

Summary of Consolidated Financial Statements for the first quarter of Fiscal Year 2015 ended June 30, 2015 (IFRS basis)
(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the first quarter announced on August 7, 2015)

Listed company name: DMG MORI CO., LTD.
 Stock exchange listing: First Section of Tokyo Stock Exchange
 Code Number: 6141 URL <http://www.dmgmori.co.jp>
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Filing date of quarterly financial statements: August 13, 2015

Estimated starting date of dividend paying: September 18, 2015

Preparation of supplementary explanatory materials: Yes

Holding of quarterly earnings release conference: Yes (for investment analysts and institutional investors)

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

1. Consolidated business results of the first quarter ended June 30, 2015 (April 1, 2015 to June 30, 2015)

(1) Consolidated business results

(% of change from same period in the previous year)

	Sales revenues		Operating result		Earnings before Taxes		Quarterly profit		Income attributable to owners of the parent company		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
First quarter ended June 30, 2015	96,065	-	33,965	-	33,678	-	33,893	-	32,318	-	39,867	-
First quarter ended June 30, 2014	37,241	-	726	-	1,741	-	1,662	-	1,672	-	581	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First quarter ended June 30, 2015	255.72	-
First quarter ended June 30, 2014	12.87	12.87

(2) Consolidated financial position

	Total assets	Net assets	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company
	million yen	million yen	million yen	%
June 30, 2015	581,698	247,432	186,098	32.0
March 31, 2015	323,759	166,373	161,992	50.0

2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
March 31, 2015	-	12.00	-	13.00	25.00
December 31, 2015	13.00				
December 31, 2015 (Forecast)		-	-	13.00	26.00

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

Record date for interim dividend for the fiscal year 2015 is June 30.

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

	(% of change from same period in the previous year)						Basic earnings per share yen
	Sales Revenue		Operating result		Income attributable to owners of the parent company		
	million yen	%	million yen	%	million yen	%	
Full Year 2015	300,000	-	30,000	-	16,500	-	128.98

(Note)

Revision of consolidated earnings forecast in the current quarter: No

Following the approval of the "Partial Amendment to Articles of Incorporation" at the Ordinary General Meeting held on June 19, the company changed the fiscal year-end from March 31 to December 31. Due to the transition period, there is no "% of change from same period in the previous year" written in this report.

4. Others

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2015: Yes

Include 4 subsidiaries: DMG MORI AG, GILDEMEISTER Beteiligungen GmbH, DMG Holding AG, Switzerland, DMG Netherlands B.V.

Exclude: none

(2) Changes in accounting policies applied and changes in accounting estimates

1. Changes in accounting policies required by IFRS: No

2. Changes in accounting policies other than the above: No

3. Changes in accounting estimates: No

(3) Number of shares outstanding (Common stock)

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

June 30, 2015: 132,943,683

March 31, 2015: 132,943,683

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

June 30, 2015: 6,679,234

March 31, 2015: 5,015,329

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

April - June 2015: 126,379,778

April - June 2015: 129,938,379

- Information regarding implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. Thus, at the time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Law has not been completed.

- Explanations for adequate utilization of the forecast and other special matters

From the first quarter of the fiscal year 2015 ending December 31, 2015, the company introduced the International Financial Reporting Standards (IFRS) to prepare its consolidated financial statements accordingly. The consolidated financial data for the first quarter of the fiscal year 2014 and the fiscal year 2014 are also presented based on the IFRS.

- 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), please see "1. Qualitative Information Regarding Quarterly Settlement of Accounts (3) Explanation of forecasts and other projections".

We will upload additional explanation on August 7, 2015.

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1. Quantitative Information Regarding Quarterly Settlement of Accounts

The company has adopted its consolidated financial data in accordance with the International Financial Reporting Standards (IFRS) effective from the first quarter ended June 30, 2015. Following the comparison requirement upon the adoption of IFRS, the date of transition is April 1, 2014. Accordingly, previous consolidated first quarter results and previous consolidated cumulative full year results have been reclassified and presented on IFRS basis. The takeover bid for DMG MORI AKTIENGESELLSCHAFT (hereafter AG) ended and the company's percentage of voting rights in AG has become 52.54%. As a result, AG became one of the company's consolidated companies effective from April 1, 2015.

(1) Explanation of operating results

Sales revenues were 96,065 million yen and other operating revenues include 37,296 million yen of gain on step acquisition of AG shares and other that the company acquired in the past. Operating result was 33,965 million yen and Earnings before taxes were 33,678 million yen. Income attributable to owners of the parent company was 32,318 million yen. As to geographical trend for orders, there was continuously favorable trend for orders in Japan and there was solid trend in inquiries in China and Asian countries. While trend for orders in Americas remained on the same level due to weakness of the currencies, trend for orders in Europe as a whole was stagnant except Italy, Spain and other areas that are gradually recovering.

The company has been focusing on improvement of exhibition, technology center and solution center in order to enhance the company presence on the global market. We exhibited 35 cutting-edge machine tools equipped with the innovative operating system CELOS in the largest booth at the China International Machine Tool Show (CIMT) 2015, which was held in Beijing in April. In July we hosted Iga Innovation Days 2015 at our Iga Campus and made great success with around 9,000 customers visiting. During the exhibition, we showcased a total of 58 machines including seven world premieres. Among the world premiere models was the LASERTEC 4300 3D that combines laser metal deposition and milling/turning processes on a 5-axis machine. The event was also an opportunity to show visitors our state-of-the-art Iga Global Solution Center which was recently renovated to become one of the worlds' largest showrooms. At the Center, our highly-experienced dedicated staff presented practical technical know-how along with many case examples and machining demonstrations, and proposed solutions that would bring greater productivity to customers. We announced that the company would construct a new plant at Nara campus dedicated to turnkey solutions mainly for automotive and aircraft industries, and we completed the Shinto ceremony of purifying a building site a ceremony of laying the cornerstone. The construction is being carried out as scheduled. Also, in Korea, the world's fifth largest market in machine tool industry, we commenced construction of a new technology center in Seoul.

In June DMG MORI Premium Partner Summit 2015 took place at the Porsche Customer Center Leipzig. We welcomed more than 70 partner companies over the course of the event and demonstrated our innovation, global production system and approaches to Industry 4.0. By developing a closer technological relationship with the partner companies, assessing the feasibility of proposed technologies at an early stage and incorporating them into our new machine development, we will continue to meet the demand for high-speed, high-precision machine tools and help customers increase their productivity and efficiency.

