

DMG MORI CO., LTD.
FY 2021 (Jan-Dec) Results
IR Announcement
February 10, 2022

1. FY2021 (Jan-Dec) Financial Summary

2. FY2022 (Jan-Dec) Financial Forecast

3. Business Environment

4. Initiatives for ESG/CSR

- ① Efforts against Climate Change
- ② Social Responsibility in Supply Chain
- ③ Employee Health and Productivity Management
- ④ Human Resources Development
- ⑤ Corporate Governance

- ✓ Consolidated order intake: JPY 456.0 bn. (+63% y-o-y, above announced plan of JPY 450.0 bn.)
- ✓ End of Dec: Machine order backlog increased to JPY 164.0 bn. (FY2020 year-end: JPY 96.0 bn.)
- ✓ Free cash flow greatly improved to JPY 30.4 bn. (FY2020: minus JPY 5.2 bn.), positive effect by increased down payments
- ✓ Increased gross profit by Process Integration → Automation → Digitization
- ✓ Decarbonization: TCFD* recommendations-aligned disclosures (July 2021), approved by SBTi** (Nov 2021)
*The Task Force on Climate-related Financial disclosures **Science Based Targets initiative
- ✓ Year-end dividend to be raised to JPY 30 (previous plan: JPY 20), Full-year dividend plan is JPY 40

FY2021 income statement summary

DMG MORI

- Consolidated orders increased by 63% y/y, and 11% compared to pre-pandemic FY2019
- Net profit jumped due to reduced annual compensation to AG minority shareholders* and normalized effective tax rate. (*CO purchased additional AG-shares in April 2020.)

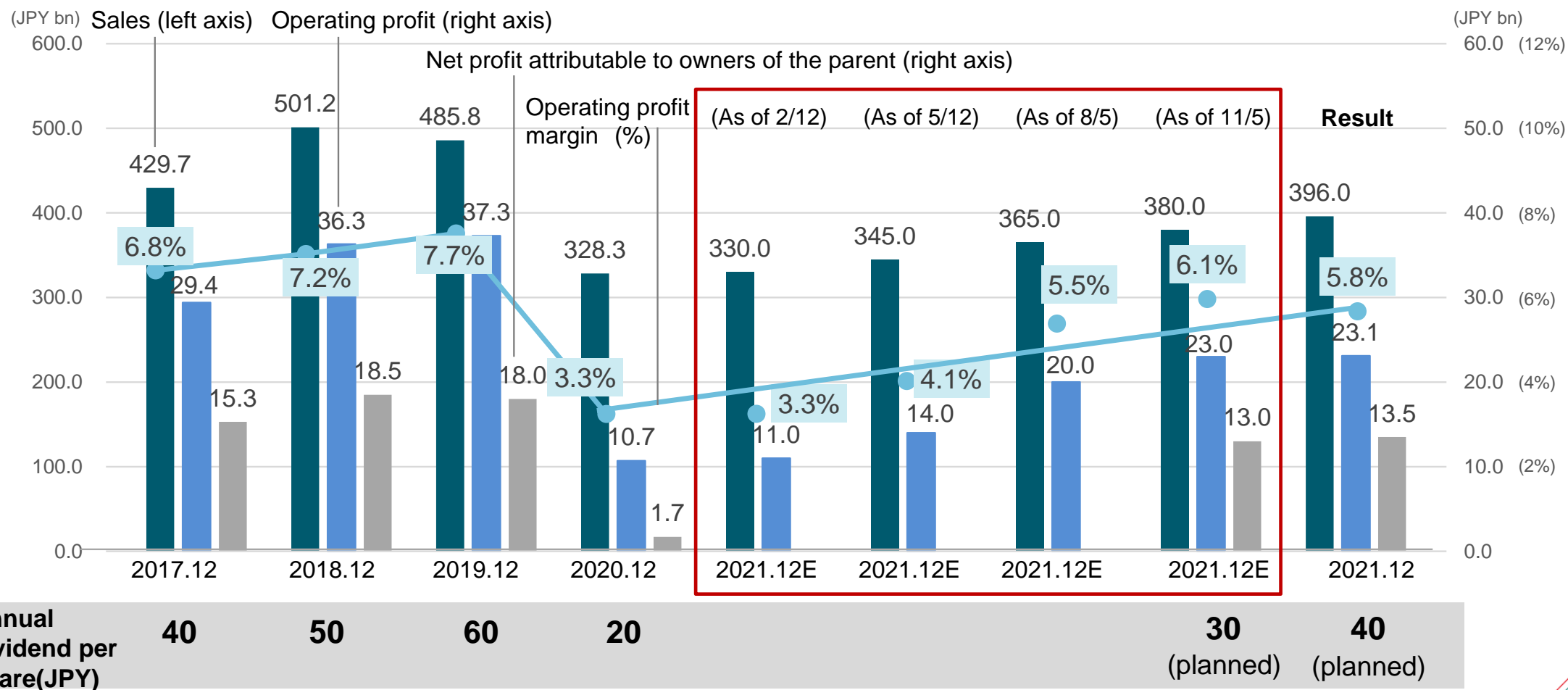
JPY bn	FY2019	FY2020	FY2021 (Result)	(Y/Y %)	FY2021 (Previous Plan)
Consolidated order intake	409.4	279.7	456.0	+63%	around 450.0
Sales revenue	485.8	328.3	396.0	+21%	380.0
Operating profit	37.3	10.7	23.1	2.2x	23.0
% to sales revenue	7.7%	3.3%	5.8%		6.1%
Net financial costs	-5.9	-5.6	-3.5		-3.5
(thereof, economic compensation associated with DA*)	(-3.5)	(-3.0)	(-1.8)		(-2.0)
Profit before taxes	31.5	5.1	19.6	3.8x	19.5
Net profit attributable to owners of the parent	18.0	1.7	13.5	7.7x	13.0
Attributable to owners of hybrid capital	1.1	1.3	2.0		2.0
Attributable to common shareholders	16.9	0.4	11.4		11.0
EPS (Yen) – Basic	138.64	3.40	91.75		88.14
Dividend per share (Yen)	60	20	40		30
Depreciation & amortization including lease	23.1	24.1	21.9		23.5
Capital expenditure	21.2	20.1	23.3		20.0
USD/JPY	109.1	106.8	109.8		109
EUR/JPY	122.1	121.8	129.9		130

*Domination Profit and Loss Transfer Agreement

Business performance

DMG MORI

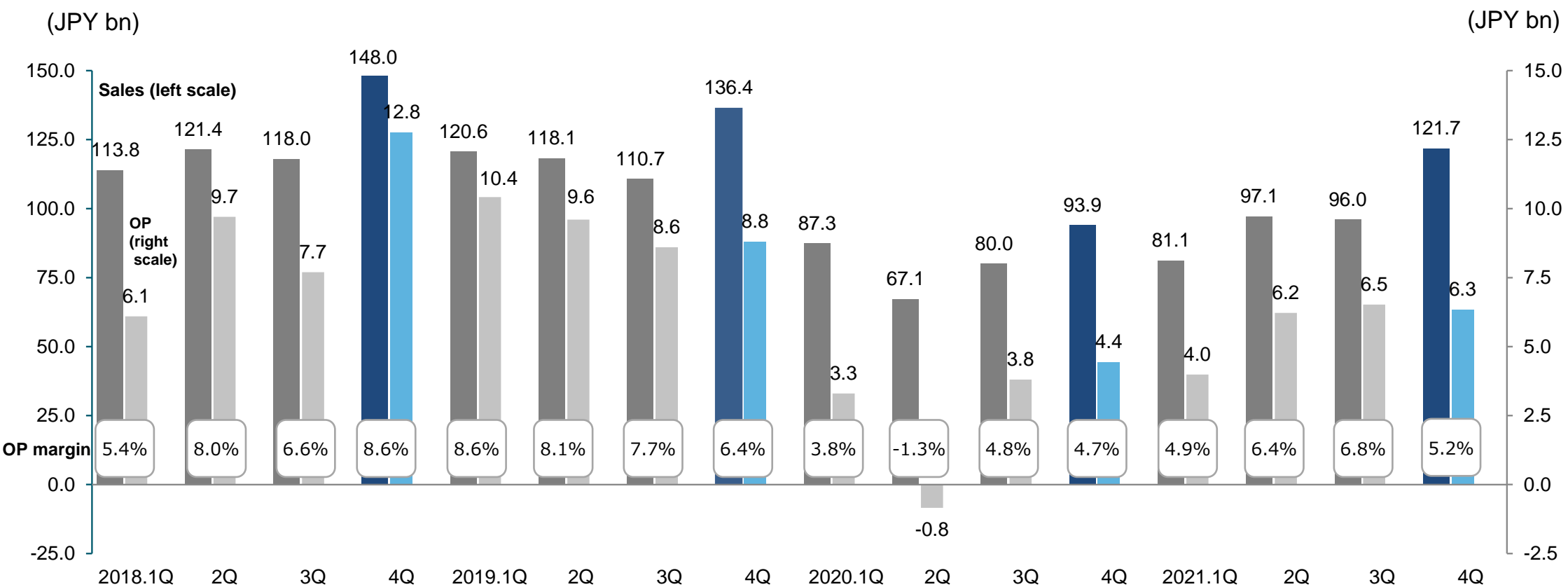
- Quarterly upward revisions. Full-year sales revenues exceeded the previous forecast
- FY2021 operating profit and net profit achieved the targets



Quarterly financial results

DMG MORI

- Sales revenues in 4Q topped the previous forecast
- Increased provision for bonus in 4Q reflecting recovery of business performance



