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

July 31, 2024

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- Consolidated orders turned positive y-o-y since May. Full-year order forecast revised upward from JPY 520 bn. to JPY 530 bn.
- Value proposals through process integration and automation are reinforced. Continuous improvement in unit price and gross profit. Continued 2-digit growth of Service & Parts business.

Financial summary (JPY bn.)	FY2023.1H	FY2024.1H	(Y/Y)	FY2023	FY2024E Plan (released on April 26)	(Y/Y)	FY2025E Final Year of Medium-term Business Plan
Consolidated orders	275.8	266.7	-3.3%	520.0	520.0→530.0	+1.9%	-
Order backlog for machine tools	282.0	273.0		247.0			-
Sales revenue	249.5	263.7	+5.7%	539.5	550.0	+2.0%	600.0
Operating profit	22.6	23.2	+2.8%	55.4	58.5	+5.7%	72.0
Operating profit margin (%)	*9.0%*	*8.8%*		*10.3%*	*10.6%*		*12.0%*
Net profit from continued operations	14.9	14.4	-3.7%	33.9	36.0	+6.1%	-
Loss from deconsolidation of UMT in Russia	-0	-15.1					-
Net profit attributable to owners of parent	14.9	-0.9	-	33.9	36.0	+6.1%	48.0
Net profit margin (%)	*6.0%*	*-0.4%*		*6.3%*	*6.5%*		*8.0%*

※EUR 91.8 mil. loss from discontinued operations in the Russian manufacturing company (Ulyanovsk Machine Tools ooo) was recognized in 1Q (Jan – Mar). The loss is expected to be covered by the investment guarantee provided by the Federal Republic of Germany for the foreign direct investment abroad. DMG MORI Group has made insurance claims accordingly. The forecast for FY2024 is based on the assumption that the receipt of the insurance will be confirmed within the fiscal year.

Summary of Financial Results for 1st Half FY2024 (January – June)

Consolidated orders in the first half totaled JPY 266.7 bn., down only 3% from the same period last year (January-June 2023). Consolidate orders in the April-June quarter remained almost flat at JPY 129.9 bn and 0.5% decrease compared to the same period last year, as monthly figure has turned positive year-on-year since May. In addition to strong demand from the medical, commercial aircraft, space, and die & mold industries, increased demand from the semiconductor production equipment and defense-related industries also contributed to the recovery. By customer size, the uptrend has begun to spread from large companies to small-to-medium-sized businesses. With our direct sales and service network worldwide, as well as successful promotion of process integration, automation, DX (Digital Transformation), and GX (Green Transformation), the average order price per unit rose from JPY 61.9 mil. (EUR 407 thousand) of last year to JPY 73.4 mil. (EUR 446 thousand). The spare parts and service businesses also continued to grow to an order intake of JPY 62.6 bn. (23% of consolidated orders), +12% up from last year, stabilizing the consolidated order intake. The order backlog of machinery at the end of June climbed to JPY 273.0 bn from JPY 247.0 bn. at the end of last year. This will contribute to DMG MORI's overall sales growth from the second half onwards, combined with our currently strong spare parts and service divisions.

Sales revenues for the first half were JPY 263.7 bn. (+6% Y-o-Y), operating profit was JPY 23.2 bn. (+3% Y-o-Y), operating profit margin was 8.8% (9.0% in the same period last year), and net profit from continued operations was JPY 14.4 bn. (-4% Y-o-Y). The operating profit margin grew from 8.1% in 1Q (January-March) to 9.5% in 2Q (April-June), thanks to a decline in sales discount driven by value-adding proposals as well as leaner in-house parts production. A one-time loss of EUR 91.8 mil. was recorded in the first quarter due to the deconsolidation of a Russian manufacturing subsidiary (Ulyanovsk Machine Tools ooo, hereinafter "UMT"), which resulted in a net loss for the 1st half of JPY 0.9 bn.

Although cash generation from profits has been advancing, delays in shipments of finished products due to the prolonged

German export permission process have led to a deterioration in working capital, resulting in a free cash flow deficit of JPY 16.9 bn.
In addition to a profit growth in the second half, reduction in inventory is expected to improve the working capital, thus the full-year free cash flow plan remains unchanged at JPY 40.0 bn. Shareholders' equity at the end of June increased to JPY 326.8 bn. (from JPY 268.0 bn. at the end of December 2023), and the equity ratio improved to 39.5% (from 35.0% at the end of December 2023). Shareholders' equity was further enhanced by the conversion of all convertible bonds into common stock in April. Net debt /equity ratio shanked to 0.20 (vs. 0.26 at the end of last year).

