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・In the first quarter (Jan-Mar), both sales and profits started slowly. Orders recovered moderately, up 5% from the previous quarter (Oct-Dec 2024).
・The impact of the U.S. tariffs is expected to be minimal. In the European market, demand is expected to recover due to the impact of economic measures by local governments. Demand for data-handling businesses could drive machine tool orders.
・The outlook for the fiscal year remains unchanged from initial plan: sales revenue of JPY510.0 billion, operating profit of JPY38.0 billion (OP margin of 7.5%),net profit of JPY20.0 billion. Annual dividend of JPY105 (JPY100 in FY 2024) per share.

Summary of Financial Results (JPY in billion)	FY2024.1Q	FY2025.1Q	(Y/Y)	FY2024	FY2025E	(Y/Y)
Consolidated Orders	136.8	120.7	-11.8%	496.0	530.0	+6.9%
Order backlog for machine bodies	263.0	223.5		218.0	-	
Sales revenue	132.9	114.0	-14.2%	540.9	510.0	-5.7%
Operating profit	12.5*	1.8	-85.5%	43.7	38.0	-13.1%
Operating profit margin (%)	*9.4%*	*1.6%*		*8.1%*	*7.5%*	
Net profit from continuing operations	8.0	0.2	-97.1%	23.1	20.0	-13.4%
Loss resulting from the deconsolidation of Russian factory	-14.8**	-		-15.1**	-	
Net profit attributable to owners of the parent	-6.9	0.2		7.7	20.0	2.6x
Net profit/loss margin	*-5.2%.*	*0.1%*		*1.4%*	*3.9%*	
Annual dividend (yen/share)				100	105	

*Negative goodwill recognition incurred when DMG MORI Precision Boring Co., Ltd. (formerly KURAKI Co., Ltd.) was first consolidated in the first quarter of 2024 has been retroactively adjusted. Operating profit for the same period prior to the adjustment was JPY10.8 billion.

**A one-off deconsolidation loss of EUR91.8 million (equivalent to JPY14.8 billion at an exchange rate of EUR/JPY =161.3, or JPY15.1 billion at EUR/JPY = 164.0) was recognized in the first quarter of 2024 due to the seizure of the Russian manufacturing subsidiary by the Russian government.

[Summary of Financial Results for FY2025 (Jan-Mar)]

Consolidated orders totaled JPY120.7 billion, up 5.4% from the previous quarter (Oct-Dec 2024). We believe that orders bottomed out in the fourth quarter (Oct-Dec) of 2024 and are now in the process of recovery. The average order unit price of machinery increased to JPY78.5 million / EUR489 thousand (JPY71.0 million / EUR433 thousand in FY2024). MX (Machining Transformation), which consists of process integration, automation, DX (Digital Transformation and GX (Green Transformation), has contributed to the increase in prices combined with the lower discount rate. Demand for maintenance, repair and overhaul (hereinafter referred to as MRO), spare parts, and engineering businesses remained stable, and their share of consolidated orders was 25% on par with the previous fiscal year. Orders by region showed a robust recovery in EMEA excluding Germany. Orders in other regions stayed at about the same level as the previous quarter. By industry, aviation, aerospace, medical, defense, electric power, energy and data-handling with the spread of AI (Artificial Intelligence) related sectors performed well. Machine order backlog at the end of March 2025 increased to JPY223.5 billion (December 2024: JPY218.0 billion). This machine order backlog increases the likelihood of achieving the sales plan for the full year.

Sales revenue decreased by 14.2% year-on-year to JPY114.0 billion, and operating profit dropped by 85.5% year-on-year to JPY1.8 billion (operating profit margin: 1.6%). Gross profit continues to improve due to reduced discounts through MX promotion and improved internal productivity. On the other hand, the decrease in sales and the significant impact of foreign exchange rate fluctuations resulted in a low profit. Net profit (profit attributable to owners of the parent) was JPY170 million. (The same period last year: net loss of JPY6.9 billion due to a recognition of EUR91.8 million (JPY14.8 billion) loss following the seizure of our Russian factory (Ulyanovsk Machine Tools ooo, UMT) by the Russian government.) Net loss attributable to owners of the common shareholders of the company (after deducting the payment to owners of the hybrid capital) came in at JPY270 million. The shareholders' equity ratio at the end of March was almost unchanged at 38.9% (39.4% at the end of December 2024), and the Net Debt/Equity ratio remained low at 0.26.

