are in an irregular situation where various financial burdens arise. We expect to be able to reduce interest-bearing debt by about JPY 100 billion by 2025, including redemption of subordinated debt. In that sense, we are trying to strike a balance.

The current asset increase is also due to the fact that the lead time for MRP (Material Requirements Planning) had

been extended by almost a year in response to the shortage of electronic materials, and product inventories are increasing as the construction of customer plants is delayed. We rarely receive order cancellations thanks to 30% up-front down-payment with little risk in our inventory assets. We are planning to reduce inventories. Improving profitability is also a key focus for us, and we are actively pursuing in-house production of parts and software. As our operating margin increases, we anticipate improved cash flow, aligning with our planned balance sheet adjustments.

### A Leader Must Understand the Customer's Perspective

**Mr. Koike:** I hope you will continue to share such interesting stories with the stock market. Nomura Asset Management revised its Proxy Voting Standards for Japanese companies on November 1, 2023. We recommend that the board of directors functions as a monitoring board, supervising management execution with a majority of external directors. Could you tell us about the governance of DMG MORI?

**Dr. Mori:** Since acquiring shares in AG, a listed company in Germany, in 2009, I have been involved in the management and participated in the Supervisory Board meetings. And since holding more than 75% of the shares and concluding the domination agreement, I have also served as the chairman in the General Meeting of Shareholders.

On a personal note, I am a member of the administrative council of Kyoto University, my alma mater, and of Todaiji Junior & Senior High School. I believe that their approach to improving the organization by gathering opinions of people in various positions is similar to company management.

**Mr. Koike:** Looking at the members of the board of directors so far, I strongly feel the high awareness of the importance of diversity. I would like to ask you about your current thoughts on the succession plan for the next president after you.

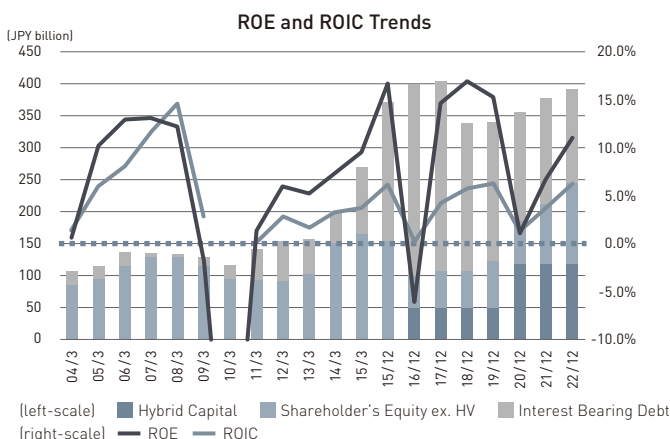
**Dr. Mori:** The year 2028, our 80th anniversary, will be the threshold of the succession. I believe that the executive officers who are currently around 50 years old are likely to be candidates.

The qualities we seek in future leaders include a strong customer-centric perspective. It's crucial to understand the demographics of our customers, their needs, and how they utilize machine tools to advance their businesses. We define our approach as that of 'Shoku-Akindo' or professional merchants. In essence, we operate as a vertically integrated business entity, distinct from being a mere manufacturer or a trading company. We seek individuals who can take an overarching view of our operations, and we invest in internal training to foster this capability.

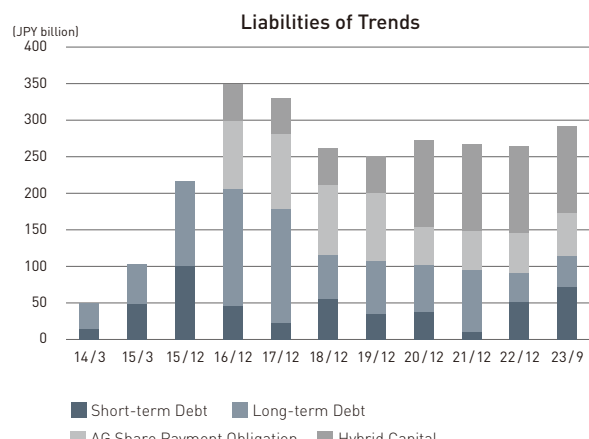
### Promoting Innovative Human Capital Management

**Mr. Koike:** I can see that the succession plan is built as a growth strategy. If you were to identify any challenges or management risks, what would they be?

**Dr. Mori:** One risk is the violation of export control laws and regulations. Since machine tools are products that can be used for both civilian and military purposes, we must always be very careful in confirming end users and applications. Export control laws, regulations, and government protocols can differ significantly from one country to another. It's crucial for us to ensure strict compliance with each country's specific rules and provide honest and precise information. This also includes



(Source) Prepared by Nomura Asset Management based on securities reports of DMG MORI CO., LTD.



(Source) Prepared by Nomura Asset Management based on securities reports of DMG MORI CO., LTD.



displaying accountability in case there are media reports about our products being illegally resold.

**Mr. Koike:** Regarding sustainability management, I can see that DMG MORI has taken proactive steps from a relatively early stage. The Integrated Report released in 2019 showed that you had already considered environmental and health factors in your human resource development. In particular, the Medium-term Business Plan mentions "further investment in human resources that will enable us to provide high-quality products and services." What are your thoughts on human capital?

**Dr. Mori:** Shortly before 2019, one of our employees committed suicide. This made us deeply reflect on our organization and marked the starting point of our efforts. Up to then, we had been working on improving the system, such as encouraging the use of paid holidays, but we had not yet put our souls into it. After this incident, we were determined to transform into a progressive and socially responsible company.

In our workforce, we have employees stationed at regional levels, those who operate across different regions, and those who work internationally. As a company, we can create added value by establishing clear roles and offering continuous education and trainings to the employees. This includes the development of the expertise needed to customize machine tools to meet customer specifications and deliver comprehensive packages, including software and peripherals. Such specialized skills cannot be acquired at a university or through an MBA but can only be taught at DMG MORI. We provide comprehensive trainings to our employees, who ultimately transform that knowledge into their own strengths. Similar to how airlines train pilots and medical institutions train doctors, our social mission revolves around advancing technology in the field of machine tools, which is directly linked to human capital management.

We learned a lot about human capital management from our German counterparts. An illustrative example of this is the high utilization rate of paid holidays. Germans are dedicated to enhancing productivity while minimizing overtime hours. This is reflected in their national

discourse about 4-day workweeks and rising global GDP ranking.

Ninety percent of our sales revenue comes from overseas. We are a group of machine tool experts, and we can generate value by doing unique things that set us apart from typical Japanese companies.

