Dear investors,

We announced our financial results of the third quarter (January-September) of FY2019 on November 7th, 2019.

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

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Q&A

Q: Describe the order intake trend of machine tools by region and industry.
A: The machine tool order intake in January-September 2019 dropped by 22% against the same period in FY2018. Asia faces a downward trend, with Japan losing orders by 42% and China and other countries by 31%. On the other hand, Europe and Americas, which accounts for more than 50% and 22% of our global sales, respectively, has remained stable since the last quarter. By industry, the aerospace, medical equipment, and die & mold sectors show continuous and steady development, while the automotive is slowing down and the semiconductor production equipment sector has struggled since the second half of 2018.

Q: Describe your full-year order intake forecast.
A: The consolidated order intake in Jan-Sep 2019 resulted in JPY 322.1 bn., which is 22% down year-on-year. The unexpectedly large number of visitors and inquiries at Iga Innovation Days in July and EMO (an international metalworking exhibition in Germany) in September showed a healthy appetite for mid-to-long-term investment in machine tools. We are convinced that machine tool demand should remain stable, although it takes longer than usual to close an order. Our target for the full-year consolidated order intake is JPY 420 bn., down by 22% from last year.

Q: Describe the highlights and outcome of EMO.
A: EMO, a biannual international metalworking exhibition, took place from September 16th to 21st in Hannover, Germany. During the event, DMG MORI has encouraged customers to boost productivity by addressing shortage of engineers or other human resources with multi-axis machines, automation, and digitization. Out of 45 machine models we exhibited at EMO this year, 29 were displayed with automated system solutions and more than 30 with digital innovations. Both solutions were highly appreciated by customers. Approximately 15,000 visitors showed up at our booth, which almost ties to the record of EMO 2017. The number of inquiries declined only slightly. On a positive note, the average unit price was JPY 44 mil. and rose by 16% from the last EMO. It aligns with the customer’s growing interests in DMG MORI’s automation and digitization.

Q: How does “my DMG MORI” impact your customers and own business?
A: We created a portal website to directly provide services to customers. Currently, there are four contents: 1) “Your History” to view repair service histories for troubleshooting and lifecycle cost analysis, 2) “Your Machine” to tell location and operation status of each machine, 3) “Your Documents” to store e-documents, including machine operation manuals, for better accessibility to various information, 4) “Your Service Requests” to search through machining histories and
order maintenance or parts exchange services. This website allows better global communication between DMG MORI and customers.

Q: Why did you invest in TULIP?
A: TULIP is a software development company, founded in 2014 by engineers in MIT Media Lab in Boston, United States. With TULIP’s software, factory staff and engineers can develop applications to improve and change production processes with easy drag-and-drop, and collect and analyze data from each process. The software can also be used for upgrading production processes of small-sized enterprises, which consists approximately 60% of our sales bases. DMG MORI applied this software to the spindle production process in Pfronten, Germany, and successfully shortened production lead time, improved first-time quality, and cut down training hours. We will introduce this software in Iga Campus next spring to improve production efficiency.

Q: Describe the order backlog of machine tools at the end of September and the forecasted backlog at the year-end.
A: At the end of September, the order backlog remained high at JPY 174 bn., dropped only by 9 % from the second quarter. In Q4, deliveries will continue to exceed new order intake. As a result, order backlog is expected to be approximately JPY 150 bn at the end of the year.

Q: Describe the details of Q3’s operating profit (OP).
A: Accumulated OP in Q3 reached JPY 28.6 bn and marked an increase by JPY 5.1 bn. year-on-year. Positive factors amounted to JPY 6.6 bn.: JPY 3 bn. from higher profit margin by providing value-added solutions; JPY 2.0 bn. from strengthened supply chain management; JPY 1.6 bn. from efficiency improvement of R&D activities and daily operations. Negative factor was JPY 1.5 bn. caused by the strong yen. These factors led to an increase in OP by JPY 5.1 bn.
Q: Describe the background of an increase in full-year operating profit (OP) despite a decrease in annual sales forecast.

A: We reduced full year sales forecast by JPY 15 bn from the original plan, which is leading to a reduction of OP by approximately JPY 6 bn. On the other hand, positive factors will increase OP by about JPY 7 bn.: about JPY 1.5 bn. by higher gross profit margin from value-added solutions and higher efficiency of supply chain management; about JPY 2.5 bn. from maintaining the personnel cost almost at the last-year’s level against our forecast at the beginning of the year; about JPY 3 bn. from cost reduction thanks to the new organizational “in-house company system” introduced in 2019. These factors will lead to an increase in OP by JPY 1.0 bn. from the initial forecast, and the annual OP will be JPY 37 bn.
<table>
<thead>
<tr>
<th>Sales revenue</th>
<th>500.0</th>
<th>485.0</th>
<th>-15.0</th>
<th>501.2</th>
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<tbody>
<tr>
<td>Operating profit</td>
<td>36.0</td>
<td>37.0</td>
<td>1.0</td>
<td>36.3</td>
</tr>
<tr>
<td>% to sales revenue</td>
<td>7.2%</td>
<td>7.6%</td>
<td>0.4%pts</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

Q: The net-debt balance forecast at fiscal year-end will increase from JPY 65 bn. of the initial forecast to JPY 75 bn. Describe the background.

A: At the beginning of 2019, we expected the free cash flows (cash inflow from sales activities – cash outflow from investment activities) to be about JPY 30 bn. Improvement of profit margin, collection of accounts receivables, and management of accounts payables are almost in line with our plan. Nevertheless, the decline of order intake amount exceeds our expectation and thus we received less down payment. The annual cash flows will be about JPY 17 bn. After deducting dividend payout and other payments from the free cash flows, we can spend less to pay back the net-debt. Therefore, the year-end net-debt balance will be about JPY 75 bn.

Q: Will the expected reduction of free cash flows affect your dividend payout policy?

A: FY2019’s free cash flows will be about JPY 17 bn.; this is sufficient to maintain our existing dividend payout policy of JPY 60 per share (JPY 30 per share already paid as midterm dividend) with the total payout amount of about JPY 7.3 bn. We will not change our dividend payout policy of JPY 30 per share for year-end dividend (full fiscal year dividend of JPY 60 per share).
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.