

Note: This document has been translated from the Japanese original for reference purposes only.
 In the event of any discrepancy between this translated document and the Japanese original document, the latter shall prevail.

Date: May 10, 2023

Summary of Consolidated Financial Statements for the First quarter of Fiscal Year 2023 ended March 31, 2023 (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 May 10, 2023)

Listed company name: DMG MORI CO., LTD.
 Stock exchange listing: Prime Section of Tokyo Stock Exchange
 Code Number: 6141 URL <https://www.dmgmori.co.jp>
 Company Representative: Masahiko Mori, President
 Contact Person: Hirotake Kobayashi, Executive Vice President, Accounting / Finance HQ, Executive Officer
 Phone: +81-(0)3-6758-5900

Filing date of quarterly financial statements: May 12, 2023

Estimated starting date of dividend payment: -

Preparation of supplementary explanatory materials: Yes

Holding of quarterly earnings release conference: Yes

1. Consolidated business results of the First quarter ended March 31, 2023 (January 1, 2023 to March 31, 2023)

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

	(1) Consolidated business results												(% of change from same period in the previous year)			
	Sales revenues		Operating profit		Profit before income taxes		Quarterly profit		Profit attributable to owners of the parent		Comprehensive income					
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%				
First quarter ended March 31, 2023	123,225	14.9	9,695	2.6	8,480	(4.9)	6,194	(1.9)	6,297	0.4	7,251	(37.0)				
First quarter ended March 31, 2022	107,262	32.2	9,451	137.1	8,917	184.5	6,314	247.0	6,271	246.0	11,510	113.5				

	Basic earnings		Diluted earnings	
	per share		per share	
	Yen		Yen	
First quarter ended March 31, 2023	46.70		46.70	
First quarter ended March 31, 2022	46.66		46.66	

(Note) Earnings per share is calculated based on the profit which excludes profit attributable to owners of other equity instruments.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	million yen	million yen	million yen	%	yen
March 31, 2023	704,245	252,137	247,758	35.2	1,972.40
December 31, 2022	680,334	250,374	245,897	36.1	1,957.61

(Note) Ratio of equity attributable to owners of the parent and equity per share attributable to owners of the parent are based on the equity amount which includes amounts of other equity instruments.

2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
December 31, 2022	-	30.00	-	40.00	70.00
December 31, 2023	-				
December 31, 2023 (Forecast)		40.00	-	40.00	80.00

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

3. Consolidated financial forecast for Fiscal Year 2023 (January 1, 2023 to December 31, 2023)

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

	Sales revenues		Operating profit		Profit attributable to owners of the parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	yen
Full Year 2023	500,000	5.3	50,000	21.3	32,000	26.0	240.95

(Note)

Revision of consolidated financial forecast in the current quarter: No

• Exchange rate used for consolidated financial forecast for fiscal year 2023: JPY 130.0 /USD 140.0 /EUR

4. Others

(1) Changes in significant subsidiaries during the First quarter ended March 31, 2023: No

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

1. Changes in accounting policies required by IFRS: Yes

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

3. Changes in accounting estimates: No

(3) Number of shares outstanding (Common shares)

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

March 31, 2023: 125,953,683

December 31, 2022: 125,953,683

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

March 31, 2023: 469,472

December 31, 2022: 472,396

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

January - March 2023: 125,482,817

January - March 2022: 125,048,820

(Note) The Company implemented trust-type employee stock ownership incentive plan in April 2018. Therefore, the shares of the company held by DMG MORI Employee Shareholders Association Exclusive Trust are included in the number of treasury shares at the end of period (0 shares as of December 31, 2022, and 0 shares as of March 31, 2023). In addition, the Company's shares held by the trust account are included in the treasury shares to be deducted in the calculation of the average number of

shares during the period (421,775 shares from January 1 to March 31, 2022, and 0 shares from January 1 to March 31, 2023). Notably, the trust was terminated in July 2022.

- Information regarding implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures.

- Proper use of the financial forecasts and other notes

(Precautions regarding future descriptions)

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 2023 (Forecast), please see "1. Qualitative Information Regarding Quarterly Settlement of Accounts (3) Explanation of forecasts and other projections" on page 3.

(How to obtain supplementary explanatory materials for quarterly financial results)

The supplementary explanatory material for the quarterly financial results is scheduled to be posted on the Company's website on May 10, 2023 (Wednesday).

