Date: February 10, 2017

Summary of Consolidated Financial Statements for the Fiscal Year 2016 ended December 31, 2016 (IFRS basis)

(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the Fiscal Year 2016 announced on February 10, 2017)

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

Expected date of the ordinary general shareholders' meeting: March 22, 2017

Estimated starting date of dividend paying: March 23, 2017

Filing date of financial statements: March 22, 2017

Preparation of supplementary explanatory materials: Yes

Holding of financial statements release conference: Yes (for investment analysts and institional investors)

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

1. Consolidated business results of the fiscal year 2016 ended December 31, 2016 (January 1, 2016 to December 31, 2016)

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

	Sales revenues		Operating result		Earnings or losses before Taxes		Net income or loss		Income or loss attributable to owners of the parent company		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2016	376,631	-	1,961	-	△1,064	-	△5,749	-	△7,826	-	△27,771	-
Comparable period (Jan.-Dec. 2015)	374,290	-	39,968	-	39,019	-	35,200	-	32,985	-	23,387	-

	Basic earnings or l osses per share	Diluted earnings per share	Ratio of net income to equity, attributable to owners of the parent company	Ratio of income before income tax to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2016	△67.80	△67.80	△6.1	△0.2	0.5
Comparable period (Jan.-Dec. 2015)	264.99	264.99	20.8	8.5	10.7

(Note)

・The company changed the fiscal year-end from March 31 to December 31. Following this change, the comparable period of the fiscal year ended December 31, 2016 is from January 1 through December 31, 2015.

・The Company consolidated DMG MORI AKTIENGESELLSCHAFT (hereinafter "AG") from April, 2015, a part of consolidated business results of the comparable period (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.

・In the results of fiscal year ended December 31, 2016, approximately 110 million yen of loss is included, which arose from liquidating overlapping assets, one-off expense from withdrawing from non-core business and gain on sales of investment securities.

・Basic earnings or losses per share of fiscal year ended December 31, 2016 is based on the loss amount which excludes earnings or losses attributable to owner of hybrid capital.

(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 per share attributable to owners of the parent company
	million yen	million yen	million yen	%	million yen
December 31, 2016	558,222	102,482	100,449	18.0	836.25
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 14.1%), and accounting of hybrid capital through raising funds by a perpetual subordinated loan and perpetual subordinated bonds (Increase of approximately 8.9%).

・Ratio of equity attributable to owners of the parent company is based on the equity amount which includes amounts of hybrid capital.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at the end of the fiscal year
	million yen	million yen	million yen	million yen
December 31, 2016	18,237	△10,008	△18,376	67,750
Comparable period (Jan.-Dec. 2015)	31,725	△79,173	124,102	83,577

2. Dividends

	Dividends per share					Total amount of dividends (Annual)	Dividend payout ratio (Consolidated)	Ratio of dividend to equity attributable to owners of the parent company (Consolidated)
(Record date)	First Quarter	Second Quarter	Third Quarter	The end of the term	Year			
	yen	yen	yen	yen	yen	million yen	%	%
December 31, 2015	13. 00	—	—	13. 00	26. 00	3,287	12.0	2.1
December 31, 2016	—	13.00	—	13. 00	26. 00	3,121	—	3.1
December 31, 2017 (forecast)	—	15. 00	—	15. 00	30. 00		36.3	

3. Consolidated earnings forecast for Fiscal Year 2017 (January 1, 2017 to December 31, 2017)

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

	Sales Revenue		Operating result		Income attributable to owners of the parent company		Basic earnings per share
	million yen	%	million yen	%	million yen	%	yen
Full Year 2017	380,000	0.9	22,000	1,021.9	11,000	-	82.67

(Note) Exchange rate used for consolidated earnings forecast for FY2017: JPY 110/USD, JPY 100/EUR (FY2016：JPY 108.8/USD, JPY 120.3/EUR)

※Notes

(1) Changes in significant subsidiaries during the fiscal year 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

(3) Number of shares outstanding (Common stock)

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

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

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

December 31, 2016: 12,924,920 December 31, 2015: 12,924,543

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

January - December 2016: 120,019,093 April - December 2015: 124,479,251

- Information regarding implementation of review procedures

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

Also, the Group disclosed the figures of comparable period as same period of last year (January 1 through December 31, 2015), but they are different period from last fiscal year (April 1 through December 31, 2015) and are not subject to annual audit review procedures based on the Financial Instruments and Exchange Act.

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

From the fiscal year ended 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 the assumption of forecast of fiscal year 2016 and disclaimer for the use of forecast, please see "1. Analysis of management performance and consolidated financial status (2) Forecast for fiscal year 2017".

We will upload additional explanation documents to DMG MORI Website on February 10, 2017.

(Attached Documents)　Index

1. Analysis of management performance and consolidated financial status

(1) Explanation of operating results

During the fiscal year 2016 (from January 1 to December 31, 2016), the sales revenues were 376,631 million yen (3,130,766 thousand Euro), and the operating result was 1,961 million yen (16,307 thousand Euro), and losses before taxes were 1,064 million yen (8,850 thousand Euro). The loss attributable to owners of the parent company was 7,826 million yen (65,058 thousand Euro).

The Company had made a full review of its business and assets since the business partnership agreement with AG in 2009 up to the complete business unification in 2016, and we posted temporary expenses for liquidating overlapping assets and withdrawing from non-core business in the accounting year. As a result, the operating result before temporary profit including gain on sale of investment securities and temporary loss was 130 million yen (108 million EUR). Specific accounting procedures relating to the total unification was all completed by the end of 2016. We have established a well-balanced sales system where the combined sales amount of Japan, Germany and the U.S. accounts for approximately half the global total. In 2017 the profitability improvement of the U.S. subsidiary and the effect of the liquidation should lead us to higher profitability, and we will develop our corporate strategies with full determination.

