

DMG MORI CO., LTD.

FY 2021 1st Half (Jan-Jun) Results

August 5, 2021

1. FY 2021 1st Half Financial Summary

2. Business Environment

3. Focus Topics

- ① Environmental Contribution by Process Integration & High-Efficiency Production
- ② Promotion of Automation & Turnkey
- ③ Expansion of production capacity

4. Progress of Sustainable Management

- ① Declared support for TCFD, New solar power system in Iga
- ② Health and human resource productivity management

FY 2021 1H highlights

DMG MORI

- ✓ Consolidated order intake: JPY 218.4 bn. (+ 61% y-o-y)
- ✓ 2Q (Apr-Jun) consolidated order intake: JPY 117.0 bn. (2 times higher than FY 2020 2Q, higher than the original plan of JPY 100 bn.)
- ✓ Machine order backlog increased to JPY 142.0 bn. (JPY 96.0 bn. at end of FY 2020)
- ✓ FY 2021 full-year forecast revised upward
- ✓ Planned dividend increase: Annual dividend per share JPY 30 (formerly JPY 20) (Interim dividend JPY 10 (as planned), Year-end dividend JPY 20 (formerly JPY 10))
- ✓ JPY 40 bn. Convertible Bonds: Accelerating carbon neutral solutions and growth in China
- ✓ Declared support for TCFD: Disclosure of climate related financial information

FY2021 1st Half income statement summary

DMG MORI

- Consolidated order intake has almost recovered to the level of 2019
- Improved net profit due to reduction in financial costs and normalized effective tax rates

(JPY bn)	FY2019 1H	FY2020 1H	FY2021 1H	Changes (%)
Consolidated order intake	223.4	135.5	218.4	+61.2%
Sales revenue	238.6	154.3	178.2	15.5%
Operating profit	20.0	2.4	10.2	4.2x
% to sales revenue	8.4%	1.6%	5.7%	
Net financial costs	-3.0	-3.0	-1.6	
(thereof, economic compensation associated with DA*)	(-1.8)	(-2.1)	(-0.8)	
Profit before income taxes	17.0	-0.6	8.5	Black
Net profit attributable to owners of the parent	10.7	-2.2	6.1	Black
Attributable to owners of hybrid capital	0.5	0.5	1.1	
Attributable to common stockholders	10.1	-2.7	5.0	
EPS (Yen) •Basic	83.30	-21.87	40.57	
Interim dividend (Yen/share)	30	10	10	
Depreciation & amortization including lease	10.8	11.6	10.9	
Capital expenditure	8.4	7.0	7.6	
USD/JPY	110.1	108.3	107.7	
EUR/JPY	124.3	119.3	129.8	

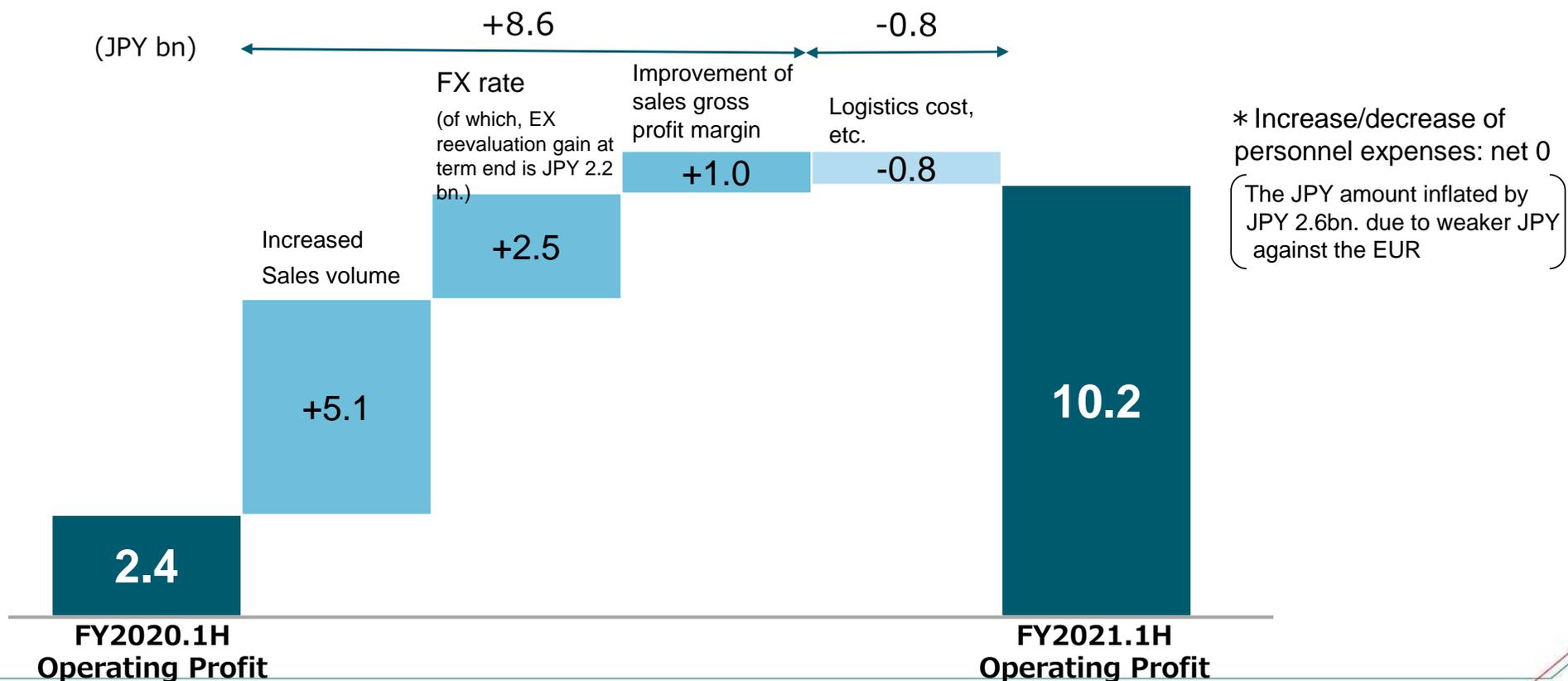
*Domination Profit and Loss Transfer Agreement

Operating income bridge FY2020 1st Half vs FY2021 1st Half

- Increase in sales volume since 2Q (April – June), first plus since nine quarters (FY 2019 1Q)
- Stringent cost management

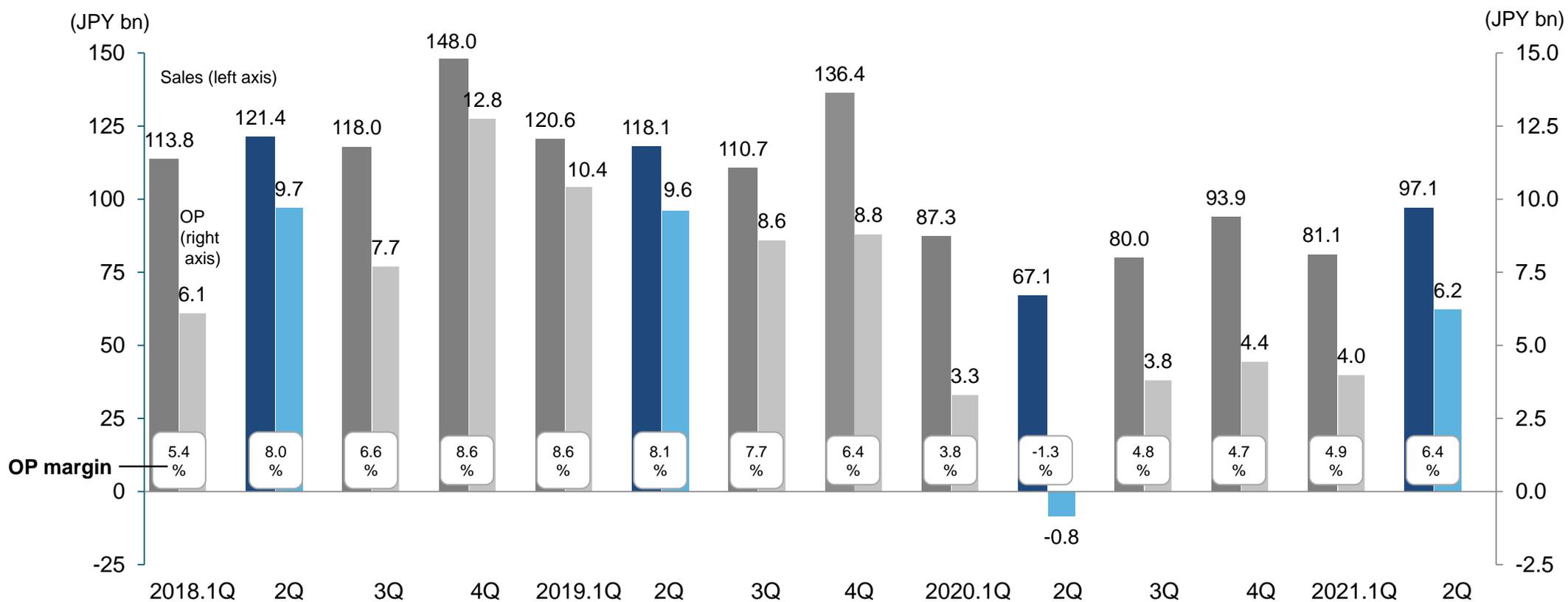
(JPY bn)	FY2020.1H	FY2021.1H	Change
Sales revenue	154.3	178.2	23.9

