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Date: November 7, 2022

Summary of Consolidated Financial Statements for the third quarter of Fiscal Year 2022 ended September 30, 2022 (IFRS basis)
(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial Statements for the third quarter announced on November 7, 2022)

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: November 11, 2022

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 third quarter ended September 30, 2022 (January 1, 2022 to September 30, 2022)

(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	%	million yen	%		
Third quarter ended September 30, 2022	333,032	21.4	26,755	59.9	24,309	71.4	16,726	76.7	16,576	67.8	41,775	66.0				
Third quarter ended September 30, 2021	274,271	17.0	16,733	168.3	14,179	525.7	9,464	-	9,880	-	25,172	-				

	Basic earnings		Diluted earnings	
	per share		per share	
	Yen		Yen	
Third quarter ended September 30, 2022	121.77		121.77	
Third quarter ended September 30, 2021	66.63		66.63	

(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
September 30, 2022	703,059	251,123	246,925	35.1	1,965.85
December 31, 2021	597,117	217,279	213,139	35.7	1,703.51

(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, 2021	-	10.00	-	30.00	40.00
December 31, 2022	-	30.00	-		
December 31, 2022 (Forecast)				40.00	70.00

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

3. Consolidated financial forecast for Fiscal Year 2022 (January 1, 2022 to December 31, 2022)

(% 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 2022	465,000	17.4	45,000	95.1	28,000	108.0	209.80

(Note)

Revision of consolidated financial forecast in the current quarter: Yes

- We made a revision of sales revenues from the previous announcement released on May 12, 2022. 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 2022: JPY 131.0 /USD 137.0 /EUR

4. Others

(1) Changes in significant subsidiaries during the third quarter ended September 30, 2022: No

(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 shares)

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

September 30, 2022: 125,953,683

December 31, 2021: 125,953,683

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

September 30, 2022: 475,355

December 31, 2021: 984,204

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

January - September 2022: 125,283,578

January - September 2021: 124,468,593

(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 (499,500 shares as of December 31, 2021, and 0 share as of September 30, 2022). 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 (754,780 shares from January 1 to September 30, 2021, and 190,140 shares from January 1 to September 30, 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 2022 (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 November 7, 2022 (Monday).

(Attached Documents) Index

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1. Qualitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

Due to the continued gross profit margin improvement by the penetration of process integration, automation and digitization, for the third quarter of the fiscal year 2022 (from January 1 to September 30), the sales revenues were JPY 333 bn. (EUR 2,449 mil.), the operating profit was JPY 26.8 bn. (EUR 197 mil.), the profit before income taxes was JPY 24.3 bn. (EUR 179 mil.) and the profit attributable to owners of the parent was JPY 16.6 bn. (EUR 122 mil.). (EUR amount is translated from yen at 136.0 yen, the average exchange rate between January to September 2022.)

The consolidated order intake for the first 9 months of 2022 was JPY 432 bn., an increase of 27% year-on-year. The ongoing positive trend was driven by the continued strong demand for automation, full turnkey and digitization production with process integration machines such as 5-axis and mill-turn machines. The consolidated order intake was also boosted by an increased average order price per unit of JPY 49.3 mil. (FY2021 average: JPY 39.4 mil.), which was achieved thanks to value-adding proposals to customers and the depreciating yen. The order intake of after-sales-service and spare parts business, making up 20% of the consolidated order intake, increased by 23% year-on-year. The group company Magnescale Co., Ltd. also made a significant contribution by achieving a high order intake through its production and sales of ultra-precision measuring components for semiconductor production equipment.

Compared to the same period of the previous year, the order intake for the first 9 months increased in all regions. Japan increased by 38% (composition ratio: 14%), Americas by 34% (20%), Europe by 21% (50%), China by 21% (10%) and Asia excluding China by 47% (6%). The order intake continues to be strong in new industries such as space, aircraft, medical, EV (Electric Vehicle) and renewable energy industry.

We expect orders for machine tools, especially in combination with process integration, automation, and digitization to continue to grow throughout the fourth quarter and beyond. Therefore, the order intake forecast for the fiscal year 2022 has been revised upward again to be around JPY 550 bn. (Previous forecast: JPY 530 bn. or more). In addition, the order backlog has increased from JPY 164 bn. at the end of 2021 to JPY 274 bn. at the end of September 2022, which will contribute to stable sales revenues in the fourth quarter onwards.

