

DMG MORI CO., LTD. CY 2016 (Jan.- Dec.) 3Q Result IR Conference

IR Conference
2016/11/7

DMG MORI
COMPANY LIMITED

Agenda

- 1) Full integration with DMG MORI AG
- 2) Financials
- 3) Business Environment
- 4) Topics from DMG MORI Group

Full integration with DMG MORI AG

Aug 2016, Domination and Profit & Loss Transfer Agreement settled

“GLOBAL ONE”

DMG MORI

2009

Start cooperation with DMG

2013

DMG MORI brand

2016

Domination Agreement

2017

~2020

2020~

Accelerated growth

Shift to Manufacturing of
Next generation

- 1) Digital factory
(Technology Cycles, IoT)
- 2) Human resources development
- 3) Healthy margin, robust B/S

Apr 2016: 76.03% stake

*Cumulative investment in AG: JPY 216.7bn

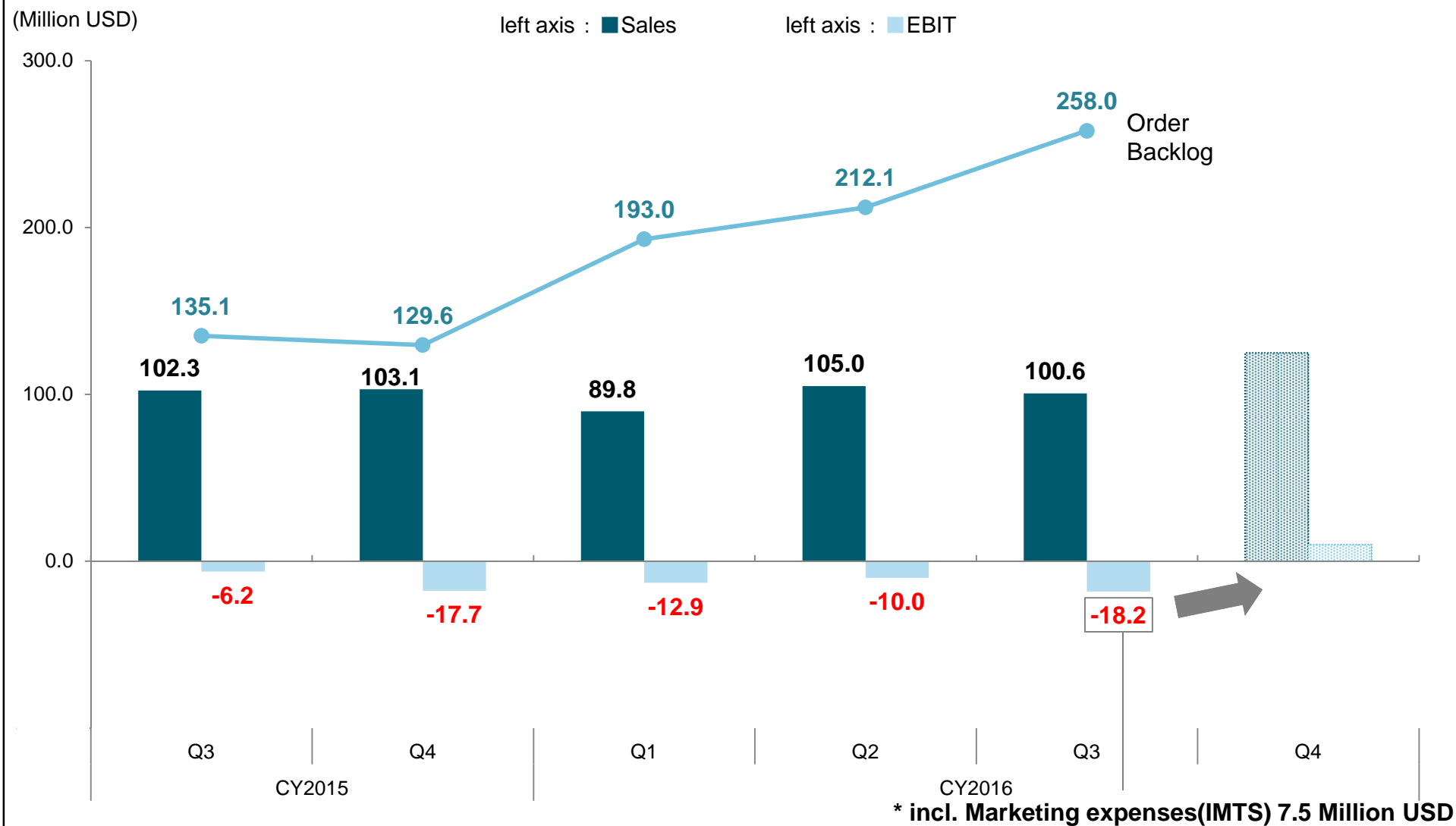
Aug 2016: Domination Agreement came
into effect

Accelerate Operational Efficiency

CY2016 Summary of negative legacy expenses

(JPY bn)	3Q	4Q	2016 Total	Effect from 2017
Closure of factories	-0.4	-4.6	-5.0	+3.0
Exit from Energy Solution Business	-	-4.7	-4.7	+0.4
Optimization of excess marketing expenses	-0.3	-2.1	-2.4	+2.1
Reduction of excess middle-managements/ redundant subsidiaries	-	-0.9	-0.9	+1.0
Subtotal	-0.7	-12.3	-13.0	+6.5
Improvement in US subsidiary				+3.5
			Total	+10.0

Turn around to black figure of the US subsidiary



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Income statement (3rd quarter)

(JPY bn)	2015 (Jan – Sep) Proforma	2016 (Jan – Sep) Actual	Changes
Sales Revenue	306.7	267.8	-39.0
Operating profit before one-off expenses	23.0	3.3	-19.7
Operating margin (%)	7.5%	1.2%	
One-off gain /expenses	25.7	-0.7	-26.4
Operating profit	48.7	2.6	-46.1
Operating margin (%)	15.9%	1.0%	
Net financial cost	-1.5	-1.9	-0.4
(thereof, economic compensation associated with DA)		(-0.2)	-
Net profit for the period		0.09	
attributable to:			
Shareholders	38.5	-1.9	-40.4
Non-controlling interest	4.7	2.0	-2.7
	USD/JPY	108.7	-12.2
	EUR/JPY	121.2	-13.6

Major accounting issues in the 3rd quarter

(1) Effect from Domination Agreement

P/L Economic compensation to non-controlling interests of AG as finance cost (non-operating item) / tax non-deductible

3Q, 2016 : JPY 0.20bn

4Q, 2016 on : JPY 0.45bn/qtr (EUR 4.1mm/ EUR/JPY=110)

B/S Deemed acquisition of non-controlling interests' stake of AG (on August 24, Domination Agreement became effective)

- Obligation to purchase AG shares
- Deduction from shareholders equity the difference between acquisition cost and remaining net worth of AG

(Dr) Non-controlling interest JPY 39.1bn (Cr) Obligation to- JPY 85.4bn
Shareholders equity JPY 46.3bn purchase AG shares

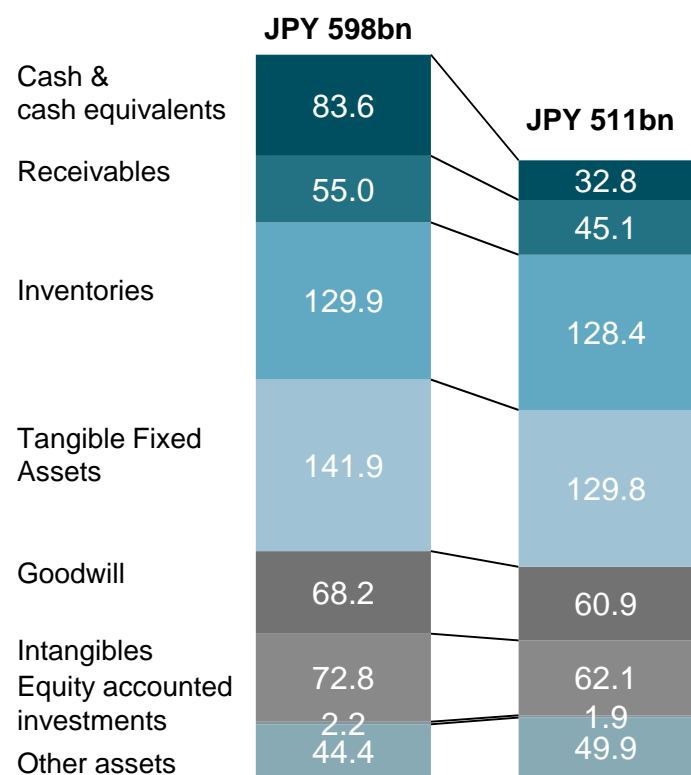
(2) Effect from perpetual subordinated loan/bonds

