Date: February 13, 2018

Summary of Consolidated Financial Statements for the Fiscal Year 2017 ended December 31, 2017 (IFRS basis)

(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the Fiscal Year 2017 announced on February 13, 2018)

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

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Expected date of the ordinary general shareholders' meeting: March 22, 2018

Filing date of financial statements: March 22, 2018

Estimated starting date of dividend paying: March 23, 2018

Preparation of supplementary explanatory materials: Yes

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

1. Consolidated business results of the fiscal year 2017 ended December 31, 2017 (January 1, 2017 to December 31, 2017)

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

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

	Sales revenues		Operating result		Earnings before Taxes		Net income or loss		Income or loss attributable to owners of the parent		Total comprehensive income or loss	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended December 31, 2017	429,664	14.1	29,391	-	24,803	-	15,676	-	15,263	-	16,974	-
Fiscal year ended December 31, 2016	376,631	-	1,961	-	▵1,064	-	▵5,749	-	▵7,826	-	▵27,771	-

	Basic earnings or losses per share	Diluted earnings or losses per share	Ratio of net income to equity attributable to owners of the parent	Ratio of earnings before taxes to total assets	Ratio of operating income to sales revenues
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2017	116.44	115.59	14.7	4.4	6.8
Fiscal year ended December 31, 2016	▵67.80	▵67.80	▵6.1	▵0.2	0.5

(Note)

・Total comprehensive loss of the fiscal year ended December 31, 2016 is mainly caused by the differences from currency translation with the strong yen.

・Basic earnings or losses per share is based on the earning (loss) amount which excludes earnings (losses) attributable to owners of hybrid capital.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	million yen	million yen	million yen	%	yen
December 31,2017	567,411	110,019	107,617	19.0	886.73
December 31, 2016	558,222	102,482	100,449	18.0	836.25

(Note) Ratio of equity attributable to owners of the parent and equity per share attributable to owners of the parent are 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, 2017	31,423	Δ1,387	Δ37,726	64,973
December 31, 2016	18,237	Δ10,008	Δ18,376	67,750

2. Dividends

	Dividends per share					Total amount of dividends	Dividend payout ratio	Ratio of dividend to equity attributable to owners of the parent
	1Q	2Q	3Q	Year-end	Annual	(Annual)	(Consolidated)	(Consolidated)
	yen	yen	yen	yen	yen	million yen	%	%
December 31, 2016	-	13.00	-	13.00	26.00	3,121	-	3.1
December 31, 2017	-	15.00	-	25.00	40.00	4,866	34.4	4.5
December 31, 2018 (forecast)	-	25.00	-	25.00	50.00		31.9	

(Note)

・The special dividend of 10 yen per share for the company's 70th anniversary is included in the year-end dividends per share for the fiscal year 2017. For more information regarding the special dividend, please read "Announcement of Revision of Dividend Forecast (Anniversary Commemorative Dividend)" released on December 6, 2017.

・For the fiscal year 2018, we plan to issue an interim dividend of 25 yen and year-end dividend of 25 yen, for a full-year total of 50 yen.

3. Consolidated earnings forecast for the fiscal year 2018 (January 1, 2018 to December 31, 2018) (% of change from same period in the previous year)

	Sales revenues		Operating result		Income attributable to owners of the parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	yen
Full Year 2018	450,000	4.7	35,000	19.1	20,000	31.0	156.59

(Note) Exchange rate used for consolidated earnings forecast for the fiscal year 2018: JPY 110.0/USD, 130.0/EUR (the fiscal year 2017: JPY 112.2/USD, 126.7/EUR)

※Notes

(1) Changes in significant subsidiaries during the fiscal year ended December 31, 2017: No

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

1. Changes in accounting policies required by IFRS: No

2. Changes in accounting policies other than the above: No

3. Changes in accounting estimates: No

(3) Number of shares outstanding (Common shares)