As mentioned in DMG MORI's Mission Statement, we aim to provide comprehensive processing automation systems to customers, combining hardware and software components and optimized after-sales services. In other words, DMG MORI offers machine tools, unique products, internally produced components, and peripheral equipment and thereafter establishes processing systems at customers' facilities, upgrades machining processes for higher productivity, maintains the systems, or offers financing.

In October 2022, DMG MORI released the new functions "Parts Selector" and "Chatbot" on the customer portal "my DMG MORI". Parts Selector allows customers to select and order spare parts, consumable parts, and DMQP products directly through my DMG MORI. Chatbot assists customers by answering questions about machine operation or repair. Customers can submit their questions directly via chat and the AI automatically answers. Compared to conventional customer service via phone, no waiting time is required. DMG MORI will continue to provide various services on my DMG MORI to help customers further improve their productivity.

As for technological innovation, we released "Chip Breaking", a new Technology Cycle to break up chips into small pieces through fine vibration of the feed axis during machining. Chip Breaking effectively prevents long and stringy chips, a major cause of machining troubles and machine stops. By eliminating chip-caused machine tool troubles, "Chip Breaking" facilitates automation and production improvement.

In addition, NTX 500, the most compact mill-turn center in the series, is now available to integrate the machining of small and complex parts on a single machine. With a max. spindle speed of 42,000min⁻¹, the NTX 500 is capable of fast and highly precise machining and achieves the highest production capacity on small floor space. DMG MORI will continue to develop highly functional, reliable, and investment-worthy products to meet customers' needs.

As for sales and marketing, we updated the Digital Twin Showroom and added new machine models and functions to our 3D exhibition. Furthermore, we will exhibit at JIMTOF 2022 (held at Tokyo Big Sight) from November 8 to 13. Customers will also be invited to visit our Open House event, which will be held at the same time as JIMTOF 2022 at our Tokyo Global Headquarters. A 3D version of our booth at JIMTOF is also available online for customers who cannot visit us directly. Additionally, we also continue to hold our private exhibitions "Technology Fridays". DMG MORI will continue to connect with customers both in the real and digital world to propose the optimal solutions.

In accordance with the motto "Play hard, study continuously, work together" in our Mission Statement, we are engaged in reforming working styles, improving productivity, and creating an environment in which employees can pursue their career in good health. In July 2022, we have increased the salaries of employees in Japan and will raise the entry salary level of new graduate employees joining from April 2023. Our aim is to attract highly skilled talents and continue to grow as a company in a fast-paced world.

The entire DMG MORI Group is working towards a sustainable, decarbonized and recycling-oriented society, a society where people and nature can coexist in harmony. All electricity used at our locations in Japan comes from CO₂-free sources. Next, we will utilize solar power to cover part of our electricity needs by self-generation. In September 2022, we announced the construction of a solar power system on the roofs of Iga Campus, the largest production site in the DMG MORI Group. The system will supply electricity starting from February 2023. In the future, DMG MORI's Nara Campus will also be equipped with solar panels.

The DMG MORI Group is implementing various initiatives to reach complete carbon neutrality across all scopes. In 2021, we already achieved carbon neutrality in our global production - from parts procurement to shipment. Furthermore, we have gained approval by SBT (Science Based Targets) for our green-house gas reduction targets until 2030. By developing environment-friendly products, we also support the green transformation of our customers. DMG MORI will continue its green initiatives to contribute to a sustainable society.

<Consolidated results>

Consolidated results of the third quarter of the fiscal year ended September 30, 2022 is as follows:

Unit: 100 Million yen

	January to September, 2021	January to September, 2022	Difference	<Forecast> January to December, 2022
Sales revenues	2,743	3,330	588	4,650
Sales revenues (Million EUR)	2,113	2,449	336	3,394
Operating profit	167	268	100	450
Operating profit (Million EUR)	129	197	68	328
Operating profit / Sales revenues	6.1%	8.0%	1.9%pts	9.7%
Profit attributable to owners of the parent	99	166	67	280
Profit attributable to owners of the parent (Million EUR)	76	122	46	204

(Note) Euro amount is converted from yen at the average or forecasted exchange rate of each fiscal period; 129.8 yen/EUR for the figures of January to September, 2021, 136.0 yen/EUR for those of January to September, 2022, and 137.0 yen/EUR for the figures of January to December, 2022.

