DMG MORI

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- FY2024 Q1 (Jan-Mar): strong start with operating profit +11% (y-o-y) and operating profit margin of 8.1% (FY2023 Q1: 7.9%)
- One-time expense of JPY 14.8 bn. due to the loss of control over our Russian production company (UMT). Expected to be compensated from the investment guarantee.
- FY2024 full-year forecast revised upwards. Sales revenue: JPY 550 bn. (previous forecast: 540 bn.) Operating profit: JPY 58.5 bn. (57 bn.), Net profit: JPY 36 bn. (35 bn.)

Financial Summary (JPY bn.)	FY2023. Q1	FY2024. Q1	(Y/Y)	FY2023	FY2024E (after revision)	(Y/Y)	FY2024E (as of Feb 5, before revision)
Consolidated orders	145.3	136.8	-5.8%	520.0	520.0	0%	520.0
Machine order backlog	269.0	263.0		247.0			
Sales revenue	123.2	132.9	+7.9%	539.5	550.0	+1.9%	540.0
Operating profit	9.7*	10.8	+10.9%	55.4*	58.5	+5.7%	57.0
Operating profit margin (%)	*7.9%*	*8.1%*		*10.3%*	*10.6%*		*10.6%*
Net profit from continuing operations	6.2	6.3	+0.7%	33.9	36.0	+6.1%	35.0
Net profit from discontinued operations		-14.8					
Net profit attributable to owners of parent	6.3	-8.7		33.9	36.0	+6.1%	35.0
Net profit margin (%)	*5.1%*	*-6.5%*		*6.3%*	*6.5%*		*6.5%*

*Operating profits in FY2023 (Q1 and full year) have been revised due to the deconsolidation of UMT. Operating profits before the revision were JPY 9.7 bn. for Q1 and JPY 54.2 bn. for the full year. There is no impact on the net profits.

[Summary of Financial Results for FY2024 Q1 (Jan-Mar)]

The consolidated quarterly order intake was JPY 136.8 bn., down only 5.8% from the same period last year (Jan-Mar 2023) and up 13.5% from the previous quarter (Oct-Dec 2024), exceeding the internal plan. With the growing interests in process integration, automation, Digital Transformation (DX) and Green Transformation (GX), the average order price per unit rose from JPY 61.9 mil. in FY2023 to JPY 74.7 mil. Orders in spare parts and service (23 % of total orders) grew 10% year-on-year to JPY 31.1 bn. and stabilize the group-wide order value. By region, Europe and the Americas are strong, while China is also showing a solid demand for process integration models. The order backlog at the end of March was JPY 263 bn., up from JPY 247 bn. at the end of FY2023, which gave us momentum to raise the full-year sales revenue forecast.

In the first quarter, we maintained the upward trend in both sales and profits, with sales revenue of JPY 132.9 bn. (+8% year-on-year), operating profit of JPY 10.8 bn. (+11% y-o-y), operating profit margin of 8.1% (vs. 7.9% in the same period last year), and net profit from continuing operations of JPY 6.3 bn. (+1.0% y-o-y). The Russian government took over the control of our Russian subsidiary, Ulyanovsk Machine Tools ooo (hereinafter referred to as “UMT”), and the UMT’s deconsolidation resulted in a one-time loss of JPY 14.8 bn. (EUR 91.8 mil.). These losses are expected to be covered by the investment guarantee provided by the Federal Republic of Germany for the foreign direct investment abroad. We are asserting claims for compensation, which will positively impact our cash flows.

Shareholders’ equity at the end of March was JPY 274.8 bn. (vs. JPY 268 bn. at the end of FY2023), and the equity ratio was 34.6% (vs. 35% at the end of FY2023). Net interest-bearing debt resulted in JPY 78.1bn., and the net debt/equity ratio remained low at 0.28. We exercised the 130% call option on the zero-coupon convertible bonds (bonds with stock acquisition rights (tenkanshasaigata shinkabu yoyakuken-tsuki shasai)) (hereinafter referred to as “CB”) worth JPY 40 bn. due July 2024. The entire outstanding CBs were eventually converted by April 17th. We assume our financial structure as of end of April 2024 to be stronger, reflecting a completion of CB conversion: shareholders’ equity of approx. JPY307 bn., shareholders’ equity ratio of approx. 39%, net interest-bearing debt of JPY approx. 36.0 bn. and net debt/equity ratio of approx. 0.12. The total number of shares issued rose by 16 million to 141,955 thousand after the conversion.

