

**Summary of Consolidated Financial Statements for the first quarter of Fiscal Year 2018 ended March 31, 2018 (IFRS basis)**  
**(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the first quarter announced on May 8, 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>  
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Filing date of quarterly financial statements: May 14, 2018

Estimated starting date of dividend paying: -

Preparation of supplementary explanatory materials: Yes

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

1. Consolidated business results of the first quarter ended March 31, 2018 (January 1, 2018 to March 31, 2018)

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

	(% of change from same period in the previous year)											
	Sales revenues		Operating result		Earnings before Taxes		Quarterly profit		Income attributable to owners of the parent		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
First quarter ended March 31, 2018	113,839	17.1	6,096	52.1	4,952	67.9	2,943	84.1	2,806	75.1	Δ1,262	-
First quarter ended March 31, 2017	97,207	-	4,009	-	2,948	-	1,599	-	1,602	-	2,788	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First quarter ended March 31, 2018	21.02	20.83
First quarter ended March 31, 2017	11.07	11.02

(Note)

- The Total comprehensive income of the first quarter ended March 31, 2018 is mainly caused by the differences from currency translation with the strong yen.
- Basic earnings per share is based on the earning amount which excludes earnings attributed 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
March 31, 2018	536,086	105,225	102,548	19.1	884.13
December 31, 2017	567,441	110,019	107,617	19.0	886.73

(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.

## 2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
December 31, 2017	-	15.00	-	25.00	40.00
December 31, 2018	-				
December 31, 2018 (Forecast)		25.00	-	25.00	50.00

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

## 3. Consolidated earnings forecast for 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)

- Revision of consolidated earnings forecast in the current quarter: No
- Exchange rate used for consolidated earnings forecast for fiscal year 2018: JPY 110.0 /USD, JPY 130.0 /EUR

## 4. Others

(1) Changes in significant subsidiaries during the first quarter ended March 31, 2018: 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 shares)

March 31, 2018: 125,953,683

December 31, 2017: 125,953,683

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

March 31, 2018: 5,054,933

December 31, 2017: 5,054,853

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

January - March 2018: 120,898,770

January - March 2017: 120,893,748

- Information regarding implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly 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. Qualitative Information Regarding Quarterly Settlement of Accounts (3) Explanation of forecasts and other projections".

We will upload additional explanation on May 8, 2018.

(Attached Documents) Index

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## 1. Qualitative Information Regarding Quarterly Settlement of Accounts

### (1) Explanation of operating results

During the first quarter of the fiscal year 2018 (from January 1 to March 31), the sales revenues were 113,839 million yen (854,654 thousand EUR), the operating result was 6,096 million yen (45,771 thousand EUR), and earnings before taxes were 4,952 million yen (37,177 thousand EUR). The income attributable to owners of the parent was 2,806 million yen (21,071 thousand EUR). (Euro amount is converted from yen at 133.2 yen/EUR, the average exchange rate between January and March, 2018.)

DMG MORI promptly responds to radical changes in society such as the shift to EV (Electric Vehicle), advance of AI (Artificial Intelligence), and aging population as our business strategy. To be concrete, we promote a wider use of 5-axis control machines in industries, automation of transfer systems and integration of machining and measurement processes as well as strengthening our focus on Connected Industries/Industry 4.0 innovations. As an approach to increasing the installation rate of 5-axis control machines in Japan, we lend the DMU 50 3rd Generation to as many as fifty of our customer companies for one year and offer various seminars for them and the near-by customers in the areas. What's more, we provide engineer dispatch service for customers to give them training on machine operation and jointly develop machining methods with them.

We continuously work on Open Innovation with our partner companies and introduce their peripheral equipment that ensures reduction in setup and machining time and improvement of surface quality. DMG MORI strives to further increase the customer satisfaction through higher quality and better services, such as an extended guarantee period of the in-company developed high-performance spindle MASTER series.