With regard to products, we announced in June the new machine model, the NRX 2000 front parallel dual-spindle/dual-turret lathe capable of handling two machining processes simultaneously. The machine employs one of DMG MORI's new design concepts, Stealth Design, which is characterized by sharp lines, and comes with COMPACT*line* that enables touch panel operation. The NRX 2000 is the ideal solution for mass production of automotive flanges.

We also developed three *ecoMill V* vertical machining centers: *ecoMill 600 V*, *ecoMill 800 V* and *ecoMill 1100 V*. The *ecoMill V* series is the newest line in the ECOLINE series and was developed jointly with our German partner, AG. Combining high technological capabilities of both companies, the machines achieve high precision and high rigidity while ensuring high productivity. Moreover, we redesigned two WASINO brand products, the A-18S multiprocessing turning center and the G-07 super high-precision lathe. The unified DMG MORI design employed in both models gives them a completely new look. Also, *i* series, a high-speed horizontal machining center for mass production parts and will contribute to global expansion for our customers in the automotive industry and the industry itself especially in emerging countries, have been sold and delivered favorably. We will continue to provide products that are reliable, highly functional and worthy of investment to meet the needs of even more customers.

We will continue to accelerate the integration of the two companies in a spirit of equal standing and work on sales expansion and enhancement of profitability to further increase our corporate value.

(2) Explanation of financial position

Due to AG group being one of the consolidated companies, total assets at the end of the first quarter of fiscal year 2015 is 581,698 million yen. Total equity is 247,432 million yen and ratio of equity attributable to owners of the parent company is 32.0%.

(3) Explanation of forecasts and other projections

No changes have been made to the consolidated forecasts for the full year ending December 31, 2015, since the announcement in Summary of Consolidated Financial Statements disclosed on May 12, 2015. In case the forecasts and other projections need to be revised considering circumstances influencing the business performance, such as purchase price allocation of AG shares under calculation, we will officially announce the revision.

2. Other Information

(1) Changes in significant subsidiaries during the three months ended June 30, 2015

Following the increasing AG shares by a takeover bid during the first quarter, AG group companies are added to the scope of consolidation.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	April 1, 2014 (Date of transition to IFRS)	March 31, 2015	June 30, 2015
(Assets)			
Short-term assets			
Cash and cash equivalent	18,916	21,408	40,841
Trade and other receivable	35,530	44,948	91,591
Other financial assets	82	869	7,215
Inventories	40,856	53,873	135,941
Other short-term assets	2,578	3,038	20,380
Total short-term assets	97,965	124,138	295,970
Long-term assets			
Tangible assets	69,009	72,187	136,724
Goodwill	704	1,164	100,409
Other intangible assets	5,408	6,639	17,351
Other financial assets	13,856	17,624	18,628
Equity accounted investments	51,635	99,118	595
Deferred taxes	1,657	1,570	9,489
Other long-term assets	847	1,316	2,529
Total long-term assets	143,120	199,620	285,727
Total assets	241,085	323,759	581,698

	April 1, 2014 (Date of transition to IFRS)	March 31, 2015	June 30, 2015
(Liabilities)			
Short-term debts			
Trade and other payables	20,779	29,304	60,591
Bonds and borrowings	16,838	54,113	112,706
Payment received on accounts	2,141	1,657	23,012
Other short term financial liabilities	677	339	1,622
Accrued income taxes	1,017	4,452	4,089
Short-term provisions	2,463	2,385	25,159
Other short term liabilities	561	558	3,636
Total short-term debts	44,478	92,811	230,818
Long-term debts			
Bonds and borrowings	34,883	54,917	84,407
Other long-term financial liabilities	4,008	3,951	4,402
Pension provisions	379	676	7,174
Other long-term provisions	125	117	5,035
Deferred income taxes	1,871	3,630	299
Other long-term liabilities	1,268	1,280	2,128
Total long-term debts	42,537	64,574	103,447
Total liabilities	87,016	157,386	334,266
Equity			
Subscribed capital	51,115	51,115	51,115
Capital provision	64,153	64,185	56,745
Treasury stock	△3,609	△6,030	△12,239
Revenue provisions	34,337	47,769	78,494
Other components of equity	3,987	4,952	11,983
Total equity attributable to owners of the parent company	149,984	161,992	186,098
Minority interests' share of equity	4,084	4,380	61,333
Total equity	154,069	166,373	247,432
Total liabilities and equity	241,085	323,759	581,698

(2) Quarterly consolidated statements of income

(Yen in Millions)

	First quarter ended June 30, 2014 (April 1, 2014 through June 30, 2014)	First quarter ended June 30, 2015 (April 1, 2015 through June 30, 2015)
Revenue		
Sales revenues	37,241	96,065
Other operating revenues	244	38,857
Operating performance	37,485	134,923
Cost		
Changes in finished goods and work in progress	△1,234	△6,759
Cost of raw materials, consumables and goods for	18,649	49,975
Personnel costs	9,650	30,483
Depreciation	1,530	3,813
Other operating expenses	8,162	23,445
Total cost	36,758	100,958
Operating result	726	33,965
Financial income	115	219
Financial expense	138	598
Share of profits of at equity-accounted investments	1,037	92
Earnings before taxes	1,741	33,678
Income taxes	78	△214
Quarterly profit	1,662	33,893
Quarterly profit attributable to:		
Owners of the parent company	1,672	32,318
Minority interests	△9	1,574
Quarterly profit	1,662	33,893
Quarterly profit per share		
Basic earnings per share (yen)	12.87	255.72
Diluted earnings per share (yen)	12.87	-

(3) Quarterly consolidated statements of comprehensive income

(Yen in Millions)

