Date: February 14, 2020

Summary of Consolidated Financial Statements for the Fiscal Year 2019 ended December 31, 2019 (IFRS basis)

(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the Fiscal Year 2019 announced on February 14, 2020)

Listed company name: DMG MORI CO., LTD.

Stock exchange listing: First Section of Tokyo Stock Exchange

Code Number: 6141 URL https://www.dmgmori.co.jp

Company Representative: Masahiko Mori, President

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Expected date of the ordinary general shareholders' meeting: March 24, 2020

Filing date of financial statements: March 24, 2020

Estimated starting date of dividend paying: March 25, 2020

Preparation of supplementary explanatory materials: Yes

Holding of annual earnigs release conference: Yes

1. Consolidated business results of the fiscal year 2019 ended December 31, 2019 (January 1, 2019 to December 31, 2019)

(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, 2019	485,778	△3.1	37,339	3.0	31,451	0.6	18,861	△2.6	17,995	△2.8	20,283	88.7
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	△36.7

	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, 2019	138.64	138.25	15.3	6.0	7.7
Fiscal year ended December 31, 2018	144.09	143.18	16.9	5.7	7.2

(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, 2019	524,606	127,807	124,006	23.6	1,008.36
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.

(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, 2019	43,647	△23,546	△19,019	27,695
December 31, 2018	49,398	△19,020	△65,433	27,368

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, 2018	-	25.00	-	25.00	50.00	6,187	34.7	5.6
December 31, 2019	-	30.00	-	30.00	60.00	7,464	43.3	6.0
December 31, 2020 (forecast)	-	30.00	-	30.00	60.00		99.1	

(Note) Dividend payment of 118 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, and that of 116 million yen in 2019.

3. Consolidated earnings forecast for the fiscal year 2020 (January 1, 2020 to December 31, 2020) (% 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 2020	400,000	△17.7	20,000	△46.4	8,500	△52.8	60.52

(Note) Exchange rate used for consolidated earnings forecast for the fiscal year 2020: JPY 110.0/USD, 120.0/EUR (the fiscal year 2019: JPY 109.1/USD, 122.1/EUR)

※Notes

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

December 31, 2019: 125,953,683 December 31, 2018: 125,953,683

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

December 31, 2019: 3,295,627 December 31, 2018: 4,456,599

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

January - December 2019: 122,028,035 January - December 2018: 121,026,691

(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 1,825,400 shares as of December 31, 2019) 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 and 2,048,531 shares as of December 31, 2019).

(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, 2019	131,996	△9.1	△582	-	3,221	△52.7	1,611	△75.2
Fiscal year ended December 31, 2018	145,157	19.8	2,460	368.9	6,805	42.1	6,508	△31.6

	Income per share (Basic)		Income per share (Diluted)	
	yen	%	yen	%
Fiscal year ended December 31, 2019	13.19	△75.4	13.14	△75.3
Fiscal year ended December 31, 2018	53.73	△31.2	53.30	△31.3

(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, 2019	350,213	116,069	33.1	942.45
Fiscal year ended December 31, 2018	371,916	118,415	31.7	969.03

- 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 2020(Forecast), please see "1. Analysis of management performance and consolidated financial status (2) Forecast for the fiscal year 2020"on page 4.

We will upload additional explanation on February 14, 2020

(Attached Documents)　Index

1. Analysis of management performance and consolidated financial status

(1) Explanation of operating results

For the fiscal year of 2019 (from January 1 to December 31), the sales revenues were 485,778 million yen (3,978,527 thousand EUR), the operating result was 37,339 million yen (305,809 thousand EUR), and earnings before taxes were 31,451 million yen (257,587 thousand EUR). The income attributable to owners of the parent was 17,995 million yen (147,379 thousand EUR). (Euro amount is converted from yen at 122.1 yen, the average exchange rate between January 1 and December 31).

Breakthrough technological innovations occur every 10 years in manufacturing sites where machine tools are used. As one of the business strategies, DMG MORI promotes shop automation and digitization that leverage 5-axis control, multi-axis and additive manufacturing machines as a manufacturing platform in an effort to provide cutting-edge production equipment that meets the technical demand of the new era for customers. Process integration achieved by 5-axis control and multi-axis machines leads to increasing demand for automated transportation and measurement, and it brings about the advancement in the sensing technology that utilizes the digital technology, and AI-enabled data analytics. The series of events creates a virtuous circle of technological progress in which machine tools get more sophisticated and intelligent through the results learned from it. As to additive manufacturing, the technology can bring new business opportunities to customers because of its capabilities of machining complex-shaped workpieces and producing lighter components, which was impossible before.

