

DMG MORI CO., LTD.
FY 2020 (Jan-Dec) Results
IR Announcement
February 12, 2021

1. FY2020 Financial Summary
2. FY2021 Plan and Key Topics
3. Sustainable Management (ESG)

- ✓ Consolidated order intake: JPY 279.7 bn. (-32% y-o-y), recovered since Q2
- ✓ The year-end machine order backlog reduced since 2019: JPY 146 bn. -> 96 bn.
- ✓ Average order price per unit remains unchanged since 2019 by high speed and high accuracy, 5-axis and mill-turn, turnkey and automation system
- ✓ Digital marketing (new Digital Twin Showroom, digital exhibitions, online seminars)
- ✓ Technology Fridays = private shows tailored to limited number of visitors
- ✓ BEP significantly reduced since 2019: JPY 385 bn. -> 302 bn.
- ✓ +JPY 70 bn. in hybrid capital to strengthen equity position: equity ratio improved since 2019 (24% -> 35%)

Income statement summary

DMG MORI

- Order intake and sales dropped due to the US-China trade conflict from the late 2018 and COVID-19
- Operating profit in plan achieved due to lowered BEP

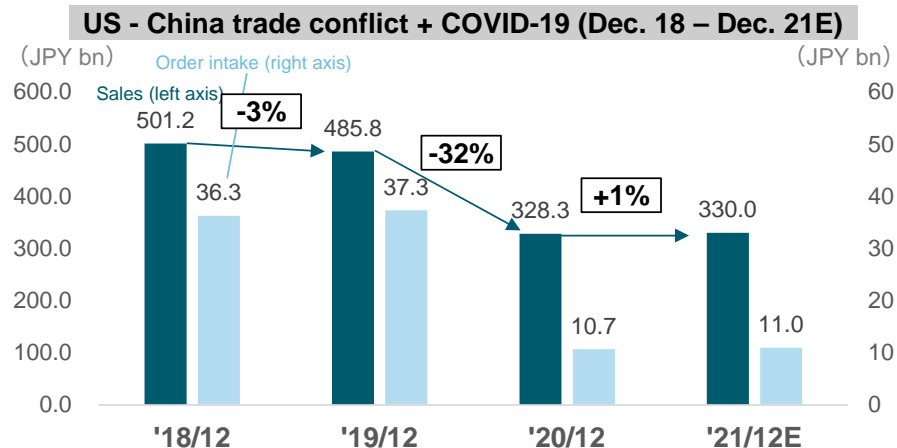
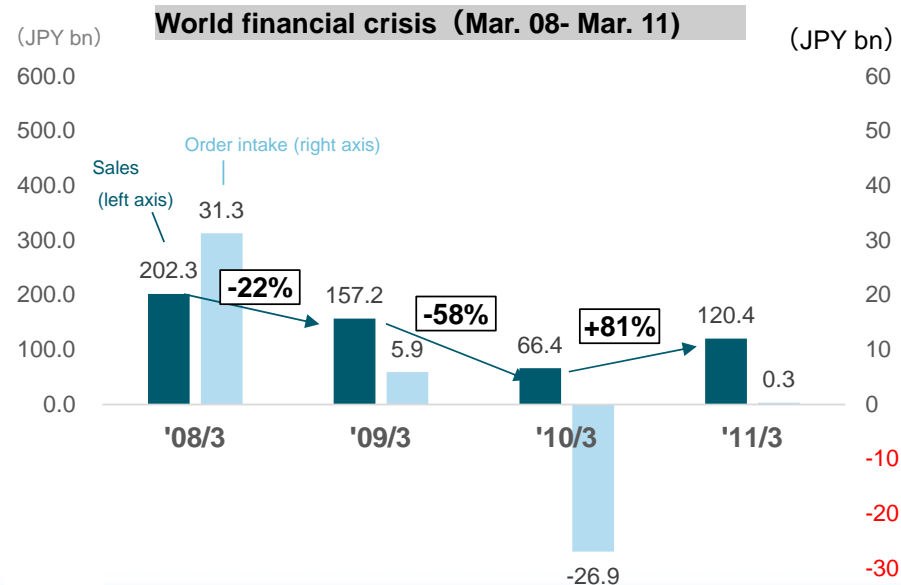
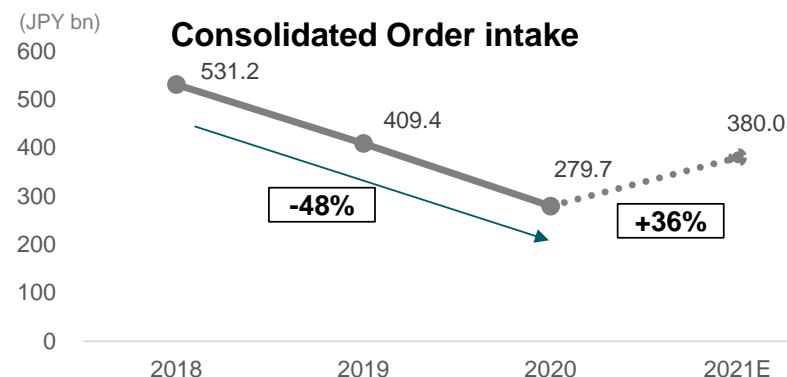
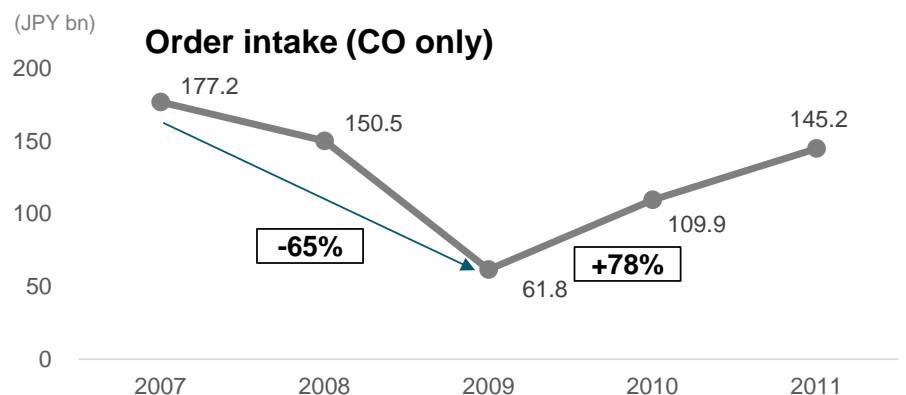
(JPY bn)	FY2018	FY2019	FY2020	Changes (%)	FY2020 Plan
Consolidated order intake	531.2	409.4	279.7	-32%	-
Sales revenue	501.2	485.8	328.3	-32%	330.0
Operating profit	36.3	37.3	10.7	-71%	10.0~11.0
% to sales revenue	7.2%	7.7%	3.3%		3.0%~3.3%
Net financial costs	-5.2	-5.9	-5.6		-5.0
(thereof, economic compensation associated with DA*)	(-2.5)	(-3.5)	(-3.0)		(-3.1)
Profit before taxes	31.3	31.5	5.1	-84%	5.0
Net profit	19.4	18.9	1.7	-91%	1.5~3.0
Net profit attributable to owners	18.5	18.0	1.7	-90%	1.5~3.0
Depreciation & amortization including lease	18.5	23.1	24.1		23.5
Capital expenditure	19.3	21.2	20.1		15.0
Dividend (JPY/per share)	50	60	20		20
USD/JPY	110.4	109.1	106.8		107
EUR/JPY	130.4	122.1	121.8		121

*Domination Profit and Loss Transfer Agreement

Comparison to the global financial crisis (2008-)

