

DMG MORI CO., LTD.

FY 2018 Q3 (Jan-Sep) Results

IR Announcement

November 7, 2018

Please take a look at following short movies.

1. JIMTOF2018 "DMG MORI setting up our venue"

2. DMG MORI SAILING TEAM

"Vendée Globe - Solo, non stop and without assistance"
authority: daily motion Vendée Globe Official HP

1. FY2018 Q3 (Jan-Sep) financial results

2. Business environment

3. Topics

- ✓ Sales start of ALX-series
- ✓ Major exhibitions
- ✓ Automation and digitization
- ✓ Cooperation with education and research institutes
- ✓ Work style reform

4. Strategies for FY2019

- ✓ Jan-Sep machine order intake: JPY 384.4 bn (up 14% y-o-y)
- ✓ Jan-Sep average price of orders: JPY 35.1 mn (up 8% y-o-y)
- ✓ Increased attention to automation and Technology Cycles at major exhibitions – IMTS, AMB, BIMU
- ✓ Jan-Sep orders with automation: increased to 24% of total orders
- ✓ Jan-Sep operating profit: JPY 23.5 bn (up by 58% y-o-y)
- ✓ Free cash flow: JPY 22.5 bn (y-o-y JPY 3.6 bn)
Net interest-bearing debt: JPY 93.2 bn (2017/12/31:JPY 105.7bn)
- ✓ Upward revision of machine tools' order target to JPY 490 bn
(from JPY 480 bn)

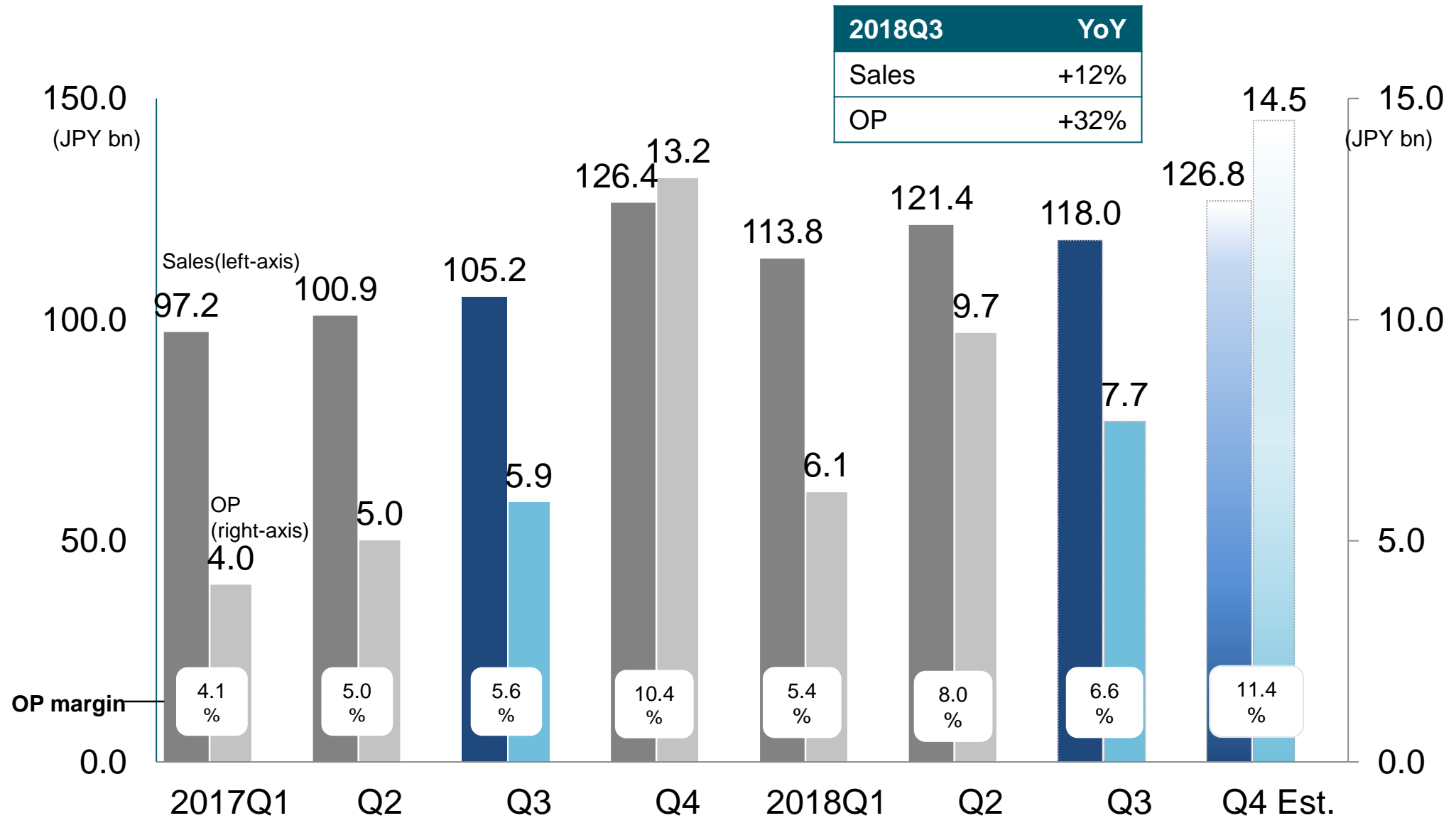
INCOME STATEMENT SUMMARY FY2018 Q3

DMG MORI

(JPY bn)	Q3(Jan-Sep)		Changes	Full-year forecast	
	2017	2018	(%)	last	revised
Total order intake				510.0	520.0
(Machine order intake)	336.0	384.4	+14%	480.0	490.0
Sales revenue	303.3	353.2	+16%	470.0	480.0
Operating profit	14.9	23.5	+58%	38.0	38.0
% to sales revenue	4.9%	6.7%		8.1%	7.9%
Net financial costs	-3.2	-3.6		-5.0	-5.0
(thereof, economic compensation associated with DA)	(-1.5)	(-1.6)		(-2.0)	(-2.0)
Profit before taxes	11.7	20.1	+71%	33.0	33.0
Net profit	7.1	13.7	+92%	23.0	23.0
Net profit attributable to owners	6.8	13.4	+95%	22.0	22.0
Depreciation & amortization	13.4	13.5		18.5	18.5
Capital expenditure	6.4	10.0		12.0	12.0
USD/JPY	111.9	109.6		110.0	110.0
EUR/JPY	124.6	131.0		130.0	130.0

