

DMG MORI CO., LTD.

FY 2018 H1 (Jan-Jun) Results

IR Conference

August 8, 2018

1. Financial summary FY2018 H1 (Jan-Jun)

2. Business environment

3. Topics

- ✓ Expansion of business domain (average price increase, stable order intake)
- ✓ Successful Innovation Days
- ✓ Progress of automation and digitization
- ✓ Increasing production capacity
- ✓ Enhancement of training program

✓ Machine order intake: JPY 266.1 bn (JPY term: +24%)

✓ Operating profit: JPY 15.8 bn (JPY term: +75%)

✓ Uplifted full-year forecast

	(last forecast)		(revised forecast)
Machine OI	JPY 470 bn	▶	JPY 480 bn or more
Sales revenue	JPY 450 bn	▶	JPY 470 bn
Operating profit	JPY 35 bn	▶	JPY 38 bn
OP-margin	7.8%		8.1%

✓ Free cash flow: JPY 15 bn (y-o-y JPY -8.7 bn)
 Net debt: JPY 93.9 bn (2017/12/31: JPY 105.7 bn)

✓ More automation projects => higher average price of orders

✓ Established “Tokyo Digital Innovation Center”

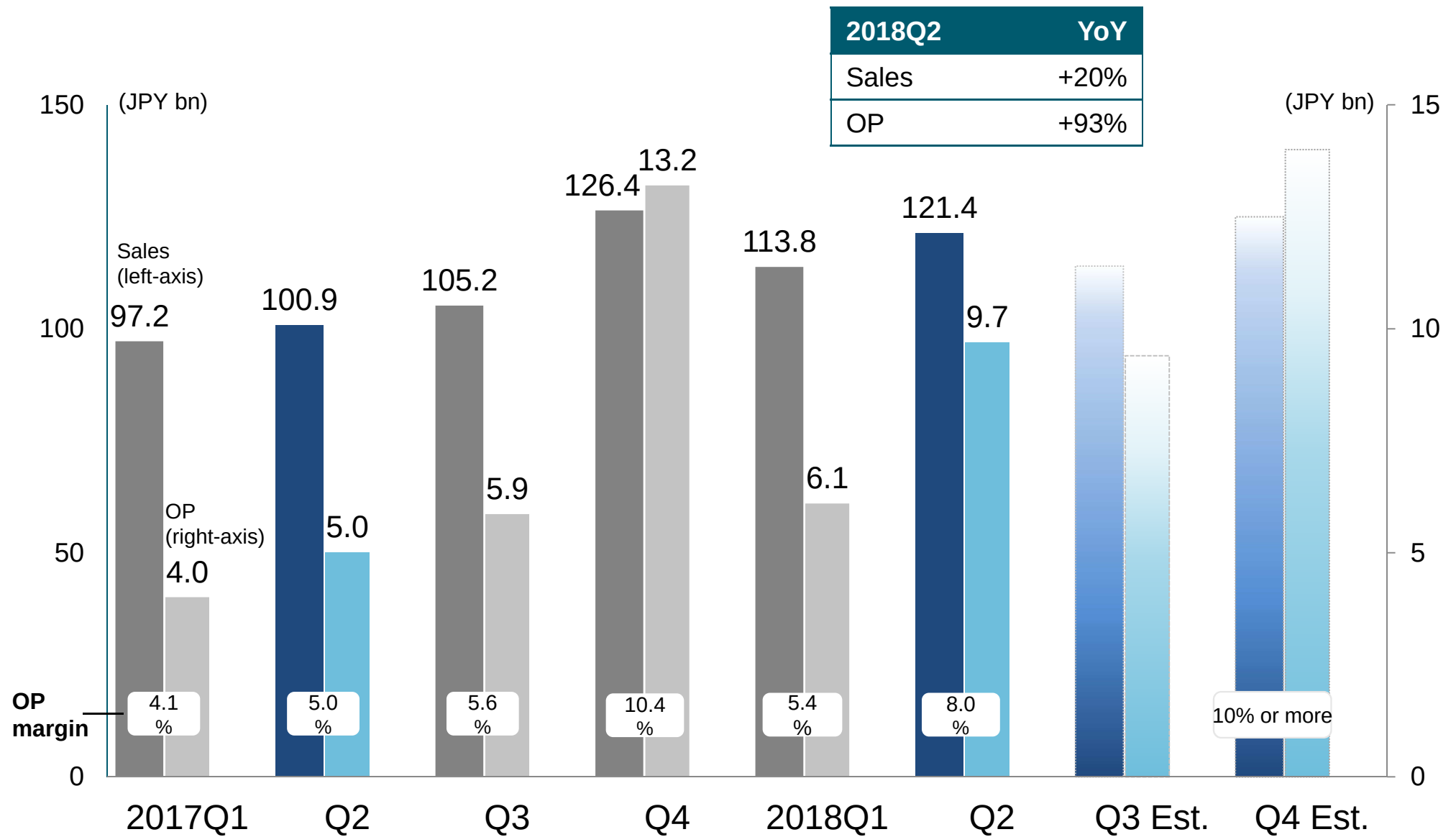
INCOME STATEMENT SUMMARY FY2018 H1

DMG MORI

(JPY bn)	H1 (Jan-Jun)		Changes	Full-year forecast		Changes
	2017	2018	(%)	last	revised	(value)
Total order intake				500.0	510.0	+10.0
(Machine order intake)	215.4	266.1	+24%	470.0	480.0	+10.0
Sales revenue	198.1	235.3	+19%	450.0	470.0	+20.0
Operating profit	9.0	15.8	+75%	35.0	38.0	+3.0
% to sales revenue	4.6%	6.7%		7.8%	8.1%	
Net financial costs	-2.1	-2.2		-5.0	-5.0	
(thereof, economic compensation associated with DA)	(-1.0)	(-1.1)		(-2.0)	(-2.0)	
Profit before taxes	7.0	13.6	+95%	30.0	33.0	+3.0
Net profit	3.7	9.1	2.4x	21.0	23.0	+2.0
Net profit attributable to owners	3.6	8.9	2.5x	20.0	22.0	+2.0
Depreciation & amortization	8.9	9.0		18.5	18.5	
Capital expenditure	3.8	6.8		12.0	12.0	
USD/JPY	112.4	108.7		110.0	110.0	
EUR/JPY	121.7	131.7		130.0	130.0	