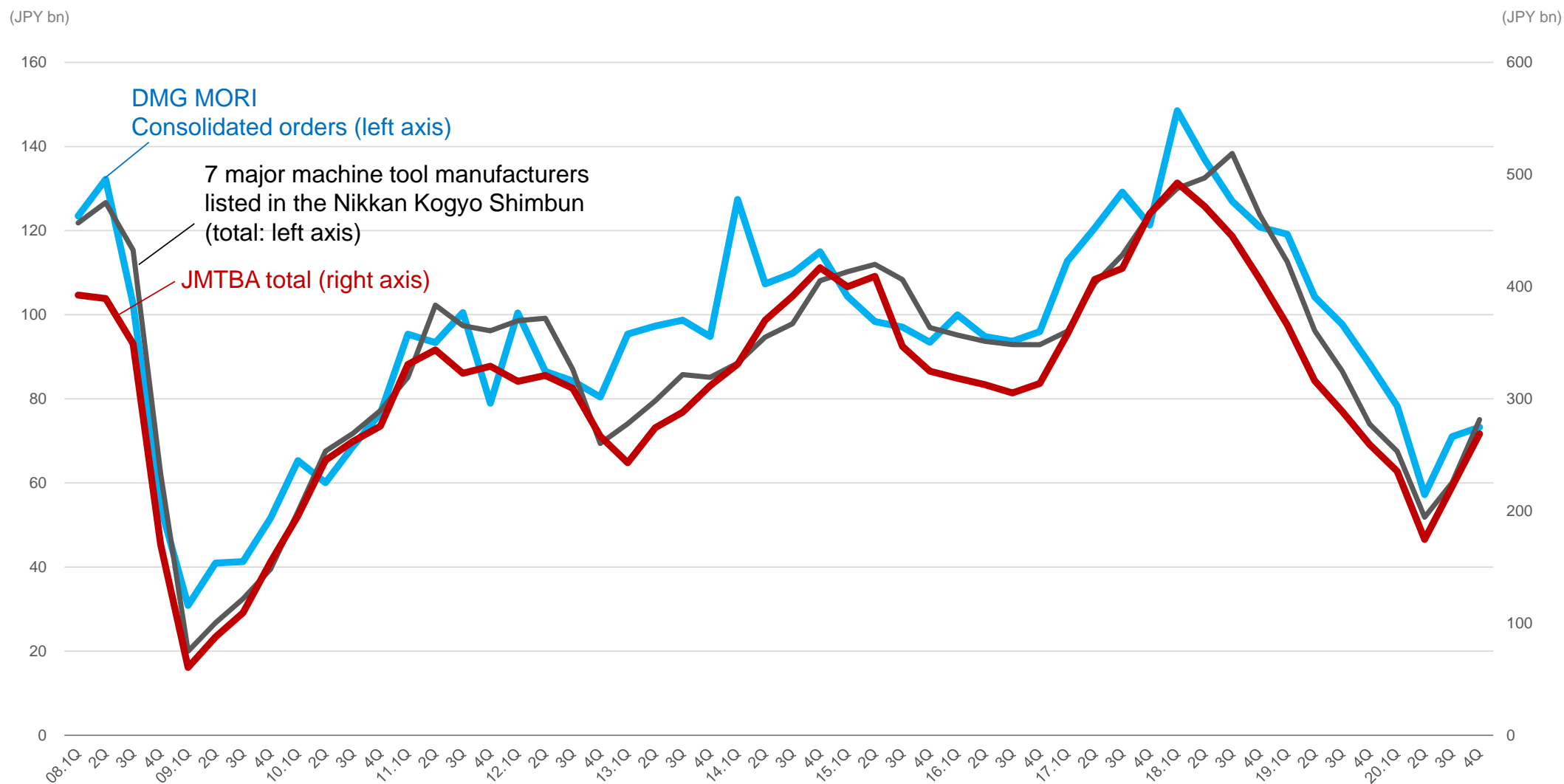
DMG MORI

- Financial crisis from 2008: quick recovery after large drop / from 2020-: slow recovery
- Operating profit: JPY-26.9 bn. in FY2009, JPY+10.7 bn. in 2020



Comparison to the order intake development of JMTBA

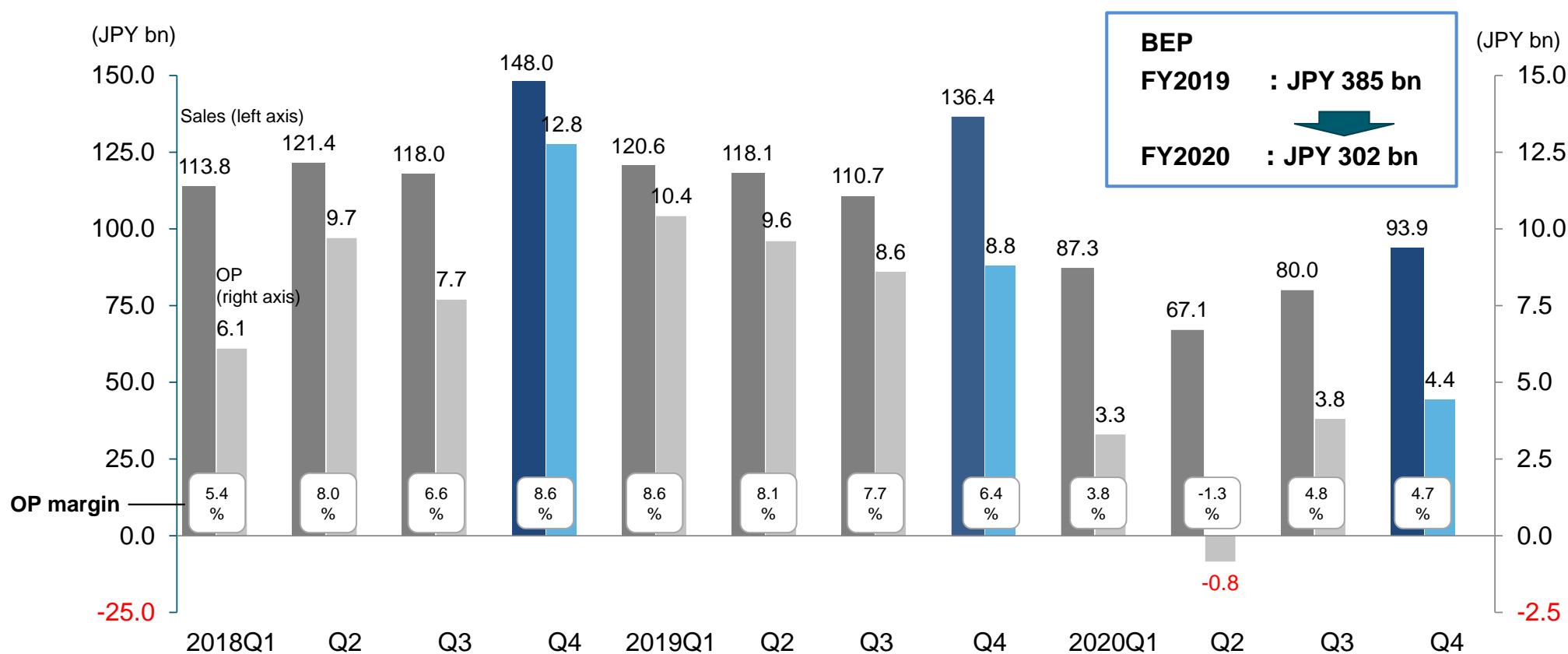
DMG MORI



Quarterly financial results

DMG MORI

- Moderate recovery since the world-wide lockdown in Q2 (Apr-Jun)
- BEP dropped by approx. 22% (JPY 385 bn. in 2019 to 302 bn. in 2020)



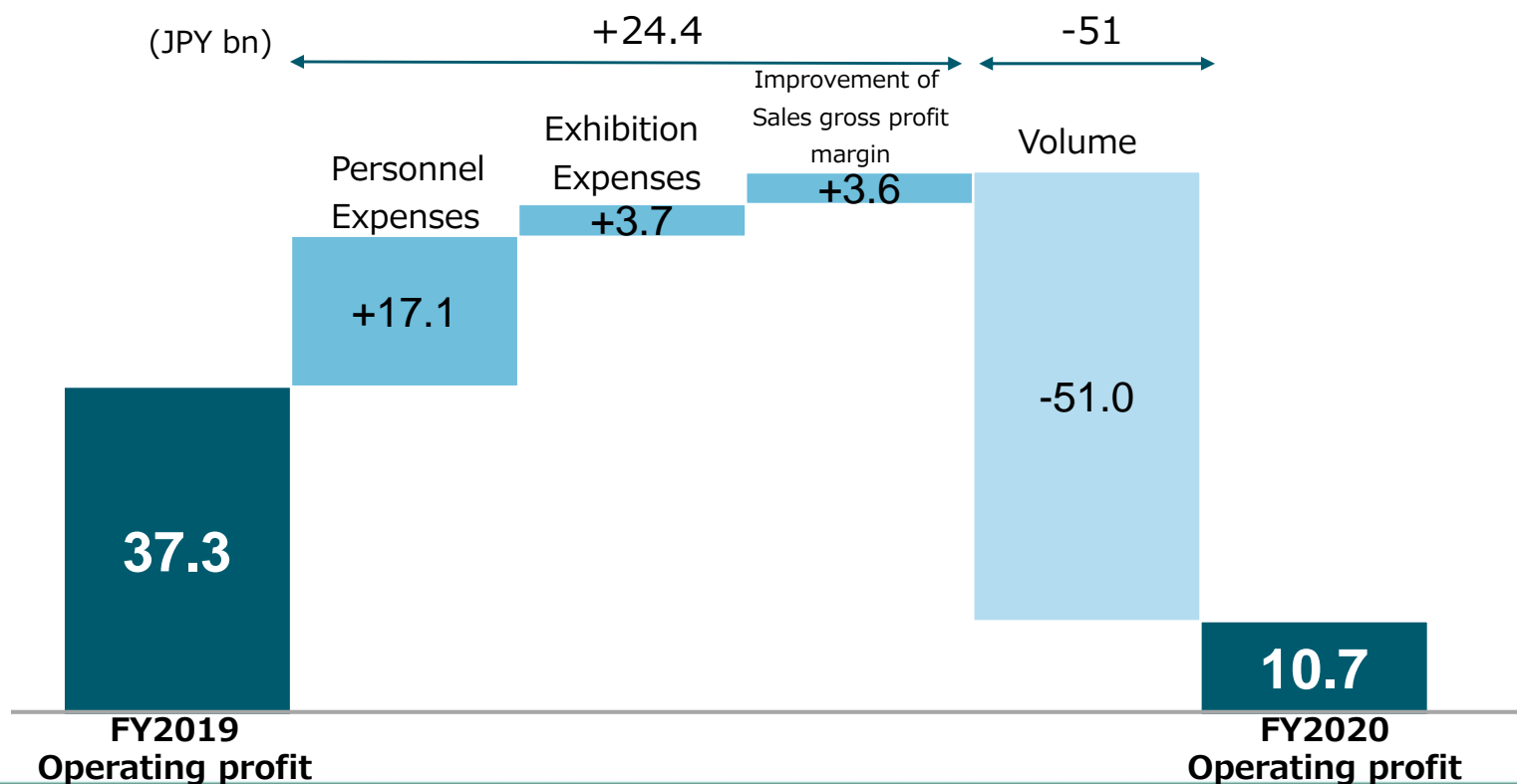
Operating profit bridge FY2019 vs FY2020

