Date: August 5, 2016

Summary of Consolidated Financial Statements for the second quarter of Fiscal Year 2016 ended June 30, 2016 (IFRS basis)

(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the second quarter announced on August 5, 2016)

Listed company name: DMG MORI CO., LTD.

Stock exchange listing: First Section of Tokyo Stock Exchange

Code Number: 6141 URL http://www.dmgmori.co.jp

Company Representative: Masahiko Mori, President

Contact Person Hirotake Kobayashi, Senior Managing Director, Accounting / Finance HQ, Executive Officer

Phone: +81-52-587-1811

Filing date of quarterly financial statements: August 10, 2016

Estimated starting date of dividend paying: September 16, 2016

Preparation of supplementary explanatory materials: Yes

Holding of quarterly earnigs release conference: Yes (for investment analysts and institional investors)

(Note: All amounts less than one million are disregarded)

1. Consolidated business results of the second quarter ended June 30, 2016 (January 1, 2016 to June 30, 2016)

(1) Consolidated business results (% of change from same period in the previous year)

	Sales revenues		Operating result		Earnings before Taxes		Quarterly profit		Income attributable to owners of the parent company		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Second quarter ended June 30, 2016	185,320	-	3,408	-	2,340	-	1,973	-	725	-	Δ25,837	-
Second quarter ended June 30, 2015	151,906	-	39,751	-	39,976	-	37,930	-	37,336	-	39,117	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Second quarter ended June 30, 2016	6.04	6.04
Second quarter ended June 30, 2015	292.08	292.08

(Note) The company changed the fiscal year-end from March 31 to December 31. Following this change, the comparable period of the second quarter ended June 30, 2016 is the second quarter ended June 30, 2015.

The Company consolidated DMG MORI AKTIENGESELLSCHAFT (hereinafter “AG”) from April, 2015, a part of consolidated business results of the second quarter ended June 30, 2015 (January 1, 2015 through March 31, 2015) does not include business results of AG. Thus, there is no “% of change from same period in the previous year” written in this report. The result of the comparable period includes appraisal gains on AG shares (gains on step acquisition) of 37,296 million yen following the consolidation with AG.

Total comprehensive income of the second quarter ended June 30, 2016 is mainly caused by the differences from currency translation with sharp appreciation of yen against euro (131.7 yen/euro as of December 31, 2015, 114.4 yen/euro as of June 30, 2016).

(2) Consolidated financial position

	Total assets	Net assets	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company	Equity attributable to owners of the parent company per share
	million yen	million yen	million yen	%	yen
June 30, 2016	523,024	143,377	100,479	19.2	837.20
December 31, 2015	598,034	232,107	155,270	26.0	1,293.72

(Note) Decrease of ratio of equity attributable to owners of the parent company is mainly due to the effect of accounting of additional acquisition of AG shares based on IFRS which deducts difference amount between purchase price of AG shares and equity amounts attributable to the company from capital provision. (Decrease of approximately 6.0%)

2. Dividends

Fiscal year ended	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
December 31, 2015	13.00	-	-	13.00	26.00
December 31, 2016	-	13.00			
December 31, 2016 (Forecast)			-	13.00	26.00

(Note) Revision of dividend forecast in the current quarter: No

3. Consolidated earnings forecast for Fiscal Year 2016 (January 1, 2016 to December 31, 2016)

(% of change from same period in the previous year)

	Sales revenues		Operating result		Income attributable to owners of the parent company		Basic earnings per share
	million yen	%	million yen	%	million yen	%	yen
Full Year 2016	410,000	-	25,000	-	14,500	-	120.81

(Note)

Revision of consolidated earnings forecast in the current quarter: No

Since the fiscal year ending December 31, 2015 was comprised of 9 months, from April 1, 2015 to December 31, 2015, there is no “% of change from same period in the previous year” written in this report.