The Domination and Profit and Loss Transfer Agreement, which aims at a unification of business and financial operations of the two companies, has become effective upon the registration in the commercial register of AG. It enabled us to fully make the most of the consolidated group-wide resource and to completely integrate the business management.

We will further facilitate management efficiency through integration of machines, parts standardization, common use of the customer management system and the service & parts system, and optimal use of our global production capacity.

As for the business strategies, we provide a wide range of solutions including IoT and Industry 4.0 technologies for customers in an effort to comprehensively meet their needs with innovative products and services. The Technology Cycles, equipped with DMG MORI's cutting-edge technologies, are whole new solutions that integrate four functions (Cutting Cycles, Handling Cycles, Measuring Cycles and Monitoring Cycles) with a machine body; open innovation products including cutting tools and peripheral equipment; embedded software; and a human-machine interface (HMI) such as CELOS. We plan on expanding the lineup of Technology Cycles by further optimizing data combinations of products, tools, materials and software.

The Company makes the most of new IT technologies, achieving “Smart Factory” where operation status of shop floor machines can be checked at a glance and managed via software called DMG MORI Messenger, and “Smart Company” where every shop floor machine operation across the world can be viewed with “Azure,” the Microsoft's cloud platform, as well as “Smart Machine” that improves operation efficiency with Technology Cycles. We make machine-to-factory and factory-to-factory networks in order to increase customers' productivity and benefits.

As for the sales, we participated in JIMTOF 2016 held in Tokyo last November and showcased 25 high-tech machines including 9 world premieres, and 21 types of Technology Cycles under a theme of “IoT/Industry 4.0 & DMG MORI Smart Factory.” Among others presented at the event are sensor-attached machines; “Machine tool 4.0” which is an innovation project with Schaeffler (Germany); and Robo2Go and the system consisting of module units and a robot as automated system solutions to improve operation efficiency of machines. They all received favorable reviews from the visitors.

As for the products and services, we began selling the CMX V series models, solution-based machines for every shop floor. The series offers a total of 290 standard options of every DMG MORI vertical machining center, making it possible for customers to build up their own customized machines according to their needs. The CMX V series can also be equipped with nine Technology Cycles, contributing to boosting customers' productivity.

Last November, we began offering the “CELOS Club Platinum” that extends the warranty period (free-of-charge repair and maintenance) from two years to five years for machines to be sold in Japan. The IoT support package added to the existing well-reputed CELOS Club provides remote maintenance service from DMG MORI factories and checks operation status of machines with sensing and monitoring functions. The “CELOS Club Platinum” offers a one-day inspection for every six month for five years.

In 2017, we will further strengthen our efforts towards “work style reform.” The company supports a well work-life balance between work and private time for employees by promoting work from home, adopting flexible working hours with a core time, and making mindset changing efforts to eliminate overtime work with an aim to proactively improve productivity and efficiency.

The Company is determined to enhance its product and service quality and to provide high value-added solutions for customers. We also go ahead with the Open Innovation strategy by collaborating with our partner companies in pursuit of co-existence and co-prosperity with them and maximize our corporate value.

As for the demand for machine tools, the order result for 2016 announced by Japan Machine Tool Builders' Association is 15.6% behind the compatible total for the previous year. The order result of the Company for the same period is 4.4% lower on a yen basis, but 6.8% higher on a euro basis.

In Japan, the market was in a correction phase in the first half and around the middle of the year. Toward the year end, however, it showed a positive momentum in orders thanks to the Tokyo Show (JIMTOF2016) held in November.

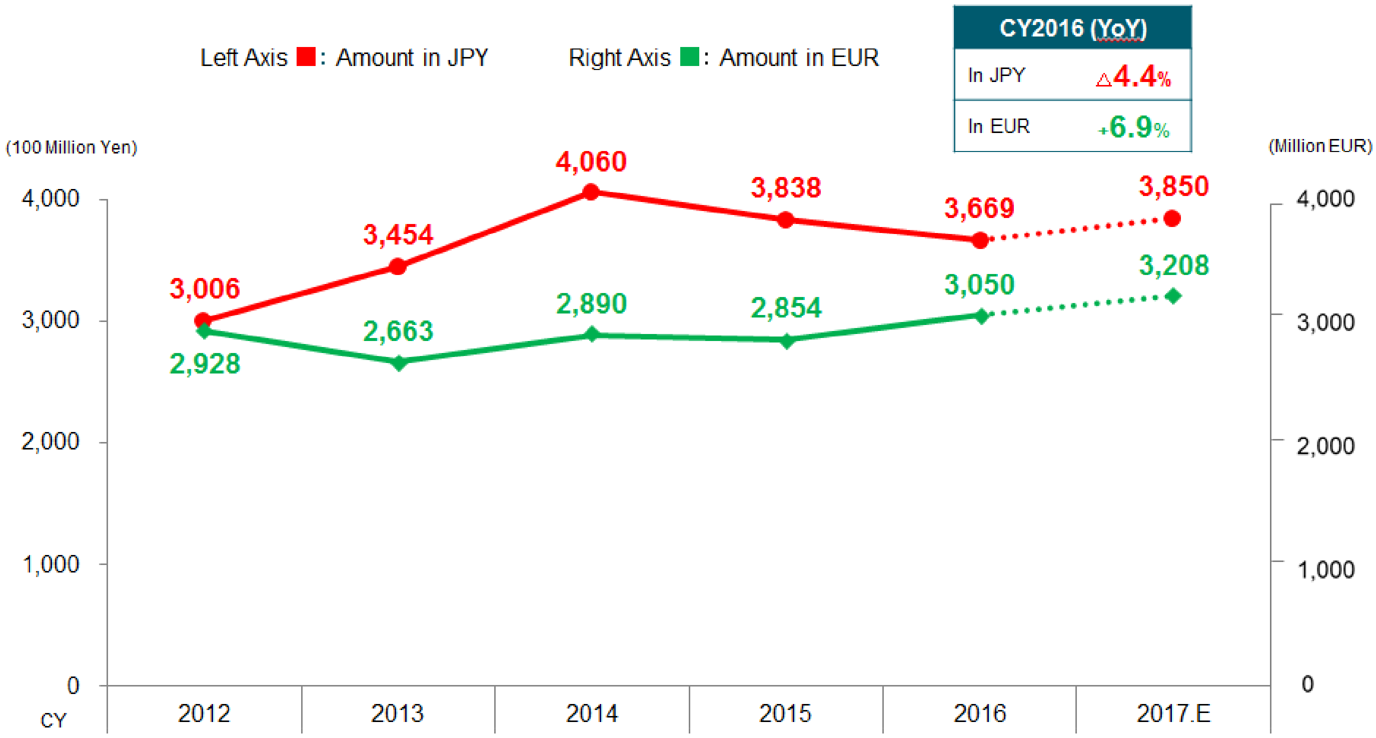
In North America, we see the shift to direct-to-customer sales and service model getting on the right track, and the orders are higher on a yen basis compared to the last year result. At IMTS held in Chicago in September, we received favorable reviews for the world premiere CMX V Series models, the solution-based machines, as well as our approach to "IoT" that aims to improve customers' productivity.