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

December 31, 2017: 125,953,683 December 31, 2016: 132,943,683

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

December 31, 2017: 5,054,853 December 31, 2016: 12,924,920

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

January - December 2017: 121,909,212 January - December 2016: 120,019,093

(Reference) Overview of nonconsolidated business results

(1) Overview of nonconsolidated operating results (% of change from same period in the previous year)

	Sales revenues		Operating result		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended December 31, 2017	121,194	36.0	524	-	4,787	9.8	9,521	14.5
Fiscal year ended December 31, 2016	89,094	-	△4,128	-	4,361	-	8,315	-

	Income per share (Basic)		Income per share (Diluted)	
	yen	%	yen	%
Fiscal year ended December 31, 2017	78.09	12.7	77.53	-
Fiscal year ended December 31, 2016	69.28	-	-	-

(2) Overview of nonconsolidated financial positions

	Total assets	Total net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal year ended December 31, 2017	417,381	117,303	28.0	966.69
Fiscal year ended December 31, 2016	415,187	118,621	28.6	987.50

- Information regarding implementation of review procedures

The financial results are not subject to yearly audit review procedures.

- 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 2018(Forecast), please see "1. Analysis of management performance and consolidated financial status (2) Forecast for the fiscal year 2018"on page 4.

We will upload additional explanation on February 13, 2018

(Attached Documents)　Index

1. Analysis of management performance and consolidated financial status

(1) Explanation of operating results

For the fiscal year 2017 (from January 1 to December 31, 2017), the sales revenues were 429,664 million yen (3,391,193 thousand EUR), the operating income was 29,391 million yen (231,976 thousand EUR), and earnings before taxes were 24,803 million yen (195,769 thousand EUR). The income attributable to owners of the parent was 15,263 million yen (120,469 thousand EUR). (Euro amount is converted from yen at 126.7 yen/EUR, the average exchange rate between January 2017 and December 2017.)

Our society is facing radical changes such as the shift to EV (Electric Vehicle), advance of AI (Artificial Intelligence), and aging population. In the midst of such a social-economic transformation, DMG MORI strives to continue being an important role player in the society and become a company that comprehensively provides the best solutions for customers. We promote the dissemination of 5-axis control machines, the automation of workpiece transfer and the integration of machining and measuring processes to offer optimal production processes for achieving complex machining in a highly accurate and efficient way.

As for the business strategy, we put a greater focus on Connected Industries/Industry 4.0 innovations. The open industrial IoT platform “ADAMOS” (ADAptive Manufacturing Open Solutions) centrally manages data of multiple production line machines such as machine tools and measuring systems in order to enhance the accuracy of maintenance and production planning, and to predict machine failure. We go ahead with “open innovation” in collaboration with partner companies and offer high-quality peripherals that contribute to the reduction in setup time, one of the critical issues of many customers. To deliver stable quality automation systems in a short time, we work on modularization of units such as workpiece stockers and on-machine measuring systems. We offer customized systems and turnkey solutions as well as standard automation systems, and provide customers with total and full support for their system installation.

As for the technological aspect, the DMU 50 3rd Generation, a 5-axis control machining center and the NHX 5500 and 6300 2nd Generations, horizontal machining centers released in the domestic market last October have drastically improved their cutting abilities by mounting in-house developed, high-performance “MASTER series” spindles. The NTX 3000 2nd Generation, a mill turn center with a 12-inch chuck which was showcased as the world premiere at an Open House in Pfronten, Germany in January, is equipped with the “MASTER series” spindles on both the spindle and the tool spindle to achieve high-speed and high-accuracy machining. From this January on, the warranty for the “MASTER series” was extended from two years to three years so that we can bring higher reliability, safety and comfort to customers. DMG MORI continues to develop a wide range of new products to provide cutting-edge technologies for customers.