Forecast for Full Fiscal Year 2024 (January to December)
We have revised up the full-year consolidated order forecast from JPY 520.0 bn. to JPY 530.0 bn. or above. Monthly orders have already turned into y-o-y growth, and we expect further uptrend with the upcoming exhibitions in the second half, including AMB in Germany and JIMTOF in Japan. The planned sales revenue of JPY 550.0 bn., operating profit of JPY 58.5 bn., and net profit of JPY 36.0 bn. remain unchanged from the revised forecast announced at the end of the first quarter.

Financial Results in FY2024 Second Quarter Accumulated (January-June)
Order Intake and Machine Order Backlog
The downward trend in consolidated orders compared to the same period last year halted in the second quarter, and we anticipate an increase in order intake going forward. Consolidated orders in the first half were JPY 266.7 bn. (-3% Y-o-Y), and the isolated order intake in Q2 (April-June) stood at JPY 129.9 bn. (-0.5% Y-o-Y), almost unchanged from the same period last year. Monthly order intake has been positive y-o-y since May. The value of process integration, automation, DX, and GX continues to get recognized by customers and the average order price per unit has significantly increased to JPY 73.4 mil. (EUR 446 thousand) from JPY 61.9 mil. (EUR 407 thousand) in FY2023. Spare parts and Service orders grew steadily to JPY 62.6 bn. (23% of consolidated orders), up 12% from the same period last year, contributing to stable consolidated order intake.

Consolidated orders in the first half by region were up 15% in the Americas (22% of total orders) and 4% in Europe (57% of total orders) compared to the same period (January-June 2023) last year. Orders declined by 16% in Japan (10% of total orders), and 11% in Asia excl. China (5% of total orders). Orders in China (6% of total orders) were down -49%. In the second quarter (April-June), consolidated orders increased by 22% in the Americas and 1% in Japan and Asia respectively, marking a positive turn compared to the same period last year. Europe and China saw a 2% and 40% decline, respectively. As for China, a major impact was the more stringent export controls that were put in place last year. However, even with tighter export controls, demand for process integration machines for civil use remained stable and has been virtually unchanged since the third quarter of last year (July-September 2023).

By industry, the medical, commercial aircraft, space, and die & mold sectors continue to perform well. Demand from the semiconductor production equipment industry, which saw increasing inquiries in the first quarter, began contributing to orders in the Japanese and Asian markets in the second quarter. Additionally, the general machinery industry has started to show a renewed interest in capital investment due to the growing demand for ultra-precision parts related to semiconductor production equipment. In the U.S., Europe, and Japan, rising defense-related demand is also making a positive impact. By product, demand for 5-axis machines and mill-turn centers, where we hold a competitive advantage, is particularly strong. The share of such process integration machines has grown steadily to 70% (up from 68% the previous year). Changes are also emerging in the composition of our customers by employee size. The rising demand for ultra-precision parts related to semiconductor production equipment and automation has sparked growing interest in capital investments among small and medium-sized enterprises (SMEs) with advanced processing technologies. These SMEs are considering investments in process integration and automation in light of labor shortages and rising wages. We anticipate that this trend will contribute to an increase in our orders over the medium to long term.

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The machine order backlog was JPY 273.0 bn. at the end of June, up 11% from JPY 247.0 bn. at the end of December 2023. This order backlog almost covers all machine sales revenue for the second half of the year. Accordingly, most of the order intake from the second half will contribute to the sales revenue in the next fiscal year and beyond. With orders recovering and increasing, we expect sustained growth of revenues in the coming periods.

Profit/Loss Trends and Financial Position

Sales revenue was JPY 263.7 bn. (+6% Y-o-Y), operating profit was JPY 23.2 bn. (+3% Y-o-Y), operating profit margin was 8.8% (vs. 9.0% in the same period last year), and net profit from continued operations was JPY 14.4 bn. (-4% Y-o-Y). The impact of the yen depreciation on sales revenue was about JPY 26.0 bn. Operating profit increased by JPY 0.6 bn. y-o-y. Gross profit improvement through process integration, automation, DX, and GX proposals to customers added JPY 6.0 bn., in-house key component production added JPY 2.0 bn., and foreign exchange factors added JPY 3.2 bn., for a total of JPY 11.2 bn.

