DMG MORI CO., LTD.
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February 10th, 2022

DMG MORI Co., Ltd.

FY2021A: Orders up 63% driven by strong demand for Process Integration, Automation and Digitization.
FY2022E: Peak Operating and Net Profit* since listing in1979. Dividend plan to be increased to 60 yen
(Note: excluding fiscal year 2015, when DMG MORI AG was first consolidated.)

Key figures

(Billion Yen)		FY2021	(Y/Y change %)	FY2020
Consolidated order Intake	:	456.0 bn	+63.0%	279.7 bn
Machine order backlog	:	164.0 bn	+70.8%	96.0 bn
Sales revenue	:	396.0 bn	+20.6%	328.3 bn
Operating profit	:	23.1 bn	2.2x	10.7 bn
Operating profit margin	:	5.8%		3.3%
Net profit attributable to owners of the parent	:	13.5 bn	7.7x	1.7 bn
Net profit attributable to common shareholders	:	11.4 bn		0.4 bn

[Summary for FY2021 (January-December 2021)]

DMG MORI's consolidated orders began to recover from the beginning of the fiscal year and remained strong throughout. The small-scale business meetings that we started in Japan in 2020 were expanded globally in 2021. Our focus strategies on process integration, automation, full turnkey and digitization are highly appreciated by our customers.

Our consolidated orders for the fiscal year grew to 456 billion yen, up 63% from the previous fiscal year and up 11% from pre-pandemic fiscal year 2019. Orders increased in all regions throughout the fiscal year, driven by Europe and China in the first half and Japan and Americas in the second half. In addition, orders recovered from all industries, with demand for semiconductor production equipment, EVs (electric vehicles), space, and medical-related applications making a particularly strong contribution.

Sales revenue for the fiscal year stood at 396 billion yen, up 21% from the previous fiscal year. Although the order backlog at the beginning of the fiscal year started with a low 96 billion yen, strong order intake during the fiscal year could be turned into sales in the same period. Supply chain and logistics disruptions were largely avoided as we had prepared for a rapid recovery in demand from fiscal year 2020. Operating profit increased 2.2 times year-on-year to 23.1 billion yen with a significant improvement of the operating profit margin to 5.8%. Profit before income taxes jumped up 3.8 times from the previous fiscal year to 19.6 billion yen, driven by a reduction of annual compensation to non-controlling shareholders in AG due to an additional acquisition of AG shares in April 2020. The effective tax rate was reduced to an appropriate level of 32%, leading to increased

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net profit to 13.5 billion yen, up 7.7 times from the previous fiscal year.

We were able to secure a large surplus of 30.4 billion yen in free cash flow (compared to a deficit of 5.2 billion yen in FY2020). In addition to profit growth, a significant increase in down-payments contributed to a positive turnaround in net working capital. Due to the better-than-expected improvement in earnings and cash flow, we have increased the dividend/share plan for the fiscal year from 30 yen to 40 yen (interim: 10 yen, year-end: 30 yen).

[Results for FY2021 (January-December 2021)]

(Order trends)

Consolidated orders started to increase steadily from the beginning of the fiscal year to reach 456 billion yen at year-end, up 63% from the previous fiscal year and 11% from pre-pandemic fiscal year 2019. They also recovered to 86% of their previous peak level in fiscal year 2018. Our small-scale business meetings at our showrooms and factories globally have been well received, and supported a steady penetration of our customer-base with our strategic focus-topics such as process integration, automation/full turnkey and digitization.

In terms of orders by region, orders increased in Japan by 89% (15% of total orders), in Europe by 104% (50%), in the Americas by 51% (20%), in China by 73% (10%), and in Asia and other regions by 42% (5%). By industry, almost all industries saw an upturn. In particular, demand for semiconductor production equipment, EVs, space-related products, medical-related products, and mold-related products increased significantly. In addition, demand for wind power and offshore wind power generation picked up speed with the global strive for decarbonization, and there was revived demand from the commercial aircraft sector in the second half.

Orders for spare parts and services, which account for about 20% of consolidated orders, increased by 24% from the previous fiscal year with a new record peak level. Orders in Magnescale Co., Ltd. (hereinafter, referred to as Magnescale), a group company that manufactures ultra-high-precision measuring components for semiconductor production equipment, also made a significant contribution.

