Date: February 12, 2019

Summary of Consolidated Financial Statements for the Fiscal Year 2018 ended December 31, 2018 (IFRS basis)

(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the Fiscal Year 2018 announced on February 12, 2019)

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, Vice President, Accounting / Finance HQ, Executive Officer		
Phone:	+81-(0)3-6758-5900		

Expected date of the ordinary general shareholders' meeting: March 22, 2019

Filing date of financial statements: March 22, 2019

Estimated starting date of dividend paying: March 25, 2019

Preparation of supplementary explanatory materials: Yes

Holding of annual earnigs release conference: Yes

1. Consolidated business results of the fiscal year 2018 ended December 31, 2018 (January 1, 2018 to December 31, 2018)

(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		Income attributable to owners of the parent		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended December 31, 2018	501,248	16.7	36,261	23.4	31,275	26.1	19,374	23.6	18,517	21.3	10,750	Δ36.7
Fiscal year ended December 31, 2017	429,664	14.1	29,391	-	24,803	-	15,676	-	15,263	-	16,974	-

	Basic earnings per share	Diluted earnings 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, 2018	144.09	143.18	16.9	5.7	7.2
Fiscal year ended December 31, 2017	116.44	115.59	14.7	4.4	6.8

(Note)

・Total comprehensive income of the fiscal year ended December 31, 2018 is mainly caused by the differences from currency translation with strong yen.

・Earnings per share is based on the earning amount which excludes earnings 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 31,2018	528,423	114,166	111,113	21.0	910.25
December 31, 2017	567,411	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.

(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, 2018	49,398	Δ19,020	Δ65,433	27,368
December 31, 2017	31,423	Δ1,387	Δ37,726	64,973

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, 2017	-	15.00	-	25.00	40.00	4,867	34.4	4.5
December 31, 2018	-	25.00	-	25.00	50.00	6,187	34.7	5.6
December 31, 2019 (forecast)	-	30.00	-	30.00	60.00		40.7	

(Note) Dividend payment of 61 million yen for the shares of the company held by DMG MORI Employee Shareholders Association Exclusive Trust are included in the total amount of dividends in fiscal year 2018.

3. Consolidated earnings forecast for the fiscal year 2019 (January 1, 2019 to December 31, 2019) (% 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 2019	500,000	Δ0.2	36,000	Δ0.7	19,000	2.6	147.51

(Note) Exchange rate used for consolidated earnings forecast for the fiscal year 2019: JPY 110.0/USD, 125.0/EUR (the fiscal year 2018: JPY 110.4/USD, 130.4/EUR)

※Notes

(1) Changes in significant subsidiaries during the fiscal year ended December 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 shares)

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

December 31, 2018: 125,953,683 December 31, 2017: 125,953,683

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

December 31, 2018: 4,456,599 December 31, 2017: 5,054,853

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

January - December 2018: 121,026,691 January - December 2017: 121,909,212

(Note) The Company implemented trust-type employee stock ownership incentive plan in April 2018. Therefore, the shares of the company held by DMG MORI Employee Shareholders Association Exclusive Trust are included in the number of treasury shares at the end of period (2,273,700 shares as of December 31, 2018) and the number of treasury shares deducted in calculating the average number of outstanding shares during the period (2,400,144 shares as of December 31, 2018).

(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, 2018	145,157	19.8	2,460	368.9	6,805	42.1	6,508	△31.6
Fiscal year ended December 31, 2017	121,194	36.0	524	-	4,787	9.8	9,521	14.5

	Income per share (Basic)		Income per share (Diluted)	
	yen	%	yen	%
Fiscal year ended December 31, 2018	53.73	△31.2	53.30	△31.3
Fiscal year ended December 31, 2017	78.09	12.7	77.53	-

(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, 2018	371,916	118,415	31.7	969.03
Fiscal year ended December 31, 2017	417,381	117,303	28.0	966.69

- 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 2019(Forecast), please see "1. Analysis of management performance and consolidated financial status (2) Forecast for the fiscal year 2019"on page 4.

We will upload additional explanation on February 12, 2019

(Attached Documents) Index

1. Analysis of management performance and consolidated financial status

(1) Explanation of operating results

For the fiscal year of 2018 (from January 1 to December 31), the sales revenues were 501,248 million yen (3,843,927 thousand EUR), the operating result was 36,261 million yen (278,077 thousand EUR), and earnings before taxes were 31,275 million yen (239,840 thousand EUR). The income attributable to owners of the parent was 18,517 million yen (142,002 thousand EUR). (Euro amount is converted from yen at 130.4 yen, the average exchange rate between January 1 and December 31).

