DMG MORI

DMG MORI CO., LTD.

FINANCIAL REVIEW

FISCAL YEAR ENDED DECEMBER 31, 2015

ANNUAL REPORT 2015

CONTENTS

Consolidated Financial Highlights

	Japanese GAAP *2 (Billions of yen)			IFRS (Billions of yen)		Millions of U.S. dollars *1
	2012/3	2013/3	2014/3	2015/3	**2015/12** *3,4,5,6	**2015/12** *3,4,5,6
Financial Performance						
Sales revenues	155.3	148.6	160.7	174.4	**318.4**	**2,642**
Operating result	6.8	4.1	9.4	18.2	**31.1**	**258**
Earnings before income taxes	6.7	5.6	11.4	23.1	**29.7**	**246**
Profit attributable to owners of the parent	5.6	5.2	9.4	17.1	**26.9**	**223**
Profitability Ratio						
Return on investment (ROI) (%) *7	4.5	2.6	5.1	7.6	**9.7**	
Return on equity (ROE) (%) *8,9	6.0	5.3	7.4	10.9	**17.0**	
Return on total assets (ROA) (%) *10	3.1	2.8	4.4	6.0	**5.8**	
Financial Position						
Total assets	185.4	186.7	241.7	323.8	**598.0**	**4,962**
Shareholders' equity *8,11	93.2	102.7	151.3	162.0	**155.3**	**1,288**
Cash Flows						
Net cash flows from operating activities	8.6	21.4	5.9	7.3	**18.6**	**155**
Net cash flows used in investing activities	(22.1)	(10.1)	(17.5)	(58.7)	**(26.9)**	**(223)**
Net cash flows from (used in) financing activities	10.9	(10.1)	23.9	53.6	**71.9**	**596**
Free cash flow *12	(13.5)	11.3	(11.6)	(51.3)	**(8.3)**	**(69)**
Number of Employees	4,045	4,117	4,159	4,324	**12,230**	

*1 The accompanying U.S. dollar amounts have been translated from yen, solely for convenience, as a matter of arithmetic computation only, at ¥120.53 = U.S.$1.00, the exchange rate prevailing on 31st December, 2015.
*2 Itemization in accordance with International Financial Reporting Standards (IFRS).
*3 Starting from the year ended 31st December, 2015, IFRS have been voluntarily adopted.
*4 For the periods ended 31st March, 2015 and 31st December, 2015, the consolidated financial data are presented in accordance with IFRS.
*5 The fiscal period ended 31st December, 2015 is a period of nine months only due to the change in the fiscal year-end.
*6 From the year ended 31st December, 2015, the Company's accounts are consolidated with those of DMG MORI AG.
*7 Return on investment (ROI) (%) = Operating result / (Average equity + Average interest-bearing debt) × 100
*8 Under IFRS, shareholders' equity is shown as equity attributable to owners of the parent.
*9 Return on equity (ROE) (%) = Net income / Average equity × 100
*10 Return on total assets (ROA) (%) = Net income / Average total assets × 100
*11 Shareholders' equity = Total equity − Stock acquisition rights − Non-controlling interests
*12 Free cash flow = Net cash flows from operating activities + Net cash flows used in investing activities

The following is an analysis of our financial situation, business results and cash flows during the fiscal period ended 31st December, 2015.

Analysis of Financial Position

(1) Assets

Current assets totaled 284,561 million yen ($2,360,914 thousand), mainly due to increases of 62,169 million yen in cash and cash equivalents, 10,010 million yen in trade and other receivables, and 76,070 million yen in inventories.

Non-current assets stood at 313,473 million yen ($2,600,788 thousand), mainly due to increases of 69,732 million yen in property, plant and equipment, 67,054 million yen in goodwill, and 66,195 million yen in other intangible assets. Investment in associates and joint ventures, on the other hand, decreased by 96,888 million yen.

As a result, total assets stood at 598,034 million yen ($4,961,702 thousand).

(2) Liabilities

Current liabilities totaled 223,750 million yen ($1,856,384 thousand), due mainly to increases of 37,344 million yen in trade and other payables, 46,579 million yen in interest-bearing bonds and borrowings, 17,100 million yen in advances received, and 23,367 million yen in provisions.

Non-current liabilities amounted to 142,175 million yen ($1,179,582 thousand), mainly reflecting an increase of 61,293 million yen in interest-bearing bonds and borrowings. As a result, total liabilities stood at 365,926 million yen ($3,035,974 thousand).

(3) Equity

Equity totaled 232,107 million yen ($1,925,720 thousand), mainly due to the posting of net income of 29,029 million yen and an increase of 72,457 million yen in non-controlling interests. On the other hand, capital surplus decreased by 11,128 million yen and treasury shares increased by 17,738 million yen.

Analysis of Business Results

(1) Analysis of business results for the consolidated fiscal period ended 31st December, 2015

Due to a change in the fiscal year-end from 31st March to 31st December, the consolidated fiscal period ended 31st December, 2015, consisted of the resulting transitional period. Accordingly, the percentage increase/decrease from the previous corresponding fiscal period is not shown.

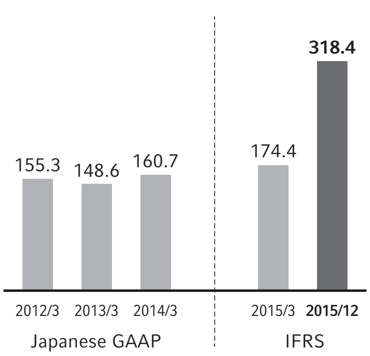
Sales revenues

Sales revenues for the fiscal period amounted to 318,449 million yen ($2,642,073 thousand). The share of sales by segment was 72.0% for machine tools and 28.0% for industrial services, while the share of sales by region was 15.2% for Japan, 28.1% for Germany, 12.7% for the Americas, 31.4% for Europe other than Germany, and 12.6% for China and Asia. Sales revenues grew as a result of the consolidation of the DMG MORI AKTIENGESELLSCHAFT (hereinafter AG) Group.

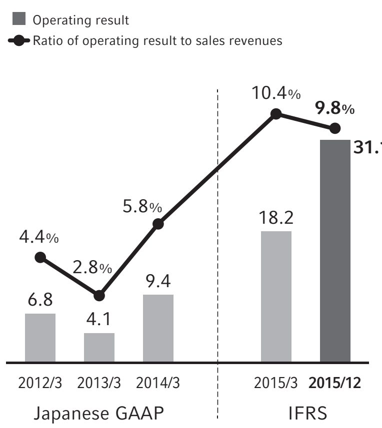
Costs

Costs for the fiscal period totaled 330,222 million yen ($2,739,749 thousand). The major components included costs of raw materials, consumables and goods for resale of 144,567 million yen ($1,199,428 thousand), remuneration and salary costs of 60,829 million yen ($504,679 thousand), payment fees

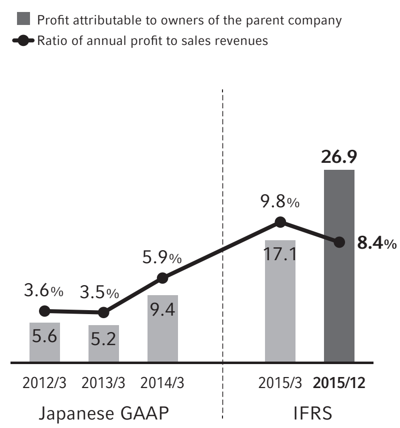
Sales revenues (Billions of yen)



Operating result (Billions of yen)
Ratio of operating result to sales revenues (%)



Profit attributable to owners of the parent company (Billions of yen)
Ratio of annual profit to sales revenues (%)



of 17,911 million yen ($148,602 thousand), depreciation of 14,638 million yen ($121,447 thousand), and bonus costs of 12,894 million yen ($106,978 thousand).

Operating result

In the fiscal period, the operating result came to 31,140 million yen ($258,359 thousand). By segment, the machine tools segment posted operating income of 23,040 million yen ($191,156 thousand) and the industrial services segment posted operating income of 15,878 million yen ($131,735 thousand).

Net income

Earnings before income taxes for the fiscal period amounted to 29,681 million yen ($246,254 thousand).

Following the application of tax effect accounting, income taxes came to 652 million yen ($5,409 thousand).

As a result, net income totaled 29,029 million yen ($240,845 thousand), and profit attributable to owners of the parent came to 26,900 million yen ($223,181 thousand).

Analysis of Cash Flows

(1) Cash flows from operating activities

Net cash flows from operating activities amounted to 18,628 million yen ($154,551 thousand), compared to 7,342 million yen in the previous fiscal year. The main positive factors were 29,681 million yen ($246,254 thousand) in earnings before income taxes, 14,638 million yen ($121,447 thousand) in depreciation and amortization, a decrease of 6,547 million yen ($54,318 thousand) in inventories, and an increase of 8,737 million yen ($72,488 thousand) in trade and other payables. The main negative factors were 37,296 million yen ($309,433 thousand) in gain on step acquisition and 10,170 million yen ($84,377 thousand) in income taxes paid.

(2) Cash flows from investing activities

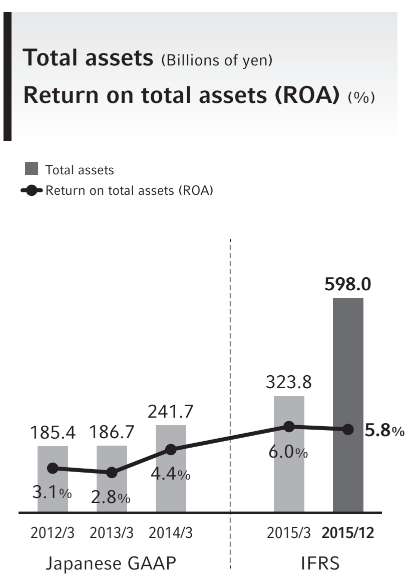
Net cash flows used in investing activities amounted to 26,892 million yen ($223,115 thousand), compared to 58,690 million yen in the previous fiscal year. This was mainly due to purchases of property, plant and equipment of 19,739 million yen ($163,768 thousand), purchases of intangible assets of 4,727 million yen ($39,218 thousand), and acquisition of subsidiaries, net of cash acquired, of 4,808 million yen ($39,890 thousand).

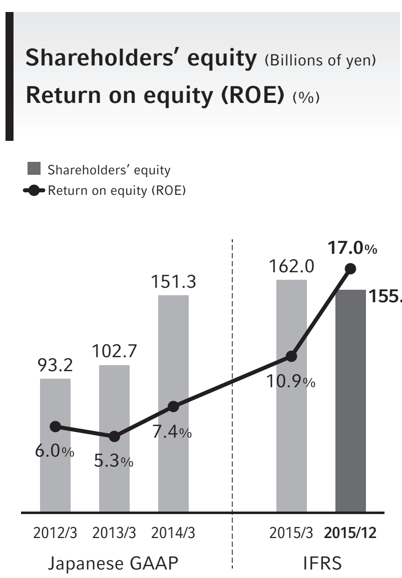
(3) Cash flows from financing activities

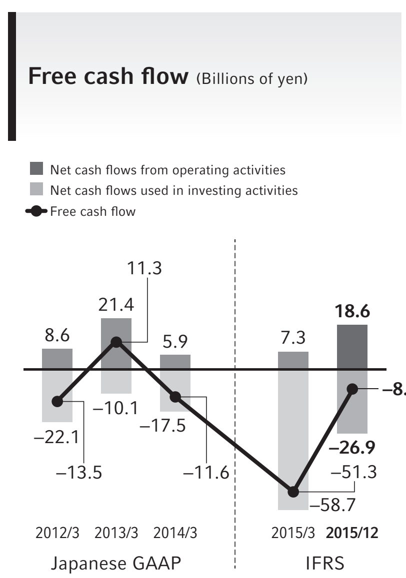
Net cash flows from financing activities amounted to 71,859 million yen ($596,192 thousand), compared to 53,582 million yen in the previous fiscal year.

The main positive factors were a net increase of 13,208 million yen ($109,583 thousand) in current borrowings and an increase of 104,725 million yen ($868,871 thousand) in proceeds from non-current borrowings. The main negative factors were payments of 10,875 million yen ($90,226 thousand) for non-current borrowings and payments of 28,861 million yen ($239,451 thousand) for acquisition of non-controlling interests (voting rights 8.13%).

As a result, cash and cash equivalents as of 31st December, 2015, stood at 83,577 million yen ($693,412 thousand), an increase of 62,168 million yen from 31st March, 2015.







Consolidated Statement of Financial Position

DMG MORI CO., LTD. and Consolidated Subsidiaries
31st December, 2015

	Millions of yen			Thousands of U.S. dollars (Note 2)
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Assets				
Current assets:				
Cash and cash equivalents (Notes 7 and 23)	**¥ 83,577**	¥ 21,408	¥ 18,916	**$ 693,412**
Trade and other receivables (Notes 8 and 23)	**54,958**	44,948	35,530	**455,969**
Other financial assets (Notes 12 and 23)	**5,489**	869	82	**45,541**
Inventories (Note 9)	**129,943**	53,873	40,856	**1,078,097**
Other current assets	**10,592**	3,038	2,578	**87,879**
Total current assets	**284,561**	124,138	97,965	**2,360,914**
Non-current assets:				
Property, plant and equipment (Note 10)	**141,919**	72,187	69,009	**1,177,458**
Goodwill (Note 11)	**68,218**	1,164	704	**565,984**
Other intangible assets (Note 11)	**72,834**	6,639	5,408	**604,281**
Other financial assets (Notes 12 and 23)	**17,560**	17,624	13,856	**145,690**
Investments in associates and joint ventures (Note 13)	**2,230**	99,118	51,635	**18,502**
Deferred tax assets (Note 20)	**4,047**	1,570	1,657	**33,577**
Other non-current assets	**6,663**	1,316	847	**55,281**
Total non-current assets	**313,473**	199,620	143,120	**2,600,788**
Total assets	**¥598,034**	¥323,759	¥241,085	**$4,961,702**

See accompanying notes to consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 2)
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Liabilities				
Current liabilities:				
Trade and other payables (Notes 14 and 23)	**¥ 66,648**	¥ 29,304	¥ 20,779	**$ 552,958**
Interest-bearing bonds and borrowings (Notes 15 and 23)	**100,692**	54,113	16,838	**835,410**
Advances received	**18,757**	1,657	2,141	**155,621**
Other financial liabilities (Notes 16 and 23)	**780**	339	677	**6,471**
Accrued income taxes (Note 20)	**5,733**	4,452	1,017	**47,565**
Provisions (Note 19)	**25,752**	2,385	2,463	**213,656**
Other current liabilities	**5,385**	558	561	**44,678**
Total current liabilities	**223,750**	92,811	44,478	**1,856,384**
Non-current liabilities:				
Interest-bearing bonds and borrowings (Notes 15 and 23)	**116,210**	54,917	34,883	**964,158**
Other financial liabilities (Notes 16 and 23)	**4,307**	3,951	4,008	**35,734**
Net employee defined benefit liabilities (Note 18)	**6,224**	676	379	**51,639**
Provisions (Note 19)	**4,788**	117	125	**39,725**
Deferred tax liabilities (Note 20)	**8,664**	3,630	1,871	**71,883**
Other non-current liabilities	**1,980**	1,280	1,268	**16,427**
Total non-current liabilities	**142,175**	64,574	42,537	**1,179,582**
Total liabilities	**365,926**	157,386	87,016	**3,035,974**
Equity				
Subscribed capital	**51,115**	51,115	51,115	**424,085**
Capital surplus	**53,057**	64,185	64,153	**440,197**
Treasury shares	**(23,768)**	(6,030)	(3,609)	**(197,196)**
Retained earnings	**71,466**	47,769	34,337	**592,931**
Other components of equity (Note 21)	**3,399**	4,952	3,987	**28,200**
Equity attributable to owners of the parent	**155,270**	161,992	149,984	**1,288,227**
Non-controlling interests	**76,837**	4,380	4,084	**637,493**
Total equity	**232,107**	166,373	154,069	**1,925,720**
Total liabilities and equity	**¥598,034**	¥323,759	¥241,085	**$4,961,702**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

DMG MORI CO., LTD. and Consolidated Subsidiaries
Nine months ended 31st December, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Fiscal period ended 31st December, 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year ended 31st March, 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period ended 31st December, 2015 (1st April, 2015 through 31st December, 2015)
Revenues:			
Sales revenues (Note 24)	**¥318,449**	¥174,365	**$2,642,073**
Other operating revenues (Note 25)	**42,913**	4,765	**356,036**
Total revenue	**361,362**	179,130	**2,998,108**
Costs:			
Changes in merchandise, finished goods and work in progress for sale	**5,206**	(4,600)	**43,193**
Costs of raw materials, consumables and goods for resale (Note 9)	**144,567**	87,470	**1,199,428**
Personnel costs (Note 27)	**92,278**	39,610	**765,602**
Depreciation and amortization (Notes 10 and 11)	**14,638**	6,763	**121,447**
Other operating costs (Note 26)	**73,532**	31,690	**610,072**
Total costs	**330,222**	160,933	**2,739,749**
Operating result	**31,140**	18,196	**258,359**
Financial income (Note 28)	**450**	491	**3,734**
Financial costs (Note 29)	**2,078**	578	**17,241**
Share of profits of associates and joint ventures accounted for using equity method	**168**	4,976	**1,394**
Earnings before income taxes	**29,681**	23,086	**246,254**
Income taxes (Note 20)	**652**	5,757	**5,409**
Net income	**¥ 29,029**	¥ 17,328	**$ 240,845**
Profit attributable to:			
Owners of the parent	**¥ 26,900**	¥ 17,080	**$ 223,181**
Non-controlling interests	**2,129**	248	**17,664**
Net income	**¥ 29,029**	¥ 17,328	**$ 240,845**

Earnings per share:	Yen		U.S. dollars
Basic (Note 31)	**¥ 216.53**	¥ 131.65	**$ 1.80**
Diluted (Note 31)	**¥ 216.53**	¥ 131.64	**$ 1.80**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

DMG MORI CO., LTD. and Consolidated Subsidiaries
Nine months ended 31st December, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Fiscal period ended 31st December, 2015 (1st April, 2015 through 31st December, 2015)	Fiscal period ended 31st December, 2015 (1st April, 2015 through 31st December, 2015)	Fiscal period ended 31st December, 2015 (1st April, 2015 through 31st December, 2015)
Net income	**¥29,029**	¥17,328	**$240,845**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans	**(110)**	(454)	**(913)**
Subtotal	**(110)**	(454)	**(913)**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(5,268)**	2,224	**(43,707)**
Effective portion of changes in fair value of cash flow hedge	**(171)**	589	**(1,419)**
Changes in fair value measurements of available-for-sale financial assets	**(344)**	2,609	**(2,854)**
Share of other comprehensive income of associates and joint ventures accounted for using equity method	**0**	(4,374)	**0**
Subtotal	**(5,783)**	1,048	**(47,980)**
Total other comprehensive income for the period (Note 30)	**(5,893)**	594	**(48,892)**
Comprehensive income	**¥23,135**	¥17,922	**$191,944**
Comprehensive income attributable to:			
Owners of the parent	**21,210**	17,621	**175,973**
Non-controlling interests	**1,925**	301	**15,971**
Total	**¥23,135**	¥17,922	**$191,944**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

DMG MORI CO., LTD. and Consolidated Subsidiaries
Nine months ended 31st December, 2015

