

DMG MORI CO., LTD. CY 2016 (Jan.- Dec.) 2Q Result IR Conference

IR Conference
2016/8/5

DMG MORI
COMPANY LIMITED

Agenda

- 1) Further Integration with DMG MORI AG
- 2) Perpetual Subordinated Loan
- 3) 2nd Quarter Results
- 4) Business Environment
- 5) Topics from DMG MORI Group
 - Technology Cycles
 - Sales and Marketing
 - Optimization of Production Capacity

Further integration with DMG MORI AG

❑ Domination, Profit and Loss Transfer Agreement

- Approved at Annual General Meeting of AG (Jul 15 ,2016)
- Will become effective after entry into commercial register of AG
(Expected in mid. of Sep 2016)



Effect

Accelerate decision making and implementation in:

(R&D, Sales)

(Production)

(Purchase)

(Process)

Optimization of product line

**Optimization of worldwide
production capacity**

Economies of scale

**Standardization of IT and business
process**

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Perpetual subordinated loan

| | |
|---|---|
| Purpose | Refinance of debt for share acquisition in AG |
| Lender | Mizuho Bank, Ltd. , Sumitomo Mitsui Banking Corp. |
| Amount | JPY 40 billion |
| Execution date | September 20 th , 2016 (Contract on August 5 th , 2016) |
| Repayment date | Not determined *Repayment is possible after Sep 20th, 2021 |
| Interest rate | Floating rate based on 6-months Tibor (100 basis step-up after Sep 20th, 2026) |
| Evaluation by rating agency (Rating and Investment Information, Inc. (R&I)) | 50% as equity (Class 3) *1 |
| Classification under IFRS | “Hybrid equity” JPY 40 billion in equity category |
| Issuance of perpetual subordinated bonds is also an option in the future, depending on financial market condition | |

*1 R&I Inc. classifies similarity to equity of hybrid securities into 5 classes (class 1 to class 5)
(Equity credit guideline 10% for Class1, 90% for Class 5)

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Profit & Loss Statement

*1 AG Profit was consolidated based on a shareholding ratio of 60.67%

AG Profit will be consolidated based on a shareholding ratio of 76.03% after Apr. 2016.

*2 AG Profit was consolidated based on a shareholding ratio of 52.54%.

| CY2016 (Result) (100 Million JPY) | 1Q (Jan~Mar) Actual | 2Q (Apr~Jun) Actual | 3Q (Jul~Sep) Forecast | 4Q (Oct~Dec) Forecast | Year TTL (Jan~Dec) Forecast |
|--|--------------------------|--------------------------|--|--------------------------|-----------------------------------|
| Sales revenue | 954 | 899 | Following items are under analysis : 1. Loss of profitability in export from Japan due to JPY appreciation 2. Decline in translation from German entity result due to weakening EUR 3. Impact from potential actions after Domination Agreement | | |
| Operating result % | 23 2.4% | 12 1.3% | | | |
| Profit attributed to owners of parent company | ※1 8 | -1 | | | |
| EPS (JPY) | | | | | |
| (Exchange Rate) USD | 115.5 | 108.2 | | | |
| EUR | 127.2 | 122.0 | | | |
| CY2016 (May 10) (100 Million JPY) | 1Q (Jan~Mar) Actual | 2Q (Apr~Jun) Forecast | 3Q (Jul~Sep) Forecast | 4Q (Oct~Dec) Forecast | Year TTL (Jan~Dec) Forecast |
| Sales revenue | 954 | 950 | 1,000 | 1,200 | 4,100 |
| Operating result % | 23 2.4% | 30~40 | 60~70 | 130~140 | 250~260 |
| Profit attributed to owners of parent company | ※1 8 | 10~20 | 40~50 | 70~80 | 140~150 |
| EPS (JPY) | | | | | 120.8 |
| (Exchange Rate) USD | 115.5 | 110.0 | 110.0 | 110.0 | 111.4 |
| EUR | 127.2 | 125.0 | 125.0 | 125.0 | 125.6 |
| CY2015 (100 Million JPY) | 1Q (Jan~Mar) Proforma | 2Q (Apr~Jun) Actual | 3Q (Jul~Sep) Actual | 4Q (Oct~Dec) Actual | Year TTL Proforma |
| Sales revenue | 1,100 | 961 | 1,007 | 1,217 | 4,284 |
| Operating result % | 100 9.1% | 340 35.4% | 47 4.7% | -75 -6.2% | 411 9.6% |
| Operating result ※ Excl. Step acquisition gain, PPA, Business restructuring | 100 9.1% | 61 6.3% | 69 6.9% | 130 10.7% | 360 8.4% |
| Profit attributed to owners of parent company | ※2 55 | 323 | 7 | -61 | 324 |
| EPS (JPY) | | | | | 243.7 |
| (Exchange Rate) USD | 119.1 | 121.4 | 122.2 | 121.5 | 121.1 |
| EUR | 134.2 | 134.2 | 136.0 | 133.0 | 134.3 |

6/26

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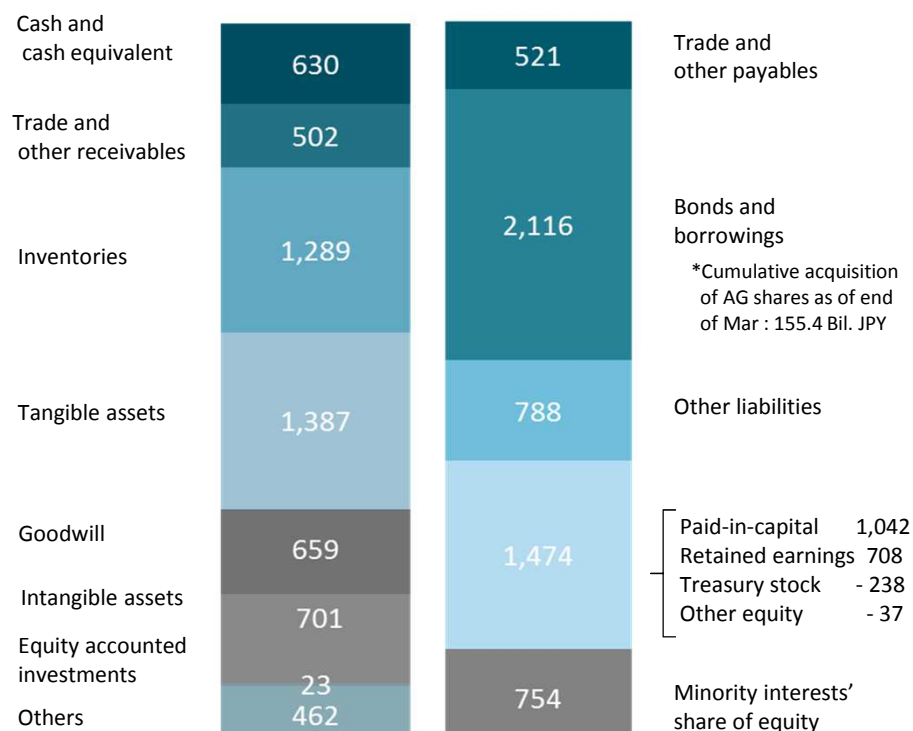
DMG MORI
COMPANY LIMITED

