Dear Investors

We announced our financial results for FY2017 on February 13, 2018.

This document is a summary of Q&A to our results.

Agenda

・Management analysis

・Selected questions (including anticipated ones) and answers

Management analysis

<Key messages>

- Pioneering in advanced technologies. Our measures, such as quality improvement, enhancement of peripheral devices and software, to bear fruit
- Growth in market share worldwide
- Establishing resources for sustainable growth by enhancing R&D and employee training
- Shareholder return and net debt reduction by improved profitability and ability to generate cash flow
- Efforts towards SDGs

Review of 2017 :

Our products' quality was further improved by minimizing variance in machining accuracy and other methods, precedently with advanced machines like 5-axis machines, mill-turn centers and Additive Manufacturing machines. We have also enhanced the range of DMQP (DMG MORI Qualified Products), and Technology Cycles. As a result, we established the position as a leading engineering company in the machine tools industry that provides optimal systems and value-adding after-sales services for each customer.

Additionally in our efforts to strengthen Connected Industries, we have launched the IoT platform "ADAMOS", together with leading European companies in software, engineering, and measuring equipment. Various machine tools and peripheral devices such as measuring equipment at customers' plants can be easily connected through ADAMOS, which enables centralized management of information. It contributes to productivity improvement and downtime elimination by failure diagnosis (predictive maintenance). The platform is highly compatible with other platforms, such as FANUC's 'FIELD System' and Siemens's " MindSphere. "

On the sales front, in our attempt to raise customers' experience, we introduced machining methods by industry and by workpiece type, as well as automation systems, at various exhibitions. In particular at the EMO show, the world's largest machine tool trade fair held in Hannover, Germany in September last year, we received the record-high orders for a single month. In November, we opened the Shanghai Technology Center with turnkey exhibitions, DMG MORI academy and spare parts bases to strengthen solution proposal and service provision functions for customers in China and neighboring countries.

In the meantime, our company is working on employee trainings, promotion of paid vacation, overtime elimination and development of in-house childcare center. For employee trainings, we enhanced TQM (Total Quality Management) activity, OJT (On the Job Training) and other curriculum. We also established the Emerging Technologies Laboratory, for further promotion of

Connected Industries and AI (Artificial Intelligence) to address technological development in ten to twenty years and more. As of annual paid vacation, we succeeded in consuming all allocated holidays. However, we exceeded the target of 2,000 total working hours per year by 26 hours due to an increase in production workload caused by higher order intake. We will continue working on improving the working environment.

As a result of the measures mentioned above, order intake increased by 22% from the previous year to a record-high JPY 448.3bn. Market share has improved in all regions. Sales revenue increased by 14% year-on-year to JPY 429.7bn, operating profit was JPY 29.4bn, and net profit attributable to the owner of the parent company was JPY 15.3bn (loss of JPY 7.8bn in the previous fiscal year due to disposal of redundant assets). On the financial front, the net debt balance at the end of the period (balance of interest-bearing debt, less, short-term financial assets) was reduced to JPY 105.7bn (JPY 130.8bn at the end of the previous fiscal year) due to early collection of trade receivables, inventory management, and collection of advance payment.

With the improvement of profitability and the ability to generate cash flow, we will enhance our annual dividend per share to be 40 yen, including the commemorative dividend of 10 yen for our 70th anniversary.

Future Priority Initiatives:

We will continuously and efficiently catch up with the changes in society, such as shift to EV (electric vehicle), advancement in AI(artificial intelligence) and aging society.

The EV trend in the automobile industry will raise demand for machine tools and other equipment, as it requires new parts such as motors and batteries, as well as new processing methods for diversified material. AI shift will increase semiconductor demand, and the semiconductor production equipment needs processing facility for ultra-precision parts. Aging society will bring about changes in the facility environment, including automation of material handling. It also leads to an increased demand for medical parts production such as knee and hip joint socket, bone screw and implant. We believe that these structural changes will support the expansion of machine tools and the peripheral equipment market. However, the extension of conventional technology might not be enough to cope with the changes in materials and processing methods. From now on, only innovative companies can survive and provide customers with continuously improved value.

In addition to 5-axes machines and mill-turn centers, we have also pioneered the industry in laser machines, ultrasonic machines, Additive Manufacturing etc. We have successfully proposed processing methods for complicated workpieces and wide variety of materials. Automation accounts for more than 20% of total order intake.

In the fiscal year 2018, we will gradually expand the application of in-house SmartSCALE in pursuit of higher machine precision than our competitors'. In addition, we extended the warranty period of the spindle MASTER series from 2 years to 3 years to enhance customer satisfaction for after-sales service.

