

Q&A concerning Disposal, Repurchase and Cancellation of Treasury Stock to Support Mori Manufacturing Research and Technology Foundation's (hereinafter "the Foundation") Social Contribution Activities

Q1 : Please share the specific activities conducted by the Foundation thus far.

A : As support activities for R&D and human resource development related to machine tool technology, the Foundation has made donations to University of California, Berkeley; University of California, Davis; Kyoto University; and Nagoya University. Furthermore, as support activities related to the construction of cultural environments in local regions, the Foundation makes donations in the form of financial assistance to events held by multiple municipalities.

Q2 : Please share specifically how the social contribution activities of the Foundation connect to the Company's profit.

A : By supporting research activities of universities and research institutions within Japan and overseas, we believe we are contributing to technological development and the expansion of the horizons of industry through the knowledge gained in the research, while also promoting the development of human resources. We believe the technology and human resources acquired as a result of these activities provide a stronger base upon which the Company can grow sustainably and stably.

Furthermore, we believe support activities related to the construction of cultural environments in local regions strengthen the Company's cooperation with the local society, further deepening its trustworthiness as a company and building good relationships with the stakeholders surrounding the Company, thus contributing to a smoother, more stable business operation and enhancing its corporate value.

Q3 : What is the difference between the Company's past cash donations and the activities conducted through the Foundation?

A : This change means that the source of funding for the Company's social contribution activities conducted thus far will transition from cash donations to stock dividends from the Company's stock received by the Foundation. Last fiscal year, the Company contributed around 200 million JPY to universities to support basic R&D related to machine tool technology, etc. We believe the appropriate management and stable utilization of these funds at the universities contributes to the Company's technological development. Going forward, by providing these donations from the Foundation, donation expenditures on the part of the Company will be reduced, creating a positive effect on the Company's income.

Q4 : What is the reason for the quantity of 3,500,000 trust shares?

A : This is the number of shares required to deliver stock dividends at a scale that matches the funding required for the activities planned by the Foundation. At the level of the annual dividends per share paid in the previous fiscal year of 26 JPY (the year ended 31st December 2016), this would total 91 million JPY, a scale we believe matches the annual activities funds of 100 million JPY.

Furthermore, we believe that if dividends increase going forward due to improvement in the Company's performance, the activities funds of the Foundation will also increase, in turn enhancing the Company's corporate value and again connecting to improved performance, thus creating a positive cycle.

Q5 : What are your thoughts on a dilution of net income per share arising from this disposal of treasury stock (third-party allotment to a trust bank)?

A : To avoid dilution of share value triggered by the disposal of treasury stock, and to effect capital efficiency and agile capital policy in view of the management environment, we plan for the number of own shares to be acquired from the market to be the same number as the 3,500,000 shares of treasury stock in this disposal. Furthermore, to relieve concern over dilution of the share value triggered by the future release of treasury stock, we plan for the number of shares to be cancelled to be equal to the 3,500,000 shares of treasury stock in this disposal.

Q6 : What is the reason for the adoption of the plan to entrust the shares to a trust bank?

A : A trust plan was introduced for the preservation and efficient management of the assets of the Foundation. In this plan, by allotting the treasury stock through advantageous placement to a trust bank, upon the separation of the voting rights, the Foundation will receive the trust proceeds through dividends. This will allow the voting rights of the shareholders to be exercised from the standpoint of long-term enhanced corporate value by the trust bank.