	First quarter ended June 30, 2014 (April 1, 2014 through June 30, 2014)	First quarter ended June 30, 2015 (April 1, 2015 through June 30, 2015)
Quarterly profit	1,662	33,893
Other comprehensive income		
Items never reclassified to income statement		
New calculation of benefit-oriented pension plans	7	△32
Sum of items never reclassified to income statement	7	△32
Items that will be reclassified to profit or loss		
Differences from currency translation	△443	5,303
Changes in market value of hedging instruments	145	△159
Change in the fair value measurement of available-for-sale assets	533	858
Share of other comprehensive income of associates accounted for using equity method	△1,323	4
Sum of items which are reclassified to the income statement	△1,088	6,006
Total other comprehensive income	△1,080	5,974
Total comprehensive income	581	39,867
Total comprehensive income attributable to:		
Owners of the parent company	600	35,259
Minority interests	△18	4,608
Total	581	39,867

(4) Quarterly consolidated statements of changes in equity

(Yen in Millions)

	Note	Equity attributable to owner of the parent company					Minority interest share of equity	Total equity	
		Subscribed capital	Capital provision	Treasury stock	Revenue provisions	Other components of equity			Total
At as April 1, 2014		51,115	64,153	△3,609	34,337	3,987	149,984	4,084	154,069
Quarterly profit					1,672		1,672	△9	1,662
Other comprehensive income						△1,072	△1,072	△8	△1,080
Comprehensive income					1,672	△1,072	600	△18	581
Change of own shares				△0			△0		△0
Dividend payment for financial year 2013					△1,594		△1,594	△14	△1,608
Share-based payment transactions			23		△165	△24	△166	1	△165
Changes of ownership interest for subsidiary company under continuous control							—		—
Transfer other component of capital to retained earnings					7	△7	—		—
Other							—	2	2
Total of the contribution by owner and distribution to the owner			23	△0	△1,751	△31	△1,760	△10	△1,771
Purchase of non-controlling interests							—		—
Amount of change of Ownership interest for Subsidiary company							—		—
At as June 30, 2014		51,115	64,176	△3,609	34,258	2,883	148,824	4,055	152,879

(Yen in Millions)

	Note	Equity attributable to owner of the parent company						Minority interest share of equity	Total equity
		Subscribed capital	Capital provision	Treasury stock	Revenue provisions	Other components of equity	Total		
At as April 1, 2015		51,115	64,185	△6,030	47,769	4,952	161,992	4,380	166,373
Quarterly profit					32,318		32,318	1,574	33,893
Other comprehensive income						2,940	2,940	3,033	5,974
Comprehensive income					32,318	2,940	35,259	4,608	36,867
Change of own shares				△0			△0		△0
Dividend payment for fiscal year 2014					△1,560		△1,560	△2,777	△4,338
Share-based payment transactions							—		—
Changes of ownership interest for subsidiary company under continuous control				△5,925		4,057	△1,867	56,279	54,411
Transfer other component of capital to retained earnings					△32	32	—		—
Other							—		—
Total of the contribution by owner Distribution to the owner				△5,925	△1,593	4,089	△3,429	53,502	50,073
Purchase of non-controlling interests			△7,440	△283			△7,724	△1,157	△8,881
Amount of change of Ownership interest for Subsidiary company			△7,440	△283			△7,724	△1,157	△8,881
At as June 30, 2015		51,115	56,745	△12,239	78,494	11,983	186,098	61,333	247,432

(5) Quarterly consolidated statements of cash flows

(Yen in Millions)

	First quarter ended June 30, 2014 (April 1, 2014 through June 30, 2014)	First quarter ended June 30, 2015 (April 1, 2015 through June 30, 2015)
Cash flow from operating activities		
Earnings before taxes	1,741	33,678
Depreciation	1,530	3,813
Gain on step acquisition	-	△37,296
Loss (gain) on sales/disposal of fixed assets	21	△16
Financial results	23	378
Equity in loss (earnings) of equity method	△1,037	△92
Other income and expense not affecting payments	230	1,405
Changes in Inventories (△: increase)	△2,774	△6,628
Changes in trade and other receivables (△: increase)	3,004	1,090
Changes in trade and other payables (△: increase)	1,977	△1,311
Change in provisions	34	181
Others	△2,734	△2,774
Sub total	2,017	△7,571
Interest received	6	52
Dividends received	1,109	170
Interest paid	△124	△593
Income tax paid	△726	△5,672
Cash flow from operating activities	2,282	△13,616
Cash flow from investment activities		
Amount paid out for investments in tangible assets	△2,575	△6,135
Amount received from the sale of tangible assets	193	246
Amount paid out for investments in intangible assets	△454	△774
Amount paid out for investments in subsidiary stocks	-	△4,808
Other	△72	407
Cash flow from investment activities	△2,909	△11,063

(Yen in Millions)

	First quarter ended June 30, 2014 (April 1, 2014 through June 30, 2014)	First quarter ended June 30, 2015 (April 1, 2015 through June 30, 2015)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	Δ1,820	49,650
Amount received from long-term loans	-	3,121
Payments for long-term loans	-	Δ1,326
Dividends paid	Δ1,364	Δ1,313
Dividends paid for minority shareholders	Δ14	Δ2,777
Payments for acquisition of treasury stock	Δ0	Δ0
Other	Δ116	Δ4,309
Cash flow from financing activities	Δ3,316	43,045
Differences from currency translation associated with cash and cash equivalents	Δ23	1,067
Increase (decrease) in cash and cash equivalents	Δ3,967	19,433
Opening balance of cash and cash equivalents	18,916	21,408
Cash and cash equivalents at the end of the period	14,949	40,841

(6) Notes on going concern assumption

Not applicable.

(7) Notes on quarterly consolidated financial statements

1. Reporting Entity

DMG MORI Co., Ltd. (the "Company") is a company established under Japanese law. The Company domiciles in Japan and its registered office is located in 106 Kitakoriyama-cho, Yamato-Koriyama City, Nara.

The consolidated financial statements of the Company are reported as of June 30, 2015 and composed of the Company, its associates and equity interests to related companies (the "Group"). The Group engages in businesses related to manufacturing and sales of machine tools (Machining Centers, CNC lathes and other products) and measuring devices.

2. Basis of preparations

(1) Accounting standards complied with

These quarterly consolidated financial statements have been prepared in accordance with IFRS 34 Interim Financial Reporting, pursuant to the provisions set forth in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements, etc. (Cabinet Office Ordinance No. 64 of 2007), as they satisfy all of the requirements for a "Specified Company" prescribed in Article 1-2, Paragraph 1, Item (i), (a) – (c) and (d)-3 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007).

