Date: November 7, 2016

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

(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the third quarter announced on November 7, 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

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Filing date of quarterly financial statements: November 11, 2016

Estimated starting date of dividend paying: -

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 third quarter ended September 30, 2016 (January 1, 2016 to September 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	%
Third quarter ended September 30, 2016	267,768	-	2,595	-	786	-	90	-	Δ1,879	-	Δ28,386	-
Third quarter ended September 30, 2015	252,576	-	39,508	-	39,200	-	37,009	-	36,094	-	29,417	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third quarter ended September 30, 2016	Δ16.01	Δ16.01
Third quarter ended September 30, 2015	283.86	283.86

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

The Company consolidated DMG MORI AKTIENGESELLSCHAFT (hereinafter “AG”) from April, 2015, a part of consolidated business results of the third quarter ended September 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. For details, please refer to the "1.Qualitative Information Regarding Quarterly Settlement of Accounts (1) Explanation of consolidated operating results" on page 2.

(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
September 30, 2016	510,679	101,785	99,926	19.6	832.59
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 due to the effect of accounting of additional acquisition of AG shares and deemed acquisition due to enforcement of the Domination Agreement 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 14.9%), and accounting of hybrid capital through raising funds by a perpetual subordinated loan and perpetual subordinated bonds (Increase of approximately 9.7%). For details, please refer to the "3.Quarterly Consolidated Financial Statements (7) Notes on quarterly consolidated financial statements 4.The Domination Agreement and 5.Hybrid capital" on page 16.

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	370,000	-	2,000	-	△8,000	-	△66.66

(Note)

Revision of consolidated earnings forecast in the current quarter: Yes

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.

For the earnings forecast for the fiscal year 2016, the loss is estimated to be approximately 13,000 million yen mainly for the following reasons: impact of the strong yen; liquidation of the negative legacies (withdraw from the energy business including photovoltaic generation in Europe, and elimination and consolidation of production bases including Chiba, Switzerland, France and Shanghai for optimal production); realignment of manpower due to organizational restructuring; and liquidation of subsidiaries. (Tax effect of the loss is not considered.) Therefore, the sales revenues, the operating result and the income attributable to owners of the parent company in the forecast for 2016 shown above have been changed accordingly. For details, please refer to the "1.Qualitative Information Regarding Quarterly Settlement of Accounts (3) Explanation of forecasts and other projections" on page 4.

4. Others

(1) Changes in significant subsidiaries during the third quarter ended September 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 5

(3) Number of shares outstanding (Common stock)

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

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

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

September 30, 2016: 12,924,596 December 31, 2015: 12,924,543

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

January - September 2016: 120,019,128 January - September 2015: 127,155,308

- 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 November 7, 2016.

(Attached Documents) Index

1. Quantitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of consolidated operating results

During the third quarter of the fiscal year 2016 (from July 1 to September 30, 2016), the sales revenues were 267,768 million yen (2,209,672 thousand EUR), and the operating result was 2,595 million yen (21,422 thousand EUR), and earnings before taxes were 786 million yen (6,494 thousand EUR). The income attributable to owners of the parent company was △1,879 million yen (△15,509 thousand EUR).

(Euro is converted to yen at 121.2 yen, the average exchange rate between January 2016 and September 2016.)

The Domination and Profit and Loss Transfer Agreement between our consolidated company, DMG MORI GmbH, and DMG MORI AKTIENGESELLSCHAFT (hereinafter called AG) has become effective upon its registration in the commercial register of AG. As it enables us to fully make the most of the integrated group-wide resources, we will further accelerate parts standardization, and integration of models and purchasing systems, in addition to re-structuring of the global production bases for optimal use of our production capacity.

As for the business strategies, we are proactively working on implementation of IoT (Internet of things). In September 2016, we reached an agreement on technological cooperation for security of machine tool control systems and implementation of “Smart Factory” with Microsoft Japan. While “Smart Factory” using IoT technologies is increasingly drawing an attention in the industrial fields, some factories and infrastructure such as power plants have been cyber-attacked, and security of control systems has become one of the most urgent issues today. In such a background, the company and Microsoft Japan, with a solid record of providing security services on a global scale, work in collaboration to tackle various issues including security measures for control systems. We also facilitate Open Innovation using IoT technologies. For example, we will join in the development of the FANUC IoT platform, “FIELD system,” as one of the total integration partners.

