

Mid-term Business Plan 2025

Accelerating Process Integration/Automation/DX/GX

DMG MORI CO., LTD.

In a world of rapid change, DMG MORI has been driving machine tool solutions with process integration, automation, digital transformation (DX) and green transformation (GX) to support the shifting production needs of manufacturers. So far, we have delivered over 300,000 machine tools as a reliable partner to customers worldwide.

Now, the rising wages in emerging countries and the growing operator shortages in developed countries are starting to amplify the need for process integration, automation and digitization. More manufacturers will seek green production and carbon neutrality to gain competitive advantages.

In response, DMG MORI has formulated the Mid-term Business Plan 2025. It is our goal to further advance process integration, automation, DX and GX in pursuit of building a resilient business foundation as total solution provider.

The Mid-term Business Plan defines our targets until the year 2025 with focus on delivering high added-values to our customers in a stable manner.


- **Business strategy:** High added-value machines & extended engineering/maintenance services to promote customers' process integration, automation, DX and GX with stable sales revenues
- **Business foundation:** Strong supply chain & strategic recruiting and personnel training for increased competitiveness and continuous high value-added services for customers

Through these activities and worldwide social contributions, DMG MORI will prosper with its stakeholders.

Evolution of DMG MORI

SOCIETY
DMG MORI

1970~90s	2000s	2010s	~2022
<ul style="list-style-type: none"> Social Infrastructure Industrialized Society (Mass Production) Globalization 	<ul style="list-style-type: none"> Low Birthrate/Aging Society Worker Shortage Advancing Connectivity 	<ul style="list-style-type: none"> High-mix/ Low-volume Industry 4.0 	<ul style="list-style-type: none"> Sustainability Factory Automation
Integration & Streamlining of Production Processes	Process Integration	Automation	DX IoT / Digital Twin Technology GX
Machine Tools for Mass Production <ul style="list-style-type: none"> NC Lathe Vertical Machining Center Horizontal Machining Center 	Machine Tools for Advanced Machining <ul style="list-style-type: none"> Mill-turn Center 5-axis Machine Operation Systems <ul style="list-style-type: none"> MAPPS, CELOS 	Machine Tools & Software for Process Efficiency <ul style="list-style-type: none"> Automation Systems Additive Manufacturing 	Digital Customer Services <ul style="list-style-type: none"> Digital Twin Showroom/ Test Cuts Portal Site/ EC Green Products
Opening of Iga Campus	Opening of Factories in the U.S. & China		
Start of Business Operations	Capital & Business Partnership with DMG		
Establishment of Overseas Locations in Europe/USA	Expanded Sales through Dealer Network	Increased Direct Sales in Cooperation with DMG	Data-driven Worldwide Direct Sales Network
		Improved Branding	Expansion of my DMG MORI for Improved Customer Contact

Market share 

over **10%**

Locations/
No. of sales, service & engineering personnel 

108 locations
(43 countries)


Sales **1,300**

Service **2,900**

Production Engineering **1,000**

Customers worldwide 

approx. **150,000** places

Carbon neutrality 

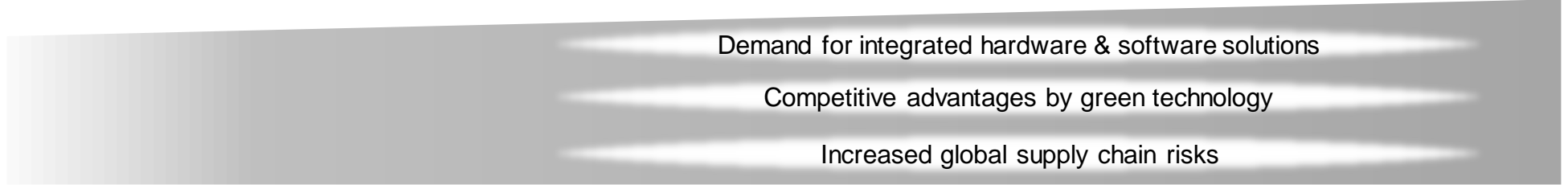
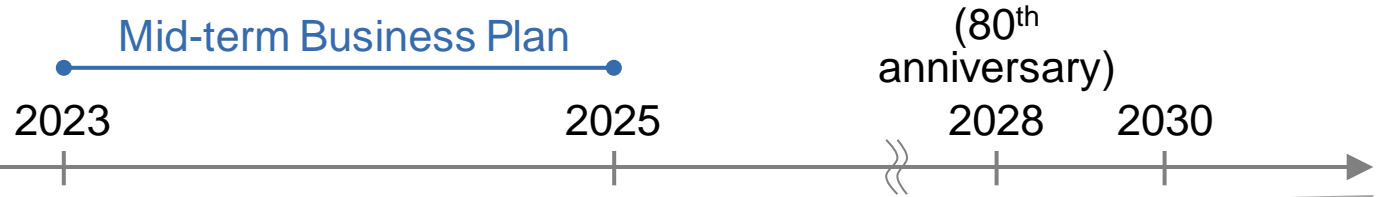
Scope1,2: - **43%**

