MORI SEIKI

Interim Results Presentation for the Year Ending March 2004

(56th Fiscal Year)

Results for fist half of 2003

Results for first half of 2003

(Millions of yen)

		2002/4-9	2002/10-2003/3	2003/4-9 Initial forecast	2003/4-9 Result	Change	% change
Consolidated	Net sales	25,048	38,815	37,500	39,718	2,218	5.9%
	Operating income	-4,335	323	500	818	318	63.6%
	Ordinary income	-4,217	741	500	659	159	31.8%
	Net income	-5,677	123	450	-676	-1,126	-
Non-consolidated	Net sales	21,204	33,868	35,000	35,033	33	0.1%
	Operating income	-3,364	574	300	415	115	38.3%
	Ordinary income	-3,212	990	300	300	0	0.0%
	Net income	-4,862	-487	250	-872	-1,122	-

1. Figures for HITECH are included in the non-consolidated results for the April-September 2003 period. (Sales and services were integrated beginning in April; development and manufacturing beginning in August.)
2. A foreign exchange gain of ¥400 million is included in ordinary income for the October 2002-March 2003 period.
3. A foreign exchange loss of ¥150 million is included in ordinary income for the April-September 2003 period.

Balance Sheet (consolidated basis)

(¥100 million)

	Total Assets (March 2003 fiscal year) Total: ¥115.1 billion	Total Assets (September 2003) Total: ¥119.7 billion	
– Cash and deposits	85	154	69
– Notes and accounts receivable	174	157	-17
– Inventories	219	206	-13
– Land	207	206	-1
– Buildings, machinery, etc.	333	333	0
– Investments in securities	49	52	3
– Other	84	89	5
Total	1,151	1,197	46
	(Includes –50 for Treasury Stock)	(Includes –51 for Treasury Stock)	
Interest-bearing liabilities:	121	203	82

Cash Flow (consolidated basis)

(¥million)

	Period ended Sept. 2003	Year ended March 2003
Net cash provided by (used in) operating activities	1,924	-3,753
Decrease in notes and accounts receivable	1,411	-3,495
Decrease in inventories	1,060	-4,675
Change in accounts payable	-1,148	2,566
Depreciation and amortization	2,447	5,113
Loss on devaluation of investments in securities	-	1,214
Decrease in retirement allowances	-	-2,538
Net cash provided by (used in) investment activities	-1,952	-5,378
Proceeds from sales of investment securities	984	1,164
Purchases of property, plant and equipment	-2,606	-3,103
Purchase of other assets	-439	-336
Acquisition of businesses	-	-2,450
Net cash provided by (used in) financing activities	7,342	3,957
Decrease in short-term bank loans	13,000	7,000
Repayment of long-term debt	-5,075	-1,838
Purchases of treasury stock	-102	

Cash and cash equivalents at period-end: 15,444 8,380

Revisions to Results Forecasts for the March 2004

Revisions to Results Forecasts for the March 2004

(¥million)

		Previous period results	Initial forecast	Full year forecast	Change	% change
Consoli-dated	Net sales	63,863	75,000	80,000	5,000	6.7%
	Operating income	-4,012	1,000	2,000	1,000	100.0%
	Ordinary income	-3,476	1,000	1,500	500	50.0%
	Net income	-5,554	900	300	-600	-66.7%
Non-consoli-dated	Net sales	55,072	70,000	70,000	0	0.0%
	Operating income	-2,790	600	900	300	50.0%
	Ordinary income	-2,222	600	400	-200	-33.3%
	Net income	-5,349	500	-700	-1,200	-

Comparison Between April-September 2003 Results and October 2003-March 2004 Forecasts

(¥million)

		2003.4-9 Result	2003.10-2004.3 Forecast	Change	% change	Full year forecast
Consoli-dated	Net sales	39,718	40,282	564	1.4%	80,000
	Operating income	818	1,182	364	44.5%	2,000
	Ordinary income	659	841	182	27.6%	1,500
	Net income	-676	976	1,652	-	300
Non-consoli-dated	Net sales	35,033	34,967	-66	-0.2%	70,000
	Operating income	415	485	70	16.9%	900
	Ordinary income	300	100	-200	-66.7%	400
	Net income	-873	173	1,046	-	-700

Second-Half Target

Second-Half Issues

Fluctuating cost:

More reduce ratio of materials costs to sales

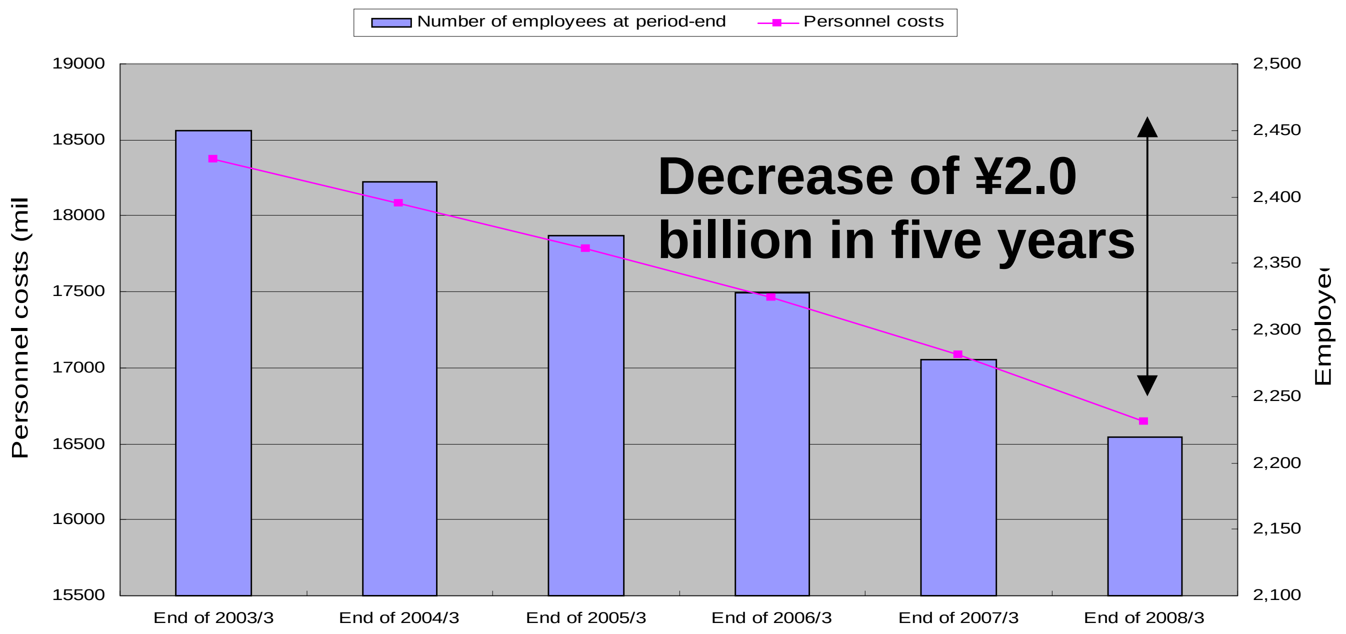
→ 50% or less, Achieve 45% for new products