[Forecast for FY2025 (Jan-Dec)]

We expect the impact of the additional U.S. tariffs to be only minor. DMG MORI has already been dealing with the additional tariffs through surcharges. April order intake in the U.S. remained robust. In Europe, investment stimulus measures such as expansion in the defense budget, tax incentives and subsidies have been put in place. European, Chinese, and Indian customers seem to be recovering their appetite for investment. The increase in visitors and new business inquiries at our private shows ended with great success, and is expected to contribute in an increase in orders from the second half of the year onwards. Consolidated orders for the full year are expected to increase 6.9% year-on-year to JPY530.0 billion as planned at the beginning of the fiscal year. Since 78% of machine sales are secured from the order backlog, we will be able to achieve our original sales plan of JPY510.0 billion for the fiscal year. There are no changes in our full year forecasts for operating profit of JPY38.0 billion (down 13.1% from the previous year and operating profit margin of 7.5%) and net profit of JPY20.0 billion (2.6 times the previous year). Due to restrained investment, operating free cash flow for the fiscal year is expected to be about JPY15.0 billion. We plan to pay dividends of JPY105 per share (JPY100 in FY2024) as originally planned. The amount and timing of receipt of the proceeds based on our insurance claim (around JPY14.5 billion) for the Russian plant have not yet been determined at this stage and have not been incorporated into the announced earnings forecast.

[Results for the First Quarter (Jan-Mar) of FY2025]

<Order and order backlog>

Consolidated orders increased to JPY120.7 billion, up 5.4% from the previous quarter (Oct-Dec 2024: JPY114.5 billion). We believe that machine tool orders are in an upward trend following the bottom in the fourth quarter (Oct-Dec) of 2024. The average order unit price of machine tools climbed to JPY78.5 million (EUR489 thousand) from JPY71.0 million (EUR433 thousand) in the last fiscal year due to the promotion of MX and increased demand for high precision boring machines. Compared to the previous quarter (Oct-Dec 2024), orders by region grew robustly in EMEA (excluding Germany), up 13% compared to the previous quarter. Orders in other regions generally remained at the same level. By industry, aviation, aerospace, medical, defense and energy-related industries remained strong. In addition, data-handling businesses started to contribute driving machine tool orders such as data centers, next-generation telecommunication technology and satellite, and electric power development combined with the promotion of AI. Orders from the MRO, spare parts, and engineering businesses performed stably, accounting for 25% of consolidated orders. Machine order backlog at the end of March increased to JPY223.5 billion (JPY218.0 billion at the end of December 2024). Of the planned machine sales revenue for the current fiscal year, 78% is expected to be realized from machine order backlog, which increases our certainty of achieving the sales revenue target for the full year.

＜Profit or Loss and Financial Position＞

Sales revenue decreased 14.2% from the same period last year to JPY114.0 billion. Operating profit fell JPY10.7 billion or 85.5% to JPY1.8 billion from JPY12.5 billion in the same period last year. (Operating profit for the first quarter of 2024 was revised to JPY12.5 billion from an original figure of JPY10.8 billion, because the gain from negative goodwill of JPY1.7 billion relating to the acquisition of DMG MORI Precision Boring (former KURAKI Co., Ltd.) was retroactively recorded at the time of its consolidation.) The positive effect includes JPY2.9 billion of improved gross profit due to reduced discount rate and better productivity in the manufacturing departments and JPY1.1billion due to reduced SG&A expenses, for a total positive factor of JPY4.0 billion. The negative effect consists of JPY7.6 billion in decline in sales revenue, JPY4.6 billion of foreign exchange effects, JPY0.8 billion of increased depreciation & amortization charges and JPY1.7 billion of the disappearance of gain from negative goodwill related to DMG MORI Precision Boring, for a total negative factor of JPY14.7 billion. Foreign exchange losses of JPY3.2 billion were recorded (previous year: foreign exchange gains of JPY1.5 billion). Net profit (attributable to owners of the parent) was JPY170 million. Deducting JPY440 million payment to the owners of hybrid capital from this amount, the net loss attributable to common shareholders of the parent company was JPY270 million.

Operating free cash flow (operating cash flow - investment cash flow) was a deficit of JPY8.9 billion. DMG MORI plans to keep capital expenditure within the scope of depreciation & amortization charges from this fiscal year onwards. The capital expenditure for the first quarter amounted to JPY5.7 billion, which was lower than the depreciation charges of JPY8.1 billion. Collection of trade receivables and reduction of inventories are progressing as planned. A decline in accounts payable and downpayments resulted in the decrease of operating free cash flow. Operating free cash flow is expected to improve towards the second half of the fiscal year due to the expected increase in sales revenue and improvement in profitability from the second quarter onwards. The Company aims to achieve a positive operating free cash flow of JPY15.0 billion for the full fiscal year.

The total balance sheet decreased by JPY14.0 billion to JPY783.6 billion (December 31, 2024: JPY797.6 billion). The foreign currency fluctuation reduced the total balance sheet by around JPY12.0 billion. Excluding this effect, the total net balance sheet remained virtually unchanged from the end of December 2024. Due to the operating cash flow deficit, the net interest-bearing debt balance excluding hybrid capital (interest-bearing debt - short-term financial assets) ended at JPY80.6 billion, an increase of JPY18.6 billion from JPY62.0 billion at the end of December 2024. The Net D/E ratio stayed low at 0.26. The Company estimates operating free cash flow of JPY15.0 billion for the fiscal year, and the balance of interest-bearing debt at the end of December 2025 is expected to be equivalent to the level at the end of December 2024. The shareholders' equity ratio at the end of March 31, 2025, was 38.9%, nearly the same level as that at the end of December 2024 (39.4%).