4. Others

(1) Changes in significant subsidiaries during the second quarter ended December 31, 2016: No

(2) Changes in accounting policies applied and changes in accounting estimates

1. Changes in accounting policies required by IFRS: Yes
2. Changes in accounting policies other than the above: No
3. Changes in accounting estimates: No

(Note) For detail, please refer to the “2. Other information” on page 4

(3) Number of shares outstanding (Common stock)

1. Number of shares outstanding at the end of the period (including treasury stock)

June 30, 2016: 132,943,683 December 31, 2015: 132,943,683

2. Number of treasury stock at the end of the period

June 30, 2016: 12,924,566 December 31, 2015: 12,924,543

3. Average number of outstanding shares during the period (cumulative from the beginning of the period)

January - June 2016: 120,019,137 January - June 2015: 127,827,867

- Information regarding implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. Thus, at the time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Law has not been completed.

- Explanations for adequate utilization of the forecast and other special matters

From the first quarter of the fiscal year 2015 ending December 31, 2015, the company introduced the International Financial Reporting Standards (IFRS) to prepare its consolidated financial statements accordingly.

- Proper use of the earnings forecasts and other notes

The above forecast is based on information available as of the release of this report and assumptions of several uncertain factors which may affect the company's results. Actual results might be different from the above estimates due to subsequent changes in the circumstances. Regarding Fiscal Year 2016(Forecast), please see "1. Qualitative Information Regarding Quarterly Settlement of Accounts (3) Explanation of forecasts and other projections".

We will upload additional explanation on August 5, 2016.

(Attached Documents)　Index

1. Quantitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of consolidated operating results

For the first half of the fiscal year 2016 (from January 1 to June 30, 2016), the sales revenues were 185,320 million yen (EUR 1,486,962 thousands), and the operating result was 3,408 million yen (EUR 27,347 thousands), and earnings before taxes were 2,340 million yen (EUR 18,780 thousands). The income attributable to owners of the parent company was 725 million yen (EUR 5,820 thousands, all EUR amounts indicated herein are converted from Japanese Yen amount using exchange rate of 124.6 yen/EUR, the average rate from January 1 to June 30, 2016).

The result of the comparable period (January 1, 2015 through June 30, 2015) includes appraisal gains on AG shares (gains on step acquisition) of 37,296 million yen following the consolidation with DMG MORI AKTIENGESELLSCHAFT (hereinafter "AG"). And also a part of consolidated business results of the second quarter ended June 30, 2015 (January 1, 2015 through March 31, 2015) does not include business results of AG.

According to the statistics of the METI, the domestic production value amount in CY2015 was JPY 802.4 billion in total— JPY 531.1 billion for machining centers and JPY 271.3 billion for turning centers. However, our production in CY2015, together with German consolidated company AG in fact, was 11,300 units or JPY330 billion under retail price basis. Our production figure is calculated based on production volume and value amount including overseas', which is simply incomparable with the production amount of METI. In the domestic machining market, demand for advanced 5-axis machines manufactured by AG is gradually spreading, which can push up our market presence.

On April 6, 2016 the Company acquired further 12,108,437 shares in AG and reached a total shareholding ratio of 76.03%, including the shares held by our consolidated company, DMG MORI GmbH. The Company has been preparing to enter into the Domination and Profit and Loss Transfer Agreement based on the laws and regulation of Germany between DMG MORI GmbH and AG, which gained approval at the AG Annual General Meeting of Shareholders on July 15, 2016. The agreement will take effect after the commercial registration has been completed. Through enhancing the integration with AG and optimizing the group-wide resources, the Company intends to further develop its machine tool business and maximize its corporate value.

As for the business activities, we currently put more focus on providing solutions for customers. We integrate our cutting-edge machines and Human Machine Interface that includes ERGOline Touch as "hardware," and MAPPS and embedded software in CELOS as "software." Through this integration and "Open Innovation" with our partners who are peripheral suppliers of tools, fixtures, measuring instruments and robots, offering customers better total solutions including cutting-edge production equipment has become possible.