Operating profit bridge FY2020 Full-Year vs FY2021 Full-Year

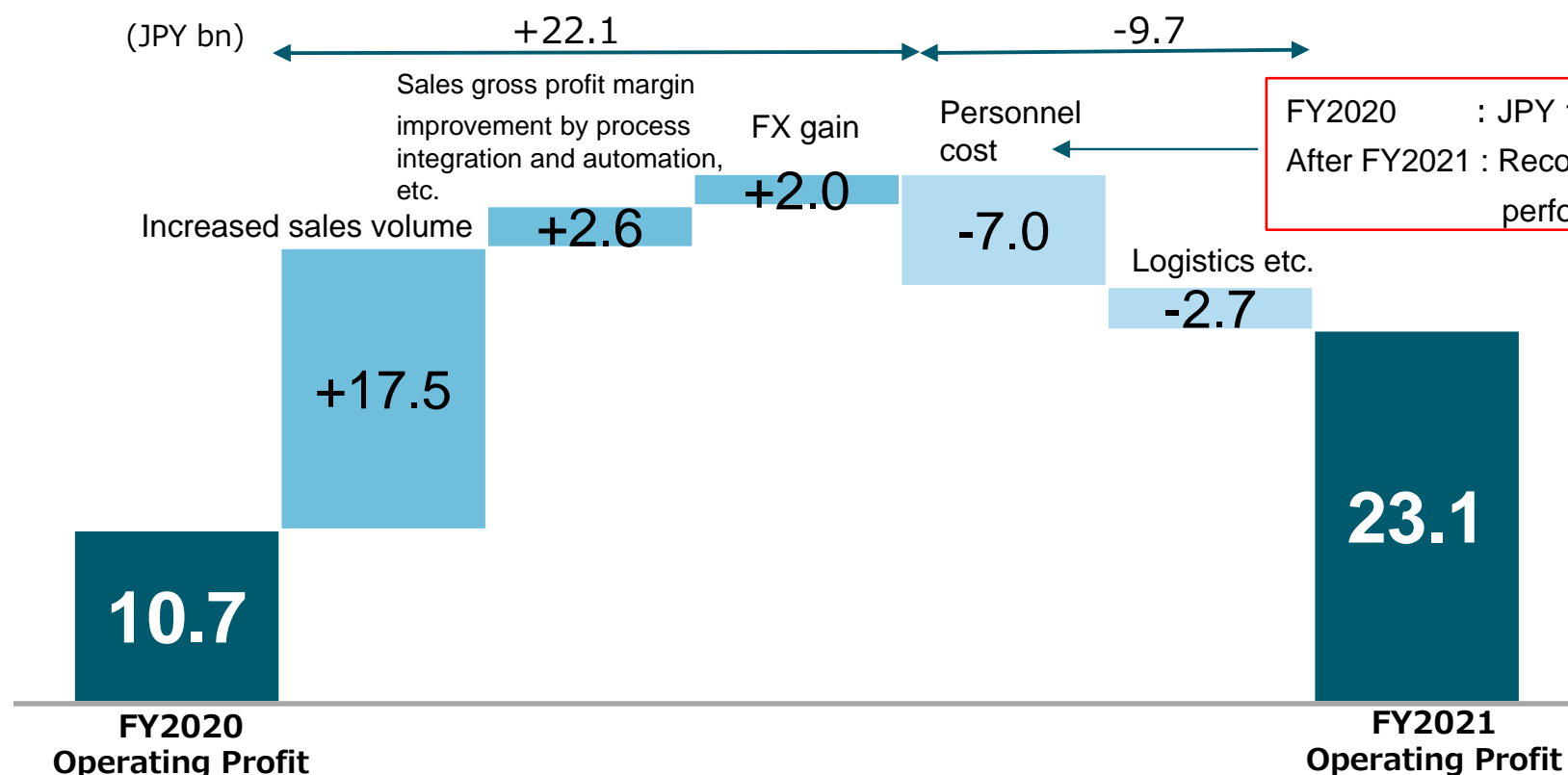
DMG MORI

- Improved gross profit due to increased sales volume with process integration and automation projects
- Raised average salaries in line with business recovery

(average salary in Japan: 2019: JPY 8.08 mil. → 2020: JPY 6.43 mil. → 2021: JPY 7.20 mil.)

(JPY bn)	FY2020	FY2021	changes
Sales	328.3	396.0	+67.7

EX rate:		<u>FY2020</u>	<u>FY2021</u>
	USD/JPY	106.8	109.8
	EUR/JPY	121.8	129.9

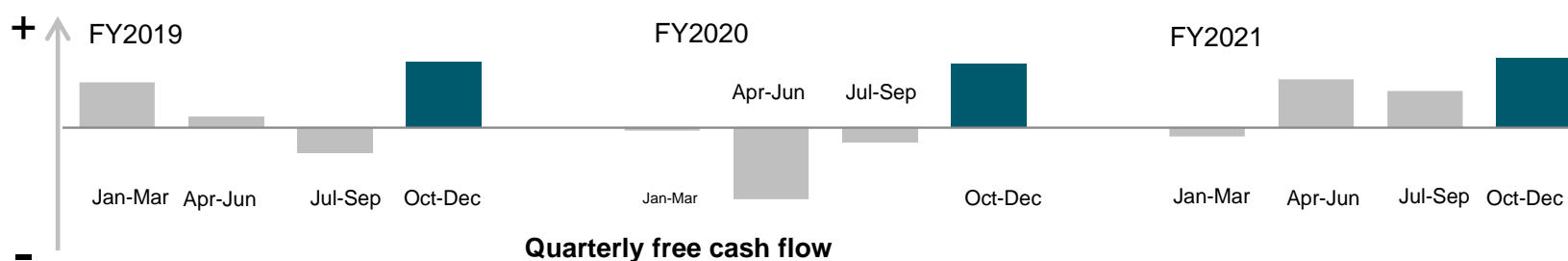


Cash flows

DMG MORI

- Sufficient free cash flow driven by higher profit and increased down payment
- Accelerating investments in process integration, automation and CO2 emissions reduction

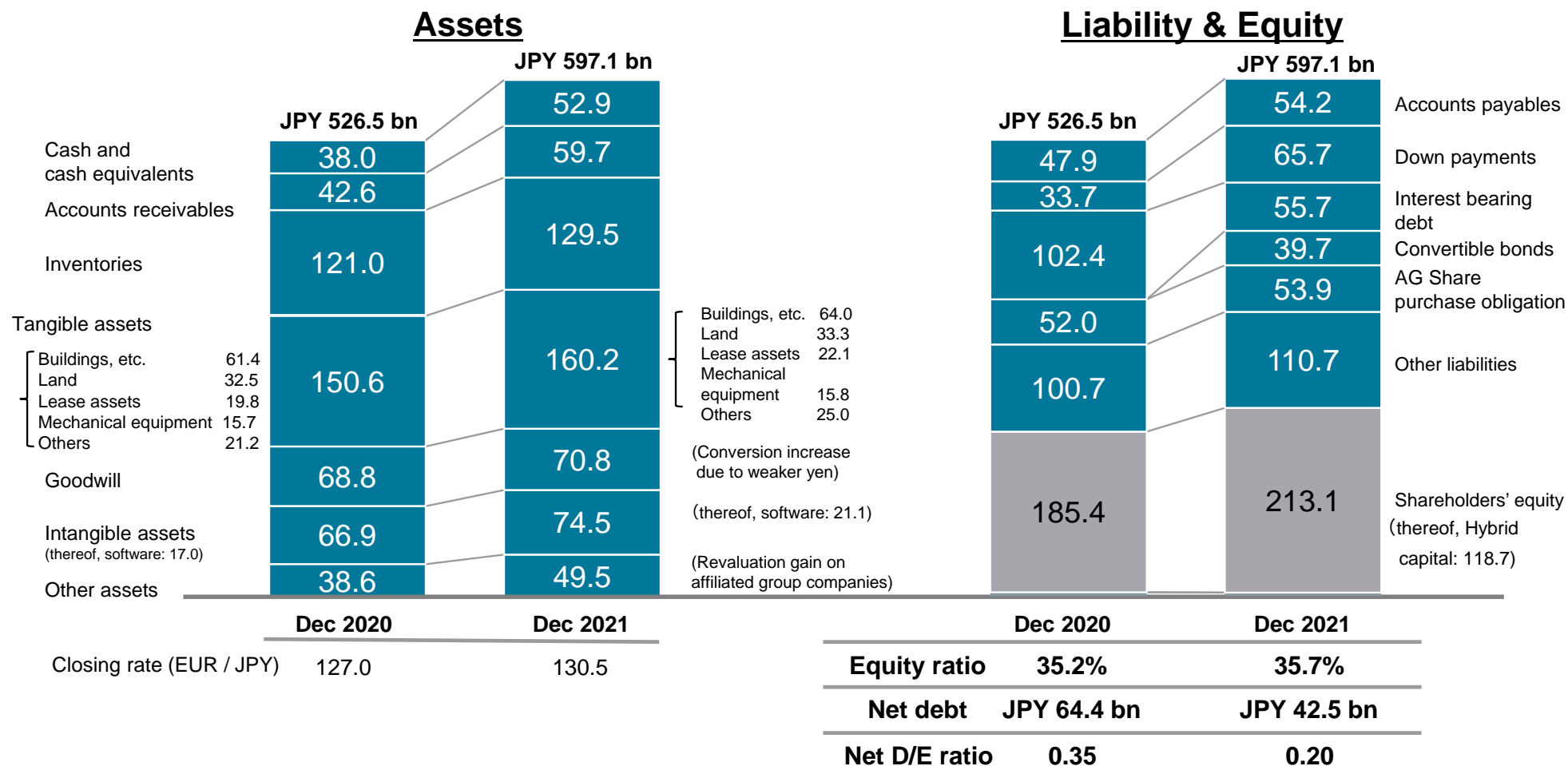
(JPY bn)	2019					2020					2021				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
Operating cash flow	13.0	3.8	4.3	22.5	43.6	2.5	-10.9	-0.5	22.6	13.6	2.6	13.4	10.6	23.1	49.7
Profit before taxes	8.8	8.2	7.1	7.4	31.5	1.3	-1.8	2.8	2.8	5.1	3.1	5.4	5.6	5.5	19.6
Depreciation & amortization	5.5	5.3	5.9	6.4	23.1	5.9	5.7	5.8	6.7	24.1	5.5	5.4	5.3	5.7	21.9
Changes 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	2.3	11.8	15.9
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	-2.7	0.2	-7.7
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	-3.0	-8.5	-19.4
(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	-5.7	-10.0	-23.3
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	7.6	14.6	30.4



Balance sheet summary

DMG MORI

- Net working capital improved thanks to increased down payments
- Net interest-bearing debt reduced by JPY 21.9 bn. from Dec 2020 (excl. perpetual subordinated debt/loans)



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FY2022 full-year forecast

DMG MORI

- Expect peak operating and net profits (excluding 2015*) since listing in 1979.

