

Summary of Consolidated Financial Statements for the second quarter of Fiscal Year 2015 ended September 30, 2015 (IFRS basis)
(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the second quarter announced on November 10, 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>
 Company Representative: Masahiko Mori, President
 Contact Person: Tatsuo Kondo, Vice President, Accounting / Finance HQ, Executive Officer
 Phone: +81-52-587-1811

Filing date of quarterly financial statements: November 13, 2015

Estimated starting date of dividend paying: —

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 second quarter ended September 30, 2015 (April 1, 2015 to September 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	%		
Second quarter ended September 30, 2015	196,735	144.8	38,679	600.1	37,860	384.3	36,455	445.9	33,043	401.0	35,313	379.6		
Second quarter ended September 30, 2014	80,364	-	5,525	-	7,817	-	6,678	-	6,595	-	7,363	-		

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Second quarter ended September 30, 2015	262.16	262.16
Second quarter ended September 30, 2014	50.76	50.76

(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	%
September 30, 2015	575,262	221,856	167,102	29.0
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

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

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

	Sales Revenue		Operating result		Income attributable to owners of the parent company		Basic earnings per share
	million yen	%	million yen	%	million yen	%	yen
	Full Year 2015	300,000	-	30,000	-	16,500	-

(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. Since it is in the transition period, there is no "% of change from same period in the previous year" written in this report.

※Notes

(1) Changes in significant subsidiaries during the first half of the fiscal year 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)

September 30, 2015: 132,943,683

March 31, 2015: 132,943,683

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

September 30, 2015: 7,357,711

March 31, 2015: 5,015,329

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

April - September 2015: 126,039,589

April - September 2014: 129,938,289

- 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 second 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 November 10, 2015.

1. Qualitative Information Regarding Quarterly Settlement of Accounts	
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of forecasts and other projections	2
2. Other Information	
(1) Changes in significant subsidiaries during the three months ended September 30, 2015	3
3. Quarterly Consolidated Financial Statements	
(1) Quarterly consolidated statements of financial position	4
(2) Quarterly consolidated statements of income	6
(3) Quarterly consolidated statements of comprehensive income	7
(4) Quarterly consolidated statements of changes in equity	8
(5) Quarterly consolidated statements of cash flows	10
(6) Notes on going concern assumption	12
(7) Notes on quarterly consolidated financial statements	12

1. Quantitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

During the first half of the fiscal year 2015 (from April 1 to September 30, 2015), the sales revenues were 196,735 million yen, and the operating result was 38,679 million yen, and earnings before taxes were 37,860 million yen. The income attributable to owners of the parent company was 33,043 million yen.

We currently put a focus on an expansion of market share, improvement of profitability and asset utilization through business collaboration with DMG MORI AKTIENGESELLSCHAFT (hereafter "AG"). We plan to integrate current 300 machine models into approximately 150 models by 2020. Also, we continuously make efforts to boost the competitiveness of product line-up by developing new models proactively. We have developed vertical machining centers of the *ecoMill V* series, the new ECOLINE series models: "*ecoMill 600 V*," "*ecoMill 800 V*," and "*ecoMill 1100 V*." The ECOLINE series models are jointly developed with AG using advanced technologies of both companies, which ensures high precision, high rigidity and high productivity. This model will be jointly produced on a global basis in both AG and our facilities and we will provide service to customers in each location. At "EMO Milano 2015," we first showcased the fourth generation of duoBLOCK series. The models are the new generation machining centers equipped with drastically improved precision, functionality and workability.

We continue to work on standardization of material components such as spindle, turret and ATC and improvement of product quality and machine technical specification/performance. Optimizing an advantage of our in-house production, we produce standardized components, provide them to AG and pursue an improvement of operating rate at production line.