Balance Sheet

(100 Million JPY)

End Mar. 2016

Total Assets **5,653**

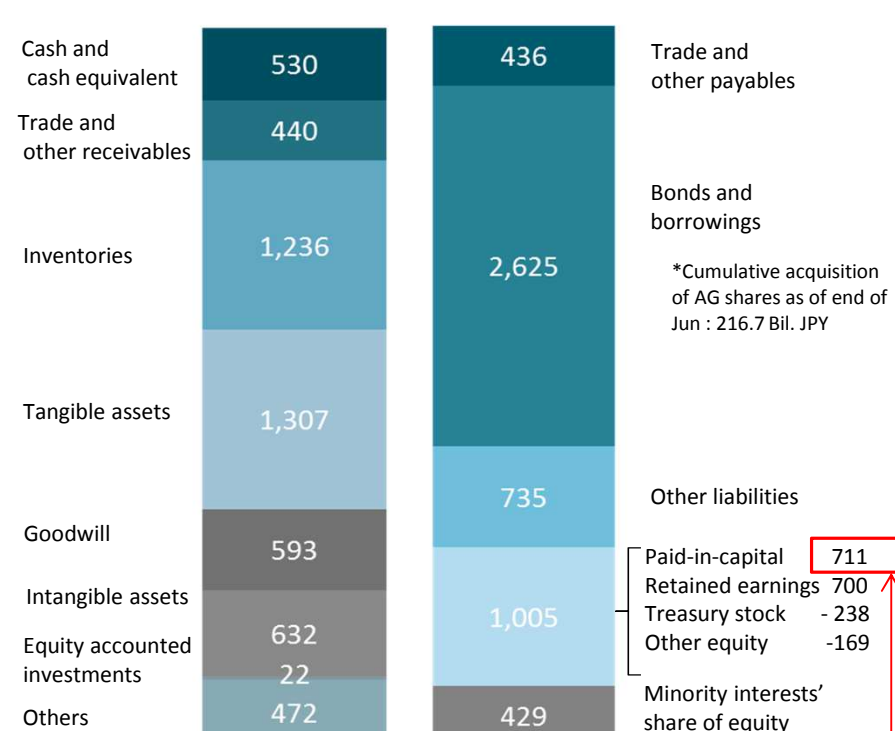


Net debt 1,486

Shareholders' equity ratio 26.1%

End Jun. 2016

Total Assets **5,230**



Net debt 2,096

Shareholders' equity ratio 19.2%

456 for deduction of equity associated with additional acquisition of shares in AG

7/26

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Cash Flow

| (100 Million JPY) | CY2015 | | | CY2016 | | |
|---|-------------|------------|------------|---------------|---------------|---------------------------|
| | Apr-Jun | Jul-Sep | Oct-Dec | 1Q Jan-Mar | 2Q Apr-Jun | 2H forecast Jan-Dec |
| Cash Flow from operating activities | -136 | -32 | 355 | -119 | -14 | 400 |
| - Amount for earnings before taxes | (337) | (42) | (-82) | (16) | (7) | - |
| - Amount for depreciation | (38) | (40) | (68) | (43) | (41) | - |
| - Amount for gain on step acquisition | (-373) | (0) | (0) | (0) | (0) | - |
| - Amount for changes of working capital | (-69) | (-58) | (326) | (-104) | (-83) | - |
| - Amount for income tax paid | (-57) | (-17) | (-28) | (-17) | (-9) | - |
| Cash Flow from investment activities | -111 | -80 | -78 | -29 | -38 | -110 |
| - Amount paid out for acquisition of fixed assets | (-69) | (-78) | (-98) | (-29) | (-42) | - |
| Cash Flow from financing activities | 430 | 70 | 218 | -31 | 18 | - |
| - Payments for acquisition of minority shares | (0) | (-225) | (-64) | (0) | (-613) | - |
| Cash and cash equivalents at the end of the period | 408 | 357 | 836 | 630 | 530 | - |

Agenda

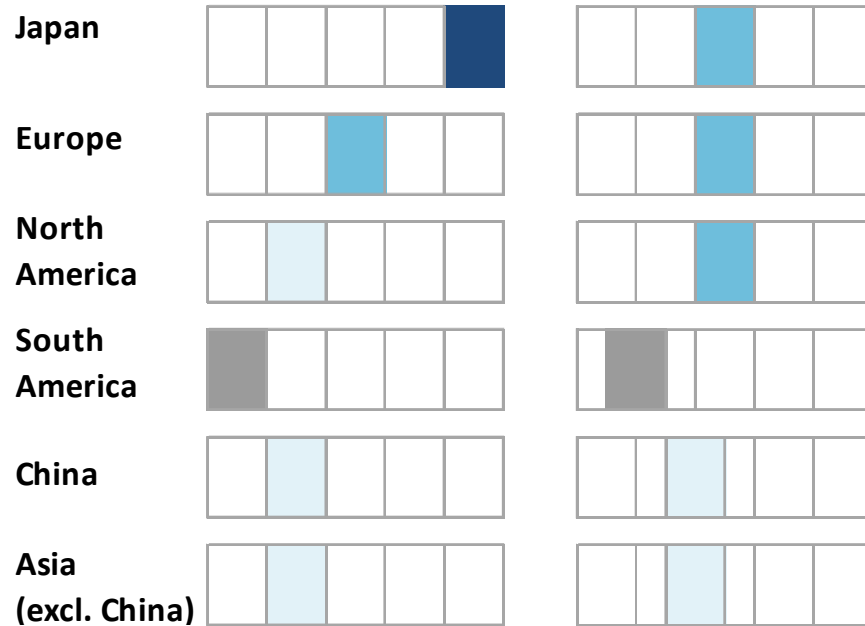
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Overview (by Region & by Industry)