- P/L**
- Net profit attributable to hybrid equity owners is included in the net profit attributable to shareholders (JPY 41mm in the 3rd quarter)
 - For EPS calculation, the net profit attributable to hybrid equity owners is excluded

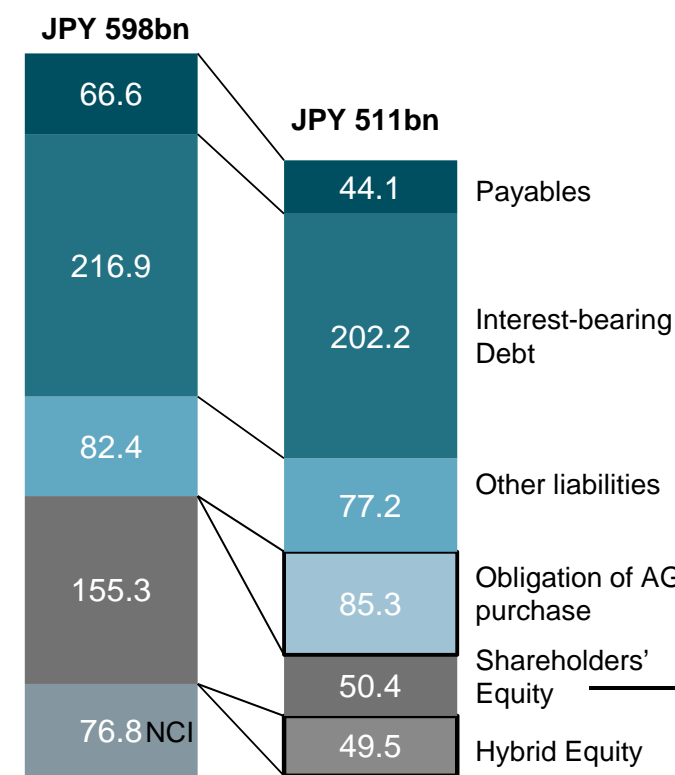
B/S "Hybrid equity" in equity portion JPY 49.5bn

Financial Position (vs. Dec 2015)

Assets



Liabilities & Equities



Net Debt

Sep.30, 2016
JPY 169.4 bn



ΔJPY 20.0 bn

Dec 31, 2016.E
Less than
JPY 150.0 bn

Paid-in-capital 51.1
 Retained earnings 39.9
 Treasury stock - 23.8
 Other equity items -16.8

Dec 31, 2015

Sep 30

Dec 31, 2015

Sep 30

Net debt (JPY)

133bn

169bn

Shareholders equity ratio

26.0%

19.6%

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COMPANY LIMITED

Reduction of shareholders equity associated with additional acquisition of AG shares after initial consolidation

2015 April 1	26% increase	2016 April 1	2016 August 24
Consolidation of DMG MORI AG 50% stake *voting rights basis		76% stake	Domination Agreement became effective (deemed acquisition of 24% stake)
(April 1, 2015)	JPY	(After initial consolidation)	JPY
Fair value of AG shares	170.9bn	Additional acquisition cost	90.2bn
Net worth of AG x 50%	98.2bn	Net worth of AG (additionally acquired)	42.8bn
Difference	72.7bn	Difference	47.4bn
Elimination	0.5bn	Deduction of equity	45.5bn
Goodwill	72.2bn	Treasury shares	1.9bn
Cumulative deduction of equity JPY 91.8bn			
Recognition of share purchase obligation		JPY	
Acquisition cost		85.4bn	
Present value of total offering price + future economic compensation			
Net worth AG(24.0%)		39.1bn	
Diff. = Deduction of equity		46.3bn	

Cash Flow

(100 Million JPY)	CY2015		CY2016			
	Jul-Sep	Oct-Dec	1H Jan-Jun	3Q Jul-Sep	4Q Oct-Dec	Full-year Jan-Dec
Cash Flow from operating activities	-32	355	-133	-32	300	135
- Amount for earnings before taxes	(42)	(-82)	(23)	(-16)	-	-
- Amount for depreciation	(40)	(68)	(84)	(39)	-	-
- Amount for changes of working capital	(-58)	(326)	(-187)	(-34)	-	-
- Amount for income tax paid	(-17)	(-28)	(-26)	(-21)	-	-
Cash Flow from investment activities	-80	-78	-67	-28	-50	-145
- Amount paid out for acquisition of fixed assets	(-78)	(-98)	(-71)	(-25)	-	-
Cash Flow from financing activities	70	218	-14	-150	-	-
- Payments for acquisition of minority shares	(-225)	(-64)	(-613)	(-1)	-	-
Cash and cash equivalents at the end of the period	357	836	530	328	-	-

Financial forecast - 2016 full-year

Jan - Dec (JPY bn)
Sales Revenue
Operating Profit before one-off items % to revenue
One-off gain/ expenses
Operating Profit Operating margin
Net finance expenses (thereof, compensation associated with Domination Agreement)
Net Profit attributable to shareholders

2015 Proforma	2016 Previous forecast	2016 Forecast
428.4	410.0	370.0
36.0 8.4%	25.0	15.0 4.1%
0.5	0	-13.0
41.1 9.6%	25.0	2.0 0.5%
-2.1		-2.9
-		(-0.7)
32.4	14.5	-8.0