DMG MORI promotes shop automation, process integration and a wider use of 5-axis control machines in industries, and realizes Industry 4.0 technologies through total shop digitization as our business strategies. We provide the optimal solution for each and every customer through continued efforts to advance additive manufacturing and the cooperative ties with our DMQP (DMG MORI Qualified Products) partners.

In 2018, we lent our cutting-edge 5-axis control machines to various customers and educational organizations in Nara and Mie Prefectures as part of the DMG MORI's 70th anniversary memorial project; and in October, we grand opened the FAMOT plant in Poland as a model plant of digital solution. We respond to customer needs for high-performance and low-maintenance machines at highly automated and highly digitized shop floor by offering cutting-edge technologies including the Zero Sludge Coolant Tank for collecting fine sludge inside a coolant tank. We strive to continue playing a key role in dramatically transforming society and provide the best solution to production issues for a wide variety of customers as a single solution provider.

As for the technological aspect, we showcased a large 5-axis control machine DMU 200 Gantry and DMU 340 Gantry as Japan premiere models at JIMTOF, and released them in Japan in November. The models come standard with the in-house made spindle speedMASTER that ensures high-speed and high-accuracy machining. With the fixed table with a gantry structure, they are able to handle heavy workpieces and workpieces with unbalanced load. The DMU Gantry series is most suited for the customers in the aerospace and die & mold industries as the models are capable of cutting large aluminum, GFRP (Glass Fiber Reinforced Polymer) and CFRP (Carbon Fiber Reinforced Plastic) workpieces efficiently. As a security measure in response to rapid shop digitization, we employed "McAfee Embedded Control" by McAfee for our human-machine interface CELOS. The Japan-made machines to be produced in June 2019 or later will be equipped with the security tool as standard for enhanced information security that prevents system stop and information leakage.

As for sales, we presented the future of manufacturing industry with cutting-edge machines and digital technologies at JIMTOF 2018 held in Tokyo and at the Seebach Open House in Germany in November. We also showcased additive manufacturing technologies on LASERTEC 30 SLM 2nd Generation at formnext 2018 in Frankfurt and Japan International Aerospace Exhibition 2018 Tokyo in November.

Under the motto of "play healthy + active," "work together + innovative," and "study smart + deeper," we make continued efforts to create a healthy working environment so that our employees can play to their strengths and work with peace of mind. In December, we introduced the "12-hour interval system" that requires employees to take a rest for over 12 hours between daily shifts. The company is also working on creating a better living environment by renovating the existing, aging company dormitories for employees.