Among our latest technological solutions are "Technology Cycles," in which we invest great effort to further enhance toward the end of the year. An enormous amount of information collected from the in-house developed interface and software is analyzed and combined with our technical know-how to strongly support customers. We now provide 24 Technology Cycles, which are divided into four groups of Handling, Measurement, Shaping and Monitoring. They are put on display at exhibition shows and open houses across the world.

We speed up our promotion of Industry 4.0 by positioning the Iga Campus as a "smart factory" in an effort to further improve production efficiency of our factories. The timely management of purchasing, processes, quality and inventory are carried out through the visualization of assembly work and use of the progress management system. By analyzing big data such as the operation status of machines, various information from sensors, and machining data, we work for not only our improvement of our machine design but also for enhancing customers' productivity and efficiency, which enables preventative maintenance to detect machine failure in advance.

As for product development, we will release the CMX V series models, the most competitive standard machines in the DMG MORI product lineup. We made the Company's 283 optional specifications from the "standard options," making it possible for customers to customize their machines according to their ever-diversifying needs. The models are able to mount Technology Cycles, and we are sure that the CMX V series contributes significantly to enhancing customers' convenience and value. We begin taking orders for the series in September this year.

The demand for machine tools was stagnant in the first half of the year due to conservative buying resulted from continuing strong yen and a forthcoming government subsidy, but the order recovered after the government subsidy was granted in July. The domestic demand is expected to keep steady as the Tokyo Show (Japan International Machine Tool Fair) is upcoming in the second half of the year.

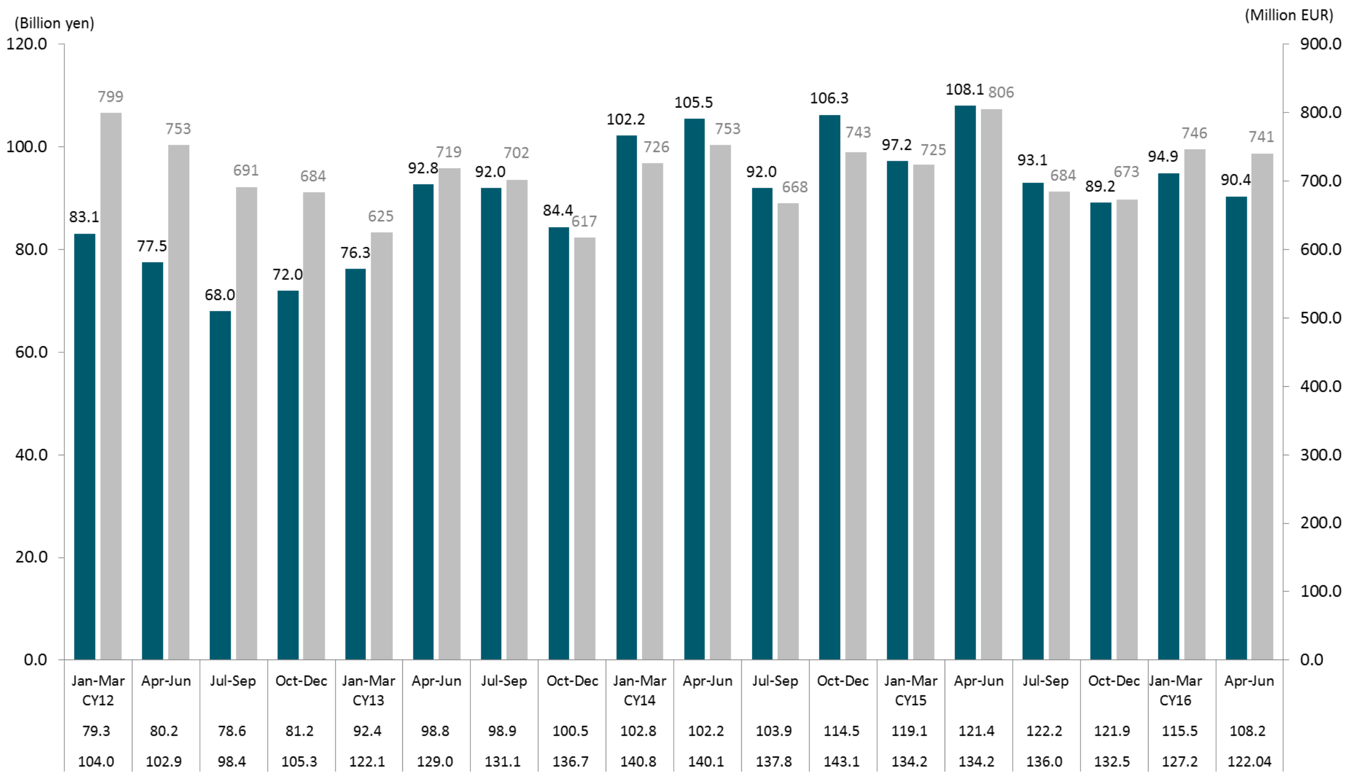
In North America, we have launched a new business model, which is a transition from sales by distributors to direct sales and service. As we acquired additional three dealer companies, the direct sales system has been completed for the entire region in North America. Solution providing for customers through the new system is getting on track, and the orders also have been strong. In addition, we will have the Chicago Show (IMTS) in the second half of the year, so the orders are expected to remain robust.