Fixed costs

1. Will not cut employees or personnel costs
(Personnel to respond to future increases in sales)

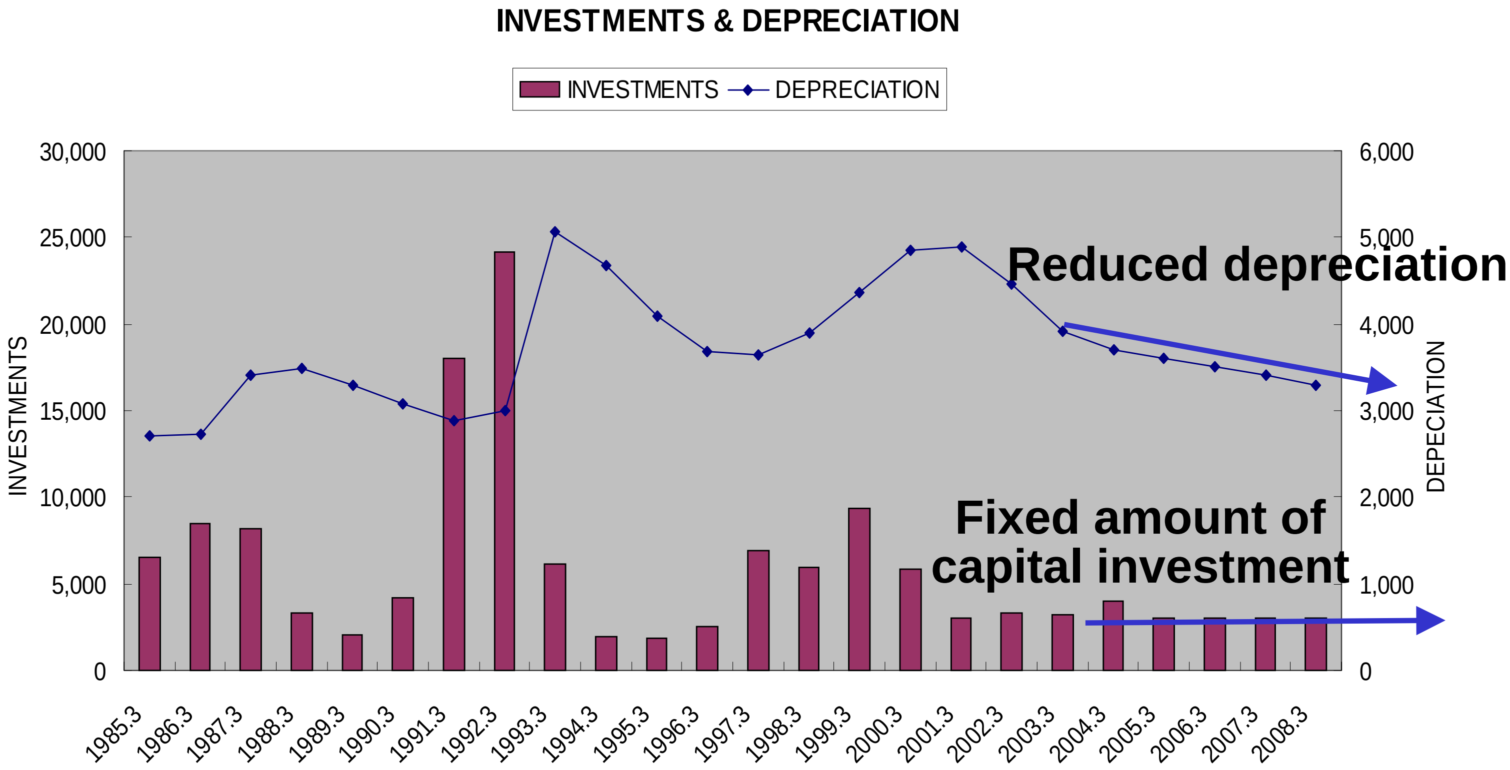
→ **However, there will be a natural decrease of about ¥0.5 billion per year starting in three to five years from those retiring at the mandatory retirement age.**

→ **Secure outstanding human resources from all over the world. And, invest in those resources and work to increase development capability.**



2. Reduce capital investment from the present ¥5.0 billion to ¥4.0 billion

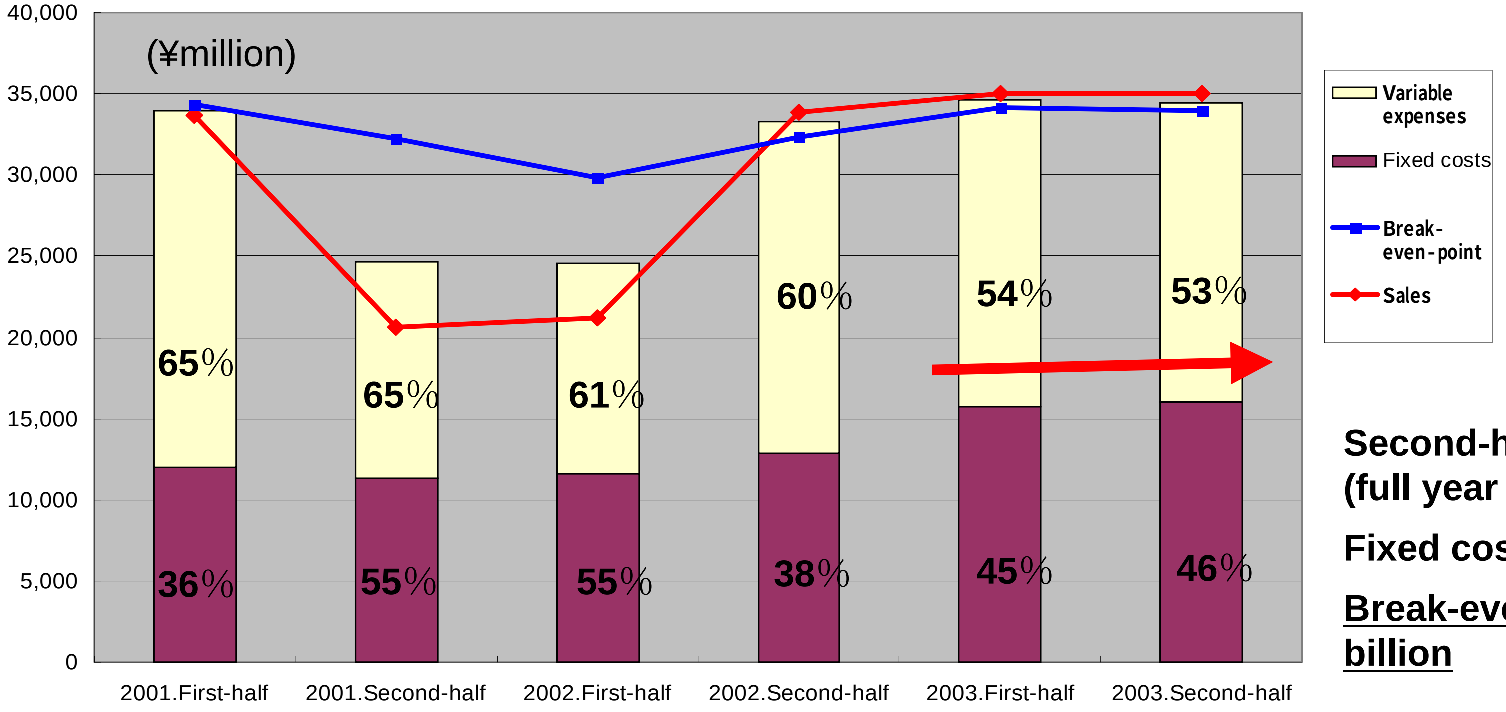
→ **Complete all present, planned investments in plants and technical centers domestically and overseas. Going forward, invest only in repairs, IT and to update facilities and machinery. Within ¥4.0 billion should be sufficient.**



Second-Half Issues V

Trends in the break-even-point (non-consolidated): HITECH completed integration into the parent from the second-half of fiscal 2003.