EX rate :		FY2020.1H	FY2021.1H
	USD/JPY	108.3	107.7
	EUR/JPY	119.3	129.8



Quarterly financial results

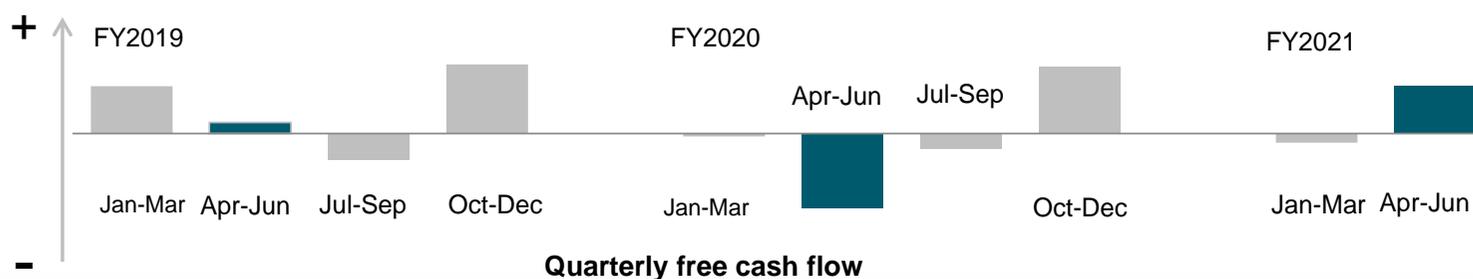
- Quarterly operating profit margin is improving



Cash flows

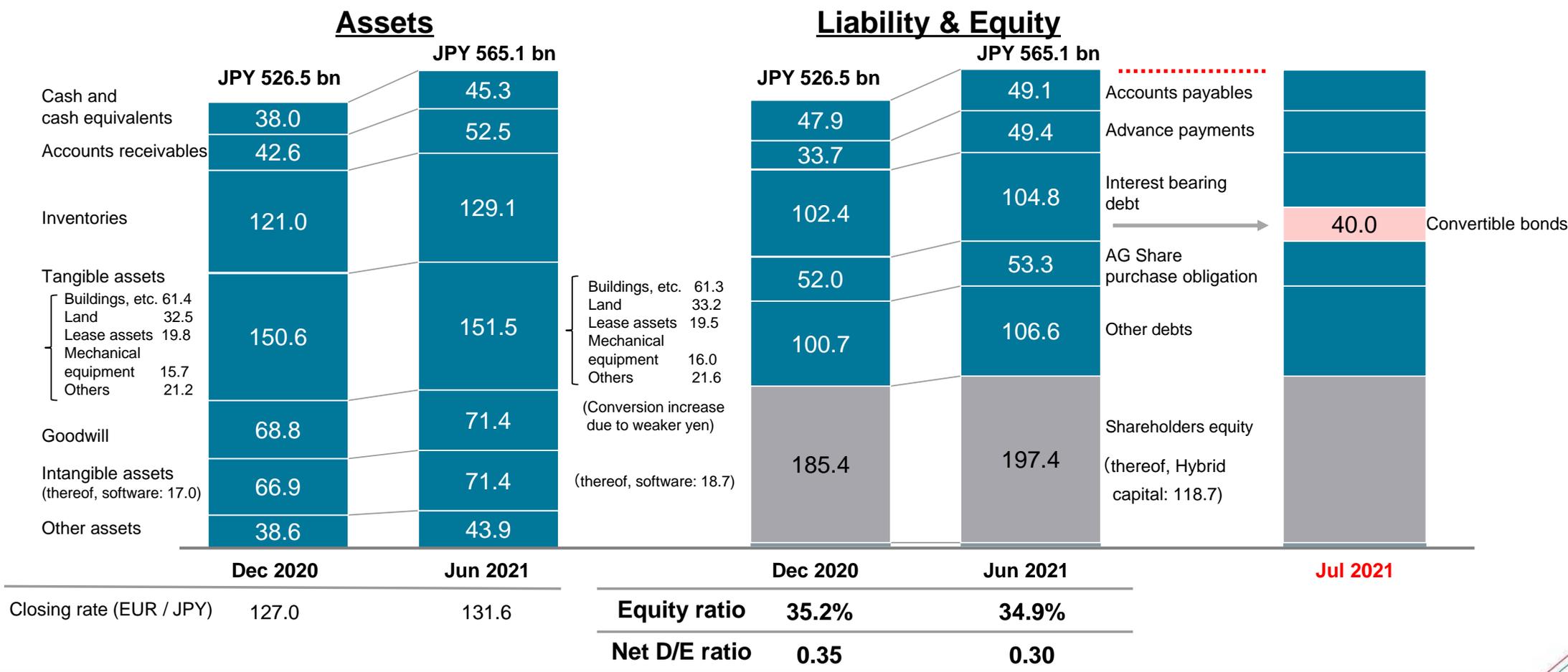
- Free cash flow in 2Q greatly improved, driven by higher profit and higher received down payments
- Annual free cash flow is estimated to be JPY 15.0 bn. or more

(JPY bn)	2019					2020					2021			
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q		FY (Plan)
Operating cash flow	13.0	3.8	4.3	22.5	43.6	2.5	-10.9	-0.5	22.6	13.6	2.6	13.4		30.0
Profit before taxes	8.8	8.2	7.1	7.4	31.5	1.3	-1.8	2.8	2.8	5.1	3.1	5.4		16.5
Depreciation & amortization	5.5	5.3	5.9	6.4	23.1	5.9	5.7	5.8	6.7	24.1	5.5	5.4		23.5
Change in working capital	3.5	-4.8	-5.1	2.2	-4.2	4.4	-10.6	-5.4	14.0	2.2	-3.5	5.3		3.0
Others	-4.8	-4.9	-3.6	6.5	-6.8	-9.0	-4.2	-3.7	-0.9	-17.8	-2.5	-2.7		-13.0
Investment cash flow	-3.6	-1.6	-9.6	-8.7	-23.5	-3.1	-3.9	-2.5	-9.3	-18.9	-4.5	-3.4		-15.0
(thereof, acquisition of tangible and intangible fixed assets)	-3.1	-5.3	-4.3	-8.5	-21.2	-2.9	-4.1	-3.5	-9.6	-20.1	-4.4	-3.1		
Free cash flow	9.4	2.2	-5.2	13.7	20.1	-0.6	-14.9	-3.1	13.3	-5.2	-1.8	10.0		15.0



Balance sheet summary

- Greatly increased down payments due to high OI. Net debt was JPY 59.5 bn. (- JPY 4.9 bn. from Dec. 2020)
- Convertible bonds worth JPY 40.0 bn. issued in July. Financial structure the same as at the end of June.



Stronger financial basis

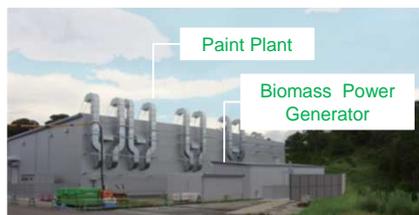
DMG MORI

- Issued convertible bonds with stock acquisition rights for mid-to-long term investment in environmental measures and growth, e.g. in China.
- JPY 30.0 bn. (maximum) of hybrid capital to secure repayment of debt

① **JPY 40.0 bn.** of convertible bonds issued (July 16)
 Conversion price: JPY 2,593 (6/30/2021 closed at JPY 1,994; up by 30.04%)
 Maturity: 7/16/2024

② **JPY 30.0 bn.** (max.) of perpetual subordinated bonds (by September 2)

➤ Investment in environment/productivity: approx. **JPY 30.0 bn.**



Biomass Power Generator and Solar PV (Iga Campus) JPY 7.0bn.



Nara Product Development Center JPY 7.0bn.



Green-casting production (Watanabe Seikoshu) JPY 4.0bn.

plus, ERP system etc. JPY 12.0bn.

➤ Redemption of perpetual subordinated bonds issued 9/2016 : **JPY 10.0 bn.**
 (optional redemption possible from 9/2/2021)

➤ Loan repayment: **JPY 20.0 bn.**

➤ Investment in growing markets: approx. **JPY 10.0 bn.**



New 5-axis plant in China (Pinghu) JPY 5.0bn.



Expansion of Tianjin factory JPY 4.0bn.



New factory in Egypt JPY 1.0bn.