QUARTERLY FINANCIAL RESULTS

DMG MORI

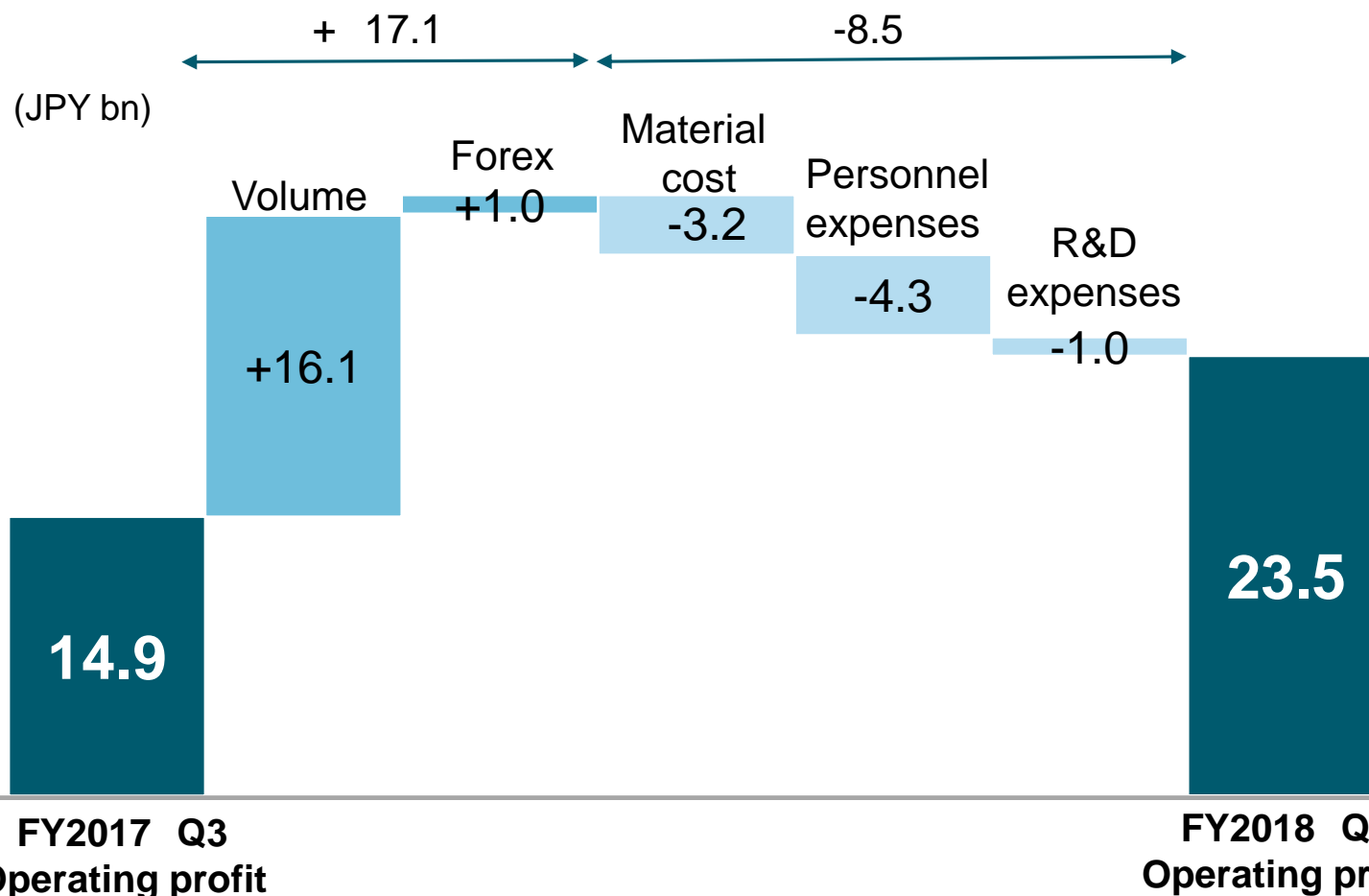


FY2018 Q3 OPERATING PROFIT BRIDGE -YEAR ON YEAR

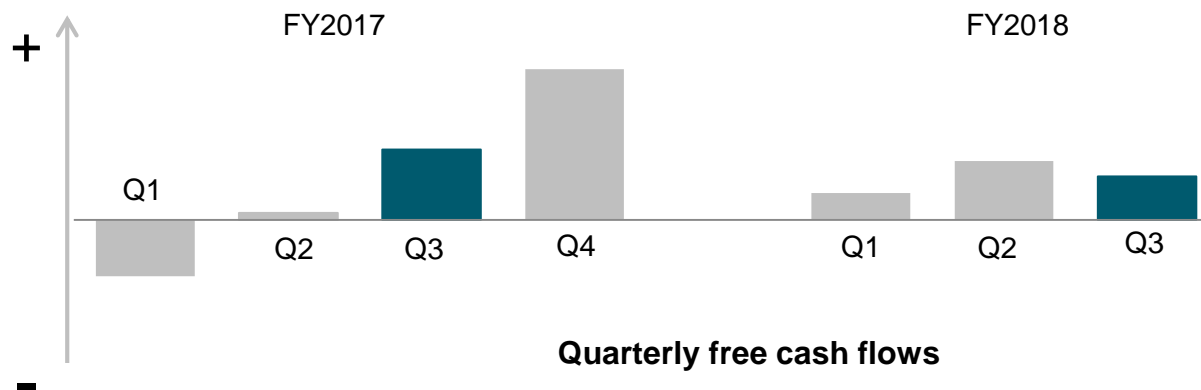
DMG MORI

(JPY bn)	FY2017 Q3	FY2018 Q3	+/-
Sales	303.3	353.2	+50.0
Volume			+37.4
Forex			+10.6

	<u>2017.Q3</u>	<u>2018.Q3</u>
Currency : USD/JPY	111.9	109.6
EUR/JPY	124.6	131.0



(JPY bn)	FY2017					FY2018			
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	YTD
Cash flow from operation	-7.8	3.2	12.3	23.8	31.4	7.8	13.5	10.5	31.8
Profit before taxes	2.9	4.0	4.7	13.1	24.8	5.0	8.7	6.5	20.1
Depreciation & amortization	4.4	4.5	4.5	5.0	18.3	4.5	4.5	4.5	13.5
+/- in working capital	-6.9	2.3	4.2	4.6	4.1	5.8	1.8	-0.3	7.3
Others	-8.2	-7.6	-1.1	1.1	-15.8	-7.5	-1.5	-0.1	-9.1
Cash flow from investments	-2.1	-2.0	0.0	2.6	-1.4	-3.2	-3.1	-3.0	-9.3
(thereof, acquisition of fixed assets)	-1.6	-2.2	-2.6	-3.0	-9.4	-3.0	-3.7	-3.2	-10.0
FCF	-9.9	1.2	12.3	26.4	30.0	4.6	10.4	7.5	22.5

