

Summary of Consolidated Financial Statements for the first quarter of Fiscal Year 2019 ended March 31, 2019 (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, 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
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Filing date of quarterly financial statements: May 14, 2019

Estimated starting date of dividend paying: -

Preparation of supplementary explanatory materials: Yes

Holding of quarterly earnings release conference: Yes

1. Consolidated business results of the first quarter ended March 31, 2019 (January 1, 2019 to March 31, 2019)

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

| | 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 | % |
| | (% of change from same period in the previous year) | | | | | | | | | | | |
| First quarter ended March 31, 2019 | 120,586 | 5.9 | 10,417 | 70.9 | 8,845 | 78.6 | 6,380 | 116.8 | 6,191 | 120.6 | 7,784 | - |
| 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 | - |

| | Basic earnings per share | Diluted earnings per share |
|------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| First quarter ended March 31, 2019 | 48.74 | 48.58 |
| First quarter ended March 31, 2018 | 21.02 | 20.83 |

(Note) 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, 2019 | 537,993 | 118,338 | 115,150 | 21.4 | 941.58 |
| December 31, 2018 | 528,423 | 114,166 | 111,113 | 21.0 | 910.25 |

(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.

2. Dividends

| Record Date | Dividends per share | | | | |
|------------------------------|---------------------|-------|-----|----------|--------|
| | 1Q | 2Q | 3Q | Year-end | Annual |
| | yen | yen | yen | yen | yen |
| December 31, 2018 | - | 25.00 | - | 25.00 | 50.00 |
| December 31, 2019 | - | | | | |
| December 31, 2019 (Forecast) | | 30.00 | - | 30.00 | 60.00 |

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

3. Consolidated earnings forecast for 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)

- Revision of consolidated earnings forecast in the current quarter: No
- Exchange rate used for consolidated earnings forecast for fiscal year 2019: JPY 110.0 /USD, JPY 125.0 /EUR

4. Others

(1) Changes in significant subsidiaries during the first quarter ended March 31, 2019: 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)

March 31, 2019: 125,953,683

December 31, 2018: 125,953,683

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

March 31, 2019: 4,155,600

December 31, 2018: 4,456,599

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

January - March 2019: 121,637,406

January - March 2018: 120,898,770

(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 (2,167,000 shares as of March 31, 2019) and the number of treasury shares deducted in calculating the average number of outstanding shares during the period (2,230,525 shares as of March 31, 2019).

- 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 2019(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, 2019.

| | |
|---|----|
| 1. Qualitative Information Regarding Quarterly Settlement of Accounts | 2 |
| (1) Explanation of operating results | 2 |
| (2) Explanation of financial position | 4 |
| (3) Explanation of forecasts and other projections | 4 |
| 2. Quarterly Consolidated Financial Statements..... | 5 |
| (1) Quarterly consolidated statements of financial position..... | 5 |
| (2) Quarterly consolidated statements of income | 7 |
| (3) Quarterly consolidated statements of comprehensive income | 8 |
| (4) Quarterly consolidated statements of changes in equity | 9 |
| (5) Quarterly consolidated statements of cash flows | 11 |
| (6) Notes on going concern assumption..... | 12 |
| (7) Notes on quarterly consolidated financial statements | 12 |

1. Qualitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

For the first quarter of the fiscal year (from January 1 to March 31), the sales revenues were 120,586 million yen (963,148 thousand EUR), the operating result was 10,417 million yen (83,205 thousand EUR), and earnings before taxes were 8,845 million yen (70,648 thousand EUR). The income attributable to owners of the parent company was 6,191 million yen (49,457 thousand EUR). (Euro amount is converted from yen at 125.2 yen, the average exchange rate between January 1 and March 31).

As the business strategies, DMG MORI facilitates the introduction of 5-axis control machines and mill turn machines while strengthening digital technologies for advanced functions such as remote monitoring as well as automation technologies at its production sites where process integration is realized by those machines. The company offers semi-private lessons on 5-axis control machining at the 5-axis Technology Study & Research Group, and also lends the machines to educational and research organizations in Nara and Mie prefectures in an effort to provide customers with support for introducing cutting-edge machines and develop machining operators for the industry.

For the enhancement of internal data analysis, the data of the software solution CELOS Club, which had been operated on the internal server, was transferred to the Microsoft cloud service Azure. This makes it possible for us to analyze a large amount of data in an efficient way. Furthermore, we have participated in the development of open framework by Industrial Value Chain Initiative (IVI) to create a system that securely distributes production data across different platforms. We facilitate digitization of the manufacturing industry on a global level through the activity.