	Millions of yen							
	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Subscribed capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity (Note 21)	Subtotal		
As at 1st April, 2014	¥51,115	¥ 64,153	¥ (3,609)	¥34,337	¥ 3,987	¥149,984	¥ 4,084	¥154,069
Net income	–	–	–	17,080	–	17,080	248	17,328
Other comprehensive income	–	–	–	–	540	540	53	594
Total comprehensive income	–	–	–	17,080	540	17,621	301	17,922
Acquisition of treasury shares	–	–	(1)	–	–	(1)	–	(1)
Cash dividends (Note 22)	–	–	–	(3,188)	–	(3,188)	(14)	(3,202)
Share-based payments	–	32	–	–	(34)	(2)	3	0
Changes in treasury shares due to change in ownership interests in associates and joint ventures accounted for using equity method	–	–	(2,419)	–	–	(2,419)	–	(2,419)
Changes due to business combinations	–	–	–	–	–	–	–	–
Changes due to sale of a subsidiary	–	–	–	(4)	–	(4)	–	(4)
Transfers	–	–	–	(454)	454	–	–	–
Other	–	–	–	(2)	4	2	5	8
Total transactions with owners of the parent	–	32	(2,420)	(3,649)	424	(5,613)	(5)	(5,618)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–
Changes in ownership interests in subsidiaries and others	–	–	–	–	–	–	–	–
As at 31st March, 2015	¥51,115	¥ 64,185	¥(6,030)	¥47,769	¥4,952	¥161,992	¥ 4,380	¥166,373
Net income	**¥ –**	**¥ –**	**¥ –**	**¥26,900**	**¥ –**	**¥ 26,900**	**¥ 2,129**	**¥ 29,029**
Other comprehensive income	**–**	**–**	**–**	**–**	**(5,689)**	**(5,689)**	**(204)**	**(5,893)**
Total comprehensive income	**–**	**–**	**–**	**26,900**	**(5,689)**	**21,210**	**1,925**	**23,135**
Acquisition of treasury shares	**–**	**–**	**(1)**	**–**	**–**	**(1)**	**–**	**(1)**
Cash dividends (Note 22)	**–**	**–**	**–**	**(3,121)**	**–**	**(3,121)**	**(2,925)**	**(6,046)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Changes in treasury shares due to change in ownership interests in associates and joint ventures accounted for using equity method	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Changes due to business combinations	**–**	**–**	**(5,925)**	**–**	**4,057**	**(1,867)**	**84,517**	**82,649**
Changes due to sale of a subsidiary	**–**	**–**	**–**	**–**	**(2)**	**(2)**	**(414)**	**(416)**
Transfers	**–**	**–**	**–**	**(82)**	**82**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners of the parent	**–**	**–**	**(5,926)**	**(3,203)**	**4,137**	**(4,992)**	**81,177**	**76,185**
Acquisition of non-controlling interests	**–**	**(11,128)**	**(11,811)**	**–**	**–**	**(22,939)**	**(10,646)**	**(33,585)**
Changes in ownership interests in subsidiaries and others	**–**	**(11,128)**	**(11,811)**	**–**	**–**	**(22,939)**	**(10,646)**	**(33,585)**
As at 31st December, 2015	**¥51,115**	**¥ 53,057**	**¥ (23,768)**	**¥71,466**	**¥ 3,399**	**¥155,270**	**¥ 76,837**	**¥232,107**

See accompanying notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 2)							
	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Subscribed capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity (Note 21)	Subtotal		
As at 1st April, 2015	**$424,085**	**$532,523**	**$ (50,029)**	**$396,325**	**$41,085**	**$1,343,997**	**$ 36,340**	**$1,380,345**
Net income	–	–	–	223,181	–	223,181	17,664	240,845
Other comprehensive income	–	–	–	–	(47,200)	(47,200)	(1,693)	(48,892)
Total comprehensive income	–	–	–	223,181	(47,200)	175,973	15,971	191,944
Acquisition of treasury shares	–	–	(8)	–	–	(8)	–	(8)
Cash dividends (Note 22)	–	–	–	(25,894)	–	(25,894)	(24,268)	(50,162)
Share-based payments	–	–	–	–	–	–	–	–
Changes in treasury shares due to change in ownership interests in associates and joint ventures accounted for using equity method	–	–	–	–	–	–	–	–
Changes due to business combinations	–	–	(49,158)	–	33,660	(15,490)	701,211	685,713
Changes due to sale of a subsidiary	–	–	–	–	(17)	(17)	(3,435)	(3,451)
Transfers	–	–	–	(680)	680	–	–	–
Other	–	–	–	–	–	–	–	–
Total transactions with owners of the parent	–	–	(49,166)	(26,574)	34,323	(41,417)	673,500	632,083
Acquisition of non-controlling interests	–	(92,326)	(97,992)	–	–	(190,318)	(88,327)	(278,644)
Changes in ownership interests in subsidiaries and others	–	(92,326)	(97,992)	–	–	(190,318)	(88,327)	(278,644)
As at 31st December, 2015	**$424,085**	**$440,197**	**$ (197,196)**	**$592,931**	**$28,200**	**$1,288,227**	**$637,493**	**$1,925,720**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

DMG MORI CO., LTD. and Consolidated Subsidiaries
Nine months ended 31st December, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Fiscal period ended 31st December, 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year ended 31st March, 2015 (1st April, 2014 through 31st March, 2015)	Fiscal period ended 31st December, 2015 (1st April, 2015 through 31st December, 2015)
Cash flows from operating activities:			
Earnings before income taxes	**¥ 29,681**	¥ 23,086	**$ 246,254**
Depreciation and amortization	**14,638**	6,763	**121,447**
Gain on step acquisition	**(37,296)**	–	**(309,433)**
Loss (gain) on sales or disposal of property, plant and equipment	**24**	(68)	**199**
Financial income and costs	**1,628**	86	**13,507**
Share of profits of associates and joint ventures accounted for using equity method	**(168)**	(4,976)	**(1,394)**
Other non-cash transactions	**(40)**	(3,202)	**(332)**
Changes in asset and liability items:			
Inventories	**6,547**	(11,578)	**54,318**
Trade and other receivables	**4,633**	(7,596)	**38,439**
Trade and other payables	**8,737**	7,082	**72,488**
Provisions	**880**	145	**7,301**
Other	**1,073**	(2,025)	**8,902**
Subtotal	**30,339**	7,714	**251,713**
Interest received	**137**	32	**1,137**
Dividends received	**315**	1,614	**2,613**
Interest paid	**(1,994)**	(546)	**(16,544)**
Income taxes paid	**(10,170)**	(1,471)	**(84,377)**
Net cash flows from operating activities	**18,628**	7,342	**154,551**
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	**1,257**	549	**10,429**
Purchases of property, plant and equipment	**(19,739)**	(6,868)	**(163,768)**
Purchases of intangible assets	**(4,727)**	(1,668)	**(39,218)**
Proceeds from sales of financial instruments	**1,460**	144	**12,113**
Acquisition of subsidiaries, net of cash acquired	**(4,808)**	(283)	**(39,890)**
Proceeds from sales of shares of an associate	**–**	310	**–**
Acquisition of associates	**–**	(50,634)	**–**
Other	**(335)**	(239)	**(2,779)**
Net cash flows used in investing activities	**(26,892)**	(58,690)	**(223,115)**
Cash flows from financing activities:			
Net increase in current borrowings	**13,208**	52,262	**109,583**
Proceeds from non-current borrowings	**104,725**	20,000	**868,871**
Payments for non-current borrowings	**(10,875)**	–	**(90,226)**
Redemption of bonds	**–**	(15,000)	**–**
Dividends paid	**(3,119)**	(3,192)	**(25,877)**
Dividends paid to non-controlling interests	**(2,782)**	(14)	**(23,081)**
Acquisition of non-controlling interests	**(28,861)**	–	**(239,451)**
Acquisition of treasury shares	**(1)**	(1)	**(8)**
Others	**(435)**	(471)	**(3,609)**
Net cash flows from financing activities	**71,859**	53,582	**596,192**
Effect of exchange rate changes on cash and cash equivalents	**(1,426)**	257	**(11,831)**
Increase in cash and cash equivalents	**62,168**	2,492	**515,789**
Cash and cash equivalents at the beginning of period	**21,408**	18,916	**177,616**
Cash and cash equivalents at the end of period (Note 7)	**¥ 83,577**	¥ 21,408	**$ 693,412**

See accompanying notes to consolidated financial statements.

1. Reporting Entity

DMG MORI CO., LTD. (the "Company") is a company established under the Corporation Law of Japan (the "Law"). The Company is domiciled in Japan and its registered head office is located at 106 Kitakoriyama-cho, Yamato-Koriyama City, Nara.

The consolidated financial statements of the Company as of and for the period ended 31st December, 2015 comprise the Company, its subsidiaries and associates, and equity interests in related companies (collectively, the "Group"). The Group engages in businesses related to manufacturing and sales of machine tools (machining centers, turning centers, turn-mill complete machining centers and universal milling machines for five-axis machining), software (user interface and installation software) and measuring devices, and provides total solutions utilizing the machine tools, software and measuring devices with service support, applications and engineering.

2. Basis of Preparation

(1) Accounting standards adopted

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), as the Group meets the requirements for a "Specified Company" prescribed in Article 1-2 of said ordinance.

These are the Group's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS was 1st April, 2014 and the Group applied IFRS 1 "First-time Adoption of International Financial Reporting Standards."

Further information on the impact of the transition to IFRS is disclosed in Note 37, "First-Time Adoption of IFRS."

(2) Basis of measurement

As stated below in Note 3, "Significant Accounting Policies," the consolidated financial statements have been prepared on a historical cost basis, with the main exception of financial instruments, which are measured at fair value.

(3) Functional and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded down to the nearest million, unless otherwise stated.

The translation of Japanese yen amounts to U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate of ¥120.53 to U.S. $1.00 at 31st December, 2015. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be, converted into U.S. dollars at the above or any other rate.

(4) Approval of consolidated financial statements

The consolidated financial statements of the Group were approved at the Board of Directors' meeting of the Company held on 24th March, 2016.

(5) Change in fiscal year end

In the reporting period, the Company and certain consolidated subsidiaries changed their fiscal year end to 31st December from 31st March due to the business integration with DMG MORI AKTIENGESELLSCHAFT ("DMG MORI AG") and in compliance with the respective IFRS requirements for unifying the fiscal year of consolidated companies. As a result of this change, the consolidated closing date for the Company and its consolidated subsidiaries is 31st December.

The reporting period begins on 1st April, 2015 and ends on 31st December, 2015, while the previous fiscal year began on 1st April, 2014 and ended on 31st March, 2015. As a result, the consolidated financial statements for the current reporting period are not completely comparable to those for the previous fiscal year.

3. Significant Accounting Policies

The significant accounting policies of the Group are applied continuously to all the periods indicated in the consolidated financial statements effective from 1st April, 2014, the date of transition to IFRS, unless otherwise stated.

(1) Basis of consolidation

All financial statements included in the consolidated financial statements are prepared as of 31st December, 2015, in accordance with the unified accounting policies and, when necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a business is the aggregate of the acquisition date fair value of the assets transferred, the equity interests issued by the Group and the liabilities incurred, including the fair value of any assets or liabilities resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed resulting from a business combination are, in principle, measured at fair value at the acquisition date.

In a business combination achieved in stages, any previously held equity investment before obtaining control is remeasured at its acquisition-date fair value and any resulting gain or loss is recognized in profit or loss.

For each business combination, the Group chooses the method of measurement of non-controlling interests, which can be measured using one of two bases, either at fair value at the acquisition date or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Acquisition-related costs are expensed as incurred.

Any excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill in the consolidated statement of financial position.

Goodwill is allocated to a cash generating unit ("CGU") or group of CGUs that are expected to benefit from synergies of the combination. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss. Goodwill is not amortized in accordance with IFRS 3 "Business Combinations" and IAS 36 "Impairment of Assets."

Equity in a subsidiary not attributable, directly or indirectly, to a parent is recognized as non-controlling interest. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Changes in the Group's ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. If the Group, however, loses control of a subsidiary, any resulting effects are recognized as gain or loss in profit or loss attributable to the Group.

(3) Investments in subsidiaries

A subsidiary is an entity controlled by the Group.

Specifically, the Group controls an investee if, and only if, the Group has all of the following:

(a) Power over the investee,
(b) Exposure, or rights, to variable returns from its involvement with the investee and
(c) The ability to use its power over the investee to affect the amount of the investor's returns

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

All intercompany transactions, balances, and any unrealized gains and losses arising from intercompany transactions, are eliminated in the preparation of the consolidated financial statements.

(4) Investments in associates

An associate is an entity over which the Group has significant influence but does not have control to govern the entity's financial and operating policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's net share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment (less any accumulated impairment loss).

The consolidated statement of profit or loss reflects the results of operations of its associates through the Group's investments. Any changes in other comprehensive income of those associates are presented as part of the Group's other comprehensive income.

When there has been a change recognized directly in retained earnings of the associate, the Group recognizes its share of any changes in its retained earnings.

The carrying amount of the investment is adjusted to recognize any change in the Group's share of net assets of the associate since the acquisition date. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

At each reporting date, the Group determines whether there is objective evidence that an investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as "Other operating costs" in the consolidated statement of profit or loss. Unrealized gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the Group's interest in the associate.

(5) Joint control

A joint arrangement is a contractual arrangement where two or more parties have joint control.

The Group determines the type of joint agreement in which it is involved. The classification of a joint arrangement as joint operation where the Group has rights to the assets and obligations for the liabilities of the arrangement, or a joint venture where the Group has rights to the net assets of the arrangement, depends upon the rights and obligations of the parties to the arrangement.

For a joint operation, the Group recognizes its assets, including its share of any assets held jointly, liabilities, including its share of any liabilities incurred jointly, revenue from the sale of its share of the output arising from the joint operation, share of the revenue from the sale of the output by the joint operation;

and expenses, including its share of any expenses incurred jointly. The Group's interest in a joint venture is accounted for using the equity method.

(6) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and readily-marketable short-term investments with maturities of three months or less from the date of acquisition, which are subject to an insignificant risk of changes in value.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes purchase costs, costs of conversion, storage costs and all other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is calculated as the estimated selling price for the inventories in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories is mainly determined by the average cost method, except for the following inventories to which the identified cost method is applied.

The identified cost method is applied to inventories such as:
(a) Inventories that are not interchangeable and
(b) Goods or services produced for specific projects and segregated from other inventories

(8) Property, plant and equipment

Property, plant and equipment is measured using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes any costs directly attributable to the purchase of the assets. Repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation of property, plant and equipment begins when the asset is available for use, on a straight-line basis, over the following estimated useful lives:

Office and plant	: 3–50 years
Machinery	: 2–30 years
Tools, furniture and fixtures	: 2–23 years

(9) Goodwill and other intangible assets

Intangible assets are measured using the cost model and are stated at cost less accumulated amortization and impairment losses.

Goodwill arising on a business combination is recognized as "Goodwill" in the consolidated statement of financial position. Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually and any respective impairment losses are recognized when necessary. Impairment losses relating to goodwill cannot be reversed in future periods.

Development costs on an individual project are recognized as an intangible asset, only if all of the following have been demonstrated:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) The Group's intention to complete and use or sell the intangible asset;
(c) The Group's ability to use or sell the intangible asset;
(d) How the intangible asset will generate probable future economic benefits;
(e) The availability of appropriate technology, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) The ability to measure reliably the costs related to the intangible asset during its development.

Capitalized development costs are amortized on a straight-line basis beginning when development is complete and the asset is available for use over the period of expected future benefit. Development costs which do not meet the above criteria are expensed as incurred.

Other intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Intangible assets generated by development	: 2–10 years
Software and other intangible assets	: 1–5 years
Customer-related assets	: 15 years (approximately)
Technology-related assets	: 6 years (approximately)
Trademarks (with definite useful lives)	: 30 years

(10) Leases

Leases that transfer substantially all the risks and rewards incidental to ownership to the Group are classified as finance leases and other lease transactions are classified as operating leases.

Determining of whether an arrangement contains a lease is based on the substance of the arrangement at the inception of the lease.

Operating lease payments are charged to profit or loss over the lease term after the recognition of the aggregate of any benefit of incentives given by a lessor as a reduction of lease payments on a straight-line basis.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease obligations are recognized as current or non-current liabilities in the consolidated statement of financial position.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability and the finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A leased asset is depreciated over its useful life. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(11) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is any indication that intangible assets with indefinite useful lives and that have not yet been brought into use and all property, plant and equipment, excluding goodwill, may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the asset is written down to its recoverable amount. A CGU is the smallest group of assets which generates cash inflows from continuing use that are largely independent of those from other assets or groups of assets.

Goodwill and intangible assets with indefinite useful lives and that have not yet been brought into use are not amortized but tested for impairment annually regardless of whether an indication of impairment exists and when circumstances indicate that the carrying amount may be impaired. When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognized.

The recoverable amount of CGU is the higher of the value in use and the fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

The estimated present value based on future cash flows incorporates assumptions about future sales price, sales volume and costs.

For assets, excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized for the asset in prior years.

(12) Income taxes

Income taxes consist of current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except for those arising from business combinations and recognized directly in other comprehensive income or equity.

Deferred tax is provided using the asset and liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, including carry forwards of unused tax losses and tax credits granted at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forwards of unused tax losses and any unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences in principle.

Deferred tax assets and liabilities are recognized for all taxable temporary differences, except:

(a) Future taxable temporary differences arising from initial recognition of goodwill.

(b) Future taxable or deductible differences relating to initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting profit nor taxable profit or loss.

(c) Future taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that such differences will not reverse in the foreseeable future.

(d) Future deductible temporary differences associated with investments in subsidiaries when it is probable that such differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to income taxes levied by the same taxable entity and the same taxation authority.

(13) Financial instruments

1. Financial assets

(i) Initial recognition and measurement

Financial assets are classified based on the nature and purpose at initial recognition when the Group becomes a party to the contractual provisions of the instruments as follows:

(a) Financial assets at fair value through profit or loss

These are financial assets that are either defined as held for trading, or are designated as such on initial recognition.

(b) Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

(c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(d) Available-for-sale financial assets

These are non-derivative financial assets designated as available for sale that are not classified as:

(a) financial assets at fair value through profit or loss;
(b) held-to-maturity investments; or
(c) loans and receivables.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

(ii) Subsequent measurement

(a) Financial assets at fair value through profit or loss

These are measured at fair value and any gain or loss resulting from changes in fair value is recognized in profit or loss.

(b) Held-to-maturity investments

These are measured at amortized cost using the effective interest method, less any impairment loss.

(c) Loans and receivables

These are measured at amortized cost using the effective interest method less any impairment loss.

(d) Available-for-sale financial assets

These are measured at fair value as of the end of reporting period, and any gain or loss resulting from changes in fair value is recognized in other comprehensive income.

Differences arising from the translation of monetary assets are recognized in profit or loss.

(iii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset, other than those at fair value through profit or loss, is impaired. An impairment exists, if one or more events has occurred since the initial recognition of the asset that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

In case of available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

In case of trade receivables, the Group assess whether there is any objective evidence of impairment individually for separately significant assets or collectively for assets that are not individually significant.

For financial assets carried at amortized cost, the amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flow is discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced and the recovery is credited in the consolidated statement of profit or loss.

When there is evidence of impairment loss on available-for-sale financial assets, the cumulative loss is removed from other comprehensive income and recognized in the consolidated statement of profit or loss.

Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

In case of debt instruments classified as available for sale, if, in a subsequent period, the fair value of the debt instruments increase, and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

A financial asset is primary derecognized when the right to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. On derecognition of a financial asset in its entirety, the difference between the carrying amount of the asset and the consideration received, including any new asset obtained less any new liability assumed, is recognized in profit or loss.

2. Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, when the Group becomes a party to the contractual provisions of the instrument as follows:

(a) Financial liabilities at fair value through profit or loss

These are financial liabilities that are designated as such on initial recognition.

(b) Other financial liabilities, including interest-bearing bonds and borrowings

These are financial liabilities that are not designated at fair value through profit or loss.

Transaction costs directly attributable to the issuance of financial liabilities, other than financial liabilities measured at fair value through profit or loss deducted in the fair value of the financial liabilities.

(ii) Subsequent measurement

(a) Financial liabilities at fair value through profit or loss

These are measured at fair value, and any gain or loss arising on remeasurement is recognized in profit or loss.

(b) Other financial liabilities, including interest-bearing bonds and borrowings

These are measured at amortized cost mainly using the effective interest method.

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When a financial liability is extinguished or transferred to another party, the difference between the carrying amount of the transferred financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and if there is an intention of settlement on a net basis, or of simultaneous realization of the assets and settlement of the liabilities.

3. Derivative financial instruments
Derivative financial instruments are initially recognized at fair value on the date when the derivative contract is entered into and are subsequently remeasured at fair value

Any gains or losses arising from changes in the fair value of derivatives are recognized directly to profit or loss, except for those that qualify for hedge accounting.

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge foreign currency risk and interest rate risk.

At the inception of the hedge, the Group formally designates and documents the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.

Hedges that meet the criteria for hedge accounting are accounted for as described below:

(a) Fair value hedges
If a fair value hedge meets certain qualifying conditions, the gain or loss from remeasuring the hedging instrument at fair value is recognized in profit or loss

(b) Cash flow hedges
If a cash flow hedge meets certain qualifying conditions, the effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income, net of tax. The ineffective portion should be recognized immediately in profit or loss. Amounts recognized in other comprehensive income are transferred to profit or loss when the hedged item affects profit or loss (such as when a hedged forecast sale occurs).