DMG MORI directs our energies to application improvements to strengthen our capability for total solution proposal for various production related issues that customers may have. At the Iga Global Solution Center, the world's largest showroom which was wholly revamped with an extended area of 3,500 m² and at "IGA Innovation Days 2015", we provided customers with practical and technical know-how with many past case examples and live demonstration as well as various solutions to help customers improve productivity. We are in the process of constructing a dedicated turnkey plant at the Nara Campus and will establish a production system that enables us to provide customers with immediate and best-qualified solutions. As for products, we will continuously support our customers' production efficiency developing application of user interface CELOS that keeps pace with industry 4.0/IoT and improving incorporated software.

Due to favor of capital investment credit and government subsidy, demand in Japan expects to be on an upward trend. In the US, while energy industry remains on the same level, orders from automotive, medical and aircraft related industries are moving steadily. In Europe, demand in Italy where "EMO Milano 2015" was held is on high level, overall trend, however, remains on the same level. Chinese market is on the bearish side, but we maintain certain volume of orders by self-help efforts. Although demand in Asia is not vigorous, we try to receive as many orders as possible expanding sales and service network in some countries, such as Indonesia and Korea.

(2) Explanation of financial position

Due to AG group being one of the consolidated companies, total assets at the end of the second quarter of fiscal year 2015 is 575,262 million yen. Total equity is 221,856 million yen and ratio of equity attributable to owners of the parent company is 29.0%.

(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 six months ended September 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	September 30, 2015
(Assets)			
Short-term assets			
Cash and cash equivalent	18,916	21,408	35,677
Trade and other receivable	35,530	44,948	87,522
Other financial assets	82	869	5,861
Inventories	40,856	53,873	139,310
Other short-term assets	2,578	3,038	24,553
Total short-term assets	97,965	124,138	292,927
Long-term assets			
Tangible assets	69,009	72,187	135,663
Goodwill	704	1,164	98,759
Other intangible assets	5,408	6,639	16,868
Other financial assets	13,856	17,624	16,677
Equity accounted investments	51,635	99,118	610
Deferred tax assets	1,657	1,570	10,628
Other long-term assets	847	1,316	3,126
Total long-term assets	143,120	199,620	282,334
Total assets	241,085	323,759	575,262

	April 1, 2014 (Date of transition to IFRS)	March 31, 2015	September 30, 2015
(Liabilities)			
Short-term debts			
Trade and other payables	20,779	29,304	56,574
Bonds and borrowings	16,838	54,113	82,204
Payment received on accounts	2,141	1,657	21,099
Other short term financial liabilities	677	339	1,825
Accrued income taxes	1,017	4,452	4,532
Short-term provisions	2,463	2,385	26,555
Other short term liabilities	561	558	3,340
Total short-term debts	44,478	92,811	196,132
Long-term debts			
Bonds and borrowings	34,883	54,917	139,612
Other long-term financial liabilities	4,008	3,951	3,999
Pension provisions	379	676	6,990
Other long-term provisions	125	117	4,271
Deferred income taxes	1,871	3,630	139
Other long-term liabilities	1,268	1,280	2,260
Total long-term debts	42,537	64,574	157,273
Total liabilities	87,016	157,386	353,405
(Equity)			
Subscribed capital	51,115	51,115	51,115
Capital provision	64,153	64,185	44,823
Treasury stock	△3,609	△6,030	△13,492
Revenue provisions	34,337	47,769	77,692
Other components of equity	3,987	4,952	6,963
Total equity attributable to owners of the parent company	149,984	161,992	167,102
Minority interests' share of equity	4,084	4,380	54,753
Total equity	154,069	166,373	221,856
Total liabilities and equity	241,085	323,759	575,262

(2) Quarterly consolidated statements of income

(Yen in Millions)