We also work on the reform of our parts centers. In the parts centers in Japan, Germany and the U.S., parts inventory is digitally managed by use of the demand forecasting technology to expand and improve the maintenance services for customers around the world. The Global Parts Center on the Nara Campus will be relocated to the Iga Campus where a construction of the new warehouse is currently underway. The new parts center is scheduled to be opened in July. DMG MORI continues to provide most advanced technologies for wider fields of customers and strives to further streamline their production activities.

As for the technological aspect, we developed the Zero Sludge Coolant Tank for ceramics and achieved the removal of fine chips, which is one of the critical issues in ceramic machining. The tank is capable of reducing the number of machine stops and maintenance time, and is beneficial for customers in the semiconductor industry.

As for sales, we held the Pfronten Open House in Germany in January and showcased the high-tech machines including the world premiere models DMP70 and LASERTEC125 Shape, and automation solutions for over 8,000 customers. At IMTEX 2019, the largest machine tool trade show in India, we presented our advanced automation technology, using an integrated mill turn center CTX beta 800 TC equipped with a multi-joint robot Robo2Go. At INTERMOLD 2019 held in April in Tokyo, cutting-edge technologies such as 5-axis control machining, laser machining and additive manufacturing were featured under the theme of "Integration of Machining Technologies for Molding."

With the motto of "Play Hard + Be Dynamic," "Study Continuously + Be Open," and "Work Together + Be Innovative," we make continued efforts to create a working environment for employees to feel at ease with. The company thoroughly implements its new working policy adopted last year which stipulates "the maximum hours allowed to stay in company is 12" and "an over 12-hour interval is required between daily shifts." It also encourages employees to completely use up annual paid leave during a year.

In January, we entered into a partnership with Iga city, Mie in which the Iga Campus is located, and launched the Nishitsuge area development project. We will continuously work with the community people and contribute to the prosperity of the area.

The company now discloses information without constraints of time and place. From the IR conference for 2018 results held in February on, we distributed the live video of the meeting on the company website. We continue to provide the investor relations information for our investors in a timely manner.

The new orders during the first quarter is 119.1 billion yen, a 20% drop from the same period of the previous year when the order volume recorded an all-time high. However, the figure almost kept the same level as the result for the fourth quarter of 2018, with a decline of 2%. The order unit price continues to rise because we focused more on increasing the value our customers can create with DMG MORI products by offering automation systems and process integration machines such as 5-axis control machines and mill turn machines.

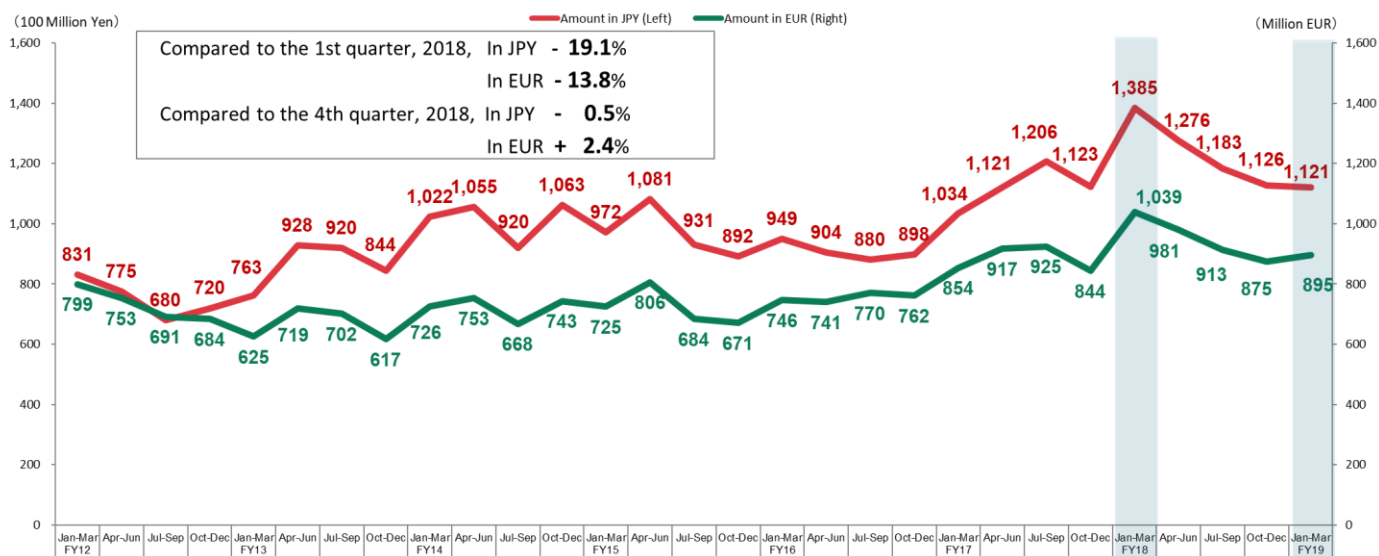
By region, Japan and Americas, which account for 13% and 14% of the total orders, posted year-over-year declines of 37% and 41%, respectively. However, the drop rate remains relatively low at 16% for EMEA (Europe, the Middle East and Africa) including Russia and Turkey which takes up a 59% share of the total, and Asia including China accounting for 14% of the total volume posted a decline of 24% over the comparable period of the previous year. The demand for repair parts and services has been on a steady upward trend due to our focus on speeding up machine repair and