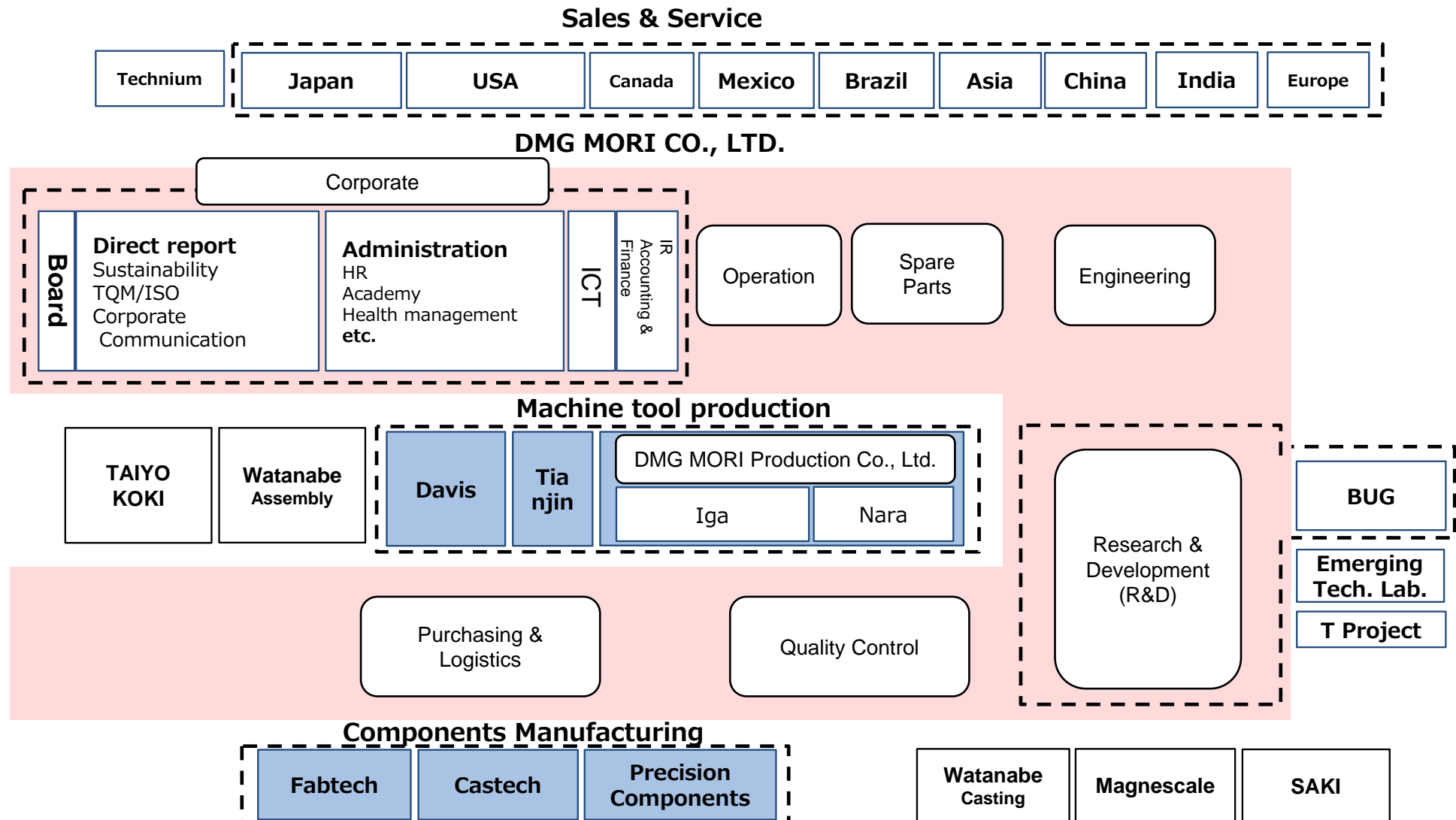
(*Gain from step acquisition of JPY37.3 billion was recognized in 2015, when DMG MORI AG was consolidated)

- Dividend per share is planned to increase to JPY 60 (interim: JPY 30, year-end: JPY 30) (FY2021: JPY 40)

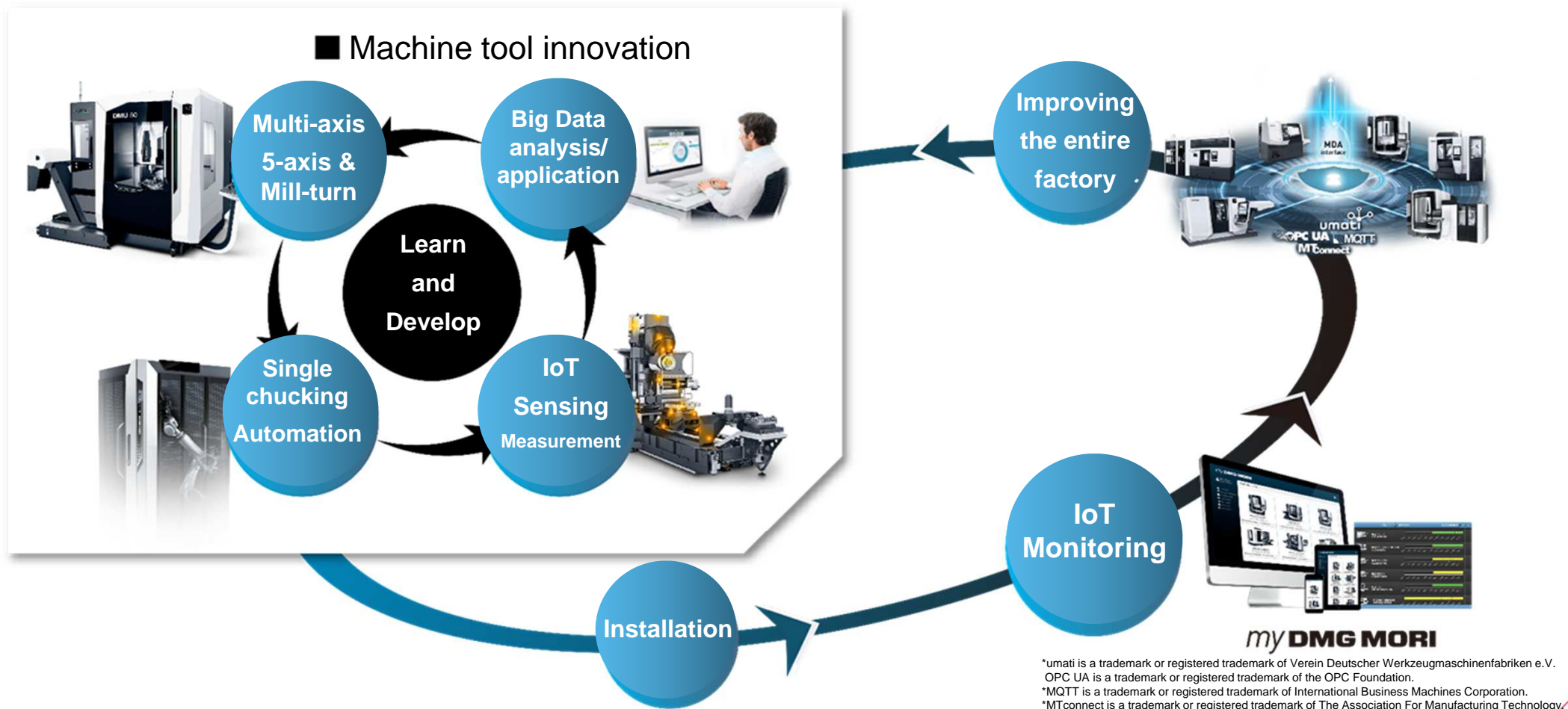
(JPY bn)	FY2020 Actual	FY2021 Actual	FY2022	
			Plan	YoY (%)
Consolidated order intake	279.7	456.0	480.0	+5.3%
Sales revenue	328.3	396.0	430.0	+8.6%
Operating profit	10.7	23.1	40.0	+73.4%
% to sales revenue	3.3%	5.8%	9.3%	
Net financial costs	-5.6	-3.5	-3.5	-
(thereof, economic compensation associated with DA*)	(-3.0)	(-1.8)	(-2.0)	
Profit before income taxes	5.1	19.6	36.5	+86.1%
Net profit attributable to owners of the parent	1.7	13.5	25.0	+85.7%
Attributable to owners of hybrid capital	1.3	2.0	1.8	
Attributable to ordinary shareholders	0.4	11.4	23.2	
EPS (Yen) •Basic	3.40	91.75	185.92	
Dividend (Yen/share)	20	40	60	
Depreciation & amortization including lease	24.1	21.9	23.0	
Capital expenditure	20.1	23.3	23.0	
USD/JPY	106.8	109.8	110	
EUR/JPY	121.8	129.9	130	