In Europe, the orders remain robust, and the result is higher than the previous year's total. The private shows draw a great number of visitors, so the demand is expect to keep increasing modestly.

In China, the market has almost bottomed out. During the second half of the year, the demand almost leveled off, keeping the same level as the comparable total for 2015. We still cannot expect a full comeback of the market, but the Beijing Show (CIMT) scheduled in April this year can be a great stimulant to the demand.

In Asia and Oceania, the demand is generally sluggish. Among the countries and regions, Taiwan, Vietnam, India and Australia are relatively making a good showing.

<Reference> 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 fiscal year.

<Consolidated results>

Consolidated results of fiscal year ended December 31, 2016 is as follows:

Unit : 100 Million yen

<For reference>

(Million Euro)

	January through December, 2015	January through December, 2016	Difference
Sales revenues	4,284 (3,190)	3,766 (3,131)	△518 (△59)
Operating result (excluding temporary income and loss)	360 (268)	130 (108)	△230 (△160)
Operating result / Sales revenue	8.4%	3.4%	△5.0%pts
Temporary income and loss	51 (38)	△110 (△91)	- -
Operating result	411 (306)	20 (16)	△391 (△290)
Operating result / Sales revenue	9.6%	0.5%	△9.1%pts
Income or loss attributable to owners of the parent company	324 (241)	△78 (△65)	△402 (△306)

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

・Euro amount is converted to yen at 134.3 yen for the figures of 2015 and 120.3 yen for the figures of 2016, the average exchange rate of fiscal year, respectively.

・Inside temporary income and loss, following items are included; appraisal gains on AG shares (gains on step acquisition) etc. for 2015, expenses for liquidating overlapping assets and withdrawing from non-core business in the accounting year and gain on sale of investment securities etc. for 2016.

・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%, After Oct. 2016: 100%, as a result of coming into force of Domination, Profit and Loss Transfer Agreement)

(2) Forecast for fiscal year 2017

In this business environment, the level of orders is expected to remain robust in Japan, Americas and Europe in the foreseeable future.

We, the DMG MORI CO., LTD. Group, will continue to accelerate the integration with AG in the field of development, manufacturing, sales and service, 165 area sales and service bases operate at full capacity and makes further efforts to increase our corporate value. The forecast for the business results (consolidated) for FY 2017 is as follows:

	Fiscal Year 2017 (January 1, 2017 to December 31, 2017)
Sales Revenue (million yen)	380,000
Operating result (million yen)	22,000
Income attributable to owners of the company (million yen)	11,000
Basic earnings per share (yen)	82.67

* The average yen-U.S. dollar market rate is set at 110 yen = U.S. $1.00 and the average yen-Euro market rate is set at 120 yen = € 1.00

Note concerning statements about the future, etc.

This material contains earnings estimates, plans, policies, business strategies, targets, forecasts, and perceptions and judgments about matters of fact concerning the future of DMG MORI CO., LTD. and the DMG MORI CO., LTD. Group. Its predictions, expectations, assumptions, plans, perceptions and judgments are based on information available to DMG MORI CO., LTD. as of the report date. For this reason, there is a possibility that actual results may differ from the forecasts above.

(3) Explanation of financial position

1. Assets, liabilities and equity

The comparison between fiscal year ended December 31, 2015 and fiscal year ended December 31, 2016 as follows:

・Assets

Short-term assets are 259,983 million yen and it is mainly because Cash and cash equivalents decreased by 15,826 million yen, Trade and other receivable decreased by 3,950 million yen and Inventories decreased by 7,771 million yen.

Long-term assets are 298,238 million yen and it is mainly because Tangible assets decreased by 4,477 million yen, Other intangible assets decreased by 6,487 million yen, Goodwill decreased by 2,577 million yen and other financial assets decreased by 4,249 million yen.

As a result, total assets are 558,222 million yen.

・Liabilities

Short-term liabilities are 180,261 million yen and it is mainly because Trade and other payables decreased by 10,787 million yen, Bonds and borrowings decreased by 54,732 million yen, while payment received on accounts increased by 7,925 million yen and other financial liabilities increased by 14,016 million yen.