[Forecast for Full Fiscal Year 2024 (Jan-Dec)]

We revised the full-year forecast upwards; sales revenues from JPY 540 bn. to JPY 550 bn., operating profit from JPY 57.0 bn. to JPY 58.5 bn., and net profit from JPY 35.0 bn. to 36.0 bn. Net profit is based on the assumption that one-time losses on UMT will be covered by insurance. The Q1 consolidated order intake exceeded our expectations, which led us to raise the full-year sales revenue forecast. Since the cost structure is proceeding as initially scheduled, the increased sales will also boost the operating profit and net profit. The receipt of insurance proceeds related to the deconsolidation of UMT will lead to an increase in free cash flows.

[Financial Results in FY2024 Q1 (Jan-Mar)]

Order Intake and Machine Order Backlog

The quarterly consolidated order intake was JPY 136.8 bn., down 5.8% from the same period last year (Jan-Mar 2023) but up 13.5% from the previous quarter (Oct-Dec 2023). DMG MORI's MX (Machining Transformation) strategy of driving process integration, automation, and GX (Green Transformation) through DX (Digital Transformation) has been gradually accepted and acknowledged by customers. Our direct sale and service network has enabled us to respond promptly to customers' problems, such as operator shortages, increasing demands for high-precision and complex workpieces, and shorter delivery of spare parts and maintenance support – and we have successfully earned customers' trust. The average order price per unit increased significantly from JPY 61.9 mil. (EUR 407 k.) in FY2023 to JPY 74.7 mil. (EUR 463 k.). Spare parts and service orders are growing steadily and totaled JPY 31.1 bn., up 10.2% from JPY 28.3 bn. in the same period last year, and now account for 23% of the consolidated orders.

Compared to FY2023 Q1, consolidated order intake grew steadily in EMEA by 9.9% (composition ratio: 60%), and the Americas by 8.3% (composition ratio: 20%) year on year, partially because of the weaker yen. On the other hand, orders in Japan declined by 30.8% (composition ratio: 9%) and Asia excluding China by 22.4% (composition ratio: 4%), although when compared to the previous quarter of FY2023 Q4, the figures remained similar. China (composition ratio: 7%) was down 54% from its historical peak in the same period last year. In China, however, demand for process integration and other high-end models remained stable, even amid increasingly stringent export controls since last year. We expect continuously strong demand from the medical and civil-use industrial machinery industries, which have shown a growing interest in process integration and automation. By industry, the commercial aircraft, space, medical, die & mold, and infrastructure including energy & power generation sectors are active. The semiconductor industry has been in an adjustment phase, but the increasing number of inquiries from customers in this sector shows signs of recovery in the second half of the year. By product, our competitive 5-axis machines and mill-turn centers are increasingly popular with the respective composition ratios of 44% (up from 42% in FY2023) and 29% (up from 26%), totaling 73%. Including additive manufacturing, ultrasonic, and laser machines, these high value-added models account for 80% of the total orders. Customer bases changed significantly in the first quarter. For the past two years, smaller companies, especially those in Europe and the U.S., have been holding back on capital investment due to the high interest rates. However, a growing number of companies have begun to invest in process integration and automation to address pressing labor shortages and rising wages. In addition to the continued large-scale projects from larger companies, we are also looking forward to more orders from these small and medium-sized companies.

The machine order backlog grew from JPY 247.0 bn. at the end of December 2023 to JPY 263.0 bn. Thanks to the increasing orders for our 5-axis machines, mill-turn centers, and other competitive, value-added models, our gross profit margins in ordered machines and order backlog machines have improved. The accumulated order backlog will contribute to the sales revenues of

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this year and next.

Profit or Loss Trends

Sales revenue was JPY 132.9 bn., up 7.8% from the same period last year. The yen's depreciation boosted sales revenue by approx. JPY 13.0 bn. The supply chain disruption had already been resolved, and now the production is back on schedule. However, some of the planned sales were postponed to the second quarter or later due to logistic route changes forced by geopolitical risks. We intend to recover these delays by the year end.