QUARTERLY FINANCIAL RESULTS

DMG MORI

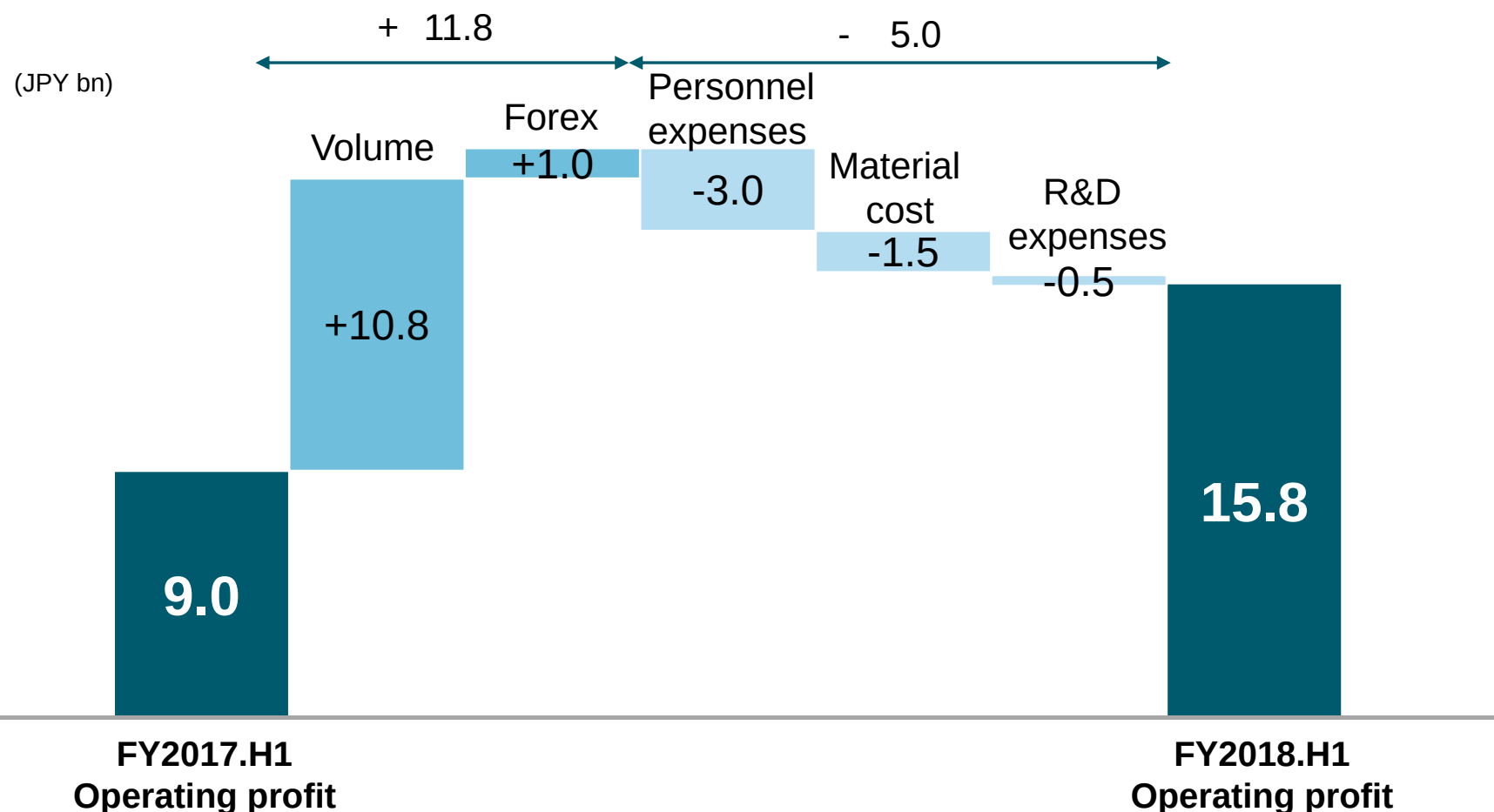


FY2018 H1 OPERATING PROFIT BRIDGE -YEAR ON YEAR

DMG MORI

	FY2017.H1	FY2018.H1	+/-
Sales	198.1	235.3	+37.2
Volume			+26.1
Forex			+11.1

	Currency :	USD/JPY	<u>2017.H1</u>	<u>2018.H1</u>
		EUR/JPY	112.4	108.7
			121.7	131.7

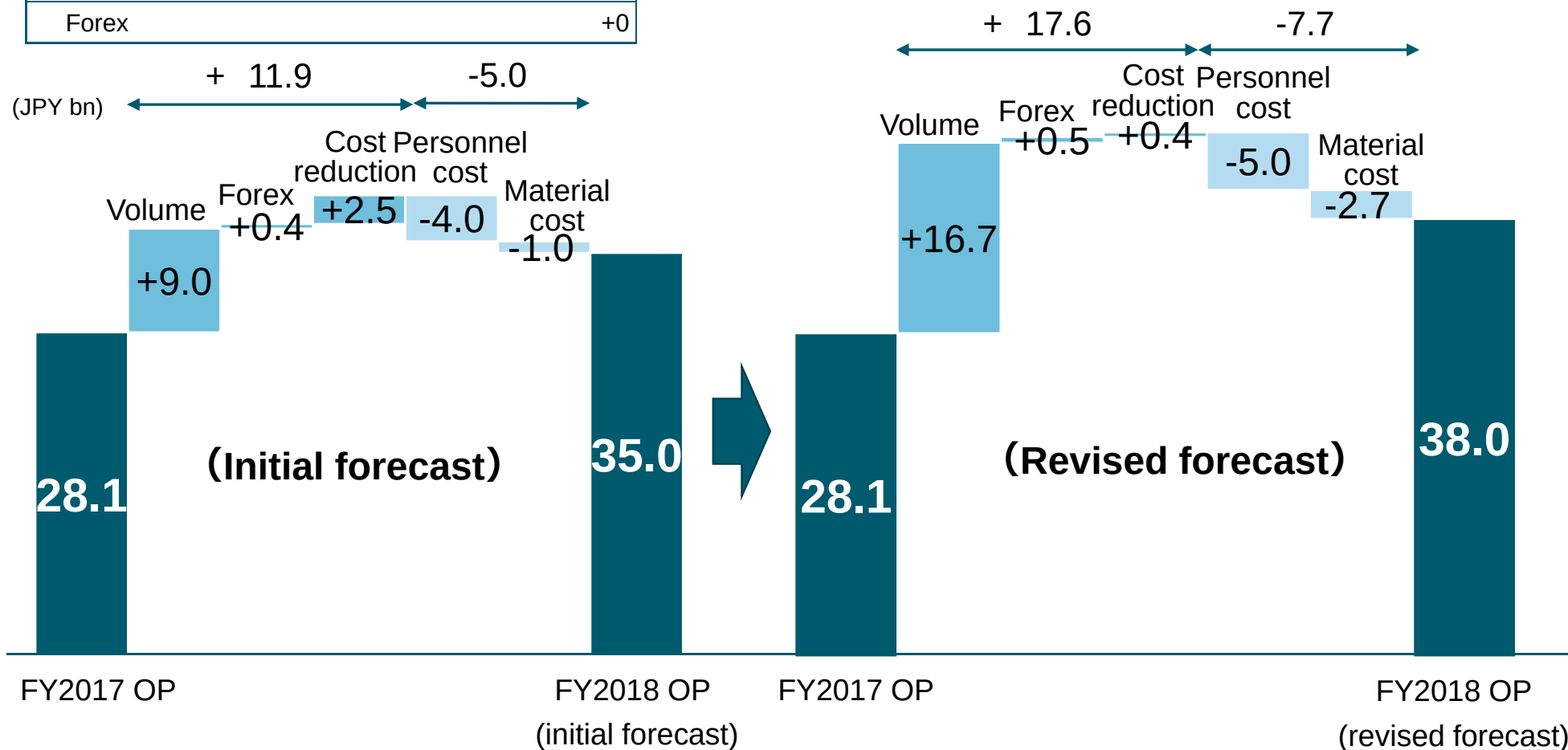


FY2018 UPWARD REVISION: +/- BRIDGE ANALYSIS -AGAINST INITIAL FORECAST

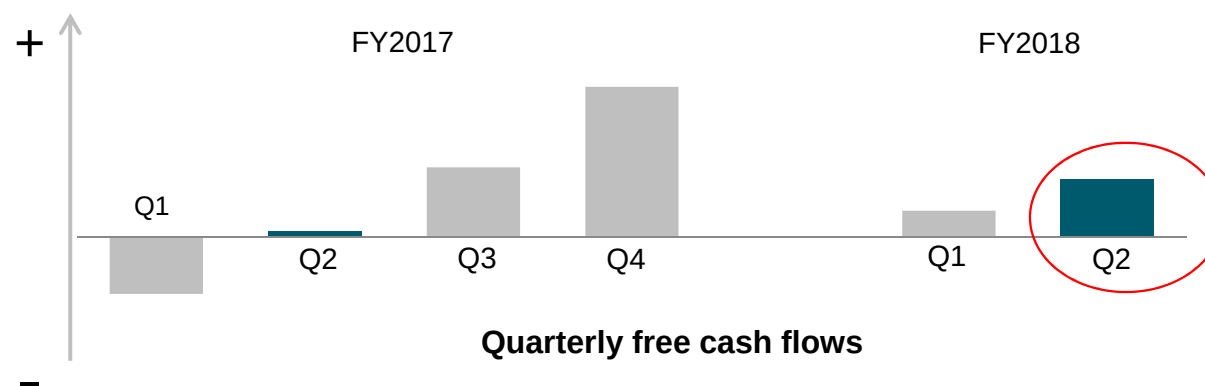
DMG MORI

	FY2018 (initial)	FY2018 (revised)	+/-
Sales	450	470	+20
Volume			+20
Forex			+0

	FY2018(initial)	FY2018(revised)
Currency : USD/JPY	110.0	110.0
EUR/JPY	130.0	130.0



(JPY bn)	FY2017					FY2018		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	H1
Cash flow from operation	-7.8	3.2	12.3	23.8	31.4	7.8	13.5	21.3
Profit before taxes	2.9	4.0	4.7	13.1	24.8	5.0	8.7	13.6
Depreciation & amortization	4.4	4.5	4.5	5.0	18.3	4.5	4.5	9.0
+/- in working capital	-6.9	2.3	4.2	4.6	4.1	5.8	1.8	7.6
Others	-8.2	-7.6	-1.1	1.1	-15.8	-7.5	-1.5	-8.9
Cash flow from investments	-2.1	-2.0	0.0	2.6	-1.4	-3.2	-3.1	-6.3
(thereof, acquisition of fixed assets)	-1.6	-2.2	-2.6	-3.0	-9.4	-3.0	-3.7	-6.8
FCF	-9.9	1.2	12.3	26.4	30.0	4.7	10.3	15.0



OPTIMIZATION OF TOTAL ASSETS FOR BETTER CAPITAL EFFICIENCY- FINANCIAL POSITION SUMMARY

DMG MORI

<u>Assets</u>				<u>Liability & Equity</u>					
	JPY567.4bn	533.4bn		567.4bn	533.4bn				
Short-term Financial assets	73.6	40.5		47.7				Net Debt (Interest-bearing debt – Short-term financial asset) (JPY bn)	
Trade receivables	60.7	60.8		45.7	54.2	Payables			
Inventories	123.0	133.9			61.0	Advance payments		Ended Dec 2017	105.7
Fixed assets	134.0	127.8		179.4	134.4	Interest-bearing debts		Ended Jun 2018	93.9
Goodwill	73.3	69.5		101.7	94.6	Obligation of AG share purchase		Ending Dec 2018	below 85.0
Intangibles	69.3	65.7		82.9	78.5	Other liabilities		(Initial plan : below 90.0)	
Other assets	33.4	35.2		58.1	58.4	Shareholders' equity		Total Asset	
				49.5	49.5	Hybrid equity		Ending Dec 2018	below 500.0
	Dec 2017	Jun 2018		Dec 2017	Jun 2018				
Total assets of AG (Mio EUR)				2,234	2,350				
EUR/JPY closing rate				135.0	127.8				