(2) Explanation of financial position

Total assets at the end of the third quarter of fiscal year 2022 amounted to 703,059 million yen. Total equity is 251,123 million yen and ratio of equity attributable to owners of the parent is 35.1%.

(3) Explanation of forecasts and other projections

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 forecast for the FY2022 from the previous announcement released on May 12, 2022.

On the other hand, the forecast of operating profit remains unchanged due to the improvement of employee compensation in response to strong orders.

Consolidated financial forecast

Unit: 100 Million yen

	Released on May 12 January to December, 2022	Released on November 7 January to December, 2022	Difference	<Reference> January to December, 2021
Sales revenues	4,500	4,650	150	3,960
Sales revenues (Million EUR)	3,285	3,394	109	3,049
Operating profit	450	450	0	231
Operating profit (Million EUR)	328	328	0	178
Operating profit / Sales revenues	10.0%	9.7%	(0.3%pts)	5.8%
Profit attributable to owners of the parent	280	280	0	135
Profit attributable to owners of the parent (Million EUR)	204	204	0	104

(Note)

- Exchange rate used for consolidated financial forecast for fiscal year 2022: JPY 131.0 /USD and 137.0 /EUR.
- Euro amount is converted from yen at the average exchange rate of JPY 129.9 /EUR for fiscal year 2021.
- 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, 2021	September 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	47,298	50,119
Trade and other receivables	59,677	73,844
Other financial assets	5,557	6,340
Inventories	129,542	170,953
Other current assets	12,616	16,470
Total current assets	254,692	317,728
Non-current assets:		
Property, plant and equipment	138,076	161,970
Right-of-use assets	22,099	19,413
Goodwill	70,834	77,516
Other intangible assets	74,514	83,286
Other financial assets	21,989	28,304
Investments in associates and joint ventures	5,704	6,232
Deferred tax assets	5,132	4,666
Other non-current assets	4,073	3,941
Total non-current assets	342,425	385,331
Total assets	597,117	703,059

December 31, 2021

September 30, 2022

Liabilities

Current liabilities:

Trade and other payables	54,169	68,610
Interest-bearing bonds and borrowings	10,259	16,199
Contract liabilities	65,707	97,191
Other financial liabilities	74,677	79,222
Income taxes payable	4,734	7,348
Provisions	40,543	47,655
Other current liabilities	4,316	4,715
Total current liabilities	254,409	320,943

Non-current liabilities:

Interest-bearing bonds and borrowings	85,133	81,096
Other financial liabilities	22,406	32,386
Net employee defined benefit liabilities	5,180	3,178
Provisions	5,871	6,161
Deferred tax liabilities	5,429	6,321
Other non-current liabilities	1,407	1,848
Total non-current liabilities	125,428	130,993

Total liabilities

379,838 451,936

Equity

Share capital	51,115	51,115
Capital surplus	-	-
Other equity instruments	118,753	118,753
Treasury shares	(1,889)	(912)
Retained earnings	52,817	62,753
Other components of equity	(7,657)	15,215
Equity attributable to owners of the parent	213,139	246,925
Non-controlling interests	4,139	4,198

Total equity

217,279 251,123

Total liabilities and equity

597,117 703,059

(2) Quarterly consolidated statement of profit or loss

(Million Yen)

	Third quarter ended September 30, 2021 (January 1 to September 30, 2021)	Third quarter ended September 30, 2022 (January 1 to September 30, 2022)
Revenues:		
Sales revenues	274,271	333,032
Other operating revenues	4,713	6,881
Total revenue	278,984	339,914
Costs:		
Changes in merchandise, finished goods and work in progress for sale	(1,167)	(9,629)
Costs of raw materials and consumables	121,797	146,952
Personnel costs	85,551	101,384
Depreciation and amortization	16,207	17,425
Other operating costs	39,861	57,025
Total costs	262,251	313,158
Operating profit	16,733	26,755
Financial income	228	407
Financial costs	2,731	2,811
Share of profits (losses) of associates and joint ventures accounted for using equity method	(49)	(41)
Profit before income taxes	14,179	24,309
Income taxes	4,715	7,583
Profit	9,464	16,726
Profit attributable to:		
Owners of the parent	9,880	16,576
Non-controlling interests	(415)	149
Profit	9,464	16,726
Earnings per share		
Basic (yen)	66.63	121.77
Diluted (yen)	66.63	121.77