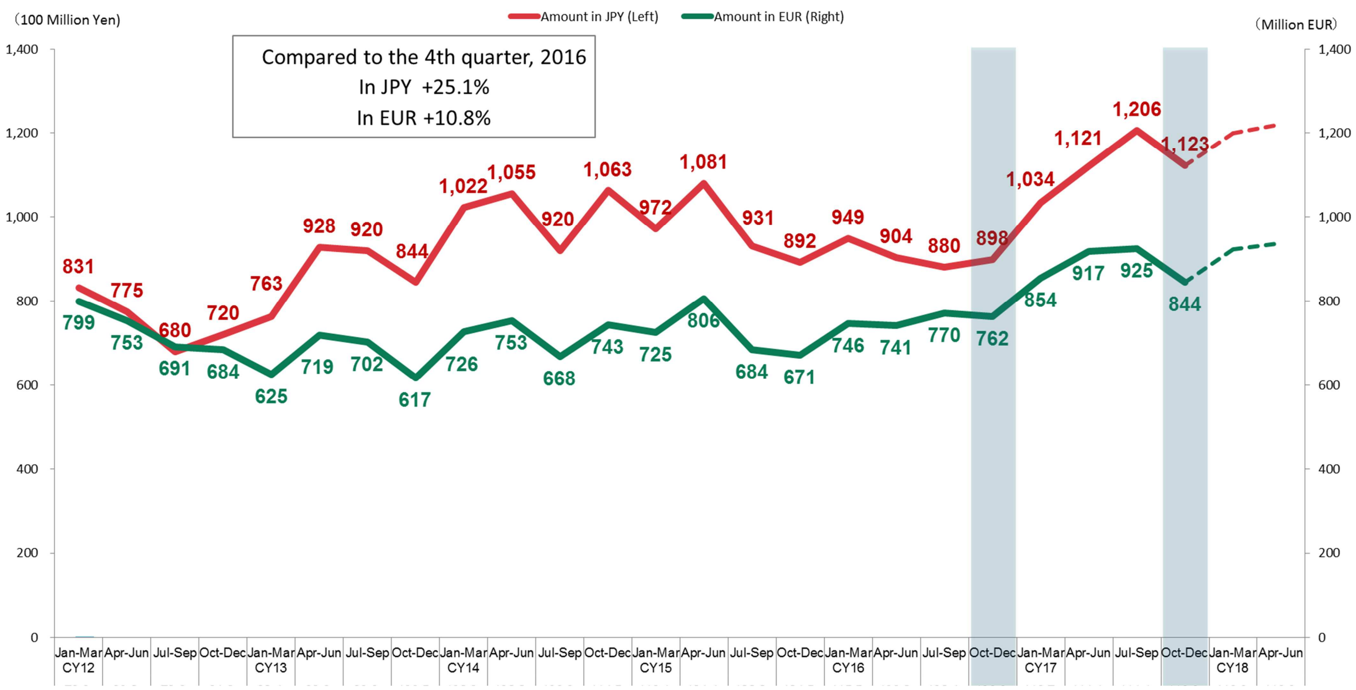
As for the sales, we presented the Connected Industries/Industry 4.0 solutions at Mechatronics Technology Japan (MECT) 2017 held in Nagoya, Japan in October. In November, we gave exhibitions and showroom tours at the factories in Seebach, Germany; Davis, the U.S.; and Ulyanovsk, Russia, and received favorable reviews from various fields such as the medical, die & mold and aerospace industries. In the same month, Shanghai Technology Center was newly opened with DMG MORI Academy, a showroom, a turnkey area and a spare parts division set in an area of some 1,700 m2. The center provides the best products and solutions for customers in China and the nearby countries. In the coming nano tech 2018 to be held in Tokyo this February, we will showcase the latest additive manufacturing solutions with a live demo of 3D parts molding on the LASERTEC 30 SLM.

We facilitate “work style reform” by encouraging employees to take paid leave, adopting flextime with core hours, making mindset changing efforts to eliminate overtime work and constructing in-company child care centers. DMG MORI supports its employees’ in various aspects of their lives under the motto of “play healthy + active,” “work together + innovative,” and “study smart + deeper,” and the entire company will work together for further growth and prosperity.