USD/JPY
EUR/JPY

121.1
134.3

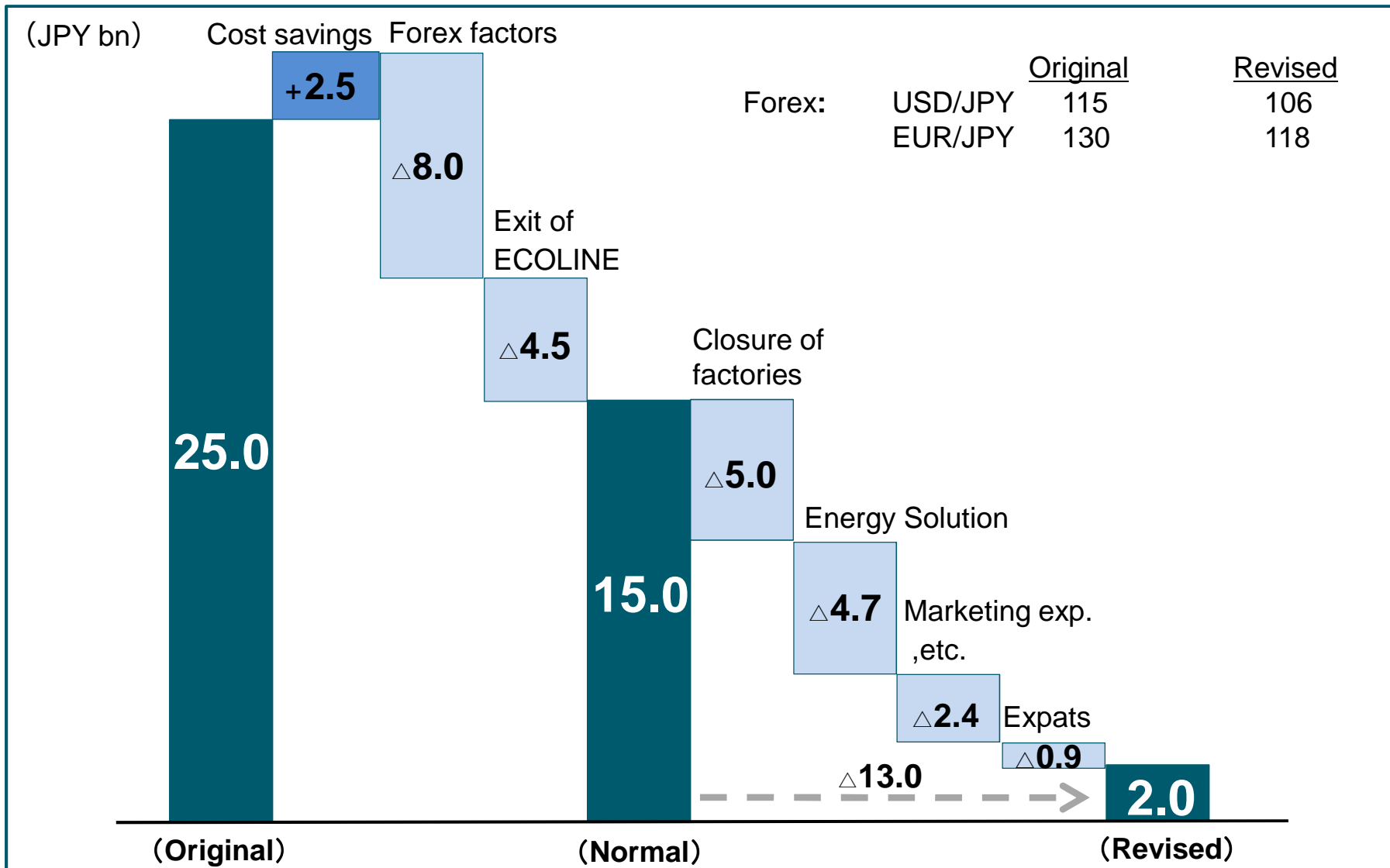
111.4
125.6

106.5
118.4

2016 4Q: USD/JPY 100.0
EUR/JPY 110.0

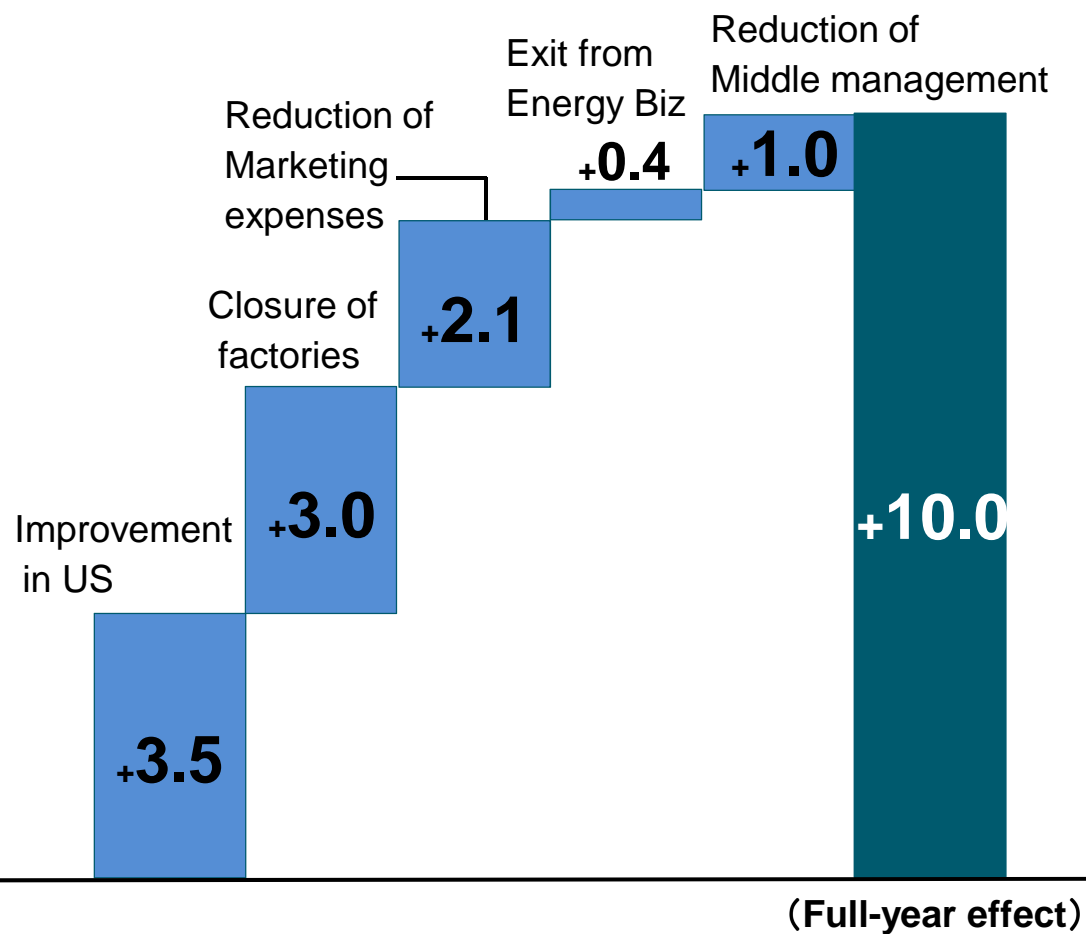
CY2016 Profit & Loss analysis

- Original vs. Revised



CY2017 Profit improvement factors

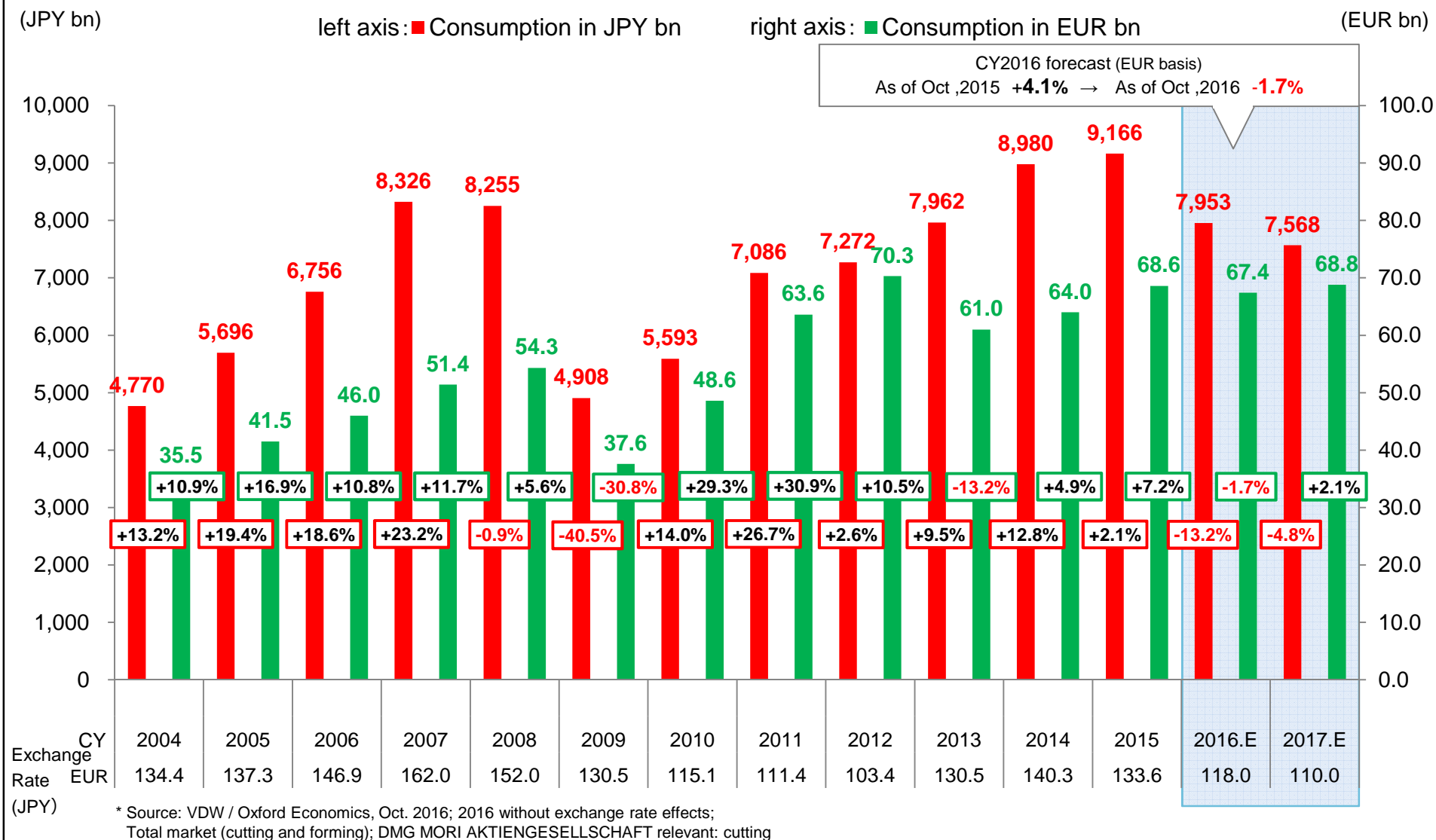
(JPY bn)