recovery services, and it is the underpinnings of the sales of the entire company.

By industry, the demand from the aircraft, medical, die & mold, and construction machinery industries maintained an upswing. For SMEs (Small and Medium Enterprises), we strive to keep the volume level as stable as possible. We see a positive momentum in the demand from the electric vehicle-related sector in the automotive industry; however, as a whole, the industry dipped into a correction. The semiconductor device industry market has also been sluggish since the middle of the last year.

From the second quarter on, we have various exhibitions and trade shows coming up across the world to present cutting-edge machines, automation systems and digital technologies: CIMT in China in April; Innovation Days in Chicago, the U.S. in May and on the Iga Campus in Japan in July; and the world's largest trade show EMO in Germany in September. The company will be strongly committed to increasing orders in the global market.

<Reference> Quarterly consolidated order intake of machines (100 Million Yen and Million EUR)



(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, 2019 is as follows:

Unit : 100 Million Yen
(Million EUR)

| | January to March, 2018 | January to March, 2019 | Difference | <Forecast> January to December, 2019 |
|---|------------------------|------------------------|-------------|---|
| Sales revenues | 1,138 (855) | 1,206 (963) | 68 (108) | 5,000 (4,000) |
| Operating result | 61 (46) | 104 (83) | 43 (37) | 360 (288) |
| Operating result / Sales revenues | 5.4% | 8.6% | 3.2% | 7.2% |
| Income attributable to owners of the parent | 28 (21) | 62 (49) | 34 (28) | 190 (152) |

(Note) Euro amount is converted from yen at the average or forecasted exchange rate of each fiscal period; 133.2yen/EUR for the figures of January to March, 2018, 125.2yen/EUR for those of January to March, 2019, and 125.0yen/EUR for the figures of January to December, 2019.

(2) Explanation of financial position

Total assets at the end of the first quarter of fiscal year 2019 amounted to 537,993 million yen. Total equity is 118,338 million yen and ratio of equity attributable to owners of the parent is 21.4%.

(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 2018 ended December 31, 2018”, uploaded on February 12, 2019.

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

(Million Yen)

| | December 31, 2018 | March 31, 2019 |
|--|-------------------|----------------|
| (Assets) | | |
| Current assets | | |
| Cash and cash equivalents | 27,368 | 18,149 |
| Trade and other receivables | 69,441 | 65,115 |
| Other financial assets | 6,836 | 6,318 |
| Inventories | 130,726 | 139,284 |
| Other current assets | 9,656 | 15,252 |
| Total current assets | 244,029 | 244,119 |
| Non-current assets | | |
| Property, plant and equipment | 128,686 | 121,752 |
| Right-of-use assets | - | 17,829 |
| Goodwill | 68,854 | 67,596 |
| Other intangible assets | 65,399 | 64,211 |
| Other financial assets | 8,509 | 9,816 |
| Investments in associates and joint ventures | 3,331 | 3,080 |
| Deferred tax assets | 4,317 | 4,416 |
| Other non-current assets | 5,293 | 5,170 |
| Total non-current assets | 284,393 | 293,873 |
| Total assets | 528,423 | 537,993 |

