

DMG MORI SR presentation



SR presentation
February 2017

To be explained today

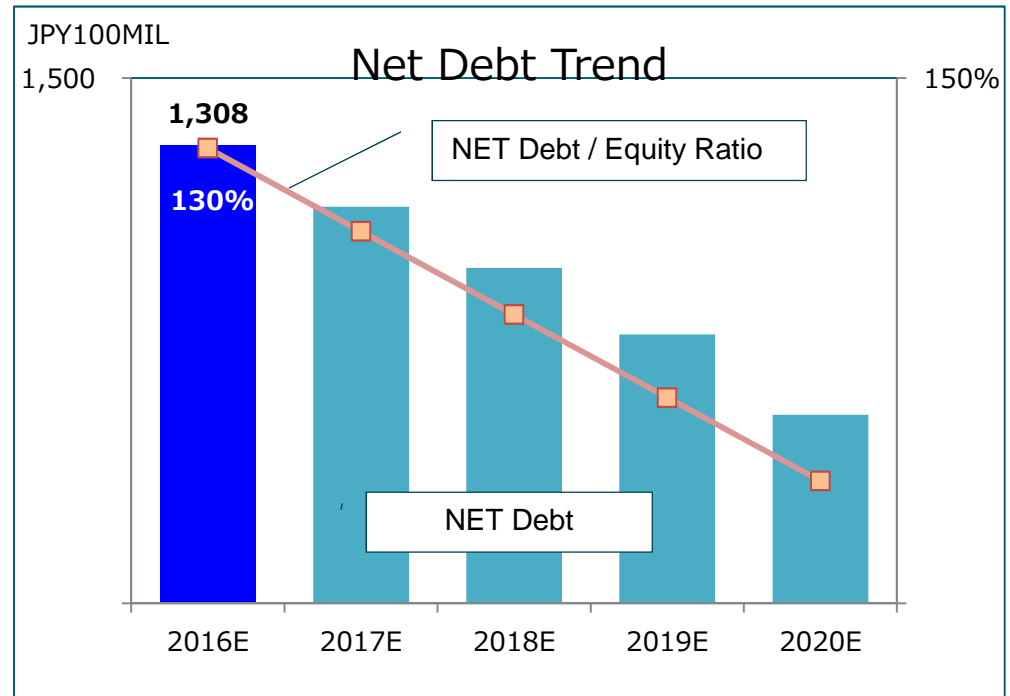
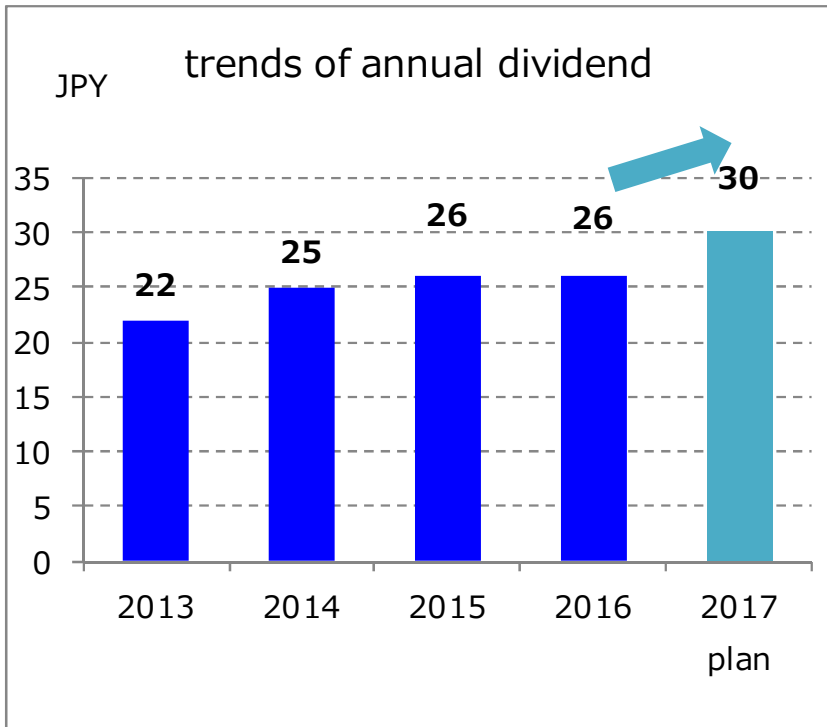
- 1) Financial Highlights
- 2) The new governance structure
- 3) Our corporate philosophy and the Foundation
- 4) Schedule to the shareholders meeting