Agenda

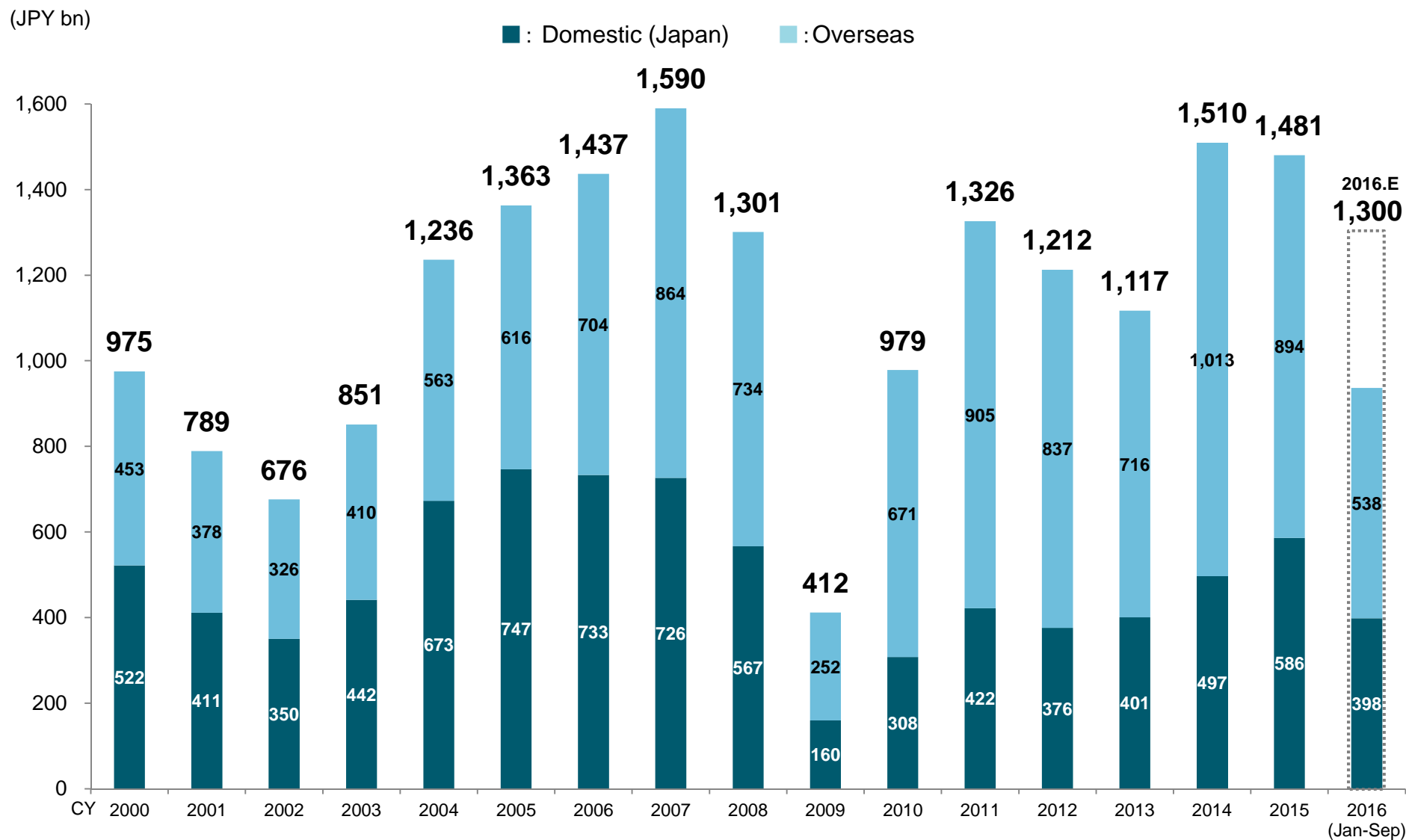
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Machine tool industry worldwide (VDW / Oxford Economics)

