



**The first fiscal year
after full-integration**

**DMG MORI CO., LTD.
FY2017(Jan- Dec) Result
IR Conference**

Agenda

1. Business environment

2. Topics from DMG MORI


- Addressing to shift to EV, Aging society and AI
- Enhanced production capability
- Connected industries “ADAMOS”
- Enhanced R&D
- SDGs, employee trainings

3. FY2017 financial summary

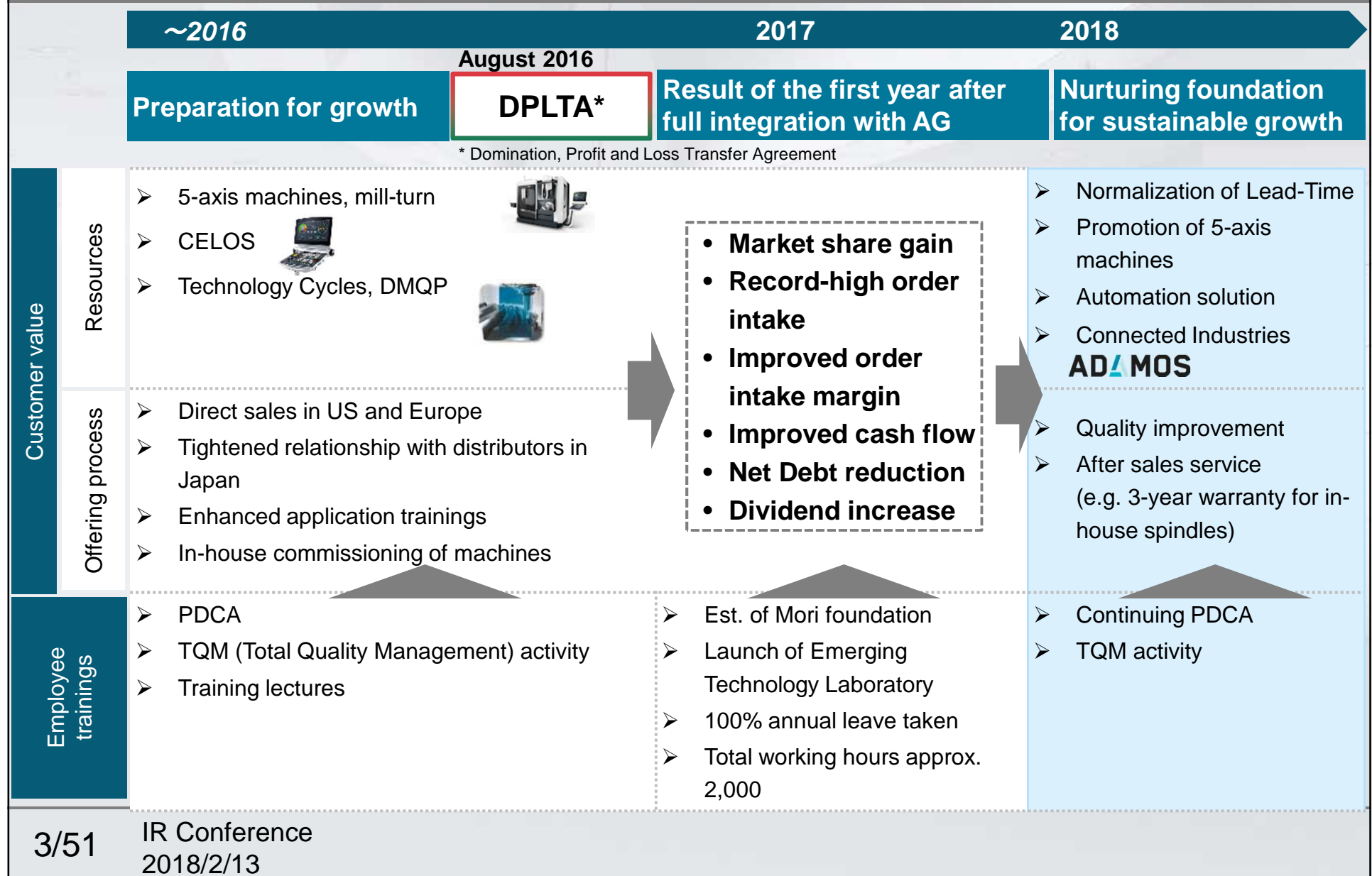
4. FY2018 Plan

Management messages

Our strategic measures

- ✓ Pioneering in cutting-edge technologies, such as 5-axis machine, mill-turn, Additive Manufacturing
 - ✓ Improvement in quality, such as minimization of machining variance
 - ✓ Full Turn-key offering with CELOS, DMQP and Technology Cycles
 - ✓ Enhanced after-sales service and faster delivery of spare parts
- 
- ✓ Market share growth worldwide
 - ✓ Upward trend in average order price and improvement in order intake gross margin
 - ✓ Improvement of profitability
 - ✓ Cash flow generation leading to shareholder return and net debt reduction
 - ✓ Establishing sustainable growth via trainings, diversity and adequate compensation of employees
 - ✓ Enhancing the ability to respond to changes in environment

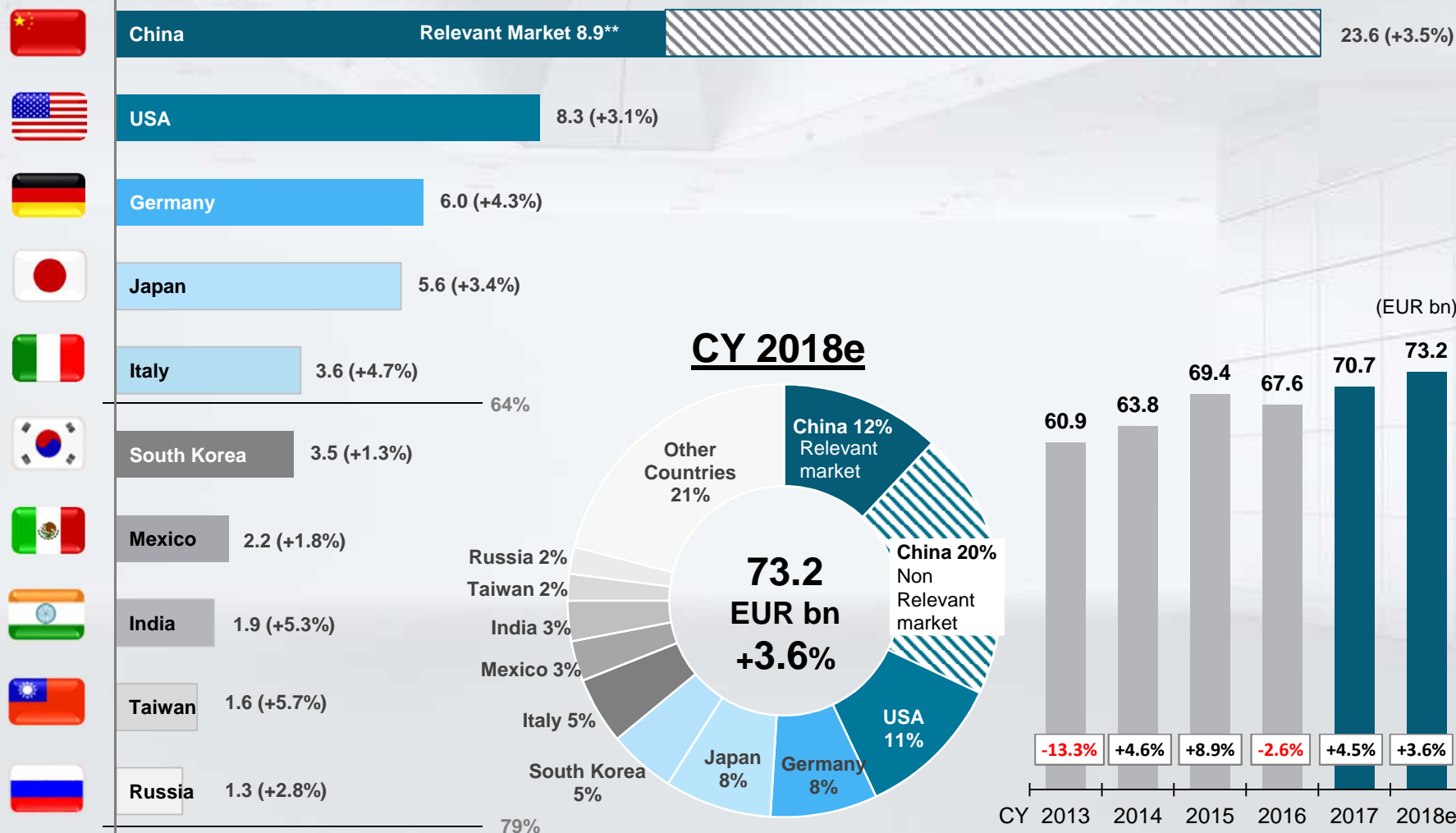
For sustainable growth with resources suitable for market transition - Recent development of DMG MORI



Worldwide machine tool consumption (VDW/Oxford Economics)

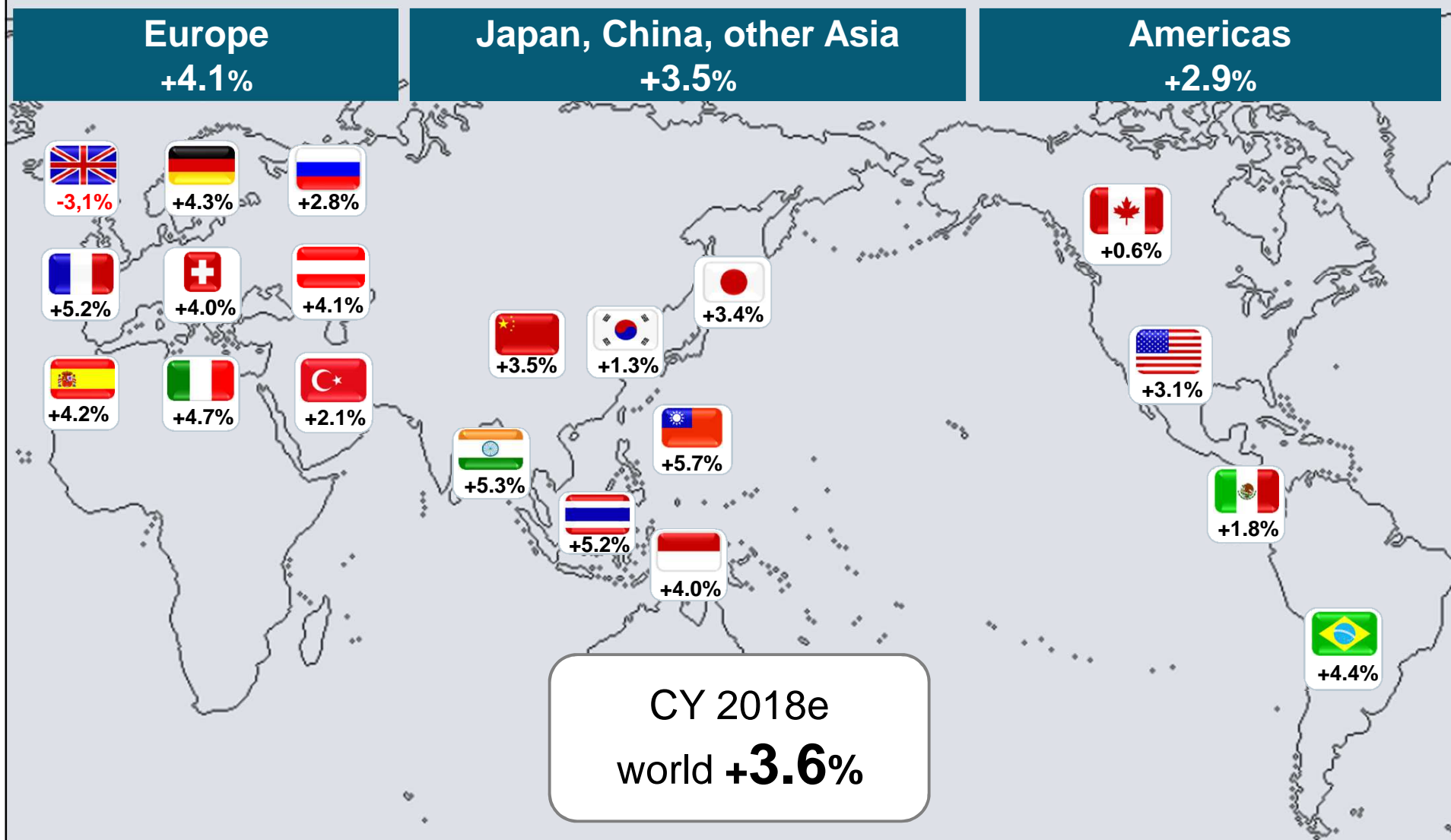
- Outlook of 2018

(EUR bn)