Scope3: - **18%**

(CO2 reductions in 2021 compared to 2019, SBT¹) approved)

DMG MORI has evolved its product development and sales strategy to deliver added-values to customers

1. Abbreviation of "Science Based Targets" (consistent with the Paris Agreement to limit the global temperature increase to 1.5~2°C above pre-industrial levels); this reduction target considers the increase in activity compared to 2019



Promoting
Process integration/Automation/DX




Focus on high-volume production, process integration, high efficiency and automation

Accelerating
Process Integration/Automation/DX/GX

Further expansion of process integration, automation, DX and GX to provide customers with high added-value
Supported by increased customer contact and solid business foundation

★ ★ ★ ★ ★
Total solution provider
of machine tool
technologies
for highly efficient &
accurate
manufacturing

☆☆☆☆☆
Accelerating Process Integration/Automation/DX/GX

Initiatives	<p>1 Business Strategy</p> 	<ul style="list-style-type: none"> ① -1: Shift to High Value Machines ① -2: Higher Profitability & Green Production through GX ① -3: Comprehensive Production Engineering Services ① -4: One-stop Maintenance Services ① -5: Extended Sales of DMQP 	Digitized business management			
	<p>2 Business Foundation</p> 	<ul style="list-style-type: none"> ② -1: Construction of a Solid Supply Chain ② -2: Investment in Human Resources for High-quality Products & Services 				
	<p>3 Sustainability/Society</p> 	<ul style="list-style-type: none"> ③ -1: Carbon Neutrality in the Full Supply Chain ③ -2: Support of Global Education 				
<p>4 Operating Targets 2025</p> 	<p>Sales revenue</p> <p>600 bn. JPY</p>	<p>Operating Profit</p> <p>72 bn. JPY (12%)</p>	<p>FCF</p> <p>100 bn. JPY (2023~2025 cumulated)</p>	<p>Total debt</p> <p>0</p>	<p>Equity ratio</p> <p>>50%</p>	<p>Employees</p> <p><13,000</p>

① Business Strategy



② Business Foundation



③ Sustainability & Society



④ Operating Targets 2025



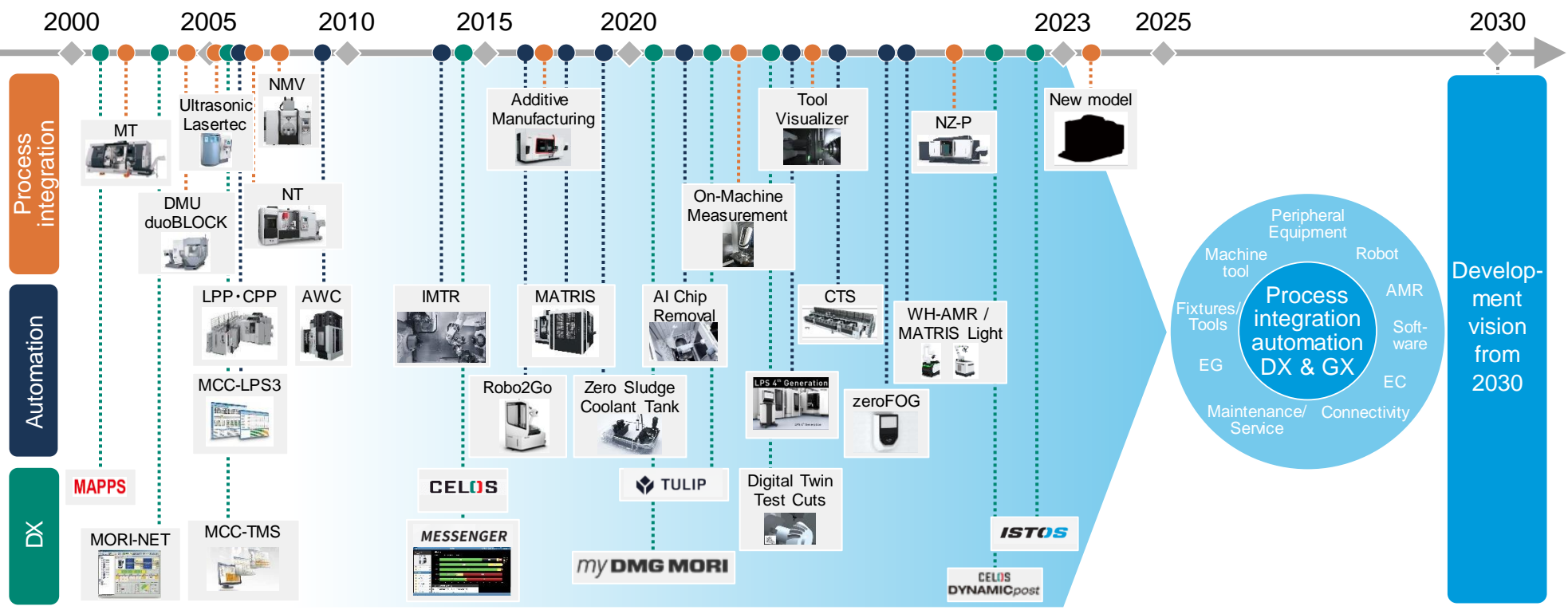
1 -1: Shift to High Value Machines - Development that anticipates Customer Needs -