DMG MORI

- Despite fierce competition in the sluggish economy, our value proposition led to continuously stable pricing and better gross margin
- Personnel cost and SG&A reduced, thanks to our employees' contributions and cancellation of exhibitions

(JPY bn)	FY2019	FY2020	Change
Sales	485.8	328.3	-157.5

	FY2019	FY2020
USD/JPY	109.1	106.8
EUR/JPY	122.1	121.8



Cash flows

DMG MORI

- Productivity improved by 30% by introducing the latest DX to the 5-axis machine monoBLOCK production line at the Pfronten factory (Germany), our 5-axis production center (1,000 units per year)
- Because of the sluggish order intake, received down payment were reduced by JPY 4.4 bn. y-o-y

(JPY bn)	2018	2019					2020				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Operating cash flow	49.4	13.0	3.8	4.3	22.5	43.6	2.5	-10.9	-0.5	22.6	13.6
Profit before taxes	31.3	8.8	8.2	7.1	7.4	31.5	1.3	-1.8	2.8	2.8	5.1
Depreciation & amortization	18.5	5.5	5.3	5.9	6.4	23.1	5.9	5.7	5.8	6.7	24.1
Change in working capital	4.6	3.5	-4.8	-5.1	2.2	-4.2	4.4	-10.6	-5.4	14.0	2.2
Others	-5.0	-4.8	-4.9	-3.6	6.5	-6.8	-9.0	-4.2	-3.7	-0.9	-17.8
Investment cash flow	-19.0	-3.6	-1.6	-9.6	-8.7	-23.5	-3.1	-3.9	-2.5	-9.3	-18.9
(thereof, acquisition of tangible and intangible fixed assets)	-19.3	-3.1	-5.3	-4.3	-8.5	-21.2	-2.9	-4.1	-3.5	-9.6	-20.1
Free cash flow	30.4	9.4	2.2	-5.2	13.7	20.1	-0.6	-14.9	-3.1	13.3	-5.2



Balance sheet summary

DMG MORI

- After the purchase of additional AG shares, remaining share purchase obligation reduced to JPY 52.0 bn. (end 2019: JPY 92.3 bn.)
- +JPY 70 bn. hybrid capital to strengthen equity position: equity ratio improved to 35%, Net D/E ratio to 0.35

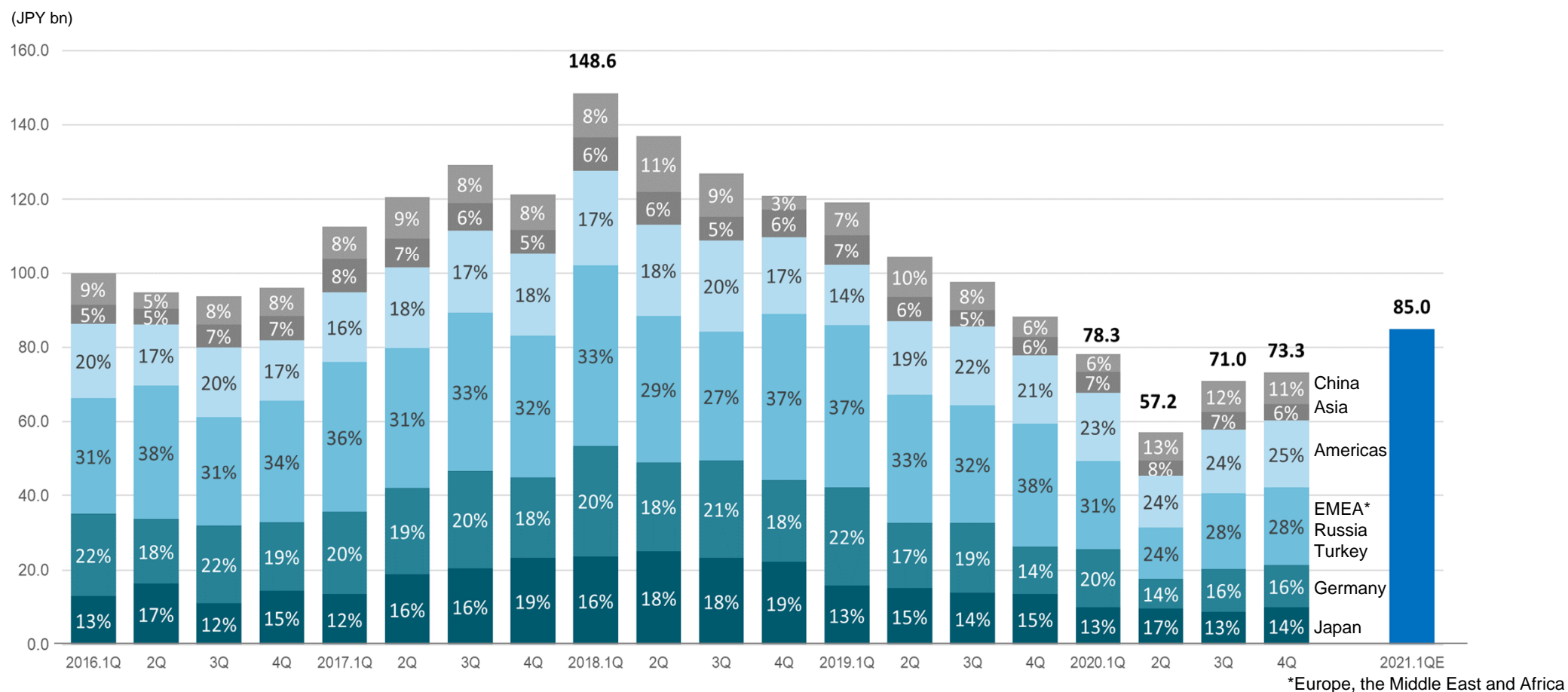
<u>Assets</u>				<u>Liability & Equity</u>			
	JPY 524.6 bn	JPY 526.5 bn		JPY 524.6 bn	JPY 526.5 bn		
Cash and Cash equivalents	33.2	38.0		54.9	47.9	Accounts Payables	
Accounts Receivables	55.3	42.6		37.5	33.7	Advance Payments	
Inventories	120.9	121.0		108.7	102.4	Interest Bearing Debt	
Tangible Assets						AG Share Purchase Obligation	
Buildings, etc. 60.7	149.0	150.6	Buildings, etc. 61.4	92.3	52.0	Other debts	
Land 31.9			Land 32.5				
Lease assets 18.1			Lease assets 19.8				
Mechanical Equipment 15.9			Mechanical Equipment 15.7				
Others 22.4			Others 21.2				
Goodwill	66.5	68.8	(Conversion increase due to weaker yen)	103.4			
Intangible Assets (thereof, software: 13.3)	62.8	66.9	(thereof, software: 17.0)	124.0	185.4	Shareholders Equity	
Other assets	36.9	38.6					
	Dec 2019	Dec 2020		Dec 2019	Dec 2020		
Year end rate (EUR / JPY)	122.5	127.0					
				Equity ratio	23.6%	35.2%	
				Net D/E ratio	0.61	0.35	

Hybrid capital JPY 118.7 bn (thereof, JPY 70 bn in 2020)

Consolidated order composition (by region)