Long-term liabilities are 275,477 million yen. It is mainly because Bonds and borrowings increased by 44,609 million yen and other financial liabilities increased by 90,516 million yen.

As a result total liabilities are 455,739 million yen.

・Equity

Equity is 102,482 million yen. It is mainly because Capital provision decreased by 53,057 million yen, revenue provision decreased by 36,602 million yen, other components of equity decreased by 14,666 million yen, Minority interests' share of equity decreased by 74,803 million yen, while hybrid capital increased by 49,505 million yen.

(Reference)

(Million Yen)	December 31, 2015	December 31, 2016	Change
Short-term assets	284,561	259,983	△24,578
Long-term assets	313,473	298,238	△15,234
Short-term liabilities	223,750	180,261	△43,489
Long-term liabilities	142,175	275,477	133,301
Equity	232,107	102,482	△129,625

2. Cash flows during fiscal year 2016

(Million yen)

	January 2015 to December 2015 (*)	Fiscal Year 2016 (January 2016 to December 2016)
Operating activities	14,816	18,237
Investing activities	△83,581	△10,008
Financing activities	119,771	△18,376
Cash and cash equivalents at the end of the year	83,577	67,750

(※) For reference, the figures are cash flows where 100% of AG's financial result are taken.

Status of cash flows and its fluctuation factors for the fiscal year ended December 31, 2016 are as follows:

・Cash flows from operating activities

Net cash provided in operating activities was 18,237 million yen. The main factors for the increase are 17,691 million yen of Depreciation and amortization, 2,065 million yen of decrease in inventories and 1,331 million yen of decrease in Trade and other receivables. The main factor for the decrease is 7,480 million yen of decrease in trade and other payables and 6,100 million yen of payment of income taxes.

・Cash flows from investing activities

Net cash paid out in investing activities was 10,008 million yen. The main factors for the increase are 4,963 million yen of amount received from the sale of securities and main factors for the decrease are acquisition of tangible assets of 11,607 million yen, acquisition of intangible assets of 3,634 million yen.

・Cash flows from financing activities

Net cash paid out in financing activities was 18,376 million yen. The main factors for the increase are 59,870 million yen of net increase in long-term bank loans, 29,872 million yen of amount received from issue of bonds and 49,505 million yen of amount received from issue of hybrid capital. The main factors for the decrease are 58,978 million yen of net decrease in short-term loans, 16,765 million yen of payments for long-term loans, 15,000 million yen of payments for redemption of bonds and 61,543 million yen of payments for acquisition of minority shares.

As a result, cash and cash equivalents as of December 31, 2016 are 67,750 million yen (decreased by 15,826 million yen from Dec. 31, 2015).

3. Trends in cash flow related indexes

	January 2015 to December 2015(*)	Fiscal Year 2016 (January to December 2016)
Shareholders' equity ratio (%)	26.0	18.0
Shareholders' equity ratio at fair value (%)	28.6	30.5
Cash flow to interest bearing loans ratio (%)	1,496.1	1,164.3
Interest coverage ratio (times)	6.3	6.0

(Notes) Shareholders' equity ratio: Shareholders' equity / total assets

Shareholders equity ratio at fair value: Market value of listed shares / total assets

Cash flows to interest-bearing loans ratio: Interest-bearing liabilities / operating cash flows

Interest coverage ratio: Operating cash flows / interest payments

・These indexes are calculated based on consolidated financial figures.

・ Market value of listed shares is calculated based on the closing share price at end of term x outstanding shares (excluding treasury stock) at end of term

・ For cash flows, "Cash flows from operating activities" from the consolidated cash flow statements are used. Interest-bearing liabilities include all liabilities on the balance sheets that incur interest. For the interest payments, the "Interest paid" on the consolidated cash flow statement is used.

(※) For reference, the figures are cash flows where 100% of AG's financial result are taken.

(4) Basic policy concerning profit appropriation and dividend payment

The DMG MORI Group strives to enhance corporate value for our shareholders, who understand that machine tools are both capital assets and products which need longer period of investment cycle, from 10 to 20 years. Our principle for profit appropriation is stable and continuous payment of dividend based on an overall judgment concerning our future business plan, business results, financial conditions, and so on.

For internal reserve, we continue to invest in the development of pivotal new products and technologies as well as consolidating our production equipment in order to reinforce our competitive strength in the market.

For FY 2016, we issued an interim dividend per share of 13 yen and year-end dividend per share of 13 yen, for a full-year total of 26 yen.

For FY 2017 we plan to issue an interim dividend per share of 15 yen and year-end dividend per share of 15 yen, for a full-year total of 30 yen.

2. Management policy

(1) Basic management policy

Our basic management policy as a machine tool manufacturer is: "we provide customers with innovative, accurate and trouble-free machines at competitive prices." Along with the rise of IoT and Industry 4.0, we aim to become an essential total solution provider in the fields of turning centers, machining centers, multi-axis machines and grinding machines as well as systematization, automation and intelligence of engineering-fused machines.

(2) Management targets

The DMG MORI CO., LTD. Group seeks to maintain and continue the status of Global One in the machine tool industry by responding quickly to rapid changes in the business environment and market trends. We believe that improving our profit margin and capital profitability and strengthening our financial strength are essential in achieving our pursuit. The Group continues its untiring efforts to create customer value and further improve its corporate value.

(3) Company's medium to long-term management strategies

With differences in economic development levels, financial problems, fluctuations in exchange rates, natural disasters and geopolitical risks arising in the global markets, manufactures are now entering a new phase in production innovation and relocation of management resources. At the same time, machine tool manufacturers are required to meet customers' ever-diversifying requirements that include not only the provision of high-precision, high-performance machines, but also expansion of operation and engineering support, education and after-sales services. We, at the DMG MORI CO., LTD. Group, respond flexibly to changes in the business environment and customer needs by fully utilizing our robust sales and service networks and technical expertise we have cultivated for years.