Financial Highlights

(JPY100 MIL)	2014 Pro Forma	2015 Pro Forma	2016 Actual	2017 Forecast
Sales revenue	4,121	4,284	3,766	3,800
Operating profit (before one-off items)	386	360	130	220
Operating margin (%)	9.4%	8.4%	3.5%	5.8%
One-off expenses / gain	-	51	-110	-
Operating profit	386	411	20	220
Operating margin (%)	9.4%	9.6%	0.5%	5.8%
Finance cost		-21	-32	-40
(thereof, economic compensation from DA)		-	(-7)	(-20)
Net profit	251	358	-57	120
attributable to shareholders	173	324	-78	110
attributable to non-controlling interest	78	34	21	10
Dividends per share (JPY)	25.0	26.0	26.0	30.0
D&A	135	146	170	170
Capex	275	266	152	100
(Exchange Rate)				
USD	105.9	121.1	108.9	110
EUR	140.4	134.3	120.3	120

Returning profits to shareholders and strengthening financial structure

- The Company will achieve compatibility between returning profits to shareholders and improving corporate value over the medium to long term.



	2013	2014	2015	2016	2017 plan
annual dividend	22	25	26	26	30
payout ratio	25.7%	19.0%	12.0%	-%	32.7%

Create free cash flow of 15 to 20 billion yen, steadily reduce net debt

The new governance structure

- Increase external directors so that the corporate governance system has more strength.

	2014	2015	2016	2017
Total Board	5	7	8	9
External directors	0	2	2	4
External ratio	0%	29%	25%	44%

Note: 2017 values are suggested. A blue arrow points from the 2016 values to the 2017 values.

After appointing all four of the outside directors at the shareholders' meeting in March, the Company will file a notification to the Tokyo Stock Exchange that they all are independent officers, pursuant to the provisions prescribed by Tokyo Stock Exchange.

External Directors (1) Current

Dr. Tojiro Aoyama
External Director

Experience and Responsibilities

Dr. Tojiro Aoyama is a professor at the Faculty of Science and Technology of Keio University and Dean of that Faculty and has experience in research at the German Aachen Technical University, authority of research on machine tool research that is representative of Japan, belonging to CIRP (International Production Engineering Academy). He performs his role as an External Director by utilizing his extensive and unsurpassed knowledge in fields such as mechanical engineering and production engineering, along with his rich experience toward the Company's management.

External Directors (2) Current

Dr. Tsuyoshi Nomura
External Director

Experience and Responsibilities

Mr. Tsuyoshi Nomura has served in roles such as Managing Director of Panasonic Corporation during his career. He performs his role as an External Director by utilizing his many years of management experience, work experience nurtured in the production technology, quality, and environmental fields, along with his extensive and sophisticated insight cultivated through these experiences to the Company's management.

Although the Company has transactions with Panasonic Corporation, its transaction volume in the past three years and its ratio to consolidated sales are as follows.

Year	Transactions (Million JPY)	Percentage of our consolidated sales
2014	-	-
2015	26	0.01%
2016	109	0.03%

External Directors (3) Candidate

Mr. Makoto Nakajima
Candidate for External Director

Experience and Responsibilities

Candidate Mr. Makoto Nakajima has served in roles such as Commissioner of the Patent Office, Director of Sumitomo Electric Industries, Ltd. during his career, also has Attorney qualification. This proposal requests the election of Mr. Makoto Nakajima as an External Director with the expectation of utilizing his many years management experience as well as his discernment as a legal professional. Although the Company has transactions with Sumitomo Electric Industries, Ltd., the transaction volume in the past three years and its ratio to consolidated sales are as follows.

