

# DMG MORI CO., LTD. FY 2016 (Jan.- Dec.) Result IR Conference



IR Conference  
2017/2/10

# Agenda

- 1) Focal points of DMG MORI
- 2) FY2016 Financials
- 3) Business Environment
- 4) Topics from DMG MORI group

# Key message

- ✓ Our order intake showed stability in 2016 (YoY - 4.4% in JPY basis, +6.9% in EUR basis)
- ✓ Operating margin in Q4 reached 8.8% in normal basis
- ✓ Adjustments of overlapping resources completed, following Domination Agreement 2017 to be turning point to profit improvement
- ✓ US subsidiary turned around in Q4
- ✓ Cash Flow became positive in FY2016  
Dividend per share will be raised to JPY 30.0 for 2017 (2016: JPY 26.0/share)

# History of cooperation with DMG MORI AG

## CY2015

**Apr: Consolidation of AG**

- IFRS adoption/ 9 months closing
- Gain from step acquisition
- Purchase Price Allocation
- Direct sales in the US

➤ **No more complicated accounting treatments after 2016**

- ✓ 2009 Commencement of cooperation
- ✓ 2011 Equity method
- ✓ 2015 Consolidation
- ✓ 2016 Domination Agreement and full integration  
Adjustments of overlapping resources & non-core businesses

## CY2016

**Apr: 76% stake in AG  
Aug: Domination Agreement**

- Adjustments of overlapping resources & non-core businesses for JPY 14.3bn
- Obligation of share purchase in AG
- Grow as Machining Solution Provider (CELOS/ Technology Cycles)
- Launch of CMX V series

## CY2017~

- Performance evaluation
- Net Debt reduction
- Skills evaluation as Total Solution Provider
- Support for Smart Factory

➤ **Real performance (comparability)**

# Adjustments of non-core businesses in the course of full-integration in FY2016

(JPY bn)

	Status	2016 Cost	2017 Effect
<b>Factory closures</b>			
Chiba (JP)	<ul style="list-style-type: none"> <li>Integrated to Iga plant</li> <li>Sold land and buildings (JPY4.8bn)</li> </ul>		
Shanghai	<ul style="list-style-type: none"> <li>Terminated production in Dec 2016</li> <li>Converted existing building to Solution Center</li> </ul>	-5.5	+3.0
DIXI (CH)	<ul style="list-style-type: none"> <li>Terminated production</li> <li>Assets fully depreciated (Sold a part of assets)</li> </ul>		
TOBLER (FR)	<ul style="list-style-type: none"> <li>Sold shares</li> </ul>		
<b>Energy Solution</b>	<ul style="list-style-type: none"> <li>Business sold /Remaining assets fully impaired</li> </ul>	-4.7	+0.4
<b>Marketing expenses etc</b>	<ul style="list-style-type: none"> <li>Terminated contract with agent</li> </ul>	-2.6	+2.1
<b>Others</b>	<ul style="list-style-type: none"> <li>Completed the reduction of middle management</li> </ul>	-1.5	+1.0
	<b>Subtotal</b>	<b>-14.3</b>	<b>+6.5</b>
<b>Turnaround of US sub.</b>	<ul style="list-style-type: none"> <li>Black figure in 2016 Q4. 2017 full-year profit</li> </ul>		+3.5
	<b>Total</b>		<b>+10.0</b>

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1) Focal points of DMG MORI

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4) Topics from DMG MORI group

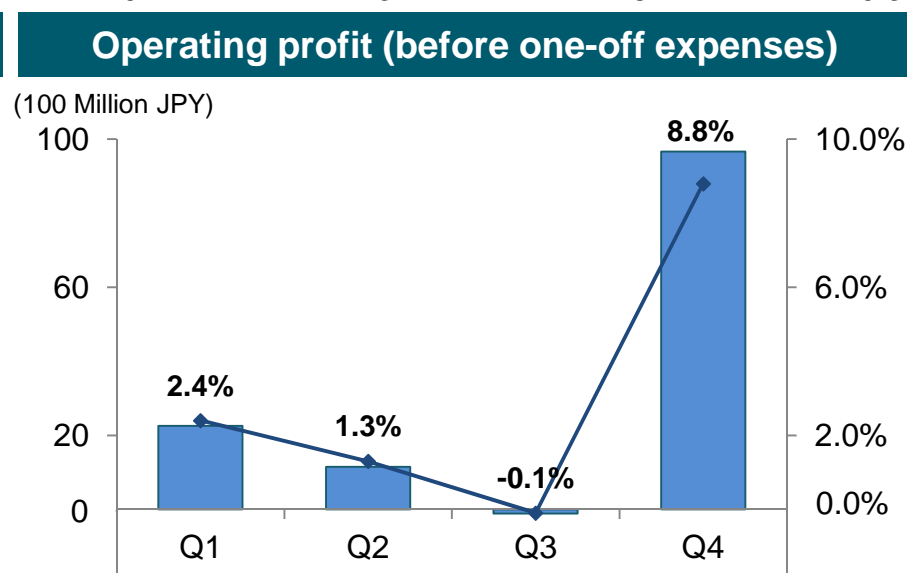
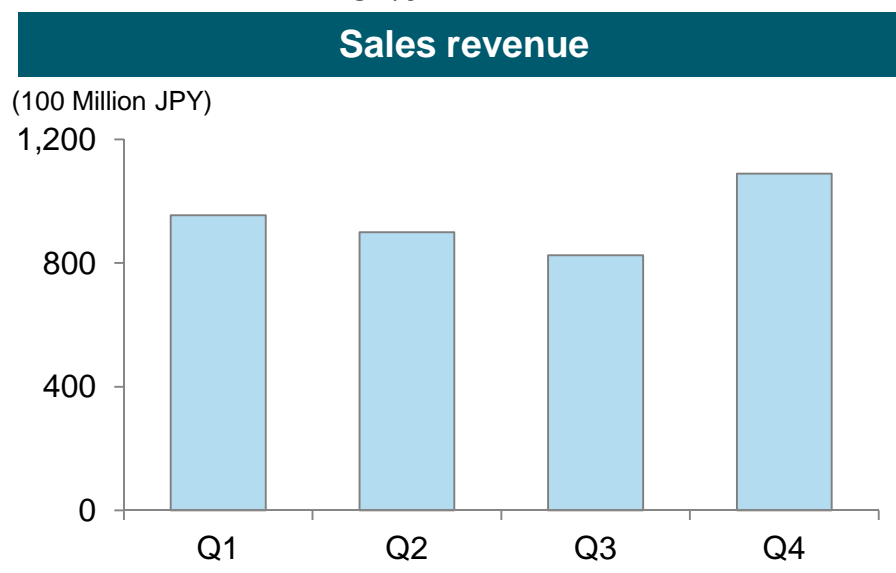
# Income statement

## - 2016 result and 2017 forecast

Jan - Dec (100 Million JPY)	2015 Pro Forma	2016 Actual	Change (%)	2017 Forecast	Change (%)
<b>Sales revenue</b>	4,284	<b>3,766</b>	-12.1%	<b>3,800</b>	+0.9%
<b>Operating profit (before one-off items)</b>	360	<b>130</b>	-63.9%	<b>220</b>	+69.2%
(%)	8.4%	3.5%		5.8%	
<b>One-off expenses/ gain</b>	+51	<b>-110</b>		-	
<b>Operating profit</b>	411	<b>20</b>	-95.1%	<b>220</b>	
(%)	9.6%	0.5%		5.8%	
<b>Finance cost</b>	<b>-21</b>	<b>-32</b>		<b>-40</b>	
<b>(thereof, economic compensation from DA)</b>		<b>(-7)</b>		<b>(-20)</b>	
<b>Net profit</b>	<b>358</b>	<b>-57</b>	-	<b>120</b>	
Attributable to shareholders	324	<b>-78</b>		<b>110</b>	
Attributable to non-controlling interest	34	<b>21</b>		<b>10</b>	
Dividends per share (JPY)	26.0	26.0		30.0	
D&A	146	170		170	
Capex	266	152		100	
(Exchange rate) USD/JPY	121.1	108.9		110.0	
EUR/JPY	134.3	120.3		120.0	

# 2016 Income statement summary (Quarterly basis)

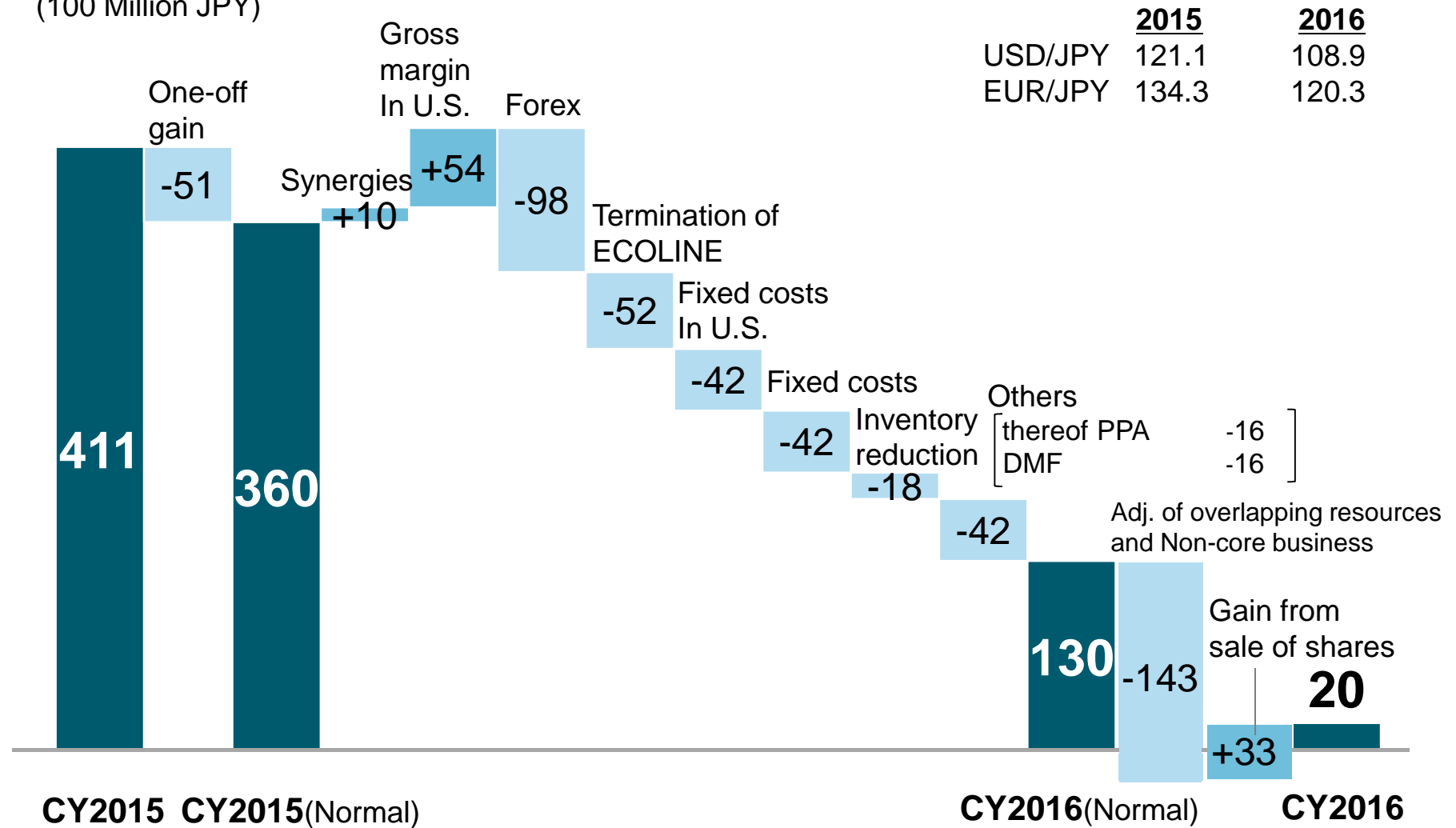
2016 (100 Million JPY)	Q1	Q2	Q3	Q4	CY Total
<b>Sales revenue</b>	<b>954</b>	<b>899</b>	<b>824</b>	<b>1,089</b>	<b>3,766</b>
<b>Operating profit (before one-off items)</b>	<b>23</b>	<b>12</b>	<b>-1</b>	<b>96</b>	<b>130</b>
(%)	2.4%	1.3%	-0.1%	8.8%	3.5%
<b>One-off expenses/ gain</b>	-	-	-7	-103	-110
<b>Operating profit</b>	<b>23</b>	<b>12</b>	<b>-8</b>	<b>-6</b>	<b>20</b>
(%)	2.4%	1.3%	-1.0%	-0.6%	0.5%
(Exchange rate) USD/JPY	115.5	108.2	102.4	109.3	108.9
EUR/JPY	127.2	122.0	114.3	117.8	120.3