Worldwide machine tool consumption outlook

(VDW/Oxford Economics) – Steady growth expected for 2018



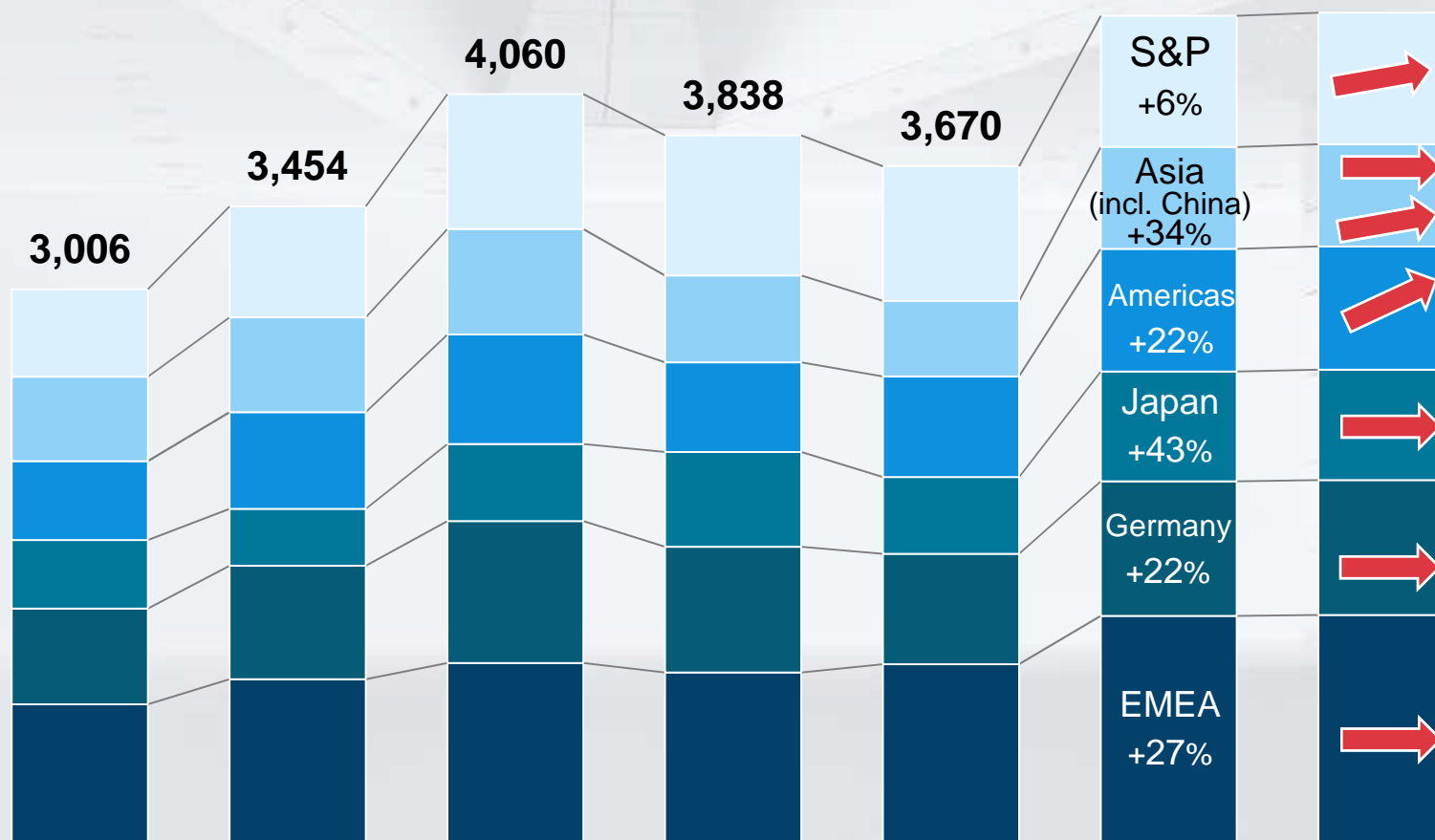
DMG MORI consolidated order intake (by region)

(100 million JPY)

2018 forecast

4,483
(+22%)

4,500 or more



CY
EUR/JPY

2012

2013

2014

2015

2016

2017

2018e

102.6

129.7

140.4

134.3

120.3

126.7

130.0

6/51

IR Conference
2018/2/13

DMG MORI consolidated order intake (by industry)

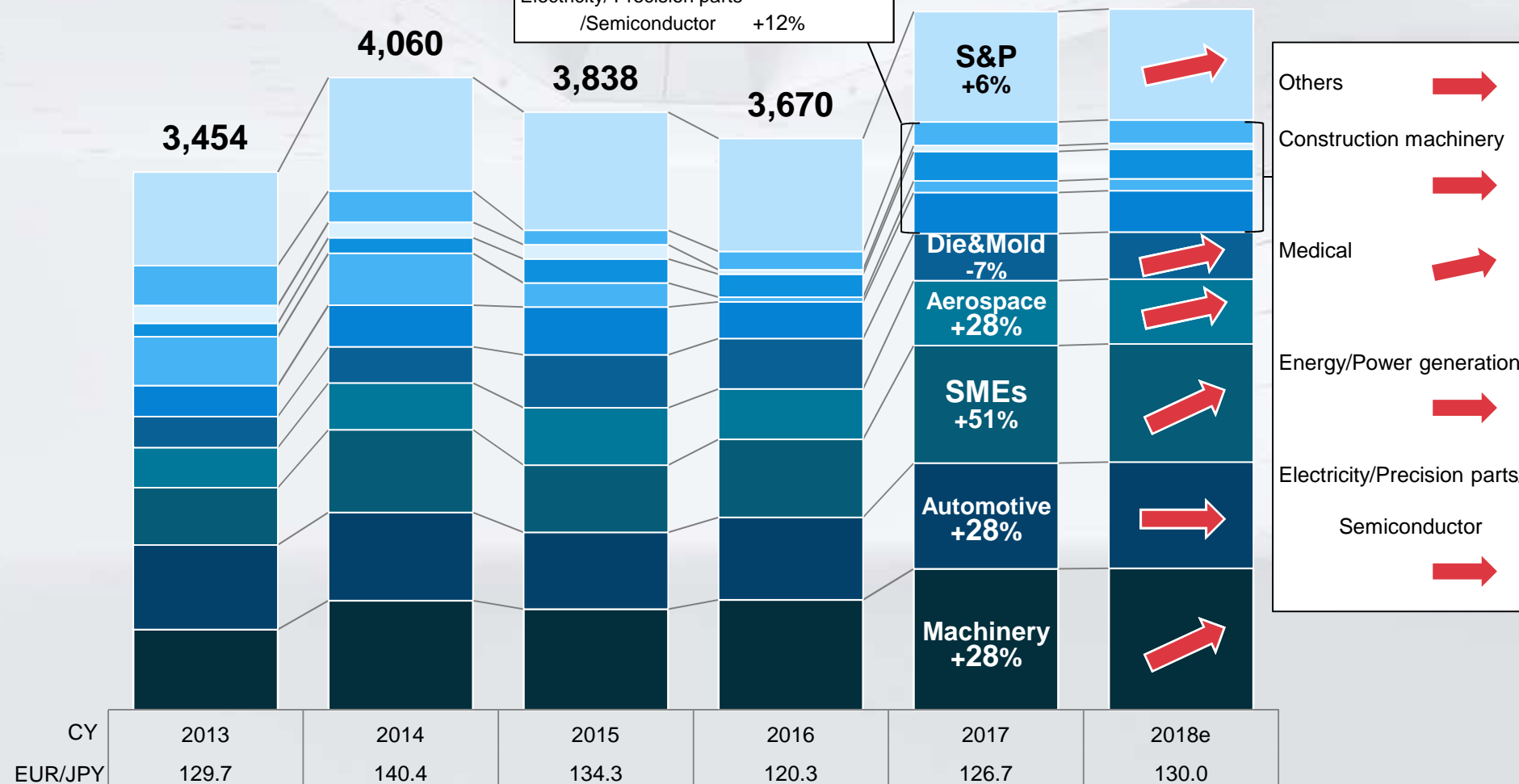
(100 million JPY)

Others	+28%
Construction machinery	+28%
Medical	+28%
Energy/ Power generation	+2.6 times
Electricity/ Precision parts /Semiconductor	+12%

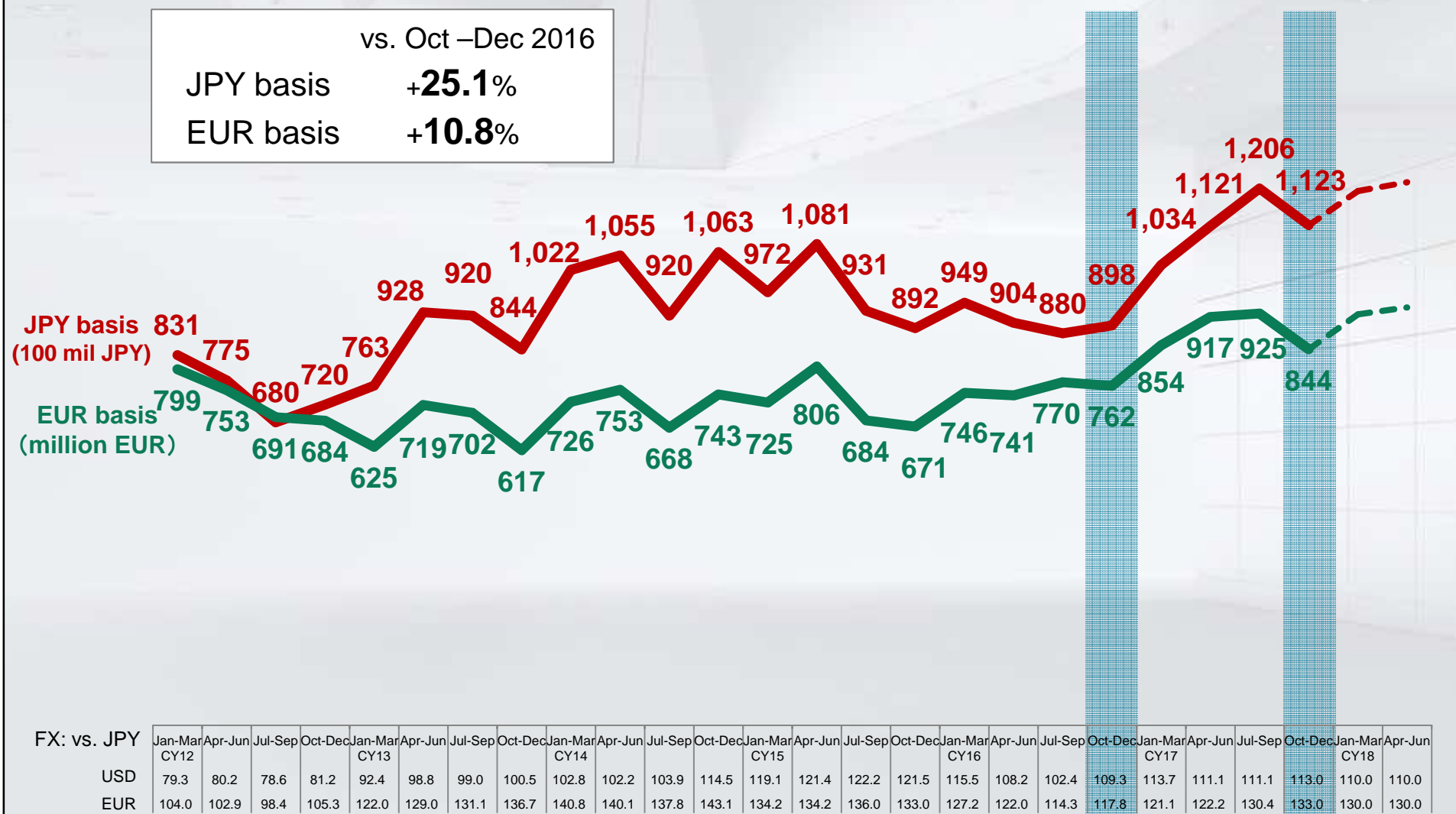
2018 forecast

4,483
(+22%)