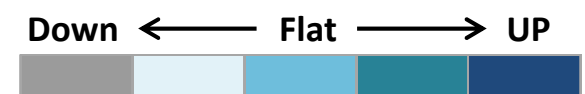
Region



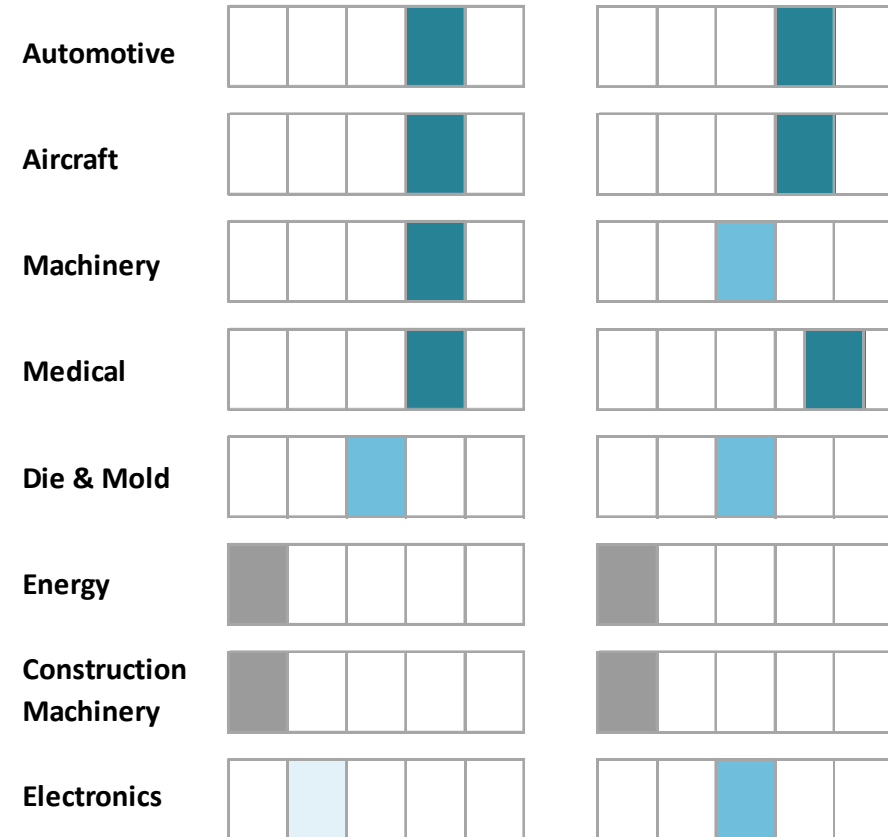
CY2015 → CY2016



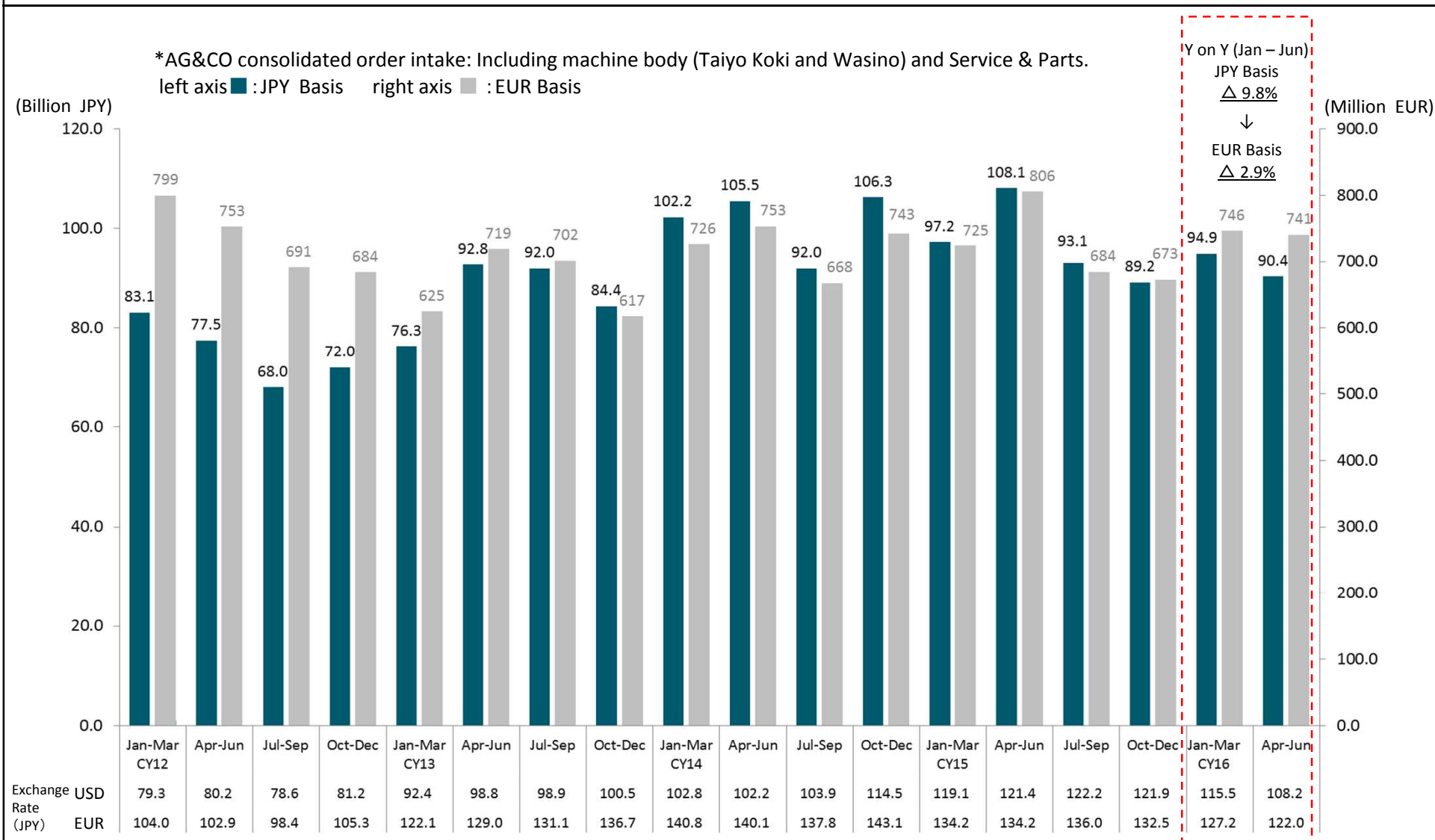