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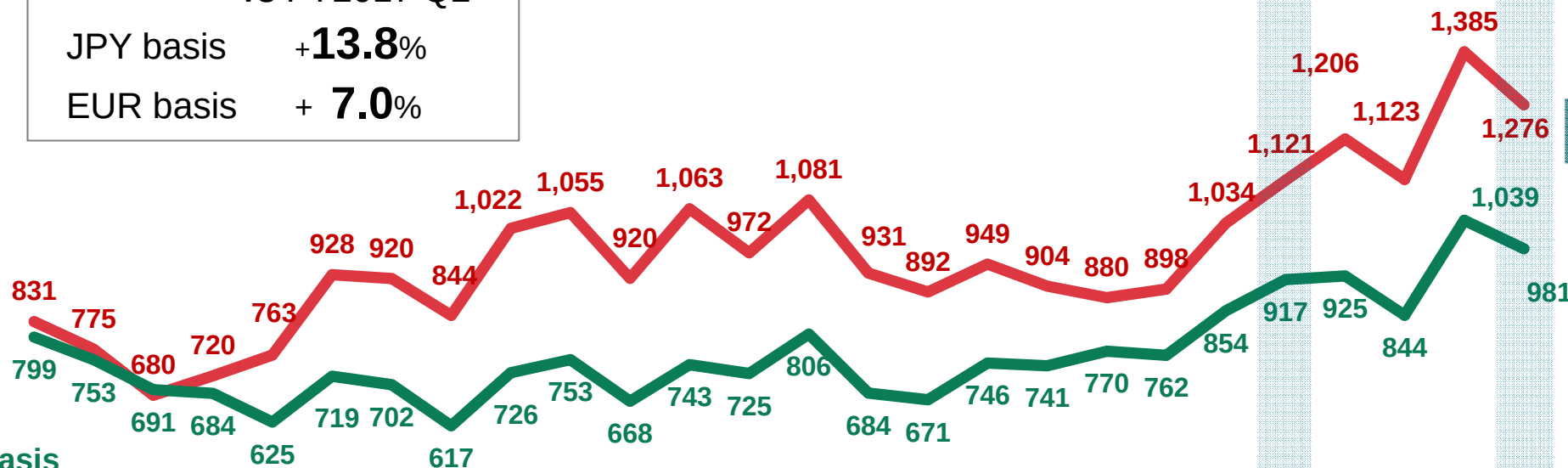
QUARTERLY CONSOLIDATED ORDER INTAKE

DMG MORI

vs FY2017 Q2
 JPY basis +**13.8%**
 EUR basis + **7.0%**

JPY
basis
(100 mil
JPY)

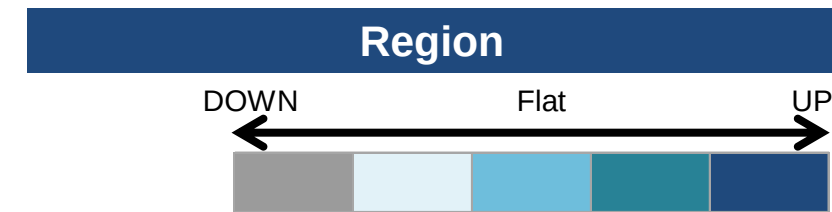
EUR basis
(million EUR)



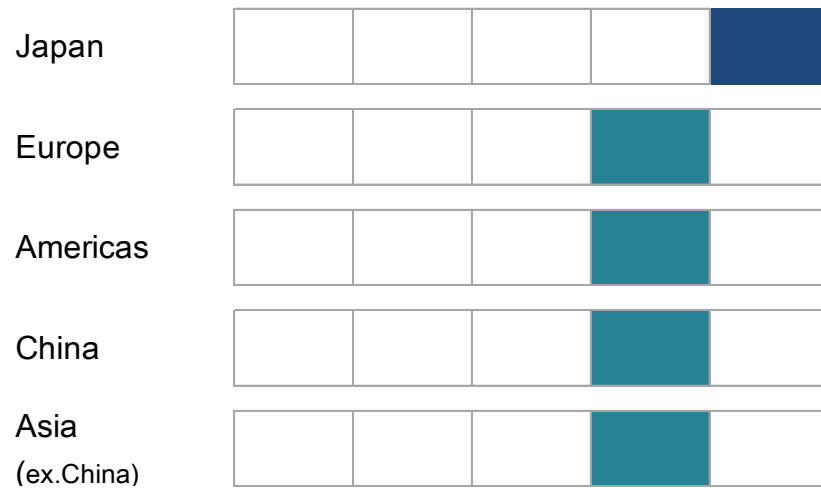
Currency	Jan-Mar CY12	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar CY13	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar CY14	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar CY15	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar CY16	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar CY17	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar CY18	Apr-Jun
USD	79.3	80.2	78.6	81.2	92.4	98.8	99.0	100.5	102.8	102.2	103.9	114.5	119.1	121.4	122.2	121.5	115.5	108.2	102.4	109.3	113.7	111.1	111.1	113.0	108.3	109.1
EUR	104.0	102.9	98.4	105.3	122.0	129.0	131.1	136.7	140.8	140.1	137.8	143.1	134.2	134.2	136.0	133.0	127.2	122.0	114.3	117.8	121.1	122.2	130.4	133.0	133.2	130.1

