May 12, 2015

Summary of Consolidated Financial and Business Results for the Fiscal Year 2014 (to March 31, 2015)〔Japan GAAP〕

(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial and Business Results for the Fiscal Year announced on May 12, 2015)

Company name	DMG MORI SEIKI CO., LTD.	Stock exchanges	Tokyo
Listing Code number	6141	URL	http://www.dmgmoriseiki.co.jp
Representative (Title)	President (Name) Masahiko Mori		
Contact (Title)	Vice President Accounting / Finance HQ Executive Officer (Name) Tatsuo Kondo	TEL	(052) 587-1811
Expected date of the ordinary general shareholders' meeting	June 19, 2015	Expected payment date of cash dividends	June 22, 2015
Expected date of filing the financial statements	June 19, 2015		

Preparation of Supplementary Explanations of Financial Results: Yes

Financial Results Presentation to Be Held: Yes (for analysts and institutional investors)

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

1. Consolidated business results for fiscal year 2014 (April 1, 2014 to March 31, 2015)

(1) Consolidated business results (Percentage shows the change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal Year 2014	174,660	8.7	14,236	52.1	20,354	81.0	15,216	61.1
Fiscal Year 2013	160,728	8.2	9,357	126.3	11,245	124.6	9,442	82.6

(Note) Comprehensive profit Fiscal Year 2014 21,154 million yen(-7.9%) Fiscal Year 2013 22,975 million yen (91.2%)

	Net income per share	Diluted net income per share	Return on Equity	Ordinary income on total assets	Operating income on net sales
	yen	yen	%	%	%
Fiscal Year 2014	117. 28	117. 27	9.6	7.2	8.2
Fiscal Year 2013	85. 73	85. 69	7.4	5.3	5.8

(Reference) Equity-method earnings Fiscal Year 2014 3,503 million yen Fiscal Year 2013 1,008 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
Fiscal Year 2014	323,339	171,004	51.5	1,301. 93
Fiscal Year 2013	241,670	155,501	62.6	1,164. 59

(Reference) Equity capital Fiscal Year 2014 166,553 million yen Fiscal Year 2013 151,324 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at the end of the fiscal year
	million yen	million yen	million yen	million yen
Fiscal Year 2014	11,539	-58,427	49,385	21,408
Fiscal Year 2013	5,906	-17,527	23,914	18,916

2. Dividends

	Dividends per share					Total amount of dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on net assets (Consolidated)
(Record date)	First Quarter	Second Quarter	Third Quarter	The end of the term	Year			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal Year 2013	—	10. 00	—	12. 00	22. 00	2,700	25.7	2.1
Fiscal Year 2014	—	12. 00	—	13. 00	25. 00	3,320	21.3	2.1
Fiscal Year 2015 ending Dec. 31, 2015 (Forecast)	13. 00	—	—	13. 00	26. 00		20.2	

※ Please note that base date of the interim dividend for FY 2015 ending December 31, 2015 will be June 30.

3. Consolidated earnings forecast for Fiscal Year 2015 (April 1, 2015 to December 31, 2015)

	Sales Revenue		Operating income		Income attributable to owners of the company		Basic net income per share
	million yen	%	million yen	%	million yen	%	yen
Full Year 2015	300,000	—	30,000	—	16,500	—	128.98

※ We plan to change our fiscal year-end from March 31 to December 31 subject to the approval of "Partial Amendment to Articles of Incorporation" at the 67th Ordinary General Shareholders' Meeting to be held on June 19, 2015. Since the fiscal year ending December 31, 2015 is transition period of the fiscal year change, consolidated earnings forecast is a projected business results for 9 months (April 1, 2015 to December 31, 2015) and therefore, the change from the previous fiscal year (%) is not included herein.

Consolidated earnings forecast based on the current fiscal year-end (12 months) from January 1, 2015 to December 31, 2015 as follows:
Sales Revenue: 410,000 million yen, Operating income: 40,000 million yen, Income attributable to owners of the company: 22,000 million yen.
and basic net income per share: 171.97 yen

※ Note

(1) Change of significant subsidiaries during the fiscal year (increase/decrease in the scope of consolidation) No

(2) Change of important accounting policies, procedures, and ways of display (description as the change of basis for preparing consolidated financial statements)

① Changes along the revision of accounting standard, etc No

② Changes mentioned other than mentioned in ① No

③ Changes accounting estimate No

④ Revision and change of display No

(3) Number of shares outstanding (Common Stocks)

① Number of shares outstanding at the end of the fiscal year (Including treasury stocks)	Fiscal year 2014	132,943,683shares	Fiscal year 2013	132,943,683shares
② Treasury stocks at the end the fiscal year	Fiscal year 2014	5,015,329shares	Fiscal year 2013	3,005,226shares
③ Average number of common stocks in the fiscal year	Fiscal year 2014	129,742,181shares	Fiscal year 2013	110,147,114shares

(Reference) Unconsolidated Financial results

1. Unconsolidated business results for fiscal year 2014 (April 1, 2014 to March 31, 2015)

(1) Unconsolidated business results (% of change from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal Year 2014	107,751	5.0	12,637	72.4	16,325	73.5	12,530	99.9
Fiscal Year 2013	102,625	2.6	7,331	94.1	9,409	91.4	6,269	49.7

	Net income per share	Diluted net income per share
	yen	yen
Fiscal Year 2014	94. 33	94. 33
Fiscal Year 2013	55. 81	55. 78

(2) Unconsolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal Year 2014	274,576	146,183	53.2	1,100. 48
Fiscal Year 2013	201,465	133,544	66.3	1,005. 15

(Reference) Total Shareholders' equity Fiscal Year 2014 146,183 million yen Fiscal Year 2013 133,521 million yen

※Indication for status of an audit.

This is not subject of an audit based on Financial Instruments and Exchange Act, and the audit is not finished when this is released.

※Proper use of the earnings forecasts and other notes

The above forecast is based on information available as of the release of this report and assumptions of several uncertain factors which may affect the company's results. Actual results might be different from the above estimates due to subsequent changes in the circumstances. Regarding Fiscal Year 2015 (Forecast), see "(2)Forecast for FY 2015" page 7.