DMG MORI CO (hereafter CO) and DMG MORI AG (hereafter AG) target to strengthen the development of cutting-edge technologies, to create new customer value that combines our own products and IT, to provide more intelligent products faster and efficiently, to provide best solutions and service for each customer and to keep on evolving.

CO and AG have been promoting collaboration in fields including sales, development, purchasing and production since March 2009, and having reached the conclusion that it would be best for the two companies to be operated in an integrated manner in terms of capital too in order to create further corporate value, and as a result of coming into force of domination agreement, we realized complete business integration of the two companies, which enables us to fully make the most of the integrated group-wide resources.

For product development, the Group will enhance solution products around IoT and Industry 4.0. By utilizing these solutions and state-of-the-art IT technologies, we will contribute to our customers' improvement of productivity and profitability. Also, the collaboration with AG has enabled us to include their machines in our product lineup and with a joint development, we improve an ability of making proposals to existing customers while attracting new and potential customers. While CO and AG also concentrate on standardization of machine components and consolidation of machine models, we will strive to improve profitability by providing solution with the most use of application.

As for production, through integration with AG, we established manufacturing bases in four strategic locations around the world: Japan, North America, Europe and China, and make every effort to quickly respond to needs at location of demand and reduce exchange rate impact on operating results. We will continue to strive to deliver the best products and services more quickly to our customers by implementing production at location of demand and reduction of delivery time.

In sales development, through integration of sales with AG, the two companies are building a stronger sales and service system while continuing to consolidate a dominant position in the industry in terms of the number of clients, the provision of solutions and services, and so on. We are also utilizing the sales system of AG, which has strengths in marketing and direct sales, to roll out efficient and effective sales activities and forge more robust relations with the customers.

Under this management policy, the DMG MORI Group remains committed to creating customer value and building a competitive advantage in terms of business scale, profitability and financial base in the machine tool industry, aiming to further improve its corporate value.

(4) Challenges facing the company

① Product development

We implement efficient product development by making the most of the technologies and technical expertise we have accumulated both in Japan and Germany. We also work on the consolidation of machine models between CO and AG, along with the unification of the machine exterior design, aiming to increase productivity and to offer even better service. In an effort to provide customers with a wider range of solutions, we are now concentrating on the development of embedded software and Technology Cycles that facilitates measurements, gear cutting and high-precision machining, while promoting production automation and systemization. Other areas on which we place importance include predictive maintenance and the provision of optimal machining conditions, and we work on these issues by taking advantage of the sensing technology and IoT.

② Quality

We regard all of our activities that make us relate with customers through our products, from product planning and sales to service, as “quality,” and each and every staff makes a daily effort to further improve it. With the motto of “giving customers a great excitement and impression through incomparable quality,” we will manufacture products in such a manner that close attention is always paid to every inch of each product. Also, we are committed to consolidating development, production, service and sales processes, and performing various activities for improvement so that customers will be able to feel the same high-quality in the products manufactured in any of our factories located in Japan, Europe, USA and China.

③ Trade controls for security

As there has been mounting uncertainty surrounding the world’s national security environment, especially in Asia, Middle East and Eastern Europe regions in recent years, the non-proliferation of weapons of mass destruction and the prevention of excessive stockpiling of conventional weapons became one of the growing international interests. To address the issue, the DMG MORI CO., LTD. Group has stipulated internal regulations (Compliance Program) to ensure compliance with export control laws and applies them strictly. In addition, we have our machines equipped with the device to detect and disable a machine if the machine is relocated from the site where it was originally installed, aiming to prevent the illegal export of our products. We will continue to tackle the security trade control as our priority.

④ Compliance with the Law

Our board members give explicit instructions to the employees on implementation of the corporate activities in thorough compliance with the law and corporate ethics. We create a plan for various educational training and implement the training on a continuing basis in an attempt to increase awareness of law in all of our employees including the board members. For greater globalization of our business, we strive to establish a solid law compliance system in our global bases as well as domestic ones. With the Internal Auditing Department in the key role, we already have established the system to regularly monitor our law compliance activities, so we will continuously work on consolidation of our internal control.

⑤ Cooperation with DMG MORI AG

We established a business and capital partnership with AG, a largest machine tool manufacturer in Europe, in March 2009 with the aim to take a greater leap in the global market. Since then both companies have been promoting consolidation of sales and service bases and strengthening the collaboration in the area of parts supply, joint development and financing services for customers. In August, 2016, as a result of registration of domination agreement under German Company law, we realized the legal business integration of the two companies. We will continue integrated management of the two companies and keep up our efforts to enhance the corporate value, through utilizing worldwide resources CO and AG have.

3. Basic policy for selection of accounting standards

We voluntarily introduced the International Financial Reporting Standards (“IFRS”) in place of Japanese GAAP to improve international comparability of financial information starting from the FY2015.