Product planning and development reaching until 2030 and beyond

Machine tool maker

- Hardware: Sophisticated 5-axis/mill-turn/advanced machine tools peripheral equipment for machining/measurement automation
- Software: Software for highly advanced machining expanded maintenance services/ production engineering
- Nature: Development of energy-friendly machines, peripherals, software, platforms

Total solution provider of machine tool technologies for highly efficient & accurate manufacturing



1 -2: Higher Profitability & Green Production through GX

Process integration machines for optimal & efficient production



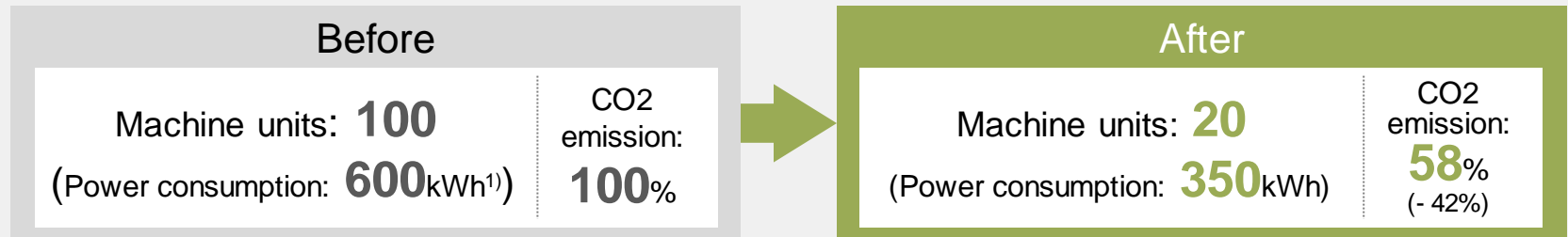
Global development & sales of energy-saving machines

New machine development policy:
-30% CO2 emissions by 2030
 (compared to 2018)



Effects of green transformation (GX)

Less CO2 emissions

Higher profitability


Reduced running costs by production without redundancies

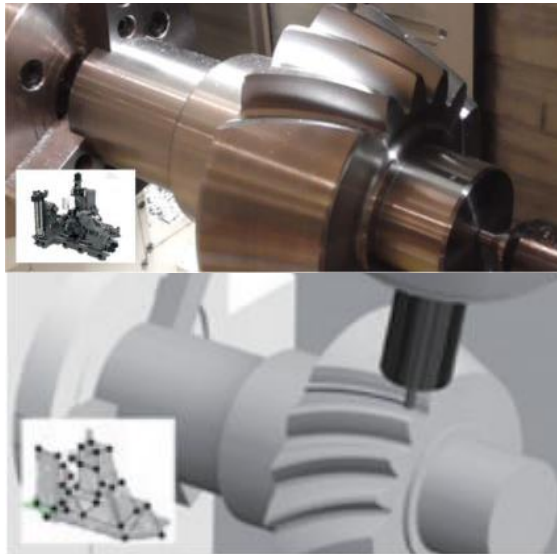


1. Assuming 60% Operation with max. 1,000kWh

- Engineering teams provide total support for customers from production start to maintenance