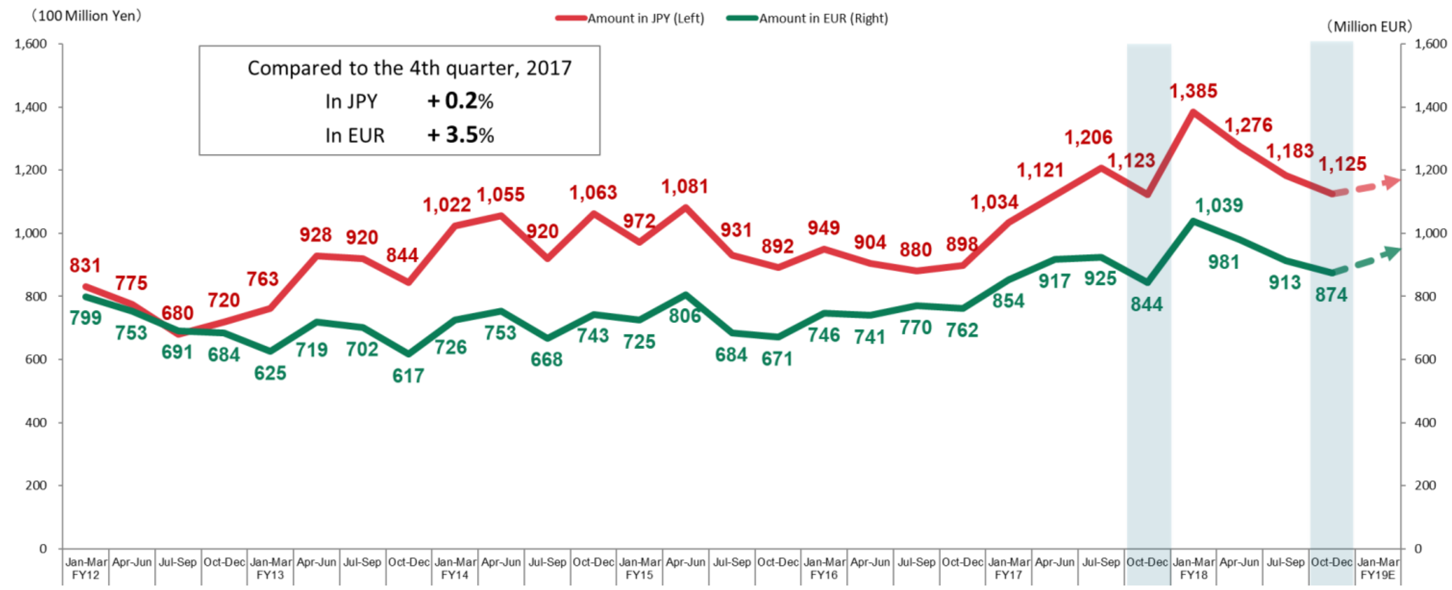
We launched the DMG MORI SAILING TEAM to welcome Kojiro Shiraishi, a sailor and the Japan's leading figure of ocean yacht races. The team will participate in the Vandée Globe 2020, a solo, non-stop, around-the-world yacht race with no assistance. With our long-year experience of serving as a technical partner of the world's top class motor sports teams, we will provide the team with a most advanced, highly accurate and highly rigid yacht that withstands the harsh nature environment, and contribute to further growth and advancement of the manufacturing industry.

The new orders for machine tool-related products during the fiscal year 2018 (January to December) totaled 497.0 billion yen, which is 11% higher than the previous year's result. The demand during the first half of the year posted a 23% increase, while orders for the second half of the year demonstrated a solid robustness, yet ended up with the same level as the comparable period for 2017. The growing demand for automation-related products such as CELOS, Technology Cycles and peripherals accounts for 24% (previous year: 17%) of the total order volume. The demand for cutting-edge machines such as ultrasonic machines and additive manufacturing machines as well as 5-axis-control machines and integrated mill-turn centers also showed a steady rise.

By region, Japan recorded the highest year-over-year growth rate of 24%, followed by Americas of 13%; Europe and China of 7%, respectively; and Asian countries including India of 4%. The demand was high throughout the year in Japan, Americas and Europe. In the Chinese market, the industry was affected by a declining demand for machine tools for smartphone case-related products; however, as we have no business in the field, the demand from the transport equipment such as trucks and buses, energy-related, and general machinery industries posted an increase up to the third quarter (January to September). In the fourth quarter, the demand decreased drastically due to the effect of the U.S.-China trade friction. It caused a drop in demand and a difficulty in procuring foreign currency among customers, resulting in delays in our receiving advance payment which is a requirement for sales orders to be counted. As for the order volume share by region, Japan accounts for 18%, Americas for 18%, Europe for 50%, China for 8% and Asia including India for 6%.

The Japan Machine Tool Builders' Association expects an approximately 12% year-over-year decline in order volume for the fiscal year 2019 (January to December). The market will enter into a correction phase while remaining at a high level. Under such an environment, we have confidence in our ongoing strategic approaches and the achievements: the promotion of machines for process integration including 5-axis control machines, integrated mill-turn centers and automation systems to boost the demand, and the deployment of ultrasonic machines and advanced machining technologies such as additive manufacturing. DMG MORI continues to make utmost efforts to increase its order volume.

<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, 2018 is as follows: Unit : 100 Million yen (Million EUR)

	January to December, 2017	January to December, 2018	Difference
Sales revenues	4,297 (3,391)	5,012 (3,844)	715 (453)
Operating result	294 (232)	363 (278)	69 (46)
Operating result / Sales revenues	6.8%	7.2%	0.4%
Income attributable to owners of the parent	153 (120)	185 (142)	32 (22)

(Note) Euro amount is converted from yen at the average exchange rate of each fiscal period; 126.7 yen/EUR for the figures of 2017, 130.4 yen/EUR for those of 2018.