	Second quarter ended September 30, 2014 (April 1, 2014 through September 30, 2014)	Second quarter ended September 30, 2015 (April 1, 2015 through September 30, 2015)
Revenue		
Sales revenues	80,364	196,735
Other operating revenues	1,466	39,719
Operating performance	81,830	236,455
Cost		
Changes in finished goods and work in progress	△293	△10,467
Cost of raw materials, consumables and goods	39,487	92,105
Personnel costs	19,410	60,451
Depreciation	3,221	7,805
Other operating expenses	14,479	47,881
Total cost	76,305	197,776
Operating result	5,525	38,679
Financial income	339	330
Financial expense	278	1,286
Share of profits of at equity-accounted investments	2,231	137
Earnings before taxes	7,817	37,860
Income taxes	1,139	1,404
Quarterly profit	6,678	36,455
Quarterly profit attributable to:		
Owners of the parent company	6,595	33,043
Minority interests	82	3,412
Quarterly profit	6,678	36,455
Quarterly profit per share		
Basic earnings per share (yen)	50.76	262.16
Diluted earnings per share (yen)	50.76	262.16

(3) Quarterly consolidated statements of comprehensive income

(Yen in Millions)

	Second quarter ended September 30, 2014 (April 1, 2014 through September 30, 2014)	Second quarter ended September 30, 2015 (April 1, 2015 through September 30, 2015)
Quarterly profit	6,678	36,455
Other comprehensive income		
Items never reclassified to income statement		
New calculation of benefit-oriented pension plans	3	1
Sum of items never reclassified to income statement	3	1
Items that will be reclassified to profit or loss		
Differences from currency translation	764	399
Changes in market value of hedging instruments	159	Δ210
Change in the fair value measurement of available-for-sale assets	1,214	Δ1,329
Share of other comprehensive income of associates accounted for using equity method	Δ1,456	Δ2
Sum of items which are reclassified to the income statement	681	Δ1,143
Total other comprehensive income	685	Δ1,142
Total comprehensive income	7,363	35,313
Total comprehensive income attributable to:		
Owners of the parent company	7,255	30,998
Minority interests	107	4,315
Total	7,363	35,313

(4) Quarterly consolidated statements of changes in equity

Second quarter in 2014 (April 1 through September 30, 2014)

(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					6,595		6,595	82	6,678
Other comprehensive income						660	660	25	685
Comprehensive income		-	-	-	6,595	660	7,255	107	7,363
Change of own shares				△0			△0		△0
Dividend payment for financial year 2013					△1,594		△1,594	△14	△1,608
Share-based payment transactions			32			△34	△2	5	3
Changes of ownership interest for subsidiary company under continuous control							-		-
Transfer other component of capital to retained earnings					3	△3	-		-
Other					△6	2	△4	0	△4
Total of the contribution by owner and distribution to the owner		-	32	△0	△1,597	△35	△1,601	△8	△1,609
Purchase of non-controlling interests							-		-
Amount of change of Ownership interest for Subsidiary company		-	-	-	-	-	-	-	-
At as September 30, 2014		51,115	64,185	△3,610	39,336	4,611	155,639	4,184	159,823

	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					33,043		33,043	3,412	36,455
Other comprehensive income						△2,045	△2,045	902	△1,142
Comprehensive income		-	-	-	33,043	△2,045	30,998	4,315	35,313
Change of own shares				△1			△1		△1
Dividend payment for fiscal year 2014					△3,121		△3,121	△2,796	△5,917
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					1	△1	-		-
Other							-		-
Total of the contribution by owner Distribution to the owner		-	-	△5,926	△3,120	4,056	△4,990	53,483	48,493
Purchase of non-controlling interests			△19,362	△1,535			△20,897	△7,425	△28,323
Amount of change of Ownership interest for Subsidiary company		-	△19,362	△1,535	-	-	△20,897	△7,425	△28,323
At as September 30, 2015		51,115	44,823	△13,492	77,692	6,963	167,102	54,753	221,856

(5) Quarterly consolidated statements of cash flows

(Yen in Millions)