⇒ A profit will result if fixed costs don't further increase and variable expenses and fixed costs can be cut.



	2001.First-half	2001.Second-half	2002.First-half	2002.Second-half	2003.First-half	2003.Second-half
Marginal profit ratio	0.35	0.35	0.39	0.40	0.46	0.47

Second-half fiscal 2003 (full year basis)

Fixed costs: ¥31.8 billion

Break-even-point: ¥67.8 billion

How can we increase sales and expand our share of the market?

Strengthen Sales Power I

1. Enhance maker sales function

→**Retrain sales professionals**

→**Establish evaluation system to sales staff**

(Clarify what should be evaluated)

1. Incentives for high sales

2. Incentives for high value-added

Strengthen Sales Power II

2. Incorporate domestic replacement demand and increase market share

Strengthen Sales Power III

3. **Establish direct sales system in the U.S.**

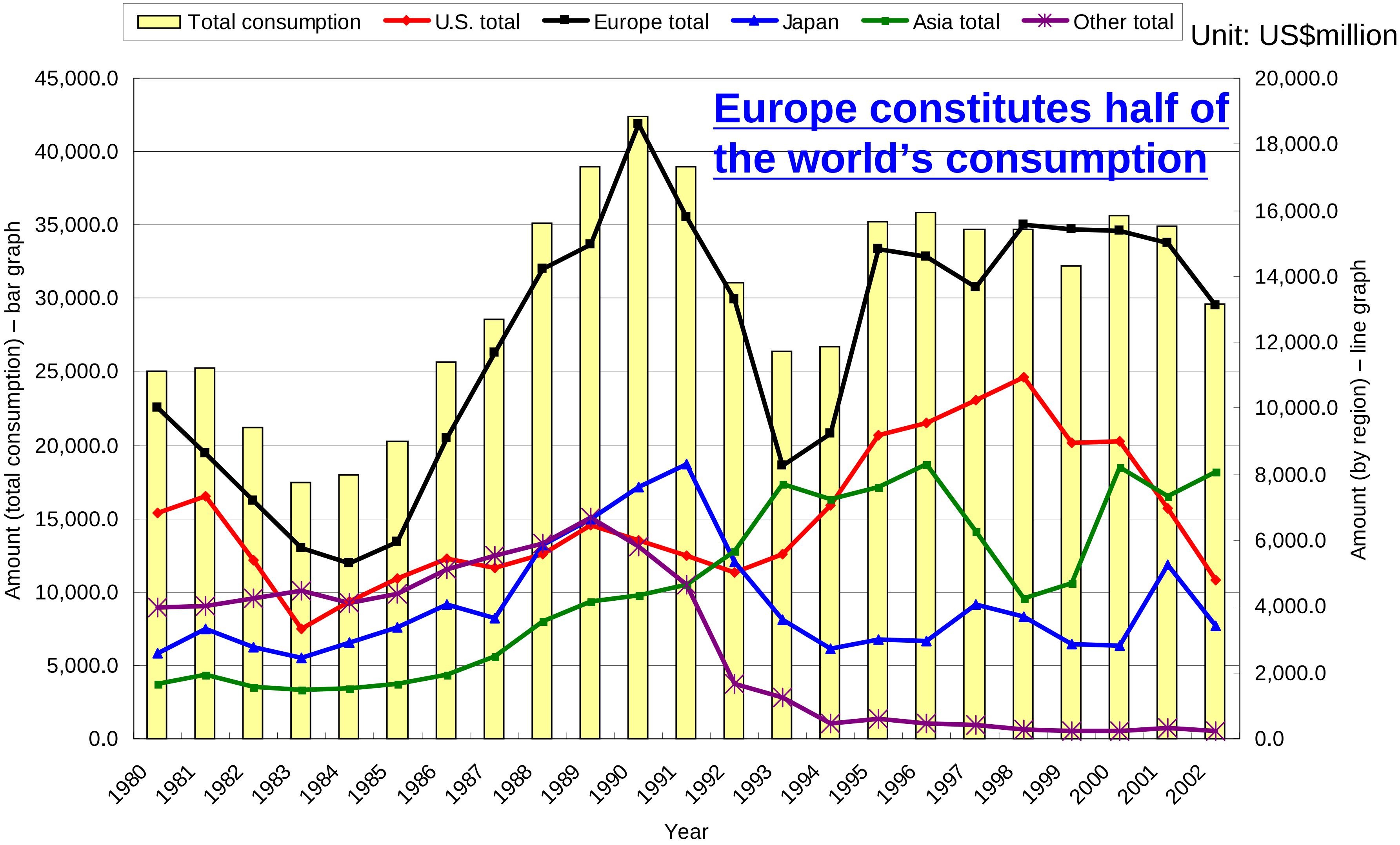
4. **Establish direct sales system in Germany**

Strengthen Sales Power IV

5. Enhance turnkey system
6. Incorporate former Hitachi Seiki customers

Raise profitability by increasing sales and upping our share

Trends in Machine Tool Consumption by Region



The Company's Sales and Market Share Targets

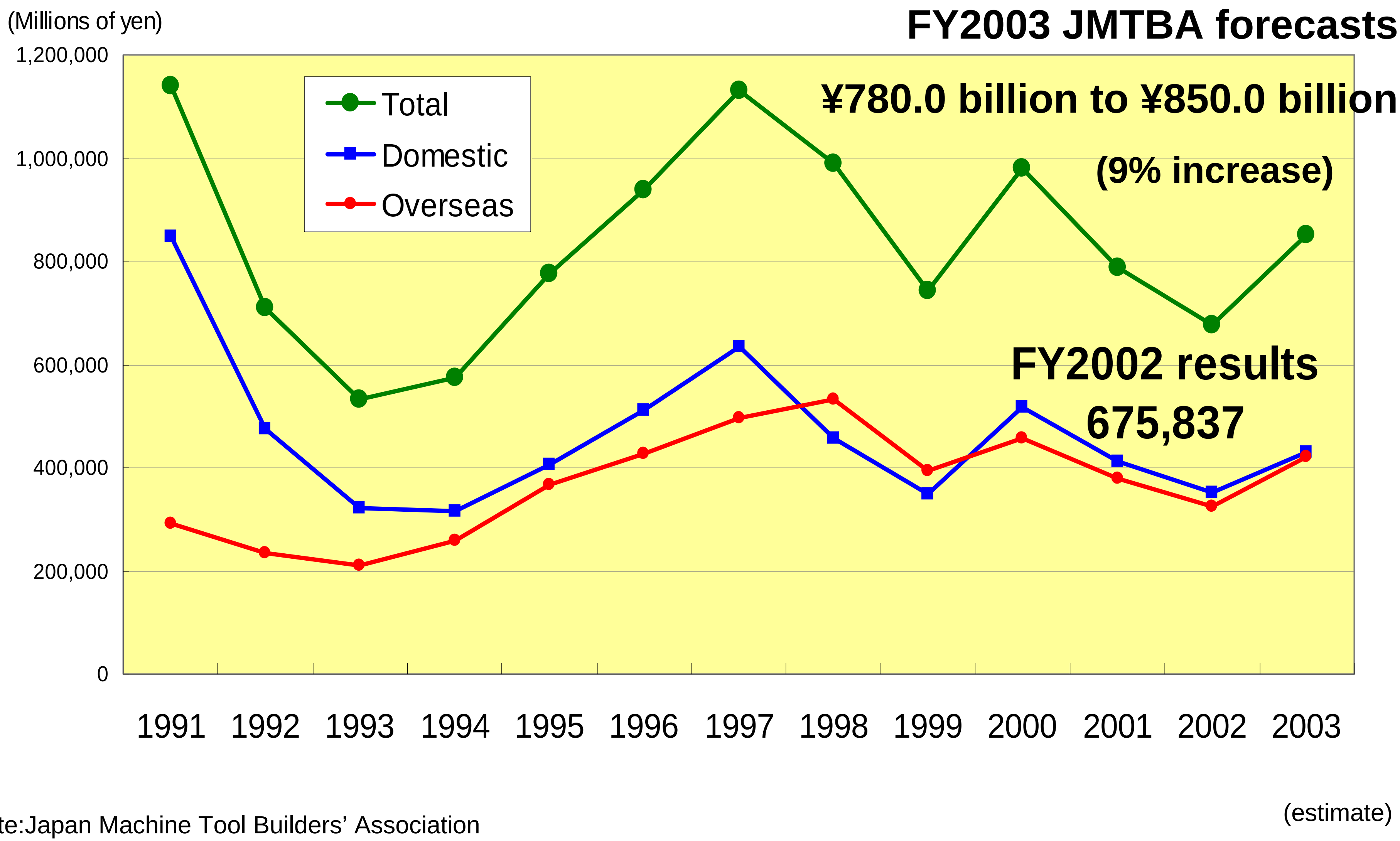
(Unit: ¥100 million)