In Europe, the demand is steadily increasing. During the first half of the year, the Japanese yen appreciated by a little over seven percent against the euro, so the yen-based orders were slightly less than the comparable six-month total for the previous year. On a local currency basis, however, we had a better result for the period. As the Brexit issues will have no significant effect on us, and the private show in each and every region attracts many customers, we expect the demand will remain steady.

In China, orders leveled off. The orders for automated equipment with high functionality are solid, and the demand for infrastructure gradually gets on a recovery track. We are working on strengthening the sales system by combining direct sales and distribution by dealer in an effort to expand our share in a growing economy in China.

As for the Asian countries except China, the demand varies depending on country. Taiwan, Vietnam and India make a strong showing. Considering that the orders in other regions have bottomed out, we expect the market is on its way to recovery.

<Reference> Quarterly consolidated order intake (Yen in billions and EUR in millions)



(Note) EUR amount is converted from Japanese Yen amount using market rate in each quarter.

<Consolidated results>

		<Forecast>	<Reference> (*)	
	January through June, 2016	January through December, 2016	January through June, 2015	January through December, 2015
Sales revenues	185,320 million yen	410,000 million yen	206,065 million yen	428,449 million yen
Operating result	3,408 million yen	25,000 million yen	40,924 million yen	41,141 million yen
Income attributable to owners of the parent company	725 million yen	14,500 million yen	36,751 million yen	32,400 million yen
Basic earnings per share	6.04 yen	120.81 yen	287.50 yen	243.71 yen

* For reference, the figures are consolidated business result where 100% of AG's financial result is incorporated.

Please note that the result of the results of Jan.-Jun. 2015 and Jan.-Dec. 2015 include appraisal gains on AG shares (gains on step acquisition) of 37,296 million yen following the consolidation with AG.

Please note that income attributable to owners of the parent company is based on shareholding ratio (Jan.-Jun. 2015: 52.54%, Jan.-Mar. 2016: 60.67%, After Apr, 2016: 76.03%)

(2) Explanation of consolidated financial position

Total assets at the end of the second quarter of fiscal year 2016 amounted to 523,024 million yen. Total equity is 143,377 million yen and ratio of equity attributable to owners of the parent company is 19.2%.

This time ratio of equity attributable to owners of the parent company is decreased from 26.0% at the end of fiscal year 2015. This is mainly due to the effect of accounting of additional acquisition of AG shares based on IFRS which deducts difference amount between purchase price of AG shares and equity amounts attributable to the company from capital provision. (Decrease of approximately 6.0%)

(3) Explanation of forecasts and other projections

No changes have been made to the consolidated forecasts for the full year ending December 31, 2016, since the announcement in Summary of Consolidated Financial Statements disclosed on May 10, 2016.