On the other hand, we faced an increase in expenses totaling JPY 10.6 bn. due to several factors: an actual sales decline (excl. the impact of exchange rates) of JPY 6.2 bn., higher personnel costs of JPY 3.0 bn. due to global salary revisions and strengthened hiring in the service business, and increased depreciation & amortization and other expenses of JPY 1.4 bn. However, we consider the substantial absorption of the sales decline through improved gross profit as a significant achievement of our strategic shift. In the first quarter, a one-time charge of EUR 91.8 mil. (JPY 15.1 bn.; average rate for the 1st half : 1 EUR= 164.6 JPY) was recorded due to the deconsolidation of a Russian manufacturing subsidiary (UMT). DMG MORI Group is a member of the Foreign Direct Investment Insurance provided by the government of the Federal Republic of Germany and has made insurance claims accordingly.

The total balance sheet increased by JPY 62.1 bn. to JPY 827.9 bn. (December 31, 2023: JPY 765.8 bn.). The impact of the weak yen was approximately JPY 52.0 bn., and the actual increase excluding the impact of exchange rates was approximately JPY 10.0 bn. On the asset side, major accounts that substantially changed in real terms were property, plant and equipment (+JPY 9.7 bn.), inventories (+JPY 4.9 bn.), and trade receivables (+JPY 3.4 bn,). On the liabilities and equity side, major accounts that substantially changed were shareholders' equity (+JPY 25.8 bn.), accounts payable (-JPY 9.9 bn.), and downpayment (-JPY 6.2 bn.). Interest-bearing debt was reduced by JPY 17.1 bn., including reduction of short-term financial assets. the shareholders' equity ratio improved to 39.5% (from 35.0% at the end of December 2023), and net interest-bearing debt excluding hybrid capital decreased to JPY 64.7 bn. (from JPY 68.7 bn. at the end of December 2023). The net debt/equity ratio further declined to 0.20 (vs. 0.26 in December 2023).

Business Forecasts for Full Year 2024 (January - December)

We have revised our consolidated order forecast for fiscal year 2024, raising it from JPY 520.0 bn. to JPY 530.0 bn. or above. This adjustment reflects the increasing demand for precision components related to semiconductor production equipment and automation, which is expected to contribute to the growing demand for machine tools. In addition to the steady demand from larger companies, we are also seeing an uptick in orders from small and medium-sized enterprises (SMEs), which is a positive factor. Ultra-precision components can be machined with higher accuracy through processing in single-chucking, which, along with process integration, is expected to drive demand for our core 5-axis machines and mill-turn centers.

For the full year, we are targeting sales revenue of JPY 550.0 bn. (+2% Y-o-Y), operating profit of JPY 58.5 bn. (+6% Y-o-Y), and net profit of JPY 36.0 bn. (+6% Y-o-Y). The operating profit margin is projected to improve to JPY 10.6% (from 10.3% last year), thanks to better gross margins on orders and backlog, as well as growth in our stable revenue-generating spare parts and service businesses. With a substantial backlog of JPY 273.0 bn. as of the end of June and the steady double-digit growth in our spare parts and service businesses, we believe annual performance targets are well in reach.

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Free cash flow is expected to be JPY 40.0 bn., as planned at the beginning of the period. In the second half, we expect free cash flow to improve significantly due to increased profits and inventory reduction. Capital expenditures and depreciation for full fiscal year are anticipated to be around JPY 30.0 bn. each, consistent with the initial plan. The annual dividend will be, as planned at the beginning of the period, 100 yen per share, resulting in a total dividend payment of approximately JPY 13.5 bn. The remaining free cash flow, after dividend payout, will be allocated to repaying interest-bearing debt. By reducing this debt, we aim to further strengthen our financial position, targeting a shareholders' equity ratio of around 45% and a net debt/equity ratio of less than 0.1 by the end of 2024. Return on equity (ROE) is projected to be over 10%.

Forecast for Full Year 2025 (the final year of the Medium-term Business Plan 2025)

With the upward trend in machine tool orders, we are increasingly confident in achieving the performance and financial targets outlined in our Medium-Term Business Plan 2025. We aim to reach sales revenue of JPY 600.0 bn., operating profit of JPY 72.0 bn., and net profit of JPY 48.0 bn. The operating profit margin is expected to improve to 12%, and the net profit margin to 8%, as initially planned. The awareness for the productivity improvements through process integration, automation, and digital transformation (DX) has risen more than anticipated, leading to a steady increase in the automation ratio within our machine tool orders. This has also contributed to rising order prices per unit and a reduction in discount rates, thereby improving gross profit. As our business expands and profitability improves, our cash generation capability is also increasing, allowing us to continue strengthening our financial position by reducing interest-bearing debt. In terms of financial goals, we aim to achieve a net debt balance, including hybrid capital, at around JPY 80.0 bn. and a shareholders' equity ratio of over 50%. With these performance and financial structures in place, we expect to secure a return on equity (ROE) of at least 12%.

