

DMG MORI CO., LTD.

Q&A

on the UK's referendum to leave the EU



To investors,

**We have received many inquiries in regards to the UK's referendum to leave the EU.
This material includes Q&A from investors.**

Management Message on the UK's referendum to leave the EU

In the manufacturing and machine tool industries, the UK will maintain its unique technical advantages in areas such as the aerospace industry. As an integrated group with both Japanese and German origins, DMG MORI is convinced that it will act as a bridge between the UK and Germany.

Q&A

Q: How will the UK's departure from the EU affect DMG MORI's business?

A: The effect on DMG MORI's order intake and turnover will be limited since our business volume in the UK is only about 3% of the group's total business. The UK subsidiary focuses on the import and sales of machines made in Germany and Japan, but not on production and export. For this reason, we expect the effect to DMG MORI will remain limited.

Q: How much of DMG MORI's business volume is in Europe? Tell me about your demand forecast in Europe.

A: DMG MORI's sales volume in Europe is 51% of our total sales. From January through June 2016, order intake in Europe remains stable, which, as well as with US orders, props up our total order intake despite weak demand in Japan, China and Asia. Although we cannot make a clear statement on demand outlook, we continue to expect stable demand considering a growing number of investment projects for improving productivity in the automotive, aircraft and machinery industries.

Q: How will the yen appreciation affect your business?

A: Our production composition is 40% in Japan, 40% in Europe, mainly Germany and Italy, and the rest comes from North America and China. If the yen remains strong, we will expand our production volume in Europe, North America and China to balance the currency effect. Our global competitors are still Japanese builders, and a strengthening of production in Europe will enhance our competitiveness against our peers. The business collaboration with the German company provides us greater options to minimize influences from unforeseen economic and exchange rate fluctuation. Thanks to this our business becomes much more stable.

Q: How does the currency fluctuation affect your business results of December 2016's end?

A: The effect from the currency fluctuation is mainly caused by the profit transfer from the German company. Sales of the German company amount to EUR2.2-2.3 billion, and the appreciation of yen against the EURO might reduce sales figure. On the other hand, we continue to make an effort to achieve our original target of 25 billion yen operating profit by improving our production efficiency and reducing expenses.