Industry



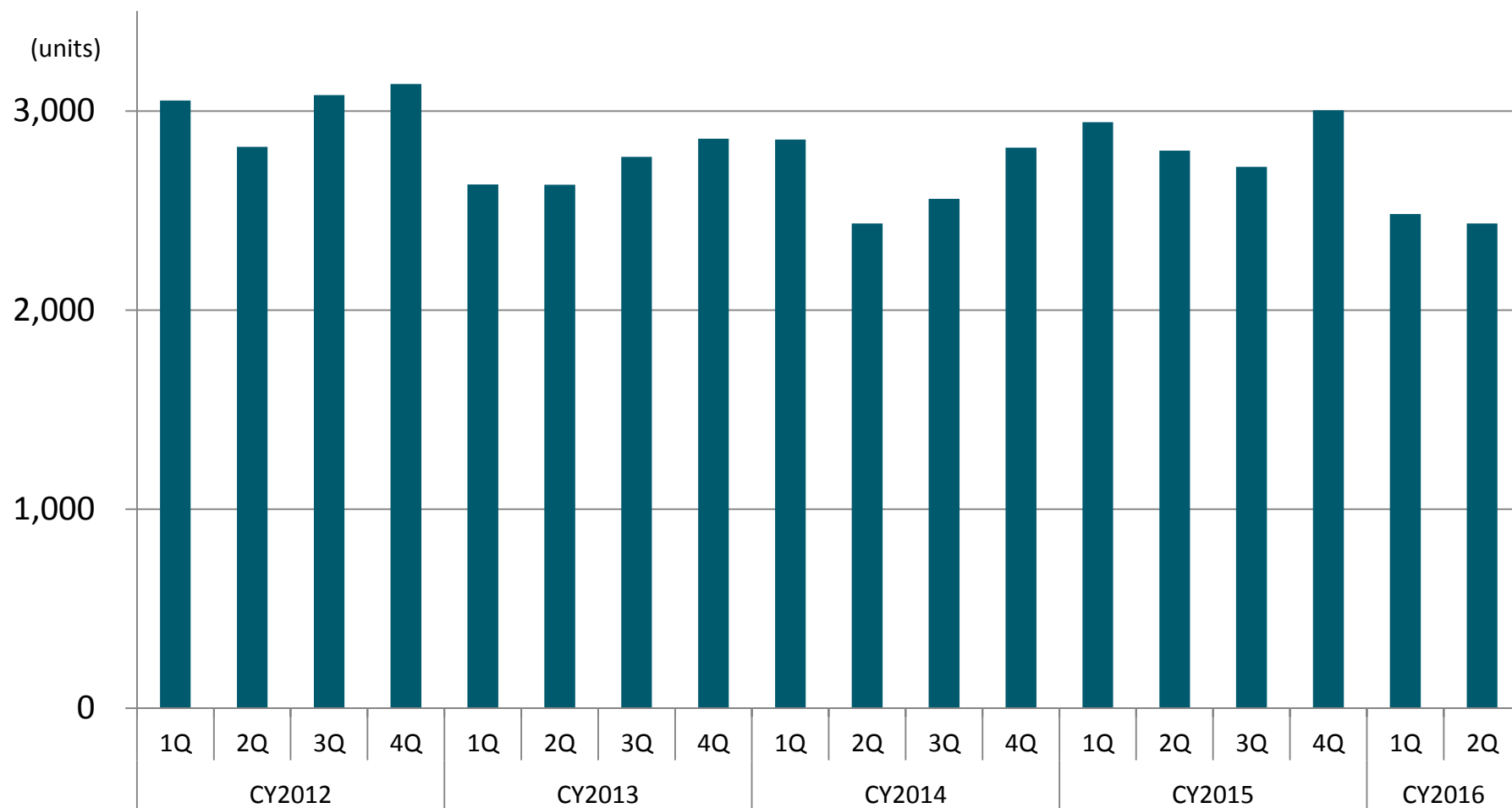
CY2015 → CY2016



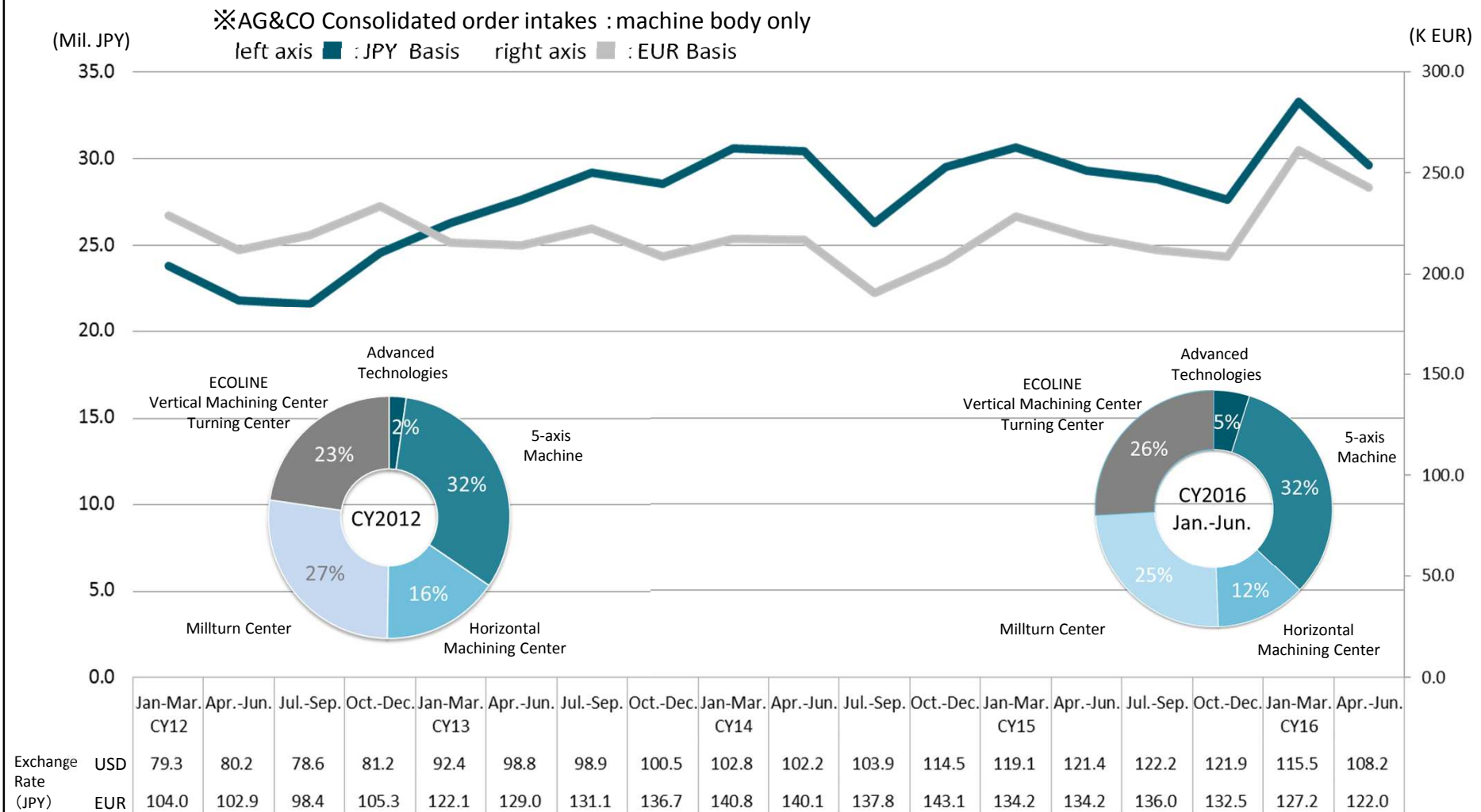
AG&CO Quarterly Consolidated Order Intake