We own ample knowledge and know-how on machining technologies and peripherals accumulated through Technology Cycles and DMQP initiatives. The business alliance with NIKON Corporation announced last November enables us to apply their measuring and camera technologies to our machine tool, which will further enhance the performance and value of the machines. With the solid global sales and repair system, we have been focusing on direct contact with customers to quickly respond to customer needs such as machine replacement and consultation on cross-border capital investment. We will accelerate the said virtuous circle using the foresight and wisdom, and aim to be a total solution provider that boosts the operation rate of an entire shop for every customer.

For the technological aspect, we developed the LASERTEC 30 DUAL SLM and presented the machine at Pfronten Open House as a world premiere model in February 2020. Equipped with dual lasers, the machine increased its productivity by 80%. The new filter system which is not affected by materials also ensures higher machine durability and safety. The LASERTEC 30 DUAL SLM is suited for prototyping and gives a competitive edge and satisfaction to customers in the aircraft, medical, and die & mold industries. We are expanding the product lineup that comes standard with our original technology “Zero Sludge Coolant Tank,” with which coolant is stirred to prevent sludge accumulation and the sludge is efficiently collected in the tank. We will continue developing new products that can provide optimal and cutting-edge solutions for customers across the world.

As for sales, we participated in Mechatronics Technology Japan 2019 in October and showed some technologies not displayed at the venue in videos as well as giving live demonstrations on actual machines, and successfully received a large volume of orders and inquiries. In December, we took part in International Robot Exhibition 2019 held in Tokyo for the first time to present advanced solutions for shop automation and digitization. At the event we made live demonstrations of an autonomous traveling robot “WH-AGV5” and showcased production systems that ensure a continuous 24-hour operation and high-mix, low-volume production. As to the private shows, we held open houses where customers can experience our advanced technologies at the Famot Plant in Poland in October; the Seebach Plant in Germany in November; and the Pfronten Plant in Germany this February. They all received favorable reviews.

Under the motto of “Play Hard + Be Dynamic,” “Study Continuously + Be Open,” and “Work Together + Be Innovative,” DMG MORI promotes a company culture in which employees autonomously manage their own time, live fulfilled lives with physical and mental well-being, and keep improving their skills. We set an upper limit of annual working hours for 2020 in order for the employees to further increase working efficiency within given hours while improving essential aspects of work and studying new production systems through the company-wide TQM activities. As to the approaches to environmental conservation, we began activities to create solutions for CO2-Neutral in Germany. In Japan we use photovoltaic systems and proceed with tree planting and research on biomass power generation. We offer grant scholarship to doctoral course students through Mori Manufacturing Research and Technology Foundation to develop competent human resources for future advancement of the machine tool industry. We will fulfill the social responsibility demanded of a company that has stake holders in the world, and continue increasing the corporation value through sustainable growth.