We will upload additional explanation on May 12, 2015.

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1. Analysis of management performance and consolidated financial status

(1) Business results for FY 2014

The environment for sales leads and orders received in the consolidated fiscal year under review (the term under consideration) is such that despite causes for concern like the stalling of energy-related demand due to the uncertainty over the European economy and declining crude oil prices, the healthy trend in orders that is supported by a high level of willingness to invest in equipment against a backdrop of an underlying trend of stable yen depreciation is continuing, with the machine tool order result announced for FY2014 by the Japan Machine Tool Manufacturers' Association showing an increase of 31.0% over the previous year for example. In our Group too, we believe we can expect orders to increase beyond the level seen in the term under consideration going forward, against a background of robust orders centering on Japan and the Americas.

It was in this business environment that an Open House event was held in February at the Pfronten plant of DMG MORI SEIKI AKTIENGESELLSCHAFT (hereafter AG), with an attendance of more than 8,000 customers. We exhibited a total of 72 state-of-the-art machine tools including the 2nd generation of the NHX 4000 high-precision, high-speed horizontal machining center equipped with CELOS, the groundbreaking new operating system, and the LASERTEC 65 3D additive manufacturing machine, and managed to win orders in excess of the target.

Then in April we secured the largest booth at the China International Machine Tool Show (CIMT) 2015, staged in Beijing, where we exhibited a total of 33 state-of-the-art machine tools equipped with the groundbreaking new operating system CELOS that won the TOP Innovative Technology prize sponsored by Maschinen Market magazine. Even in China where inexpensive, low-end machines have been mainstream up until now, it seems that genuine high-precision, high-quality machine tools are now in demand. In addition, we also held the "5-Axis Machining Open House" event at the Tokyo Global Headquarters. We exhibited 32 machines together there, including 13 units of 5-axis control machines loaded with the latest technology, and full-time, highly-experienced staff dispensed practical technical know-how and proposed solutions that would help customers improve their productivity, backed up with many case studies and with machining demonstrations. We will continue to satisfy the need for high-speed, high-precision machine tools while helping customers improve productivity and efficiency.

DMG MORI SEIKI CO (hereafter CO) announced and implemented a takeover bid for AG by DMG MORI GmbH, one of CO's consolidated companies. On April 13, an additional bid period following the initial bid period ended, bringing the entire time available for this takeover bid to a close. Approval of the antitrust and anti-competition law authorities of the countries concerned was obtained in all of the countries in which CO filed notifications by April 30, 2015 and the settlement of the AG shares was completed on May 7, 2015. As a result of this takeover bid, CO's percentage of voting rights in AG has become 52.54% and AG will become one of CO's consolidated companies. We will continuously accelerate the integration of the companies in a spirit of equal standing.

We have also decided to voluntarily adopt international accounting standards (hereafter, IFRS) in place of our conventional Japanese accounting standards, and, on the conditions that the change is approved at the 67th ordinary general shareholders meeting scheduled to be held in late June 2015, to change fiscal year-end from March 31 to December 31. By introducing IFRS we seek to improve the international comparability of financial data, and to standardize accounting methods within the Group, making it more convenient for all the stakeholders.

Under these circumstances, our consolidated sales were 174,660 million yen (up 8.7% from previous fiscal year), consolidated operating profit was 14,236 million yen (up 52.1% from previous fiscal year), consolidated ordinary profit was 20,354 million yen (up 81.0% from previous fiscal year) and consolidated net profit was 15,216 million yen (up 61.1% from previous fiscal year).

Business trends and results by geographical segment are summarized as follows:

In Japan, sales leads were robust in the automotive and industrial machinery related fields. Sales were 135,135 million yen (up 4.6% from previous fiscal year) and segment profit was 10,606 million yen (up 68.8% from previous fiscal year).

In the Americas, there was continuously a favorable trend for orders in the automotive, aircraft and medical related fields. Sales were 65,301 million yen (up 17.7% from previous fiscal year) and segment profit was 905 million yen (down 34.2% from previous fiscal year).

In Europe, orders from the aircraft related fields remained high level. As a result of that, sales were 37,660 million yen (up 11.5% from previous fiscal year) and segment profit was 1,498 million yen (up 53.0% from previous fiscal year).

There was solid trend in inquiries centering on the automotive and die & mold related fields in China and on the automobile and electric machinery related fields in Asia. Sales were 22,601 million yen (down 1.4% from previous fiscal year) and segment profit was 1,252 million yen (up 87.5% from previous fiscal year).

Consolidated

(Million yen)

	66th term FY2013	67th term FY2014	Change
Sales	160,728	174,660	13,931
Operating income	9,357	14,236	4,878
Ordinary income	11,245	20,354	9,108
Net income	9,442	15,216	5,773

Stand-alone

(Million yen)

	66th term FY2013	67th term FY2014	Change

	66th term FY2013	67th term FY2014	Change
Sales	102,625	107,751	5,125
Operating income	7,331	12,637	5,305
Ordinary income	9,409	16,325	6,915
Net income	6,269	12,530	6,261

(2) Forecast for FY 2015

In this business environment, the level of orders is expected to remain robust in Japan, Americas and Europe in the foreseeable future.

We, the DMG MORI SEIKI CO., LTD. Group, will continue to improve development, manufacturing, sales and service systems so as to provide customers with products and services in demand in a timely manner and the forecast for the business results (consolidated) for FY 2015 after AG becoming one of the consolidated companies is as follows:

Please note that FY2015 is a transition period of fiscal year change and therefore, the forecast is based on 9 months period.

	Forecast: 9 months (April 1, 2015 to December 31, 2015)	(For Reference) Forecast: 12 months (January 1, 2015 1 to December 31, 2015)
Sales Revenue (million yen)	300,000	410,000
Operating income (million yen)	30,000	40,000
Income attributable to owners of the company (million yen)	16,500	22,000
Basic net income per share (yen)	128.98	171.97

* The average yen-U.S. dollar market rate is set at 120 yen = U.S. $1.00

**The average yen-Euro market rate is set at 130 yen = € 1.00

Note concerning statements about the future, etc.