Production (unit)

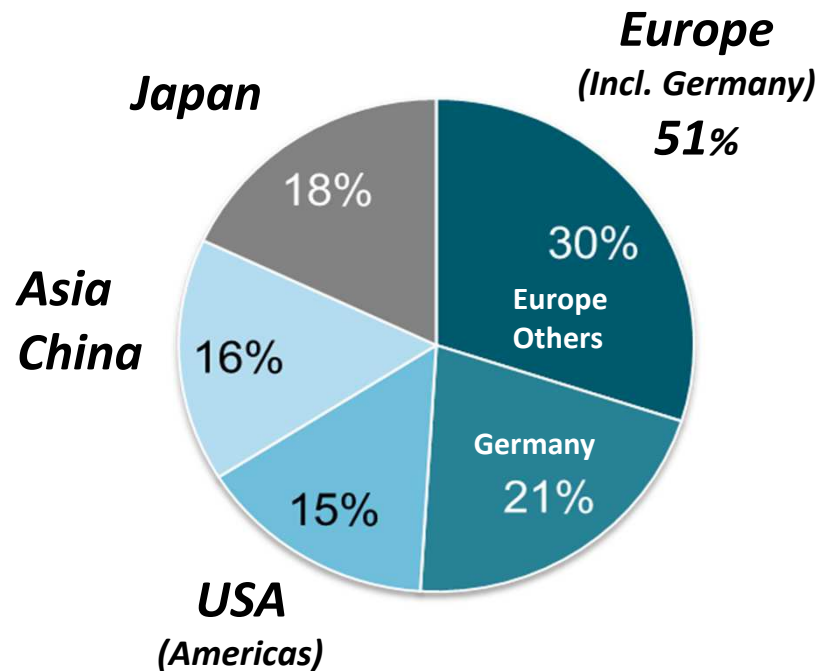


Consolidated Order Intakes - Average Price

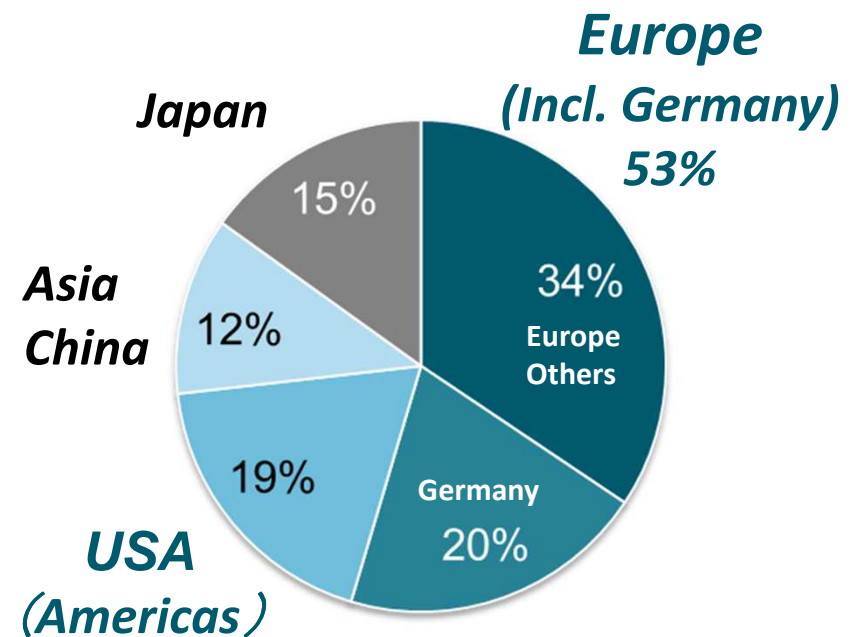


Order Trend by Region (AG+CO Consolidated Machine Order Intake)