	Second quarter ended September 30, 2014 (April 1, 2014 through September 30, 2014)	Second quarter ended September 30, 2015 (April 1, 2015 through September 30, 2015)
Cash flow from operating activities		
Earnings before taxes	7,817	37,860
Depreciation	3,221	7,805
Gain on step acquisition	-	△37,296
Loss (gain) on sales/disposal of fixed assets	29	45
Financial results	△60	956
Equity in loss (earnings) of equity method	△2,231	△137
Other income and expense not affecting payments	△1,598	△3,183
Changes in Inventories (△: increase)	△3,920	△11,917
Changes in trade and other receivables (△: increase)	△2,949	2,912
Changes in trade and other payables (△: increase)	473	△3,629
Change in provisions	△68	1,379
Others	△2,140	△3,319
Sub total	△1,428	△8,524
Interest received	10	160
Dividends received	1,329	174
Interest paid	△259	△1,246
Income tax paid	△770	△7,407
Cash flow from operating activities	△1,118	△16,842
Cash flow from investment activities		
Amount paid out for investments in tangible assets	△3,705	△12,464
Amount received from the sale of tangible assets	190	768
Amount paid out for investments in intangible assets	△720	△2,234
Amount paid out for investments in subsidiary stocks	-	△4,808
Other	△293	△353
Cash flow from investment activities	△4,528	△19,092

(Yen in Millions)

	Second quarter ended September 30, 2014 (April 1, 2014 through September 30, 2014)	Second quarter ended September 30, 2015 (April 1, 2015 through September 30, 2015)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	Δ1,820	Δ13,407
Amount received from long-term loans	20,000	93,578
Payments for long-term loans	-	Δ1,326
Redemption of corporate bonds	Δ15,000	-
Dividends paid	Δ1,592	Δ2,907
Dividends paid for minority shareholders	Δ14	Δ2,796
Payments for acquisition of minority shares	-	Δ22,451
Payments for acquisition of treasury stock	Δ0	Δ1
Other	Δ234	Δ622
Cash flow from financing activities	1,337	50,065
Differences from currency translation associated with cash and cash equivalents	122	138
Increase (decrease) in cash and cash equivalents	Δ4,187	14,269
Opening balance of cash and cash equivalents	18,916	21,408
Cash and cash equivalents at the end of the period	14,729	35,677

(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 September 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, Turning Centers, Turn-Mill Complete Machining Centers, Universal Milling machines for 5-axis machining) , software (user interface, installation software) and measuring devices and providing total solutions utilizing the machine tools, software and measuring devices with service support, application and engineering.

2. Basis of preparations

(1) Accounting standards complied with

These quarterly consolidated financial statements have been prepared in accordance with 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.

Second quarter ended September 30, 2014 (April 1, 2014 through September 30, 2014)

	(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	63,672	16,692	80,364	-	-	80,364
Sales revenue with other segments	34,955	7,563	42,519	-	Δ42,519	-
Total	98,628	24,256	122,884	-	Δ42,519	80,364
Segment income	7,148	3,040	10,189	Δ2,516	83	7,756
Interest Receivable						339
Interest Payable						Δ278
Earnings before Taxes						7,817

(Note)

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

Second quarter ended September 30, 2015 (April 1, 2015 to September 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	139,234	57,486	196,720	14	-	196,735
Sales revenue with other segments	63,814	12,988	76,803	1,422	Δ78,225	-
Total	203,049	70,474	273,523	1,437	Δ78,225	196,735
Segment income	18,971	24,067	43,038	Δ7,442	3,220	38,816
Interest Receivable						330
Interest Payable						Δ1,286
Earnings before Tax						37,860

(Note)

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

4. Business Combination

Second quarter ended September 30, 2015 (April 1, 2015 through September 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, we will seek for more cooperative effects going forward. 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, expansion of component distribution utilizing in-house production technology and production at the place of demand. In the field of service, we will enlarge service network to facilitate technology exchange and strengthen service support structure on a global basis. As for human resources, we will continuously focus on personnel training through improvement of productivity, reduction of working time and employee training.

(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	157,353

liabilities assumes	
The company shares AG holds and other	Δ13,552
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 149,982 million yen and 7,503 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.

② Deemed 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.

③ Cumulative 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 0.

