DMG MORI CO., LTD.
FY 2019 (Jan-Dec) Results
IR Announcement
February 14, 2020

Dear investors,

We announced our financial results of FY2019 on February 14, 2020.
This document is a summary of Q&A to our results.

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Q&A

Q: Describe the recent order intake by region and industry.

A: On a consolidated quarterly basis, the order intake hit peak with JPY 148.6 bn. in the Q1 (Jan-Mar) 2018 and it continued to decline for the second year in row to JPY 88 bn. in the Q4 (Oct-Dec) 2019. The order amount in the Q4 2019 was at 60% of the peak. Orders of spare parts and service grew 3% year on year due to the larger machine installation base in the global market. Orders in subsidiaries such as Magnescale and Saki Corporation were also stable reflecting their technological advantages. As for the machine tool orders by region on a fiscal year basis, Japan dropped by 42% year on year after good growth until 2018; US, EMEA and Asia including China declined by 27%, 24% and 29% year on year, respectively. By industry, orders in the aircraft, medical and die & mold industries were stable, while the auto industry continued to struggle. Regarding order composition, the aircraft industry increased to 16% of total orders, which is the same level as the auto industry, and industrial diversification made good progress. Number of business inquiries from the semiconductor production equipment industry, which had remained weak since middle of 2018, started to increase and we are expecting further recovery of orders.

Q: Describe order forecast in 2020 (Jan-Dec).

A: We expect consolidated orders in 2020 to increase by 2.6% year on year to JPY 420 bn. from JPY 409.4 bn. last year. By region, orders in US are moderately recovering and orders in some Asian countries are bottoming off. On the other hand, orders in Japan and EMEA are likely to remain stable as a reaction to strong growth until 2018. Orders in China, where near-term business conditions look uncertain, should come back in the second half of this year because of strong potential demand for integrated machines and automation. By industry, in addition to continuing stable orders in aircraft, medical and die & mold industries, orders from the SPE industry also could contribute positively. Meanwhile, orders from the auto industry will likely remain sluggish.

Q: What kind of machinery is sold to the SPE industry?

A: Our product line is applied to all manufacturing processes of semiconductors from front to end. In the front-end process, chambers for chemical process, and vacuum pumps are manufactured by our medium-large 5-axis machines. In the back-end process, precision components for slice and inspection machines are produced by our multi-turning centers. Our ultrasonic machines are used for producing components of ceramics and quartz, which are hard but brittle.

Q: Describe the order trend in Additive Manufacturing.

A: Additive Manufacturing orders grew by 20% year on year and accumulated orders climbed to JPY 11 bn. During 2019, DMG MORI expanded its advantage product line, launching the second generation LASERTEC 12 SLM and LASERTEC 125 3D hybrid which can handle a table load of up to 2000kg. At Pfronten Open House (private show) held in February 2020, LASERTEC 30 Dual SLM came onto the market. With two lasers, productivity could be improved by around 80%, and the scan control technology has been shifted from analog to digital, improving resolution and control speed, and increasing customer satisfaction. The technology is expanding from prototypes to aircraft, medical and mold parts manufacturing, and we think that annual orders will soon reach JPY10 bn.

Q: Describe the order backlog of machine tools at the end of 2019 and the outlook.

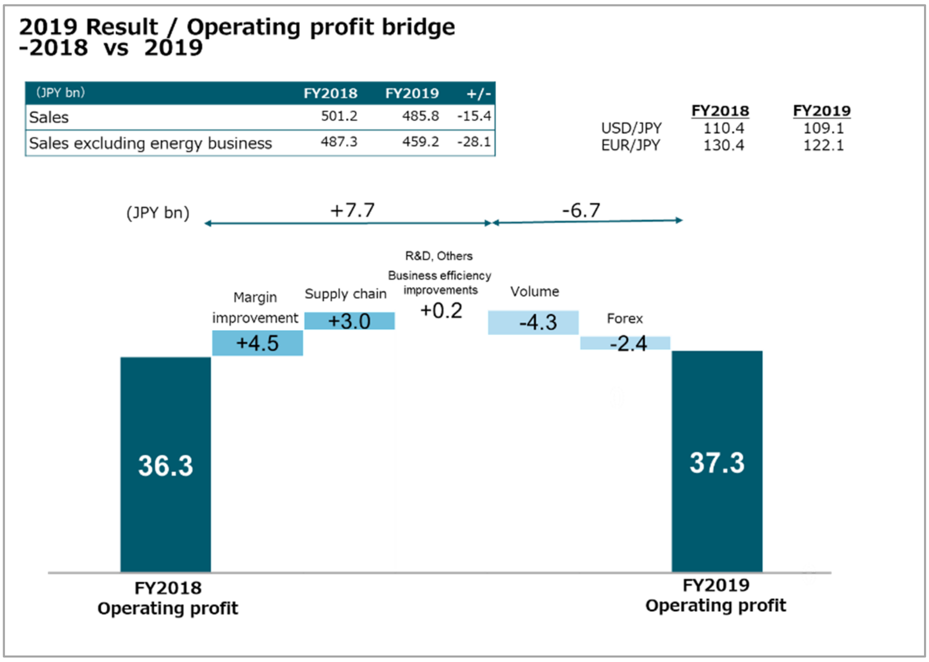
A: Order backlog at the end of 2019 was JPY 146.0 bn., dropped by 34% from JPY 221.5 bn. at the end of 2018. Order inflow and sales are expected to be balanced from the Q1 this year and we think order backlog will remain at the current level for the time being.