This forecast is based on information available as of the release of this report and assumptions of several uncertain factors which may affect the company's results. Actual results might be different from the above estimates due to subsequent changes in the circumstances.

2. Other information

(1) Change of important accounting policies

The significant accounting policies applied to the quarterly consolidated financial statements are identical to those applied to the consolidated financial statements for the previous fiscal year ended December 31, 2015, except for the accounting standard provided below.

The Group has applied the following standards from the first quarter ended March 31, 2016. The application of these standards had no material effect on the quarterly consolidated financial statements.

IFRS		Summary
IAS 1	Presentation of Financial Statements	Clarification of methods of presentation of financial statements and disclosures
IAS 16	Property, Plant and Equipment	Clarification of acceptable methods of depreciation and amortization
IAS 38	Intangible Assets	Clarification of acceptable methods of depreciation and amortization
IFRS 11	Joint Arrangements	Defines the accounting treatment of acquisition of a joint venture

In accordance with revision of IAS 1, from perspective of providing clearer disclosure on revenue of the Group, now "Gains on step acquisition" (37,296 million yen) is displayed separately in the consolidated statement of income of second quarter ended June 30, 2015 (January 1, 2015 through June 30, 2015).

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	December 31, 2015	June 30, 2016
(Assets)		
Short-term assets		
Cash and cash equivalent	83,577	52,959
Trade and other receivable	54,958	43,966
Other financial assets	5,489	6,241
Inventories	129,943	123,623
Other short-term assets	10,592	10,628
Total short-term assets	284,561	237,418
Long-term assets		
Tangible assets	141,919	130,658
Goodwill	68,218	59,278
Other intangible assets	72,834	63,158
Other financial assets	17,560	15,123
Equity accounted investments	2,230	2,154
Deferred taxes	4,047	5,647
Other long-term assets	6,663	9,585
Total long-term assets	313,473	285,606
Total assets	598,034	523,024

(Yen in Millions)

	December 31, 2015	June 30, 2016
(Liabilities)		
Short-term debts		
Trade and other payables	66,648	43,620
Bonds and borrowings	100,692	181,591
Payment received on accounts	18,757	19,040
Other short-term financial liabilities	780	2,561
Accrued income taxes	5,733	4,858
Short-term provisions	25,752	21,001
Other short-term liabilities	5,385	3,928
Total short-term debts	223,750	276,602
Long-term debts		
Bonds and borrowings	116,210	80,932
Other long-term financial liabilities	4,307	3,679
Pension provisions	6,224	6,595
Other long-term provisions	4,788	4,202
Deferred income taxes	8,664	6,263
Other long-term liabilities	1,980	1,371
Total long-term debts	142,175	103,045
Total liabilities	365,926	379,647
Equity		
Subscribed capital	51,115	51,115
Capital provision	53,057	20,016
Treasury stock	△23,768	△23,768
Revenue provisions	71,466	70,029
Other components of equity	3,399	△16,912
Total equity attributable to owners of the parent company	155,270	100,479
Non-controlling interests’ share of equity	76,837	42,897
Total equity	232,107	143,377
Total liabilities and equity	598,034	523,024

(2) Quarterly consolidated statements of income

(Yen in Millions)

		Second quarter ended June 30, 2015 (January 1, 2015 through June 30, 2015)	Second quarter ended June 30, 2016 (January 1, 2016 through June 30, 2016)
Revenue			
Sales revenues		151,906	185,320
Gains on step acquisition		37,296	-
Other operating revenues		2,256	3,073
Operating performance		191,458	188,394
Cost			
Changes in finished goods and work in progress	(*)	△1,893	△268
Cost of raw materials, consumables and goods for resale	(*)	72,972	80,908
Personnel costs	(*)	40,532	58,913
Depreciation and amortization	(*)	6,335	8,413
Other operating expenses	(*)	33,759	37,018
Total cost		151,707	184,985
Operating result		39,751	3,408
Financial income		246	255
Financial expense		755	1,372
Share of profits of at equity-accounted investments		733	48
Earnings before taxes		39,976	2,340
Income taxes		2,045	366
Quarterly profit		37,930	1,973
Quarterly profit attributable to:			
Owners of the parent company		37,336	725
Non-controlling interests		594	1,248
Quarterly profit		37,930	1,973
Quarterly profit per share			
Basic earnings per share (yen)		292.08	6.04
Diluted earnings per share (yen)		292.08	6.04