The Group has adopted IFRS starting from the fiscal year ending December 31, 2015 (April 1, 2015 through December 31, 2015), and consolidated financial statements for that year are the Group's first statements to be prepared in accordance with IFRS.

(2) Basis of Measurement

These quarterly consolidated financial statements have been prepared on a historical cost basis, with the exception of some financial assets which are measured at fair value.

(3) Presentation currency and units used

These quarterly consolidated financial statements are presented in Japanese yen, with figures less than one million yen being rounded down.

3. Segmental information

(1) Scope of segment reporting

The reporting segments of the Group is based on the business areas where independent financial statements are available and that are regularly reviewed by executive boards for the purposes of decision-making on the allocation of management resources and evaluation of profitability. The segments are divided according to products and services that the Group deals with and difference in internal reporting and management method associated with the products and services.

The business activities of the Group are categorized into the business segments of "Machine Tools" and "Industrial Services".

In the financial statements of the previous fiscal year, the segment information was reported and disclosed by region such as "Japan", "The Americas", "Europe" and "China and Asia", but following the integration with DMG MORI AKTIENGESELLSCHAFT, from this fiscal year, the Group changed reporting segments to "Machine Tools" and "Industrial Services".

(2) Calculation method of net sales, income or loss and other items by each reportable segment

The amount of segment income (loss) is based on operating income (loss) and Share of profits of at equity-accounted investments. Inter-segment sales and transfers between the segments are the prices determined based on the market prices.

(3) Segment sales and income

The segment sales and income by each reportable segment are summarized as follows.

First quarter ended June 30, 2014 (April 1, 2014 through June 30, 2014)

	Reporting Segments			Adjustment (Note)		Figures in consolidated statements of income
	Machine Tools	Industrial Services	Total	Corporate	Adjustment	
Sales revenue						
Sales revenue with third parties	29,196	8,044	37,241	-	-	37,241
Sales revenue with other segments	16,216	3,974	20,191	-	Δ20,191	-
Total	45,413	12,019	57,433	-	Δ20191	37,241
Segment income	1,517	1,226	2,743	Δ1,217	238	1,764
Interest Receivable						115
Interest Payable						Δ138
Earnings before Taxes						1,741

(Note)

"Adjustment" includes trade elimination of inter-segment trade amounts and net profit of corporate functions.

First quarter ended June 30, 2015 (April 1, 2015 to June 30, 2015)

(Yen in Millions)

	Reporting Segments			Adjustment (Note)		Figures in consolidated statements of income
	Machine Tools	Industrial Services	Total	Corporate	Adjustment	
Sales Revenue						
Sales revenue with third parties	67,297	28,760	96,058	7	-	96,065
Sales revenue with other segments	34,235	6,596	40,831	704	Δ41,536	-
Total	101,533	35,356	136,889	712	Δ41,536	96,065
Segment income	14,701	22,636	37,338	Δ4,368	1,087	34,057
Interest Receivable						219
Interest Payable						Δ598
Earnings before Tax						33,678

(Note)

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

4. Business Combination

First quarter ended June 30, 2015 (April 1, 2015 through June 30, 2015)

Increase in shares of DMG MORI AKTIENGESELLSCHAFT (“AG”)

(1) Summary of business combination

As the company and AG have continued to collaborate in sales, development, procurement, production and certain other fields since March 2009, we 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 and implemented a tender offer against AG through our consolidated subsidiary, DMG MORI GmbH. The tender offer periods are as follows:

(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)

As a result of this takeover bid, the company acquired additional 28.21% of voting rights and the company and DMG MORI GmbH percentage of voting rights in AG became 52.54%.

Shareholding ratio is as follows:

Before the Tender Offer	: 24.33% (the company 24.33%)
Individual purchase	: 16.31% (the company 9.37%, DMG MORI GmbH 6.94%)
The Tender Offer	: 11.90% (DMG MORI GmbH 11.90%)
After the Tender Offer	: 52.54% (the company 33.70%, DMG MORI GmbH 18.84%)

We included AG in the scope of consolidation on April 13, 2015 (date of business combination) considering the situation where the company substantially held majority of voting rights in AG.

With the integration of the company and AG, 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. Also, CO will seek to strengthen its services and foster human resources, in order to provide more support to its customers throughout the world.

(2) Consideration of the integration

(Yen in Millions)

	Amount
Cash and cash equivalents	38,709
Fair value of shares that the company had already had upon acquisition of control.	146,627
Total	185,337

(3) Assets acquired and liabilities assumed

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

(Yen in Millions)

	Amount
Short-term assets	
Cash and cash equivalents	31,738
Trade and other receivables	40,989
Inventories	74,025
Other	23,699
Long-term assets	
Tangible assets	55,386
Intangible assets	10,365
Other long-term assets	42,735
Fair value of assets acquired	278,940
Short-term debts	
Trade and other payables	△49,405
Payment received on accounts	△19,005
Provisions	△24,520
Other short-term debts	△11,065
Long-term debts	
Bonds and borrowings	△5,823
Provisions	△10,709
Other long-term debts	△1,055
Fair value of liabilities assumed	△121,586
Netted fair value of the assets acquired and liabilities assumed	157,353

The company shares AG holds and other	△13,552
Minority interests	58,878
Goodwill	100,413

(4) Minority interests

The minority interest of 58,878 million yen is measured by multiplying the identifiable amount of equity of the acquired company on the date of acquisition by the ratio of equity after the business combination.

(5) Goodwill

The goodwill 100,413 million yen is calculated based on expected synergy effects that do not satisfy the recognition condition individually with the existing business and excess earning capability. Please note that since an allocation of the purchase cost has not been completed, the goodwill amount written herein is an estimate.

(6) Expenses related to acquisition

Expense related to acquisition is 768 million yen (53 million yen was generated in the previous fiscal year) and included in "Other expense" on quarterly consolidated statements of income.

(7) Gain on step acquisition

As a result of re-measurement of AG shares based on fair market value that the company had owned on the date of acquisition, the company recognizes gain on step acquisition by 36,656 million yen. The profit is included in "Other operating revenue" on quarterly consolidated statements of income.

(8) Effects on business performance of the company group

The sales revenue and quarterly profit generated by AG among those figures on quarterly consolidated statements of income are 74,013 million yen and 3,459 million yen respectively. The impact on sales revenue and quarterly profit assuming that the business combination is completed at the beginning of the fiscal year are insignificant.