FY2021 full-year forecast

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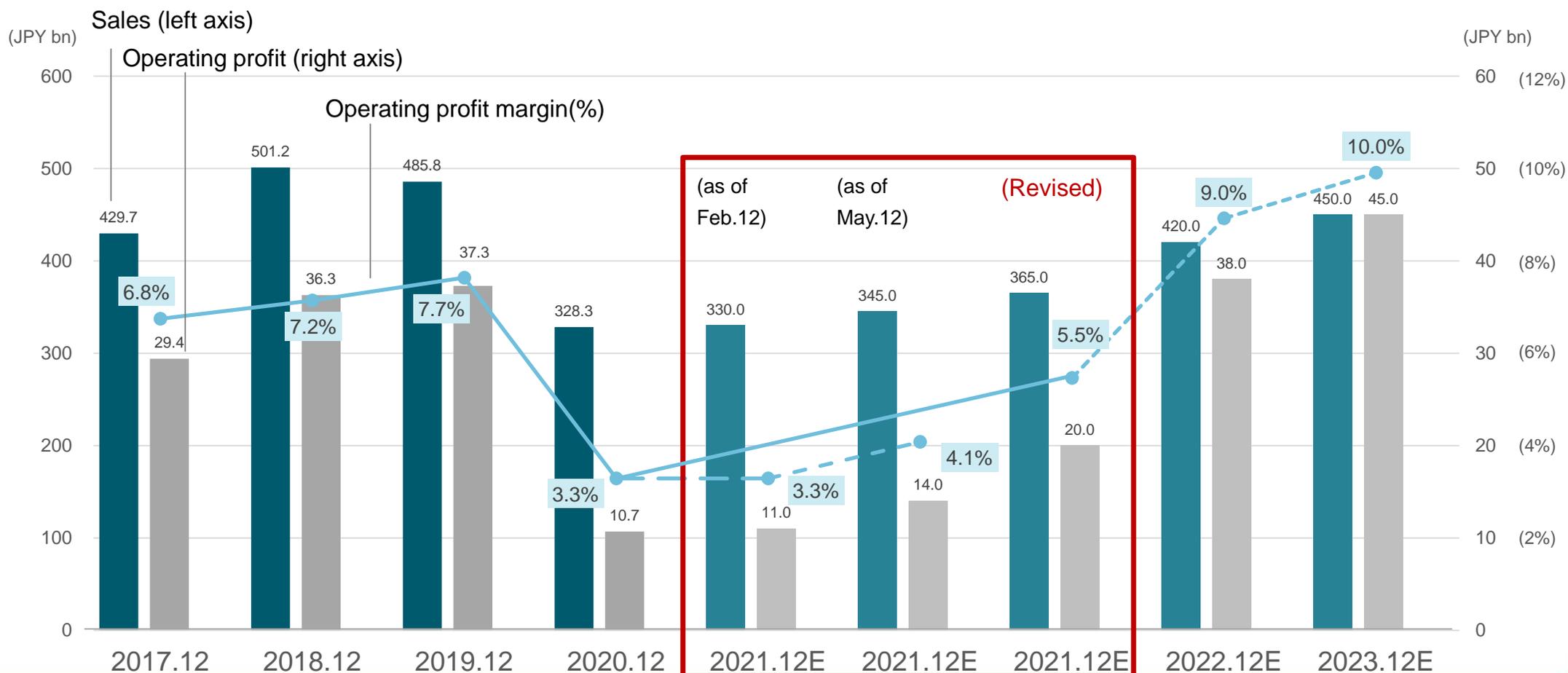
- Annual OI Plan: around JPY 420 bn., 50% increase y-o-y. The plan exceeds the level of FY 2019.
- Further upward revision of annual sales revenue and profit target driven by high 2Q OI

(JPY bn)	FY2019 Actual	FY2020 Actual	FY2021 Plan			
			(Revised)	YoY (%)	(as of May 12)	Changes
Consolidated order intake	409.4	279.7	Around 420.0	+50.2%	Around 400.0	+20.0
Sales revenue	485.8	328.3	365.0	+11.2%	345.0	+20.0
Operating profit	37.3	10.7	20.0	+87.4%	14.0	+6.0
% to sales revenue	7.7%	3.3%	5.5%		4.1%	
Net financial costs	-5.9	-5.6	-3.5	-	-4.5	
(thereof, economic compensation associated with DA*)	(-3.5)	(-3.0)	(-2.0)		(-2.0)	
Profit before taxes	31.5	5.1	16.5	3.2x	9.5	+7.0
Net profit attributable to owners of the parent	18.0	1.7	11.0	6.3x	6.0	
Attributable to owners of hybrid capital	1.1	1.3	2.1		2.1	-
Attributable to common stockholders	16.9	0.4	8.9		3.9	+4.9
EPS (Yen) ·Basic	138.64	3.40	71.32		31.15	
Dividend (Yen/share)	60	20	30		20	
			(Interim:10, Year end:20)			
Depreciation & amortization including lease	23.1	24.1	23.5		23.5	
Capital expenditure	21.2	20.1	15.0		15.0	
USD/JPY	109.1	106.8	106	(2H:105)	105	
EUR/JPY	122.1	121.8	127	(2H:125)	125	

*Domination Profit and Loss Transfer Agreement

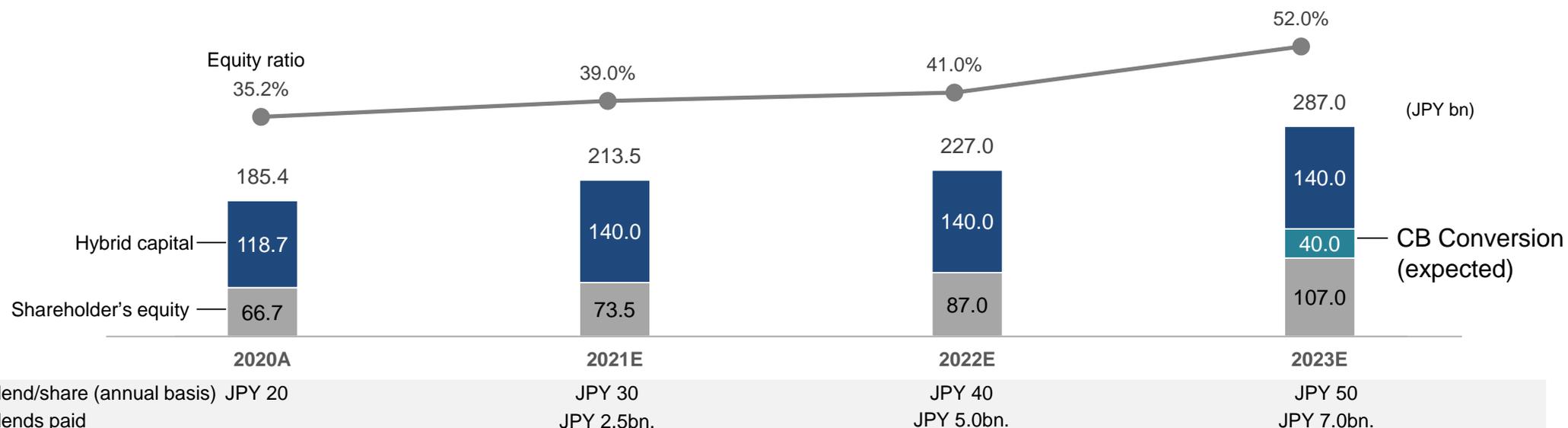
Mid-term financial performance outlook

- FY 2022: Operating profit planned to reach new record-high (previous record: FY2019)
- FY 2023: Operating profit margin of 10% or higher targeted



FY 2023 Financial position targets

- Plans interest-bearing debt to zero and over 50% shareholders' equity ratio by the end of 2023



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3. Focus Topics

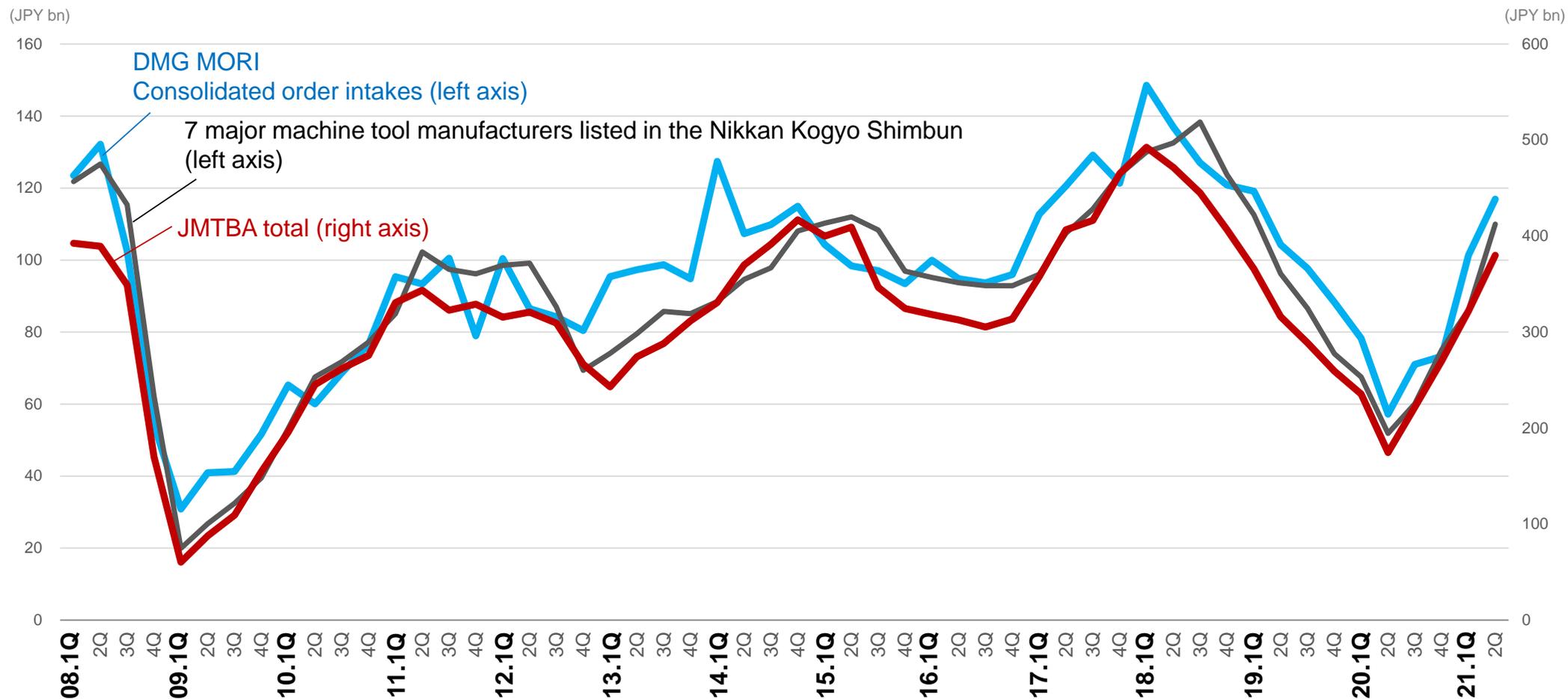
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- ② Health and human resource productivity management

