

DMG MORI CO., LTD.

OPERATIONAL REVIEW

FISCAL YEAR ENDED DECEMBER 31, 2015

**ANNUAL
REPORT
2015**

DMG MORI Technology Cycles





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Disclaimer

This material contains earnings estimates, plans, policies, business strategies, targets, forecasts, and perceptions and judgments about matters of fact concerning the future of DMG MORI CO., LTD. and the DMG MORI Group. Its predictions, expectations, assumptions, plans, perceptions and judgments are based on information available to DMG MORI CO., LTD. at the time of writing. For this reason, it is possible that actual results may differ significantly from these forecasts. There are various risks or factors, such as facts that are not included here, or premises that may be objectively inaccurate, which may prevent these predictions from coming true. Among these, we identify the major assumptions as follows, while noting that the risks and factors are not limited to these: (1) economic conditions in key markets (Japan, the Americas, Europe, China and Asia etc.); (2) sudden fluctuations in demand for investment in plant and equipment; (3) significant changes in the yen's exchange rate against the U.S. dollar, euro and other currencies; (4) significant changes in the cost of natural resources or raw materials; (5) future trends in Japan's relationships with the United States and China; (6) changes in the international situation resulting from the increased risk of terrorism and other factors; and (7) damage resulting from natural disasters such as hurricanes and earthquakes.

Consolidated Financial Highlights

Fiscal years ended March 31, 2012, 2013, 2014, 2015 and December 31, 2015

	JGAAP ^{*1}			(Billions of yen)	
	2012/3	2013/3	2014/3	IFRS 2015/3 ^{*3}	2015/12 ^{*2,3,4,5}
Financial Performance					
Sales revenues	155.3	148.6	160.7	174.4	318.4
Operating result	6.8	4.1	9.4	18.2	31.1
Earnings before income taxes	6.7	5.6	11.4	23.1	29.7
Profit attributable to owners of the parent company	5.6	5.2	9.4	17.1	26.9
Comprehensive income	3.7	12.0	23.0	17.9	23.1
Financial Performance Ratio					
Operating income ratio (%)	4.4	2.8	5.8	10.4	9.8
Net income ratio (%)	3.6	3.5	5.9	9.8	8.4
Return on investment (ROI) (%) ^{*6}	4.5	2.6	5.1	7.6	9.7
Return on equity (ROE) (%) ^{*7, 8}	6.0	5.3	7.4	10.9	17.0
Return on total assets (ROA) (%) ^{*9}	3.1	2.8	4.4	6.0	5.8
Financial Position					
Total assets	185.4	186.7	241.7	323.8	598.0
Shareholders' equity ^{*7, 10}	93.2	102.7	151.3	162.0	155.3
Interest-bearing debt	65.6	58.3	54.4	109.0	216.9
Net interest-bearing debt ^{*11}	61.0	52.1	35.5	87.6	133.3
Working capital ^{*12}	32.9	30.5	57.9	31.3	60.8
Net working capital ^{*13}	63.8	52.1	60.1	76.6	112.5
Shareholders' equity ratio (%) ^{*7, 14}	50.3	55.0	62.6	50.0	26.0
Net debt/equity ratio (Times) ^{*7, 15}	0.7	0.5	0.2	0.5	0.9
Cash Flows					
Cash flows from operating activities	8.6	21.4	5.9	7.3	18.6
Cash flows from investing activities	(22.1)	(10.1)	(17.5)	(58.7)	(26.9)
Cash flows from financing activities	10.9	(10.1)	23.9	53.6	71.9
Increase (decrease) in cash and cash equivalents	(2.9)	1.7	12.6	2.5	62.2
Cash and cash equivalents at end of year	4.5	6.3	18.9	21.4	83.6
Free cash flow ^{*16}	(13.5)	11.3	(11.6)	(51.3)	(8.3)
Per Share of Common Stock (Yen)					
Profit attributable to owners of the parent					
— basic	51.1	47.3	85.7	131.7	216.5
— diluted	50.2	47.1	85.7	131.6	261.5
Cash dividends	20.0	20.0	22.0	25.0	26.0
Number of Employees	4,045	4,117	4,159	4,324	12,230

^{*1} Each item is presented based on IFRS (International Financial Reporting Standards).

^{*2} DMG MORI CO adopted the IFRS from the current fiscal year.

^{*3} The consolidated financial data for fiscal year ended March 2015 and fiscal year ended December 2015 are presented based on IFRS.

^{*4} For fiscal year ended December 2015, DMG MORI CO disclosed the consolidated financial statement for a transitional nine-month period due to a change in its fiscal year end.

^{*5} 100% of DMG MORI AG financial results is taken in the consolidated financial statements from the current fiscal year.

^{*6} Return on investment (ROI) (%) = Operating result / (Average equity + Average interest-bearing debt) × 100

^{*7} Under IFRS, shareholders' equity is equity attributable to owners of the parent company.

^{*8} Return on equity (ROE) (%) = Net income / Average equity × 100

^{*9} Return on total assets (ROA) (%) = Net income / Average total assets × 100

^{*10} Shareholders' equity = Equity – Stock acquisition rights – Non-controlling interests

^{*11} Net interest-bearing debt = Interest-bearing debt - Cash and cash equivalents

^{*12} Working capital = Current assets - Current liabilities

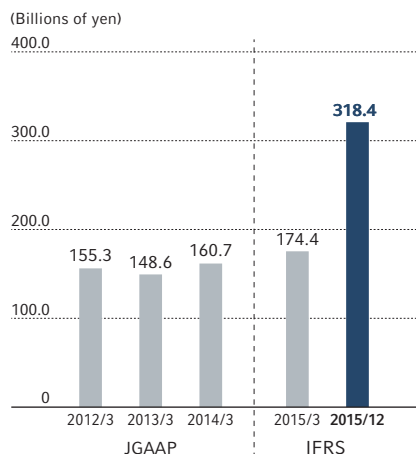
^{*13} Net working capital = Inventories + Advances payable - Advances received + Notes and accounts receivable, trade - Notes and accounts payable, trade

^{*14} Shareholders' equity ratio (%) = Shareholders' equity / Total assets × 100

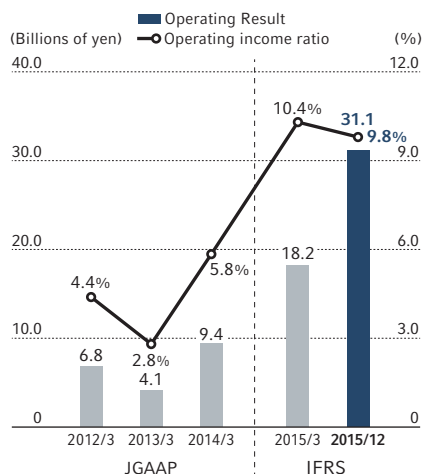
^{*15} Net debt/equity ratio (Times) = Net interest-bearing debt / Equity

^{*16} Free cash flow = Cash flows from operating activities + Cash flows from investing activities

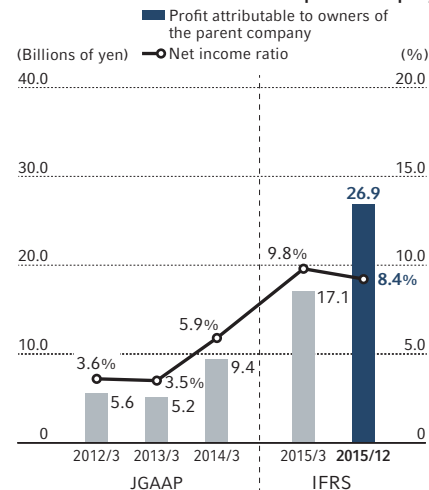
Sales revenues



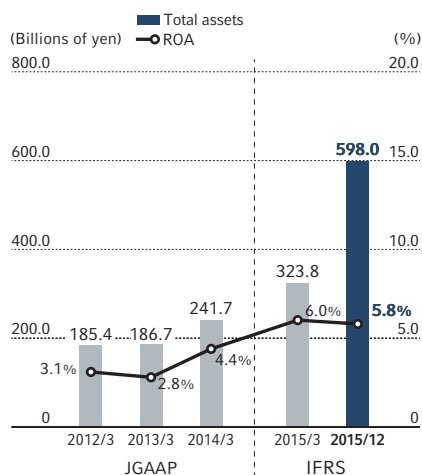
Operating result



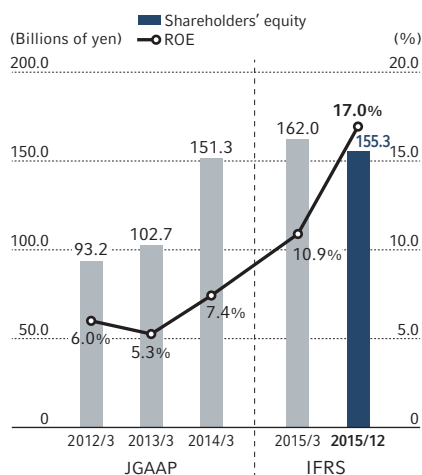
Profit attributable to owners of the parent company