As for the technological aspect, we developed a programming-free robot system "Module Automation Transfer Robot Intelligence System (MATRIS)" and released the product on the market. The modularization of automation units and unification of the standards and control programs enabled a drastic reduction in lead time for installation and flexible layout changes in a short time. The newly-developed integrated mill turn centers, the NTX 2000, 2500 and 3000 2nd Generation models, are equipped with the MASTER spindle series with overwhelmingly powerful cutting capability. After a series of experiments and analyses, the models achieved innovative chip disposal performance. Poor chip disposal is one of the primary causes of machine stop, and the series well responds to requests for higher chip disposal ability which has long been desired by customers. Furthermore, more of our machines mount the dust-proof, water-resistant, magnetic SmartSCALE which was developed by one of the group companies, Magnescale Co., Ltd. as standard now. DMG MORI continues to develop unique, advanced and best technologies to contribute to boosting customers' productivity and production efficiency.

As for the sales, we achieved a record-setting order volume at the open house in Pfronten, Germany in January. Among the showcased products were more than 70 units of machines, DMQP (DMG MORI Qualified Products)-certified peripheral equipment, and the integration of those equipment by the operating system CELOS. At SIMTOS held in Korea in April, we offered the visitors on-site experience in which they can monitor the machining status of display models from a different building site and experience digital production and automation solutions. The METAV 2018 in Dusseldorf and 3D Printing 2018 in Tokyo attracted a great number of customers in the automotive, aerospace, medical technology and die & mold industries, and we provided them with cutting-edge strategic solutions for the future, including Technology Excellence and additive manufacturing that fully meet customer demand.

We opened DMG MORI Child Care Center at our major business locations in Japan - Iga Campus, Nara Campus, Nagoya National Headquarters and Tokyo Global Headquarters. The centers provide the children of the company employees with activities of the highest educational standards in Japan, which incorporates English language, science, art and food education. We create a working environment where the employees can feel assured and well juggle work and parenting with confidence by offering them higher welfare benefits such as extended child care leave. DMG MORI will further go ahead with the company-wide work style reform, encouraging the employees to achieve high-quality and efficient work performance as well as full use of annual paid leave and reduction in overtime work.

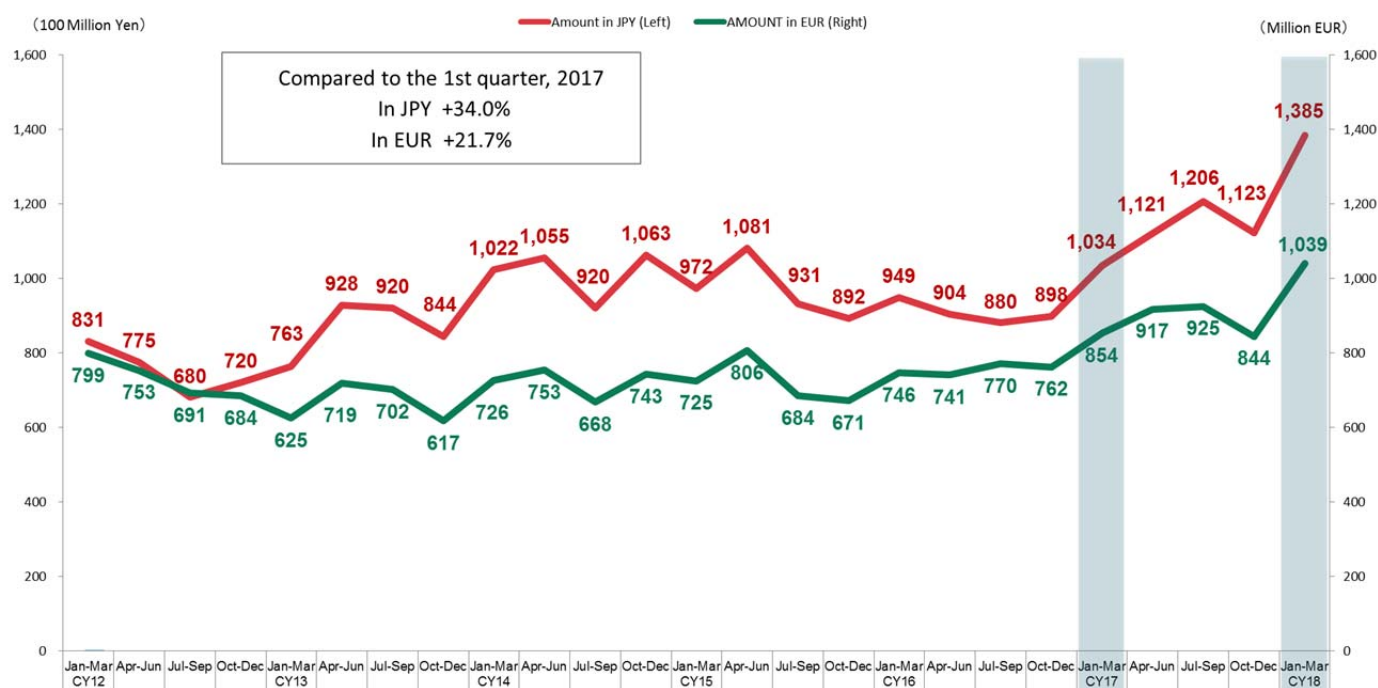
DMG MORI also places importance on human resource development and industrial promotion. We concluded the Comprehensive Partnership Agreement on Industrial Promotion with Mie Prefecture, and work on various activities of Mori Manufacturing Research and Technology Foundation. We strive to ensure a sustainable growth of the company by enhancing the effort to reach Sustainable Development Goals (SDGs) through the activities.