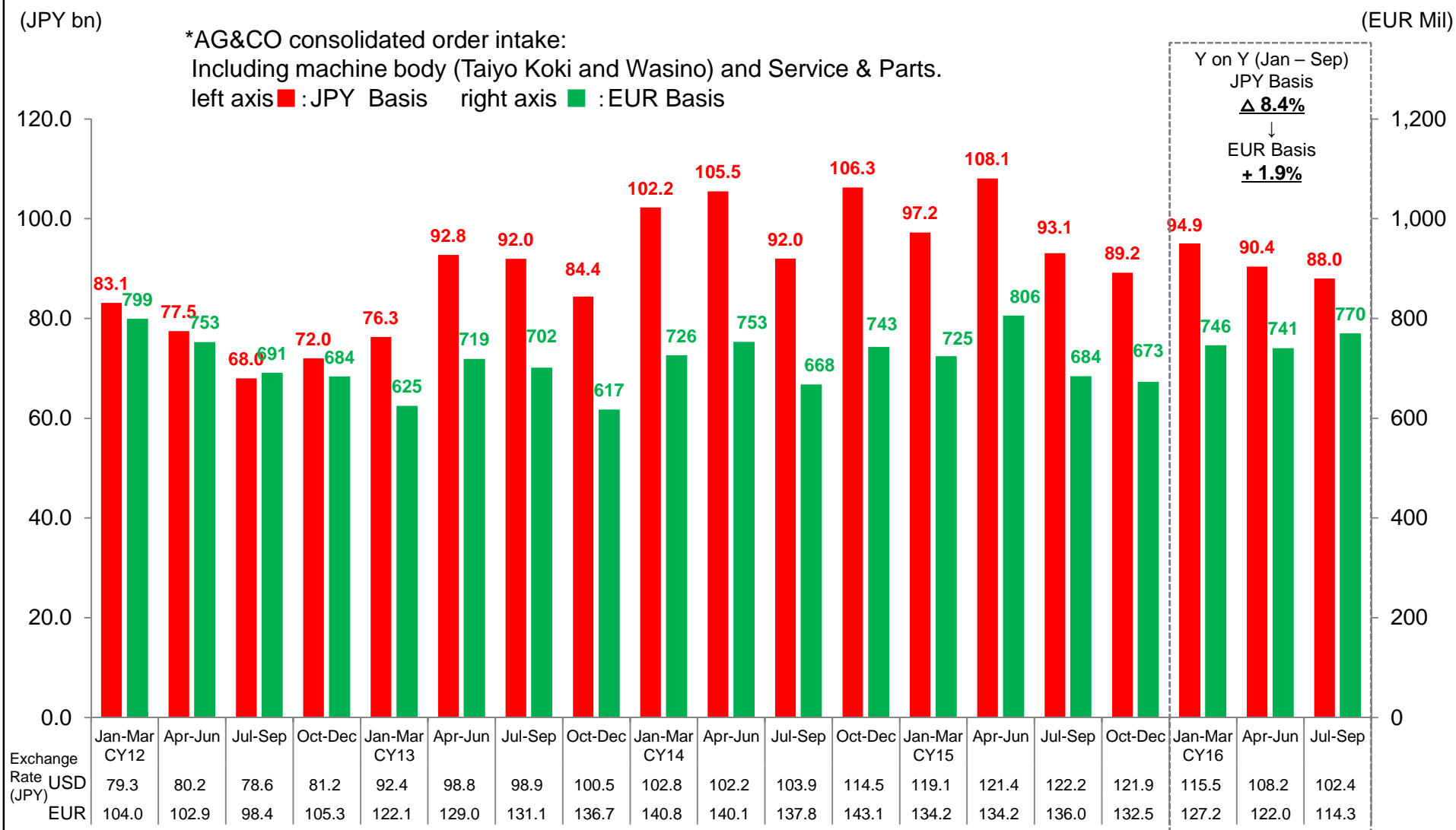


JMTBA Order

(JMTBA=Japan Machine Tool Builders' Association)



AG&CO Quarterly Consolidated Order Intake

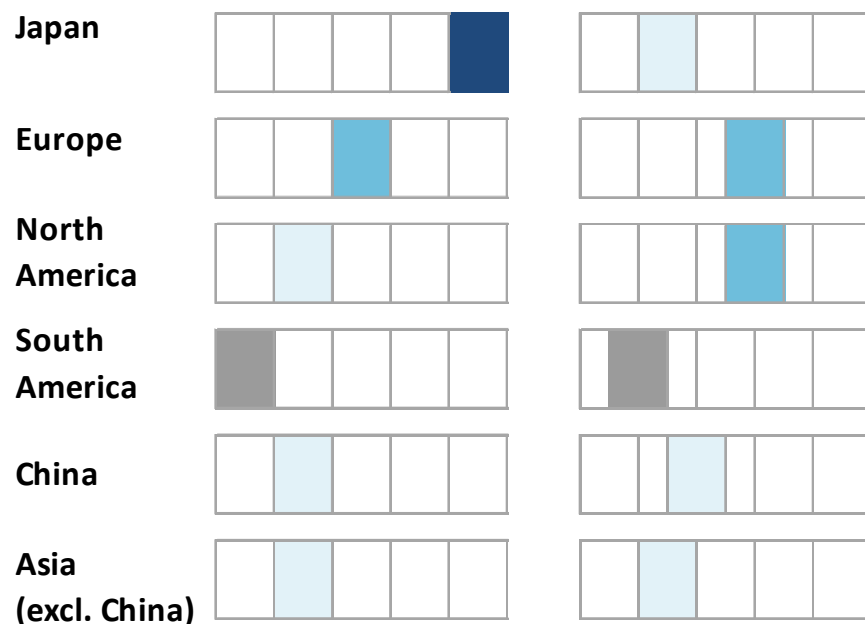


Overview (by Geography & by Industry)