DEMAND BY REGION & INDUSTRY

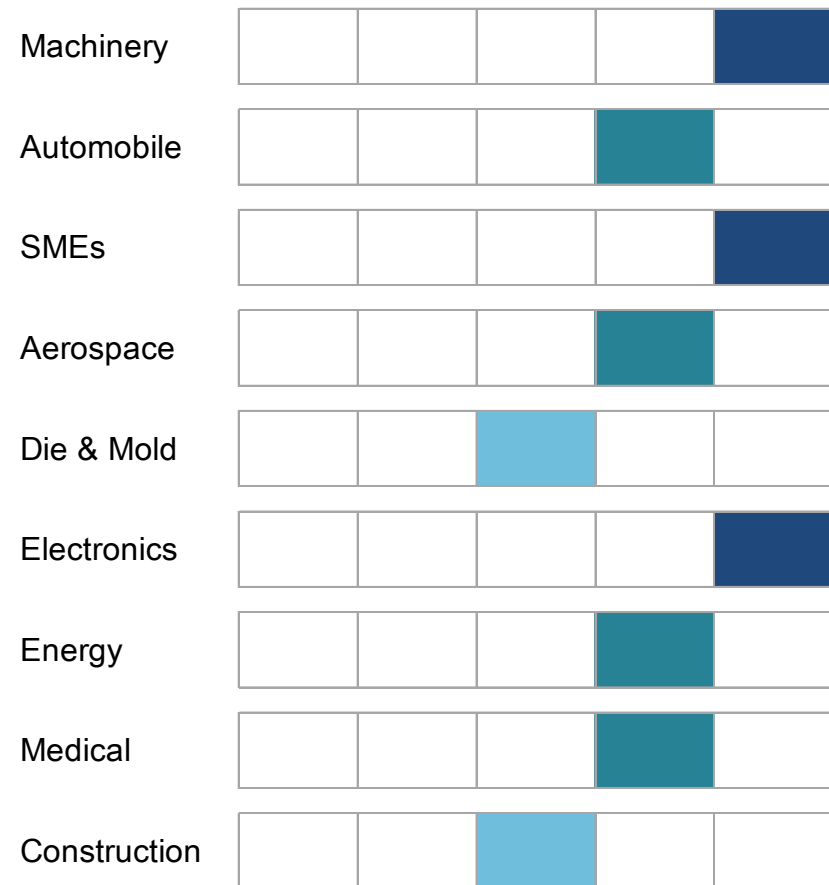
DMG MORI



FY2018.Q2

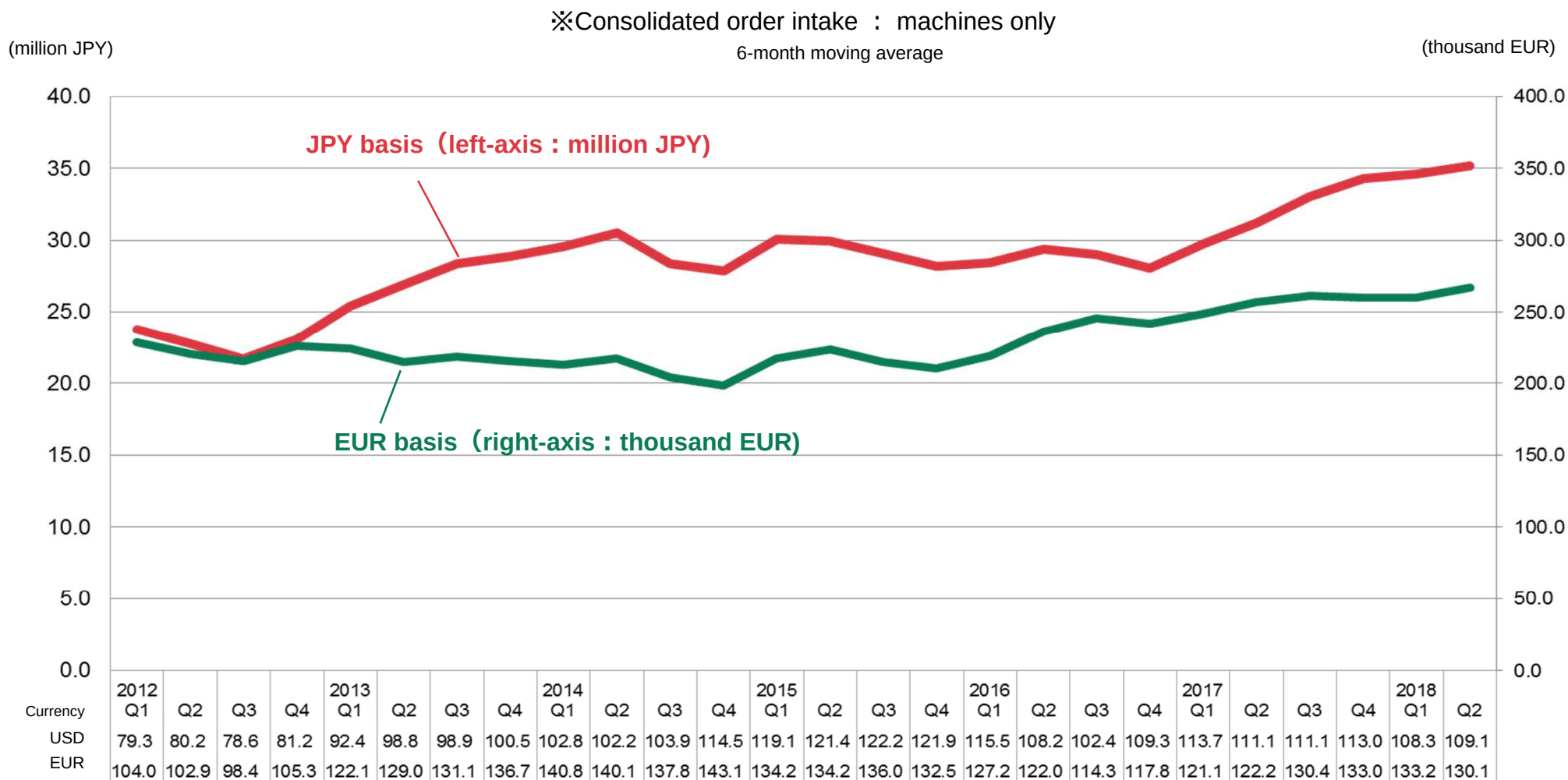


FY2018.Q2



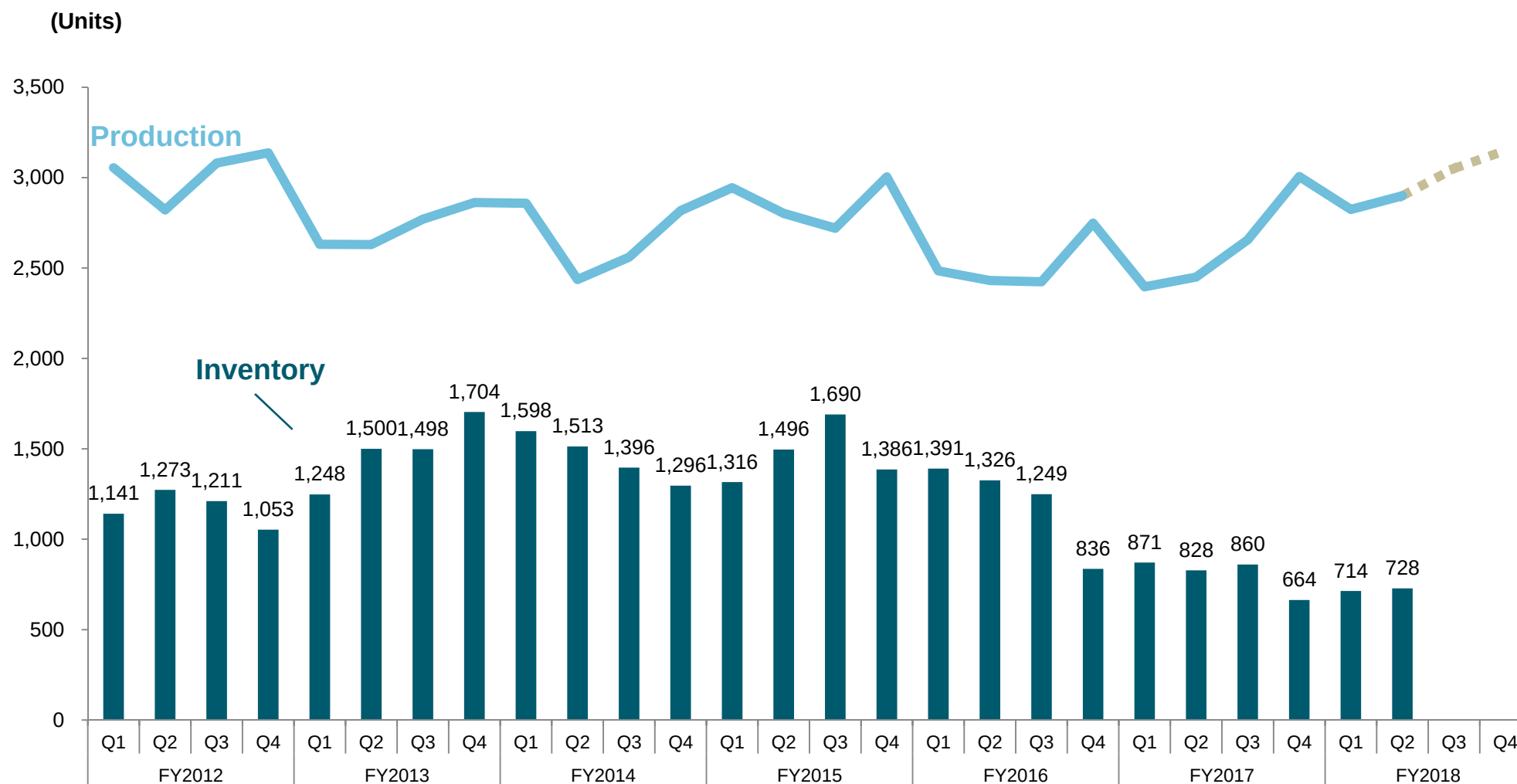
AVERAGE PRICE OF ORDERS – CONSOLIDATED

DMG MORI



INVENTORY AND PRODUCTION - CONSOLIDATED

DMG MORI



ORDER COMPOSITION BY REGION

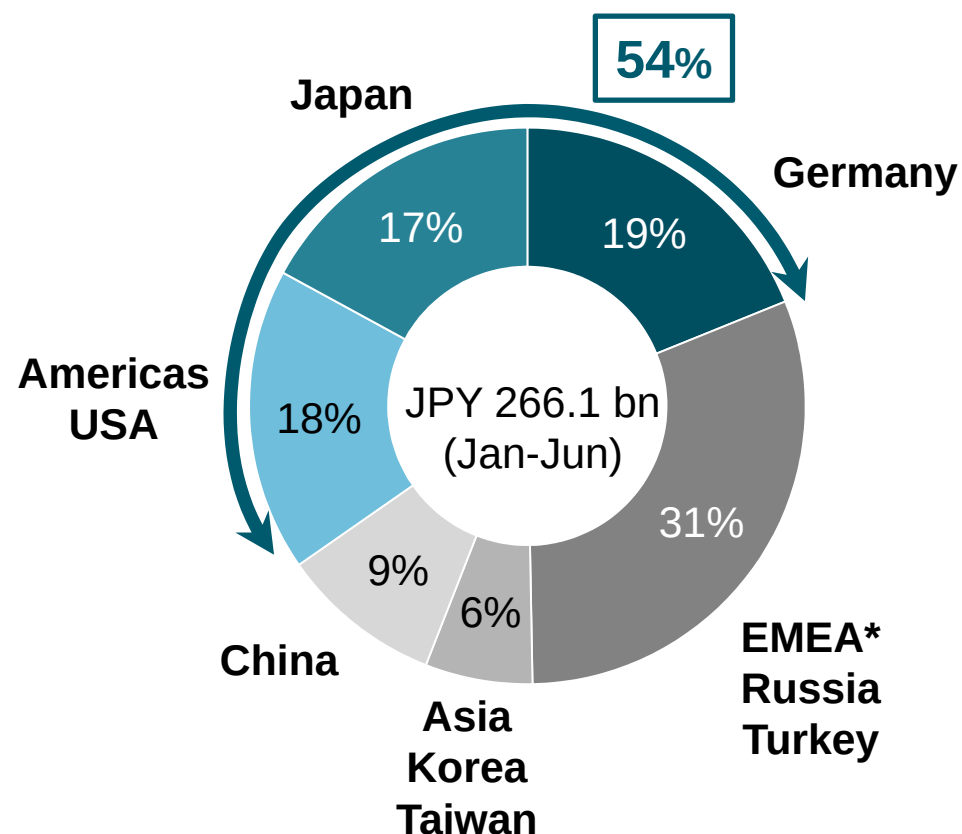
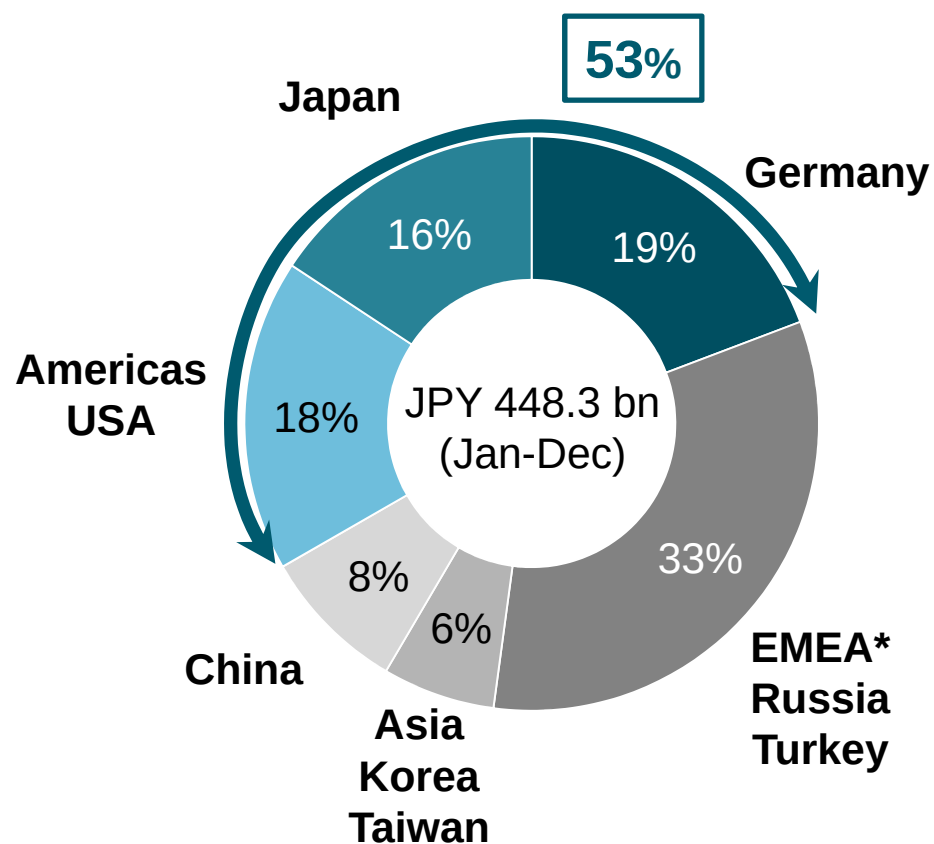
DMG MORI

Value basis
Machine only

Consol. machine order intake
FY2017



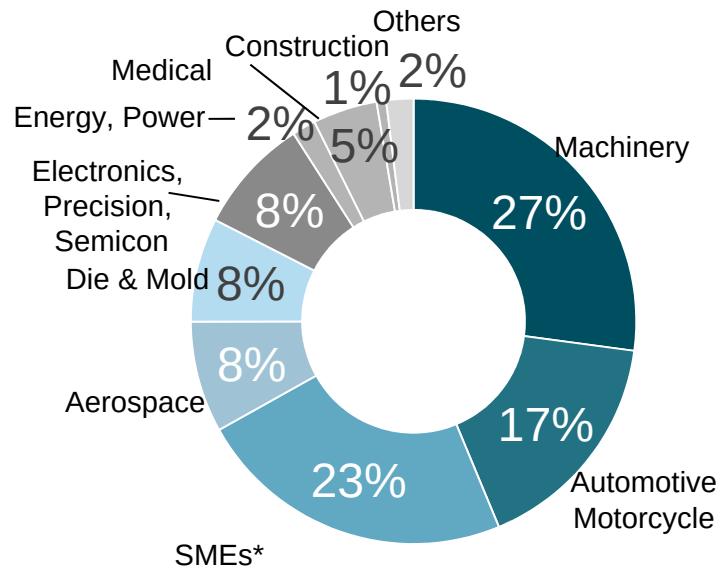
Consol. machine order intake
FY2018 H1



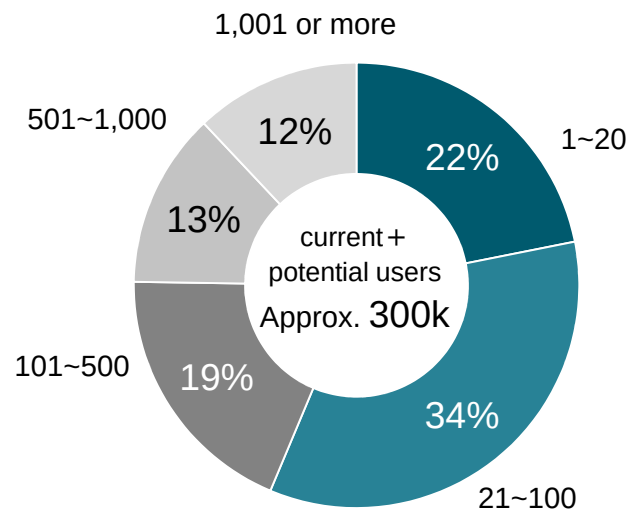