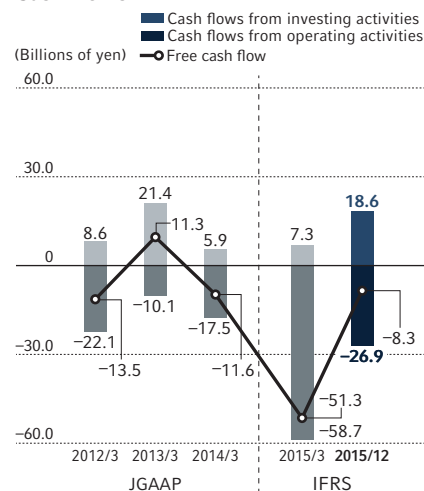
Total assets, ROA



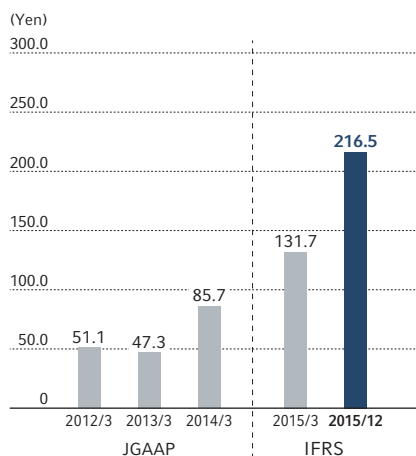
Shareholders' equity, ROE



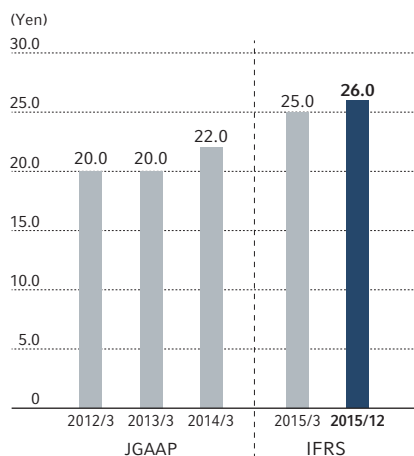
Cash flows



Basic net income per share



Cash dividends per share



We are pleased to present the annual report of DMG MORI CO for the fiscal year ended December 31, 2015 (from April 1, 2015 to December 31, 2015).

Since its foundation in 1948, DMG MORI CO., LTD. (hereinafter referred to as DMG MORI CO) has continuously developed and provided innovative machine tools for customers all over the world. We deeply appreciate our customers' long-term patronage and support.

DMG MORI CO began capital and business collaboration with DMG MORI AKTIENGESELLSCHAFT (hereinafter referred to as DMG MORI AG) in 2009. In April 2015, DMG MORI AG became a consolidated company of DMG MORI CO. The integration of both companies has brought many positive effects in a variety of business areas including the following: enhancement of sales and service network; improved product development by fully utilizing the strength of both companies; increased efficiency in procurement; and the integration of fundamental IT systems. We have also shifted from a more conventional work style to one that is more based on respect to the diversity of our employees over differences in language, nationality, gender, and profession. In parallel to business integration, we would like to unite the hearts of employees of the DMG MORI.

Machine tools are a fundamental component for production. Accuracy of machine tools has a direct influence on accuracy and quality of products that are made by using machine tools. As a machine tool manufacturer with the largest sales volume, and as a solution provider to all issues concerning production, DMG MORI is committed to growing into a company to be trusted by our customers as a long-term partner.

DMG MORI commits itself to continuously improve the quality of our 1) machines, 2) customized peripheral equipment and options, and 3) embedded software. DMG MORI will provide high-quality and highly efficient total solutions to our customers by integrating those three items. DMG MORI's goal is to become a machining solution provider that can suggest best solutions to all the challenges our customers face at their production sites.

In terms of product development, DMG MORI works on creating new applications to optimize production processes based on IoT/Industry 4.0 to facilitate smart factories. In addition, DMG MORI offers unique embedded software to make advanced, complicated machining technology much easier and more available to everyone. We refer to these solutions as "Technology Cycles". DMG MORI's Technology Cycles make it possible for operators to quickly process gear cutting on universal machines or to easily conduct accuracy checks and compensation on 5-axis machines. As market leader in the machine tool industry, DMG MORI will also provide more reliable technology solutions in new areas such as additive manufacturing.

DMG MORI would like to pay its great respect to all the people in the manufacturing industry. As a group of reliable professionals, DMG MORI will exert a full effort for further growth. Our ultimate goal is to become the No. 1 machine tool company and the best solution provider for our customers.

Masahiko Mori
President, Dr. Eng.



We will provide greater value to customers around the world on all fronts: product development, manufacturing, sales and services.

Q. How were operating performance and dividends in the fiscal year ended December 31, 2015?

A. Sales, profit and dividends all increased, driven by robust order intake in Japan and the U.S.A.

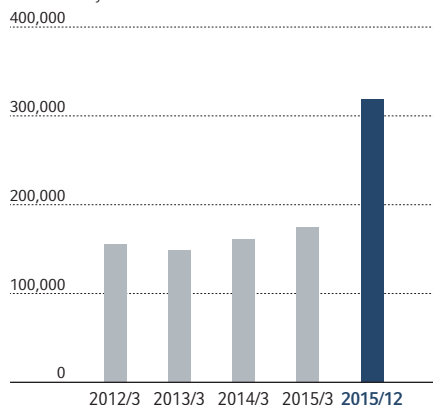
As for the demands for machine tools, thanks to the effects of the government's investment promotion plan (investment tax credits and government subsidies, etc.), the orders in Japan remained steady. In the U.S., shifting sales models from distribution to direct sales caused us to recognize a temporary decrease in sales and a sharp increase in headcounts. This caused a large loss. In FY2016, an effect of the initial investments will contribute, and we forecast black figures in the end. In European market, the order trend went relatively favorable including in Spain and Italy, where EMO Milano 2015 was held. In the Asian countries, we saw strong orders because of great contributions of South Korea and Taiwan in the first half of the year, yet followed by a slight slowdown over the second half. In the Chinese market, with a slowdown of the macro economy, demands for so-called "low-grade and cheap counterfeit products" have ended. In the trend where products having the same quality, specification and performance as Japan, Europe and USA are in demand, the orders for our products were relatively steady.

Under the circumstances, consolidated net sales were JPY 318.4bn, operating result was JPY31.1bn, earnings before income taxes were JPY29.7bn, and profit attributable to owners of the parent company was JPY26.9bn. Please note that operating result includes JPY37.3bn of gains from DMG MORI AG stocks evaluation (gains on step acquisition) generated for making DMG MORI AG as a consolidating company in 1Q, allocation results of initial acquisition costs of DMG MORI AG, and temporary cost increase for transitions to direct sales in the US market.

For profit allocation, our basic policy is to pay dividends steady and continuously in respect of future business plans, operating performance, financial status, R&D and capital investments for new product and technology development. We expect to award cash dividends of JPY26 per share, comprising interim and year-end dividends, in view of our business results and economic climate.

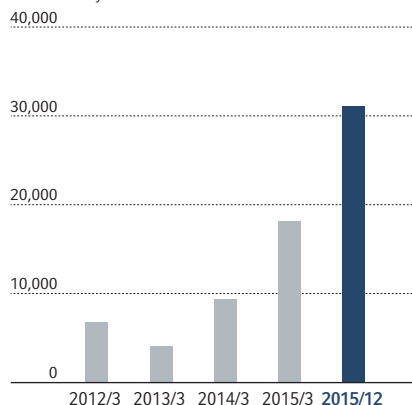
Consolidated net sales

(Millions of yen)



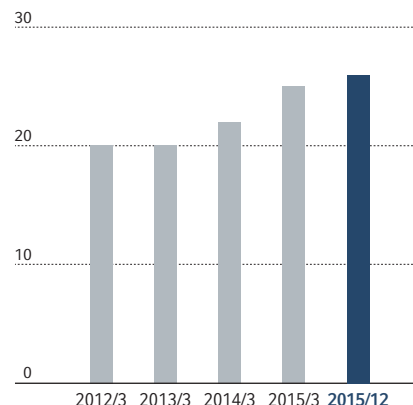
Operating result

(Millions of yen)



Cash dividends per share

(Yen)



Notes 1. DMG MORI CO changed its fiscal year-end from March 31st to December 31st starting in FY2015.

2. DMG MORI CO adopted International Financial Reporting Standards (or IFRS) from Q1 of FY2015/12. Financial data for FY2015/3 is prepared based on IFRS.

3. DMG MORI CO discloses consolidated financial statements with DMG MORI AG from Q1 of FY2015/12. Financial data of FY2015/3 and earlier are before consolidation with DMG MORI AG.

Q. What were some of your initiatives during the fiscal year ended December 31, 2015?

A. Management integration with DMG MORI AG created further advancements by expanding shares, increasing profits, and improving asset utilizations.

Since March 2009, DMG MORI CO and DMG MORI AG started collaboration in sales, development, procurement, and production, etc. To further generate corporate values, we have come to a conclusion that it is the best to manage our capitals together as well. After the public tender offer in April 2015, managements of two companies merged into one.

International Financial Reporting Standards (or IFRS) was implemented and our accounting period has changed from this fiscal year.

