Dear Investors

We announced our financial results for the 3rd quarter of the financial year 2016 on November 7th.

On August 24th, Domination, Profit and Loss Transfer Agreement between DMG MORI CO (hereafter CO) and DMG MORI AG (hereafter AG) became effective. Now, CO and AG are fully integrated as a group in both operation and finance. Taking this opportunity, we plan to clean up negative legacies from the past in order to attain more operational efficiency. As a result, around JPY 13bn of one-off expenses are expected to be incurred in the current financial year, and we have revised our previous forecast to downwards.

In the coming 2017 financial year, we expect to improve our profit with cost reduction effect after the clean-ups in the current year, and with improved performance in our US subsidiary. We will also put our efforts on strengthening our balance sheet by cash generation, as our capital expenditure has already peaked out, and by improvement in profitability.

Agenda

・Management analysis

・Selected questions and answers

Management analysis

In the current financial year, we have been considering a resolute management decision to clean up some negative legacies from the past, which ensures profit recovery from the next year and Balance Sheet improvement.

＜Domination, Profit and Loss Transfer Agreement comes into effect＞

DMG MORI CO acquired 52.54% stake (50% voting right) in our German group company, DMG MORI AG and put it in the scope of group consolidation in April 2015. Although AG was under consolidation for the purpose of financial reporting, it was still difficult for our company to directly control AG both operationally and financially under the German governance regulations, which delayed optimization of management resources. Therefore, we have increased our stake in AG to 76.03% in April 2016. At the same time, we concluded a “Domination, Profit and Loss Transfer Agreement”, which enables us to control AG both operationally and financially. The DPLTA became effective on August 24th, 2016.

＜One-off effect by the clean-up of negative legacies following the full-integration with AG＞

We have been considering the following big decisions in order to utilize operational resources of the entire group more efficiently after the full integration with AG.

First, we have decided to re-organize our global production capacity, following the exit from our middle-class product ecoLine series, and in order to respond more flexibly to the fluctuation of foreign exchanges. We already announced that our Chiba factory (Japan), where we produced ecoLines, was merged into our main factory Iga (Japan). AG has also decided to close the Shanghai factory (China). In addition, CO are considering to close DIXI (CH), which we originally acquired in order to obtain high precision technology, as we thought its role already ended. Other than that, we are considering to sell Tobler (France), a company that manufactured components of machine tools.

Second, we have decided that we will concentrate on our machine tool and manufacturing solution businesses. AG entered into the energy business such as solar power in 2006, and they have struggled to make a profit in that business for years. In our core business, there is a growing demand for improving our ability to offer solutions to enhance productivity of customers, in addition to the existing demand for improvement of hardware quality. To this end, we think it is important to develop easy-to-use Human Machine Interface, Automation Systems, Technology Cycles (application software) which make processes such as handling, machining, measurement, and monitoring more efficient, and to shift to Digital Factory (IoT/Industry4.0) where we collect and analyze information on manufacturing and utilize it for improving productivity. To achieve this, our company has strengthened its direct sales organization in the US and Europe, recruits more application engineers on a global basis, partners with peripheral equipment makers, and promotes technology collaboration with Micorosoft Japan. To concentrate our management resources in the above mentioned areas, we are considering to exit from the Energy Solution business.

Third, we have decided to reduce indirect costs overlapping with those of AG. It was urgent to reduce the overlapping marketing expenses on exhibitions and private shows. We will also close redundant group companies. Moreover, we have streamlined reporting lines at the middle and higher management levels.

To clean up the negative legacies mentioned so far, we expect to post around JPY 13bn one-off expenses in financial year 2016.

＜Financial forecast for year 2016＞

We revised our forecast for December 2016 period significantly to downwards due to JPY appreciation, decreased turnover associated with a product line switch from ecoLine to CMX series to better serve customers' needs, and one-off expenses arising from clean-ups. Sales revenue will decrease to JPY 370bn against previously forecasted JPY 410bn, operating profit will decrease to JPY 15bn before one-off expenses, or to JPY 2bn inclusive of one-off expenses, against JPY25bn original forecast. Net income attributable to shareholders will be JPY 8bn loss against the previous forecast of JPY 14.5bn.