Year	Transactions (Million JPY)	Percentage of our consolidated sales
2014	62	0.04%
2015	238	0.06%
2016	537	0.14%

External Directors (4) Candidate

Mr. Takashi Mitachi
Candidate for External Director

Experience and Responsibilities

Candidate Mr. Takashi Mitachi is Managing Director of The Boston Consulting Group (Japan). This proposal requests the election of Mr. Takashi Mitachi as an External Director with the expectation of utilizing his extensive experience and expertise as business consultant and the management.

There is no transaction between the Company and Boston Consulting Group Co., Ltd.

Our corporate philosophy and the Foundation

Implement CSR activities by the foundation to realize our corporate philosophy and sustainable growth of the company

Mission Statement

As a global corporation continually striving to be the world's largest and most respected international manufacturer of lathes, machining centers, multi-axis turning centers and grinders, we will:

Enable our customers to maximize their advantages and excel in their respective markets by continually striving to provide innovative, accurate, and trouble-free machines at competitive prices;

As profitability is a goal of all healthy business organizations and in keeping with the true nature of the machine tool industry, we will:

Work to increase the value of our company, the investment of all shareholders knowledgeable of the true nature of the machine tool industry and the prosperity of our suppliers;

As an industry leader and responsible corporate citizen, we will:

Contribute our fair share to our local community and society;

Conserve environmental resources at all times to preserve the global environment;

【Summary of the Foundation】

Name : Mori Manufacturing Research and Technology Foundation (Established March 18, 2016)

Administrative Director : Dr. Masahiko Mori

(A majority of the directors are invited from outside the company)

Activities : ①Support activities for R&D related to machine tool technology

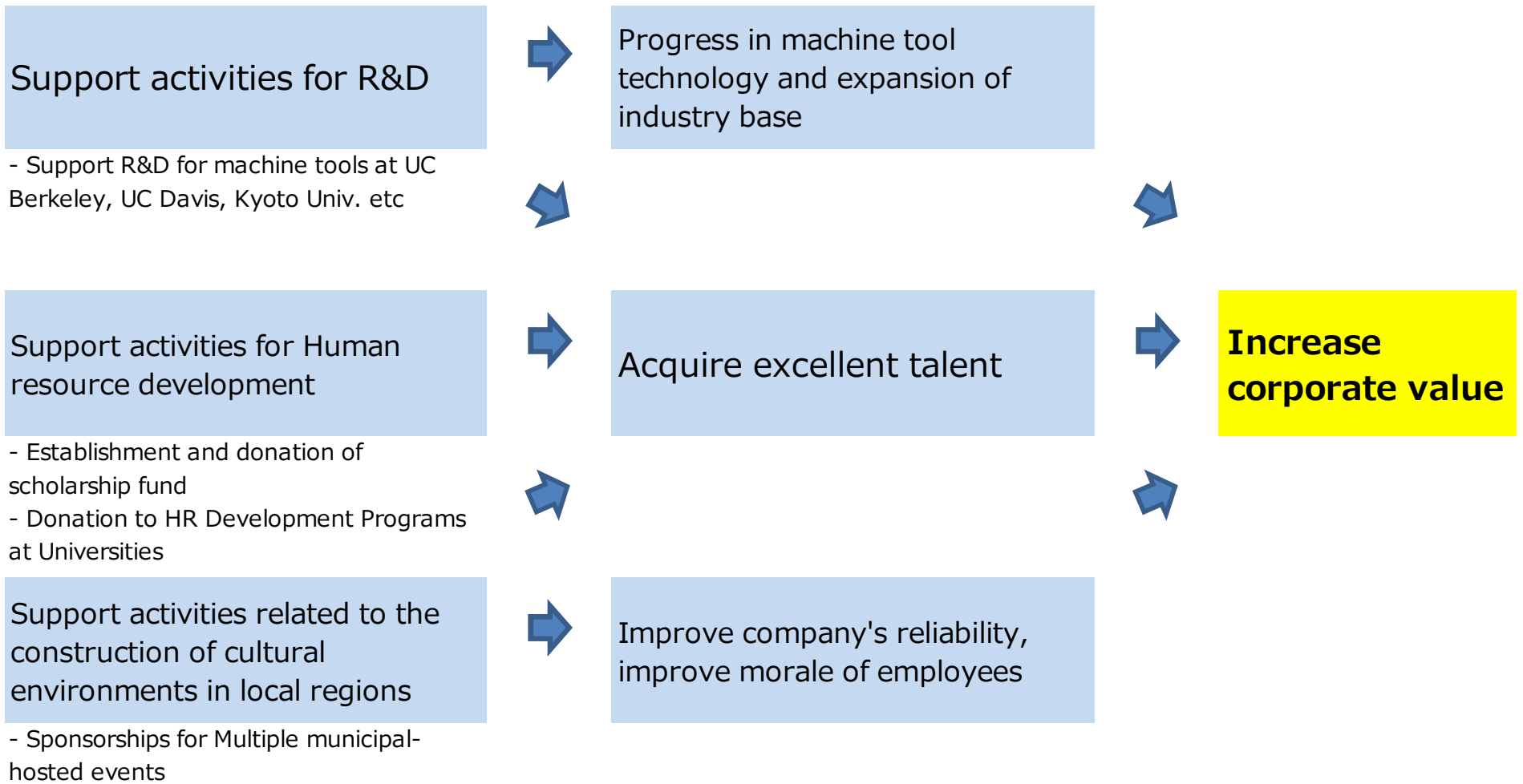
②Support activities for Human resource development

