



January 13, 2017

To whom it may concern

Company Name	DMG MORI CO. LTD.
Representative	Masahiko Mori Representative Director and President (Securities Code: 6141 Tokyo Stock Exchange, First Section)
Contact	Hirotake Kobayashi Senior Managing Director, Accounting / Finance HQ Executive Officer (Tel: +81-52-587-1811)

Notice concerning Disposal, Repurchase and Cancellation of Treasury Stock to Support Mori Manufacturing Research and Technology Foundation’s Social Contribution Activities

(This is an English translation of the captioned release. This translation is prepared and provided for the purpose of the reader’s convenience. All readers are recommended to refer to the original version in Japanese of the release for complete information.)

DMG MORI CO. LTD. (hereinafter “the Company”) hereby provides notice that following discussion and approval of a basic policy at a Board of Directors meeting on January 10, 2017, the Board of Directors has passed a resolution in a meeting on January 13, 2017, pursuant to Article 370 of the Companies Act of Japan (resolutions based on documents in lieu of resolutions by the Board of Directors) to dispose of the treasury stock by way of third-party allotment, to repurchase our stock pursuant to Article 156 of the same act, as applied pursuant to paragraph 3, Article 165 of the same act, and to cancel our treasury stock pursuant to Article 178 of the same act by which the Company supports social contributions of Mori Manufacturing Research and Technology Foundation (hereafter “the Foundation”).

The disposition of our treasury stock is subject to the approval at the Company’s 69th annual shareholders meeting to be held in March 2017, and the repurchase of our stock and cancellation of our treasury stock is subject to the approval of the disposition of our treasury stock at the shareholders meeting.

1. About Mori Manufacturing Research and Technology Foundation

(1) Aim of the Foundation

The Foundation’s aims are to contribute to advancement of the machine tool industry and protection of the global environment through improving and innovating technology related to machine tools in such areas as machine tool technology, machining technology, intelligent technology, network technology, HMI (Human Machine Interface) technology, and environmental protection technology. The Foundation pursues such aims through support activities for R&D and human resource development related to machine tool technology. In addition to these efforts, the Foundation also carries out support activities related to the construction of cultural environments in local regions.

(2) Summary of the Foundation

① Name	Mori Manufacturing Research and Technology Foundation (General Incorporated Foundation)
② Location	2-35-16, Meieki, Nakamura, Nagoya, Aichi
③ Administrative Director	Masahiko Mori
④ Activities	Support activities for R&D and human resource development related to machine tool technology and support activities related to constructing cultural environments in local regions
⑤ Resource for business	Approximately 100 million JPY per year (Note) Activities of the foundation from establishment until present have been funded from donations of 76 million jpy and will be additionally funded from funds received as the beneficiary of the trust that will receive the treasury stock to be disposed as described in 2. (1) below.
⑥ Date of establishment	March 18, 2016
⑦ Relationship with the Company	
Capital relationship	The Company is the donor of the fundamental property of the Foundation
Personnel relationship	One representative director of the Company is concurrently an administrative Director of the Foundation. Also, one representative director of the Company is concurrently a member of the Foundation's Board of Directors. One employee of the Company is concurrently an auditor of the Foundation.
Business relationship	The company has offered donations to the Foundation.
Relationship with related parties	No applicable relationship exists

2. About disposition of treasury shares

(1) Overview of Disposition

① Disposal quantity	3,500,000 common shares
② Disposal value	1 JPY per share
③ Amount of funds raised	3,500,000 JPY
④ Subscription or disposal method	Disposition by way of third-party allotment
⑤ Trustee (planned)	Japan Trustee Services Bank, Ltd. (sub-trustee, with Sumitomo Mitsui Trust Bank, Limited as trustee)
⑥ Disposal date	To be decided
⑦ Others	The disposition of the treasury shares is conditional on the special resolution regarding advantageous placement at the Company's 69th annual meeting of shareholders that will be held in March 2017. The disposal date or other matters will be decided at the meeting of the Board of Directors after the annual meeting.