4. Consolidated Financial Statements

(1) Consolidated statements of financial position

(Yen in Millions)

	December 31, 2015	December 31, 2016
(Assets)		
Short-term assets		
Cash and cash equivalent	83,577	67,750
Trade and other receivable	54,958	51,008
Other financial assets	5,489	8,228
Inventories	129,943	122,172
Other short-term assets	10,592	10,823
Total short-term assets	284,561	259,983
Long-term assets		
Tangible assets	141,919	137,441
Goodwill	68,218	65,641
Other intangible assets	72,834	66,346
Other financial assets	17,560	13,310
Equity accounted investments	2,230	1,987
Deferred tax assets	4,047	5,809
Other long-term assets	6,663	7,701
Total long-term assets	313,473	298,238
Total assets	598,034	558,222

(Yen in Millions)

	December 31, 2015	December 31, 2016
(Liabilities)		
Short-term liabilities		
Trade and other payables	66,648	55,861
Bonds and borrowings	100,692	45,960
Payment received on accounts	18,757	26,683
Other short term financial liabilities	780	14,796
Accrued income taxes	5,733	5,409
Short-term provisions	25,752	26,045
Other short term liabilities	5,385	5,505
Total short-term liabilities	223,750	180,261
Long-term liabilities		
Bonds and borrowings	116,210	160,820
Other long-term financial liabilities	4,307	94,824
Pension provisions	6,224	6,200
Other long-term provisions	4,788	4,088
Deferred income taxes	8,664	7,309
Other long-term liabilities	1,980	2,234
Total long-term liabilities	142,175	275,477
Total liabilities	365,926	455,739
(Equity)		
Subscribed capital	51,115	51,115
Capital provision	53,057	-
Hybrid Capital	-	49,505
Treasury stock	△23,768	△23,769
Revenue provisions	71,466	34,863
Other components of equity	3,399	△11,266
Total equity attributable to owners of the parent company	155,270	100,449
Minority interests’ share of equity	76,837	2,033
Total equity	232,107	102,482
Total liabilities and equity	598,034	558,222

（2）Consolidated statements of income

(Yen in Millions)

		Comparable period of fiscal year ended December 31,2016 (January 1, 2015 through December 31, 2015)	Fiscal Year 2016 (January 1, 2016 through December 31, 2016)
Revenue			
Sales revenues		374,290	376,631
Gains on step acquisition		37,296	-
Other operating revenues		6,312	9,175
Operating performance		417,898	385,806
Cost			
Changes in finished goods and work in progress	(*)	7,293	5,604
Cost of raw materials, consumables and goods resale	(*)	168,185	165,662
Personnel costs	(*)	102,326	114,121
Depreciation	(*)	16,278	17,691
Other operating expenses	(*)	83,846	80,765
Total cost		377,930	383,845
Operating result		39,968	1,961
Financial income		477	711
Financial expense		2,235	3,935
Share of profits of at equity-accounted investments		809	196
Earnings or losses before taxes		39,019	△1,064
Income taxes		3,818	4,684
Net income or loss		35,200	△5,749
Income attributable to:			
Owners of the parent company		32,985	△7,826
Minority interests		2,215	2,077
Net income or loss		35,200	△5,749
Income per share			
Basic earnings or losses per share (yen)		264.99	△67.80
Diluted earnings or losses per share (yen)		264.99	△67.80

(*) Since AG is consolidated from April 1st, 2015, a part of consolidated business results of comparable period (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 3,620 million yen, Cost of raw materials, consumables and goods for resale 194,844 million yen, Personnel costs 119,982 million yen, Depreciation and amortization 17,887 million yen, and Other operating expenses 95,700 million yen.

(Note) The figures of comparable period (January 1 through December 31, 2015) are not subject to annual audit review procedures based on the Financial Instruments and Exchange Act.

（3）Consolidated statements of comprehensive income

(Yen in Millions)

	Comparable period of fiscal year ended December 31,2016 (January 1, 2015 through December 31, 2015)	Fiscal year ended December 31, 2016 (January 1, 2016 through December 31, 2016)
Net income or loss	35,200	△5,749
Other comprehensive income		
Items never reclassified to income statement		
New calculation of benefit-oriented pension plans	△553	△120
Sum of items never reclassified to income statement	△553	△120
Items that will be reclassified to profit or loss		
Differences from currency translation	△5,801	△20,099
Changes in market value of hedging instruments	347	△67
Change in the fair value measurement of available-for-sale assets	575	△1,734
Share of other comprehensive income of associates accounted for using equity method	△6,380	△0
Sum of items which are reclassified to the income statement	△11,259	△21,901
Total other comprehensive income	△11,813	△22,022
Total comprehensive income	23,387	△27,771
Total comprehensive income attributable to:		
Owners of the parent company	21,412	△22,412
Minority interests	1,974	△5,359
Total	23,387	△27,771

(4) Consolidated statements of changes in equity

(Yen in Millions)

	Equity attributable to owner of the parent company							Minority interest share of equity	Total equity
	Subscribed capital	Capital provision	Hybrid capital	Treasury stock	Revenue provisions	Other components of equity	Total		
At as January 1, 2015	51,115	64,185	-	△3,610	41,940	10,578	164,210	4,330	168,540
Net income					32,985		32,985	2,215	35,200
Other comprehensive income						△11,572	△11,572	△240	△11,813
Comprehensive income	-	-	-	-	32,985	△11,572	21,412	1,974	23,387
Issue of hybrid capital							-		-
Issue cost of hybrid capital							-		-
Dividend payment					△3,121		△3,121	△2,925	△6,046
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
Change due to sale of subsidiaries						△2	△2	△414	△416
Transfer other component of capital to retained earnings					△336	336	-		-
Other				△2	△2	△2	△2	0	△1
Total of the contribution by owner Distribution to the owner	-	-	-	△8,346	△3,459	4,394	△7,412	81,177	73,765
Purchase of non-controlling interests		△11,128		△11,811			△22,939	△10,646	△33,585
Acquisition of non-controlling interests with recourse							-		-
Amount of change of Ownership interest for Subsidiary company	-	△11,128	-	△11,811	-	-	△22,939	△10,646	△33,585
At as December 31, 2015	51,115	53,057	-	△23,768	71,466	3,399	155,270	76,837	232,107

(Yen in Millions)