③Support activities related to the construction of cultural environments in

local regions

Current CSR activities (1)

The Company's CSR activities ultimately lead to an increase in corporate value



Current CSR activities (2)

Support activities for R&D

UC Berkeley
Energy saving for machine tools

UC Davis
Mold manufacturing technology at AM

Leibniz University Hannover
Sensing technology for spindles

University of Ljubljana
Development of Ring laser for AM

The University of Tokyo
Sensing technology for machine tools

Kyoto University
Temperature measurement method at AM

Keio University
Temperature simulation at AM

Keio University
Manufacturing technology for material with low vacancies at AM

Hiroshima University
Accuracy measurement of 5 axis processing machine

Support activities for Human resource development

Contributions to DMG MORI scholarship fund

Donation to HR Development Program at Kyoto University

Support activities related to the construction of cultural environments in local regions

IGA fireworks festival

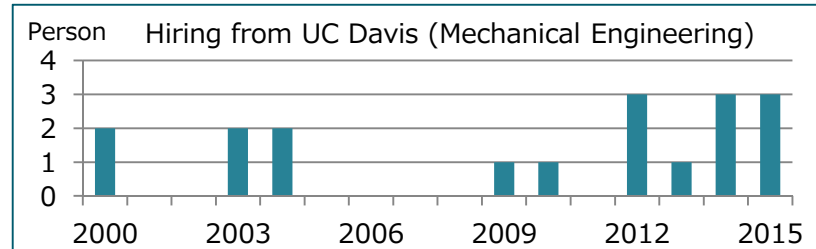
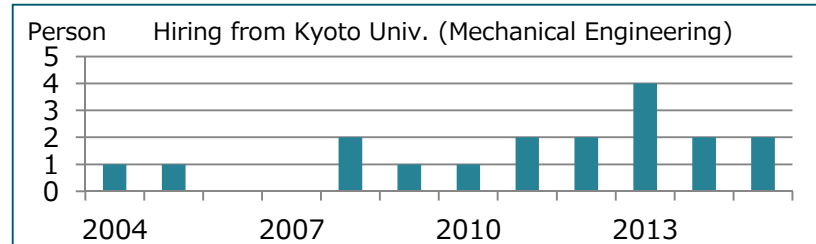
Nabari Liver fireworks festival