5. First-time Adoption

The Group discloses the consolidated financial statements in accordance with IFRS from this fiscal year ending December 31, 2015. The latest financial statements prepared in accordance with the Generally Accepted Accounting Principles in Japan ("Japanese accounting standards") are those of the prior fiscal year (1 April 2014 through 31 March 2015), and 1 April 2014 is the date of transition to IFRS.

IFRS requires that companies adopting IFRS for the first time ("first-time adopters") apply IFRS retrospectively, although there are some areas for which first-time adopters can choose whether to apply IFRS retrospectively (IFRS 1 "First-Time Adoption of International Financial Reporting Standards". On transition from Japanese accounting standards to IFRS, the Group applied the following exemptions:

① Business Combinations

Under IFRS 1, for business combinations that occurred prior to the date of transition to IFRS, first-time adopters can choose not to retrospectively apply IFRS 3, *Business Combinations*. The Group has applied this exemption and the Group has chosen not to retrospectively apply IFRS 3 for business combinations that occurred prior to the date of transition to IFRS. As a result, the amount of goodwill arising from the business combinations that occurred prior to the date of transition to IFRS is based on that amount in Japanese accounting standards at the date of transition. Meanwhile, the Group conducted impairment test for goodwill at the date of transition to IFRS, whether or not signs of impairment exist.

②Deemed Cost

Under IFRS 1, first-time adopters may elect to record the carrying amount of an item of tangible assets, real estate for investment and intangible assets as deemed cost at fair value at the date of transition. The Group had revaluated its land for operational usage in accordance with the laws "Act on Revaluation of Land" (Act No. 34 of March 31, 1998) and its revaluated amount has been recorded as deemed cost at the fair value at the date of transition.

③Cumulative Translation Differences of Foreign Operations

Under IFRS 1, first-time adopters have the option of either choosing to deem the cumulative translation differences for all foreign operations as of the date of transition to IFRS to zero. The Group has chosen to deem the cumulative translation differences as of the date of transition to IFRS to zero.

(1) Reconciliation of equity as of transition date (April 1, 2014)

The group has made necessary adjustments to its consolidated financial statements prepared in accordance with the Japanese GAAP in the course of the preparing its consolidated statements of financial position in accordance with IFRS.

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences In recognition And measurement	IFRS	Note	Presentation under IFRS
Assets						Assets
Current assets						Short-term assets
Cash and deposits	18,935	Δ19		18,916		Cash and cash equivalent
Notes and accounts receivable	32,989	948	1,593	35,530	A, B	Trade and other receivable
		82		82		Other financial assets
Goods and products	15,886	24,883	85	40,856	A	Inventories
Work in process	7,709	Δ7,709				
Raw material and Supplies	17,173	Δ17,173				
Allowance for doubtful receivables	Δ207	207				
Consumption taxes receivable.	484	Δ484				
Other	3,313	Δ734		2,578		Other short-term assets
Deferred income Taxes	3,066	Δ3,066				
Total current assets	99,353	Δ3,066	1,678	97,965		Total short-term assets
Fixed assets						Long-term assets
Tangible fixed assets	69,009			69,009		Tangible assets

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 asset
Investments securities	64,736	Δ12,072	Δ1,028	51,635	E	Equity accounted investments
Long-term prepaid expenses	640	Δ640				
Long-term loans receivable	87	Δ87				
Deferred income taxes	274	3,066	Δ1,684	1,657	F	Deferred taxes
Other	1,455	Δ607		847		Other long- term assets
Total fixed assets	142,317	3,066	Δ2,263	143,120		Total long-term assets
Total assets	241,670	-	Δ584	241,085		Total assets

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Short-term debts
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		Payment received on accounts
Short-term bank loans	90	15,000	1,748	16,838	B, G	Bonds and borrowings
Current portion of bonds	15,000	△15,000				
Accrued consumption taxes	140	△140				
Lease obligations	443	234		677		Other short-term financial liabilities
Accrued income taxes	1,017			1,017		Accrued incomes taxes
Allowance for product warranties	943	193	1,326	2,463	H	Short-term provisions
Allowance for bonuses	171	△171				
Other	1,138	△698	120	561		Other short-term liabilities
Deferred income taxes	6	△6				
Total current liabilities	41,454	△6	3,030	44,478		Total Short-term debts
Fixed liabilities						Long-term debts
Bonds payable	35,000		△116	34,883	G	Bonds and borrowings
Liabilities for retirement benefits	379			379		Pension provisions
Asset retirement obligations	101	24		125		Other long-term provisions
Lease obligation	3,853	154		4,008		Other long-term finance liabilities
Long-term accounts payable-other	681	△681				
Other	635	502	131	1,268		Other long-term

						liabilities
Deferred income taxes on land revaluation reserve	1,485	Δ1,485				
Deferred income taxes	2,577	1,491	Δ2,198	1,871	F	Deferred income taxes
Total fixed liabilities	44,714	6	Δ2,183	42,537		Total long term debts
Total liabilities	86,169	-	846	87,016		Total liabilities
Net assets						Equity
Capital	51,115			51,115		Subscribed capital
Capital surplus	64,153			64,153		Capital provision
Treasury stock	Δ3,609			Δ3,609		Treasury stock
Retained earnings	25,501		8,836	34,337	M	Revenue provisions
Other comprehensive profit	14,163	Δ14,163				
		14,197	Δ10,210	3,987	D, F J, K	Other components of equity
Stock acquisition rights	34	Δ34				
				149,984		Total equity attributable to owners of the parent company
Minority interests	4,142		Δ57	4,084		Minority interests' share of equity
Total net assets	155,501	-	Δ1,431	154,069		Total equity
Total liabilities and net assets	241,670	-	Δ584	241,085		Total liabilities and equity

(2) Reconciliation of equity for the first quarter ended June 30, 2014

The group has made necessary adjustments to its consolidated financial statements prepared in accordance with the Japanese GAAP in the course of the preparing its consolidated statements of financial position in accordance with IFRS.