| | December 31, 2018 | March 31, 2019 |
|--|-------------------|----------------|
| (Liabilities and equity) | | |
| Current liabilities | | |
| Trade and other payables | 56,833 | 65,092 |
| Interest-bearing bonds and borrowings | 54,725 | 49,226 |
| Contract liabilities | 61,695 | 61,406 |
| Other financial liabilities | 95,982 | 99,693 |
| Accrued income taxes | 9,147 | 7,803 |
| Provisions | 32,256 | 32,230 |
| Other current liabilities | 3,896 | 4,713 |
| Total current liabilities | 314,537 | 320,165 |
| Non-current liabilities | | |
| Interest-bearing bonds and borrowings | 62,289 | 53,081 |
| Other financial liabilities | 19,158 | 29,060 |
| Net employee defined benefit liabilities | 5,159 | 4,922 |
| Provisions | 5,633 | 4,738 |
| Deferred tax liabilities | 6,133 | 6,508 |
| Other non-current liabilities | 1,345 | 1,177 |
| Total non-current liabilities | 99,718 | 99,489 |
| Total liabilities | 414,256 | 419,655 |
| Equity | | |
| Subscribed capital | 51,115 | 51,115 |
| Capital surplus | - | - |
| Hybrid capital | 49,505 | 49,505 |
| Treasury shares | △8,571 | △7,987 |
| Retained earnings | 37,498 | 39,610 |
| Other components of equity | △18,435 | △17,094 |
| Equity attributable to owners of the parent | 111,113 | 115,150 |
| Non-controlling interests | 3,053 | 3,187 |
| Total equity | 114,166 | 118,338 |
| Total liabilities and equity | 528,423 | 537,993 |

(2) Quarterly consolidated statements of income

(Million Yen)

| | First quarter ended March 31, 2018 (January 1 to March 31, 2018) | First quarter ended March 31, 2019 (January 1 to March 31, 2019) |
|---|---|---|
| Revenues | | |
| Sales revenues | 113,839 | 120,586 |
| Other operating revenues | 1,008 | 2,164 |
| Total revenue | 114,848 | 122,750 |
| Cost | | |
| Changes in merchandise, finished goods and work in progress for sale | △5,557 | △10,393 |
| Costs of raw materials, consumables and goods for resale | 56,717 | 64,050 |
| Personnel costs | 31,962 | 33,019 |
| Depreciation and amortization | 4,508 | 5,481 |
| Other operating costs | 21,122 | 20,174 |
| Total costs | 108,752 | 112,333 |
| Operating result | 6,096 | 10,417 |
| Financial income | 90 | 97 |
| Financial costs | 1,254 | 1,690 |
| Share of profits of associates and joint ventures accounted for using equity method | 19 | 20 |
| Earnings before income taxes | 4,952 | 8,845 |
| Income taxes | 2,008 | 2,464 |
| Net income | 2,943 | 6,380 |
| Income attributable to: | | |
| Owners of the parent | 2,806 | 6,191 |
| Non-controlling interests | 136 | 188 |
| Net income | 2,943 | 6,380 |
| Earnings per share | | |
| Basic (yen) | 21.02 | 48.74 |
| Diluted (yen) | 20.83 | 48.58 |

(3) Quarterly consolidated statements of comprehensive income

(Million Yen)

| | First quarter ended March 31, 2018 (January 1 to March 31, 2018) | First quarter ended March 31, 2019 (January 1 to March 31, 2019) |
|--|---|---|
| Net income | 2,943 | 6,380 |
| Other comprehensive income | | |
| Items that will not be reclassified subsequently to profit or loss | | |
| Remeasurements of defined benefit plans | 26 | 9 |
| Change in fair value measurements of financial assets at fair value through other comprehensive income | △286 | 634 |
| Share of other comprehensive income of associates accounted for using equity method | △8 | 2 |
| Subtotal | △268 | 645 |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation of foreign operations | △3,971 | 877 |
| Effective portion of changes in fair value of cash flow hedge | 34 | △120 |
| Subtotal | △3,936 | 757 |
| Total other comprehensive income | △4,205 | 1,403 |
| Comprehensive income | △1,262 | 7,784 |
| Comprehensive income attributable to: | | |
| Owners of the parent | △1,388 | 7,595 |
| Non-controlling interests | 126 | 188 |
| Total | △1,262 | 7,784 |

(4) Quarterly consolidated statements of changes in equity

(Million Yen)

| | 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 acquisition | | | | | | | - | | - |
| 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 |
| 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 |