## Low Valuation of the Machine Tool Industry is a Challenge

**Mr. Koike:** What is your impression of the valuation in the Japanese stock market?

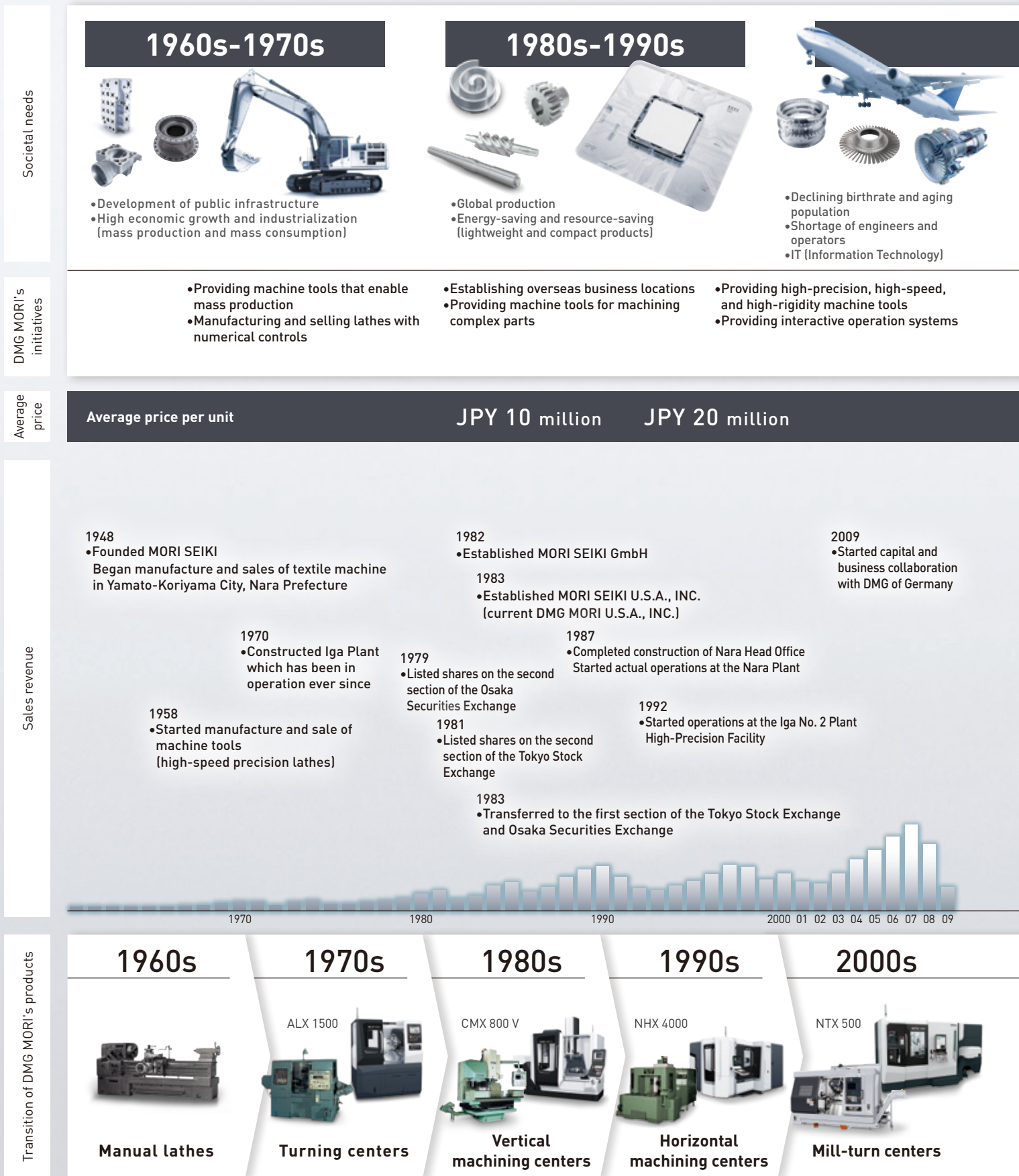
**Dr. Mori:** Our P / B ratio is roughly 1.3x, which is a somewhat good valuation compared to other machine tool manufacturers who are mostly under 1x. Our stock price (equity value) should also increase if we further reduce our debt. The challenge we face is the relatively low valuation of the machine tool industry. In fact, countries such as the U.S., the U.K., and France, which no longer make machine tools, have stock markets with a higher valuation. I don't think that our current valuation captures the full extent of our operations, especially considering the value of our German business (AG shares).

**Mr. Koike:** That is true. At Nomura Asset Management, we aim to boost the economy and increase investments by communicating the positive qualities of Japanese companies. Our dialogue today is one part of our efforts and I hope that many people will take an interest in the world of machine tools and DMG MORI. Do you have any requests for us institutional investors?

**Dr. Mori:** The machine tool industry still has a large number of companies. I personally feel that M&A is necessary to increase competitiveness. The Ministry of Economy, Trade and Industry (METI) has established guidelines to promote M&A, but there are still issues regarding incentives for the management on the selling side. One problem is the handling of special retirement allowances of executives. I hope that institutional investors will support M&A guidelines that support executives who make decisions with the future of their employees in mind.

**Mr. Koike:** DMG MORI is a Japanese company with a strong global reputation, and I am looking forward to sharing the story of your transformation and sustainable growth with both Japan and the whole world. Thank you very much for your valuable insights today.

# Changes in Societal Needs and Development of DMG MORI





DMG MORI has continuously evolved its business model and improved its products and services in response to major societal changes, which occur each decade. We will continue to aim for further growth by providing value that reflects the demands of society.

## 2000s-2010s



- High-mix low volume
- Industry 4.0 (connectivity)

Providing machine tool software products that enable efficiency to streamline production processes

- Automation system
- Additive manufacturing ("AM")
- CELOS

## 2020s



- Sustainability
- Automation

Providing digital services in accordance with customer needs

- Digital Twin Showroom
- Digital Twin Test Cuts
- Portal Site / Online shop

Providing environmentally-friendly products

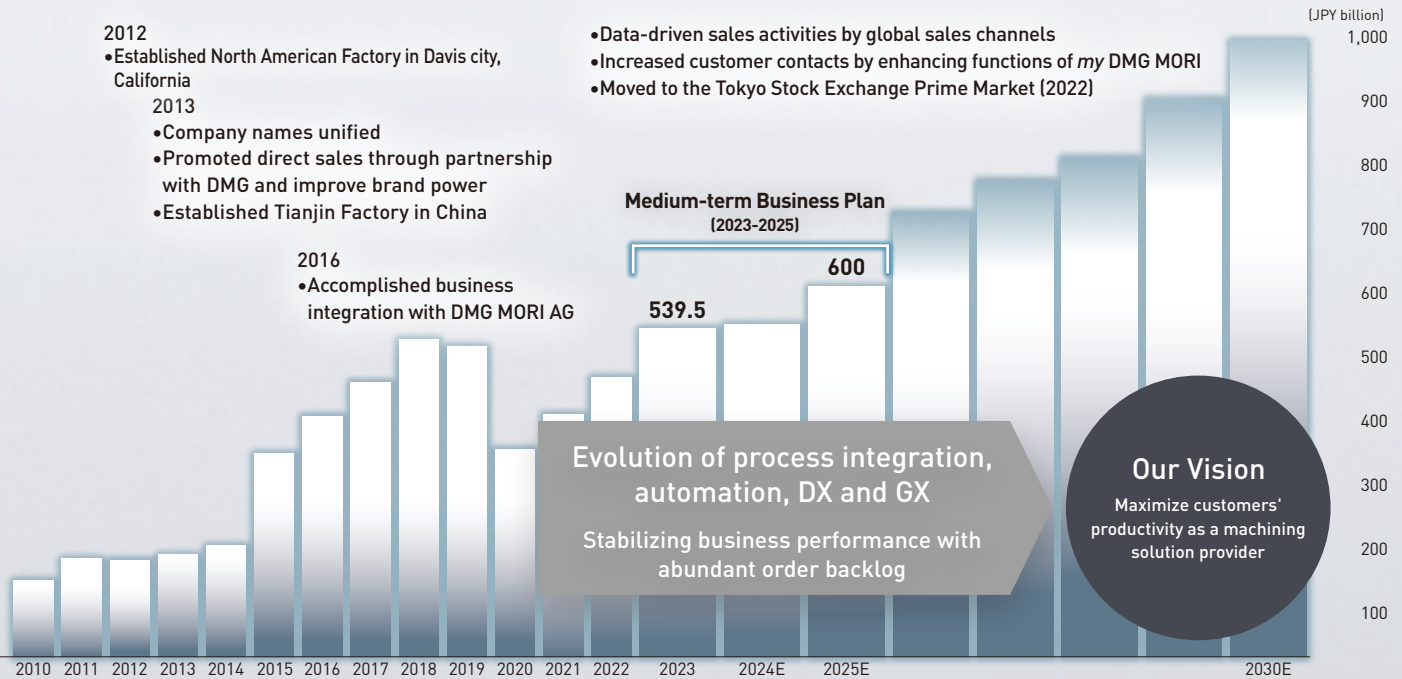
Growing need for:  
**Hardware and software integration**  
**High precision and green technology**  
**Restructuring of global supply networks**

JPY 30 million

JPY 40 million

JPY 60 million

JPY 75 million (Plan)



