Dear investors,

We announced our financial results of H1 (Jan-Jun) FY2020 on August 27, 2020.
This document is a summary of Q&A to our results.

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Q: What is demand/order environment by region and industry?
A: Compared to the same period of last year, machine tool related orders for the second quarter (Apr-Jun) were down by 40% in Japan, 61% in Europe, 34% in the Americas, 33% in China and 39% in other Asian countries, affected by the effects of lockdown and movement restrictions in major countries. However, sales activities have recovered since June, and orders for the third quarter (Jul-Sep) are expected to turn positive y/y in China and to recover to the same level y/y in other Asian countries. We also anticipate that the orders in Europe and the Americas will improve q/q. On the other hand, it looks like that orders in Japan will take some time to recover. By industry, an adjustment for orders in the aircraft industry has started since the second quarter this year. The automobile industry has been suffering from sluggish demand since last year. These two industries are expected to see continued sluggish demand for the time being. The demand from the semiconductor production equipment and medical industries remains stable. We are starting to have confidence in an increasing demand from infrastructure-related producers which manufacture hydraulic equipment and some general machinery components in the near future.

Q: What is the outlook for future orders?
A: Consolidated orders in the second quarter (Apr-Jun) dropped by 45% y/y to JPY57.2 billion, which amounts to only 38% of the previous peak of JPY148.6 billion in the first quarter (Jan-Mar) in 2018. We believe that, during this second quarter, orders have hit the bottom level in the adjustment phase of the machine tool demand, combined with extraordinary factors such as movement restrictions. Our business environment is gradually improving, and we expect JPY70-75 billion of orders for the third quarter (Jul-Sep) and a further increase thereafter.
Q: What is the current status of sales and service activities by region?
A: As at the middle of August, most of DMG MORI’s offices are open and employees are working almost at the same level as pre-COVID-19 in the major markets globally, except for a few countries (e.g. Mexico and India) where government restrictions on people’s movement are still implemented. Physical visits to customers for after-sales services have been resumed to almost the same level as pre-COVID-19 while visits for sales activities remain at around 80% level compared to pre-COVID-19 in response to requests by our customers. The following table shows the current status of sales and service activities by region.

Status of sales and service activities as at mid-August (in comparison to pre-COVID-19)

<table>
<thead>
<tr>
<th>Region</th>
<th>Order share (2020 H1)</th>
<th>Office/ Employees</th>
<th>ASM field visit</th>
<th>Field service</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>15%</td>
<td>100%</td>
<td>90%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Germany, Switzerland and Austria</td>
<td>17%</td>
<td>100%</td>
<td>70%</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td>EMEA</td>
<td>28%</td>
<td>100%</td>
<td>90%</td>
<td>80%</td>
<td>Spain/Portugal : ASM visit (35%), Field service (70%)</td>
</tr>
<tr>
<td>The U.S.</td>
<td>22%</td>
<td>90%</td>
<td>50%</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>2%</td>
<td>95%</td>
<td>70%</td>
<td>95%</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>9%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Asia and Oceania</td>
<td>7%</td>
<td>80% ~ 100%</td>
<td>80%</td>
<td>90%</td>
<td>Melbourne office is closed</td>
</tr>
</tbody>
</table>

(Note) Mexico: Though the offices are closed, ASM field visits and field services have been partially provided.

Brazil: field service visits are at around 80% level, while sales visits are at around 30%.

Q: What is demand/order environment in China?
A: Orders in China hit the bottom in Feb. and Mar. of this year, grew from Apr and turned positive y/y in June. On a quarterly basis, we expect that orders would increase y/y from the third quarter (Jul-Sep). Demand from components’ manufacturers related to a wide-range of infrastructure including trucks, buses, trains, etc. is recovering. In addition, demand from hydraulic equipment builders connected to construction machinery is gaining momentum. However, sanctions against Chinese electronic equipment companies by the USA are entering a new phase, and we are paying close attention to evaluate any negative impacts on our business this may have going forward.

Q: What is the progress of digitization?
A: From early on, we have been digitizing the machining process, that is, from schedule
management and preparation for process including shaping, handling, measuring and monitoring by our own developed software product called Technology Cycles, to service and maintenance. We have been strengthening digitization in the fields of marketing, inspection for sales, service/maintenance and education. In July we released the Digital Twin Showroom, which allows customers to virtually experience a showroom. In order to improve efficiency of inspection time for customers, we provide remote inspection system by providing images through multiple cameras installed in and around machine tools and automation system. The number of registrations for my DMG MORI, a portal site for managing DMG MORI's machines, is steadily increasing, which supports and sustains close communication between our sales and service engineers, and customers. Webinars, which provides product information and processing methods for, among others, 5-axis machines and additive manufacturing online, have been launched globally in each local language, and are gaining high praise from customers.