Operating profit was JPY 10.8 bn., up 11% or JPY 1.1 bn. from the same period last year. Positive factors included gross profit improvement through value-adding proposals (JPY 2.9 bn.) and cost structure reforms (JPY 0.8 bn.), totaling JPY 3.7 bn. Upfront investments were JPY 2.6 bn., including JPY 1.7 bn. for global salary revisions and JPY 0.9 bn. for depreciation and amortization and others. The improved gross profits, driven by reduced discounts through value-adding proposals, and cost structure reform through increased in-house production of key components, continued to offset the increase in necessary investments. The positive effect of yen depreciation amounted to JPY 2.7 bn. but was mostly offset by decline in sales volume. Non-operating deficit was JPY 1.5 bn., which was JPY 0.2 bn. more than the JPY 1.3 bn. in the same period last year. The financial cost improved by JPY 0.2 bn., but the recuring compensation to AG's non-controlling shareholders under the DPLTA (Domination Profit and Loss Transfer Agreement) increased in yen terms, while the euro-based compensation amount remain unchanged. Net profit from continuing operations was JPY 6.3 bn. The net loss was JPY 8.7 bn. by subtracting JPY 14.8 bn. of one-time loss resulting from the deconsolidation of Russian production company (UMT) from the net profit from continuing operations. As mentioned below, this loss is expected to be covered by the proceeds from the foreign direct investment insurance.

Due to the seizure of UMT by the Russian government in February 2024, we deconsolidated UMT from the DMG MORI group, resulting in one-time expense of JPY 14.8 bn. (EUR 91.8 mil.) The one-time expense includes net assets in UMT and differences from currency translation. DMG MORI group has foreign direct investment insurance provided by the Federal Republic of Germany, and is currently asserting a claim for compensation. The claim amount has not yet been confirmed (as of April 26), but we expect expenses to be covered by the insurance. This will positively impact on the cash flows.

Financial Position

The total balance sheet at the end of March 2024 was JPY 794.6 bn., an increase of JPY 28.8 bn. from JPY 765.8 bn. at the end of December 2023. Weaker yen affected the balance sheet by approx. JPY 23 bn. Although the supply chain disruption has been resolved, our inventory levels remain high due to changes in marine transportation routes forced by geopolitical risks. We expect this factor will be less of an issue from the second quarter onward, and we will work to reduce inventories. Shareholders' equity totaled JPY 274.8 bn., up JPY 6.8 bn. from JPY 268.0 bn. as of December 31, 2023. Despite the one-time expenses related to UMT and the payment of the year-end dividend in March, these factors were more or less offset by the conversion of CBs and the foreign currency translation adjustment driven by the weak yen.

The zero-coupon convertible bonds worth JPY 40 bn. due July 2024 were all converted to common shares by April 17, 2024, under the 130% call option exercised in March 2024. We assume our financial structure as of end of April 2024 to be stronger compared to end of March, following the completion of CB conversion: shareholders' equity of approx. JPY 307.0 bn., shareholders' equity ratio of approx. 39%, net interest-bearing debt (excluding hybrid capital) of JPY approx. 36.0 bn. and net debt/equity ratio of approx. 0.12.

[Business forecasts for full year 2024 (Jan-Dec)]

We have revised our business forecasts for full year 2024 upward; sales revenue from JPY 540.0 bn. of previous forecast to JPY 550.0 bn., up 2% year-on-year, operating profit from JPY 57.0 bn. to JPY 58.5 bn. up 6% year-on-year, and net profit from

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JPY 35.0 bn. to JPY 36.0 bn., up 6% year-on-year. Operating profit margin is expected to improve to 10.6% from 10.3% (after retroactively reflecting the impact of deconsolidation of UMT in fiscal year 2023). As mentioned earlier, we assume the one-time losses of UMT will be offset by the insurance proceeds by the end of the year. Better than expected consolidated order inflow in the first quarter leads to the upward revision. In addition to continued large-scale investment projects from medium-to-large sized manufactures, orders for process integration and automation from small-sized companies, which aim to secure future competitive advantages, have started to increase. By industry, in addition to continued stable demand from industries such as commercial aircraft, space, medical and infrastructure-related, we expect demand from the semiconductor production equipment industry to pick up from the latter half of this year.