# CY2016 Operating profit analysis -vs. CY2015

(100 Million JPY)

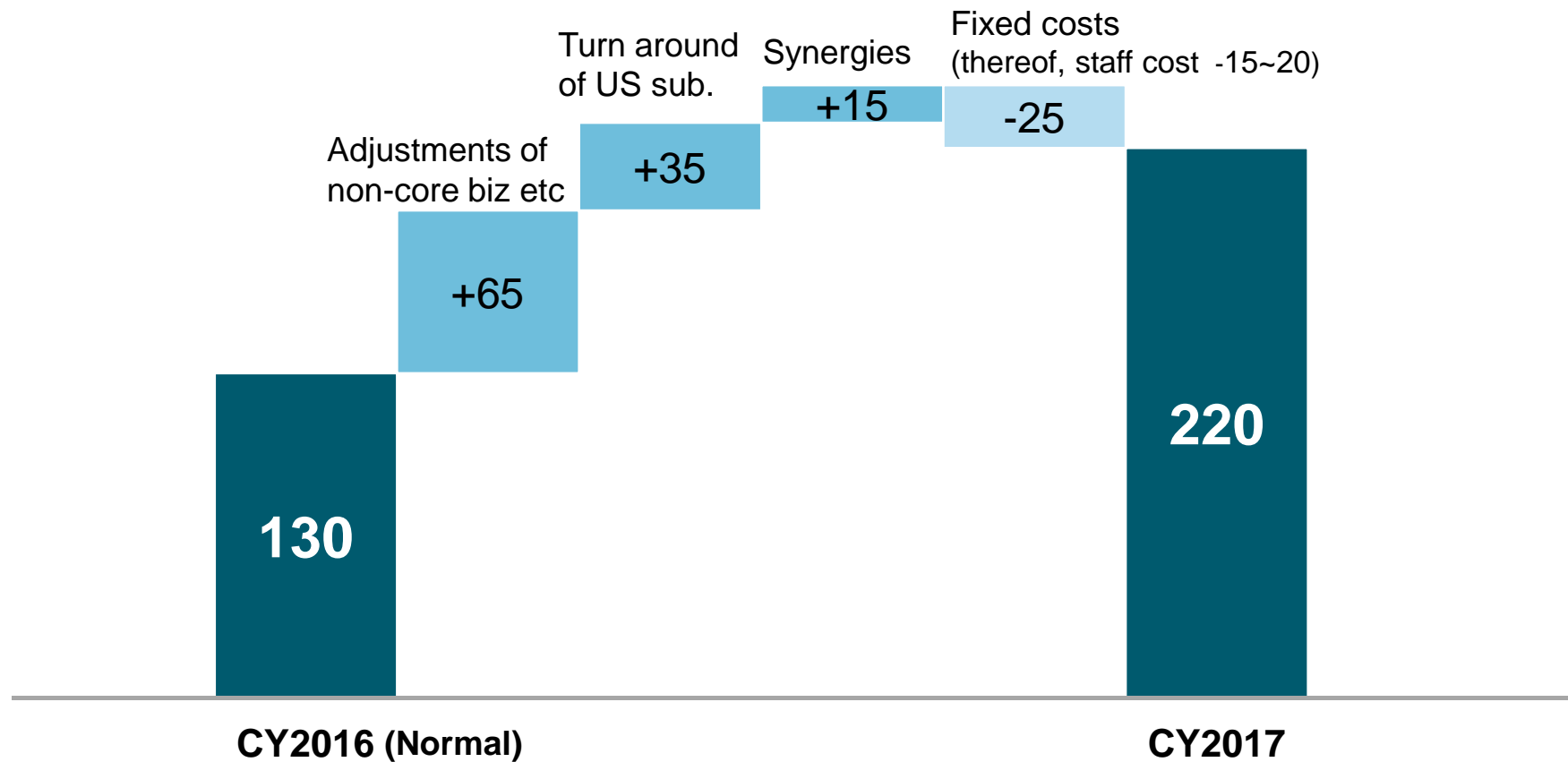


	<u>2015</u>	<u>2016</u>
USD/JPY	121.1	108.9
EUR/JPY	134.3	120.3

# CY2017 Operating profit bridge -vs. CY2016

(100 Million JPY)

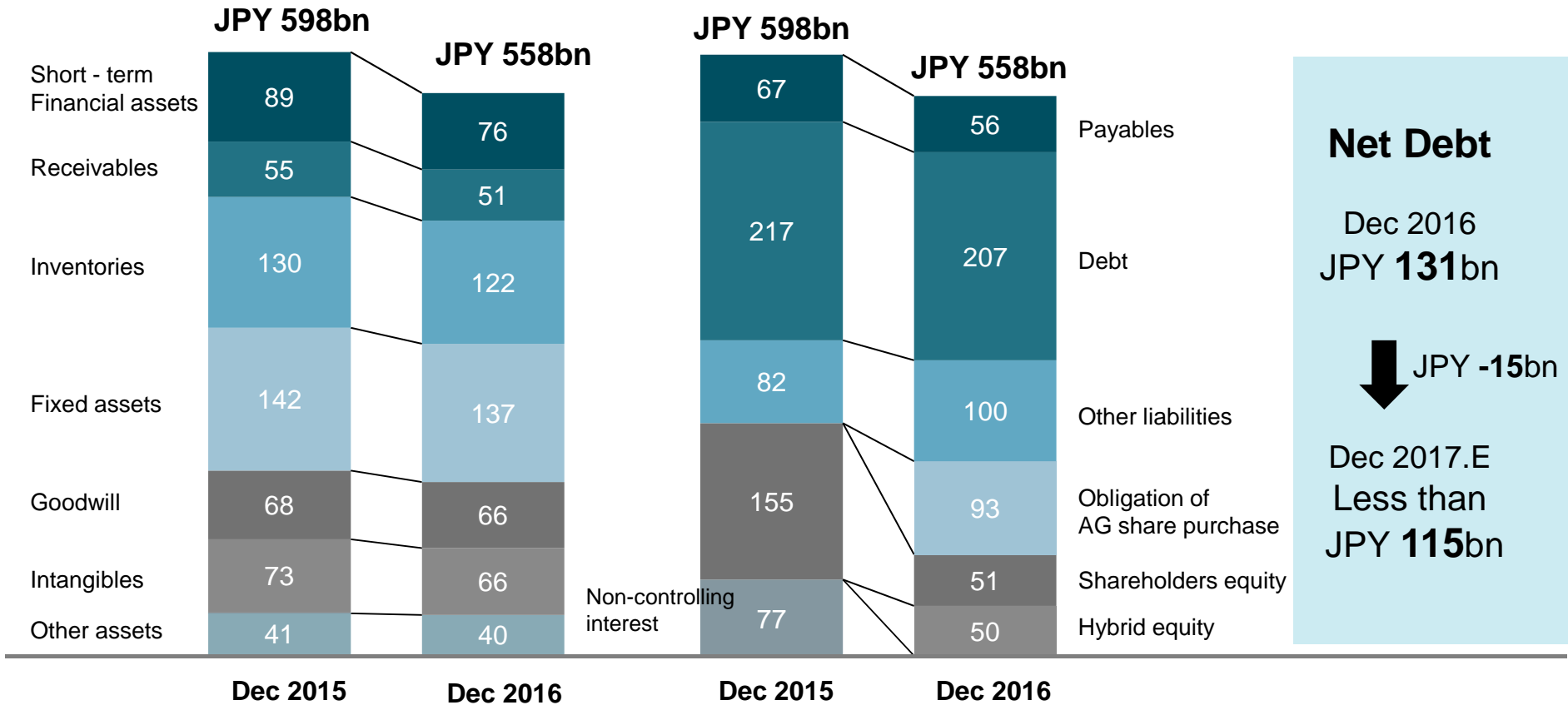
	<u>2016</u>	<u>2017</u>
USD/JPY	108.9	110.0
EUR/JPY	120.3	120.0



# Financial position

## Assets

## Liabilities & Equity



# Selected items from Balance Sheet

(JPY bn)	2015	2016	
	Dec 31	Sep 30	Dec 31
<b>Assets</b>			
Short-term financial assets	89.1	39.4	76.0
Working Capital	99.5	106.6	90.6
(thereof, advance payments)	18.8	22.8	26.7
<b>Liabilities &amp; Equity</b>			
Net Debt	127.8	162.8	130.8
Shareholders equity	155.3	99.9	100.4