*Domination Profit and Loss Transfer Agreement

- ✓ Comprehensive profit management by company division
- ✓ Promotion of Process Integration→Automation→Digitization
- ✓ Stabilized revenues by diversified orders by region, industry, customer size + increased process integration and automation
- ✓ Iga Campus (Japan) = The world's largest machine tool assembly plant
Nara Campus (Japan) = The world's largest machine tool system solution plant
- ✓ Cutting-edge R&D/HR development at Nara Product Development Center (Nara PDC)
- ✓ Formulation of a mid-term business plan



✓ Contribution to customers and society through Process Integration ► Automation ► Digitization



Increased productivity by process integration

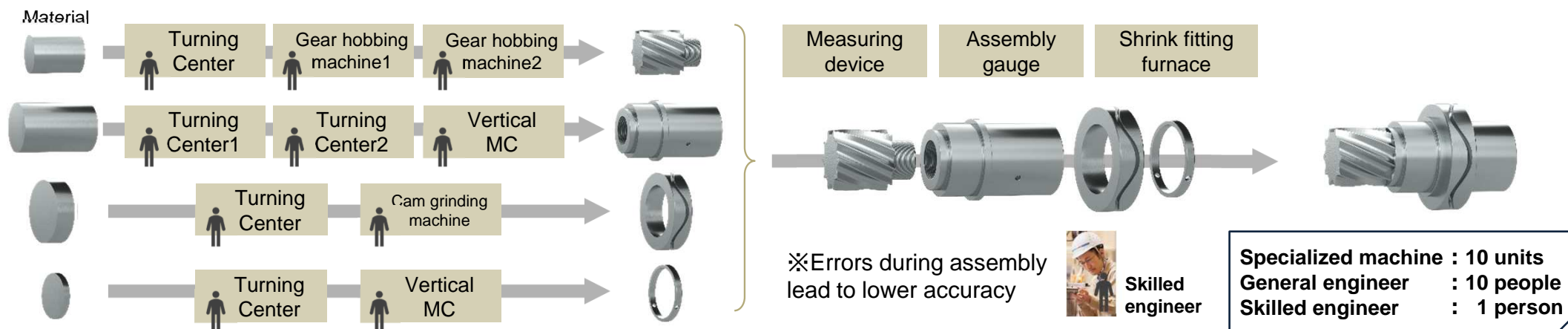
DMG MORI

① Process each part separately

(Total 10 units)

② Assemble to specified dimensions

Completed



➔ Process Integration into 1 Mill-turn center

Significantly reduced assembly time & intermediate inventory

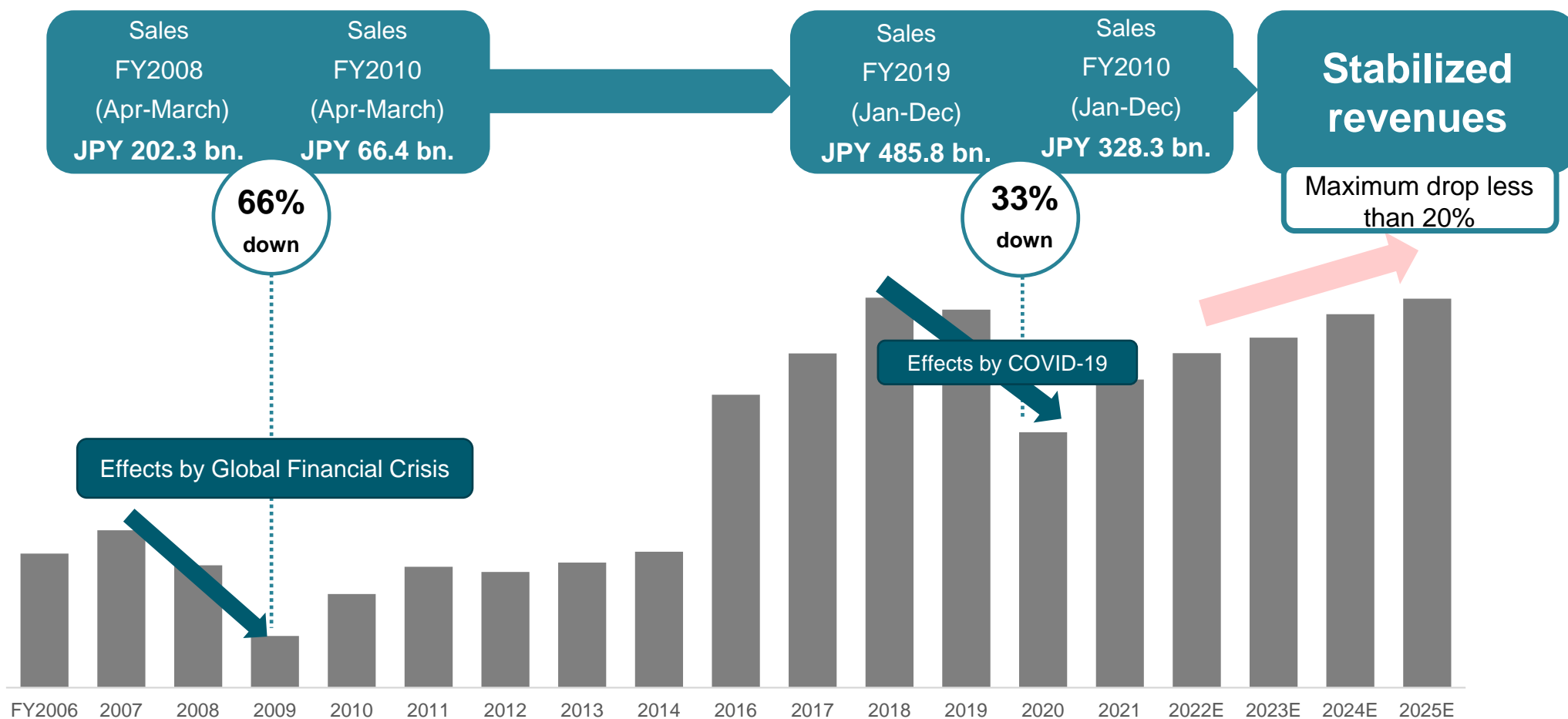
Completed



Stabilize business performance in the medium-to-long term

DMG MORI

- Sales revenue during the Global Financial Crisis: down by 66% from last peak; during COVID-19 : down by 33% from last peak
- Stabilize sales revenue through diversified orders by region, industry, customer size + more process integration & automation



Reorganization of Iga and Nara campus

DMG MORI

- ✓ Iga Campus as center for machine tools assembly to maximize production and logistics efficiency
- ✓ Nara Campus as system solution plant to respond to increasing demand for automations & turnkey projects

Iga Campus (Iga, Mie Prefecture)

The biggest production center in the world for turning/machining centers & 5-axis/mill-turn machines



Nara Campus (Yamatokoriyama, Nara Prefecture)

The biggest system solution plant in the world in the machine tool industry

2nd assembly plant

Operation start in Sep 2021

1st assembly plant

Total campus size: 578,000m²

Transfer of Turning Center Assembly from Nara (from May 2022)

Transfer of Machining Center Assembly from Nara (from May 2022)

Assembly plant

Renovated to System Solution Plant

3x bigger than previous plant
(15,600m²)

Planned operation start in 2024

System Solution
Plant 4,200m²

Total campus size: 75,900m²

Assembly of automated peripherals
(rack magazine/loader/CPP/AGV)



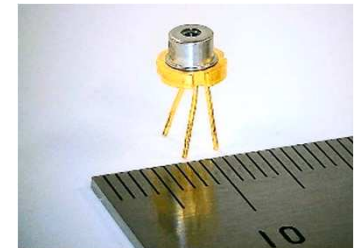
Based on the DMG MORI group strategy, Magnescale will build a new factory for in-house production of laser diodes

DMG MORI

- ✔ Develop and produce laser diodes in-house to respond to growing demand and requirement of high precision and power for SPE, EV and power generation turbine
- ✔ High power laser to be adapted to Additive Manufacturing and laser machining



Laser Scale



Laser Diodes

<Outline in New Factory>

Location	: Isehara Factory operated by Magnescale (Kanagawa Prefecture)
Building area	: 450 m ²
Floor space	: 918 m ²
Opening	: January 2024
Total Investment	: JPY3 billion
Product	: Laser Diodes for measuring and processing