(3) Quarterly consolidated statement of comprehensive income

(Million Yen)

	Third quarter ended September 30, 2021 (January 1 to September 30, 2021)	Third quarter ended September 30, 2022 (January 1 to September 30, 2022)
Profit	9,464	16,726
Other comprehensive income (OCI):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	241	1,568
Changes in fair value measurements of financial assets designated at fair value through other comprehensive income	10,375	2,660
Subtotal	10,616	4,229
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	5,376	21,489
Effective portion of changes in fair value of cash flow hedges	(290)	(1,771)
Hyper-inflation adjustment	-	533
Share of other comprehensive income of associates and joint ventures accounted for using equity method	5	568
Subtotal	5,091	20,820
Total other comprehensive income	15,708	25,049
Comprehensive income	25,172	41,775
Comprehensive income attributable to:		
Owners of the parent	25,570	41,556
Non-controlling interests	(397)	218
Comprehensive income	25,172	41,775

(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, 2021	51,115	-	118,735	(3,735)	40,452	(21,148)	185,420	4,475	189,895
Profit					9,880		9,880	(415)	9,464
Other comprehensive income (OCI)						15,689	15,689	18	15,708
Total comprehensive income	-	-	-	-	9,880	15,689	25,570	(397)	25,172
Issuance of other equity instruments			30,000				30,000		30,000
Other equity instruments issuance costs			(282)				(282)		(282)
Payments of other equity instruments		(300)	(29,699)				(30,000)		(30,000)
Distributions to owners of other equity instruments					(1,783)		(1,783)		(1,783)
Acquisition of treasury shares				(0)			(0)		(0)
Disposition of treasury shares		(326)		1,685		(132)	1,226		1,226
Dividends					(2,488)		(2,488)	(87)	(2,576)
Transfer between retained earnings and capital surplus		881			(881)		-		-
Share-based payments		33				(33)	-		-
Issuance of convertible bonds						253	253		253
Changes in interests in consolidated subsidiaries' capital		(71)					(71)	71	-
Increase/decrease in non-controlling interests due to decrease in number of consolidated subsidiaries							-	(84)	(84)
Increase/decrease in equity due to acquisition of shares in consolidated subsidiaries		(226)					(226)	93	(133)
Transfer from other components of equity to retained earnings					2,886	(2,886)	-		-
Total transactions with owners of the parent	-	(10)	18	1,685	(2,267)	(2,799)	(3,373)	(7)	(3,380)
Acquisition of non-controlling interests		10					10	(115)	(105)
Total changes in ownership interests in subsidiaries and others	-	10	-	-	-	-	10	(115)	(105)
As of September 30, 2021	51,115	-	118,753	(2,049)	48,065	(8,258)	207,627	3,955	211,582

(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					16,576		16,576	149	16,726
Other comprehensive income (OCI)						24,979	24,979	69	25,049
Total comprehensive income	-	-	-	-	16,576	24,979	41,556	218	41,775
Distributions to owners of other equity instruments					(1,424)		(1,424)		(1,424)
Acquisition of treasury shares				(0)			(0)		(0)
Disposition of treasury shares		(119)		977			858		858
Dividends					(7,519)		(7,519)	(100)	(7,619)
Transfer between retained earnings and capital surplus		(195)			195		-		-
Share-based payments		219					219	72	292
Increase/decrease in equity due to acquisition of shares in consolidated subsidiaries		111					111	(158)	(46)
Transfer from other components of equity to retained earnings					2,106	(2,106)	-		-
Total transactions with owners of the parent	-	16	-	977	(6,641)	(2,106)	(7,754)	(186)	(7,940)
Acquisition of non-controlling interests		(16)					(16)	25	9
Total changes in ownership interests in subsidiaries and others	-	(16)	-	-	-	-	(16)	25	9
As of September 30, 2022	51,115	-	118,753	(912)	62,753	15,215	246,925	4,198	251,123

(5) Quarterly consolidated statement of cash flows

(Million Yen)