[DMG MORI's Initiatives]

・Marketing Strategy with Focus on Customer Value

At DMG MORI, we first prioritize the integration of multiple processes into a single machine, and then enhance the machine's utilization rate through automation. This process integration optimizes the use of energy and management resources, thereby contributing to Green Transformation (GX). All processes are further accelerated through Digital Transformation (DX), resulting in what we call Machining Transformation (MX). We actively promote this concept to our customers worldwide through various marketing activities.

Building on the success of our CHICAGO INNOVATION DAYS 2024 held in May in Chicago, USA, we are planning to hold the CHICAGO TECHNOLOGY DAYS exhibition from September 8-12. Each day will focus on a specific industry or technology theme, such as aerospace, medical, and gear processing. Engineers from Japan and Germany will present specialized technical proposals, and we have also planned keynote speeches from guest speakers in related industries. At AMB 2024 in Stuttgart, Germany, from September 10-14, we will debut the NLX 2500|700 2nd Gen. along with four other new machine models, and the PH-AMR 750, a new size variant of our Autonomous Mobile Robot (AMR) that automates pallet transfer. During the event, we will offer a free shuttle bus service between the exhibition venue and our Wernau Technology Center, located about 20 minutes away. This recently renovated facility provides an ideal setting for in-depth business discussions with our customers. Similarly, at JIMTOF in November, we will invite customers from the exhibition venue to our Solution Center at our Tokyo Global Headquarters. By combining exhibitions with visits to our own facilities, we aim to provide a comprehensive experience that showcases our latest MX (Machining Transformation) innovations.

・New DMG MORI ACADEMY in Okayama

In May, we opened a new DMG MORI ACADEMY in Okayama, Japan to offer a wide range of machine tool training programs, from basic operation skills to advanced 5-axis machining techniques, to local customers and students. Such new training facilities

allow us to bring our training closer to customers, expanding beyond our main locations in Tokyo, Iga, and Nagoya. Okayama is our fourth new training center, following Hamamatsu, Kanazawa, and Sendai. We also plan to open another location in the Kyushu region by 2025. DMG MORI ACADEMY Okayama features a DMU 75 monoBLOCK 2nd Generation 5-axis machine and an NTX 1000 2nd Generation mill-turn center. Here, we will offer tailored training programs for customers and internships for technical college and high school students. By providing these educational opportunities nationwide, DMG MORI is committed to developing skilled engineers who will drive the innovation in manufacturing technology.

・Responding to Automation Needs

HME Co., Ltd., based in Kuwana City, Mie Prefecture, is a medium-sized enterprise (SME) known for its significant market share in the polishing of semiconductor production equipment parts. To offer one-stop product delivery by combining polishing and cutting processes, they have introduced many DMG MORI machine tools. The newly built second facility at their Tado Plant will house five automated lines, each connecting three of our NLX 2000|500 machines with a Gantry Loader GX05. This automation will allow for unmanned machining during nights and weekends, reducing the number of operators needed from 17 to just 1 and enabling the production of 13,000 semiconductor production equipment parts per month.

Along with gantry loaders, there has been a growing demand for our PH (Pallet Handling) and LPP (Linear Pallet Pool) series for pallet handling, as well as the WH (Workpiece Handling) and Robo2Go series for workpiece handling. We will continue to propose automation systems that maximize the utilization of machine tools, helping our customers enhance their productivity and create value.

・Technology Cycle for Efficient Gear Machining on 5-Axis Machines & Mill-turn Centers

Conventional gear machining required multiple processes across various dedicated machines, such as turning centers, machining centers, and specialized gear machining equipment. This often led to inaccuracies due to mounting errors, requiring corrective machining and resulting in waste. Additionally, specialized tools and fixtures for specific gear shapes were required and the complex programming could take several days. Our solution replaces this multi-machine setup with a single universal 5-axis or mill-turn machine, such as those in the DMU series, NTX series, and INH series. This simplifies the production process by reducing the number of machines to one and streamlines programming by using general-purpose tools. Our Technology Cycle for gear machining enables efficient and accurate gear production on these versatile machines. At DMG MORI, we are committed to advancing not only the core technology but also the peripheral equipment, software, and operability to fully leverage the capabilities of our machine tools.