Process design (incl. process integration)

Digital Twin 3D models for test cuts and process simulation



Machine setup

Machine installation & optimized machining programs



Continuous productivity & improvement

Less defects by operation monitoring & predictive maintenance



Global sales target

2022: **40~50** bn. JPY



2025: **100** bn. JPY

- Maintenance services to prevent defects and maintain high productivity for better profitability

Responding to diverse customer needs



Diverse maintenance menu tailored to customer needs in addition to normal repair services

Preventive maintenance through connectivity



Risky areas are detected by machine operation data, allowing maintenance before problems occur

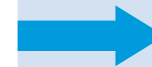
Faster services with better user interface



Online repair requests and Chatbot available on our portal my DMG MORI

Global sales target

2022: **100** bn. JPY



2025: **120** bn. JPY

1 -5: Extended Sales of DMQP - Rich Peripheral Lineup for Customers -

Peripheral equipment selected by DMG MORI for superior quality, performance & maintainability



Proposal of optimal DMQP & total production support

Rich lineup to cover all production needs

Now

Peripheral equipment to start your production after machine delivery



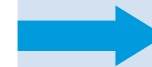
By 2025

Extended lineup for higher productivity (incl. tools, coolant, etc.)



Global sales target

2022: **30** bn. JPY



2025: **50** bn. JPY

① Business Strategy



② Business Foundation



③ Sustainability & Society



④ Operating Targets 2025





- Ensuring a stable product supply on a global scale independent from fluctuations

Procurement

Supplier monitoring system for stable procurement



Stable casting supply

- Japan: increased production
- India: new foundry



Parts Production

Increased in-house production of key components & sheet metal



Assembly (Production)