## 2010s



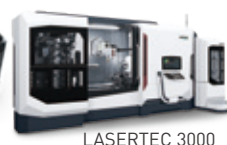
DMC 125 FD duoBLOCK

5-axis machines

## 2020-



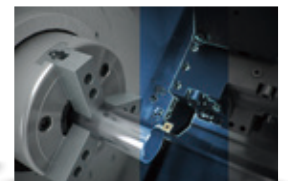
DMU 50 + MATRIX



LASERTEC 3000  
DED hybrid



WH-AMR 10



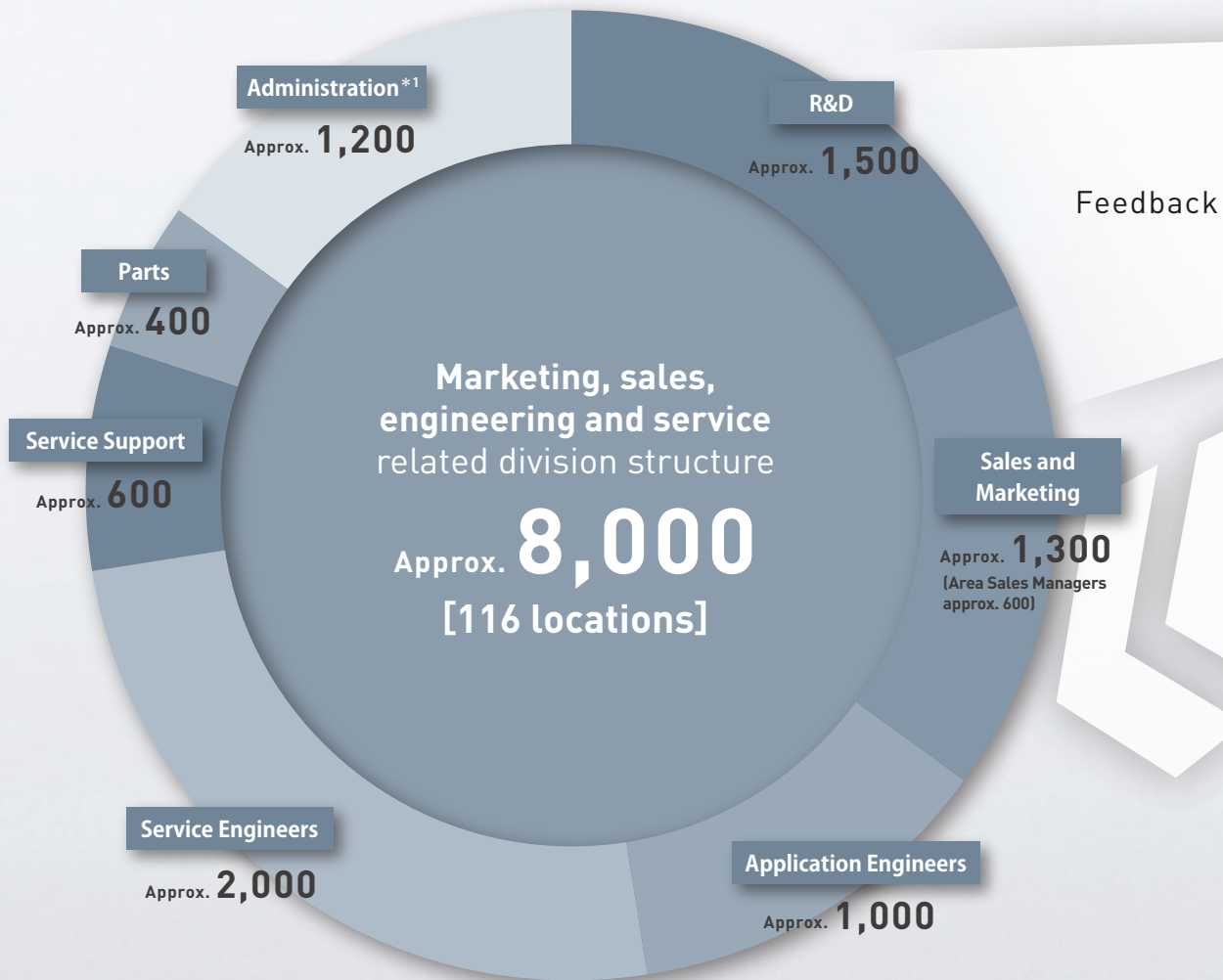
Technology Cycles  
"Chip-Braking"

**Machining Transformation:**

**Process integration, Automation, Digital Transformation, and Green Transformation**

# DMG MORI's Strengths

Integration of Trading, Engineering, and Manufacturing Functions



\*1 Administration: Executive Board / Executive Officer, Finance, Accounting & Controlling, IT, HR, Corporate Communication, Legal, Internal Audit, and other administrative functions

### Provide machining technology through customer-oriented sales and services network

With 116 offices around the world, DMG MORI has established a customer-oriented sales and service structure unparalleled in the industry and contributes to solving customer issues through value-added proposals.

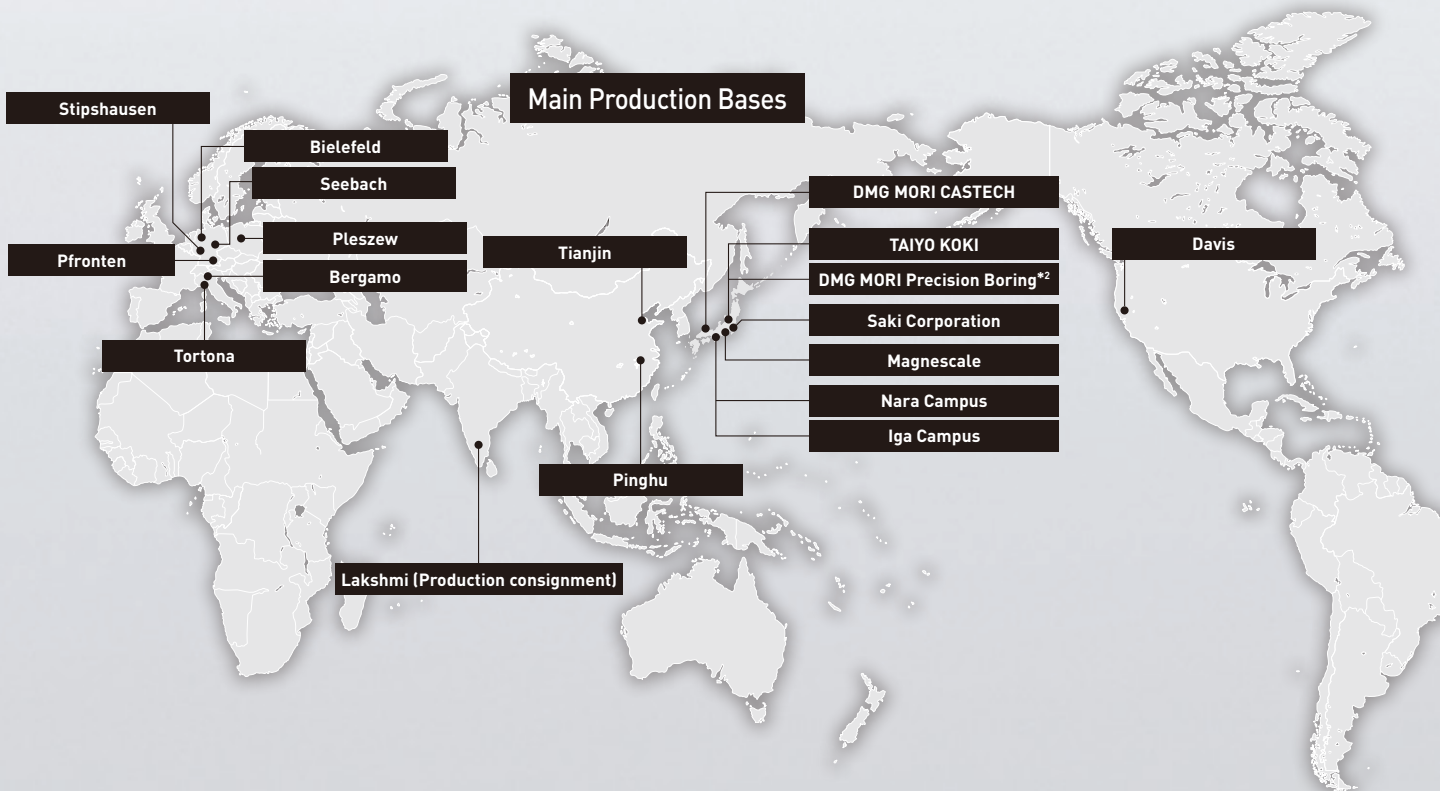
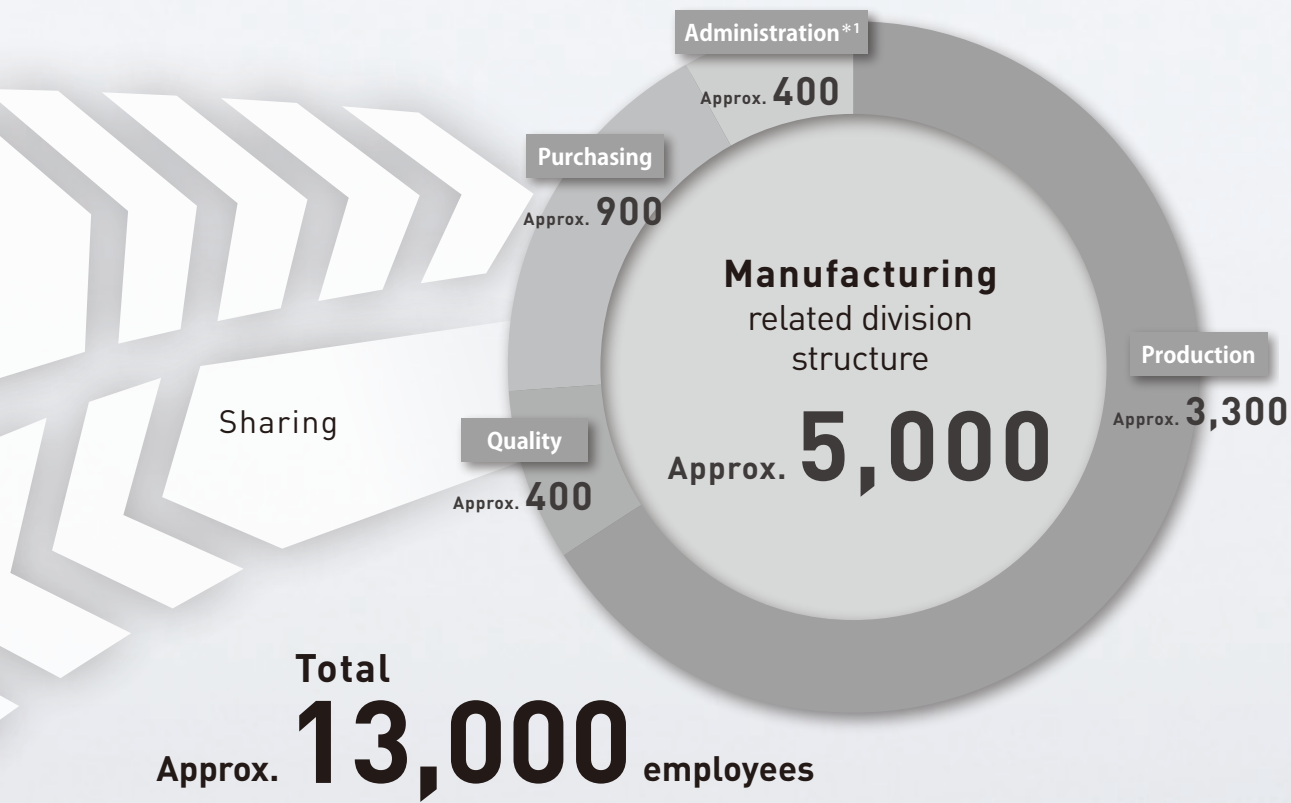
### Technological innovation of machine tools precisely capturing societal needs