DMG MORI

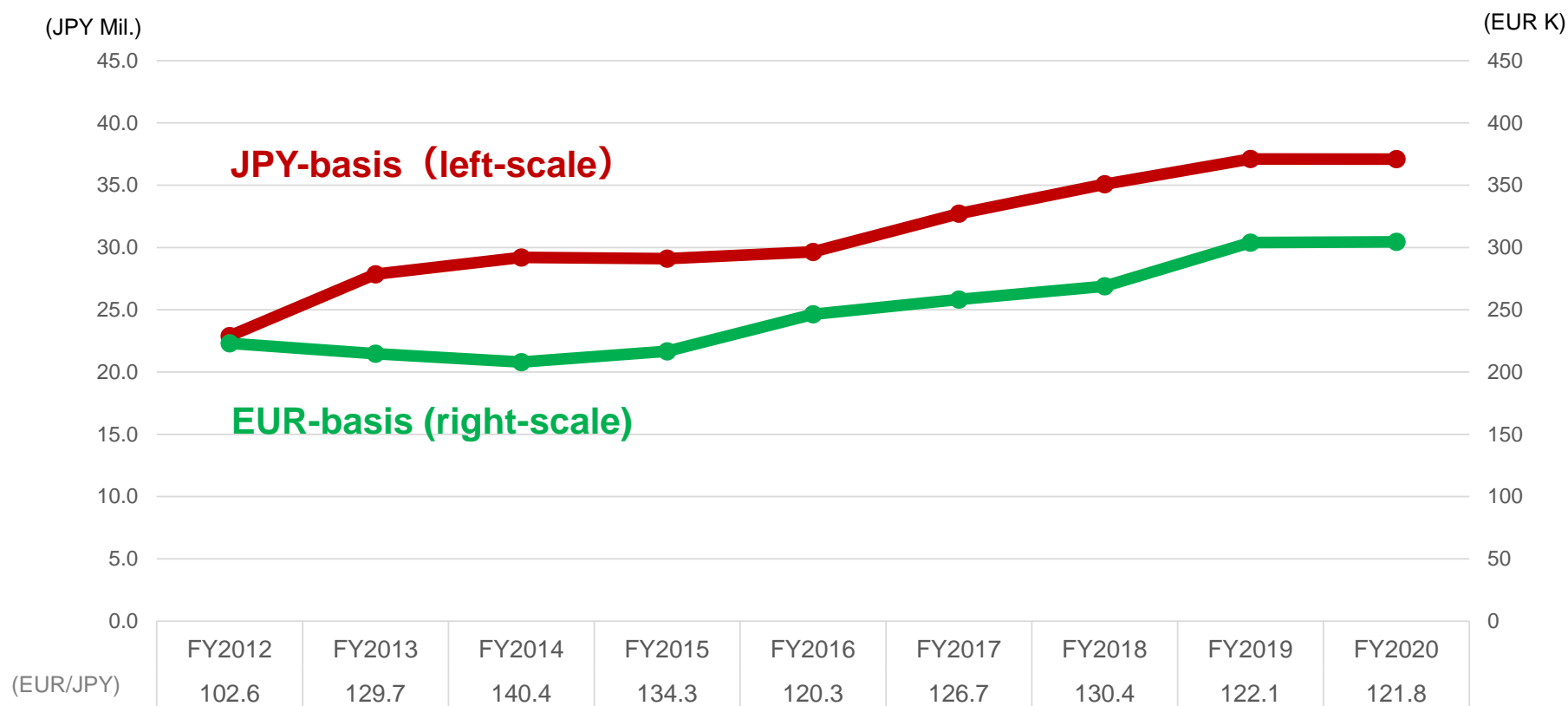
- Strong investment demand for process integration and automation worldwide, but longer lead time from inquiry to order
- Consolidated order intake gradually recovered since Q2 (Apr-Jun). 2021 Q1 order intake likely to increase y-o-y



Average order price per unit

DMG MORI

- Average order price per unit remained flat mainly due to inactive Capex in the commercial aircraft industry, which used to show strong demand for high value-added products (incl. 5-axis machines and automation)
- Our focus area includes hyper-precision machining system for semiconductor, die&mold industry, and decarbonization initiatives

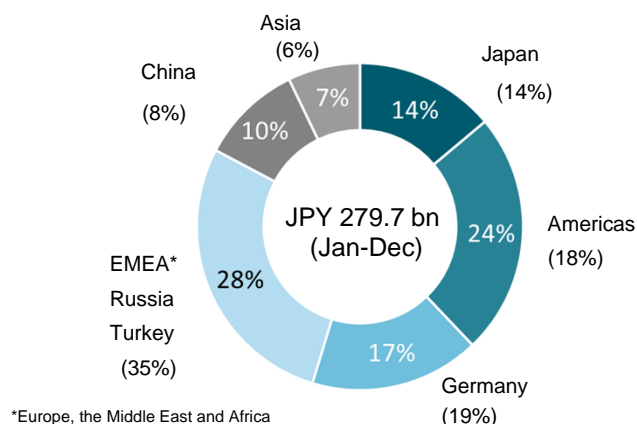


Consolidated order intake (Jan-Dec)

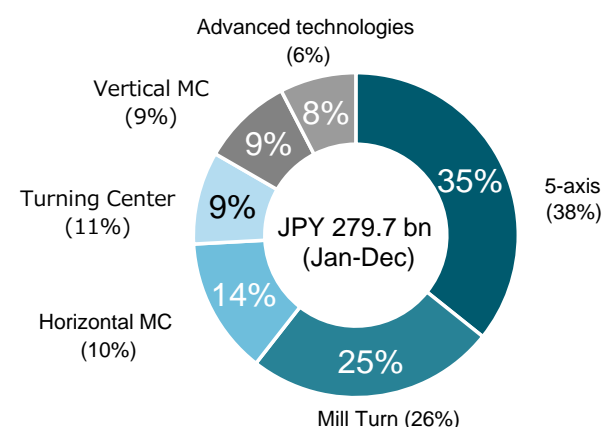
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- Share increased in China/Asia (infrastructure) and Americas (semiconductor, medical, aerospace)
- Positive trend in precision machining, semiconductor, die&mold, SMEs with advanced technology

by region

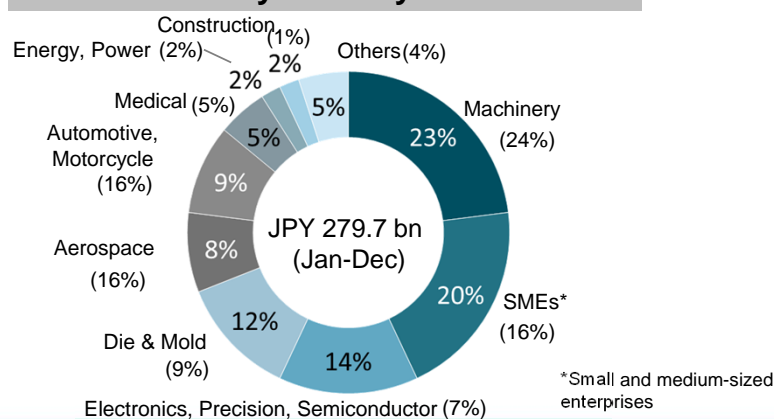


by product type

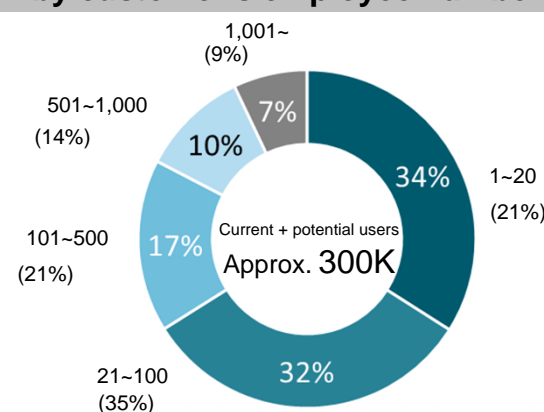


Based on amount
(%in brackets: FY2019)

by industry



by customer's employee number



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2. **FY2021 Plan and Key Topics**
3. Sustainable Management (ESG)

FY2021 business forecast

DMG MORI

- Lead time from inquiry to order extended due to resurgence of COVID-19
- Sales/profit forecast stays the same level as the result in 2020. BEP remains low as well

(JPY bn)	FY2020 actual	FY2021 plan	change	change (%)
Consolidated order intake	279.7	around 380	+100.3	+35.9%
Sales revenue	328.3	330.0	+1.7	+0.5%
Operating profit	10.7	11.0	+0.3	+2.8%
% to sales revenue	3.3%	3.3%		
Net financial costs	-5.6	-4.5	+1.1	
(thereof, economic compensation associated with DA*)	(-3.0)	(-2.0)		
Profit before taxes	5.1	6.5	+1.4	+27.5%
Net profit	1.7	4.0	+2.3	+135.3%
Net profit attributable to owners	1.7	4.0	+2.3	+135.3%
Depreciation & amortization including lease	24.1	23.5	-0.6	
Capital expenditure	20.1	15.0	-5.1	
Dividend (JPY/per share)	20	20		
USD/JPY	106.8	105		
EUR/JPY	121.8	125		