Apr – Dec 2015



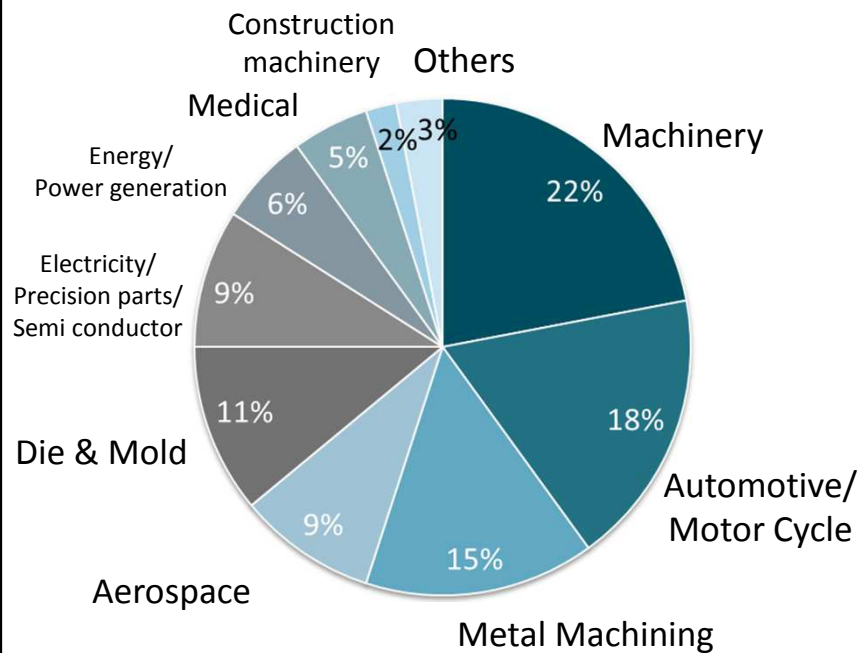
Jan – Jun 2016



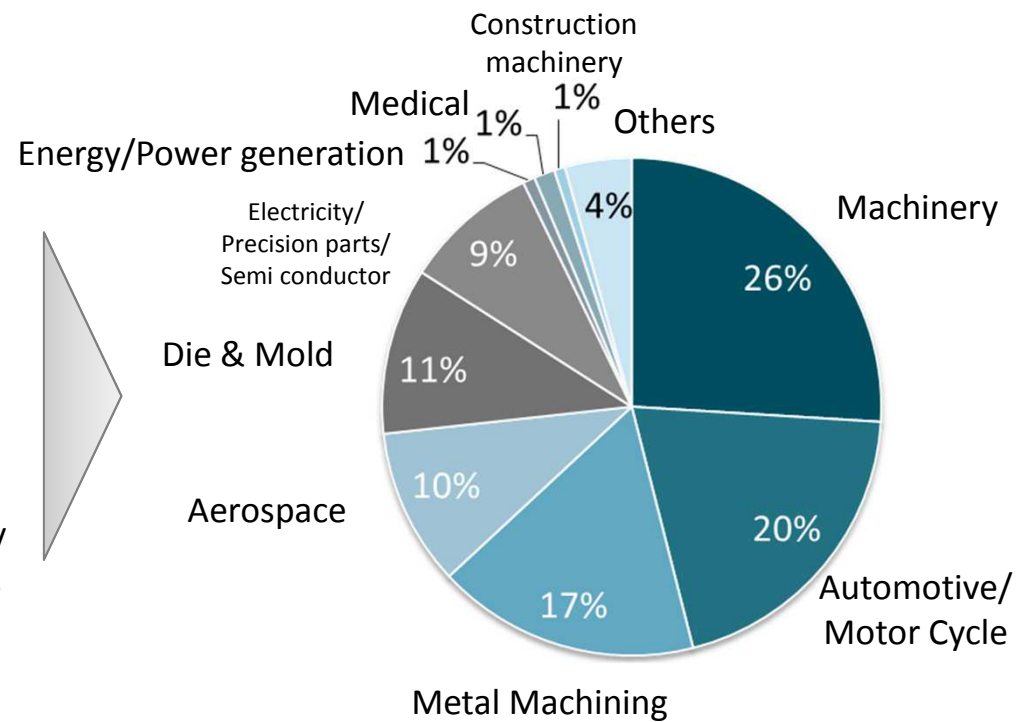
* Value basis
* Machine body only

Order Composition (by Industry)

Jul – Dec 2015



Jan – Jun 2016

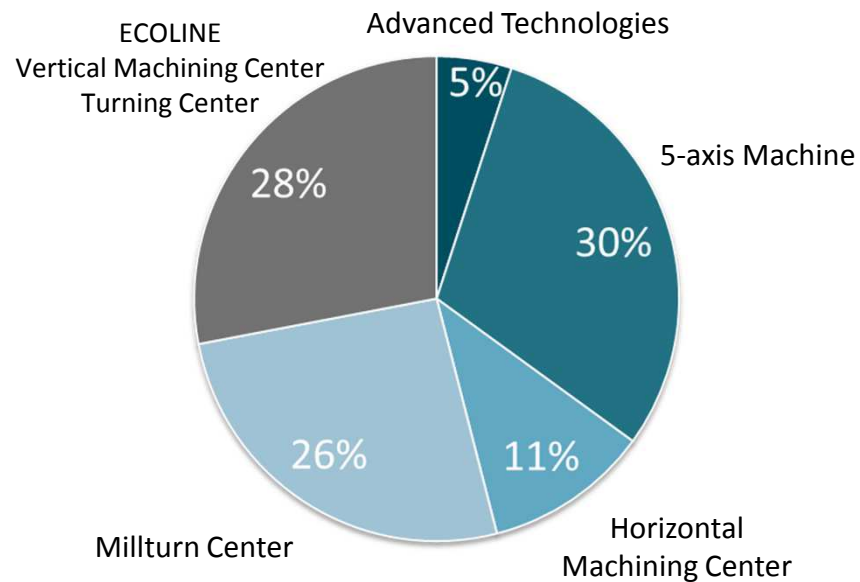


* Value basis

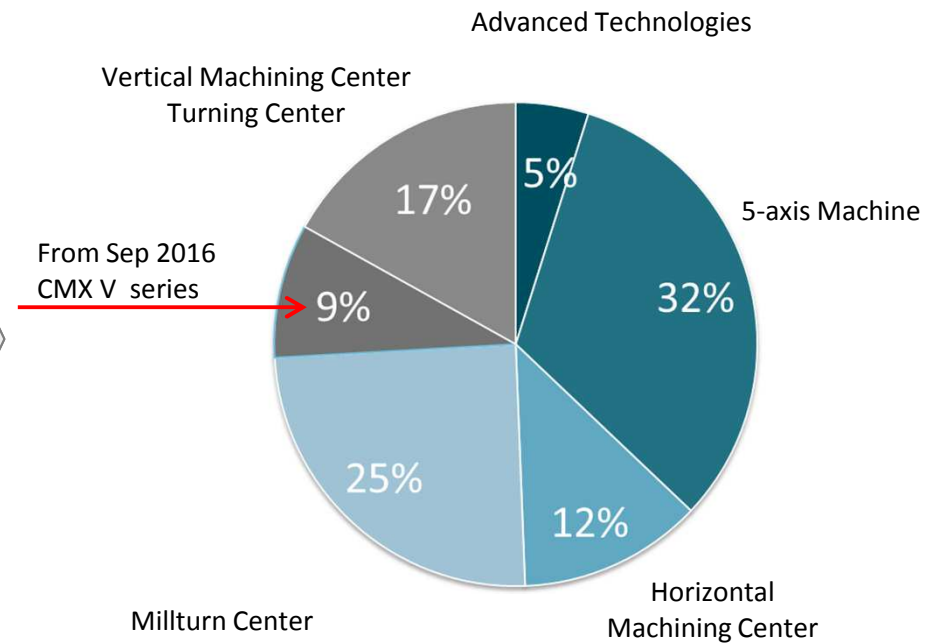
* Machine body only

Order Composition (by Machine type)

Apr – Dec 2015



Jan – Jun 2016



From Sep 2016
CMX V series

* Value basis
* Machine body only

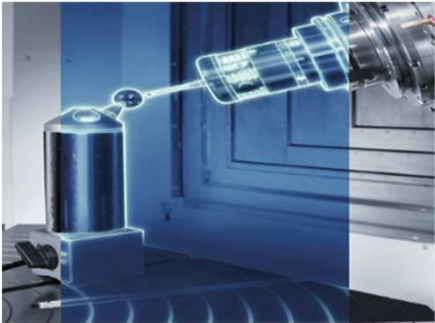
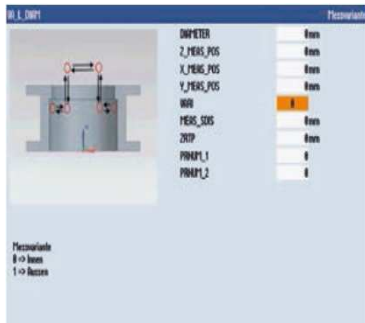


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Technology Cycles

❑ Software Innovation in 4 Fields

24 DMG MORI Technology Cycles

| | Handling Cycles | Measurement Cycles | Shaping Cycles | Monitoring Cycles |
|----------|--|---|--|--|
| Function | Examples: Loading/unloading and configuration of Pallets, Parts, Tools | Examples: Probing of parts for setting the zero offsets, probing for quality control | Examples: Generation of Geometries on the Part | Examples: Real-time supervision and tuning of the machining process |
| Examples | Tool Sort Cycle, Steady Rest in Turret Cycle | L-Measurement Probe Cycle | Grinding, Gear Hobbing | ATC, MPC |
| |  <p>3D quickSET</p> |  <p>L-Measuring</p> |  <p>Grinding Gear Hobbing</p> |  <p>MPC 2.0</p> |

gearMILL - High-precision and high-production gear cutting on one standard machine