This material contains earnings estimates, plans, policies, business strategies, targets, forecasts, and perceptions and judgments about matters of fact concerning the future of DMG MORI SEIKI CO., LTD. and the DMG MORI SEIKI CO., LTD. Group. Its predictions, expectations, assumptions, plans, perceptions and judgments are based on information available to DMG MORI SEIKI CO., LTD. as of the report date. For this reason, there is a possibility that actual results may differ from the forecasts above.

(3) Analysis of consolidated financial status

A. Assets, liabilities and net assets

- Assets

Current assets increased by 22.0% compared to the previous fiscal year to 121,165 million yen. That was mainly because Cash and deposits increased by 2,491 million yen, Notes and accounts receivable increased by 3,532 million yen and Inventories increased by 13,006 million yen.

Fixed assets increased by 42.1% compared to the previous fiscal year to 202,173 million yen. That was mainly because Tangible fixed assets increased by 3,177 million yen and investment securities increased by 54,741 million yen.

As a result, total assets increased by 33.8% compared to the previous fiscal year to 323,339 million yen.

- Liabilities

Current liabilities increased by 106.4% compared to the previous fiscal year to 85,573 million yen. That was mainly because Accounts payable-trade increased by 6,552 million yen, Short-term bank loans increased by 48,065 million yen, Accrued income taxes increased by 3,435 million yen while Current portion of bonds decreased by 15,000 million yen.

Fixed liabilities increased by 49.3% compared to the previous fiscal year to 66,761 million yen. That was mainly because Long-term bank loans increased by 20,000 million yen.

As a result, total liabilities increased by 76.8% compared to the previous fiscal year to 152,335 million yen.

- Net assets

Total net assets increased by 10.0% compared to the previous fiscal year to 171,004 million yen. The major reasons for the increase were that posting a Net income of 15,216 million yen, increase of 3,189 million yen in Translation adjustments and payment of cash dividend of 3,188 million yen

B. Cash flows during fiscal year 2014

（million yen）

	66th term Fiscal Year 2013	67th term Fiscal Year 2014	Change
Operating activities	5,906	11,539	5,632
Investing activities	-17,527	-58,427	-40,899
Financing activities	23,914	49,385	25,471
Cash and cash equivalents at the end of the year	18,916	21,408	2,492

Cash and cash equivalents at the end of FY 2014 were 21,408 million yen, an increase of 2,492 million yen from the previous fiscal year.

Factors which affected the cash flows for FY 2014 are shown below.

- Cash flows from operating activities

Net cash provided in operating activities was 11,539 million yen (5,906 million yen was provided in the previous fiscal year).

The main increasing factors are 20,963 million yen Income before income taxes, 6,804 million Depreciation and amortization and 5,435 million yen increase in Notes and accounts payable-trade. The main decreasing factors are 1,827 million yen increase in Notes and accounts receivable-trade, 11,567 million yen increase in Inventories, 3,503 million yen in Equity in earnings of affiliates and 2,644 million yen in Foreign exchange gains.

- Cash flows from investing activities

Net cash used in investing activities was 58,427 million yen (17,527 million yen was used in the previous fiscal year). This is mainly due to Obtaining of Stocks of subsidiaries of 50,634 million yen, Purchases of tangible fixed assets of 6,868 million yen, and Purchases of Intangible assets of 1,668 million yen.

- Cash flows from financing activities

Net cash provided in financing activities was 49,385 million yen (23,914 million yen was provided in the previous fiscal year).

The main increasing reasons are net increase in Short-term bank loans of 48,065 million yen and increase in Long-term bank loans of 20,000 million yen. The main decreasing reasons are redemption of bonds of 15,000 million yen and Cash dividends of 3,192 million yen.

C. Trends in cash flow related indexes

	64rd term Fiscal Year 2011	65th term Fiscal Year 2012	66th term Fiscal Year 2013	67th term Fiscal Year 2014
Shareholders' equity ratio (%)	50.3	55.0	62.6	51.5
Shareholders' equity ratio at fair value (%)	50.2	65.1	70.2	73.0
Cash flow to interest bearing loans ratio (%)	731.1	272.4	920.7	931.1
Interest coverage ratio (times)	16.0	39.2	10.3	21.1

(Notes) Shareholders' equity ratio: Shareholders' equity / total assets

Shareholders equity ratio at fair value: Market value of listed shares / total assets

Cash flows to interest-bearing loans ratio: Interest-bearing liabilities / operating cash flows

Interest coverage ratio: Operating cash flows / interest payments

※ These indexes are calculated based on consolidated financial figures.

※ Market value of listed shares is calculated based on the closing share price at end of term x outstanding shares (excluding treasury stock) at end of term

※ For cash flows, "Cash flows from operating activities" from the consolidated cash flow statements are used. Interest-bearing liabilities include all liabilities on the balance sheets that incur interest. For the interest payments, the "Interest paid" on the consolidated cash flow statement is used.

(4) Basic policy concerning profit appropriation and dividend payment for FY 2014/2015

The DMG MORI SEIKI CO., LTD. Group strives to enhance corporate value for our shareholders, who understand that machine tools are both capital assets and products which support manufacturing throughout the world. For our principle for profit appropriation, we will continue to invest in the development of pivotal new products and technologies as well as consolidating our production equipment in order to reinforce our competitive strength in the market, based on an overall judgment concerning our future business plan, business results, financial conditions, and so on.

For FY 2014, we issued an interim dividend per share of 12 yen and year-end dividend per share of 13 yen, for a full-year total of 25 yen. For FY 2015 for 9 months due to fiscal year change, the interim dividend is scheduled to be 13 yen per share (dividend base date: June 30) and the year-end dividend 13 yen (dividend base date: December 31), for a full-year total of 26 yen.