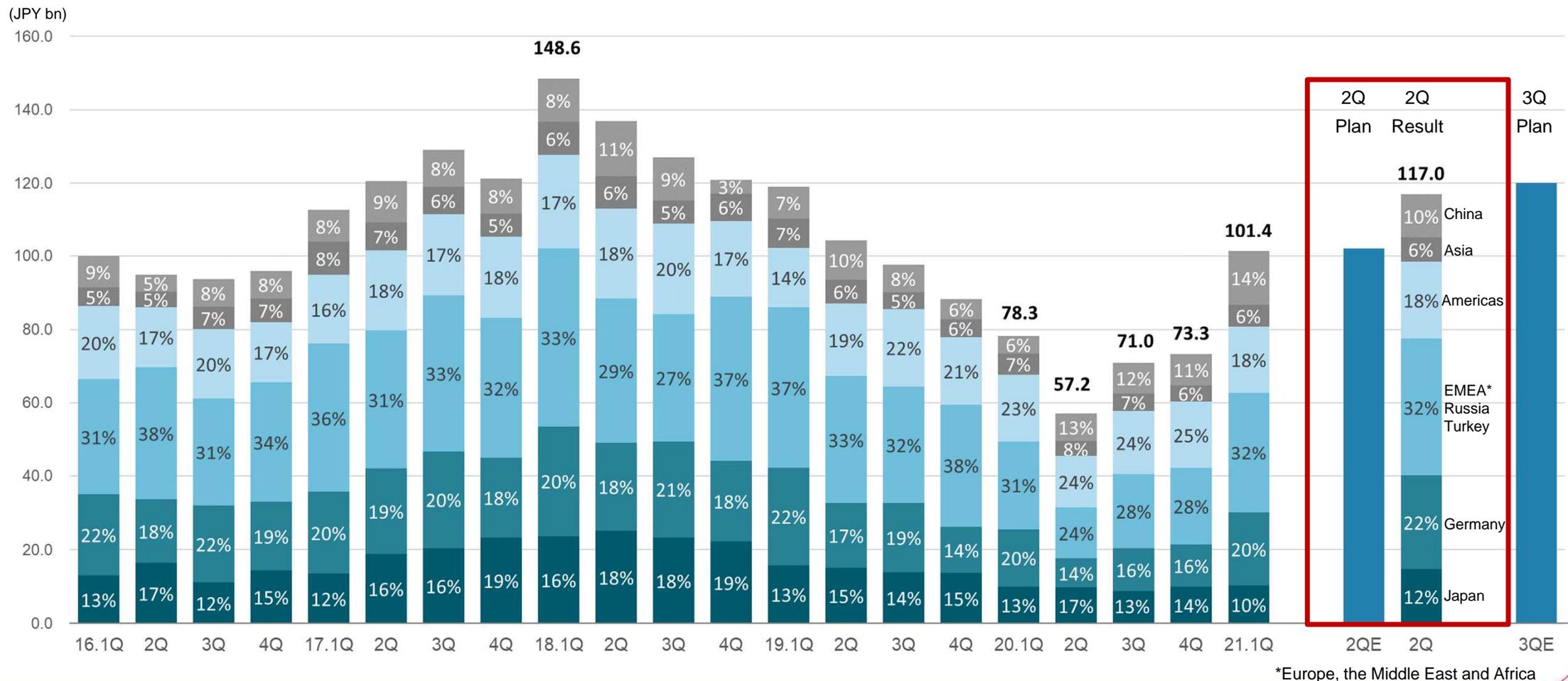
Consolidated OI vs JMTBA OI development

- Demand recovering in all industries except for commercial aircraft and energy
- High OI in EMEA (accounts for more than 50% of the consolidated OI) was driving factor



Order composition (by region)

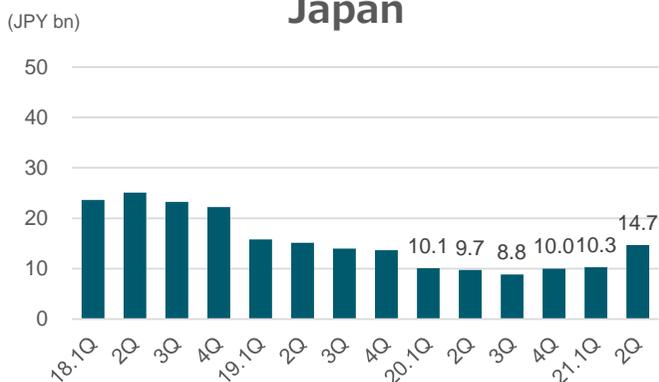
- 2Q OI amounted to JPY 117.0 bn. (higher than plan of JPY 100.0 bn.)
- 3Q OI is expected to stay solid



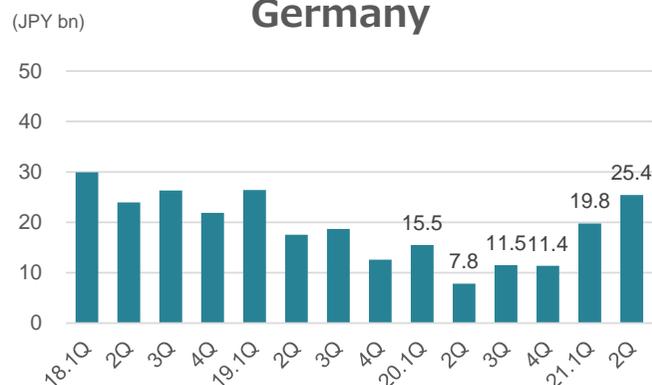
OI development by region

- Germany and EMEA remain solid. Japan and the Americas are recovering.
- Some Q-o-Q decline in China due to large projects won in 1Q. Business environment unchanged.