The orders for machine tools during the first quarter totaled 138.5 billion yen, which is a record high on a quarterly basis and a 34% increase from the comparable total for the previous year. On a Euro basis, the demand is up 22%. In each region, the demand has continued to increasingly grow since the third quarter of 2017. The demand in Japan showed a strong increase of 83% from the same period last year. The demand from the

automotive, semi-conductor manufacturing equipment, electrical component and die & mold industries showed a significant growth. In Americas, the demand from the aircraft, semi-conductor manufacturing equipment, and general machinery industries and SMEs (Small and Medium-sized Enterprises) increased 43%, and a positive momentum was seen in the energy-related sector as well. In Europe, the demand recorded a 31% year-over-year increase thanks to favorable factors such as the open house held in Pfronten, Germany. The orders from the SMEs that largely dominate the total demand in the region remained robust, and the orders from the general machinery, aircraft and medical-related fields also showed a steady growth. In the Asian countries including China, the orders achieved a 22% increase over the previous year. The demand from large transportation equipment components, aircraft and die & mold industries and SMEs grew steadily. The sales ratio of 5-axis control machines, the company's major strength, to all the DMG MORI machines in the first quarter was further expanded to 38%. The demand for automation systems combined with peripheral equipment, an operating system CELOS and Technology Cycles is on the rise.

In May, we will hold the company's annual trade show "Innovation Days" in Iga, Japan and Chicago, the U.S. and make an utmost effort to increase the order volume even further by showcasing the cutting-edge machines and highly efficient automation systems.

<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 first quarter of the fiscal year ended March 31, 2018 is as follows:

Unit : 100 Million yen  
(Million EUR)

	January to March, 2017	January to March, 2018	Difference	<Forecast> January to December, 2018
Sales revenues	972 (802)	1,138 (855)	166 (53)	4,500 (3,462)
Operating result	40 (33)	61 (46)	21 (13)	350 (269)
Operating result / Sales revenues	4.1%	5.4%	1.3%	7.8%
Income attributable to owners of the parent	16 (13)	28 (21)	12 (8)	200 (154)

(Note) Euro amount is converted from yen at the average or forecasted exchange rate of each fiscal period; 121.1 yen/EUR for the figures of January to March, 2017, 133.2 yen/EUR for those of January to March, 2018, and 130.0 yen/EUR for the figures of January to December, 2018.

## (2) Explanation of financial position

Total assets at the end of the first quarter of fiscal year 2018 amounted to 536,086 million yen. Total equity is 105,225 million yen and ratio of equity attributable to owners of the parent is 19.1%.

## (3) Explanation of forecasts and other projections

Forecasts of the consolidated results are the same figures as those published in “Summary of Consolidated Financial Statements for the Fiscal Year 2017 ended December 31, 2017”, uploaded on February 13, 2018.