(14) Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount to be recognized as a provision is measured based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

(15) Employee benefits

The Group recognizes the undiscounted amount of any short-term benefits attributable to services that have been rendered in the period as an expense. When a present legal or constructive obligation to make payments associated with bonus plans or accumulating paid absences exists, and a reliable estimate of the provision can be made, the amount to be paid in accordance with these benefits is accounted for as a liability.

Projected benefit obligations are measured using the projected unit credit method. This actuarial method also determines the current service cost and any past service costs.

The projected unit credit method is used to make a reliable estimate of the ultimate cost to the entity for benefits that employees have earned in return for their services in current and prior periods. This requires the Group to make estimates (actuarial assumptions) about demographic variables and financial variables, such as future increases in salaries that will affect the cost of the benefit. The valuation is based on a report prepared by independent actuaries.

Net defined benefit liabilities are based on the present value of the defined benefit obligation less the fair value of plan assets at the reporting date.

The present value of a defined benefit obligation is based on the discounted future cash flows at a rate determined by reference to market yield on high-quality corporate bonds whose currency and term are consistent with the obligation.

Actuarial differences arising from changes in actuarial assumptions and experience adjustments are recognized immediately in other comprehensive income in the consolidated statement of other comprehensive income.

Past service costs are recognized immediately in profit or loss.

The contribution payable for a defined contribution plan in exchange for employee service is recognized as an expense, unless another IFRS requires or permits its capitalization.

When there is a surplus in a defined benefit plan, the net defined benefit asset recognized is restricted to the lower of the surplus in the plan and the asset ceiling.

(16) Equity

1. Common stock
Equity instruments issued by the Company are included in subscribed capital and capital surplus. Transaction costs related to the issuance of equity instruments are deducted from capital surplus.

2. Treasury shares
When the Company reacquires its own ordinary shares, the amount of the consideration paid, including transaction costs, is deducted from equity. When the Company sells treasury shares, the difference between the carrying amount and the consideration received from the sale is recognized in equity.

(17) Revenue recognition

The Group measures revenue at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognized as the services have been rendered.

Interest income is recorded using the effective interest method.

Dividend income is recognized when the Group's right to receive payment is established.

(18) Government grants

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods in which the related costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset and as deferred income for the remaining portion in the consolidated statement of financial position.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of the assets. All other borrowing costs are expensed for the period when they occur.

(20) Foreign currency translation

Transactions in foreign currencies are initially recorded by Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the closing rate at the reporting date and income and expense items are translated at the average exchange rates for the period.

The exchange differences arising on translation of financial statements of foreign subsidiaries are recognized in profit or loss and other comprehensive income and the cumulative effect from the exchange differences is recognized in "Other components of equity" in the consolidated statement of financial position.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at the reporting date.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The gain or loss arising on settlements or translation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(21) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates need to be revised as changes occur in the circumstances on which they are based or as a result of new information or more experience.

Changes in accounting estimates are accounted for prospectively; defined as recognizing the effect of the change in the accounting estimate in the current and future periods affected by the change.

In the process of applying the Group's accounting policies, management has made the following estimations and judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

1. Fair value of acquired assets and assumed liabilities as a result of business combinations
   Assets acquired and liabilities assumed as a result of a business combination are initially measured at fair value at the date of acquisition. The key assumptions, including future cash flow and discount rates, serving as the basis for the valuation of fair value may change due to market changes or circumstances arising that are beyond the control of the Group and, accordingly, prospectively significant adjustments to the carrying amount of goodwill and other intangible assets and respective amortization expenses may occur.
2. Impairment of goodwill and other intangible assets
   An impairment test is performed annually or at any time if indications of impairment exist.
   For the impairment testing of goodwill and other intangible assets, the recoverable amount is defined as the higher of fair value less costs of disposal and value in use based on the identified cash generating units.
   The key assumptions, including the measurement of fair value less cost of disposal and the cash flow that the Group will derive from the use and disposal, in order to calculate the value in use of the cash generating unit and the respective discount rates may change due to market changes or circumstances arising that are beyond the control of the Group and, accordingly, prospectively significant adjustments to the impairment loss of goodwill and other intangible assets may occur.
3. Recoverability of deferred tax assets
   Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. However, judgment of the recoverability is based

on the premise of estimated taxable income estimated from business plans of the Group. The estimation of taxable income may change due to market changes or circumstances arising that are beyond the control of the Group and, accordingly, prospectively significant adjustments to the recognized amount of deferred tax assets may occur.

4. Measurement of provisions
   The amount to be recognized as a provision is measured based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.
   The estimated outcome and financial effects are determined by the judgment of the management of the Group, supplemented by evidence provided by events occurring after the reporting period
   The assumptions used for measuring a provision may change due to market changes or circumstances arising that are beyond the control of the Group and, accordingly, prospectively significant adjustments to the measurement of a provision may occur.

4. New Accounting Standards Not Yet Adopted by the Group

The new accounting standards, amended standards and new interpretations that are issued or amended, but not yet adopted by the Group up to the date of approval of the consolidated financial statements are as follows:

IFRS		Mandatory adoption (Effective)	To be adopted by the Group	Description of new accounting standards and amendments
IAS 1	Presentation of Financial Statements	1st January, 2016	Fiscal year ending 31st December, 2016	Clarification of disclosures requirement regarding materiality considerations
IAS 16	Property, Plant and Equipment	1st January, 2016	Fiscal year ending 31st December, 2016	Clarification of acceptable methods of depreciation
IAS 38	Intangible Assets	1st January, 2016	Fiscal year ending 31st December, 2016	Clarification of acceptable methods of amortization
IFRS 11	Joint Arrangements	1st January, 2016	Fiscal year ending 31st December, 2016	Amendments to the accounting treatment for the acquisition of an interest in a joint operation
IFRS 9	Financial Instruments	1st January, 2018	Fiscal year ending 31st December, 2018	Amendments to classification, measurement and recognition of financial instruments and hedge accounting
IFRS 15	Revenue from Contracts with Customers	1st January, 2018	Fiscal year ending 31st December, 2018	Comprehensive framework for revenue recognition
IFRS 16	Leases	1st January, 2019	Fiscal year ending 31st December, 2019	Amendments to recognition of assets and liabilities for lessees

5. Significant Change in Scope of Consolidation

During the nine months ended 31st December, 2015, 95 consolidated subsidiaries of DMG MORI AG were newly included in the scope of consolidation due to the acquisition of DMG MORI AG shares by the Group.

6. Segment Information

(1) Outline of reportable segments

The reportable segments of the Group are based on its business areas for which discrete financial information is available, and they are regularly reviewed by the Board of Directors and corporate officers for the purpose of making decisions about resource allocation and performance assessment. The classification of the reportable segments is based on the products and services and the associated internal reporting and management methods.

As a result, the business activities of the Group are categorized into “Machine Tools” and “Industrial Services,” as its two reportable segments.

Previously, the Group’s reportable segments consisted of the following geographic segments: “Japan,” “The Americas,” “Europe” and “China and Asia.” However, with the integration of DMG MORI AG, during the nine months ended 31st December, 2015, the Group’s reportable segments were subsequently changed to “Machine Tools” and “Industrial Services.”

The “Machine Tools” segment generates its revenue through the production and sales of machine tools. The “Industrial Services” segment generates its revenue through providing services and solutions related to machine tools.

(2) Calculation methods of sales revenues, income or loss, assets and other items by each reportable segment

The accounting methods for the reportable segments are essentially the same as those described in Note 3, "Significant Accounting Policies."

The amount of segment income (loss) is the aggregate of operating income (loss) and share of profits (losses) of associates and joint ventures. Inter-segment sales revenues and transfers between the segments are based on market prices.

(3) Information on sales revenues, income, assets and other items by reportable segment

Sales revenues and income by each reportable segment for the nine months ended 31st December, 2015 and the year ended 31st March, 2015 are summarized as follows:

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Millions of yen					
	Reportable segments			Adjustments		Consolidated
	Machine Tools	Industrial Services	Total	Corporate Services	Elimination	
Sales revenues						
External customers	**¥229,332**	**¥ 89,094**	**¥318,426**	**¥ 22**	**¥ –**	**¥318,449**
Other segments	**107,669**	**22,212**	**129,881**	**2,109**	**(131,991)**	**–**
Total	**337,001**	**111,306**	**448,308**	**2,132**	**(131,991)**	**318,449**
Segment income (Note 1)	**23,040**	**15,878**	**38,919**	**(11,257)**	**3,647**	**31,309**
Financial income	**–**	**–**	**–**	**–**	**–**	**450**
Financial costs	**–**	**–**	**–**	**–**	**–**	**(2,078)**
Earnings before income taxes	**–**	**–**	**–**	**–**	**–**	**29,681**
Segment assets (Note 2)	**515,480**	**481,526**	**997,006**	**369,803**	**(768,775)**	**598,034**
Other items						
Depreciation and amortization	**9,207**	**4,915**	**14,122**	**515**	**–**	**14,638**
Investments in associates and joint ventures	**339**	**1,890**	**2,230**	**–**	**–**	**2,230**
Capital expenditure	**16,173**	**7,481**	**23,654**	**992**	**(180)**	**24,467**

(Note 1) "Adjustments to segment income" include elimination of inter-segment transactions and expenses related to corporate services.
(Note 2) "Adjustments to segment assets" mainly include corporate assets not attributable to any business segment and elimination of inter-segment receivables.

Fiscal year 2014 (1st April, 2014 through 31st March, 2015)

	Millions of yen					
	Reportable segments			Adjustments		Consolidated
	Machine Tools	Industrial Services	Total	Corporate Services	Elimination	
Sales revenues						
External customers	¥139,962	¥34,402	¥174,365	¥ –	¥ –	¥174,365
Other segments	78,624	15,536	94,160	–	(94,160)	–
Total	218,586	49,938	268,525	–	(94,160)	174,365
Segment income (Note 1)	23,818	4,748	28,567	(5,639)	245	23,172
Financial income	–	–	–	–	–	491
Financial costs	–	–	–	–	–	(578)
Earnings before income taxes	–	–	–	–	–	23,086
Segment assets (Note 2)	199,030	85,731	284,762	106,750	(67,752)	323,759
Other items						
Depreciation and amortization	4,376	2,182	6,558	204	–	6,763
Investments in associates and joint ventures	48,340	50,777	99,118	–	–	99,118
Capital expenditure	6,865	1,732	8,597	109	(170)	8,536

(Note 1) "Adjustments to segment income" include elimination of inter-segment transactions and expenses related to corporate services.
(Note 2) "Adjustments to segment assets" mainly include corporate assets not attributable to any business segment and elimination of inter-segment receivables.

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Thousands of U.S. dollars					
	Reportable segments			Adjustments		Consolidated
	Machine Tools	Industrial Services	Total	Corporate Services	Elimination	
Sales revenues						
External customers	$1,902,696	$ 739,185	$2,641,882	$ 183	$ –	$2,642,073
Other segments	893,296	184,286	1,077,582	17,498	(1,095,088)	–
Total	2,795,993	923,471	3,719,472	17,689	(1,095,088)	2,642,073
Segment income (Note 1)	191,156	131,735	322,899	(93,396)	30,258	259,761
Financial income	–	–	–	–	–	3,734
Financial costs	–	–	–	–	–	(17,241)
Earnings before income taxes	–	–	–	–	–	246,254
Segment assets (Note 2)	4,276,778	3,995,072	8,271,849	3,068,141	(6,378,288)	4,963,943
Other items						
Depreciation and amortization	76,388	40,778	117,166	4,273	–	121,447
Investments in associates and joint ventures	2,813	15,681	18,502	–	–	18,502
Capital expenditure	134,182	62,068	196,250	8,230	(1,493)	202,995

(Note 1) "Adjustments to segment income" include elimination of inter-segment transactions and expenses related to corporate services.
(Note 2) "Adjustments to segment assets" mainly include corporate assets not attributable to any business segment and elimination of inter-segment receivables.

(4) Information on products and services

As the classification for the reportable segments is based on the type of products and services of the Group, no additional disclosure is required.

(5) Information on geographical areas

Sales revenues from external customers and non-current assets by geographic areas are as follows:

Sales revenues from external customers

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Japan	¥ 48,324	¥ 82,159	$ 400,929
Germany	89,460	6,802	742,222
The Americas	40,393	57,371	335,128
Europe other than Germany	99,940	24,503	829,171
China and Asia	40,329	3,528	334,597
Total	¥318,449	¥174,365	$2,642,073

(Note) Sales revenues by geographical areas are categorized by countries or regions based on the geographical location of the respective sales entities.

Non-current assets

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Japan	¥ 60,978	¥56,572	¥52,317	$ 505,916
Germany	94,944	1,803	2,179	787,721
The Americas	16,835	11,160	10,890	139,675
Europe other than Germany	111,181	4,866	4,400	922,434
China and Asia	16,784	6,237	5,530	139,252
Eliminations	(17,751)	(649)	(196)	(147,275)
Total	¥282,972	¥79,990	¥75,122	$2,347,731

(Note) Non-current assets by geographical areas are classified by countries or regions based on the locations of the assets, and consist of property, plant and equipment, goodwill and other intangible assets.

(6) Information on major customers

External customers that account for 10% or more of consolidated sales revenues are as follows:

Fiscal year 2014 (1st April, 2014 through 31st March, 2015)

	Millions of yen	
Name of customer	Sales revenues	Segment
Ellison Technologies, Inc.	¥40,127	Machine Tools
DMG MORI Europe AG	19,847	Machine Tools
Total	¥59,974	

(Note) The respective information for the nine months ended 31st December, 2015 was omitted because no external customer accounted for 10% or more of consolidated sales revenues for the period.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents at 31st December, 2015, 31st March, 2015 and 1st April, 2014 is as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Cash on hand and at banks with maturities of three months or less	**¥83,577**	¥21,408	¥18,916	**$693,412**
Short-term deposits with maturities of three months or less	**–**	–	–	**–**
Total	**¥83,577**	¥21,408	¥18,916	**$693,412**

(Note) The balance of cash and cash equivalents in the consolidated statement of financial position at 31st December, 2015 and 31st March, 2015 agreed with the respective balances in the consolidated statement of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables at 31st December, 2015, 31st March, 2015 and 1st April 2014 is as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Notes and trade receivable	**¥50,182**	¥42,331	¥34,582	**$416,344**
Other	**6,901**	2,798	1,156	**57,255**
Allowance for doubtful receivables	**(2,126)**	(182)	(207)	**(17,639)**
Total	**¥54,958**	¥44,948	¥35,530	**$455,969**

9. Inventories

The breakdown of inventories at 31st December, 2015, 31st March, 2015 and 1st April, 2014 is as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Raw materials and supplies	**¥ 48,700**	¥24,666	¥17,188	**$ 404,049**
Work in process	**29,581**	13,381	7,709	**245,424**
Merchandise and finished goods	**51,661**	15,825	15,958	**428,615**
Total	**¥129,943**	¥53,873	¥40,856	**$1,078,097**

(Note 1) Cost of raw materials, consumables and goods for resale in the consolidated statement of profit or loss included the write-downs of inventories of ¥2,791 million ($23,156 thousand) and ¥1,338 million for the nine months ended 31st December, 2015 and year ended 31st March, 2015, respectively.
(Note 2) Cost of inventories recognized in profit or loss for the nine months ended 31st December, 2015 and year ended 31st March, 2015 amounted to ¥211,910 million ($1,758,151 thousand) and ¥112,276 million, respectively, including the above write-downs of inventories

10. Property, Plant and Equipment

(1) The movement in cost, accumulated depreciation and impairment losses for property, plant and equipment is as follows:

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Cost

	Millions of yen				
	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress (Note 2)	Total
Beginning balance	**¥108,027**	**¥20,004**	**¥23,908**	**¥ 1,295**	**¥153,235**
Acquisitions	**5,036**	**2,241**	**4,313**	**8,293**	**19,885**
Acquisitions through business combinations	**35,991**	**9,530**	**9,817**	**7,424**	**62,764**
Disposals	**(1,433)**	**(3,036)**	**(1,578)**	**(366)**	**(6,415)**
Reclassification from construction in progress	**1,538**	**1,200**	**256**	**(3,142)**	**(146)**
Exchange differences on translation of foreign operations	**415**	**568**	**298**	**74**	**1,357**
Other	**–**	**(2,789)**	**–**	**–**	**(2,789)**
Ending balance	**¥149,576**	**¥27,720**	**¥37,015**	**¥13,580**	**¥227,892**

Accumulated depreciation and impairment losses

	Millions of yen				
	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress (Note 2)	Total
Beginning balance	**¥(49,833)**	**¥(11,655)**	**¥(19,559)**	**¥–**	**¥(81,048)**
Depreciation (Note 1)	**(3,103)**	**(2,662)**	**(2,697)**	**–**	**(8,463)**
Impairment losses	**–**	**–**	**–**	**–**	**–**
Disposals	**591**	**1,568**	**1,302**	**–**	**3,462**
Exchange differences on translation of foreign operations	**(473)**	**(257)**	**(452)**	**–**	**(1,183)**
Other	**–**	**1,260**	**–**	**–**	**1,260**
Ending balance	**¥(52,819)**	**¥(11,746)**	**¥(21,406)**	**¥–**	**¥(85,972)**

Carrying amount

	Millions of yen				
	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress (Note 2)	Total
Beginning balance	**¥58,194**	**¥ 8,348**	**¥ 4,348**	**¥ 1,295**	**¥ 72,187**
Ending balance	**96,757**	**15,973**	**15,608**	**13,580**	**141,919**

(Note 1) Depreciation is included in "Depreciation and amortization" in the consolidated statement of profit or loss.
(Note 2) Amounts for property, plant and equipment under construction are presented in "Construction in progress."

Fiscal year 2014 (1st April, 2014 through 31st March, 2015)

Cost

	Millions of yen				
	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress (Note 2)	Total
Beginning balance	¥102,495	¥21,835	¥22,264	¥ 1,766	¥148,361
Acquisitions	1,584	670	1,942	2,701	6,899
Acquisitions through business combinations	–	5	1	–	6
Disposals	(419)	(3,373)	(933)	(17)	(4,743)
Reclassification from construction in progress	3,120	280	190	(3,622)	(31)
Exchange differences on translation of foreign operations	1,246	590	460	468	2,765
Other	–	(5)	(17)	–	(22)
Ending balance	¥108,027	¥20,004	¥23,908	¥ 1,295	¥153,235

Accumulated depreciation and impairment losses

	Millions of yen				
	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress (Note 2)	Total
Beginning balance	¥(47,556)	¥(13,390)	¥(18,405)	¥–	¥(79,352)
Depreciation (Note 1)	(2,180)	(1,498)	(1,483)	–	(5,162)
Impairment losses	–	–	–	–	–
Disposals	157	3,289	559	–	4,006
Exchange differences on translation of foreign operations	(254)	(60)	(245)	–	(559)
Other	–	3	15	–	18
Ending balance	¥(49,833)	¥(11,655)	¥(19,559)	¥–	¥(81,048)

Carrying amount

	Millions of yen				
	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress (Note 2)	Total
Beginning balance	¥54,939	¥8,444	¥3,858	¥1,766	¥69,009
Ending balance	58,194	8,348	4,348	1,295	72,187

(Note 1) Depreciation is included in "Depreciation and amortization" in consolidated statement of profit or loss.
(Note 2) Amounts for property, plant and equipment under construction are presented in "Construction in progress."

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

Cost

	Thousands of U.S. dollars				
	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress (Note 2)	Total
Beginning balance	$ 896,266	$165,967	$198,357	$ 10,744	$1,271,343
Acquisitions	41,782	18,593	35,784	68,804	164,980
Acquisitions through business combinations	298,606	79,067	81,449	61,595	520,733
Disposals	(11,889)	(25,189)	(13,092)	(3,037)	(53,223)
Reclassification from construction in progress	12,760	9,956	2,124	(26,068)	(1,211)
Exchange differences on translation of foreign operations	3,443	4,713	2,472	614	11,259
Other	–	(23,139)	–	–	(23,139)
Ending balance	$1,240,986	$229,984	$307,102	$112,669	$1,890,749

Accumulated depreciation and impairment losses

	Thousands of U.S. dollars				
	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress (Note 2)	Total
Beginning balance	$(413,449)	$(96,698)	$(162,275)	$–	$(672,430)
Depreciation (Note 1)	(25,745)	(22,086)	(22,376)	–	(70,215)
Impairment losses	–	–	–	–	–
Disposals	4,903	13,009	10,802	–	28,723
Exchange differences on translation of foreign operations	(3,924)	(2,132)	(3,750)	–	(9,815)
Other	–	10,454	–	–	10,454
Ending balance	$(438,223)	$(97,453)	$(177,599)	$–	$(713,283)

Carrying amount

	Thousands of U.S. dollars				
	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress (Note 2)	Total
Beginning balance	$482,818	$ 69,261	$ 36,074	$ 10,744	$ 598,913
Ending balance	802,763	132,523	129,495	112,669	1,177,458

(Note 1) Depreciation is included in "Depreciation and amortization" in the consolidated statement of profit or loss.
(Note 2) Amounts for property, plant and equipment under construction are presented in "Construction in progress."