Through the introduction of cutting-edge technology, we are responding to major societal changes such as the pursuit of quality of life, the shift to EVs (electric vehicles), and the introduction of AI (artificial intelligence).

### Building platforms by software and IoT

DMG MORI has built an integrated production structure that not only delivers machines, but also peripheral equipment and software to customers worldwide.

DMG MORI has established a business model that is unique in the industry, combining trading, engineering, and manufacturing functions through a direct sales structure. We deliver high-precision, high-quality products directly to customers, and reflect customer feedback in manufacturing and development to enhance value for customers.



\*2 Formerly KURAKI; joined DMG MORI Group in January 2024



# The World's Most Comprehensive Lineup of Japanese-German Technologies

5-axis machines



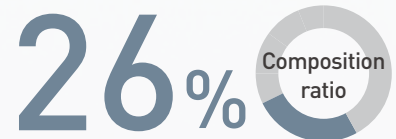
DMG MORI's 5-axis machines boast outstanding milling capability and excellent operability, a crystallization of Pfronten factory's 120 years of experience in development and manufacturing. 5-axis machines, which can index multiple surfaces, enables machining to be completed in a single clamping, reducing the number of setups and simplifying or eliminating fixtures, thereby significantly shortening the process time. This enables high-precision machining that could not be achieved with 3-axis or 4-axis machines.



INH 80

DMU 65 monoBLOCK  
2<sup>nd</sup> Generation

Mill-turn centers



As the name implies, a mill-turn center is a machine that can perform machining operations that were previously performed on separate machine tools with a single machine, without the need for manual intervention by the operator. The high machining capacity achieved by the integration of a turning center and a machining center significantly reduces the production lead time, and the efficient integration of processes, whether the machine is used for high-mix low-volume parts to or mass-production parts, brings great benefits to DMG MORI's customers.



NTX 500

With large production sites in Japan and Germany, DMG MORI develops new products with the knowledge and experience from regions with different industrial structures and customer needs.

### Advanced Technologies

Additive Manufacturing (AM) / ULTRASONIC (ULTRASONIC processing machine)



Additive manufacturing is a machining method that creates various shapes by layering metal materials. (P.50) ULTRASONIC machines can efficiently machine advanced materials, which are generally considered difficult to machine, into complex shapes. By superimposing ultrasonic vibration in the Z-axis direction in addition to tool rotation, resistance during the machining process can be suppressed compared to conventional machining. Laser machines enable low-cost, high efficiency machining of all metals and new materials, including molding, micromachining, precision toolmaking, and drilling.



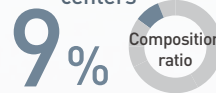
### Turning centers



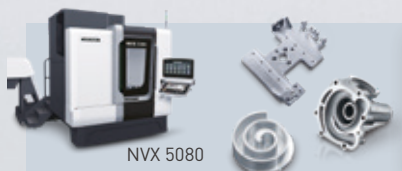
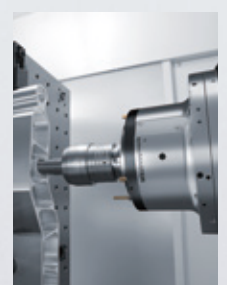
A turning center holds a workpiece on its spindle and performs shaving, boring, and drilling of the outer diameter or end face by applying a blade on the rotating workpiece. Since its founding, DMG MORI has refined its turning technology as an innovation leader in cutting technology.



### Horizontal machining centers



A horizontal machining center is a type of machining center that has a spindle mounted horizontally (sideways to the ground), and in addition to the XYZ axis, there is an axis for the rotating table. This structure eliminates the need to manually adjust the surface of the workpiece to be machined, prevents chips from accumulating on the workpiece during machining and makes the machine optimal for automation.

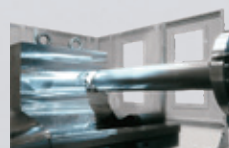


### Vertical machining centers



Machining centers are machine tools designed to perform a wide variety of machining operations, by using different rotary cutting tools for face milling, drilling, boring, or tapping, which are replaced by an automatic tool changer. A vertical machining center is one in which the spindle (rotating axis of the cutting tool) is mounted vertically (facing vertically to the ground).

### Horizontal Boring & Milling Machines



Horizontal boring and milling machines utilize the spindle for high-precision hole processing (boring) of various workpiece sizes from heavy-duty cutting to finishing. With the spindle in horizontal position, milling operations can be performed as well. In January 2024, we acquired KURAKI, and their advanced technology for large-workpiece processing with horizontal boring and milling machines.

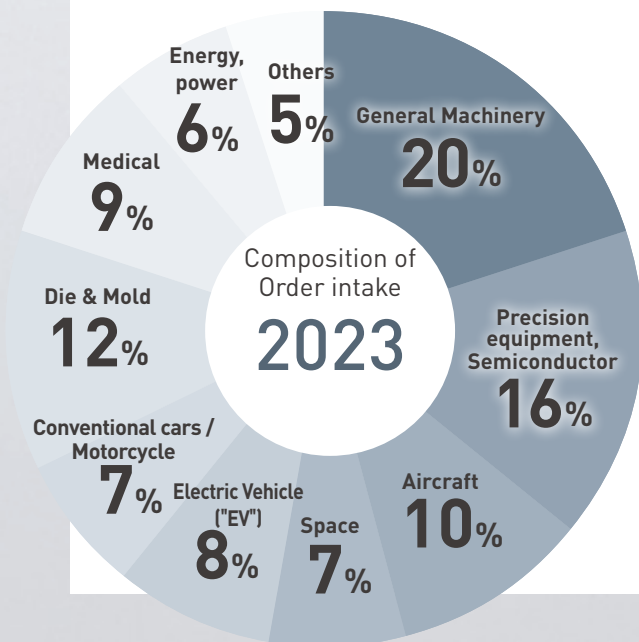
# Diversification Strategy

Against the backdrop of societal changes such as a shortage of engineers and operators and the rise of high-mix low-volume production, DMG MORI has appropriately responded to customer needs for process-integration machines, which have increased since around the 2010s, and as a result, process-integration machines, represented by 5-axis machines and mill-turn centers, have been driving order intakes. DMG MORI will continue contributing to the automation and digital transformation in the manufacturing industry along by spreading process-integration machines.

5-axis machines, mill-turn centers, and advanced technology machines



Order composition ratio for process-integration and advanced technology machines



DMG MORI's products and services have been supporting customers in a diverse range of industries, from traditional manufacturing industries such as agricultural machinery, construction machinery and energy industry, to cutting-edge growth industries such as medical, electric vehicle ("EV"), aircraft, space, and semiconductor industries. DMG MORI contributes to the development of industrial society by offering our machining know-how to customers in a wide range of industries and by working together with them to improve their machining technologies.

Balanced industrial base



Over the years, DMG MORI has evolved to meet diverse customer needs.  
We believe that diversity strengthens our business foundation and inspires new innovations.