Geography



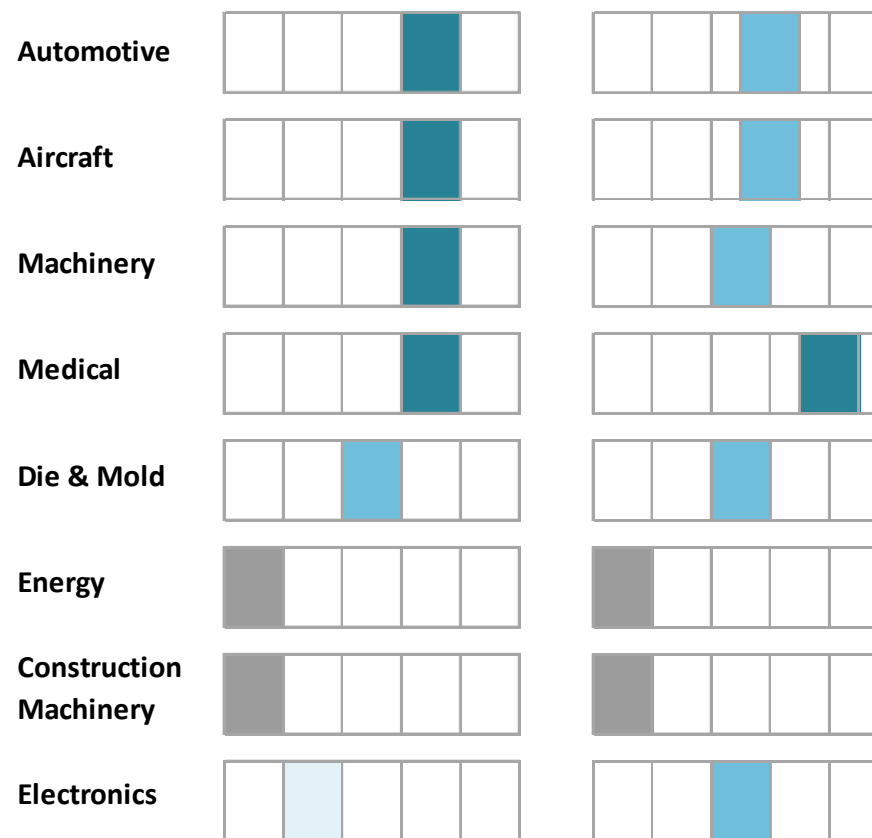
CY2015 → CY2016



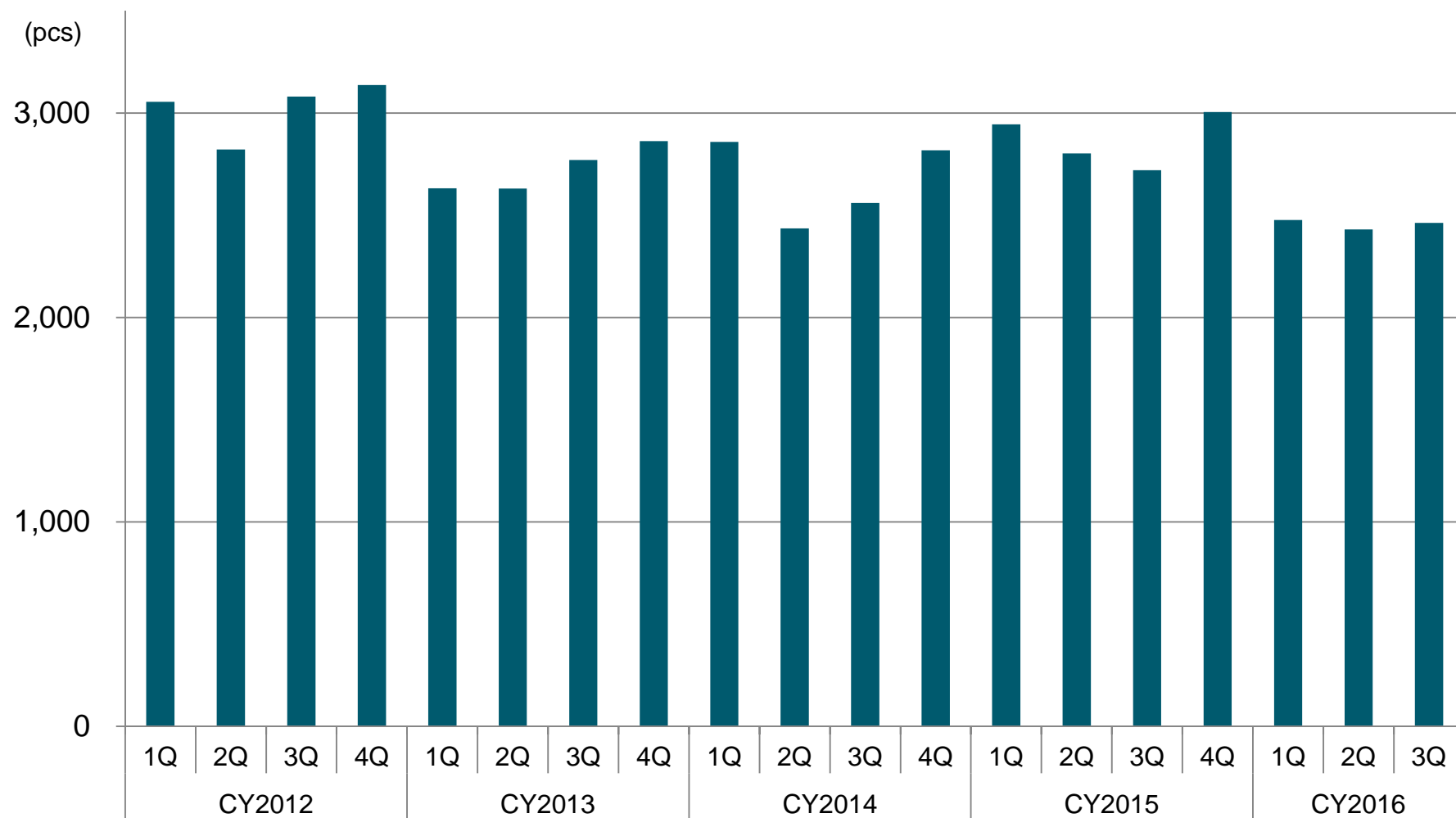
Industry



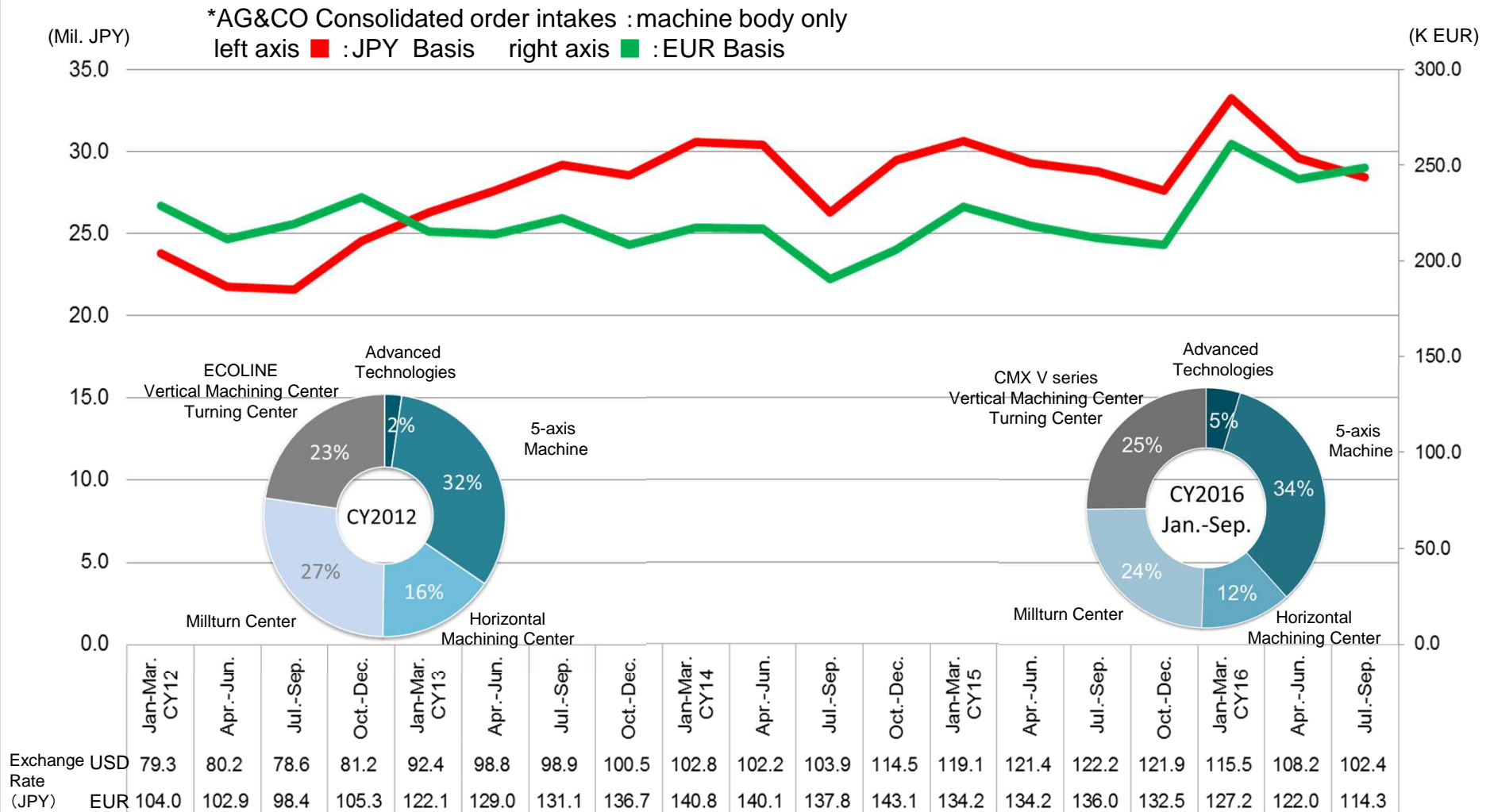
CY2015 → CY2016



Production (unit)