(2) Impairment losses

The Group recognized no impairment losses on property, plant and equipment for the nine months ended 31st December, 2015 and the year ended 31st March, 2015.

(3) Leased assets

The carrying amounts of the assets held under finance lease contracts included in property, plant and equipment are as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Land, buildings and structures	¥3,238	¥3,410	¥3,273	$26,865
Machinery and vehicles	358	88	197	2,970
Tools, furniture and fixtures	141	204	331	1,170
Total	¥3,739	¥3,704	¥3,802	$31,021

(4) Collateral

Assets pledged as collateral and secured liabilities are as follows:

Assets pledged as collateral

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Land and buildings	¥5,817	¥–	¥–	$48,262
Total	¥5,817	¥–	¥–	$48,262

Secured liabilities

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Interest-bearing bonds and borrowings	¥2,426	¥–	¥–	$20,128
Total	¥2,426	¥–	¥–	$20,128

11. Goodwill and Other Intangible Assets

(1) The movement in cost and accumulated impairment losses for goodwill is as follows:

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Millions of yen		
	Cost	Accumulated impairment losses	Carrying amount
Beginning balance	¥ 1,164	¥–	¥ 1,164
Acquisitions	327	–	327
Acquisitions through business combinations	72,176	–	72,176
Disposals	–	–	–
Impairment losses	–	–	–
Exchange differences on translation of foreign operations	(5,449)	–	(5,449)
Ending balance	¥68,218	¥–	¥68,218

Fiscal year 2014 (1st April, 2014 through 31st March, 2015)

	Millions of yen		
	Cost	Accumulated impairment losses	Carrying amount
Beginning balance	¥ 704	¥–	¥ 704
Acquisitions	–	–	–
Acquisitions through business combinations	284	–	284
Disposals	–	–	–
Impairment losses	–	–	–
Exchange differences on translation of foreign operations	175	–	175
Ending balance	¥1,164	¥–	¥1,164

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Thousands of U.S. dollars		
	Cost	Accumulated impairment losses	Carrying amount
Beginning balance	$ 9,657	$–	$ 9,657
Acquisitions	2,713	–	2,713
Acquisitions through business combinations	598,822	–	598,822
Disposals	–	–	–
Impairment losses	–	–	–
Exchange differences on translation of foreign operations	(45,209)	–	(45,209)
Ending balance	$565,984	$–	$565,984

(2) The movement in cost and accumulated amortization and impairment losses for other intangible assets is as follows:

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

Cost

	Millions of yen						
	Trademarks	Customer-related assets	Technology-related assets	Patents	Capitalized development costs	Others	Total
Beginning balance	¥ 221	¥ 732	¥ –	¥1,669	¥ –	¥18,673	¥21,297
Acquisitions	–	–	–	–	–	2,453	2,453
Acquisitions through business combinations	43,614	6,868	6,174	–	3,862	6,516	67,035
Additions due to internal development	–	–	–	–	1,813	–	1,813
Disposals	–	–	–	–	–	–	–
Reclassification	–	–	–	–	34	98	133
Exchange differences on translation of foreign operations	455	74	64	–	96	(779)	(88)
Other	–	–	–	–	–	(36)	(36)
Ending balance	¥44,291	¥7,675	¥6,238	¥1,669	¥5,807	¥26,925	¥92,607

Accumulated amortization and impairment losses

	Trademarks	Customer -related assets	Technology -related assets	Patents	Capitalized development costs	Others	Total
	Millions of yen						
Beginning balance	¥ –	¥ (146)	¥ –	¥(1,524)	¥ –	¥(12,986)	¥(14,658)
Amortization	(477)	(1,432)	(830)	(26)	(993)	(2,414)	(6,174)
Impairment losses	–	–	–	–	–	–	–
Reversal of impairment losses	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	7	27	16	–	(83)	1,055	1,025
Other	–	–	–	–	–	33	33
Ending balance	¥(469)	¥(1,551)	¥(813)	¥(1,550)	¥(1,076)	¥(14,310)	¥(19,773)

Carrying amount

	Trademarks	Customer -related assets	Technology -related assets	Patents	Capitalized development costs	Others	Total
	Millions of yen						
Beginning balance	¥ 221	¥ 586	¥ –	¥145	¥ –	¥ 5,686	¥ 6,639
Ending balance	43,821	6,124	5,424	119	4,730	12,614	72,834

Fiscal year 2014 (1st April, 2014 through 31st March, 2015)

Cost

	Trademarks	Customer -related assets	Technology -related assets	Patents	Capitalized development costs	Others	Total
	Millions of yen						
Beginning balance	¥189	¥627	¥–	¥1,669	¥–	¥15,813	¥18,300
Acquisitions	–	–	–	–	–	2,790	2,790
Acquisitions through business combinations	–	–	–	–	–	–	–
Additions due to internal development	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	(125)	(125)
Reclassification	–	–	–	–	–	31	31
Exchange differences on translation of foreign operations	31	105	–	–	–	163	300
Other	–	–	–	–	–	–	–
Ending balance	¥221	¥732	¥–	¥1,669	¥–	¥18,673	¥21,297

Accumulated amortization and impairment losses

	Trademarks	Customer -related assets	Technology -related assets	Patents	Capitalized development costs	Others	Total
	Millions of yen						
Beginning balance	¥–	¥ (62)	¥–	¥(1,488)	¥–	¥(11,340)	¥(12,891)
Amortization	–	(67)	–	(35)	–	(1,498)	(1,601)
Impairment losses	–	–	–	–	–	–	–
Reversal of impairment losses	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	(59)	(59)
Reclassification	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	(16)	–	–	–	(88)	(105)
Other	–	–	–	–	–	–	–
Ending balance	¥–	¥(146)	¥–	¥(1,524)	¥–	¥(12,986)	¥(14,658)

Carrying amount

	Millions of yen						
	Trademarks	Customer -related assets	Technology -related assets	Patents	Capitalized development costs	Others	Total
Beginning balance	¥189	¥564	¥–	¥181	¥–	¥4,473	¥5,408
Ending balance	221	586	–	145	–	5,686	6,639

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

Cost

	Thousands of U.S. dollars						
	Trademarks	Customer -related assets	Technology -related assets	Patents	Capitalized development costs	Others	Total
Beginning balance	$ 1,834	$ 6,073	$ –	$13,847	$ –	$154,924	$176,695
Acquisitions	–	–	–	–	–	20,352	20,352
Acquisitions through business combinations	361,852	56,982	51,224	–	32,042	54,061	556,169
Additions due to internal development	–	–	–	–	15,042	–	15,042
Disposals	–	–	–	–	–	–	–
Reclassification	–	–	–	–	282	813	1,103
Exchange differences on translation of foreign operations	3,775	614	531	–	796	(6,463)	(730)
Other	–	–	–	–	–	(299)	(299)
Ending balance	$367,469	$63,677	$51,755	$13,847	$48,179	$223,388	$768,332

Accumulated amortization and impairment losses

	Thousands of U.S. dollars						
	Trademarks	Customer -related assets	Technology -related assets	Patents	Capitalized development costs	Others	Total
Beginning balance	$ –	$ (1,211)	$ –	$(12,644)	$ –	$(107,741)	$(121,613)
Amortization	(3,958)	(11,881)	(6,886)	(216)	(8,239)	(20,028)	(51,224)
Impairment losses	–	–	–	–	–	–	–
Reversal of impairment losses	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	58	224	133	–	(689)	8,753	8,504
Other	–	–	–	–	–	274	274
Ending balance	$(3,891)	$(12,868)	$(6,745)	$(12,860)	$(8,927)	$(118,726)	$(164,050)

Carrying amount

	Thousands of U.S. dollars						
	Trademarks	Customer -related assets	Technology -related assets	Patents	Capitalized development costs	Others	Total
Beginning balance	$ 1,834	$ 4,862	$ –	$1,203	$ –	$ 47,175	$ 55,082
Ending balance	363,569	50,809	45,001	987	39,243	104,654	604,281

Other intangible assets in the above table with finite useful lives are amortized over their useful economic lives. Amortization of other intangible assets is included in "Depreciation and amortization" in the consolidated statement of profit or loss.

The amount of other intangible assets in the above table with indefinite useful lives was ¥34,143 million ($283,274 thousand) at 31st December, 2015.

Significant intangible assets with indefinite useful lives were trademarks, which were recognized as a result of the integration between DMG MORI AG and the Company.

Trademarks are classified as intangible assets with indefinite useful lives since there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group to the extent that their respective operations continue.

Internally generated intangible assets (after deducting accumulated amortization and impairment losses) at 31st December, 2015 were ¥4,730 million ($39,243 thousand) and included in capitalized development costs in the above table.

(3) Impairment losses

The Group recognized no impairment losses on goodwill and other intangible assets for the nine months ended 31st December, 2015 and year ended 31st March, 2015.

(4) Significant goodwill and other intangible assets

Significant goodwill and other intangible assets in the consolidated statement of financial position were recognized as a result of the integration with DMG MORI AG and the Company as follows.

	Millions of yen		Thousands of U.S. dollars
	Carrying amount (31st December, 2015)	Remaining amortization period	Carrying amount (31st December, 2015)
Goodwill	¥66,806	–	$554,269
Other intangible assets:			
Trademarks	43,821	30 years or non-amortizable	363,569
Customer-related assets	5,591	approximately 15 years	46,387
Technology-related assets	5,424	approximately 6 years	45,001

(5) Impairment test of goodwill and other intangible assets

Carrying amounts of goodwill and other intangible assets with indefinite useful lives allocated to each CGU (or group of CGUs) are as follows:

		Millions of yen			Thousands of U.S. dollars
CGU		31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Goodwill	Machine Tools	¥30,129	¥ –	¥ –	$249,971
	Industrial Services	38,088	1,164	704	316,004
	Total	¥68,218	¥1,164	¥ 704	$565,984
Other intangible assets with indefinite useful lives	Machine Tools	¥15,385	¥ –	¥ –	$127,645
	Industrial Services	18,758	–	–	155,629
	Total	¥34,143	¥ –	¥ –	$283,274

The recoverable amount of goodwill and other intangible assets (allocated to each CGU) with indefinite useful lives related to DMG MORI AG measured at fair value less costs of disposal is categorized as Level 1 in the fair value hierarchy.

The recoverable amount of other goodwill (allocated to each CGU) is measured at value in use. In assessing the value in use, the estimated future cash flows of each CGU are discounted to their present value.

The value in use currently exceeds the carrying amounts and the Group believes any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

12. Other Financial Assets

The breakdown of other financial assets at 31st December, 2015, 31st March 2015 and 1st April, 2014 is as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	1st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Financial assets measured at amortized cost:				
Other financial assets including loans	¥ 7,039	¥ 958	¥ 1,167	$ 58,400
Financial assets measured at fair value through profit or loss included in other financial assets:				
Available-for-sale financial assets	15,097	16,739	12,771	125,255
Derivative assets	913	795	–	7,575
Total	¥23,050	¥18,494	¥13,938	$191,239
Current assets	¥ 5,489	¥ 869	¥ 82	$ 45,541
Non-current assets	17,560	17,624	13,856	145,690
Total	¥23,050	¥18,494	¥13,938	$191,239

13. Investments in Associates and Joint Ventures

(1) Investments in significant associates

The significant associates accounted for using the equity method for the year ended 31st March 2015 are as follows:

Name of associate	Country of operation and incorporation	Principal activity
DMG MORI AG	North Rhine-Westfalen, Germany	Control of affiliates
DMG MORI Europe AG	Zurich, Switzerland	Control of affiliates

(Note) DMG MORI AG is listed on the Frankfurt stock exchange. The total market value of shares owned by the Group was ¥127,704 million at 31st March, 2015, based on the quoted share price. In assessing the fair value of these shares, Level 1 inputs in the fair value hierarchy were applied.

The equity method was not applied to these investments for the nine months ended 31st December, 2015.

1. DMG MORI AG

	Millions of yen	
	31st March, 2015	1st April, 2014 (Date of transition to IFRS)
Current assets	¥172,725	¥173,481
Non-current assets	126,133	110,261
Current liabilities	103,997	105,334
Non-current liabilities	17,589	11,183
Equity:		
Attributable to owners of the parent	159,214	152,658
Non-controlling interests	18,058	14,566
Proportion of issued ordinary shares held	38.2%	22.5%
Total equity attributable to owners of the parent	60,819	34,348
Carrying amount of investment in DMG MORI AG	87,065	39,669

(Note) Differences between carrying amount of investment in DMG MORI AG and total equity attributable to owners of the parent mainly consist of goodwill included in carrying amount of the investment, adjustments to fair value (net of tax) allocated to identifiable assets and liabilities upon the investment and treasury shares owned by DMG MORI AG attributable to the Company.

	Millions of yen
	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)
Sales revenues	¥313,941
Net income	17,008
Other comprehensive income	10,262
Comprehensive income	27,270
Net income attributable to the Group	3,184
Other comprehensive income attributable to the Group	(3,641)
Comprehensive income attributable to the Group	(456)
Dividend income from DMG MORI AG	1,358

2. DMG MORI Europe AG

	Millions of yen	
	31st March, 2015	1st April, 2014 (Date of transition to IFRS)
Current assets	¥47,491	¥48,862
Non-current assets	6,993	7,182
Current liabilities	33,258	37,373
Non-current liabilities	835	577
Total equity:	20,390	18,094
Proportion of issued ordinary shares held	40.0%	40.0%
Total equity attributable to owners of the parent	8,156	7,237
Carrying amount of investment in DMG MORI Europe AG	9,978	9,347

(Note) Differences between carrying amount of investments in DMG MORI Europe AG and total equity attributable to owners of the parent mainly consist of goodwill included in carrying amount of the investment.

	Millions of yen
	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)
Sales revenues	¥106,094
Net income	3,748
Other comprehensive income	(2,171)
Comprehensive income	1,577
Net income attributable to the Group	1,499
Other comprehensive income attributable to the Group	(868)
Comprehensive income attributable to the Group	630
Dividend income from DMG MORI Europe AG	–

(2) Investments in associates not individually significant

A summary of the Group’s investments in associates that are not individually significant is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Net income attributable to the Group	**¥ 168**	¥ 292	**$ 1,394**
Other comprehensive income attributable to the Group	**0**	135	**0**
Comprehensive income attributable to the Group	**169**	427	**1,402**
Carrying amount of investment in associates (Ending balance)	**2,230**	2,075	**18,502**

14. Trade and Other Payables

The breakdown of trade and other payables at 31st December, 2015, 31st March, 2015 and 1st April, 2014 is as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Trade payables	**¥48,014**	¥18,490	¥11,937	**$398,357**
Other payables	**11,738**	7,571	6,398	**97,387**
Others	**6,895**	3,243	2,443	**57,206**
Total	**¥66,648**	¥29,304	¥20,779	**$552,958**

15. Interest-bearing Bonds and Borrowings

The breakdown interest-bearing bonds and borrowings at 31st December, 2015, 31st March, 2015 and 1st April, 2014 is as follows:

	Millions of yen					Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	Average interest rate (%) (Note 1)	Maturity (Note 1)	31st December, 2015
Financial liabilities measured at amortized cost:						
Current borrowings	**¥ 67,896**	¥ 54,113	¥ 1,850	mainly 0.22~0.38	–	**$ 563,312**
Non-current borrowings due within one year	**17,731**	–	–	mainly 0.28~1.90	–	**147,109**
Non-current borrowings (excluding those due within one year)	**96,332**	20,000	–		2017-2026	**799,237**
Interest-bearing bonds due within one year	**15,064**	–	14,987	0.545	–	**124,981**
Interest-bearing bonds (excluding those due within one year)	**19,877**	34,917	34,883	0.515	2017	**164,913**
Total	**¥216,903**	¥109,031	¥51,722			**$1,799,577**
Current liabilities	**¥100,692**	¥ 54,113	¥16,838			**$ 835,410**
Non-current liabilities	**116,210**	54,917	34,883			**964,158**
Total	**¥216,903**	¥109,031	¥51,722			**$1,799,577**

(Note) Average interest rate and maturity are based on the respective information at the end of fiscal period 2015.

A summary of the issuing conditions of the bonds is as follows:

	Name of bond	Date of issuance	Millions of yen 31st December, 2015	Millions of yen 1st April, 2015	Thousands of U.S. dollars 31st December, 2015	Interest rate (%)	Collateral	Date of maturity
DMG MORI CO., LTD.	2nd debenture bond (Note 1)	27th September, 2011	**¥15,064**	¥14,977	**$124,981**	0.545	None	27th September, 2016
DMG MORI CO., LTD.	3rd debenture bond (Note 1)	13th June, 2013	**19,877**	19,940	**164,913**	0.515	None	13th June, 2017
Total			**¥34,941**	¥34,917	**$289,646**			
Current liabilities			**¥15,064**	¥ –	**$124,981**			
Non-current liabilities			**19,877**	34,917	**164,913**			

(Note 1) With respect to the outstanding balances of the 2nd and 3rd debenture bonds, adjustments to these principal portions are made in accordance with IFRS.
(Note 2) Annual maturities of bonds subsequent to 31st December, 2015 over five years are summarized as follows:

Millions of yen				
Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
¥ 15,064	**¥ 19,877**	**¥–**	**¥–**	**¥–**

Thousands of U.S. dollars				
Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
$124,981	**$164,913**	**$–**	**$–**	**$–**

16. Other Financial Liabilities

The breakdown of other financial liabilities at 31st December, 2015, 31st March, 2015 and 1st April, 2014 is as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Financial liabilities measured at amortized cost:				
Finance lease obligations	**¥4,757**	¥4,290	¥4,297	**$39,467**
Financial liabilities at fair value through profit or loss:				
Derivative liabilities	**329**	–	389	**2,730**
Total	**¥5,087**	¥4,290	¥4,686	**$42,205**
Current liabilities	**¥ 780**	¥ 339	¥ 677	**$ 6,471**
Non-current liabilities	**4,307**	3,951	4,008	**35,734**
Total	**¥5,087**	¥4,290	¥4,686	**$42,205**

The net present value of finance lease obligations at 31st December, 2015, 31st March, 2015 and 1st April, 2014 is as follows:

	Millions of yen					Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	Average interest rate (%) (Note 1)	Maturity (Note 2)	31st December, 2015
Minimum lease payments	**¥6,615**	¥6,467	¥6,354	–	–	**$54,883**
Less: Future financing costs	**(1,858)**	(2,176)	(2,057)	–	–	**(15,415)**
Net present value of minimum lease payments	**4,757**	4,290	4,297	–	–	**39,467**
Current finance lease obligations (Not later than one year)	**450**	339	443	3.59	–	**3,734**
Non-current finance lease obligations (Later than one year)	**4,307**	3,951	3,853	5.39	2017-2029	**35,734**
Total	**¥4,757**	¥4,290	¥4,297			**$39,467**

(Note 1) Average interest rate is based on the weighted-average rate that applied to interest rates and balances at the end of fiscal period 2015.
(Note 2) Average interest rate and maturity are based on the respective information at the end of fiscal period 2015.

17. Operating Leases

Minimum lease payments under operating lease contracts recognized as an expense are as follows:

	Millions of ye		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Minimum lease payments	**¥4,609**	¥1,639	**$38,239**
Total	**¥4,609**	¥1,639	**$38,239**

(Note) Minimum lease payments are included in "Other expenses" in the consolidated statement of profit or loss.

Future minimum lease payments under non-cancelable operating lease contracts are as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Not later than one year	**¥ 4,530**	¥ 1,320	¥ 1,499	**$ 37,584**
Later than one year and not later than five years	**10,605**	6,775	6,103	**87,986**
Later than five years	**4,212**	3,507	3,915	**34,946**
Total	**¥19,349**	¥11,604	¥11,518	**$160,533**

(Note) Operating lease payments represent rental fees payable by the Group for certain rental buildings. Some lease contracts include renewal options. However, there are no significant restrictions on variable lease fees, purchase options, sublease agreements, escalation clauses and significant limits under any lease contracts.