The orders for machine tool-related products during 2017 totaled 448.3 billion yen, which is an increase of 22% year-over-year. Although the 2017 financial forecast was revised upward after the third quarter from 410 billion yen to over 430 billion yen due to strong demand, the final results turned out to be much higher than the revised value. Orders for machine tools including peripherals and Technology Cycles achieved a 30% increase over the previous year. In addition to an increased number of orders, some other factors contributed to the greater full-year result: high-value added, high-functionality 5-axis control and mill turn machines accounted for a larger portion of the total order volume, and order intake unit prices rose by sales growth of advanced solutions.

The demand environment in each market was steady, and we ended up with an increase of 43% in Japan, 22% in Americas, 25% in Europe and 34% in Asia including China. The demand from the semiconductor-related industry was high throughout the year. During the second half of the year, the demand for automation-related equipment such as robots and transfer units showed a significant growth, and the positive momentum affected general machine parts companies and SMEs (Small Medium-sized Enterprises), resulting in increased demand in the relevant fields. The demand from the aircraft, medical-related, automotive-related and construction machinery-related industries also remained strong. The demand from only the energy-related industry showed a slow recovery, but it is expected to turn positive because of rising commodity prices including oil. DMG MORI aims at achieving the target order volume for 2018 of over 450 billion yen with its strength, management resources which are our multi-function, high-productivity and high-quality products and solution providing capability.

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



(Note) Euro amount is converted from yen at the market exchange rate of each period.

<Consolidated results>

Consolidated results of the fiscal year ended December 31, 2017 is as follows: Unit : 100 Million yen (Million EUR)

	January to December, 2016	January to December, 2017	Difference
Sales revenues	3,766 (3,131)	4,297 (3,391)	530 (260)
Operating result	20 (16)	294 (232)	274 (216)
Operating result / Sales revenues	0.5%	6.8%	6.3%
Income or loss attributable to owners of the parent	△78 (△65)	153 (120)	230 (186)

(Note) Euro amount is converted from yen at the average exchange rate of each fiscal period; 120.3 yen/EUR for the figures of 2016, 126.7 yen/EUR for those of 2017.

(2) Forecast for the fiscal year 2018

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, operate our sales and service bases at full capacity, and make further efforts to increase our corporate value. The forecast for the business results (consolidated) for the fiscal year 2018 is as follows:

	Fiscal Year 2018 (January 1 to December 31, 2018)
Sales revenues (100 million yen)	4,500
Operating result (100 million yen)	350
Income attributable to owners of the parent (100 million yen)	200
Basic earnings per share (yen)	156.59

(Note) Exchange rate used for consolidated earnings forecast for fiscal year 2018: JPY 110.0/USD, 130.0/EUR

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 the fiscal year 2016 and fiscal year 2017 is as follows:

・Assets

Current assets are 267,979 million yen. This is mainly because Trade and other receivables increased by 9,733 million yen, while Cash and cash equivalents decreased by 2,777 million yen.

Non-current assets are 299,431 million yen. This is mainly because Goodwill increased by 7,706 million yen and Other intangible assets increased by 2,969 million yen, while Other financial assets decreased by 4,314 million yen and Property, plant and equipment decreased by 3,458 million yen.

As a result, total assets are 567,411 million yen.

・Liabilities

Current liabilities are 159,958 million yen. This is mainly because Interest-bearing bonds and borrowings decreased by 23,307 million yen and Other financial liabilities decreased by 10,938 million yen, while Advances received increased by 19,013 million yen.

Non-current liabilities are 297,433 million yen. This is mainly because Other financial liabilities increased by 26,083 million yen, while Interest-bearing bonds and borrowings decreased by 4,113 million yen.

As a result total liabilities are 457,391 million yen.

・Equity

Equity is 110,019 million yen. It is mainly because Treasury shares decreased by 14,042 million yen and Retained earnings decreased by 8,636 million yen.