As a leading company in the industry, we are putting efforts in SDGs (Sustainable Development Goals) to meet the expectations of a wide range of stakeholders. As an immediate task, we further strengthened export control function in relation to the Foreign Exchange and Foreign Trade Control Law in Japan. In industrial development front, we are financially supporting research and human resource development through the Mori Manufacturing Research and Technology Foundation. With our motto "Play well, Study well, Work well", we continue to encourage our employees to take full paid vacation, work less than 2,000 hours per year, and enhance our in-house childcare system starting in April this year as well as our training system.

Through the above mentioned actions, we will strive to continuously improve corporate value.

Selected questions & answers

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Q: Describe the demand and order forecast by region and by industry.

A：Order amount in fiscal year 2017 grew by 22% y/y to JPY448.3 billion, which was the historical high for the group. We expect a continued stable demand for machine tools with a target of JPY 450bn or more in order value for fiscal year 2018. The US and China are likely to see further growth, while Europe, Japan and Asia, where the order value jumped substantially last year, are expected to remain flat year-on-year. By industry, we expect increasing demand from SMEs (Small and Medium-sized Enterprises), medical, and general machinery. Demand from semiconductor production equipment, aerospace, and automotive will remain at high level. Demand from the energy industry still need some time before seeing recovery.

Q: Describe the background of market share growth. Will the share continue to grow?

A：The major challenges our customers are facing include: 1) lack of skilled operators, 2) lack of application knowhow to deal with complicated work piece geometry and materials, and 3) improved utilization rate of machines. Against this background, DMG MORI has developed and provided solutions to meet customers' requests: 5-axis and millturn machines to shorten work process; laser, ultrasonic, and additive manufacturing technologies as new machining solutions; DMQP and Technology Cycles (our application software) to facilitate automation; and assigning DMG MORI's application engineers to train customers' operators. We were convinced that these efforts added value to our customers worldwide, and ultimately led to a higher market share. In 2018, we will continue or even strengthen these efforts to improve customer satisfaction and pursue a higher market share by extending the warranty period of motor spindles developed and produced in-house from 2 to 3 years, and by improving machine's accuracy with Smart-SCALE (precision measuring equipment) produced by a subsidiary, mounted on all models.

Q: Share the results of order and demand at the private show in Pfronten, Germany.

A：The private show in Pfronten was held from January 30 to February 3, 2018. Orders we received during this show grew by 17% in unit or 42% in value year-on-year. By product, orders for 5-axis machines, such as DMU50 3rd Generation, grew substantially. Automation systems combined with DMQP (DMG MORI Qualified Products) and Technology Cycles (application software) accounted for 20% of total orders, showing the growing demands for automation. ADAMOS, a Connected Industries platform, attracted much attention.

Q: Is production capacity sufficient?

A：Our annual production capacity based on floor space of our plants is around 15,000 units. In fiscal year 2017, we produced 10,500 units of machines. In fiscal year 2018, we are planning to produce around 11,500 units, meaning that there will be no problem in our production capacity. However, orders for large 5-axis machines made in Pfronten and large horizontal machines made in Iga, automated system solutions made in Nara are so numerous and beyond our expectations. Therefore, we are taking measures to overcome this challenge by further improvement of productivity.

Q: Is extension of the lead time due to supply shortage of components from suppliers? Are there any opportunity losses?

A：One of our strengths is the capacity to develop and produce key components such as motor spindles and ball screws in-house. We also have strong relationships with our major suppliers, thanks to the economies of scale made possible by our position as world largest machine tools builder. Although the maximum delay of our delivery, which is caused by the supply shortage of some components, is now at around two weeks, the situation will be solved by the end of June 2018. We have little concerns with respect to missing orders, thanks to the fact that our 5-axis machines, horizontal machining centers and automation systems are highly competitive in the market.