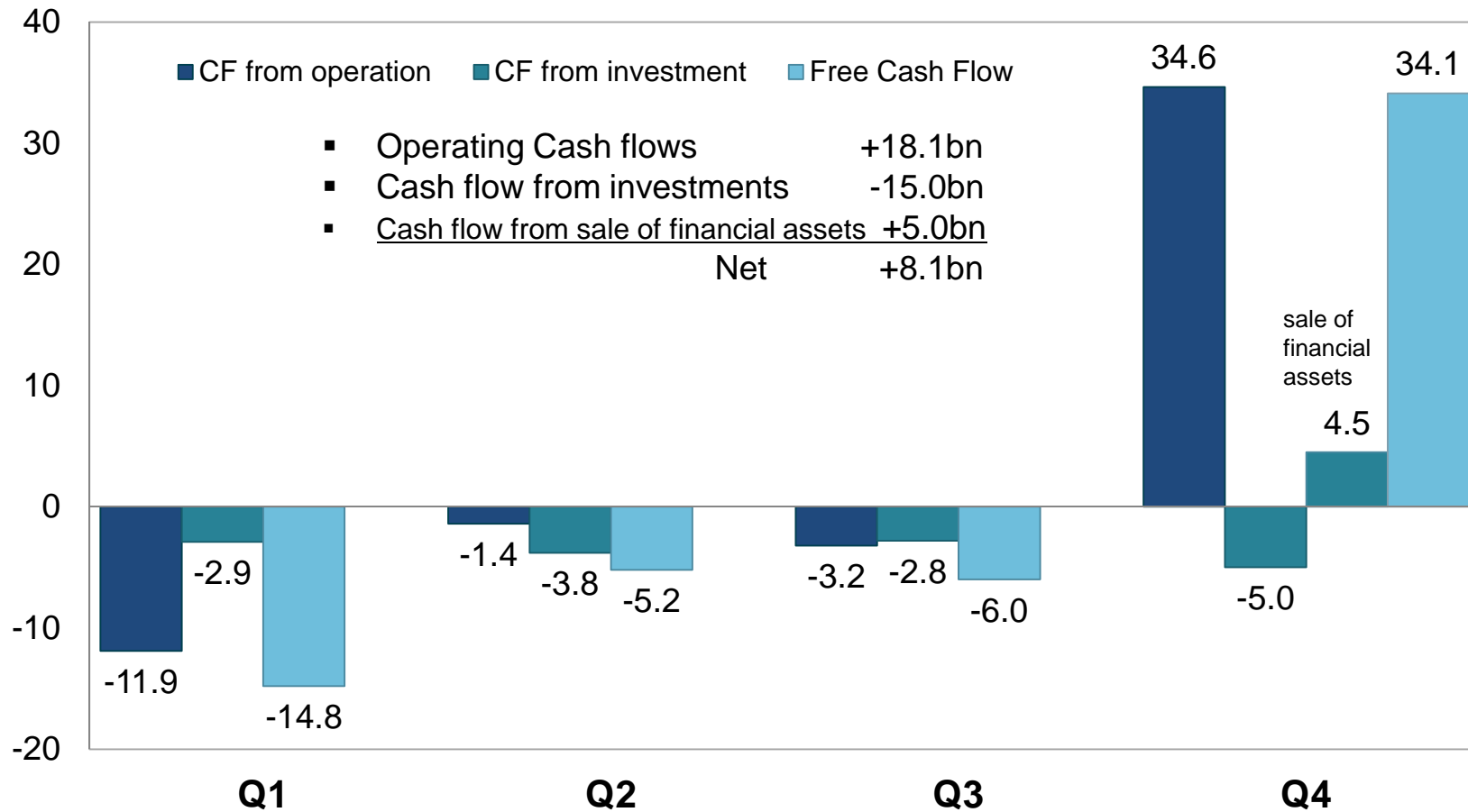
Dec 2017.E  
Less than  
JPY 115 bn

\*Thereof 49.5bn of perpetual subordinated loan/ bond

Deduction of equity from additional acquisition of AG shares and those associated with obligation to purchase AG shares JPY 91.8bn