In September, we reached a partnership agreement with TOYOTA team in the TOYOTA GAZOO Racing of the FIA World Rally Championship (WRC). The engine mounted on the rally car is manufactured at Toyota Motorsport GmbH where many of our products are being employed. A great number of the car parts are actually machined on the DMG MORI machines. We continue our strong commitment to providing the best for the automotive industry as a system integrator of the manufacturing field, contributing to “production of better cars” through the WRC.

As for the product, we released the CMX V series models, solution-based machines for every shop floor. The series offers a total of 290 options of every DMG MORI vertical machining center. The flexible customization enables customers to build optimal machines of their own according to their needs. As the series is also compatible with nine types of DMG MORI Technology Cycles offered as an option, it can contributes to boosting customers’ productivity with high versatility to handle wide ranges of workpieces in various fields.

As for the sales, we participated in some international exhibition shows: “IMTS 2016” in Chicago, the U.S. and “AMB 2016” in Stuttgart, Germany in September and “BIMU 2016” in Milan, Italy in October. In the events, we showcased the world premiere models, cutting-edge machines, IoT technologies for smart factories and smart machines, and automation system solution technologies combining machines with robots and pallet and workpiece transfer systems in an effort to meet the growing demand for automation, systemization and full turnkey production. The DMG MORI Technology Cycles were also put on display as a total solution for efficient production.

DMG MORI is determined to further enhance its product and service quality and provide high value-added solutions for customers. We also promote Open Innovation by collaborating with our partner companies in pursuit of co-existence and co-prosperity with them and strive to maximize our corporate value.

As for the demand for machine tools, the order result for January to September 2016 announced by Japan Machine Tool Builders’ Association is 19% behind the compatible nine-month figure for 2015. The orders of DMG MORI for the same period lag its 2015 pace by 8.5% on a yen basis, but 1.8% higher on a euro basis.

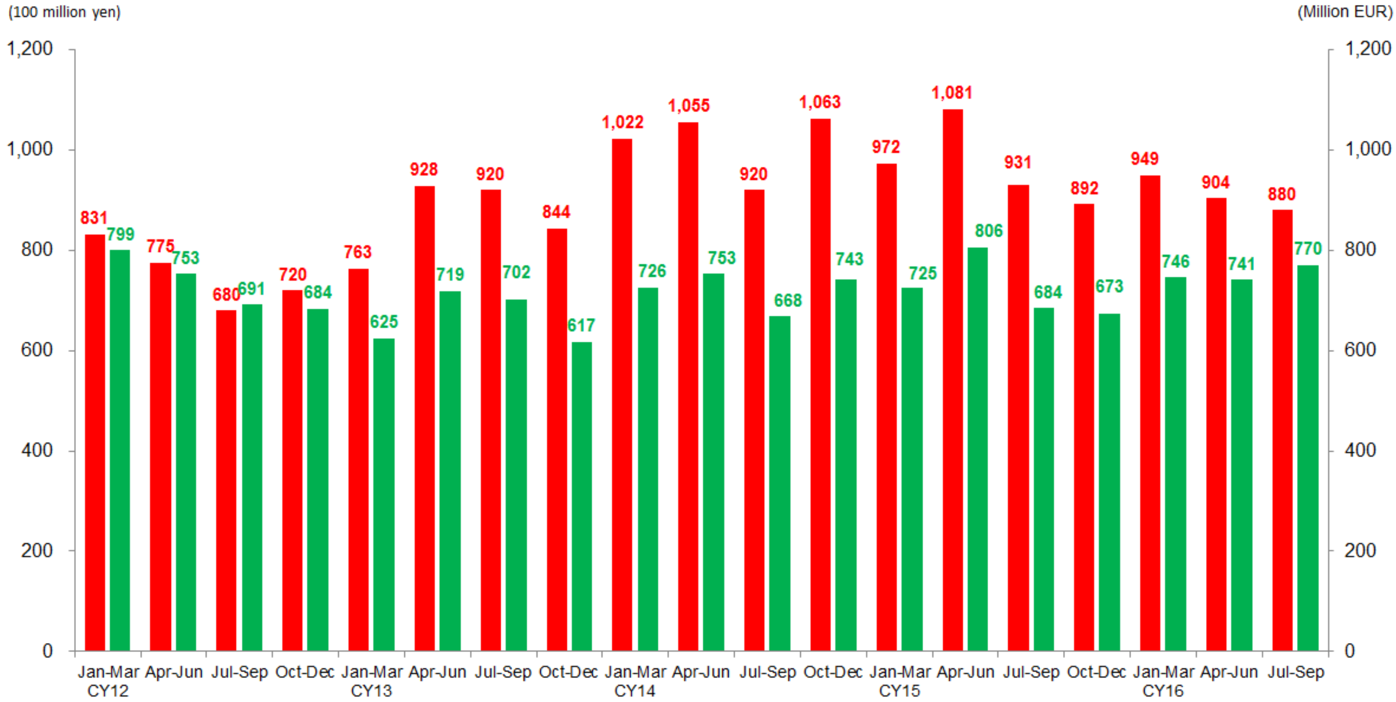
In Japan, the domestic market made a temporary recovery due to the government subsidy, but the demand is on the decline and lower than the last year’s total. We will make utmost efforts to gain orders, taking advantage of our expertise and superiority in providing solutions at the Tokyo Show (JIMTOF) scheduled in November.