The average unit price of orders per machine climbed to 39.4 million yen, up from 37.0 million yen in the previous fiscal year, driven up by increased demand for automation and full turnkey systems as well as 5-axis machines and mill-turn centers. In addition, orders from global brand customers are progressing, not only by number and the scale of investment projects has been becoming larger, which has also been contributing to the increase in the unit price of orders.

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(Order backlog)

The backlog of machine tool orders as of the end of December 2021 was 164 billion yen, a significant increase from 96 billion yen in December 2020. The main reason for this was the rapid recovery in demand for machine tools. It was also caused by lead time from order receipt to shipment becoming longer due to increased order complexity through added process integration, automation/full turnkey, and digitization. Lastly, we have been proposing appropriate lead times to customers, taking into account disruptions in the supply chain and logistics. We strive to maintain a solid level of order backlog to minimize our business volatility even any future recession.

(Profit and loss situation)

Sales revenue for the fiscal year increased by 21% to 396 billion yen, exceeding the previous plan of 380 billion yen. The effects of disruptions in the supply chain and logistics were a cause for concern. Due to successful deadline management with customers and our pre-arrangements with suppliers, we were however able to hold most of the delivery dates promised to our customers.

Operating profit grew to 23.1 billion yen (up 2.2 times and 12.4 billion yen from the previous fiscal year), achieving the previous plan of 23 billion yen. Positive factors included an increase in sales volume of 17.5 billion yen, an improvement in gross profit margin by providing higher value to customers through process integration and automation of 2.6 billion yen, and the effect of a weaker yen of 2.0 billion yen, for a total of 22.1 billion yen. Negative factors included an increase of 7.0 billion yen in personnel costs, which had been substantially reduced in the previous fiscal year, and an increase of 2.7 billion yen in logistics costs and others, for a total of 9.7 billion yen. The increase in the price of parts and materials did not have a major impact in fiscal 2021, as we had been preparing for expected supply shortage. Given the increased profits from the excess sales compared to the plan, we returned to paying increased employee bonuses; the average annual salary per CO employee had decreased from 8.08 million yen in fiscal year 2019 to 6.43 million yen in fiscal year 2020, but recovered to 7.20 million yen in fiscal year 2021. We plan to raise it to 7.5-7.7 million for fiscal year 2022.

Profit before income taxes and net profit attributable to owners of the parent jumped significantly to 19.6 billion yen (up 3.8 times from the previous fiscal year) and 13.5 billion yen (up 7.7 times), respectively. Net financial costs were reduced by 2.1 billion yen, from 5.6 billion yen in fiscal 2020 to 3.5 billion yen in fiscal year 2021, mainly due to a decrease of 1.2 billion yen in annual compensation to AG's non-controlling shareholders from 3.0 billion yen in the previous fiscal year to 1.8 billion yen as a result of the additional acquisition of AG shares in April 2020, and a disappearance of one-time loss of approximately 500 million yen from equity method affiliates recorded in the previous fiscal year. Profits at almost all group companies also improved, and the

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effective tax rate normalized to 32%. Interest payments with regard to perpetual subordinated bonds and loans of 2.0 billion yen were deducted from net profit attributable to owners of the parent, leading to 11.4 billion yen of net profit attributable to common shareholders.

(Cash Flow)

Free cash flow (operating cash flow minus capital expenditures) in the fiscal year was 30.4 billion yen, a significant improvement from a deficit of 5.2 billion yen in the previous fiscal year. In addition to a rapid recovery in profits, down-payments increased by 32.0 billion from the previous fiscal year, which led to significant contribution in improvement of free cash flow. Capital investment including tangible and intangible assets was 23.3 billion yen. But, thanks to sales of strategic cross holding shares, net investment cash out flow was limited to 19.4 billion yen. Depreciation and amortization decreased by 2.2 billion yen to 21.9 billion, due to full amortization of technological assets revalued at market value when AG was first consolidated in 2015. In the past, we needed to raise working capital during demand recovery phases, but now we are able to utilize the down-payments from providing high value-added solutions to our customers, which is strengthening our financial position.