*Europe, the Middle East and Africa

FY2018 H1

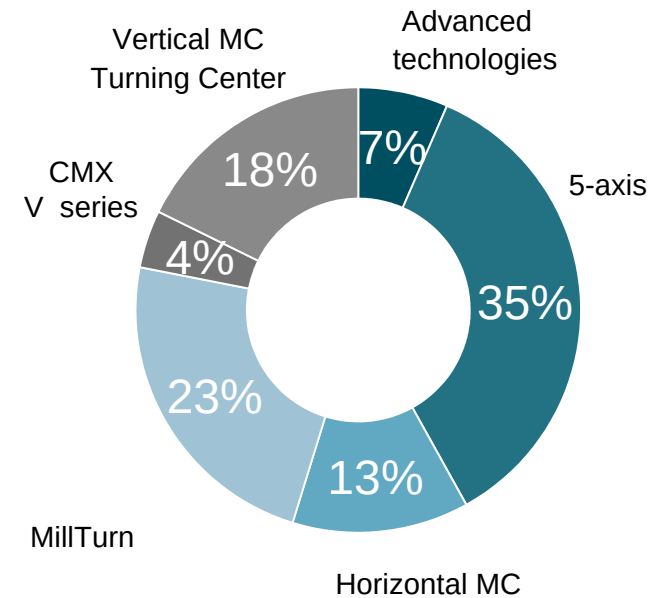
Value basis
Machine only



*Small and medium-sized enterprises



current +
potential users
Approx. 300k



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Date : May 7-10, 2018
Average price : USD 379K (+7% from 2017)

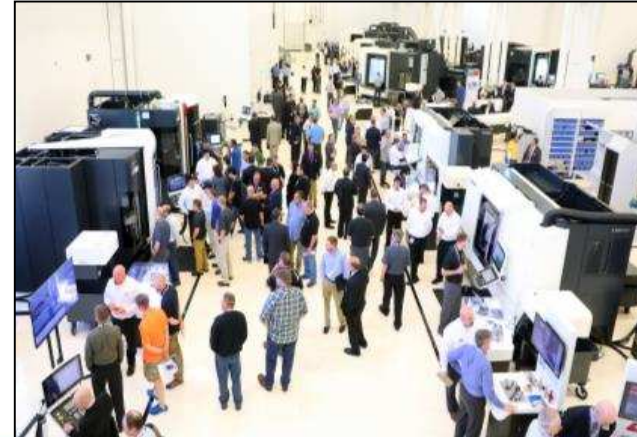
Flexible automation and higher productivity by integrated machines
Strong demand for automation



CMX 1100 V
+ MATRIS



NHX4000Gen3
+ 21RPP



Date : May 22-26, 2018

Average price: JPY 28 Million (+4% from 2017)

