DMG MORI CO., LTD.
2-3-23 Shiomi, Koto-ku, Tokyo 135-0052, Japan
Tel.: 03-6758-5900

（May 10, 2023）

DMG MORI CO., LTD.

In the first quarter, consolidated orders, sales, and profits all got off to a good start toward achieving the annual business plan and the Medium-term Business Plan 2025.
Our ability to provide value through MX (Machining Transformation) helps stabilize our business performance.

Financial Summary (Jan-Mar) JPY bn.	FY2019	FY2020	FY2021	FY2022	FY2023	(Y/Y change)
Consolidated orders	119.1	78.3	101.4	150.1	145.3	-3.2%
Order backlog for machine tools (end of March)	209.0	137.0	124.0	203.0	269.0	-
Sales revenue	120.6	87.3	81.1	107.3	123.2	+14.9%
Operating profit	10.4	3.3	4.0	9.5	9.7	+2.6%
(Operating profit margin %)	8.6%	3.8%	4.9%	8.8%	7.9%	
Net profit attributable to owners of parent	6.2	0.1	1.8	6.3	6.3	+0.4%

[First Quarter Summary for FY2023 （January-March 2023）]

・ Consolidated orders for the first three months of FY2023 totaled JPY 145.3 billion. This was only 3.2% less than the quarterly peak of JPY150.1 billion in the same period last year, and a significant 32% increase from JPY110.4 billion in the previous quarter (October-December 2022). Our MX (Machining Transformation) strategy, which promotes process integration, automation, DX (Digital Transformation), and GX (Green Transformation), has steadily penetrated our customer base. As a result, the average machine order unit price jumped significantly to JPY56.1 million from JPY49.8 million in FY2022. Higher unit prices and a 24% increase in orders in the spare parts and service division (about 20% of consolidated orders) contributed to the stabilization of consolidated orders. By industry, demand was strong in the energy, space, passenger aircraft, electric vehicle (EV), and medical sectors. Demand for semiconductor production equipment, which slowed down in the second half of last year, started to increase. By region, demand in Europe and China was beyond our original expectations, while demand in Japan and Asia was almost in line with our forecast. The order backlog for machine tools climbed to JPY269 billion at the end of March, up from JPY254 billion at the end of December 2022. The order backlog is sufficient to meet our full year sales forecast at the beginning of this fiscal year. Orders from the second quarter onwards will contribute to sales in the coming fiscal year 2024 and beyond.

・ Sales revenue totaled JPY123.2 billion, up 15% from the same period last year. In addition to an abundant order backlog at the beginning of the period, lead times for procurement of parts and materials and logistics disruptions improved, leading to planned progress in machine production and sales. Operating profit was JPY9.7 billion, up 3% from the same period last year. Due to the salary revision for employees globally implemented last fiscal year (salary revision for Japan-based employees was implemented in July last year: a 24% increase on an annualized basis), personnel expenses increased by JPY4.6 billion year-on-year. However, the increase in gross profit driven by MX promotion enabled us to secure an increase in operating profit. Higher component prices were offset by price increases for our products and services. Net profit increased 0.4% year-on-year to JPY 6.3 billion.

・ Free cash flow (operating cash flow less investing cash flow) was a deficit of JPY1.8 billion. Inventories increased due to sustained sales expansion plans. On the other hand, the rise in working capital was limited to JPY1.7 billion due to the early collection of receivables and an increase in down-payments. Investments have been aggressively made to achieve the goals of the "Medium-term Business Plan 2025" announced last December. We have continued to invest in the expansion of production capacity for automation and turn-key businesses, installation of solar power generation systems to reduce CO_2 emissions, and introduction of an ERP system to improve operational efficiency and speed up management decision making. In addition, construction of the DMG MORI ACADEMY for customers' operator training is progressing as planned. We are still expecting more than JPY30 billion in free cash flow for full year.

[Full Year Forecast for 2023 (January-December 2023)]

・ For the full year, there is no change to the initial plan of JPY500 billion in consolidated orders, JPY500 billion in sales, JPY50 billion in operating profit (operating profit margin: 10%), and JPY32 billion in net profit. Orders in the first quarter exceeded our forecast, and based on the abundant order backlog, sales for the current fiscal year have been almost fully met. Under the current environment, we are now even more certain that we will be achieving our business plan for the current fiscal year. Nonetheless, we will continue to strive for new orders with the aim of increasing sales and profits in the next fiscal year and beyond.