(Attached Documents) Index

1. Qualitative Information Regarding Quarterly Settlement of Accounts	2
(1) Explanation of operating results	2
(2) Explanation of financial position	3
(3) Explanation of forecasts and other projections	3
2. Quarterly Consolidated Financial Statements.....	4
(1) Quarterly consolidated statement of financial position	4
(2) Quarterly consolidated statement of profit or loss	6
(3) Quarterly consolidated statement of comprehensive income	7
(4) Quarterly consolidated statement of changes in equity	8
(5) Quarterly consolidated statement of cash flows	10
(6) Notes to going concern assumption.....	12
(7) Notes to the quarterly consolidated financial statements	12

1. Qualitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

For the first quarter of the fiscal year 2023 (from January 1 to March 31), the sales revenues were JPY 123.2 bn. (EUR 867 mil.), the operating profit was JPY 9.7 bn. (EUR 68 mil.), the profit before income taxes was JPY 8.5 bn. (EUR 60 mil.) and the profit attributable to owners of the parent was JPY 6.3 bn. (EUR 44 mil.). (EUR amount is converted from yen at 142.1 yen, the average exchange rate between January 1 and March 31, 2023.)

The consolidated order intake for the first quarter was JPY 145.3 bn., down by -3.2% y-o-y. This is better than the initial forecast of a -10% y-o-y decline. In addition, the order intake significantly increased by 32% compared to the previous quarter (FY 2022 Oct-Dec). This increase is driven by the continuously solid demand for MX (Machining Transformation) - DMG MORI's solutions to drive process integration, automation, full turnkey, DX (Digital Transformation), and GX (Green Transformation). We have refined our value propositions and substantially increased the average unit price from JPY 49.8 mil. in FY2022 to 56.1 mil. The service and spare parts business, which accounts for approximately 20% of the consolidated order intake, also grew by 24%.

On a year-on-year basis, order intake decreased by -3% in Japan (composition rate: 13%), -2% in Europe (51%), -22% in the Americas (17%) and -7% in Asia (5%). In contrast, China (composition rate: 14%) marked a 33% increase and reached a new record. In the Americas, we have continued to receive a large number of inquiries. By industry, the energy industry is showing strong growth, while aerospace, medical, and electric vehicle (EV) industries are also solid. The semiconductor industry is in an adjustment phase, but the demand for machine tools remains stable among semiconductor manufacturing equipment makers.

We are currently maintaining our full-year consolidated order intake forecast of JPY 500 bn., but we may revise it once the second quarter results arrive. We will continue to promote MX and pursue new orders, but will remain cautious about global economic, interest rate, and financial developments. The order backlog has increased from JPY 254 bn. at the end of 2022 to 269 bn. at the end of March 2023. As it covers the planned production and sales volume for the whole of 2023, we are confident that we can achieve JPY 500 bn. in the full-year sales revenues. Now that we are on track to achieve this year's sales revenue target, we are also preparing a detailed financial forecast for the fiscal year 2024.

As stated in our Medium-term Business Plan 2025 (DMG MORI's 3-year business plan for 2023-2025), we aim to provide customers with high value-added products, systems, and services through process integration, automation, DX, and GX. To this end, we will build a resilient business foundation as a total solution provider to customers' processing needs.

In March 2023, we established the TULIP Experience Center (TEC) in Nagoya, where visitors can operate TULIP, a digital platform to support and improve shop floor operations. TULIP promotes DX and helps users improve productivity and quality in the entire shop floor. We also plan to open TECs in the Tokai and Hokuriku regions of Japan to provide first-hand experiences of TULIP to customers nationwide.

Additionally in April, we opened a new DMG MORI ACADEMY in Hamamatsu to offer private lessons to local customers. More academies will be opened in Kanazawa, Sendai, Okayama, and Fukuoka, which will allow more customers to experience our products.

As a new product, we released the "turnMASTER12in.C," a high-performance spindle that can be mounted on small turning centers and mill-turn centers. The slim design of the spindle unit improves machine performance and productivity. We will continue to develop highly functional, reliable, and investment-worthy products to meet the diverse needs of customers.