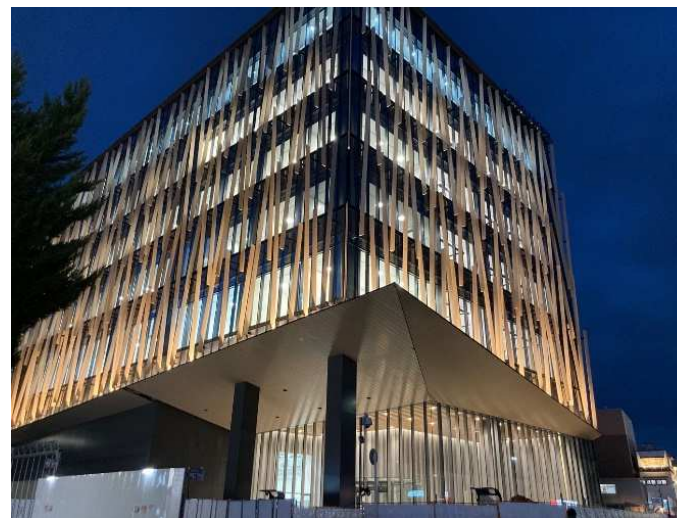


Image design of factory

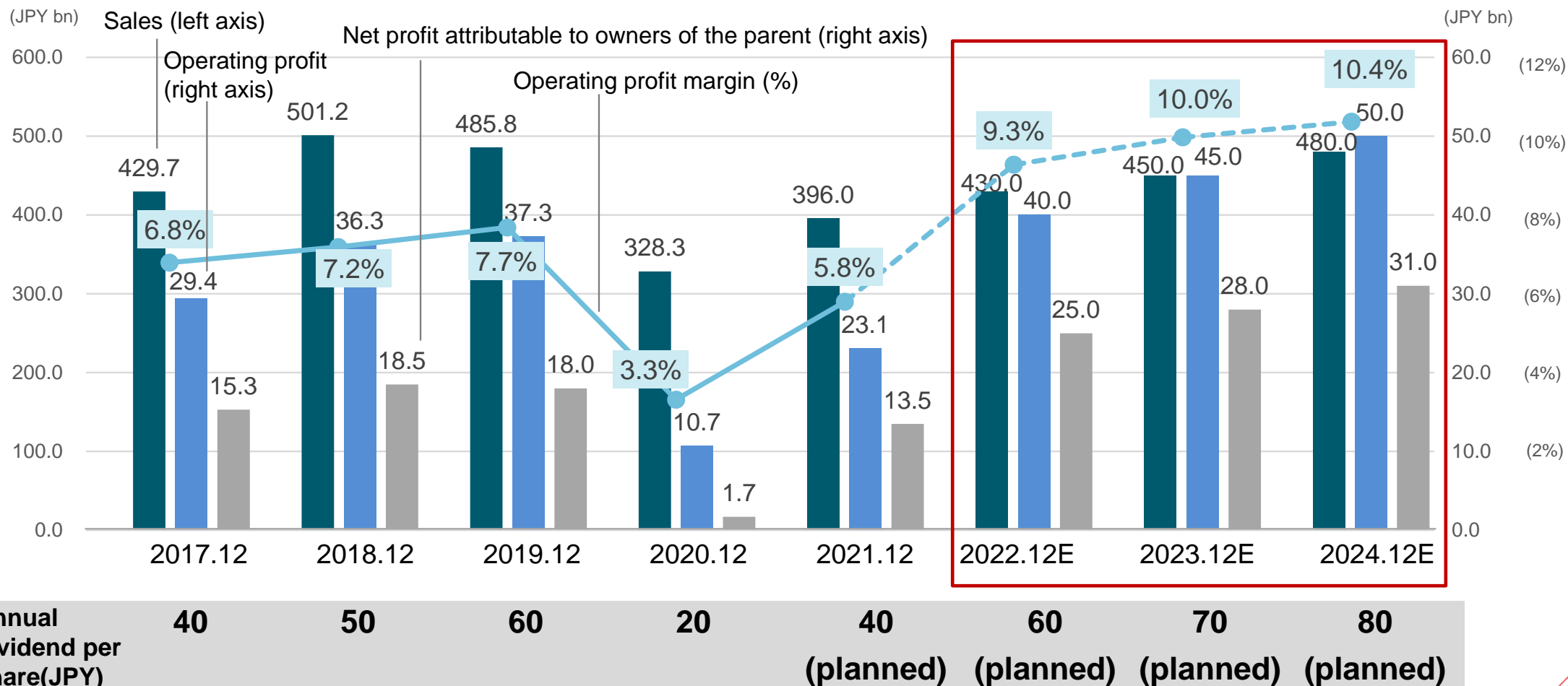
📅 July 2022: planned opening of Nara Product Development Center (PDC) close to Nara Station

<Functions of Nara PDC>

- R&D in the fields of digital transformation/advanced technologies
- Collaboration and exchange between companies and academics, researchers and engineers
- Recruitment of talented personnel from all over Japan
- Improved risk management (as a part of Business Continuity Plan)



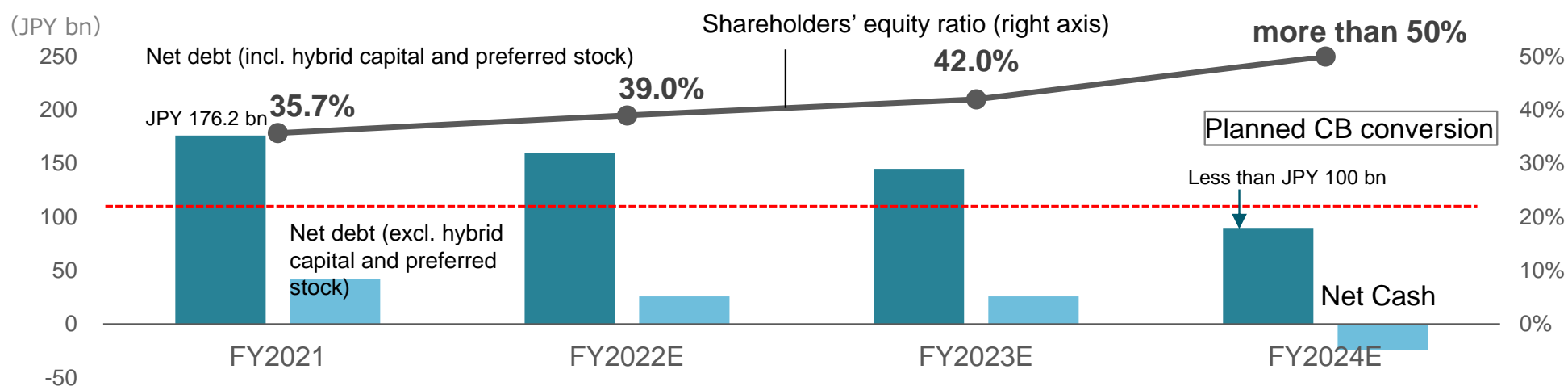
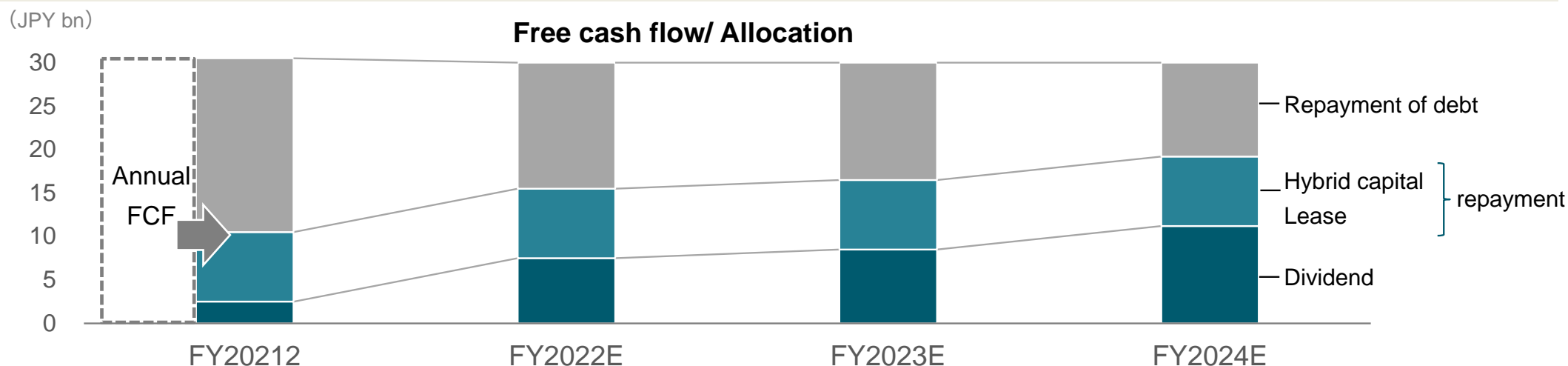
- Aiming for operating profit margin of over 10% in fiscal year 2023 (ending Dec. 2023 period)
- Continuous dividend increase with the payout ratio of around 30%, considering free cash flow



Free cash flow / allocation and interest-bearing debt reduction plan

DMG MORI

- Aim for both debt reduction and continuous increase in dividend, based on expected stable free cash flow
- Convert into net cash and achieve over 50% in the equity ratio by the end of fiscal year 2024

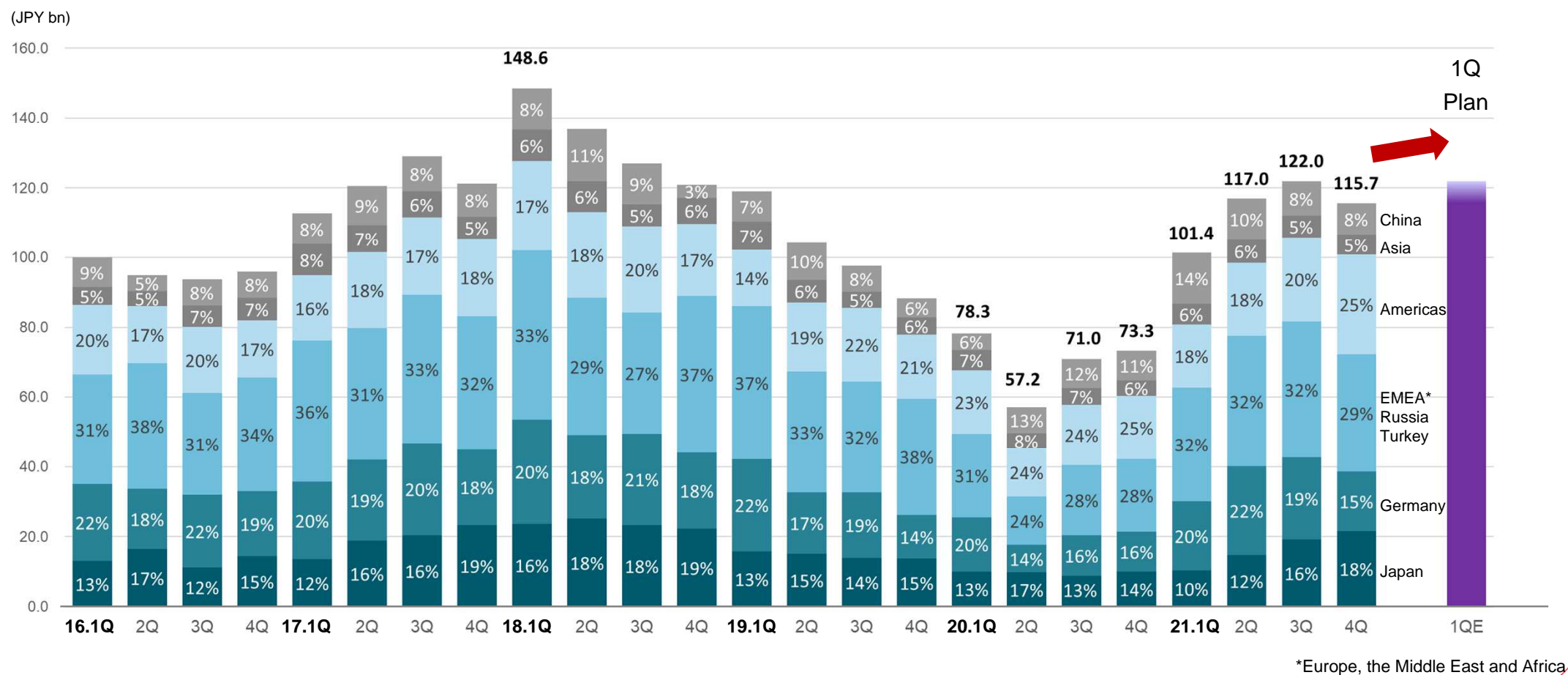


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Consolidated order composition (by region)