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences In recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current Assets						Short-term assets
Cash and deposits	14,968	Δ19		14,949		Cash and cash equivalent
Notes and accounts receivable	30,611	1,692	Δ112	32,191	A	Trade and other receivable
		69		69		Other short-term financial assets
Goods and products	15,822	27,085	69	42,977	A	Inventories
Work in process	8,990	Δ8,990				
Raw material and supplies	18,094	Δ18,094				
Allowance for doubtful receivables	Δ201	201				
Consumption taxes receivable	1,348	Δ1,348				
Other	5,593	Δ595		4,997		Other short-term assets
Deferred income taxes	2,748	Δ2,748				
Total current assets	97,976	Δ2,748	Δ42	95,185		Total short-term assets
Fixed assets						Long-term assets
Tangible fixed assets	69,588			69,588		Tangible assets
Intangible fixed assets						
Goodwill	637		72	709	C	Goodwill
Other	5,637		9	5,647		Other intangible assets
Investments and other assets						
		14,245	406	14,652	D	Other long-term financial asset
Investments securities	63,122	Δ12,919	Δ27	50,174	E	Equity accounted investments
Long-term prepaid expenses	619	Δ619				
Long-term loans	81	Δ81				

Deferred income taxes	399	2,748	Δ1,671	1,476	F	Deferred taxes
Other	1,428	Δ624		803		Other Long term assets
Total fixed assets	141,514	2,748	Δ1,211	143,051		Total long-term assets
Total assets	239,491	-	Δ1,253	238,237		Total assets

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Short-term debts
Accounts payable-trade	11,575	11,334	△179	22,729		Trade and other payables
Accrued payments	7,958	△7,958				
Accrued expenses	2,423	△2,423				
Advances received	1,784			1,784		Payment received on accounts
Short-term bank loans	30	15,000	△6	15,023	G	Bonds and borrowings
Current portion of bonds	15,000	△15,000				
Accrued consumption taxes	97	△97				
Lease obligations	421	119		540		Other short term financial liabilities
Accrued incomes taxes	155			155		Accrued incomes taxes
Allowance for product warranties	925	232	1,340	2,498	H	Short-term provisions
Allowance for bonuses	232	△232				
Other	1,390	△973	116	533		other short term liabilities
Deferred income taxes	10	△10				
Total current liabilities	42,005	△10	1,271	43,265		Total short term debts
Fixed liabilities						Long term debts
Bonds payable	35,000		△108	34,891	G	Bonds and borrowings
Pension provisions	374			374		Pension provision
Asset retirement obligations	109	26		136		Other long-term provisions
Lease obligations	3,721	53		3,775		Other long-term financial liabilities
Long-term accounts payable-other	608	△608				
Other	528	528	131	1,187		Other long-term liabilities

Deferred income taxes on land revaluation reserve	1,485	Δ1,485				
Deferred income taxes	2,436	1,495	Δ2,206	1,726	F	Deferred income taxes
Total fixed liabilities	44,264	10	Δ2,183	42,091		Total long-term debts
Total liabilities	86,269	-	Δ912	85,357		Total liabilities
Net assets						Equity
Capital	51,115			51,115		Subscribed capital
Capital surplus	64,153		23	64,176		Capital provision
Treasury stock	Δ3,609			Δ3,609		Treasury stock
Retained earnings	24,564		9,694	34,258	M	Revenue provision
Other comprehensive profit	12,885	Δ12,885				
		12,896	Δ10,012	2,883	D, F J, K	Other components of equity
Stock acquisition rights	10	Δ10				
				148,824		Total equity attributable to owners of the parent company
Minority interests	4,102		Δ46	4,055		Minority interests' share of equity
Total net assets	153,221	-	Δ341	152,879		Total equity
Total liabilities and net assets	239,491	-	Δ1,253	238,237		Total liabilities and equity

(3) Reconciliation of equity for the previous fiscal year (ended March 31, 2015)

The group has made necessary adjustments to its consolidated financial statements prepared in accordance with the Japanese GAAP in the course of the preparing its consolidated statements of financial position in accordance with IFRS.

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences In recognition And measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current Assets						Short-term assets
Cash and deposits	21,427	△18		21,408		Cash and cash equivalent
Notes and accounts Receivable	36,521	2,276	6,150	44,948	A,B	Trade and other receivable
		869		869		Other short-term financial Assets
Goods and products	15,729	38,047	96	53,873	A	Inventories
Work in process	13,381	△13,381				
Raw material 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 short-term assets
Deferred income taxes	3,274	△3,274				
Total current assets	121,165	△3,274	6,247	124,138		Total short-term assets
Fixed assets						Long-term assets
Tangible fixed assets	72,187			72,187		Tangible assets
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 long-term financial Assets
Investments and other assets	119,478	△15,970	△4,388	99,118	E	Equity accounted investments
Long-term prepaid expenses	1,142	△1,142				

Long-term loans	39	Δ39				
Deferred income Taxes	484	3,274	Δ2,188	1,570	F	Deferred taxes
Other	1,317	Δ1		1,316		Other Long term assets
Total fixed assets	202,173	3,274	Δ 5,827	199,620		Total long-term assets
Total assets	323,339	-	419	323,759		Total assets

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Short-term debts
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		Payment received on accounts
Short-term bank loans	48,155		5,958	54,113	B	Bonds and borrowings
Accrued consumption taxes	539	△539				
Lease obligations	339			339		Other short-term financial debts
Accrued incomes taxes	4,452			4,452		Accrued incomes Taxes
Allowance for product warranties	939	19	1,426	2,385	H	Short-term provisions
Other	837	△386	108	558		Other short term liabilities
Deferred income taxes	50	△50				
Total current liabilities	85,573	△50	7,287	92,811		Total short term debts
Fixed liabilities						Long term debts
Bonds payable	35,000	20,000	△82	54,917	G	Bonds and borrowings
Long-term bank loans	20,000	△20,000				
Liabilities for retirement benefits	676			676		Pension provision
Asset retirement obligation	49	68		117		Other long-term provisions
Lease obligation	3,951			3,951		Other long term finance liabilities
Long term accounts payable-other	513	△513				
Other	704	445	131	1,280		Other long term liabilities