In North America, we are in a correction time phase. The shift to direct-to-customer sales and service model is getting on the right track, and the orders are higher on a yen basis compared to the last year result. At IMTS held in Chicago in September, we received favorable reviews for the world premiere CMX V Series models, the solution-based machines, as well as our approach to “IoT” aiming at improvement of customers’ productivity.

In Europe, orders remain robust, and the result is higher than the last year’s total on a yen basis. The exhibitions and private shows draw a great number of customers, so it is expected that the demand keeps moderately increasing.

In the markets in China and other Asian and Oceania countries, the demand continues to decline. Among those countries, on the other hand, Taiwan, Vietnam and Australia are making a good showing. With the demand in other countries and regions bottomed out, we expect the market is on its way to recovery.

<Reference> Quarterly consolidated order intake (Yen in 100 millions and EUR in millions)



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

<Consolidated results>

Consolidated results as of the end of third quarter is as follows:

<Reference> Unit : Billion yen (Million EUR)

	January through September, 2015	January through September, 2016	Difference
Sales revenues	306.7 (2,275)	267.7 (2,209)	∆38.9 (∆65)
Operating result Operating result margin ratio	48.7 (361) 15.9%	2.5 (21) 1.0%	∆46.0 (∆339) ∆14.9% pts.
Adjusted operating result (excluding special items) Adjusted operating result margin ratio	23.0 (170) 7.5%	3.3 (27) 1.2%	∆19.7 (∆143) ∆6.3% pts.
Income attributable to owners of the parent company	38.5 (286)	∆1.8 (∆15)	∆40.4 (∆301)

* For reference, the figures for January through September, 2015 are consolidated business result where 100% of AG's financial result is incorporated.

Euro amounts are converted to yen by average rate of fiscal period respectively: 134.8 yen for the figures for January through September, 2015, and 121.2 yen for the figures for January through September, 2016.

Special items include appraisal gains on AG shares (gains on step acquisition), loss on liquidation of the negative legacies and so on.

Please note that income attributable to owners of the parent company from AG's results is based on shareholding ratio (Jan.-Jun. 2015: 52.54%, Jul.-Sep. 2015: 58.93%, Jan.-Mar. 2016: 60.67%, Apr.-Sep. 2016: 76.03%)

(2) Explanation of consolidated financial position

Total assets at the end of the third quarter of fiscal year 2016 amounted to 510,679 million yen. Total equity is 101,785 million yen and ratio of equity attributable to owners of the parent company is 19.6%.