Regarding marketing activities, we hosted the Pfronten Open House at our production site in Pfronten, Germany, where customers could experience our cutting-edge technologies from January 30 to February 11. In April, we held the Innovation Days in Chicago, the U.S., and participated in CIMT 2023 in Beijing, China. Technology Fridays, our exclusive factory tour events, are also constantly held around the world. We will continue to use these digital and real-world opportunities to connect with our customers and understand their needs.

As stated in our Mission Statement, DMG MORI encourages employees to "Play Hard, Study Continuously, Work Together," and is committed to maintaining and improving employee well-being. To this end, we introduced the mandatory 12-hour interval between two working days in 2018, company-wide medical checkups in 2019, and smoke-free offices in 2020. As a result of these efforts, DMG MORI was certified as "White 500," one of the top 500 large enterprises in 2023 for excellent "Health and Productivity Management" by the Japanese Ministry of Economy, Trade and Industry, and Nippon Kenko Kaigi. We will continue to strengthen our initiatives for employee well-being.

DMG MORI is also making various efforts toward a sustainable, eco-friendly, and recycling-oriented society. We installed the first batch of solar panels at Iga Campus, Mie Prefecture, the group's largest production base, and started generating electricity in February. The current panel size will generate approximately 6 mil. kWh per year, covering about 13% of the annual demand in Iga. The second batch of solar panels will be installed in February 2024 and the third in December 2024. Together, the complete solar power system will supply around 30% of the annually required electricity.

In November 2022, solar power generation was also started at our production site in Davis, California, the U.S. The construction of a solar power system at Nara Campus is planned to be finished by February 2025. We will continue to expand the use of renewable energy sources, reduce CO2 emissions, and contribute to building a carbon-neutral society.

<Consolidated results>

Consolidated results of the First quarter of the fiscal year ended March 31, 2023 is as follows:

Unit: 100 Million yen

	January to March, 2022	January to March, 2023	Difference	<Forecast> January to December, 2023
Sales revenues	1,073	1,232	160	5,000
Sales revenues (Million EUR)	823	867	45	3,571
Operating profit	95	97	2	500
Operating profit (Million EUR)	72	68	(4)	357
Operating profit / Sales revenues	8.8%	7.9%	(0.9)%pts	10.0%
Profit attributable to owners of the parent	63	63	0	320
Profit attributable to owners of the parent (Million EUR)	48	44	(4)	229

(Note) Euro amount is converted from yen at the average or forecasted exchange rate of each fiscal period; 130.4 yen/EUR for the figures of January to March, 2022, 142.1 yen/EUR for those of January to March, 2023, and 140.0 yen/EUR for the figures of January to December, 2023.

(2) Explanation of financial position

Total assets at the end of the First quarter of fiscal year 2023 amounted to 704,245 million yen. Total equity is 252,137 million yen and ratio of equity attributable to owners of the parent is 35.2%.

(3) Explanation of forecasts and other projections

Forecasts of the consolidated results are the same figures as those published in "Summary of Consolidated Financial Statements for the Fiscal Year 2022 ended December 31, 2022", uploaded on February 8, 2023.

This 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.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated statement of financial position

(Million Yen)

	December 31, 2022	March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	36,992	36,942
Trade and other receivables	68,437	63,061
Other financial assets	6,503	6,955
Inventories	166,217	182,906
Other current assets	15,834	17,413
Total current assets	293,985	307,278
Non-current assets:		
Property, plant and equipment	162,965	168,056
Right-of-use assets	19,874	20,694
Goodwill	76,842	79,112
Other intangible assets	86,193	89,108
Other financial assets	26,122	25,630
Investments in associates and joint ventures	5,917	6,156
Deferred tax assets	4,509	4,418
Other non-current assets	3,923	3,789
Total non-current assets	386,349	396,967
Total assets	680,334	704,245

December 31, 2022

March 31, 2023

Liabilities

Current liabilities:

Trade and other payables	72,806	74,175
Interest-bearing bonds and borrowings	51,241	61,256
Contract liabilities	92,935	96,075
Other financial liabilities	7,304	9,605
Income taxes payable	6,959	7,611
Provisions	45,659	50,459
Other current liabilities	4,424	5,999
Total current liabilities	281,329	305,183

Non-current liabilities:

Interest-bearing bonds and borrowings	39,852	39,882
Other financial liabilities	87,305	86,620
Net employee defined benefit liabilities	4,479	4,362
Provisions	6,819	5,167
Deferred tax liabilities	8,103	8,620
Other non-current liabilities	2,069	2,270
Total non-current liabilities	148,630	146,924