(*) Since AG is consolidated from April 1st, 2015, a part of consolidated business results of the second quarter ended June 30, 2015 (January 1, 2015 through March 31, 2015) does not include business results of AG. If operating results of AG is fully incorporated in this accounting period, costs will be displayed as follows: Changes in finished goods and work in progress △5,566 million yen, Cost of raw materials, consumables and goods for resale 99,630 million yen, Personnel costs 58,187 million yen, Depreciation and amortization 7,944 million yen, and Other operating expenses 45,613 million yen.

(3) Quarterly consolidated statements of comprehensive income

(Yen in Millions)

	Second quarter ended June 30, 2015 (January 1, 2015 through June 30, 2015)	Second quarter ended June 30, 2016 (January 1, 2016 through June 30, 2016)
Quarterly profit	37,930	1,973
Other comprehensive income		
Items never reclassified to profit or loss		
New calculation of benefit-oriented pension plans	△476	△837
Sum of items never reclassified to profit or loss	△476	△837
Items that will be reclassified to profit or loss		
Differences from currency translation	5,902	△24,345
Changes in market value of hedging instruments	359	△219
Change in the fair value measurement of available-for-sale assets	1,778	△2,206
Share of other comprehensive income of associates accounted for using equity method	△6,377	△201
Sum of items which are reclassified to profit or loss	1,662	△26,973
Total other comprehensive income	1,186	△27,811
Total comprehensive income	39,117	△25,837
Total comprehensive income attributable to:		
Owners of the parent company	34,075	△20,189
Non-controlling interests	5,041	△5,648
Total	39,117	△25,837

(4) Quarterly consolidated statements of changes in equity

(Yen in Millions)

	Equity attributable to owner of the parent company						Non-controlling interest share of equity	Total equity
	Subscribed capital	Capital provision	Treasury Stock	Revenue provisions	Other components of equity	Total		
As of January 1, 2015	51,115	64,185	△3,610	41,940	10,578	164,210	4,330	168,540
Quarterly profit				37,336		37,336	594	37,930
Other comprehensive income					△3,261	△3,261	4,447	1,186
Comprehensive income				37,336	△3,261	34,075	5,041	39,117
Acquisition of treasury stocks			△1			△1		△1
Disposal of treasury stocks						-		-
Change in equity in affiliates accounted for by equity method			△2,419			△2,419		△2,419
Dividend payment				△1,560		△1,560	△2,777	△4,338
Change due to business combination			△5,925		4,057	△1,867	84,517	82,649
Transfer other components of equity to revenue provisions				△287	287	—		—
Other				△2	2	—	0	0
Total of the contribution by owner and distribution to the owner	—	—	△8,345	△1,850	4,346	△5,849	81,740	75,890
Purchase of non-controlling interests		△6,487	△283	—	—	△6,771	△1,826	△8,597
Amount of change of Ownership interest for Subsidiary company	—	△6,487	△283	—	—	△6,771	△1,826	△8,597
As of June 30, 2015	51,115	57,697	△12,239	77,426	11,664	185,664	89,286	274,951

(Yen in Millions)