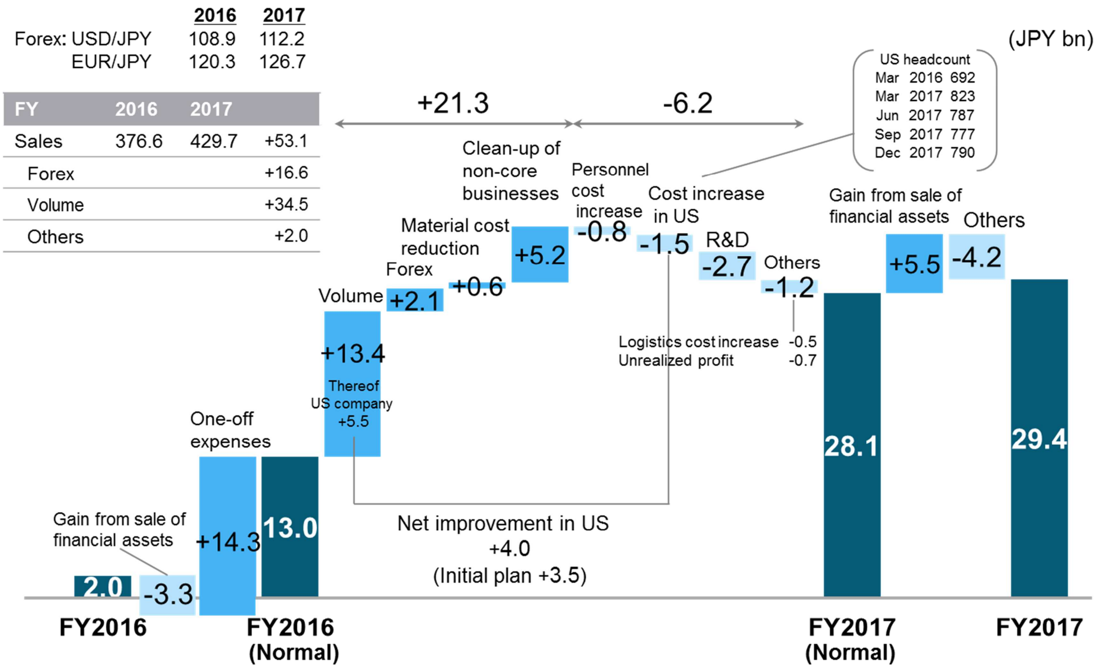
Q: Describe the composition of operating profit in detail, including a year-on-year comparison.

A：Operating profit in fiscal year 2017 grew by JPY16.4bn to JPY29.4bn from last year's JPY13bn (excluding one-off profit and loss). Positive effects of JPY21.3bn included JPY13.4bn of volume increase, JPY2.1bn of weak yen, JPY0.6bn of streamlining of product line and standardization of components, and JPY5.2bn of cost reduction from clean-up of overlapping assets in the last year. Negative effects of JPY6.2bn consisted of JPY1.5bn of wage increase in the US associated with direct sales, JPY2.7bn of increase of R&D expenses such as acquisition of an additive manufacturing business and JPY1.2bn of other items. Net positive impact of JPY15.1bn led to operating profit of JPY28.1bn in normal basis. Other than that, we posted a JPY5.5bn gain from sales of cross holding securities, while posting a JPY4.2bn extraordinary loss, including impairment of building at Wintertur in Switzerland. Net positive impact of JPY1.3

bn led to operating profit of JPY29.4 bn.

As for the profitability in the US subsidiary, the subsidiary has seen a black figure since the 4th quarter in 2016, and its full fiscal operating profit in 2017 improved by JPY4.0bn, exceeding its original plan of JPY 3.5bn improvement.

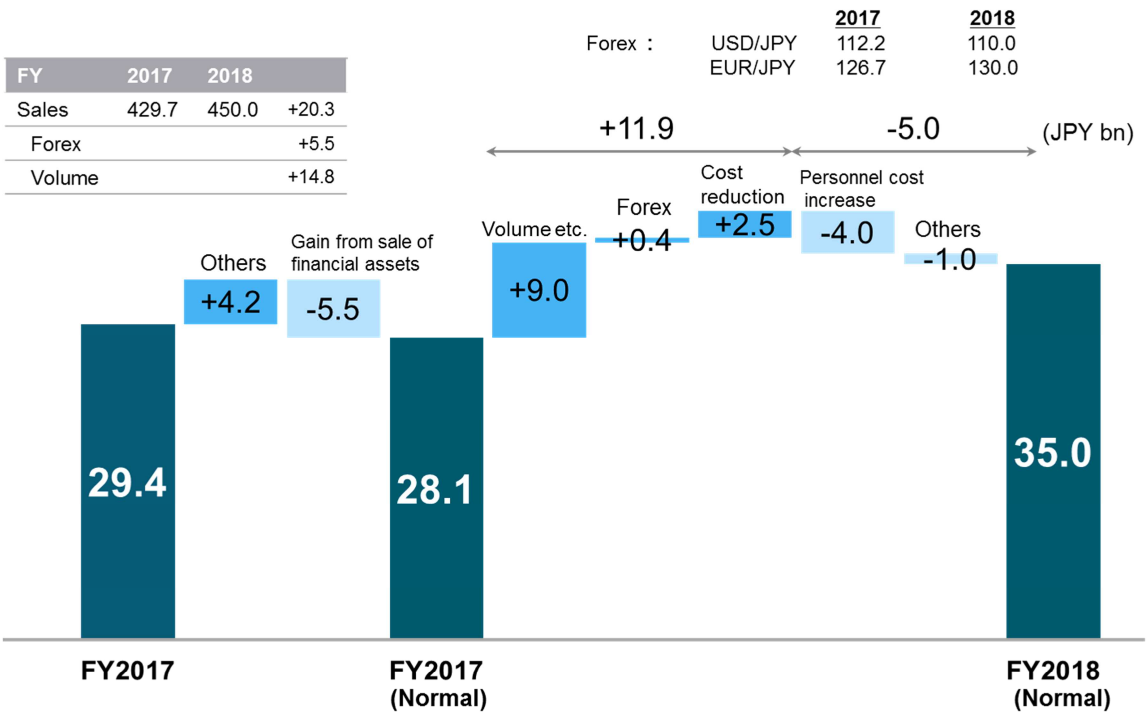
Figure 1：FY2017 Operating profit bridge （Y-o-Y）