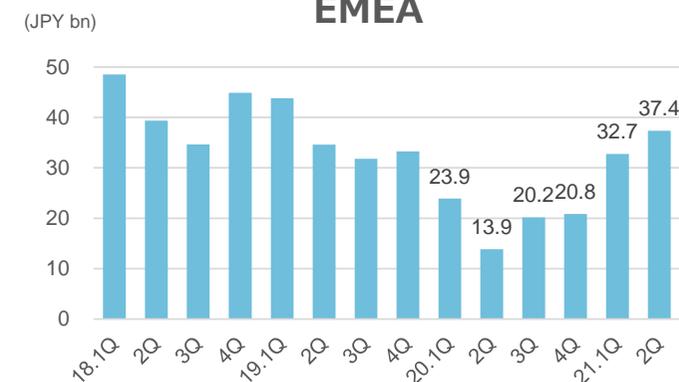
Japan



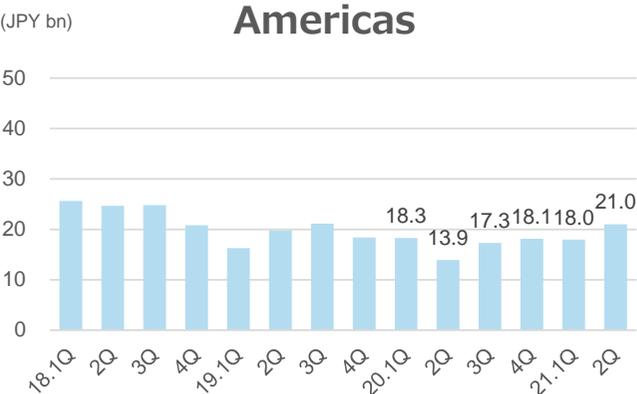
Germany



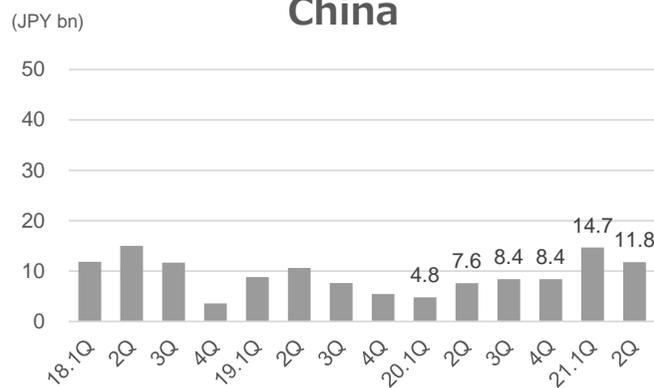
EMEA



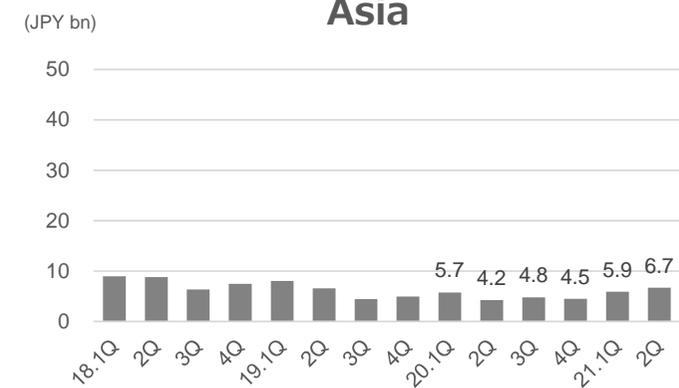
Americas



China



Asia

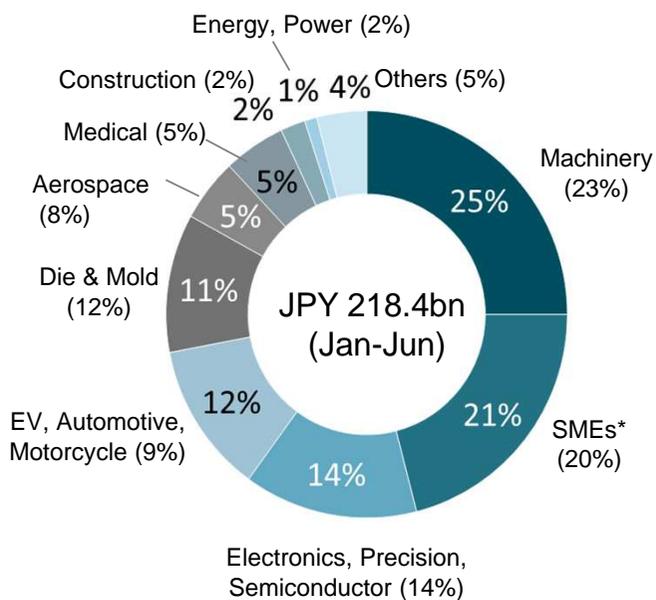


Order composition (Jan-Jun)

- Strong demand from semiconductor, EV (electric vehicle) and general machinery industry
- Constantly growing demand for 5-axis machines

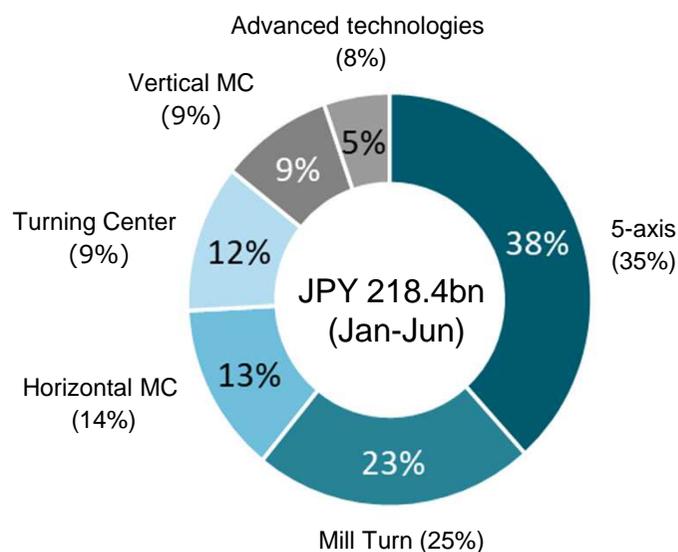
Based on amount
(%in brackets:
FY2020 Jan-Dec)