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

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly consolidated statements of financial position

(Yen in Millions)

	December 31, 2017	March 31, 2018
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and cash equivalents	64,973	33,592
Trade and other receivables	60,741	62,114
Other financial assets	8,652	9,029
Inventories	122,981	128,243
Other current assets	10,629	14,065
<b>Total current assets</b>	<b>267,979</b>	<b>247,044</b>
<b>Non-current assets</b>		
Property, plant and equipment	133,983	130,081
Goodwill	73,347	70,988
Other intangible assets	69,315	66,843
Other financial assets	8,996	8,541
Investments in associates and joint ventures	2,229	2,199
Deferred tax assets	6,082	5,172
Other non-current assets	5,476	5,214
<b>Total non-current assets</b>	<b>299,431</b>	<b>289,042</b>
<b>Total assets</b>	<b>567,411</b>	<b>536,086</b>



	December 31, 2017	March 31, 2018
<b>(Liabilities and equity)</b>		
<b>Current liabilities</b>		
Trade and other payables	47,717	53,609
Interest-bearing bonds and borrowings	22,653	18,724
Advances received	45,696	-
Contract liabilities	-	55,518
Other financial liabilities	3,857	3,611
Accrued income taxes	4,002	3,089
Provisions	29,886	27,885
Other current liabilities	6,144	5,876
<b>Total current liabilities</b>	<b>159,958</b>	<b>168,315</b>
<b>Non-current liabilities</b>		
Interest-bearing bonds and borrowings	156,706	125,095
Other financial liabilities	120,907	118,320
Net employee defined benefit liabilities	6,254	5,985
Provisions	3,973	3,824
Deferred tax liabilities	7,844	7,702
Other non-current liabilities	1,746	1,617
<b>Total non-current liabilities</b>	<b>297,433</b>	<b>262,545</b>
<b>Total liabilities</b>	<b>457,391</b>	<b>430,861</b>
<b>Equity</b>		
Subscribed capital	51,115	51,115
Capital surplus	-	-
Hybrid capital	49,505	49,505
Treasury shares	△9,726	△9,726
Retained earnings	26,227	25,298
Other components of equity	△9,504	△13,645
<b>Equity attributable to owners of the parent</b>	<b>107,617</b>	<b>102,548</b>
Non-controlling interests	2,402	2,677
<b>Total equity</b>	<b>110,019</b>	<b>105,225</b>
<b>Total liabilities and equity</b>	<b>567,411</b>	<b>536,086</b>

## (2) Quarterly consolidated statements of income

(Yen in Millions)

	First quarter ended March 31, 2017 (January 1 to March 31, 2017)	First quarter ended March 31, 2018 (January 1 to March 31, 2018)
Revenues		
Sales revenues	97,207	113,839
Other operating revenues	2,252	1,008
Total revenue	99,460	114,848
Cost		
Changes in merchandise, finished goods and work in progress for sale	Δ4,363	Δ5,557
Costs of raw materials, consumables and goods for resale	48,944	56,717
Personnel costs	28,552	31,962
Depreciation and amortization	4,367	4,508
Other operating costs	17,949	21,122
Total costs	95,450	108,752
Operating result	4,009	6,096
Financial income	76	90
Financial costs	1,169	1,254
Share of profits of associates and joint ventures accounted for using equity method	32	19
Earnings before income taxes	2,948	4,952
Income taxes	1,349	2,008
Net income	1,599	2,943
Income attributable to:		
Owners of the parent	1,602	2,806
Non-controlling interests	Δ3	136
Net income	1,599	2,943
Earnings per share		
Basic (yen)	11.07	21.02
Diluted (yen)	11.02	20.83

## (3) Quarterly consolidated statements of comprehensive income

(Yen in Millions)

	First quarter ended March 31, 2017 (January 1 to March 31, 2017)	First quarter ended March 31, 2018 (January 1 to March 31, 2018)
Net income	1,599	2,943
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	52	26
Change in fair value measurements of financial assets at fair value through other comprehensive income	-	Δ286
Subtotal	52	Δ259
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	1,141	Δ3,971
Effective portion of changes in fair value of cash flow hedge	207	34
Change in fair value measurements of available-for-sale financial assets	Δ216	-
Share of other comprehensive income of associates accounted for using equity method	5	Δ8
Subtotal	1,137	Δ3,945
Total other comprehensive income	1,189	Δ4,205
Comprehensive income	2,788	Δ1,262
Comprehensive income attributable to:		
Owners of the parent	2,806	Δ1,388
Non-controlling interests	Δ18	126
Total	2,788	Δ1,262