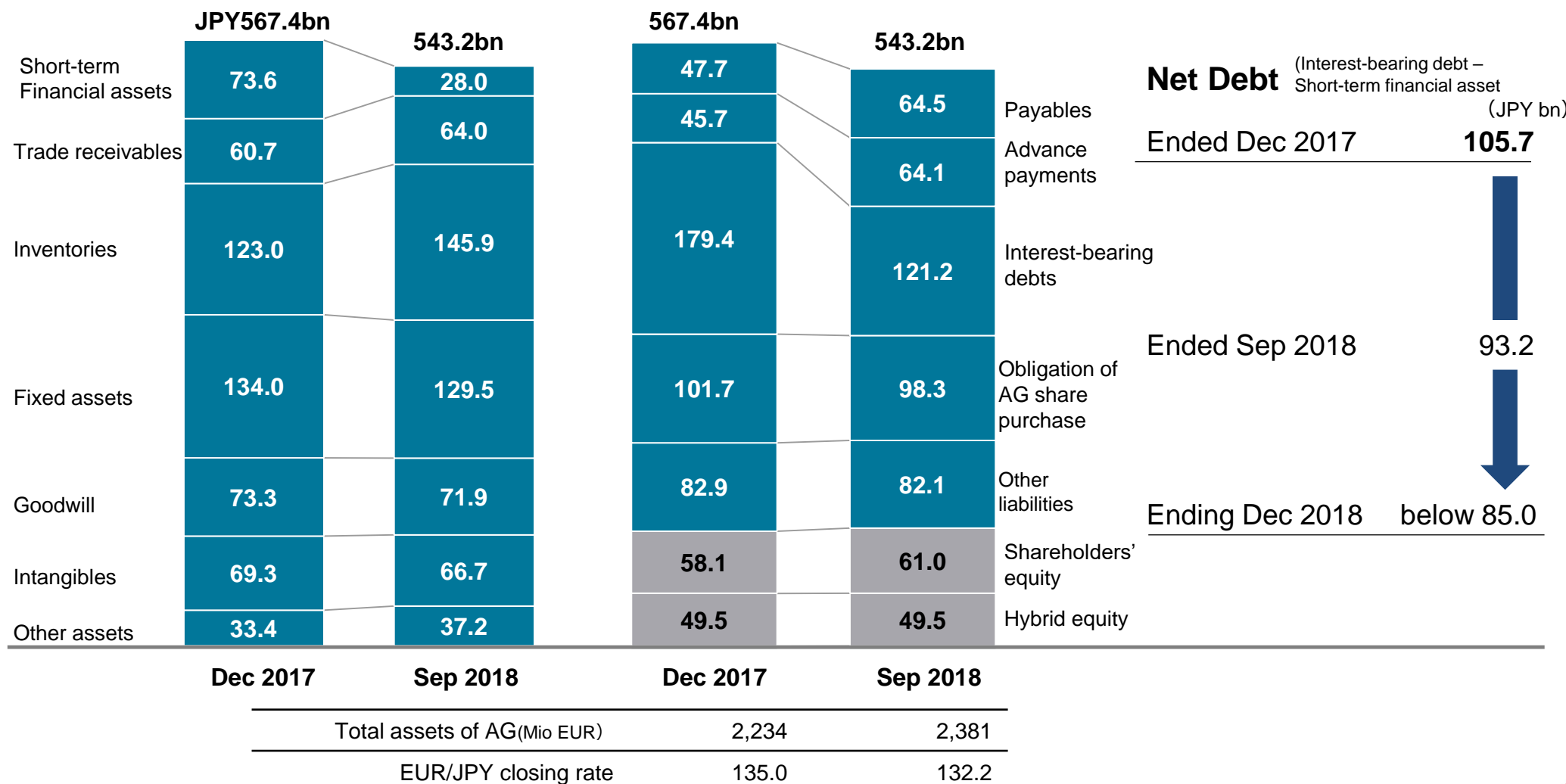


OPTIMIZATION OF TOTAL ASSETS FOR BETTER CAPITAL EFFICIENCY- FINANCIAL POSITION SUMMARY

DMG MORI

Assets

Liability & Equity



1. FY2018 Q3 (Jan-Sep) financial results

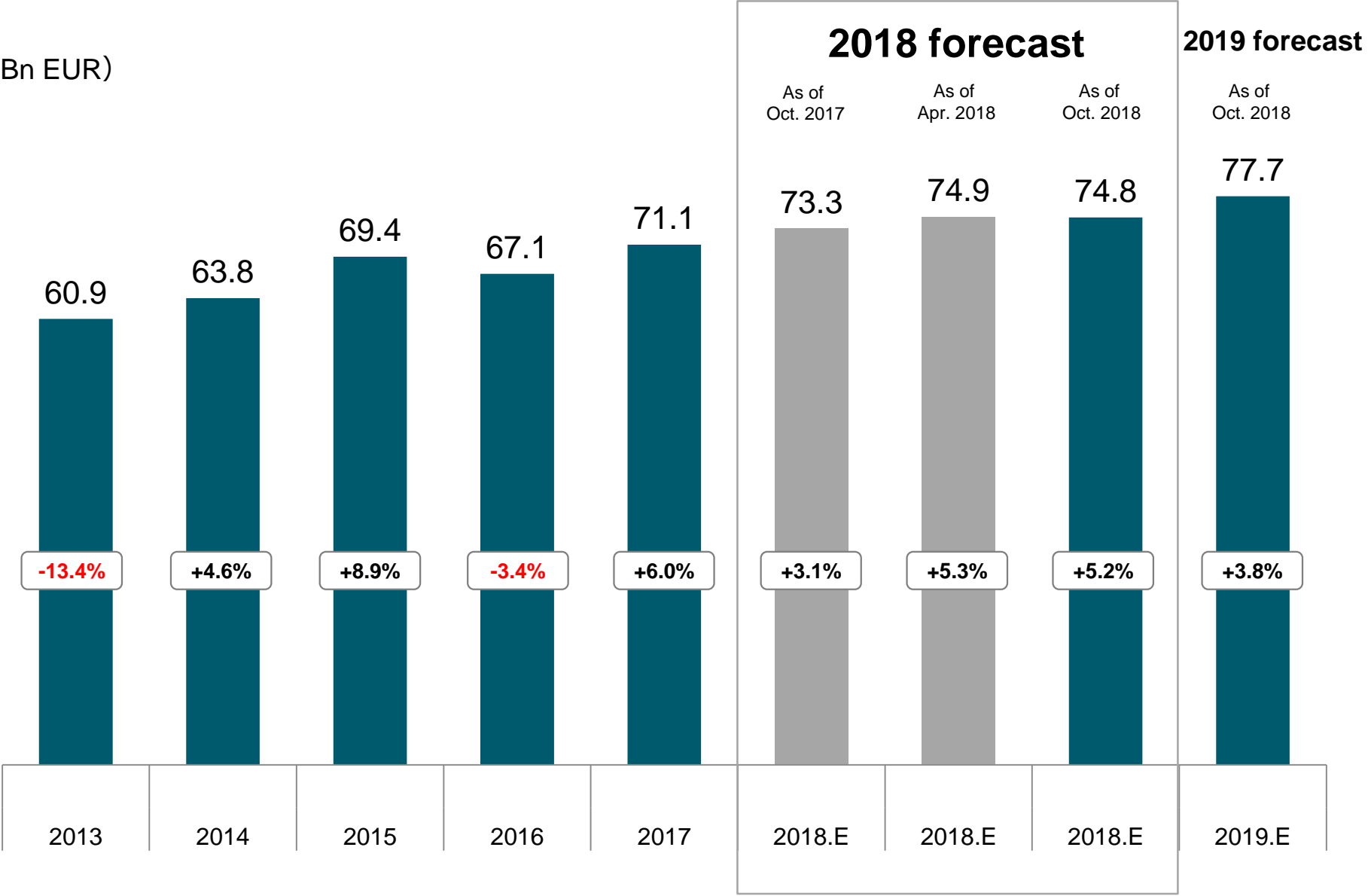
2. Business environment

3. Topics

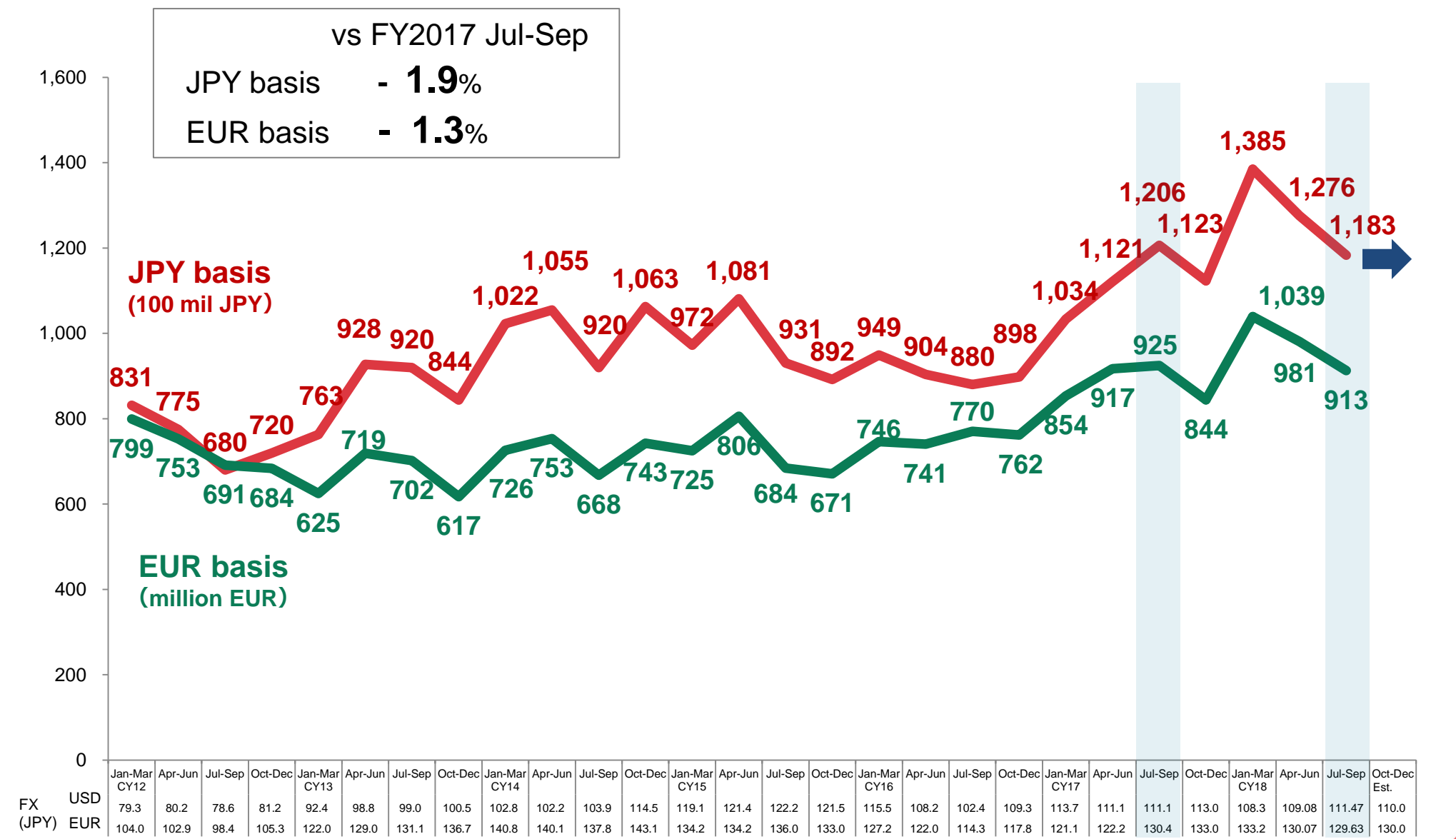
- ✓ Sales start of ALX-series
- ✓ Major exhibitions
- ✓ Automation and digitization
- ✓ Cooperation with education and research institutes
- ✓ Work style reform