(2) Forecast for the fiscal year 2019

Although it is expected the market will enter into a correction phase while remaining at a high level in the business environment hereafter, we, the DMG MORI CO., LTD. Group, will continue to make further efforts to increase our corporate value by accelerating the integration with AG in the field of development, manufacturing, sales and service. The forecast for the business results (consolidated) for the fiscal year 2019 is as follows:

(Unit : 100 Million yen)

	Fiscal Year 2019 (January 1 to December 31, 2019)
Sales revenues	500,000
Operating result	36,000
Income attributable to owners of the parent	19,000
Basic earnings per share (yen)	147.51

(Note) Exchange rate used for consolidated earnings forecast for fiscal year 2019: JPY 110.0/USD, 125.0/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 2017 and fiscal year 2018 is as follows:

・Assets

Current assets are 244,029 million yen. This is mainly because Trade and other receivables increased by 8,700 million yen while Cash and cash equivalents decreased by 37,605 million yen.

Non-current assets are 284,393 million yen. This is mainly because Property, plant and equipment decreased by 5,296 million yen, Goodwill decreased by 4,493 million yen and Other intangible assets decreased by 3,916 million yen.

As a result, total assets are 528,423 million yen.

・Liabilities

Current liabilities are 314,537 million yen. This is mainly because Advances received decreased by 45,696 million yen while Other financial liabilities increased by 92,124 million yen, Contract liabilities increased by 61,695 million yen, Interest-bearing bonds and borrowings increased by 32,072 million yen, and Deferred tax liabilities increased by 5,145 million yen.

Non-current liabilities are 99,718 million yen. This is mainly because Other financial liabilities decreased by 101,749 million yen and Interest-bearing bonds and borrowings decreased by 94,417 million yen.

As a result total liabilities are 414,256 million yen.

・Equity

Equity is 114,166 million yen. This is mainly because Treasury shares decreased by 1,155 million yen and Other components of equity decreased by 8,930 million yen while Retained earnings increased by 11,271 million yen.

(Reference)

(Million Yen)	December 31, 2017	December 31, 2018	Difference
Current assets	267,979	244,029	△23,950
Non-current assets	299,431	284,393	△15,037
Current liabilities	159,958	314,537	154,579
Non-current liabilities	297,433	99,718	△197,714
Equity	110,019	114,166	4,147

2. Cash flows during the fiscal year 2018

(Million yen)

	Fiscal Year 2017 (January 1 to December 31, 2017)	Fiscal Year 2018 (January 1 to December 31, 2018)
Operating activities	31,423	49,398
Investing activities	△1,387	△19,020
Financing activities	△37,726	△65,433
Cash and cash equivalents at the end of the year	64,973	27,368

Status of cash flows and its fluctuation factors for the fiscal year 2018 are as follows:

・Cash flows from operating activities

Net cash provided from operating activities was 49,398 million yen. The main factors for the increase are 31,275 million yen of Earnings before income taxes, 18,499 million yen of Depreciation and amortization, 10,517 million yen of Increase in Trade and other payables, 18,828 million yen of Increase in Contract liabilities and 5,873 million yen of Increase in provisions. The main factors for the decrease are 3,751 million yen of Other non-cash transactions, 12,958 million yen of Increase in Inventories, 11,782 of Increase in Trade and other receivables, 5,002 million yen of Interest paid, and 7,269 million yen of Income tax paid.

・Cash flows from investing activities

Net cash paid out for investing activities was 19,020 million yen. The main factors for the decrease are 13,732 million yen of Purchases of property, plant and equipment and 5,545 million yen of Purchases of intangible assets.

・Cash flows from financing activities

Net cash paid out for financing activities was 65,433 million yen. The main factors for the increase are 12,240 million yen of Net increase in current borrowings, and 4,885 million yen of Proceeds from non-current borrowings. The main factors for the decrease are 75,404 million yen of Payments for non-current borrowings and 6,044 million yen of Dividend paid.

As a result, cash and cash equivalents as of December 31, 2018 are 27,368 million yen, decreased by 37,605 million yen from Dec. 31, 2017.

3. Trends in cash flow related indexes

	Fiscal Year 2017 (January 1 to December 31, 2017)	Fiscal Year 2018 (January 1 to December 31, 2018)
Ratio of equity attributable to owners of the parent (%)	19.0	21.0
Ratio of equity attributable to owners of the parent measured at fair value(%)	49.7	28.5
Cash flows to interest bearing loans ratio (%)	632.59	274.08
Interest coverage ratio (times)	10.8	19.8

(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.