# Cash flows

(JPY bn) ← --- Free Cash Flow in CY2016 JPY+8.1bn --- →



# Agenda

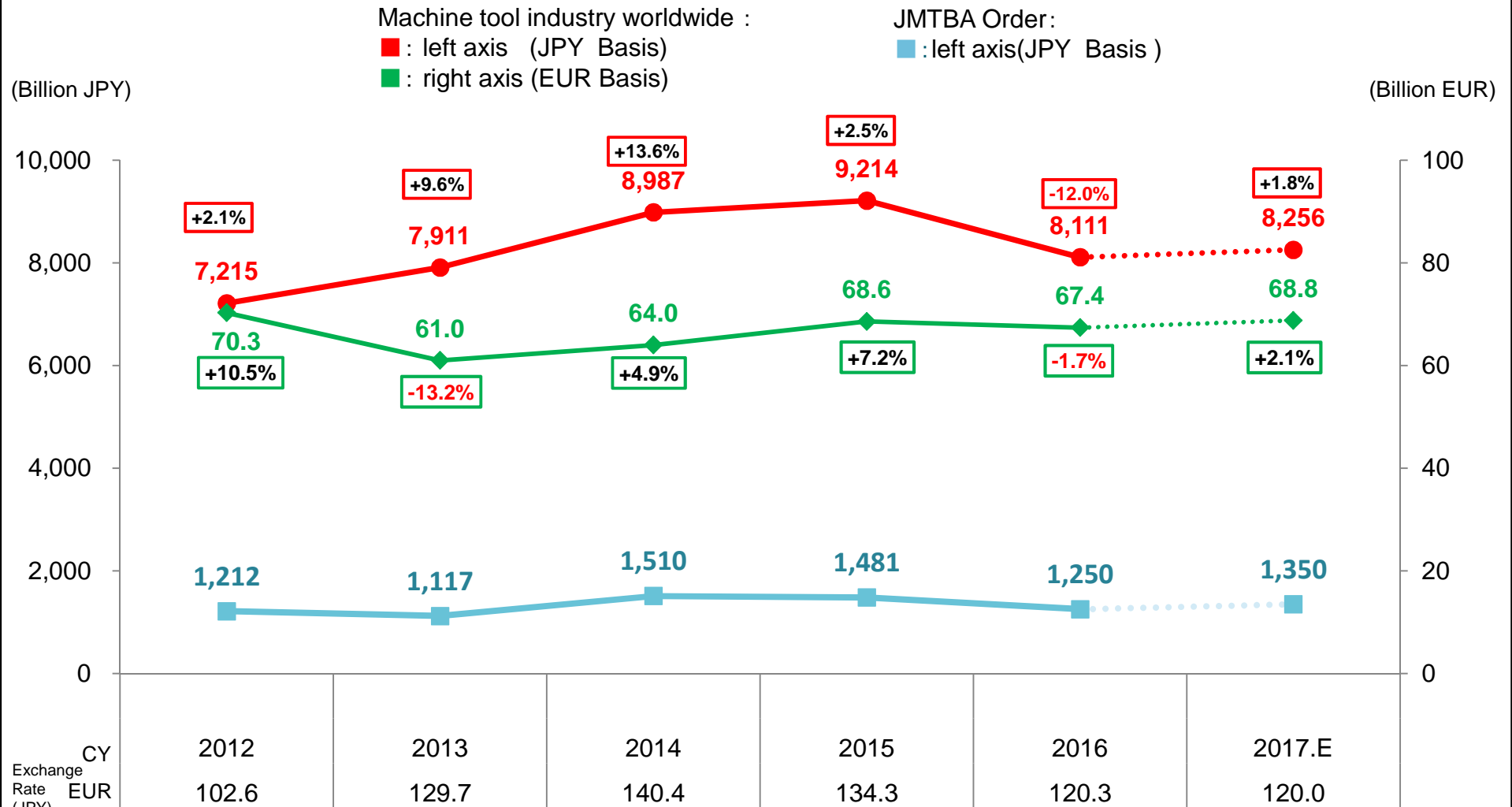
1) Focal points of DMG MORI

2) FY2016 Financials

3) Business Environment

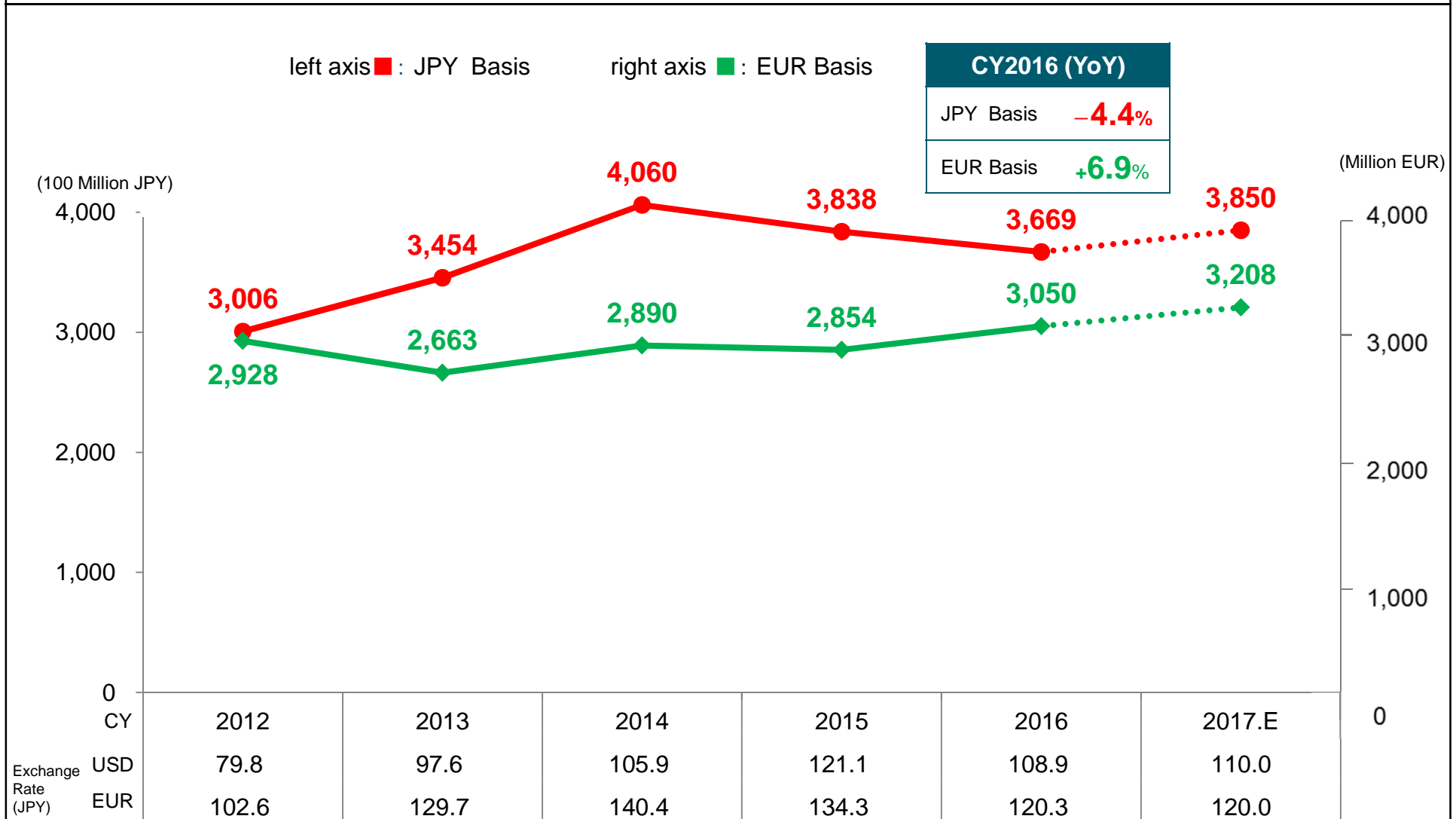
4) Topics from DMG MORI group

# Machine tool industry worldwide (VDW/Oxford Economics) /JMTBA order (JMTBA=Japan Machine Tool Builders' Association)



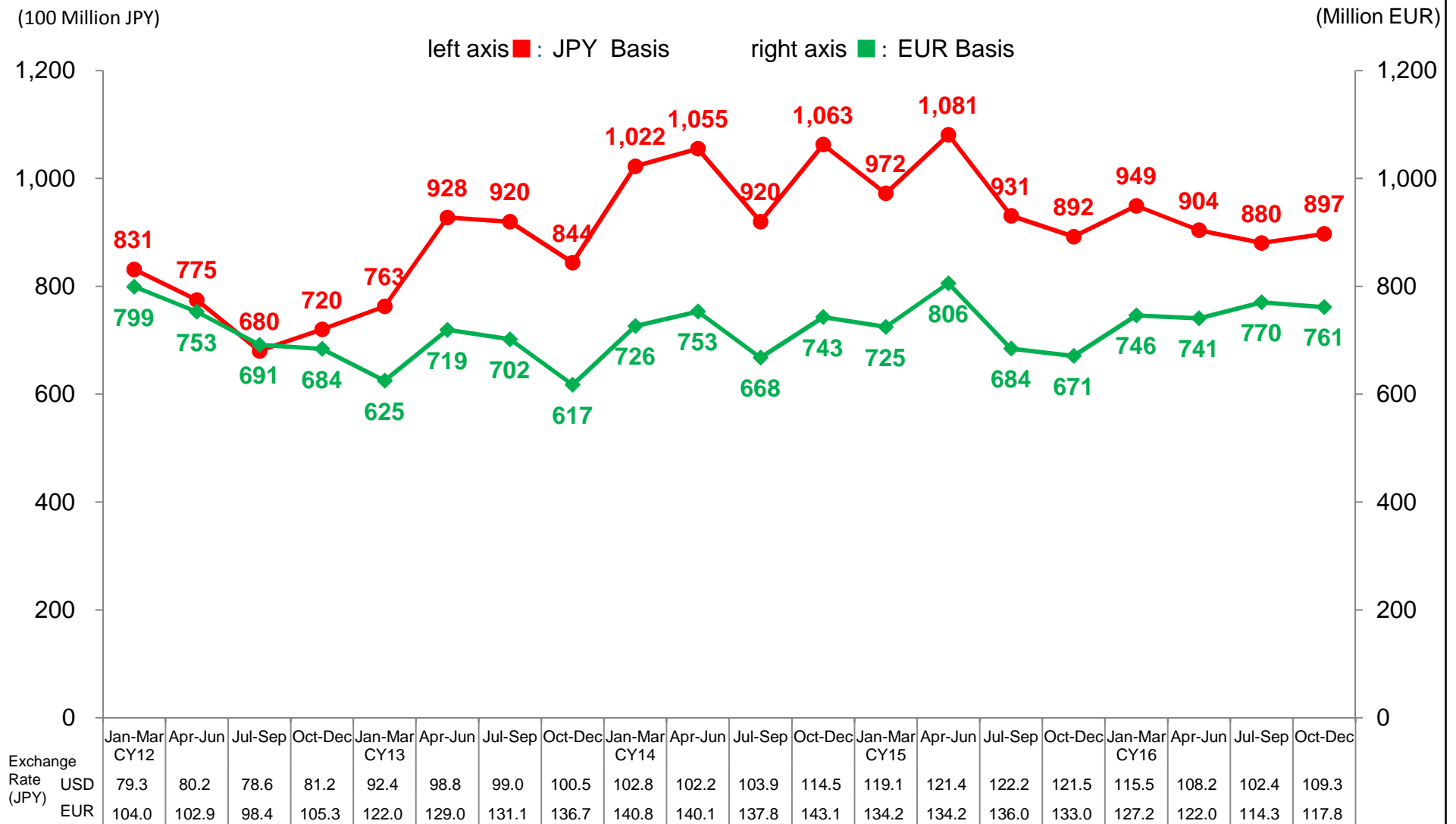
\* Source: VDW / Oxford Economics, Oct. 2016; 2016 without exchange rate effects;  
 Total market (cutting and forming); DMG MORI AKTIENGESELLSCHAFT relevant: cutting