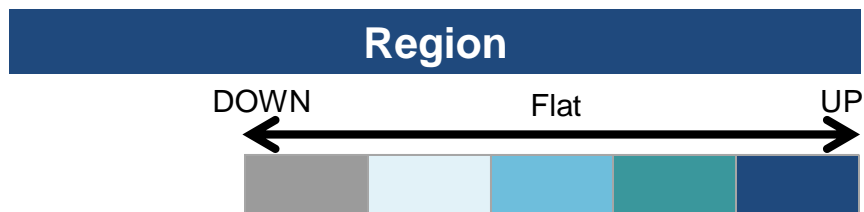
4. Strategies for FY2019

(Bn EUR)

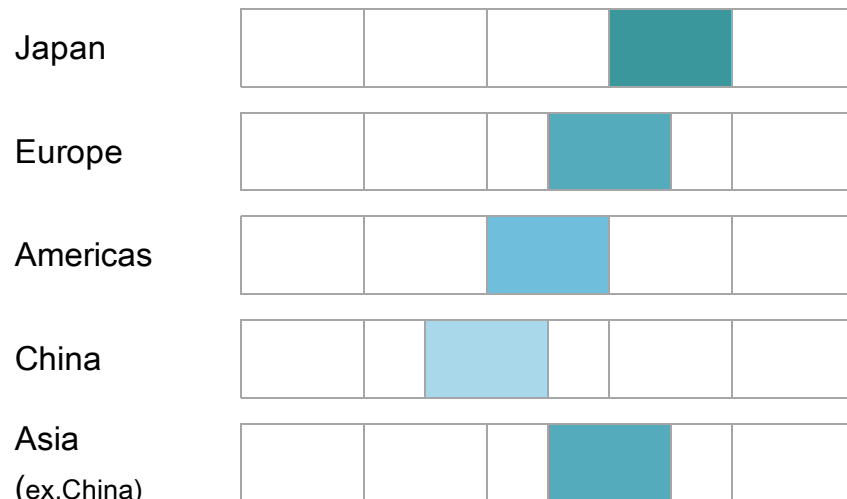


Source: Our estimation based on VDW / Oxford Economics, Oct. 2018

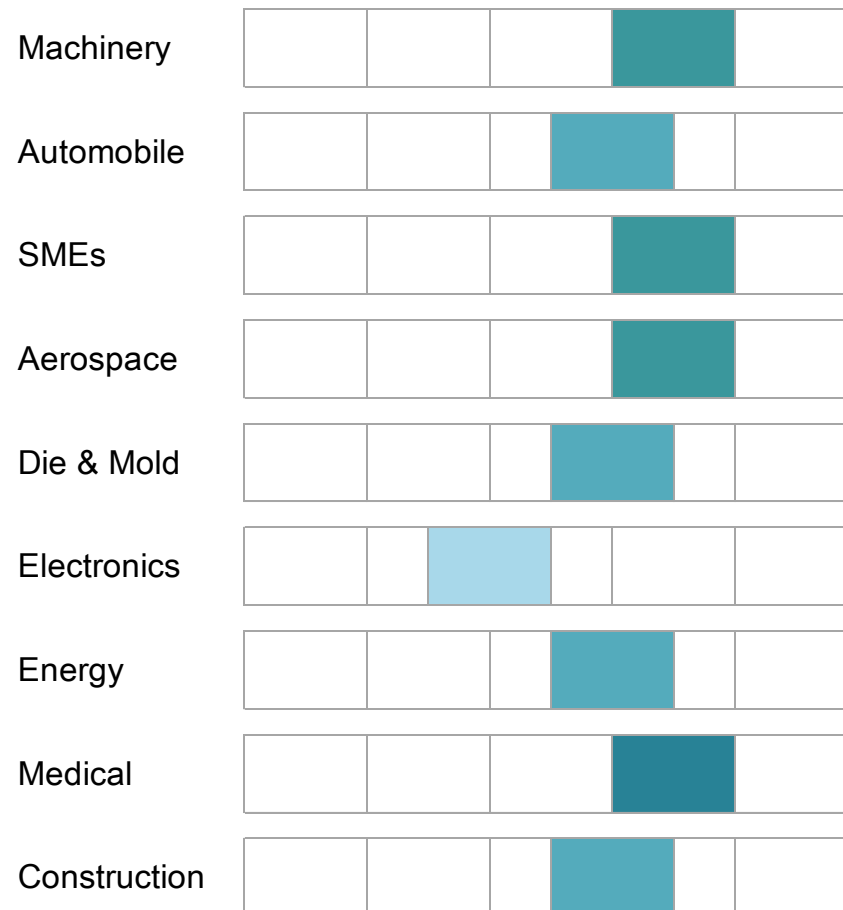




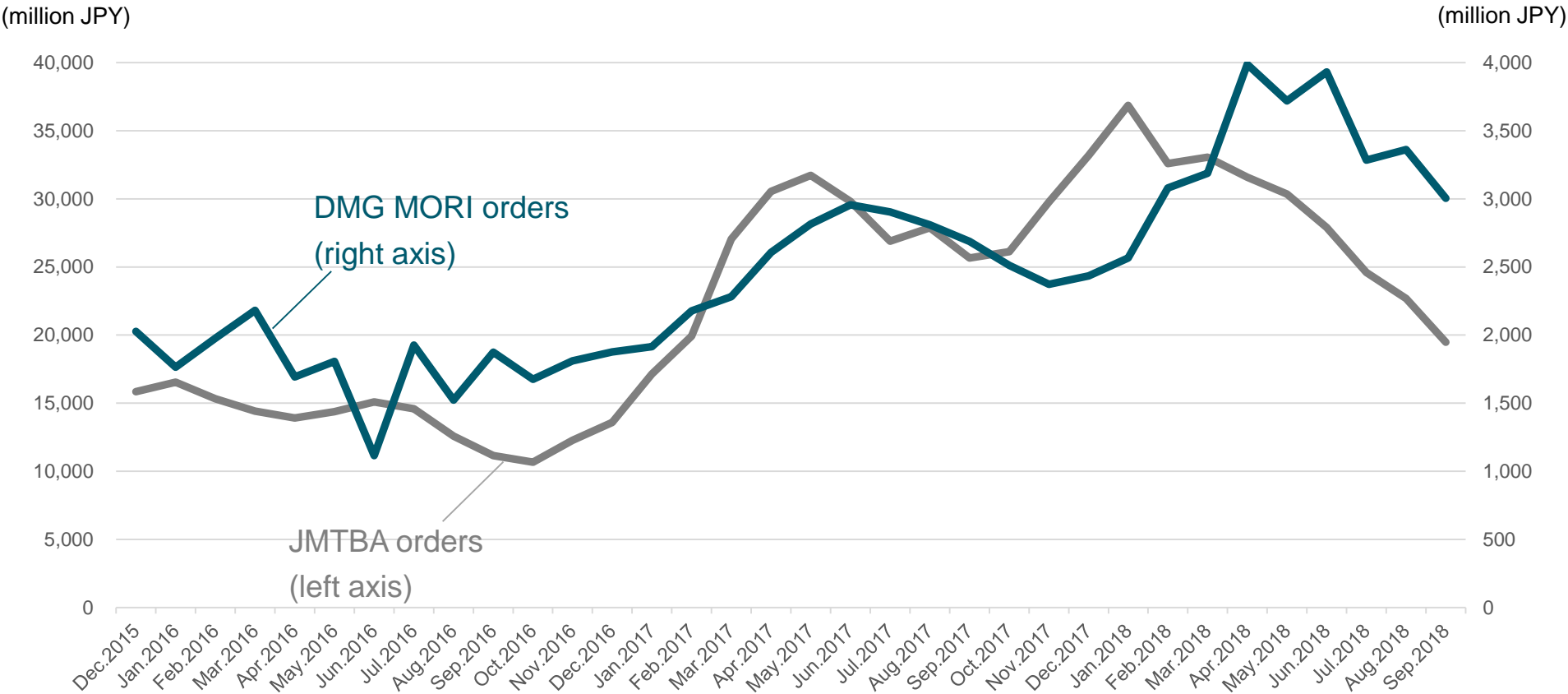
