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Date: August 3, 2023

Summary of Consolidated Financial Statements for the second quarter of Fiscal Year 2023 ended June 30, 2023 (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 August 3, 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
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Filing date of quarterly financial statements: August 10, 2023

Estimated starting date of dividend payment: September 8, 2023

Preparation of supplementary explanatory materials: Yes

Holding of quarterly earnings release conference: Yes

1. Consolidated business results of the second quarter ended June 30, 2023 (January 1, 2023 to June 30, 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	%	
Second quarter ended June 30, 2023	249,538	14.4	22,558	27.5	19,696	21.0	14,907	30.9	14,909	32.0	25,782	(26.2)	
Second quarter ended June 30, 2022	218,207	22.4	17,688	73.3	16,273	90.5	11,390	86.4	11,296	85.3	34,944	158.7	

	Basic earnings		Diluted earnings	
	per share		per share	
	Yen		Yen	
Second quarter ended June 30, 2023	111.87		111.87	
Second quarter ended June 30, 2022	83.23		83.23	

(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
June 30, 2023	763,035	270,110	265,683	34.8	2,116.32
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	-	40.00			
December 31, 2023 (Forecast)			-	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	525,000	10.6	52,500	27.4	33,500	31.9	253.03

(Note)

Revision of consolidated financial forecast in the current quarter: Yes

- We made a revision of sales revenues, operating profit and profit attributable to owners of the parent from the previous announcement released on February 8, 2023. For details, please refer to the "1. Qualitative Information Regarding Quarterly Settlement of Accounts (3) Explanation of forecasts and other projections" on page 4.
- Exchange rate used for consolidated financial forecast for fiscal year 2023: JPY 135.0 /USD 148.0 /EUR

4. Others

(1) Changes in significant subsidiaries during the second quarter ended June 30, 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)

June 30, 2023: 125,953,683

December 31, 2022: 125,953,683

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

June 30, 2023: 533,120

December 31, 2022: 472,396

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

January - June 2023: 125,420,776

January - June 2022: 125,200,543

(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 June 30, 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 (271,629 shares from January 1 to June 30, 2022, and 0 shares from January 1 to June 30, 2023).

- 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 4.

(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 August 3, 2023 (Thursday).

(Attached Documents) Index

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1. Qualitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

For the first half of the fiscal year 2023 (from January 1 to June 30), the sales revenues were JPY 249.5 bn. (EUR 1,712 mil.), the operating profit was JPY 22.6 bn. (EUR 155 mil.), the profit before income taxes was JPY 19.7 bn. (EUR 135 mil.) and the profit attributable to owners of the parent was JPY 14.9 bn. (EUR 102 mil.). (EUR amount is converted from yen at 145.8 yen, the average exchange rate between January 1 and June 30, 2023.)

Consolidated order intake for the first half was JPY 275.8 bn., down 7.9% from the same period last year. It was higher than the original plan in January 2023. Demand for MX (Machining Transformation), which drives automation, full turnkey, DX (Digital Transformation), and GX (Green Transformation), continues to be strong. This is mainly due to the improved value-adding solutions and resulting significant increase in the unit price to JPY 56.8 mil. (FY2022 average: JPY 49.8 mil.). Orders for after-sales service and parts, which account for approximately 20% of consolidated order intake, also contributed with a 15% increase year-on-year.

Order intake by region decreased 5% in Europe (composition ratio: 52%), 13% in the Americas (18%), 15% in Japan (12%), and 22% in Asia (6%) compared with the same period last year, while the number of inquiries remained high in the Americas. On the other hand, the order intake in China (12%) increased by 3%. By industry, the aerospace, medical, electric vehicle (EV), and energy-related industries continues to show solid growth.

The full-year consolidated order forecast was revised upward from the original plan of JPY 500 bn. to 520 bn. in light of the stable order volume in the first half. Machine order backlog increased from JPY 254 bn. at the end of December 2022 to 282 bn. at the end of June 2023 and is forecasted at JPY 255 bn. for the end of December 2023. The abundant order backlog will continuously contribute to stable performance in 2024 and beyond.