(Financial position)

Total assets increased by 70.6 billion yen from the end of previous fiscal year. Short-term financial assets increased by 14.8 billion yen, trade receivables by 17.1 billion yen, inventories by 8.5 billion yen, and tangible and intangible assets by 17.1 billion yen, respectively.

We made capital investments of 23.3 billion yen, mainly for increased cost for ongoing construction of the Nara Product Development Center and the new 5-axis machine assembly plant in Pinghu (near Shanghai), China, the renewal of machinery and equipment, and the implementation of the new ERP system (Enterprise Resource Planning).

In July 2021, we raised 40.0 billion yen through convertible bonds with stock acquisition rights, zero coupon, conversion price of 2,593 yen and a maturity date of July 16, 2024. The proceeds will be used for investments to CO_2 emissions reductions, medium- and long-term businesses growth in China, and the ERP system. In addition, we raised 30 billion yen in perpetual subordinated bonds in August 2021 to refinance our existing hybrid capital. We were able to procure the bonds at a lower interest rate than before, lowering the weighted average interest cost on the outstanding hybrid capital to 1.47% (previously 1.77%).

Net interest-bearing debt (excluding perpetual subordinated bonds and loans) stood at 42.5 billion yen as of end of December 2021, which was reduced by 21.9 billion yen from the previous fiscal year. As a result, the net debt-to-equity ratio decreased to 20% (35% at the end of December 2020). With 35.7%, the shareholders equity ratio remained at the almost same level at the end of December 2020 (35.2%). Although shareholders' equity increased by 27.7 billion yen, a balance sheet extension due to increased demand limited the improvement of the ratio.

(Number of employees)

As of December 31, 2021, we had 12,259 employees (consolidated and including contract and part-time employees), an increase of approximately 100 employees from 12,160 at the end of December 31, 2020. This increase came mainly from contract and part-time employees. *my* DMG MORI, Digital Twin Showroom, TULIP and other digital tools, as well as the enhancement of digital content such as the Sales Manual 2.0, have dramatically improved our efficiency in marketing, development, production as well as sales and service. As a result, the number of full-time employees remained almost the same as at the end of December 2020.

(Research &Development)

We have been focusing our development efforts on measures that support the sustainable growth of DMG MORI such as, 1) reinforcement of high-precision, high-speed machines, process integration machines such as 5-axis machining centers and mill-turn centers, automation systems, and full turnkey systems, 2) development of software and peripheral devices that enable longer operation of automation systems and full turnkey, 3) enhancement of digital content to increase convenience for customers, and 4) creation of educational programs and textbooks for human resource development.

We launched the NLX-6000-1000, a large sized milling machine and LASERTEC 3000 *DED hybrid*, an additive manufacturing. The NLX6000-1000 is suitable for machining semiconductor-related components and high-pressure steel pipes for the power generation industry, for which demand is growing. The LASERTEC 3000 *DED hybrid* has a wide range of applications, including hardening, welding, and coating as well as parts processing. In the second half of the fiscal year, we introduced NZ-PLATFORM, the first machine jointly developed in Japan and Italy, a flexible turning center that can be equipped with up to four turrets with a B-axis function (swivel function). We have expanded our product line of process integration machines along with 5-axis machines and mill-turn centers.

In addition to the conventional workpiece handling and pallet handling systems, we have developed a tool handling system. The “Central Tool Storage (CTS)” is an automated system with a large-capacity tool magazine of up to 400 tools, and a transfer robot that loads and unloads tools into and out of the tool magazine of each machine tool, enabling the automation of multi-product production. "MATRIS Light" was also introduced. This is a system in which a human-collaborative robot is mounted on a wheelbarrow and can be

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moved freely by a single operator, and which has significantly lowered the barrier to introduction for customers.

The “Tool Visualizer” is a non-contact, high-efficiency tool measurement system that integrates machining and measurement technologies on the machine. It prevents errors in machining accuracy due to changes in the shape of the tool caused by expansion from cutting heat.