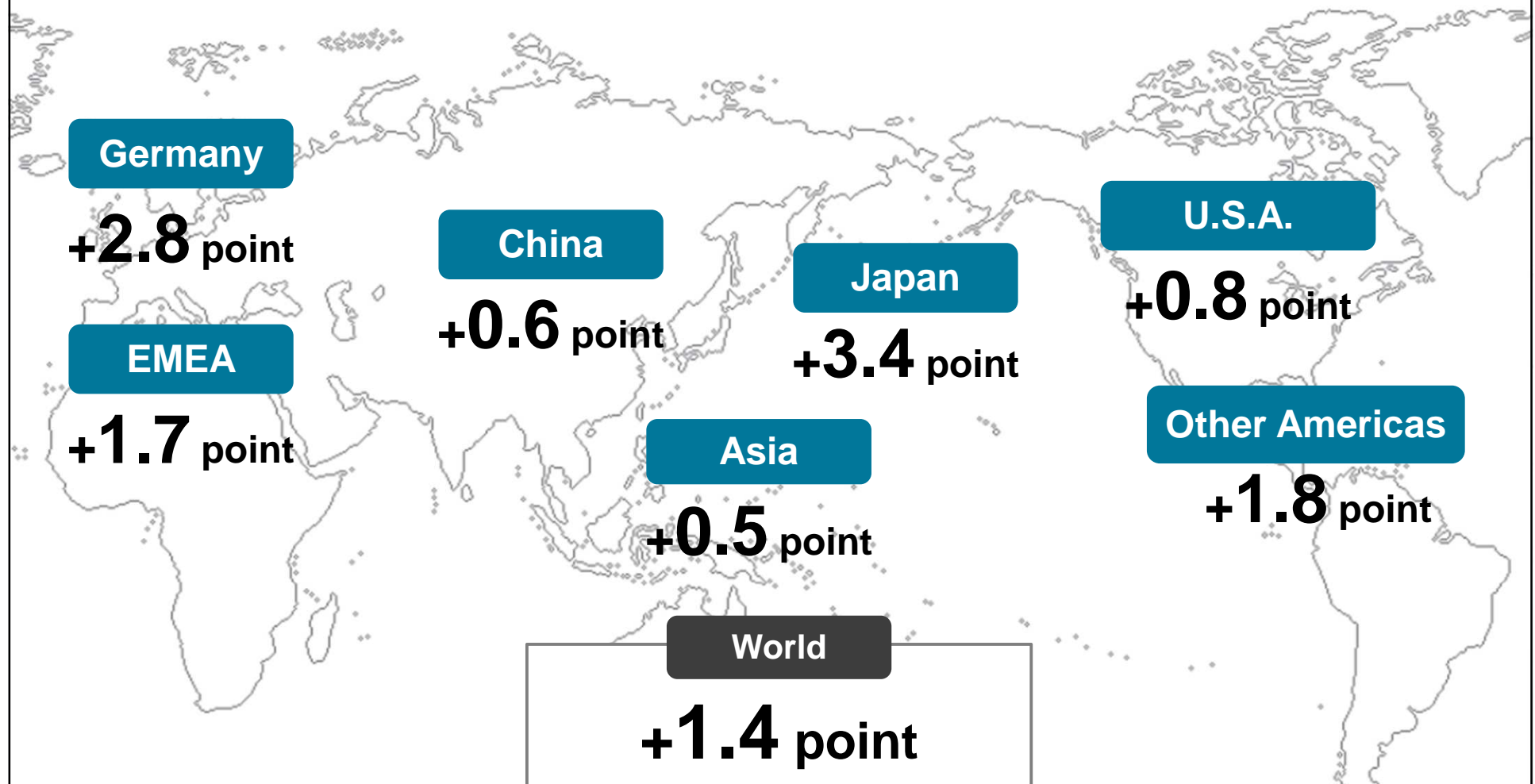
4,500 or more



DMG MORI quarterly consolidated order intake



Growth in market share - 2016 vs. 2017

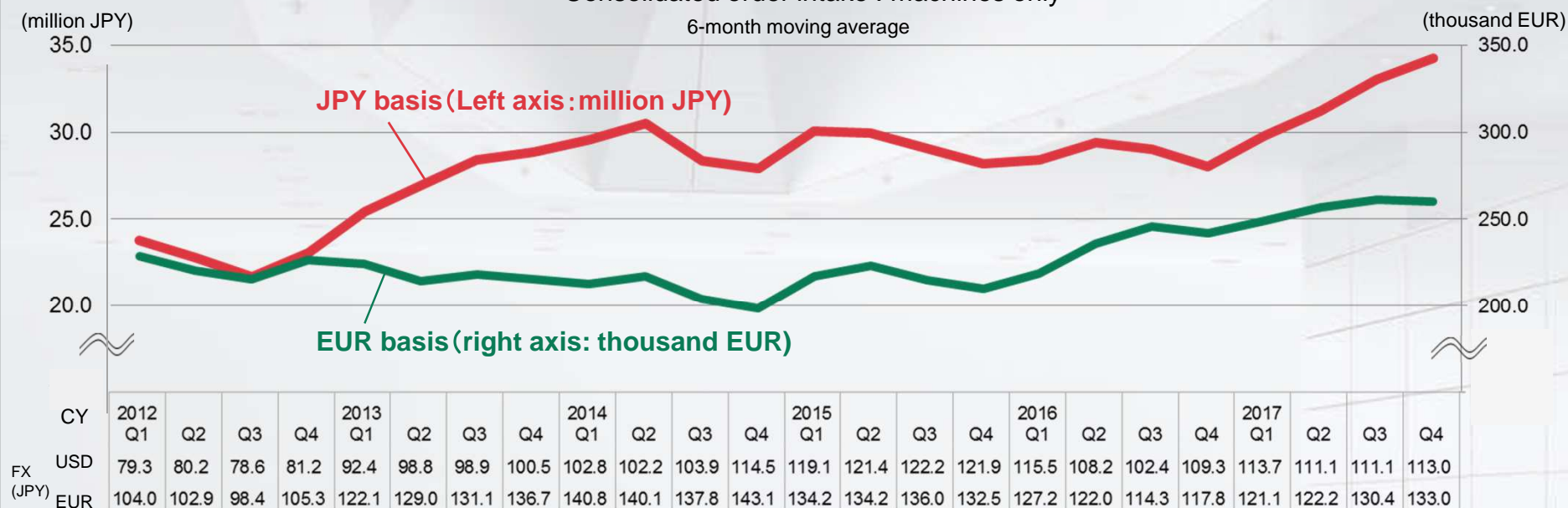


Source: Our calculation based on VDW / Oxford Economics, Oct. 2017 statistics
Our estimate based on our relevant machine markets

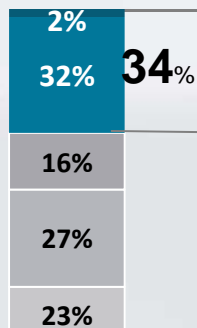
Consolidated order intake - average price

*Consolidated order intake : machines only

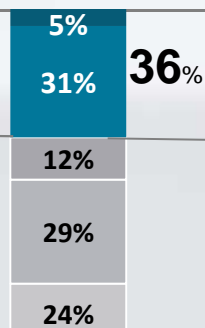
6-month moving average



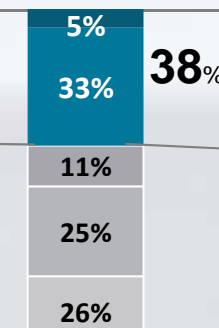
CY2012



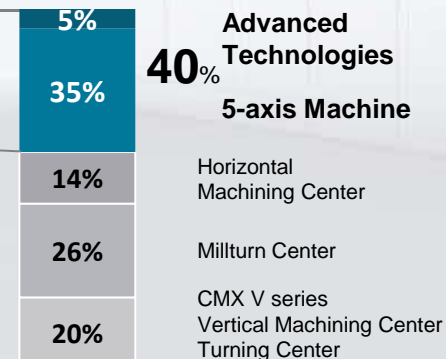
CY2014



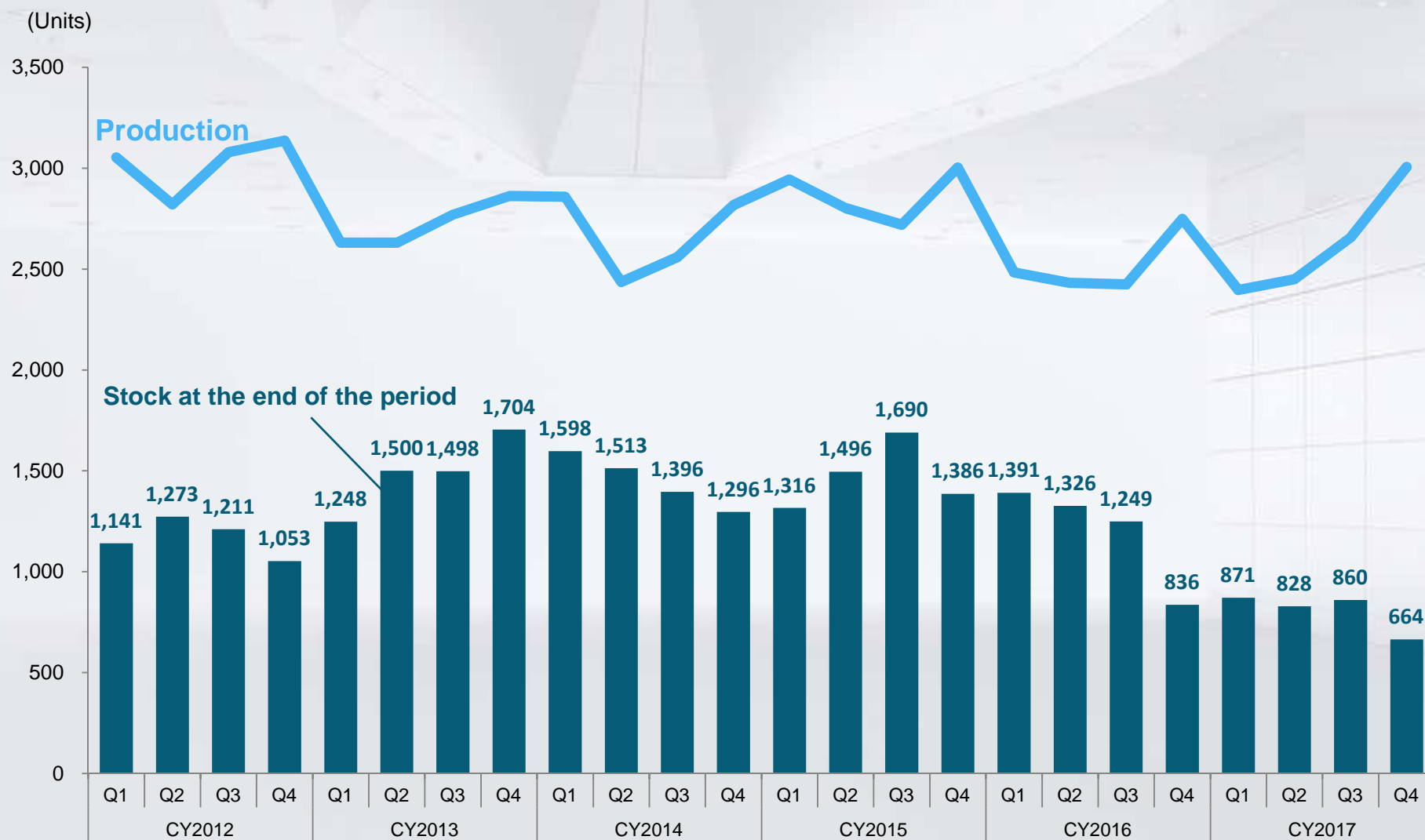
CY2016



CY2017



Consolidated stock and production

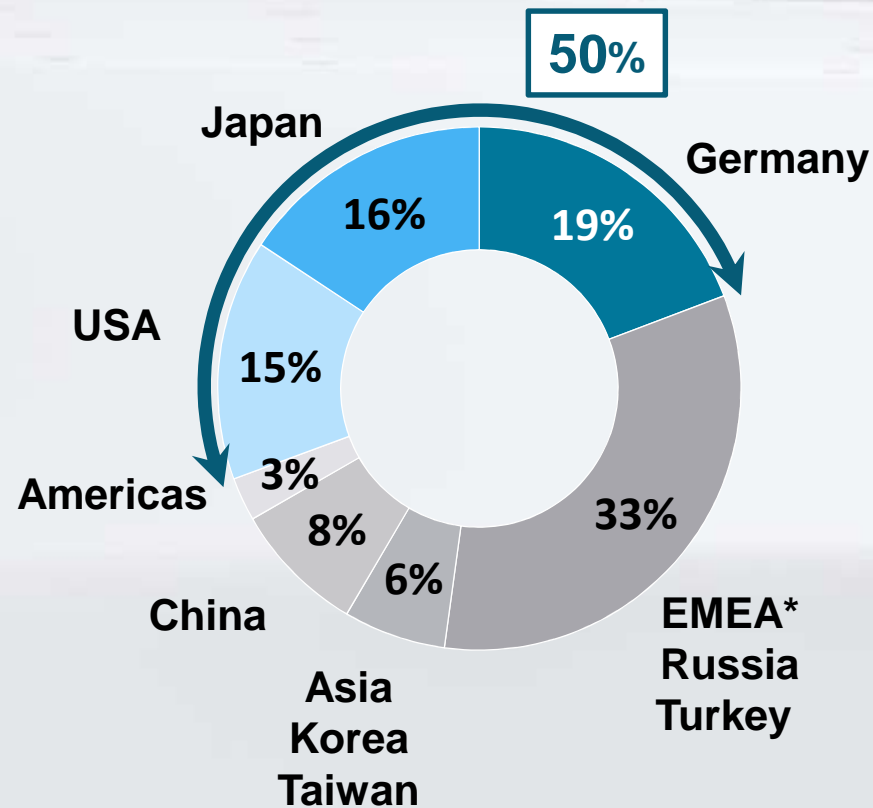


Order and sales composition (by region)