18. Retirement Benefits

The Company and its consolidated subsidiaries have established funded and unfunded defined benefit pension plans and defined contribution pension plans. In addition to the above, one domestic consolidated subsidiary participates in a small- and medium-sized enterprise mutual aid plan.

(1) Defined benefit plans

1. Defined contribution plans adopted in Japan as post-employment benefit
   The Company and its domestic consolidated subsidiaries have established defined contribution pension plans. Although certain domestic subsidiaries had established defined benefit pension plans, the change of post-employment benefits from defined benefit plans to defined contribution plans has been completed.

2. Defined benefit plans of overseas subsidiaries as post-employment benefits.
   Overseas consolidated subsidiaries, mainly in Germany and Switzerland, have primarily established defined benefit plans for post-employment benefits. The contributions to these plans are determined based on the employee’s length of service, salary level and other factors depending on general laws, economic conditions and taxation regulations of the respective countries. These plans expose the Group to the risks arising from fluctuations in interest rates, market and foreign exchanges rates, as well as actuarial differences due to changes in estimations, such as average life expectancy.

Assets and liabilities of defined benefit plans recognized in the consolidated statement of financial position at 31st December, 2015, 31st March, 2015 and 1st April, 2014 are as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Present value of defined benefit obligations	**¥11,862**	¥ 1,886	¥ 1,438	**$98,415**
Fair value of plan assets	**(5,638)**	(1,209)	(1,059)	**(46,777)**
Funded status	**6,224**	676	379	**51,639**
Effect of asset ceiling	**–**	–	–	**–**
Net defined benefit liabilities	**¥ 6,224**	¥ 676	¥ 379	**$51,639**
Amounts in consolidated statement of financial position:				
Employee defined benefit assets	**¥ –**	¥ –	¥ –	**$ –**
Net employee defined benefit liabilities	**6,224**	676	379	**51,639**

Costs of defined benefit plans recognized in the consolidated statement profit or loss for the nine months ended 31st December, 2015 and the year ended 31st March, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Current service cost	**¥455**	¥59	**$3,775**
Past service cost	**67**	–	**556**
Subtotal of operating costs	**523**	59	**4,339**
Net interest cost	**76**	8	**631**
Subtotal of financial costs	**76**	8	**631**
Other	**3**	3	**25**
Total	**¥602**	¥71	**$4,995**

The movement in the present value of defined benefit obligations for the nine months ended 31st December, 2015 and the year ended 31st March, 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Beginning balance	**¥ 1,886**	¥1,438	**$15,648**
Pension cost charged to profit or loss:			
Current service cost	**455**	59	**3,775**
Past service cost	**67**	–	**556**
Interest cost	**153**	33	**1,269**
Subtotal	**676**	92	**5,609**
Remeasurement (gains) losses in other comprehensive income:			
Actuarial gains and losses arising from changes in demographic assumptions	**6**	(1)	**50**
Actuarial gains and losses arising from changes in financial assumptions	**50**	335	**415**
Actuarial gains and losses arising from experience adjustments	**(76)**	(35)	**(631)**
Subtotal	**(19)**	299	**(158)**
Other:			
Benefits paid	**(121)**	(92)	**(1,004)**
Contributions to the plan by participants	**90**	41	**747**
Acquisitions through business combinations	**9,645**	–	**80,022**
Exchange differences on translation of foreign operations	**(295)**	107	**(2,448)**
Subtotal	**9,319**	57	**77,317**
Ending balance	**¥11,862**	¥1,886	**$98,415**

The movement in the fair value in the plan assets for the nine months ended 31st December, 2015 and the year ended 31st March, 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Beginning balance	**¥1,209**	¥1,059	**$10,031**
Amount recognized in profit or loss:			
Interest income	**76**	25	**631**
Subtotal	**76**	25	**631**
Amount recognized in other comprehensive income:			
Remeasurements of fair value of plan assets			
Return on plan assets	**(97)**	61	**(805)**
Subtotal	**(97)**	61	**(805)**
Other:			
Contributions to the plan by the employer	**1,441**	42	**11,956**
Benefits paid	**(114)**	(92)	**(946)**
Contributions to the plan by participants	**211**	41	**1,751**
Acquisitions through business combinations	**3,201**	–	**26,558**
Exchange differences on translation of foreign operations	**(289)**	73	**(2,398)**
Subtotal	**4,450**	64	**36,920**
Ending balance	**¥5,638**	¥1,209	**$46,777**

(Note) The Group expects to contribute ¥252 million ($2,091 thousand) to its defined benefit pension plans for the year ending 31st December, 2016.

Significant actuarial assumptions used for the calculation of the present value of defined benefit obligations are as follows:

	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)
Discount rates (%)	**0.85～2.00**	0.75～1.30	2.25～2.90
Rate of increase in benefits paid (%)	**0.00～2.00**	–	–

(Note) The weighted average duration of the defined benefit obligation as of 31st December, 2015 is 15.3 years.

The sensitivity analysis does not consider correlations between assumptions, assuming that all other assumptions are held constant. In practice, changes in some of the assumptions may occur in a correlated manner. When calculating the sensitivity of the defined benefit obligations, the same method has been applied as when calculating the defined benefit obligations in the consolidated statement of financial position.

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Discount rate:			
0.25% increase	**¥(404)**	¥(81)	**$(3,352)**
0.25% decrease	**439**	82	**3,642**
Changes in rate of increase in benefits paid:			
0.25% increase	**129**	–	**1,070**
0.25% decrease	**(121)**	–	**(1,004)**

The breakdown of the fair value of plan assets at 31st December, 2015 is as follows:

	Millions of yen		
	Quoted prices in active market	Quoted prices in active market unavailable	Total
Cash and cash equivalents	**¥ 141**	**¥ –**	**¥ 141**
Equities	**295**	**297**	**592**
Bonds	**513**	**142**	**655**
Real estate	**179**	**306**	**486**
Insurance	**–**	**2,006**	**2,006**
Other	**–**	**1,755**	**1,755**
Total	**¥1,130**	**¥4,508**	**¥5,638**

The breakdown of the fair value of plan assets at 31st March, 2015 is as follows:

	Millions of yen		
	Quoted prices in active market	Quoted prices in active market unavailable	Total
Cash and cash equivalents	¥84	¥ –	¥ 84
Equities	–	323	323
Bonds	–	100	100
Real estate	–	333	333
Other	–	367	367
Total	¥84	¥1,124	¥1,209

The breakdown of the fair value of plan assets at 1st April, 2014 is as follows:

	Millions of yen		
	Quoted prices in active market	Quoted prices in active market unavailable	Total
Cash and cash equivalents	¥87	¥ –	¥ 87
Equities	–	252	252
Bonds	–	119	119
Real estate	–	289	289
Other	–	309	309
Total	¥87	¥970	¥1,059

The breakdown of the fair value of plan assets at 31st December, 2015 is as follows:

	Thousands of U.S. dollars		
	Quoted prices in active market	Quoted prices in active market unavailable	Total
Cash and cash equivalents	$1,170	$ –	$ 1,170
Equities	2,448	2,464	4,912
Bonds	4,256	1,178	5,434
Real estate	1,485	2,539	4,032
Insurance	–	16,643	16,643
Other	–	14,561	14,561
Total	$9,375	$37,401	$46,777

The investment strategy of the global pension assets in the Group is based on the goal of assuring pension payments over the long term. In Germany, plan assets mainly comprise insurance contracts and are held by a legally separate and independent entity whose sole purpose is to hedge and finance employee benefit liabilities. In Switzerland, external plan assets are invested in a traditional pension fund. Plan assets in Switzerland are subject to customary minimum funding requirements.

(2) Defined contribution plans

The expenses related to the defined contribution plans charged to profit or loss for the nine months ended 31st December, 2015 and the year ended March 31, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Expenses for defined contribution plans	¥2,592	¥2,347	$21,505

19. Provisions

The breakdown and movement in provisions for the nine months ended 31st December, 2015 and year ended 31st March, 2015 is as follows:

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Millions of yen				
	Provision for product warranties	Provision for sales commissions	Provision for personnel costs	Other provisions	Total
Beginning balance	¥ 939	¥ –	¥ 1,514	¥ 49	¥ 2,503
Increase	2,334	3,921	7,625	5,612	19,495
Decrease due to intended use	(2,459)	(3,919)	(5,919)	(1,927)	(14,226)
Reversal	(112)	(276)	(366)	(544)	(1,298)
Increase due to passage of time	0	–	63	140	204
Increase due to business combinations	3,954	5,922	11,354	3,519	24,750
Exchange differences on translation of foreign operations	(6)	(367)	(19)	(495)	(887)
Ending balance	¥4,652	¥5,281	¥14,251	¥6,354	¥30,541

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Current liabilities:				
Provision for product warranties	¥ 4,652	¥ 939	¥ 943	$ 38,596
Provision for sales commissions	4,947	–	–	41,044
Provision for personnel costs	10,919	1,445	1,519	90,592
Other provisions	5,232	–	–	43,408
Subtotal	25,752	2,385	2,463	213,656
Non-current liabilities:				
Provision for sales commissions	334	–	–	2,771
Provision for personnel costs	3,332	68	24	27,645
Other provisions	1,122	49	101	9,309
Subtotal	4,788	117	125	39,725
Total	¥30,541	¥2,503	¥2,589	$253,389

Fiscal year 2014 (1st April, 2014 through 31st March, 2015)

	Millions of yen			
	Provision for product warranties	Provision for personnel costs	Other provisions	Total
Beginning balance	¥943	¥1,543	¥101	¥2,589
Increase	621	1,442	7	2,071
Decrease due to intended use	(626)	(1,519)	(60)	(2,207)
Reversal	–	(0)	–	(0)
Increase due to passage of time	–	–	0	0
Increase due to business combinations	–	33	–	33
Exchange differences on translation of foreign operations	1	14	–	15
Ending balance	¥939	¥1,514	¥ 49	¥2,503

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Thousands of U.S. dollars				
	Provision for product warranties	Provision for sales commissions	Provision for personnel costs	Other provisions	Total
Beginning balance	**$ 7,791**	**$ –**	**$ 12,561**	**$ 407**	**$ 20,767**
Increase	**19,364**	**32,531**	**63,262**	**46,561**	**161,744**
Decrease due to intended use	**(20,402)**	**(32,515)**	**(49,108)**	**(15,988)**	**(118,029)**
Reversal	**(929)**	**(2,290)**	**(3,037)**	**(4,513)**	**(10,769)**
Increase due to passage of time	**0**	**–**	**523**	**1,162**	**1,693**
Increase due to business combinations	**32,805**	**49,133**	**94,201**	**29,196**	**205,343**
Exchange differences on translation of foreign operations	**(50)**	**(3,045)**	**(158)**	**(4,107)**	**(7,359)**
Ending balance	**$38,596**	**$43,815**	**$118,236**	**$52,717**	**$253,389**

Provision for product warranties

Provision for product warranties is calculated based on the actual historical ratio of repair costs as a portion of the corresponding product sales to provide for future repairs during free-of-charge change product warranty periods.

Provision for sales commissions

Provision for sales commissions is calculated based on the estimated commissions to be paid to sales dealers.

Provision for personnel costs

Provision for personnel costs mainly consists of a provision for annual paid leaves and bonuses.

The outflows of economic benefits related to provisions included in current liabilities and non-current liabilities are expected within one year from the end of the reporting period and after one year from the end of the reporting period, respectively.

20. Income Taxes

(1) Deferred tax assets and liabilities

The breakdown and movement of deferred tax assets and liabilities by major causes of their occurrence for each corresponding fiscal period and year are as follows:

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Millions of yen				
	Beginning balance	Increase due to business combinations	Recognized in profit or loss (Note 1)	Recognized in other comprehensive income	Ending balance
Deferred tax assets:					
Intangible assets	¥ 284	¥ 14	¥ 4	¥ –	¥ 304
Property, plant and equipment	20	2,179	(56)	–	2,144
Inventories	2,011	4,011	(867)	–	5,155
Trade and other receivables	–	1,090	88	–	1,179
Unused tax losses (Note 2)	–	1,132	4,379	–	5,512
Other	2,142	3,420	(741)	–	4,821
Total	4,459	11,849	2,807	–	19,117
Deferred tax liabilities:					
Intangible assets	–	(14,187)	544	–	(13,642)
Property, plant and equipment	(8)	(2,461)	(207)	–	(2,676)
Available-for-sale financial assets	(2,516)	(41)	142	(115)	(2,530)
Inventories	–	(3,330)	3,164	–	(166)
Other	(3,995)	(1,287)	462	100	(4,719)
Total	(6,519)	(21,307)	4,106	(15)	(23,735)
Net amount	¥(2,059)	¥ (9,457)	¥6,914	¥ (15)	¥ (4,617)

Fiscal year 2014 (1st April, 2014 through 31st March, 2015)

	Millions of yen			
	Beginning balance	Recognized in profit or loss (Note 1)	Recognized in other comprehensive income	Ending balance
Deferred tax assets:				
Intangible assets	¥ 279	¥ 5	¥ –	¥ 284
Property, plant and equipment	–	20	–	20
Inventories	1,384	626	–	2,011
Trade and other receivables	–	–	–	–
Unused tax losses (Note 2)	886	(886)	–	–
Other	1,812	329	–	2,142
Total	4,363	96	–	4,459
Deferred tax liabilities:				
Property, plant and equipment	(252)	244	–	(8)
Available-for-sale financial assets	(1,617)	2	(901)	(2,516)
Other	(2,706)	(1,429)	141	(3,995)
Total	(4,576)	(1,182)	(760)	(6,519)
Net amount	¥ (213)	¥(1,085)	¥(760)	¥(2,059)

(Note 1) Exchange differences arising on translation of foreign operations are included.
(Note 2) The cause of deferred tax assets associated with unused tax losses as of 31st December, 2015 and 31st March, 2015 is non-recurring in nature, and it is probable that the tax benefit will be realizable based on the forecast of future taxable income in the business plan approved by the Board of Directors of the Company.

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Thousands of U.S. dollars				
	Beginning balance	Increase due to business combinations	Recognized in profit or loss (Note 1)	Recognized in other comprehensive income	Ending balance
Deferred tax assets:					
Intangible assets	$ 2,356	$ 116	$ 33	$ –	$ 2,522
Property, plant and equipment	166	18,078	(465)	–	17,788
Inventories	16,685	33,278	(7,193)	–	42,769
Trade and other receivables	–	9,043	730	–	9,782
Unused tax losses (Note 2)	–	9,392	36,331	–	45,731
Other	17,772	28,375	(6,148)	–	39,998
Total	36,995	98,307	23,289	–	158,608
Deferred tax liabilities:					
Intangible assets	–	(117,705)	4,513	–	(113,183)
Property, plant and equipment	(66)	(20,418)	(1,717)	–	(22,202)
Available-for-sale financial assets	(20,874)	(340)	1,178	(954)	(20,991)
Inventories	–	(27,628)	26,251	–	(1,377)
Other	(33,145)	(10,678)	3,833	830	(39,152)
Total	(54,086)	(176,778)	34,066	(124)	(196,922)
Net amount	$ (17,083)	$ (78,462)	$ 57,363	$(124)	$ (38,306)

(2) Unrecognized deferred tax assets

Deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized are as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Deductible temporary differences	¥10,298	¥4,063	¥5,410	$ 85,439
Unused tax losses	7,521	892	2,991	62,399
Unused tax credits	311	22	131	2,580
Total	¥18,132	¥4,977	¥8,534	$150,436

Unused tax losses and unused tax credits for which no deferred tax asset is recognized will expire as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Unused tax losses				
Year 1	¥ 757	¥ 0	¥ 231	$ 6,281
Year 2	282	132	501	2,340
Year 3	324	103	701	2,688
Year 4	736	123	109	6,106
Year 5 or later	5,422	532	1,446	44,985
Total	¥ 7,521	¥892	¥ 2,991	$62,399
Unused tax credits				
Year 1	¥ 22	¥ –	¥ 40	$ 183
Year 2	–	22	31	–
Year 3	289	–	58	2,398
Year 4	–	–	–	–
Year 5 or later	–	–	–	–
Total	¥ 311	¥ 22	¥ 131	$ 2,580

(3) Income tax expense

The breakdown of income tax expense recognized in profit or loss is as follows:

	Millions of yen		Thousands of U.S. dollar
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Current income tax expense	¥ 7,823	¥4,876	$ 64,905
Deferred income tax expense:			
Relating to origination and reversal of temporary differences	(6,976)	848	(57,878)
Changes in tax rate or imposition of new taxation	97	33	805
Unused tax losses recognized in prior years or temporary differences	(293)	–	(2,431)
Total	(7,171)	881	(59,496)
Total income taxes	¥ 652	¥5,757	$ 5,409

(4) Reconciliation of effective tax rate

The Company is subject mainly to corporate tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes were 32.83% and 35.38% for the nine months ended 31st December, 2015 and the year ended 31st March, 2015, respectively. Foreign subsidiaries are subject to income taxes in their respective jurisdictions.

The reconciliation of the effective statutory tax rates and the average actual tax rates for fiscal period 2015 and fiscal year 2014 is as follows:

	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)
Effective statutory tax rates	32.83%	35.38%
Non-deductible expenses, such as entertainment expenses	3.70	1.02
Tax credits	(0.07)	(3.96)
Non-taxable income, such as dividend income	(0.08)	(0.42)
Inhabitant tax on per capita basis	0.12	0.20
Temporary differences arising from investments in associates	6.30	(0.59)
Changes in unrecognized deferred tax assets	(4.42)	(7.81)
Effect of change in applicable tax rates	–	0.14
Gain on step acquisition	(41.25)	–
Effect from elimination of gain on sales of shares of the parent by a consolidated subsidiary	5.80	–
Other	(0.73)	0.98
Average actual tax rates	2.20%	24.94%

21. Equity and Other Components of Equity

(1) Number of authorized shares and issued shares

The number of authorized shares and issued shares is as follows:

	Shares	
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)
Number of authorized shares	300,000,000	300,000,000
Number of issued shares:		
At the beginning of reporting period	132,943,683	132,943,683
Increase/(decrease)	–	–
At the end of reporting period	132,943,683	132,943,683

The shares issued by the Company are ordinary shares with no par value. Issued shares are fully paid-in.

(2) Treasury shares

The movement in treasury shares is as follows:

	Shares	
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)
At the beginning of reporting period	5,015,329	3,005,226
Increase/(decrease) (Notes 1 and 2)	7,909,214	2,010,103
At the end of reporting period	12,924,543	5,015,329

(Note 1) The number of treasury shares increased by 1,510,047 shares is due to an associate accounted for using the equity method becoming a consolidated subsidiary, increased by 1,369,279 shares as a result of changes in ownership interests in equity of consolidated subsidiaries, increased by 5,029,219 shares as a result of the acquisition of treasury shares from a consolidated subsidiary and increased by 669 shares due to acquisitions of treasury shares less than one unit during fiscal period 2015.

(Note 2) The number of treasury shares increased by 2,009,129 shares due to a change in ownership interests in associates and increased by 974 shares due to acquisitions of treasury shares less than one unit during fiscal year 2014.

(3) Capital surplus and retained earnings

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals to 25% of the capital stock account.

(4) Other components of equity

The movement in other components of equity is as follows:

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Millions of yen					
	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of changes in fair value of cash flow hedges	Changes in fair value measurements of available-for-sale financial assets	Others	Total
Beginning balance	**¥ –**	**¥(1,998)**	**¥443**	**¥6,507**	**¥–**	**¥ 4,952**
Other comprehensive income	**(82)**	**(4,851)**	**(412)**	**(343)**	**–**	**(5,689)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**
Change due to business combinations	**–**	**4,153**	**(96)**	**–**	**–**	**4,057**
Changes due sales of a subsidiary	**–**	**21**	**(23)**	**–**	**–**	**(2)**
Transfer from other components of equity to retained earnings	**82**	**–**	**–**	**–**	**–**	**82**
Ending balance	**¥ –**	**¥(2,674)**	**¥ (89)**	**¥6,164**	**¥–**	**¥ 3,399**

Fiscal year 2014 (1st April, 2014 through 31st March, 2015)

	Millions of yen					
	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of changes in fair value of cash flow hedges	Changes in fair value measurements of available-for-sale financial assets	Others	Total
Beginning balance	¥ –	¥ –	¥ (25)	¥3,978	¥ 34	¥3,987
Other comprehensive income	(454)	(2,003)	469	2,528	–	540
Share-based payments	–	–	–	–	(34)	(34)
Changes due to business combinations	–	–	–	–	–	–
Change due to sales of a subsidiary	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	454	–	–	–	–	454
Other	–	4	–	–	–	4
Ending balance	¥ –	¥(1,998)	¥443	¥6,507	¥ –	¥4,952

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

	Thousands of U.S dollars					
	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of changes in fair value of cash flow hedges	Changes in fair value measurements of available-for-sale financial assets	Others	Total
Beginning balance	**$ –**	**$(16,577)**	**$ 3,675**	**$53,987**	**$–**	**$41,085**
Other comprehensive income	**(680)**	**(40,247)**	**(3,418)**	**(2,846)**	**–**	**(47,200)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**
Change due to business combinations	**–**	**34,456**	**(796)**	**–**	**–**	**33,660**
Change due to sales of a subsidiary	**–**	**174**	**(191)**	**–**	**–**	**(17)**
Transfer from other components of equity to retained earnings	**680**	**–**	**–**	**–**	**–**	**680**
Ending balance	**$ –**	**$(22,185)**	**$ (738)**	**$51,141**	**$–**	**$28,200**

Other components of equity are explained as follows:

Remeasurements of defined benefit plans
Remeasurements of defined benefit plans comprise actuarial gains and losses, the return on plan assets, excluding amounts included in interest income, and any changes in the effect of the asset ceiling, excluding amounts included in interest income.