・Preventive Maintenance Service “WALC CARE"

Minimizing downtime is crucial for highly automated systems, as machine breakdowns can cause operation stops and quality defects, leading to substantial lost opportunities. WALC Inc., a member of our group, has developed "WALC CARE," a monitoring service that utilizes artificial intelligence (AI) for predictive maintenance of machine tools. By installing the WALC CARE KIT on a machine tool, AI analyzes sensor data to detect early signs of failures in components such as the spindle, feed axis, and rotary axes. For example, a ball screw failure can suddenly disturb the operation, necessitating a machine stop until the issue is diagnosed, parts are arranged, and repairs are completed. In one of our use cases, WALC CARE detected an anomaly in the support bearings of a ball screw more than five months before operators noticed any issues, allowing for early replacement and reducing downtime from 8 days to just 2 days. WALC CARE accelerates the digital transformation (DX) of maintenance operations.

・World premiere of LASERTEC 30 SLM 3rd Generation

In June, we unveiled the new LASERTEC 30 SLM 3rd Generation, an additive manufacturing (AM) machine using Selective Laser Melting (SLM) technology, at our Open House Bielefeld 2024 event held at our Bielefeld plant in Germany. A key feature

of the machine is the use of castings, similar to those used in traditional machine tools, for the machine frame, which significantly increases rigidity. Additionally, it incorporates technology to minimize thermal displacement and applies compensation techniques developed from our experience in cutting processes. The users can select specifications with one, two, or four lasers, allowing for increased deposition speed with multiple lasers.

Utilizing AM technology eliminates the need to produce molds, reduces development lead times, and facilitates the adoption of new designs. We are currently using the LASERTEC 30 SLM 3rd Generation, which offers improved deposition accuracy and speed over previous models, for in-house production of mass-produced parts such as ball screw deflectors. The combination of removal processes, such as cutting, turning, and grinding, with AM technology provides complementary capabilities. Through our R&D efforts in both areas, we are developing new machine tools to address the diverse machining needs of our customers.

・Expansion of Production in India

Since October 2019, DMG MORI has been outsourcing production to Lakshmi Machine Works Ltd. in Coimbatore, India, where they have been manufacturing CMX 600 Vi vertical machining center for the Indian market. In July 2024, we have expanded our production to include NHX 6300 i horizontal machining center. We plan to produce approximately 60 units in India this fiscal year, with a goal of increasing production to around 100 units in 2025. By producing the NHX 6300 i series, we aim to strengthen our presence in the rapidly growing Indian market by meeting the demand for machining medium to large parts for agricultural machinery, construction machinery, railroad components, and other applications, as well as addressing the needs for casting machining.

[ESG/CSR Initiatives]

・Obtained SBT Certification for Net Zero Target

In June 2024, we obtained certification from the Science Based Targets (SBT) Initiative, an international corporate climate action organization, for our "Net Zero" goal of achieving net-zero greenhouse gas emissions by 2050. Previously, in 2021, we set a target based on our 2019 greenhouse gas emissions to reduce Scope 1 and Scope 2 emissions by 46.2%, and Scope 3 emissions by 13.5% by 2030. Our updated target increases our Scope 3 reduction goal to 27.5% by 2030 and commits to a 90% reduction across all scopes (Scope 1, 2, and 3) by 2050. To achieve these reductions in Scope 1 and 2, we have installed photovoltaic power systems on our factory roofs and purchased CO2-free electricity. For Scope 3, we are focused on reducing greenhouse gas emissions throughout our supply chain by sourcing castings produced using electric furnaces and CO2-free electricity, promoting circular economy principles at each stage of the product lifecycle, and expanding the sales of process integration machines that enhance production efficiency.

DMG MORI CIRCULAR Co, Ltd., a group company that rebuilds and overhauls used machines, collects disposed machines and chips from machining operations and supplies them to DMG MORI CASTECH for reuse as raw materials for castings. By 2025, CASTECH plans to replace 1,000 tons of the approximately 5,000 tons of pig iron it purchases annually with high-quality recycled materials. This initiative is expected to reduce CO2 emissions from the production of raw materials for castings by approximately 1,800 tons per year.

・The 19th Cutting Dream Contest 2024

From May 20 to July 31, 2024, we accepted submissions for the Cutting Dream Contest. This annual contest, now in its 19th year, has been held since 2004. Entries are evaluated in five categories: Production Parts Machining, Prototype & Test Cut Machining, Artistic Form Machining, Advanced Machining, and Academic Research. Winning entries and their creators will be featured in newspapers and magazines, providing significant promotional benefits. Through this contest, we aim to contribute to the exchange and enhancement of technology and skills across the entire machining industry.

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(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