* Value basis
* Machine body only

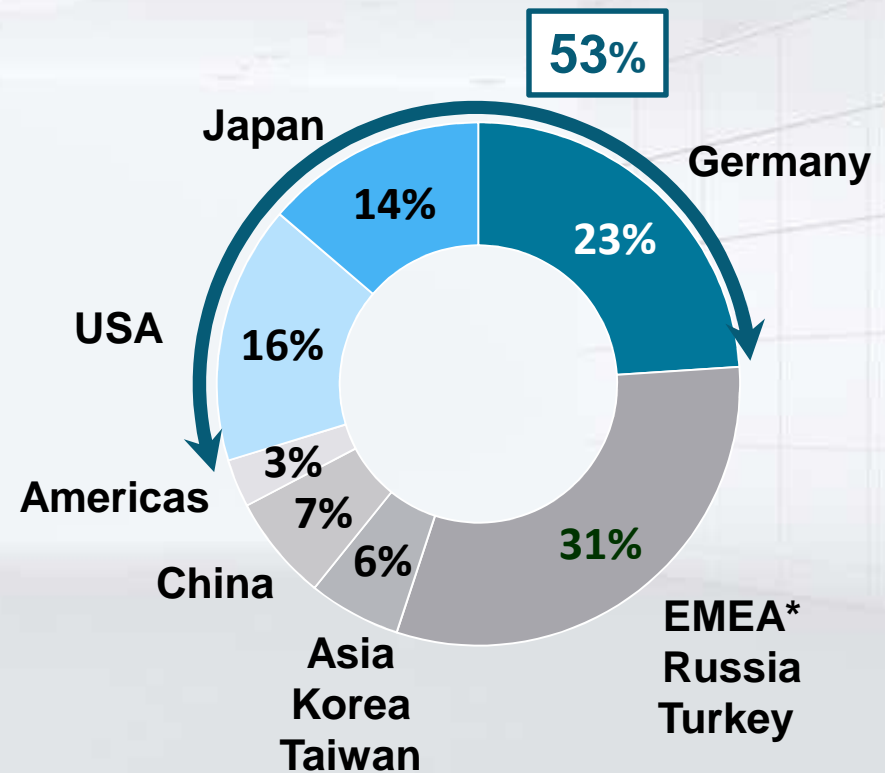
Consolidated machine order intake

CY2017



Consolidated machine sales

CY2017

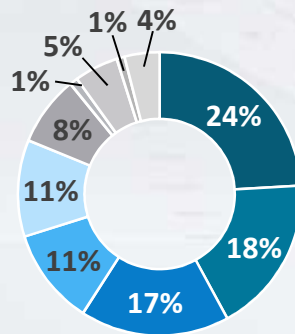


*Europe, the Middle East and Africa

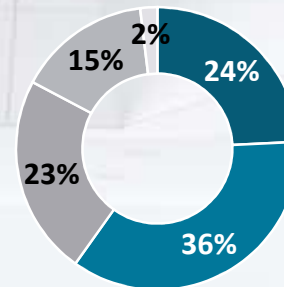
Order composition

* Value basis
* Machine body only

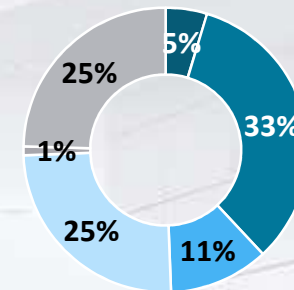
CY2016 by industry



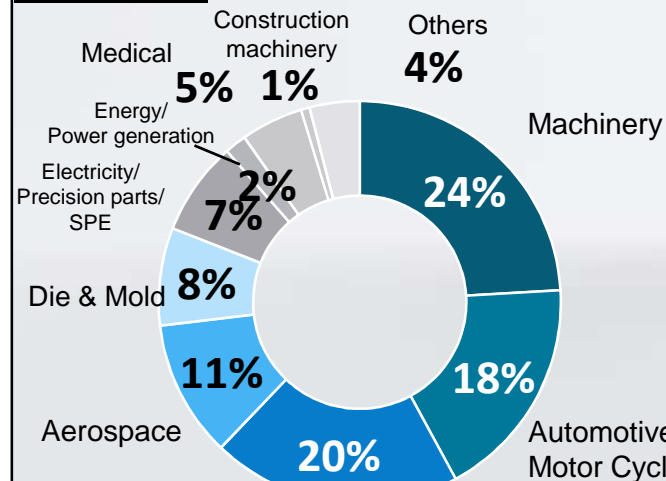
by customers' number of employees



by product type

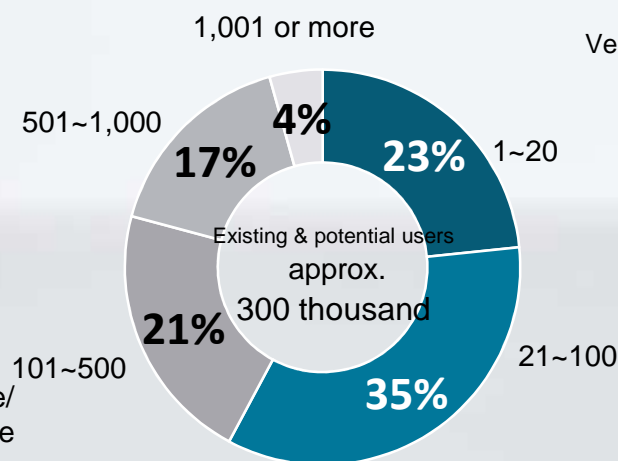


CY2017



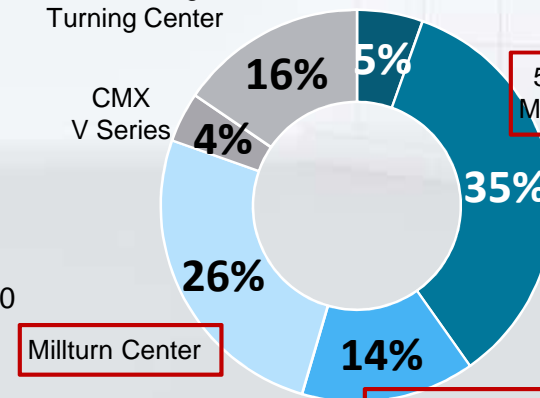
SMEs*

*Small and medium-sized enterprises



Existing & potential users approx. 300 thousand

by product type



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Addressing to market trend

EV

AI

Aging society

Research and development(1)

R&D

Production

Sales

Solution

Quality

Software development



Connected industries



Elemental technologies



Optimization of product portfolio



Research and development(2)

R&D

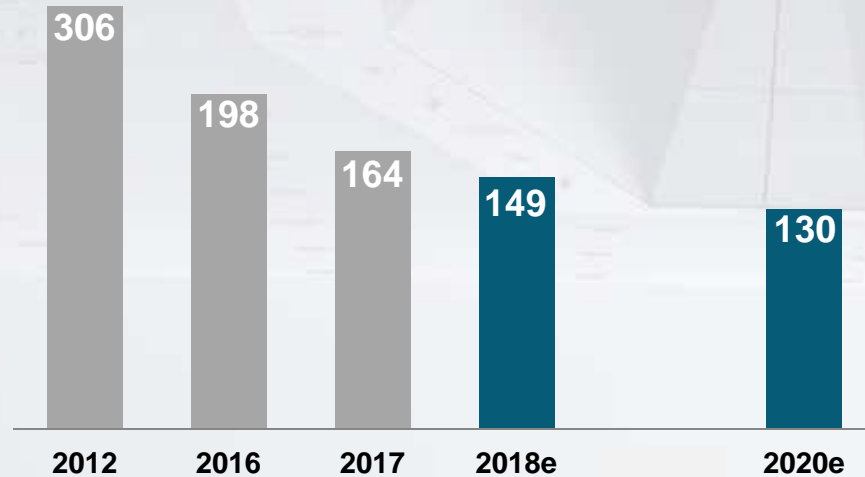
Production

Sales

Solution

Quality

Transition in product models



2017

- 15 world premieres
- Revised streamline target for machine models:
130 models in 2020 (previous target 150)
- Streamlining to 4 MASTER series

World premieres in 2017



Variety of spindle types

speedMASTER	61	→	17
powerMASTER	49	→	16
turnMASTER	54	→	14
compactMASTER	11	→	8

R&D and product strategy

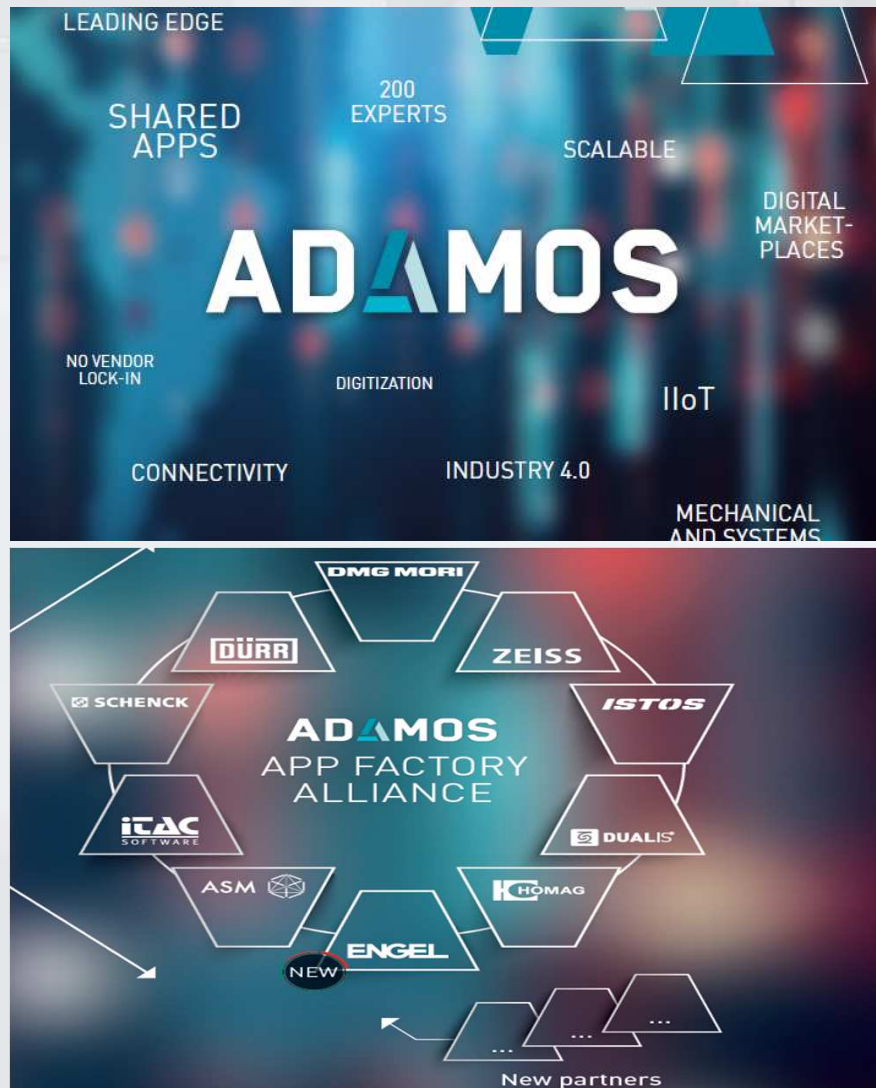
R&D

Production

Sales

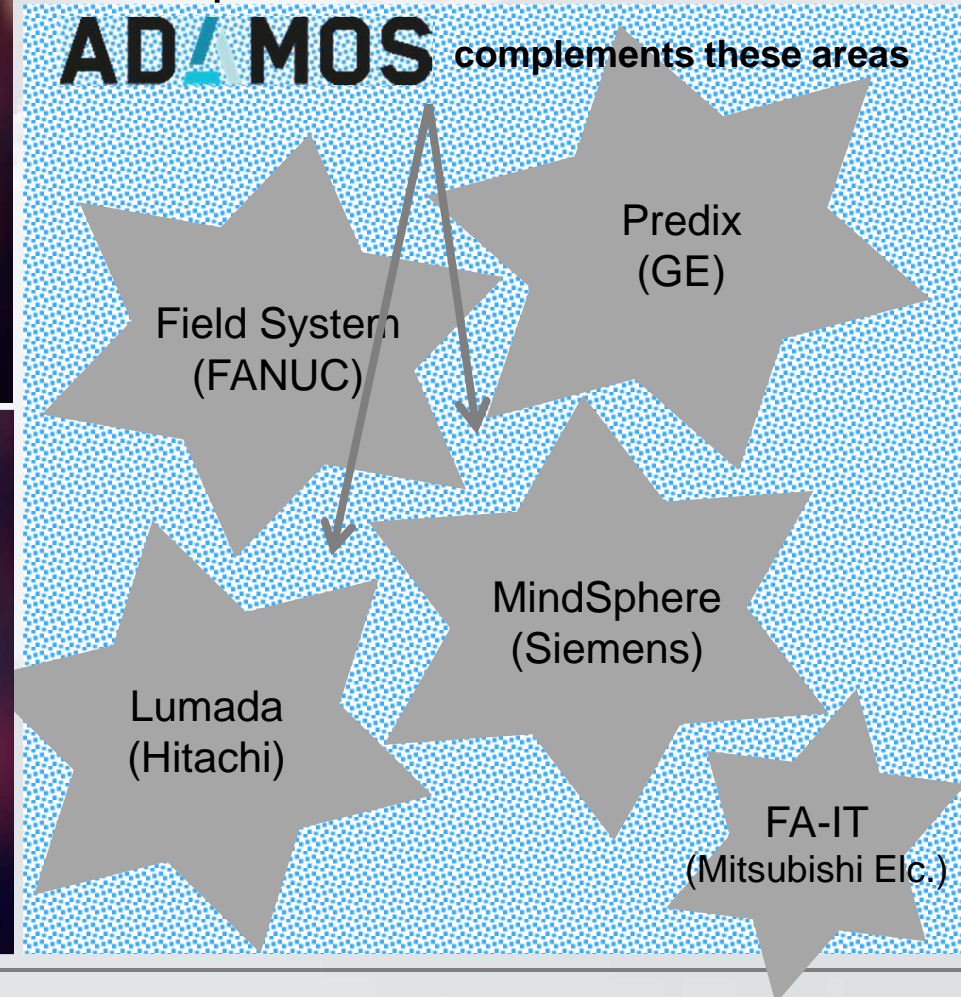
Solution

Quality



- Complementing other platforms
- Adoptable for SMEs

ADAMOS complements these areas



Speeding up development process with Digital Twin

R&D

Production

Sales

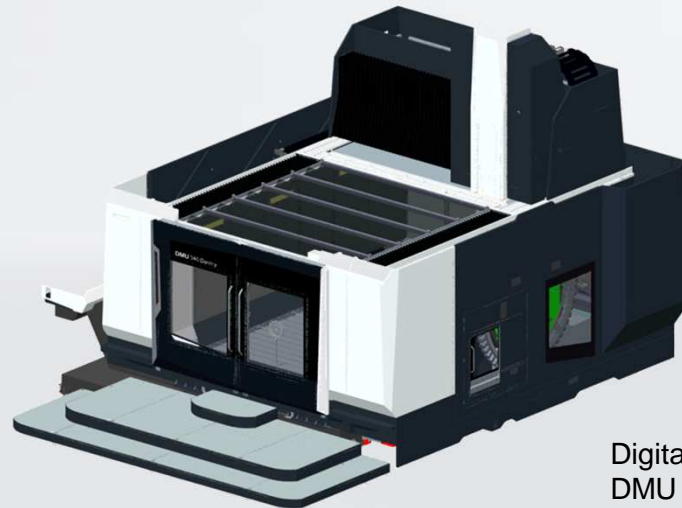
Solution

Quality



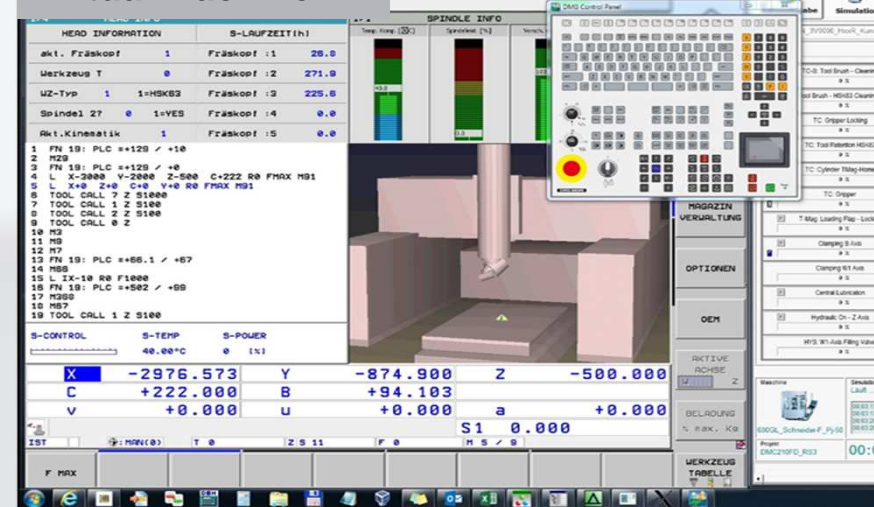
2018

- Reduction of development time by **20%** by using the Digital Twin
- Intelligent 3D model
- Parallel development of PLC software



Digital Twin of
DMU 340 Gantry

Virtual Machine



Competitive supply chain management

R&D

Production

Sales

Solution

Quality

In-house production of major components

Spindle



User Interface
(CELOS)