We have also found solutions against “the three troublemakers of machining”, a term commonly used for chips, coolant, and mist generated in the cutting process. They not only affect the machining accuracy of the workpiece but also cause machine failure. In response to these risks, we have introduced the “AI Chip Removal”, “Zero Sludge Coolant”, and “*zero*FOG” peripheral devices to the market to solve the three troublemakers of machining. These devices optimize the machining environment and conditions, enabling automated systems to operate for a longer period of time, thereby contributing to higher productivity for our customers.

The number of registration for *my* DMG MORI, a portal site, has been steadily increasing to approximately 50,000 at the end of December 2021 (40,000 at the end of December 2020). As a new function, we have started "Service Request". This system allows customers to contact our repair and recovery center with various digital data, such as images, videos, and programs, to report the status of their machines. This system enables us to visualize the status of machine tools and requests for assistance from the customer's perspective on a digital platform, and hence to respond accurately and quickly. In addition to simply requesting repair and recovery, the system also makes it possible to respond to customer requests for consultation on machining programs and selection of peripheral equipment.

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Outlook for fiscal year 2022 (January – December)

(Billion Yen)		FY2022Plan	(Y/Y change %)	FY2021
Consolidated order intake	:	480.0 bn	+5.3%	456.0bn
Machine order backlog	:	190.0 bn	+15.9%	164.0 bn
Sales revenue	:	430.0 bn	+8.6%	396.0 bn
Operating profit	:	40.0 bn	+73.4%	23.1 bn
Operating profit margin	:	9.3 %		5.8 %
Profit before income taxes	:	36.5 bn	+86.1%	19.6 bn
Net profit attributable to owners of the parent	:	25.0 bn	+85.7%	13.5 bn
Net profit attributable to common shareholders	:	23.2 bn	2.0x	11.4 bn

[Business outlook for fiscal year 2022 (January-December 2022)].

In the current fiscal year, we plan to realize the highest operating and net profits (excluding fiscal year 2015 when DMG MORI AG was first consolidated) since we went public in 1979. The annual dividend per share is planned to be 60 yen (the payout ratio: 32%). Momentum in the recovery of machine tool demand remains unchanged. Although orders from Germany, China have stalled, there is no change in the latent appetite for investment, and we believe that orders will rise again. With a large amount of order backlog at its initiation, the management system will improve transparency as to the profit contributions of functional organizations and promote more efficient business performance management.

We expect consolidated orders to grow by 5.3% year-on- year to around 480 billion yen. We expect strong capital investment in semiconductor production equipment, decarbonization, EV, space-related and medical equipment to continue for the time being. These industries require ultra-precise parts processing and high-mix, low-volume production, which is expected to support demand for process integration, automation, and full turnkey solutions that we have been focusing on. By region, Japan, the Americas, and EMEA are expected to lead the way for the time being.

We expect sales revenue to increase by 8.6% year-on-year to 430 billion yen. The order backlog of 164 billion yen for machine tools at the beginning of the fiscal year is equivalent to more than 50% of the planned machinery sales for the current fiscal year (the order backlog of 96 billion yen at the beginning of fiscal 2021 was equivalent to 33% of machinery sales). Sales of service and repair parts are also expected to be stable, and Magnescale, which manufactures precision measuring components for semiconductor manufacturing equipment, is expected to make a further contribution.
Operating and net profits are planned to increase by 73% and 86% to 40 billion yen and 25 billion yen, respectively, to break the record of peak profits since the company went public in 1979. Operating profit is

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planned to increase by 16.9 billion yen from the previous fiscal year. Positive factors include 11.4 billion yen from increase in sales volume, 4.5 billion yen from improved gross profit by enhancing proposals such as process integration and automation, and 4.0 billion yen brought about by cost efficiency through the new organization and digitization. Negative factor includes an increase in personnel expenses of 3.0 billion yen. Although prices of procured parts and materials for steel, plastics, and control equipment are rising, we believe that we can absorb this impact by raising prices of machinery and repair parts, which we implemented in October last year. In the short term, this will be a cost burden for our customers, but we will further strengthen our provision of more productive systems, prompt service after machine delivery, and supply of repair parts, to lower the lifecycle cost of machining for our customers.