(Reference)

(Million Yen)	December 31, 2016	December 31, 2017	Difference
Current assets	259,983	267,979	7,996
Non-current assets	298,238	299,431	1,192
Current liabilities	180,261	159,958	▵20,303
Non-current liabilities	275,477	297,433	21,955
Equity	102,482	110,019	7,536

2. Cash flows during the fiscal year 2017

(Million yen)

	Fiscal Year 2016 (January 1 to December 31, 2016)	Fiscal Year 2017 (January 1 to December 31, 2017)
Operating activities	18,237	31,423
Investing activities	▵10,008	▵1,387
Financing activities	▵18,376	▵37,726
Cash and cash equivalents at the end of the year	67,750	64,973

Status of cash flows and its fluctuation factors for the fiscal year 2017 are as follows:

・Cash flows from operating activities

Net cash provided from operating activities was 31,423 million yen. The main factors for the increase are 24,803 million yen of Earnings before income taxes, 18,344 million yen of Depreciation and amortization, 4,649 million yen of Financial income and costs, and 5,324 million yen of Decrease in inventories. The main factors for the decrease are 5,502 million yen of Other non-cash transactions, 6,601 million yen of Increase in trade and other receivables, and 9,872 million yen of Decrease in Trade and other payables, and 9,703 million yen of Income tax paid.

・Cash flows from investing activities

Net cash paid out for investing activities was 1,387 million yen. The main factor for the increase is 8,001 million yen of Proceeds from sales of financial instruments. The main factors for the decrease are 5,895 million yen of Purchases of property, plant and equipment and 3,488 million yen of Purchases of intangible assets.

・Cash flows from financing activities

Net cash paid out for financing activities was 37,726 million yen. The main factors for the increase are 65,372 million yen of Proceeds from non-current borrowings, and 14,838 million yen of Proceeds from issue of debt instruments. The main factors for the decrease are 87,489 million yen of Payments for non-current borrowings, 20,000 million yen of Payments for bond redemption, and 5,251 million yen of Acquisition of treasury shares.

As a result, cash and cash equivalents as of December 31, 2017 are 64,973 million yen (decreased by 2,777 million yen from Dec. 31, 2016).

3. Trends in cash flow related indexes

	Fiscal Year 2016 (January 1 to December 31, 2016)	Fiscal Year 2017 (January 1 to December 31, 2017)
Ratio of equity attributable to owners of the parent (%)	18.0	19.0
Ratio of equity attributable to owners of the parent measured at fair value(%)	30.5	49.7
Cash flows to interest bearing loans ratio (%)	1,164.3	632.59
Interest coverage ratio (times)	6.0	10.8

(Notes) Ratio of equity attributable to owners of the parent: Equity attributable to owners of the parent / total assets

Ratio of equity attributable to owners of the parent measured at fair value: Market capitalization / 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 capitalization is calculated based on the closing share price at end of term x outstanding shares (excluding treasury shares) at end of term

・ For cash flows, “Cash flows from operating activities” from the consolidated statements of cash flows is used. Interest-bearing liabilities include all liabilities on the balance sheets that incur interest. For the interest payments, the amount is based on the “Interest paid” on the consolidated statements of cash flows from which continuous compensation payment arising from the domination agreement is subtracted.

(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.

We plan a special dividend of 10 yen per share in addition to the ordinary year-end dividend, in commemoration of the Company’s 70th anniversary to express gratitude to shareholders. For FY 2017, we issued an interim dividend per share of 15 yen and year-end dividend per share of 25 yen (special dividend included), for a full-year total of 40 yen.

For FY 2018 we plan to issue an interim dividend per share of 25 yen and year-end dividend per share of 25 yen, for a full-year total of 50 yen.

2. Basic policy for selection of accounting standards

We have introduced the International Financial Reporting Standards (“IFRS”) to improve international comparability of financial information since fiscal year 2015.