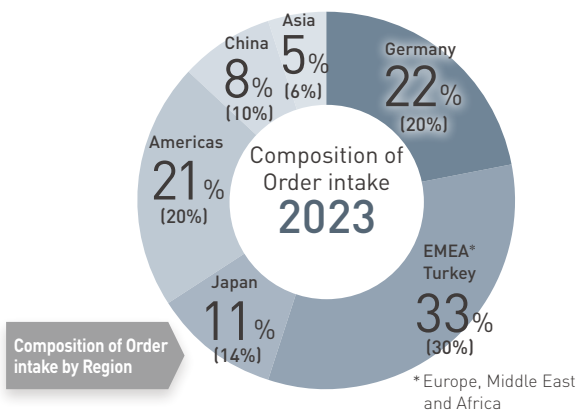
(% in brackets: FY2022 Jan-Dec)

### DIVERSITY by region

#### Customer composition by country / region

The machine tool industry is inevitably affected by demand fluctuations caused by unpredictable macroeconomic changes and capital investment trends. However, DMG MORI is aiming to stabilize its business by diversifying its customer base to many countries around the globe.

DMG MORI intends to achieve sustainable growth by expanding its customer base from markets in developed countries to emerging markets.

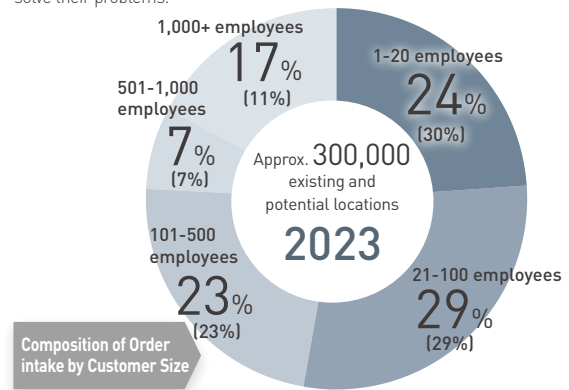


### DIVERSITY in business size

#### Customer composition by size (based on number of employees)

More than 50% of DMG MORI users are relatively small companies with no more than 100 employees. DMG MORI intends to stabilize its sales revenue and profits by establishing a system that covers both small companies and big enterprises, thereby addressing diverse needs.

DMG MORI's relationships with a wide variety of customers have resulted in the accumulation of our machining know-how. This accumulated expertise creates a virtuous cycle that leads DMG MORI to help even more customers solve their problems.

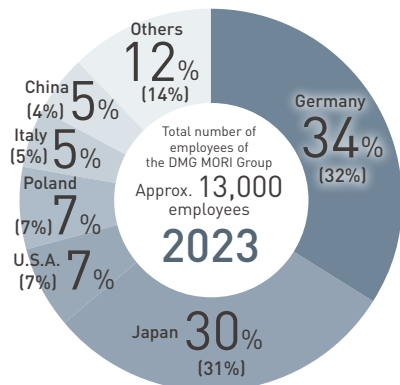


### HUMAN RESOURCES

#### Multinational workforce

DMG MORI's workforce consists of approximately 13,000 employees of 59 nationalities, who are diverse in language, gender and field of expertise. At DMG MORI Group, employees with different backgrounds cooperate and work with respect for each other.

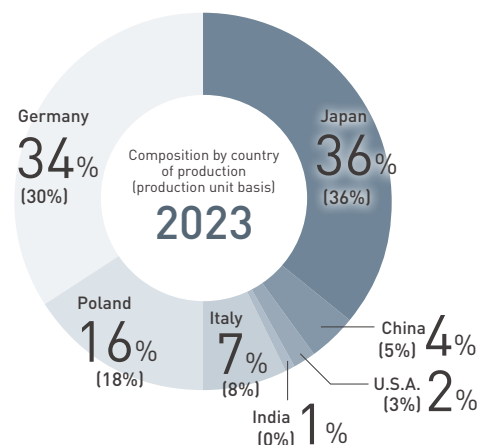
DMG MORI's diverse employees are the driving force to capture customers' needs and make technological innovations.



### DIVERSITY of production sites

#### Diversification of production sites

DMG MORI has production sites in Japan, Germany, other European countries, the United States, China, and other countries. The diversification of production sites enables optimized delivery time to customers, reduces transportation costs. In addition, the dispersion of production bases ensures business continuity in view of geopolitical risks.



# A Year of DMG MORI

## (from January to December 2023)

### January

- Hosted Open House Pfronten (Germany)
- Release of Pfronten's Digital Twin Showroom



### February

- turnMASTER12in.C spindle for turning applications was newly added to the high-performance MASTER Series
- Participated in IMTEX 2023 held in Bangalore (India)
- Japan's largest solar power system for self-use (1st batch: 5,400 kW) started operation at Iga Campus



turnMASTER12in.C



### March

- 2nd TULIP Experience Center (TEC) for hands-on experience of the shop floor digitization platform opened in Nagoya (Japan)
- Certified as "White 500" for excellent health and productivity management in Japan
- 75th Annual General Meeting of Shareholders (Japan)



\*"Health Management" is a registered trademark by the NPO "Kenkokeiei"

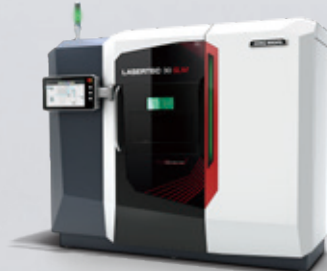
### April

- Hosted the Chicago Innovation Days 2023 (USA)
- Participated in CIMT 2023 held in Beijing (China)
- Opened DMG MORI ACADEMY in Hamamatsu (Japan)



### May

- Hosted 121st Annual General Meeting of DMG MORI AKTIENGESELLSCHAFT (Germany)
- Opened DMG MORI ACADEMY in Kanazawa (Japan)
- Launch of LASERTEC 30 SLM US: first AM machine designed and manufactured in the U.S.
- Established training area for automation, additive manufacturing, and other advanced technologies at Seebach factory (Germany)



LASERTEC 30 SLM US



Here are our highlights from 2023.

## July

- Release of DMG MORI GATEWAY, our connectivity service for all machines and peripherals on the shop floor
- Launched "Digital Monozukuri Practice Course" together with technical high schools around Japan



## October

- Magnescape announced construction of new Laserscale plants in Nara and Yamato Koriyama City (Japan)  
New plants to be opened in May 2025
- Participated in MECT 2023, Nagoya (Japan)
- Hosted the qualification tournament for the 47th WorldSkills Competition at Iga Campus

## November

- Established DMG MORI CIRCULAR CO., LTD. to further promote a circular economy
- Opened SHINDO YARDS near JR Shindo Station in Iga (Japan)



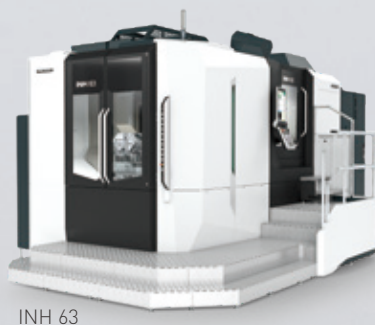
## August

- Launched "5-axis Machining Technology Certifications" to recognize skilled technicians and promote 5-axis machining in Japan

## September

- Opened DMG MORI ACADEMY in Sendai (Japan)
- Opened DMG MORI Arena in Iga, Mie Prefecture (Japan)
- Hosted Global Development Summit (GDS) in Bielefeld (Germany)
- EMO Hannover 2023 (Germany):  
We showcased our Machining Transformation (MX) under the concept "DMG MORI City – The Home of Technology", unveiling 4 world premieres

- (CTX 450, CTX 550, CTX beta 450 TC, INH 63) and the new operation platform CELOS X.
- Digital Twin  
Showroom: Launched digital replica of our EMO 2023 booth "DMG MORI City"

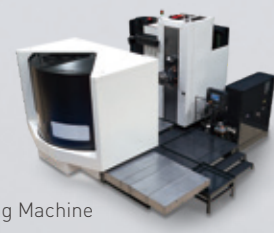


INH 63



## December

- Agreed with KURAKI on share transfer date (closed on January 5th, 2024)



CNC Horizontal Boring Machine HMC+110

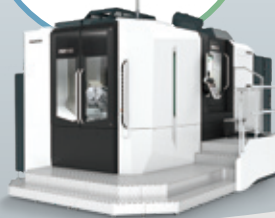


# Advancing Machining Transformation (MX)

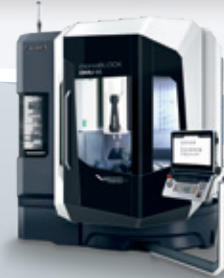
## Process Integration



NTX 500



INH 63



DMU 65 monoBLOCK 2<sup>nd</sup> Generation

## Automation



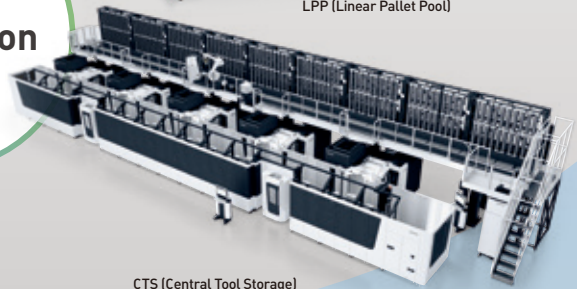
WH-AMR  
(Autonomous Mobile Robot)