*Domination Profit and Loss Transfer Agreement

2021 key topics

DMG MORI

- ✓ Consolidated order intake plan: JPY 380 bn., representing an increase by 36%
 - Technology Fridays (Iga/Tokyo): continued and improved
 - Worldwide roll-out of Technology Fridays
 - Digital Open House of Pfronten factory (Interactive communication with customers)
- ✓ New series of products with high-speed and high-precision will be launched after autumn
- ✓ Expanding the capacity of system solutions at Iga campus
- ✓ Digital Twin Test-Cuts to reduce lead time to 5 days or less
- ✓ Secure more orders from decarbonization initiatives
- ✓ *my* DMG MORI, T Project to enhance usability
- ✓ Reinforcing sustainable management (Established a sustainability website on our website)
 - Stronger governance (Diversity among board members: 40% external, 20% non-Japanese, 10% women)*
 - Carbon neutrality of DMG MORI products

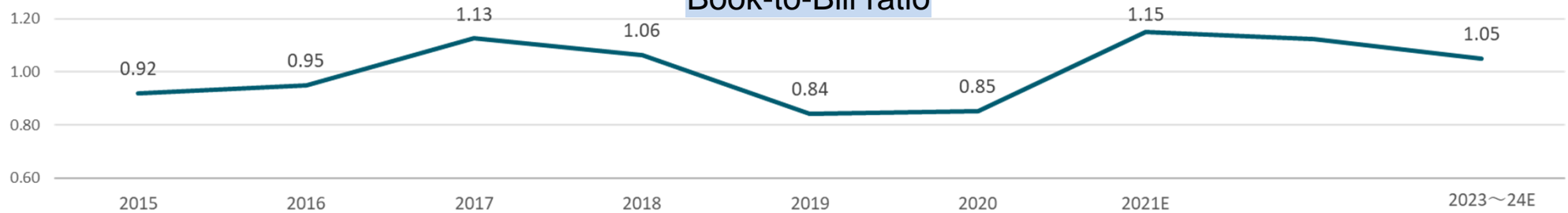
*Subject of an approval at the annual general meeting of shareholder's on March 29, 2021

Order intake/Order backlog

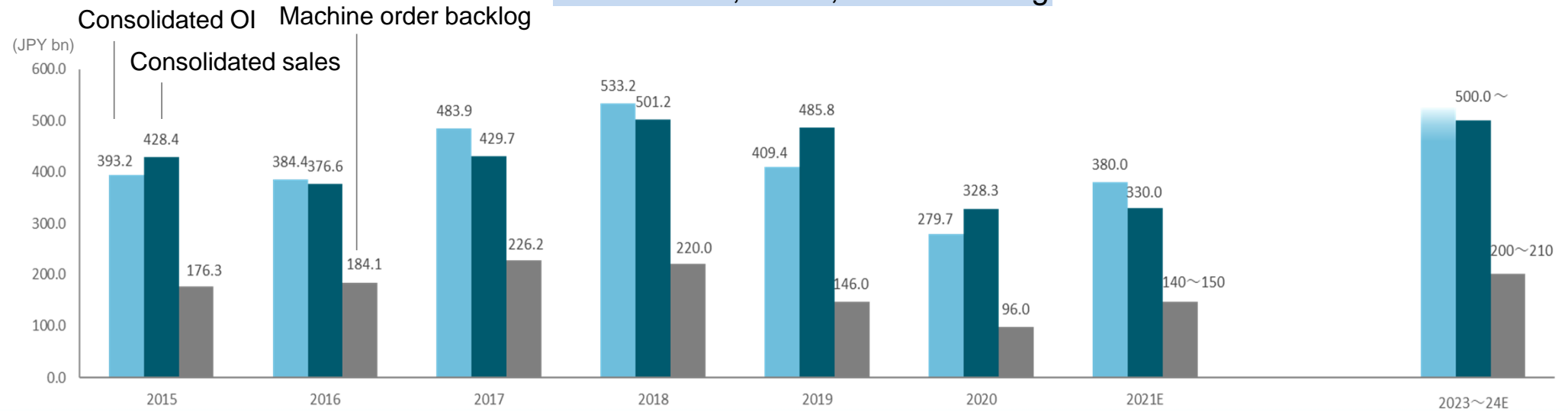
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- The year-end order backlog peaked out at JPY226.2 bn. in 2017 and reduced to 96 bn. by 2020 (2019: 146.0 bn.)
- Order intake/order backlog will recover from 2021 and sales expect a new peak in 2023 or 2024

Book-to-Bill ratio



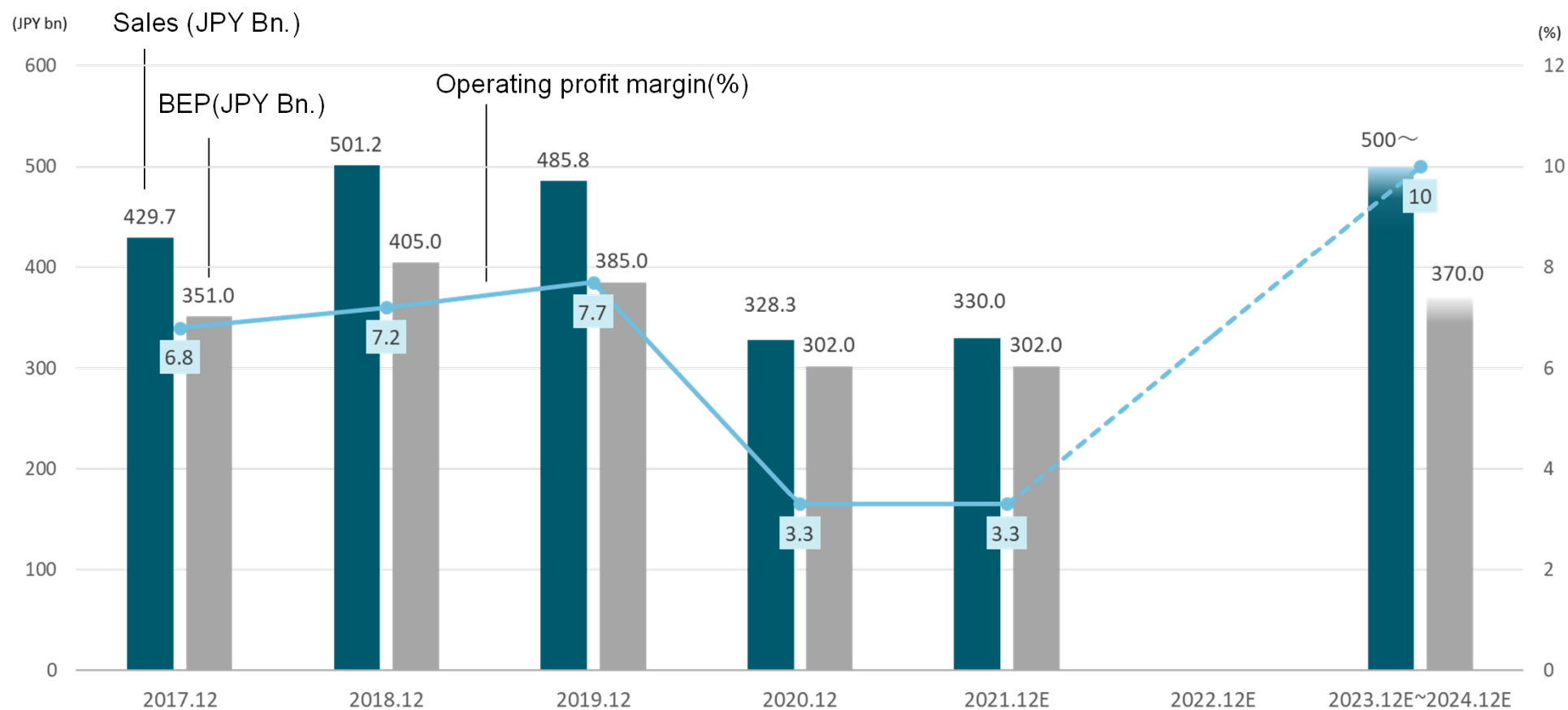
Order intake, Sales, Order backlog



Stricter BEP management: new peak in 2023 or 2024

DMG MORI

- FY2021 breakeven point target: JPY 302 bn. (same as 2020 level)
- Increase gross profit margin by additional-value proposition and cost management to reach 10% in operating profit margin by 2023-24



Technology Fridays (real-world marketing)

- ✓ Exclusive weekly events at Iga and Tokyo
- ✓ 5-axis machines, Process integration
Automation, Digitization
Weekly seminars
Demonstration, Factory tour