	Total consumption of cutting models			NL, MC, grinding			MORI SEIKI			Share
Japan	3,000	-	6,000	1,500	-	3,000	450	-	900	30%
Europe	6,000	-	10,000	3,000	-	5,000	300	-	500	10%
Asia-Pacific	3,000	-	6,000	1,500	-	3,000	150	-	300	10%
U.S.	1,000	-	2,000	500	-	1,000	100	-	200	20%
Others	2,000	-	4,000							
Total	15,000	-	28,000	6,500	-	12,000	1,000	-	1,900	15%

Work toward 15% global share in lathes, machining centers, combined machining equipment and grinders

Status of Sales Activities

Orders—Trends in JMTBA Orders

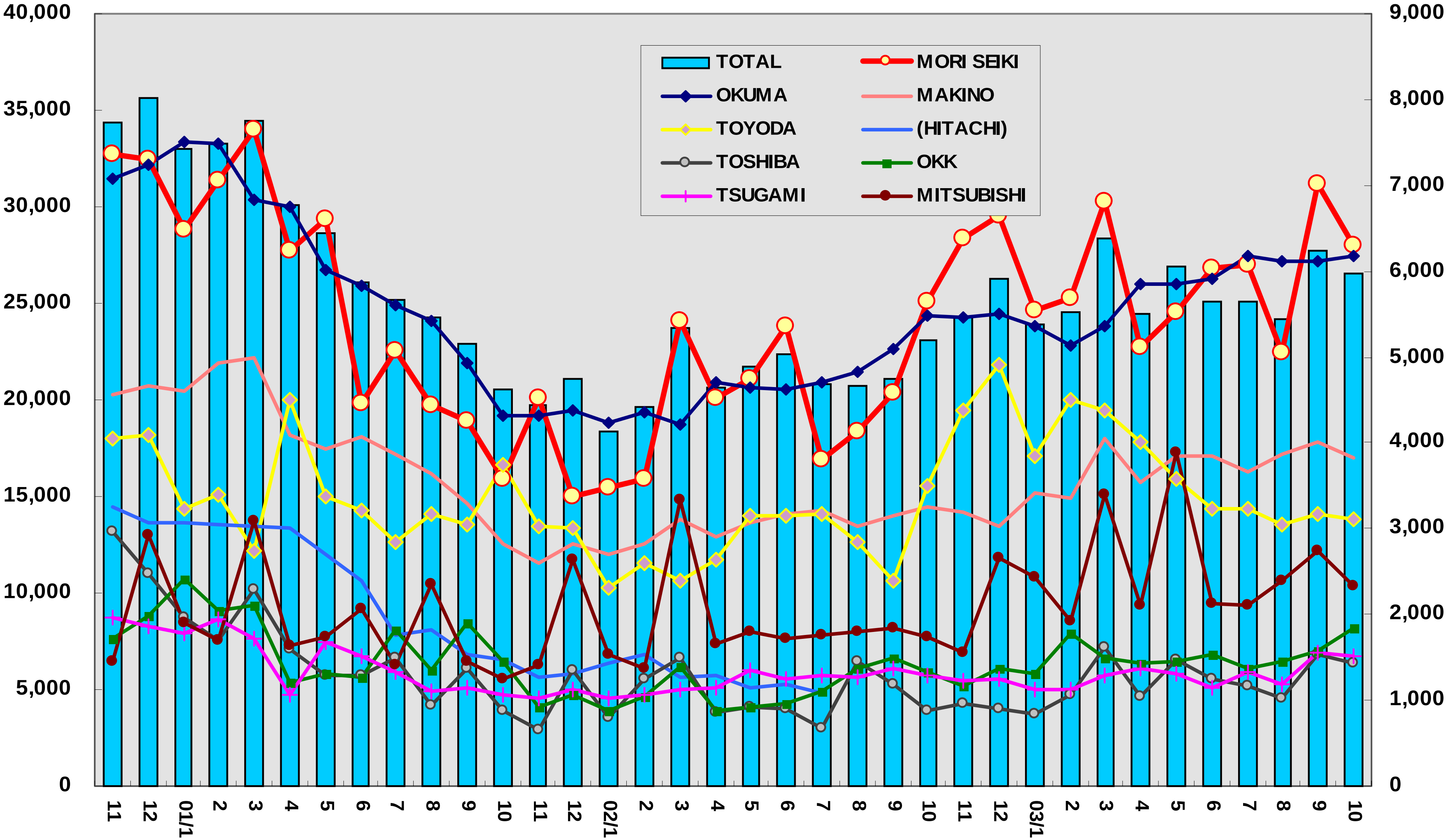


Date:Japan Machine Tool Builders' Association

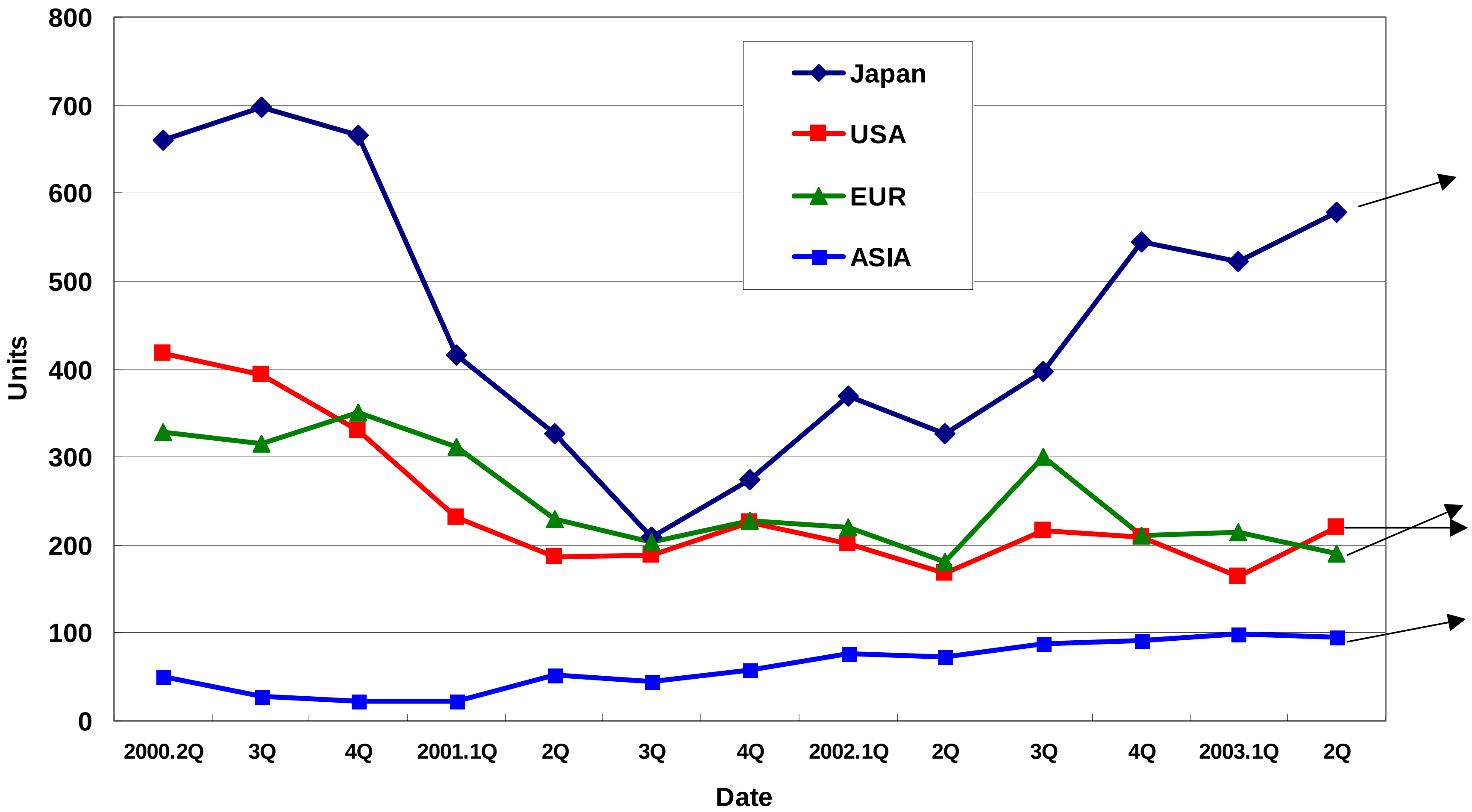
Orders—Trends in Orders Taken by Eight Principal Machine Tool Companies

(Total volume: million yen)

(million yen)

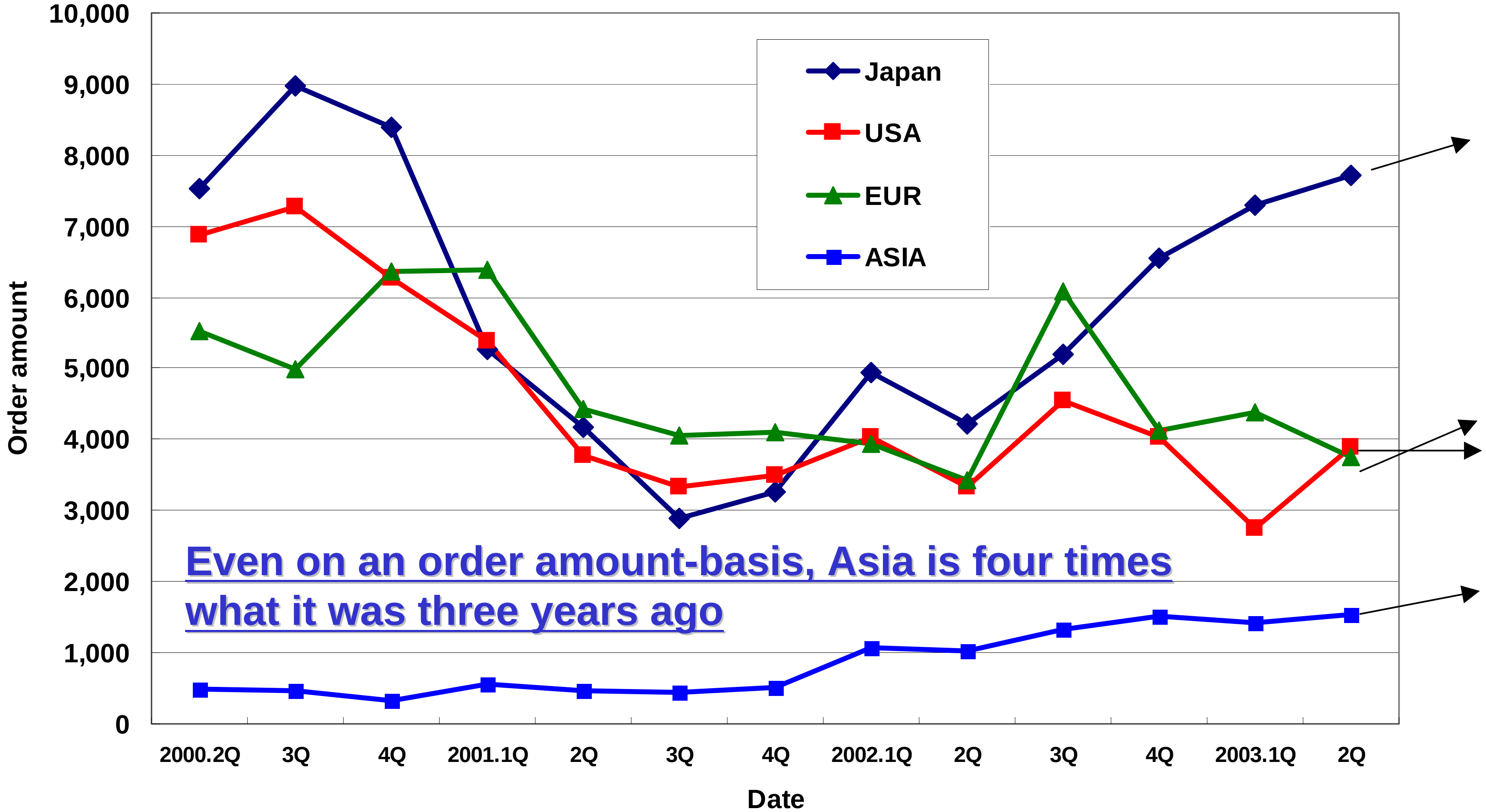


Orders—Trends in Number of Units Ordered by Region (quarterly basis)



101 units in one month in the first-half for NV5000 and NH5000 (72 for NV; 29 for NH), constituting 29% of total orders