Deferred income taxes on land revaluation reserve	1,345	Δ1,345				
Deferred income tax	4,519	1,396	Δ2,285	3,630	F	Deferred income tax
Total fixed liabilities	66,761	50	Δ2,236	64,574		Long-term debts
Total liability	152,335	-	5,050	157,386		Total liability
Net assets						Equity
Capital	51,115			51,115		Subscribed capital
Capital surplus	64,153		32	64,185	I	Capital provision
Treasury stock	Δ6,030			Δ6,030		Treasury stock
Retained earnings	37,524		10,244	47,769	M	Revenue provision
Other comprehensive profit	19,790	Δ19,790				
		19,790	Δ14,837	4,952	D,F J,K	Other components of equity
				161,992		Total equity attributable to owners of the parent company
Minority interests	4,450		Δ69	4,380		Minority interests' share of equity
Total net assets	171,004	-	Δ4,631	166,373		Total equity
Total liabilities and net assets	323,339	-	419	323,759		Total liabilities and equity

(4) Reconciliation of profit/loss and comprehensive income for the first quarter ended June 30, 2014 (April 1, 2014 through June 30, 2014)

The group has made necessary adjustments to its consolidated financial statements prepared in accordance with the Japanese GAAP in the course of the preparing its consolidated statements of comprehensive income in accordance with IFRS.

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net sales	37,177		63	37,241	A	Sales revenue
		205	38	244	I	Other operating revenue
Cost of sales	25,087	Δ25,087				
Selling, general and administrative expense	11,121	Δ11,121				
		Δ1,288	53	Δ1,234	A	Changes in merchandise, finished goods and work in process
		18,632	16	18,649	A	Cost of raw materials and consumables
		9,656	Δ5	9,650	H,L	Personnel costs
		1,598	Δ68	1,530	C	Depreciation
		8,212	Δ49	8,162		Other operating expenses
Operating income	968	Δ397	156	726		Operating income
Non-operating income		115		115		Financial income
Interest income	6	Δ6				
Dividends	109	Δ109				
Equality in earnings of affiliates	324		712	1,037	E	Share of profits and losses of at equity-accounted investments
Other income	105	Δ105				
Non-operating expenses		125	13	138	G	Financial expenses
Interest expense	125	Δ125				
Commission paid	42	Δ42				
Exchange loss	496	Δ496				
Other expense	37	Δ37				
Extraordinary income						
Gain from sales of fixed assets	4	Δ4				
Gain on reversal of subscription rights to shares	23	Δ23				
Gain on change in equality	64	Δ64				
Gain on sales of other investment	8	Δ8				
Extraordinary loss						
Loss on disposal of fixed	25	Δ25				

assets						
Loss on sales of other investment	1	Δ1				
Income before income taxes and minority interests	885	-	855	1,741		Earnings before taxes
Income tax	269	Δ185	Δ5	78	F	Income taxes
Income tax deferred	Δ185	185				
Income before minority interests	801	-	861	1,662		Quarterly profit

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Other comprehensive income						Other comprehensive income
Valuation difference on available-for-sale securities	560		Δ 27	533	D	Changes in the fair value measurement of available-for-sale assets
Remeasurements of defined benefit plans	10		Δ2	7	L	New calculation of benefit-oriented pension plans
Deferred gains or losses on hedges	145			145		Changes in market value of hedging instruments
Translation adjustment	Δ455		12	Δ443	J	Differences from currency translation
Comprehensive income of associates accounted for using equity method	Δ1,547		223	Δ1,323	E	Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	Δ1,286		205	Δ1,080		Total other comprehensive income after tax
Comprehensive income	Δ485		1,066	581		Quarterly comprehensive income
Net income : (Owners of the parent company)	801	20	850	1,672		Quarterly profit attribute to : Owners of the parent company
		Δ20	10	Δ9		Non-controlling interest
Comprehensive income: Attributable to owners of	Δ455		1,056	600		Total comprehensive income attribute to : Owners of the parent

the parent company					company
Attributable to owners of					Minority interest
Minority interests	Δ29		10	Δ18	

(5) Reconciliation of profit/loss and comprehensive income for the previous fiscal year ended March 31, 2015 (April 1, 2014 through March 31, 2015)

The group has made necessary adjustments to its consolidated financial statements prepared in accordance with the Japanese GAAP in the course of the preparing its consolidated statements of comprehensive income in accordance with IFRS.

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net sales	174,660		Δ294	174,365	A	Sales revenue
		4,741	23	4,765	I	Other operating revenue
Cost of sales	112,189	Δ112,189				
Selling, general and administrative expense	48,233	Δ48,233				
		Δ4,687	86	Δ4,600	A	Changes in merchandise, finished goods and work in process
		87,481	Δ11	87,470	A	Cost of raw materials and consumables
		39,574	36	39,610	H,L	Personnel costs
		7,092	Δ329	6,793	C	Depreciation
		32,440	Δ749	31,690	C	Other operating expenses
Operating income	14,236	3,264	695	18,196		Operating income
Non-operating income		491		491		Financial income
Interest income	32	Δ32				
Dividends	459	Δ459				
Exchange gain	3,662	Δ3,662				
Equality in earnings of affiliates	3,503		1,472	4,976	E	Share of profits and losses of at equity-accounted investments
Other income	413	Δ413				
Non-operating expenses		532	45	578	G	Financial expenses
Interest expense	532	Δ532				
Fees and Commission	1,302	Δ1,302				
Other expense	118	Δ118				
Extraordinary income						
Gain on sales of fixed assets	123	Δ123				
Gain on sales of investment securities	7	Δ7				
Gain on sales of shares of subsidiaries and associates	230	Δ230				
Gain on reversal of subscription rights to	32	Δ32				

shares						
Gain on change in equality	57	Δ57				
Gain on sales of other investment	8	Δ8				
Gain on transfer from business divestitures	162	Δ162				
Gain on liquidation of subsidiaries and affiliates	43	Δ43				
Extraordinary loss						
Loss on sales of fixed assets	0	Δ0				
Loss on disposal of assets	54	Δ54				
Loss on sales of other investment	1	Δ1				
Total expense						
Income before income taxes	20,963	-	2,122	23,086		Earnings before taxes
Income tax	4,876	610	270	5,757	F	Income taxes
Income taxes deferred	610	Δ 610				
Income before minority interests	15,476	-	1,851	17,328		Annual Profits