We forecast free cash flow of JPY 40.0 bn. as initially planned. An increase in profits and reduction in inventories would contribute to creating cash. The amount of capital investment will remain unchanged from the original plan of JPY 30.0 bn. Due to the fact that outstanding shares have increased by 16 million shares, cash out from dividend payments (JPY 100 per share) will increase by approx. JPY 0.8 bn, resulting in a total dividend payout of approx. JPY 13.5 bn. for full year (dividend payout: JPY 6.3 bn. in March, JPY 7.1 bn. in September). Free cash flow after deducting dividend payments is planned to be allocated to reducing interest bearing debts. Shareholders' equity ratio is forecasted to climb to approx. 44% at the end of December this year. Net interest-bearing debt (excluding hybrid capital) is expected to be around JPY 20.0 bn. and net debt/equity ratio is planned to lower to 0.06. We will strive to improve our balance sheet structure further towards the end of this year. Receipt of insurance proceeds associated with UMT will contribute to an increase in free cash flow, leading to lower interest-bearing debt.

[Business forecasts for 2025, the final year of Medium-term Business Plan]

We are increasing our confidence to achieve the performance target and financial target of our original Medium-term Business Plan 2025 due to the upward revision for the current fiscal year. We are aiming to achieve sales of JPY 600 bn., operating profit of JPY 72.0 bn., and net profit of JPY 48.0 bn. Operating and net profit margin are expected to improve to 12% and 8%, respectively. We plan to reduce net interest-bearing debt including hybrid capital to below JPY 80.0 bn and raise the shareholders' equity ratio to over 50%. Based on such assumptions, return on equity (ROE) is expected to result in more than 12%.

[DMG MORI's Initiatives]

・Open Houses and private shows

We held the Open House Pfronten in Germany from January 22 to February 2 and showcased our MX solutions (process integration, automation, GX driven by DX) through our traveling-column 5-axis simultaneous milling machine DMF 400|11, in-house automation system PH Cell 500, and newly released software CELOS X, etc.

After the successful completion of the Pfronten event, we hosted Open House Tortona in Italy (April) and are planning in-house exhibition in Chicago in the U.S. (May). In Japan, we have been organizing two events: Technology Fridays and Japan Tour. Technology Fridays is a weekly private show for selected customers, while Japan Tour is a Tokyo GHQ/Iga Campus tour tailored for small customer groups from each country or region. Thanks to the positive feedback from previous participants, many customers are now interested in the Japan Tour. We are arranging more tours and exhibitions customized to the needs of each visitor group, leveraging our 116 bases around the world. In this way, we can communicate our technological excellence and unique benefits to customers more effectively.

・New Human Machine Interface "ERGO*line* X with CELOS X"

We have developed and released a new human machine interface ERGO*line* X with CELOS X. With this user-friendly interface, an operator can easily give accurate instructions and clearly see the machine's status. ERGO*line* X is an ergonomic operational panel with a wide touch screen, while CELOS X is a software with a variety of applications for machining preparation, production, monitoring, and after-sales service. Together they connect machine tools to network and enable the Digital Transformation of

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shop floor. ERGO*line* X with CELOS X is currently available for INH 63/80 (5-axis horizontal machining centers), as well as NTX 500 and NZ-Platform (mill-turn centers), and other models will follow. It will be the main driver of customers' Machining Transformation.

・Iga: No. 3 Precise Machining Plant started operation with the Group's largest 5-axis machine DMU 1000 SE

We have installed Pfronten-made ultra-large 5-axis machines DMU 1000 SE at the new No. 3 Precise Machining Plant in Iga. The new facility is designed to meet the growing demand for the large, high-quality casting components (beds, columns, etc.) of 5-axis machines and mill-turn centers. The first two machines will be ready for operation in May 2024, and the last third machine will be installed later. Collectively, they will replace a total of 9 machines from external manufacturers: five large-sized 5-sided machines and four grinding machines. This will result in less time for workpiece transfer, setup changes, and machining; one of our tests showed that machining time for the NTX 2500 2nd Generation tables was reduced by approximately 2/3. No. 3 Precise Machining Plant will also play the role of a showroom, where visitors can experience our solutions first-hand.