# Consolidated order intake



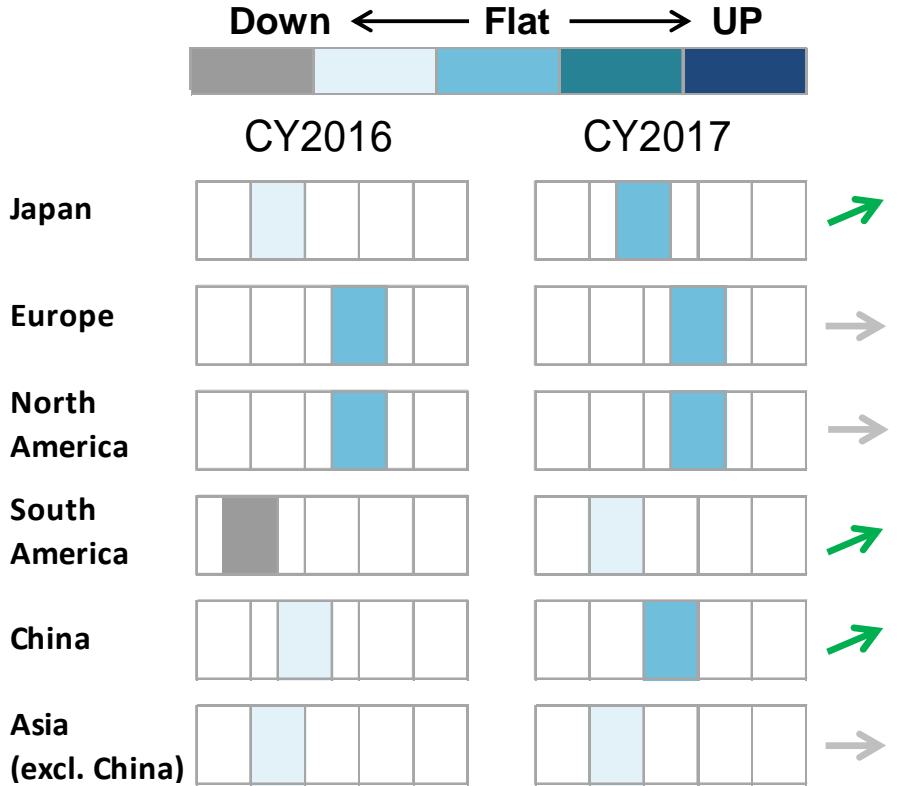


# Quarterly Consolidated order intake

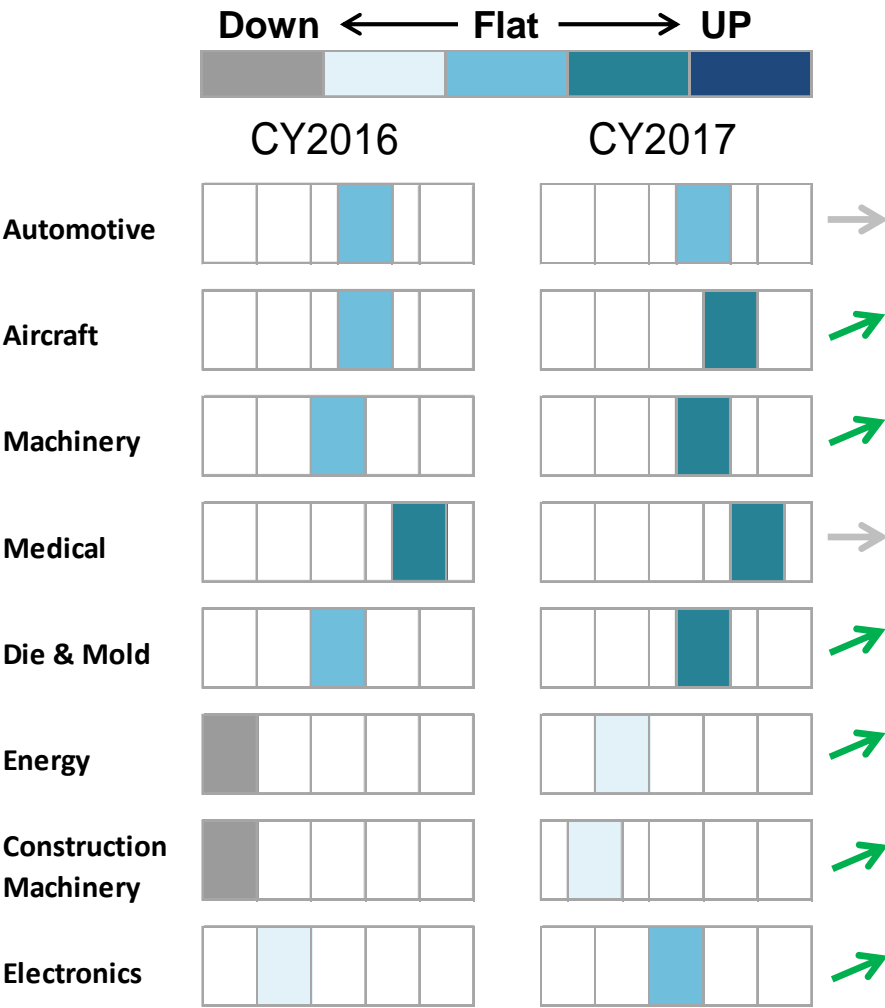


# Overview (by geography & by industry)

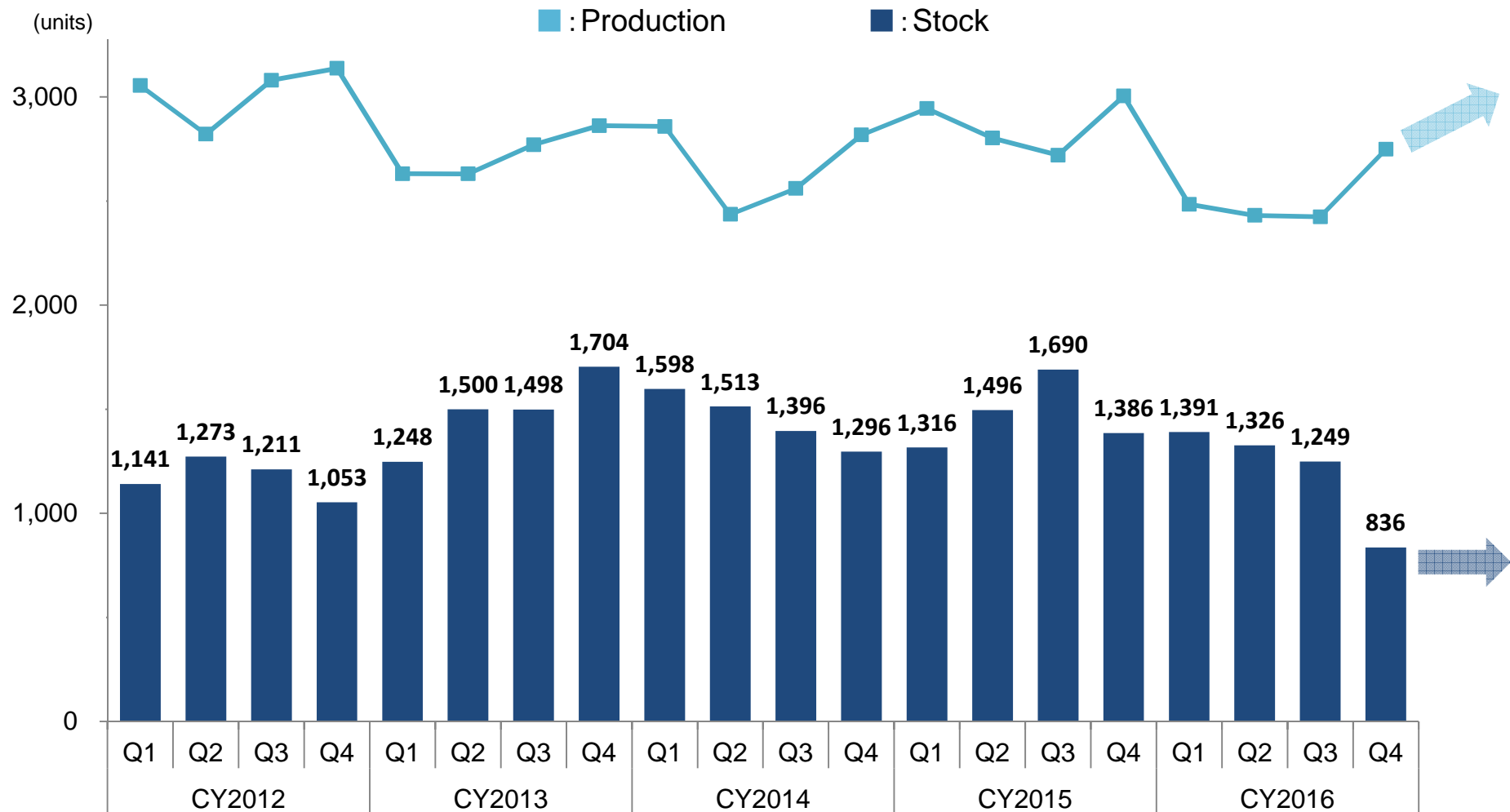
## Geography



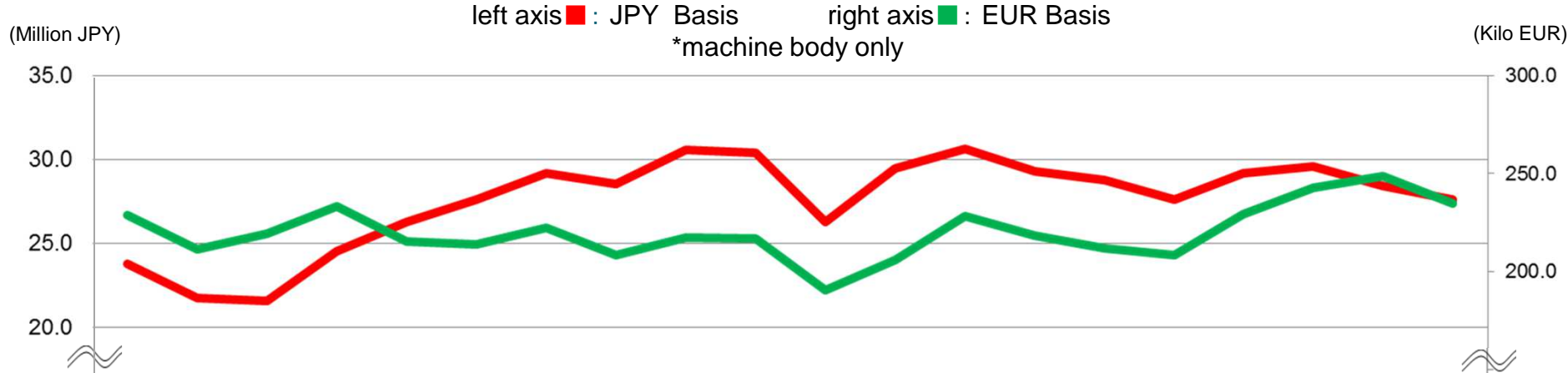
## Industry



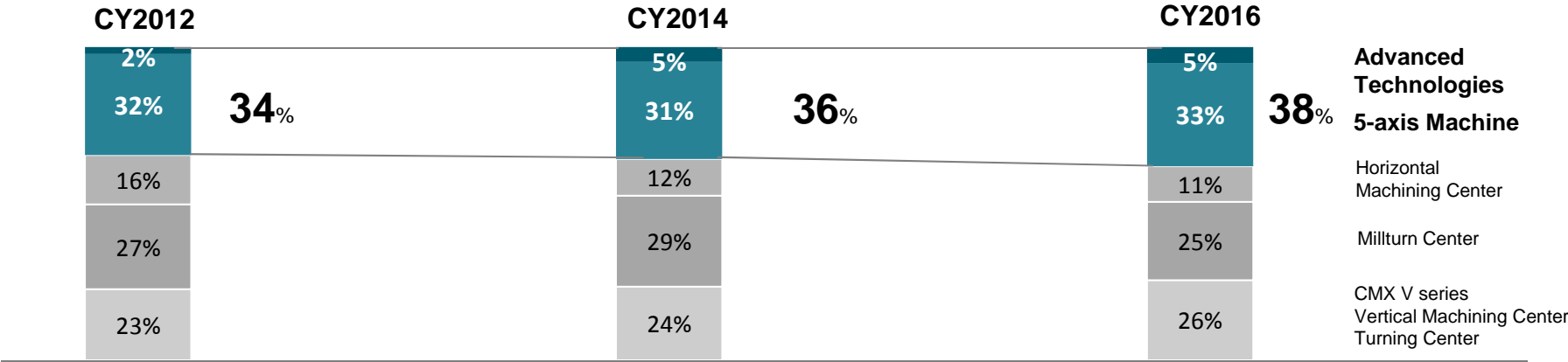
# Consolidated stock and production



# Consolidated order intakes - average price



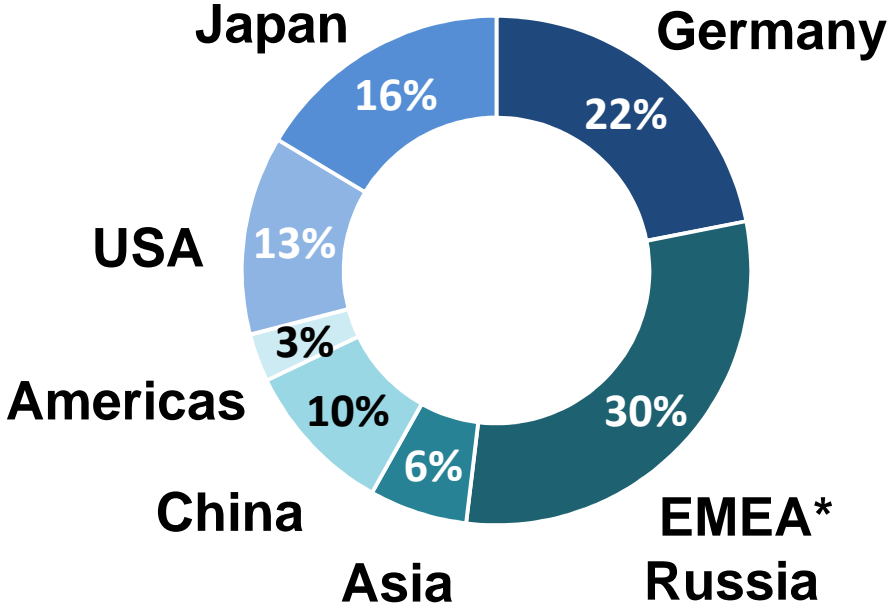
CY Exchange Rate USD (JPY) EUR	2012				2013				2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
JPY	79.3	80.2	78.6	81.2	92.4	98.8	98.9	100.5	102.8	102.2	103.9	114.5	119.1	121.4	122.2	121.9	115.5	108.2	102.4	109.3
EUR	104.0	102.9	98.4	105.3	122.1	129.0	131.1	136.7	140.8	140.1	137.8	143.1	134.2	134.2	136.0	132.5	127.2	122.0	114.3	117.8



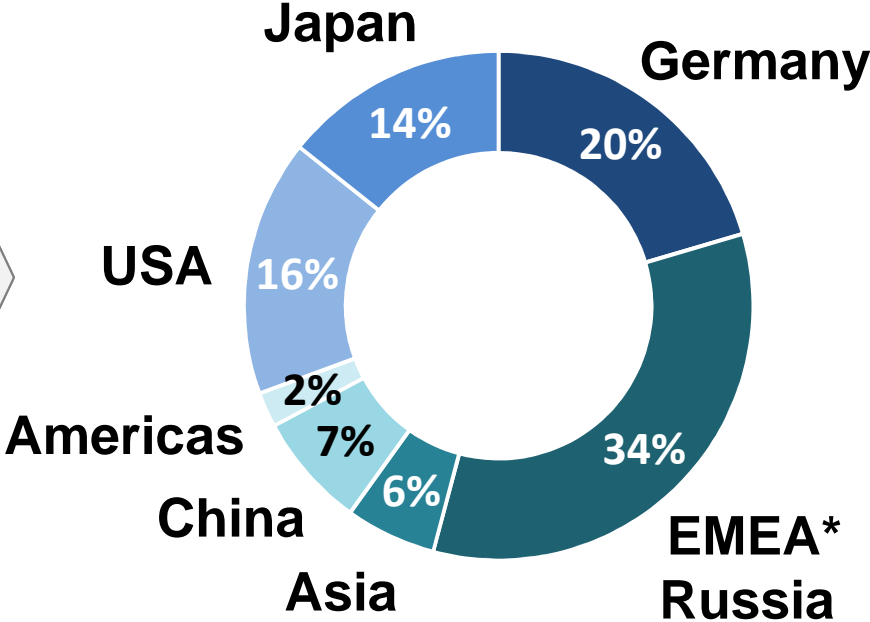
# Order trend by geography (Consolidated machine order intake)

\* Value basis  
\* Machine body only

**CY2015**



**CY2016**

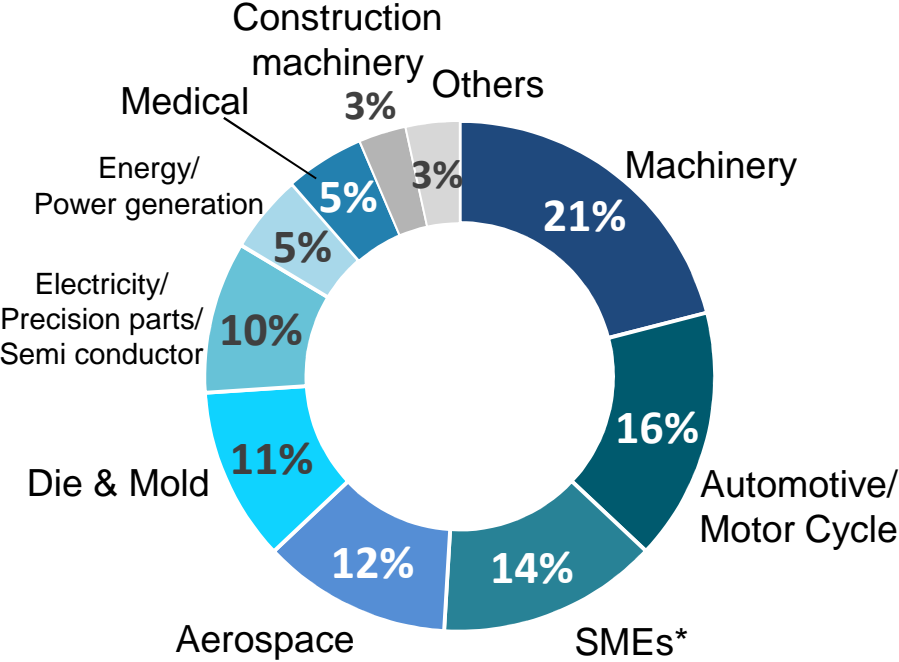


\*Europe, Middle East and Africa

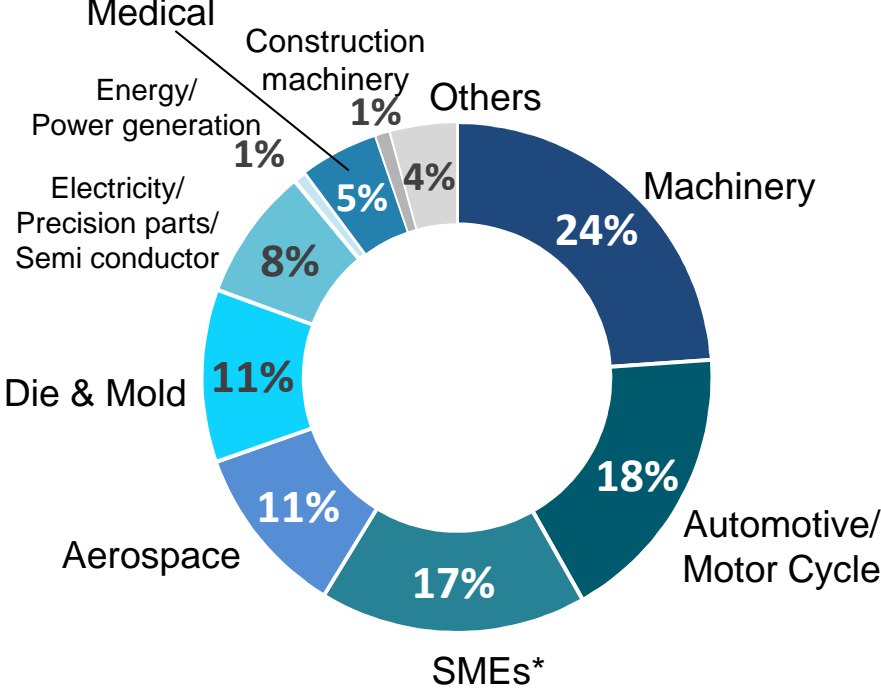
# Order composition (by industry)