(2) Purpose and reason for disposition

As part of social contribution activities carried out until now, the Company has worked to strengthen its cooperative relationship with the industry, government agencies, and research institutions such as universities by lending and donating machine tools in Japan and across the globe to be a facilitator of

practical research activities, and establishing and donating scholarship funds to train excellent engineers from Japan and abroad. These activities are highly beneficial for the development of new technologies today. In addition, the Company has been carrying out support activities related to constructing cultural environments in local regions, particularly in Nara Prefecture and Iga City, Mie Prefecture, which are home to the Company's operational bases.

The Foundation was established in order to take over the social contribution activities previously conducted by the Company and, working to stably promote such activities on a certain scale, it is continuing to conduct such activities to this day.

The Company believes that by continually carrying out these support activities to improve and innovate technologies related to machine tools, now and into the future, it is contributing to the advancement of the machine tool industry as a whole, and by extension, providing a stronger base upon which the Company can grow sustainably for years to come. The Company also believes that by supporting the development of human resources through establishing a network of connections with research organizations, globally, it is contributing to not only the Company, but also the advancement of the global industry, including emerging countries. Furthermore, the Company believes that by supporting the construction of cultural environments in the local regions that are home to the Company's production bases, it is strengthening the Company's cooperation with the local society, further deepening its trustworthiness as a company, as well as improving employee morale and contributing to a smoother, more stable business operation.

For such reasons, the Company considers that above-mentioned social contribution activities conducted through the Foundation will contribute to its future business development and enhance its corporate value.

To support the Foundation's activities, the Company will establish a trust (hereinafter "the Trust") with Sumitomo Mitsui Trust Bank, Limited as trustee, Japan Trustee Services Bank, Ltd. as sub-trustee and the Foundation as beneficiary. The Trust will subscribe to purchase shares of our stock. The Trust will pay trust proceeds earned from dividends on our stock to the Foundation, and the Foundation will fund its activities based on such trust proceeds.

The disposition of our treasury stock will be made to the Trust, which is being established to provide funding for activities of the Foundation.

(3) Amount, use, and anticipated time of spending, of funds raised

① Amount of funds raised

1) Total paid amount	3,500,000 JPY
2) Estimated cost of issuance	0 JPY
3) Estimated net proceeds	3,500,000 JPY

② Specific use of funds raised

The estimated net proceeds above are planned to be appropriated in around April 2017 for expenses, such as attorney's fees, which are necessary for building the plan (disposition of treasury stock by way of third-party allotment).

(4) Perspective on reasonableness of use of funds

The funds raised will be appropriated for expenses, such as attorney's fees, which are necessary for the consideration of building the plan. These expenses are indispensable for building the plan, thus such use of the funds is considered reasonable.

(5) Reasonableness of disposal terms

① Basis of calculation of paid amount and its specific details

The Foundation plans on continually carrying out support activities for R&D and human resource development related to machine tool technology and support activities related to constructing cultural environments in local regions. The disposition of treasury stock is for the purpose of funding the activities of the Foundation, and the amount of proceeds will be allocated to the costs relating to the establishment of the Foundation as described in (3) ② above. Therefore, we believe that the price of disposition of 1 JPY per share is reasonable. In addition, since the disposition of treasury stock qualifies as an offering at a favorable price to the Foundation, the disposition is subject to the special resolution at the Company's 69th annual shareholders meeting to be held in March 2017.

② Basis for determining that number of shares to be issued and scale of dilution of shares are reasonable

Social contribution activities currently done by the Foundation were conducted by the Company before the Foundation was established. We believe that the number of shares to be disposed, which will fund the activities of the Foundation, is at a reasonable size based on past activities record. Moreover, since, under the structure of the Trust, it is not currently expected that large amounts of the treasury stock to be disposed will be sold into the market, and thus the impact on the secondary market triggered by the disposition of treasury stock will be small, we believe that the number of shares to be disposed is at a reasonable level.