Scale



Direct drive motor



Ball screw



ATC



Economies of scale = good relationship with partners

Linear guide

THK
Schaeffler

Ball screw

NSK
THK

Pneumatic equipment

SMC
CKD

Numerical Control

FANUC
Mitsubishi Elc.
SIEMENS
HEIDENHAIN

Hydraulic equipment

Fujikoshi
Daikin
HAWE

Bearing

NTN
NSK
SKF
Schaeffler

Robots

FANUC
Fujikoshi
Yasukawa
KUKA

Delivery time
hit rate

approx. **90%**

Delay of
approx. 2-weeks

Global production capacity

R&D

Production

Sales

Solution

Quality

14 sites worldwide, production capacity of approx. 15,000 units/year

2017 / 2018



2017 Production 10,500 units

2018 Plan 11,500 units

Capacity increase in 4 factories

- Pfronten : 5-axis machines
- Poland : Casting machining
- Iga : Large-sized machines
- Nara : System for automobile industry

Extension of FAMOT (Poland)

R&D

Production

Sales

Solution

Quality



New and existing building



New building



Open house Pfronten Jan. 2018

R&D

Production

Sales

Solution

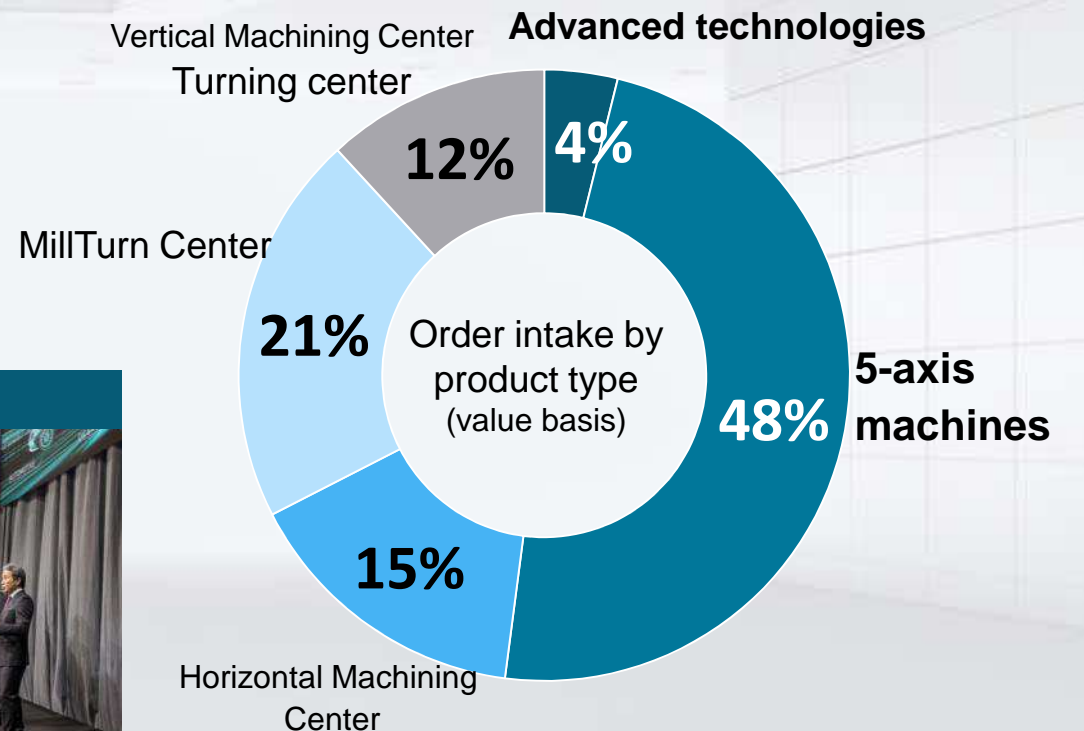
Quality

Order intake :YoY +17% (in units) +42% (amounts)

Industry focused exhibit (aerospace)



Technical press conference



Thereof, system solution 20%

Schedule of major exhibitions in 2018

R&D

Production

Sales

Solution

Quality

January

Open
House
Pfronten

Germany



May

Iga
Innovation
Days

Iga



May

Innovation
Days
Chicago

U.S.



October

Grand
Opening
FAMOT

Poland



September

IMTS
Chicago

U.S.



September

AMB
Stuttgart

Germany



November

JIMTOF

Tokyo



5-axis machine sales promotion in Japan

R&D

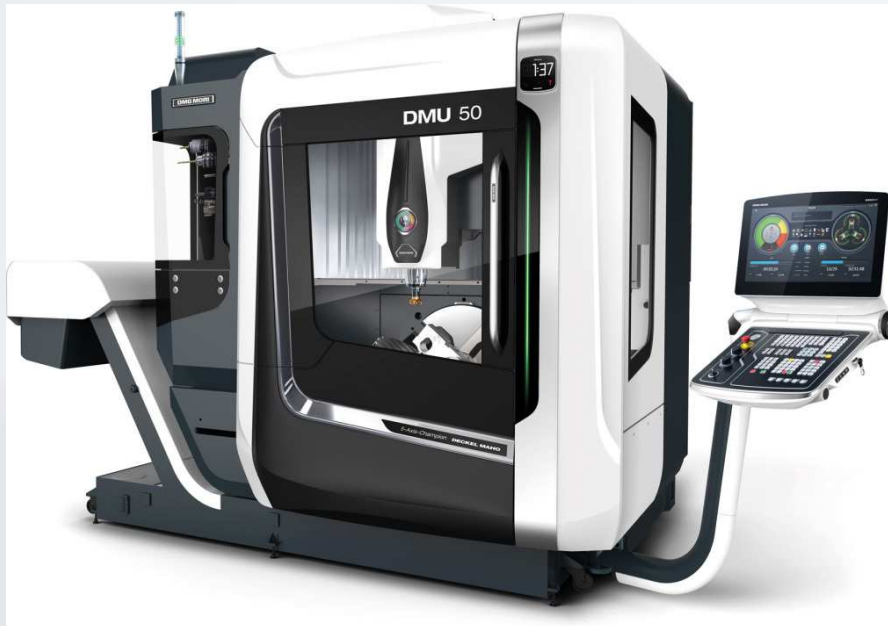
Production

Sales

Solution

Quality

- Lending DMU50 3rd Generation to top 50 users for 1 year (from May 2018)
- Organizing seminars to the users in the neighborhood
- Assigning our engineers as trainers twice a month



Solutions

R&D

Production

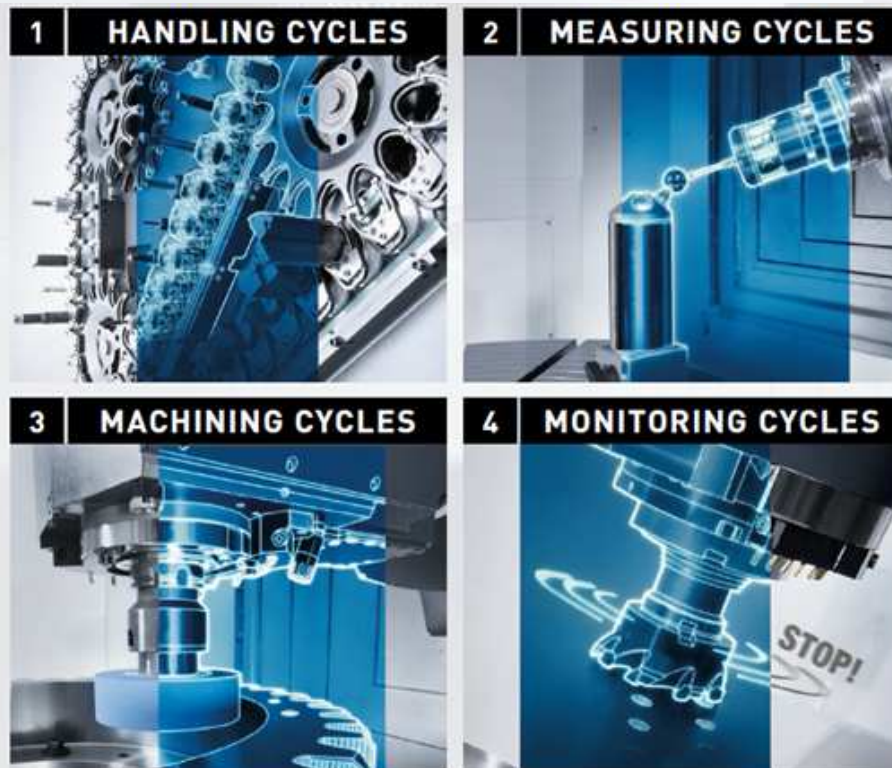
Sales

Solution

Quality

Technology Cycles

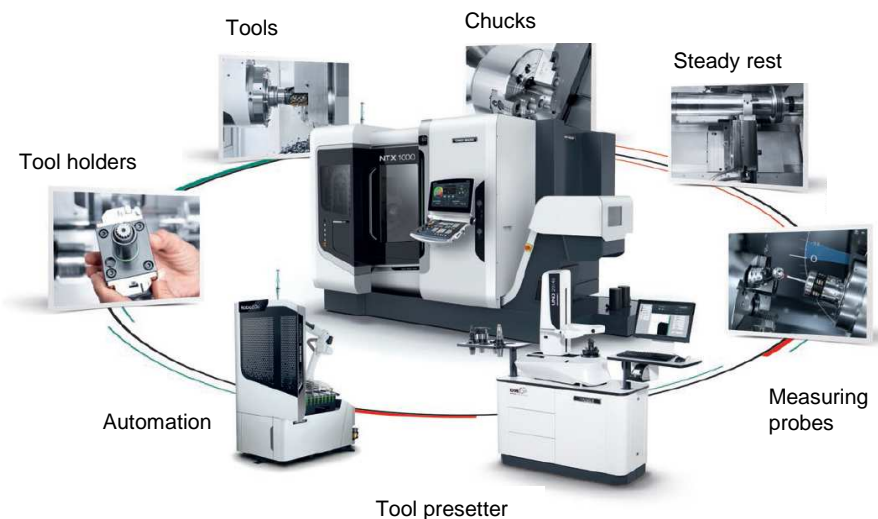
- max. 40% reduction of programming time
- YoY +54% order intake (2017, JPY 4bn)



DMQP* *DMG MORI Qualified Products

- More lineup for DMQP
- YoY +82% sales volume
(2017, approx. JPY 30bn)

DMQP examples



MATRIS (Module Automation Transfer Robot Intelligence System)