Q: What is the effect and feasibility of 5G technology?
A: NTT Communications, which provides commercial local 5G technology, and DMG MORI have begun practical experiments of automated delivery robots at our Iga factory since May this year. Taking advantage of the features of 5G technology such as ultra-high-speed and large data transmission capacity, low latency and multiple simultaneous connections, we are convinced that the technology is being able to accelerate detection speed of obstacles more than the conventional Wi-Fi method. We would like to put this advanced technology into practical use soon.

Q: What is the status of the order backlog of machine tools?
A: The order backlog of machine tools at the end of June was JPY124 billion. It declined from JPY146 billion at the end of December 2019 and JPY137 billion at the end of March 2020. We believe the current order backlog, together with an expected order inflow during the coming second half, is sufficient to achieve the annual sales plan of JPY320-340 billion.

Q: What is the progress of cost restructuring and break-even point sales reduction?
A: At the time of the first quarter result announcement (on May 28), we announced a plan to reduce the break-even point sales for the current fiscal year to JPY310-320 billion from the original plan of JPY360 billion. On a yearly basis for the second quarter, the break-even point sales fell to around JPY300 billion. However, the second quarter included the one-time lower cost effect such as temporary closures in European factories and shortened labor hours. An adjusted break-even point sales is calculated to be JPY310-320 billion, which is in line with our conventional plan. Measures taken to further improve the break-even point sales, e.g. the improvement of gross profit margin by providing value added scheme to customers and cost reduction through the digital
innovation, are being implemented as scheduled. As for personnel expenses, the progress has exceeded the plan.

Q: What is the outlook for free cash flow for the full fiscal year ending December 31, 2020?
A: Free cash flow (operating cash flow — investment cash flow) in the second quarter (Apr-Jun) was negative JPY14.9 billion. In addition to net loss of JPY2.3 billion, a JPY2.6 billion increase of inventories and a JPY10.7 billion decline of accounts payable resulted in the negative figure. The increase of inventories was due to the impact of delays in inspections and the preparation for sales growth for the coming quarters. The decrease of accounts payables was due to the lean production strategy. We are of the opinion that both actions will show a positive prospect. For the full fiscal year, we are planning to see a positive free cash flow by improving profitability during the latter half and by further reducing inventories and capital expenditure.

Q: What is the purpose of financing by means of perpetual subordinate loans and bonds?
A: In April we acquired additional shares of DMG MORI AG for about JPY40 billion, which was financed by short-term bank borrowing. Since this is a stock acquisition of a group company, we believe that long-term funds are appropriate. Although the cost of perpetual subordinate loans and bonds is slightly higher than that of senior loans, it is far lower than the cost of equity. We are confident that it will be acceptable to our shareholders. In addition, IFRS accounting, which we apply, allows our selected funds to be recognized in the equity, enhancing our capital structure. We expect the shareholders’ equity ratio to exceed 35% after the implementation of the upcoming fund raising toward the end of this year, compared to 22% at the end of June.

Q: Describe the return policy for the company’s shareholders?
A: We have kept our dividend plan as announced on May 28 unchanged. The interim dividend per share is JPY10 and the year-end dividend per share is planned to be JPY10-20. Orders seem to have been on a recovery trend since having hit the bottom in the second quarter, but it is necessary to reevaluate the concrete recovery of orders and business performance at the relevant point of time.
Disclaimer:
This material contains targets, plans, etc. concerning the future of DMG MORI CO., LTD. and the DMG MORI Group.
All predictions concerning the future are judgments and assumptions based on information available to DMG MORI at the time of writing.
There is a possibility that the actual future results may differ significantly from these forecasts, due to changes in management policy or changes in external factors.
There are many factors which contain elements of uncertainty or the possibility of fluctuation, including, but not limited to, the following:
➢ Fluctuations in exchange rates
➢ Changes to the laws, regulations and government policies in the markets where DMG MORI CO., LTD. conducts its business
➢ DMG MORI CO., LTD.’s ability to develop and sell new products in a timely fashion
➢ Instability of governments in the markets where DMG MORI CO., LTD. conducts its business
➢ Operational changes by the competent authorities or regulations related to anti-trust, etc.