FY2018.Q3



FY2018.Q3

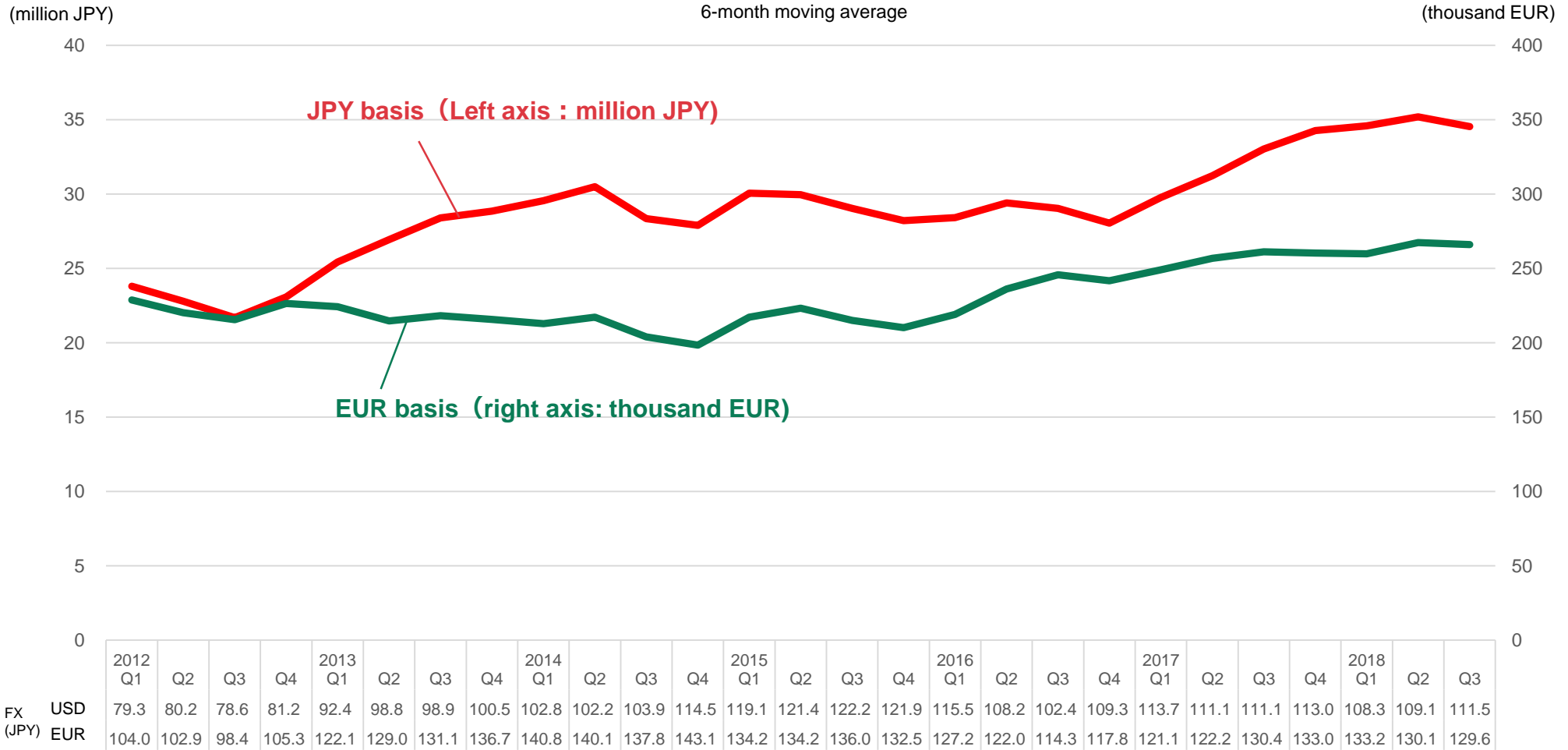


Order development in China
3-month moving average

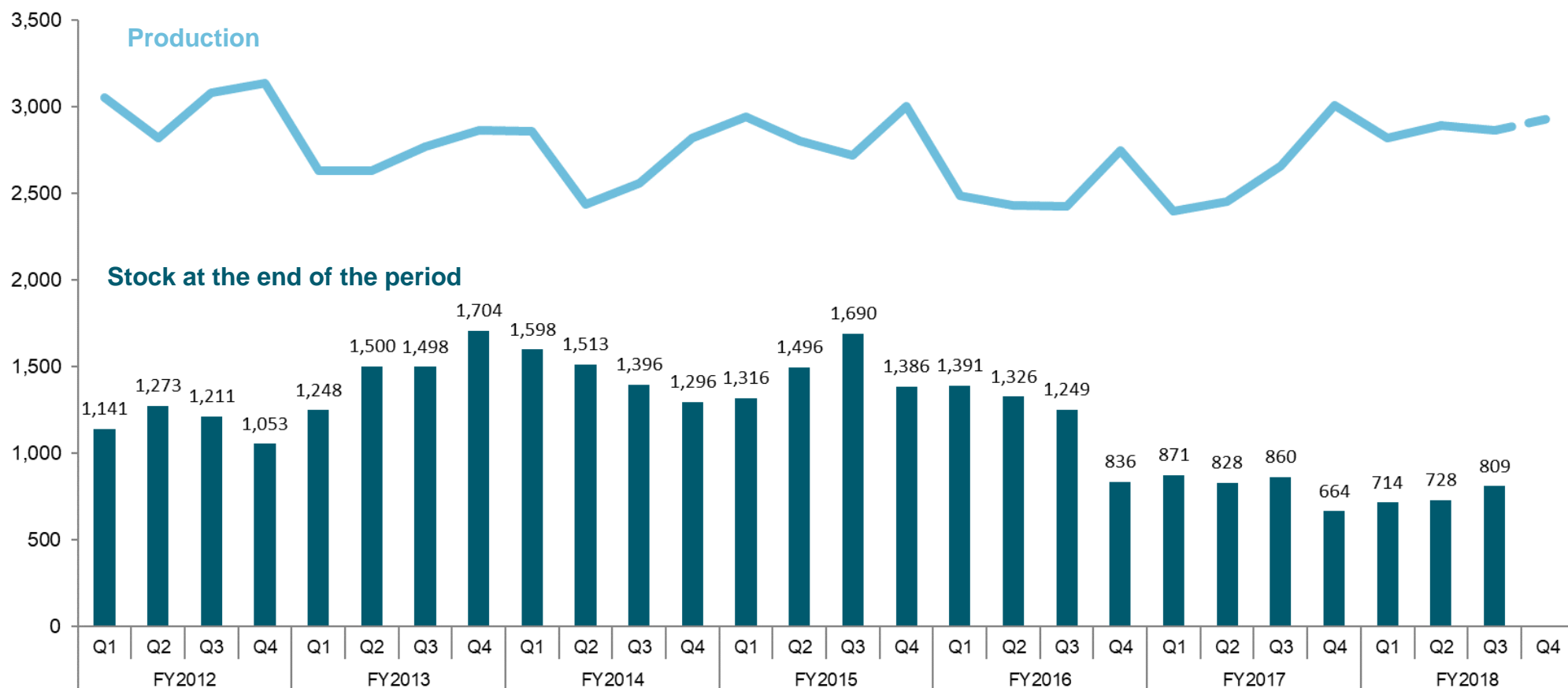


Consolidated order intake : machines only

6-month moving average



(units)