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 due to the effect of accounting of additional acquisition of AG shares and deemed acquisition due to enforcement of the Domination Agreement 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 14.9%), and accounting of hybrid capital through raising funds by a perpetual subordinated loan and perpetual subordinated bonds (Increase of approximately 9.7%)

(3) Explanation of forecasts and other projections

For the earnings forecast for the fiscal year 2016, the loss is estimated to be approximately 13,000 million yen mainly for the following reasons: impact of the strong yen; liquidation of the negative legacies (withdraw from the energy business including photovoltaic generation in Europe, and elimination and consolidation of production bases including Chiba, Switzerland, France and Shanghai for optimal production); realignment of manpower due to organizational restructuring; and liquidation of subsidiaries. (Tax effect of the loss is not considered.) Therefore, the sales revenues, the operating result and the income attributable to owners of the parent company in the forecast for 2016 shown above have been changed accordingly.

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.

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

Unit : Billion yen

(Million EUR)

	Announced on May 10 Jan. through Dec., 2016	Announced on Nov. 7 Jan. through Dec., 2016	Difference	<Reference> Jan. through Dec., 2015
Sales revenues	410.0 (3,264)	370.0 (3,125)	△40.0 (△139)	428.4 (3,189)
Operating result Operating result margin ratio	25.0 (199) 6.1%	2.0 (16) 0.5%	△23.0 (△182) △5.6% pts.	41.1 (306) 9.6%
Adjusted operating result (excluding special items) Adjusted operating result margin ratio	25.0 (199) 6.1%	15.0 (126) 4.1%	△10.0 (△72) △2.0% pts.	36.0 (268) 8.4%
Income attributable to owners of the parent company	14.5 (115)	△8.0 (△67)	△22.5 (△183)	32.4 (241)

* For reference, the figures for January through December, 2015 are consolidated business result where 100% of AG's financial result is incorporated.

Euro amounts are converted to yen by 134.3 yen for the figures for January through December, 2015. For the forecast from January through December, 2016, 125.6 yen for the figures announced on May 10 and 118.4 yen for the figures announced on November 7 is used for conversion, respectively.

Special items include appraisal gains on AG shares (gains on step acquisition), loss on liquidation of the negative legacies and so on.

Please note that income attributable to owners of the parent company from AG's results is based on shareholding ratio.

(Jan.-Jun. 2015: 52.54%, Jul.-Sep. 2015: 58.93%, Oct. 2015 -Mar. 2016: 60.67%, Apr.-Sep. 2016: 76.03%)

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 third quarter ended September 30, 2015 (January 1, 2015 through September 30, 2015).

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	December 31, 2015	September 30, 2016
(Assets)		
Short-term assets		
Cash and cash equivalent	83,577	32,783
Trade and other receivable	54,958	45,098
Other financial assets	5,489	6,625
Inventories	129,943	128,401
Other short-term assets	10,592	11,281
Total short-term assets	284,561	224,191
Long-term assets		
Tangible assets	141,919	129,774
Goodwill	68,218	60,859
Other intangible assets	72,834	62,049
Other financial assets	17,560	15,422
Equity accounted investments	2,230	1,852
Deferred taxes	4,047	6,171
Other long-term assets	6,663	10,357
Total long-term assets	313,473	286,488
Total assets	598,034	510,679

(Yen in Millions)