## (4) Quarterly consolidated statements of changes in equity

(Yen in Millions)

	Equity attributable to owner of the parent company							Non-controlling interest share of equity	Total equity
	Subscribed capital	Capital surplus	Hybrid capital	Treasury shares	Retained earnings	Other components of equity	Total		
As of January 1, 2017	51,115	-	49,505	Δ23,769	34,863	Δ11,266	100,449	2,033	102,482
Net income					1,602		1,602	Δ3	1,599
Other comprehensive income						1,204	1,204	Δ14	1,189
Total comprehensive income	-	-	-	-	1,602	1,204	2,806	Δ18	2,788
Payments to owners of hybrid capital					Δ533		Δ533		Δ533
Treasury shares cancellation		Δ6,446		6,446			-		-
Treasury shares disposition		Δ6,442		6,446			3		3
Cash dividends					Δ1,560		Δ1,560	Δ57	Δ1,618
Transfer from retained earnings to capital surplus		12,889			Δ12,889		-		-
Share-based payments						81	81		81
Changes due to business combinations							-	18	18
Gain of subsidiaries							-		-
Transfer from other components of equity to retained earnings					52	Δ52	-		-
Other				Δ0			Δ0		Δ0
Total transaction with owners of the parent	-	-	-	12,892	Δ14,930	28	Δ2,009	Δ39	Δ2,049
Acquisition of non-controlling interests							-		-
Changes in ownership interests in subsidiaries and others	-	-	-	-	-	-	-	-	-
As of March 31, 2017	51,115	-	49,505	Δ10,876	21,535	Δ10,033	101,246	1,975	103,222

(Yen in Millions)

	Equity attributable to owner of the parent company							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, 2018	51,115	-	49,505	△9,726	26,227	△9,504	107,617	2,402	110,019
Impact of changes in accounting policies					△208		△208		△208
As of January 1, 2018 (revised)	51,115	-	49,505	△9,726	26,018	△9,504	107,408	2,402	109,811
Net income					2,806		2,806	136	2,943
Other comprehensive income						△4,194	△4,194	△10	△4,205
Total comprehensive income	-	-	-	-	2,806	△4,194	△1,388	126	△1,262
Payments to owners of hybrid capital					△530		△530		△530
Treasury shares cancellation							-		-
Treasury shares disposition							-		-
Cash dividends					△3,022		△3,022	△101	△3,124
Transfer from retained earnings to capital surplus							-		-
Share-based payments						81	81		81
Changes due to business combinations							-		-
Gain of subsidiaries							-	250	250
Transfer from other components of equity to retained earnings					26	△26	-		-
Other				△0			△0		△0
Total transaction with owners of the parent	-	-	-	△0	△3,526	54	△3,472	149	△3,323
Acquisition of non-controlling interests							-		-
Changes in ownership interests in subsidiaries and others	-	-	-	-	-	-	-	-	-
As of March 31, 2018	51,115	-	49,505	△9,726	25,298	△13,645	102,548	2,677	105,225

## (5) Quarterly consolidated statements of cash flows

(Yen in Millions)

	First quarter ended March 31, 2017 (January 1 to March 31, 2017)	First quarter ended March 31, 2018 (January 1 to March 31, 2018)
Cash flows from operating activities		
Earnings or losses before income taxes	2,948	4,952
Depreciation and amortization	4,367	4,508
Loss (gain) on sales/disposal of property, plant and equipment (Δ: gain)	Δ129	85
Financial income and costs(Δ: gain)	1,093	1,164
Share of profits of associates and joint ventures accounted for using equity method (Δ: gain)	Δ32	Δ19
Other non-cash transactions (Δ: gain)	449	Δ575
Changes in asset and liability items:		
Inventories (Δ: increase)	Δ755	Δ9,117
Trade and other receivables (Δ: increase)	Δ2,928	Δ3,481
Trade and other payables (Δ: decrease)	Δ6,521	6,707
Provisions (Δ: decrease)	Δ2,735	Δ1,384
Others	Δ1,676	7,570
Subtotal	Δ5,921	10,410
Interest received	78	66
Dividends received	1	4
Interest paid	Δ608	Δ554
Income tax paid	Δ1,377	Δ2,095
Net cash flows from operating activities	Δ7,826	7,831
Cash flows from investing activities		
Purchases of property, plant and equipment	Δ918	Δ2,164
Proceeds from sales of property, plant and equipment	414	44
Purchases of intangible assets	Δ715	Δ883
Acquisition of subsidiaries, net of cash acquired	Δ539	Δ199
Acquisition of associated companies, net of cash acquired	-	Δ13
Purchases of financial instruments	Δ997	Δ0
Proceeds from sales of financial instruments	521	-
Other	136	61
Net cash flows from investing activities	Δ2,098	Δ3,155