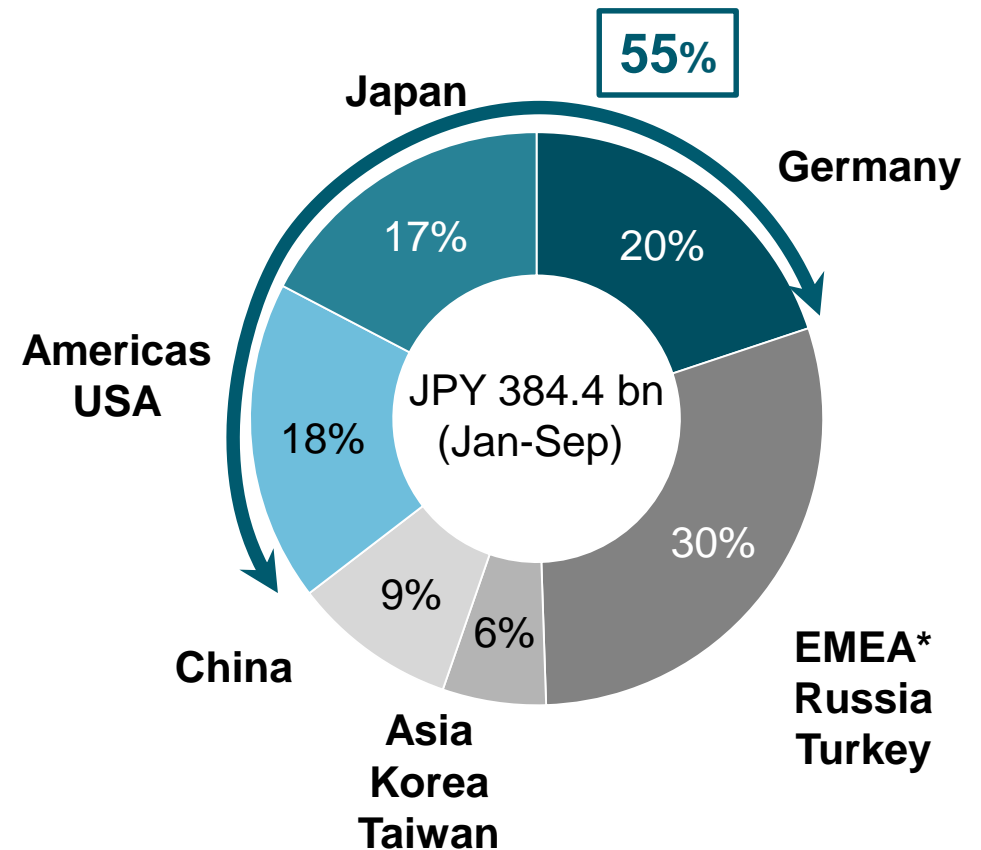
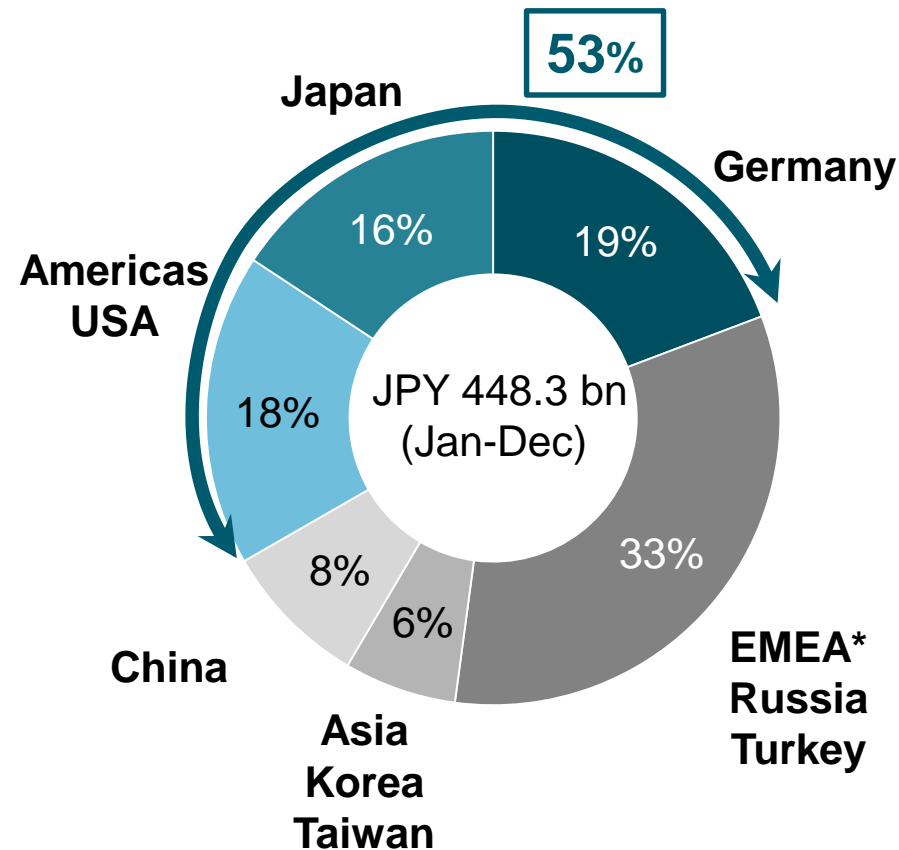


Value basis
Machine only

Consol. machine order intake
FY2017 Full year



Consol. machine order intake
FY2018 Jan-Sep

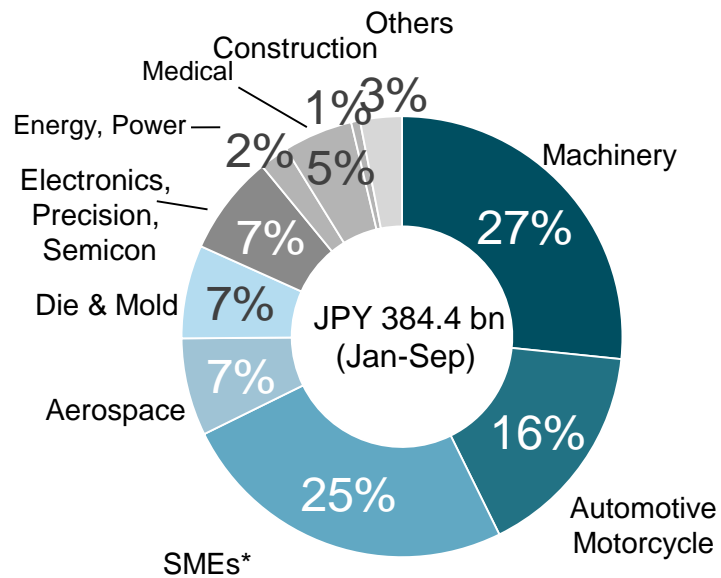


*Europe, the Middle East and Africa

Value basis
Machine only

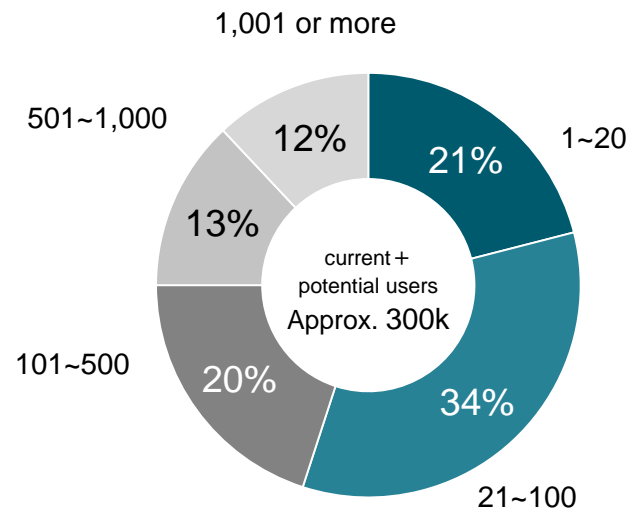
FY2018 Q3 (Jan-Sep)

by industry



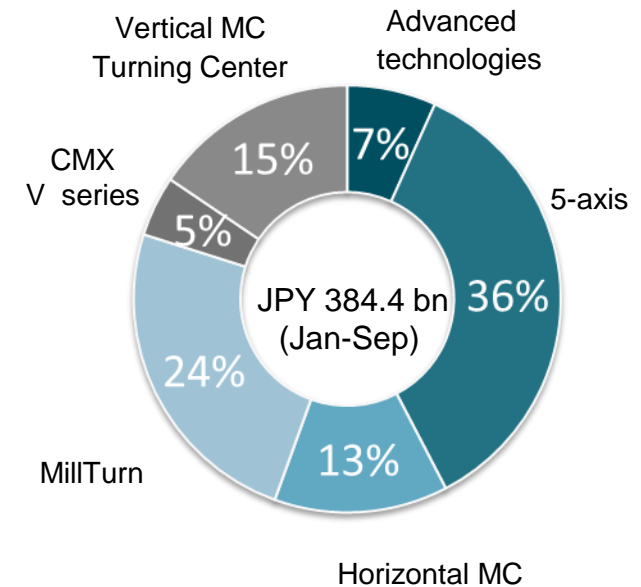
*Small and medium-sized enterprises

by customer's number of employee



current +
potential users
Approx. 300k

by product type



1. FY2018 Q3 (Jan-Sep) financial results

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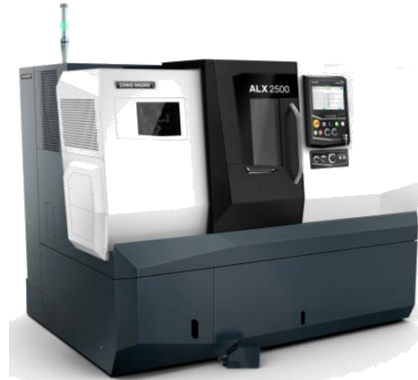
- ✓ Sales start of ALX-series
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- ✓ Work style reform

4. Strategies for FY2019

- ❑ A wide range of variations (36 models)
- ❑ Base machines to build entire automation and production lines



ALX 2500|300
(between centers 300 mm)