Exchange differences on translation of foreign operations
Exchange differences on translation of foreign operations arising from the translation of the foreign currency financial statements of foreign subsidiaries.

Effective portion of changes in fair value of cash flow hedges
This is the effective portion of changes in the fair value of derivative transactions designated as cash flow hedges.

Changes in fair value measurements of available-for-sale financial assets
This is a valuation difference between the fair value and acquisition cost of available-for-sale financial assets, which are measured at fair value.

22. Dividends

Fiscal period 2015 (1st April, 2015 through 31st December, 2015)

(1) Dividends paid

Resolution	Class of shares	Total dividends (Note) (Millions of yen) (Thousands of U.S. dollars)	Dividends per share (Yen) (U.S. dollars)	Record date	Effective date
Annual general meeting of shareholders held on 19th June, 2015	Ordinary shares	¥ 1,726	¥ 13	31st March, 2015	22nd June, 2015
		$14,320	$0.11		
Board of Directors meeting held on 7th August, 2015	Ordinary shares	¥ 1,726	¥ 13	30th June, 2015	18th September, 2015
		$14,320	$0.11		

(Note) The difference between total dividends above and cash dividends presented in the consolidated statement of changes in equity is due to inter-company eliminations.

(2) Dividends whose record date is in the nine months ended 31st December, 2015 but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Total dividends (Note) (Millions of yen) (Thousands of U.S. dollars)	Dividends per share (Yen) (U.S. dollars)	Record date	Effective date
Annual general meeting of shareholders held on 24th March, 2016	Ordinary shares	¥ 1,560	¥ 13	31st December, 2015	25th March, 2016
		$12,943	$0.11		

23. Financial Instruments

(1) Capital management

The Group's capital management policy is to maintain an optimal capital structure in order to achieve sustained improvement in the enterprise value for further growth in global machine tool markets. The Group monitors financial indicators, such as ROE (return on equity), EPS (earnings per share) and the equity ratio, in order to maintain an optimal capital structure. The Group is not subject to any material capital regulation.

The Group raises necessary capital partly by issuing new shares and bonds, borrowings from banks and liquidation of receivables for mainly operations related to the manufacturing and sales of machine tools based on the demand for funds from its operating activities.

(2) Risk management policy

The Group is exposed to financial risk, credit risk, liquidity risk, foreign exchange risk, interest rate risk and market volatility risk in operating its business and manages these risks based on its policy to mitigate them.

The Group manages surplus funds by investing only in short-term deposits and others and does not enter into speculative transactions. The purpose of derivative transactions is, in principle, to hedge the risks as described herein, and transactions are not carried out for speculative purposes.

(3) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Cash and cash equivalents are held only with banks and financial institutions with high credit ratings, therefore, the corresponding credit risk is very limited.

Trade and other receivables are exposed to the credit risk of customers. The Group regularly monitors the credit information related to customer operating claims and manages collection dates and outstanding balances in accordance with its credit control policy.

Derivative transactions included in other financial assets and liabilities are exposed to credit risks associated with the banks and financial institutions with which the Group has a business relationship. To minimize the counterparty risk when entering into derivative transactions, counterparties are limited to financial institutions with high credit ratings.

The Group has granted certain financial guarantees and these are exposed to the credit risk of those entities for which the guarantees were granted.

Other than guarantee obligations, the Group's maximum exposures to credit risk, without taking into account any collateral held or other credit enhancements, is the carrying amount of the financial instruments less impairment losses in the consolidated statement of financial position and the amount of guarantee obligations as disclosed in Note 35, "Contingent Liabilities."

An aging analysis of trade and other receivables that are past due but not impaired is as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Within three months past due	**¥3,613**	¥1,303	¥1,004	**$29,976**
Within six months past due	**698**	232	190	**5,791**
Within twelve months past due	**1,171**	239	106	**9,715**
Over one year past due	**490**	23	4	**4,065**
Total	**¥5,974**	¥1,798	¥1,306	**$49,564**

(Note) The amounts in the above table are before any allowance for doubtful receivables.

The movement in the allowance for doubtful receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Beginning balance	**¥ 182**	¥207	**$ 1,510**
Increase	**336**	114	**2,788**
Decrease due to intended use	**(160)**	(68)	**(1,327)**
Increase due to business combinations	**2,288**	–	**18,983**
Other	**(520)**	(71)	**(4,314)**
Ending balance	**¥2,126**	¥182	**$17,639**

(Note) These balances at 31st December, 2015 and 31st March, 2015 in the table above include impairment losses on trade and other receivables in consideration of the creditworthiness of customers and the status of the overdue balances.

(4) Liquidity risk

The Group is exposed to liquidity risk that it might have difficulty settling its financial obligations.

Trade and other payables, bonds and borrowings and other financial liabilities are exposed to liquidity risk. However, the Group manages liquidity risk by maintaining liquidity on hand and credit lines from financial institutions that enable the Group to meet its obligations based on funding plans that are updated in a timely manner.

Financial liabilities by maturity date are as follows. The contractual cash flows in the table are based on the undiscounted cash flows, reflecting interest payments.

As of 31st December, 2015

	Millions of yen				
	Carrying amount	Contractual cash flows	Within one year	Over one year within five years	Over five years
Non-derivative financial liabilities:					
Trade and other payables	**¥ 66,648**	**¥ 66,648**	**¥ 66,648**	**¥ –**	**¥ –**
Bonds and borrowings	**216,903**	**219,625**	**101,824**	**117,655**	**145**
Other financial liabilities	**4,757**	**6,615**	**941**	**3,520**	**2,153**
Derivative financial liabilities:					
Other financial liabilities	**329**	**329**	**329**	**–**	**–**
Total	**¥288,639**	**¥293,220**	**¥169,744**	**¥121,176**	**¥2,299**

As of 31st March, 2015

	Millions of yen				
	Carrying amount	Contractual cash flows	Within one year	Over one year within five years	Over five years
Non-derivative financial liabilities:					
Trade and other payables	¥ 29,304	¥ 29,304	¥29,304	¥ –	¥ –
Bonds and borrowings	109,031	109,883	54,386	55,497	–
Other financial liabilities	4,290	6,467	811	3,270	2,384
Derivative financial liabilities:					
Other financial liabilities	–	–	–	–	–
Total	¥142,626	¥145,654	¥84,502	¥58,767	¥2,384

As of 1st April, 2014 (Date of transition to IFRS)

	Millions of yen				
	Carrying amount	Contractual cash flows	Within one year	Over one year within five years	Over five years
Non-derivative financial liabilities:					
Trade and other payables	¥20,779	¥20,779	¥20,779	¥ –	¥ –
Bonds and borrowings	51,722	52,548	17,064	35,483	–
Other financial liabilities	4,297	6,354	800	3,250	2,303
Derivative financial liabilities:					
Other financial liabilities	389	389	389	–	–
Total	¥77,188	¥80,071	¥39,034	¥38,733	¥2,303

As of 31st December, 2015

	Thousands of U.S. dollars				
	Carrying amount	Contractual cash flows	Within one year	Over one year within five years	Over five years
Non-derivative financial liabilities:					
Trade and other payables	**$ 552,958**	**$ 552,958**	**$ 552,958**	**$ –**	**$ –**
Bonds and borrowings	**1,799,577**	**1,822,160**	**844,802**	**976,147**	**1,203**
Other financial liabilities	**39,467**	**54,883**	**7,807**	**29,204**	**17,863**
Derivative financial liabilities:					
Other financial liabilities	**2,730**	**2,730**	**2,730**	**–**	**–**
Total	**$2,394,748**	**$2,432,755**	**$1,408,313**	**$1,005,360**	**$19,074**

Borrowing commitments and other credit lines

For effective financing purposes, the Group concluded line-of-credit agreements with several banks and financial institutions. The status of such agreements is summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Credit line	**¥180,335**	¥101,195	¥66,050	**$1,496,184**
Borrowings	**53,495**	48,155	90	**443,831**
Unused balance	**¥126,840**	¥ 53,039	¥65,960	**$1,052,352**

(5) Foreign exchange risk

The Group operates globally and its business transactions denominated in foreign currencies other than the functional currencies of each group entity are exposed to foreign exchange risks. The underlying currencies of these transactions are mainly are Japanese yen, the U.S. dollar and the Euro.

Trade receivables denominated in foreign currencies are exposed to foreign exchange risk, which is, in principle, hedged using foreign exchange forward contracts, limited to the necessary amounts, in order to mitigate the risk of fluctuations of foreign currencies identified by each currency. Trade payables denominated in foreign currencies, mainly related to the import of raw materials are also exposed to foreign exchange risk.

The analysis of exposures to foreign exchange risk of the Group is as follows:

As of 31st December, 2015

	Millions of yen		
	Japanese yen	U.S. dollars	Euro
Net exposures	**¥(2,371)**	**¥25,904**	**¥(4,598)**
Per each local currency	**–**	**$214,923 thousand**	**€(34,929) thousand**

As of 31st March, 2015

	Millions of yen		
	Japanese yen	U.S. dollars	Euro
Net exposures	¥(1,484)	¥18,130	¥(22,269)
Per each local currency	–	$150,898 thousand	€(170,923) thousand

As of 1st April, 2014

	Millions of yen		
	Japanese yen	U.S. dollars	Euro
Net exposures	¥(1,384)	¥12,490	¥5,447
Per each local currency	–	$121,405 thousand	€38,478 thousand

As of 31st December, 2015

	Thousands of U.S. dollars		
	Japanese yen	U.S. dollars	Euro
Net exposures	**$(19,671)**	**$214,923**	**$(38,148)**

Foreign currency sensitivity analysis

The financial impact on earnings before income taxes for the nine months ended 31st December, 2015 and the year ended 31st March, 2015 in the case of a 1% increase in the Japanese yen, which is the Company's functional currency, against the U.S. dollar and Euro is as follows. It is based on the assumption that all parameters other than the currencies used for the calculation do not fluctuate. In addition, these amounts are based on the effect of translation. The effects of forecasted sales and purchases are not taken into account.

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Japanese yen	**¥ 23**	¥ 14	**$ 191**
U.S. dollar	**(259)**	(181)	**(2,149)**
Euro	**45**	222	**373**

(Note) The impact on profit or loss due to the appreciation of the Japanese yen in the above table is related to financial assets or financial liabilities denominated in Japanese yen of foreign subsidiaries.

(6) Interest rate risk

Long-term floating rate borrowings in the Group are exposed to interest rate risk. In order to manage the exposure and hedge interest rate risk, the Group enters into interest rate swaps in which the Group agrees to exchange interest payments at specified intervals.

Interest rate sensitivity analysis

The financial impact on earnings before income taxes for the nine months ended 31st December, 2015 and the year ended 31st March, 2015 in the case of a 1% increase in interest rates is as follows. It is based on the assumption that all parameters other than the interest rates used for the calculation do not fluctuate. In addition, the table below represents the sensitivity analyses to the balance of floating rate borrowings, excluding the portion of borrowings whose interest payments are substantially fixed through a corresponding interest rate swap.

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Earnings before income taxes	**¥(604)**	¥(581)	**$(5,011)**

(7) Market volatility risk

The Group holds equity instruments, which are mainly shares of companies with which the Group has a business relationship, and these equity instruments are exposed to market volatility risk. The Group continually assesses the market situation by periodically reviewing share prices and the financial position of the issuers.

Market volatility sensitivity analysis

The financial impact on other comprehensive income (net of tax) for the nine months ended 31st December, 2015 and the year ended 31st March, 2015 in the case of a 10% decrease in listed share prices is as follows. It is based on the assumption that all parameters other than the share prices used for the calculation do not fluctuate.

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Other comprehensive income	**¥(1,104)**	¥(1,110)	**$(9,160)**

(8) Fair value of financial instruments

Carrying amounts and fair value of financial instruments are as follows:

	Millions of yen						Thousands of U.S. dollars	
	31st December, 2015		31st March, 2015		1st April, 2014 (Date of transition to IFRS)		31st December, 2015	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets measured at amortized cost:								
Cash and cash equivalents	**¥ 83,577**	**¥ 83,577**	¥ 21,408	¥ 21,408	¥18,916	¥18,916	**$ 693,412**	**$ 693,412**
Trade and other receivables	**54,958**	**54,958**	44,948	44,948	35,530	35,530	**455,969**	**455,969**
Other financial assets including loans	**7,039**	**7,039**	958	958	1,167	1,167	**58,400**	**58,400**
Financial assets measured at fair value through profit or loss included in other financial assets:								
Derivative assets	**913**	**913**	795	795	–	–	**7,575**	**7,575**
Available-for-sale financial assets	**15,097**	**15,097**	16,739	16,739	12,771	12,771	**125,255**	**125,255**
Total	**¥161,585**	**¥161,585**	¥ 84,850	¥ 84,850	¥68,386	¥68,386	**$1,340,621**	**$1,340,621**
Financial liabilities measured at amortized cost:								
Trade and other payables	**¥ 66,648**	**¥ 66,648**	¥ 29,304	¥ 29,304	¥20,779	¥20,779	**$ 552,958**	**$ 552,958**
Interest-bearing bonds and borrowings	**216,903**	**217,076**	109,031	109,227	51,722	52,062	**1,799,577**	**1,801,012**
Other financial liabilities	**4,757**	**4,757**	4,290	4,290	4,297	4,297	**39,467**	**39,467**
Financial liabilities measured at fair value through profit or loss included in other financial liabilities:								
Derivative liabilities	**329**	**329**	–	–	389	389	**2,730**	**2,730**
Total	**¥288,639**	**¥288,813**	¥142,626	¥142,822	¥77,188	¥77,528	**$2,394,748**	**$2,396,192**

Methods to determine the fair value of financial assets and liabilities measured at amortized cost are summarized as follows:

Cash and cash equivalents
The carrying amount approximates the fair value due to the short maturities of the instruments.

Trade and other receivables
The carrying amount approximates the fair value due to the short maturities of the instruments.

Other financial assets including loans
The fair value of the non-current loans and other financial assets including loans is calculated based on the present value of total amount of principal and interest discounted by the expected interest rate based on the maturity term and credit risk considering years to maturity. On the other hand, the carrying amount of the current portion approximates the fair value due to the short maturities of the instruments.

Trade and other payables
The carrying amount approximates the fair value due to the short maturities of the instruments.

Interest-bearing bonds and borrowings
The fair value of interest-bearing bonds is determined based on the market price at the end of the reporting period.

The fair value of non-current borrowings with fixed interest rates is calculated based on the present value of total amount of principal and interest discounted by the expected interest rate based on the maturity term and credit risks considering years to maturity. On the other hand, the carrying amount of the current portion approximates the fair value due to the short maturities of the instruments.

Other financial liabilities
The fair value of other financial liabilities is calculated based on the present value of total amount of principal and interest discounted by the expected interest rate based on the maturity term and credit risks considering years to maturity.

Financial assets and liabilities measured at fair value through profit or loss included in other financial assets and liabilities

Derivative assets and liabilities
The fair value of foreign exchange forward contracts included in derivative assets and liabilities is determined based on respective market price at the end of the reporting period. The fair value of interest rate swaps is calculated based on the present value of estimated future cash flows discounted by the expected interest rate based on the maturity term and applicable swap rates at the end of the reporting period.

Available-for-sale financial assets
The fair value of listed securities included in available-for sale financial assets is based on the market price, and when no

market price exists for non-listed securities, a rationally calculated amount principally measured based on net assets value is used. In addition, the fair value of the debt securities included in available-for-sale financial assets is measured based on prices provided by counterparty financial institutions.

The levels of the fair value hierarchy are as follows:

Fair value of financial instruments is categorized within the fair value hierarchy described as follows from Level 1 to Level 3.

Level 1 – Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Fair value measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly

Level 3 – Fair value measured using unobservable inputs for the asset or liability

Financial instruments measured at amortized cost

The carrying amount and the respective level in the fair value hierarchy of financial instruments measured at amortized cost at the end of the reporting period are as follows:

As of 31st December, 2015

	Millions of yen				
	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Interest-bearing non-current borrowings	**¥114,064**	**¥–**	**¥ –**	**¥114,064**	**¥114,064**
Interest-bearing bonds	**34,941**	**–**	**35,115**	**–**	**35,115**

As of 31st March, 2015

	Millions of yen				
	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Interest-bearing non-current borrowings	¥20,000	¥–	¥ –	¥20,000	¥20,000
Interest-bearing bonds	34,917	–	35,113	–	35,113

As of 1st April, 2014

	Millions of yen				
	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Interest-bearing non-current borrowings	¥ –	¥–	¥ –	¥–	¥ –
Interest-bearing bonds	49,871	–	50,212	–	50,212

As of 31st December, 2015

	Thousands of U.S. dollars				
	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Interest-bearing non-current borrowings	**$946,354**	**$–**	**$ –**	**$946,354**	**$946,354**
Interest-bearing bonds	**289,895**	**–**	**291,338**	**–**	**291,338**

(Note) The balance of interest-bearing non-current borrowings and interest-bearing bonds includes those due within one year.
The carrying amount of financial instruments measured at amortized cost, except for non-current borrowings and bonds, approximates the fair value. The fair value of non-current borrowings with fixed interest rates is calculated based on the present value of the total amount of principal and interest discounted by the expected interest rate for a similar new borrowing.

Financial instruments measured at fair value

The carrying amount and the respective level in the fair value hierarchy of financial instruments measured at fair value at the end of reporting period are as follows:

As of 31st December, 2015

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Derivative assets	**¥ –**	**¥913**	**¥ –**	**¥ 913**
Available-for-sale financial assets	**14,752**	**–**	**344**	**15,097**
Total	**¥14,752**	**¥913**	**¥344**	**¥16,010**
Other financial liabilities:				
Derivative liabilities	**¥ –**	**¥329**	**¥ –**	**¥ 329**
Total	**¥ –**	**¥329**	**¥ –**	**¥ 329**

(Note) There have been no significant transfers between Levels 1, 2 and 3 of the fair value measurement hierarchy during the period.

As of 31st March, 2015

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Derivative assets	¥ –	¥795	¥ –	¥ 795
Available-for-sale financial assets	15,075	–	1,664	16,739
Total	¥15,075	¥795	¥1,664	¥17,535
Other financial liabilities:				
Derivative liabilities	¥ –	¥ –	¥ –	¥ –
Total	¥ –	¥ –	¥ –	¥ –

(Note) There have been no significant transfers between Levels 1, 2 and 3 of the fair value measurement hierarchy during the period.

As of 1st April, 2014

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Derivative assets	¥ –	¥ –	¥ –	¥ –
Available-for-sale financial assets	11,590	–	1,180	12,771
Total	¥11,590	¥ –	¥1,180	¥12,771
Other financial liabilities:				
Derivative liabilities	¥ –	¥389	¥ –	¥ 389
Total	¥ –	¥389	¥ –	¥ 389

(Note) There have been no significant transfers between Levels 1, 2, and 3 of the fair value measurement hierarchy at the date of transition to IFRS.

As of 31st December, 2015

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Derivative assets	**$ –**	**$7,575**	**$ –**	**$ 7,575**
Available-for-sale financial assets	**122,393**	**–**	**2,854**	**125,255**
Total	**$122,393**	**$7,575**	**$2,854**	**$132,830**
Other financial liabilities:				
Derivative liabilities	**$ –**	**$2,730**	**$ –**	**$ 2,730**
Total	**$ –**	**$2,730**	**$ –**	**$ 2,730**

(Note) There have been no significant transfers between Levels 1, 2, and 3 of the fair value measurement hierarchy during the period.