	December 31, 2015	September 30, 2016
(Liabilities)		
Short-term debts		
Trade and other payables	66,648	44,106
Bonds and borrowings	100,692	42,746
Payment received on accounts	18,757	22,754
Other short-term financial liabilities	780	5,059
Accrued income taxes	5,733	3,709
Short-term provisions	25,752	21,885
Other short-term liabilities	5,385	4,199
Total short-term debts	223,750	144,460
Long-term debts		
Bonds and borrowings	116,210	159,491
Other long-term financial liabilities	4,307	86,390
Pension provisions	6,224	6,877
Other long-term provisions	4,788	3,823
Deferred income taxes	8,664	5,996
Other long-term liabilities	1,980	1,854
Total long-term debts	142,175	264,434
Total liabilities	365,926	408,894
Equity		
Subscribed capital	51,115	51,115
Capital provision	53,057	-
Hybrid capital	-	49,505
Treasury stock	△23,768	△23,768
Revenue provisions	71,466	39,900
Other components of equity	3,399	△16,827
Total equity attributable to owners of the parent company	155,270	99,926
Non-controlling interests' share of equity	76,837	1,859
Total equity	232,107	101,785
Total liabilities and equity	598,034	510,679

(2) Quarterly consolidated statements of income

(Yen in Millions)

		Third quarter ended September 30, 2015 (January 1, 2015 through September 30, 2015)	Third quarter ended September 30, 2016 (January 1, 2016 through September 30, 2016)
Revenue			
Sales revenues		252,576	267,768
Gains on step acquisition		37,296	-
Other operating revenues		3,118	4,361
Operating performance		292,991	272,129
Cost			
Changes in finished goods and work in progress	(*)	△1,854	△4,653
Cost of raw materials, consumables and goods for resale	(*)	115,418	121,104
Personnel costs	(*)	70,500	85,897
Depreciation and amortization	(*)	11,222	12, 356
Other operating expenses	(*)	58,195	54,828
Total cost		253,482	269,533
Operating result		39,508	2,595
Financial income		357	313
Financial expense		1,443	2,205
Share of profits of at equity-accounted investments		777	83
Earnings before taxes		39,200	786
Income taxes		2,191	696
Quarterly profit		37,009	90
Quarterly profit attributable to:			
Owners of the parent company		36,094	△1,879
Non-controlling interests		915	1,969
Quarterly profit		37,009	90
Quarterly profit per share			
Basic earnings or loss (△) per share (yen)		283.86	△16.01
Diluted earnings or loss (△) per share (yen)		283.86	△16.01

(*) Since AG is consolidated from April 1st, 2015, a part of consolidated business results of the third quarter ended September 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 △5,527 million yen, Cost of raw materials, consumables and goods for resale 142,076 million yen, Personnel costs 88,155 million yen, Depreciation and amortization 12,831 million yen, and Other operating expenses 70,049 million yen.

(3) Quarterly consolidated statements of comprehensive income

(Yen in Millions)

	Third quarter ended September 30, 2015 (January 1, 2015 through September 30, 2015)	Third quarter ended September 30, 2016 (January 1, 2016 through September 30, 2016)
Quarterly profit	37,009	90
Other comprehensive income		
Items never reclassified to profit or loss		
New calculation of benefit-oriented pension plans	△442	△1,030
Sum of items never reclassified to profit or loss	△442	△1,030
Items that will be reclassified to profit or loss		
Differences from currency translation	△663	△25,657
Changes in market value of hedging instruments	308	△150
Change in the fair value measurement of available-for-sale assets	△409	△1,424
Share of other comprehensive income of associates accounted for using equity method	△6,384	△214
Sum of items which are reclassified to profit or loss	△7,149	△27,445
Total other comprehensive income	△7,591	△28,476
Total comprehensive income	29,417	△28,386
Total comprehensive income attributable to:		
Owners of the parent company	26,635	△22,852
Non-controlling interests	2,782	△5,533
Total	29,417	△28,386