2. Management policy

(1) Basic management policy

Our basic management policy as a machine tool manufacturer is: “we provide customers with innovative, accurate and trouble-free machines at competitive prices.” We aim to become “Global One” as a total solution provider in the fields of CNC lathes, machining centers, multi-axis machines and grinding machines as well as engineering and services.

(2) Management targets

The DMG MORI SEIKI CO., LTD. Group seeks to maintain and continue the status of Global One in the machine tool industry by responding quickly to rapid changes in the business environment and market trends. We believe that improving our profit margin and capital profitability and strengthening our financial strength are essential in achieving our pursuit. The Group is determined to achieve a consolidated operating margin of over 15% and ROE of over 15% by 2020, and continues its untiring efforts to create customer value and further improve its corporate value.

(3) Company's medium to long-term management strategies

With differences in economic development levels, financial problems, fluctuations in exchange rates, natural disasters and geopolitical risks arising in the global markets, manufactures are now entering a new phase in production innovation and relocation of management resources. At the same time, machine tool manufacturers are required to meet customers’ ever-diversifying requirements that include not only the provision of high-precision, high-performance machines, but also expansion of operation and engineering support, education and after-sales services. We, at the DMG MORI SEIKI CO., LTD. Group, respond flexibly to changes in the business environment and customer needs by fully utilizing our robust sales and service networks and technical expertise we have cultivated for over 65 years.

DMG MORI SEIKI CO (hereafter CO) and DMG MORI SEIKI AG (hereafter AG) have been promoting collaboration in fields including sales, development, purchasing and production since March 2009, and having reached the conclusion that it would be best for the two companies to be operated in an integrated manner in terms of capital too in order to create further corporate value, we announced, on January 22, 2015, the implementation of a takeover bid by CO’s consolidated company (DMG MORI GmbH) targeting AG. This takeover bid has taken CO’s voting rights in AG to 52.54%, and has realized the business integration of the two companies with approval obtained under the antitrust and competition laws in all of the countries in which CO filed notifications

For product development, the collaboration with DMG MORI SEIKI AG has enabled us to include their machines in our product lineup, and with the aim of attracting new and potential customers, the two companies have jointly developed the MILLTAP 700 compact machining center and the DIXI 210 five-axis machine that offers dramatically improved volumetric accuracy. Also, we took over the lathe division of

AMADA MACHINE TOOLS CO., LTD., a subsidiary wholly owned by AMADA CO., LTD. and the newly established company, DMG MORI WASINO, LTD., started its business. We will further enrich our product lineup of the compact lathe division going forward. In addition, we developed a hybrid additive/subtractive machine, LASERTEC 65 3D, that fuses high-precision 5-aixs machining center with additive manufacturing, and entered into metal 3D printer market. While CO and AG also concentrate on standardization of machine components and consolidation of machine models, we will strive to improve profitability by providing solution with the most use of application.

As for production, we define our domestic plants as the mother plants and work on the improvement of quality and productivity. To respond quickly to the needs of the areas where demand for machine tools is growing and to mitigate the risk of exchange rate fluctuations, we have promoted machine production in the high-demand areas and opened the U.S. plant in November 2012 and the Tianjin plant in China in November 2013. At the U.S. plant, production of horizontal machining centers, which have been in great demand in the American market, is now on track. We will increase production models according to local demand. At the Tianjin plant, where production is gradually expanding, we started machining casting parts and supplying them to our plants in Japan. Taking advantage of China's low procurement cost, we will utilize the plant as the casting supply hub. The addition of these plants, coupled with the collaboration with DMG MORI SEIKI AG, has enabled us to have manufacturing bases in four strategic locations around the world: Japan, North America, Europe and China. We will continue to strive to deliver the best products and services more quickly to our customers.

In sales development, through integration of sales with AG, the two companies are building a stronger sales and service system while continuing to consolidate a dominant position in the industry in terms of the number of clients, the provision of solutions and services, and so on. We are also utilizing the sales system of AG, which has strengths in marketing and direct sales, to roll out efficient and effective sales activities and forge more robust relations with the customers.

Under this management policy, the DMG MORI SEIKI CO., LTD. Group remains committed to creating customer value and building a competitive advantage in terms of business scale, profitability and financial base in the machine tool industry, aiming to further improve its corporate value.

(4) Challenges facing the company

① Product development

Considering that AG has become one of CO's consolidated companies after April, 2015, while continuing on our joint development of new models with AG, we will vigorously promote the development of units such as spindle unit, automatic tool change unit and turret unit with a view to adopting modularized units. By making use of the technology that both companies have accumulated thus far, we are now capable of realizing the efficient development of products with a high degree of completion. Besides the machines themselves, we are also putting our effort into the development of transportation equipment for unmanned systems and the operating software for them, development of peripheral equipment for machine tools such as chip removal equipment, and development of machining technology such as high-efficiency gear machining.

② Quality

We regard all of our activities that make us relate with customers through our products, from product planning and sales to service, as "quality," and each and every staff makes a daily effort to further improve it. With the motto of "giving customers a great excitement and impression through incomparable quality," we will manufacture products in such a manner that close attention is always paid to every inch of each product. Considering that AG has become one of CO's consolidated companies after April, 2015, we are committed to consolidating development, production, service and sales processes, and performing various activities for improvement so that customers will be able to feel the same high-quality in the products manufactured in any of our factories located in Japan, Europe, USA and China.

③ Trade controls for security

As there has been mounting uncertainty surrounding the world's national security environment, especially in Asia, Middle East and Eastern Europe regions in recent years, the non-proliferation of weapons of mass destruction and the prevention of excessive stockpiling of conventional weapons became one of the growing international interests. To address the issue, the DMG MORI SEIKI CO., LTD. Group has stipulated internal regulations (Compliance Program) to ensure compliance with export control laws and applies them strictly. In addition, we have our machines equipped with the device to detect and disable a machine if the machine is relocated from the site where it was originally installed, aiming to prevent the illegal export of our products. We will continue to tackle the security trade control as our priority.