Yamatokoriyama Castle Festival

Additive manufacturing (AM)



Hiring trend from Kyoto Univ. UC Davis (Mechanical Engineering)



New scheme for CSR activities by the Foundation

The Company will introduce a scheme that utilizes treasury stock and distributes dividends as a source of CSR activities with the aim of continuously and stably implementing CSR activities

(1) Allocate 3,500,000 treasury shares at 1 yen per share

(Contrast with the total of issued shares : 2.63%)

(2) The dividend will be utilized as resources of the Foundation

(3) At the current level of 26 yen per year, the dividend will pay 30 to 40% of the Foundation's resources for activities, but the proportion will rise with the increase in dividends in the future.

Benefits of a new scheme by the Foundation

(1) Securing financial resources of the foundation and unifying vectors for shareholder returns. Will be realize a good cycle as below.

① Increase dividend due to improved performance



② Stabilizing the foundation's financial resources and strengthening CSR activities



③ Mid- to long-term corporate value improvement of the Company

(2) Reduction of tax burden

Tax burden will be reduced by dividends than cash donation where deductible expenses will be exceeded in areas beyond the limit.

Measures to avoid concerns / disadvantages

Purchase and cancellation of treasury stock and adoption of trust scheme will be applied for the purpose of avoiding possible concerns and disadvantages in implementing this scheme.

(1) Responding to dilution of stock value

⇒ **Purchase treasury shares from the market**

(3,500,000shares, JPY5,250million)

⇒ **Eliminate concerns of future market release by canceling treasury shares** (3,500,000shares)

(2) Concerns of discipline on the exercise of voting rights

⇒ **Adopt trust scheme**

-Neither the Company nor the Foundation can order the trust bank to exercise of voting rights according to the trust agreement.

-The Company and the Foundation have no intention of changing the provision of the agreement.

-There is a strict wall between the sales department of the trust bank and the voting right exercise department and objective is guaranteed based on the company's voting rights exercise guidelines

Schedule to the shareholders meeting

Feb 10th : Matters for the general meeting of shareholders has been decided

Mar 2nd : Disclosure notice of Shareholders meeting
Convocation notice to WEB
(Tokyo Stock Exchange and our website)