With regard to Net Debt, the balance was JPY 169.4bn at the end of September. We plan to improve our cash flow in the 4th quarter (Oct- Dec) by seasonal factor, and with those measures such as acceleration of cashing of receivables, reduction of inventories, increasing receipt of advanced payments from customers. With those measures, we plan to reduce Net Debt balance to below JPY 150bn at the end of December 2016.

＜Operational prospects after 2017＞

The challenging environment is expected to continue in our industry in 2017. VDW/Oxford, who publishes the outlook of machine tool consumptions, predicts 2.1% increase in EUR basis, which equals to 4.8% decrease in JPY basis (exchanged in EUR/JPY 110) of the global machine tool consumption in 2017 compared to this year. As for our company, even under such rather tough environment, we will realize JPY 10bn profit improvement against the current year, which comprises of JPY 6.5bn cost savings from planned clean-ups in the current year and JPY 3.5bn improvement in US operation. The US subsidiary is currently performing with increased order intake in year-on-year basis, together with increased market shares, thanks to the fact that the direct sales has been stabilized and solution providing sales start to make fruits. The US subsidiary will turn to be in black figure from the 4th quarter this year, and we are confident that they will make profit throughout the next year.

We will strengthen our financial structure, mainly with Net Debt reduction, by generating cash flow from increased profit, controlling capital expenditures at appropriate level, and improvement in working capital management. With regard to capital expenditures, while depreciation & amortization expenses will be at around JPY 17bn, we will save the new investments to between JPY 10bn and 12bn, thereby to recover cash. As for working capital, the reduction in work-in-progress and raw materials following the closure of three factories, the reduction of variety in components by standardization of parts, and increased receipt of advanced payments, will lead to the enhancement of working capital management.

We believe we are well advanced in the industry compared to the competition whereby a wider range of operational resources will be required to support the customers' productivity. Until 2020, we will put increased efforts into strengthening these operational resources, rather than seeking sales revenue growth, and hence focus on employee education and the improvement of operational efficiency. Altogether, we will increase our enterprise value with enhanced profitability and with healthier balance sheet.

Selected questions and answers

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Selected questions and answers

＜One-off expenses associated with negative legacy from the past＞

Q:Why have the one-off expenses become larger than that of previously expected? Do you expect additional expenses in the next financial year and onwards?

A:Following the registration of the DPLTA in August, it has become easier for Dr. Mori to implement his management decisions throughout the group, and we accelerated such measures as optimization of worldwide production capacity, concentration of resources in our core-business of machine tools, or reduction of indirect costs. One-off expenses are expected to reach around JPY 13 billion under the management decision to clean up negative legacies from the past in the current financial year. In particular, the factors which become larger than previously expected are the exit from the Energy Solutions business and over-lapping marketing expenses. Such clean-up will happen only in this year, and from next year, cost reduction effect will significantly emerge.

Q : How will such one-off expenses be allocated between the 3rd quarter and the 4th quarter? What is the impact on Cash Flows?

A : The impact from one-off expenses are estimated to be JPY700million in Q3 and the remaining JPY 12.3bn in Q4. The expenses became larger, especially on the AG side, with closure of the Shanghai factory and exit from the Energy Solution business, etc. With regard to the impact on Cash Flows, only one-third of one-off expenses will involve the actual cash outflow, and the rest will be non-cash items.

Q:What will be the positive effect in the following year after one-off expenses?

A:The effect form closure of factories will certainly appear in the savings of personnel cost, facility costs, and logistics cost. In addition, reduction of marketing expenses and other administrative expenses is almost certain. Together, these factors will improve profits by JPY 6.5bn. In addition to these effects, our US business with expected JPY 3.5bn red figures in the current year will turn to the black figure in the next year. We expect around JPY 10bn improvement in profit next year from all these factors.