In addition to the above, the extent of dilution of our shares triggered by the disposition of treasury stock is representing 2.63% (rounded to the second decimal place; 2.92% when calculation uses the total number of voting rights as of September 30, 2016, 1,199,785 rights) of the total number of issued shares, however we plan to implement measures to avoid the dilution of our shares, namely the repurchasing shares of our common stock in same number as the number of treasury stock to be disposed (subject to the approval of the disposition of treasury stock at the Company's 69th annual shareholders meeting to be held in March 2017) as described under "3. Repurchase of stock" below, therefore we determined that the extent of dilution of shares will be reasonable.

(6) Reasons of selection a subscriber, etc.

① Summary of the planned subscriber

1) Name: Japan Trustee Services Bank, Ltd.

(as sub-trustee of the Trust, will accept the allotment of shares as trust assets of the Trust)

2) Outline of trust agreement

Settlor	DMG MORI CO. LTD.
Trustee	Sumitomo Mitsui Trust Bank, Limited Japan Trustee Services Bank, Ltd. will be a sub-trustee under this trust agreement.
Beneficiary	Mori Manufacturing Research and Technology Foundation (General Incorporated Foundation)
Date of agreement	To be decided
Term of trust	To be decided
Purpose of trust	To put into effect social contribution activities by delivering dividends on the common shares of the trustee to the beneficiary as trust proceeds.

Note: Details of the trust agreement to be executed between the Company and Sumitomo Mitsui Trust Bank, Limited as trustee will be determined in the future.

(Reference)

(1) Company name	Japan Trustee Services Bank, Ltd.		
(2) Address	1-8-11 Harumi, Chuo-ku, Tokyo		
(3) Job title and name of representative	Yasuo Kuwana, Representative Director, President		
(4) Business description	Administrative tasks related to marketable securities, administrative tasks and payment and settlement operations related to asset management		
(5) Capital	51,000 million JPY (As of March 31, 2016)		
(6) Date established	June 20, 2000		
(7) Number of shares issued	1,020,000 shares of common stock		
(8) Settlement term	March 31		
(9) Employees	962 (As of March 31, 2016)		
(10) Main customers	Industrial corporations, financial corporations		
(11) Main banks	—		
(12) Major shareholders and their Shareholding ratios	Sumitomo Mitsui Trust Holdings, Inc.	66.66%	
	Resona Bank, Limited.	33.33%	
(13) Relationship with related parties			
Capital relationship	No applicable relationship exists. However, Sumitomo Mitsui Trust Bank, Limited owns 200,000 shares of the Company (0.15%). It is a subsidiary of Sumitomo Mitsui Trust Holdings, Inc., which is a major shareholder of Japan Trustee Services Bank, Ltd.		
Personnel relationship	No applicable relationship exists.		
Business relationship	No applicable relationship exists. However, a trust banking relationship exists with Sumitomo Mitsui Trust Bank, Limited. It is a subsidiary of Sumitomo Mitsui Trust Holdings, Inc., which is a major shareholder of Japan Trustee Services Bank, Ltd.		
Relationship with related parties	No applicable relationship exists.		
(14) Performance and financial status for the past three years (Unit: One million JPY)			
Fiscal Year	Fiscal March 2014	Fiscal March 2015	Fiscal March 2016
Net assets	58,266	58,700	58,981
Total assets	1,728,321	2,468,835	6,901,302
Net assets per share (JPY)	57,124.36	57,549.99	57,825.09
Ordinary income	27,344	27,602	27,891
Ordinary profit	740	788	570
Current net profit	429	460	348
Net income per share (JPY)	420.68	451.25	341.87
Dividend per share (JPY) (common stock)	170.00	180.00	140.00

Note: The Company has confirmed by investigations based on websites and public information on financial statements that the trustee and its officers and major shareholders (major investors) have no relationship with antisocial forces and submitted to the Tokyo Stock Exchange a confirmation to that effect.