MATRIS  
(Modular Robot System)



LPP (Linear Pallet Pool)



CTS (Central Tool Storage)

### Digital Twin Showroom



Machine  
tool model  
selection

### Digital Twin Test Cuts



Machining  
process  
consideration



Process Design Advisor



DMG MORI Digital Academy

Operator  
training



### JOB SCHEDULER



### JOB MANAGER



Machine tool  
installation /  
startup

Planning

### CELDS DYNAMICpost



### Technology Cycle



Programming

### ERGoline X (Hardware) CELX X (Software)



### DMG MORI GATEWAY







by **DX**



my **DMG MORI**



Services

Digitization of measurement and correction of machine accuracy

- 3D quickSET
- VCS Complete



VCS Complete

Digitization and automation of machining setups

- Tool Data System
- Tool Visualizer
- easycenterSET



Tool Visualizer



**CONDITION ANALYZER**



Non-contact on-machine measuring



Measurement

**CELOS X<sub>perience</sub>**



**DMG MORI Messenger**

**DMG MORI GATEWAY**



Monitoring

Production



Reduction of environmental impact

Less work-in-progress

Optimization of management resources

**CONNECTIVITY**



- Application 1 Production Planning
- Application 2 Machine Monitoring
- Application 3 ERP

**CELOS X<sub>change</sub>**



Machine with CELOS X



Existing DMG MORI Machine



Third-party Machine



A platform for creating applications to support production

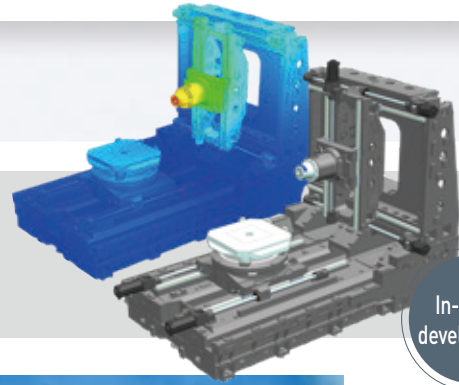


# Machining Transformation at DMG MORI's Facilities

## R&D

3D CAD  
CAE  
analysis

Design with DMG MORI Digital Twin Technology



In-house development

Digital Twin Technology



## Production

### Machining plant

In-house production of key components: spindles, ball-screws, direct drive motors, control panels, castings

Setup

Setup by 3D model ► CAM

Machining simulation with CELOS DYNAMICpost



In-house development

Machining

We manufacture key components on our own machines.

Made by DMG MORI



Integration of bed grinding process into DMC 340 FD  $\mu$ Precision

Increased production efficiency with process integration **P.59**

### Automation of production processes

Automated workpiece and tool handling with DMG MORI automation systems

**Example 1**  
**Ball-screw machining**

Automation with MATRIS  
Ball-screw transport



**Example 2**  
**Spindle machining**

Automation with MATRIS Light  
Easy to attach and detach to existing production equipment



We are advancing productivity in our in-house operations through process integration, automation, DX, and GX. The expertise gained from utilizing cutting-edge equipment and digital solutions translates into optimized proposals for our customers.

**Production**

**Assembly plant**

Machine tool assembly

**Digital Twin of the factory**

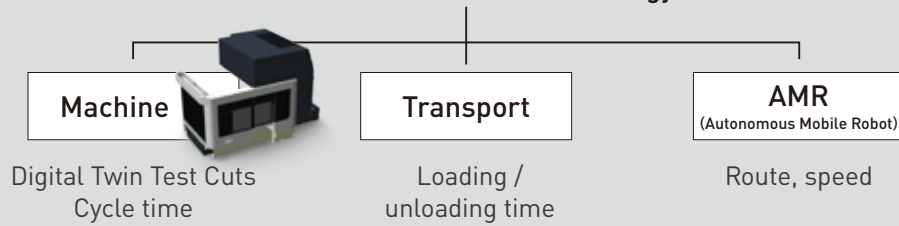
Accurate simulation of machine, robot, and all other equipment operation in the factory



Simulation of assembly process at Pfronten factory



▶ **Process optimization with digital technology**



**Digitization of machining & assembly processes**

We have introduced TULIP - the frontline operations platform - at our global production sites to promote on-site efficiency and quality improvements.

Sales service in Japan



**Example 1 Machining process**

Automatic collection and analysis of in-machine measurement data  
Management of machine maintenance data

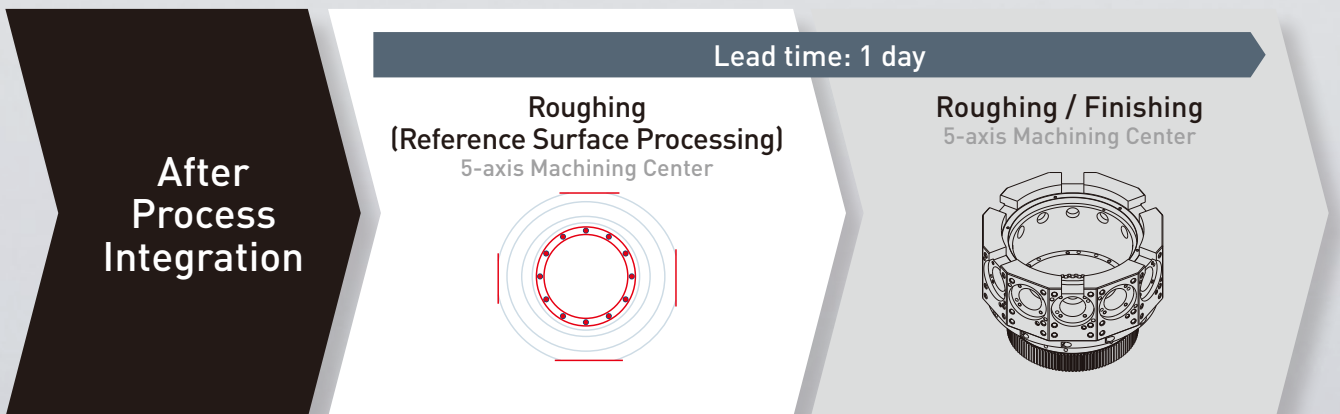
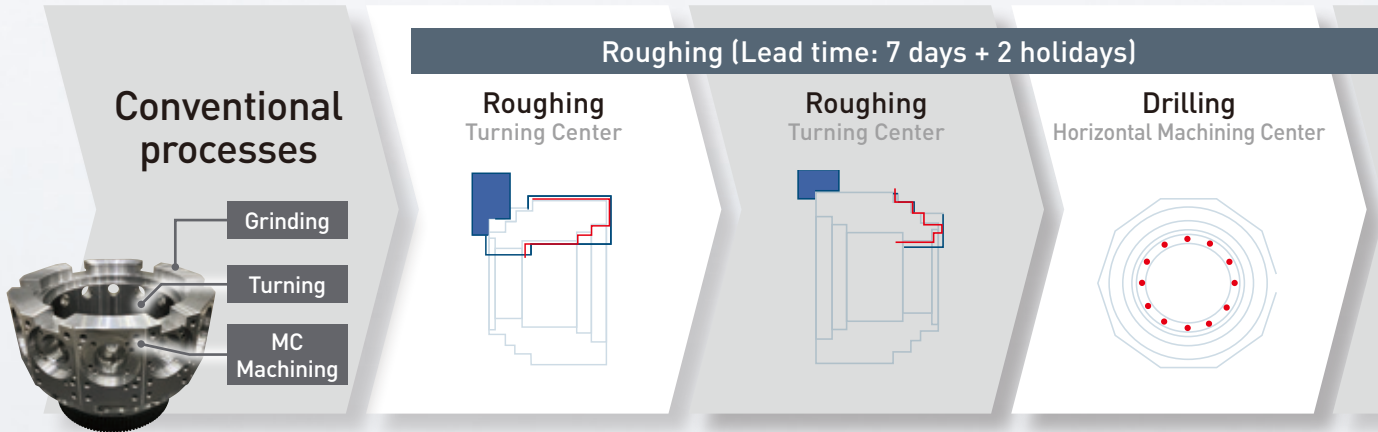