DMG MORI

- FY2021 Q4: Strong demand in Japan and Americas. Temporarily stagnating demand in Europe.
- FY2022 Q1: Japan and the Americas remain strong + Europe is expected to recover

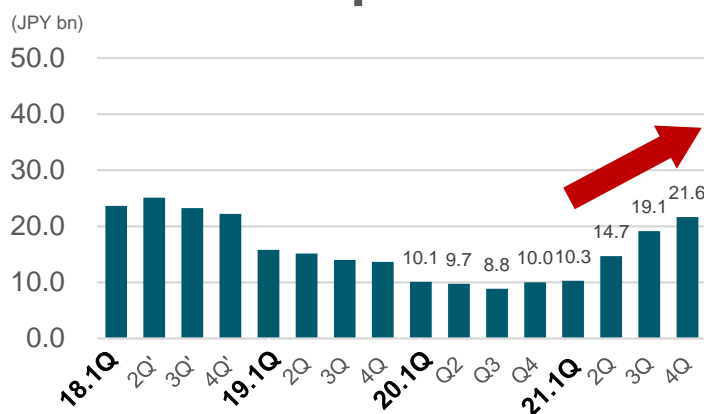


Order intake by region

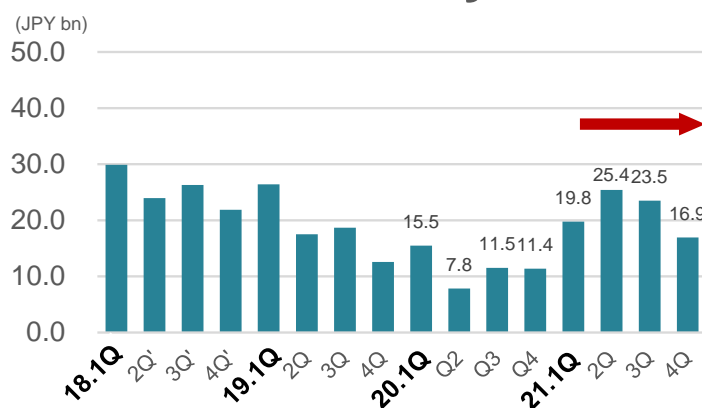
DMG MORI

- Order intake remains strong in Japan and Americas
- Order intake temporarily sluggish in other regions, but inquiries are rising

Japan

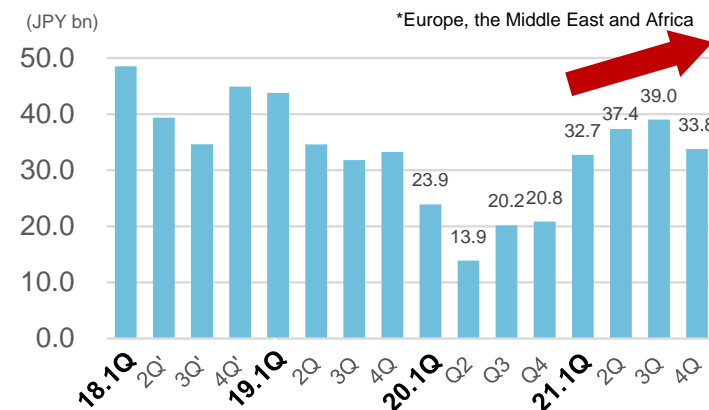


Germany

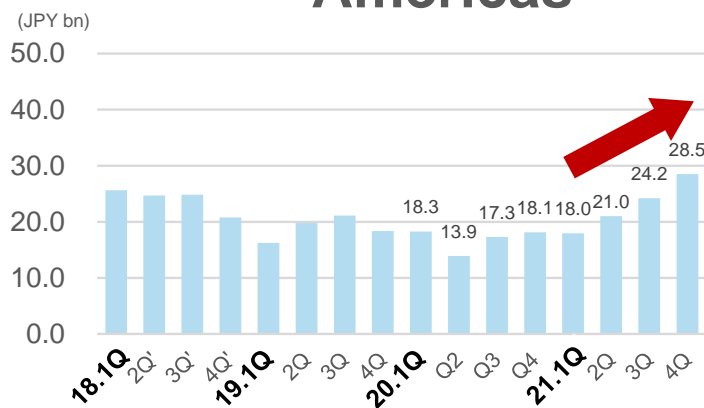


EMEA*

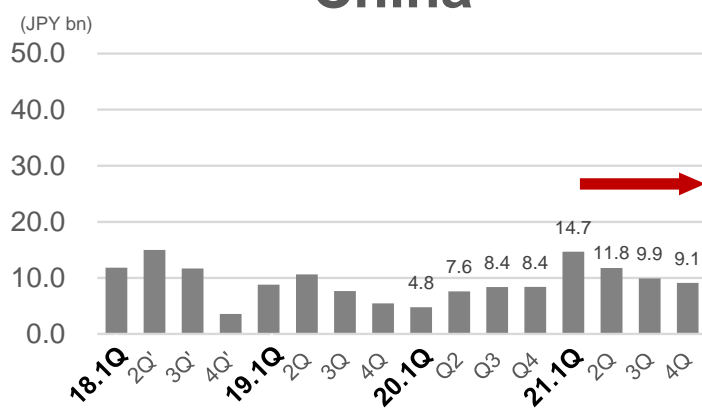
*Europe, the Middle East and Africa



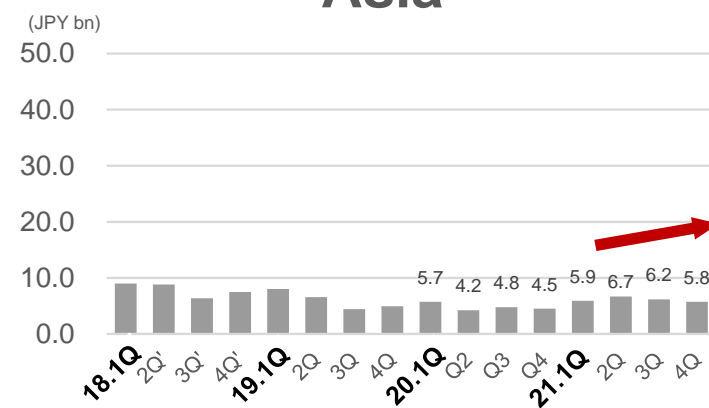
Americas



China



Asia

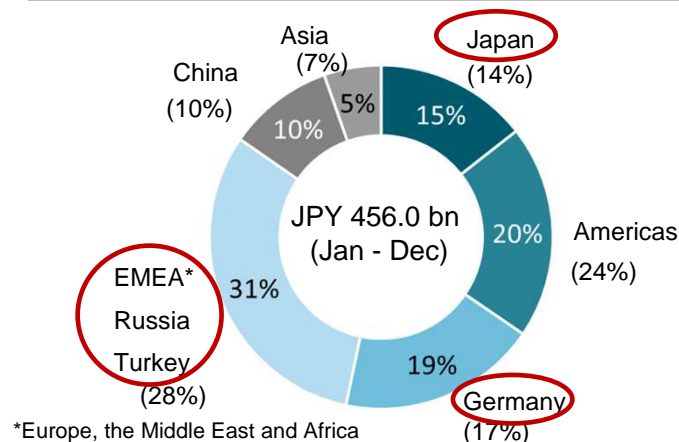


Consolidated order composition (Jan-Dec)

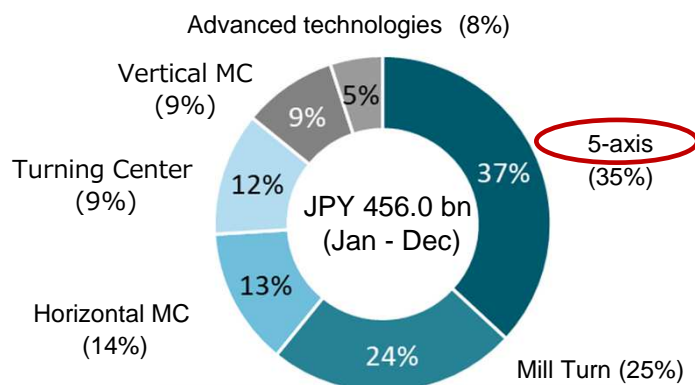
DMG MORI

- Orders for all industries improved. Among them as drivers, SPE, space, EV, medical and die&mold.
- 5-axis machines with automation have been a strong contributor