Table : 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**

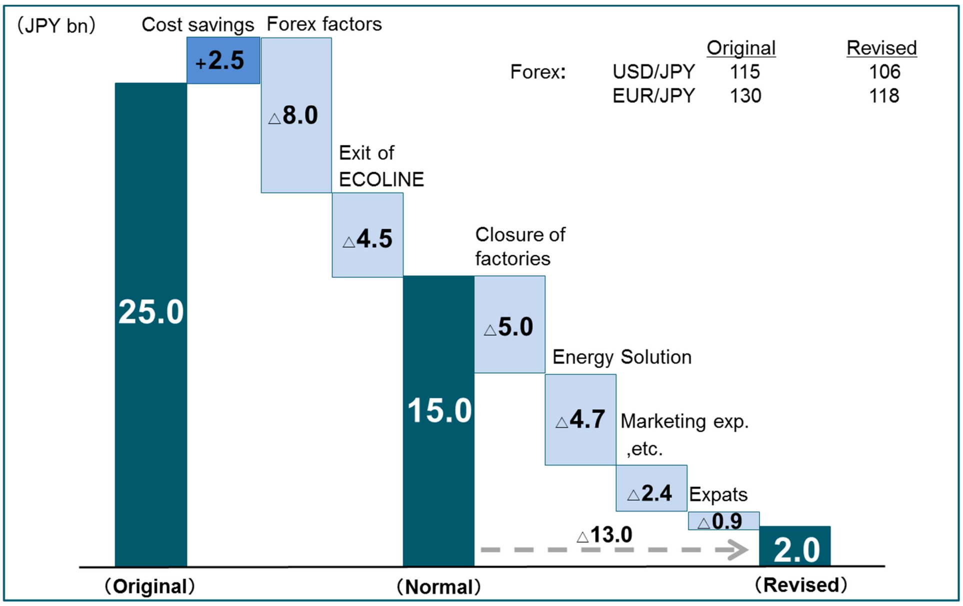
＜Profitability and finance matters＞

Q: Profit and loss analysis for CY2016 for revised forecast? (in comparison with previous forecast and with CY2015, respectively)

A：Previously, we forecasted sales revenue of JPY 410bn and operating profit of JPY 25bn for CY2016, with assumed exchange rates of USD/JPY 115 and EUR/JPY 130. This time, we revised the exchange rates assumption to USD/JPY 100 and EUR/JPY 110 in 4Q, and therefore average rates of USD/JPY 106 and EUR/JPY 118 respectively for the year. Consequently, we revised our forecast as follows: sales revenue to JPY 370bn, operating profit to JPY 15bn before one-off expenses, and operating profit to JPY 2bn inclusive of one-off expenses.

(1) Comparison with previous forecast: Operating profit before one-off expenses will decrease to JPY 15bn from JPY 25bn. We expect cost savings of JPY 2.5bn as positive factor, and as negative factors, JPY 8bn from exchange rate effect, JPY 4.5bn from the sales scale decrease associated with change of product line. The net negative impact of these effects will be JPY 10bn. The breakdown of one-off expenses are: closure of factories for JPY 5bn, exit from the Energy business which was operated by AG for JPY 4.7bn, re-alignment of marketing expenses for JPY 2.4bn and reduction of redundant subsidiaries and middle management for JPY 0.9bn. There items total to JPY 13bn. After deducting these one-off expenses, the operating profit will be JPY 2bn.