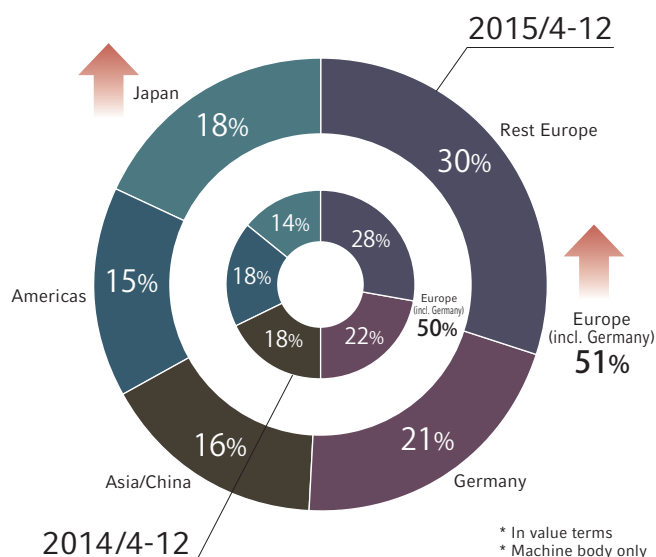
As for new model developments, the NRX 2000 (best-suited for mass-production of flanges for automobiles), and the NLX 6000 I 2000 (a high-precision CNC lathe, taking advantage of handling large diameter and shaft workpiece in aerospace and energy industry), were released in June and December, respectively. We released three models of vertical machining center *ecoMill V Series*, which were jointly developed with DMG MORI AG as the new line-ups of the ECOLINE Series. These newly developed, highly functional machines achieve superior operability at customer-satisfying prices with shorter delivery time. In addition, the WASINO brand joined DMG MORI group in April 2015, and its multi-axis machining centers and ultra-high precision lathes were employed and reborn with new DMG MORI design. DMG MORI will continue to provide products that are reliable, highly functional and worthy of investment to meet each and every customer's needs.

In 2015, DMG MORI formed a global production system with 16 factories in 9 countries ensuring the ability to provide larger and more complex system solutions requested by customers. Recently, two new plants started production; one in Ulyanovsk, Russia in September 2015, and the other at the System Solution Plant in Nara in January 2016.

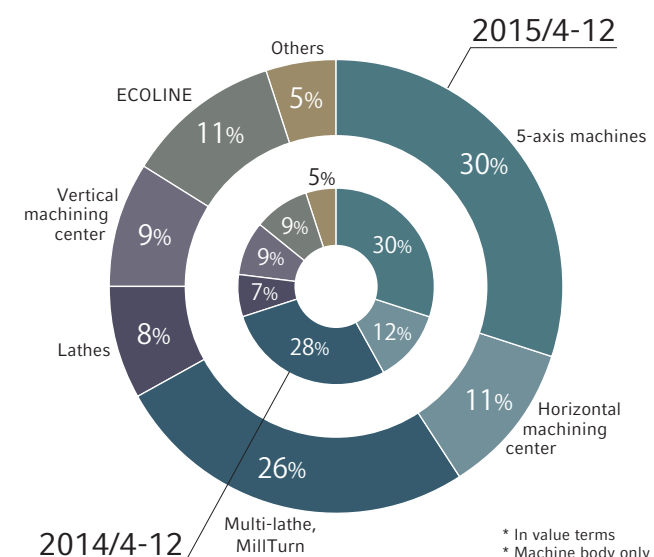
We will educate our application engineers to catch up with the latest technologies to better propose solutions to our customers' production challenges.



Order trends by region (AG+CO Consolidated machine orders)



Orders composition (By model)



Q. What were some of your initiatives to expand the DMG MORI brand?

A. Making full use of DMG MORI's accumulated expertise in technologies, and our robust sales and service network, we will respond to changes in business environments and customers' wider range of requests for machine tool makers.

With the goal of increasing our presence in global markets, we are making significant enhancements to our own technology centers and solution centers, while participating in external exhibitions. In July 2015 at our IGA INNOVATION DAYS, we opened our newly renovated Iga Global Solution Center, which is the world's largest machine tool show room. The event attracted approximately 9,000 visitors and received very favorable responses. At the Tokyo Solution Center during November's TOKYO INNOVATION DAYS 2015, we focused more on our 5-axis machining technology. We also host 5-axis Technology Days in Iga Campus and Tokyo Global Headquarters twice a month on regular basis to take the time to consult with each customer to find better approaches to resolve their challenges.

As for domestic exhibitions, we showcased and demonstrated our 16 cutting-edge machines at MECT Japan in Nagoya. Globally, we took part in large-scale shows including Beijing's CIMA in March, and Milan's EMO2015 in October. We closed these events with substantial results in numbers of both order intakes and visitors.

Phased economic growth, financial issues, currency risks, natural disasters, and geopolitical risks give some impact to the global market. We are entering a new phase of production innovation, and repositioning our management resources around the manufacturing

world.

Together with this change, more customers request further operation support, engineering, training, and after services on top of existing demands for highly accurate and higher performance machines. We will respond to changes in business environments and customers' needs with DMG MORI's accumulated expertise in technologies and robust sales and service network.

We expect that the demands of the machine tool industry in 2016 will decrease in China, Asia, and developed countries as well. However, we aim to secure the same yearly sales volume by increasing our presence in European market, which has relatively stronger demands, expanding our shares by shifting to a direct sales model in the US, and increasing sales of the cost-effective ECOLINE Series launched last year for the emerging markets.

We deeply appreciate our stakeholders' continued understanding and support for us.

Forecast for Fiscal Year Ending December 2016

(Millions of yen)	Pro forma 2014 (1-12)	Pro forma 2015 (1-12)	<Sales estimate> 2016 (1-12)
Sales revenues	412,100	428,400	410,000
Operating result	38,600	41,100	25,000
Profit attributable to owners of the parent	17,300 ^{*1}	32,400 ^{*2}	13,000 ^{*2}
EPS (Yen)	130.5	243.7	108.3
Capital investment	27,500	31,100	15,000
Depreciation and amortization	13,500	18,100	19,000
Exchange rate <Reference> (1 USD= ** JPY)	105.9	121.1	115.0
Exchange rate <Reference> (1 EUR= ** JPY)	140.4	134.3	130.0

Including 100% of DMG MORI AG's financial data
Including 2016's estimated PPA depreciation

^{*1} Equity stake of DMG MORI AG as of end of Dec 2014 is estimated to be 52.5%

^{*2} Equity stake of DMG MORI AG as of end of Dec 2015: 60.7%



Our target for 2020 and increased presence

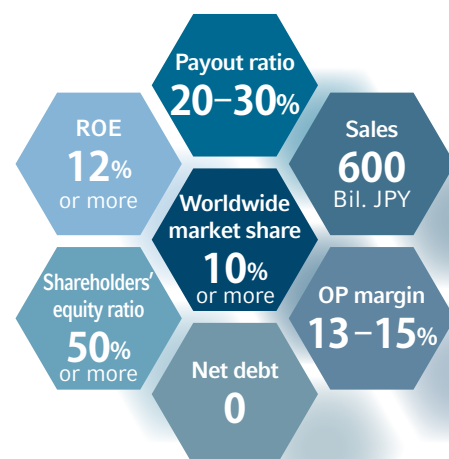
Vision 2020

DMG MORI CO merged with DMG MORI AG as consolidated group in April 2015. With the progress of the move, DMG MORI released the groups' mutual management target, "Vision 2020," in planning ahead for the year 2020.

Today, production innovations around the global market and repositioning of management resources are facing a new phase. Requests from customers to machine tool makers are no longer limited to high accuracy and high performance machines, but expanded to better operation support and the enrichment of engineering, training, and after service. Under these circumstances, DMG MORI will utilize its collective strength of the group to enhance line-ups and endorse the joint development of products, and conduct production in locations with high demands to shorten delivery time. Together with our competitive

advantage of a worldwide sales and service network, we will provide better support to cater to our customers' needs. Our target is to reach more than 10% of the worldwide market share with JPY600bn of sales, and a production capacity of 18,000 machines per year by 2020.

To quickly respond to the trends of ever-changing demands in the machine tool industry, and to maintain and continue to lead the market as Global One, we believe improving our profit ratio, strengthening our financial structure, and enhancing our capital profitability are the most important tasks. DMG MORI is targeting to achieve more than a 13% consolidated operating profit ratio, 12% or higher ROE, and more than a 50% shareholders' equity ratio by 2020. We will also continue to advance our own corporate values in parallel to creating new value for our customers.



*(Assumed exchange rate) 120 JPY / USD, 130 JPY / EUR

Strategic Policies of Vision 2020

- Strengthen the development of cutting-edge technologies
- Create new customer value that combines products & IT
- Provide more intelligent products faster and efficiently
- Provide best solutions and service for each customer
- Keep on evolving

Global Development Summit

In July 2014, all development managers of DMG MORI attended the 1st Global Development Summit (or GDS) held at the Pfronten factory in Germany. In this summit, future development strategies of DMG MORI were shared with all attendees, and from there they separated into several subcommittees to discuss more details of developments for joint models and common components. Finally, the results from each subcommittee were presented in front of all participants. This event not only provided members from around the world - who normally have to share development work over email and conference - to meet in person and discuss new technology development, but also provided the opportunity for them to deepen their relationships.