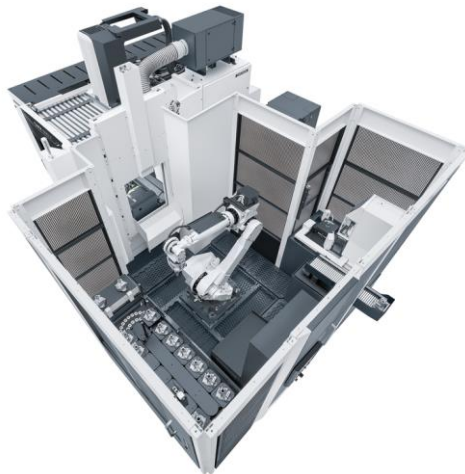
ALX 2500|500
(between centers 500 mm)



ALX 2500|1000
(between centers 1,000 mm)



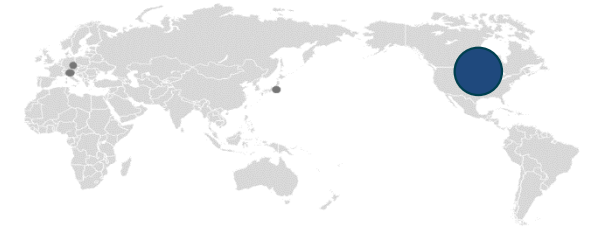
ALX 2500|2000
(between centers 2,000 mm)



IMTS (CHICAGO)

DMG MORI

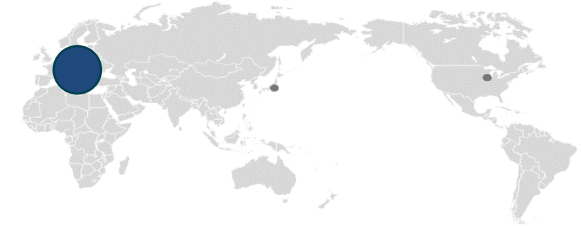
Date : Sep 10-15, 2018
Average price : USD 346K (+9% from 2016)
US-premiere of XXL 5-axes machines
Focus on automation



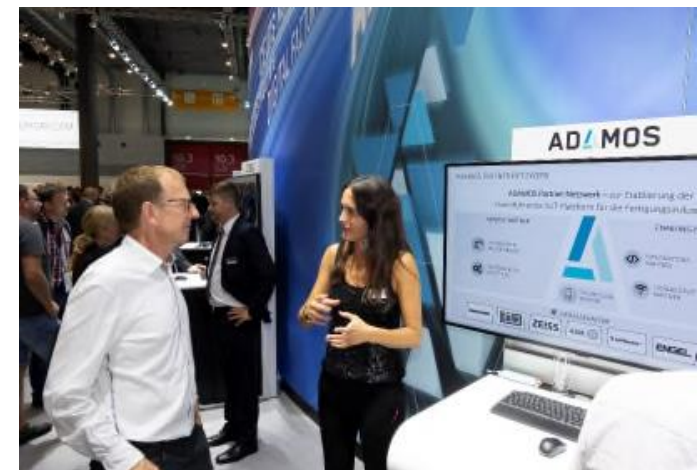
IMTS2018
International Manufacturing Technology Show
September 10 - 15, 2018 · McCormick Place · Chicago



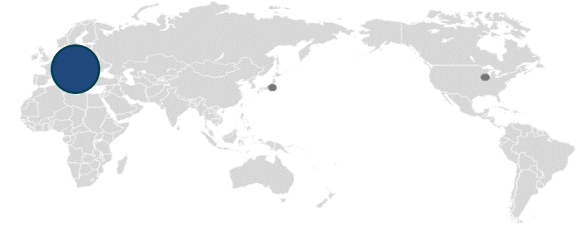
Date : Sep 18-22, 2018
Average price : EUR 303K (+11% from 2016)



AMB
International exhibition
for metal working
18.-22.09.2018
Messe Stuttgart



Date : Oct 9-13, 2018
Average price : EUR 319K (+7% from 2016)



Date : Nov 1-6, 2018
DMG MORI digital factory



1. 5-axis/Integration



2. Automation



MATRIS and other automation systems

3. Digitization



- DMG MORI connected industries
- Messenger •Digital twin
- AI solution

4. XXL



- Japan Premiere
- DMU 340 Gantry
 - DMU 200 Gantry

5. Additive manufacturing



LASERTEC 30
SLM Ge2



LASERTEC 65 3D

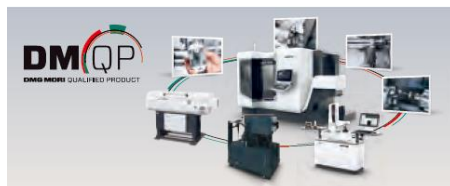
6. Digital service



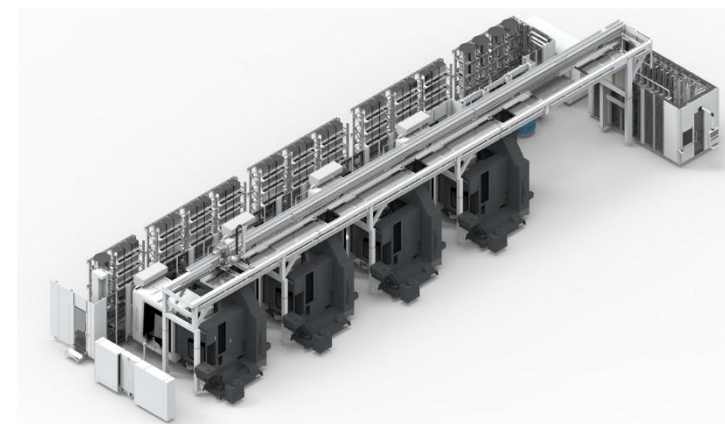
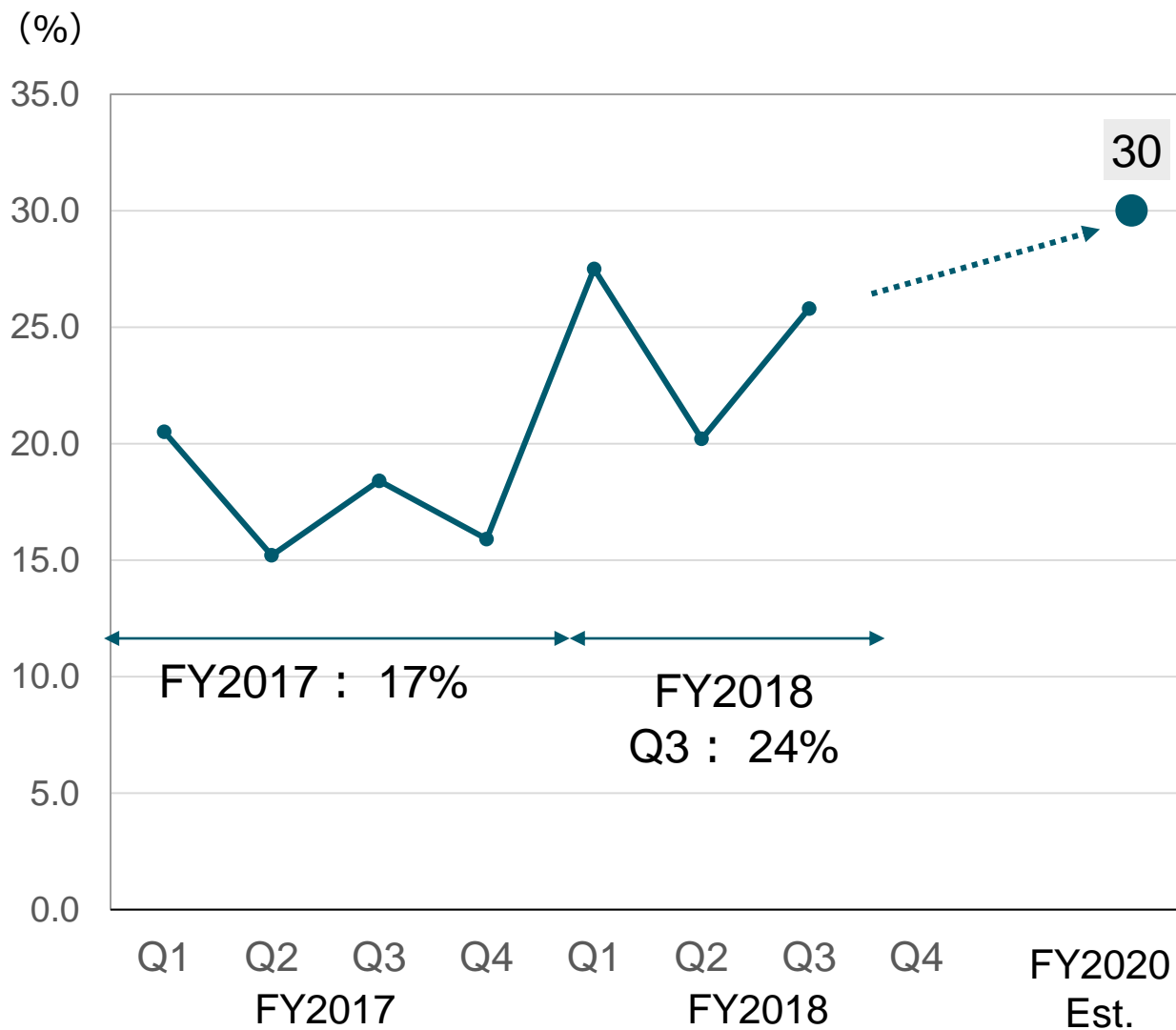
- CELOS Club
- WERKBLiQ
- Training



7.