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Other comprehensive income						Other comprehensive income
Valuation difference on available-for-sale securities	2,593		16	2,609	D	Changes in the fair value measurement of available-for-sale assets
Remeasurements of defined benefit plans	Δ238		Δ215	Δ454	L	New calculation of benefit-oriented pension plans
Deferred gains or losses on hedges	589			589		Changes in market value of hedging instruments
Revaluation reserve for land	139		Δ139	-	K	—
Translation adjustment	2,265		Δ41	2,224	J	Differences from currency translation
Comprehensive income of	328		Δ4,702	Δ4,374	E	Comprehensive

associates accounted for using equity method						income of associates accounted for using equity method
Total other comprehensive income	5,677		Δ5,083	594		Total other comprehensive income after tax
Comprehensive income	21,154		Δ3,231	17,922		Comprehensive income
Net income : (Owners of the parent company)	15,476	Δ260	1,864	17,080		Annual profit attribute to : Owners of the parent company
		260	Δ12	248		Minority interest
Comprehensive income : Attributable to owners of the parent company	20,840		Δ3,218	17,621		Comprehensive income attribute to : Owners of the parent company
Attributable to minority interests	314		Δ12	301		Minority interest

(6) Notes on reconciliation of equity, profit/loss and reconciliation of comprehensive income

(a) Notes on the reclassification

All deferred tax assets that were classified as current assets under the Japan GAAP are classified as "Deferred tax assets" under long-term assets. All deferred tax liabilities that were classified as current liabilities under the Japan GAAP are classified as "Deferred tax liabilities" under long-term debts.

A part of the sales promotion expense that were classified as "Selling, general and administrative expenses" under the Japan GAAP is subtracted from sales revenue based on IFRS

While under the Japan GAAP, generated expenses are classified and presented as "Cost of sales, selling, general and administrative expense, non-operating expense" based on function of expense method, we apply nature of expense method under IFRS.

(b) Notes on difference in recognition and measurement

A. Revenue recognition

For sales of some goods, revenue was recognized on the delivery basis. In IFRS the income is recognized at the point when the risk and economic value is transferred.

B. Reversal of cancellation of trade receivable recognition

Some operating receivables which are under the contract for transferring the receivables and transferred to the financial institutions have been not recognized as operating receivables under the Japan GAAP, under IFRS, however, since it does not meet the requirement to cancel the recognition, "Trade and other receivable" and "bonds and borrowings" have increased.

C. Business combination

Goodwill is amortized over a certain period under Japan GAAP. Under IFRS, goodwill is not periodically amortized. The goodwill amortization expenses under Japan GAAP have been reversed. Under Japan GAAP, share acquisition costs associated with business combination are included in purchase cost, under IFRS, on the other hand, those costs are expensed as they occur.

D. Change in fair value of other financial assets

For investment securities without market value, their amounts were recorded based on the moving- average method with cost method under Japan GAAP. Under IFRS the fair value of the securities are assessed, and the differences between the acquisition prices are recognized as other components of equity.

E. Equity accounted investments

Costs for development in the affiliated company accounted for by the equity-method were recognized as expense under Japan GAAP. Under IFRS those costs have been capitalized as intangible assets.

Goodwill in the affiliated company accounted for by the equity-method is amortized over a certain period under Japan GAAP while there is no regular amortization under IFRS.

For the affiliated company accounted for by the equity-method with different closing date, financial statements of the same fiscal year were used under Japan GAAP while financial statements of the same period are used under IFRS.

F. Tax effect accounting

Due to the recognition of revenue, allocation of accrued liability, and other adjustments to IFRS, temporary differences have occurred

For the tax effect accounting with the elimination of unrealized profit and loss, tax effect amount was calculated based on the effective tax rate which

will be applied to selling company under Japan GAAP. Under IFRS, on the other hand, the used effective tax rate is based on that will be applied to purchasing company.

G. Bonds and borrowings

Expenses for new issuance of bonds were recognized when it occurred under Japan GAAP. All the financial debt including bond is calculated by the effective interest method and recognized at amortized cost.

H. Provisions

Under Japan GAAP, there are no accounting standards for the recognition of liabilities for unused annual leave; however, these liabilities are accrued as provisions under IFRS.

I. Share acquisition rights

The amount due to reversal of the share acquisition right was recorded as extraordinary profit under Japan GAAP. Under IFRS, it is recorded in the Capital Surplus

J. Cumulative translation differences of foreign operation

Pursuant to the exemptions in IFRS 1 "First-time Adoption of International Financial Reporting Standards", all accumulated translation differences are transferred to "Retained earnings" at the date of transition to IFRS.

K Deemed cost

Under the Japanese GAAP, the Company revaluated its land for operational usage in accordance with the laws "Act on Revaluation of Land" (Act No. 34 of March 31, 1998). Under IFRS, however, the company reversed the revaluation by the application of deemed cost.

L New calculation of benefit-oriented pension plans

Regarding liability for retirement benefits, actuarial differences generated in previous years were depreciated for a certain period under the Japanese GAAP. Under IFRS, however, such actuarial differences are recognized through comprehensive income.

M Revenue provisions

(Yen in Millions)

	Date of transition to IFRS April 1 1,2014	The previous 1st consolidated quarter June 30, 2014	The previous consolidated fiscal year March 31, 2015
Adjustment for operating receivables and inventories (see Note A)	Δ52	Δ23	Δ22
Impact of capitalized development costs of entities accounted for using equity method (see Note E)	195	196	236
Impact of unification of accounting period of entities accounted for using equity method (see Note E)	305	679	300
Adjustment for bonds issuance cost (see Note G)	82	74	317
Adjustment for unused annual leave (see Note H)	Δ709	Δ709	Δ770

Adjustment for depreciation of goodwill (see Note C, E)	-	395	1,691
Adjustment for differences from currency translation (see Note J)	7,609	7,609	7,609
Adjustment by reversal of Land revaluation reserve (see Note K)	1,759	1,759	1,898
Adjustment for tax effects on account of elimination of unrealized gains or losses (see Note L)	342	370	63
Others	△699	△652	△1,080
Total adjustment of retained earnings	8,836	9,694	10,244

(7) Significant adjustments to consolidated statements of cash flows for the previous first consolidated quarter (April 1,2014 through June 30,2014) and the previous consolidated fiscal year (April 1,2014 through March 31,2015)

There are no significant differences between consolidated statements of cash flows disclosed under IFRS and those disclosed under the Japanese GAAP.