	Equity attributable to owner of the parent company						Non-controlling interest share of equity	Total equity
	Subscribed capital	Capital provision	Treasury stock	Revenue provisions	Other components of equity	Total		
As of January 1, 2016	51,115	53,057	△23,768	71,466	3,399	155,270	76,837	232,107
Quarterly profit				725		725	1,248	1,973
Other comprehensive income					△20,914	△20,914	△6,896	△27,811
Comprehensive income				725	△20,914	△20,189	△5,648	△25,837
Acquisition of treasury shares			△0			△0		△0
Disposal of treasury shares		△0	0			0		0
Change in equity in affiliates accounted for by equity method						—		—
Dividend payment				△1,560		△1,560	△28	△1,589
Change due to business combination						—		—
Transfer other components of equity to revenue provisions				△602	602	—		—
Other						—		—
Total of the contribution by owner Distribution to the owner	—	△0	△0	△2,162	602	△1,560	△28	△1,589
Purchase of non-controlling interests		△33,040				△33,040	△28,262	△61,303
Amount of change of Ownership interest for Subsidiary company	—	△33,040	—	—	—	△33,040	△28,262	△61,303
As of June 30, 2016	51,115	20,016	△23,768	70,029	△16,912	100,479	42,897	143,377

(5) Quarterly consolidated statements of cash flows

(Yen in Millions)

	Second quarter ended June 30, 2015 (January 1, 2015 through June 30, 2015)	Second quarter ended June 30, 2016 (January 1, 2016 through June 30, 2016)
Cash flow from operating activities		
Earnings before taxes	39,976	2,430
Depreciation and amortization	6,335	8,413
Gain on step acquisition	△37,296	—
Loss (gain) on sales/disposal of fixed assets (△: gain)	△118	△80
Financial results (△: gain)	508	1,116
Equity in loss (gain) of equity method (△: gain)	△733	△48
Other expense (income) not affecting payments (△: income)	2,417	1,119
Changes in Inventories (△: increase)	△5,113	△6,715
Changes in trade and other receivables (△: increase)	△4,230	5,825
Changes in trade and other payables (△: decrease)	3,586	△17,797
Change in provisions (△: decrease)	573	△651
Others	△254	△3,250
Sub total	5,652	△9,729
Interest received	52	66
Dividends received	351	190
Interest paid	△742	△1,225
Income tax paid	△5,830	△2,584
Cash flow from operating activities	△516	△13,282
Cash flow from investment activities		
Amount paid out for investments in tangible assets	△7,710	△5,325
Amount received from the sale of tangible assets	581	618
Amount paid out for investments in intangible assets	△1,358	△1,765
Amount paid out for investments in subsidiary stocks	△5,091	-
Amount paid out for purchase of affiliates stocks	△50,634	-
Amount received from the sale of securities	144	-
Other	1,009	△244
Cash flow from investment activities	△63,061	△6,716

(Yen in Millions)

	Second quarter ended June 30, 2015 (January 1, 2015 through June 30, 2015)	Second quarter ended June 30, 2016 (January 1, 2016 through June 30, 2016)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable (△: decrease)	102,163	70,252
Amount received from long-term loans	3,121	114
Payments for long-term loans	△1,326	△8,640
Dividends paid	△1,466	△1,556
Dividends paid for non-controlling shareholders	△2,777	△28
Payments for acquisition of minority shares	△4,166	△61,303
Payments for acquisition of treasury stock	△0	△0
Amount received from disposal of treasury stock	-	0
Other	△259	△216
Cash flow from financing activities	95,287	△1,378
Differences from currency translation associated with cash and cash equivalents	568	△9,241
Increase (decrease) in cash and cash equivalents (△: decrease)	32,277	△30,618
Opening balance of cash and cash equivalents	8,563	83,577
Cash and cash equivalents at the end of the period	40,841	52,959

(6) Notes on going concern assumption

Not applicable.

(7) Notes on quarterly consolidated financial statements

1. Reporting Entity

DMG MORI Co., Ltd. (the "Company") is a company established under Japanese law. The Company domiciles in Japan and its registered office is located in 106 Kitakoriyama-cho, Yamato-Koriyama City, Nara.

The consolidated financial statements of the Company are reported as of June 30, 2016 and composed of the Company, its associates and equity interests to related companies (the "Group"). The Group engages in businesses related to providing total solutions utilizing of machine tools (Machining Centers, Turning Centers, Turn-Mill Complete Machining Centers, Universal Milling machines for 5-axis machining) , software (user interface, installation software), measuring devices with service support, application and engineering.