- +DMG MORI's Connected Industries
- +Real solutions on the go for higher productivity by 5-axis control machines, CELOS and a wide range of system integration
- +Flexible automation for less manpower
- +AI thermal displacement compensation "Ultra Thermal Precision", digital twin and other cutting-edge technologies



4x DMU 80 P duoBLOCK®



SCHAEFFLER

5 x DMU 80 eVo *linear*
With 120 tool magazine

Robot with two grippers

180 x Pallet stations
105 x Stations for special tools



Set-up stations with camera system
(developed by SCHAEFFLER)



GRAND OPENING FAMOT (OCT 2018, POLAND)

DMG MORI

- ❑ Implementation of Industry 4.0 and Connected Industries
- ❑ CLX/CMX production: 2,000 units by 2020. Components supply to group companies.



ISTOS

Production
planning

Production
management

Logistics

DMG MORI
SOFTWARE SOLUTIONS

Inventory
management



Maintenance

WERKBLiQ



❑ Accelerate global development by face-to-face meetings



Basic data

Name	The 5 th Global Development Summit
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Location	FAMOT (Poland)
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Participants	198 12 workshops
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Results	<ul style="list-style-type: none">• Integration of models and components• CAM/digital programming• Peripheral equipment (DMQP)• Digital Twin• Automation
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MTTRF *Machine Tool Technologies
Research Foundation*

MACHINE TOOL TECHNOLOGIES RESEARCH FOUNDATION (MTTRF)

- ✓ Support developing researchers of innovative machine tool technologies
- ✓ General assembly in July 2018, San Francisco
- ✓ Donations of machine tools to universities and public institutions (continued)

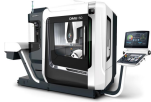





THE INTERNATIONAL ACADEMY FOR PRODUCTION ENGINEERING (CIRP)

- ✓ Academy for cutting-edge production technologies
- ✓ Supported General assembly in August 2018, Tokyo as a platinum sponsor
- ✓ Reported on thermal displacement compensation of turning centers, etc.

Loan out of 70 “DMU 50 3rd Generation” to customers throughout Japan

✓ Progress: 30 units

✓  **70 machines**  **Private lessons 30 times**  **5 participants**  **5-axis machine operators more than 10,000**

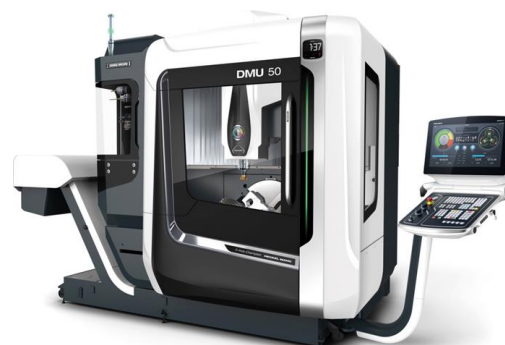
✓ Creation of innovative textbook about 5-axis machining through plenty of Q&As



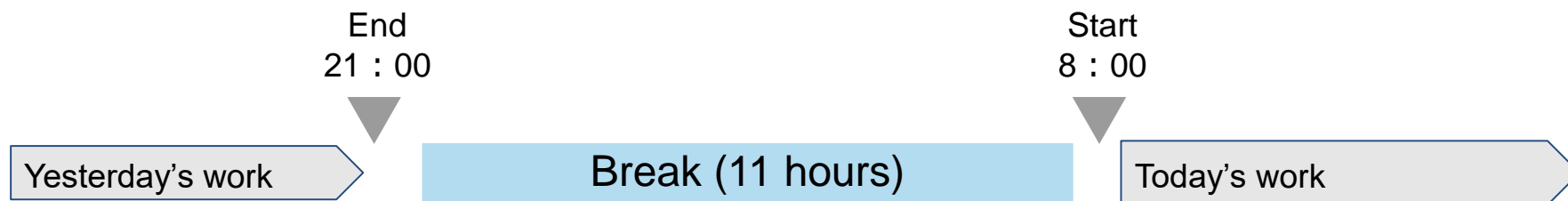
Cooperation with Nara Prefecture: free machine lending for 2 years

✓ 6 machines (5-axis machines and a turning center) to 3 technical high-schools in Nara

✓ 1 Ultrasonic machine to Nara industry development center



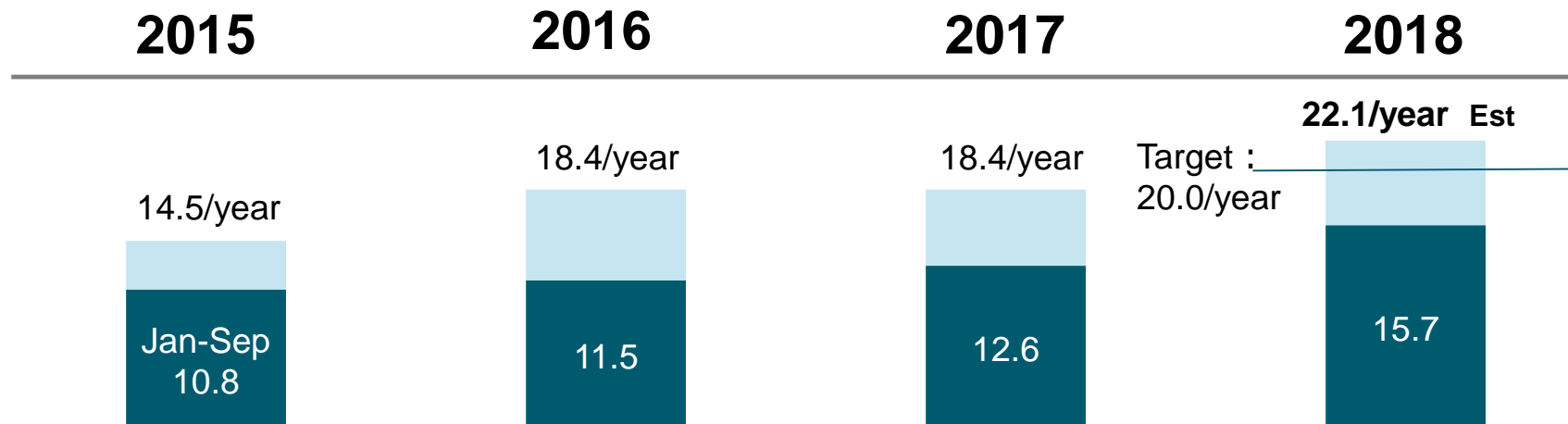
Min. 11 hours break between end and start of work (since Aug 2018)



Break hours will be extended to min. 12 hours from Jan 2019

Consumption of paid holidays (average days per employee in Japan)

* Calculated on the assumption that each employee is allocated 20 paid holidays per year



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4. Strategies for FY2019

- ✓ Lead the industry's decadal trend changes (multi-axes, digitization, new materials, additive manufacturing) to expand business further in 2020 and onwards
- ✓ Integrate AI-solutions to global parts centers in Iga, Munich and USA. Improve customer satisfaction in service
- ✓ Strengthen direct sales, engineering and service to support customers' global business by diverse employees
- ✓ Outlook of net debt/equity ratio of 0.5 or less triggers search for investment opportunities in AM, CAD/CAM and training systems
- ✓ Investment in employees to enhance their capabilities and promotion of work style reform
- ✓ Target to continuously increase dividend in FY2019 and in mid-to-long term

(JPY)	FY 2018 forecast		FY 2019 forecast
Machine order intake	490 bn	▶	500 bn
Sales revenue	480 bn	▶	500 bn
Operating profit	38 bn	▶	40 bn or more
Operating margin	7.9%	▶	8% or more
Dividend	50/year	▶	Increased dividend
Currency	USD 110/EUR 130	▶	USD 110/EUR 130

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.