Total liabilities

429,960 452,108

Equity

Share capital	51,115	51,115
Capital surplus	266	336
Other equity instruments	118,753	118,753
Treasury shares	(906)	(901)
Retained earnings	69,864	70,727
Other components of equity	6,803	7,726
Equity attributable to owners of the parent	245,897	247,758
Non-controlling interests	4,477	4,378

Total equity

250,374 252,137

Total liabilities and equity

680,334 704,245

(2) Quarterly consolidated statement of profit or loss

(Million Yen)

	First quarter ended March 31, 2022 (January 1 to March 31, 2022)	First quarter ended March 31, 2023 (January 1 to March 31, 2023)
Revenues:		
Sales revenues	107,262	123,225
Other operating revenues	2,072	2,332
Total revenue	109,334	125,557
Costs:		
Changes in merchandise, finished goods and work in progress for sale	(417)	(10,274)
Costs of raw materials and consumables	46,621	60,473
Personnel costs	32,521	39,214
Depreciation and amortization	5,584	6,223
Other operating costs	15,573	20,224
Total costs	99,882	115,861
Operating profit	9,451	9,695
Financial income	147	227
Financial costs	678	1,509
Share of profits (losses) of associates and joint ventures accounted for using equity method	(2)	66
Profit before income taxes	8,917	8,480
Income taxes	2,602	2,286
Profit	6,314	6,194
Profit attributable to:		
Owners of the parent	6,271	6,297
Non-controlling interests	43	(103)
Profit	6,314	6,194
Earnings per share		
Basic (yen)	46.66	46.70
Diluted (yen)	46.66	46.70

(3) Quarterly consolidated statement of comprehensive income

(Million Yen)

	First quarter ended March 31, 2022 (January 1 to March 31, 2022)	First quarter ended March 31, 2023 (January 1 to March 31, 2023)
Profit	6,314	6,194
Other comprehensive income (OCI):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	431	128
Changes in fair value measurements of financial assets designated at fair value through other comprehensive income	514	(1,385)
Subtotal	946	(1,256)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	5,553	2,022
Effective portion of changes in fair value of cash flow hedges	(1,315)	118
Share of other comprehensive income of associates and joint ventures accounted for using equity method	11	172
Subtotal	4,249	2,313
Total other comprehensive income	5,195	1,056
Comprehensive income	11,510	7,251
Comprehensive income attributable to:		
Owners of the parent	11,414	7,348
Non-controlling interests	95	(97)
Comprehensive income	11,510	7,251

(4) Quarterly consolidated statement of changes in equity

(Million Yen)

	Equity attributable to owner of the parent							Non-controlling interests	Total equity
	Share capital	Capital surplus	Other equity instruments	Treasury shares	Retained earnings	Other components of equity	Subtotal		
As of January 1, 2022	51,115	-	118,753	(1,889)	52,817	(7,657)	213,139	4,139	217,279
Profit					6,271		6,271	43	6,314
Other comprehensive income (OCI)						5,143	5,143	52	5,195
Total comprehensive income	-	-	-	-	6,271	5,143	11,414	95	11,510
Distributions to owners of other equity instruments					(539)		(539)		(539)
Disposition of treasury shares		(74)		440			366		366
Dividends					(3,752)		(3,752)	(42)	(3,795)
Transfer between retained earnings and capital surplus		14			(14)		-		-
Share-based payments		76					76	58	135
Transfer from other components of equity to retained earnings					431	(431)	-		-
Total transaction with owners of the parent	-	16	-	440	(3,874)	(431)	(3,849)	15	(3,833)
Acquisition of non-controlling interests		(16)					(16)	19	2
Total changes in ownership interests in subsidiaries and others	-	(16)	-	-	-	-	(16)	19	2
As of March 31, 2022	51,115	-	118,753	(1,449)	55,214	(2,946)	220,688	4,270	224,959

(Million Yen)