\* Value basis  
\* Machine body only

### CY2015



### CY2016

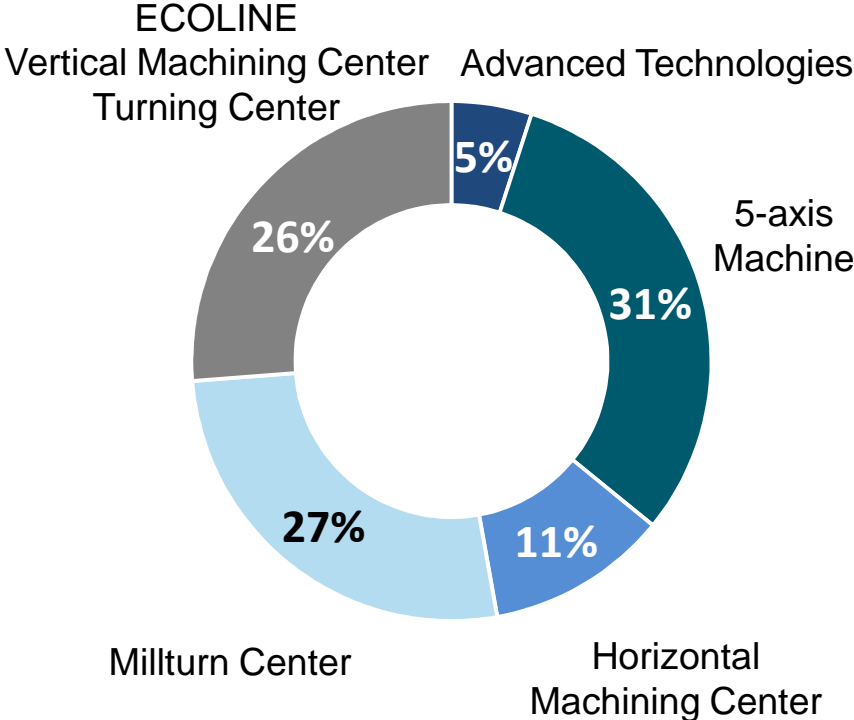


\*Small and medium-sized enterprises

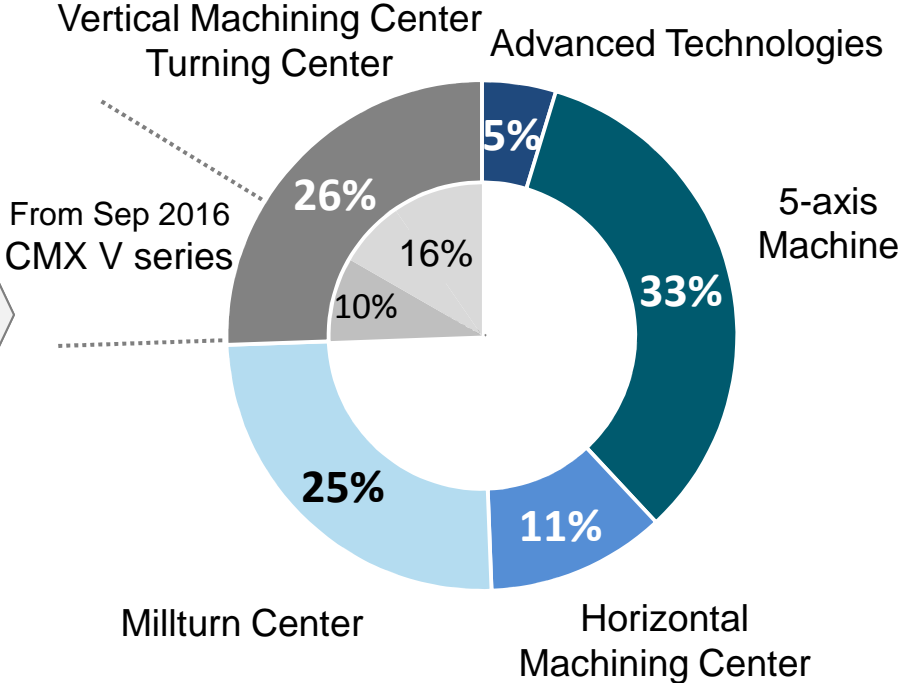
# Order composition (by product type)

\* Value basis  
 \* Machine body only

## CY2015



## CY2016



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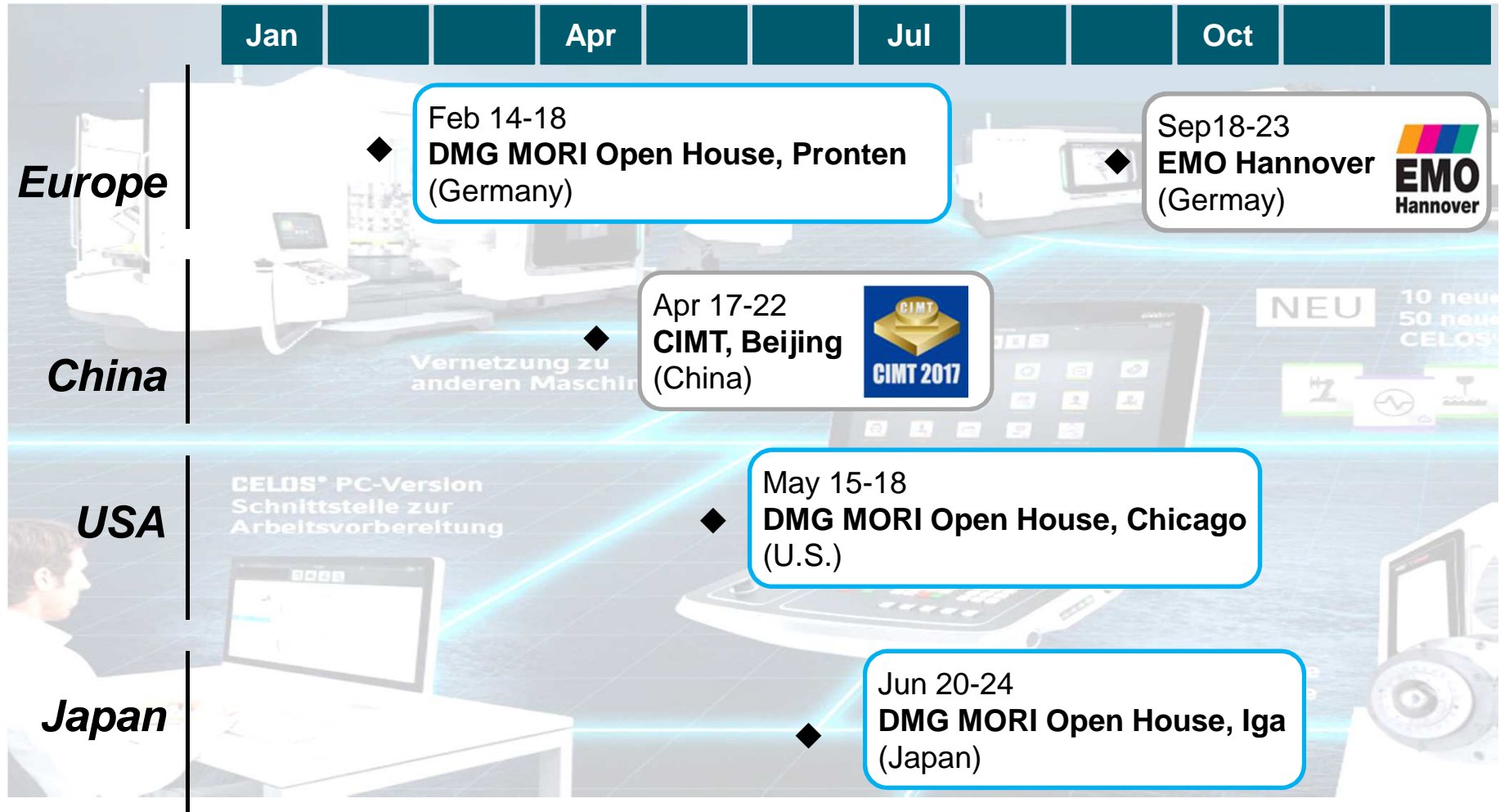


# Stakeholders' satisfaction

- ✓ DMG MORI's added-value for customers  
Support to global customers, to SMEs and IoT adoption
- ✓ Integration of model, reduction of components variety
- ✓ Development of peripherals and connection software with our partners
- ✓ Operational efficiency attained by IT infrastructure  
Cross-function support to our global sales forces, service application engineers (5,000 employees)
- ✓ Motivate our employees by flexible work style = European standard
- ✓ Net debt of less than JPY100bn by sufficient cash generation

# 2017 Major exhibitions

## □ Experience the Smart Factory of DMG MORI

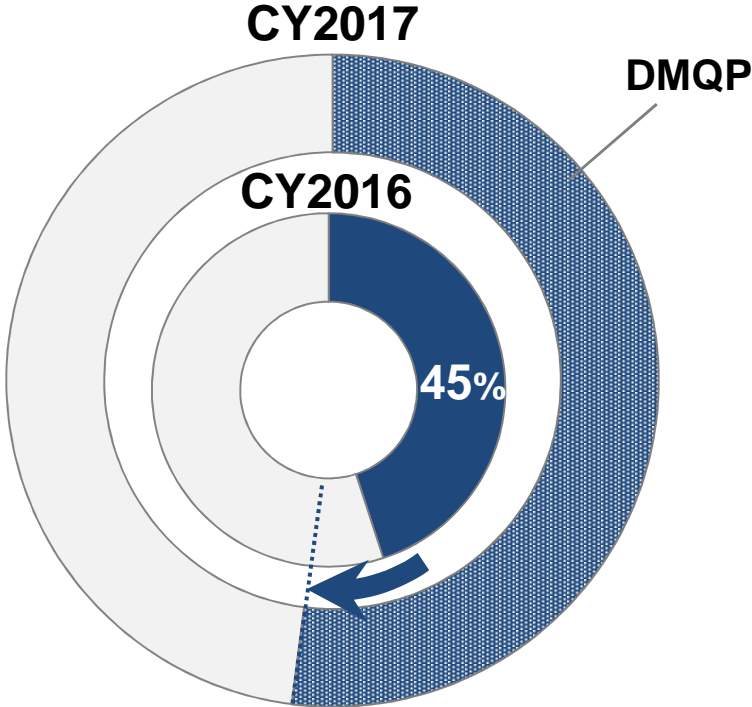


# Steady growth of DMQP and Technology Cycles

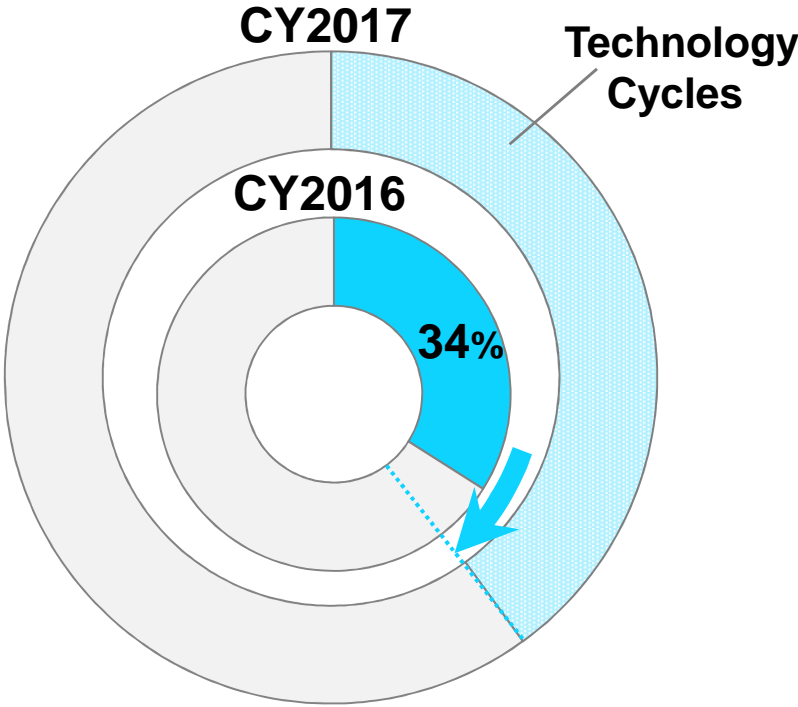
□ Increase customers' added values and grow sales