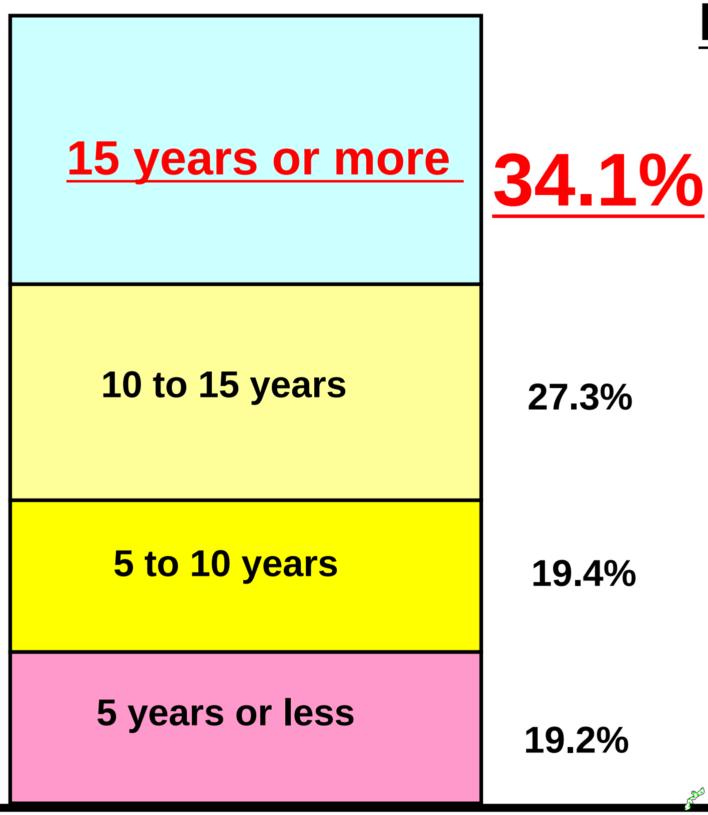
Orders—Trends in Order Amounts by Region (quarterly basis)



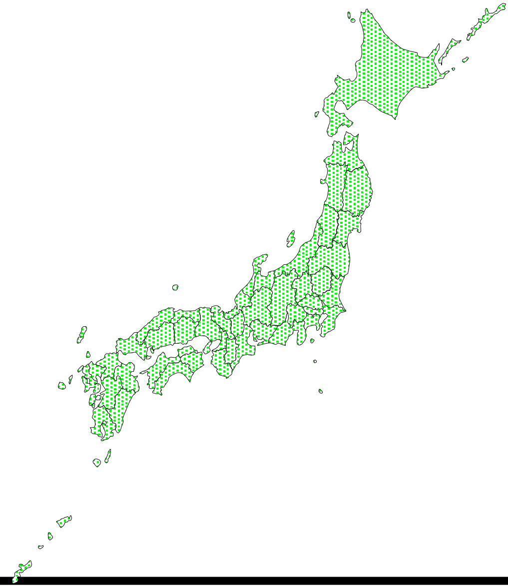
April-September 2003 net sales basis:

Japan: ¥17,564 million; USA: ¥9,184 million; Europe: ¥9,815 million; Asia: ¥3,154 million