Capital investment is planned to be 23 billion yen. The Nara Product Development Center, which is scheduled to open in July this year. We will proceed with the reorganization of Iga and Nara plants. The Iga plant will become the world's largest assembly site for turning centers, machining centers, 5-axis machining centers, and mill-turn centers, while the Nara plant will become the world's largest system solutions site. The construction of a new plant in Pinghu, China, will progress with the aim of starting operations in the spring of 2023. We will also continue to invest in the ERP system to centralize information, including the new organizations, and to speed up and optimize management decision-making.

We plan to continue to generate more than 30 billion yen in free cash flow. In addition to further expansion of sales revenue and profits, down-payments are expected to increase due to the projected order growth. On the back of the abundant order backlog, well planned production will support managing reasonable inventories. Approximately 7.5 billion yen of the free cash flow will be used to pay dividends (planned dividend per share for the fiscal year: 60 yen), approximately 8 billion yen will be used to pay lease payments and interest payments for perpetual subordinated bonds and loans, and the remaining facility will be allocated to reduce interest-bearing debt. As a result, a Net Debt-to-Equity Ratio at the end of the fiscal year is expected to decline to 12%, and a shareholders' equity ratio is likely to increase to about 38% (35.7 % at the end of the previous fiscal year).

[Medium-term business Forecast]

We plan to formulate a medium-term business plan by the end of this fiscal year. We have already made progress in responding to process integration, automation, and digitization in anticipation of changes in social and industrial structures, including decarbonization, the shift to EVs, the aging society, and the increasing sophistication of technology in the semiconductor industry. In the new medium-term business plan, we will identify future material issues that we need to confront, including changes in the social environment, responses to climate change, and a review of our supply chain with an eye to human rights issues and

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environmental impact. We incorporate these into TQM (Total Quality Management), and practice business cycles such as SDCA (Standardize→Do→Check→Action), and PDCA, with the aim of improving customer and corporate value.

On top of that, we aim for much stabilized business performance in the medium-to-long term. During the global financial crisis in 2008, our sales dropped by two-thirds from 202.3 billion yen (fiscal year ended March 2008) to 66.4 billion yen (fiscal year ended March 2010), and we reported a net loss of over 34 billion yen. However, in COVID-19-impacted fiscal 2020, sales were reduced by only one-third from 485.8 billion yen (fiscal year ended December 2019) to 328.3 billion yen (fiscal year ended December 2020), and we were still able to record net profit of 1.7 billion yen. Compared to about a decade ago, we have diversified our customer base by region, industry and customer business size, which contributes to stabilize business volatility. More importantly, lead time from order intake to delivery is becoming longer, reflecting growing demand for complex machining systems including process integration, automation and full turnkey systems, which accumulates order backlog. This trend is expected to further strengthen in the future, and we will strive to stabilize our business performance.

(Business outlook and performance forecast)

Against the backdrop of a shortage of semiconductor supplies, demand for semiconductor production equipment is expected to increase until at least FY2023. In addition, we expect demand growth related to EVs, decarbonization, and aging of society to be even more prolonged. These industries will pursue high production efficiency in ultra-precision, high durability, and high-mix, low-volume production. We believe that this will further promote the need for process integration machines, automation/full turnkey systems, and digitization, which will lead to an increase in our market share. At the present stage, we are forecasting sales of around 450 billion yen, operating profit of around 45 billion yen, an operating profit margin of over 10%, and net profit of around 28 billion yen for the fiscal year ending December 31, 2023, setting new peaks for consecutive years. In fiscal 2024, we expect sales to grow to 480 billion yen, operating profit of around 50 billion yen, an operating profit margin of 10.4%, and net profit of around 31 billion yen. Based on the above performance, we plan to raise the annual dividend per share to 70 yen for the fiscal year ending December 31, 2023, and to 80 yen for the fiscal year ending December 31, 2024.