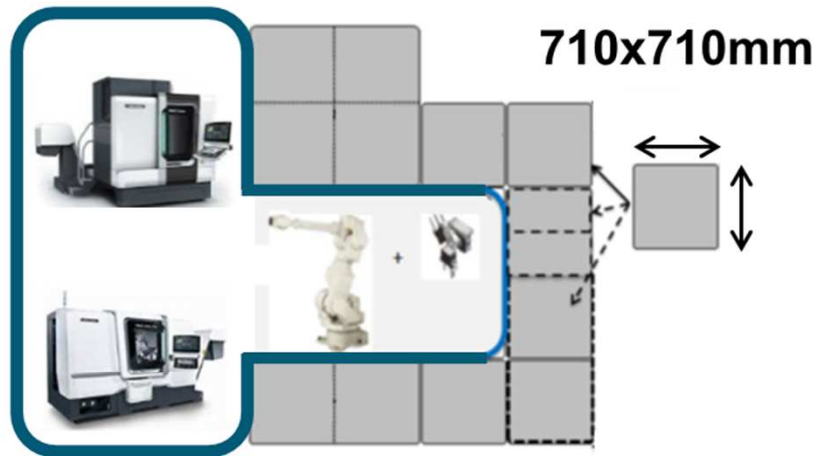
R&D

Production

Sales

Solution

Quality



Module system



MAPPScnnected

Measurement

Cleansing

Vision



Tokyo Seimitsu
MARPOSS
Mitsutoyo
Nikon



Morigo seiki
Kan seisakusyo



Kyoto Robotics
Ricoh

Open innovation

- Reduction of installation time by **80%**
- Services by DMG MORI

Commissioning, after services

Global engineering support

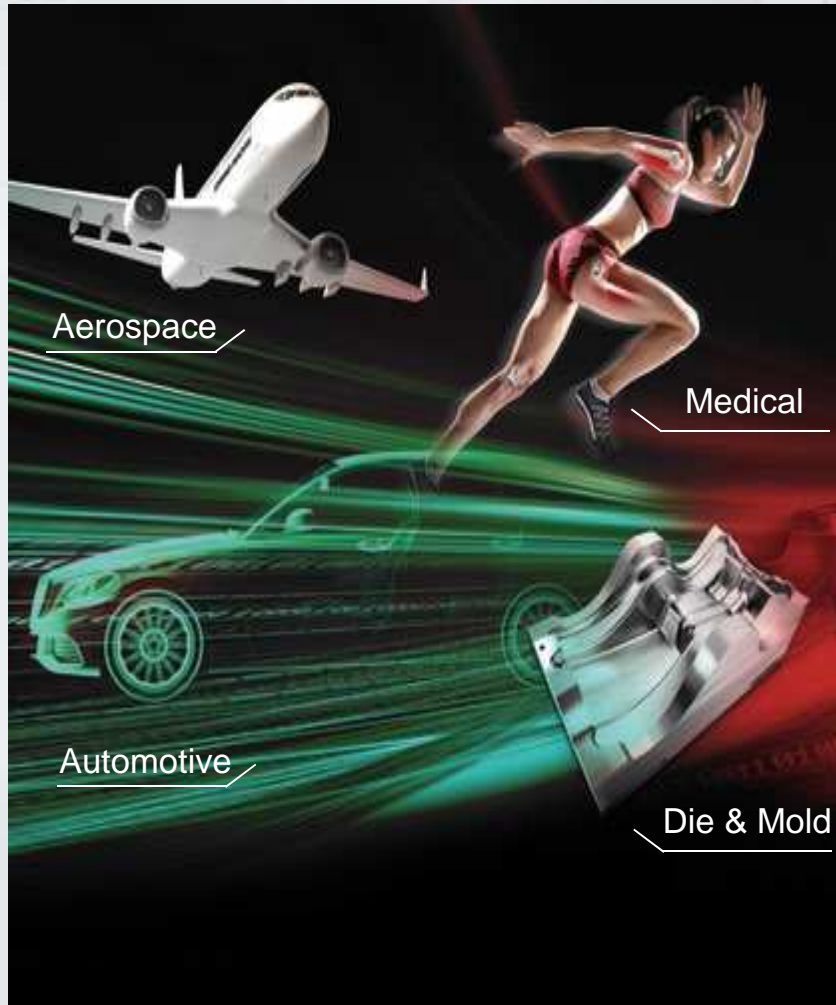
R&D

Production

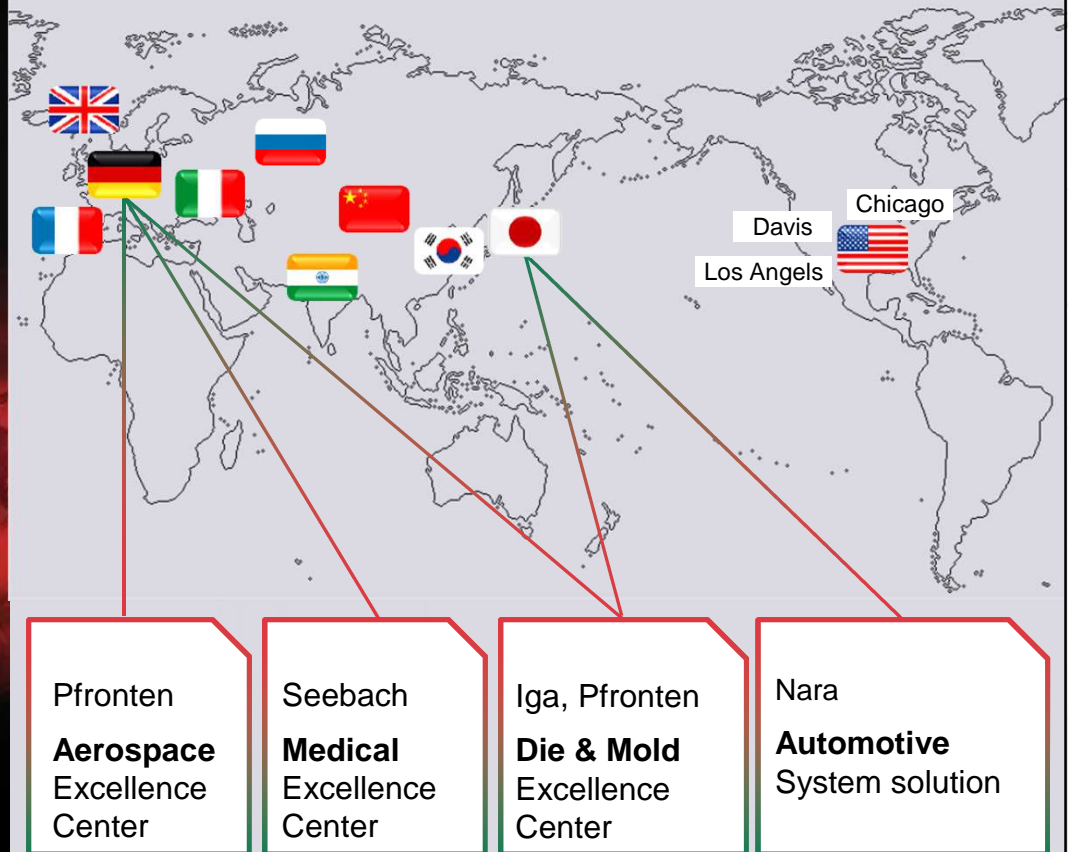
Sales

Solution

Quality



Approx. **1,000** application engineers worldwide



Quality

R&D

Production

Sales

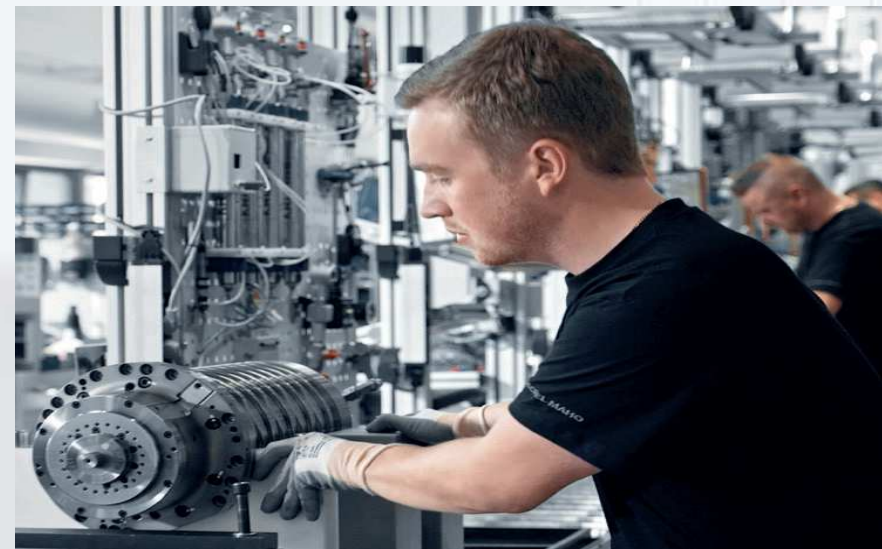
Solution

Quality



2017 / 2018

- **3-year warranty** for MASTER series spindle
- More models with standardized **Smart SCALE**



Raising external directors/auditors ratio to 50%

(After annual general meeting in March)

Directors



Masahiko Mori
President, Dr. Eng.

Hiroaki Tamai
Executive Vice President

Hirotake Kobayashi
Executive Vice President

Naoshi Takayama
Executive Director, Dr. Eng.

Kenji Oishi
Executive Director

5 Internal 1



Tojiro Aoyama
External Director, Ph.D.

Tsuyoshi Nomura
External Director, Dr. Eng.

Makoto Nakajima
External Director

Takashi Mitachi
External Director

Ratio of external directors **44%**

Auditors



Tatsuo Kondo
Corporate Auditor

4 External 2



Yasuyuki Kimoto
External Auditor



Sojiro Tsuchiya
External Auditor, Dr. Eng.

Ratio of external auditors **67%**

Diversity of directors

3 non-Japanese operating officers

- **Mr. Nudo James** (U.S.)
DMG MORI USA/Canada CEO
- **Mr. Ralf Riedemann** (Germany)
responsible for engineering and application
- **Ms. Irene Bader** (Austria)
responsible for marketing

Governance of AG

General meeting

Supervisory Board
12 members

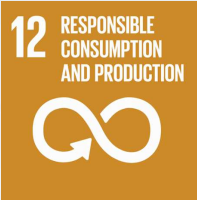

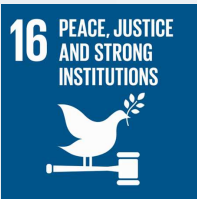

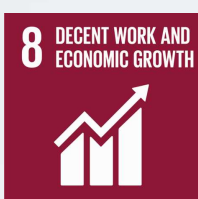


Representatives of
DMG MORI CO.

- Dr. Mori (President)
- Ms. Bader

Executive Board
3 members

- Mr. Christian Thönes (CEO of AG)
- Mr. Björn Biermann
- Dr. Maurice Eschweiler
- (Mr. Michael Horn May 2018)

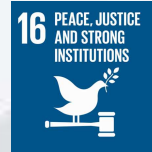
Contributing to SDGs(Sustainable Development Goals)

Related goals		Social issues	Our action
		<ul style="list-style-type: none"> Reducing CO2 emission from use of our products Reducing CO2 emission during our production process 	<ul style="list-style-type: none"> Saving energy consumption by our technology (GREEN mode) Monitoring of emission at our production sites
		<ul style="list-style-type: none"> Preventing the production of mass destruction weapon 	<ul style="list-style-type: none"> Ensuring intended use of our products by strict export control process
		<ul style="list-style-type: none"> Promoting active roles of women in workplace More employment in our business region Preventing long hour working and improving productivity 	<ul style="list-style-type: none"> Offering better working condition for women Diversity of employee nationality Enhancing productivity with better work-life balance
		<ul style="list-style-type: none"> Access to qualified technology education Promoting innovation and increasing material usage efficiency 	<ul style="list-style-type: none"> DMG MORI scholarship Support to Universities and technical colleges R&D in collaboration with academic organizations

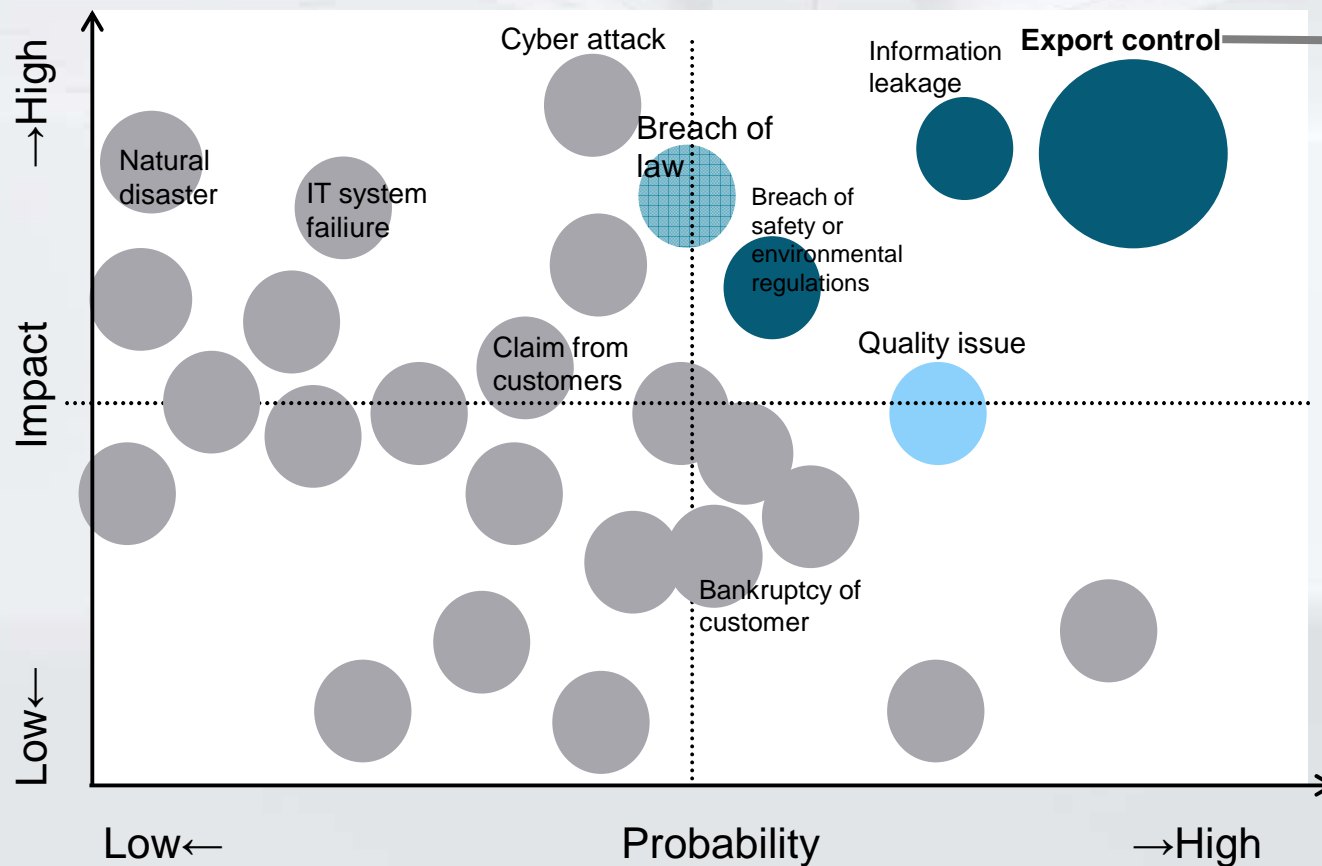
* Source: United Nations

Identifying and addressing high risk issues

- Risk management



Our risk assessment map



Preventing our machines from being used for unintended purposes with GPS information



Supporting technological and skill development through Mori Manufacturing and Technology foundation



2017

Plan 2018

Skill development



- Scholarship for technical college students
- Donation to Nagoya Univ.
- **More scholarship**
- **Doctor program at Kyoto Univ.**
- **Support for Post-graduate students** (Kyoto Univ. Keio Univ.)

Research and development



- Support of annual meeting of CIRP
CIRP: College International pour la Recherche en Productique

- Support for international conference (CIRP)
- Search and support for innovative organization

Local society and culture



- Planting 140 cherry trees in Yamato-Koriyama, etc.

- Renovation of Yamato-koriyama hall etc.