④ Compliance with the Law

Our board members give explicit instructions to the employees on implementation of the corporate activities in thorough compliance with the law and corporate ethics. We create a plan for various educational training and implement the training on a continuing basis in an attempt to increase awareness of law in all of our employees including the board members. For greater globalization of our business, we strive to establish a solid law compliance system in our global bases as well as domestic ones. With the Internal Auditing Department in the key role, we already have established the system to regularly monitor our law compliance activities, so we will continuously work on consolidation of our internal control.

⑤ Cooperation with DMG MORI SEIKI AG

We established a business and capital partnership with DMG MORI SEIKI AG, a largest machine tool manufacturer in Europe, in March 2009 with the aim to take a greater leap in the global market. Since then both companies have been promoting consolidation of sales and service bases and strengthening the collaboration in the area of parts supply, joint development and financing services for customers. The takeover bid this time has taken CO's voting rights in AG to 52.54%, and has realized the business integration of the two companies with approval obtained under the antitrust and anti-competition law authorities in all of the countries in which CO filed notifications. We will continue integrated management of the two companies and keep up our efforts to enhance the corporate value, through commonalizing parts, consolidating machine models, and promoting system integration in the areas of sales, development, manufacturing, accounting and so on.

3. Basic policy for selection of accounting standards

We plan to voluntarily apply the International Financial Reporting Standards (“IFRS”) in place of Japanese GAAP to improve international comparability of financial information starting from the 1st quarter of FY2015.

4. Consolidated financial statements

(1) Consolidated balance sheet

(Amount：million yen)

	At the end of the previous consolidated fiscal year (March 31, 2014)	At the end of the current consolidated fiscal year (March 31, 2015)
(Assets)		
Current Assets		
Cash and deposits	18,935	21,427
Notes and accounts receivable	32,989	36,521
Goods and products	15,886	15,729
Work in process	7,709	13,381
Raw material and supplies	17,173	24,665
Deferred income taxes	3,066	3,274
Consumption taxes receivable	484	937
Other	3,313	5,410
Allowance for doubtful receivables	-207	-182
Total current assets	99,353	121,165
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	29,412	31,884
Machinery, equipment and vehicles, net	8,247	8,259
Land	22,253	22,898
Lease assets, net	3,802	3,704
Construction in progress	1,766	1,295
Other, net	3,527	4,144
Total tangible fixed assets	69,009	72,187
Intangible fixed assets		
Goodwill	704	928
Other	5,408	6,595
Total Intangible fixed assets	6,112	7,523
Investments and other assets		
Investment securities	64,736	119,478
Long-term prepaid expenses	640	1,142
Long-term loans receivable	87	39
Deferred income taxes	274	484
Other	1,455	1,317
Total investments and other assets	67,194	122,462
Total fixed assets	142,317	202,173
Total assets	241,670	323,339

	At the end of the previous consolidated fiscal year (March 31, 2014)	At the end of the current consolidated fiscal year (March 31, 2015)
(Liabilities)		
Current liabilities		
Accounts payable-trade	11,937	18,490
Short-term bank loans	90	48,155
Current portion of bonds	15,000	—
Lease obligations	443	339
Accrued payments	6,483	7,651
Accrued expenses	1,942	2,459
Advances received	2,141	1,657
Accrued income taxes	1,017	4,452
Accrued consumption taxes	140	539
Deferred income taxes	6	50
Allowance for product warranties	943	939
Allowance for bonuses	171	—
Other	1,138	837
Total current liabilities	41,454	85,573
Fixed liabilities		
Bonds payable	35,000	35,000
Long-term bank loans	—	20,000
Lease obligations	3,853	3,951
Deferred income taxes	2,577	4,519
Deferred income taxes on land revaluation reserve	1,485	1,345
Liabilities for retirement benefits	379	676
Long-term accounts payable-other	681	513
Asset retirement obligations	101	49
Other	635	704
Total fixed liabilities	44,714	66,761
Total liabilities	86,169	152,335
(Net assets)		
Shareholders' equity		
Capital	51,115	51,115
Capital surplus	64,153	64,153
Retained earnings	25,501	37,524
Treasury stock	-3,609	-6,030
Total shareholders' equity	137,161	146,763
Other comprehensive profit		
Valuation difference on available-for-sale securities	4,003	6,200
Deferred gains or losses on hedges	2	524
Revaluation reserve for land	1,759	1,898
Translation adjustments	8,797	11,987
Accumulated retirement benefits	-399	-820
Total other comprehensive profit	14,163	19,790
Stock acquisition rights	34	—
Minority interests	4,142	4,450
Total net assets	155,501	171,004
Total liabilities and net assets	241,670	323,339

（2）Consolidated statement of income and statement of comprehensive profit

Consolidated statement of income

(Amount: million yen)

	The previous consolidated fiscal year (April 1, 2013 to March 31, 2014)	The current consolidated fiscal year (April 1, 2014 to March 31, 2015)
Net sales	160,728	174,660
Cost of sales	107,469	112,189
Gross profit	53,259	62,470
Selling, general and administrative expenses	43,902	48,233
Operating income	9,357	14,236
Non-operating income		
Interest income	23	32
Dividend income	355	459
Exchange gain	1,478	3,662
Equity in earnings of affiliates	1,008	3,503
Other	216	413
Total of Non-operating income	3,081	8,072
Non-operating expenses		
Interest expense	575	532
Fees and commissions	197	1,302
Other	419	118
Total of Non-operating expenses	1,192	1,954
Ordinary income	11,245	20,354
Extraordinary income		
Gain on sales of fixed assets	44	123
Gain on sales of investment securities	4	7
Gain on sales of shares of subsidiaries and associates	—	230
Gain on reversal of subscription rights to shares	374	32
Gain on change in equity	4,299	57
Gain on sales of other investments	—	8
Gain on transfer from business divestitures	—	162
Gain on liquidation of subsidiaries	—	43
Total of Extraordinary income	4,723	665
Extraordinary loss		
Loss on sales of fixed assets	4	0
Loss on disposal of fixed assets	310	54
Loss on valuation of stocks of subsidiaries and affiliates	34	—
Loss on valuation of other investments	15	—
Loss on change in equity	895	—
Business structure improvement expenses	3,331	—
Loss on sales of other investments	—	1
Total of Extraordinary loss	4,593	55