Employees of DMG MORI are diverse in languages, nationalities, and specialties. To unite the minds of each of these individuals, it is vital to provide such occasions to directly rub shoulders with other members and talk face to face. Through these events they can connect by learning who their colleagues are,

and in turn, grow trusting, long lasting relationships.

This is why we hosted the 2nd GDS in Iga, Japan in July 2015. Since the first GDS, the development members have been exchanging information daily, and they have made great progress on projects in each specialized field. Because of this, these attendees gathered for the 2nd GDS and discussed more specific topics compared to the previous event, and defined more concrete future developmental



challenges and schedules.

DMG MORI will continue to conduct these events to connect the minds of our staff in hopes to raise a sense of togetherness of our group, and accelerate the speed of development. We believe that such activities will become our driving force for major growth to the overall group.



The System Solution Plant in Nara Goes into Operation

In January 2016, we started the operation of the new System Solution Plant at our Nara campus (Yamato-Koriyama City, Nara), the birthplace and registered headquarter of the company.

In recent years, with the globalization of customers in the automobile industry and its expansions especially in emerging countries, we observe increasing demands of so called “turnkey” solutions, which enable the immediate start of mass-production after the system’s delivery. Aerospace and medical customers, too, frequently ask us to design their system lines.

This newly-built System Solution Plant is dedicated for turnkey solutions where multiple machines and peripherals are integrated into one complete production system line to manufacture work pieces mainly for automobile, aerospace, and medical industries. Four 80 m (262.5 ft) long production system lines can be accommodated, and we can promptly optimize each process using robots and automation by working with customers. Additionally, the plant is equipped with the latest measuring instruments including a CMM, circularity tester, and surface roughness tester to

allow an immediate quality check of machined work pieces. After receiving orders from customers, we assemble systems, conduct customer acceptance tests and ship them from the dedicated shipping area inside the plant. Because all of these processes can be done inside the plant, customer’s confidential information is thoroughly protected.

By making the most of the System Solution Plant, DMG MORI will respond even more rapidly to the demand for turnkey solutions, machine tool assembly, and system launch for customers in automotive, aerospace, energy, and other industries around the world. We offer optimum solutions within the vicinity of our customers. Application engineers will go through more extensive training to gain more trust and reliability for our customers who seek complex and higher levels of system/turnkey solutions.



1 Basic policy on the system of Corporate Governance

To increase transparency of our business, for our shareholders and investors, as well as our customers, employees, people in local communities and whole society, and to enable fair and efficient operation of the company, DMG MORI CO regards enhancement of the Corporate Governance and corporation monitoring function as important tasks.

DMG MORI CO will continue to make an effort to improve corporate value with long-term stability and make further steps for corporate operation based on higher levels of corporate ethics.

2 Outline of the system of Corporate Governance and reasons for adopting this Corporate Governance system

DMG MORI CO adopts the corporate auditor system. ("Kansayaku system")

As of March 24, 2016, the Board of Directors consisted of 8 directors, 2 of whom are external directors, and the Board of Auditors consisted of 3 auditors, 2 of whom are external auditors.

The Board of Directors meets regularly and whenever necessary to debate important management issues, and to make decisions through active discussions at which opinions are stated freely. In addition, by limiting the term served by Board members to one year, we have put in place a system that clarifies the mission and responsibilities of the directors. We instituted Management Councils with the President as chairperson in 2006, and Operating Officers' Meetings in 2009 to speed up the decision-making process and the soundness of our administration. In addition, Management Meetings attended by the directors, operating officers and general managers are convened once a month to fully share and manage the progress on important issues and basic strategies, strengthening the corporate governance of the DMG MORI Group as a whole.

In recent years, international concern has grown concerning measures to prevent the proliferation of weapons of mass destruction and the excess stockpiling of conventional weapons. To address this

concern, the DMG MORI Group has set up an Export Control Committee, with the President as chairperson. This committee formulates the internal regulations (the Compliance Program), reviews and changes the contents of the regulations to ensure compliance with export control laws, and conducts rigorous discussions on matters such as the propriety of exports of our products.

In 2005, as part of the establishment of our internal control system, we set up an Information Disclosure Control Committee, with the executive officer of the Administrative Headquarters as its chairperson, to act as an advisory body deciding rules for the disclosure of information, to improve the transparency and soundness of our management.

In accordance with the auditing policy, the auditors attend meetings of the Board of Directors, Operating Officers' Meetings, Management Meetings and other key meetings, where they express their opinions. In addition, they read documents about important decision, and conduct strict audits in every department at the Head Office, as well as each campus, technical center and consolidated group company.

Through these process, we have sought to achieve a fast decision-making process with a small number of directors and energize the Board of Directors. We have revamped our management by establishing a compliance system, and we have established an efficient corporate governance system with an increased level of fairness and transparency in management.

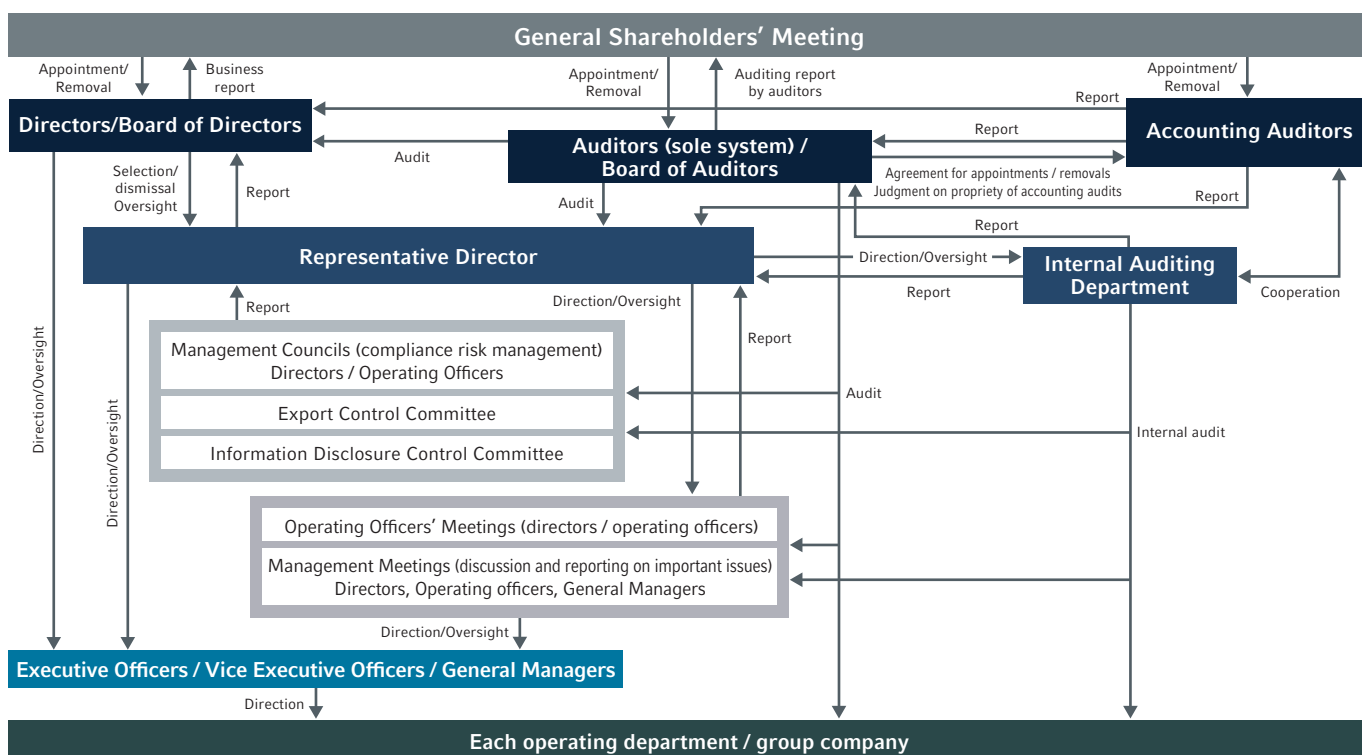
The corporate governance system of DMG MORI CO is as below figure.

3 Maintenance of an Internal Control System and Risk Management System

DMG MORI CO implements the following "Basic Policy on Internal Controls" decided by the Board of Directors.

1. A system to ensure that the business conduct of directors and employees conforms to all relevant laws and articles

DMG MORI CO clarifies the criteria for the behavior of its directors, operating officers and managerial staff through the mission



statement, the employee handbook, the export control program, and all of the codes of conduct, stipulations and rules relating to the environment, occupational health and safety, quality management systems and so on.

We have established a Management Council chaired by the President, and this council serves as a mechanism for putting these behavioral codes of conduct in order, promoting compliance, educating the managerial staff, and taking cross-sectional control. We completely and unreservedly oppose dealing with antisocial groups related to organized violence, and the basic policy behind our approach is to eradicate antisocial power.

2. A system for the storage and management of information concerning the business conduct of directors

DMG MORI CO manages and saves information on daily decision making and business conduct obtained through the minutes of general meetings of shareholders, the minutes of Board of Directors Meetings, the minutes of Management Councils, the minutes of Operating Officers' Meetings, the minutes of Management Meetings, and the internal electronic decision-making system. The directors and auditors can view this information either in document form or in electromagnetic media at all times.