3. Consolidated Financial Statements

(1) Consolidated statements of financial position

(Yen in Millions)

	December 31, 2016	December 31, 2017
(Assets)		
Current assets		
Cash and cash equivalents	67,750	64,973
Trade and other receivables	51,008	60,741
Other financial assets	8,228	8,652
Inventories	122,172	122,981
Other current assets	10,823	10,629
Total current assets	259,983	267,979
Non-current assets		
Property, plant and equipment	137,441	133,983
Goodwill	65,641	73,347
Other intangible assets	66,346	69,315
Other financial assets	13,310	8,996
Investments in associates and joint ventures	1,987	2,229
Deferred tax assets	5,809	6,082
Other non-current assets	7,701	5,476
Total non-current assets	298,238	299,431
Total assets	558,222	567,411

(Yen in Millions)

	December 31, 2016	December 31, 2017
(Liabilities and equity)		
Current liabilities		
Trade and other payables	55,861	47,717
Interest-bearing bonds and borrowings	45,960	22,653
Advances received	26,683	45,696
Other financial liabilities	14,796	3,857
Accrued income taxes	5,409	4,002
Provisions	26,045	29,886
Other current liabilities	5,505	6,144
Total current liabilities	180,261	159,958
Non-current liabilities		
Interest-bearing bonds and borrowings	160,820	156,706
Other financial liabilities	94,824	120,907
Net employee defined benefit liabilities	6,200	6,254
Provisions	4,088	3,973
Deferred tax liabilities	7,309	7,844
Other non-current liabilities	2,234	1,746
Total non-current liabilities	275,477	297,433
Total liabilities	455,739	457,391
Equity		
Subscribed capital	51,115	51,115
Capital surplus	-	-
Hybrid capital	49,505	49,505
Treasury shares	△23,769	△9,726
Retained earnings	34,863	26,227
Other components of equity	△11,266	△9,504
Equity attributable to owners of the parent	100,449	107,617
Non-controlling interests	2,033	2,402
Total equity	102,482	110,019
Total liabilities and equity	558,222	567,411

（2） Consolidated statements of income

（Yen in Millions）

	Fiscal year 2016 (January 1 to December 31, 2016)	Fiscal year 2017 (January 1 to December 31, 2017)
Revenues		
Sales revenues	376,631	429,664
Other operating revenues	9,175	12,028
Total revenue	385,806	441,692
Cost		
Changes in merchandise, finished goods and work in progress for sale	5,604	5,578
Costs of raw materials, consumables and goods for resale	165,662	189,000
Personnel costs	114,121	120,728
Depreciation and amortization	17,691	18,344
Other operating costs	80,765	78,650
Total costs	383,845	412,301
Operating result	1,961	29,391
Financial income	711	647
Financial costs	3,935	5,297
Share of profits of associates and joint ventures accounted for using equity method	196	62
Earnings or losses before income taxes	△1,064	24,803
Income taxes	4,684	9,127
Net income or loss	△5,749	15,676
Income attributable to:		
Owners of the parent	△7,826	15,263
Non-controlling interests	2,077	412
Net income or loss	△5,749	15,676
Earnings per share		
Basic (yen) (△: loss)	△67.80	116.44
Diluted (yen) (△: loss)	△67.80	115.59

(3) Consolidated statements of comprehensive income

(Yen in Millions)

	Fiscal year 2016 (January 1 to December 31, 2016)	Fiscal year 2017 (January 1 to December 31, 2017)
Net income or loss	△5,749	15,676
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	△120	△129
Subtotal	△120	△129
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	△20,099	4,044
Effective portion of changes in fair value of cash flow hedge	△67	△31
Change in fair value measurements of available-for-sale financial assets	△1,734	△2,602
Share of other comprehensive income of associates accounted for using equity method	△0	18
Subtotal	△21,901	1,428
Total other comprehensive income	△22,022	1,298
Comprehensive income	△27,771	16,974
Comprehensive income attributable to:		
Owners of the parent	△22,412	16,566
Non-controlling interests	△5,359	408
Total	△27,771	16,974

(4) Consolidated statements of changes in equity

(Yen in Millions)