	The previous consolidated fiscal year (April 1, 2013 to March 31, 2014)	The current consolidated fiscal year (April 1, 2014 to March 31, 2015)
Income before income taxes and minority interests	11,376	20,963
Income taxes	1,209	4,876
Income taxes deferred	620	610
Total of Income taxes	1,829	5,486
Income before minority interests	9,546	15,476
Minority interests in income	103	260
Net income	9,442	15,216

Statement of comprehensive profit（Amount：million yen）

	The previous consolidated fiscal year (April 1, 2013 to March 31, 2014)	The current consolidated fiscal year (April 1, 2014 to March 31, 2015)
Income before minority interests	9,546	15,476
Other comprehensive profit		
Valuation difference on available-for-sale securities	922	2,593
Deferred gains or losses on hedges	-242	589
Revaluation reserve for land	－	139
Translation adjustments	2,383	2,265
Remeasurements of defined benefit plans	－	-238
Share of other comprehensive income of associates accounted for using equity method	10,365	328
Total of other comprehensive profit	13,428	5,677
Comprehensive profit	22,975	21,154
(Contents)		
Comprehensive income attributable to owners of the parent company	22,869	20,840
Comprehensive income attributable to minority interests	106	314

（3）Consolidated Statement of changes in stockholders' equity

The previous consolidated fiscal year (April 1, 2013 to March 31, 2014)

(Amount：million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total amount of shareholders' equity
Balance at beginning of the year	41,132	53,863	18,270	-11,743	101,523
Changes in the current term					
Issuance of new shares	9,983	9,983			19,966
Dividend			-1,106		-1,106
Interim dividend			-1,105		-1,105
Current net income			9,442		9,442
Purchases of treasury stock				-1	-1
Sales of treasury stock		307		10,404	10,711
Increase in equity in affiliates accounted for by application of equity method				-2,269	-2,269
Change in scope of consolidation					—
Net Changes of items other than shareholders' equity					
Total changes in the current term	9,983	10,290	7,230	8,133	35,637
Balance at the end of the current fiscal year	51,115	64,153	25,501	-3,609	137,161

(Amount：million yen)

	Other comprehensive profit						Stock acquisition rights	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Net unrealized gain/loss on derivative instruments	Revaluation reserve for land	Translation adjustments	Accumulated retirement benefits	Total other comprehensive profit			
Balance at beginning of the year	2,616	185	1,759	-3,423	—	1,136	434	1,386	104,481
Changes in the current term									
Issuance of new shares									19,966
Dividend									-1,106
Interim dividend									-1,105
Current net income									9,442
Purchases of treasury stock									-1
Sales of treasury stock									10,711
Increase in equity in affiliates accounted for by application of equity method									-2,269
Change in scope of consolidation									—
Net Changes of items other than shareholders' equity	1,387	-183	—	12,221	-399	13,026	-400	2,756	15,382
Total changes in the current term	1,387	-183	—	12,221	-399	13,026	-400	2,756	51,020
Balance at the end of the current fiscal year	4,003	2	1,759	8,797	-399	14,163	34	4,142	155,501

The current consolidated fiscal year (April 1, 2014 to March 31, 2015)

(Amount：million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total amount of shareholders' equity
Balance at beginning of the year	51,115	64,153	25,501	-3,609	137,161
Changes in the current term					
Issuance of new shares					—
Dividend			-1,594		-1,594
Interim dividend			-1,594		-1,594
Current net income			15,216		15,216
Purchases of treasury stock				-1	-1
Sales of treasury stock					—
Increase in equity in affiliates accounted for by application of equity method				-2,419	-2,419
Change in scope of consolidation			-4		-4
Net Changes of items other than shareholders' equity					
Total changes in the current term	—	—	12,023	-2,420	9,602
Balance at the end of the current fiscal year	51,115	64,153	37,524	-6,030	146,763

(Amount：million yen)

	Other comprehensive profit						Stock acquisition rights	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Net unrealized gain/loss on derivative instruments	Revaluation reserve for land	Translation adjustments	Accumulated retirement benefits	Total other comprehensive profit			
Balance at beginning of the year	4,003	2	1,759	8,797	-399	14,163	34	4,142	155,501
Changes in the current term									
Issuance of new shares									—
Dividend									-1,594
Interim dividend									-1,594
Current net income									15,216
Purchases of treasury stock									-1
Sales of treasury stock									—
Increase in equity in affiliates accounted for by application of equity method									-2,419
Change in scope of consolidation									-4
Net Changes of items other than shareholders' equity	2,196	522	139	3,189	-421	5,626	-34	308	5,900
Total changes in the current term	2,196	522	139	3,189	-421	5,626	-34	308	15,502
Balance at the end of the current fiscal year	6,200	524	1,898	11,987	-820	19,790	—	4,450	171,004

（4） Consolidated statement of cash flows (Amount：million yen)