② Reason for selecting the trustee

In order to achieve the purposes described under “(2). Purpose and reason for disposition” above, we determined that Sumitomo Mitsui Trust Bank, Limited was most suitable due to its abundant track record and experience, and selected the Trust, the trustee of which will be Sumitomo Mitsui Trust Bank, Limited

and the sub-trustee of which will be Japan Trustee Services Bank, Ltd., to be the subscriber.

③ Trustee's policy on holding shares

Pursuant to the trust agreement to be executed in the future, except where it is determined that achieving the purpose of the Trust, namely to maintain the Foundation as beneficiary, is difficult, the Trust will continue to hold the shares to be disposed.

In the event that the Trust is terminated, the trust property will be delivered to the Foundation, as the beneficiary of the Trust, as is.

Furthermore, with respect to the voting rights of the shares to be held by the Trust following the disposition of treasury stock, Sumitomo Mitsui Trust Bank, Limited, as an outside third party, will exercise such rights with an emphasis on the long-term improvement of corporate value based on the perspective of ensuring stable dividends that will fund the activities of the Foundation as beneficiary of the Trust.

We plan to obtain commitment in writing from Japan Trustee Services Bank, Ltd., (i) that if all or some of the disposed shares are transferred within 2 years after the date of payment, the names and addresses of the transferees, number of shares transferred, date of transfer, transfer price, reason for transfer and method of transfer, etc. will be immediately reported to the Company in writing, (ii) that the Company will report the details of such report to the Tokyo Stock Exchange and (iii) that the details of such report will be made publicly available.

④ Details regarding existence of assets necessary for the payment by the subscriber

Japan Trustee Services Bank, Ltd., as subscriber to the shares being disposed, is expected to make a cash payment with the trust property of the Trust, which is to be established by the Company.

(7) Major shareholders and their shareholding ratios after disposition

Before the disposition (as of September 30, 2016)		After the disposition	
GOLDMAN SACHS INTERNATIONAL	4.52%	Japan Trustee Services Bank, Ltd. (trust account)	4.72%
The Master Trust Bank of Japan, Ltd. (trust account)	2.76%	GOLDMAN SACHS INTERNATIONAL	4.52%
Masahiko Mori	2.66%	The Master Trust Bank of Japan, Ltd. (trust account)	2.76%
JP MORGAN CHASE BANK 380055	2.61%	Masahiko Mori	2.66%
Japan Trustee Services Bank, Ltd. (trust account 9)	2.18%	JP MORGAN CHASE BANK 380055	2.61%
Japan Trustee Services Bank, Ltd. (trust account)	2.09%	Japan Trustee Services Bank, Ltd. (trust account 9)	2.18%
DMG MORI Employee Shareholders Association	1.93%	DMG MORI Employee Shareholders Association	1.93%
Chieko Mori	1.72%	Chieko Mori	1.72%
The Nomura Trust and Banking Co., Ltd. (investment trust account)	1.54%	The Nomura Trust and Banking Co., Ltd. (investment trust account)	1.54%
Masaru Mori	1.29%	Masaru Mori	1.29%
JPMCB OMNUIBUS US PENSION TREATY JASDEC 380052	1.21%	JPMCB OMNUIBUS US PENSION TREATY JASDEC 380052	1.21%
YAMAZEN CORPORATION	1.13%	YAMAZEN CORPORATION	1.13%
PICTET AND CIE (EUROPE) SA,LUXEMBOURG REF:UCITS	1.06%	PICTET AND CIE (EUROPE) SA,LUXEMBOURG REF:UCITS	1.06%
DMG Mori Co., Ltd Partnership	1.00%	DMG Mori Co., Ltd Partnership	1.00%