(Million Yen)

| | 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, 2019 | 51,115 | - | 49,505 | △8,571 | 37,498 | △18,435 | 111,113 | 3,053 | 114,166 |
| Impact of changes in accounting policies | | | | | △347 | | △347 | | △347 |
| As of January 1, 2019 (revised) | 51,115 | - | 49,505 | △8,571 | 37,151 | △18,435 | 110,765 | 3,053 | 113,818 |
| Net income | | | | | 6,191 | | 6,191 | 188 | 6,380 |
| Other comprehensive income | | | | | | 1,403 | 1,403 | | 1,403 |
| Total comprehensive income | - | - | - | - | 6,191 | 1,403 | 7,595 | 188 | 7,784 |
| Payments to owners of hybrid capital | | | | | △537 | | △537 | | △537 |
| Treasury shares acquisition | | | | △0 | | | △0 | | △0 |
| Treasury shares disposition | | △163 | | 583 | | △52 | 367 | | 367 |
| Cash dividends | | | | | △3,041 | | △3,041 | △58 | △3,100 |
| Transfer from retained earnings to capital surplus | | 162 | | | △162 | | - | | - |
| Share-based payments | | | | | | | - | | - |
| Gain of subsidiaries | | | | | | | - | | - |
| Transfer from other components of equity to retained earnings | | | | | 9 | △9 | - | | - |
| Other | | | | | | | - | | - |
| Total transaction with owners of the parent | - | △0 | - | 583 | △3,732 | △62 | △3,211 | △58 | △3,270 |
| Acquisition of non-controlling interests | | 0 | | | | | 0 | 4 | 5 |
| Changes in ownership interests in subsidiaries and others | - | 0 | - | - | - | - | 0 | 4 | 5 |
| As of March 31, 2019 | 51,115 | - | 49,505 | △7,987 | 39,610 | △17,094 | 115,150 | 3,187 | 118,338 |

(5) Quarterly consolidated statements of cash flows

(Million Yen)

| | First quarter ended March 31, 2018 (January 1 to March 31, 2018) | First quarter ended March 31, 2019 (January 1 to March 31, 2019) |
|--|---|---|
| Cash flows from operating activities | | |
| Earnings or losses before income taxes | 4,952 | 8,845 |
| Depreciation and amortization | 4,508 | 5,481 |
| Loss (gain) on sales/disposal of property, plant and equipment (Δ: gain) | 85 | 13 |
| Financial income and costs(Δ: gain) | 1,164 | 1,593 |
| Share of profits of associates and joint ventures accounted for using equity method (Δ: gain) | Δ19 | Δ20 |
| Other non-cash transactions (Δ: gain) | Δ575 | Δ63 |
| Changes in asset and liability items: | | |
| Inventories (Δ: increase) | Δ9,117 | Δ9,453 |
| Trade and other receivables (Δ: increase) | Δ3,481 | 4,065 |
| Trade and other payables (Δ: decrease) | 6,707 | 8,306 |
| Contract liabilities (Δ: decrease) | 11,665 | 630 |
| Provisions (Δ: decrease) | Δ1,384 | Δ400 |
| Others | Δ4,094 | Δ2,221 |
| Subtotal | 10,410 | 16,775 |
| Interest received | 66 | 95 |
| Dividends received | 4 | 5 |
| Interest paid | Δ554 | Δ980 |
| Income tax paid | Δ2,095 | Δ2,901 |
| Net cash flows from operating activities | 7,831 | 12,995 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | Δ2,164 | Δ2,345 |
| Proceeds from sales of property, plant and equipment | 44 | 28 |
| Purchases of intangible assets | Δ883 | Δ728 |
| Acquisition of subsidiaries, net of cash acquired | Δ199 | Δ395 |
| Acquisition of associated companies, net of cash acquired | Δ13 | - |
| Purchases of financial instruments | Δ0 | Δ200 |
| Other | 61 | 23 |
| Net cash flows from investing activities | Δ3,155 | Δ3,616 |

(Million Yen)

| | First quarter ended March 31, 2018 (January 1 to March 31, 2018) | First quarter ended March 31, 2019 (January 1 to March 31, 2019) |
|--|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in current borrowings | Δ3,319 | Δ5,399 |
| Payments for non-current borrowings | Δ27,953 | Δ8,660 |
| Payments for lease liabilities | - | Δ1,334 |
| Dividends paid | Δ2,744 | Δ2,663 |
| Dividends paid to non-controlling interests | Δ94 | Δ54 |
| Payments for obligations for non-controlling interests | Δ0 | Δ1 |
| Proceeds from non-controlling interests | 250 | - |
| Payments to owners of hybrid capital | Δ530 | Δ537 |
| Other | Δ168 | 360 |
| Net cash flows from financing activities | Δ34,560 | Δ18,291 |
| Effect of exchange rate changes on cash and cash equivalents | Δ1,497 | Δ305 |
| Increase (decrease) in cash and cash equivalents | Δ31,381 | Δ9,218 |
| Cash and cash equivalents at the beginning of period | 64,973 | 27,368 |
| Cash and cash equivalents at the end of period | 33,592 | 18,149 |