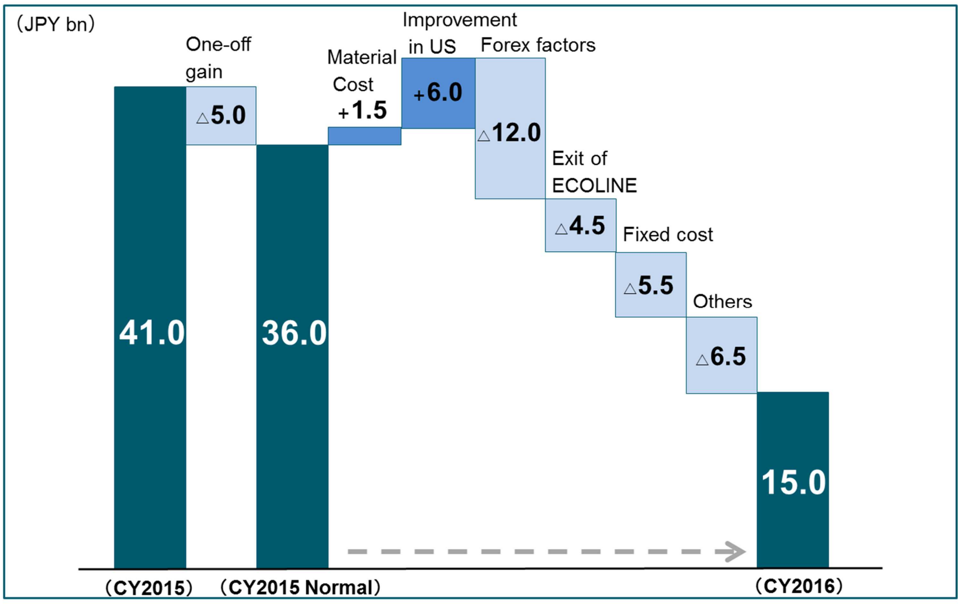
Figure：CY2016 Profit & Loss analysis - Original vs. Revised



(2) Comparison with CY2015: Operating profit will decrease by JPY 39bn to JPY 2bn in CY2016 from JPY 41bn in 2015. As for positive factors, we expect JPY 1.5bn from cost savings and JPY 6bn from the improvement in the US operation. On the other hand, we expect such negative factors as JPY 12bn of exchange rates, JPY 4.5bn of sales volume effect associated with product line change, JPY 5.5bn of other fixed costs increase, JPY 6.5bn of other factors (e.g. increase in depreciation and amortization from Purchase Price Allocation arising from consolidation of AG, deconsolidation of a

leasing company), JPY 13bn of one-off expenses and diminishing of JPY 5bn one-off gain in the previous year. These negative factors total to JPY 46.5bn.

Figure : CY2016 Profit & Loss analysis - CY2015 vs. CY2016



Q : What are the reasons that shareholders' equity has shrunk? How about the equity nature of perpetual subordinated loan?

A : We retain sufficient shareholders' equity at both entities, CO and AG. It is due to the accounting treatment that our consolidated shareholders' equity has shrunk. In consolidation basis, when we acquire additional shares in another entity after consolidation, it is required to deduct the difference between acquisition cost and the proportionate equity of the acquired entity from the equity. In the following, we explain the impacts on our equity chronologically: initial consolidation of AG in April 2015, purchase of additional shares in AG, and the accounting treatment of deemed acquisition of remaining AG shares associated with DPLTA.

(1) Initial consolidation of AG in April 2015: We acquired 50.0% of AG stake (voting rights basis) and put AG under the consolidation. At the initial consolidation, we recognize the goodwill of JPY 72.2bn from the difference between the acquisition cost of AG shares, JPY 170.9bn (market value) and the proportionate net assets of AG.

(2) After initial consolidation to April 2016: Following initial consolidation of AG in April 2015, we acquired additional shares in AG, and our stake reached to 76% as of April 2016. The additionally acquired stake during the period was 26%. The difference between the corresponding acquisition cost of JPY 90.2bn and the proportionate net assets of AG amounted to JPY 45.5bn, and it was deducted from equity.