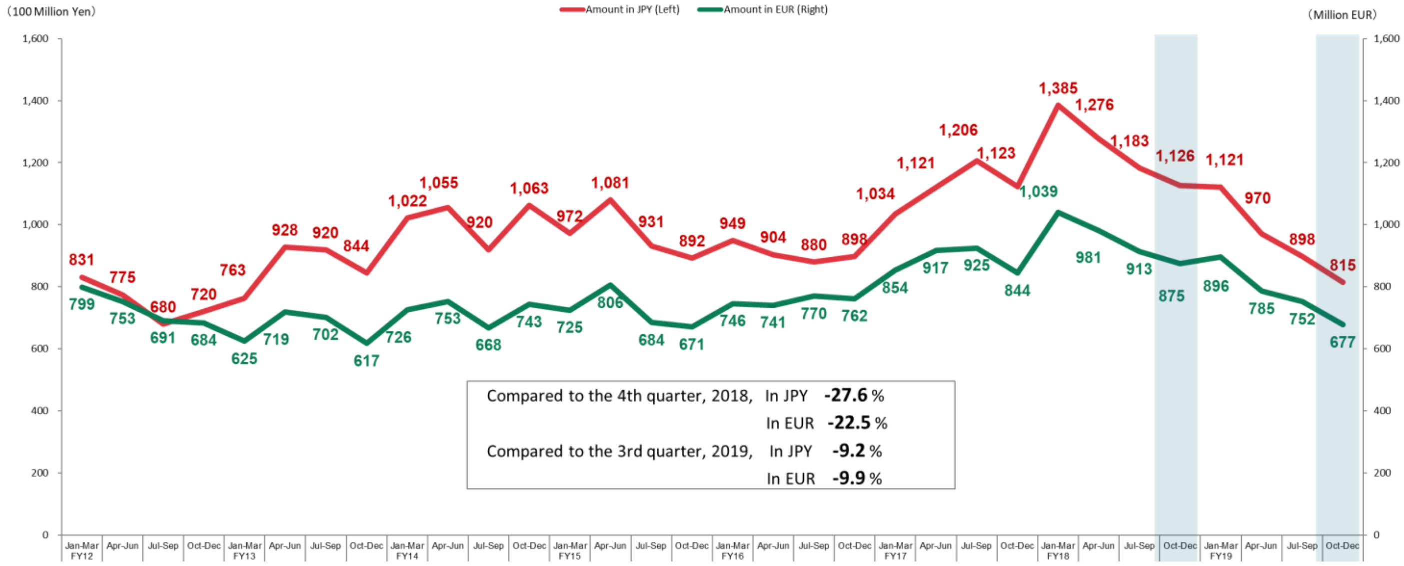
The new orders for machine tool-related products during the fiscal year 2019 (January to December) totaled 409.4 billion yen, down 23% from the previous year. The share of 5-axis control and multi-axis machines for process integration increased to 64%, and the order unit price was also up approximately 6% compared to the 2018 result thanks to the progress in shop automation and digitization in manufacturing industries. The orders for machine recovery services and repair parts posted a solid growth with an increase of 3%.

By region, the order in Japan posted a year-over-year decline of 42% due to a significant reactionary fall in demand after the expanding market trend up to the previous year. In Americas and the Asian region including China, the orders were down 27% and 29%, respectively. On the other hand, EMEA, which accounts for 53% of the total order, decreased 16% from the comparable period of 2018. The drop rate remained relatively lower than the rest of the world.

By industry, the orders in the aircraft, medical-related and die & mold industries were relatively robust. For the semiconductor equipment industry, which has suffered a steep drop since the second half of 2018, the number of inquiries is finally on the rise and we see a positive sign of bouncing back from the downturn. For the automotive-related industry, the market continues to be soft because the demand for automobiles is in correction territory, and the industry remains in a wait-and-see attitude toward the ongoing technological transition.

Since the first quarter total for 2018 (January to March) reached the highest at 148.6 billion yen in the past two years, the quarterly orders have been on the decline to 88.0 billion yen for the fourth quarter of 2019 (October to December). We believe that the demand is currently near the lowest level, and customers' concern about shortage of manpower and engineers, and their strategy toward the issue in a mid- to long-term perspective remain the same. DMG MORI is committed to increasing orders by facilitating shop automation and digitization with process integration and additive manufacturing machines as its main strength.

<Reference> Quarterly consolidated machine 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, 2019 is as follows: Unit : 100 Million yen (Million EUR)

	January to December, 2018	January to December, 2019	Difference
Sales revenues	5,012 (3,844)	4,858 (3,979)	△154 (135)
Operating result	363 (278)	373 (306)	10 (28)
Operating result / Sales revenues	7.2%	7.7%	0.5% pts
Income attributable to owners of the parent	185 (142)	180 (147)	△5 (5)

(Note) Euro amount is converted from yen at the average exchange rate of each fiscal period; 130.4 yen/EUR for the figures of 2018, 122.1 yen/EUR for those of 2019.

(2) Forecast for the fiscal year 2020

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 2020 is as follows:

(Unit : 100 Million yen)

	Fiscal Year 2020 (January 1 to December 31, 2020)
Sales revenues	4,000
Operating result	200
Income attributable to owners of the parent	85
Basic earnings per share (yen)	60.52

(Note) Exchange rate used for consolidated earnings forecast for fiscal year 2020: JPY 110.0/USD, 120.0/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 2018 and fiscal year 2019 is as follows:

・Assets

Current assets are 218,409 million yen. This is mainly because Trade and other receivables decreased by 14,127 million yen and changes in inventories decreased by 9,864 million yen.

Non-current assets are 306,196 million yen. This is mainly because Right-of-use asset increased by 18,095 million yen and Other financial assets increased by 4,362 million yen.

As a result, total assets are 524,606 million yen.

