August 5, 2016

To whom it may concern

Company Name	DMG MORI CO., LTD.
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Notice concerning Raising of Funds by Perpetual Subordinated Loan

DMG MORI CO., LTD. (hereinafter "the Company") hereby announces it has today entered into an agreement relating to the raising funds of a total of ¥40.0 billion by a perpetual subordinated loan (hereinafter "the subordinated loan") as detailed below.

I. Purpose of Raising Funds

The Company decided to raise funds by the subordinated loan for the following reasons: to use subordinated funds to recover the consolidated shareholders' equity that was reduced as a result of the additional acquisition of shares of DMG MORI AKTIENGESELLSCHAFT (hereinafter, "AG")[(*1)] and that will be reduced following the coming into effect of a domination and profit transfer agreement (hereinafter, "the Domination Agreement")[(*2)]; to ensure the Company continues to have a healthy financial position; and to provide funds to promote future growth strategies.

The Company intends to allocate the funds to be raised by the subordinated loan to repay a portion of the liabilities with interest that were acquired in association with the acquisition of over 75% of shares in AG to achieve a reduction of liabilities with interest.

The subordinated loan is classified as an equity instrument under International Financial Reporting Standards (IFRS) as no specific date is specified for repayment of the principal and optional deferral of interest payments is possible. The amount to be raised from the subordinated loan is to be recorded under "Equity" in the Company's consolidated financial statements. Based on the Overview of Subordinated Loan presented below, it is planned that 50% of the amount raised will be evaluated as equity credit characteristics similar to equity instruments by Rating and Investment Information, Inc.

As part of the aforementioned capital policy, in addition to the funds raised by the subordinated loan, depending on the current market environment, the Company also considers raising funds of a level of ¥10.0 billion through issuing perpetual subordinated bonds with equivalent equity credit evaluation as the subordinated loan.

II. Overview of Subordinated Loan

1.	Amount	¥40.0 billion
2.	Contract date	August 5, 2016
3.	Execution date	September 20, 2016
4.	Repayment date	No repayment date specified. Provided, however, that on each interest payment date from September 20, 2021 onward, optional repayment of all or part of the principal is possible(*3).
5.	Use of funds	To be allocated to repay liabilities with interest acquired in association with the acquisition of 76.03% of shares of AG(*4).
6.	Interest rate	From September 20, 2016 to September 20, 2026: Variable interest based on 6-month Japanese yen TIBOR From September 21, 2026 onward: Variable interest stepped up by 1.00%.
7.	Clauses relating to payment of interest	Optional deferral of interest payment is possible.
8.	Subordinated loan clause	Creditors of the subordinated loan have right to claim payment that is subordinate to all senior creditors with respect to cases where the Company begins liquidation proceedings, bankruptcy proceeding, corporate reorganization proceedings or civil rehabilitation proceedings, or other proceedings equivalent to these not subject to Japanese laws. Each clause of the subordinated loan contract must not for any reason be changed to details that cause disadvantage to all of the Company's creditors other than the creditors of the subordinated loan.
9.	Replacement restrictions	None (*3)
10.	Lender	Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation
11.	Equity credit evaluation from rating agency (Planned)	"Class 3", "50" (Rating and Investment Information, Inc.)

*1 IF the Company acquires shares of AG after the date of the business combination with AG conducted in April 2015, the difference between the acquisition price and acquired equity equivalent in the net asset of AG is deducted from “Equity attributable to owners of parent” on the consolidated balance sheet.

In addition, the acquired equity equivalent of the net asset of AG is deducted from “Non-controlling interests” on the consolidated balance sheet.

*2 When the Domination Agreement, which is described in “Notice concerning Schedule, etc. for Enhancement of Collaboration with DMG MORI AG,” disclosed on June 3, 2016, comes into effect, the Company will need to record liabilities to purchase the not-yet-acquired shares of AG.

When accounting for the aforementioned, the Company will use the same accounting treatment of “*1” of taking difference from the net asset of AG and deducting it from “Equity attributable to owners of parent.”

*3 When making optional repayment of the subordinated loan, it is assumed that the subordinated loan is being replaced with an equity instrument that has received an equity credit evaluation from the ratings agency that is the same as or higher than that of the subordinated loan.

Provided, however, that if, after five years elapse, both of the following items are satisfied, it is possible to cancel the replacement of the loan with an instrument that has received equivalent equity credit evaluation.

(a) The consolidated shareholders’ equity after the adjustment is a higher amount compared with the amount of consolidated shareholders’ equity stated on March 31, 2016.

(b) The consolidated equity capital ratio after the adjustment has not deteriorated compared with that of March 31, 2016.

The values stated above shall be calculated according to the following method.

(a) Consolidated shareholders’ equity after the adjustment

= Total equity attributable to owners of parent – Other components of equity – Hybrid capital

(b) Consolidated equity capital ratio after the adjustment

= Consolidated shareholders’ equity after the adjustment as calculated above ÷ Total assets

*4 Please refer to “Notice concerning Acquisition of over 75% of shares in DMG MORI AG and Enhancement of Collaboration” released by the Company on April 7, 2016 for details on the acquisition of AG shares.

This notice concerning the raising of funds by the subordinated loan is an announcement made in the interest of public disclosure and in no way whatsoever has it been prepared for the purpose of solicitation for investment.

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