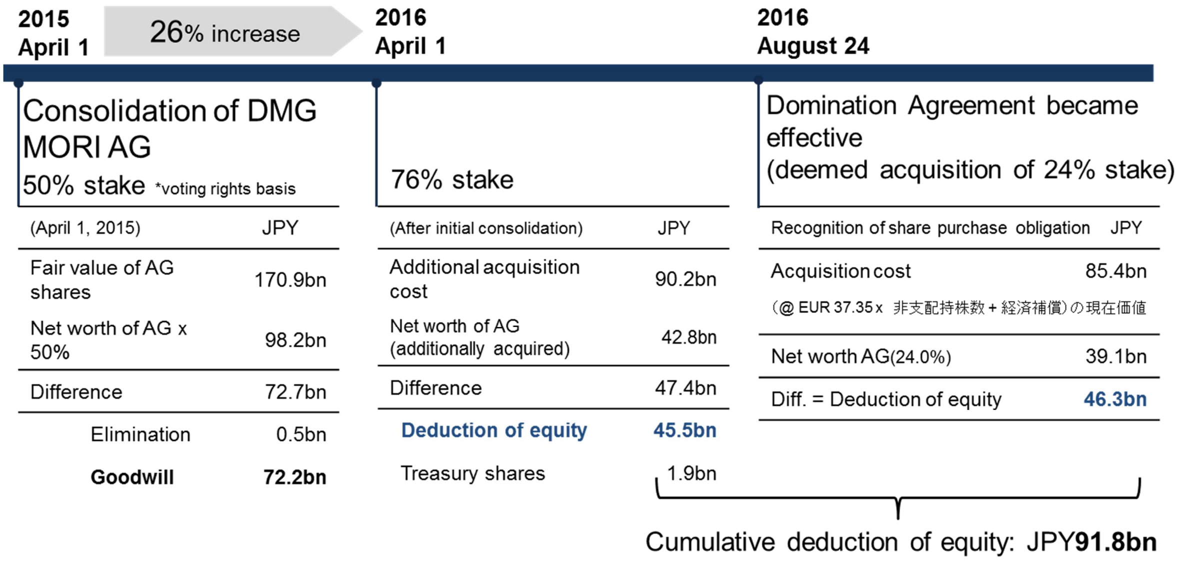
(3) DPLTA became effective on August 24, 2016: The entry of the DPLTA requires the recognition of obligation to purchase the remaining 24% of non-controlling interests' stake of AG. The obligation amount is calculated based on the offering price of EUR 37.35 per share, which is mentioned in the DPLTA, and totals to JPY 74.7bn. In addition, the present value of future economic compensation to non-controlling interests is added to the obligation amount. Consequently, the total amount of the obligation is calculated to be JPY 85.4bn. The difference between this amount

(JPY 85.4bn) and the proportionate net assets of AG (24% of non-controlling interest) amounts to JPY 46.3bn, which is again deducted from shareholders equity.

As a result, JPY 91.8bn in total was deducted from equity due to above mentioned (2) and (3).

In order to compensate the decline in shareholders' equity as explained above, we financed JPY 50bn with perpetual subordinated loan and bonds. Under IFRS, only perpetual subordinated instruments are permitted to be recognized as equity.

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



Q :What is the target as to financial stability? When do you intend to achieve it?

A : The priority is repayment of debt and strengthening of equity. We think Net Debt/Equity ratio and shareholders' equity ratio are important indicators. Our current target will be less than 0.5 in Net Debt/Equity Ratio, and more than 40% in shareholders' equity ratio, respectively. Although it depends on the market conditions, we think we are able to achieve these targets by around 2020.

Q :How about cash flows for the next year?

A : We expect that market demand will remain stagnant. Nevertheless, we expect significant improvement in profit next year, because we are optimizing our operational resources in the current year. We will save capital expenditures and therefore will be able to secure a Free Cash Flow of around JPY 15bn after dividend payout. At present, we focus on collection of receivables, reduction of inventories by standardization of components, and collection of advanced payments from customers to increase our ability to generate Cash Flows.

Q :DMG MORI was free of debt 10 years ago. Don't you have any risk with the current financial position?

A: The reduction of debt is, of course, one of our priorities. However, we do not think it as major financial risk. The debt reached its peak in the 3rd quarter, and then it will gradually decrease. We do not plan a further acquisition of AG shares in the near future, and capital expenditure has already peaked out and hence, we will save cash outflow. On the other hand, our profitability will recover in the next year, including cost saving from clean-up of negative legacies. Therefore, we expect to generate sufficient positive Free Cash Flow in the next year onwards, which we will utilize for the repayment of debt.

Q: What is the composition of net interest bearing debt and its repayment schedule?