We have provided regulations on the storage and management of information concerning the business conduct of directors, and have clarified the system for storage and management of information on business conduct.

3. Regulations to manage risks of loss, and other systems

DMG MORI CO practices environmental, occupational, health, safety, quality risk management in accordance with a management system, risk management related to the reliability of financial reports, risk management in accordance with the export control program, and risk management in daily business in accordance with the internal electronic decision-making system.

We have established the Management Council chaired by the President, where the President appoints a director with overall responsibility and a director with responsibility in each category, and we are working to build a system where this council comprehensively and generally manages risk throughout the DMG MORI Group as a whole.

4. A system to ensure that directors' business is conducted efficiently

DMG MORI CO seeks to make the conduct of the directors' business more efficient by using the following business management system. We have also introduced an operating director system to support directors and facilitate fast decision making and efficient conduct of business.

- (1) Fast decision making using the internal electronic decision-making system
- (2) Reports on conduct of directors, operating officers and managers at Board of Directors Meetings, Management Councils, Operating Officers' Meetings and Management Meetings and monitoring of the execution of duties by auditors
- (3) Drafting the medium-term management plan according to Board of Directors Meetings, Management Councils, Operating Officers' Meetings and Management Meetings, setting the business result targets and budgets for each operating department based on the medium-term management plan, and implementing business result management on a monthly and quarterly basis by utilizing IT
- (4) Reviewing business results on a monthly basis through Board of Directors Meetings, Management Councils, Operating Officers' Meetings and Management Meetings, and implementing strategies for improvement

5. A system to ensure that the corporate group consisting of DMG MORI CO and its affiliated companies conducts business in an appropriate manner

By applying or complying with a similar management system at DMG MORI CO subsidiaries according to their nature and scale too, DMG MORI CO ensures that the directors and other staff members of those subsidiaries execute their duties efficiently.

Beyond that, DMG MORI CO ascertains and ensures the propriety of the business of its subsidiaries and affiliates by using the internal electronic decision-making system and the weekly report system, and through a number of scheduled meetings on a consolidated basis, regular and random visits by the President and responsible directors, and periodic internal auditing of subsidiaries.

In concrete terms, at least one DMG MORI CO director is appointed as a director or corporate auditor of each subsidiary so that these personnel attend the subsidiary's board meetings and other important meetings and can become apprised of reports on matters pertaining to the performance of duties from the subsidiaries' directors and the personnel who perform the duties.

In addition, DMG MORI CO's internal audit department audits the status of risk management at subsidiaries with a purview that is reasonable considering the nature and scale of the subsidiary, and the information in reports from the subsidiaries is shared when the corporate auditors audit the subsidiaries or at occasions such as auditing liaison meetings with the auditors of the subsidiary, in accordance with the content of the reports and the scale of the subsidiary.

Premised on the reporting system and auditing system described above, and with the DMG MORI CO departments directly under the President, Administrative Headquarters, Personnel Headquarters, and Accounting / Finance Headquarters as the departments responsible for the internal control of the Group, we are achieving progress with consultation and sharing information about internal controls among DMG MORI and each of the companies in the Group, and building a constitution, including systems for efficiently transmitting directions and requests.

6. Matters concerning employees who were appointed by the auditors to assist them with their duties and the independence of these employees from the directors

DMG MORI CO currently has more than 1 staff member assisting the auditors. Personnel changes, evaluations, and other matters related to the assisting staff member must be agreed to by the auditors, and exchanges of opinions with the auditors are held periodically to achieve a system in which the audits are effective and their independence is ensured.

7. A system in which directors and employees report to the auditors, and systems for other reports to the auditors

At DMG MORI CO, the auditors attend important regular meetings including the Board of Directors Meetings, Management Councils, Operating Officers' Meetings and Management Meetings, listen to the decisions and reports, and, if necessary, request a report from the directors, operating officers or managerial staff.

The directors, operating officers and managerial staff must immediately report any fact that could significantly harm DMG MORI CO to the Board of Auditors or the auditors upon discovery of such a fact, and regulations to ensure the effectiveness of audits conducted by the auditors have been prepared to make clear the details of these regulations. In addition, the Board of Auditors, or the auditors, can request reports from the directors, operating officers or managerial staff.

DMG MORI CO prevents employees who reported to the auditors from being treated disadvantageously due to the report and let all employees know about the rule.

8. Points relating to the policy on the formalities for the advance payment and reimbursement of costs incurred in the execution of the duties of the corporate auditors, and the processing of expenses and liabilities incurred in the execution of other relevant duties

In case the auditors request prepayment of expected cost, DMG MORI CO will accept the request and does necessary processes immediately except the cost and debts expected pertaining to the request are considered to be unnecessary.

9. A system to ensure that other audits conducted by the auditors are carried out effectively

At DMG MORI CO, the Board of Auditors, or the auditors, engages in regular and temporary exchanges of opinion with both the President and the accounting auditors.

We plan to maintain this system in the years ahead.

4 Status of the Internal Audit and the Audit Conducted by the Auditors

As part of our internal audit, we have set up an Internal Auditing Department with 3 person full-time working staff, under the direct supervision of the President, which checks that the business operations of the DMG MORI Group are conducted appropriately and effectively. Regarding our adoption of a system of internal control and reporting (with reference to the J-SOX Act, Japan's equivalent of the U.S. Sarbanes-Oxley Act), we established the J-SOX Section in the Internal Auditing Department in October 2005 prior to the approval of the bill, promoted the construction of an internal control system, and have already completed preparations for reliable operation of this system within the DMG MORI Group both in Japan and overseas.

With regard to the audit conducted by the auditors, currently the Board of Auditors comprises 1 corporate auditor and 2 external auditors who attend the Board of Directors Meetings, Operating Officers' Meetings and Management Meetings in accordance with the policy determined by the Board of Auditors and the auditing plan, and hear about the status of execution of relevant work from the directors, operating officers, the Internal Auditing Department and so on. They also read documents about important decisions, and examine the status of work and assets in every department at the Head Office, as well as each campus, technical center and consolidated group company.

The auditors provide guidance for auditing of the directors on matters involving corporate governance, compliance, risk management, and overall business management.

The auditors and the Internal Auditing Department cooperate closely with each other, and the Internal Auditing Department provides the auditors with regular reports about the status of internal controls.

The auditors, the Internal Auditing Department, and the accounting auditors make conscientious efforts in conducting proper and strict accounting audits by holding meetings each quarter and whenever necessary to actively exchange their opinions and information.

5 External Directors and External Auditors

DMG MORI CO has 2 external directors and 2 external auditors.

The external directors and the external auditors have no special financial interest in relation to DMG MORI CO, whether in terms of personal / business relations, trade or otherwise, and maintain a highly independent status. DMG MORI CO appoints to 2 external

directors to enhance observation and management function over the operation of company.

Each of the external auditors debates and decides the auditing policy, auditing plan, auditing method, and allocation of duties, within the Board of Auditors in cooperation with the corporate auditor, and auditing is implemented throughout the year based on this. The external auditors also exchange opinions regularly with the top management and directors, and conduct audits by visiting sites such as plants and group companies. Information is shared with the accounting auditor by holding regular meetings.

For your reference, we do not set the criteria or policy on independence to appoint external directors and external auditors, but we refer to the criteria concerning the independence of the independent directors of the Stock Exchange.

In accordance with the provisions of the Companies Act, Article 427 (1), DMG MORI CO and external directors and external auditors, has signed a contract to limit the liability for damage, which is referred in the Article 423 (1). The maximum amount of liability for damages under the agreement is the minimum liability amount stipulated in Paragraph 1 Article 425 (1) (2 years reward).

External Director Tojiro Aoyama is a Professor, Keio University Faculty of Science and Technology and Head of the Faculty. From the fact that he has a wide range of excellent knowledge and a lot of experience in the field of engineering and production engineering and so on, we think that he will be able to properly carry out external director's duties. We have designated him as an independent director and we have judged that there is no risk of any conflict of interest arising in relation to the general shareholders.

External Director Tsuyoshi Nomura has a career to have been served as the Executive Director of Panasonic Corporation. From the fact that he has long time management experience and work experience cultivated the in the production technology, quality, and environmental fields, and high-level insight, we think that he will be able to properly carry out external director's duties. We have designated him as an independent directors and we have judged that there is no risk of any conflict of interest arising in relation to the general shareholders.

External Auditor Yoshito Kato has a career to have been Managing Director of Toyota Motor Corporation, President and CEO of Aisan Industry Co., Ltd. From the fact that he has long time management experience and high-level insight, we think that he will make a meaningful opinion to Audit System. We have designated him as an independent director and we have judged that there is no risk of any conflict of interest arising in relation to the general shareholders.

External Auditor Yasuyuki Kimoto has a career to have been Senior Managing Director of Sumitomo Mitsui Banking Corporation, representative director of the Japan Research Institute. He has a lot of experience and deep insight in the business world; we think he will make a meaningful opinion to Audit System from the point of view of opinion and corporate management to ensure the adequacy and appropriateness of the decision. We have designated him as an independent director and we have judged that there is no risk of any conflict of interest arising in relation to the general shareholders.