Specialized equipment/machines for each process → conventional production flow

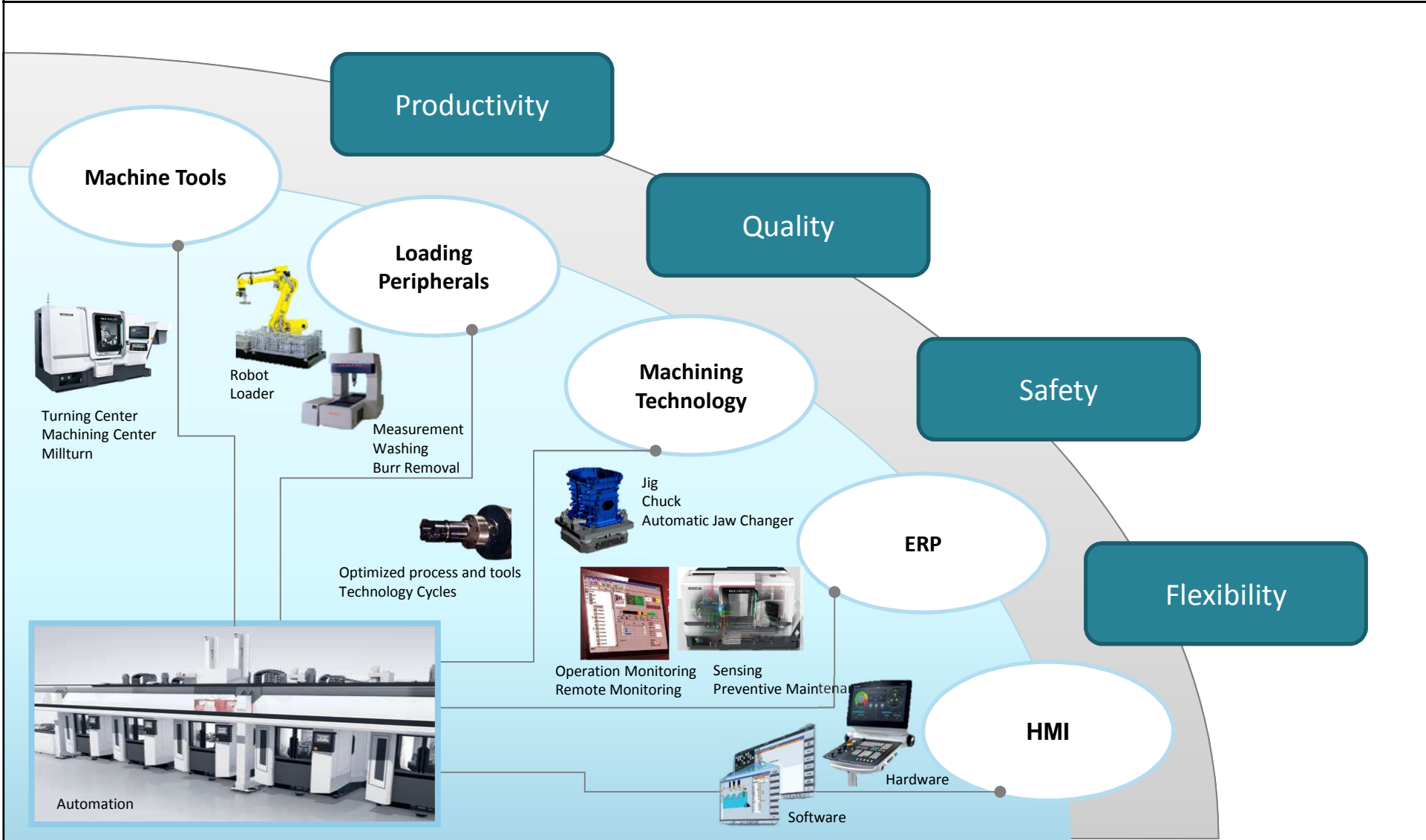


gearMILL → on one standard machine



**Reduction
3 → 1 unit**

Automation – Optimize the Entire Factory



Competitive new model

– Competitive / Customization / Compact

□ CMX V series

283 Standard options

Compatible with Technology Cycles

- ✓ 2016 Sep Go to market
Sep IMTS(Chicago) World Premiere
Nov JIMTOF(Tokyo) Asia Premiere
- ✓ 2017 1,000+ units to be produced



*Examples of Options



☐ **Covering the entire US-market by Direct Sales**



<Sales & Service>

Approx. **100** Spare Parts staffs

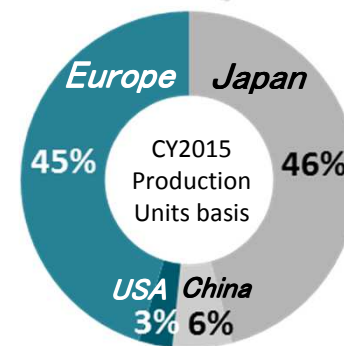
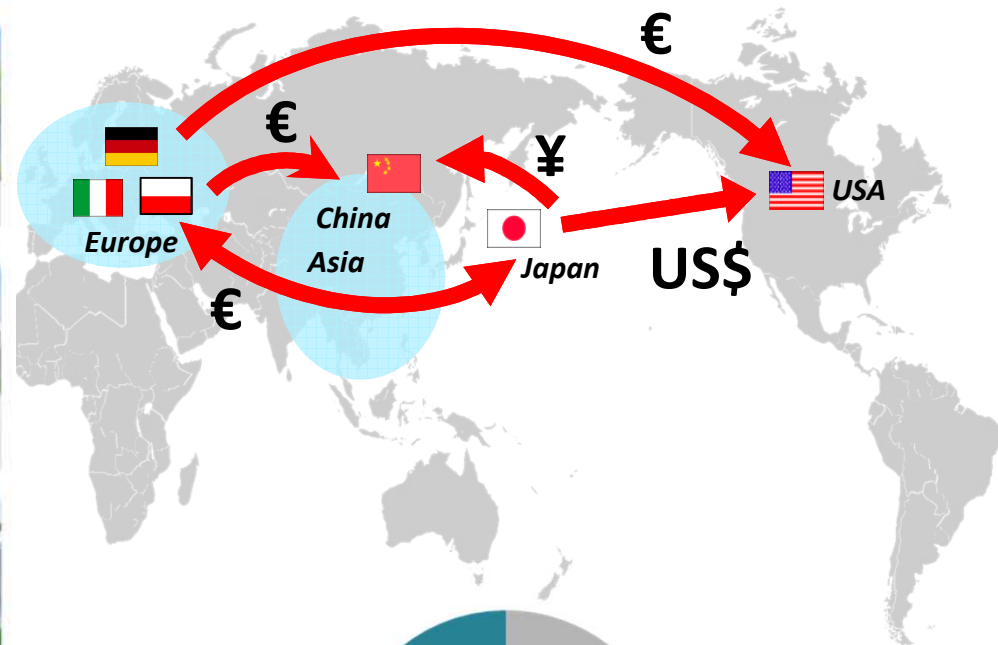
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Global Production Optimization