(Financial targets)

We plan to secure more than 30 billion yen in free cash flow through early collection of trade receivables and reduction of inventories, while expecting an increase in earnings. Based on the premise of ample free cash flow, we will continue to improve our balance sheet structure and our key financial indicators of net debt-to-equity ratio (excluding perpetual subordinated bonds and loans) and equity ratio. We plan to reduce the net

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debt equity ratio to around 10% for fiscal year ending December 2023, converting into net cash position for fiscal year ending December 2024. The shareholders' equity ratio is expected to increase to over 40% for fiscal year 2023 and over 50% assuming the conversion of convertible bonds to ordinary shares for fiscal year 2024.

[Sustainable (ESG/CSR) Management Policy]

DMG MORI places importance on coexistence with society and is committed to management that satisfies all stakeholders.

(Health management initiatives)

We released “DMG MORI Health and Productivity Management Declaration” at the beginning of 2021. Rather than managing by company-wide averages, we have closely managed individual employees, almost reaching the targeted annual working hours of 2,000 hours, the interval of 12 hours between leaving and coming to work, and a number of 20 paid leave days. As a countermeasure against COVID-19, we have actively introduced the vaccination program for employees and their families as well as related companies. In Japan and China, the vaccination rate of employees exceeded 95%, and in other regions, the rate stood at around 80%, creating a workplace where employees can work with peace of mind.

(Climate change initiatives)

At the beginning of 2021, we achieved carbon neutrality for machine tools we manufacture globally in scope 1 to Scope 3 upstream with the use of emission credits, which was assessed and certified by a third party, and began shipping them with our “Greenmachine” label.

In July 2021, in compliance with the recommendations of Task Force on Climate-related Financial Disclosures (TCFD), we disclosed our governance, business risks and opportunities, and specific initiatives to reduce CO_2 emissions. In November of the same year, we were certified as a SBTi (Science Based Targets initiative). We set a target of reducing CO_2 emissions by 46.2% for Scope 1 and Scope 2, and by 13.5% for Scope 3, by 2030 from the 2019 levels.

For Scope 1 and Scope 2, we will promote the purchase of CO_2-free electricity, and plan to install biomass power generation equipment, solar power generation equipment, and high-efficiency electric furnace equipment at the foundry.

For Scope 3 upstream processes (CO_2 emission generated from purchased goods and services), we have already asked suppliers to make efforts to reduce CO_2 emissions, and we are considering providing technical support to reduce CO_2 emissions in our supply chain.

For Scope 3 downstream process (CO_2 emissions generated when our products are used by our customers), we will reduce the power consumption of the machines themselves by introducing Green Mode Technology,

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and we will strive to reduce power consumption while improving the productivity of our customers by integrating processes and proposing automation/full turnkey systems. Small and medium-sized enterprises (SMEs), which account for about 60% of our orders, face challenges from the stage of understanding their own CO2 emissions, so we will start by helping them visualize their CO2 emissions through our digital technology *(my* DMG MORI).

(Efforts to develop human resources)

Since 2019, we have provided three-year scholarships to engineering graduate students in the second half of their doctoral course through Mori Manufacturing Research and Technology Foundation which was established in 2017 with approval of the 69th general shareholders' meeting. We will support a total of 22 students, including those scheduled to enter in April 2022. On top of that, through our support for the Kyoto University Graduate School of Integrated Ars Vivendi (Shishukan), we have been fostering doctoral students who would be active on the global stage.

Furthermore, we are scheduled to conclude a comprehensive agreement at the beginning of March, 2022, with Nara Women's University, the first women's university in Japan to open an engineering school, with the aim of promoting diversity in the engineering workforce. We will support the development of women in engineering by dispatching lecturers and devising curricula in machining technology training.

(Governance)

The Company's Board of Directors consists of 10 members: 6 internal directors, including 2 foreign nationals (the U.S. and German), and 4 external directors (ratio of external directors: 40%), including 1 female director. Diverse opinions are brought to the table based on their respective expertise in general management, global experience, technology, legal affairs, and accounting. In fiscal year 2023, we plan to appoint two external female directors to our Board of Directors, leading to further diversity. At present, female directors are mainly from outside the company, but we are fostering the appointment of female directors from within the company, and we will make efforts to increase the ratio of female directors to more than 30% by 2030. The Board of Auditors consists of one internal auditor and two external auditors to strengthen the management monitoring function.

(Disclaimer)

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

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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