A: We expect a net debt balance of less than JPY 150bn, at the end of 2016. The net debt balance is composed of JPY 50bn of corporate bonds and JPY 100bn of long-term bank loan. As for corporate bonds, the first due date is scheduled in June 2017 for JPY 20bn, followed by due dates in 2019 and 2021. As for the long-term bank loan, we make repayment of around JPY 20bn every year, which comprises interest and principal. We have a commitment line with banks and we maintain credit rating of A-, from Japanese corporate rating agency R&I, and therefore, we are confident of little risk on the repayments.

＜Market demand or responsiveness to market needs＞

Q: How is the global market environment?

A: The Japanese market is the most challenging with a two digit decline in year-on-year basis. The government subsidies lost their effect in a short period of time. The US market seems to be in the middle of adjustments. Yet, further worsening is unlikely so far. As far as our group is concerned, the effect from direct sales has become visible and, despite JPY appreciation, the order intake in JPY terms increased on year-on-year basis. As for European markets, although the German market saw a slight decline, other markets such as France, Italy, and Spain are performing better, and we observe an overall positive developments in this region. Chinese market and other Asian and Oceania markets already hit the bottom, but remain low, and the recovery is not foreseeable. Among them, Taiwan, Vietnam, and Australia are performing relatively well.

Q: Attention to DMG MORI seems increasing in relation to IoT. How are you positioned with your company?

A: IoT is a means to make stakeholders happy, and the introduction of IoT itself is not the objective. The goal of IoT is improving the efficiency of users' manufacturing process. To achieve this end, in addition to the performance and quality of the machines, a wide range of operational resources is required such as establishment of the Value Chain including peripherals, development of software to link such systems, design of Human Machine Interface for customers, collection, analysis and protection of data. The collaboration with Microsoft Japan provides us a basis to offer such resources to customers, and at this point, we are confident that we are well advanced as to any other player in the machine tool industry. FANUC Corp. also seems to be heading to IoT. The fact that FANUC selected us as a Total Solution Provider together with Hitachi Ltd. and Fujitsu Ltd. shows that our competitive edge is well recognized in the market.

Q: In the last ten years, how has the machine tool industry or DMG MORI changed?

A: Compared to 10 years ago, the concept of our revenue sources and operational resources have dramatically changed. Ten years ago, we competed in hardware technology, precision, durability, and machining speed. Today, it is completely different; we are a Machining Solution Provider who supports the customers' productivity. To achieve this, we shifted to direct sales and enhanced our ability to develop software internally. As part of our response to IoT/Industry4.0, we promote "Open Innovation" to connect machine tools with peripherals, and develop engineering software. We believe that our competitive advantage is significant in terms of operational resources and the speed of response to our customers' demand.

Q:What is the driver to respond to changes in market needs?

A: We think that quick management decisions and the determination of the president, despite shareholders' concerns, have worked out positively. Of course, we have been taking our shareholders' opinions into consideration, who support us for the mid- to long-term with deep understanding of our industry and our company. Our management pursues sustainable growth with a strong will. We think this is a driving force to differentiate ourselves from our peers.

Q:We understand that the machine tool industry is highly cyclical. Is it possible for you to overcome such cyclicality?

A: It may take time to fully overcome such cyclicality due to the fact that the market demand is highly affected by macro-economic conditions, and that the industry is still fragmented and competition intensified during the market downturn. Yet, following the collaboration with AG, the customers' geographic location and industry became more diverse. Moreover, thanks to better information management of demand cases through direct sales, we can take appropriate actions against demand fluctuations worldwide. As a result, we have significantly lessened the volatilities in our order intake compared to before. We think we are in the position to grow our market share going forward. Therefore we intend to absorb the cyclicality by increasing our market share.

Q:3D printing technology is attracting public attention again. Are there any major impacts on the machine tool industry?

A: We think that Additive Manufacturing and traditional Subtractive Manufacturing can exist in parallel, and therefore, the negative impact on our industry will not be significant. We understand that Additive Manufacturing is suitable for producing a complex shaped piece, small quantity production such as prototyping, or repairs of expensive parts. We also manufacture and sell additive manufacturing products and accumulate our experiences in the area. The 3D printing technology in metals is yet to be established, and no single maker dominates the market. We have been devoting sufficient resources in the area to become the market leader.