Sales (Japan)—Age of Machines in Japan

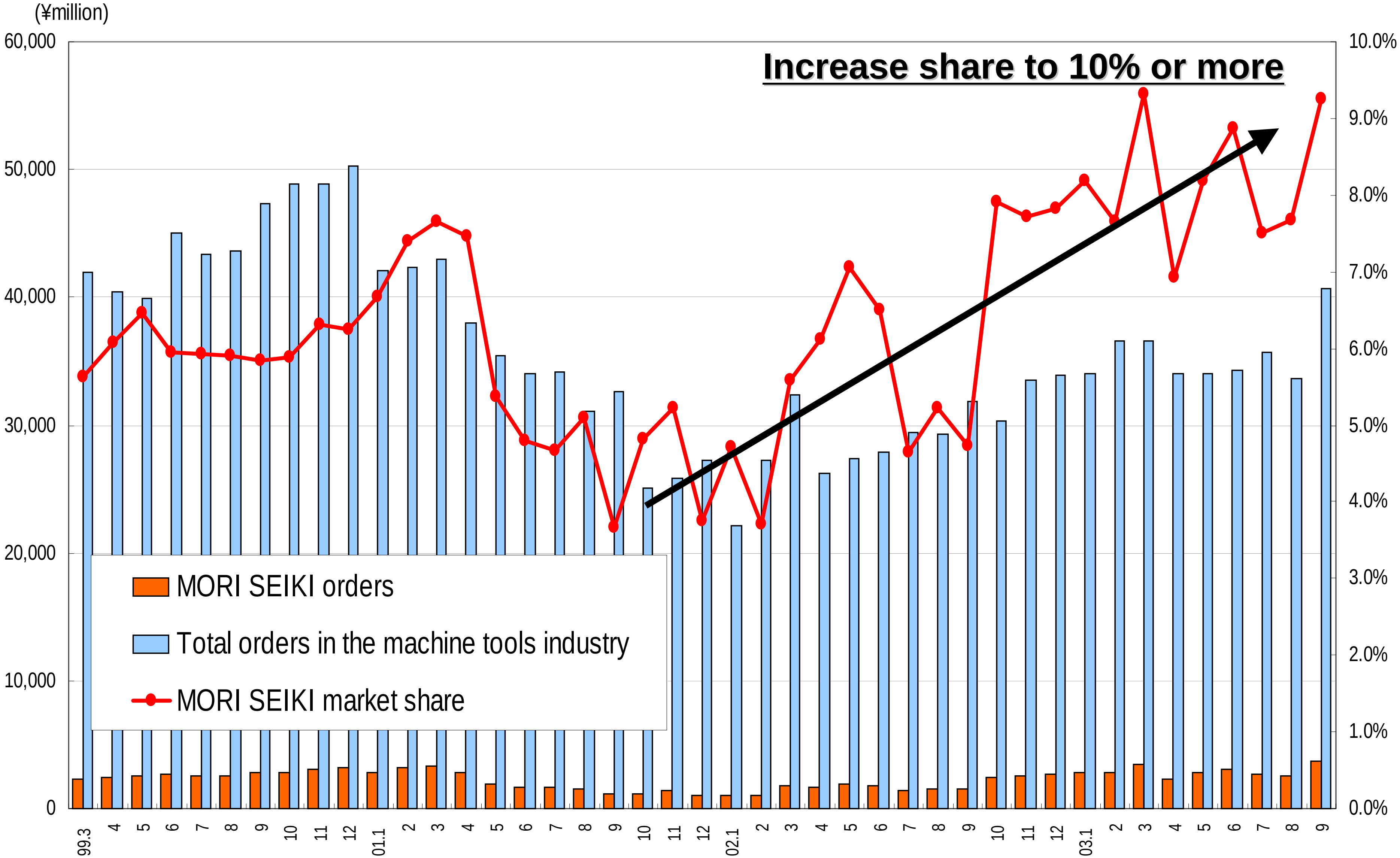


Machines installed in Japan: 76,000



→ **Replacement demand for updates**

Trends in Market Share of Orders in Japan



MORI SEIKI
THE MACHINE TOOL COMPANY

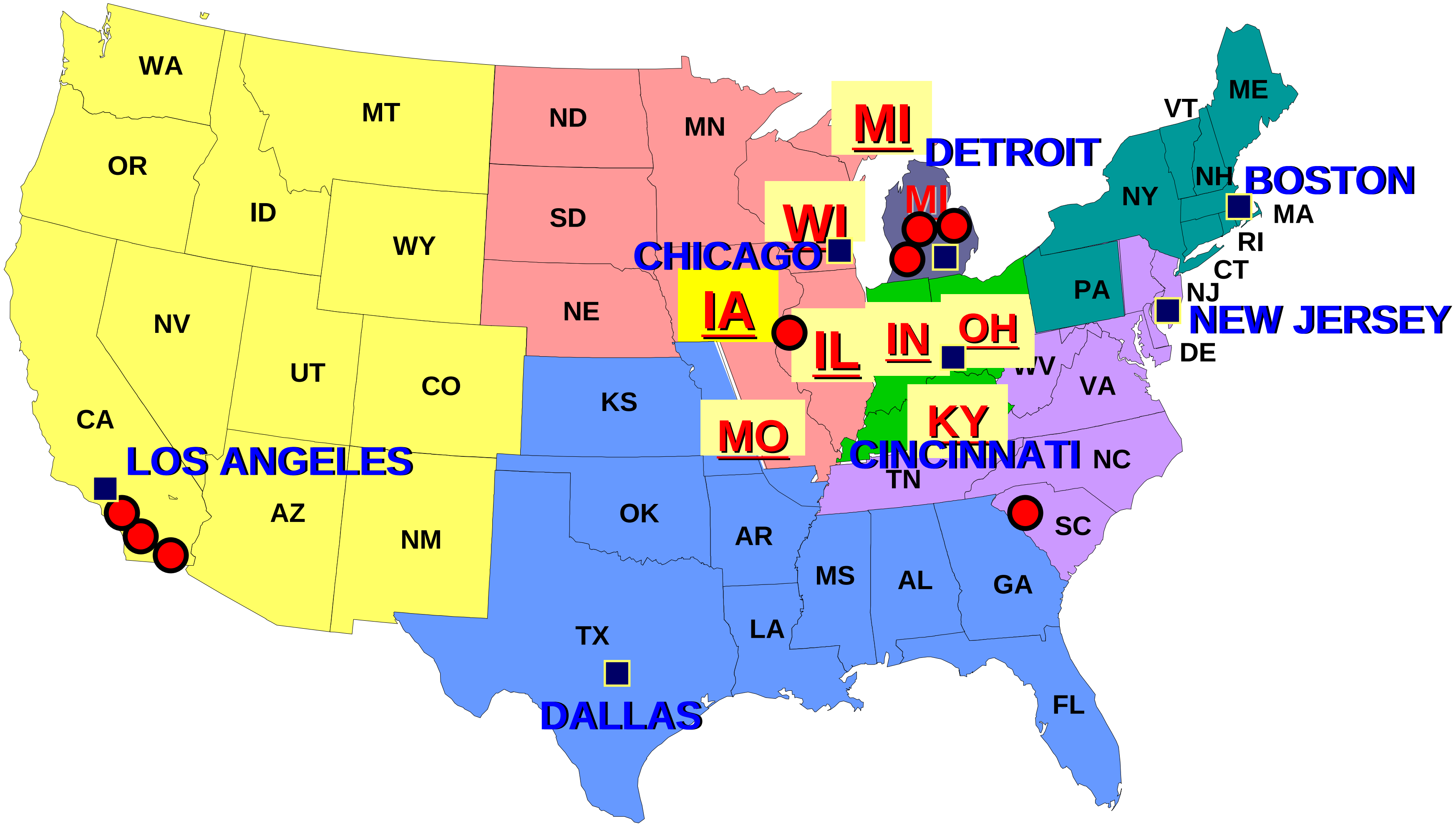
Establish Turnkey Group

1. Establish the Turnkey Group inside the Nagoya Building as a part of the Engineering Division (12 employees).
2. Focusing on automobile-related customers, propose turnkey systems that facilitate selection of optimal processes, from simple specifications to projects covering entire plants, and that realize those processes
3. Points of contact were previously dispersed in sales, development, production and other divisions that responded to various customer orders.
   → Consolidate the points of contact and let the Turnkey Group respond to customer orders.
   Gather together negotiations, estimates, orders, production and delivery and direct each division.

Sales (USA)—Establish Direct Sales System

New company name:	**MORI SEIKI Mid-American Sales, Inc.**	
Business activities:	**Sales and service of MORI SEIKI products**	
Capital:	**US$1,000,000**	
Controlling share:	**MORI SEIKI Co., Ltd.:**	**80%**
	Yamazen Corporation:	**20%**
Sales area:	**U.S. Midwest**	
Operations starting date:	**October 1, 2003**	
Executives:	**Chairman & Director:**	**Masahiko Mori**
	President:	**Tomas Dillon**
Employees:	**65**	

Improve current 10% market share to 20%



Monthly unit sales : 20 to 30 units

Increase of Market Share—Europe

Germany: Raise present 2% (approx.) share to 10%

1. Cancel contracts with existing dealers

2. Strengthen sales network

Establish new, direct sales system