Board of Directors (As of March 24, 2016)



Masahiko Mori
President, Dr. Eng.



Tatsuo Kondo
Executive Vice President



Hiroaki Tamai
Executive Vice President



Naoshi Takayama
Executive Director, Dr. Eng.



Hirotake Kobayashi
Executive Director



Kenji Oishi
Director



Tojiro Aoyama
External Director, Ph.D.



Tsuyoshi Nomura
External Director, Dr. Eng.



Hisao Sato
Corporate Auditor



Yoshito Kato
External Auditor



Yasuyuki Kimoto
External Auditor

Among the financial and operational facts and statistics disclosed in the Annual Report, the following information has been determined to have importance in influencing the decision-making process for investors. Note that the forecasts and future events stated in this report are as of the report date.

1 Economic Conditions in Key Markets (Japan, the Americas, Europe, and China/Asia)

The percentage composition by region of the DMG MORI Group's consolidated sales revenue for the term was 15.2% for Japan, 12.7% for the Americas, 59.5% for Europe, and 12.6% for China/Asia. In any of the regions where the Group sells and provides its products and services, its business results may be adversely affected if demand declines for its products and services due to deterioration in economic trends.

2 Sudden Fluctuations in Demand for Investment in Plant and Equipment

The economies of emerging countries such as those in Asia, the BRICs economies and central Europe are expanding, and the machine tool markets in Japan, the Americas and Europe have continued to experience stable growth over the medium and long term. However, the machine tool industry can be easily affected by economic fluctuations. The DMG MORI Group's business results also tend to be greatly affected by investment in plant and equipment in line with the fluctuations in economic conditions. Therefore, both product prices and numbers of units sold could drop suddenly and substantially because of unforeseeable events, which may have adverse effects on the activities, business results and financial status of the Group.

3 Influence of Market Competition

Since a number of companies have entered the machine tool industry and some of these companies focus on supplying low-cost products, the DMG MORI Group is exposed to fierce competition in each market, and it is difficult to set advantageous prices for products. The Group is promoting measures to develop products that set themselves apart from the competition by strengthening technical capabilities, such as reducing the cost of raw materials, and enhancing sales capabilities. However, if it proves difficult to continue these promotional measures, or to expand market share or maintain profitability, there may be adverse effects on the activities, business results and financial status of the Group.

4 Corporate Mergers and Acquisitions, and Capital and Business Collaboration

The DMG MORI Group views mergers, acquisitions, and capital and business collaboration as important strategies to strengthen its business base. Looking ahead, depending on the success or failure of the corporate mergers, acquisitions, and capital and business collaborations in which the Group is engaged, there may be adverse effects on the activities, business results and financial status of the Group. After April, 2015, DMG MORI AG became a consolidated subsidiary and its business, performance and financial situation may have huge impact on our group.

5 Significant Changes in the Yen's Exchange Rate against the U.S. Dollar, the Euro and Other Currencies

The business activities, business results and financial status of the DMG MORI Group have been affected adversely by fluctuations in the foreign currency market. Asset and liability transactions denominated in foreign currencies are impacted by fluctuations in exchange rates on conversion into yen. Fluctuations in exchange rates also affect the prices of products and services and sales transactions that are denominated in foreign currencies. To reduce these effects, the Group attempts to achieve a balance among domestic and Asian transactions denominated in yen, U.S. transactions denominated in U.S. dollars, and European transactions denominated in euros. Nevertheless, the activities, business results and financial status of the Group may be adversely affected.

6 Significant Changes in the Cost of Natural Resources or Raw Materials

If the DMG MORI Group faces a situation in which prices of raw materials increase significantly beyond expectations, its business results may be affected adversely. The Group has in place a policy to cover the soaring costs of raw materials by lowering the costs through negotiation with suppliers and by passing on rises in product prices, but if costs continue to increase substantially or if measures such as cost negotiations with suppliers do not succeed, the activities, business results and financial status of the Group may be adversely affected.

7 Security Trade Management

Important changes in regulations and laws in many of the countries and regions in which DMG MORI operates may have an effect on the activities, business results and financial status of the DMG MORI Group. The machine tools that constitute the core business of the Group are classified as controlled freight under the laws and regulations relating to export in each country and are subject to control under the framework of international export management. If this control is strengthened due to changes in international conditions, it may have adverse effects on the activities, business results and financial status of the Group.

8 Dependence on Specific Fields of Industry

The concentration of sales of the DMG MORI Group in the automobile and related industries is relatively high. This means that future fluctuations in the business environment in these industries may adversely affect the activities, business results and financial status of the Group.

9 Customer Credit Risks

The DMG MORI Group is extremely cautious about the credit risk posed by business partners. However, if the credit status of customers with large transaction values deteriorates, for example, due to a worsening in the business results of the customers' business partners, the materialization of this risk could adversely affect the activities, business results and financial status of the Group.

10 Financial Covenants

Financial covenants have been applied to some loans, such as committed line-of-credit agreements. Currently, financial covenants are in effect on loans payable of 10,000 million yen. If there is any infringement of the financial covenant in the future, this may adversely affect the business activities, business results and financial status of the DMG MORI Group.

11 Intellectual Property Rights

The DMG MORI Group continually develops new technology and expertise through R&D and the development of new products, and seeks to utilize intellectual property rights by applying to patent such valuable technology and expertise. However, in the event of invalidity claims by third parties in relation to the intellectual property rights of the Group, or if a lawsuit to stop infringement is filed against the Group, the Group's activities, business results and financial status may be adversely affected.

12 Risks Relating to Lawsuits

The DMG MORI Group works to achieve the functions and specifications required by its customers and to pursue appropriate quality with due consideration to safety, while aiming for comprehensive quality control on a global basis. Nevertheless, if a serious problem arises with the Group's products, or if a serious accident occurs, complaints about quality are made or a recall is initiated, the Group may be liable to claims for substantial product compensation.

In addition, the Group is expanding its business both in Japan and overseas, and in the course of such business, lawsuits for compensation for damage may be filed against the Group.

Currently, no lawsuits with a major influence in the business results of the Group have been filed against the Group. Nevertheless, if in the future such a lawsuit is filed and a disadvantageous judgment is made against the Group, the activities, business results and financial status of the Group may be adversely affected.

13 Effects of Natural and Other Disasters

Because the DMG MORI Group is expanding its sales and service centers globally, it is possible that the Group will be affected by disasters resulting from a range of phenomena including unpredictable natural disasters and computer viruses.

The manufacturing bases of the Group in Japan are located in Mie, Nara, Chiba, Kanagawa and Niigata prefectures, and those overseas are located in the United States, China and European countries. If any of these manufacturing bases are affected by a natural disaster such as an earthquake or flood and cannot supply products, or if the supply of products is delayed, this could adversely affect the activities, business results and financial status of the Group.

14 Environmental Problems

In the course of its activities, the DMG MORI Group is subject to a range of environment-related laws and regulations. The Group carries out its activities while paying careful attention to these laws and regulations, but it is possible that the Group could bear a legal or social responsibility related to the environment in regard to activities that are currently being undertaken or activities that were carried out in the past. It should also be noted that costs associated with legal compliance are expected to rise in the future as laws and regulations related to the environment and social requirements related to environmental problems become more strict. As a consequence, depending on trends in laws and regulations related to the environment, the activities, business results and financial status of the DMG MORI Group may be adversely affected.

1 Product development

We implement efficient product development by making the most of the technologies and technical expertise we have accumulated both in Japan and Germany. We also work on the consolidation of machine models between DMG MORI CO and DMG MORI AG, along with the unification of the machine exterior design, aiming to increase productivity and to offer even better service. In an effort to provide customers with a wider range of solutions, we are now concentrating on the development of embedded software that facilitates measurements, gear cutting and high-precision machining, while promoting production automation and systemization. Other areas on which we place importance include preventive maintenance and the provision of optimal machining conditions, and we work on these issues by taking advantage of the sensing technology and IoT.

2 Quality

We regard all of our activities that make us relate with customers through our products, from product planning and sales to service, as “quality,” and each and every staff makes a daily effort to further improve it. With the motto of “giving customers a great excitement and impression through incomparable quality,” we will manufacture products in such a manner that close attention is always paid to every inch of each product. Also, we are committed to consolidating development, production, service and sales processes, and performing various activities for improvement so that customers will be able to feel the same high-quality in the products manufactured in any of our factories located in Japan, Europe, USA, China and Russia.

3 Trade controls for security

As there has been mounting uncertainty surrounding the world’s security environment, especially in Asia, Middle East and Eastern Europe in recent years, the non-proliferation of weapons of mass destruction and the prevention of excessive stockpiling of conventional weapons became one of the growing international interests. To address the issue, the DMG MORI Group has stipulated internal regulations (Compliance Program) to ensure compliance with export control laws and applies them strictly. In addition, we have our machines equipped with the device to detect and disable a machine if the machine is relocated from the site where it was originally installed, aiming to prevent the illegal export of our products. We will continue to tackle the security trade control as our priority.