Operating activities	The previous consolidated fiscal year(April 1, 2013 to March 31, 2014)	The current consolidated fiscal year(April 1, 2014 to March 31, 2015)
Income before income taxes	11,376	20,963
Depreciation and amortization	5,775	6,804
Loss on sales of fixed assets	4	0
Loss on disposal of fixed assets	310	54
Gain on sales of fixed assets	-44	-123
Loss (gain) on sales of investment securities	-4	-7
Loss (gain) on sales of stocks of subsidiaries and affiliates	―	-230
Loss on valuation of stocks of subsidiaries and affiliates	34	―
Loss on valuation of other investments	15	―
Business structure improvement expenses	3,331	―
Gain on reversal of subscription rights to shares	-374	-32
Amortization of goodwill	279	288
Loss (gain) on change in equity	-3,404	-57
Equity in earnings/losses of affiliates	-1,008	-3,503
Increase (decrease) in allowance for bonuses	2	-171
Increase (decrease) in allowance for doubtful receivables	-31	-48
Increase (decrease) in allowance for retirement benefits	-230	―
Increase (decrease) in allowance for product warranties	109	-4
Increase (decrease) in retirement benefits	129	272
Interest and dividend income	-378	-491
Interest expense	575	532
Foreign exchange losses (gains)	-2,311	-2,644
Increase (decrease) in accounts receivable	-6,105	-1,827
Increase (decrease) in inventories	-5,042	-11,567
Increase (decrease) in accounts payable	2,220	5,435
Increase (decrease) in consumption tax receivable	-54	-453
Increase (decrease) in accrued consumption tax	64	399
Increase (decrease) in other accrued payments	2,274	1,060
Other	-725	-2,737
Sub-total	6,788	11,911
Interest and dividend income received	839	1,646
Interest paid	-576	-546
Income taxes paid	-1,145	-1,471
Net cash provided in operating activities	5,906	11,539

Investing activities	The previous consolidated fiscal year(April 1, 2013 to March 31, 2014)	The current consolidated fiscal year(April 1, 2014 to March 31, 2015)
Sales of tangible fixed assets	148	549
Purchases of tangible fixed assets	-7,142	-6,868
Purchases of intangible fixed assets	-1,868	-1,668
Proceeds from sales of investment securities	15	144
Purchase of investment securities	-1	-142
Proceeds from sales of stock of subsidiaries and affiliates	—	310
Purchases of stock of subsidiaries and affiliates	-7,657	-50,634
Purchase of investments in capital of subsidiaries	—	-283
Purchase of stock of subsidiaries resulting in change in scope of consolidation	-987	—
Payments for transfer of business	-29	—
Other	-4	166
Net cash used by Investing activities	-17,527	-58,427
Financing activities		
Increase (decrease) in short-term bank loans, net	-23,839	48,065
Increase in long-term bank loans	—	20,000
Proceeds from issuance of bonds	19,907	—
Redemption of bonds	—	-15,000
Proceeds from issuance of common stock	19,858	—
Proceeds from sales of treasury stock	10,578	—
Purchases of treasury stock	-1	-1
Cash dividends	-2,215	-3,192
Cash dividends paid to minority shareholders	-14	-14
Other	-359	-471
Net cash (provided) used in financing activities	23,914	49,385
Effect of exchange rate changes on cash equivalents	330	257
Increase/Decrease in cash and cash equivalents	12,624	2,755
Cash and cash equivalents at beginning of the year	6,268	18,916
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-1	-262
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	25	—
Cash and cash equivalents at the end of the year	18,916	21,408

（5）Notes (Consolidated financial statement)

(Situation or problems with significant doubt for premise of going concern)

None.

(Additional information: Revision of deferred income tax assets and liabilities due to change in corporate tax rates)

The “Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) was promulgated on March 31, 2015, with the result that reduction in corporate tax rates and other measures will come into effect from the consolidated accounting period starting on April 1, 2015. As a consequence of this, the statutory effective tax rate used in the calculation of deferred income tax assets and deferred tax liabilities is expected to change from the 35.38% for the past term to 32.83% for temporary differences that are expected to be eliminated in the consolidated accounting period starting April 1 2015 and the consolidated accounting period starting January 1 2016, and to 32.06% for temporary differences that are expected to be eliminated in the consolidated accounting period starting January 1 2017.

Due to this change in the tax rate, the amount of the deferred income tax liabilities (amount after deducting the deferred tax assets) will decrease by 223 million yen, while the deferred income taxes will increase by 33 million yen, the valuation difference on available-for-sale securities will increase by 243 million yen, and the deferred gain on hedges will increase by 13 million yen.

Additionally, the deferred tax liabilities associated with revaluations decreased by 139 million yen, and the revaluation difference on land increased by the same amount.

(Segment Information)

1. General information about reportable segments

The reportable segments of the DMG MORI SEIKI CO., LTD. Group, for which discrete financial information about the individual components of the Group is available, are regularly reviewed at the Board of Directors’ Meeting and Operating Directors’ Meeting to make decisions about resources to be allocated to the segment and assess its performance.

Our main business is the manufacture and sale of machine tools.　DMG MORI SEIKI CO., LTD. and its consolidated subsidiaries are responsible for the business operations in Japan, and each independent overseas subsidiary is responsible for the business operations in the region it belongs to.　We conduct the business operations according to comprehensive product strategies by region.

The reportable segment of our group is therefore divided into four regional segments --Japan, the Americas, Europe, and China & Asia-- each of which has its own production and sales systems.

Due to the change in management measure for business performance in reportable segment from this fiscal year, we are reviewing the allocation method of operating expense toward each reportable segment. Also, following this, we are reviewing reportable segment of previous fiscal year.

2. Information about reported segment operating revenues, segment income or loss, and segment assets

The accounting method for reportable segments is generally the same as the contents stated in "Rules for preparing consolidated financial statements."

The reportable segment income is based on the operating income.

The operating revenue inside the group is calculated based on the value which was decided taking into account the market price.

3. Information about reported segment operating revenues, segment income or loss, and segment assets

Previous consolidated fiscal year (April 1, 2013 to March 31, 2014)

	Japan (million yen)	The Americas (million yen)	Europe (million yen)	Asia and Oceania (million yen)	Total (million yen)
Operating Revenues					
Outside customers	53,166	53,892	32,101	21,569	160,728
Inside group	76,087	1,581	1,682	1,349	80,700
Total	129,253	55,473	33,783	22,918	241,428
Segment Income/loss	6,281	1,376	979	668	9,305
Segment Assets	136,919	32,313	70,249	14,228	253,711

Current consolidated fiscal year (April 1, 2014 to March 31, 2015)

	Japan (million yen)	The Americas (million yen)	Europe (million yen)	Asia and Oceania (million yen)	Total (million yen)
Operating Revenues					
Outside customers	55,415	63,152	34,187	21,904	174,660
Inside group	79,719	2,148	3,472	697	86,038
Total	135,135	65,301	37,660	22,601	260,698
Segment Income	10,606	905	1,498	1,252	14,262
Segment Assets	156,465	43,663	142,647	16,891	359,667