Higher productivity & decentralized global production



Logistics/Sales

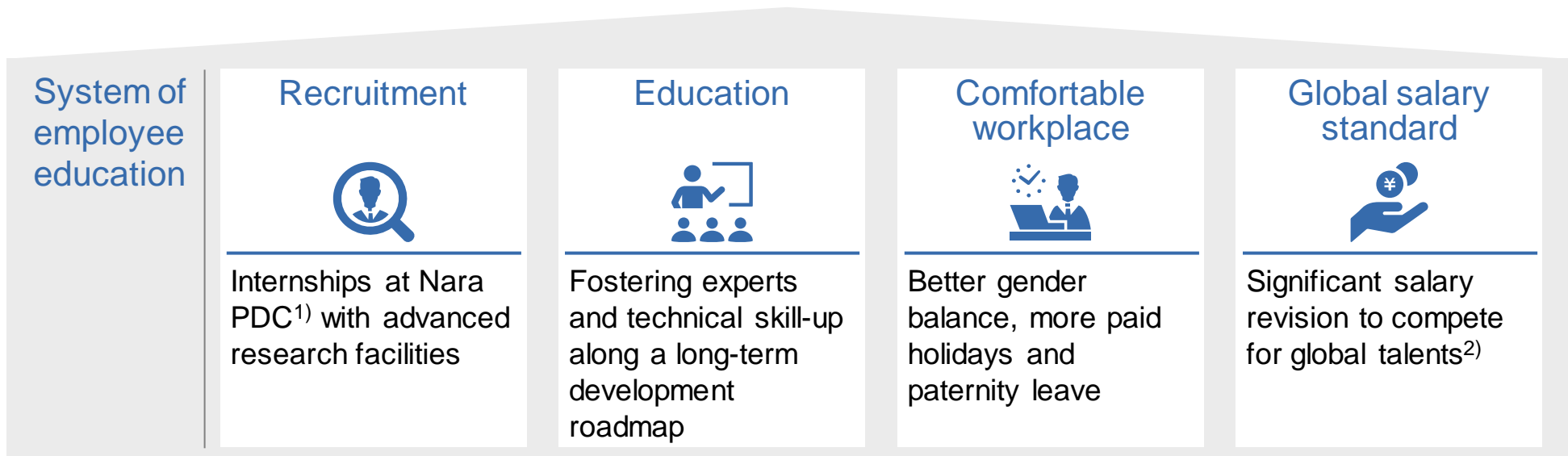
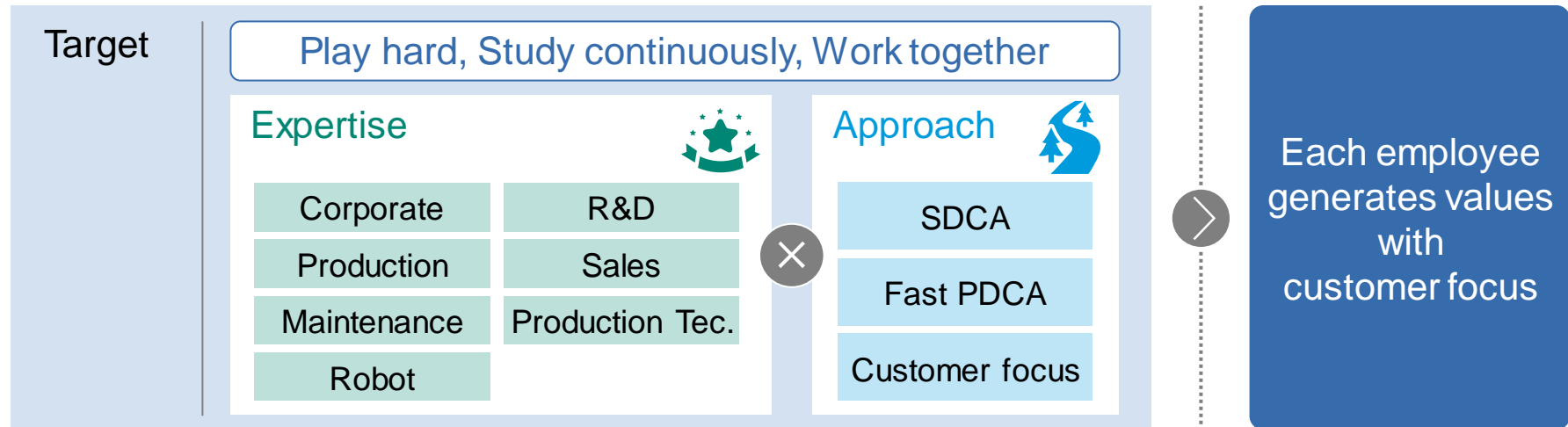
Construction of a worldwide logistics & sales network



2 -2: Investment in Human Resources for High-quality Products & Services



- Employee trainings for high expertise and problem solution skills
- Comfortable work environments and motivating learning opportunities for high productivity



1. Nara Product Development Center; 2. Since July 2022

① Business Strategy



② Business Foundation



③ Sustainability & Society



④ Operating Targets 2025





- Sequential shift to CO2-free electricity sources and in-house solar power generation
- Spindle rebuilds, used machine sales, and supplier cooperation to reduce CO2 emissions

Targets & results



DMG MORI achieved global Carbon Neutrality¹⁾ (Scope 1,2 Scope 3 upstream)



CO2 target approved by SBT²⁾ (Based on 2019 results)

	By 2025	By 2030
Scope 1,2	- 25.2%	- 46.2%
Scope 3	- 7.4%	- 13.5%

2015

2021

2023

2030

Start of solar power



Introduced in Germany (Bielefeld), etc.



Start in Iga & Nara (30% of annual electricity requirement)



★ CO2 reduction by spindle rebuilds, used machine sales

- Reuse instead of disposal to reduce CO2 emissions



★ Main actions for Scope 3 (upstream)

- Usage of scrap from casting production
- Cooperation with suppliers to reduce CO2 emissions caused by parts production
- Encouraging suppliers to shift to renewable energy (Solar power, CO2-free electricity)

1. Emission credits are internationally certified climate protection projects (development of renewable energy facilities) according to the CDM framework and common in Europe.