- Note:
1. The above figures represent the percentage of the total number of issued shares.
 2. The above figures don't include treasury stock. Also, treasury stock 12,904,908 shares (as of September 30, 2016) will change to 9,404,908 shares after disposition.
 3. Major shareholders and their shareholding ratios after disposition are shown by reflecting only said disposition, based on shareholders' register as of September 30, 2016.
 4. Shareholding ratio is shown by rounding to the second decimal place

(8) Future prospect

The Company believes that this event will have no significant impact on the Company performance, however, if any matter to be disclosed arises, such information will be immediately announced.

(9) Procedures in accordance with company codes of conduct

Since the dilution rate is less than 25% and there is no change in controlling shareholders, it is not necessary to obtain an opinion of an independent third-party or consents of shareholders as specified in Rule 432 of the Tokyo Stock Exchange Securities Listing Regulations.

(10) Businesses performance and equity finance status for past three years

① Business performance for the past three years (consolidated)

	Japanese GAAP	IFRS	
	Fiscal March 2014	Fiscal March 2015	Fiscal December 2015
Net sales	160,728 million JPY	—	—
Sales revenues	—	174,365 million JPY	318,449 million JPY
Income before income taxes and minority interests	11,376 million JPY	—	—
Earnings before income taxes	—	23,086 million JPY	29,681 million JPY
Net income	9,442 million JPY	—	—
Profit attributable to owners of the parent	—	17,080 million JPY	26,900 million JPY
Net income per share	85.73 JPY	—	—
Basic earnings per share	—	131.65 JPY	216.53 JPY
Dividends per share	22 JPY / year	25 JPY / year	26 JPY / year
Shareholders' equity per share	1,164.59 JPY	—	—
Equity per share attributable to owners of the parent company	—	1,266.28 JPY	1,293.72 JPY

- Note: 1. Starting from the year ended 31st December, 2015, IFRS have been voluntarily adopted.
2. From the year ended 31st December, 2015, the Company's accounts are consolidated with those of DMG MORI AKTIENGESELLSCHAFT and its subsidiaries, therefore indexes such as sales revenues were increased significantly.
3. The fiscal period ended 31st December, 2015 is a period of nine months (from April 1 to December 31) only due to the change in the fiscal year-end.

② Status of number of issued shares and number of potential shares (as of September 30, 2016)

	Number of shares	Ratio to shares issued
Number of shares issued	132,943,683 shares	100%
Number of potential shares at the current conversion price (exercise price)	—shares	—%
Number of potential shares at the minimum conversion price (exercise price)	—shares	—%
Number of potential shares at the maximum conversion price (exercise price)	—shares	—%

Note: The number of potential shares does not include a stock options

③ Status about recent share prices

1) Status for the past three years

	Fiscal March 2014	Fiscal March 2015	Fiscal December 2015
Opening price	1,071 JPY	1,312 JPY	1,815 JPY
High price	2,089 JPY	1,949 JPY	2,638 JPY
Low price	982 JPY	1,116 JPY	1,375 JPY
Closing price	1,305 JPY	1,846 JPY	1,425 JPY

Note: The fiscal period ended 31st December, 2015 is a period of nine months (from April 1 to December 31) only due to the change in the fiscal year-end.

2) Status for the past six months

	2016					
	July	August	September	October	November	December
Opening price	994 JPY	1,059 JPY	1,115 JPY	1,070 JPY	1,100 JPY	1,351 JPY
High price	1,158 JPY	1,148 JPY	1,118 JPY	1,132 JPY	1,342 JPY	1,609JPY
Low price	920 JPY	965 JPY	995 JPY	1,045 JPY	931 JPY	1,327JPY
Closing price	1,091 JPY	1,142 JPY	1,042 JPY	1,115 JPY	1,322 JPY	1,418JPY

3) Share price on the business day prior to the date of resolution regarding the disposition