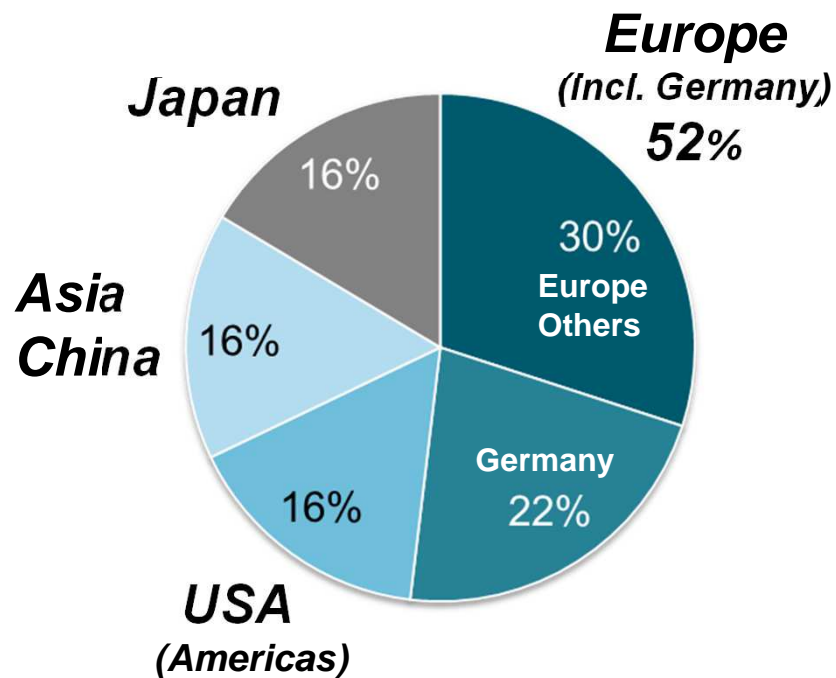


Consolidated Order Intakes - Average Price

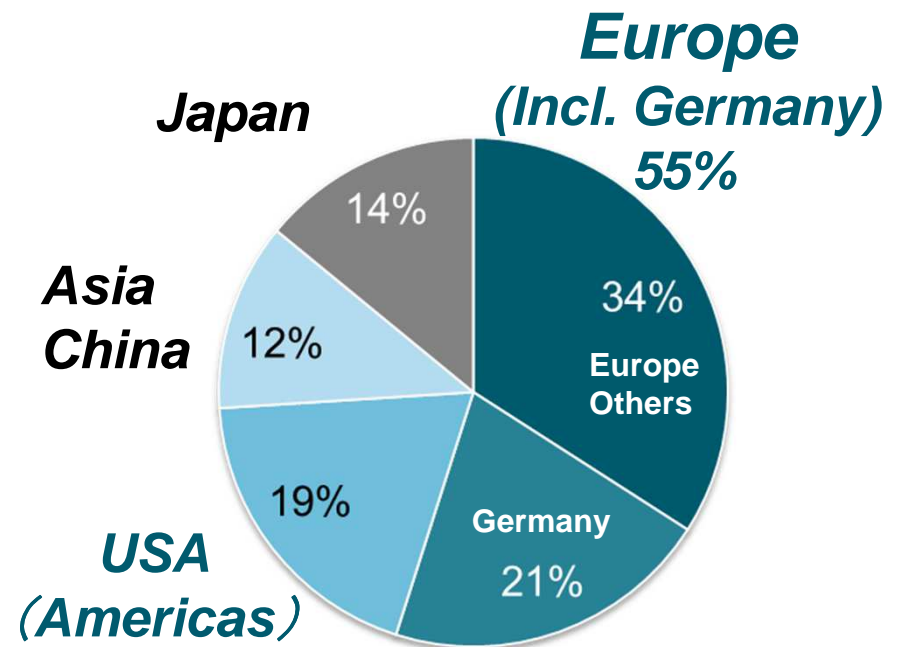


Order Trend by Geography (AG+CO Consolidated Machine Order Intake)

Jan – Dec 2015



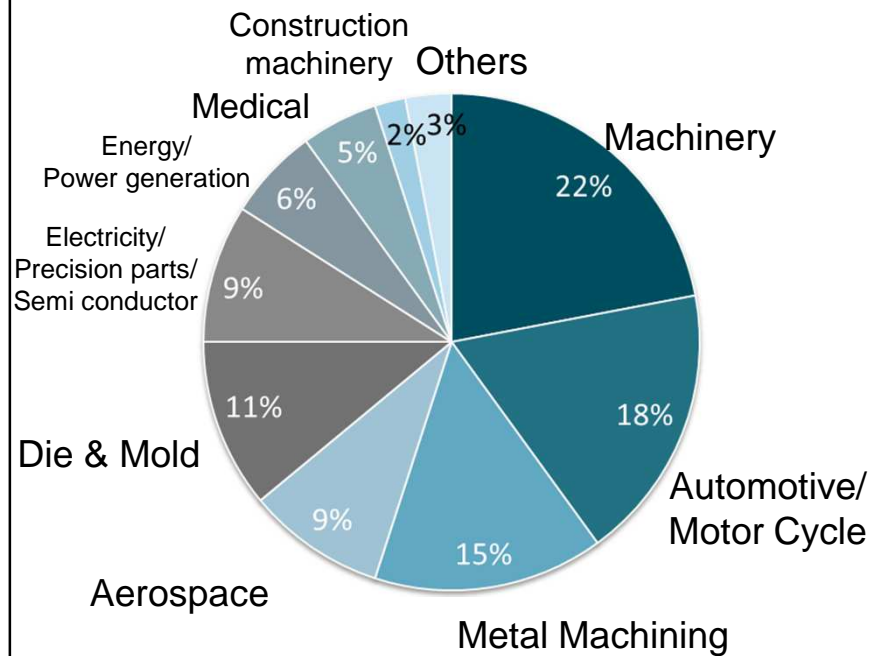
Jan – Sep 2016



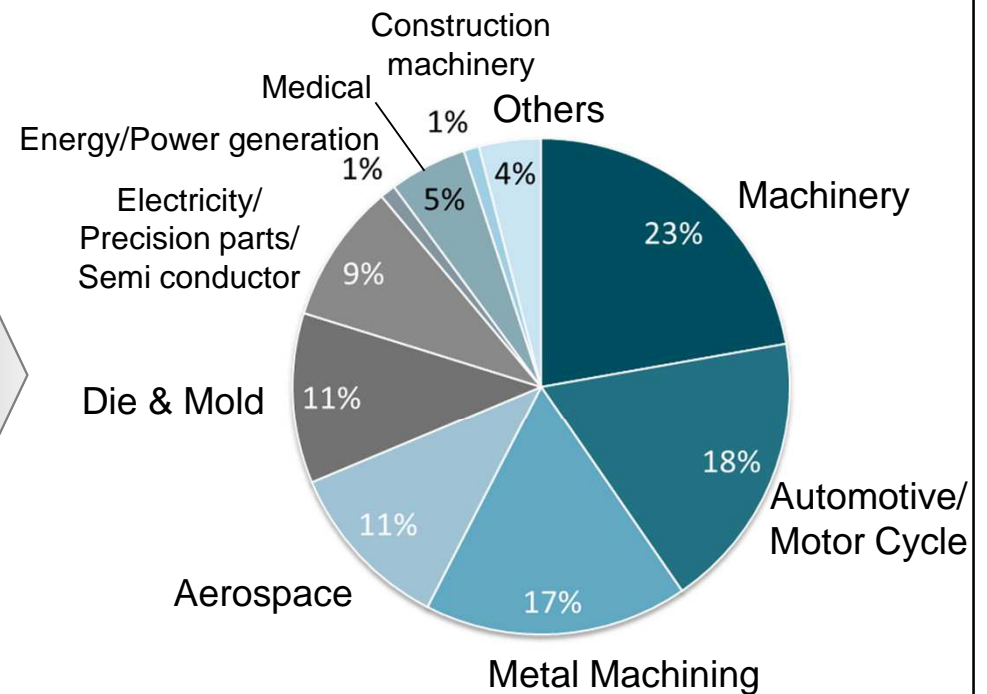
* Value basis
* Machine body only

Order Composition (by Industry)