For fiscal year 2018, we issued 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. For fiscal year 2019 we plan to issue an interim dividend per share of 30 yen and year-end dividend per share of 30 yen, for a full-year total of 60 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, 2017	December 31, 2018
(Assets)		
Current assets		
Cash and cash equivalents	64,973	27,368
Trade and other receivables	60,741	69,441
Other financial assets	8,652	6,836
Inventories	122,981	130,726
Other current assets	10,629	9,656
Total current assets	267,979	244,029
Non-current assets		
Property, plant and equipment	133,983	128,686
Goodwill	73,347	68,854
Other intangible assets	69,315	65,399
Other financial assets	8,996	8,509
Investments in associates and joint ventures	2,229	3,331
Deferred tax assets	6,082	4,317
Other non-current assets	5,476	5,293
Total non-current assets	299,431	284,393
Total assets	567,411	528,423

(Yen in Millions)

	December 31, 2017	December 31, 2018
(Liabilities and equity)		
Current liabilities		
Trade and other payables	47,717	56,833
Interest-bearing bonds and borrowings	22,653	54,725
Advances received	45,696	-
Contract liabilities	-	61,695
Other financial liabilities	3,857	95,982
Accrued income taxes	4,002	9,147
Provisions	29,886	32,256
Other current liabilities	6,144	3,896
Total current liabilities	159,958	314,537
Non-current liabilities		
Interest-bearing bonds and borrowings	156,706	62,289
Other financial liabilities	120,907	19,158
Net employee defined benefit liabilities	6,254	5,159
Provisions	3,973	5,633
Deferred tax liabilities	7,844	6,133
Other non-current liabilities	1,746	1,345
Total non-current liabilities	297,433	99,718
Total liabilities	457,391	414,256
Equity		
Subscribed capital	51,115	51,115
Capital surplus	-	-
Hybrid capital	49,505	49,505
Treasury shares	△9,726	△8,571
Retained earnings	26,227	37,498
Other components of equity	△9,504	△18,435
Equity attributable to owners of the parent	107,617	111,113
Non-controlling interests	2,402	3,053
Total equity	110,019	114,166
Total liabilities and equity	567,411	528,423

(2) Consolidated statements of income

(Yen in Millions)

	Fiscal year 2017 (January 1 to December 31, 2017)	Fiscal year 2018 (January 1 to December 31, 2018)
Revenues		
Sales revenues	429,664	501,248
Other operating revenues	12,028	4,472
Total revenue	441,692	505,720
Cost		
Changes in merchandise, finished goods and work in progress for sale	5,578	△1,498
Costs of raw materials, consumables and goods for resale	189,000	235,972
Personnel costs	120,728	131,426
Depreciation and amortization	18,344	18,499
Other operating costs	78,650	85,059
Total costs	412,301	469,459
Operating result	29,391	36,261
Financial income	647	470
Financial costs	5,297	5,624
Share of profits of associates and joint ventures accounted for using equity method	62	167
Earnings before income taxes	24,803	31,275
Income taxes	9,127	11,900
Net income	15,676	19,374
Income attributable to:		
Owners of the parent	15,263	18,517
Non-controlling interests	412	857
Net income	15,676	19,374
Earnings per share		
Basic (yen)	116.44	144.09
Diluted (yen)	115.59	143.18

(3) Consolidated statements of comprehensive income

(Yen in Millions)

	Fiscal year 2017 (January 1 to December 31, 2017)	Fiscal year 2018 (January 1 to December 31, 2018)
Net income	15,676	19,374
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	△129	426
Change in fair value measurements of financial assets at fair value through other comprehensive income	-	△782
Share of other comprehensive income of associates accounted for using equity method	-	△21
Subtotal	△129	△377
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	4,044	△8,404
Effective portion of changes in fair value of cash flow hedge	△31	157
Change in fair value measurements of available-for-sale financial assets	△2,602	-
Share of other comprehensive income of associates accounted for using equity method	18	-
Subtotal	1,428	△8,246
Total other comprehensive income	1,298	△8,624
Comprehensive income	16,974	10,750
Comprehensive income attributable to:		
Owners of the parent	16,566	9,904
Non-controlling interests	408	845
Total	16,974	10,750

(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, 2017	51,115	-	49,505	△23,769	34,863	△11,266	100,449	2,033	102,482
Net income					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
Payments 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	△9,417
Acquisition of non-controlling interests		△0					△0	△0	△0
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