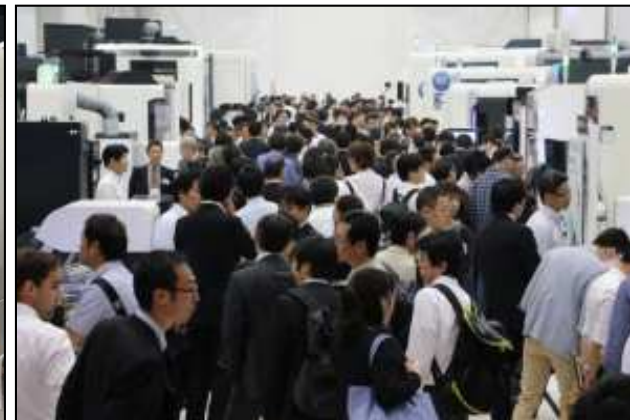
Strong demand for connected industries & AI solutions



MATRIS mini



ALX series
Turning center:
Compact, high-
precision +
wide range of
variations



Date : June 26-30, 2018
Average price: EUR 271K (+13% from 2017)

Strong demand for integrated automation solutions



NLX2500SY/700
+Robot

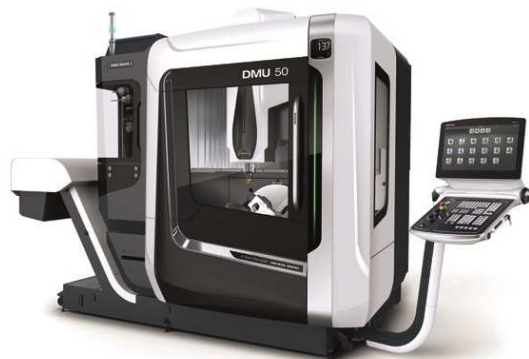


CMX1100Vc
MATRIS



Lending 70 x DMU 50 3rd Generation -standard 5-axis machine - to 70 customers all over Japan

- ✓ Twice-a-month private lessons by experienced application engineers of DMG MORI
- ✓ Seminars by university professors specialized in cutting-edge volumetric and machining accuracy compensation technology researches



DMU 50 3rd Generation



Launch of 5-axis Technology Research Group
on August 7

5軸加工機 国内普及

DMG 森精機

顧客70社と連携組織

DMG 森精機は国内顧客70社と、工程集約や複雑形状の加工に向く5軸制御工作機械の研究組織を立ち上げた。70社に5軸機を貸し出すとともに技術者を派遣し、近隣の機械加工会社を集めた教育研修を行う。世界の製造業は工程集約の流れにあるが、これに適する5軸機の国内販売比率は10%台と40%前後の欧州、アジアに見劣りする。製造業の国際競争力を保つには、連携組織での活動が不可欠と判断した。

(編集委員・六笠友和)

「ものすごい危機感がある」。DMG 森精機の森雅彦社長は5軸工作機械に分かれていた加工を、1台・1度の加工対象物(ワーク)の据え付けで完了できる5軸機は複雑形状の加工に適するだけでなく、これまで複数の工作機械に分かれていた加工を、1台・1度の加工対象物(ワーク)の据え付けで完了できる。DMG 森精機は国内顧客70社と、工程集約や複雑形状の加工に向く5軸制御工作機械の研究組織を立ち上げた。70社に5軸機を貸し出すとともに技術者を派遣し、近隣の機械加工会社を集めた教育研修を行う。世界の製造業は工程集約の流れにあるが、これに適する5軸機の国内販売比率は10%台と40%前後の欧州、アジアに見劣りする。製造業の国際競争力を保つには、連携組織での活動が不可欠と判断した。

(編集委員・六笠友和)

連携組織の発足で5軸加工機の新しいブームを巻き起こそうと呼びかけるDMG 森精機社長

車部品は電気自動車(EV)シフトで大量

日本の国際競争力 維持

生産品と少量生産品の二極化が予想される。少量品は工程集約、つまり5軸機に専用機などから置き換わりそう。ただ、3軸機への慣れや5軸機を操作する不安、計測、精度などが導入の壁だ。

設立した「5軸加工研究会」では、DMG 森精機の技術者が毎月2回出向き、集まった周辺工場従業員の個別指導のほか、顧客の操作者育成を支援する。他にも研究者による講演や意見交換会を開く予定だ。

7日に開いた発足式で森社長は、「一緒に新しいブームをこの国で巻き起こしたい」と、集まった70社に呼びかけた。

Nikkan Kogyo Shimbun: August 8, 2018



September 18-22
(Stuttgart, Germany)



September 10-15
(Chicago, USA)

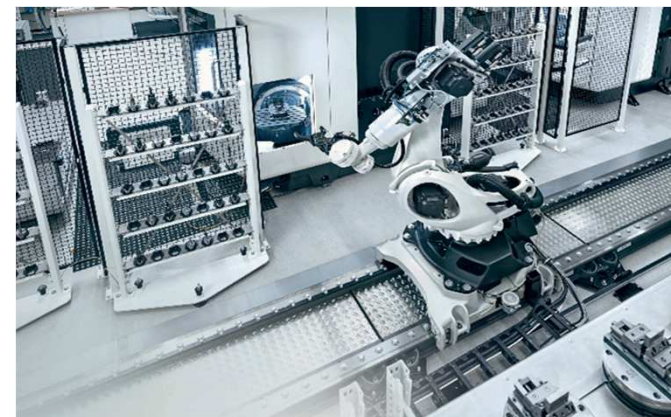
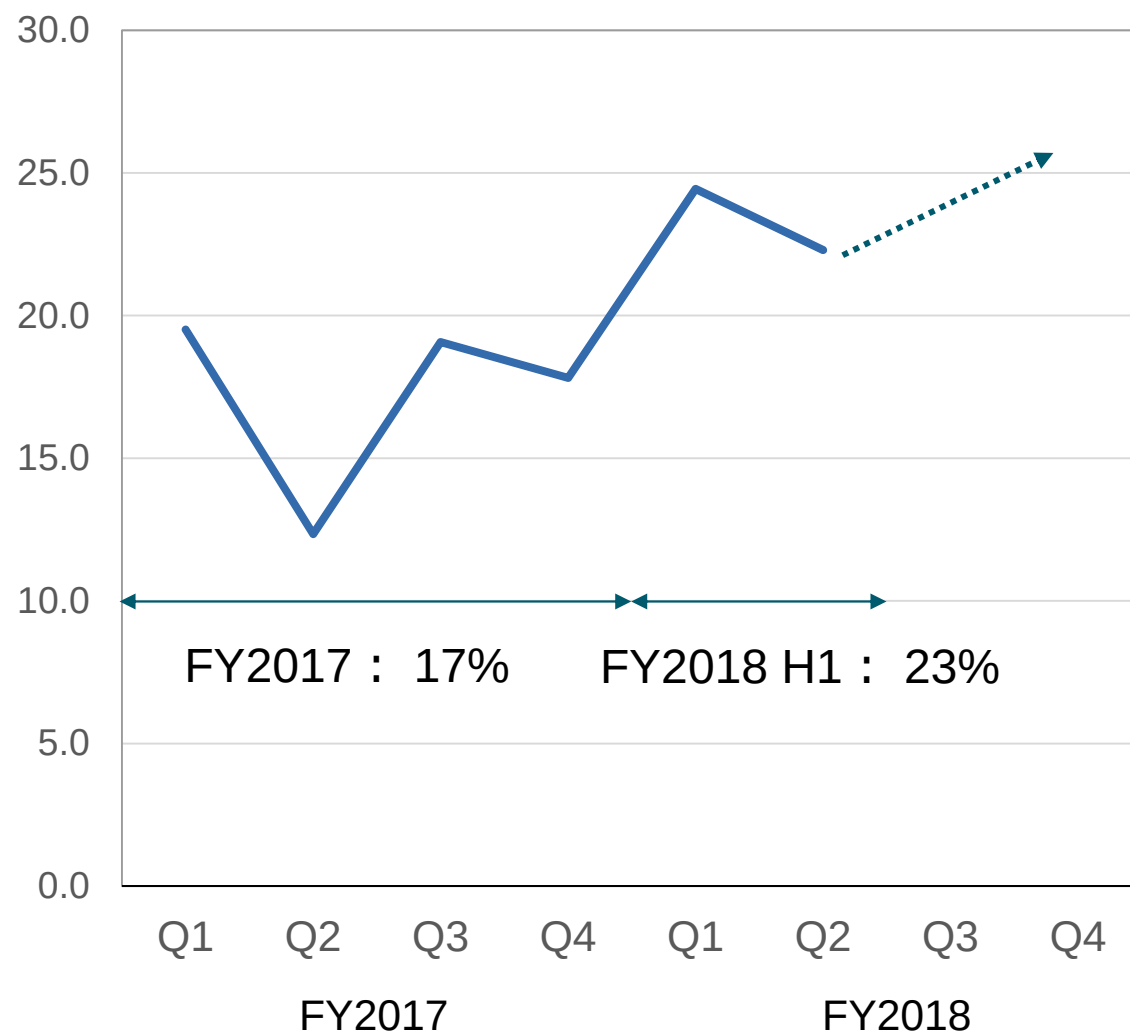