As stated in the Medium-term Business Plan 2025, our business plan for 2023-2025, we aim to provide customers with higher value-added products, systems, and services through process integration, automation, DX and GX. We will continue to build a resilient business foundation as a total solution provider to customers' processing needs.

We have opened new DMG MORI Academies in Kanazawa and Hamamatsu as training facilities for basic and advanced 5-axis machining. DMG MORI plans to open additional academies in Sendai, Okayama, and Fukuoka, for a total of 5 new facilities until 2025. By combining hands-on machine training and e-learning courses ("DMG MORI Digital Academy"), we provide customers with a highly efficient learning experience. Through these initiatives, we are promoting MX, our solution for driving GX and DX through process integration and automation.

In addition, we will also start offering a "Practical Digital Manufacturing Course" from August 2023 to technical college students across Japan. Financially supported by the Ministry of Economy, Trade and Industry, this program will provide a rare opportunity to learn and operate the latest machine tools. Through the lectures, self-study, and hands-on training, the students will learn about the present and future of the machine tool industry as well as shop floor safety practices, while gaining first-hand experience in machining and automation. The course also uses VR technology to reduce psychological barriers to machine tools. Through this course, we will support the development of future leaders in the manufacturing industry.

As a new product, we have launched the connectivity service DMG MORI GATEWAY. DMG MORI GATEWAY offers a reliable network between machine tools and peripheral equipment enabling, the digital transformation of shop floors. We provide customized and comprehensive support, covering everything from hardware selection to cloud connection, backed by our expertise and dedicated human resources. By establishing a unified network, customers can gather various information as digital data and visually manage and improve daily operations. We will continue to deliver highly functional, reliable, and investment-worthy products to meet the diverse needs of customers.

Regarding marketing activities, we plan to participate in the EMO HANNOVER 2023 in Germany in September. 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 an integral part of our corporate philosophy at DMG MORI, we encourage our employees to "Play Hard + Be Dynamic," "Study Continuously + Be Open" and "Work Together + Be Innovative". Furthermore, we actively promote employees' health and wellbeing and have taken various actions in recent years. We have been taking a wide range of actions, including offering nutrition guidance and exercise classes for employees through the Health Management Promotion Center, established in 2020. And we released the "DMG MORI Health Management Declaration" in 2021. In addition, we actively encourage the use of paid vacations and have implemented measures to improve work-life balance and enhance the overall quality of our employees' lives. In 2023, we were certified as a White 500 company, one of the top 500 large enterprises for excellent health and productivity management by the Japanese Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. We will continue to make efforts to further improve the physical and mental health of our employees.

We are also taking various measures toward a sustainable, eco-friendly, and recycling-oriented society. We installed a solar power generation system on the rooftops of Iga Campus (Mie Prefecture), the largest production base of the DMG MORI Group. The first batch began generating power in February 2023, and the installation of second and third batches are also planned. After the third batch, the complete solar power generation system will cover approx. 30% of the annual power demand of the Iga Campus and reduce CO2 emission by 5,300 tons per year. We are also planning to install a solar power generation system at the Nara Campus and are using CO2-free electricity and power generated from the in-house biomass plants. We are expanding the use of renewable energy to accelerate the reduction of CO2 emissions.

<Consolidated results>

Consolidated results of the second quarter of the fiscal year ended June 30, 2023 is as follows:

Unit: 100 Million yen

	January to June, 2022	January to June, 2023	Difference	<Forecast> January to December, 2023
Sales revenues	2,182	2,495	313	5,250
Sales revenues (Million EUR)	1,625	1,712	87	3,547
Operating profit	177	226	49	525
Operating profit (Million EUR)	132	155	23	355
Operating profit / Sales revenues	8.1%	9.0%	0.9%pts	10.0%
Profit attributable to owners of the parent	113	149	36	335
Profit attributable to owners of the parent (Million EUR)	84	102	18	226

(Note) Euro amount is converted from yen at the average or forecasted exchange rate of each fiscal period; 134.3 yen/EUR for the figures of January to June, 2022, 145.8 yen/EUR for those of January to June, 2023, and 148.0 yen/EUR for the figures of January to December, 2023.