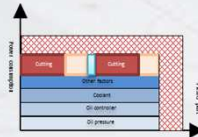
Our actions for energy savings



Monitoring



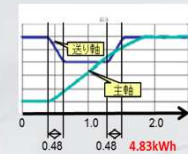
Idle reduction



Device



Control



GREEN mode

- Energy savings with 4 functionality
- Improved production efficiency with less energy consumption

- Reuse of the company packaging
- Reduction of CO2 emission by collective transportation

- Reuse of exhibited machines or facility machines
- Material recycling

Logistics

Used machine business



Steel packing



Packing with our own sheet



Supporting child-care for employees



Outlook of day-care center (April 2018)



Iga, Nara

Inside image of day-care center



(Pictures: our staff)

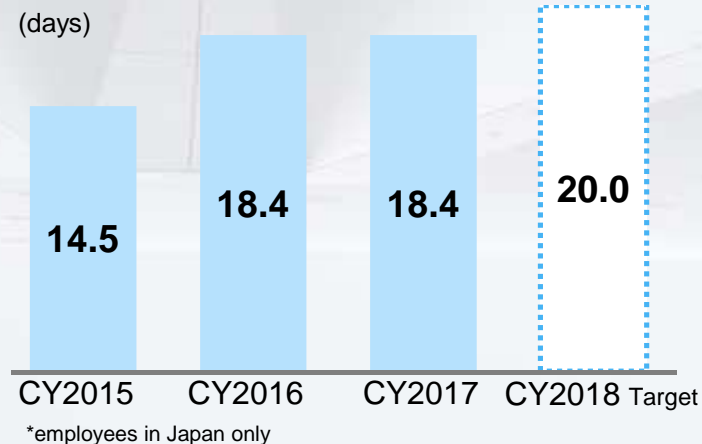
2018 Plan

- Child-care leave
 - First child up to 10 days/year
 - Second child or more up to 20 days/year
- Day-care for child (in-house)

Promoting work-life balance

- 「**Play**, Study」

Paid holiday taken (average per employee in Japan)



2018

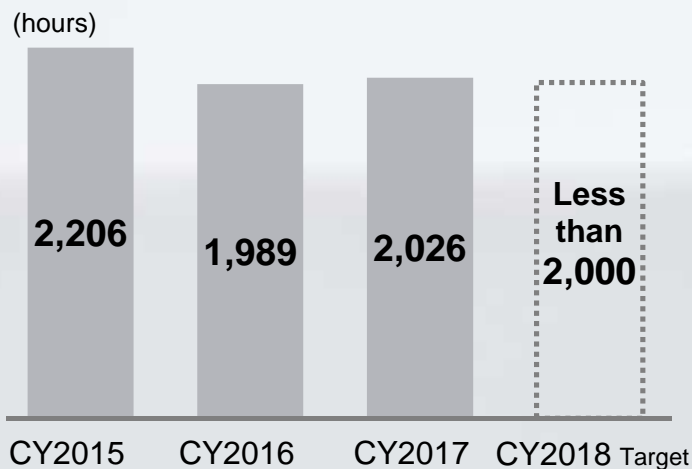
✓ 5 working days/week
48 week per year

✓ Long vacation

- Golden Week (May)
9 days
- Summer vacation
9 days
- Year-end 13 days

✓ 20 days paid-holiday for all

Total working hours (average per employee)



Employee skills development

- 「Play, **Study**」

Annual working hours per employee
1,952hours (244 days × 8 hours/day)

Paid-holiday
(20days)

160hours

min. **150**hours

= approx. **10%***
of total working
hours

*(denominator) Excluding paid-holidays
(numerator) Including other trainings
than mentioned right-hand

Working
hours

1,642
hours

TQM activities

*Total Quality Management

50hours



Lecture

50hours



On-the-Job Training

50hours



Employee skills development

-Training of application engineers

DMG MORI Academy (Iga)



2018

- Train more than 100 application engineers
- Mastering operation of all types of machines in 3-year training courses



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3. FY2017 financial summary

4. FY2018 Plan

Financial results

- 2017 actual and 2018 forecast

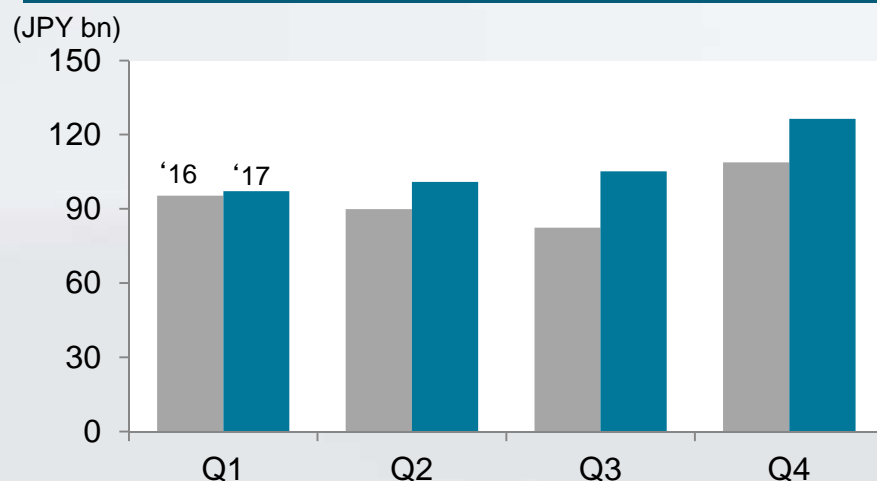
Jan to Dec (JPY bn)	FY2016	FY2017 Actual	Changes (%)	FY2018 Forecast	Changes (%)
Sales revenue	376.6	429.7	+14.1%	450.0	+4.7%
Operating profit (excluding one-off items)	13.0	28.1	+116.2%	35.0	+24.6%
% to sales revenue	3.5%	6.5%		7.8%	
One-off gain/ losses	-11.0	+1.3		0.0	
Operating profit	2.0	29.4	14.7x	35.0	+19.0%
% to sales revenue	0.5%	6.8%		7.8%	
Net financial costs (thereof, economic compensation associated with DA)	-3.2 (-0.7)	-4.7 (-2.1)		-5.0 (-2.1)	
Profit before taxes	-1.1	24.8		30.0	
Net profit	-5.7	15.7	-	21.0	
Net profit attributable to owners	-7.8	15.3		20.0	
Earnings per share (JPY)	-67.8	116.4		156.6	
Dividend per share (JPY)	26.0	40.0		50.0	
Depreciation & amortization	17.7	18.3		18.5	
Capital expenditure	15.2	9.4		12.0	
(forex) USD/JPY	108.9	112.2		110.0	
EUR/JPY	120.3	126.7		130.0	

Quarterly financial results

- FY2017

2017 (JPY bn)	Q1	Q2	Q3	Q4	FY Total
Sales revenue	97.2	100.9	105.2	126.4	429.7
Operating profit	4.0	5.0	5.9	14.5	29.4
% to sales revenue	4.1%	5.0%	5.6%	11.5%	6.8%
Net profit attributable to owners	1.6	2.0	3.3	8.4	15.3
% to sales revenue	1.6%	2.0%	3.1%	6.7%	3.6%
(forex) USD/JPY	113.7	111.1	111.1	113.0	112.2
EUR/JPY	121.1	122.2	130.4	133.0	126.7

Sales revenue



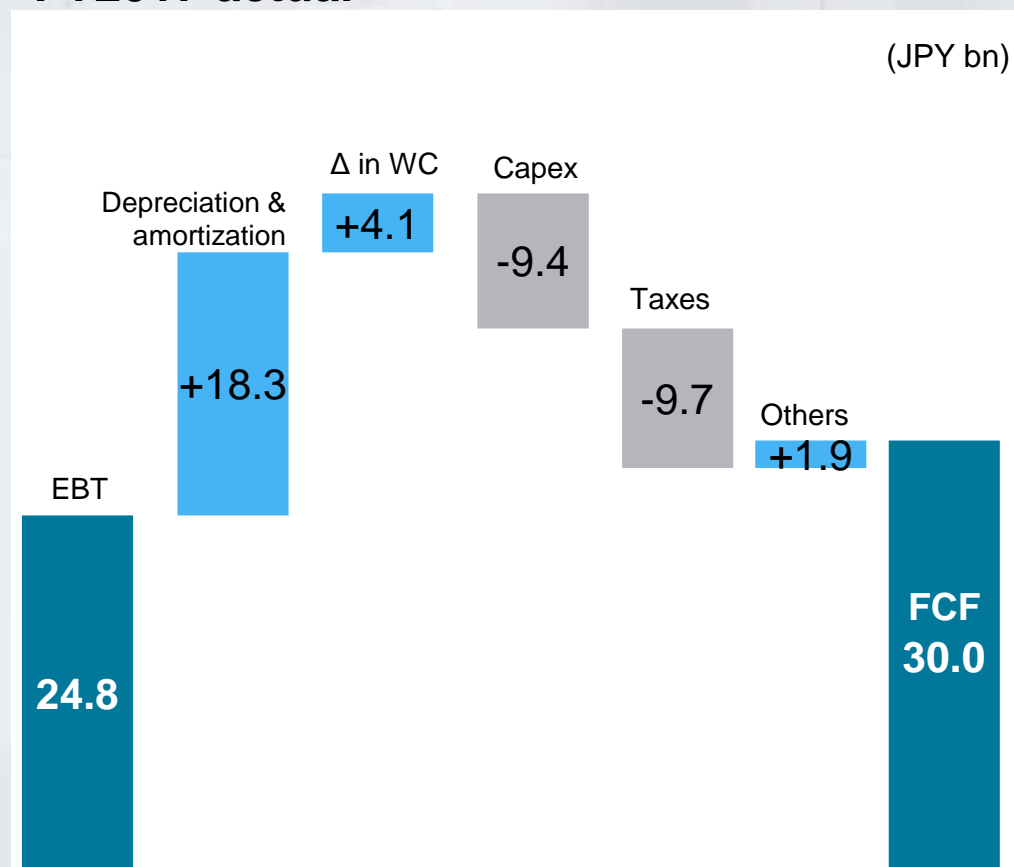
Operating profit (excluding one-off effects)



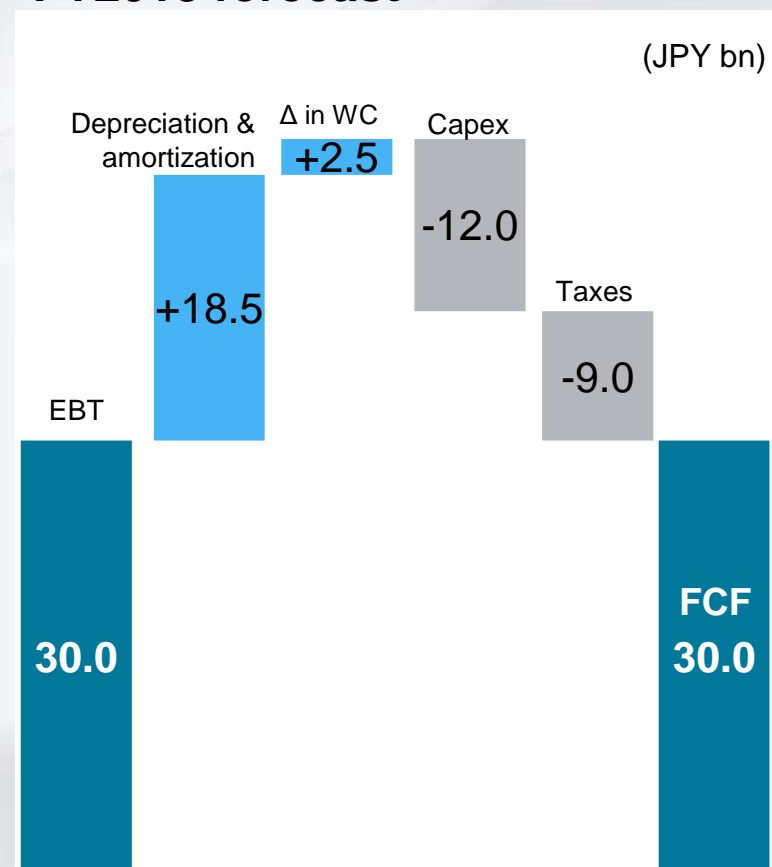
Cash flows

- Free cash flow for the year reached JPY **30bn**

FY2017 actual



FY2018 forecast



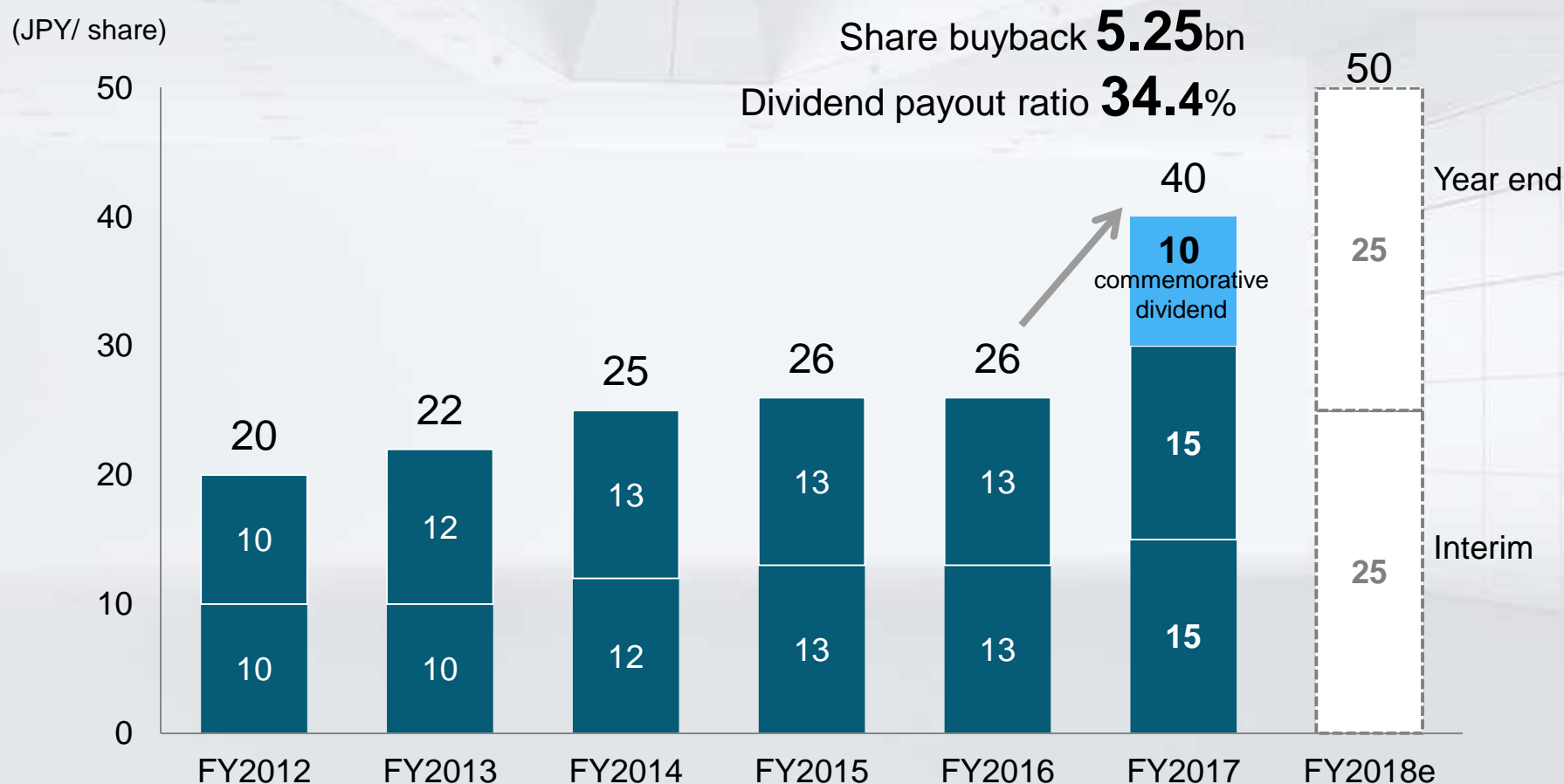
Net debt reduced, progressing towards stronger balance sheet - summary of financial position