The financial assets and financial liabilities categorized in Level 2 are mainly derivative transactions related to foreign exchange forward contracts and interest rate and currency swaps. The fair values of foreign exchange forward contracts and interest rate and currency swaps are measured based on observable market data, such as interest rates mainly provided by counter party financial institutions.

The fair value of non-listed shares is measured using the respective net asset values and is categorized within Level 3 because unobservable inputs such as estimates of future net operating profit after tax and the weighted average cost of capital are used for the measurement.

The movement in fair value of financial instruments categorized within Level 3 of the fair value hierarchy is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Beginning balance	**¥1,664**	¥1,180	**$13,806**
Total gain and loss:			
Profit or loss (Note 1)	**(700)**	–	**(5,808)**
Other comprehensive income (Note 2)	**(296)**	484	**(2,456)**
Purchase	**–**	–	**–**
Sales	**–**	–	**–**
Other	**(322)**	–	**(2,672)**
Ending balance	**¥ 344**	¥1,664	**$ 2,854**

(Note 1) Gain and loss included in profit or loss are related to financial assets at fair value through profit or loss at the reporting date. These are included in financial income and financial costs.
(Note 2) Gain and loss included in other comprehensive income are related to unquoted shares, which are not traded in any market at the reporting date. These are included in changes in fair value measurements of available-for-sale financial assets.

(9) Derivative and hedge accounting

The Group uses foreign exchange forward contracts to hedge the risk of future fluctuations in cash flow in regard to foreign currency transactions and a cash flow hedge is designated if the transaction meets the qualifying conditions.

If a cash flow hedge meets the qualifying conditions, the portion of the gain or loss on a hedging instrument that is determined to be an effective hedge should be recognized in other comprehensive income and the ineffective portion should be recognized immediately in profit or loss.

Also, the Group uses cross currency swap transactions to hedge the risk of fluctuations in exchange rates in regard to interest-bearing borrowings denominated in foreign currencies and uses interest rate swap transactions to hedge the risk of fluctuations in interest rates in regard to these borrowings.

The fair value of derivatives is as follows:

Derivative transactions which do not qualify for hedge accounting

	Millions of yen									Thousands of U.S. dollars		
	31st December, 2015			31st March, 2015			1st April, 2014 (Date of transition to IFRS)			31st December, 2015		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	**¥32,332**	**¥4,339**	**¥69**	¥6,568	¥–	¥278	¥2,023	¥–	¥(98)	**$268,249**	**$35,999**	**$572**
Cross currency interest rate swaps	**–**	**–**	**–**	–	–	–	–	–	–	**–**	**–**	**–**
Total	**¥32,332**	**¥4,339**	**¥69**	¥6,568	¥–	¥278	¥2,023	¥–	¥(98)	**$268,249**	**$35,999**	**$572**

Derivative transactions which qualify for hedge accounting

	Millions of yen									Thousands of U.S. dollars		
	31st December, 2015			31st March, 2015			1st April, 2014 (Date of transition to IFRS)			31st December, 2015		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	**¥14,397**	**¥ 2,892**	**¥ 34**	¥13,159	¥–	¥516	¥6,058	¥3,226	¥(290)	**$119,447**	**$ 23,994**	**$ 282**
Cross currency interest rate swaps	**53,515**	**53,515**	**478**	–	–	–	–	–	–	**443,997**	**443,997**	**3,966**
Total	**¥67,912**	**¥56,408**	**¥513**	¥13,159	¥–	¥516	¥6,058	¥3,226	¥(290)	**$563,445**	**$468,000**	**$4,256**

24. Sales Revenues

The breakdown of sales revenues is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Sales of products	**¥229,332**	¥139,962	**$1,902,696**
Service revenue	**89,094**	34,402	**739,185**
Other	**22**	–	**183**
Total	**¥318,449**	¥174,365	**$2,642,073**

25. Other Operating Revenues

The breakdown of other operating revenues is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Foreign exchange gain	**¥ –**	¥3,662	**$ –**
Gain on step acquisition	**37,296**	–	**309,433**
Gain on sales of property, plant and equipment	**218**	123	**1,809**
Gain on sales of investments in associates	**47**	230	**390**
Gain on sales of financial instruments	**595**	7	**4,937**
Gain on liquidation of associates	**–**	43	**–**
Gain on business transfer	**–**	162	**–**
Other	**4,756**	535	**39,459**
Total	**¥42,913**	¥4,765	**$356,036**

(Note) "Gain on step acquisition" recorded for the nine months ended 31st December, 2015 was due to the acquisition of shares of DMG MORI AG by the Group.

26. Other Operating Costs

The breakdown of other operating costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Commissions	**¥17,911**	¥ 6,996	**$148,602**
Sales promotion costs	**8,805**	3,512	**73,052**
Outward freight and packaging	**11,357**	6,290	**94,226**
Research and development costs (except for amortization of capitalized development costs)	**5,892**	3,872	**48,884**
Other	**29,565**	11,019	**245,292**
Total	**¥73,532**	¥31,690	**$610,072**

27. Personnel Costs

The breakdown of personnel costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Remuneration and salaries	**¥60,829**	¥26,576	**$504,679**
Bonuses	**12,894**	5,559	**106,978**
Social security and welfare expenses	**11,720**	3,712	**97,237**
Retirement benefit expenses	**3,194**	2,418	**26,500**
Other employee benefit expenses	**3,641**	1,345	**30,208**
Total	**¥92,278**	¥39,610	**$765,602**

28. Financial Income

The breakdown of financial income is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Financial income			
Interest income:			
Financial assets measured at amortized cost	¥137	¥ 32	$1,137
Dividend income:			
Available-for-sale financial assets	312	459	2,589
Total	¥450	¥491	$3,734

29. Financial Costs

The breakdown of financial costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Financial costs			
Interest expenses on bonds and borrowings:			
Financial liabilities measured at amortized cost	¥2,078	¥578	$17,241
Total	¥2,078	¥578	$17,241

30. Other Comprehensive Income

The breakdown of each component of other comprehensive income and the corresponding tax effects (including non-controlling interests) is as follows:

	Millions of yen						Thousands of U.S. dollars		
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)			Fiscal year 2014 (1st April, 2014 through 31st March, 2015)			Fiscal period 2015 (1st April, 2015 through 31st December, 2015)		
	Before tax effect	Tax effect	After tax effect	Before tax effect	Tax effect	After tax effect	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified subsequently to profit or loss:									
Remeasurements of defined benefit plans:									
Amount arising during the year	¥ (128)	¥ 18	¥ (110)	¥ (454)	¥ –	¥ (454)	$ (1,062)	$ 149	$ (913)
Net changes during the year	(128)	18	(110)	(454)	–	(454)	(1,062)	149	(913)
Subtotal	(128)	18	(110)	(454)	–	(454)	(1,062)	149	(913)
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translation of foreign operations:									
Amount arising during the year	(5,246)	–	(5,246)	2,224	–	2,224	(43,524)	–	(43,524)
Reclassification adjustments to profit or loss	(21)	–	(21)	–	–	–	(174)	–	(174)
Net change during the year	(5,268)	–	(5,268)	2,224	–	2,224	(43,707)	–	(43,707)
Effective portion of changes in fair value of cash flow hedges:									
Amount arising during the year	263	(88)	175	389	160	549	2,182	(730)	1,452
Reclassification adjustments to profit or loss	(516)	169	(346)	59	(19)	39	(4,281)	1,402	(2,871)
Net change during the year	(252)	81	(171)	448	141	589	(2,091)	672	(1,419)
Changes in fair value measurements of available-for-sale financial assets:									
Amount arising during the year	365	(257)	108	3,517	(903)	2,614	3,028	(2,132)	896
Reclassification adjustments to profit or loss	(595)	142	(452)	(7)	2	(5)	(4,937)	1,178	(3,750)
Net change during the year	(229)	(115)	(344)	3,510	(901)	2,609	(1,900)	(954)	(2,854)
Share of other comprehensive income of associates and joint ventures accounted for using equity method:									
Amount arising during the year	0	–	0	(4,374)	–	(4,374)	0	–	0
Reclassification adjustments to profit or loss	–	–	–	–	–	–	–	–	–
Net change during the year	0	–	0	(4,374)	–	(4,374)	0	–	0
Subtotal	(5,749)	(34)	(5,783)	1,808	(760)	1,048	(47,698)	(282)	(47,980)
Total other comprehensive income	¥(5,877)	¥ (15)	¥(5,893)	¥ 1,354	¥(760)	¥ 594	$(48,760)	$ (124)	$(48,892)

31. Earnings Per Share

The basis of the calculation of basic earnings per share and diluted earnings per share is as follows:

	Millions of yen, except as otherwise indicated	
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)
Profit attributable to owners of the parent	¥ 26,900	¥ 17,080
Profit used for diluted earnings per share	26,900	17,080
Interest expenses (after tax effects)	–	–
Diluted earnings	26,900	17,080
Weighted-average number of shares (Thousands of shares)	124,233	129,742
Increase in number of common stock shares for diluted earnings per share		
Increase due to exercising stock options (Thousands of shares)	–	4
Weighted-average number of shares outstanding for diluted earnings per share (Thousands of shares)	124,233	129,746
Basic earnings per share (Yen)	¥ 216.53	¥ 131.65
Diluted earnings per share (Yen)	216.53	131.64

	Thousands of U.S. dollars, except as otherwise indicated
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Profit attributable to owners of the parent company	$ 223,181
Profit used for diluted earnings per share	223,181
Interest expenses (after tax effects)	–
Diluted earnings	223,181
Basic earnings per share (U.S. dollars)	$ 1.80
Diluted earnings per share (U.S. dollars)	1.80

32. Business Combinations

Acquisition of DMG MORI AG shares during the nine months ended 31st December, 2015

(1) Outline of business combination

As the Company and DMG MORI AG have continued to collaborate in the areas of sales, development, procurement, production and certain other fields since March 2009, both have come to the conclusion that, in order to further create corporate value, the best solution is for both to be operated together in an integrated manner and also to enter into a capital tie-up. The Company implemented tender offers through its consolidated subsidiary, DMG MORI GmbH, for DMG MORI AG.

The tender offer periods are as follows:

1) Initial tender offer period: from 11th February, 2015 to 25th March, 2015 (for six weeks)
2) Additional tender offer period: from 31st March, 2015 to 13th April, 2015 (for two weeks)

The Company acquired an additional 28.21% of voting rights for a total of acquisition cost of ¥89,065 million ($738,945 thousand) and the percentage of voting rights held by the Company and DMG MORI GmbH in DMG MORI AG increased to 52.54%.

The change in shareholding ratio is as follows:

Before the tender offers:	24.33% (the Company 24.33%)
Individual purchases:	16.31% (the Company 9.37% and DMG MORI GmbH 6.94%)
Tender offers:	11.90% (DMG MORI GmbH 11.90%) Purchase price: €30.55 per share
After the tender offers:	52.54% (the Company 33.70%, and DMG MORI GmbH 18.84%)

DMG MORI AG was included in the scope of consolidation effective 13th April, 2015, the date of the business combinations because the Company substantially held a majority of voting rights in DMG MORI AG after the tender offers.

After this tender offers, the Company acquired an additional 8.13% of voting rights for a total of acquisition cost of ¥28,861 million ($239,451 thousand) and the percentage of voting rights held by the Company and DMG MORI GmbH in DMG MORI AG increased to 60.67%.

With the integration of the Company and DMG MORI AG, even greater co-operation is expected. In the areas of sales, proposals and support that better meet customers' needs through the centralization of information will contribute to further sales. In the areas of development and production, fusion with DMG MORI AG's technologies, such as its 5-axis control technology, and laser technology, will promote the development of more attractive products, and will lead to enhanced profitability through the promotion of product models, integration of components, expansion of component distribution utilizing in-house production technology and localized production using internally developed manufacturing technology. In the field of service, the Group will enlarge its service network to facilitate technology exchanges and strengthen the service support structure on a global basis. As for human resources, the Group continuously focuses on personnel training through improvement of productivity, reduction of working hours and employee training.

(2) Purchase consideration transferred

The breakdown of purchase consideration transferred at the date of acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 38,709	$ 321,157
Fair value of equity interests in DMG MORI AG already held by the Company before obtaining control	146,628	1,216,527
Total	¥185,337	$1,537,684

(3) Assets acquired and liabilities assumed

The fair values of assets acquired and liabilities assumed as at the date of acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets:		
Cash and cash equivalents	¥ 31,738	$ 263,320
Trade and other receivables	40,989	340,073
Inventories	83,429	692,185
Other current assets	23,699	196,623
Non-current assets:		
Property, plant and equipment	62,780	520,866
Other intangible assets	67,022	556,061
Other non-current assets	42,735	354,559
Fair value of assets acquired	352,395	2,923,712
Current liabilities:		
Trade and other payables	(49,405)	(409,898)
Advances received	(19,005)	(157,679)
Provisions	(24,520)	(203,435)
Other current liabilities	(11,065)	(91,803)
Non-current liabilities:		
Interest-bearing bonds and borrowings	(5,823)	(48,312)
Provisions	(10,709)	(88,849)
Other non-current liabilities	(18,035)	(149,631)
Fair value of liabilities assumed	(138,566)	(1,149,639)
Net fair value of assets acquired and liabilities assumed	¥ 213,829	$ 1,774,073
Shares of the Company owned by DMG MORI AG	¥ (13,552)	$ (112,437)
Non-controlling interests	(87,116)	(722,774)
Goodwill	72,176	598,822

(4) Amendments made to provisional amounts

The purchase price is allocated to assets acquired and liabilities assumed based on the respective fair value at the date of acquisition. Purchase price allocation was completed as of 31st December, 2015. The major adjustments made to provisional amounts are as follows:

Inventories:	increased by ¥9,404 million ($78,022 thousand)
Property, plant and equipment:	increased by ¥7,394 million ($61,346 thousand)
Other intangible assets:	increased by ¥56,656 million ($470,057 thousand)
Other non-current liabilities:	increased by ¥16,980 million ($140,878 thousand)

As a result, non-controlling interests increased by ¥28,237 million ($234,274 thousand) and goodwill decreased by ¥28,237 million ($234,274 thousand) compared with the corresponding provisional amounts.

(5) Fair value of trade and other receivables

The fair value of trade and other receivables acquired at the date of acquisition in the amount of ¥40,989 million ($340,073 thousand) consists of the total contract amount totaling ¥43,277 million ($359,056 thousand) less an estimated uncollectible amount totaling ¥2,288 million ($18,983 thousand).

(6) Non-controlling interests

Non-controlling interests of ¥87,116 million ($722,774 thousand) are measured at the non-controlling interest’s proportionate share after the business combination of the acquiree’s identifiable net assets as at the date of acquisition.

(7) Goodwill

Goodwill of ¥72,176 million ($598,822 thousand) was based on the future economic benefit arising from synergistic effects and excess earnings power acquired in the business combination that are not individually identified and separately recognized.

(8) Acquisition-related costs

Acquisition-related costs amounted to ¥768 million ($6,372 thousand) including ¥53 million ($440 thousand) incurred in the previous fiscal year and were included in “Other operating costs” in the consolidated statement of profit or loss.

(9) Gain on step acquisition

As a result of a remeasurement of DMG MORI AG group shares that the Company already owned at the date of acquisition based on the fair market value as at the date of acquisition, gain on step acquisition of ¥36,656 million ($304,123 thousand) was recognized. The gain was included in “Other operating revenues” in the consolidated statement of profit or loss for the nine months ended 31st December, 2015.

(10) Acquisition of non-controlling interests

The Company acquired additional shares of DMG MORI AG for a consideration of ¥28,861 million ($239,451 thousand) and increased its voting rights in DMG MORI AG to 60.67%. In addition, the Company acquired its own shares of 12,797 thousand shares held by DMG MORI AG for a consideration of ¥20,193 million ($167,535 thousand). This acquisition is accounted for as the equity transaction with the non-controlling interests. As a result, treasury shares increased by ¥11,811 million ($97,992 thousand) and non-controlling interests and capital surplus decreased by ¥10,646 million ($88,327 thousand) and ¥6,404 million ($53,132 thousand), respectively.

(11) Effect on operating results of the Group

DMG MORI AG contributed ¥237,344 million ($1,969,170 thousand) of sales revenues and ¥18,819 million ($156,135 thousand) of net income of the Group for the nine months ended 31st December, 2015.

If the combination had taken place at the beginning of the reporting period, the effects on sales revenues and net income would have been immaterial.

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Sales revenues	**¥237,334**	¥–	**$1,969,087**
Net income	**18,819**	–	**156,135**
Other comprehensive income after tax	**(11,709)**	–	**(97,146)**
Total comprehensive income	**7,110**	–	**58,989**
Net income attributable to non-controlling interests	**1,737**	–	**14,411**
Dividends paid to non-controlling interests	**2,912**	–	**24,160**

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Cash flows from operating activities	**¥41,686**	¥–	**$345,856**
Cash flows from investing activities	**7,064**	–	**58,608**
Cash flows from financing activities	**(6,670)**	–	**(55,339)**
Total	**¥42,080**	¥–	**$349,125**

33. Significant Subsidiaries

The Group recognized significant non-controlling interests in the following subsidiary:

Name of subsidiary	Proportion of issued ordinary shares held (%)	Country of operation and incorporation	Principal activity
DMG MORI AG	60.7%	North Rhine-Westfalen, Germany	Control of affiliates

Accumulated balance of non-controlling interests, net income allocated to non-controlling interests, dividends paid to non-controlling interests and summarized financial statements are as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Current assets	**¥189,237**	¥–	¥–	**$1,570,041**
Non-current assets	**111,396**	–	–	**924,218**
Current liabilities	**104,677**	–	–	**868,473**
Non-current liabilities	**17,283**	–	–	**143,392**
Total equity	**¥178,672**	¥–	¥–	**$1,482,386**
Attributable to non-controlling interests	**¥ 74,266**	¥–	¥–	**$ 616,162**

34. Related Party Transactions

(1) Transactions with related parties

Transactions with related parties carried out during the reporting period are as follows:

			Millions of yen		Thousands of U.S. dollars
			Transaction amounts		Transaction amounts
Category	Name of related parties	Details of transactions	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Associates	DMG MORI Europe AG	Sales of products	**¥ –**	¥19,847	**$ –**
	DMG MORI Finance GmbH	Guarantee obligations	**21,844**	12,598	**181,233**

Receivables and payables due from and to major related parties are as follows:

	Millions of yen						Thousands of U.S. dollars	
	31st December, 2015		31st March, 2015		1st April, 2014 (Date of transition to IFRS)		31st December, 2015	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Associates	**¥–**	**¥–**	¥2,519	¥–	¥4,832	¥–	**$–**	**$–**
Total	**¥–**	**¥–**	¥2,519	¥–	¥4,832	¥–	**$–**	**$–**

(2) Key management compensation

The breakdown of key management compensation in the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)	Fiscal year 2014 (1st April, 2014 through 31st March, 2015)	Fiscal period 2015 (1st April, 2015 through 31st December, 2015)
Compensation and bonuses	**¥1,938**	¥453	**$16,079**
Share-based payments	**–**	–	**–**
Retirement benefit payments	**–**	–	**–**
Total	**¥1,938**	¥453	**$16,079**

(Note) Key management compensation is paid to directors, including outside directors, of the Company, and important subsidiaries such as DMG MORI AG. The compensation and bonuses paid to the directors of DMG MORI AG totaled ¥1,470 million ($12,196 thousand) for the nine months ended 31st December, 2015.

35. Contingent Liabilities

The breakdown of guarantee obligations is as follows:

	Millions of yen			Thousands of U.S. dollars
	31st December, 2015	31st March, 2015	1st April, 2014 (Date of transition to IFRS)	31st December, 2015
Guarantees for lease payments by customers	**¥ 3,858**	¥ 3,379	¥ 3,129	**$ 32,009**
Guarantees of loans from financial institutions by associates:				
DMG MORI Finance GmbH	**21,844**	12,598	13,229	**181,233**
Other guarantee obligations	**270**	–	–	**2,240**
Total	**¥25,972**	¥15,977	¥16,359	**$215,482**

(Note) Guarantee obligations are not recognized as a financial liability, as the probability of executing these guarantees is very low.

36. Events after Reporting Period

Not applicable.

37. First-Time Adoption of IFRS

The Group disclosed its consolidated financial statements under IFRS for the first time for the nine months ended 31st December, 2015. The latest consolidated financial statements under accounting principles generally accepted in Japan (“Japanese GAAP”) were prepared for the year ended 31st March, 2015 and the date of transition to IFRS was 1st April 2014.