For "Reconciliation of equity as of transition date (April 1, 2014) and closing date of the previous fiscal year (March 31, 2015)" and "Reconciliation of profit/loss and comprehensive income for the previous fiscal year ended March 31, 2015 (April 1, 2014 through March 31, 2015)", please refer to "Summary of Consolidated Financial Statements for the first quarter of Fiscal Year 2015 ended June 30, 2015, 3. Quarterly Consolidated Financial Statements (7) Notes on quarterly consolidated financial statements 5. First-time Adoption".

(1) Reconciliation of equity for the second quarter ended September 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.

(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	14,748	Δ19		14,729		Cash and cash equivalent
Notes and accounts receivable	36,891	2,820	Δ651	39,060	A	Trade and other receivable
		70		70		Other short-term financial assets
Goods and products	13,941	30,593	92	44,627	A	Inventories
Work in process	10,226	Δ10,226				
Raw material and supplies	20,367	Δ20,367				
Allowance for doubtful receivables	Δ226	226				
Consumption taxes receivable	911	Δ911				
Other	5,127	Δ2,187		2,939		Other short-term assets
Deferred income taxes	2,420	Δ2,420				
Total current assets	104,406	Δ2,420	Δ558	101,427		Total short-term assets
Fixed assets						Long-term assets
Tangible fixed assets	70,916			70,916		Tangible assets
Intangible fixed assets						
Goodwill	613		152	765	C	Goodwill
Other	5,946		20	5,966		Other intangible assets
Investments and other assets						
		15,518	429	15,948	D	Other long-term financial asset
Investments securities	64,007	Δ14,231	1,663	51,439	E	Equity accounted investments
Long-term prepaid	1,052	Δ1,052				

expenses						
Long-term loans	66	Δ66				
Deferred income taxes	330	2,420	Δ1,429	1,321	F	Deferred taxes
Other	1,400	Δ167		1,232		Other Long term assets
Total fixed assets	144,333	2,420	835	147,590		Total long-term assets
Total assets	248,740	-	277	249,017		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	13,364	8,202	△171	21,396		Trade and other payables
Accrued payments	5,205	△5,205				
Accrued expenses	2,424	△2,424				
Advances received	1,010			1,010		Payment received on accounts
Short-term bank loans	30			30		Bonds and borrowings
Accrued consumption taxes	234	△234				
Lease obligations	397	146		543		Other short term financial liabilities
Accrued incomes taxes	935			935		Accrued incomes taxes
Allowance for product warranties	931	149	1,331	2,413	H	Short-term provisions
Allowance for bonuses	133	△133				
Other	735	△500	116	351		other short term liabilities
Deferred income taxes	36	△36				
Total current liabilities	25,438	△36	1,277	26,679		Total short term debts
Fixed liabilities						Long term debts
Bonds payable	35,000	20,000	△100	54,899	G	Bonds and borrowings
Long-term bank loans	20,000	△20,000				
Pension provisions	388			388		Pension provision
Asset retirement obligations	48	29		78		Other long-term provisions
Lease obligations	3,846	26		3,873		Other long-term financial liabilities
Long-term accounts payable-other	573	△573				
Other	540	517	131	1,189		Other long-term liabilities

Deferred income taxes on land revaluation reserve	1,485	Δ1,485				
Deferred income taxes	2,511	1,521	Δ1,948	2,084	F	Deferred income taxes
Total fixed liabilities	64,395	36	Δ1,917	62,514		Total long-term debts
Total liabilities	89,834	-	Δ640	89,193		Total liabilities
Net assets						Equity
Capital	51,115			51,115		Subscribed capital
Capital surplus	64,153		32	64,185	I	Capital provision
Treasury stock	Δ3,610			Δ3,610		Treasury stock
Retained earnings	29,624		9,712	39,336	M	Revenue provision
Other comprehensive profit	13,395	Δ13,395				
		13,395	Δ8,783	4,611	D, F J, K	Other components of equity
				155,639		Total equity attributable to owners of the parent company
Minority interests	4,227		Δ43	4,184		Minority interests' share of equity
Total net assets	158,905	-	917	159,823		Total equity
Total liabilities and net assets	248,740	-	277	249,017		Total liabilities and equity