[The First Quarter Results (January-March 2023)]

Orders and Order Backlog Situation

・ First quarter orders were much better than we had expected. Consolidated orders stood at JPY145.3 billion, down only 3.2% from the record high order intake of JPY150.1 billion in the same period last year and up a significant 32% from the previous quarter of JPY110.4 billion (October-December 2022). MX, which promotes process integration combined with automation systems and contributes to reduction of CO_2 emissions through a leaner production system with digitally- monitored technology, has been highly appreciated by customers. The machine order price per unit grew to JPY 56.1 million, up 12.7% from the average unit price of JPY49.8 million in FY2022. Although the number of ordered machines decreased by 25% from the same period last year, the total value of orders declined by only 8% with a contribution of price increases. The spare parts and service segment, which accounts for about 20% of consolidated orders, grew 24%, contributing to the stabilization of consolidated orders.

・ Orders by region were down 3% in Japan (13% of total), 2% in Europe (51%), 22% in the Americas (17%), and 7% in Asia and other regions (5%) compared to the same period last year. On the other hand, orders in China (14%) rose sharply by 33%. The open house (a private show) held at the Pfronten plant in Germany from the end of January to the beginning of February was very successful. Thanks in part to this success, orders in Europe declined only 2%. In the Americas, the decline was a bit larger than in other regions. Inquiries for process integration and automation projects were solid, but it has been taking time for customers to finalize their investment decisions. Orders in China reached a record high on a quarterly basis, as latent demand emerged as the economy recovered from the lifting of COVID-19 ultra-strict regulations. By industry, demand for energy, space, passenger aircraft, EVs, and medical-related applications remained strong. Demand for semiconductor production equipment, which had slowed down since the third quarter last year, started to pick up in Europe and some markets in Asia.

・ The order backlog for machine tools at the end of March was JPY269 billion, up about 6% from JPY254 billion at the end of December 2022. Of the JPY500 billion in sales planned for the fiscal year, JPY100 billion of machine sales was not fixed at the beginning of the year. With strong orders in the first quarter and abundant order backlog, we are now even more certain of achieving our sales target of JPY 500 billion for the current fiscal year. We expect the order backlog at the end of FY2023 to be JPY250-JPY260 billion, almost the same level as that at the end of December 2022. With this order backlog, we will strive to increase sales and profits in the coming fiscal year 2024 and achieve the goals of the "Medium-Term Business Plan 2025”.

Profit and Loss

・ Sales increased 15% from the same period last year to JPY123.2 billion. The depreciation of the yen led to an increase in sales of over JPY9 billion. The delivery delays in parts and materials and logistics disruptions experienced in the previous fiscal year have normalized, and with an abundant order backlog, production and sales were largely in line with plans. Sales by division increased approximately 12% in machinery, 25% in spare parts and service, and 10% in group companies and others compared to the same period last year. Among group companies, sales of Magnescale Co., Ltd., have continued to increase for next-generation semiconductor production equipment.

・ Operating profit increased by JPY0.2 billion from JPY9.5 billion in the same period last year to JPY9.7 billion yen. Positive factors totaled JPY6.9 billion. The breakdown is as follows: JPY3 billion in higher gross profit driven by lower discount rates, JPY1.4 billion in an increase in sales, JPY1.5 billion in weaker yen effects, and JPY1 billion in an improvement in cost reduction related to increased in-house parts production. On the other hand, expenses increased JPY6.7 billion. The breakdown is as follows: JPY4.6 billion in personnel expenses due to salary revisions for employees globally (salary revisions for Japan-based employees were implemented in July 2022, with an annualized growth of 24%), and JPY2.1 billion yen in an increase in distribution, depreciation, and other expenses. The price hike in procured parts and materials was passed on to customers. In the first quarter, the operating profit margin was 7.9%, down from 8.8% in the same period last year, due to the human resource investment. From the second quarter onward, the operating profit margin is expected to improve year-on-year due to further sales growth and continued lower discount rates by providing high value-added products and services.

・ Finance costs rose to JPY1.2 billion, a JPY0.7 billion deterioration from JPY0.5 billion in the same period last year. Around JPY0.5 billion is due to increase in interest payment for EUR-denominated loans affected by increasing interest rate. Another JPY0.3 billion is due to increase in compensation payment based on DPLTA (Domination Profit and Loss Transfer Agreement) to non-controlling shareholders in AG. There is no change in the amount of annual economic compensation per share paid to non-controlling shareholders in AG. Due to the change of the scheduled trial date of the DPLTA litigation to the end of 2024 from the previous projection of the end of 2022, we recognized additional interest expenses during the period. The improvement in the profits of group companies led to a decrease in the effective tax rate to 27%, and net profit attributable to owners of the parent company grew 0.4% year-on-year to JPY6.3 billion. After deducting a payment of JPY0.4 billion to owners of hybrid capital, net profit attributable to common shareholders of the parent company amounted to JPY5.9 billion.