(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, 2019 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) Changes of presentation

In quarterly consolidated statement of cash flows for the first quarter of the previous year, "Contract liabilities" was classified as "Other" in cash flows from operating activities. From this quarter, it is presented independently. As the result, "Other" in cash flows from operating activities which was 7,570 million yen for the same quarter of the previous year is divided to "Contract liabilities" which is 11,665 million yen and "Other" which is △ 4,094 million yen.

(5) 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, 2018 except for those stated in (6) Changes of accounting policy.

(6) Changes of accounting policy

IFRS 16 "Leases"

The Group has implemented IFRS 16 "Leases" (issued in January 2016; hereafter, "IFRS 16") since January 1, 2019. As a transitional measure upon the implementation of IFRS 16, the Group applies this standard retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. As the result, retained earnings at beginning of year was decreased 347 million yen.

In transitioning to IFRS 16, the Group has chosen the practical expedient detailed in IFRS 16 paragraph C3 and grandfathered its assessments of whether contracts contain leases based on IAS 17 "Leases" (hereafter, "IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease". From the date of application, this assessment is determined based on the provisions of IFRS 16.

For leases that the Group as lessee previously classified as operating leases applying IAS 17, right-of-use assets and lease liabilities are recognized at the date of initial application, except short-term and low value leases. Short-term and low value leases are recognized as cost based on the straight-line method for lease period. These lease liabilities have been measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average of the lessee's incremental borrowing rates is 2.5%.

For leases that the Group as lessee previously classified as finance leases applying IAS 17, the carrying amounts of right-of-use assets and lease liabilities at the date of initial application are the carrying amounts of lease assets and lease liabilities, respectively, immediately before that date measured applying IAS 17.

The difference between a reconciliation of non-cancelable operating lease contracts applying IAS 17 as of December 31, 2018 (discounted by incremental borrowing rates) and lease liabilities recognized in the condensed consolidated statement of financial position at the date of initial application is mainly from estimated value of land and buildings after non-cancelable period.

As the result, right-of-use assets recognized at the initial application in the condensed consolidated statement of financial position were 19,282 million yen, and lease liabilities were 20,539 million yen. The following practical expedients are used in the implementation of IFRS 16.

- A single discount rate is applied to portfolios of leases with reasonably similar characteristics.
- Similar method to short term lease is applied to lease contracts which are terminated within 12 months since the initial application date.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.

In condensed quarterly consolidated statement of cash flows, lease related cash flows had been classified as cash flows from operating activities. However, under the implementation of IFRS 16, lease transactions, except short-term and low value leases and including payments for lease liabilities which were presented as finance leases, are classified in cash flows from financing activities as "Payments for lease liabilities"

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. Sales revenues with other 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, 2018 (January 1 to March 31, 2018)

| | (Million Yen) | | | | | |
|------------------------------------|--------------------|---------------------|----------------|-------------------|----------------|--|
| | Reporting Segments | | | Adjustment (Note) | | Figures in consolidated statements of income |
| | Machine Tools | Industrial Services | Total | Corporate | Adjustment | |
| 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 functions.

First quarter ended March 31, 2019 (January 1 to March 31, 2019)

(Million Yen)

| | Reporting Segments | | | Adjustment (Note) | | Figures in consolidated statements of income |
|------------------------------------|--------------------|---------------------|---------|-------------------|------------|--|
| | Machine Tools | Industrial Services | Total | Corporate | Adjustment | |
| Sales revenues | | | | | | |
| Sales revenues with third parties | 88,018 | 32,563 | 120,581 | 5 | - | 120,586 |
| Sales revenues with other segments | 49,101 | 3,337 | 52,439 | 471 | △52,910 | - |
| Total | 137,119 | 35,900 | 173,020 | 476 | △52,910 | 120,586 |
| Segment income | 9,153 | 4,684 | 13,837 | △3,692 | 292 | 10,438 |
| Financial income | | | | | | 97 |
| Financial costs | | | | | | △1,690 |
| Earnings before Taxes | | | | | | 8,845 |

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