(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		
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					18,517		18,517	857	19,374
Other comprehensive income						△8,612	△8,612	△11	△8,624
Total comprehensive income	-	-	-	-	18,517	△8,612	9,904	845	10,750
Payments to owners of hybrid capital					△1,072		△1,072		△1,072
Treasury shares acquisition				△0			△0		△0
Treasury shares cancellation							-		-
Treasury shares disposition		△254		1,156		△100	801		801
Cash dividends					△6,050		△6,050	△159	△6,210
Transfer from retained earnings to capital surplus		340			△340		-		-
Share-based payments		4				209	213		213
Changes due to business combinations							-		-
Transfer from other components of equity to retained earnings					426	△426	-		-
Total transactions with owners of the parent	-	90	-	1,155	△7,037	△318	△6,109	90	△6,018
Acquisition of non-controlling interests		△90					△90	△285	△375
Changes in ownership interests in subsidiaries and others	-	△90	-	-	-	-	△90	△285	△375
As of December 31, 2018	51,115		49,505	△8,571	37,498	△18,435	111,113	3,053	114,166

(5) Consolidated statements of cash flows

(Yen in Millions)

	Fiscal year 2017 (January 1 to December 31, 2017)	Fiscal year 2018 (January 1 to December 31, 2018)
Cash flows from operating activities		
Earnings before income taxes	24,803	31,275
Depreciation and amortization	18,344	18,499
Loss (gain) on sales/disposal of property, plant and equipment (△: gain)	470	492
Financial income and costs(△: gain)	4,649	5,154
Share of profits of associates and joint ventures accounted for using equity method (△: gain)	△62	△167
Other non-cash transactions (△: gain)	△5,502	△3,751
Changes in asset and liability items:		
Inventories (△: increase)	5,324	△12,958
Trade and other receivables (△: increase)	△6,601	△11,782
Trade and other payables (△: decrease)	△9,872	10,517
Advanced received (△: decrease)	15,298	-
Contract liabilities (△: decrease)	-	18,828
Provisions (△: decrease)	247	5,873
Others	△1,315	△770
Subtotal	45,783	61,207
Interest received	393	342
Dividends received	254	119
Interest paid	△5,305	△5,002
Income tax paid	△9,703	△7,269
Net cash flows from operating activities	31,423	49,398
Cash flows from investing activities		
Purchases of property, plant and equipment	△5,895	△13,732
Proceeds from sales of property, plant and equipment	1,882	1,521
Purchases of intangible assets	△3,488	△5,545
Acquisition of subsidiaries, net of cash acquired	△649	△199
Acquisition of associated companies, net of cash acquired	-	△1,103
Purchases of financial instruments	△1,616	△64
Proceeds from sales of financial instruments	8,001	50
Other	378	53
Net cash flows from investing activities	△1,387	△19,020

(Yen in Millions)

	Fiscal year 2017 (January 1 to December 31, 2017)	Fiscal year 2018 (January 1 to December 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in current borrowings (△: decrease)	17	12,240
Proceeds from non-current borrowings	65,372	4,885
Payments for non-current borrowings	△87,489	△75,404
Payments for bond redemption	△20,000	-
Dividends paid	△3,403	△6,044
Dividends paid to non-controlling interests	△57	△159
Proceeds from non-controlling interests	-	250
Acquisition of non-controlling interests	△0	△392
Acquisition of treasury shares	△5,251	△0
Payments for obligations for non-controlling interests	△11	△1
Payments to owners of hybrid capital	△1,069	△1,072
Proceeds from issue of debt instruments	14,838	-
Other	△670	265
Net cash flows from financing activities	△37,726	△65,433
Effect of exchange rate changes on cash and cash equivalents	4,913	△2,550
Increase (decrease) in cash and cash equivalents (△: decrease)	△2,777	△37,605
Cash and cash equivalents at the beginning of period	67,750	64,973
Cash and cash equivalents at the end of period	64,973	27,368

(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, 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, 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) Changes in presentation

Prior to January 1, 2018, changes in “Advances received” and “Contract liabilities” in asset and liability items were included in the “Others” among the operating activities section of the consolidated statement of cash flows. Since the accounts became significant, such amount is disclosed separately in the operating activities section of the consolidated statement of cash flows for the fiscal year 2018. The amounts of comparative figures have been restated to reflect this adjustment and reclassification.