(Yen in Millions)

	First quarter ended March 31, 2017 (January 1 to March 31, 2017)	First quarter ended March 31, 2018 (January 1 to March 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	17,793	Δ3,319
Payments for non-current borrowings	Δ8,670	Δ27,953
Dividends paid	Δ1,361	Δ2,744
Dividends paid to non-controlling interests	Δ53	Δ94
Payments for obligations for non-controlling interests	Δ4	Δ0
Proceeds from non-controlling interests	-	250
Payments to owners of hybrid capital	Δ533	Δ530
Other	Δ123	Δ168
Net cash flows from financing activities	7,046	Δ34,560
Effect of exchange rate changes on cash and cash equivalents	Δ1,211	Δ1,497
Increase (decrease) in cash and cash equivalents	Δ4,089	Δ31,381
Cash and cash equivalents at the beginning of period	67,750	64,973
Cash and cash equivalents at the end of period	63,661	33,592

## (6) Notes on going concern assumption

Not applicable.

## (7) Notes on quarterly consolidated financial statements

### 1. Reporting Entity

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

The consolidated financial statements of the Company are reported as of March 31, 2018 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 with service support, application, and engineering.

### 2. Basis of preparations

#### (1) Accounting standards complied with

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

## (2) Basis of Measurement

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

## (3) Presentation currency and units used

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

## (4) Significant accounting policy

The significant accounting policies applied to the quarterly consolidated financial statements are identical to those applied to the consolidated financial statements for the previous fiscal year ended December 31, 2017 except for those stated in (5) Changes of accounting policy.

## (5) Changes of accounting policy

The following new standards have been implemented since January 1, 2018.

Standard	Name of the standard	Summary
IFRS 9	Financial Instruments	Change in classification, measurement, and recognition of financial instruments and hedge accounting model etc.
IFRS 15	Revenue from Contracts with Customers	Comprehensive framework for revenue recognition

The nature and the effects of the changes most relevant to the Group's Consolidated Financial Statements are given below.

### IFRS 9 "Financial Instruments"

The Group has implemented IFRS 9 "Financial Instruments" since January 1, 2018. The new standard replaces IAS 39 "Financial Instruments: Recognition and Measurement". The standard deals with the classification, recognition and measurement (including impairment) of financial instruments and also introduces a new hedge accounting model. There is no material impact on the Group's performance or financial position from the application of this standard.

#### ① Classification and measurement of financial instruments

Equity securities, which were previously classified as available-for-sale under IAS 39, are classified as financial assets at fair value through other comprehensive income (FVTOCI financial assets). Debt securities are classified as financial assets measured at amortized cost. The Group takes advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement changes.

Changes in the fair value of equity instruments designated as FVTOCI financial assets are recognized in other comprehensive income, and the cumulative amount of other comprehensive income is transferred to retained earnings when the instruments are derecognized.

#### ② Impairment of financial assets

On January 1, 2018, the Group changed the methodology of assessing impairment of its financial assets from the incurred loss model (used in IAS 39) to the expected credit loss model (used in IFRS 9). In accordance with the transitional provisions of IFRS 9, the Group has not restated prior periods but it has reassessed the impairment allowances under the new approach as of January 1, 2018.



### ③ Hedge accounting

As the Group may continue to apply the hedge accounting requirements of IAS 39 instead of those of IFRS 9 at the initial application of IFRS9, the Group has chosen to continue to apply the hedge accounting requirements of IAS 39.

### ④ Transition approach

The Group recognizes the cumulative effect of applying the new standard at the date of initial application, with no restatement of the comparative periods presented. It reduces 43 million yen of the opening balance of retained earnings at the date of initial application as the cumulative effect.