**Example 2 Assembly process**

Digital quality management

# Machining Transformation at DMG MORI's Facilities

Process integration for NLX 2500 turrets from 7 processes / 7 machines to 2 processes / 1 machine



## Optimization of Management Resources

\*With 350 pcs. monthly production of turrets

### Machining Equipment



### Number of Operators



### Equipment Cost



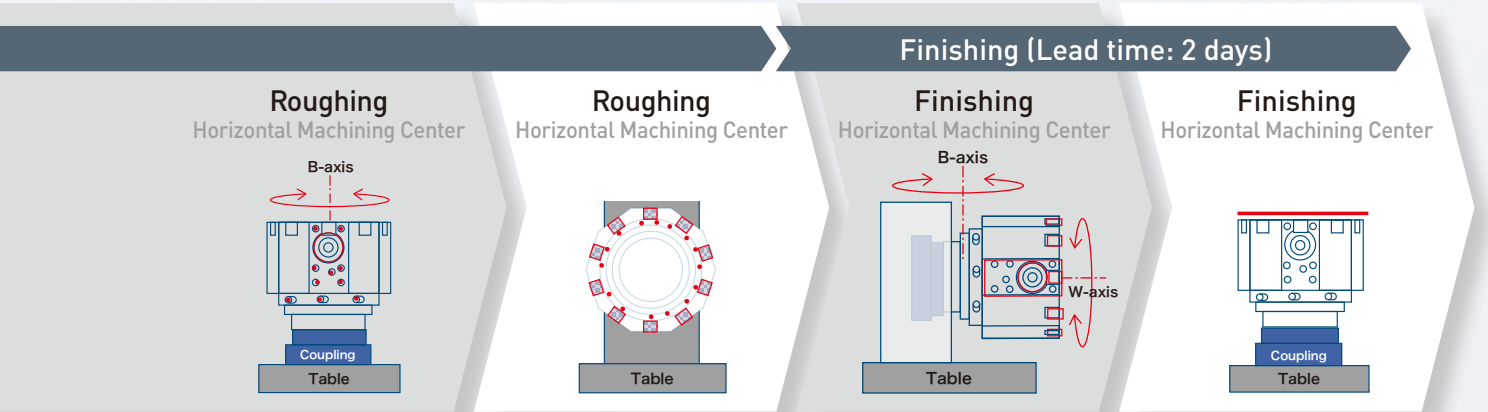
### Goods in Progress

(for lot size 10)





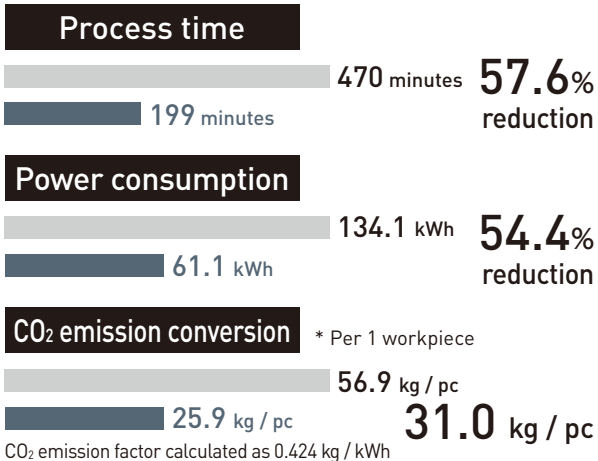
At DMG MORI factories, we realize MX with our own equipment.  
We demonstrate how process integration reduces necessary factory space, goods in progress, power consumption and CO<sub>2</sub> emissions.



The 12-station turrets made in our own Precise Processing Plant are then equipped on NLX 2500 machines.



### Smaller environmental impact



### To expand business opportunities

- ✓ Higher productivity
- ✓ Answering the need for green products
- ✓ Increase of high-value workpieces

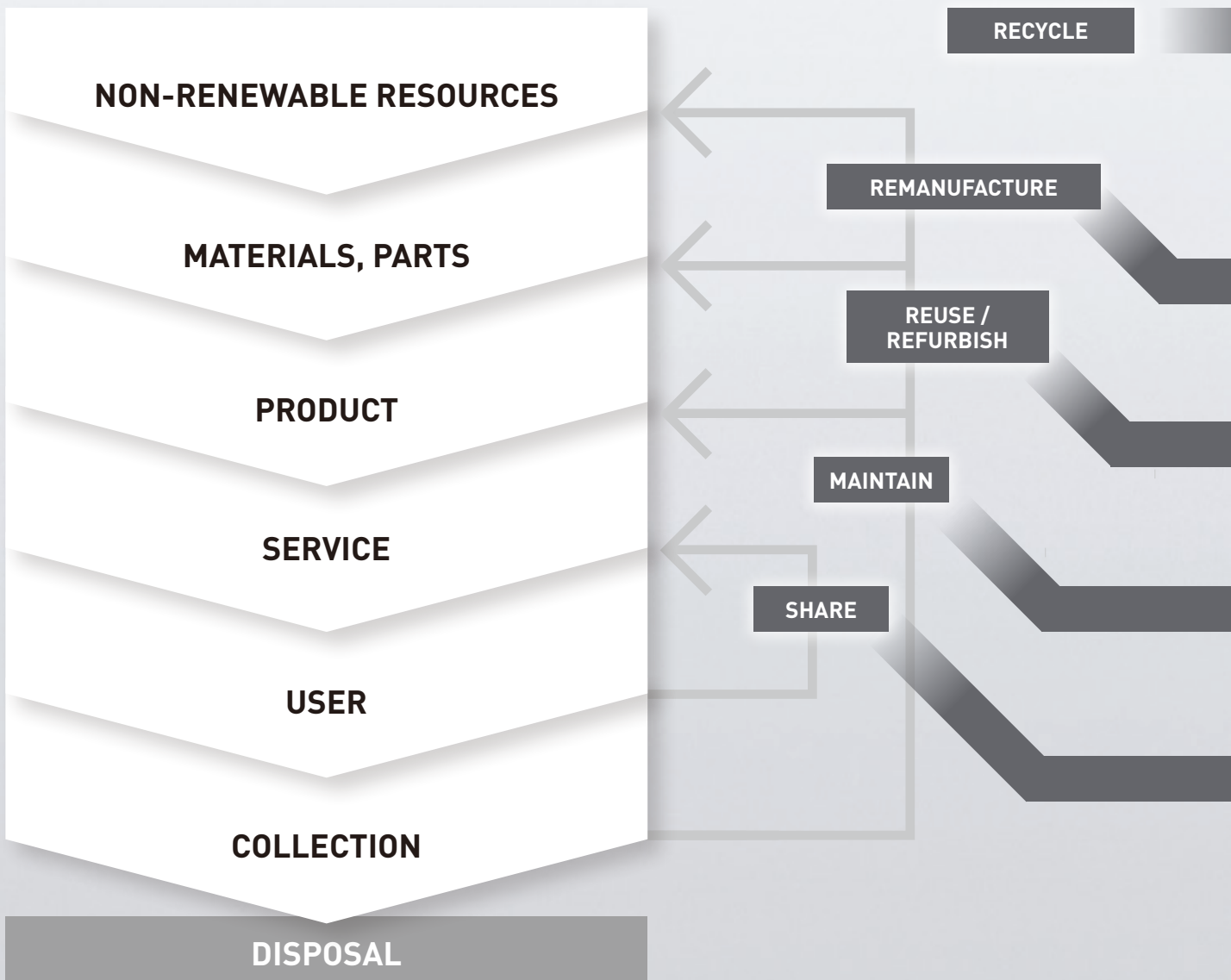
# Contributing to a Circular Economy

## Pursuing Resource Efficiency throughout the Entire Machine Tool Life Cycle

As we face environmental challenges such as climate change, the global demand for limited resources is surging due to population growth, rising income levels, and increased geopolitical risks. In this complex situation, we recognize the critical importance of transitioning towards a circular economy through proactive and sustainable solutions.

Aligning with this commitment, DMG MORI provides customers with high-precision, high-rigidity machine tools designed for a minimum service life of 10 years, with some lasting over 20 years. Our global network of 116 sales and service offices is dedicated to providing comprehensive support for the enduring use of our products.

Furthermore, we offer used machines for sale, including nearly new models originally showcased at our solution centers and exhibitions, as well as well-maintained machines traded in by customers. These machines undergo refurbishment, involving the replacement of essential components and the addition of options. By breathing new life into our machine tools, we not only enhance their precision and reliability, but also contribute to the conservation of our resources.



Together with DMG MORI CIRCULAR CO., LTD., we aim to contribute to the circular economy through the entire lifecycle of our products.