	Third quarter ended September 30, 2021 (January 1 to September 30, 2021)	Third quarter ended September 30, 2022 (January 1 to September 30, 2022)
Cash flows from operating activities:		
Profit before income taxes	14,179	24,309
Depreciation and amortization	16,207	17,425
Loss (gain) on sales or disposal of property, plant and equipment, and intangible assets	(53)	110
Financial income and costs	2,503	2,404
Share of (profits) losses of associates and joint ventures accounted for using equity method	49	41
Other non-cash transactions	(500)	(1,541)
Change in asset and liability items:		
Inventories	(9,661)	(28,313)
Trade and other receivables	(14,635)	(90)
Trade and other payables	4,064	12,069
Contract liabilities	24,257	23,525
Provisions	3,163	2,438
Other	(6,068)	(562)
Subtotal	33,507	51,817
Interest received	179	356
Dividends received	54	50
Interest paid	(2,844)	(3,177)
Income taxes paid	(4,285)	(2,870)
Net cash flows from operating activities	26,610	46,176
Cash flows used in investing activities:		
Payments into time deposits	-	(1,236)
Purchases of property, plant and equipment	(6,159)	(19,115)
Proceeds from sales of property, plant and equipment	690	137
Purchases of intangible assets	(7,132)	(10,210)
Acquisition of associates, net of cash acquired	(321)	(54)
Purchases of investment securities	(1,403)	(2,285)
Proceeds from sale of investment securities	3,857	8
Other	(340)	(598)
Net cash flows used in investing activities	(10,809)	(33,354)

(Million Yen)

	Third quarter ended September 30, 2021 (January 1 to September 30, 2021)	Third quarter ended September 30, 2022 (January 1 to September 30, 2022)
Cash flows used in financing activities:		
Net increase (decrease) in short-term borrowings	(21,800)	10,928
Proceeds from long-term borrowings	5,000	-
Repayments of long-term borrowings	(5,730)	(1,748)
Proceeds from issuance of convertible bonds	39,764	-
Payments for bond redemption	(10,000)	(10,000)
Proceeds from issuance of other equity instruments	29,717	-
Repayments of other equity instruments	(30,000)	-
Repayment of lease liabilities	(4,460)	(3,975)
Dividends paid	(2,410)	(7,260)
Dividends paid to non-controlling interests	(343)	(98)
Payments for obligations for non-controlling interests	(8)	(3,012)
Acquisition of treasury shares	(0)	(0)
Distributions to owners of other equity instruments	(1,783)	(1,424)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(133)	(46)
Other	799	2,251
Net cash flows used in financing activities	(1,389)	(14,387)
Effect of exchange rate changes on cash and cash equivalents	963	4,386
Change in cash and cash equivalents	15,374	2,820
Cash and cash equivalents at the beginning of period	33,754	47,298
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(392)	-
Cash and cash equivalents at the end of period	48,737	50,119

(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 September 30, 2022 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) Significant accounting policy

The significant 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, 2021, except for the following item. Income tax for the third quarter ended September 30, 2022 was calculated based on the estimated average annual effective tax rate.

(Hyper-inflation adjustment)

The Group has made accounting adjustments to the financial statements of its subsidiary in Turkey, which is in a hyperinflationary economy, in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies". This adjustment has no material impact on the Group's consolidated financial statements for the third quarter of the fiscal year 2022.

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:

Third quarter ended September 30, 2021 (January 1 to September 30, 2021)

	(Million Yen)					
	Reportable segments			Adjustments (Note)		Consolidated
	Machine Tools	Industrial Services	Total	Corporate Services	Elimination	
Sales revenues						
External customers	181,999	92,252	274,251	20	-	274,271
Inter-segment	138,241	24,695	162,936	1,116	(164,053)	-
Total	320,241	116,947	437,188	1,136	(164,053)	274,271
Segment income	12,096	12,233	24,330	(8,505)	858	16,683
Financial income	-	-	-	-	-	228
Financial costs	-	-	-	-	-	(2,731)
Profit before income taxes	-	-	-	-	-	14,179

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

Third quarter ended September 30, 2022 (January 1 to September 30, 2022)

(Million Yen)

	Reportable segments			Adjustments (Note)		Consolidated
	Machine Tools	Industrial Services	Total	Corporate Services	Elimination	
Sales revenues						
External customers	217,392	115,544	332,937	95	-	333,032
Inter-segment	175,691	30,263	205,954	1,075	(207,029)	-
Total	393,083	145,807	538,891	1,170	(207,029)	333,032
Segment income	14,672	20,270	34,942	(6,094)	(2,133)	26,714
Financial income	-	-	-	-	-	407
Financial costs	-	-	-	-	-	(2,811)
Profit before income taxes	-	-	-	-	-	24,309

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