	Equity attributable to owners of the parent							Non-controlling interest share of equity	Total equity
	Subscribed capital	Capital surplus	Hybrid capital	Treasury shares	Retained earnings	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
Net income or loss					△7,826		△7,826	2,077	△5,749
Other comprehensive income						△14,585	△14,585	△7,436	△22,022
Total 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
Amount paid out to owners of hybrid capital							-		-
Treasury shares acquisition				△0			△0		△0
Treasury shares cancellation							-		-
Treasury shares disposition		△0		0			0		0
Cash dividends					△3,121		△3,121	△1,402	△4,523
Transfer from retained earnings to capital surplus							-		-
Share-based payments						83	83		83
Changes due to business combinations							-	65	65
Transfer from other components of equity to retained earnings					164	△164	-		-
Total transactions with owners of the parent	-	△0	49,505	△0	△2,956	△80	46,468	△1,336	45,131
Acquisition 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
Changes in ownership interests in subsidiaries and others	-	△53,057	-	-	△25,819	-	△78,877	△68,107	△146,984
As of December 31, 2016	51,115	-	49,505	△23,769	34,863	△11,266	100,449	2,033	102,482

(Yen in Millions)

	Equity attributable to owners of the parent							Non-controlling interest share of equity	Total equity
	Subscribed capital	Capital surplus	Hybrid capital	Treasury shares	Retained earnings	Other components of equity	Total		
Net income or loss					15,263		15,263	412	15,676
Other comprehensive income						1,302	1,302	△4	1,298
Total comprehensive income	-	-	-	-	15,263	1,302	16,566	408	16,974
Issue of hybrid capital							-		-
Issue cost of hybrid capital							-		-
Amount paid out to owners of hybrid capital					△1,069		△1,069		△1,069
Treasury shares acquisition				△5,251			△5,251		△5,251
Treasury shares cancellation		△12,847		12,847			-		-
Treasury shares disposition		△6,442		6,446			3		3
Cash dividends					△3,405		△3,405	△57	△3,462
Transfer from retained earnings to capital surplus		19,290			△19,290		-		-
Share-based payments						328	328		328
Changes due to business combinations					△5		△5	18	13
Transfer from other components of equity to retained earnings					△129	129	-		-
Total transactions with owners of the parent	-	0	-	14,042	△23,899	458	△9,398	△39	△9,437
Acquisition of non-controlling interests		△0					△0	△0	△0
Acquisition of non-controlling interests with recourse							-		-
Changes in ownership interests in subsidiaries and others	-	△0	-	-	-	-	△0	△0	△0
As of December 31, 2017	51,115	-	49,505	△9,726	26,227	△9,504	107,617	2,402	110,019

(5) Consolidated statements of cash flows

(Yen in Millions)

	Fiscal year 2016 (January 1 to December 31, 2016)	Fiscal year 2017 (January 1 to December 31, 2017)
Cash flows from operating activities		
Earnings or losses before income taxes	△1,064	24,803
Depreciation and amortization	17,691	18,344
Loss (gain) on sales/disposal of property, plant and equipment (△: gain)	716	470
Financial income and costs(△: gain)	3,223	4,649
Share of profits of associates and joint ventures accounted for using equity method (△: gain)	△196	△62
Other non-cash transactions (△: gain)	4,188	△5,502
Changes in asset and liability items:		
Inventories (△: increase)	2,065	5,324
Trade and other receivables (△: increase)	1,331	△6,601
Trade and other payables (△: decrease)	△7,480	△9,872
Provisions (△: decrease)	2,086	247
Others	4,110	13,982
Subtotal	26,672	45,783
Interest received	373	393
Dividends received	341	254
Interest paid	△3,049	△5,305
Income tax paid	△6,100	△9,703
Net cash flows from operating activities	18,237	31,423
Cash flows from investment activities		
Purchases of property, plant and equipment	△11,607	△5,895
Proceeds from sales of property, plant and equipment	1,507	1,882
Purchases of intangible assets	△3,634	△3,488
Acquisition of subsidiaries, net of cash acquired	△1,047	△649
Purchases of financial instruments	△139	△1,616
Proceeds from sales of financial instruments	4,963	8,001
Other	△50	378
Net cash flows from investing activities	△10,008	△1,387