Jul – Dec 2015



Jan – Sep 2016

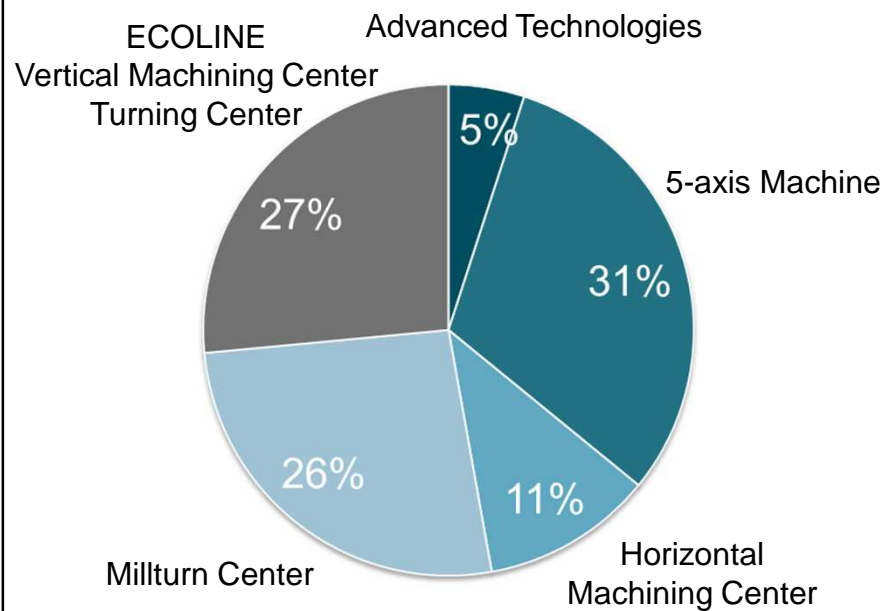


* Value basis

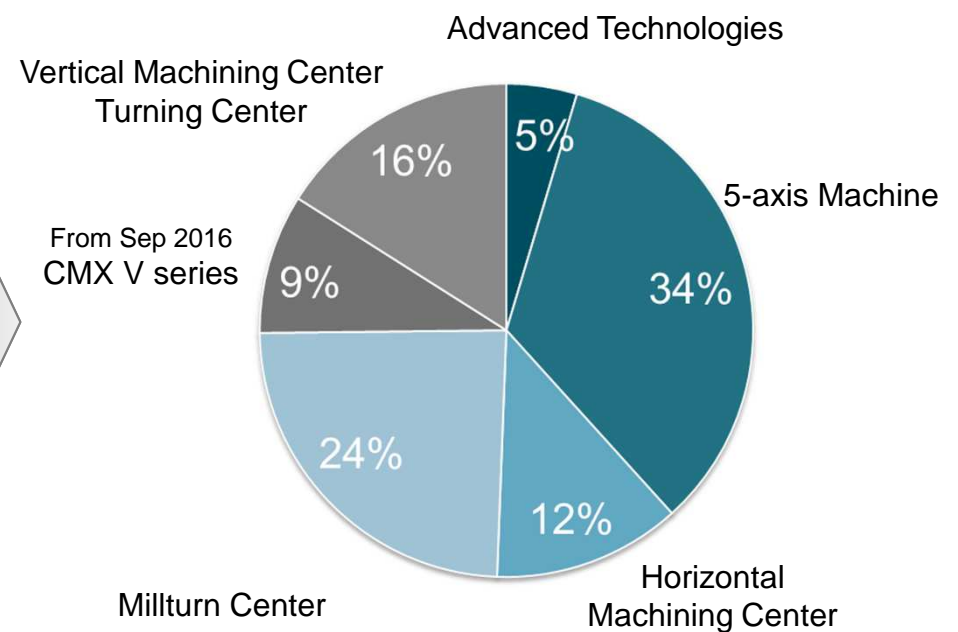
* Machine body only

Order Composition (by Product type)

Jan – Dec 2015



Jan – Sep 2016



* Value basis
* Machine body only

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Major exhibitions in 2nd half of 2016

- Strong Introduction to global markets

➤ Technology Cycles, CELOS + Industry 4.0, Systems solution



Sep 13 – 17
(Stuttgart, Germany)



IMTS2016

Sep.12 - 17
(Chicago, USA)



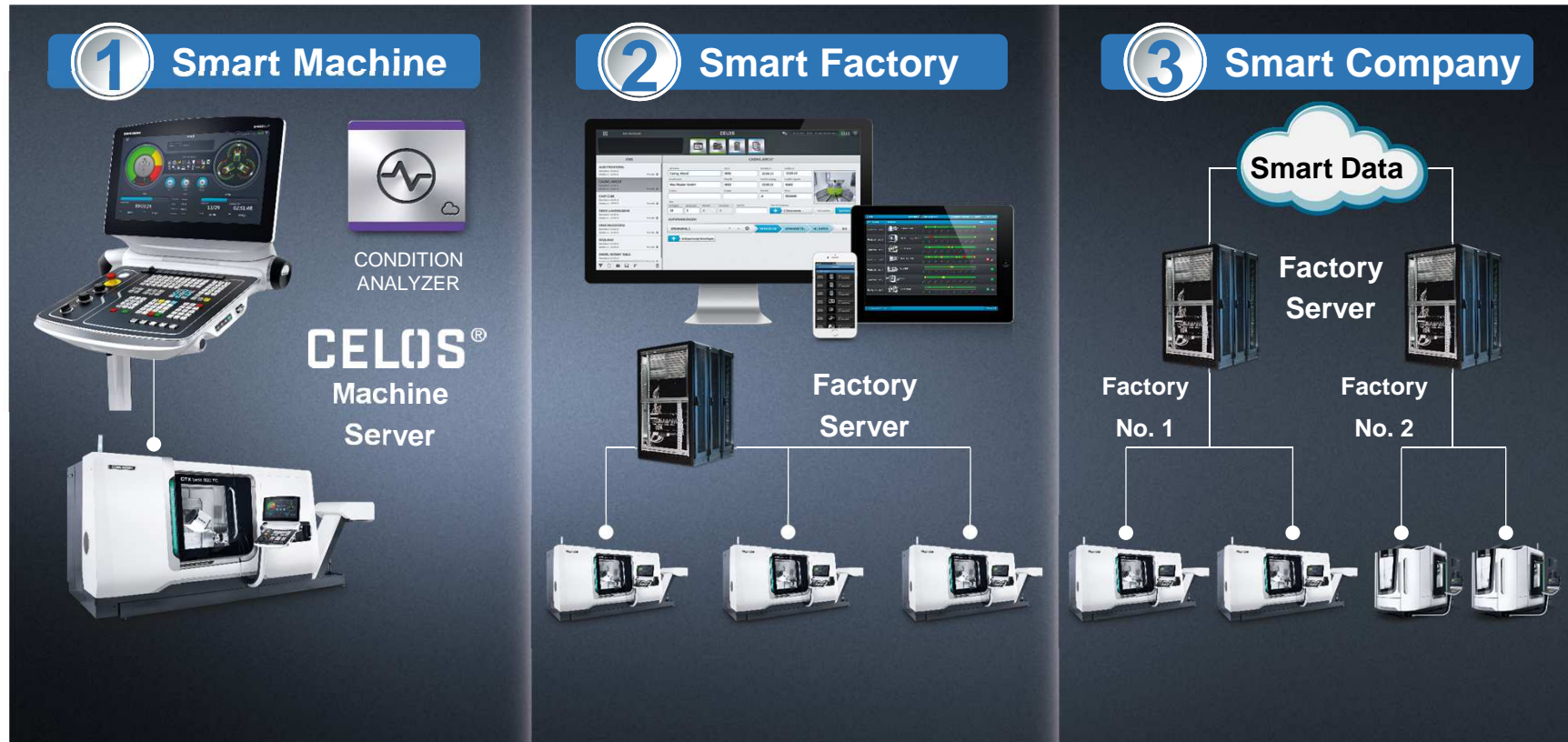
Oct 4 -8 BIMU
(Milano, Italy)



Nov 17-22 JIMTOF
(Tokyo, Japan)

Cooperation with Microsoft Japan

- Make the infrastructure for IoT era with Cloud technology



Expansion of Data Volume

DMG MORI

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 **Microsoft**

Challenge to Motor Racing

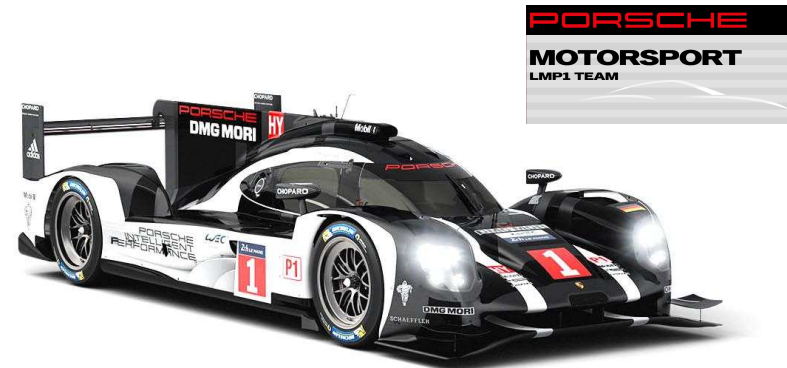
- Partnership with TOYOTA Motors

Leading companies in Automotive Industry



WRC
FIA WORLD RALLY
CHAMPIONSHIP

2017 onwards

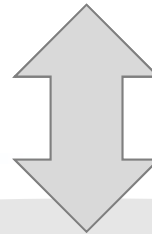


WEC
FIA WORLD ENDURANCE
CHAMPIONSHIP

Since 2014

Technological Support

Data collected under
tough conditions



DMG MORI

Software solutions

Strong tie with
automotive industry

Know-how of critical
components for auto

Data
Accumulation

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.