・Liabilities

Current liabilities are 272,553 million yen. This is mainly because Contract liabilities decreased by 24,177 million yen and Interest-bearing bonds and borrowings decreased by 19,568 million yen.

Non-current liabilities are 124,246 million yen. This is mainly because Other financial liabilities increased by 13,407 million yen and Interest-bearing bonds and borrowings increased by 11,250 million yen.

As a result, total liabilities are 396,799 million yen.

・Equity

Equity is 127,807 million yen. This is mainly because Retained earnings increased by 8,900 million yen and Treasury shares increased by 2,251 million yen.

(Reference) (Million Yen)

	December 31, 2018	December 31, 2019	Difference
Current assets	244,029	218,409	△25,619
Non-current assets	284,393	306,196	21,803
Current liabilities	314,537	272,553	△41,984
Non-current liabilities	99,718	124,246	24,527
Equity	114,166	127,807	13,640

2. Cash flows during the fiscal year 2019

(Million yen)

	Fiscal Year 2018 (January 1 to December 31, 2018)	Fiscal Year 2019 (January 1 to December 31, 2019)
Operating activities	49,398	43,647
Investing activities	△19,020	△23,546
Financing activities	△65,433	△19,019
Cash and cash equivalents at the end of the year	27,368	27,695

Status of cash flows and its fluctuation factors for the fiscal year 2019 are as follows:

・Cash flows from operating activities

Net cash provided from operating activities was 43,647 million yen. The main factors for the increase are 31,451 million yen of Earnings before income taxes, 23,079 million yen of Depreciation and amortization, 12,600 million yen of Decrease in Trade and other receivables, 7,312 million yen of Decrease in inventories. The main factors for the decrease are 22,189 million yen of Decrease in contract liabilities and 13,337 million yen of Income tax paid.

・Cash flows from investing activities

Net cash paid out for investing activities was 23,546 million yen. The main factors for the decrease are 14,564 million yen of Purchases of property, plant and equipment and 6,612 million yen of Purchases of intangible assets.

・Cash flows from financing activities

Net cash paid out for financing activities was 19,019 million yen. The main factors for the increase are 19,949 million yen of Proceeds from non-current borrowings, and 9,955 million yen of Proceeds from issue of bond. The main factors for the decrease are 20,000 million yen of Payments for bond redemption and 17,410 million yen of Payments for non-current borrowings, and 6,691 million yen of Dividend paid.

As a result, cash and cash equivalents as of December 31, 2019 are 27,695 million yen, increased by 327 million yen from December 31, 2018.

3. Trends in cash flow related indexes

	Fiscal Year 2018 (January 1 to December 31, 2018)	Fiscal Year 2019 (January 1 to December 31, 2019)
Ratio of equity attributable to owners of the parent (%)	21.0	23.6
Ratio of equity attributable to owners of the parent measured at fair value (%)	28.5	39.5
Cash flows to interest bearing loans ratio (%)	274.08	326.07
Interest coverage ratio (times)	19.8	18.4

(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 2019, we issued 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. For fiscal year 2020, 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

（Million Yen）

	December 31, 2018	December 31, 2019
(Assets)		
Current assets		
Cash and cash equivalents	27,368	27,695
Trade and other receivables	69,441	55,314
Other financial assets	6,836	5,464
Inventories	130,726	120,862
Other current assets	9,656	9,072
Total current assets	244,029	218,409
Non-current assets		
Property, plant and equipment	128,686	130,943
Right-of-use assets	-	18,095
Goodwill	68,854	66,516
Other intangible assets	65,399	62,773
Other financial assets	8,509	12,871
Investments in associates and joint ventures	3,331	5,751
Deferred tax assets	4,317	4,074
Other non-current assets	5,293	5,170
Total non-current assets	284,393	306,196
Total assets	528,423	524,606

(Million Yen)

	December 31, 2018	December 31, 2019
(Liabilities and equity)		
Current liabilities		
Trade and other payables	56,833	54,851
Interest-bearing bonds and borrowings	54,725	35,157
Contract liabilities	61,695	37,517
Other financial liabilities	95,982	98,505
Accrued income taxes	9,147	7,388
Provisions	32,256	34,738
Other current liabilities	3,896	4,393
Total current liabilities	314,537	272,553
Non-current liabilities		
Interest-bearing bonds and borrowings	62,289	73,539
Other financial liabilities	19,158	32,566
Net employee defined benefit liabilities	5,159	5,594
Provisions	5,633	5,219
Deferred tax liabilities	6,133	6,203
Other non-current liabilities	1,345	1,123
Total non-current liabilities	99,718	124,246
Total liabilities	414,256	396,799
Equity		
Subscribed capital	51,115	51,115
Capital surplus	-	-
Hybrid capital	49,505	49,505
Treasury shares	△8,571	△6,319
Retained earnings	37,498	46,399
Other components of equity	△18,435	△16,695
Equity attributable to owners of the parent	111,113	124,006
Non-controlling interests	3,053	3,800
Total equity	114,166	127,807
Total liabilities and equity	528,423	524,606