by industry

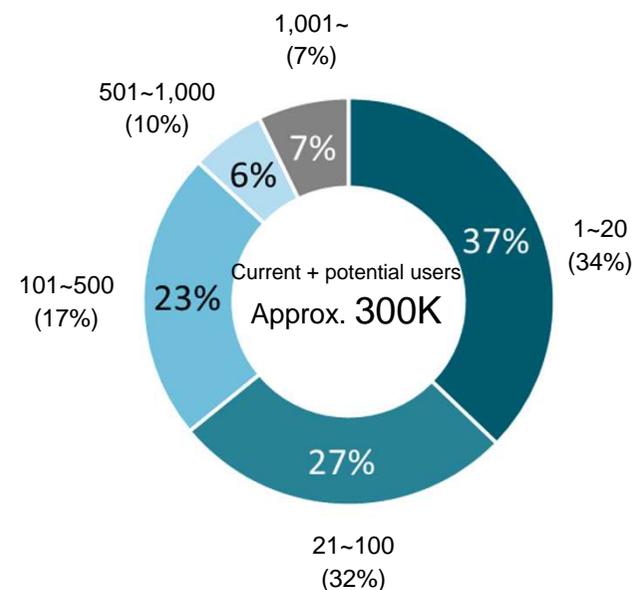


*Small and medium-sized enterprises

by product type

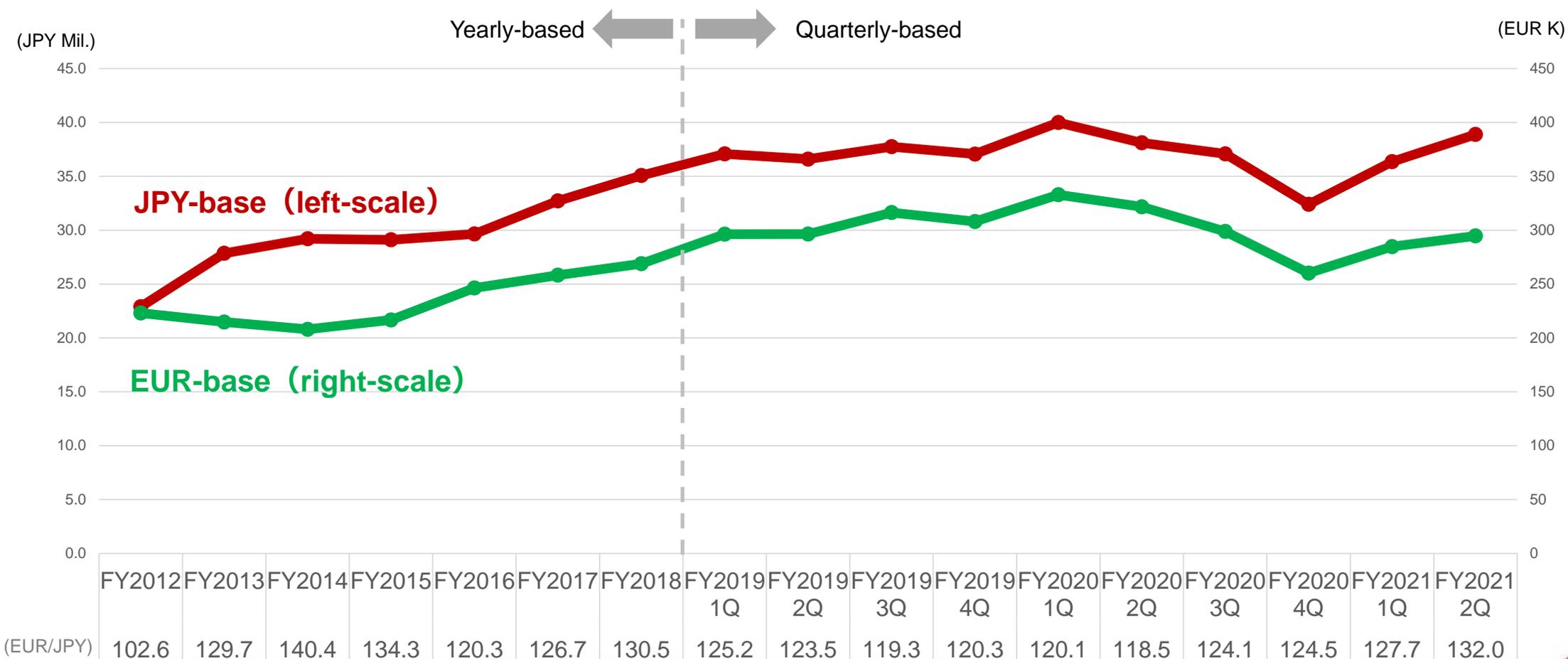


by customer's employee number



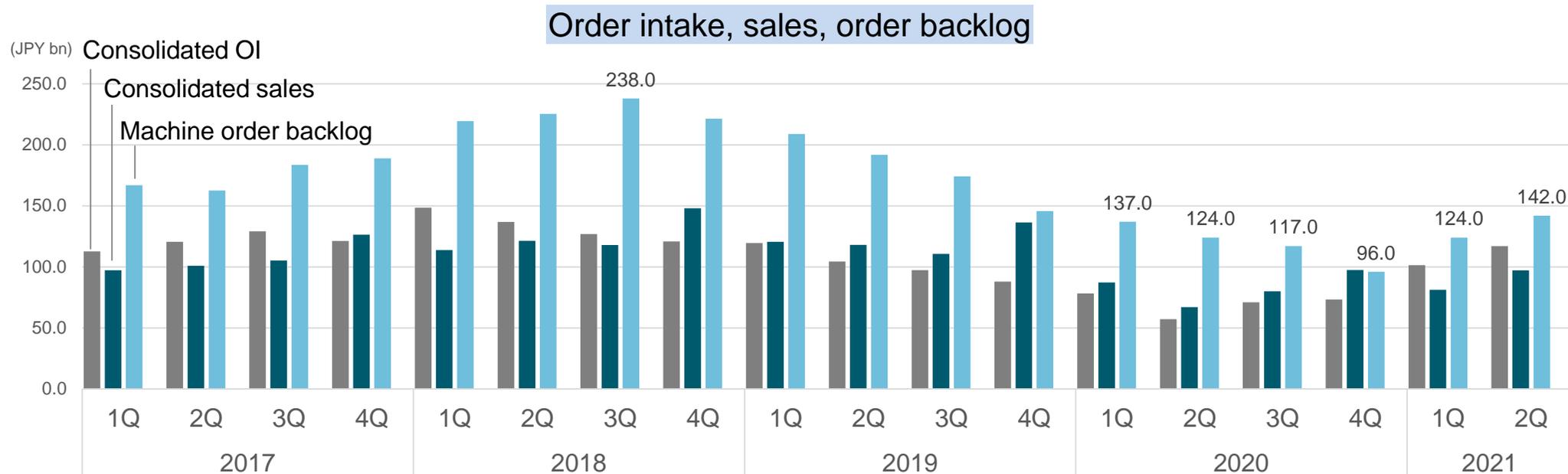
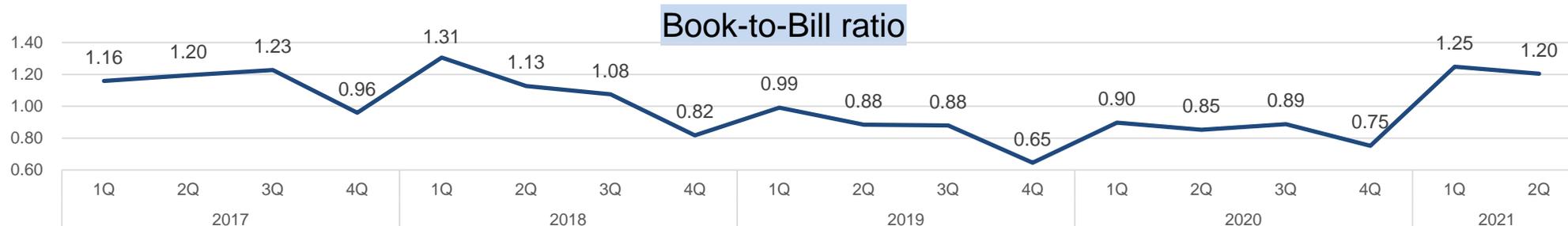
Average price per unit

- Clear upward trend since the low in FY 2020 4Q
- High orders for 5-axis machines and automation systems driven by direct sales push average price



Development in OI & order backlog

- 2Q machine order backlog increased to JPY 142.0 bn. (+ JPY 18.0 bn. from FY 2021 1Q)
- End-of-year machine order backlog forecast: JPY 150.0-160.0 bn.



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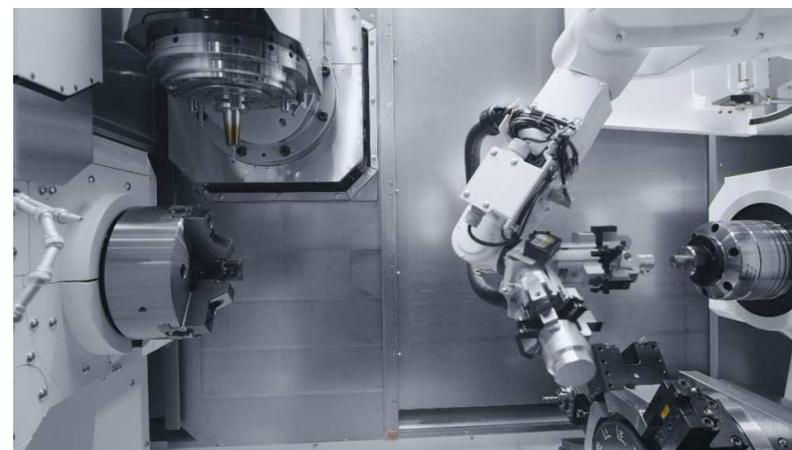
4. Progress of Sustainable Management

- ① Declared support for TCFD, New solar power system in Iga
- ② Health and human resource productivity management

Benefits of process integration (NTX1000 with IMTR)

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An ideal machine for process integration by combining an in-machine traveling robot system



Promote individual business relationship utilizing 14 global production bases



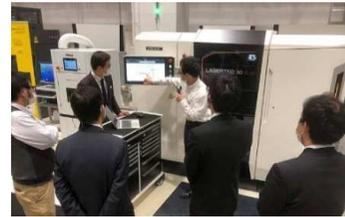
Global expansion of Technology Fridays held in Japan



Pfronten plant (Germany)
PRE-EMO SHOW (9/20-9/25)



Tokyo Global HQs (Japan)
<Technology Fridays>



Iga campus (Japan)
<Technology Fridays>



- ① Pfronten (Germany) [DECKEL MAHO]
- ② Seebach (Germany) [DECKEL MAHO]
- ③ Bielefeld (Germany) [Gildemeister]
- ④ Stipshausen (Germany) [Ultrasonic Lasertec]
- ⑤ Bergamo (Italy) [Gital]
- ⑥ Tortona (Italy) [Graziano]
- ⑦ Ulyanovsk (Russia)
- ⑧ Pleszew (Poland) [FAMOT]
- ⑨ Tianjin (China)
- ⑩ Nara Campus (Japan)
- ⑪ Iga Campus (Japan)
- ⑫ Taiyo Koki (Japan)
- ⑬ Magnescale (Japan)
- ⑭ Davis CA (USA)
- Lakshmi (India) [Partner]



Famot plant (Poland)



Tianjin plant (China)



Davis CA (USA)



Enhancement of DMG MORI Contents (Respond to changes in customers' purchasing process) **DMG MORI**



100 selections of indexing 5-axis machining examples



Online education via *my* DMG MORI



DMG MORI YouTube Library
700 latest videos posted



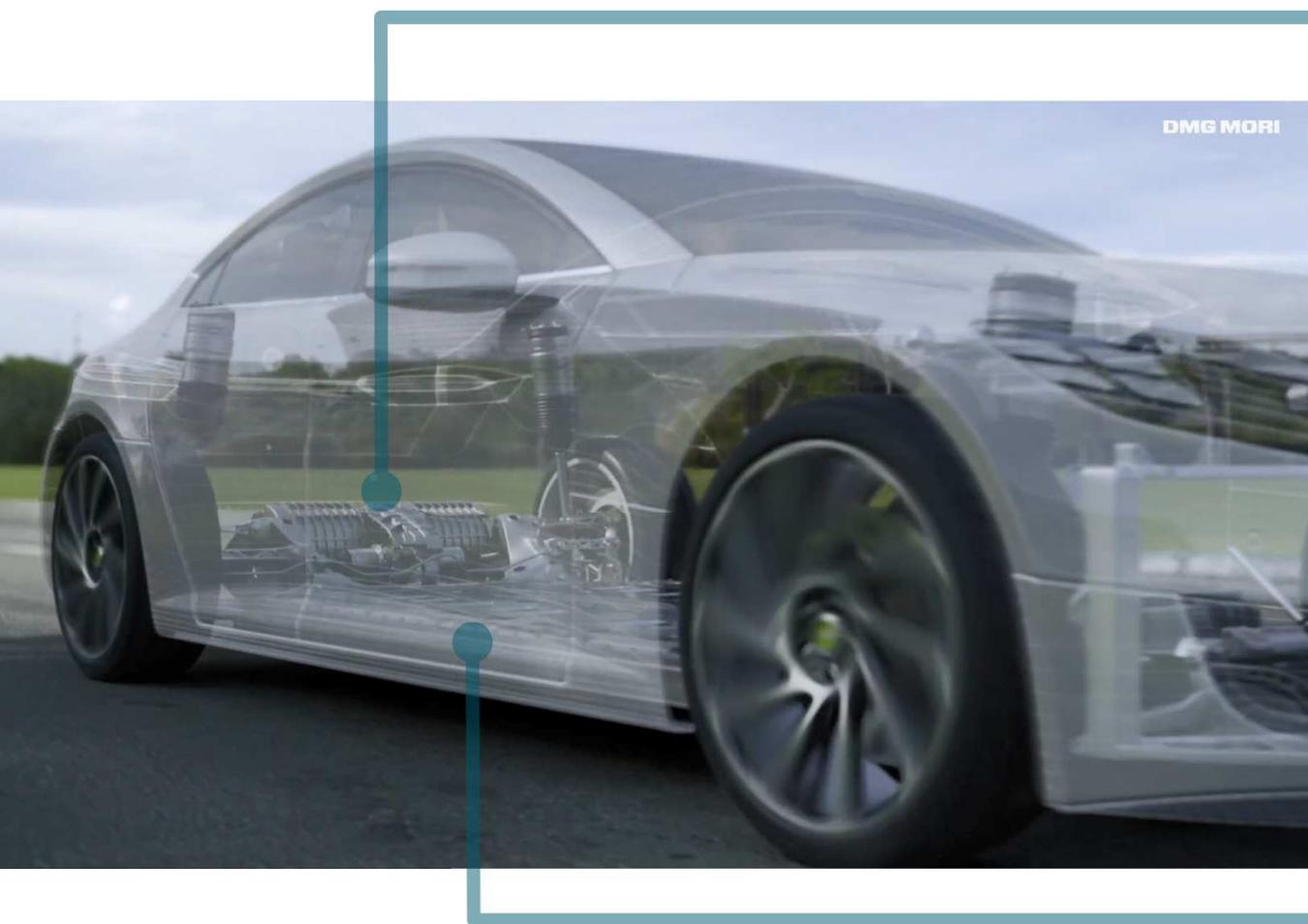
Digital Twin Test-cut



Digital Twin Showroom
Exhibit more than 600 contents

High accuracy & high-speed solutions for EV-related parts production **DMG MORI**