・LASERTEC 3000 *DED hybrid* received the Japan Society of Mechanical Engineers Award (Technology)

LASERTEC 3000 *DED hybrid,* developed by Ms. Yoko Hirono, R&D Executive Officer and General Manager of the AM Department, and her team, has received the 2023 Japan Society of Mechanical Engineers Award (Technology) as "Hybrid additive manufacturing machines that contribute to process integration and energy savings." The LASERTEC *3000 DED* hybrid is an additive and subtractive machine that incorporates Directed Energy Deposition (DED) technology into the 5-xis mill-turn centers NTX series. It is the ultimate process-integration machine that combines additive manufacturing, cutting, turning, and grinding in a single machine, with potential applications across a wide range of industries. It also attracts a lot of attention as an alternative to chrome plating and quenching heat treatment, which have a high environmental impact.

[ESG/CSR]

・Supplier Engagement

As a part of Supplier Engagement, DMG MORI is strengthening information sharing with partner companies. In January, we invited our partners to the "Partner Summit 2024" in Pfronten, Germany to give special recognitions to partners who made significant contributions to quality improvement of our products and stable material delivery. It was also an opportunity for our partners to connect with each other. At the Summit, DMG MORI explained its corporate policies, introduced examples of process integration, and presented industry trends of customers including the semiconductor industry. Furthermore, DMG MORI shares information on the latest IT security, labor safety, and proposes trainings and health management of partners' employees. With these efforts, DMG MORI would like to contribute to higher productivity and better working conditions of employees of partner companies. We will work together with our partners for mutual prosperity and building robust supply chain.

・DMG MORI entered "Health & Productivity Stock Selection 2024" for the first time

DMG MORI was selected for the first time for the "Health & Productivity Stock Selection 2024" by the Ministry of Economy, Trade, and Industry (METI) and the Tokyo Stock Exchange in recognition of a listed company with its excellent health management. In 2018, we introduced mandatory 12-hour break intervals between working hours. The following year, in 2019, we introduced comprehensive health checkups for all employees, including various cancer screenings, fully covered by the company. In 2020, we transitioned to a completely smoke-free environment across all premises. Additionally, we established an in-house Health Care Promotion Center and released the "DMG MORI Health and Productivity Management Declaration" in 2021. We have further enhanced our efforts by implementing systematic initiatives. These include supporting employees requiring a second medical checkup, ensuring adherence to medication, offering health guidance specifically tailored for individuals under 40 years of age, conducting webinar training sessions for managers, providing ongoing exercise and nutrition classes, and visualizing internal health data. In accordance with our management philosophy of "Play hard +Be dynamic, Study continuously + Be open, Work together + Be innovative,'' we will continue to implement company-wide, systematic health promotion measures to

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empower each individual to realize their full potential in good health.

・Ranked A- in the CDP2023

DMG MORI was scored an A-, Leadership Level, in the “Climate Change” and “Water Security” categories in a questionnaire-based survey “CDP2023”. CDP is an international non-profit organization for environment. DMG MORI set greenhouse gas emission reduction goals of -46.2% in Scope 1 and Scope 2 and -13.5% in Scope 3 by 2030 (compared to the base year of 2019) and obtained Science Based Targets certification. We have been generating solar power in-house, purchasing carbon-free electricity, as well as installing electric furnaces for casting production. Thanks to these efforts, we have successfully surpassed the linear targets for CO_2 emission reduction. The targets are now extended to -27.5% in Scope 3 by 2030. As a long-term goal, we have applied for the Corporate Net-Zero Standard of SBT by achieving -90% of the total emissions from Scope1 to Scope 3 by 2050. We believe the A- score is a testament to our efforts and success in meeting the ambitious greenhouse gas emission reduction targets (Climate Change) and to our fruitful initiatives to assess and manage water risks (Water Security).

DMG MORI will continue its efforts to improving customers’ productivity. Furthermore, DMG MORI will work with a wide range of stakeholders including its employees, partners and shareholders towards sustainable society and to achieve higher 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 judgements 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 Antimonopoly Act and export control regulations, or changes in their operation by the competent authorities