Q: Describe the 2018 operating profit forecast.

A: We plan operating profit of JPY 35bn for fiscal year 2018. Operating profit in normal basis increase (excluding one-off profit and loss) is expected to be JPY 6.9bn. Positive factors are JPY 9.0bn of volume increase and price increase, JPY 0.4bn of foreign exchange effects, and JPY 2.5bn of other cost reductions, and, as a result, the positive effect will amount to JPY 11.9bn. On the other hand, negative factors are JPY 4.0bn of wage increase and JPY 1.0bn of material cost increase, totaling to JPY 5.0bn.

Figure 2：FY2018 forecast operating profit bridge



FY	2017	2018	
Sales	429.7	450.0	+20.3
Forex			+5.5
Volume			+14.8

Q: Describe the forecast for free cash flow and net debt balance in 2018.

A: We aim for a JPY 30bn of free cash flow before dividend payout, and slightly less than JPY 24bn after dividend, respectively. As for net debt balance (interest-bearing debt less short-term financial assets), we plan to reduce the balance to less than JPY 90bn at the end of 2018, compared to JPY 105.7bn at the end of 2017.

Q: Describe the expected impact of the new US corporate tax policy on your business. What is the effective tax rate in 2018?

A：Following the change in the effective corporate tax rate in the US, approximately US $ 10 Mil deferred tax assets have been withdrawn, which leads to tax expenses of approximately JPY 1.2 bn. The deferred tax asset originally arose due to the continued losses in the US associated with direct sales startup in the past two years. This expense was reflected in fiscal 2017 results. As a result, the effective tax rate on consolidated basis also increased.

The effective tax rate on a consolidated basis for 2018 is expected to be around 30%.

Q: Describe your dividend payout policy.

A：We are thinking that the balance between a reduction of net debt and a payment of divided is necessary. Our dividend policy is placed on around 30% of payout ratio on the fact that our ability to generate free cash flow is increasing, reflecting an order intake growth, an improvement of profitability and well managed working capital. We are planning to pay JPY40 dividend per share or payout ratio of 34.4% including a special dividend for 70th anniversary for FY2017. We are considering to raise dividend per share to JPY50 or 31.9% payout ratio for fiscal year 2018.

Q: Any change to Vision2020, your current business plan toward 2020?

A: We have a 2020 business target of JPY 450bn in sales revenue, 10% operating profit margin, net debt balance of less than JPY 50bn and ROE of 12% or more. We will be able to achieve sales target of JPY 45bn in fiscal year 2018 ahead of schedule. It is necessary to improve our profitability and balance sheet structure by fiscal year 2020. We continue to push forward toward our original goal of operating profit margin of 10% and net debt balance of less than JPY 50bn by keeping sufficient order intake and sales revenue.

Q: Do you still believe that you would not need to raise capital by equity finance?

A: We have no intention for equity finance at least by 2020. Our capability for generating operating cash flow is around JPY 30bn per year, and we are reducing interest-bearing debt as scheduled. As mentioned earlier, although our consolidated shareholders' equity ratio is under 20% due to deduction of equity by more than JPY 90bn arising from additional purchase of AG-shares, shareholders' equity ratio of AG and CO in each entity is at sufficient level. This is a shared view with rating agencies.

Q : Newspapers sometimes say that the slowdown of global smartphone sales would have negative impacts on DMG MORI’s business. Is it really the case for the company?

A : Some machine tool manufacturers have large exposure to smartphone-related businesses, like metal cases for smartphones. On the other hand, DMG MORI has no direct exposure to such smartphone metal case businesses, and thus, it is disappointing for us that some newspapers mistakenly pick up our company as one of the companies who are most likely to be affected to the smartphone sales trends.

(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.