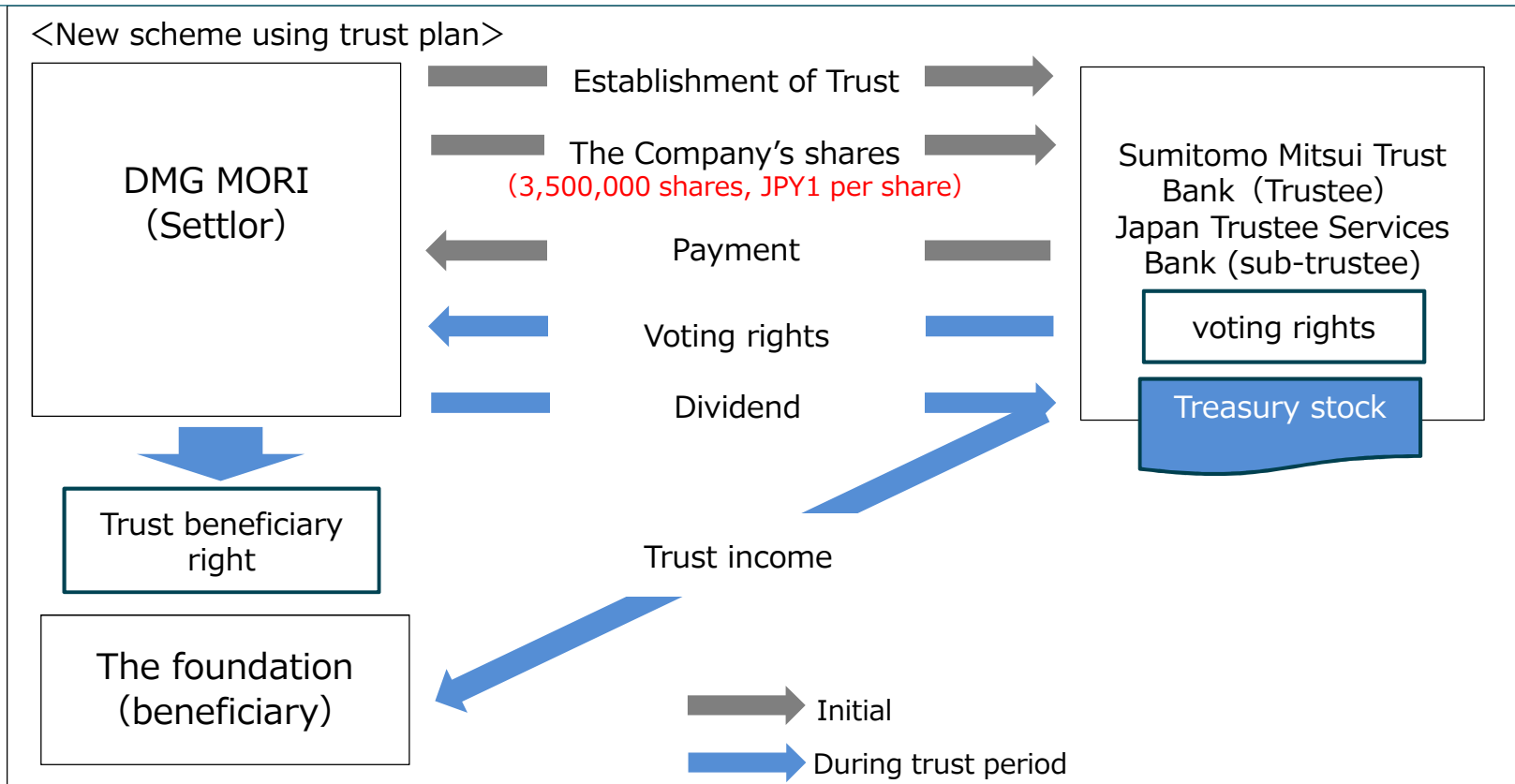
Mar 3rd : the Convocation notice will be sent

Mar 22nd : the Annual General Meeting of Shareholders

Appendix. Outline figure of the trust plan

<Purpose>

- ① Preservation and efficient management of the assets of the Foundation
- ② The voting rights to be exercised from the standpoint of long-term enhanced corporate value by the trust bank.



Appendix. Mission Statement

As a global corporation continually striving to be the world's largest and most respected international manufacturer of lathes, machining centers, multi-axis turning centers and grinders, we will:

Enable our customers to maximize their advantages and excel in their respective markets by continually striving to provide innovative, accurate, and trouble-free machines at competitive prices;

Increase our customers' productivity and efficiency through our latest developments in technology as manifested by our increasingly accurate and progressive manufacturing capabilities;

Support our customers with our knowledgeable and responsive sales, applications, and service personnel.

As befits a worldwide corporation, we will:

Foster a fair and open corporate culture, utilizing appropriate management initiatives;

Emphasize company-wide communication with the recognition of earnest and enthusiastic team-oriented efforts;

Respect each other's opinions and continually develop through friendly competition in energetic and cheerful workplaces.

As profitability is a goal of all healthy business organizations and in keeping with the true nature of the machine tool industry, we will:

Work to increase the value of our company, the investment of all shareholders knowledgeable of the true nature of the machine tool industry and the prosperity of our suppliers;

Always remember that the pricing of our products and services is an integral factor of the prosperity and perpetuity of the corporation;

Generate suitable profits to ensure the cash flow necessary to provide for the healthy operation of our corporation, research and development, stable customer services, employee training and development, and, the maintenance of safe and efficient manufacturing facilities.

As an industry leader and responsible corporate citizen, we will:

Contribute our fair share to our local community and society;

Conserve environmental resources at all times to preserve the global environment;

Incorporate the highest standard of ethics while still encouraging an aggressive approach to our business activities.