Growing machining demand for EV parts



Machining of EV motor

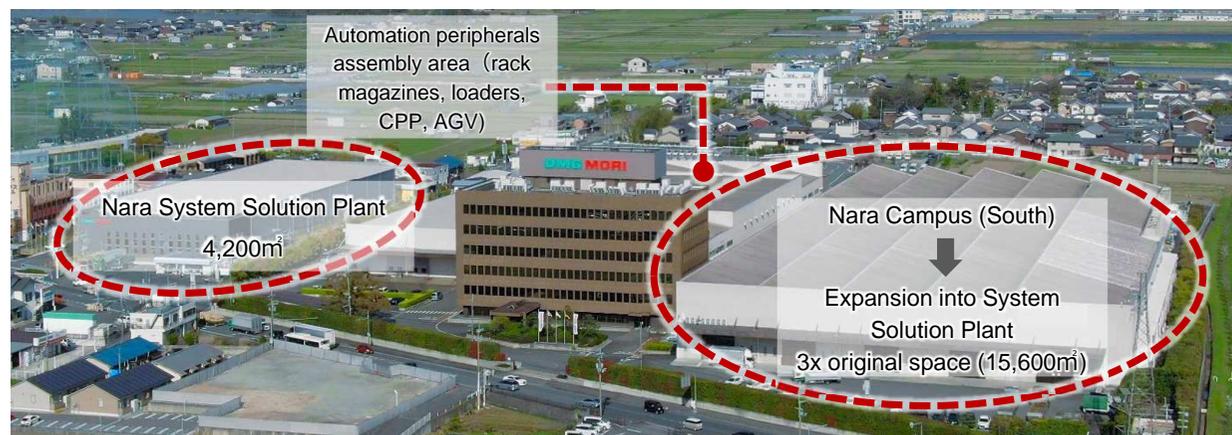


Machining of EV battery case

Nara Campus: Becoming a System Solution Plant (2023)



Strong supply system for any Automation in any region: Japan (Nara), USA (Davis), China (Tianjin), Germany (Pfronten)



Nara Campus

Factories for Automation assembly

<Germany: Pfronten Plant>



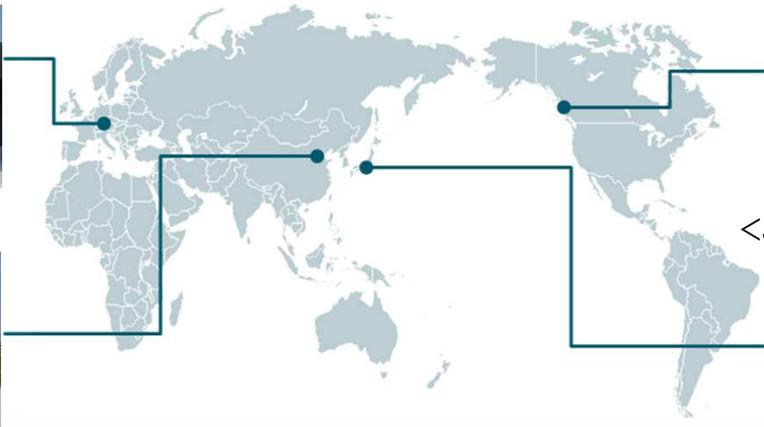
<China: Tianjin Plant>



<USA: Davis Plant >



<Japan: Nara System Solution Plant>



New production plant in Egypt (Cairo) (Grand Opening in Autumn 2023) **DMG MORI**

- ✓ Africa's 1st machine tool factory to be built, as decided at a meeting with Egypt's President
- ✓ Establishment of joint venture Factory Operation Company with AOI
AOI : Arab Organization for Industrialization



<Overview>

Total area: approx. 60,000m²

Production capacity: max. 1,000 units/year

Grand Opening: in autumn 2023
(planned)

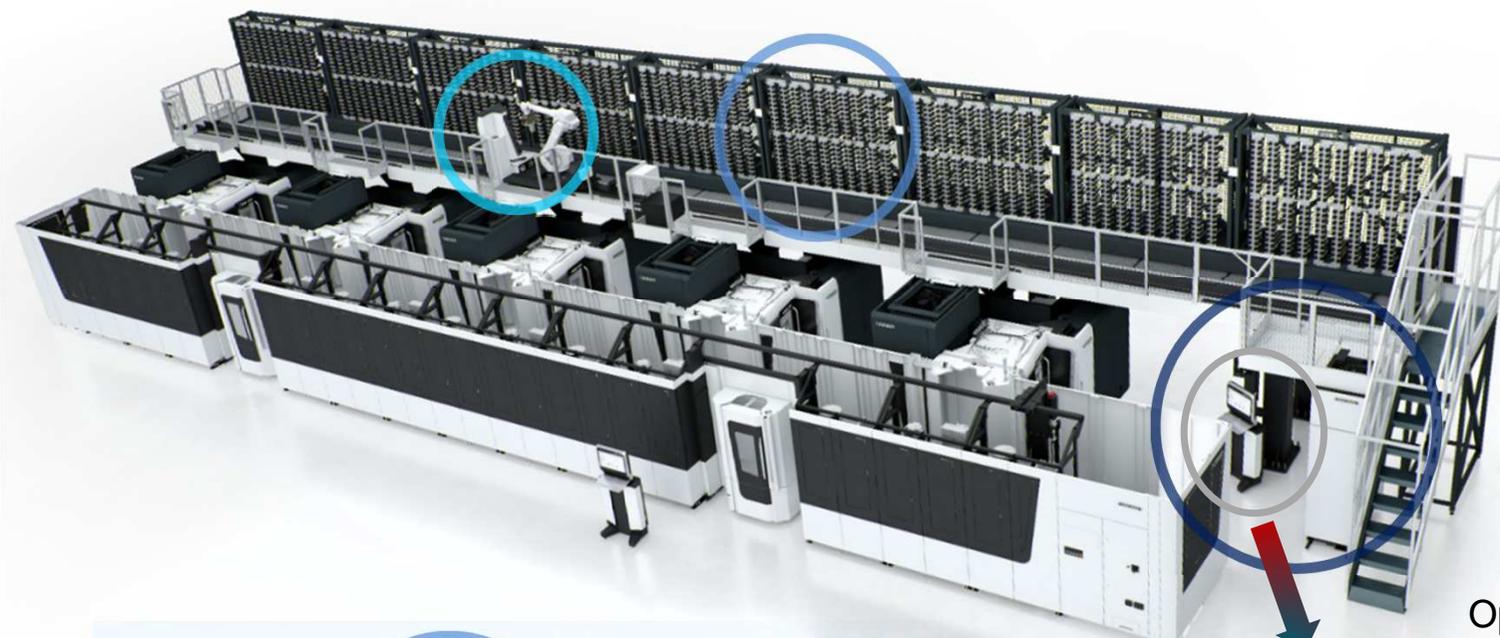
10 min. drive from Cairo International Airport



By Google map

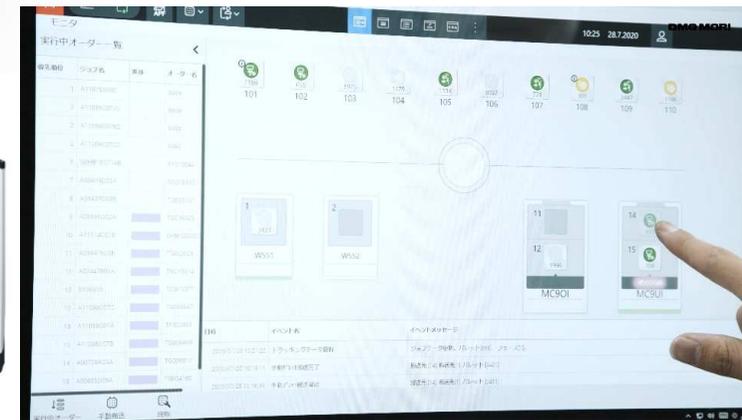
Large capacity tool magazine - CTS (Central Tool Storage)

DMG MORI



Combined solution for
Tool Handling + Pallet Handling

Operation Panel and software



Built-in mist collector *zeroFOG*

DMG MORI



LASERTEC 3000 *DED hybrid*

DMG MORI



Hybrid 5-axis machine:
Additive Manufacturing and Turning / Milling in single-chuckling



➔ First release at AM Tech Forum sponsored by the American Society of Mechanical Engineers (held in June)

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Milestones in 2021

Jan-Jun 2021

- Issued Carbon Footprint Report / Achieved carbon neutrality (March) ✓
- Disclosed climate-related information in Integrated Report 2020 (March) ✓
- Submit the response to CDP Climate Change 2021 questionnaire*(May) ✓



Jul-Dec 2021(target)

- Disclose climate-related information in line with TCFD recommendations (done in July) ✓
- Approval by Science Based Target initiatives
- Receive CDP 2021 scores (both by the year-end)

*DMG MORI also responded to CDP Water Security 2021 questionnaire.