- Establish direct sales companies in Stuttgart and Munich
  → Start in July in Baden-Wuerttemberg and Bayern

- Establish direct sales companies in the next fiscal year in Hamburg and Duesseldorf

Sales (Asia)—Establish Technical Centers in Indonesia and Australia

Indonesia Technical Center

1. **Establish local company in Jakarta to conduct sales and service activities**
2. **Explore demand from local Japanese motorcycle manufacturers**
3. **Seven employees and estimated annual sales of about ¥0.9 billion**

Australia Technical Center (Melbourne, Sydney)

1. **Establish direct sales company because of the withdrawal of local Japanese distributor**
2. **Respond to local automobile manufacturers**
3. **16 total employees and estimated annual sales of approximately ¥0.9 billion**

Improve orders in the Asia region from ¥5.0 billion to ¥10.0 billion a year in two years

Status of Sales Activities in China

Establish new offices in seven China locations

Set up display sites at the offices in Shenzhen and Dongguan

Establish local company in Indonesia

(Blue marks are new offices; red marks are existing offices)

Offices already set up in Beijin and Tianjin

Planning to hold open houses in Shenzhen, Dongguan and Dalian.

Improve orders in the Asia region from ¥5.0 billion to ¥10.0 billion a year in two years

Inventories at the End of the First Half of Fiscal 2003

(Sales stock)

	Japan	U.S.	Europe	Asia	Total
End of September 2003	38	256	211	6	511
(Breakdown)					
1. One year or more	8	38	45	4	95
2. Six months to one year	10	70	92	0	172
3. Less than six months	20	148	74	2	244

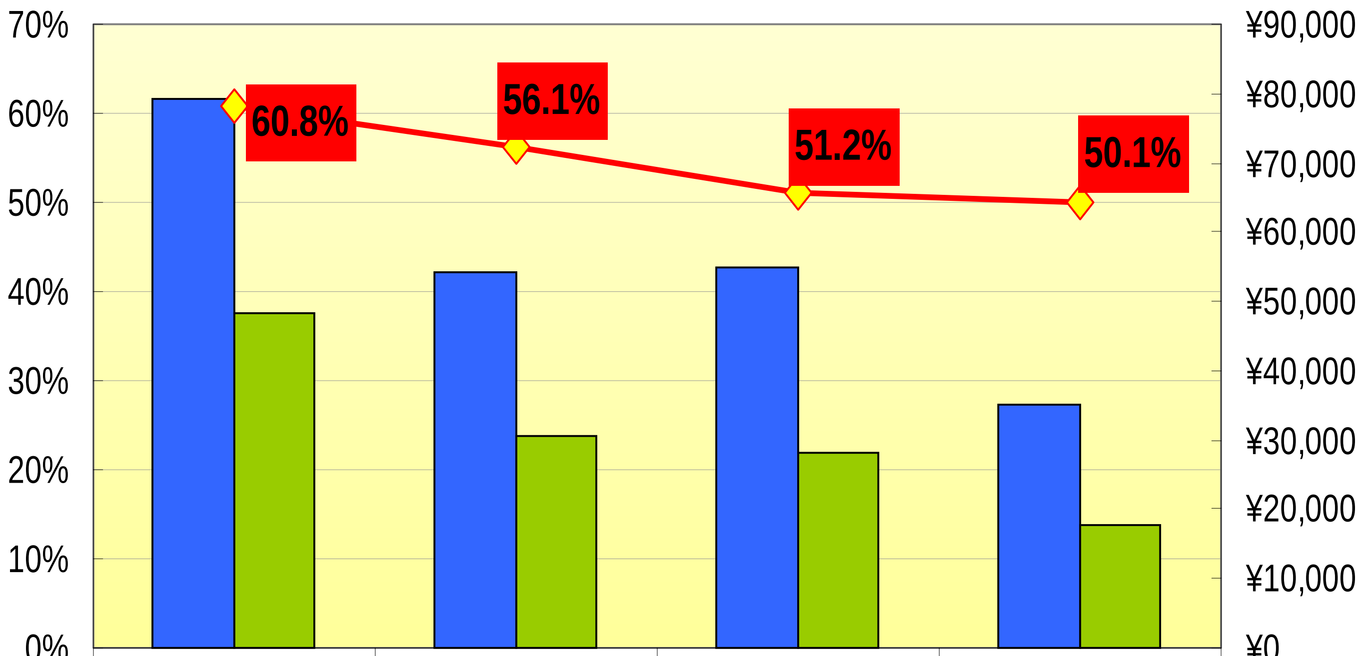
Sell all over than six-months-inventory (267 units) by the end of December