4 Compliance with the Law

Our board members give explicit instructions to the employees on implementation of the corporate activities in compliance with the law and corporate ethics. We create a plan for various educational training and implement the training on a continuing basis in an attempt to increase awareness of law in all of our employees including the board members. For greater globalization of our business, we strive to establish a solid law compliance system in our global bases as well as domestic ones. With the Internal Auditing Department in the key role, we already have established the system to regularly monitor our law compliance activities, so we will continuously work on consolidation of our internal control.

5 Cooperation with DMG MORI AG

We established a business and capital partnership with DMG MORI AG, a largest machine tool manufacturer in Europe, in March 2009 with the aim to take a greater leap in the global market. Since then both companies have been promoting consolidation of sales and service bases and strengthening the collaboration in the area of parts supply, joint development and financing services for customers. In April, 2015, through the tender offer we realized the business integration of the two companies with approval obtained under the antitrust and anti-competition law authorities in major countries. We will continue integrated management of the two companies and keep up our efforts to enhance the corporate value, through communalizing parts, consolidating machine models, and promoting system integration in the areas of sales and development.

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Consolidated Statements of Financial Position

				(Millions of yen)		
				IFRS		
Assets	2012/3	2013/3	2014/3	Assets	2015/3	2015/12
Current assets:				Current assets:		
Cash and cash equivalents	4,550	6,288	18,935	Cash and cash equivalents	21,408	83,577
Notes and accounts receivable, trade	31,536	24,594	32,781	Trade and other receivables	44,948	54,958
Inventories	43,273	37,941	40,771	Other financial assets	869	5,489
Deferred tax assets	2,158	2,742	3,067	Inventories	53,873	129,943
Other current assets	4,512	3,175	3,799	Other current assets	3,038	10,592
Total current assets	86,029	74,740	99,353	Total current assets	124,138	284,561
Property, plant and equipment	55,562	62,788	69,010	Non-current assets:		
Investments and other assets:				Property, plant and equipment	72,187	141,919
Investment in unconsolidated subsidiaries and affiliates	25,784	30,058	52,801	Goodwill	1,164	68,218
Other investment in securities	10,633	10,796	12,323	Other intangible assets	6,639	72,834
Deferred tax assets	370	944	275	Other financial assets	17,624	17,560
Goodwill	1,066	667	704	Investments in associates and joint ventures	99,118	2,230
Other assets	5,975	6,661	7,205	Deferred tax assets	1,570	4,047
Total investments and other assets	43,828	49,126	73,308	Other non-current assets	1,316	6,663
Total assets	185,419	186,654	241,671	Total non-current assets	199,620	313,473
				Total assets	323,759	598,034

(Millions of yen)

Liabilities and Net Assets	JGAAP		
	2012/3	2013/3	2014/3
Current liabilities:			
Notes and accounts payable, trade	10,702	9,077	11,937
Interest-bearing bonds and borrowings	31,695	24,359	15,533
Advances received	981	1,894	2,141
Accrued income taxes	323	861	793
Deferred tax liabilities	47	249	6
Other current liabilities	9,346	7,814	11,045
Total current liabilities	53,094	44,254	41,455
Non-current liabilities:			
Interest-bearing bonds and borrowings	33,882	33,986	38,854
Accrued retirement benefits	342	222	—
Net employee defined benefit liabilities	—	—	379
Deferred tax liabilities	2,904	2,885	4,063
Other non-current liabilities	479	826	1,418
Total non-current liabilities	37,607	37,919	44,714
Net assets:			
Subscribed capital	41,132	41,132	51,116
Capital surplus	53,863	53,863	64,153
Treasury stock	(11,743)	(11,743)	(3,610)
Retained earnings	15,313	18,271	25,502
Accumulated other comprehensive income	(5,335)	1,137	14,164
Stock acquisition rights	466	435	34
Minority interests	1,022	1,386	4,143
Total net assets	94,718	104,481	155,502
Total liabilities and net assets	185,419	186,654	241,671

Liabilities and equity	IFRS	
	2015/3	2015/12
Current liabilities:		
Trade and other payables	29,304	66,648
Interest-bearing bonds and borrowings	54,113	100,692
Advances received	1,657	18,757
Other current financial liabilities	339	780
Accrued income taxes	4,452	5,733
Provisions	2,385	25,752
Other current liabilities	558	5,385
Total current liabilities	92,811	223,750
Non-current liabilities:		
Interest-bearing bonds and borrowings	54,917	116,210
Other non-current financial liabilities	3,951	4,307
Net employee defined benefit liabilities	676	6,224
Provisions	117	4,788
Deferred tax liabilities	3,630	8,664
Other non-current liabilities	1,280	1,980
Total non-current liabilities	64,574	142,175
Equity:		
Subscribed capital	51,115	51,115
Capital surplus	64,185	53,057
Treasury stock	(6,030)	(23,768)
Retained earnings	47,769	71,466
Other components of equity	4,952	3,399
Non-controlling interests	4,380	76,837
Total equity	166,373	232,107
Total liabilities and equity	323,759	598,034

Consolidated Statement of Income

				(Millions of yen)	
	JGAAP			IFRS	
	2012/3	2013/3	2014/3	2015/3	2015/12
Sales	155,321	148,559	160,729		
Cost of sales	105,951	104,393	107,469		
Gross profit	49,370	44,166	53,260		
Selling, general and administrative expenses	42,581	40,032	43,903		
Operating result	6,789	4,134	9,357		
Interest and dividend income	286	353	378		
Interest expense	543	545	575		
Equity in earnings (losses) of affiliates, net	(265)	681	1,008		
Other	435	1,014	1,208		
Earnings before income taxes	6,702	5,637	11,376		
Income taxes	806	123	1,830		
Income before minority interests	5,896	5,514	9,546		
Minority interests in net income of consolidated subsidiaries	276	344	103		
Net income	5,620	5,170	9,443		
				Revenues:	
				Sales revenues	174,365
				Other operating revenues	4,765
				Operating performance	179,130
				Costs:	
				Changes in finished goods and work in progress for sale	(4,600)
				Costs of raw materials, consumables and goods for resale	87,470
				Personnel costs	39,610
				Depreciation	6,763
				Other operating costs	31,690
				Total costs	160,933
				Operating result	18,196
				Financial income	491
				Financial costs	578
				Share of profit of associates and joint ventures	4,976
				Earnings before income taxes	23,086
				Income taxes	5,757
				Annual profit	17,328
				Profit attributable to:	
				Owners of the parent company	17,080
				Non-controlling interests	248
				Annual profit	17,328

Consolidated Statements of Comprehensive Income

				(Millions of yen)	
	JGAAP			IFRS	
	2012/3	2013/3	2014/3	2015/3	2015/12
Income before minority interests	5,896	5,514	9,546		
Other comprehensive income:					
Net unrealized holding gain on securities	1,116	478	922		
Net unrealized gain (loss) on derivative instruments	(476)	—	(242)		
Land revaluation reserve	214	—	—		
Translation adjustments	(92)	2,304	2,384		
Retirement benefits liability adjustments	—	—	—		
Share of other comprehensive income of affiliates accounted for by the equity method	(3,006)	3,720	10,365		
Total other comprehensive income	(2,244)	6,502	13,429		
Comprehensive income	3,652	12,016	22,975		
Shareholders of the Company	3,400	11,642	22,869		
Minority shareholders of consolidated subsidiaries	252	374	106		
				Annual profit	17,328
				Other comprehensive income:	
				Remeasurement losses on defined benefit plans	(454)
				Exchange differences on translation of foreign operations	2,224
				Net changes of the effective portion in fair value of cash flow hedges	589
				Changes in fair value measurement of available-for-sale financial assets	2,609
				Share of other comprehensive income of equity-accounted investments	(4,374)
				Total other comprehensive income	594
				Comprehensive income	17,922
				Comprehensive income attributable to:	
				Owners of the parent company	17,621
				Non-controlling interests	301
				Comprehensive income	17,922

Consolidated Statements of Cash Flows

(Millions of yen)