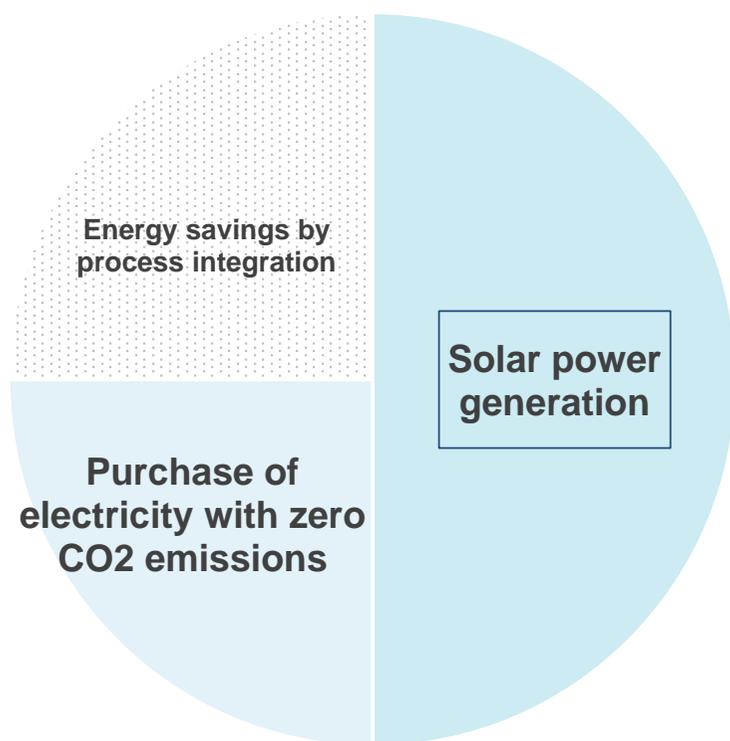
New solar power system in Iga Campus for GHG emissions reduction

✔ Up to 50% of daily power usage to be provided by solar energy

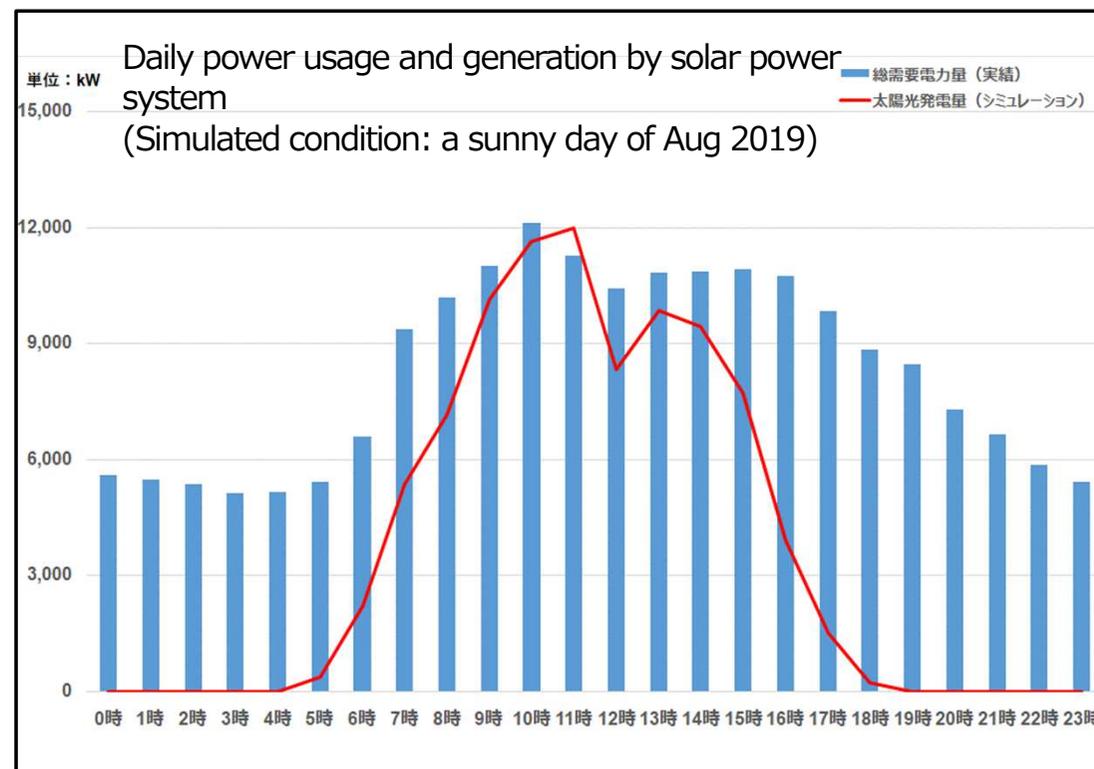
✔ CO2 emissions to be reduced by approx. 3,400 tons/year

(equivalent to 16% of the emission amount in 2019. *DMG MORI's energy source switched to 100% carbon-free electricity in April 2021)

✔ Installation to be completed in 2026 (plan)



Replacement ratio from current power usage



Daily power usage: 198 thousand kWh

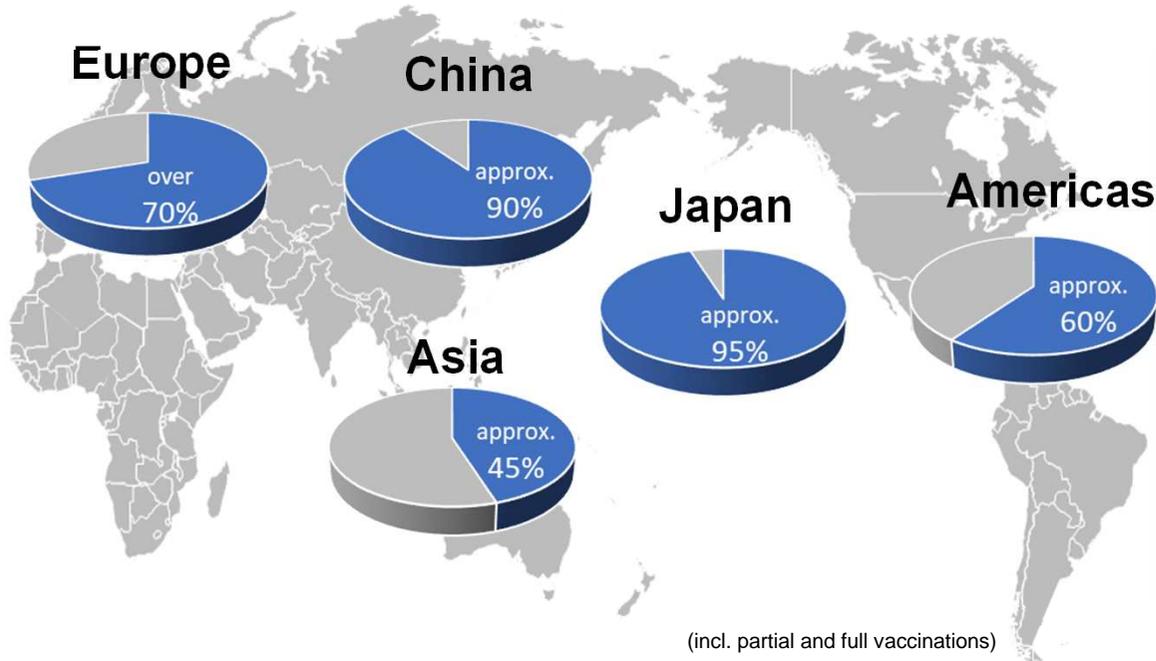
Daily solar energy generation: 109 thousand kWh

→ 50% of the daily usage covered

✓ Measures against COVID-19

DMG MORI group vaccination rates*

Japan: workplace vaccination started in June
(approx. 6,000 person including. business partners)

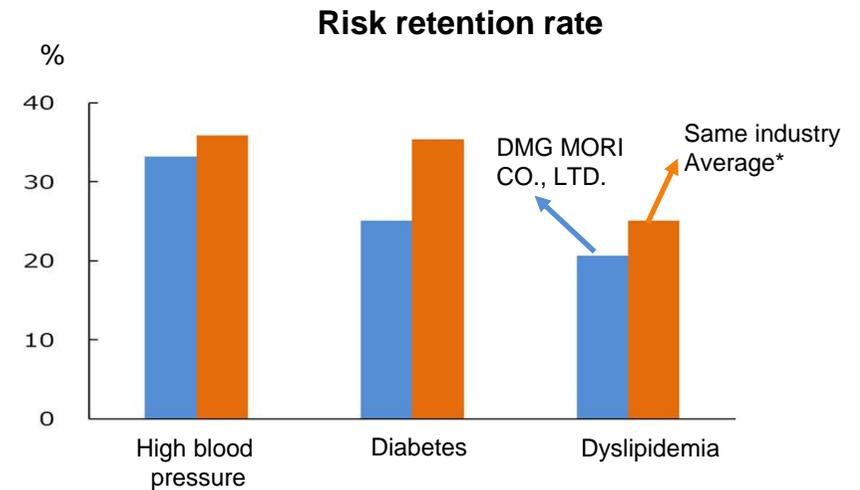


※Based on the implementation status of work area vaccinations for employees of DMG MORI Group companies and voluntary reports from individuals

✓ Health management

Structural approaches to health management in Japan

- *DMG MORI Health & Safety White Paper*: analysis on DMG MORI employees' health (internal document)
- *Next Action17*: action plans created and implemented for 17 focus items



*2020 Health Scoring Report by Japan Health Insurance Association

This material contains targets, plans, etc. concerning the future of DMG MORI CO., LTD..

All predictions concerning the future are judgments and assumptions based on information available to DMG MORI CO., LTD. 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:

- Changes in the demand environment within the markets in which DMG MORI group operates
- Fluctuations in exchange rates
- Changes to the laws, regulations and government policies in the markets where DMG MORI group 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 group conducts its business
- Operational changes by the competent authorities or regulations related to anti-trust, export control, etc.