DMG MORI CO., LTD.
2-3-23 Shiomi, Koto-ku, Tokyo 135-0052, Japan
Tel.: 03-6758-5900

Financial Position and Free Cash Flow Situation

・ The total balance sheet at the end of March climbed to JPY704.2 billion, a JPY23.9 billion increase from JPY680.3 billion at the end of December 2022. The yen value of foreign assets increased by approximately JPY14 billion due to the weaker yen. Inventories at the end of March amounted to JPY182.9 billion, up JPY16.7 billion yen from JPY166.2 billion at the end of December 2022. Inventories have been increasing in preparation for sales growth from the second quarter onwards. The increase in tangible fixed assets was due to the expansion of supply capacity of automation systems, installation of solar power generation systems to reduce CO_2 emissions, and the opening of DMG MORI Academies for operator training. The increase in intangible assets was mainly due to measures taken toward introduction of ERP to improve management efficiency and speed up management decision making. In the first quarter, net debt increased to JPY52.7 billion at the end of March, up JPY9.6 billion from December 31, 2022, due to a deficit in free cash flow and a dividend payment of JPY4.5 billion. The ratio of net debt divided by shareholders' equity (Net Debt/Equity ratio) remained low at 0.23. The increase in the total balance sheet amount brought the shareholders' equity ratio to 35.2% (December 31, 2022: 36.1%).

・ Free cash flow (operating cash flow less investing cash flow) was a JPY1.8 billion in red. We continue to invest aggressively to achieve our Medium-term Business Plan 2025 and sustainable growth beyond. Investments totaled JPY11.1 billion. Working capital has been well managed. Although payments due to an increase in inventories amounted to JPY13.1 billion, the increase in working capital was limited to 1.7 billion yen, including JPY9.9 billion due to an increase in cash inflows from the early collection of receivables and JPY0.9 billion contributed from an increase in down-payments.

DMG MORI CO., LTD.
2-3-23 Shiomi, Koto-ku, Tokyo 135-0052, Japan
Tel.: 03-6758-5900

［**Forecast for Full Fiscal Year 2023 (January-December 2023)**］

Forecast for FY2023

	FY2022	FY2023	
(JPY billion)	Result	Forecast	(Y/Y change)
Consolidated orders	542.4	500	-8%
Order backlog for machine tools	254	250-260	
Sales revenue	474.8	500	+5%
Operating profit	41.2	50	+21%
(Operating profit margin %)	8.7 %	10.0 %	
Net profit attributable to owners of parent	25.4	32	+26%
Dividend per share (Yen)	70	80	+10 Yen
Exchange rate USD/JPY	131.5	130.0	
EUR/JPY	138.1	140.0	

Forecast for Full Fiscal Year

・ There is no change from our initial plan of JPY500 billion in consolidated orders, JPY500 billion in sales, and JPY50 billion in operating profit with an operating profit margin of 10%. The first quarter got off to a good start in terms of both orders and business performance. Now that we are more certain of achieving our original business plan at the beginning of this fiscal year, we will strive to increase sales and profits in the next fiscal year and achieve the final year's target of the " Medium-term Business Plan 2025" announced last December: sales of JPY600 billion, operating profit of JPY72 billion (operating profit margin: 12%), and net profit of JPY48 billion.

・ We had expected consolidated orders to drop by 8% from the previous year to JPY500 billion yen at the beginning of the year. In the first quarter, we were able to receive more orders than planned. "Chicago Innovation Days 2023" held in Chicago, U.S.A., in April and "CIMT2023 (China International Machine Tool Show)" held in Beijing, China, were very active. We have been convinced of the potential demand for capital investment. While the global trend toward ultra-precision and high-mix, low-volume parts machining continues, operator shortages and labor costs continue to rise, leading to customers' interest in process integration and automation growing even stronger. By industry, demand for energy-related, space, passenger aircraft, EV, and medical-related industries is expected to remain strong. Demand for semiconductor production equipment, which began to grow in Europe and some Asian countries in the first quarter, will further accelerate toward the second half of the period, including expansion in other regions. We plan to review our plans for consolidated orders for full fiscal year after confirming demand trends by region and industry in the second quarter. Orders in the second quarter onwards will contribute to sales in the coming fiscal year 2024 and beyond. Given expected stable inquiries, we expect the order backlog in machine tools at the end of December this year to be JPY250-260 billion, the same level at the end of December 2022.

・ We plan to increase sales by 5% year-on-year to JPY500 billion for the fiscal year 2023. Machine sales are almost fulfilled with orders obtained in the first quarter. We believe that this has further increased the probability of achieving our sales plan for full fiscal year. Sales of spare parts and, service, and group companies are also expected to be in line with the plan. Operating profit is projected at JPY50.0 billion, up 21% from the previous year. Higher gross profit driven by our MX strategy and improved margins from in-house parts and internal engineering will continue to contribute to better profitability. Higher prices for procured parts and materials will be absorbed by selling price increases, as in the past. With such factors, we will strive to secure an operating profit margin of 10% or more for full fiscal year. Net profit attributable to owners of the parent company of JPY32.0 billion (up 26% from the previous year) and net profit attributable to common shareholders of the parent company of JPY30.2 billion after deduction of JPY1.8 billion paid to hybrid owners, respectively, are expected to be achieved as planned at the beginning of the fiscal year.