(2) Consolidated statements of income

(Million Yen)

	Fiscal year 2018 (January 1 to December 31, 2018)	Fiscal year 2019 (January 1 to December 31, 2019)
Revenues		
Sales revenues	501,248	485,778
Other operating revenues	4,472	6,783
Total revenue	505,720	492,561
Cost		
Changes in merchandise, finished goods and work in progress for sale	△1,498	2,941
Costs of raw materials, consumables and goods for resale	235,972	225,858
Personnel costs	131,426	127,997
Depreciation and amortization	18,499	23,079
Other operating costs	85,059	75,346
Total costs	469,459	455,222
Operating result	36,261	37,339
Financial income	470	442
Financial costs	5,624	6,361
Share of profits of associates and joint ventures accounted for using equity method	167	50
Earnings before income taxes	31,275	31,451
Income taxes	11,900	12,589
Net income	19,374	18,861
Income attributable to:		
Owners of the parent	18,517	17,995
Non-controlling interests	857	866
Net income	19,374	18,861
Earnings per share		
Basic (yen)	144.09	138.64
Diluted (yen)	143.18	138.25

(3) Consolidated statements of comprehensive income

（Million Yen）

	Fiscal year 2018 (January 1 to December 31, 2018)	Fiscal year 2019 (January 1 to December 31, 2019)
Net income	19,374	18,861
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	426	△521
Change in fair value measurements of financial assets at fair value through other comprehensive income	△782	1,108
Share of other comprehensive income of associates accounted for using equity method	△21	5
Subtotal	△377	591
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	△8,404	773
Effective portion of changes in fair value of cash flow hedge	157	55
Subtotal	△8,246	829
Total other comprehensive income	△8,624	1,421
Comprehensive income	10,750	20,283
Comprehensive income attributable to:		
Owners of the parent	9,904	19,411
Non-controlling interests	845	871
Total	10,750	20,283

(4) Consolidated statements of changes in equity

(Million Yen)

	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, 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					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 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							-	250	250
Changes in equity from transaction of non-controlling interest							-		-
Capital increase of consolidated subsidiaries							-		-
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

(Million Yen)

	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					△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					17,995		17,995	866	18,861
Other comprehensive income						1,416	1,416	4	1,421
Total comprehensive income	-	-	-	-	17,995	1,416	19,411	871	20,283
Payments to owners of hybrid capital					△1,076		△1,076		△1,076
Treasury shares acquisition				△1			△1		△1
Treasury shares disposition		△586		2,253		△195	1,471		1,471
Cash dividends					△6,705		△6,705	△132	△6,837
Transfer from retained earnings to capital surplus		581			△581		-		-
Share-based payments		2				△2	-		-
Changes due to business combinations					138		138	49	188
Changes in equity from transaction of non-controlling interest							-	△201	△201
Capital increase of consolidated subsidiaries							-	140	140
Transfer from other components of equity to retained earnings					△521	521	-		-
Total transactions with owners of the parent	-	△2	-	2,251	△8,746	323	△6,173	△143	△6,316
Acquisition of non-controlling interests		2					2	19	22
Changes in ownership interests in subsidiaries and others	-	2	-	-	-	-	2	19	22
As of December 31, 2019	51,115	-	49,505	△6,319	46,399	△16,695	124,006	3,800	127,807

(5) Consolidated statements of cash flows

(Million Yen)