Q: Describe the impact of the energy business on the financial statement.

A: Sales of the energy business were JPY 13.9 bn. in 2018 and JPY 26.6 bn. in 2019. The business stayed at a break-even point at every profit level for both 2018 and 2019. There is no contribution in sales from the business for 2020.

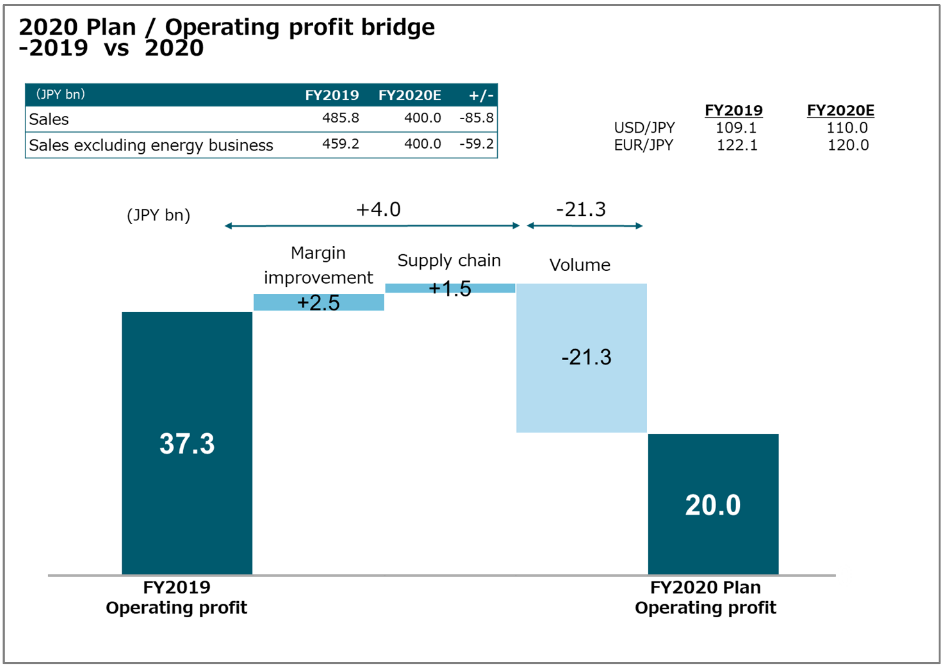
Q: Describe factors behind changes in operating profit in 2019.

A: Operating profit in 2019 climbed by JPY 1 bn to JPY 37.3 bn. from JPY 36.3 bn. in 2018. First, declining sales had a negative impact. Out of a total reduction of JPY 28.1 bn. (excluding energy business), JPY 21.5 bn. were caused by the strong Yen against the Euro. Actual sales volume decline was JPY 11.1 bn. (including changes in average unit price), which reduced the operating profit by JPY 4.3 bn. Second, the strong yen had a negative profit impact of JPY 2.4 bn. The combined negative effect of JPY 6.7 bn. is counterbalanced by combined positive effects of JPY 7.7 bn. Increased customer value accounts for JPY 4.5 bn., a rise in in-house production of key components and other reductions in supply chain costs for JPY 3.0 bn., and reduction in other costs for JPY 0.2 bn.



Q: Describe factors behind changes in operating profit in 2020.

A: We expect operating profit for 2020 to decline by JPY 17.3 bn. from JPY 37.3 bn. last year. Sales are expected to decline significantly due to lower order backlog as of end December 2019. Negative factor from sales decline is estimated at JPY 21.3 bn. On the other hand, positive factors include a further improvement of gross profit of JPY 2.5 bn., for an added value to customers and supply chain efficiency of JPY 1.5 bn., total of JPY 4.0 bn.



Q: Describe cash flow figures for 2019 and 2020.

A: We secured free cash flow of JPY 20.1 bn. in 2019. Although balance of down payment, which had pushed up cash-in-flow until 2018, showed a negative effect of JPY 22.2 bn., this was over compensated by growth in profit, reduction of inventories and shortened collection period of account receivables. We expect free cash flow of JPY 13 bn. for 2020. Contribution from profit will decrease but continue our efforts to reduce inventories and shorten collection period of account receivables. We also expect down-payment balance to start contributing positively.

Q: Describe progress of reduction in interest bearing debt and improvement of financial position.

A: Our company has been setting a goal of Net Debt Equity ratio (Net Debt/Equity) of 0.5 as one of key indicators for BS management. Net Debt balance and Net Debt Equity ratio were reduced to JPY75.5 bn. at the end of Dec. 2019 (JPY82.8 bn. at the end of 2018) and 0.60 (0.75), respectively. We are aiming to achieve net debt balance of JPY70 bn. or less toward end of 2020 and to bring Net Debt Equity ratio closer to 0.5.

Q: Describe dividend policy.

A: We have targeted a payout ratio of around 30% for our dividend policy. However, we have improved our business structure to be able to create free cash flow even in times of adjusted demand, so we are aiming for stable dividends taking free cash flow performance into consideration. We plan to maintain our dividend per share at JPY 60 for 2020, following JPY 60 in 2019. We plan with a free cash flow of JPY 13 bn. for 2020, which would be sufficient to provide financial resources for a dividend of JPY 60.

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.