

DMG MORI CO., LTD.

Q&A

on the domestic machine tool market share provided by
the Nikkei Sangyo Shinbun



To shareholders and investors,

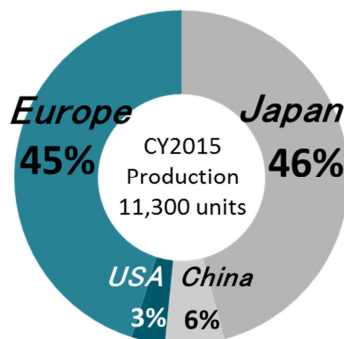
We have received inquiries about the domestic machine tool market share provided by the Nikkei Sangyo Shinbun (the Nikkei Industrial News Paper) dated July 25th. This is a material to respond to inquiries.

Q: About the Nikkei Market share.

A: In our understanding, the Nikkei Market share provided by the Nikkei Industrial News Paper (hereinafter called as “NIN”) is calculated based on the METI statistics and the hearing data from each company. It is the ratio of the production value amount of each company to the total production value amount of machining centers and turning centers in Japan. According to the statistics of the METI, the domestic production value amount in CY2015 was JPY 802.4 billion in total— JPY 531.1 billion for machining centers and JPY 271.3 billion for turning centers.

Our production in CY2015, together with German consolidated company, was 11,300 units or JPY330 billion under retail price basis, which was far different from the NIN’s recognition. Our production figure includes production volume and value amount in overseas, which is simply incomparable with the production amount of METI and the NIN’s market share prepared based on the METI’s statistics. Our group production accounts for the overwhelming position. The figure 1 below shows the proportion of production volume by region. Our company is now under the process of localization and optimization of production, hence we believe it is of importance to evaluate consolidated and globalized production capacity, actual production volume and value amount, rather than Japanese domestic production.

Figure 1: Consolidated production ratio by region



As for the domestic market share, another criterion is the share of order amount, which we believe remains stable among our peers in the past years. It seems that the statistics of the Japan Machine Tool Builders’ Association (JMTBA) is reliable database to calculate the market share by order amount.

Based on JMTBA statistics, our market share of the machining center rose a bit to 10.7% in the 1H of CY2016 from 10.5% for CY2015, when we suffered contribution from the government subsidy, after reaching at 11.7% for CY2014. The market share of the turning center experienced a slight adjustment and settled at 12.6% for the 1H of CY2016 following 10.9% for

CY2014 and 13.5% for CY2015.

In the domestic machining market, demand for advanced 5-axis machines manufactured by our consolidated German company is gradually spreading, which could push up our market presence. The Internally developed Human Machine Interface utilizing innovative technologies, which consist of hardware like ERGOline and software such as MAPPS and embedded software with CELOS could make an increasing contribution to maximizing our customers' value, and they are well accepted in the domestic market as well as other developed countries. We are convinced that the launch of "Technology Cycles", which supports our customers' operation, should spur the sales of our high-value-added products and lead to a higher market share.

Figure 2 : Domestic market share trend by machine type