	January 12, 2017
Opening price	1,430 JPY
High price	1,482 JPY
Low price	1,427 JPY
Closing price	1,455 JPY

④ Status of equity finance for the last three years

Issuance of new shares and sale of treasury shares through international offering

Due date of payment	March 19, 2014										
The amount of funds raised	30,545,229,120 JPY										
Issue price	1,380 JPY per share										
Total number of issued shares before the offering	118,475,312 shares										
Number of shares to be increased through the offering	14,468,371 shares										
Total number of issued shares after the offering	132,943,683 shares										
Total number of treasury shares before sales	7,771,853 shares										
Number of sold treasury shares	7,665,853 shares										
Total number of treasury shares after sales	106,000 shares										
Initial purpose of the offering	<table border="0"> <tr> <td>Introduction or expansion of production equipment</td> <td>8 billion JPY</td> </tr> <tr> <td>Upgrade of the exhibition halls and addition of the display machines</td> <td>5 billion JPY</td> </tr> <tr> <td>Construction of new Tokyo head office</td> <td>3 billion JPY</td> </tr> <tr> <td>Information system investment</td> <td>4 billion JPY</td> </tr> <tr> <td colspan="2">Remaining amount will be used for strengthening of financial position</td> </tr> </table>	Introduction or expansion of production equipment	8 billion JPY	Upgrade of the exhibition halls and addition of the display machines	5 billion JPY	Construction of new Tokyo head office	3 billion JPY	Information system investment	4 billion JPY	Remaining amount will be used for strengthening of financial position	
Introduction or expansion of production equipment	8 billion JPY										
Upgrade of the exhibition halls and addition of the display machines	5 billion JPY										
Construction of new Tokyo head office	3 billion JPY										
Information system investment	4 billion JPY										
Remaining amount will be used for strengthening of financial position											
Initial projected period of the expenditure	Fiscal March 2015										
Appropriation situation as of today	Already appropriated in the period mentioned above										

Note: The description of the disposition of treasury stock in 2. above was not prepared for the purpose of soliciting an offer to purchase or subscribe for shares of our common stock.

3. Repurchase of stock

(1) Reason for repurchasing stock

To avoid dilution of share triggered by the disposition of treasury stock described in 2. above, and to effect capital efficiency and agile capital policy in view of the management environment.

(2) Details of matters relating to repurchase

- | | |
|---|---|
| ① Kind of stock to be repurchased | Common stock of the Company |
| ② Total number of shares to be repurchased | 3,500,000 shares (maximum)
(Represents 2.92% of the total number of issued shares (excluding treasury stock)) |
| ③ Total purchase price for repurchase of shares | 5,250,000,000 JPY (maximum) |
| ④ Period of repurchase | From the end of the Company's 69th annual shareholders meeting to be held in March 2017 to December 31, 2017 |
| ⑤ Other | The repurchase of treasury stock is subject to the approval of the disposition of treasury stock described in 2. above at the shareholders meeting. |

(Reference) Number of treasury stock as of September 30, 2016

Total number of issued shares: 132,943,683 shares

Number of treasury shares: 12,904,908 shares

4. Cancellation of treasury stock

(1) Reason for cancelling treasury stock

To relieve concerns regarding dilution of share value due to disposition of treasury stock in the future.

(2) Details of matters relating to cancellation

- | | |
|------------------------------------|---|
| ① Kind of stock to be cancelled | Common stock of the Company |
| ② Number of shares to be cancelled | 3,500,000 shares
(Represents 2.63% of the total number of issued shares before cancellation) |
| ③ Scheduled date of cancellation | March 31, 2017 |
| ④ Other | The cancellation of treasury stock is subject to the approval of the disposition of treasury stock described in 2. above at the shareholders meeting. |

(Reference)

- Total number of issued shares before cancellation: 132,943,683 shares
- Total number of issued shares after cancellation: 129,443,683 shares