#### IFRS 15 "Revenue from Contracts with Customer"

The Group has implemented IFRS 15 "Revenue from Contracts with Customers" since January 1, 2018. The new standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts". IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized, and also contains new requirements related to presentation.

The core principle in the framework is that revenue should be recognized dependent on the transfer of promised goods or services to the customer for an amount that reflects consideration which should be received in exchange for those goods or services. The objective of the standard is to provide a five-step approach to revenue recognition as follows:

Step 1 : Identifying contracts with customers

Step 2 : Identifying performance obligations

Step 3 : Determining transaction prices

Step 4 : Allocating transaction prices to performance obligations

Step 5 : Recognizing revenue when or as performance obligations are satisfied

### ① Changes introduced by the standard relevant to the Group

The operation of the Group includes manufacturing and sales of machines and providing services and solutions related to machines. When selling machines, the Group recognizes revenue at a point in time the control over machines transfers to the customer based on the contract with the customer. As for providing services and solutions related to machines, the Group recognizes revenue at a point in time it performs obligations from the contract with the customer.

There is no material impact on the Group's performance or financial position from the application of this standard. Note that the advances received, which was presented in the previous consolidated statements of financial position, is now presented as contract liabilities.

### ② Transition approach

The Group recognizes the cumulative effect of applying the new standard at the date of initial application, with no restatement of the comparative periods presented. It reduces 164 million yen of the opening balance of retained earnings at the date of initial application as the cumulative effect.

## 3. Segmental information

### (1) Scope of segment reporting

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

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

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

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

(3) Segment sales and income

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

First quarter ended March 31, 2017 (January 1 to March 31, 2017)

	Reporting Segments			Adjustment (Note)		Figures in consolidated statements of income
	Machine Tools	Industrial Services	Total	Corporate	Adjustment	
	(Yen in Millions)					
Sales revenues						
Sales revenues with third parties	70,897	26,304	97,202	5	-	97,207
Sales revenues with other segments	29,193	5,094	34,287	501	Δ34,789	-
Total	100,091	31,398	131,489	506	Δ34,789	97,207
Segment income	5,005	2,296	7,301	Δ2,971	Δ288	4,041
Financial income						76
Financial costs						Δ1,169
Earnings before Taxes						2,948

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

First quarter ended March 31, 2018 (January 1 to March 31, 2018)

	Reporting Segments			Adjustment (Note)		Figures in consolidated statements of income
	Machine Tools	Industrial Services	Total	Corporate	Adjustment	
	(Yen in Millions)					
Sales revenues						
Sales revenues with third parties	86,929	26,903	113,832	6	-	113,839
Sales revenues with other segments	47,354	4,185	51,540	524	Δ52,064	-
Total	134,283	31,089	165,373	530	Δ52,064	113,839
Segment income	7,428	2,518	9,946	Δ3,578	Δ252	6,116
Financial income						90
Financial costs						Δ1,254
Earnings before Taxes						4,952

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

#### 4. Significant subsequent event

(Disposal of treasury shares as Restricted Stock Compensation Plan)

The Board of Directors at the Company resolved on April 6, 2018 to dispose treasury shares as follows.

##### 1. Outline of the Disposal

(1) Disposal date	May 2, 2018
(2) Class and number of shares disposed	153,400 shares of Common stock of the Company
(3) Disposal price	¥1,954 per share
(4) Total value of shares disposed	¥299,743,600
(5) Allottees and number thereof, number of shares disposed	Directors of the Company (excluding outside directors): 5 persons, 153,400 shares

##### 2. Purpose and reason for disposal

At the meeting of its Board of Directors held on February 13, 2018, for the purpose of further promoting shared value with shareholders and providing an incentive to sustainably increase the Company's corporate value for the Company's Executive Directors excluding outside Directors ("the Eligible Directors"), the Directors decided to introduce a restricted stock compensation plan ("the Plan"). At the 70<sup>th</sup> Annual General Meeting of Shareholders on March 22, 2018, based on the Plan, as the monetary compensation to serve as invested assets to acquire the restricted stocks ("the Restricted Stock Compensation"), it was approved that the amount of the Restricted Stock Compensation for the Eligible Directors shall not exceed 300 million yen, and that the restricted period on stock transfer shall be decided by its Board of Directors from 10 to 30 years.