(2) Explanation of financial position

Total assets at the end of the second quarter of fiscal year 2023 amounted to 763,035 million yen. Total equity is 270,110 million yen and ratio of equity attributable to owners of the parent is 34.8%.

(3) Explanation of forecasts and other projections

In the first half of the fiscal year 2023, our order intakes have been stronger than previously anticipated from various industries globally.

Based on the above background, we made an upward revision of sales revenues, operating profit and profit attributable to owners of the parent forecast for the FY2023 from the previous announcement released on February 8, 2023.

Consolidated financial forecast

Unit: 100 Million yen

	Released on February 8 January to December, 2023	Released on August 3 January to December, 2023	Difference	<Reference> January to December, 2022
Sales revenues	5,000	5,250	250	4,748
Sales revenues (Million EUR)	3,378	3,547	169	3,438
Operating profit	500	525	25	412
Operating profit (Million EUR)	338	355	17	298
Operating profit / Sales revenues	10.0%	10.0%	0%pts	8.7%
Profit attributable to owners of the parent	320	335	15	254
Profit attributable to owners of the parent (Million EUR)	216	226	10	184

(Note)

- Exchange rate used for consolidated financial forecast for fiscal year 2023: JPY 135.0 /USD 148.0 /EUR.
- Euro amount is converted from yen at the average exchange rate of JPY 138.1 yen/EUR for fiscal year 2022.
- 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	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	36,992	40,822
Trade and other receivables	68,437	64,461
Other financial assets	6,503	7,084
Inventories	166,217	205,359
Other current assets	15,834	17,655
Total current assets	293,985	335,384
Non-current assets:		
Property, plant and equipment	162,965	177,949
Right-of-use assets	19,874	21,147
Goodwill	76,842	85,914
Other intangible assets	86,193	96,045
Other financial assets	26,122	30,473
Investments in associates and joint ventures	5,917	6,635
Deferred tax assets	4,509	4,781
Other non-current assets	3,923	4,703
Total non-current assets	386,349	427,650
Total assets	680,334	763,035

December 31, 2022

June 30, 2023

Liabilities

Current liabilities:

Trade and other payables	72,806	79,215
Interest-bearing bonds and borrowings	51,241	71,853
Contract liabilities	92,935	103,763
Other financial liabilities	7,304	11,594
Income taxes payable	6,959	7,880
Provisions	45,659	53,878
Other current liabilities	4,424	7,618
Total current liabilities	281,329	335,805

Non-current liabilities:

Interest-bearing bonds and borrowings	39,852	42,631
Other financial liabilities	87,305	90,536
Net employee defined benefit liabilities	4,479	4,547
Provisions	6,819	6,734
Deferred tax liabilities	8,103	9,704
Other non-current liabilities	2,069	2,963
Total non-current liabilities	148,630	157,118

Total liabilities

429,960 492,924

Equity

Share capital	51,115	51,115
Capital surplus	266	397
Other equity instruments	118,753	118,753
Treasury shares	(906)	(895)
Retained earnings	69,864	79,147
Other components of equity	6,803	17,164
Equity attributable to owners of the parent	245,897	265,683
Non-controlling interests	4,477	4,427

Total equity

250,374 270,110

Total liabilities and equity

680,334 763,035

(2) Quarterly consolidated statement of profit or loss

(Million Yen)

	Second quarter ended June 30, 2022 (January 1 to June 30, 2022)	Second quarter ended June 30, 2023 (January 1 to June 30, 2023)
Revenues:		
Sales revenues	218,207	249,538
Other operating revenues	5,111	7,376
Total revenue	223,319	256,914
Costs:		
Changes in merchandise, finished goods and work in progress for sale	(6,343)	(26,104)
Costs of raw materials and consumables	97,739	124,518
Personnel costs	67,062	82,045
Depreciation and amortization	11,575	12,560
Other operating costs	35,596	41,335
Total costs	205,630	234,356
Operating profit	17,688	22,558
Financial income	270	540
Financial costs	1,705	3,589
Share of profits of associates and joint ventures accounted for using equity method	19	187
Profit before income taxes	16,273	19,696
Income taxes	4,882	4,788
Profit	11,390	14,907
Profit attributable to:		
Owners of the parent	11,296	14,909
Non-controlling interests	93	(1)
Profit	11,390	14,907
Earnings per share		
Basic (yen)	83.23	111.87
Diluted (yen)	83.23	111.87