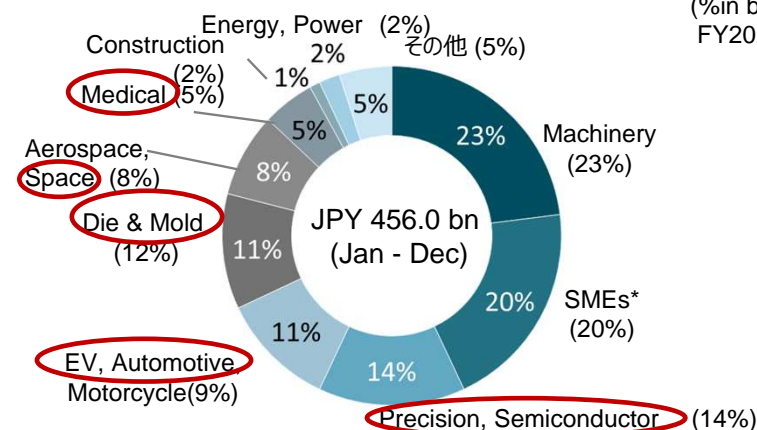
by region



by product type

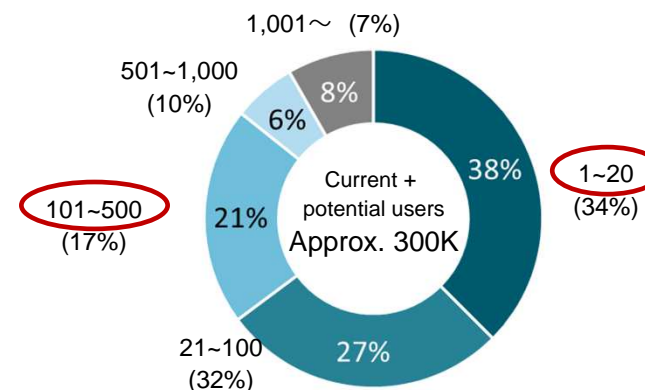


by industry



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

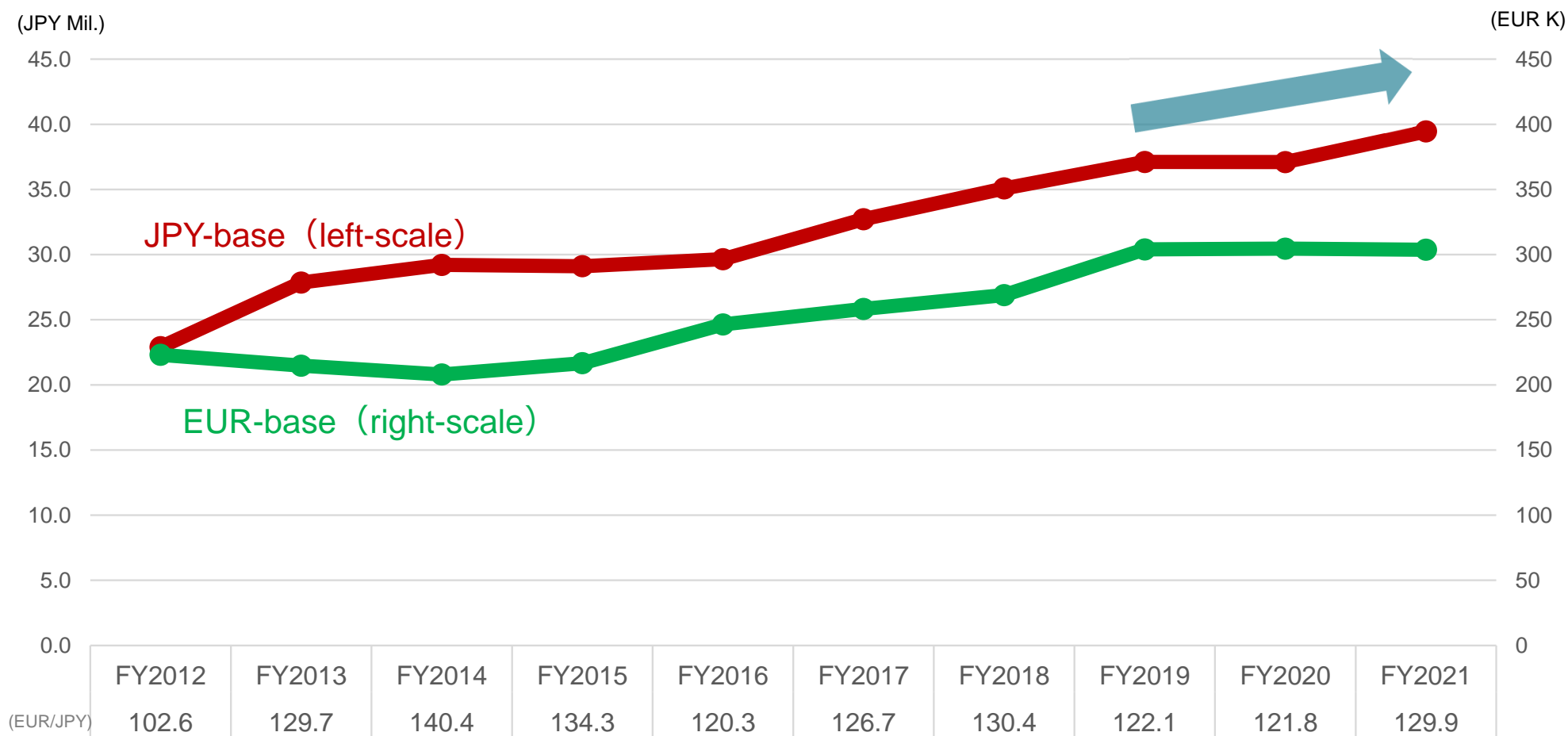
by customer's employee number



Average order price per unit

DMG MORI

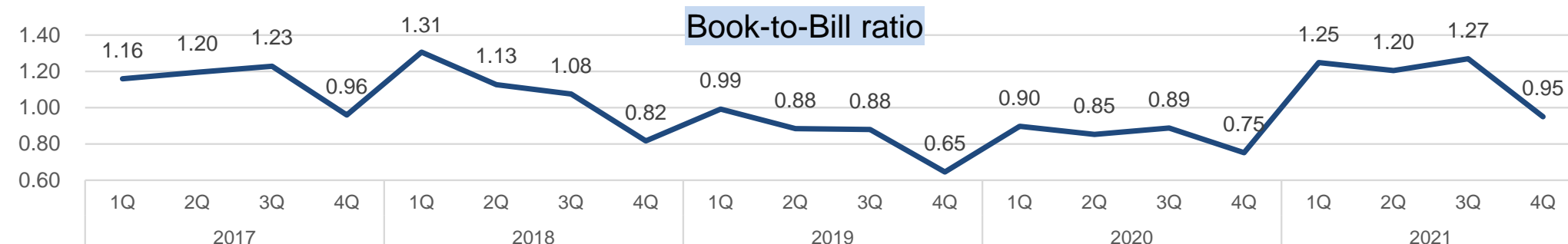
- Average order price per unit again developing upwards
- Price increase driven by growth in integrated machines with automation for decarbonization, space and EV



Transition of order intake & order backlog

DMG MORI

- Year-end machine order backlog for FY2021 amounted to JPY 164 bn. (Dec 2020: JPY 96 bn.)
- Machine order backlog is expected to increase to between JPY 180 bn. and JPY 190 bn. at 2022 year-end



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Climate action (1) : approved by Science Based Targets (SBT)

DMG MORI

✓ Approved by SBTi for CO₂ emissions reduction targets in line with Paris Agreement



【DMG MORI's CO₂ Emissions Reduction Target】

Scope	Reduction targets until 2030 (compared to emission level of 2019)	Measures (planned)
Scope 1 and 2 (in line with 1.5°C target)	46.2% less	<ul style="list-style-type: none">Extended use of CO₂-free electricity sourcesLarge-scale solar power generation
Scope 3 (in line with 2.0°C target)	13.5% less	<ul style="list-style-type: none">Collaboration with suppliersDevelopment of energy-saving products

➔ Contribution to a decarbonized society by **taking planned action & disclosures**

- ✓ July 2021: Published TCFD-aligned disclosure
(Disclosure of climate-related financial information based on TCFD)
https://www.dmgmori.co.jp/corporate/ir/ir_library/



- ✓ Dec. 2021: Responded to CDP 2021 Climate Change Questionnaire
*also responded to CDP 2021 Water Security Questionnaire



Climate action (2): CO2 emissions reduction - roadmap until 2030

DMG MORI

Solar power generation (Bielefeld, GER)



Responded to CDP Climate Change Questionnaire
Committed to TCFD-aligned disclosure
Joined SBT initiative, obtained SBT approval



Izumo: Electric furnace for casting production + CO2-free electricity



Solar panels to be installed on factory roofs (Iga, Nara)

2010

2015

2020

2021

2024

2025

2030

Process integration to save energy (Iga, JPN)



5-side portal machine
50 units



5-axis DMC340
10 units
42% less energy consumption

Introduction of CO₂-free electricity

Achieved global carbon neutrality
(Scope 1, 2 Scope 3 Upstream)