(Yen in Millions)

	Fiscal year 2016 (January 1 to December 31, 2016)	Fiscal year 2017 (January 1 to December 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	△58,978	17
Proceeds from non-current borrowings	59,870	65,372
Payments for non-current borrowings	△16,765	△87,489
Amount received from issue of bonds	29,872	-
Payments for bond redemption	△15,000	△20,000
Dividends paid	△3,118	△3,403
Dividends paid to non-controlling interests	△1,392	△57
Acquisition of non-controlling interests	△61,543	△0
Acquisition of treasury shares	△0	△5,251
Payments for obligations for non-controlling interests	△267	△11
Proceeds from issue of hybrid capital	49,505	-
Payments to owners of hybrid capital	-	△1,069
Proceeds from issue of debt instruments	-	14,838
Other	△558	△670
Net cash flows from financing activities	△18,376	△37,726
Effect of exchange rate changes on cash and cash equivalents	△5,678	4,913
Increase (decrease) in cash and cash equivalents	△15,826	△2,777
Cash and cash equivalents at the beginning of period	83,577	67,750
Cash and cash equivalents at the end of period	67,750	64,973

(6) Notes on going concern assumption

Not applicable.

(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, 2017 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 and embedded software), measuring devices, 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

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

(4) Change of important accounting policy

The Group has applied the following standards since fiscal year 2017. The application of this standard has no material effect on the quarterly consolidated financial statements.

IFRS		Summary
IAS 7	Cash Flows	Disclosures about changes in liabilities arising from financial activities

3. Segmental information

(1) Scope of segment reporting

The reporting segments of the Group are 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 sales revenues, 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 based on the market prices.

(3) Segment sales and income

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

Fiscal year 2016 (January 1 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 revenues						
Sales revenues with third parties	267,873	108,731	376,604	26	-	376,631
Sales revenues with other segments	120,711	24,628	145,340	2,629	△147,969	-
Total	388,585	133,359	521,945	2,655	△147,969	376,631
Segment income	11,669	1,777	13,446	△11,678	390	2,158
Financial income						711
Financial costs						△3,935
Earnings before Taxes						△1,064

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

Fiscal year 2017 (January 1 to December 31, 2017)

(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	312,073	117,556	429,630	34	-	429,664
Sales revenues with other segments	131,133	18,580	149,714	2,067	△151,782	-
Total	443,207	136,136	579,344	2,101	△151,782	429,664
Segment income	31,407	9,087	40,495	△9,511	△1,529	29,453
Financial income						647
Financial costs						△5,297
Earnings before Taxes						24,803

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

4. Earnings per share

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

Items	Fiscal year 2016 (January 1 to December 31, 2016)	Fiscal year 2017 (January 1 to December 31, 2016)
Income or loss attributable to owners of the parent (million yen)	△7,826	15,263
Income not attributable to owners of the parent	311	1,068
Income or loss attributable to owners of the parent used for calculation of basic earnings per share (million yen)	△8,137	14,195
Income adjustments based on which diluted earnings per share is calculated (million yen)	-	-
Diluted earnings or losses (million yen)	△8,137	14,195
Average number of common shares in the fiscal year (thousand shares)	120,019	121,909
Increase in common shares based on which diluted earnings or losses per share is calculated		
Increase by stock option (thousand shares)	-	892
Average number of common shares based on which diluted net income per share is calculated (thousand shares)	120,019	122,801
Basic earnings or losses per share (yen)	△67.80	116.44
Diluted earnings or losses per share (yen)	△67.80	115.59

(Note)

・Diluted losses per share for the fiscal year 2016 are the same as basic losses per share because there is no dilutive share.

・Basic earnings or losses per share and Diluted earnings or losses per share are based on the earning (loss) amount which excludes earnings (losses) attributable to owners of hybrid capital divided by the average number of outstanding shares during the period which excludes treasury shares.

5. Significant subsequent events

None