



## Keio Business School

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# DMG MORI: Cross-Border Management Integration

The integration of Mori Seiki Co., Ltd. (“MORI SEIKI”), a Japanese maker of machine tools, and Germany-based GILDEMEISTER Aktiengesellschaft (“GILDEMEISTER”), began with a capital tie-up in March 2009, involved a name change to DMG MORI Co., Ltd. in March 2013, and concluded with the execution of a Domination Agreement in August 2016. GILDEMEISTER was established in Germany in 1870, and as of December 2008, annual sales were approximately 242 billion yen (approximately 1.904 billion euros) and the company boasted a dominant market share and name recognition in Europe. MORI SEIKI was established in 1948, and with its shorter history, had annual sales of 152 billion yen as of March 2009, making it a small company. It is said that in general, cross-border M&A is more difficult than M&A within the same country because of geographic and cultural differences as well as the effects of legal restrictions.<sup>[1]</sup> In the background to the success of this supposedly difficult integration with GILDEMEISTER, a long-established and larger German manufacturer of machine tools, were efforts that differ from those of typical cross-border M&A (see Appendix 1).

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## 1. History of MORI SEIKI

MORI SEIKI, which was established in 1948, achieved growth throughout its history described below. The company was established in Mie Prefecture, Japan, by three brothers — Rinpei Mori (the first president), Shigeru Mori, and Yukio Mori (the second president) — and initially it was a small-scale enterprise that manufactured and sold textile machines for work glove fabric. With the special demand generated by the Korean War in the 1950s, the company changed business domains to manufacture of machine tools with a focus on lathes. Following the start of manufacture and sale of numerical control (NC) machines in 1968, the company made a substantial leap forward. MORI SEIKI used the capital gained in conjunction with increased sales NC lathes to build a new plant in Mie Prefecture, and in

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<sup>[1]</sup> Kazuhiro Asakawa, 2011, Introduction to Global Management, Nikkei Business Publications, Inc., p. 240.

This case was prepared by Hidehiro Ito under the supervision of Professor Kazuhiro Asakawa of Keio Business School.

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