[Forecasts for FY2025]

DMG MORI expects the impact of the additional U.S. tariffs to be negligible. The U.S. tariffs are being addressed through surcharges, and we have already revised the standard terms and conditions of our contracts for incoming orders starting from April 7. Regarding sales in the U.S. for the current fiscal year, our spare parts, MRO, and engineering businesses are progressing largely according to plan, and we forecast to be able to achieve our sales plan with sales from order backlog, most of which have already cleared customs, and machine stocks in the U.S. The number of visitors and inquiries remained at a high level at our Chicago private show held in late April, and machine tool orders in April in the U.S. were better than expected. In Europe, economic stimulus measures such as tax incentives and subsidies for capital spending are in full swing in some countries. In Germany, the expansion in defense budget is likely to drive demand for machine tools. A special depreciation program of 30% per year for capital spending is also being considered. Italy has introduced a tax credit of up to 35% for capital investments in energy-efficient equipment. Hungary has launched a maximum of 35% subsidy for capital investment for small and medium sized companies. The CIMT (Beijing Show), held from April 21 to 26, also saw an increase in the number of visitors and inquiries. Thus, investment appetite in the U.S., Europe, China, and India is growing, leading to a rise in our orders from the second half of this fiscal year onwards. By industry, we continue to expect stable demand from the energy and data-handling businesses as well as the aviation, aerospace, medical, defense and electric power industries. Based on this business outlook, we expect consolidated orders for the fiscal year to increase 7% from the previous fiscal year to JPY530.0 billion, as planned at the beginning of the fiscal year.

The Company forecasts that 78% of the planned machine sales for the fiscal year will be realized from the order backlog. Sales of MRO, spare parts, engineering, and group companies are also expected to be in line with the plan. We believe that we will be able to achieve our sales plan of JPY510.0 billion for the fiscal year (down 5.7% from the previous year). From the second quarter onward, profitability will improve with an combination of an increase in sales and production volume, and the continued growth in gross profit through the reduction of the discount rate due to the promotion of MX strategy. We plan to achieve the initial targets of JPY38.0 billion in operating profit (down 13.1% year-on-year), 7.5% operating profit margin, and JPY20.0 billion in net profit (attributable to owners of the parent company) (2.6 times the previous year's figure) for the fiscal year.

We expect operating free cash flow for the fiscal year to be positive at around JPY15.0 billion. Although operating free cash flow was negative in the first quarter, it is expected to be positive from the second quarter onward as earnings grow. Using this as a source of funds, we plan to pay a dividend of JPY105 per share for the fiscal year (JPY100 per share for fiscal year 2024). Net

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interest-bearing debt (including hybrid capital) is projected to be around JPY170.0 billion, the same level as that at the end of FY2024.

[2030 target]

In the short term, demand for machine tools is influenced by the macroeconomic environment. However, in the medium-to-long term, we are confident of no changes in the trend toward process integration, automation and DX against the backdrop of the shortage of operators and the demand for more complex and precision workpieces. Demand from the aerospace industry including satellite businesses relating to the next generation telecommunication technology, and the data center and power generation industries associated with the spread of AI (artificial intelligence) applications would contribute to an increase in demand for machine tools in the future. We believe that DMG MORI's MX strategy will meet these changes in the market environment and customer needs over the medium-to-long term.

As disclosed at the time of the announcement of the annual financial results in February 2025, by 2030, based on DMG MORI's organic resources (current management strategy and in-house management resources), we aim to achieve a sales revenue of JPY800.0 billion, operating profit of JPY120.0 billion (operating profit margin of 15%), and net profit of JPY80.0 billion (net profit margin of 10%). Growth in sales revenue is expected to be contributed by higher unit prices of machinery through the promotion of MX strategy and expansion of MRO, spare parts, and engineering businesses. By improving profitability, we aim to maximize free cash flow, which we will use to strengthen our financial position and continue to increase dividends to shareholders. As for financial strength, we aim to achieve a total asset turnover of about 1 and shareholders' equity ratio excluding hybrid capital of 50% or more. As a management indicator for the use of external funds, we will set the Net Debt/Equity ratio (net interest-bearing debt-to-shareholder-equity ratio) at about 0.3 and the net interest-bearing debt balance at about JPY100.0 billion. Based on the earnings and financial structure, we plan to achieve a ROE (return on equity) of 15% or more. We will continue to focus on increasing dividends as shareholder return. The dividend payout ratio has been set at around 30-40% as a guideline for dividends. DMG MORI aims to pay annual dividends per share of JPY200 in 2030.