	Equity attributable to owner of the parent company							Minority interest share of equity	Total equity
	Subscribed capital	Capital provision	Hybrid capital	Treasury stock	Revenue provisions	Other components of equity	Total		
Net income or loss					△7,826		△7,826	2,077	△5,749
Other comprehensive income						△14,585	△14,585	△7,436	△22,022
Comprehensive income	-	-		-	△7,826	△14,585	△22,412	△5,359	△27,771
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 transactions						83	83		83
Change due to business combination							-	65	65
Change due to sale of subsidiaries							-		-
Transfer other component of capital to retained earnings					164	△164			
Other		△0		△0			△0		△0
Total of the contribution by owner Distribution to the owner	-	△0	49,505	△0	△2,956	△80	46,468	△1,336	45,131
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
At as December 31, 2015	51,115	-	49,505	△23,769	34,863	△11,266	100,449	2,033	102,482

(5) Consolidated statements of cash flows

(Yen in Millions)

	Comparable period of fiscal year ended December 31,2016 (January 1, 2015 through December 31, 2015)	Fiscal year ended December 31, 2016 (January 1, 2016 through December 31, 2016)
Cash flow from operating activities		
Earnings or losses before taxes	39,019	△1,064
Depreciation	16,278	17,691
Gain on step acquisition	△37,296	-
Loss (gain) on sales/disposal of long-term assets (△: increase)	△77	716
Financial results	1,757	3,223
Equity in loss (earnings) of equity method	△809	△196
Other income and expense not affecting payments	971	4,188
Changes in Inventories (△: increase)	5,905	2,065
Changes in trade and other receivables (△: increase)	△687	1,331
Changes in trade and other payables (△: decrease)	13,635	△7,480
Change in provisions	1,272	2,086
Others	3,593	4,110
Sub total	43,563	26,672
Interest received	137	373
Dividends received	497	341
Interest paid	△2,143	△3,049
Income tax paid	△10,329	△6,100
Cash flow from operating activities	31,725	18,237
Cash flow from investment activities		
Amount paid out for acquisition of tangible assets	△21,315	△11,607
Amount received from the sale of tangible assets	1,592	1,507
Amount paid out for acquisition of intangible assets	△5,312	△3,634
Amount paid out for acquisition of shares of subsidiaries	△5,091	△1,047
Amount paid out for acquisition of shares of affiliates	△50,634	-
Amount received from sale of investments in securities	1,605	4,963
Other	△16	△189
Cash flow from investment activities	△79,173	△10,008

(Yen in Millions)

	Comparable period of fiscal year ended December 31,2016 (January 1, 2015 through December 31, 2015)	Fiscal year ended December 31, 2016 (January 1, 2016 through December 31, 2016)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	65,721	△58,978
Amount received from long-term loans	104,725	59,870
Payments for long-term loans	△10,875	△16,765
Amount received from issue of bonds	-	29,872
Redemption of corporate bonds	-	△15,000
Amount received from issue of hybrid capital	-	49,505
Dividends paid	△3,271	△3,118
Dividends paid for minority shareholders	△2,782	△1,392
Payments for acquisition of minority shares	△28,861	△61,543
Payments for the obligations for minority interests	-	△267
Other	△554	△559
Cash flow from financing activities	124,102	△18,376
Differences from currency translation associated with cash and cash equivalents	△1,642	△5,678
Increase (decrease) in cash and cash equivalents	75,011	△15,826
Opening balance of cash and cash equivalents	8,566	83,577
Cash and cash equivalents at the end of the period	83,577	67,750

(6) Notes on going concern assumption

There is no applicable matters

(7) Notes on 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 December 31, 2016 and composed of the Company, its associates and equity interests to related companies (the "Group"). The Group engages in businesses related to manufacturing and sales of machine tools (Machining Centers, Turning Centers, Turn-Mill Complete Machining Centers, Universal Milling machines for 5-axis machining) , software (user interface, embedded software) and measuring devices and providing total solutions utilizing the machine tools, software and measuring devices with service support, application and engineering.

2. Basis of preparations

(1) Accounting standards complied with

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), pursuant to the provisions set forth in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976), the Company meets the requirements for a "specified company applying Designated IFRS" prescribed in Article 1-2 of the Ordinance of the Ministry of Finance No. 28 of 1976.

(2) Basis of Measurement

The 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

The 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.

(5) Change in presentation

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 comparable period of fiscal year ending December 31, 2016 (January 1, 2015 through December 31, 2015).

(6) Change of important accounting policies

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

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 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 sales revenue, 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.

Comparable period of fiscal year ended December 31, 2015 (January 1, 2015 to December 31, 2015)

(Yen in Millions)

	Reporting Segments			Adjustment (Note)		
	Machine Tools	Industrial Services	Total	Corporate	Adjustment	Figures in consolidated statements of income
Sales Revenue						
Sales revenue with third parties	276,682	97,585	374,267	22	-	374,290
Sales revenue with other segments	133,813	27,186	161,000	2,109	△163,109	-
Total	410,495	124,772	535,267	2,132	△163,109	374,290
Segment income	33,196	16,617	49,813	△12,824	3,788	40,777
Interest Receivable						477
Interest Payable						△2,235
Earnings before Tax						39,019

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

Cumulative fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016)

(Yen in Millions)

	Reporting Segments			Adjustment (Note)		
	Machine Tools	Industrial Services	Total	Corporate	Adjustment	Figures in consolidated statements of income
Sales Revenue						
Sales revenue with third parties	267,873	108,731	376,604	26	-	376,631
Sales revenue with other segments	120,711	24,628	145,340	2,629	△147,969	-
Total	388,585	133,359	521,945	2,655	△147,969	377,449
Segment income	11,669	1,777	13,446	△11,678	390	2,158
Interest Receivable						711
Interest Payable						△3,935
Earnings before Tax						△1,064

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

4. Net income per share

Basis of calculation for basic net income per share and diluted net income per share is as follows:

Items	Comparable period of fiscal year ended December 31,2016 (January 1, 2015 through December 31, 2015)	Fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016)
Net income or loss attributable to owners of the parent company (million yen)	32,985	△7,826
Income not attributable to owners of the parent company	-	311
Net income or loss attributable to owners of the parent company using for calculation for basic net income per share (million yen)	32,985	△8,137
Net income adjustments based on which diluted net income per share is calculated (million yen)	-	-
Diluted net income or loss (million yen)	32,985	△8,137
Average number of common stocks in the fiscal year (thousand stocks)	124,479	120,019
Increase in common stocks based on which diluted net income per share is calculated (thousand stocks)		
Increase by stock option (thousand stocks)	-	-
Average number of common stocks based on which diluted net income per share is calculated (thousand stocks)	124,479	120,019

Items	Comparable period of fiscal year ended December 31,2016 (January 1, 2015 through December 31, 2015)	Fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016)
Basic net income or loss per share (yen)	264.99	△67.80
Diluted net income or loss per share (yen)	264.99	△67.80

(Note)

・Diluted net income per share for the comparable period of fiscal year ended December 31, 2016 is same as basic net income per share, because there is no dilutive share. Also, diluted net income per share for the fiscal year ended December 31, 2016 is same as basic net income per share, because there is no dilutive share.

・The figures of comparable period (January 1 through December 31, 2015) are not subject to annual audit review procedures based on the Financial Instruments and Exchange Act.

5. Domination, Profit and Loss Transfer Agreement

(1) Entry into force of Domination, Profit and Loss Transfer Agreement comes into effect

On August 24, 2016, the Domination, Profit and Loss Transfer Agreement (hereinafter "DPLTA") between DMG MORI GmbH (hereinafter "GmbH"), one of our consolidated subsidiary, and AG came into effect.

DPLTA is contract in German Company Law, which enables an entity to give a direct instruction to decision-making body, normally board meeting, of other entity. Also, under DPLTA all profit or loss will be transferred to GmbH.

Shareholders of AG except for GmbH (hereinafter "external shareholders") have two options; to claim purchase of their own shares of AG or receive compensation payment continuously. For claim of purchasing shares of AG to GmbH, GmbH has obligation to purchase them for the price of 37.35 Euro per share. Also GmbH has obligation to pay compensation of 1.17 Euro per share annually to external shareholders who don't claim repurchase to GmbH.

At first, GmbH had had to accept purchase claims of AG stocks for 2 months from the date of entry into force of DPLTA. But some external shareholders filed the allegation of re-evaluation of purchase price and annual compensation payment amount to the court, so re-purchase period of AG stocks is extended to the date after 2 months from notification of ending of trial, based on German law. The Group considers the re-purchase price of AG stocks and annual compensation amount as an appropriate price which is evaluated as fair value price by the external auditors appointed by German court.

(2) Outline of accounting

Due to entry into force of DPLTA, the Group recognizes present value of future payment as other financial liabilities.

As a result, following fluctuations in liabilities, minority interests, capital provision and revenue provisions are recognized;

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

Also, as a result of revaluation of discounted present value of future obligation of payment to external shareholders at the end of fiscal year ended December 31, 2016, the Group recognized 2,687 million yen of other financial liabilities (short-term), 90,114 million yen of other financial liabilities (long-term) in consolidated statements of financial position and 700 million yen of financial expenses in consolidated statements of income, respectively.

6. 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 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 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

7. Significant subsequent events

Disposal, Repurchase and Cancellation of Treasury Stock

Following discussion and approval of a basic policy at a Board of Directors meeting on January 10, 2017, the Board of Directors of the Company 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.

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 disposition of treasury shares

(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	March 31st, 2017.
(7)	Subordinated loan clause	The disposition of the treasury shares is conditional on the special resolution regarding advantageous placement at the Company's 69th annual meeting of shareholders.

2. Repurchase of stock

(1) Reason for repurchasing stock

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

(2) Details of matters relating to repurchase

a.	Kind of stock to be repurchased	Common stock of the Company
b.	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))
c.	Total purchase price for repurchase of shares	5,250,000,000 JPY (maximum)
d..	Period of repurchase	From the end of the Company's 69th annual shareholders meeting to be held in March 2017 to December 31, 2017

e.	Other	The repurchase of treasury stock is subject to the approval of the disposition of treasury stock described in above at the shareholders meeting.

3. 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

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

For detail, please refer to “Notice concerning Disposal, Repurchase and Cancellation of Treasury Stock to Support Mori Manufacturing Research and Technology Foundation’s Social Contribution Activities” announced on January 13, 2017.

5. Other

Changes in members of the Board of Directors and Statutory Auditors (of March 22, 2017)

(1) Change in representative director

・Candidate for new representative director

Hirotake Kobayashi, Executive Vice President (Current: Executive Director)

・Current representative director to retire

Tatsuo Kondo, Executive Vice President

(2) Changes in other members of the Board of Directors and Statutory Auditors

・Candidate for new directors

Makoto Nakajima, Director

Takashi Mitachi, Director

Note: Makoto Nakajima and Takashi Mitachi are candidates for External Directors fulfilling the requirements provided in Article 2, item 15 of the Companies Act.

・Current director to retire

Tatsuo Kondo, Executive Vice President (to assume Corporate Auditor)

・Current director to change title

Hirotake Kobayashi, Executive Vice President (Current: Executive Director)

Kenji Oishi, Executive Director (Current: Director)

・Candidate for new auditors

Tatsuo Kondo, Corporate Auditor (Current: Executive Vice President)

Sojiro Tsuchiya, Auditor

Note: Sojiro Tsuchiya is a candidate for External Auditor fulfilling the requirements provided in Article 2, item 16 of the Companies Act.