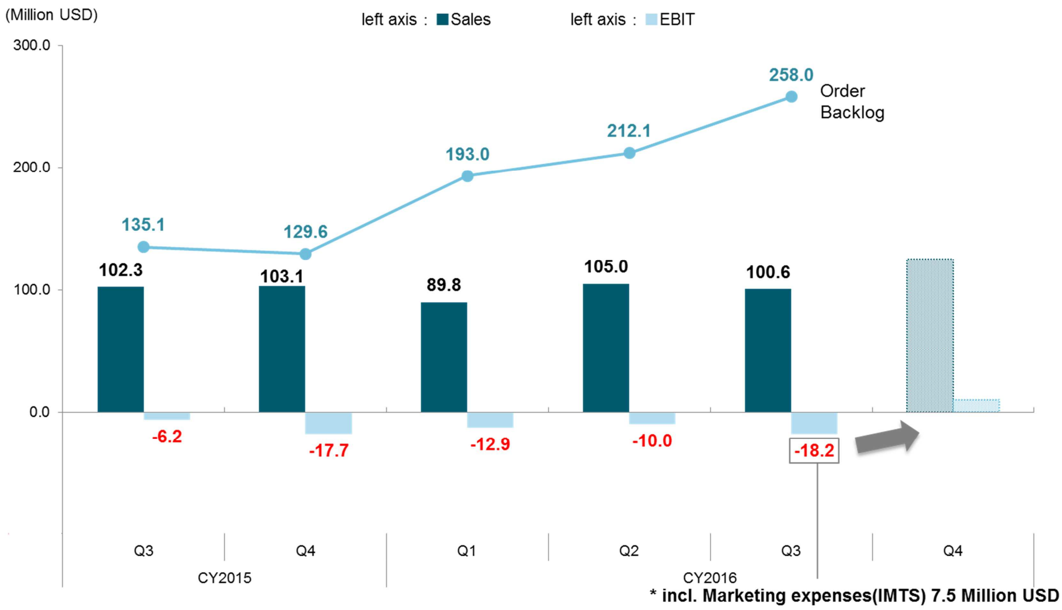
＜Others ＞

Q:What made it possible for DMG MORI to establish the direct sales organization in the US so quickly? How is the current order intake and financial performance in the region?

A: One reason is that we recruited many sales representatives and service engineers from former distributors who desire to continue to work with our high technology and value-added products. The other factor is that, we appointed Dr.

Thorsten Schmidt, for top management in the US who has experience in managing direct sales in Europe. He implements the PDCA cycles efficiently from the setting to fulfilling the targets. Although the US demand is slightly negative in a year-on-year basis, our order intake in the US from Jan to Sep increased, even in JPY terms, compared to the same period last year. Our US group saw a decline in sales and made a loss in the first half of this year due to an order decline in the period just after the termination of a major distributor in September 2015. We believe that the US subsidiary will make profits in 2017 for the whole year, judging from the fact that it will become profitable in the 4th quarter of 2016.

Figure : Turn around to black figure of the US subsidiary



Q :What is the governance structure?

A : The board is composed of 8 directors and three auditors. Among them, two directors and two auditors are external. External directors/ auditors have extensive experiences in production, technology or finance, and their opinions are properly communicated in the board meeting. In the next Annual General Meeting, we consider to propose the appointment of one additional external director, to strengthen our corporate governance.

Q :How do you think investors view DMG MORI?

A : We understand that our strategy is highly appreciated: economies of scale from integration with AG, the ability of product development, quality of products, the solution offering including peripherals and engineering applications, direct sales organization to implement such measures. Yet, it seems that the capital market regards the following as uncertainties: the demand for machine tools in the adjusting period, the relatively large impact from the currency fluctuations on our performance, and unrecognized mechanism of decline in equity by the acquisition of additional AG shares. In order to remove these risk factors and gain the confidence of investors, we think it is the most important to achieve the announced figures, and we intend to realize it in the next year.

(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.