・ Free cash flow for full fiscal year is targeted at JPY30 billion or more as planned at the beginning of the fiscal year. Although free cash flow was a deficit in the first quarter, we plan to return free cash to a positive territory from the second quarter onwards by further improving profitability and working capital efficiency. Assuming a high level of free cash flow, we plan to pay dividend of JPY80 per share for full fiscal year (actual dividend for the previous year: JPY70). We also plan to reduce interest-bearing debt, which increased in the first quarter, toward the end of the fiscal year to strengthen our financial position.

[Major Initiatives in the First Quarter]

・ **New product development**: We developed and launched the NHX10000 *μPrecision*, a large horizontal machining center with ultra-high-precision and high rigidity. With a volumetric accuracy of 15 μm or less, it is the world-class precise machine tool. It is suitable for machining large workpieces for industries such as energy, construction machinery, aircraft, and die and molds, where high precision is becoming increasingly important. With a standard equipment of the Zero Sludge Coolant Tank, the machine tool greatly reduces cleaning frequency and machine downtime, resulting in reduction of maintenance costs. Even higher productivity can also be realized by combining with pallet pool systems to automate the process. This reduces power consumption as well as CO_2 emissions, contributing to customers' environmental protection measures. In addition, a compact simultaneous 5-axis machining center, DMU 40, is now available. The one-piece casting bed realizes high precision and high rigidity. With a standard magazine for 24 tools, DMU 40 is suitable for machining small-size and high-mix parts. We expect increased demand for small parts for medical and semiconductor production equipment, where ultra-precision machining is required.

・ **Human Capital Investment**: In March, we were awarded as one of the "Excellent Corporations for Health Management 2023 - White:500". The Certification for Excellent Corporations for Health Management is a joint program of the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi to honor companies that practice particularly excellent health management from among more than 3,000 companies that applied for. Under the management philosophy of "play hard, study continuously, and work together," we have actively been working to maintain and promote well-being of our employees. Efforts to limit the total annual working hours of employees to 2,000 hours, to encourage employees to take 20 days of paid leave per year, and to mandate a 12-hour work interval have become well-established. We believe that these efforts have led to this certification. In January this year, we established the Safety and Health Center. In addition to maintaining and improving well-being of our employees, we aim to eliminate work-related accidents. In the near future, we plan to begin supporting well-being management for our suppliers as well.

・ **CO_2 emissions reduction**: For a more sustainable society, we are actively promoting CO_2 emissions reduction and resource recycling. We have repeatedly referred to our disclosure in accordance with the TCFD (The Task Force on Climate-related Financial Disclosures) and our CO_2 emissions reduction plan until 2030 based on the SBT (Science Based Targets). The operation of solar power generation systems at our plants has begun. In November last year, the Pfronten plant in Germany started solar power generation systems for the first phase of construction. At the same time, the Davis California plant in the U.S. also started the operation of solar power generation. In Japan, the first phase of solar power generation started at the Iga Campus in February this year. In Europe, solar power generation systems will be installed at Seebach and Stipshausen plants in Germany and the Pleszew plant in Poland. In Japan, we will expand the solar power generation systems at the Iga Campus, and will also install similar systems at the Nara Campus and the plants of our group companies. When these solar power generation systems are in full operation, they are expected to meet approximately 30% of the total annual electricity demand of each plant.

・ **Corporate Governance Enhancement:** Our Board of Directors has been more diverse than ever: three new directors were appointed at the general meeting of shareholders held on March 28, 2023. The Board of Directors now consists of 12 members. Of these, five are outside directors (42%). The number of female directors is three (25%), including two outside directors. The number of non-Japanese directors is three (25%), including one female director. We continue to strive reflecting more diverse opinions in the Board Meetings to enhance corporate value.

(Disclaimer)
This document contains forward-looking statements about the Company's goals, plans and other matters.
These forward-looking statements are based on judgments and assumptions made in light of information currently available to the Company.
Actual results may differ materially from these forecasts in the future due to changes in management policies and external factors.
There are a number of factors that could cause uncertainties and volatility, including the following

- Changes in the demand environment within the markets in which the Group operates
- Exchange rate fluctuations
- Changes in laws, regulations and government policies within the markets in which the Group operates
- Our ability to develop new products in a timely manner and gain market acceptance
- Political instability within the markets in which the Group operates
- Changes in related laws and regulations, such as the Antimonopoly Act and export control regulations, or changes in their operation by the competent authorities

The end