## Renamed to DMG MORI CIRCULAR: Our Commitment to Sustainable Practices

In November 2023, we rebranded our used machine business from 'DMG MORI Used Machines' to 'DMG MORI CIRCULAR' — a change that not only reflects our strong commitment to advancing the principles of a circular economy but also signals the expansion of our sustainable business operations. In addition to the resale of used machines, DMG MORI CIRCULAR actively strives to maximize the reuse of every component from machines designated for disposal. Castings retrieved from such machines undergo shredding and melting at DMG MORI CASTECH, a group company located in Izumo City, Shimane Prefecture, specializing in casting manufacturing. The resulting material is then repurposed as castings for the production of new machine tools, contributing to a resource-efficient cycle.

We also plan to establish a similar corporation in Europe and develop the same business. We remain dedicated to actively advancing efficient resource utilization throughout the entire life cycle of machine tools. This commitment is reflected in the operations of DMG MORI CIRCULAR, our contract manufacturing services offered by AM Lab & Fab, and our spindle rebuild business.

### RECYCLE

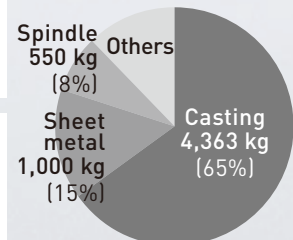
#### Recycle business for machine tools

- DMG MORI CASTECH will reuse castings and sheet metal from old machines as casting raw materials
- Planned to cover 20% of annual casting demand



Casting scrap    Melting    Casting

#### Example of reuse of machines designated for disposal



\*Other materials are processed by scrap dealers (e.g., iron products such as linear guides: sold to electric furnace manufacturers)

### REMANUFACTURE

#### Remanufacturing: Spindle rebuild

- 1,000 units in 2023



### REUSE / REFURBISH

#### Used machine sales



Before    After

### SERVICE & MAINTENANCE (over 20% of revenue)

- For stable long-term use of machine tools



NV5000a1B / 40  
Product weight 6,710 kg

### SHARE

#### AM Lab & Fab

- Contract processing service using AM machines
- Technology sharing with customers





# DMG MORI Group Materiality

In accordance with international guidelines, we conducted a materiality analysis considering global social challenges and internal / external business factors to identify risks and opportunities with attention to our corporate mission and the interests of external stakeholders. All topics remain under constant review in our Medium-term Business Plan Committee meetings.

We have defined key performance indicators (KPIs) for each topic and are implementing company-wide activities as part of our three-year Medium-term Business Plan, initiated in January 2023.

## Materiality Assessment Process



Society undergoes significant shifts every decade, necessitating our proactive response to evolving societal needs. Currently, we must address pressing issues such as global labor shortages, climate change, and supply chain restructuring. Moreover, we must adapt to the shift from traditional mass production to versatile variable-volume production and precise processing techniques.

In conversations with long-term and ESG investors, questions were raised about our strategy to enhance our financial corporate value while addressing societal issues. This led to fruitful internal discussions, prompting us to revisit our management philosophy and reassess our company's purpose.

Recognizing the critical role of machine tools in supporting diverse industries, we concluded that delivering greater value to our customers can also contribute to addressing societal challenges. Consequently, the machine tool industry presents both opportunities and risks.

In our Medium-term Business Plan Committee meetings, young management candidates in their 30s and 40s engage in open discussions about topics that will impact our company in the medium to long term. The outcomes of these discussions are regularly reported to the Board of Directors, where further deliberations take place.

We have identified materiality for DMG MORI's continuous contributions to society and sustainable growth. All topics remain under constant review.



### Implementing Materiality Measures: PDCA Cycle

Decision making

## PLAN

Materiality targets and measures were defined during Executive Officers meetings and are integrated into the Medium-term Business Plan 2025.

## ACTION

Guided by the board's directives and investment decisions, our Executive Officers intensify their efforts.

## DO

Specific measures are executed within each department under the jurisdiction of respective Executive Officers.

## CHECK

Progress and effectiveness of measures are reviewed during monthly Executive Officers meetings. Reports are also presented to the Board of Directors when required.

Report

# DMG MORI Group Materiality

## Identified Materiality

We have identified and disclosed our Group's sustainability management approach and key topics (materiality). In our materiality analysis, we have identified 13 topics. While all of them are important, we have arranged them by their impact on our business (Y-axis) and required implementation time (X-axis) to improve clarity. We are dedicated to regularly reassessing materiality topics to flexibly adapt to evolving external conditions.

List of Materiality Topics		Reference
Contributing to society and environment through technological innovation	<b>1 Enhance customer productivity</b> <ul style="list-style-type: none"> <li>• Provide one-stop solutions that meet customer needs for Machining Transformation</li> <li>• Enhance working environments by increasing productivity and delivering added value to customers</li> </ul>	Customer Story of Introducing Automation Systems (→ P.40)
	<b>2 Contribute to a sustainable society with technological innovation</b> <ul style="list-style-type: none"> <li>• Reduce environmental footprint throughout the entire supply chain</li> <li>• Develop and promote environmentally friendly products</li> <li>• Improve machine tool precision</li> </ul>	Natural Capital (→ P.83) Social and Relationship Capital (→ P.79)
	<b>3 Safety and quality</b> <ul style="list-style-type: none"> <li>• Deliver safe and easy-to-use products with high precision, efficiency, and rigidity</li> <li>• Provide high-quality support by engineers close to customers</li> <li>• Contribute to long-term stable operation by providing reliable peripheral equipment and digital technology</li> </ul>	New Products (→ P.52) Automation Solutions (→ P.55)
	<b>4 Open innovation</b> <ul style="list-style-type: none"> <li>• Collaborate with external organizations, including universities, research institutes, and companies</li> <li>• Build win-win relationships to create and enhance values</li> </ul>	Development Capital (→ P.49) Intellectual Capital (→ P.53)
	<b>5 Human resource development and education</b> <ul style="list-style-type: none"> <li>• Offer educational opportunities to employees, customers, students, partners, and other individuals involved in the machine tool industry</li> <li>• Continuously engage in the WorldSkills Competition and academic conferences to promote technological innovation in the manufacturing industry</li> <li>• Foster next-generation talents</li> </ul>	Industry-Wide Operator Development (→ P.75)

The identified 13 topics are divided into three major categories based on our Mission Statement, leading to company-wide activities.

Impact on DMG MORI business



List of Materiality Topics		Reference
Strengthening management foundation	<b>6 Corporate governance</b> <ul style="list-style-type: none"> <li>• Increase transparency and fairness as a global company</li> <li>• Strengthen corporate competitiveness through fast decision-making</li> <li>• Secure future leaders for succession</li> </ul>	Insights from External Directors: Interview & Message (→ P.101)
	<b>7 Export control and information risk management</b> <ul style="list-style-type: none"> <li>• Prevent military diversion and unauthorized use of products through strict compliance with export control regulations of each country</li> <li>• Protect customer information and implement measures against cyber-attacks on our internal network</li> <li>• Strengthen measures against cyber-attacks on customer machines</li> </ul>	Risk Management (→ P.109)
	<b>8 Corporate communication</b> <ul style="list-style-type: none"> <li>• Foster accurate information sharing and ongoing communication</li> <li>• Promote understanding of the increasingly sophisticated and dynamic business landscape</li> </ul>	Shareholder Engagement (→ P.11)
	<b>9 Build a resilient organization to withstand demand fluctuations</b> <ul style="list-style-type: none"> <li>• Diversify and stabilize earnings by offering high value-added products across various customer industries and regions</li> <li>• Strengthen supply chain management through in-house production of key components</li> </ul>	Machining Transformation (MX) (→ P.25)
	<b>10 Compliance and intellectual property strategy</b> <ul style="list-style-type: none"> <li>• Recognize the potential consequences of advanced technology leakage or misuse, and ensure compliance with diverse laws, regulations, and corporate ethics</li> <li>• Proactively secure intellectual property rights for product and technology protection while also respecting the intellectual property of other companies</li> </ul>	Governance Structure (→ P.95) Intellectual Capital (→ P.53)

List of Materiality Topics		Reference
Contributing to sustainable society	<b>11 Health and safety management</b> <ul style="list-style-type: none"> <li>• Create a work environment that embodies our corporate philosophy "Play Hard, Study Continuously, Work Together"</li> </ul>	Health & Productivity Management / Health & Productivity Management Stock Selection 2024 (→ P.77)
	<b>12 Diversity and inclusion</b> <ul style="list-style-type: none"> <li>• Establish an environment that enables each individual to harness their full potential and attain personal fulfillment</li> </ul>	Human Capital (→ P.67) Diversity at Production Sites (→ P.65)
	<b>13 Community and cultural development</b> <ul style="list-style-type: none"> <li>• Create clean factories and beautiful landscapes as a responsible corporate citizen connected to the community</li> <li>• Contribute to further development of science, sports, arts, and culture</li> </ul>	Fostering Culture, Art, and Science (→ P.81)