4. Differences and contents between total and amount on consolidated financial statements

Income	Fiscal year 2013 (million yen)	Fiscal year 2014 (million yen)
Total	9,305	14,262
Elimination of unrealized income	51	-26
Income on consolidated financial statements	9,357	14,236

Assets	Fiscal year 2013 (million yen)	Fiscal year 2014 (million yen)
Total	253,711	359,667
Assets	12,479	16,387
Adjustment of unrealized income	-1,380	-1,388
Elimination of transaction inside group	-23,139	-51,326
Assets on consolidated financial statements	241,670	323,339

(Per share information)

Items	The previous consolidated fiscal year (April 1, 2013 to March 31, 2014)	The current consolidated fiscal year (April 1, 2014 to March 31, 2015)
Net assets per share	1,164.59yen	1,301.93yen
Net income per share	85.73yen	117.28yen
Net income per share after deduction of latent stocks	85.69yen	117.27yen

(Note) Basis of calculation of net income/loss and net income after deduction of latent stocks are as follows.

Items	The previous consolidated fiscal year (April 1, 2013 to March 31, 2014)	The current consolidated fiscal year (April 1, 2014 to March 31, 2015)
Net income per share		
Net income (million yen)	9,442	15,216
Amount not belonging to common stockholders (million yen)	—	—
Net income on common stock (million yen)	9,442	15,216
Average number of common stocks in the fiscal year	110,147	129,742

Items	The previous consolidated fiscal year (April 1, 2013 to March 31, 2014)	The current consolidated fiscal year (April 1, 2014 to March 31, 2015)
(thousand stocks)		
Diluted net income per share		
Adjustment of net income	—	—
Increase of common stocks	47	4
(stock option)	(47)	(4)
Overview of latent stock, not included in calculation of net income after deduction of latent stock because of un-existing dilution effect	－. Consolidated subsidiaries' bond with warrants as stock-option 1 kind (280).	－

(Significant subsequent event)

Business integration by share acquisition

DMG MORI SEIKI CO., LTD. ("CO") has resolved at the meeting of the board of directors held on January 22, 2015 that our consolidated company, DMG MORI GmbH, implements a tender offer (the "Tender Offer") based on German law with respect to DMG MORI SEIKI AKTIENGESELLSCHAFT ("AG"), with which CO has a relationship of capital and business collaboration and which is accounted for as an affiliated company under the equity method for the purpose of the consolidated accounting of CO. Approval of the antitrust and anti-competition law authorities of the countries concerned was obtained in all of the countries in which CO filed notifications by April 30, 2015 and the settlement of the AG shares was completed on May 7, 2015. As a result of this takeover bid, CO's percentage of voting rights in AG has become 52.54% and AG will become one of CO's consolidated companies.

1. Overview of Business Integration

(1) Outline of AG and its business

Registered Name	DMG MORI SEIKI AKTIENGESELLSCHAFT
Main Business	Manufacturing and selling machine tools

(2) Outline of the Tender Offer

The Tender Offer was implemented through our consolidated company, DMG MORI GmbH, against all AG shares held by shareholders excluding CO.

(i) Tender Offer Period

From February 11, 2015 to March 25, 2015 (6 weeks)

(ii) Additional Tender Offer Period

From March 31, 2015 to April 13, 2015 (2 weeks)

(iii) Announcement of Additional Tender Offer Results

April 17, 2015

(iv) Tender Offer Price

Per common share: €30.55

(3) Purpose of the Tender Offer

CO entered into a business/capital collaboration agreement with AG in March 2009, and since then, as best partners optimally complementing their respective operations in terms of, inter alia, geographic sales regions, product lines and management resources, CO and AG have intensified their collaboration in the areas particularly of sales, development, purchase and production. In October 2013, we changed our respective names to the current company names to be consistent with the uniform brand “DMG MORI”, and thereby further consolidated their collaboration. Also, CO and AG have regularly held meetings of a “Joint Committee”, in order to realize results from their business affiliation.

Although the business collaboration between CO and AG has brought more success than was expected at the time of the start of their collaboration, they have come to the conclusion that in order to further create corporate value, it will be the best solution that they are operated together in an integrated manner also in terms of capital.

The integration of AG and CO as consolidated companies from which more cooperative effects can be expected. In the area of sales, centralization of information will enable proposals and support that better meet customer needs and will contribute to further sales. In the areas of development and production, fusion with AG's technologies such as 5-axis control technology and laser technology will promote the development of more attractive products, and will lead to enhanced profitability through integration of product models, standardization of components, and production at the place of demand. Over the next 5 years, these efforts for expanded sales and enhanced profitability will generate a cash flow which exceeds the invested amount, and will enhance corporate value. Also, CO will seek to strengthen its services and foster human resources, in order to provide more support to its customers throughout the world.

(4) Date of Business Integration

May 7, 2015 (Date of Settlement)

(5) Legal Formality of Business Integration

Share acquisition as an equivalent for cash

(6) Corporate name after integration

DMG MORI SEIKI AKTIENGESELLSCHAFT

(7) Shareholding Ratio

Before the Tender Offer: 24.33% (CO: 24.33%)

Individual purchase : 16.31% (CO: 9.37%, DMG MORI GmbH: 6.94%)

The Tender Offer : 11.90% (DMG MORI GmbH: 11.90%)

After the Tender Offer : 52.54% (CO: 33.70%, DMG MORI GmbH: 18.84%)

2. The amount of share acquisition cost by Tender Offer and individual purchase transactions:

Individual Purchase Transactions (settlement completed by March 31, 2015) : €381 million

The Tender Offer (settlement completed on May 7, 2015) : €286 million

3. Gain/Loss and Generated Amount of Goodwill on Step Acquisition

Currently being calculated.

4. Funding for the aggregate cost

CO finances the necessary fund through bank loan.

5. Other

None