2. Abbreviation of "Science Based Targets" (consistent with the Paris Agreement to limit the global temperature increase to 1.5–2°C above pre-industrial levels); this reduction target considers the increase in activity compared to 2019

3 -2: Support of Global Education - Engineer Education, Training Facilities -



Training for external machine users at DMG MORI Academy



Schools & universities: Free-of-charge machine rental Customers: 5-axis Machining Association



Promoting diversity in the engineering field

(Founding of the Faculty of Engineering at Nara Women's University)



Supporting joint R&D



- Joint development with universities and machine rental (Tokyo University Metaverse)
- Administrative support for academic conferences (CIRP)

Machine rental for WorldSkills competition (JAVADA)



Digital Academy



① Business Strategy



② Business Foundation



③ Sustainability & Society

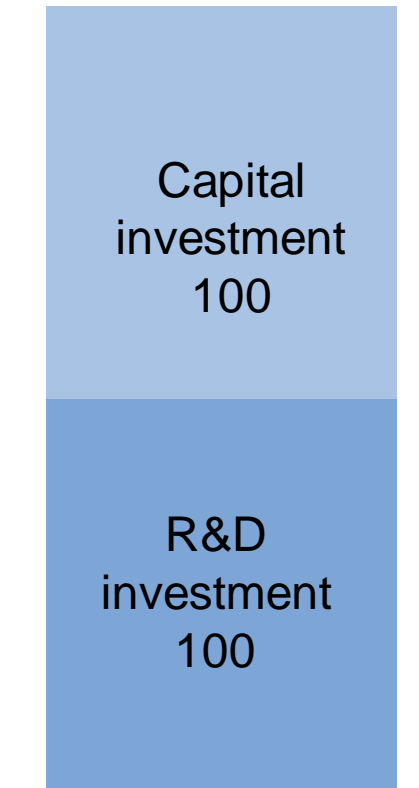


④ Operating Targets 2025





FY2023-2025
consolidated
(bn. JPY)



Solid Business Foundation/
Investments in Growth

Environment/
ESG

R&D
Expenses

Factory Construction &
Extension

(Iga, Nara, Europe, U.S. service center, academies, Taiyo Koki, Magnescale, SAKI Corporation)

Green Casting Production,
Foundries in Europe & India,
Solar Panel Installation

Advanced machining &
measurement technology,
Additive manufacturing,
New high-value models,
Software, 5-axis/mill-turn
machines



KPIs		FY 2022 Forecast	FY 2025 Targets
PL	Sales revenue	465 bn. JPY (from service & parts: 100 bn. JPY, from group companies: 35 bn. JPY)	600 bn. JPY (from service & parts: 120 bn. JPY, from group companies: 45 bn. JPY)
	Operating profit	45 bn. JPY (9.7%)	72 bn. JPY (12%)
BS	Total debt	75 bn. JPY (incl. Hybrid capital: 195 bn. JPY)	0 bn. JPY (incl. Hybrid capital: 120 bn. Yen)
	Net debt	50 bn. JPY (incl. Hybrid capital: 170 bn. JPY)	- 25 bn. JPY (incl. Hybrid capital: 95 bn. JPY)
	Equity ratio	37.9%	>50.0%
CF	FCF	50 bn. JPY (FY 2020~2022 total)	100 bn. JPY (FY 2023~2025 total)