Emissions reduction in Scope 3

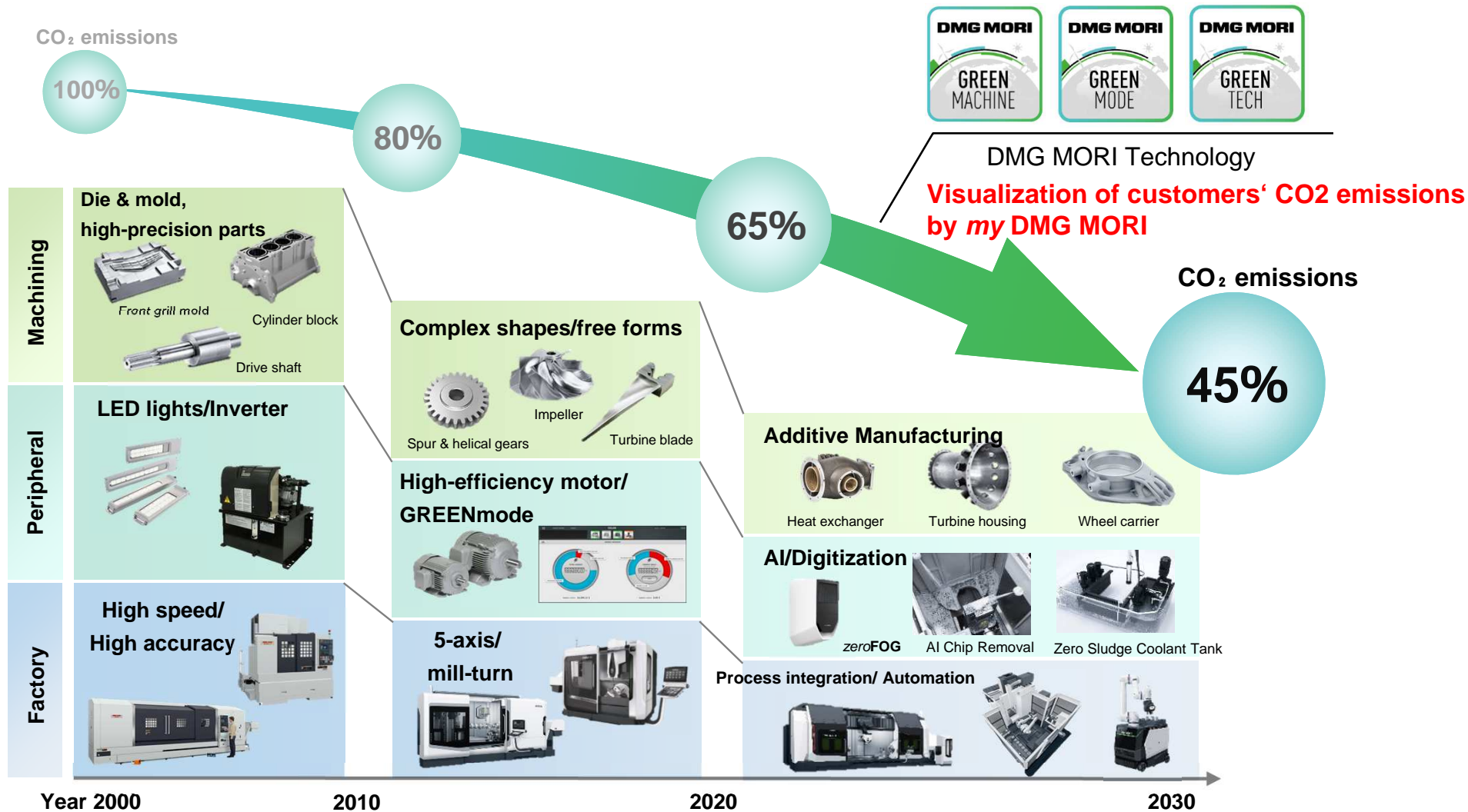
► Upstream (purchased goods and services)

- Collaboration with suppliers
- Optimized logistics
- Provision of our products and technologies

► Downstream (use of sold products)

- Energy-saving products with Green Mode Technology
- Promotion of process integration, automation
- Visualization of CO₂ emissions by IoT (i.e. my DMG MORI)

Climate action (3): downstream of scope 3 : energy-saving development



Assuming social responsibility in our supply chain

DMG MORI

➤ Conducting CSR due diligence on suppliers

- ✓ For CSR transparency in the supply chain and preventive actions
- ✓ For collection of environmental data to reduce CO2 emissions

<Method>

➤ Usage of supplier monitoring platform

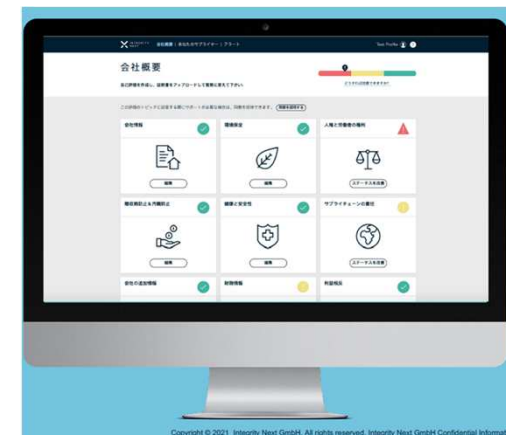
Introduce platform INTERGRITY NEXT provided by German INTERGRITY NEXT GmGH

- ✓ Starting from January 2022
- ✓ Applied to 225 suppliers in Japan

<AG> Platform in operation since July 2019
Currently monitoring 307 suppliers
(represents 72% of purchasing costs)

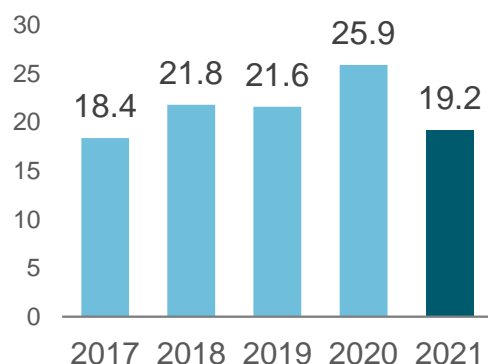
Major due diligence items

Category	Key items (excerpt)
Sustainability / CSR	<ul style="list-style-type: none">• Environmental protection• Carbon footprint• Human rights/ Worker's rights
Product Safety	<ul style="list-style-type: none">• Conflict minerals• RoHS directive
Company Overview	<ul style="list-style-type: none">• Business information• Quality management
Cyber/Data Security	<ul style="list-style-type: none">• EU GDPR
Others	<ul style="list-style-type: none">• COVID-19 measures

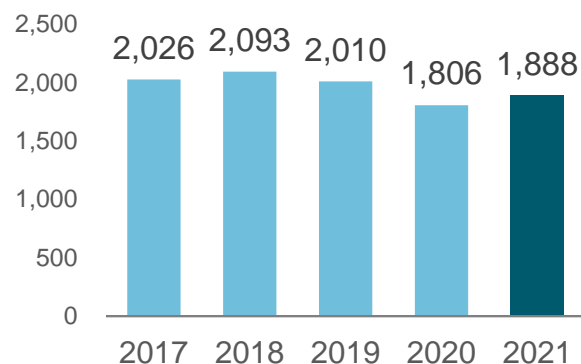


✓ Jan. 2021: Release of „Health and Productivity Management Declaration”

**Average paid holidays taken
in Japan**



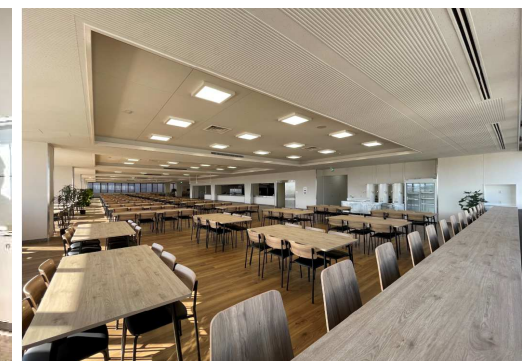
**Average annual working hours
in Japan**



- **Comprehensive medical guidance to maintaining health**
- **Promoting sport activities**
 - Certified as „Sports Yell Company“ by Japan Sports Agency
- **Promoting healthy eating habits at company restaurants**



Training program for employees under 40 years old



Restaurant at Nara Campus

- ✓ Japan's 1st women's university to establish a faculty for engineering
- ✓ Cooperation agreement to be signed on March 1, 2022



Memorial Hall



Faculty of Engineering

Promotion of education & career development for female researchers and engineers

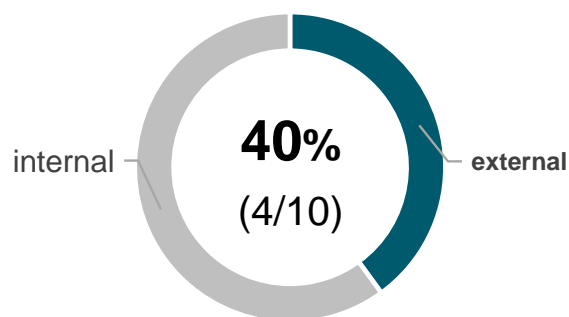
- Guest lecturers by DMG MORI
- Support in machining technology training curriculum design
- Practical training on DMG MORI machines
(to be conducted at Nara Product Development Center)



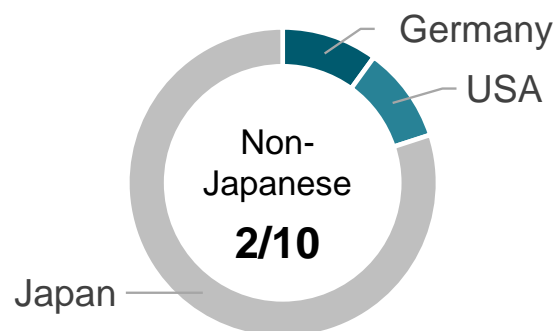
- ➔ Composition: emphasis on balanced external directors + diversity in nationality, gender and expertise
- ➔ Directors' qualification and composition under constant review for quick response to changes in the business and social environment

Board of Directors' Composition

Ratio of external Directors



Nationality



Directors' Skill Matrix

	Director	Business Management	Global Experience	Engineering	Legal/ Compliance	Finance/ Accounting
Internal	Masahiko Mori	●	●	●		●
	Christian Thönes	●	●			●
	Hiroaki Tamai	●	●		●	●
	Hirotake Kobayashi	●	●			●
	Makoto Fujishima		●	●		
	James Nudo		●		●	
External	Tojiro Aoyama		●	●		
	Makoto Nakajima		●		●	
	Takashi Mitachi	●	●			●
	Hiroko Watanabe	●	●	●		

*to be fixed after approval at the Annual General Meeting of Shareholders on March 22, 2022

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.
- Travel restrictions or stay-at-home requests for COVID-19 in Japan and other countries