## DMQP\* equipped ratio

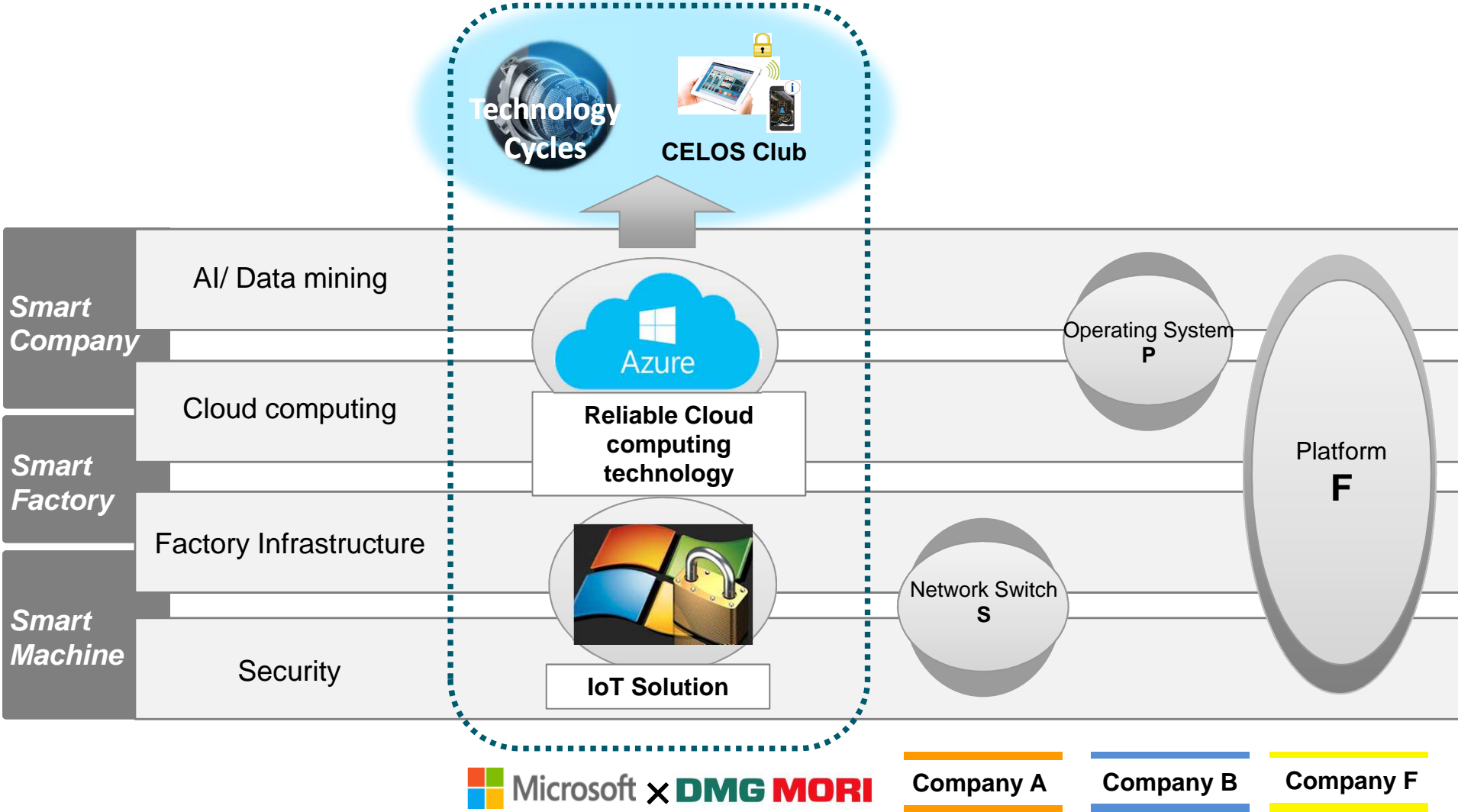
\*DMG MORI Qualified Products



## Technology Cycles equipped ratio

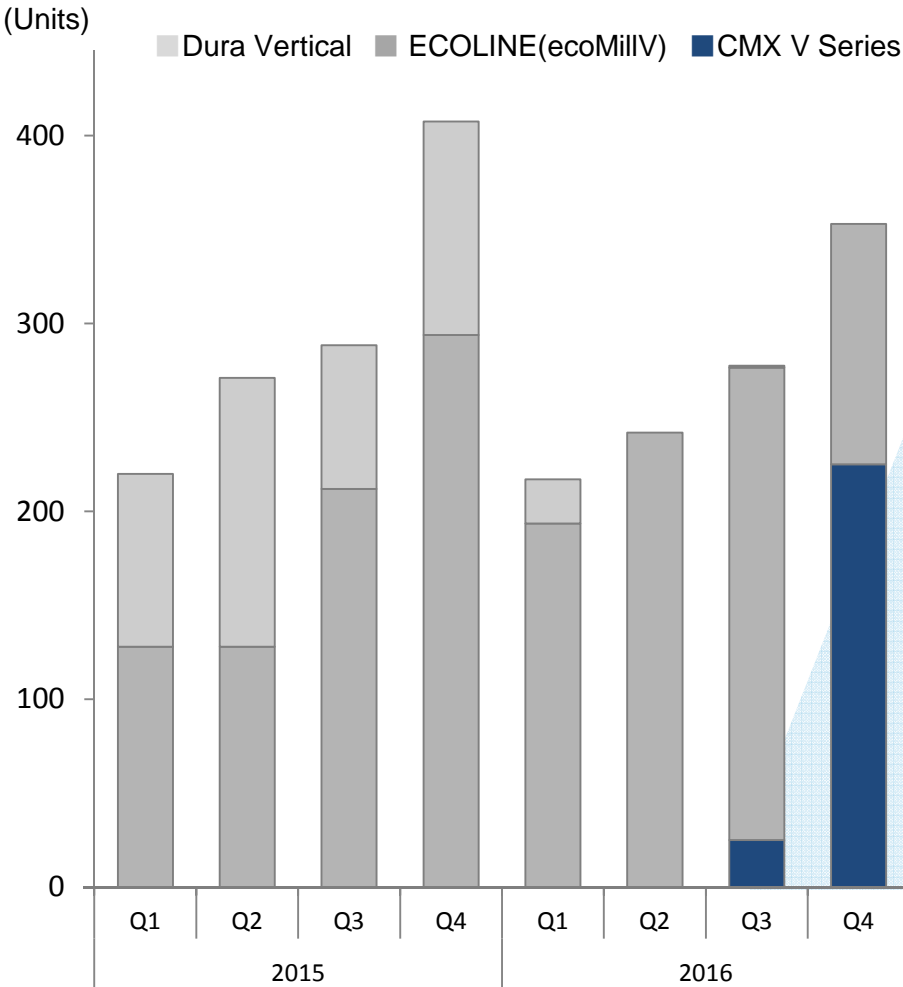


# Our competitive advantage in IoT



# Successful launch of CMX V series

## Quarterly order intake (units)



**CMX V series**  
Option equipped ratio **30%**

Average price JPY **15mn**



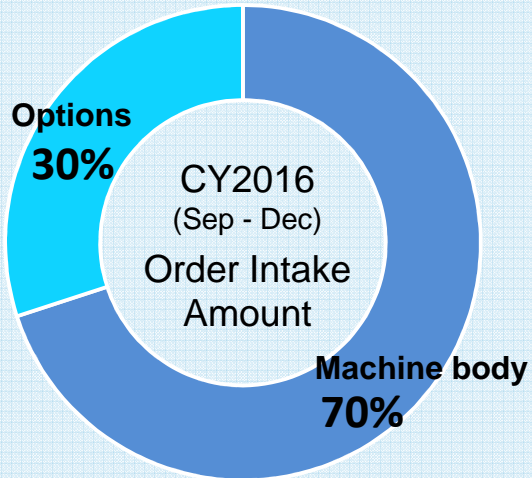
CMX 1100 V



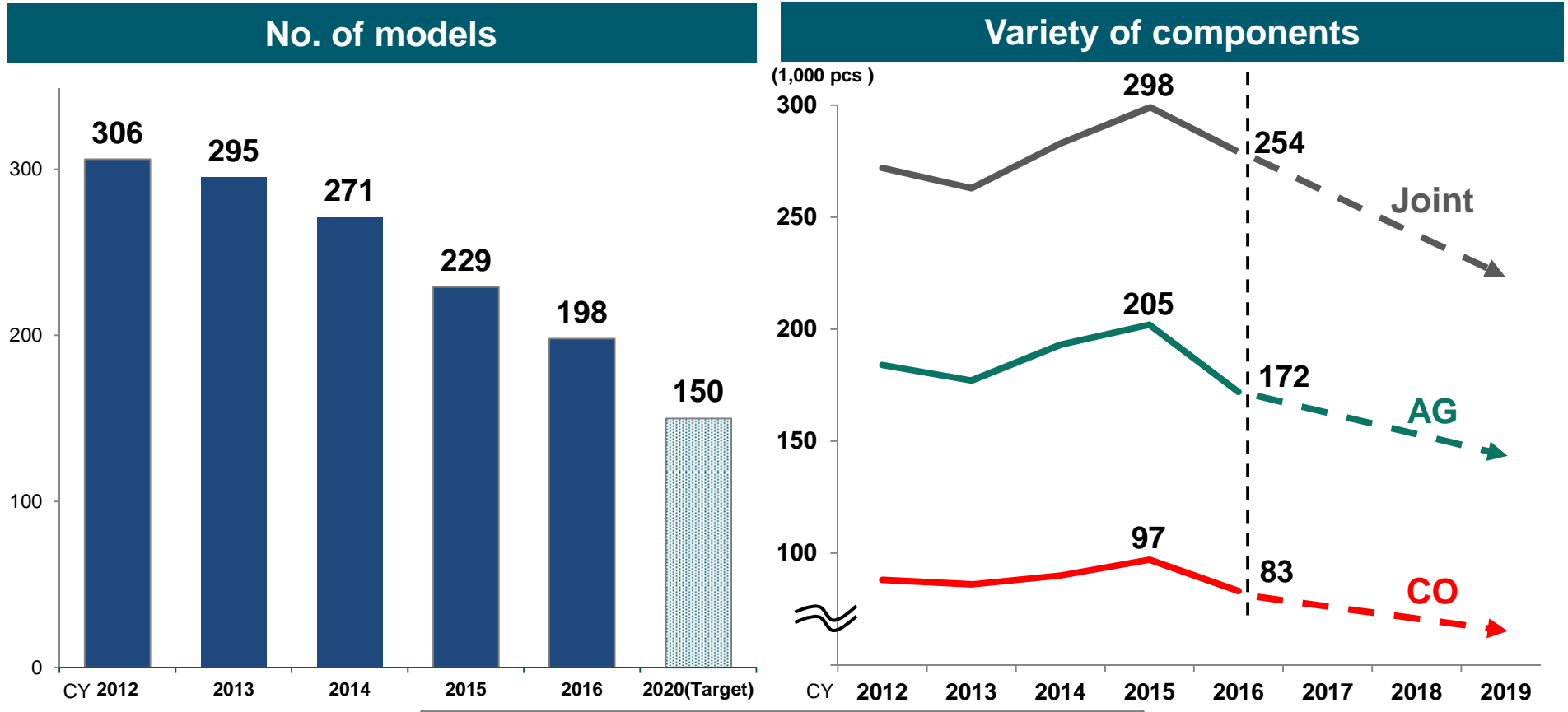
CMX 800 V



CMX 600 V



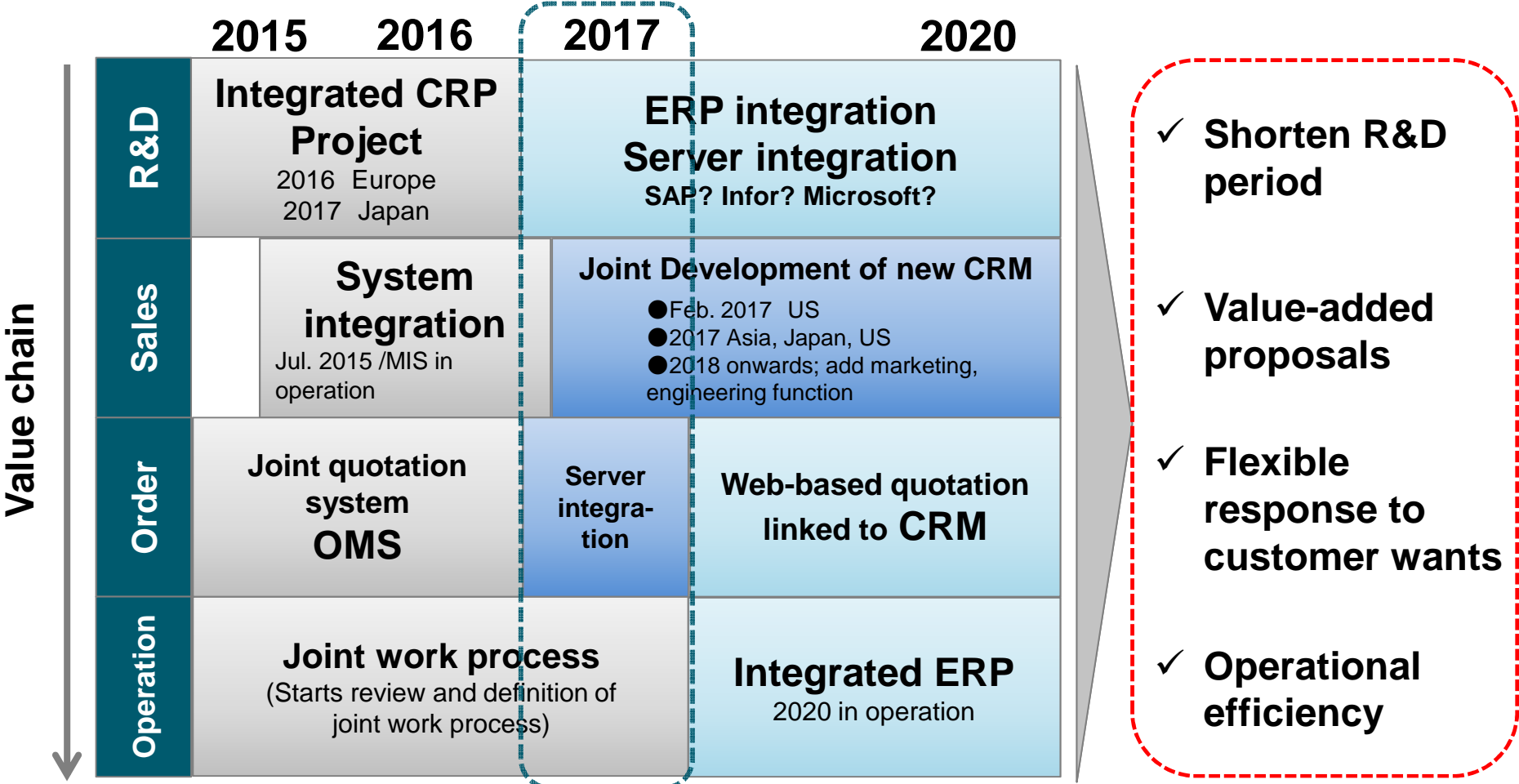
# Integration of models/ reduction of components variety



- ✓ Cost savings of JPY 2-3bn/ year from inventory optimization and enhanced production efficiency
- ✓ Development of peripherals and connection software with our partners