October 9-13
(Milano, Italy)



November 1-6
(Tokyo, Japan)

(%) % of machines with automation (system order/total machine order)



157 machine models **40** standard automation systems

Work piece handling



MATRIS



MATRIS mini

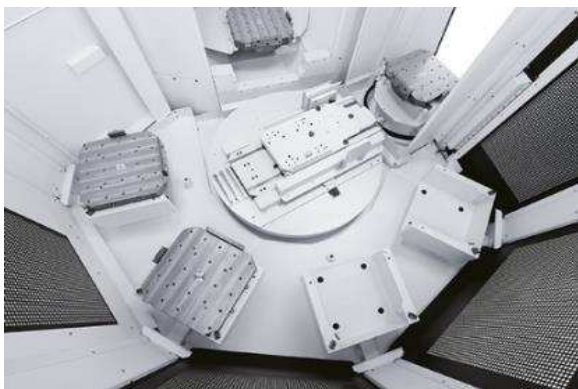


In-machine Robot



GX Loader

Pallet handling



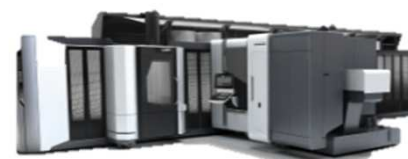
CPP



RPP



AWC



LPP



RS



PH

MATRIS “Module Automation Transfer Robot Intelligence System”

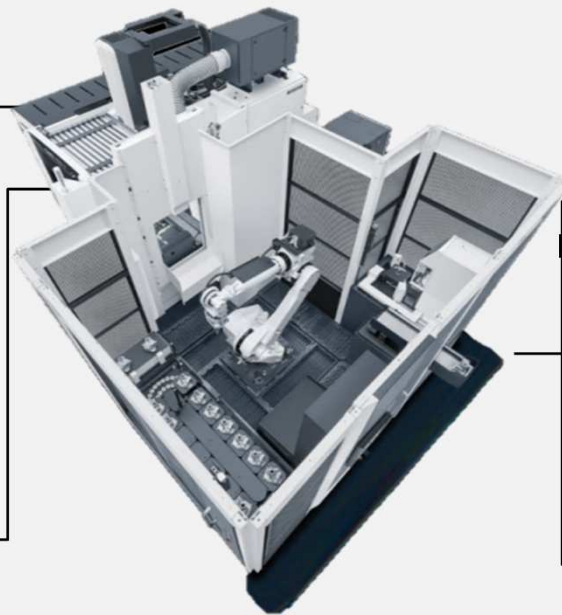
CO machine



AG machine



*including machines with SIEMENS control



MAPPScnected



Stocker

Chute



Measuring

Washing

Vision



Open Innovation

State-of-the-art warehouse logistics & IoT



Bucket-type warehouse



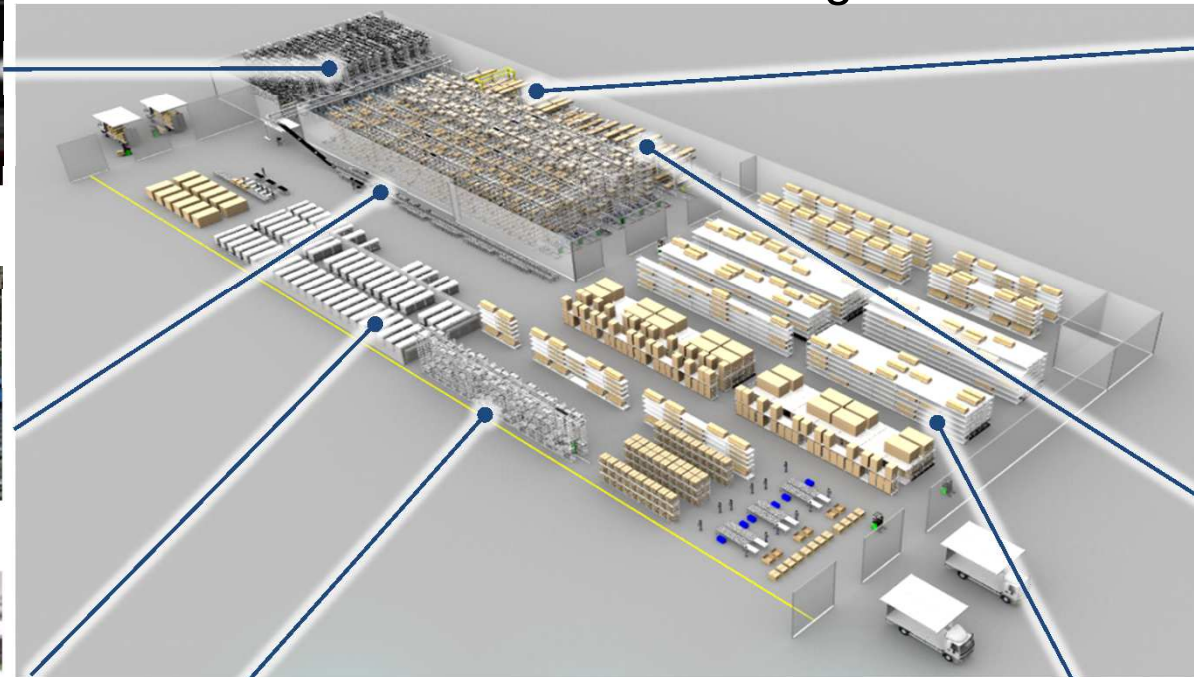
Case conveyor line



Mid- to light-weight racks



Warehouse for small bars



Pallet-type warehouse



Gantry-type warehouse



Movable racks



Geretsried
(Germany)



Iga
(Japan)



Dallas
(USA)

Shipment within 24hours: **95%**
Further enhancement



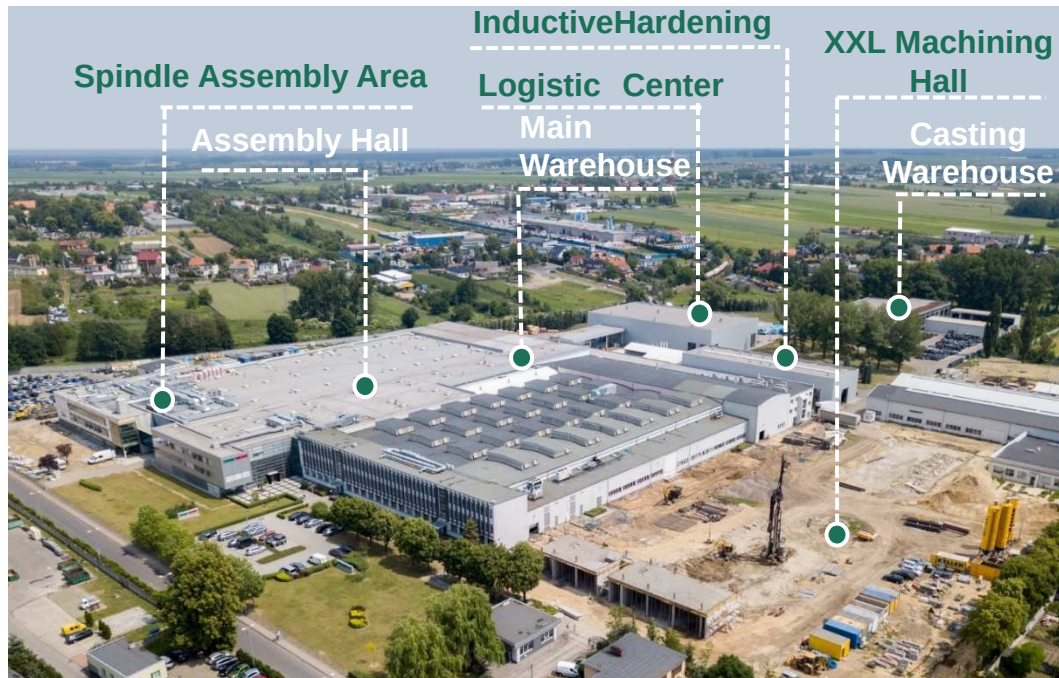
Products:

monoBLOCK series
duoBLOCK series
Portal machines

Facility development (+sqm):

	(Increment)
✓ Production:	10,000 m ²
✓ Technology Center:	2,000 m ²
✓ Customer Center:	1,000 m ² etc.
✓ Total add. Space:	~ 24,000 m ²





Products:

CLX/CMX series 7 model

Facility development (+sqm):

(Increment)

- ✓ Assembly: 6,900 m²
- ✓ Machining: 6,100 m²
- ✓ Induct. Hardening: 1,100 m²
- etc.
- ✓ Total add. space: ~ 22,000 m²

Production capacity per year:

- ✓ **1,200** machines → targeting **+40%** increase
- ✓ **1,500** spindles → targeting **2x** increase



new Assembly Hall / 2018



new Spindle Assembly Area / 2018



new Inductive Hardening / 2017



Main Warehouse Modernization / 2017

【DIC Outline】

Established : June 1, 2018
Address : Edagawa 3-1-4, Koto-ku, Tokyo
Size : 7,326m², 5 stories

Headquarters of DMG MORI group companies

- ✓ DMG MORI (Sensor & software development)
- ✓ Magnescale
- ✓ Saki Corporation
- ✓ BUG DMG MORI
- ✓ TECHNIUM
- ✓ Advanced Research Institute



DIC building

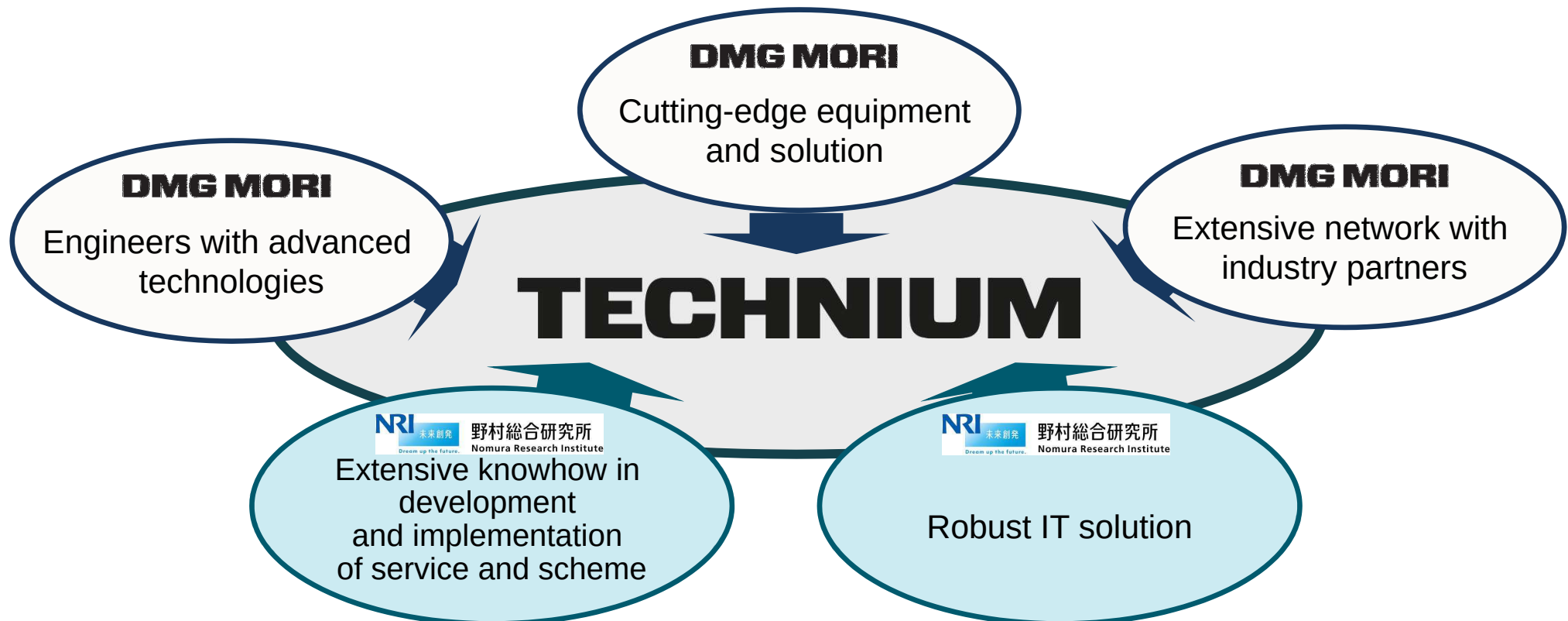


1F showroom

Digital platform for service and operator education

- ✓ Support IT-based production
- ✓ Machining engineering
- ✓ Human resources development

➔ **Members' Website** service
Generate **optimized machining program** based on DMG MORI's database
Tailor-made training for each customer

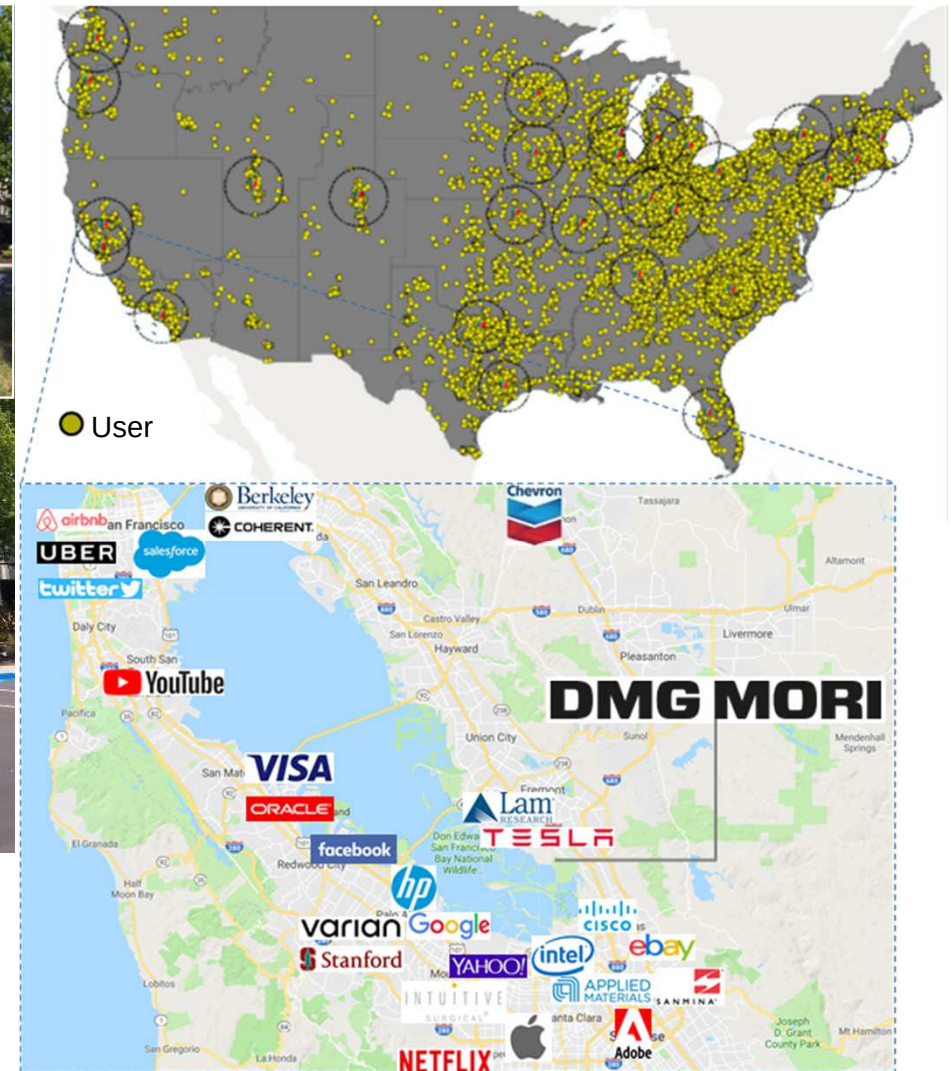


OPENING OF SILICON VALLEY TECHNICAL CENTER

DMG MORI



Silicon Valley Technical Center
47338 Fremont Blvd, Fremont, CA 94538



DMG MORI Academy (Iga)

Training program for engineers

- ✓ 42 machines for training (at Academy)
- ✓ Develop more than 100 young application engineers
- ✓ Acquire skills to cover all the technologies in a 3-year curriculum



DMG MORI Leadership Program

To nurture future leaders

- ✓ Group-wide human resources and organizational development
- ✓ 60 participants from USA, Canada, Mexico, Brazil, Japan, and India attended in 2 terms
- ✓ Group training of 2.5 days x 4 (every quarter)



DMG MORI AG 116TH ANNUAL GENERAL MEETING (MAY 4, 2018 IN BIELEFELD, GERMANY)

DMG MORI

DMG MORI
AKTIENGESELLSCHAFT



AG Supervisory Board (12 members)



Dr. Masahiko Mori
Chairman of the
Supervisory Board



Ulrich Hocker
Presid. of Dt. Schutzv.
für Wertpapierbesitz



James Nudo
President
DMG MORI USA



Irene Bader
Director DMG MORI
Global Marketing



Prof. Dr.-Ing. Berend Denkena
University Hannover



Prof. Dr. A. Köhler
University
Duisburg-Essen



Mario Krainhöfner
Chairman of the Group
Works Council



Stefan Stetter
Representative of
Senior Managers



Larissa Schikowski
Member of the Works
Council*



Michaela Schroll
Member of the Works
Council**



Tanja Fondel
Union Secretary,
IG Metall Manag. Board



Dietmar Jansen
1st Director and Treas.
IG Metall, Allgäu

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.