(3) Quarterly consolidated statement of comprehensive income

(Million Yen)

	Second quarter ended June 30, 2022 (January 1 to June 30, 2022)	Second quarter ended June 30, 2023 (January 1 to June 30, 2023)
Profit	11,390	14,907
Other comprehensive income (OCI):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	1,840	214
Changes in fair value of financial assets designated at fair value through other comprehensive income	1,512	179
Subtotal	3,352	394
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	22,646	10,244
Effective portion of changes in fair value of cash flow hedges	(2,720)	(298)
Hyper-inflation adjustment	253	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	21	534
Subtotal	20,200	10,480
Total other comprehensive income	23,553	10,874
Comprehensive income	34,944	25,782
Comprehensive income attributable to:		
Owners of the parent	34,774	25,777
Non-controlling interests	169	4
Comprehensive income	34,944	25,782

(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					11,296		11,296	93	11,390
Other comprehensive income (OCI)						23,477	23,477	76	23,553
Total comprehensive income	-	-	-	-	11,296	23,477	34,774	169	34,944
Distributions to owners of other equity instruments					(879)		(879)		(879)
Acquisition of treasury shares				(0)			(0)		(0)
Disposition of treasury shares		(118)		958			840		840
Dividends					(3,752)		(3,752)	(42)	(3,795)
Transfer between retained earnings and capital surplus		(12)			12		-		-
Share-based payments		147					147	17	165
Transfer from other components of equity to retained earnings					2,093	(2,093)	-		-
Total transactions with owners of the parent	-	16	-	958	(2,525)	(2,093)	(3,643)	(25)	(3,669)
Acquisition of non-controlling interests		(16)					(16)	21	5
Total changes in ownership interests in subsidiaries and others	-	(16)	-	-	-	-	(16)	21	5
As of June 30, 2022	51,115	-	118,753	(931)	61,589	13,725	244,253	4,306	248,559

(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					14,909		14,909	(1)	14,907
Other comprehensive income (OCI)						10,868	10,868	6	10,874
Total comprehensive income	-	-	-	-	14,909	10,868	25,777	4	25,782
Distributions to owners of other equity instruments					(880)		(880)		(880)
Acquisition of treasury shares				(0)			(0)		(0)
Disposition of treasury shares		0		12			12		12
Dividends					(5,022)		(5,022)	(57)	(5,080)
Share-based payments		122					122	(10)	111
Sale of shares of consolidated subsidiaries		8					8	6	15
Transfer from other components of equity to retained earnings					507	(507)	-		-
Other					(230)		(230)		(230)
Total transactions with owners of the parent	-	131	-	11	(5,626)	(507)	(5,991)	(61)	(6,053)
Acquisition of non-controlling interests		0					0	6	6
Total changes in ownership interests in subsidiaries and others	-	0	-	-	-	-	0	6	6
As of June 30, 2023	51,115	397	118,753	(895)	79,147	17,164	265,683	4,427	270,110

(5) Quarterly consolidated statement of cash flows

(Million Yen)