(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	Hybrid Capital	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					36,094		36,094	915	37,009
Other comprehensive income						△9,458	△9,458	1,867	△7,591
Comprehensive income					36,094	△9,458	26,635	2,782	29,417
Issue of hybrid capital							―		―
Issue cost of hybrid capital							―		―
Dividend payment					△3,121		△3,121	△2,796	△5,917
Share-based payment transactions							―		―
Change in equity in affiliates accounted for by equity method				△2,419			△2,419		△2,419
Change due to business combination				△5,925		4,057	△1,867	84,517	82,649
Transfer other components of equity to revenue provisions					△253	253	―		―
Other				△1	△2	2	△1	0	△1
Total of the contribution by owner and distribution to the owner	―	―	―	△8,346	△3,376	4,313	△7,410	81,721	74,311
Purchase of non-controlling interests		△14,202		△1,535			△15,737	△11,050	△26,788
Acquisition of non-controlling interests with recourse							―		―
Amount of change of Ownership interest for Subsidiary company	―	△14,202	―	△1,535	―	―	△15,737	△11,050	△26,788
As of September 30, 2015	51,115	49,983	―	△13,492	74,658	5,432	167,697	77,783	245,481

(Yen in Millions)

	Equity attributable to owner of the parent company							Non-controlling interest share of equity	Total equity
	Subscribed capital	Capital provision	Hybrid Capital	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					△1,879		△1,879	1,969	90
Other comprehensive income						△20,973	△20,973	△7,503	△28,476
Comprehensive income					△1,879	△20,973	△22,852	△5,533	△28,386
Issue of hybrid capital			50,000				50,000		50,000
Issue cost of hybrid capital			△494				△494		△494
Dividend payment					△3,121		△3,121	△1,402	△4,523
Share-based payment transaction						0	0		0
Change in equity in affiliates accounted for by equity method							—		—
Change due to business combination							—	65	65
Transfer other components of equity to revenue provisions					△745	745	—		—
Other		△0		△0			△0		△0
Total of the contribution by owner Distribution to the owner	—	△0	49,505	△0	△3,866	746	46,385	△1,336	45,048
Purchase of non-controlling interests		△32,552					△32,552	△28,990	△61,543
Acquisition of non-controlling interests with recourse		△20,505			△25,819		△46,325	△39,116	△85,441
Amount of change of Ownership interest for Subsidiary company	—	△53,057	—	—	△25,819	—	△78,877	△68,107	△146,984
As of September 30, 2016	51,115	—	49,505	△23,768	39,900	△16,827	99,926	1,859	101,785

(5) Quarterly consolidated statements of cash flows

(Yen in Millions)

	Third quarter ended September 30, 2015 (January 1, 2015 through September 30, 2015)	Third quarter ended September 30, 2016 (January 1, 2016 through September 30, 2016)
Cash flow from operating activities		
Earnings before taxes	39,200	786
Depreciation and amortization	11,222	12,356
Gain on step acquisition	△37,296	－
Loss (gain) on sales/disposal of fixed assets (△: gain)	△57	△35
Financial results (△: gain)	1,085	1,892
Equity in loss (gain) of equity method (△: gain)	△777	△83
Other expense (income) not affecting payments (△: income)	△2,171	50
Changes in Inventories (△: increase)	△6,339	△6,596
Changes in trade and other receivables (△: increase)	△2,408	2,918
Changes in trade and other payables (△: decrease)	1,268	△18,453
Change in provisions (△: decrease)	1,771	430
Others	△800	△3,616
Sub total	4,699	△10,351
Interest received	160	121
Dividends received	356	192
Interest paid	△1,394	△1,819
Income tax paid	△7,565	△4,650
Cash flow from operating activities	△3,743	△16,507
Cash flow from investment activities		
Amount paid out for investments in tangible assets	△14,040	△7,114
Amount received from the sale of tangible assets	1,102	818
Amount paid out for investments in intangible assets	△2,818	△2,482
Amount paid out for investments in subsidiary stocks	△5,091	△1,045
Amount paid out for purchase of affiliates stocks	△50,634	-
Amount received from the sale of securities	144	500
Other	△35	△180
Cash flow from investment activities	△71,373	△9,506

(Yen in Millions)