	Equity attributable to owner of the parent							Non-controlling interests	Total equity
	Share capital	Capital surplus	Other equity instruments	Treasury shares	Retained earnings	Other components of equity	Subtotal		
As of January 1, 2023	51,115	266	118,753	(906)	69,864	6,803	245,897	4,477	250,374
Profit					6,297		6,297	(103)	6,194
Other comprehensive income (OCI)						1,051	1,051	5	1,056
Total comprehensive income	-	-	-	-	6,297	1,051	7,348	(97)	7,251
Distributions to owners of other equity instruments					(540)		(540)		(540)
Acquisition of treasury shares				(0)			(0)		(0)
Disposition of treasury shares		0		6			6		6
Dividends					(5,022)		(5,022)	(57)	(5,080)
Share-based payments		61					61	47	108
Sale of shares of consolidated subsidiaries		8					8	6	15
Transfer from other components of equity to retained earnings					128	(128)	-		-
Total transactions with owners of the parent	-	70	-	5	(5,434)	(128)	(5,487)	(4)	(5,492)
Acquisition of non-controlling interests		0					0	3	3
Total changes in ownership interests in subsidiaries and others	-	0	-	-	-	-	0	3	3
As of March 31, 2023	51,115	336	118,753	(901)	70,727	7,726	247,758	4,378	252,137

(5) Quarterly consolidated statement of cash flows

(Million Yen)

	First quarter ended March 31, 2022 (January 1 to March 31, 2022)	First quarter ended March 31, 2023 (January 1 to March 31, 2023)
Cash flows from operating activities:		
Profit before income taxes	8,917	8,480
Depreciation and amortization	5,584	6,223
Loss (gain) on sales or disposal of property, plant and equipment, and intangible assets	62	33
Financial income and costs	531	1,281
Share of (profits) losses of associates and joint ventures accounted for using equity method	2	(66)
Other non-cash transactions	(1,528)	(1,665)
Inventories	(4,497)	(13,145)
Trade and other receivables	(8,637)	9,929
Trade and other payables	3,693	657
Contract liabilities	7,672	865
Provisions	393	1,387
Other	1,948	(1,956)
Subtotal	14,144	12,026
Interest received	148	208
Dividends received	5	18
Interest paid	(451)	(862)
Income taxes paid	(1,276)	(2,080)
Net cash flows from operating activities	12,570	9,311
Cash flows used in investing activities:		
Proceeds from withdrawal of time deposits	-	415
Purchases of property, plant and equipment	(7,081)	(7,166)
Proceeds from sales of property, plant and equipment	76	9
Purchases of intangible assets	(3,138)	(3,798)
Purchases of investment securities	(0)	(427)
Other	6	(136)
Net cash flows used in investing activities	(10,136)	(11,105)

(Million Yen)

	First quarter ended March 31, 2022 (January 1 to March 31, 2022)	First quarter ended March 31, 2023 (January 1 to March 31, 2023)
Cash flows from/(used in) financing activities:		
Net increase (decrease) in short-term borrowings	3,464	8,712
Repayments of long-term borrowings	(372)	-
Repayment of lease liabilities	(1,430)	(1,429)
Dividends paid	(3,417)	(4,487)
Dividends paid to non-controlling interests	(40)	(54)
Payments for obligations for non-controlling interests	-	(1,200)
Acquisition of treasury shares	-	(0)
Distributions to owners of other equity instruments	(539)	(540)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	15
Other	1,985	(227)
Net cash flows from/(used in) financing activities	(350)	787
Effect of exchange rate changes on cash and cash equivalents	2,371	955
Change in cash and cash equivalents	4,454	(50)
Cash and cash equivalents at the beginning of period	47,298	36,992
Cash and cash equivalents at the end of period	51,753	36,942

(6) Notes to going concern assumption

Not applicable.

(7) Notes to the quarterly consolidated financial statements

1. Reporting entity

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

The condensed quarterly consolidated financial statements of the Company as of March 31, 2023 comprise the Company, its subsidiaries, associates and joint ventures (collectively, the "Group"). The Group engages in businesses related to manufacturing and sales of machine tools (machining centers, turning centers, turn-mill complete machining centers and universal milling machines for five-axis machining), software (user interface, Technology Cycles and embedded software) and measuring devices, and provides total solutions utilizing the machine tools, software and measuring devices with service support, applications and engineering.

2. Basis of preparations

(1) Accounting standards complied with

The Company's Condensed Quarterly Consolidated Financial Statements have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards", pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 64 of 2007, the "Quarterly Consolidated Financial Statements Ordinance"), it has applied the provisions of Article 93 of said Ordinance.

(2) Basis of Measurement

The condensed quarterly consolidated financial statements have been prepared on a historical cost basis, with the main exception of financial instruments which are measured at fair value.

