



August 29, 2016

To whom it may concern

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

DMG MORI CO., LTD. (hereinafter “the Company”) hereby announces it has today decided terms and conditions of a perpetual subordinated bonds (hereinafter “the subordinated bonds”) as detailed below.

I. Purpose of Raising Funds

The Company decided to raise funds by a perpetual subordinated loan^(*1) (hereinafter “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”) and that will be reduced following the coming into effect of a domination and profit transfer agreement (hereinafter, “the Domination Agreement”); to ensure the Company continues to have a healthy financial position; and to provide funds to promote future growth strategies. As part of the aforementioned capital policy, in addition to the funds raised by the subordinated loan, the Company also decided terms and conditions of a level of ¥10.0 billion through issuing perpetual subordinated bonds.

The Company intends to allocate the funds to be raised by the subordinated bonds, as well as 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 bonds 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 bonds is to be recorded under “Equity” in the Company’s consolidated financial statements. Based on the Overview of the subordinated bonds 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.

II. Overview of Subordinated Bonds

1. Amount ¥10.0 billion
2. Execution date September 2, 2016
3. Repayment date No repayment date specified.
Provided, however, that on each interest payment date from September 2, 2021 onward, optional repayment of all principal is possible.
4. Use of funds To be allocated to repay liabilities with interest acquired in association with the acquisition of 76.03% of shares of AG^(*2).
5. Clauses relating to payment of interest
Optional deferral of interest payment is possible.
6. Subordinated clause Creditors of the subordinated bonds 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 terms and conditions of the subordinated bonds 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 funds.
7. Replacement restrictions
When making optional repayment of the subordinated bonds, it is assumed that the subordinated bonds are 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 bonds.
Provided, however, that if, after five years elapse, both of the following items are satisfied, it is possible to cancel the replacement of the bonds with an instrument that has received equivalent equity credit evaluation.
 - (a) The consolidated shareholders’ equity after the adjustment is a higher amount than ¥151.2 billion.
 - (b) The consolidated equity capital ratio after the adjustment is higher than 26.8%.

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

8. Method of offering Private placements only to qualified institutional investors in Japan
9. Underwriter NOMURA SECURITIES CO., LTD.
10. Equity credit evaluation from rating agency (Planned) "Class 3", "50" (Rating and Investment Information, Inc.)

*1 Please refer to "Notice concerning Raising of Funds by Perpetual Subordinated Loan" released by the Company on August 5, 2016 for details on the Perpetual Subordinated Loan.

*2 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.

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