- Resilient to Currency Impact



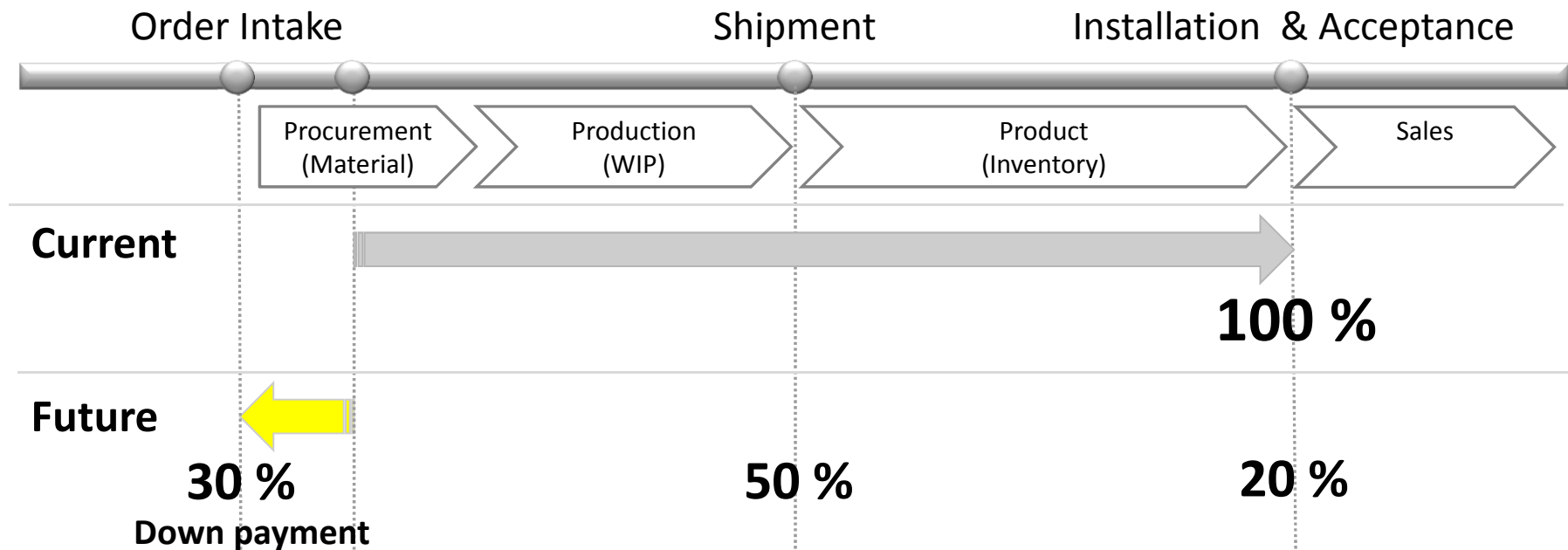
*Major production sites



Production Capacity 15,000 units/year
7,000 employees in R&D, Production and Quality Control

Action to improve Cash Flow

【Cash collection from customers】



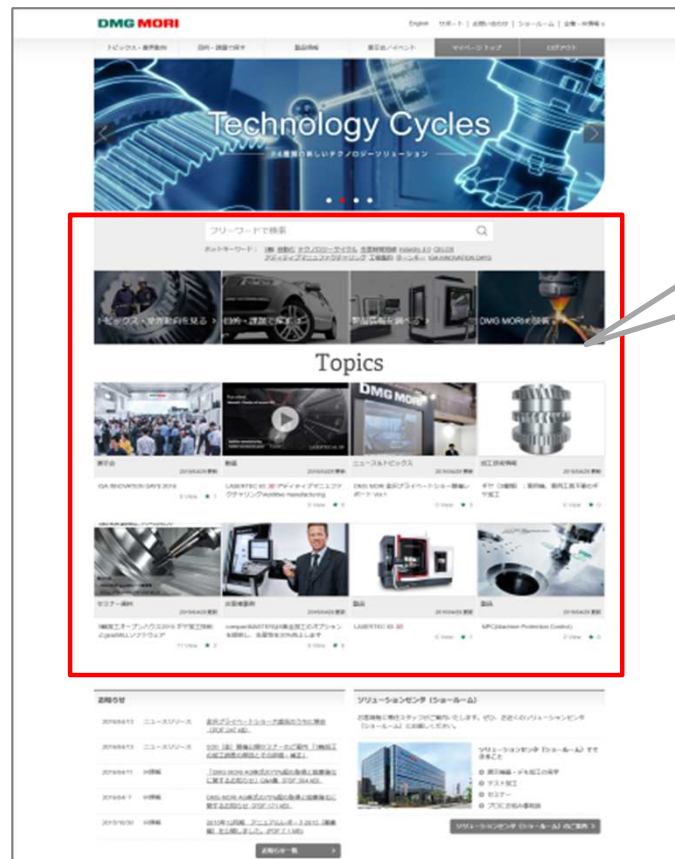
- ✓ DMG MORI: Firmly commit to delivery schedule and quality
- ✓ Customer : No worry about delivery or quality

<Expected effect>

- ✓ Win-Win relationships with customer
- ✓ Improvement of Cash Flow
- ✓ Change business practice

DMG MORI Website Renewal (May 2016)

- ❑ First portal site in the industry
- Technical information to solve customers' wants



- 1 Search with keywords
- 2 Search by purpose, problems
- 3 Technical articles, actual examples
- 4 Seminar information, industry trends
- 5 Free access for registered users

- ✓ More contacts with machine tool users
 - Strengthen tie with customers
- ✓ Brand value
 - Appeal our technologies by providing useful information to users

Disclaimer

This material contains targets, plans, etc. concerning the future of DMG MORI CO., LTD. and the DMG MORI Group. All predictions concerning the future are judgments and assumptions based on information available to DMG MORI 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 the following:

- Fluctuations in exchange rates
- Changes to the laws, regulations and government policies in the markets where DMG MORI CO., LTD. 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 CO., LTD. conducts its business
- Operational changes by the competent authorities or regulations related to anti-trust, etc.