Jun.-Dec. 2020 (Results)

Total **48** events (24 in Iga, 24 in Tokyo)

Visitors: approx. **1,500** Visitors per day: approx. **30**

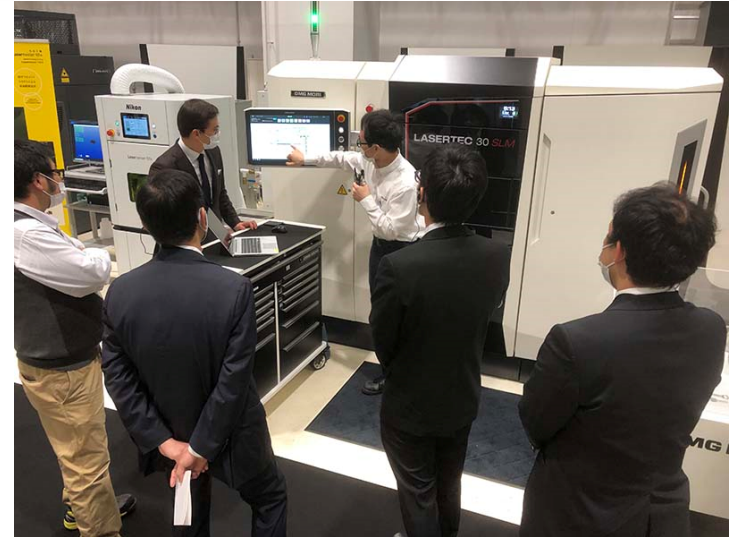
2021 (Plan)*

Total **90** events (45 in Iga, 45 in Tokyo)

Visitors: approx. **3,600**

*Plan before the declaration of state of emergency
No Technology Friday in Tokyo
during the state of emergency

DMG MORI



DMG MORI Digital Event (Pfronten, Germany / Online event)

DMG MORI



✓ 2nd – 4th February 2021 from Pfronten

- Digital Open House instead of physical event
- 7 different language streams:
 - Japanese ●
 - English 🇬🇧 🇺🇸
 - German 🇩🇪
 - French 🇫🇷
 - Polish 🇵🇱
 - Italian 🇮🇹
 - Chinese 🇨🇳
- 40 presentations

✓ Focus Topics

Day 1: CEO talk, World premiers, Pfronten Highlights

Day 2: Automation

Day 3: Digitization

- Presentations from 09:00 to 13:00 CET
- Visitors can ask questions via chat
- Live Q&A sessions per day
- “Meet your expert online”: customers can request meetings
- Presentations on platform until end of Feb



✓ The world's first* test-cut with fully-digitized machining simulation to be launched in 2021

* According to our survey:

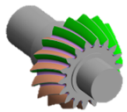
✓ Test-cut results can be provided within 5 workdays

1. Send information

(1) CAM data
NC program



(2) Workpiece info:
Material/shape



(3) Tool info

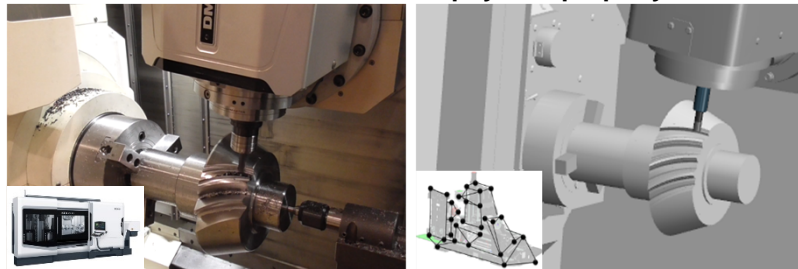


2. Request test-cut to DMG MORI Register in Digital Twin Showroom



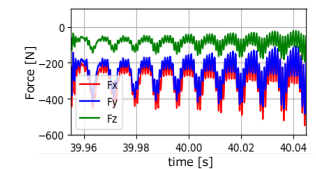
Digital Twin
(physical property model)

Machine

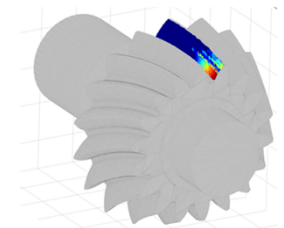


3. Receive results

(1) Cycle time, chatter vibration



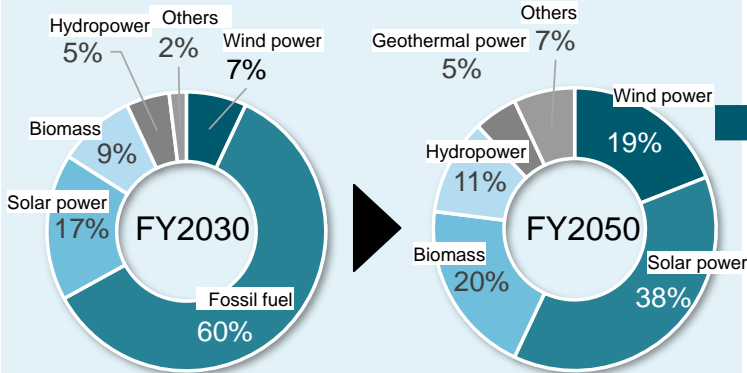
(2) Surface quality



Decarbonization: increasing demand for high speed/accuracy 5-axis machines/mill-turn + Automation

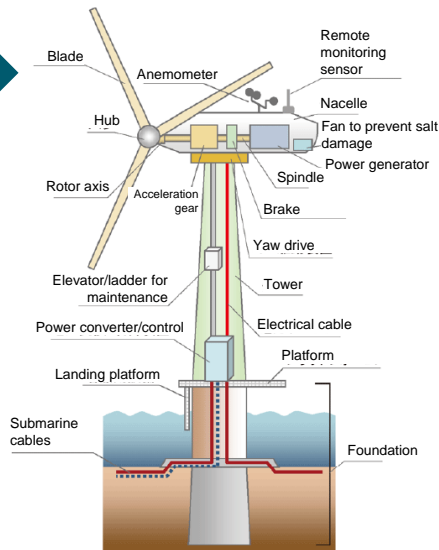
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Primary energy source (scenario: 100% energy to be sourced from natural energy by 2050)



Source: "Energy Plan 2050" (Japanese only) by Jufuku in 2019

Main components of offshore wind turbine generation system



Source: NEDO "Renewable Energy Technology White Paper" Chapter 3: Wind power generation

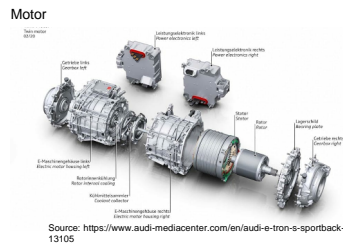
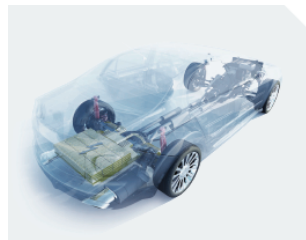
Production value chain

	Generator	Acceleration gear	Bearing	Spindle	Bedplate	Cover	Control	Yaw	Yaw bearing
Nacelle									
Hub	Casting	Blade bearing	Pitch drive						
Power converter	Transformer	Switch gear	Cable						
Blade	Structural component	Blade route	Lightening rod						
Tower	Steel	Bolt	Flange	Elevator	Ladder	Control			
Foundation	Steel	Monopile	Transition piece	Jacket					
Electricity	Cable	Offshore turbine	Offshore turbine foundation		Land cable	Substation			
Installation	Turbine installation (floating crane)			Foundation construction (SEP, cable layer)					
Maintenance & removal	Turbine maintenance & removal (floating crane)			Foundation maintenance & removal (SEP, SOV)			Submarine cable maintenance & removal		
								Inspection etc.	