	JGAAP				IFRS	
	2012/3	2013/3	2014/3		2015/3	2015/12
Operating activities:				Cash flows from operating activities:		
Income before income taxes and minority interests	6,702	5,637	11,376	Earnings before income taxes	23,086	29,681
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities				Adjustments to reconcile earnings before income taxes to net cash flows from operating activities		
Depreciation	7,185	6,954	6,055	Depreciation	6,763	14,638
Loss (gain) on sales/disposal of property, plant and equipment	73	5	270	Gain on step acquisition	—	(37,296)
Share of profit of associates and joint ventures	265	(681)	(1,008)	Loss (gain) on sales/disposal of property, plant and equipment	(68)	24
Foreign exchange (gain) loss, net	610	(1,957)	(2,311)	Financial income and costs, net	86	1,628
Change in inventories	(8,369)	6,683	(5,043)	Share of profit of associates and joint ventures	(4,976)	(168)
Change in notes and accounts receivable	1,461	6,344	(6,106)	Other income and expense not affecting payments	(3,202)	(40)
Change in notes and accounts payable, trade	(786)	(2,018)	2,220	Change in inventories	(11,578)	6,547
Other	2,643	493	1,336	Change in trade and other receivables	(7,596)	4,633
				Change in trade and other payables	7,082	8,737
				Change in provisions	145	880
				Others	(2,025)	1,073
Subtotal	9,784	21,460	6,789	Sub total	7,714	30,339
Interest and dividend income received	286	580	839	Interest received	32	137
Interest paid	(539)	(547)	(576)	Dividends received	1,614	315
Income taxes paid	(914)	(433)	(1,145)	Interest paid	(546)	(1,994)
Other	—	361	—	Income taxes paid	(1,471)	(10,170)
Cash flows from operating activities	8,617	21,421	5,907	Cash flows from operating activities	7,342	18,628
Investing activities:				Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	273	112	148	Proceeds from sales of property, plant and equipment	549	1,257
Purchases of property, plant and equipment	(8,209)	(9,929)	(7,142)	Purchases of property, plant and equipment	(6,868)	(19,739)
Purchases of intangible assets	(1,813)	(1,993)	(1,868)	Purchases of intangible assets	(1,668)	(4,727)
Increase in investments in subsidiaries or affiliates	(11,655)	(203)	(7,658)	Acquisition of subsidiaries, net of cash acquired	(283)	(4,808)
Other	(676)	1,924	(1,007)	Acquisition of affiliates, net of cash acquired	(50,634)	—
				Others	214	1,125
Cash flows from investing activities	(22,080)	(10,089)	(17,527)	Cash flows from investing activities	(58,690)	(26,892)
Financing activities:				Cash flows from financing activities:		
Increase (decrease) in current borrowings	(16,394)	(4,848)	(23,840)	Net increase (decrease) in current borrowings	52,262	13,208
Proceeds from non-current borrowings	—	—	—	Proceeds from non-current borrowings	20,000	104,725
Proceeds from issuance of bonds	29,852	—	19,907	Payments for non-current borrowings	—	(10,875)
Redemption of bonds	—	—	—	Redemption of bonds	(15,000)	—
Redemption of bonds with stock acquisition rights	—	(2,583)	—	Dividends paid	(3,192)	(3,119)
Proceeds from sales of treasury stock	0	—	10,579	Dividends paid to non-controlling interests	(14)	(2,782)
Proceeds from issuance of common stock	—	—	19,859	Payment for acquisition of non-controlling interests	—	(28,861)
Dividends paid	(2,212)	(2,219)	(2,216)	Other	(474)	(437)
Other, net	(373)	(436)	(375)	Cash flows from financing activities	53,582	71,859
Cash flows from financing activities	10,873	(10,086)	23,914			
Effect of exchange rate changes on cash and cash equivalents	(293)	489	330	Effect of exchange rate changes on cash and cash equivalents	257	(1,426)
Increase (decrease) in cash and cash equivalents	(2,883)	1,735	12,624	Increase (decrease) in cash and cash equivalents	2,492	62,168
Cash and cash equivalents at beginning of year	7,414	4,533	6,268	Cash and cash equivalents at beginning of year	18,916	21,408
Increase in cash and cash equivalents from newly consolidated subsidiary	94	—	—			
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(92)	—	(1)			
Increase in cash and cash equivalents resulting from merger with an unconsolidated subsidiary	—	—	25			
Cash and cash equivalents at end of year	4,533	6,268	18,916	Cash and cash equivalents at end of year	21,408	83,577

Representative	President Dr. Masahiko Mori
Established	October 26, 1948
Fiscal Year-End	December 31 (Note however that the accounting term for FY 2015 is the nine months from April 1 to December 31.)
Capital	51,100 million yen
Total assets	598,034 million yen (consolidated)
Equity Attributable to Owners of the Parent Company	155,270 million yen (consolidated)

Business Operations	Manufacture and sale of machine tools and after-sales services
Number of Employees	12,230 (consolidated)
Global Headquarters	2-3-23 Shiomi, Koto-ku, Tokyo, Japan
National Head Office	2-35-16 Meieki, Nakamura-ku, Nagoya City, Aichi, Japan
Birthplace and Registered Head Office of the Company	Yamato-Koriyama City, Nara, Japan
Listings	The First Section of Tokyo Stock Exchange, Inc.

Global Headquarters

Centrally manage DMG MORI's global sales, service and marketing



Tokyo

2-3-23 Shiomi, Koto-ku, Tokyo
135-0052, Japan
Tel: +81-3-6758-5900



Zurich

Sulzer-Allee 70,
CH-8404 Winterthur,
Switzerland
Tel: +41-58-611-5000

National Headquarters

Function as the head offices of DMG MORI CO and DMG MORI AG



Nagoya

2-35-16 Meieki, Nakamura-ku,
Nagoya City, Aichi
450-0002, Japan
Tel: +81-52-587-1811



Bielefeld

Gildemeisterstraße 60 33689
Bielefeld, Germany
Tel: +49(0)5205/74-0

Manufacturing Headquarters

Play a central role in global production and manufacturing



Iga

201 Midai, Iga City, Mie
519-1414, Japan
Tel: +81-595-45-4151

Sales & Service

Our global production system operates with 165 Sales & Service networks in 46 countries to achieve optimized production systems worldwide.



We release the corporate data of DMG MORI as well as our business strategies, highlights of business performance, news releases and other information and documentation on our websites. You can access our latest information at any time.

<http://www.dmgmori.co.jp/en/ir/>

Supplemental documentation of briefing results for FY2015/12 is available on the website below.

http://www.dmgmori.co.jp/en/ir/ir_library/ir_news/

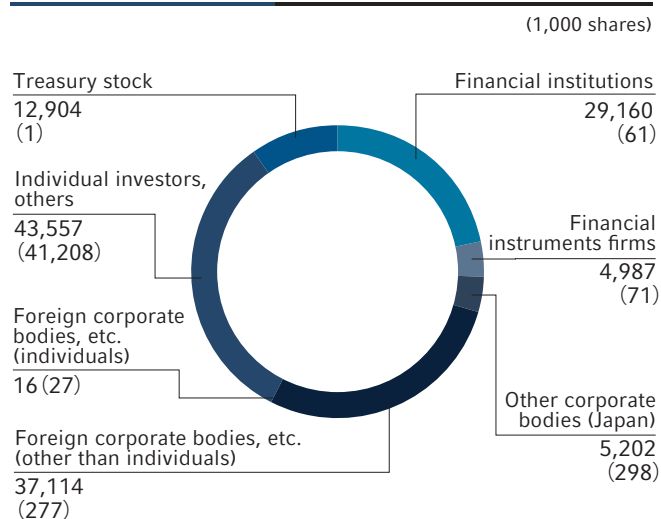
Number of Shares Outstanding	300,000,000 shares
Number of Shares Issued	120,038,828 shares (excluding treasury stock of 12,904,855 shares)
Number of Shareholders	41,943

Major Shareholders

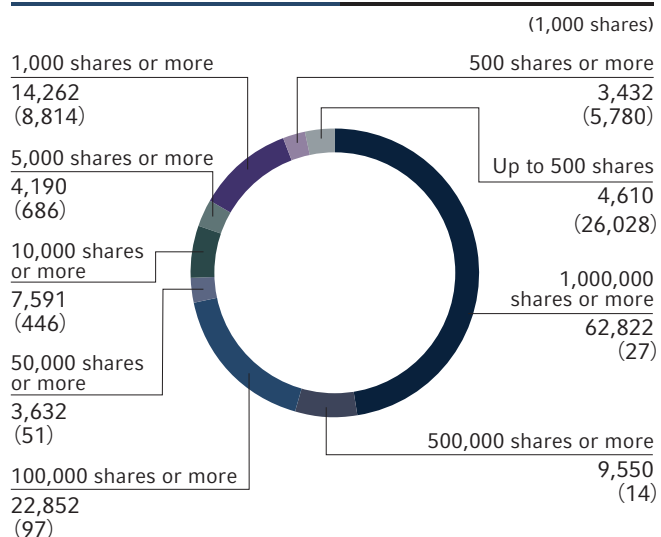
Shareholder Name	Number of Shares Held (1,000 shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	5,723	4.77
The Master Trust Bank of Japan, Ltd. (trust account)	4,883	4.07
Masahiko Mori	3,540	2.95
Japan Trustee Services Bank, Ltd. (trust account 9)	2,608	2.17
CMBL S.A. RE MUTUAL FUNDS (standing proxy: Mizuho Bank, Ltd.)	2,505	2.09
PICTET AND CIE (EUROPE) S.A. (standing proxy: Sumitomo Mitsui Banking Corporation)	2,367	1.97
Chieko Mori	2,287	1.91
DMG MORI Employee Shareholders Association	2,170	1.81
The Nomura Trust and Banking Co., Ltd. (investment trust account)	1,830	1.52
Masaru Mori	1,720	1.43

Notes 1. DMG MORI CO holds treasury stocks (12,904,855 shares) and it is excluded from the major stock holders shown above.
2. Shareholding ratio excludes treasury stock.

Distribution by Shareholders



Distribution by Number of Shares



Contact for Investors

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2-35-16 Meieki, Nakamura-ku, Nagoya City, Aichi 450-0002, Japan
Tel: +81-(0)52-587-1811

Transfer Agent

Sumitomo Mitsui Trust Bank, Limited (Securities Agent Department)

2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan
Tel: +81-(0)120-782-031 (free call)

DMG MORI



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