IFRS 1 stipulates that an entity adopting IFRS for the first time shall apply IFRS retrospectively to prior periods. However, IFRS 1 allows certain exemptions from the retrospective application of certain aspects of IFRS, and accordingly, the Group has applied the following exemptions:

1. Business combinations:
IFRS 1 permits an entity to elect not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred prior to the date of transition to IFRS. The Group elected to apply this exemption and did not apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS. As a result, the carrying amount of goodwill arising in business combinations that occurred before the date of transition to IFRS in the consolidated statement of financial position is its carrying amount in accordance with Japanese GAAP at the date of transition to IFRS. Further, the Group performed an impairment test on goodwill at the date of transition to IFRS regardless of whether there was any indication that the goodwill may have been impaired.

2. Use of fair value as deemed cost:
IFRS 1 permits an entity to measure items of property, plant and equipment, investment property and intangible assets at the date of transition to IFRS at their fair value and use that fair value as deemed cost at that date.

The Group revalued certain land used for operations in accordance with the “Act on Revaluation of Land” (Act No.34, 31st March, 1998) and the “Act to Partially Revise the Act on Revaluation of Land” (Act No.19, 31st March, 2001) and used the revalued amount as deemed cost at the date of transition to IFRS.

3. Exchange differences on translation of foreign operations:
IFRS 1 permits the cumulative amount of exchange differences on translation on foreign operations to be deemed to be zero at the date of transition to IFRS. The Group elected to apply this exemption and deemed the cumulative amount of exchange differences on translation of foreign operations to be zero at the date of transition to IFRS.

(1) Reconciliation of equity as of 31st March, 2015

The Group has made necessary adjustments to its consolidated financial statements prepared in accordance with Japanese GAAP in the course of preparing its consolidated statement of financial position in accordance with IFRS as follows:

	Millions of yen					
Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Assets						Assets
Current assets:						Current assets:
Cash and cash deposits	¥ 21,427	¥ (18)	¥ –	¥ 21,408		Cash and cash equivalents
Notes and accounts receivable	36,521	2,276	6,150	44,948	A,B	Trade and other receivables
	–	869	–	869		Other financial assets
Merchandise and finished goods	15,729	38,047	96	53,873	A	Inventories
Work in process	13,381	(13,381)	–	–		
Raw materials and supplies	24,665	(24,665)	–	–		
Allowance for doubtful receivables	(182)	182	–	–		
Consumption taxes receivable	937	(937)	–	–		
Other	5,410	(2,372)	–	3,038		Other current assets
Deferred income taxes	3,274	(3,274)	–	–		
Total current assets	121,165	(3,274)	6,247	124,138		Total current assets
Fixed assets:						Non-current assets:
Tangible fixed assets	72,187	–	–	72,187		Property, plant and equipment
Intangible fixed assets						
Goodwill	928	–	235	1,164	C	Goodwill
Other	6,595	–	44	6,639		Other intangible assets
Investments and other assets						
	–	17,154	470	17,624	D	Other financial assets
Investments in securities	119,478	(15,970)	(4,388)	99,118	E	Investments in associates and joint ventures
Long-term prepaid expenses	1,142	(1,142)	–	–		
Long-term loans receivable	39	(39)	–	–		
Deferred income taxes	484	3,274	(2,188)	1,570	F	Deferred tax assets
Other	1,317	(1)	–	1,316		Other non-current assets
Total fixed assets	202,173	3,274	(5,827)	199,620		Total non-current assets
Total assets	¥323,339	¥ –	¥ 419	¥323,759		Total assets

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Liabilities						Liabilities
Current liabilities:						Current liabilities:
Accounts payable-trade	¥ 18,490	¥ 11,019	¥ (205)	¥ 29,304		Trade and other payables
Accrued payments	7,651	(7,651)	–	–		
Accrued expenses	2,459	(2,459)	–	–		
Advances received	1,657	–	–	1,657		Advances received
Short-term bank loans	48,155	–	5,958	54,113	B	Interest-bearing bonds and borrowings
Accrued consumption taxes	539	(539)	–	–		
Lease obligations	339	–	–	339		Other financial liabilities
Accrued income taxes	4,452	–	–	4,452		Accrued income taxes
Allowance for product warranties	939	19	1,426	2,385	H	Provisions
Allowance for bonuses to directors and corporate auditors	19	(19)	–	–		
Other current liabilities	817	(367)	108	558		Other current liabilities
Deferred income taxes	50	(50)	–	–		
Total current liabilities	85,573	(50)	7,287	92,811		Total current liabilities
Long-term liabilities:						Non-current liabilities:
Bonds	35,000	20,000	(82)	54,917	G	Interest-bearing bonds and borrowings
Long-term borrowings	20,000	(20,000)	–	–		
Liabilities for retirement benefits	676	–	–	676		Net employee defined benefit liabilities
Asset retirement obligations	49	68	–	117		Provisions
Lease obligations	3,951	–	–	3,951		Other financial liabilities
Long-term accounts payable-other	513	(513)	–	–		
Other long-term liabilities	704	445	131	1,280		Other non-current liabilities
Deferred income taxes on land revaluation reserve	1,345	(1,345)	–	–		
Deferred income taxes	4,519	1,396	(2,285)	3,630	F	Deferred tax liabilities
Total long-term liabilities	66,761	50	(2,236)	64,574		Total non-current liabilities
Total liabilities	¥152,335	¥ –	¥ 5,050	¥157,386		Total liabilities
Net assets						Equity
Common stock	¥ 51,115	¥ –	¥ –	¥ 51,115		Subscribed capital
Capital surplus	64,153	–	32	64,185	I	Capital surplus
Treasury stock	(6,030)	–	–	(6,030)		Treasury shares
Retained earnings	37,524	–	10,244	47,769	M	Retained earnings
Accumulated other comprehensive income	19,790	(19,790)	–	–		
	–	19,790	(14,837)	4,952	D,F,J,K	Other components of equity
	–	–	–	161,992		Equity attributable to owners of the parent
Minority interests	4,450	–	(69)	4,380		Non-controlling interests
Total net assets	171,004	–	(4,631)	166,373		Total equity
Total liabilities and net assets	¥323,339	¥ –	¥ 419	¥323,759		Total liabilities and equity

(2) Reconciliation of profit or loss and other comprehensive income for the fiscal year ended 31st March, 2015

The Group made necessary adjustments to its consolidated financial statements prepared in accordance with Japanese GAAP in the course of preparing its consolidated statements of profit or loss and other comprehensive income in accordance with IFRS as follows:

	Millions of yen					
Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
						Revenues:
Net sales	¥174,660	¥ –	¥ (294)	¥174,365	A	Sales revenues
	–	4,741	23	4,765	I	Other operating revenues
Cost of sales	112,189	(112,189)	–	–		Costs:
Selling, general and administrative expenses	48,233	(48,233)	–	–		
	–	(4,687)	86	(4,600)	A	Changes in finished goods and work in progress
	–	87,481	(11)	87,470	A	Costs of raw materials, consumables and goods for resale
	–	39,574	36	39,610	H,L	Personnel costs
	–	7,092	(329)	6,763	C	Depreciation and amortization
	–	32,440	(749)	31,690	C	Other operating costs
Operating income	14,236	3,264	695	18,196		Operating result
Non-operating income	–	491	–	491		Financial income
Interest income	32	(32)	–	–		
Dividend income	459	(459)	–	–		
Foreign exchange gain, net	3,662	(3,662)	–	–		
Equity in earnings of affiliates, net	3,503	–	1,472	4,976	E	Share of profits of associates and joint ventures
Other income	413	(413)	–	–		
Non-operating expenses	–	532	45	578	G	Financial costs
Interest expense	532	(532)	–	–		
Fees and commissions	1,302	(1,302)	–	–		
Other expenses	118	(118)	–	–		
Extraordinary income						
Gain on sales of property, plant and equipment	123	(123)	–	–		
Gain on sales of investments in securities	7	(7)	–	–		
Gain on sales of shares of an affiliate	230	(230)	–	–		
Gain on reversal of stock acquisition rights	32	(32)	–	–		
Gain on change in equity in investments in subsidiaries	57	(57)	–	–		
Gain on sales of investments classified as other	8	(8)	–	–		
Gain on business transfer	162	(162)	–	–		
Gain on liquidation of subsidiaries	43	(43)	–	–		
Extraordinary loss						
Loss on sales of property, plant and equipment	0	(0)	–	–		
Loss on disposal of property, plant and equipment	54	(54)	–	–		
Loss on sales of investments classified as other	1	(1)	–	–		
Income before income taxes and minority interests	20,963	–	2,122	23,086		Earnings before income taxes
Current income tax	4,876	610	270	5,757	F	Income taxes
Deferred income taxes	610	(610)	–	–		
Income before minority interests	¥ 15,476	¥ –	¥1,851	¥ 17,328		Net income

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Other comprehensive income:						Other comprehensive income:
Net unrealized holding gain on securities	¥ 2,593	¥ –	¥ 16	¥ 2,609	D	Changes in fair value measurements of available-for-sale financial assets
Retirement benefits liability adjustments	(238)	–	(215)	(454)	L	Remeasurements of defined benefit plans
Net unrealized gain on derivative instruments	589	–	–	589		Net changes in fair value of effective portion in cash flow hedges
Land revaluation reserve	139	–	(139)	–	K	
Translation adjustments	2,265	–	(41)	2,224	J	Exchange differences on translation of foreign operations
Share of other comprehensive income of affiliates accounted for by the equity method	328	–	(4,702)	(4,374)	E	Share of other comprehensive income of associates and joint ventures accounted for using equity method
Total other comprehensive income	5,677	–	(5,083)	594		Total other comprehensive income for the period
Comprehensive income	¥21,154	¥ –	¥(3,231)	¥17,922		Comprehensive income
Net income:						Profit attributable to:
(Shareholders of the Company)	¥15,476	¥(260)	¥ 1,864	¥17,080		Owners of the parent
	–	260	(12)	248		Non-controlling interests
Total comprehensive income attributable to:						Comprehensive income attributable to:
Shareholders of the Company	20,840	–	(3,218)	17,621		Owners of the parent
Minority interests	314	–	(12)	301		Non-controlling interests

(3) Reconciliation of equity as of 1st April, 2014 (the date of transition to IFRS)

The Group has made necessary adjustments to its consolidated financial statements prepared in accordance with Japanese GAAP in the course of preparing its consolidated statement of financial position as of the date of transition to IFRS in accordance with IFRS as follows:

	Millions of yen					
Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Assets						Assets
Current assets:						Current assets:
Cash and cash deposits	¥ 18,935	¥ (19)	¥ –	¥ 18,916		Cash and cash equivalents
Notes and accounts receivable	32,989	948	1,593	35,530	A,B	Trade and other receivables
	–	82	–	82		Other financial assets
Merchandise and finished goods	15,886	24,883	85	40,856	A	Inventories
Work in process	7,709	(7,709)	–	–		
Raw materials and supplies	17,173	(17,173)	–	–		
Allowance for doubtful receivables	(207)	207	–	–		
Consumption taxes receivable	484	(484)	–	–		
Other	3,313	(734)	–	2,578		Other current assets
Deferred income taxes	3,066	(3,066)	–	–		
Total current assets	99,353	(3,066)	1,678	97,965		Total current assets
Fixed assets:						Non-current assets:
Tangible fixed assets	69,009	–	–	69,009		Property, plant and equipment
Intangible fixed assets						
Goodwill	704	–	–	704		Goodwill
Other	5,408	–	–	5,408		Other intangible assets
Investments and other assets						
	–	13,408	448	13,856	D	Other financial assets
Investments in securities	64,736	(12,072)	(1,028)	51,635	E	Investments in associates and joint ventures
Long-term prepaid expenses	640	(640)	–	–		
Long-term loans receivable	87	(87)	–	–		
Deferred income taxes	274	3,066	(1,684)	1,657	F	Deferred tax assets
Other	1,455	(607)	–	847		Other non-current assets
Total fixed assets	142,317	3,066	(2,263)	143,120		Total non-current assets
Total assets	¥241,670	¥ –	¥ (584)	¥241,085		Total assets

Japanese GAAP	Japanese GAAP	Presentation	Recognition and measurement	IFRS	Note	IFRS
Liabilities						Liabilities
Current liabilities:						Current liabilities:
Accounts payable—trade	¥ 11,937	¥ 9,008	¥ (166)	¥ 20,779		Trade and other payables
Accrued payments	6,483	(6,483)	–	–		
Accrued expenses	1,942	(1,942)	–	–		
Advances received	2,141	–	–	2,141		Advances received
Short-term bank loans	90	15,000	1,748	16,838	B,G	Interest-bearing bonds and borrowings
Current portion of bonds	15,000	(15,000)	–	–		
Accrued consumption taxes	140	(140)	–	–		
Lease obligations	443	234	–	677		Other financial liabilities
Accrued income taxes	1,017	–	–	1,017		Accrued income taxes
Allowance for product warranties	943	193	1,326	2,463	H	Provisions
Allowance for bonuses to employees	171	(171)	–	–		
Allowance for bonuses to directors and corporate auditors	21	(21)	–	–		
Other current liabilities	1,116	(676)	120	561		Other current liabilities
Deferred income taxes	6	(6)	–	–		
Total current liabilities	41,454	(6)	3,030	44,478		Total current liabilities
Long-term liabilities:						Non-current liabilities:
Bonds	35,000	–	(116)	34,883	G	Interest-bearing bonds and borrowings
Long-term borrowings						
Liabilities for retirement benefits	379	–	–	379		Net employee defined benefit liabilities
Asset retirement obligations	101	24	–	125		Provisions
Lease obligations	3,853	154	–	4,008		Other financial liabilities
Long-term accounts payable-other	681	(681)	–	–		
Other long-term liabilities	635	502	131	1,268		Other non-current liabilities
Deferred income taxes on land revaluation reserve	1,485	(1,485)	–	–		
Deferred income taxes	2,577	1,491	(2,198)	1,871	F	Deferred tax liabilities
Total long-term liabilities	44,714	6	(2,183)	42,537		Total non-current liabilities
Total liabilities	¥ 86,169	¥ –	¥ 846	¥ 87,016		Total liabilities
Net assets						Equity
Common stock	¥ 51,115	¥ –	¥ –	¥ 51,115		Subscribed capital
Capital surplus	64,153	–	–	64,153		Capital surplus
Treasury stock	(3,609)	–	–	(3,609)		Treasury shares
Retained earnings	25,501	–	8,836	34,337	M	Retained earnings
Accumulated other comprehensive income	14,163	(14,163)	–	–		
	–	14,197	(10,210)	3,987	D,F,J,K	Other components of equity
Stock acquisition rights	34	(34)	–	–		
	–	–	–	149,984		Equity attributable to owners of the parent
Minority interests	4,142	–	(57)	4,084		Non-controlling interests
Total net assets	155,501	–	(1,431)	154,069		Total equity
Total liabilities and net assets	¥241,670	¥ –	¥ (584)	¥241,085		Total liabilities and equity

(4) Notes to the reconciliations of equity, profit or loss and other comprehensive income

(a) Notes to presentation

Deferred tax assets presented as current assets under Japanese GAAP have been presented as "Deferred tax assets" as a component of non-current assets under IFRS.

Deferred tax liabilities presented as current liabilities under Japanese GAAP have been presented as "Deferred tax liabilities" as a component of non-current liabilities under IFRS.

Certain costs of sales rebates are included in "Selling, general and administrative expenses" under Japanese GAAP. However, they are deducted from "Sales revenues" under IFRS.

Under Japanese GAAP, expenses incurred are classified by function and presented as "Cost of sales," "Selling, general and administrative expenses," and "Non-operating expenses." Under IFRS, however, these are amended and presented based on their classification by nature.

(b) Notes to recognition and measurement

A. Revenue recognition

Under Japanese GAAP, sales revenues for certain goods are recognized at the point of shipment. Under IFRS, however, sales revenues are recognized when the risks and rewards of ownership have transferred to the buyer.

B. Reversal of derecognition of accounts receivable

Under Japanese GAAP, accounts receivable transferred to financial institutions based on the respective contracts for the transfer of the accounts receivable are derecognized. Under IFRS, however, such transfers do not meet the criteria for derecognition and therefore, trade and other receivables and interest bearing bonds and borrowings are recognized and have increased.

C. Business combinations

Under Japanese GAAP, goodwill is amortized over a specified period, while under IFRS, goodwill is not amortized and accordingly, such amortization is reversed. In addition, under Japanese GAAP, acquisition-related costs are included in the acquisition costs of shares. Under IFRS, however, such costs are charged to profit or loss as incurred.

D. Change in fair value of other financial assets

Under Japanese GAAP, unquoted equity shares are stated at cost calculated mainly by using the moving average method. However, under IFRS, unquoted equity shares are measured at fair value and the resulting difference is recognized in "Other comprehensive income."

E. Investments accounted for using equity method

Under Japanese GAAP, development costs incurred by associates accounted for using the equity method is expensed as incurred. However, under IFRS, those costs that satisfy certain criteria are capitalized.

Under Japanese GAAP, goodwill related to associates accounted for using the equity method is amortized over a specified period, while under IFRS, such goodwill is not amortized and accordingly, such amortization is reversed.

Under Japanese GAAP, financial statements for each reporting period of associates accounted for using the equity method with different fiscal year ends are used. Under IFRS, however, financial statements as of the consolidated closing date are used.

F. Deferred income taxes

Temporary differences resulting from the reconciliations to IFRS are newly recognized. In addition, under Japanese GAAP, the tax effects associated with the elimination of unrealized gain or loss is calculated using the effective tax rate of the seller, while under IFRS, it is calculated using the effective tax rate of the purchaser.

G. Interest-bearing bonds and borrowings

Under Japanese GAAP, bond issuance costs are expensed as incurred. Under IFRS, however, financial liabilities, including bonds, are measured at amortized cost using the effective interest method.

H. Provisions

Under Japanese GAAP, there are no specific accounting standards for unused annual leave. Under IFRS, this is recorded as a provision.

I. Stock acquisition rights

Gain on reversal of stock acquisition rights is recorded as extraordinary income under Japanese GAAP. Under IFRS, however, this is included in "Capital surplus."

J. Exchange differences on translation of foreign operations

The Group applied the exemption under IFRS 1 and transferred the cumulative amount of exchange differences on translating foreign operations to retained earnings on the date of transition to IFRS.

K. Deemed cost

Under Japanese GAAP, the Company revalued its land used for operations pursuant to the "Act on Revaluation of Land" (Act No. 34, 31st March, 1998) and the "Act to Partially Revise the Act on Revaluation of Land" (Act No.19, 31st March, 2001). Under IFRS, however, the Company reversed the revaluation with the use of fair value as deemed cost.

L. Remeasurements of defined benefit plans

Under Japanese GAAP, actuarial gains and losses recognized in the past arising from liabilities for retirement benefits are amortized over a specified period. Under IFRS, however, such actuarial gains and losses are recognized in "Other comprehensive income."

M. Retained earnings

	Millions of yen	
	31st March, 2015	1st April, 2014 (Date of transition to IFRS)
Trade receivables and inventories (refer to A)	¥ (22)	¥ (52)
Capitalized development costs of associates accounted for using equity method (refer to E)	236	195
Impact of unification of accounting periods (refer to E)	300	305
Bond issuance costs (refer to G)	317	82
Unused annual leave (refer to H)	(770)	(709)
Amortization of goodwill (refer to C, E)	1,691	–
Foreign currency translation adjustments (refer to J)	7,609	7,609
Reversal of land revaluation reserve (refer to K)	1,898	1,759
Deferred tax effects on elimination of unrealized gain or loss (refer to L)	63	342
Other	(1,080)	(699)
Total adjustments to retained earnings	¥10,244	¥8,836

(5) Significant adjustments to consolidated statement of cash flows for the year ended 31st March, 2015

There are no significant differences between the consolidated statement of cash flows prepared and disclosed in accordance with Japanese GAAP and that prepared and disclosed in accordance with IFRS.

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
DMG MORI CO., LTD.

We have audited the accompanying consolidated financial statements of DMG MORI CO., LTD. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at 31st December, 2015, and the consolidated statements of profit or loss, other comprehensive income, changes in equity, and cash flows for the nine months then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DMG MORI CO., LTD. and its consolidated subsidiaries as at 31st December, 2015, and their consolidated financial performance and cash flows for the nine months then ended in conformity with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

24th March, 2016
Osaka, Japan

DMG MORI