2. Basis of preparations

(1) Accounting standards complied with

These quarterly consolidated financial statements have been prepared in accordance with IFRS 34 Interim Financial Reporting, pursuant to the provisions set forth in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements, etc. (Cabinet Office Ordinance No. 64 of 2007), as they satisfy all of the requirements for a "Specified Company" prescribed in Article 1-2, Paragraph 1, Item (i), (a) – (c) and (d)-3 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007).

(2) Basis of Measurement

These quarterly consolidated financial statements have been prepared on a historical cost basis, with the exception of some financial assets which are measured at fair value.

(3) Presentation currency and units used

These quarterly consolidated financial statements are presented in Japanese yen, with figures less than one million yen being rounded down.

(4) Change in fiscal year end

In last fiscal year, the consolidated fiscal year end changed from March 31 to December 31. Please note that the comparable period of current second quarter (from January 1, 2016 to June 30, 2016) is disclosed as from January 1, 2015 to June 30, 2015, based on IAS 34 Interim Financial Reporting.

3. Segmental information

(1) Scope of segment reporting

The reporting segments of the Group is based on the business areas where independent financial statements are available and that are regularly reviewed by executive boards for the purposes of decision-making on the allocation of management resources and evaluation of profitability. The segments are divided according to products and services that the Group deals with and difference in internal reporting and management method associated with the products and services.

The business activities of the Group are categorized into the business segments of "Machine Tools" and "Industrial Services".

(2) Calculation method of net sales, income or loss and other items by each reportable segment

The amount of segment income (loss) is based on operating income (loss) and Share of profits of at equity-accounted investments. Inter-segment sales and transfers between the segments are the prices determined based on the market prices.

(3) Segment sales and income

The segment sales and income by each reportable segment are summarized as follows.

Second quarter ended June 30, 2015 (January 1, 2015 through June 30, 2015)

(Yen in Millions)

	Reporting Segments			Adjustment (Note)		
	Machine Tools	Industrial Services	Total	Corporate	Adjustment	Figures in consolidated statements of income
Sales revenues						
Sales revenues with third parties	114,647	37,251	151,889	7	-	151,906
Sales revenues with other segments	60,379	11,570	71,950	704	△72,654	-
Total	175,027	48,822	223,849	712	△72,654	151,906
Segment income	22,883	20,812	43,695	△5,936	2,725	40,484
Financial income						246
Financial expense						△755
Earnings before taxes						39,976

(Note) “Adjustment” includes trade elimination of inter-segment trade amounts and net profit of corporate functions.

Second quarter ended June 30, 2016 (January 1, 2016 to June 30, 2016)

(Yen in Millions)

	Reporting Segments			Adjustment (Note)		
	Machine Tools	Industrial Services	Total	Corporate	Adjustment	Figures in consolidated statements of income
Sales revenues						
Sales revenues with third parties	130,664	54,661	185,306	13	-	185,320
Sales revenues with other segments	60,932	12,186	73,118	1,364	△74,482	-
Total	191,577	66,847	258,424	1,377	△74,482	185,320
Segment income	6,099	3,597	9,697	△6,493	252	3,456
Financial income						255
Financial expense						△1,372
Earnings before taxes						2,340

(Note) “Adjustment” includes trade elimination of inter-segment trade amounts and net profit of corporate functions.

4. Significant subsequent event

Raising of Funds by Perpetual Subordinated Loan

On August 5, 2016, the Company has entered into an agreement relating to the raising funds of a total of 40 billion yen by a perpetual subordinated loan (hereinafter “the subordinated loan”) as detailed below.

(1) 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”) 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.

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.

(2) Overview of Subordinated Loan

1.	Amount	40 billion yen
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.
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.
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
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.)

For details, please refer to “Notice concerning Raising of Funds by Perpetual Subordinated Loan” announced on August 5, 2016.