(3) Functional and presentation currency

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

(4) Material accounting policy

The material accounting policies adopted for the condensed quarterly consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2022, except for the following item. Income tax for the First quarter ended March 31, 2023 was calculated based on the estimated average annual effective tax rate.

(IAS 12 "Income Taxes")

The Group has applied the standard "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (an amendment of IAS 12 "Income Taxes") effective for the fiscal year ended December 31, 2023. The adoption of this standard does not have a material impact on the Group's condensed consolidated financial statements for the First quarter ended March 31, 2023.

3. Segment information

(1) Outline of reportable segments

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

As a result, the business activities of the Group are categorized into “Machine Tools” and “Industrial Services,” as its two reportable segments. The Group has not aggregated its operating segments.

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

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

The accounting methods for the reportable segments are essentially the same as Condensed Quarterly Consolidated Financial Statements.

The amount of segment income is based on operating profit and Share of profits (losses) of associates and joint ventures accounted for using equity method. Inter-segment sales revenues are based on arm’s length prices.

Changes related to reportable segments

From the Third quarter of fiscal year 2022, the calculation method of inter-segment sales revenues was changed in order to reflect a more appropriate assessment of the performance of reportable segments.

For the previous year comparative information, figures for the previous year have been reclassified based on the calculation method after the change.

(3) Segment sales revenues and income

The segment sales revenues, income or loss and other items by each reportable segment are summarized as follows:

First quarter ended March 31, 2022 (January 1 to March 31, 2022)

	(Million Yen)					
	Reportable segments			Adjustments (Note)		Consolidated
	Machine Tools	Industrial Services	Total	Corporate Services	Elimination	
Sales revenues						
External customers	70,371	36,882	107,254	7	-	107,262
Inter-segment	55,011	8,767	63,778	367	(64,146)	-
Total	125,382	45,650	171,033	374	(64,146)	107,262
Segment income	6,045	6,448	12,494	(2,605)	(440)	9,448
Financial income	-	-	-	-	-	147
Financial costs	-	-	-	-	-	(678)
Profit before income taxes	-	-	-	-	-	8,917

(Note) “Adjustments to segment income” include elimination of inter-segment transactions and expenses related to corporate services.

First quarter ended March 31, 2023 (January 1 to March 31, 2023)

	Reportable segments		Adjustments (Note)			(Million Yen)
	Machine Tools	Industrial Services	Total	Corporate Services	Elimination	Consolidated
Sales revenues						
External customers	80,424	42,793	123,217	7	-	123,225
Inter-segment	64,422	11,128	75,551	449	(76,000)	-
Total	144,846	53,922	198,769	457	(76,000)	123,225
Segment income	5,094	8,229	13,324	(2,855)	(706)	9,762
Financial income	-	-	-	-	-	227
Financial costs	-	-	-	-	-	(1,509)
Profit before income taxes	-	-	-	-	-	8,480

(Note) "Adjustments to segment income" include elimination of inter-segment transactions and expenses related to corporate services.

4. Additional information

In the 2023 tax reform, a corporate tax corresponding to global minimum tax was established, and including provisions related to it (hereinafter referred to as the "Global Minimum Tax"), the Tax Reform Act (Act for Partial Revision of the Income Tax Act, etc. (Act No. 3 of 2023)) (hereinafter referred to as the "Revised Corporation Tax Act") was enacted on March 28, 2023.

IAS 12 does not provide specific guidance applicable to the income tax treatment of the Global Minimum Tax. As noted in the IASB's exposure draft "International Tax Reform - Pillar 2 Model Rules (Proposed Amendments to IAS 12 Income Taxes)", it is unclear whether Pillar 2 Model Rules (equivalent to the Global Minimum Tax in the Revised Corporation Tax Act) creates additional temporary differences, deferred taxes should be remeasured under this rule and what tax rate should be used to measure deferred taxes. In addition, the tax rate to be multiplied by the excess earnings of an entity in future periods depends on many factors and is difficult, if not impossible, to predict reliably.

Therefore, the Group has exercised judgment in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," and has developed an appropriate accounting policy, concluding that not accounting for deferred taxes with respect to income taxes under the Global Minimum Tax provides the most fit for purpose and reliable information. This accounting policy results in accounting treatment consistent with the proposals in the IASB Exposure Draft.