	Third quarter ended September 30, 2015 (January 1, 2015 through September 30, 2015)	Third quarter ended September 30, 2016 (January 1, 2016 through September 30, 2016)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable (△: decrease)	39,105	△57,542
Amount received from long-term loans	93,578	59,870
Payments for long-term loans	△1,326	△16,607
Amount received from issue of bonds	-	29,872
Payments for redemption of bonds	-	△15,000
Amount received from issue of hybrid capital	-	49,505
Dividends paid	△3,060	△2,946
Dividends paid for non-controlling shareholders	△2,796	△1,402
Payments for acquisition of minority shares	△22,451	△61,422
Other	△741	△716
Cash flow from financing activities	102,308	△16,389
Differences from currency translation associated with cash and cash equivalents	△77	△8,390
Increase (decrease) in cash and cash equivalents (△: decrease)	27,113	△50,793
Opening balance of cash and cash equivalents	8,563	83,577
Cash and cash equivalents at the end of the period	35,677	32,783

(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 September 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, technology cycles (embedded software) etc.), 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 third quarter (from January 1, 2016 to September 30, 2016) is disclosed as from January 1, 2015 to September 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.

Third quarter ended September 30, 2015 (January 1, 2015 through September 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	186,584	65,977	252,561	14	-	252,576
Sales revenues with other segments	89,958	17,962	107,921	1,422	△109,344	-
Total	276,543	83,939	360,483	1,437	△109,344	252,576
Segment income	25,151	19,643	44,795	△9,010	4,501	40,286
Financial income						357
Financial expense						△1,433
Earnings before taxes						39,200

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

Third quarter ended September 30, 2016 (January 1, 2016 to September 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	187,535	80,212	267,748	19	-	267,768
Sales revenues with other segments	87,672	18,136	105,808	1,983	△107,792	-
Total	275,207	98,349	373,556	2,003	△107,792	267,768
Segment income	6,551	4,381	10,933	△8,414	160	2,679
Financial income						313
Financial expense						△2,205
Earnings before taxes						786

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

4. The Domination Agreement

(1) Entry into force of the Domination Agreement

On August 24, 2016, the Domination Agreement between DMG MORI GmbH, one of our consolidated subsidiary, and AG came into effect. Due to this effect, in case any purchase claim of AG's stocks is made from shareholders of AG except for DMG MORI GmbH (hereinafter "minority shareholders"), DMG MORI GmbH shall accept of this claim. And also, DMG MORI GmbH shall offer recurring compensation to minority shareholders every full fiscal year.

(2) Summary of accounting

Due to effect of the Domination Agreement, the Company recognizes discount cash flow of estimated payout amount in the future as other financial liabilities.

As a result, the Company recognizes following fluctuations on liabilities, minority interests, capital provision and revenue provisions.

Increase of liabilities	:	85,441 million yen
Decrease of minority interests	:	39,116 million yen
Decrease of capital provision	:	20,505 million yen
Decrease of revenue provisions	:	25,819 million yen

5. Hybrid capital

The Company raised funds by 40 billion yen of a perpetual subordinated loan (hereinafter "the subordinated loan") and 10 billion yen of a perpetual subordinated bonds (hereinafter "the subordinated bonds") in August, 2016.

The subordinated loan and the subordinated bonds are 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 financed from the subordinated loan and the subordinated bonds after deducting issue costs are recorded as "Hybrid capital" under "Equity" in the quarterly consolidated financial statements.

1. Overview of Subordinated Loan

(1).	Amount	40 billion yen
(2).	Lender	Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation
(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)	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%.
(6)	Clauses relating to payment of interest	Optional deferral of interest payment is possible.
(7)	Subordinated loan clause	Creditors of the subordinated loan have right to claim payment that is subordinate to all senior creditors in case of subordinate events subject to loan contract (liquidation, etc.)

2. Overview of Subordinated Bonds

(1). Amount — 10 billion yen

(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) Interest rate — From September 2, 2016 to September 2, 2021: Fixed interest

From September 3, 2021 onward: Variable interest based on 6-month Japanese yen LIBOR

(5) Clauses relating to payment of interest

Optional deferral of interest payment is possible.

(6) Subordinated clause — Creditors of the subordinated loan have right to claim payment that is subordinate to all senior creditors in case of subordinate events subject to loan contract (liquidation, etc.)

(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 yen.

(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

6. Significant subsequent event

Not applicable.