(2) Reconciliation of profit/loss and comprehensive income for the second quarter ended September 30, 2014 (April 1, 2014 through September 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	80,401		Δ37	80,364	A	Sales revenue
		1,446	19	1,466	I	Other operating revenue
Cost of sales	53,672	Δ53,672				
Selling, general and administrative expense	22,154	Δ22,154				
		Δ347	54	Δ293	A	Changes in merchandise, finished goods and work in process
		39,494	Δ6	39,487	A	Cost of raw materials and consumables
		19,422	Δ11	19,410	H,L	Personnel costs
		3,362	Δ140	3,221	C	Depreciation
		14,119	360	14,479		Other operating expenses
Operating income	4,574	1,222	Δ272	5,525		Operating income
Non-operating income		339		339		Financial income
Interest income	10	Δ10				
Dividends	329	Δ329				
Exchange gain	1,024	Δ1,024				
Equity in earnings of affiliates	1,030		1,200	2,231	E	Share of profits and losses of at equity-accounted investments
Other income	160	Δ160				
Non-operating expenses		250	28	278	G	Financial expenses
Interest expense	250	Δ250				
Commission paid	111	Δ111				
Other expense	76	Δ76				
Extraordinary income						
Gain from sales of fixed assets	4	Δ4				
Gain on reversal of subscription rights to shares	32	Δ32				
Gain on change in equality	54	Δ54				
Gain on sales of other investment	8	Δ8				
Gain on transfer from	162	Δ162				

business divestitures						
Extraordinary loss						
Loss on sales of fixed assets	0	Δ0				
Loss on disposal of fixed assets	34	Δ34				
Loss on sales of other investment	1	Δ1				
Income before income taxes and minority interests	6,916	-	900	7,817		Earnings before taxes
Income tax	1,042	85	11	1,139	F	Income tax
Income tax deferred	85	Δ85				
Income before minority interests	5,789	-	888	6,678		Quarterly profit

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Other comprehensive income						Other comprehensive income
Valuation difference on available-for-sale securities	1,225		Δ10	1,214	D	Changes in the fair value measurement of available-for-sale assets
Remeasurements of defined benefit plans	14		Δ10	3	L	New calculation of benefit-oriented pension plans
Deferred gains or losses on hedges	159			159		Changes in market value of hedging instruments
Translation adjustment	746		18	764	J	Differences from currency translation
Comprehensive income of associates accounted for using equity method	Δ2,890		1,434	Δ1,456	E	Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	Δ745		1,430	685		Total other comprehensive income after tax
Comprehensive income	5,044		2,319	7,363		Quarterly comprehensive income
Net income :						Quarterly profit attribute to :

(Owners of the parent company)	5,789	68	874	6,595	Owners of the parent company
		Δ68	14	82	Non-controlling interest
Comprehensive income:					Total comprehensive income attribute to :
Attributable to owners of the parent company	4,950		2,305	7,255	Owners of the parent company
Attributable to owners of Minority interests	93		14	107	Minority interests

(3) 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 2nd consolidated quarter September 30, 2014	The previous consolidated fiscal year March 31, 2015
Adjustment for operating receivables and inventories (see Note A)	Δ52	Δ22	Δ22
Impact of capitalized development costs of entities accounted for using equity method (see Note E)	195	204	236
Impact of unification of accounting period of entities accounted for using equity method (see Note E)	305	795	300
Adjustment for bonds issuance cost (see Note G)	82	64	317
Adjustment for unused annual leave (see Note H)	Δ709	Δ709	Δ770

Adjustment for depreciation of goodwill (see Note C, E)	-	848	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	195	63
Others	△699	△1,032	△1,080
Total adjustment of retained earnings	8,836	9,712	10,244

(4) Significant adjustments to consolidated statements of cash flows for the previous second consolidated quarter (April 1, 2014 through September 30, 2014) and the previous 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.