	Second quarter ended June 30, 2022 (January 1 to June 30, 2022)	Second quarter ended June 30, 2023 (January 1 to June 30, 2023)
Cash flows from operating activities:		
Profit before income taxes	16,273	19,696
Depreciation and amortization	11,575	12,560
Loss (gain) on sales or disposal of property, plant and equipment, and intangible assets	7	32
Financial income and costs	1,434	3,048
Share of (profits) losses of associates and joint ventures accounted for using equity method	(19)	(187)
Other non-cash transactions	(1,683)	(5,923)
Inventories	(16,132)	(23,507)
Trade and other receivables	(3,059)	12,661
Trade and other payables	8,328	(2,442)
Contract liabilities	18,993	1,397
Provisions	3,442	2,270
Other	1,600	1,751
Subtotal	40,760	21,359
Interest received	232	443
Dividends received	45	95
Interest paid	(2,376)	(3,188)
Income taxes paid	(2,478)	(4,332)
Net cash flows from operating activities	36,183	14,377
Cash flows used in investing activities:		
Payments into time deposits	(1,694)	-
Proceeds from withdrawal of time deposits	-	375
Purchases of property, plant and equipment	(13,369)	(12,490)
Proceeds from sales of property, plant and equipment	109	12
Purchases of intangible assets	(5,767)	(6,586)
Acquisition of associates, net of cash acquired	(53)	-
Purchases of investment securities	(863)	(2,739)
Proceeds from sales of investment securities	-	545
Other	(1)	(330)
Net cash flows used in investing activities	(21,639)	(21,212)

(Million Yen)

	Second quarter ended June 30, 2022 (January 1 to June 30, 2022)	Second quarter ended June 30, 2023 (January 1 to June 30, 2023)
Cash flows from/(used in) financing activities:		
Net increase in short-term borrowings	1,438	51,228
Proceeds from long-term borrowings	-	2,705
Repayments of long-term borrowings	(838)	(34,322)
Repayment of lease liabilities	(2,738)	(3,074)
Dividends paid	(3,745)	(5,011)
Dividends paid to non-controlling interests	(42)	(58)
Payments for obligations for non-controlling interests	(135)	(3,034)
Acquisition of treasury shares	(0)	(0)
Distributions to owners of other equity instruments	(879)	(880)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	15
Other	2,215	(430)
Net cash flows from/(used in) financing activities	(4,726)	7,137
Effect of exchange rate changes on cash and cash equivalents	4,262	3,527
Change in cash and cash equivalents	14,079	3,830
Cash and cash equivalents at the beginning of period	47,298	36,992
Cash and cash equivalents at the end of period	61,378	40,822

(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 June 30, 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 second quarter ended June 30, 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 second quarter ended June 30, 2023.

And the Group has applied the standard "International Tax Reform -Pillar Two Model Rules-" (an amendment of IAS 12 "Income Taxes") effective for the fiscal year ended December 31, 2023.

The amendments clarify that IAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two

GloBE (global minimum tax) Rules of Base Erosion and Profit Shifting (BEPS) published by the OECD. However, the amendments introduce a temporary exception from recognizing and disclosing deferred tax assets and liabilities for income taxes arising from global minimum taxes.

The Group has applied the exception mentioned above and does not recognize or disclose deferred tax assets and liabilities for income taxes arising from global minimum taxes.

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:

Second quarter ended June 30, 2022 (January 1 to June 30, 2022)

	Reportable segments			Adjustments (Note)		(Million Yen)
	Machine Tools	Industrial Services	Total	Corporate Services	Elimination	Consolidated
Sales revenues						
External customers	141,971	76,221	218,192	15	-	218,207
Inter-segment	112,938	19,120	132,059	756	(132,815)	-
Total	254,909	95,342	350,251	771	(132,815)	218,207
Segment income	10,974	12,397	23,372	(4,701)	(963)	17,708
Financial income	-	-	-	-	-	270
Financial costs	-	-	-	-	-	(1,705)
Profit before income taxes	-	-	-	-	-	16,273

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

Second quarter ended June 30, 2023 (January 1 to June 30, 2023)

	Reportable segments			Adjustments (Note)		(Million Yen)
	Machine Tools	Industrial Services	Total	Corporate Services	Elimination	Consolidated
Sales revenues						
External customers	164,385	85,135	249,520	17	-	249,538
Inter-segment	137,141	22,694	159,836	919	(160,755)	-
Total	301,526	107,830	409,357	937	(160,755)	249,538
Segment income	16,523	14,783	31,307	(8,958)	397	22,745
Financial income	-	-	-	-	-	540
Financial costs	-	-	-	-	-	(3,589)
Profit before income taxes	-	-	-	-	-	19,696

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