	Fiscal year 2018 (January 1 to December 31, 2018)	Fiscal year 2019 (January 1 to December 31, 2019)
Cash flows from operating activities		
Earnings before income taxes	31,275	31,451
Depreciation and amortization	18,499	23,079
Loss (gain) on sales/disposal of property, plant and equipment (△: gain)	492	477
Financial income and costs(△: gain)	5,154	5,938
Share of profits of associates and joint ventures accounted for using equity method (△: gain)	△167	△50
Other non-cash transactions (△: gain)	△3,751	330
Changes in asset and liability items:		
Inventories (△: increase)	△12,958	7,312
Trade and other receivables (△: increase)	△11,782	12,600
Trade and other payables (△: decrease)	10,517	△1,897
Contract liabilities (△: decrease)	18,828	△22,189
Provisions (△: decrease)	5,873	3,993
Others	△770	295
Subtotal	61,207	61,399
Interest received	342	314
Dividends received	119	107
Interest paid	△5,002	△4,749
Income tax paid	△7,269	△13,337
Net cash flows from operating activities	49,398	43,647
Cash flows from investing activities		
Purchases of property, plant and equipment	△13,732	△14,564
Proceeds from sales of property, plant and equipment	1,521	3,888
Purchases of intangible assets	△5,545	△6,612
Acquisition of subsidiaries, net of cash acquired	△199	△2,902
Acquisition of associated companies, net of cash acquired	△1,103	△31
Purchases of financial instruments	△64	△3,462
Proceeds from sales of financial instruments	50	-
Other	53	138
Net cash flows from investing activities	△19,020	△23,546

(Million Yen)

	Fiscal year 2018 (January 1 to December 31, 2018)	Fiscal year 2019 (January 1 to December 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in current borrowings (△: decrease)	12,240	561
Proceeds from non-current borrowings	4,885	19,949
Payments for non-current borrowings	△75,404	△17,410
Proceeds from issue of bond	-	9,955
Payments for bond redemption	-	△20,000
Payments of lease liabilities	-	△5,402
Dividends paid	△6,044	△6,691
Dividends paid to non-controlling interests	△159	△131
Proceeds from non-controlling interests	250	-
Acquisition of non-controlling interests	△392	-
Acquisition of treasury shares	△0	△1
Payments for obligations for non-controlling interests	△1	△111
Payments to owners of hybrid capital	△1,072	△1,076
Other	265	1,338
Net cash flows from financing activities	△65,433	△19,019
Effect of exchange rate changes on cash and cash equivalents	△2,550	△752
Increase (decrease) in cash and cash equivalents (△: decrease)	△37,605	327
Cash and cash equivalents at the beginning of period	64,973	27,368
Cash and cash equivalents at the end of period	27,368	27,695

(6) Notes on going concern assumption

Not applicable.

(7) Notes on consolidated financial statements

I. 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, 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, machine recovery support, application, and engineering.

II. 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.

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

(5) 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 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”

III. 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 2018 (January 1 to December 31, 2018)

(Million Yen)

	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.

Fiscal year 2019 (January 1 to December 31, 2019)

(Million Yen)

	Reporting Segments			Adjustment (Note)		
	Machine Tools	Industrial Services	Total	Corporate	Adjustment	Figures in consolidated statements of income
Sales revenues						
Sales revenues with third parties	341,911	143,845	485,756	21	-	485,778
Sales revenues with other segments	183,307	20,803	204,111	1,807	△205,918	-
Total	525,219	164,649	689,868	1,828	△205,918	485,778
Segment income	34,391	19,701	54,093	△17,301	598	37,390
Financial income						422
Financial costs						△6,361
Earnings before Taxes						31,451

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

IV. Earnings per share

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

Items	Fiscal year 2018 (January 1 to December 31, 2018)	Fiscal year 2019 (January 1 to December 31, 2019)
Income attributable to owners of the parent (million yen)	18,517	17,995
Income not attributable to owners of the parent	1,078	1,076
Income attributable to owners of the parent used for calculation of basic earnings per share (million yen)	17,438	16,918
Income adjustments based on which diluted earnings per share is calculated (million yen)	-	-
Diluted earnings (million yen)	17,438	16,918
Average number of common shares in the fiscal year (thousand shares)	121,026	122,028
Increase in common shares based on which diluted earnings or losses per share is calculated		
Increase by stock option (thousand shares)	770	345
Average number of common shares based on which diluted earnings per share is calculated (thousand shares)	121,797	122,373
Basic earnings per share (yen)	144.09	138,64
Diluted earnings per share (yen)	143.18	138,25

(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.

・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 average number of treasury shares for calculating basic earnings per share and diluted earnings per share.

V. Significant subsequent events

Not applicable.

4. Others

Changes in members of the Board of Directors and Statutory Auditors (of March 24, 2020)

(1) Changes in representative director

Not applicable

(2) Changes in other members of the Board of Directors

・Current directors to retire

Minoru Furuta, Executive Director