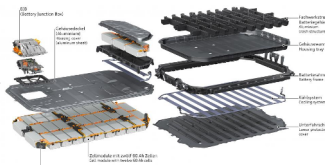
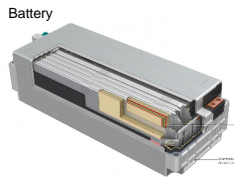
Wind turbine generation system

No. of parts: -20,000 per unit

Electric cars



Source: <https://www.audi-mediocenter.com/en/audi-e-tron-s-sportback-13105>



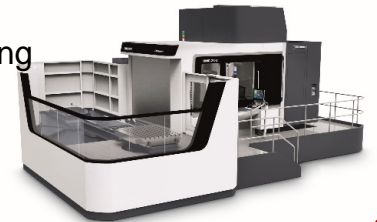
Source: <https://www.audi-mediocenter.com/en/audi-e-tron-sportback-12270>

Parts requirements

- High accuracy
- Large variety
- Carbon neutrality

Machine requirements

- 5-axis/multi-axis machining
- Automation
- Carbon neutrality

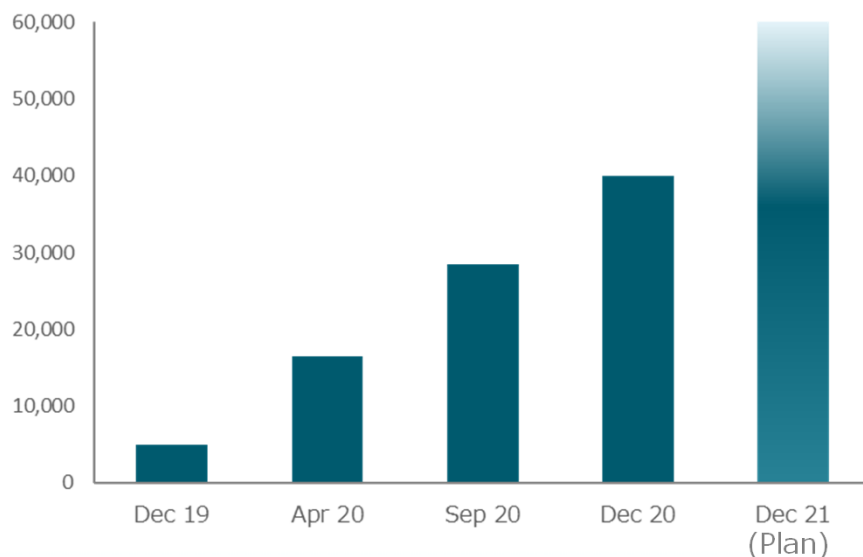


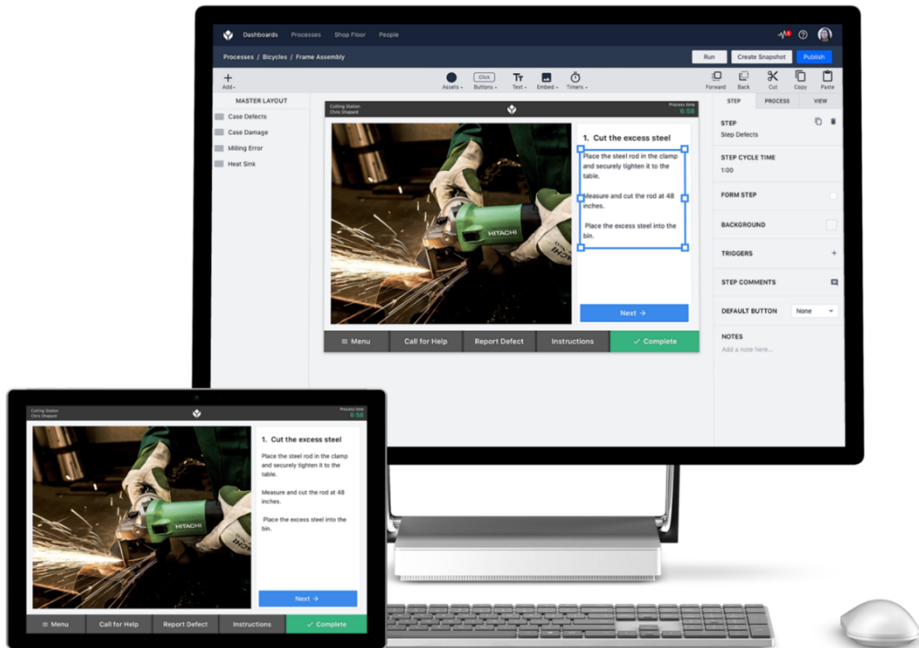


Web-based service for
DMG MORI machine owners

Registered users of my DMG MORI

approx. **40,000**
as of Dec. 2020





What is TULIP?

- + Startup from MIT Media Lab, the U.S.
- + Cloud-based manufacturing support service
- + Innovative platform with container virtualization
- + Less code required: agile development(*1) of apps by citizen developers(*2) possible
- + Subscription: off-balance and low cost

What can you do with TULIP?


- + Digital accumulation of tacit knowledge
 - Sharing knowhow, solving shortage of skilled operators, improving efficiency and quality
- + Digital Transformation without initial failure
- + Applicable to various industries and tasks

1) Development method with shorter increments to address spec/requirement changes throughout the development process
2) A user without formal coding expertise who develops tools or systems to solve their own issues. Term coined by Gartner

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Revision of DMG MORI's Mission Statement

DMG MORI

 The Mission Statement was revised since we decided to put stronger focus on automation and digitization and place greater importance on health and productivity.

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

Enable our customers to maximize their advantages 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 professional career, and work together and be innovative to bring innovation to workplace;

Respect each other's opinions and continually develop through friendly 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 perpetuity 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.

DMG MORI offers

Outcome

One stop services

Hardware/Software



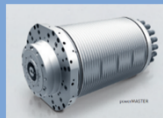
Multi-axis machines,
advanced machining

Machine tool area



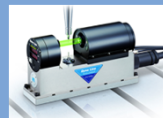
Automation
modules

DMG MORI
unique products



In-house
components

DMG MORI
unique products



Peripherals

Factory
Automation

After-sales services



Establishment of
machining systems

System Integration



Improving productivity
of machining process

DMG MORI
unique Service



Preservation and
maintenance of
machining systems

DMG MORI
unique Service



Financing

Financial area

X



Realization of Process Automation

- + Solving labor shortage
- + Improving the productivity of your factory

DMG MORI provides one-stop automation solutions

Climate Action 1. Making all DMG MORI products CO2 neutral

DMG MORI



DMG MORI Aims to Achieve Carbon Neutral Operations in 2021

Investing 5 Billion JPY for Reduction in Carbon Footprint in logistics

Nikkei Newspaper issued on February 9, 2021

DMG MORI CO., LTD. aims to become carbon neutral in CO2 emissions from its entire business activities in 2021. "We will use the emission credits, and at the same time invest 5 billion yen in our domestic plant. With the ramped-up production capacity of the plant, we would be able to reduce the import of materials and mitigate carbon footprint in logistics in the end. We will also increase the use of renewable energy in order to achieve complete 'carbon neutral' throughout the whole process from parts procurement to transportation of finished products," says Dr. Masahiko Mori, president of the company in the interview last week.

The Japanese government announced that it would become carbon neutral by 2050, and the manufacturing industry has already moved forward to take the initiatives. The DMG MORI's carbon footprint was approximately 780,000 tons across the world in 2019. Of the company's total, approximately 5 percent were from the manufacturing process and more than 70 percent were from the supply chain. DMG MORI has already invested some tens of millions of yen in internationally certified climate protection projects to offset the emissions.

DMG MORI AG, the German-based subsidiary responsible for nearly 60 percent of emissions generated by the group's overall operations (430,000 tons in 2019), achieved carbon neutrality in 2020 for the first time. The company expects the remaining emissions (approx. 300,000 to 400,000 tons a year) will be balanced in 2021.

DMG MORI plans on investing 5 billion yen in Watanabe Seikoshō (Izumo City, Shimane), its subsidiary manufacturing casting parts for machine tools, to increase production capacity, aiming to further reduce CO2 emissions.

Source: Nihon Keizai Shimbun (February 9, 2021)



2021 plan: reaching world-wide carbon neutrality

Usage of "Green Machine" mark for DMG MORI products

<Target>



March 2021: Announce carbon neutrality for up to Scope 3 upstream activities



March 2022: Achieve carbon neutrality for complete supply chain



CO2 emission to be reduced by 30% (2019 -> 2030)

2019 Group-wide emission approx. 780,000 tons

Emission per product approx. 78 tons



2030 Emission per product 55 tons

<Action plans: examples>

- Purchase of CO2 free electricity
- Introduction of renewable energy (e.g. biomass)
- Change of material logistics
- Installment of LED lights in facilities
- Offset with internationally accepted certificates