The amounts included in the “Others” for the fiscal year 2017 (13,982 million yen) are now presented as 15,298 million yen of “Advances received (△: decrease)” of changes in asset and liability items and △1,315 million yen of “Others” among the operating activities section of the consolidated statement of cash flows.

(5) Change 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 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 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.

Fiscal year 2018 (January 1 to December 31, 2018)

(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	373,348	127,875	501,223	24	-	501,248
Sales revenues with other segments	194,835	17,969	212,804	1,918	△214,722	-
Total	568,183	145,844	714,027	1,943	△214,722	501,248
Segment income	40,163	12,938	53,101	△16,444	△228	36,429
Financial income						470
Financial costs						△5,624
Earnings before Taxes						31,275

(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 2017 (January 1 to December 31, 2017)	Fiscal year 2018 (January 1 to December 31, 2018)
Income attributable to owners of the parent (million yen)	15,263	18,517
Income not attributable to owners of the parent	1,068	1,078
Income attributable to owners of the parent used for calculation of basic earnings per share (million yen)	14,195	17,438
Income adjustments based on which diluted earnings per share is calculated (million yen)	-	-
Diluted earnings (million yen)	14,195	17,438
Average number of common shares in the fiscal year (thousand shares)	121,909	121,026
Increase in common shares based on which diluted earnings or losses per share is calculated		
Increase by stock option (thousand shares)	892	770
Average number of common shares based on which diluted earnings per share is calculated (thousand shares)	122,801	121,797
Basic earnings per share (yen)	116.44	144.09
Diluted earnings per share (yen)	115.59	143.18

(Note)

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

・Due to the implementation of Trust-Type Employee Stock Ownership Incentive Plan, the shares of the company held by DMG MORI Employee Shareholders Association Exclusive Trust are included in the average number of treasury shares for calculating basic earnings per share and diluted earnings per share.

5. Significant subsequent events

Reduction in Amount of Capital Reserve

The Company has resolved at its Board of Directors held on February 12, 2019 that the Company would submit the proposal below for reducing the amount of its capital reserve to the Annual General Meeting of Shareholders to be held on March 22, 2019.

(1) Purpose of the reduction in the amount of capital reserve

In order to ensure the dynamism and flexibility of future capital policy, the Company will reduce a portion of capital reserve, in accordance with the provision stipulated in Paragraph 1, Article 448 of the Companies Act.

(2) Outline of the reduction in capital reserve

① Amount to be reduced in capital reserve

23,000,000,000 yen of the capital reserve of 51,846,473,894 yen

② Method of reducing amount of capital reserve

A portion of capital reserve will be reduced and transferred to other capital surplus.

(3) Schedule for reduction in capital reserve

①Date of resolution at the Board of Directors Meeting	February 12, 2019
②Date of resolution at the Ordinary General Meeting of Shareholders	March 22, 2019 (tentative)
③Creditor objection statement notice	April 10, 2019 (tentative)
④Creditor objection statement final deadline	May 10, 2019 (tentative)
⑤Effective date	May 31, 2019 (tentative)

For details, please refer to “Notice of Reduction in Amount of Capital Reserve” released on February 12, 2019.

4. Others

Changes in members of the Board of Directors and Statutory Auditors (of March 22, 2019)

(1) Changes in representative director

Not applicable

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

・Candidate for new directors

Christian Thönes, Director [Nationality : Germany]

Current : Chairman of the Executive Board of DMG MORI AKTIENGESELLSCHAFT

Makoto Fujishima, Director

Current : Senior Executive Officer, President of R&D Company

James Nudo, Director [Nationality : U.S.A.]

Current : Senior Executive Officer, CEO of DMG MORI USA and Americas

Minoru Furuta, Director

Current : Executive Officer, Vice Executive General Manager of Accounting / Finance HQ in Global Headquarters, President of Production Company

・Current directors to retire

Naoshi Takayama, Executive Director

Kenji Oishi, Executive Director

・Candidate for new auditors

Toshio Kawayama, Corporate Auditor

Current : Executive Officer, Vice Executive General Manager of Accounting / Finance HQ in Global Headquarters

Yoshinori Kawamura, Auditor

(Note) Yoshinori Kawamura is a candidate for External Auditor fulfilling the requirements provided in item 16, Article 2 of the Companies Act.

・Current auditors to retire

Yasuyuki Kimoto, External Auditor

Tatsuo Kondo, Corporate Auditor