Key Financial Targets



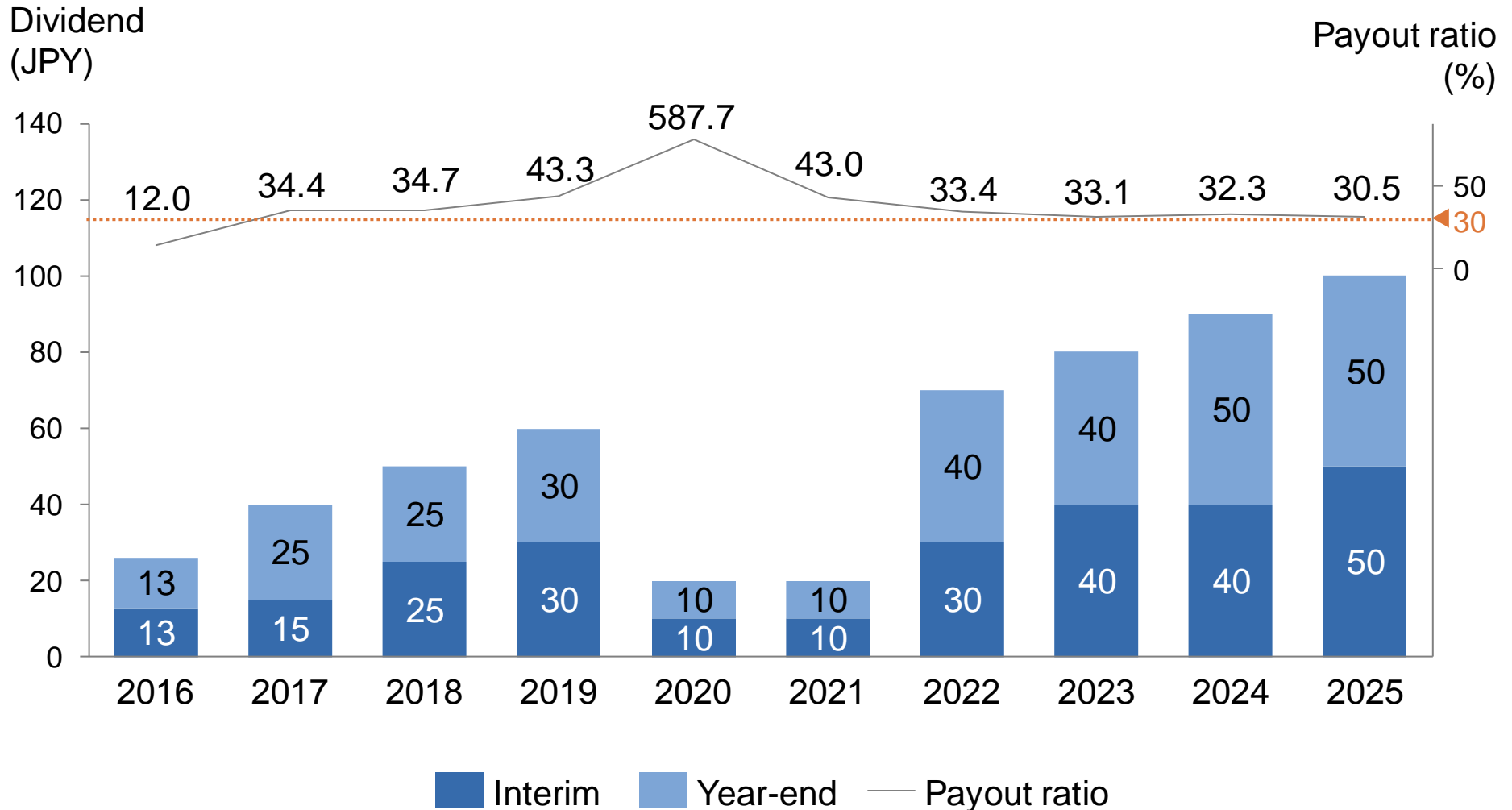
KPIs	FY 2022 Forecast	FY 2023~2025 Targets
PL	Sales revenue 465 bn. JPY (from service & parts: 100 bn. JPY, from group companies: 35 bn. JPY)	500 bn. JPY/year ~ 600 bn. JPY/year (from service & parts: 105~120 bn. JPY, from group companies: 40~45 bn. JPY)
	Operating profit 45 bn. JPY (9.7%)	50 bn. JPY/year (10.0%) ~ 72 bn. JPY/year (12.0%)
	Net profit 28 bn. JPY (6.0%)	32 bn. JPY/year (6.4%) ~ 48 bn. JPY/year (8.0%)
BS	Total debt 75 bn. JPY (incl. hybrid capital: 195 bn. JPY)	0 bn. JPY (incl. hybrid capital: 120 bn. JPY) (End of FY 2025)
	Net debt 50 bn. JPY (incl. hybrid capital: 170 bn. JPY)	-25 bn. JPY (incl. hybrid capital: 95 bn. JPY) (End of FY 2025)
	Equity ratio 37.9%	> 50.0% (End of FY 2025)
CF	CFO 135 bn. JPY (FY 2020~2022 total)	200 bn. JPY (FY 2023~2025 total)
	CFI 85 bn. JPY (FY 2020~2022 total)	100 bn. JPY (FY 2023~2025 total)
	FCF 50 bn. JPY (FY 2020~2022 total)	100 bn. JPY (FY 2023~2025 total)
	Dividends 15 bn. JPY (FY 2020~2022 total)	35 bn. JPY (FY 2023~2025 total)
Profitability	ROE 11.9% (Net profit 28 bn. JPY/Average equity 235.5 bn. JPY)	>12.0%
	ROA 4.4% (Net profit 28 bn. JPY/Average total assets 638.3 bn. JPY)	>6.5%

*Assumed exchange rates for FY2025 target: 1 USD = 140 JPY, 1 EUR = 140 JPY

Return to Shareholders



- Target payout ratio of 30%
- Dividend per share of 100 JPY to be achieved by FY 2025



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 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