<u>Assets</u>		<u>Liabilities & equity</u>			
	JPY 558.2bn	JPY 567.4bn	JPY 558.2bn	JPY 567.4bn	
Short-term financial assets	76.0	73.6	55.9	47.7	Payables
Trade receivables	51.0	60.7	26.7	45.7	Advance payment
Inventories	122.2	123.0	51.8	43.9	Other liabilities (short-term)
Other assets (short-term)	10.8	10.6	46.0	22.7	Debt 179.4
Fixed assets	137.4	134.0	160.8	156.7	
Goodwill	65.6	73.3	90.1	98.7	Obligation of AG share purchase
Intangibles	66.3	69.3	24.5	42.0	Other liabilities (long-term)
Other assets (long-term)	28.8	22.8	50.9	58.1	Shareholders' equity
			49.5	49.5	Hybrid equity
	Dec 2016	Dec 2017	Dec 2016	Dec 2017	
Total assets of AG (mn EUR)			2,339	2,234	
EUR/JPY closing rate			122.7	135.0	

Net Debt (interest-bearing debt - short-term financial assets) (JPY bn)	
Dec 2016	130.8
Dec 2017	105.8
Dec 2018	Less than 90.0

Increased dividend with 70th-anniversary commemorative dividend

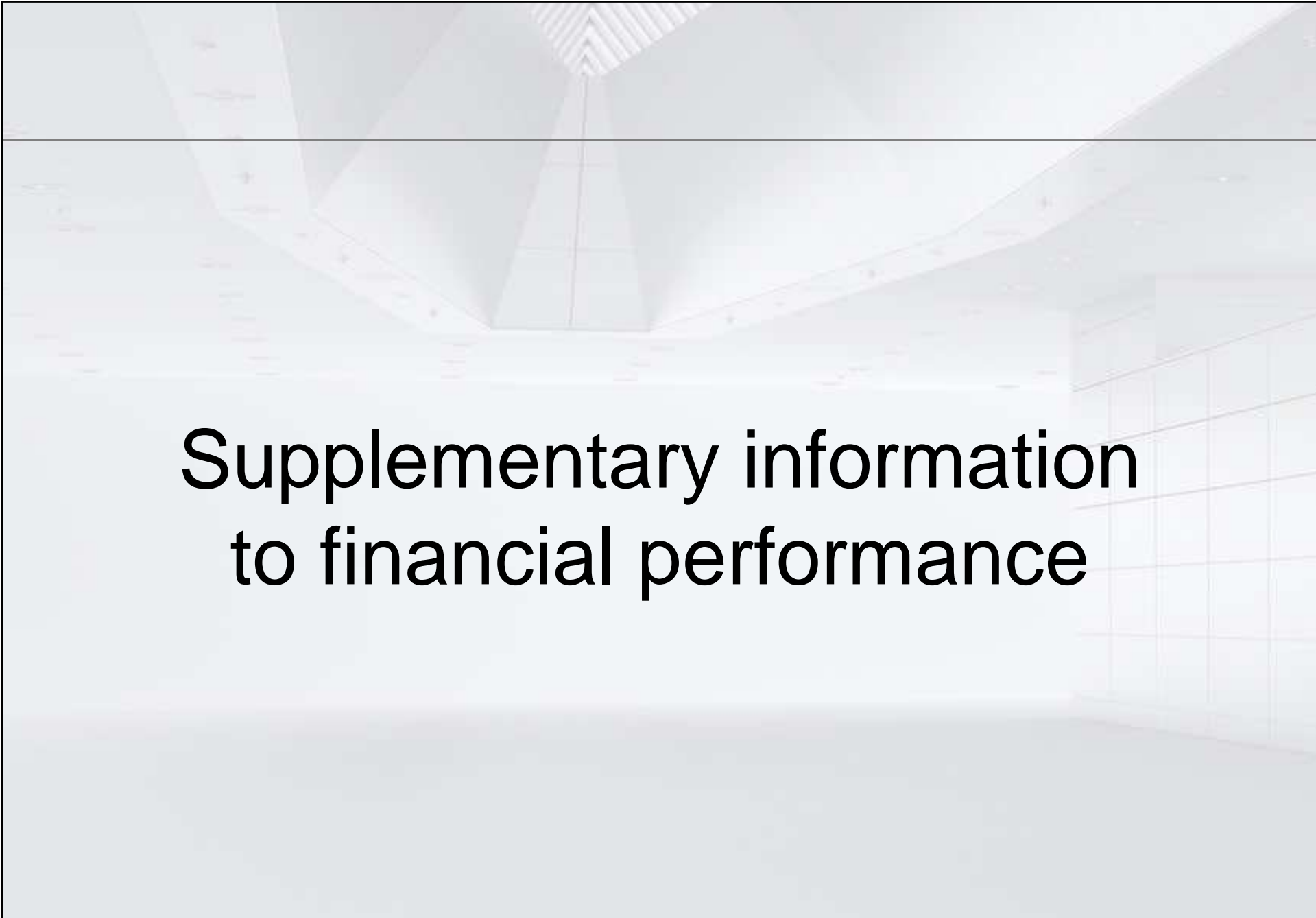
Total shareholder return for FY2017
approx. JPY**10**bn



2020 Vision

- Progress review

		2020 Target	2017 Actual	2018 Plan	Progress evaluation
Sales revenue	bn	450.0	429.7	450.0	Expected to achieve 2 years in advance
EBIT	%	10.0	6.8	8.0	On track
RoE	%	>12	15	15	Target achieved, continued
Dividend payout ratio	%	30	35		Continued
Net Debt	bn	>50.0	105.7		On track
Equity ratio	%	40	19	>20	Aiming for over 30%
Product line	models	150	164	149	Expected to achieve 2 years in advance



Supplementary information to financial performance

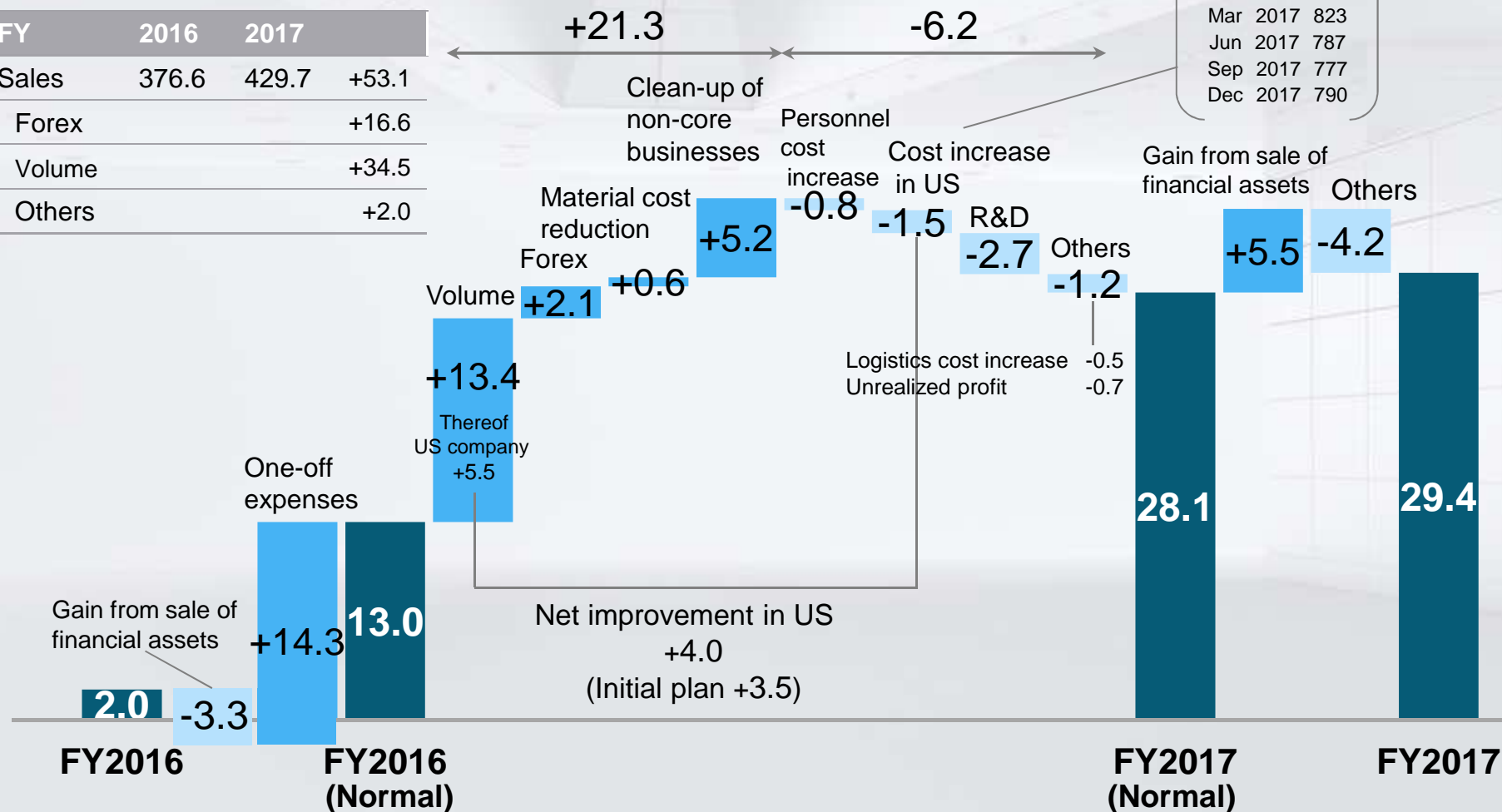
FY2017 Operating profit bridge (Y-o-Y)

	2016	2017
Forex: USD/JPY	108.9	112.2
EUR/JPY	120.3	126.7

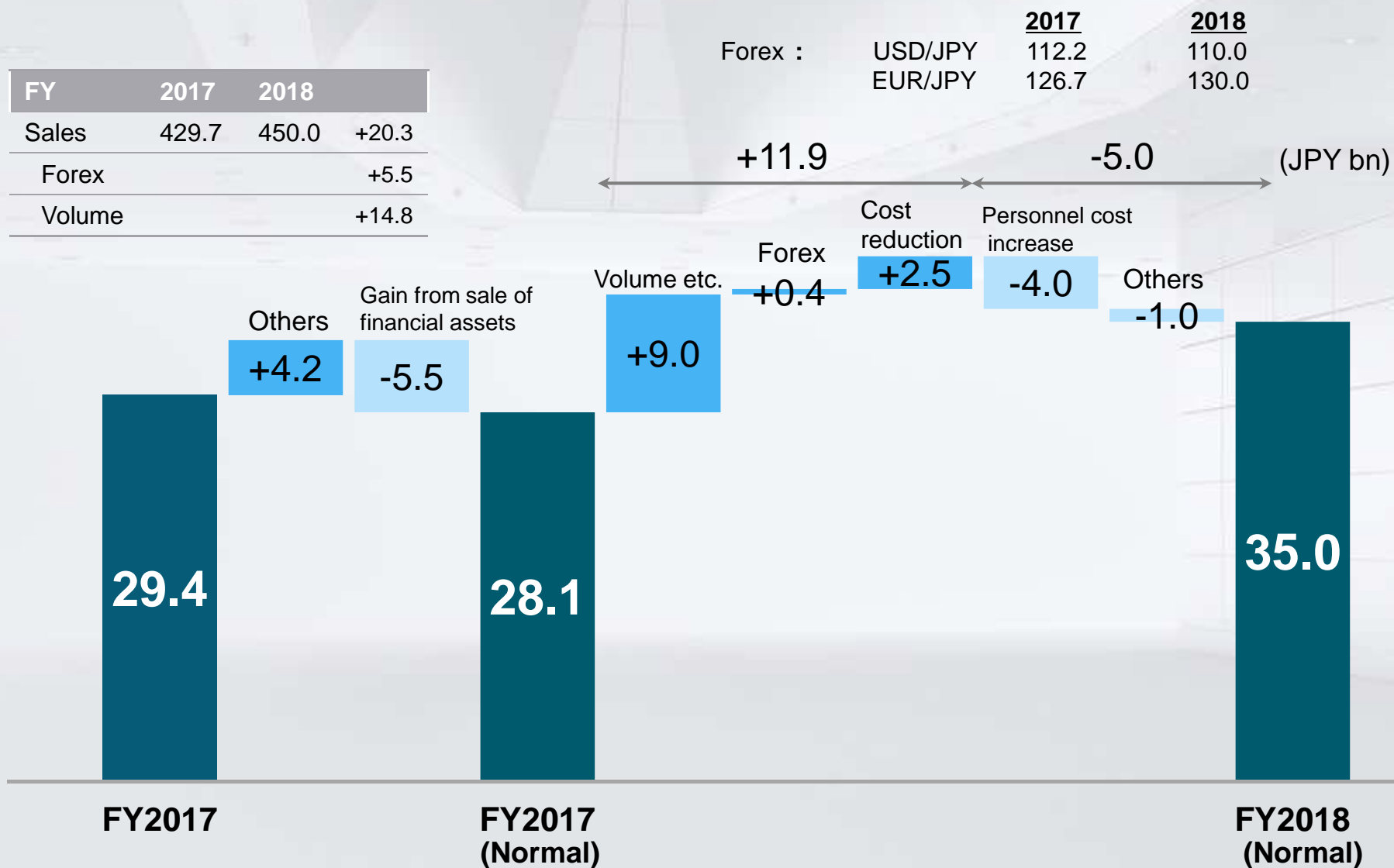
FY	2016	2017	
Sales	376.6	429.7	+53.1
Forex			+16.6
Volume			+34.5
Others			+2.0

(JPY bn)

US headcount	
Mar 2016	692
Mar 2017	823
Jun 2017	787
Sep 2017	777
Dec 2017	790



FY2018 forecast operating profit bridge



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.