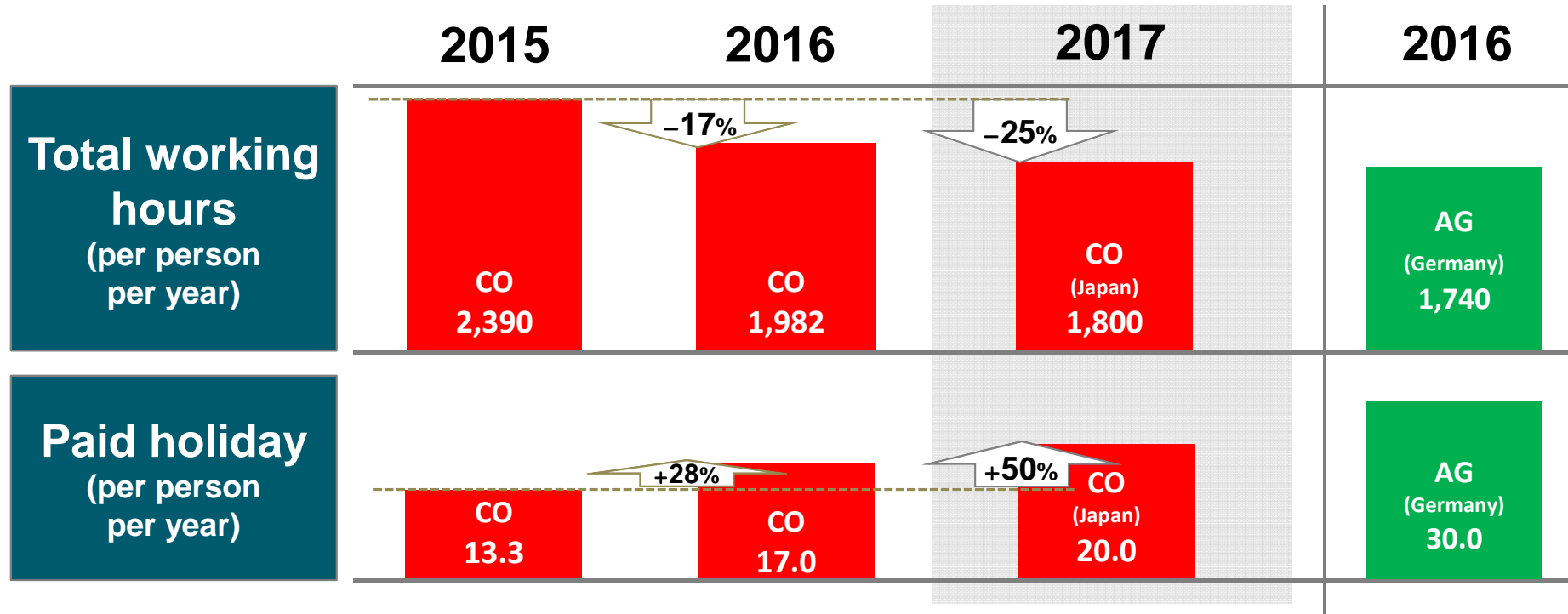
# Integration and enhancement of IT infrastructure

☐ Enhance operational efficiency and customer responsiveness with integrated systems between AG and CO



# DMG MORI work style change

## Same standards as in Europe in 2017



Flexible and efficient work style

### ➤ Telework

For child or elderly care

Since **Oct 2016** 

### ➤ Internal day-care center for children

**4 sites** (Tokyo·Nagoya·Iga·Nara)

Since **Dec 2016** 

### ➤ Core time

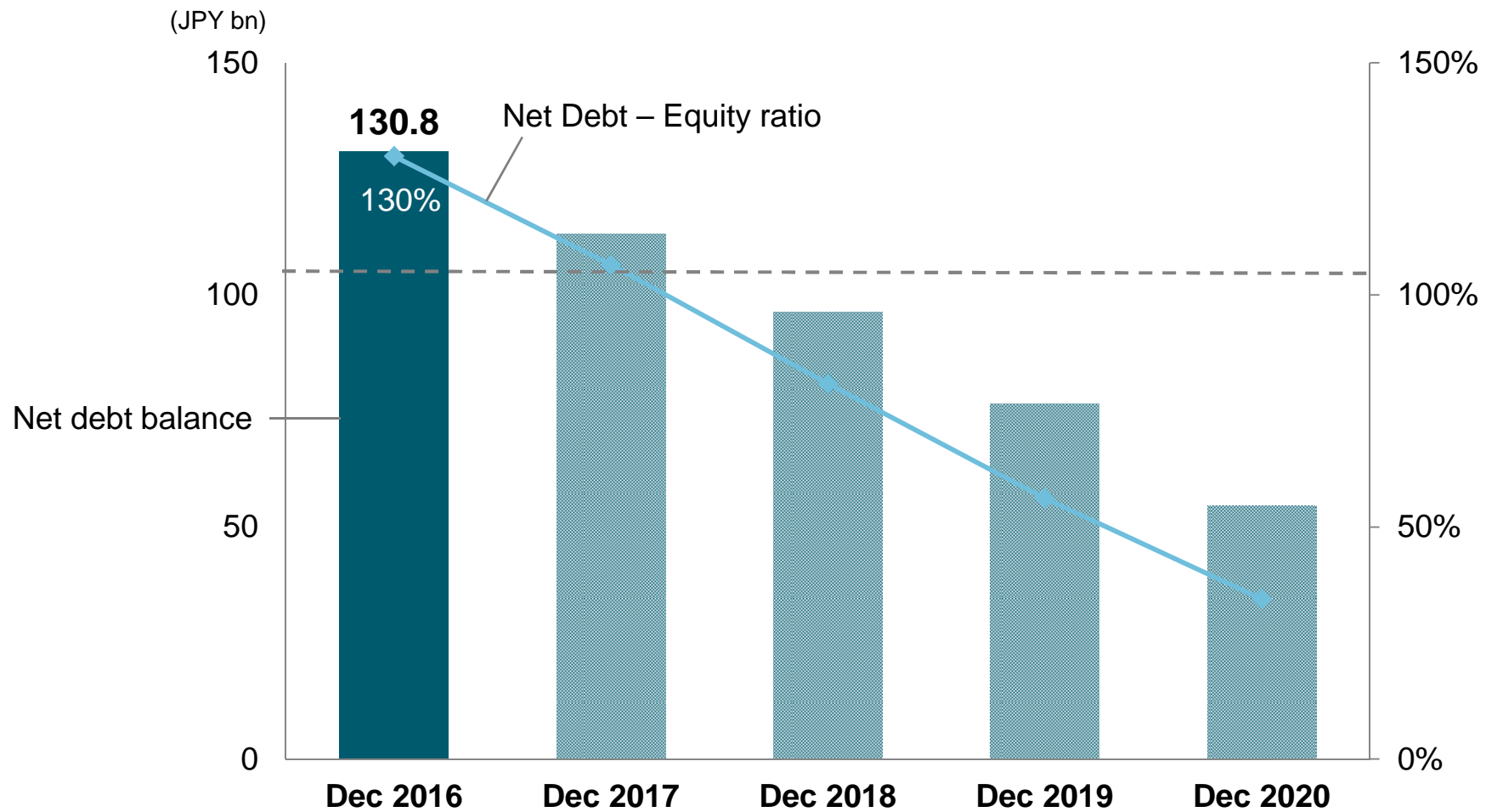
➤ 3 shifts operation

Since **Jan 2017**



# Net debt reduction schedule

☐ Targeting to reduce Net Debt by generating FCF of 15~20bn/ 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, but not limited to, 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.