Established a sustainability website on our website on Feb 1st

<https://www.dmgmori.co.jp/corporate/sustainability>

Climate Action 2. Usage of biomass energy

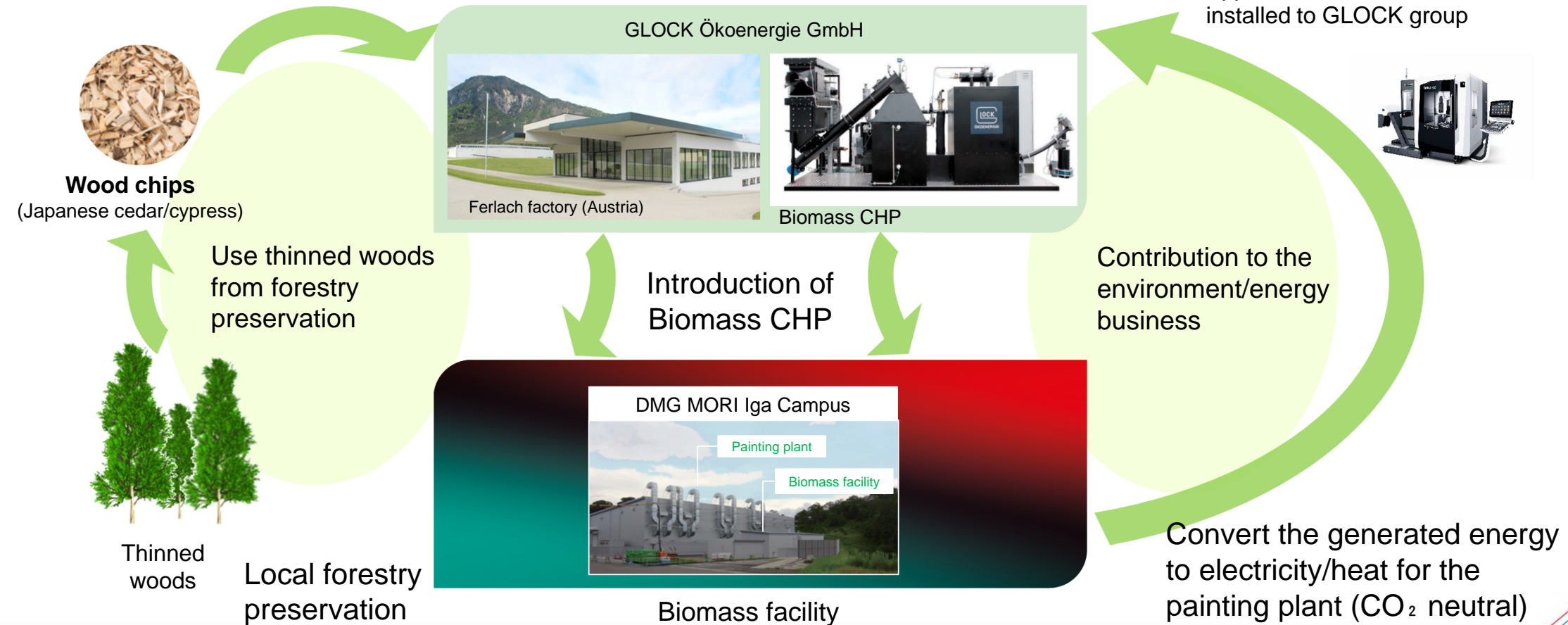
DMG MORI

- ✓ Biomass facility to be established in Iga Campus in 2021
- ✓ Use biomass energy (net zero CO2 emission)

Biomass: plant/animal material used for energy production (excl. fossil fuels)

CHP : Combined Heat and Power

Approx. 300 DMG MORI machines installed to GLOCK group



✓ Announcement of “DMG MORI Health and Productivity Management Declaration”

DMG MORI Health and Productivity Management Declaration (provisional translation)

DMG MORI places importance on the health management of its employees and will promote efforts towards the realization of “Health and Productivity”*.

DMG MORI writes the following in its Mission Statement:
“Play hard and be dynamic to enrich our private lives, study continuously and be open to advance professional career, and work together and be innovative to bring innovation to workplace;”

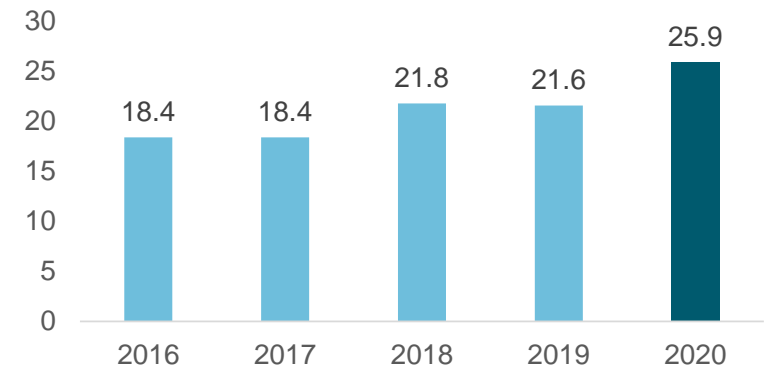
DMG MORI believes that the employees’ vitality is connected to a healthy mind and body. This vitality is essential to the sustainable growth of our company.

DMG MORI pledges to support the health improvement activities of its employees and to implement health improvement strategies to foster a corporate culture in which each employee’s health can reach its fullest potential.

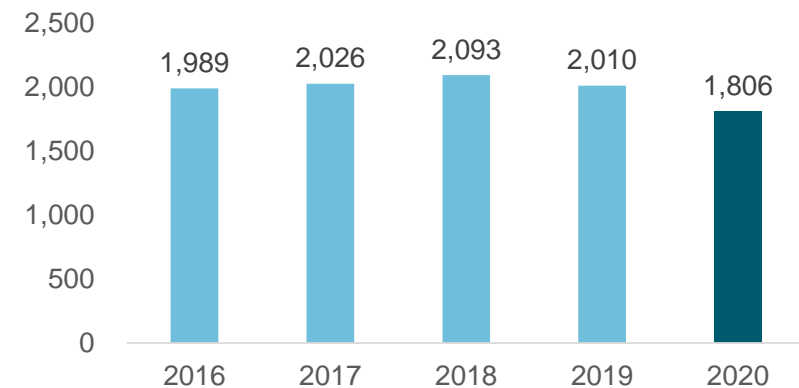
January 4th, 2021
DMG MORI
President Masahiko Mori

“Health and Productivity management” is a registered trademark by the NPO Workshop for the Management of Health and Company and Employee

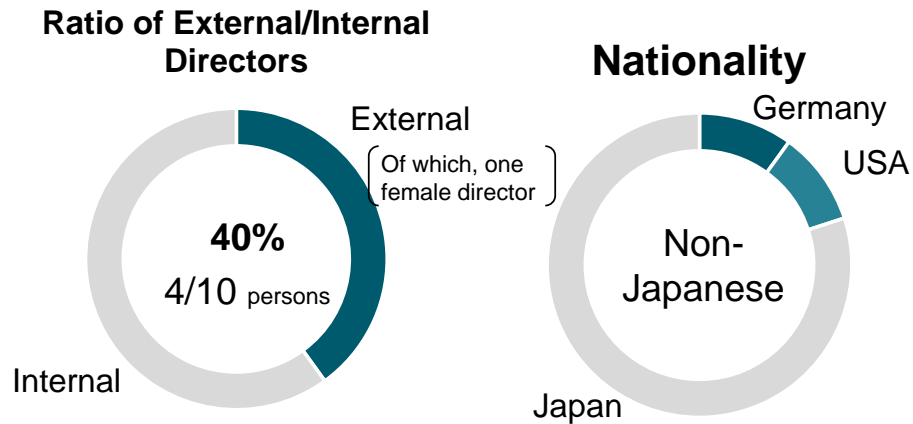
Average number of paid leave taken per employee



Average yearly working hours per employee



✓ Structure of Board of Directors (To be approved at the annual general meeting of shareholder's on March 29, 2021)



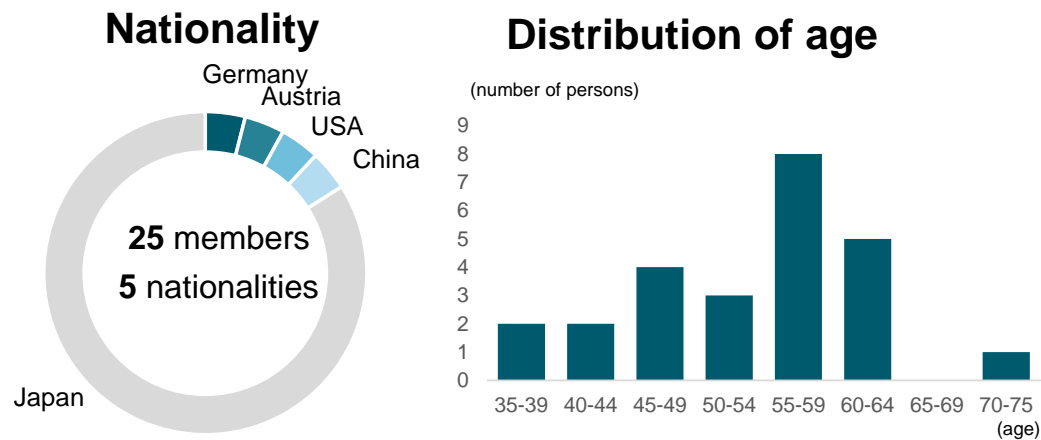
- Diversify the Board of Directors and promote lively discussion

✓ Add 1 female External Director (Plan)

Share of external directors: 40%,
Preserve variety of nationalities

2 female directors to be scheduled for 2022

✓ Structure of Operating Officers (as of January 1st, 2021)



- Promotion of young Operating Officers and training of next generation leaders
- Promotion of global human resources

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.