The following is the overview of the Plan.

###### Overview of the Plan

The Eligible Directors will make in-kind contribution of all monetary compensation claims to be provided by the Company according to the Plan, and, in return, receive shares of common stock of the Company that will be issued or disposed by the Company. The total number of shares of common stock of the Company to be issued or disposed for the Eligible Directors shall not exceed 300,000 shares per year, and the amount to be paid per share will be based on the closing price of common stock of the Company on the First section of the Tokyo Stock Exchange on the business day preceding the date of the resolution by the Board of Directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day.) It will be within a range that is not particularly advantageous to the Eligible Directors who receive the allotted shares.

For the disposal of shares of common stock of the Company under the Plan, the Company and each Eligible Director will make an arrangement on allotment of restricted stocks, which includes (1) The Eligible Directors must not transfer, create a security interest on, or otherwise dispose of the allotted shares during a specific period, and (2) The Company will take back the allotted shares without cost in case that certain events happen.

Having comprehensively considered the Plan's purpose, the Company's performance, the particular duties of the Eligible Directors, and various other factors, the Company has decided to provide the total sum of the monetary compensation claims and monetary claims of 299,743,600 yen (hereinafter, "the Total Monetary Compensation Claims"), and 153,400 shares of common stock of the Company, and has decided the restricted period on stock transfer is 30 years in order to realize the purpose of further promoting shared value with shareholders.

For the disposal of treasury shares, 5 of the Eligible Directors will make in-kind contribution of all monetary compensation claims to the Company according to the plan, and will receive disposed share of common stock of the Company.

(Disposal of treasury shares regarding implementation of Trust-Type Employee Stock Ownership Incentive Plan)

The Board of Directors at the Company resolved on April 6, 2018 that the Company would implement a Trust-Type Employee Stock Ownership Incentive Plan (“the Incentive Plan”) and disposed treasury shares on April 27, 2018.

1. Outline of disposal

(1) Disposal date	April 27, 2018
(2) Class and number of shares disposed	2,500,000 shares of Common stock of the Company
(3) Disposal price	¥1,954 per share
(4) Total value of shares disposed	¥4,885,000,000
(5) Subscriber	The Nomura Trust and Banking Co., Ltd. (DMG MORI Employee Shareholders Association Exclusive Trust Account)

2. Purpose and reason for disposal

The Incentive Plan is available to all employees who belong to the DMG MORI Employee Shareholders Association (“the Association”). Under the Incentive Plan, the Company will set up a trust – DMG MORI Employee Shareholders Association Exclusive Trust (“the Exclusive Trust”) – through a trust bank. The Exclusive Trust will estimate the number of shares that the Association is likely to acquire over the next 7 years and 2 months, and purchase this amount in advance using bank loans. Then the Exclusive Trust will continuously sell Company shares to the Association and, if an amount equivalent to net gains on Company shares has accumulated in the Exclusive Trust when the trust period comes to an end, such money will be distributed as residual assets to members of the Association who meet beneficiary eligibility criteria. Note that the Company will guarantee loans taken to purchase Company shares and will repay any outstanding portion of loans if, due to a drop in the market price of Company shares, an amount equivalent to loss on sale of shares has accumulated in the Exclusive Trust when the trust period comes to an end.

The purpose is to promote constant development of the Company by motivating employees to approach their work with greater enthusiasm, and this will be accomplished by providing incentives to raise the medium- to long-term corporate value of the Company, enriching the employee welfare program, and facilitating capital participation as shareholders of the Company. This disposal of treasury shares is directed toward the Nomura Trust and Banking Co., Ltd. (DMG MORI Employee Shareholders Association Exclusive Trust Account), which was set up for implementing the Incentive Plan.

Outline of Trust Agreement

Trustor: The Company  
Trustee: The Nomura Trust and Banking Co., Ltd.  
Date of trust contract: April 6, 2018  
Trust period: From April 6, 2018 to June 30, 2025  
Purpose of trust: Stable and continuous supply of shares to the Association and distribution of trust assets to those employees who meet beneficiary eligibility criteria