→ Reduce long-term inventory

Status of Production Activities

1/2 Project(Materials cost/Sales Ratio to 50%)

(Unit: ¥million)



	March 2001	March 2002	March 2003	September 2003
Net sales	79,382	54,292	55,072	35,033
Materials costs	48,231	30,456	28,174	17,552
Ratio of materials costs to net sales	60.8%	56.1%	51.2%	50.1%

Lowered the materials costs to sales ratio to 50.1% in the first-half of FY2003

Manufacturing —April-September 2003

- Cleanroom in plants (completion of floor coating)

  ⇒ Creation of precision, minute products

- Implementation of the auto camp system

  Expansion of cell production

  Improve primary and secondary service

  ⇒ Improve production efficiency

- Set up of the Chiba Plant

  ⇒ Creation of base for the Kanto area

Production Site

- **Headquarters: Nara**
- **Plants:**
  (production capacity)
  - **Nara Campus**
    Output: 200 units
  - **Iga Campus**
    Output: 200 units
  - **Chiba Campus**
    Output: 60 units
- **Total production: 460 units/month**

Consolidated sales: in the range of ¥100.0 billion

FY2003 Second-Half Target

1. Ratio of materials cost to sales to 49% in the second-half

- 1% to a reduction of ¥0.37 billion
- Ratio of new products is 45%

2. Overtime work to less than 40 hours a month

- 48 hours in Q1, 44 hours in Q2

  → Reduction to less than 40 hours in the second-half would be a reduction of ¥0.3 billion

FY2003 Second-Half Target

Achieve 100 hours of running time

Possible by shortening assembly time
through cell production

Achieve No.1 quality

Reduce the warranty expenses to half

Status of Development

New Product Development Schedule

- **NV4000DCG**: Launched October 1, 50 units / month
- **NH4000DCG**: Launched October 1, 50 units / month
- **NH6300DCG**: Exhibited at EMO Show
- **NL Series**: Simultaneous launch of the series next spring
- **NT2000**: Scheduled launch for next spring
- **ULTIMILL**: Newspaper presentation on June 16
- **Super MILLER 400**: Newspaper presentation on July 3
- **MAPPS-WIN, VEGA** (Windows programming operation)

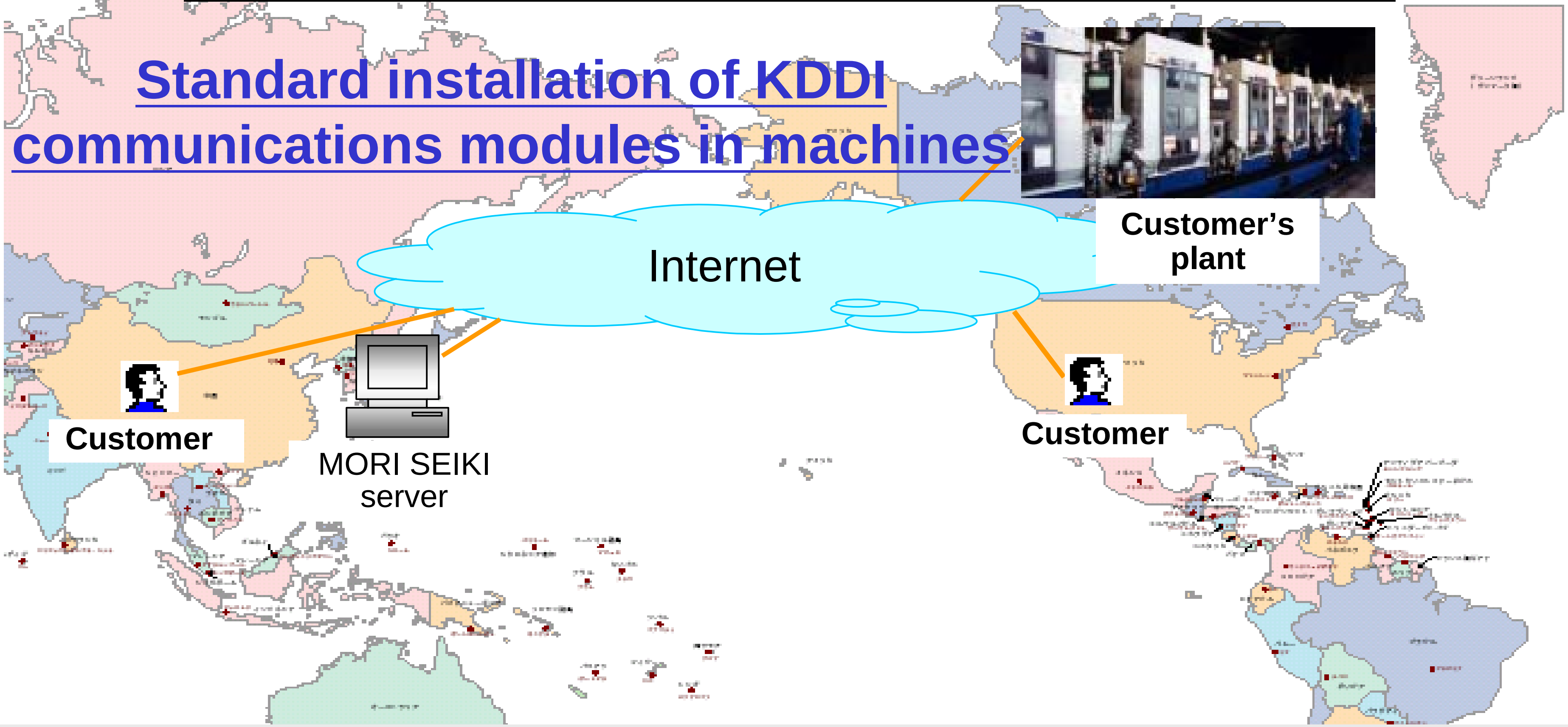
October	November	December	January	February	March	April

Driven at the Center of Gravity (DCG)

Machines aimed at high speed and high precision have been produced in succession since the middle of the 1980's. A number of significant developments have been made revolving around responding to larger feed and main spindle motors with higher rpms, technology to process the heat generated by such motors, and faster NC equipment. However, it seems that in the last five years the quest for technology for high speed and high precision has gotten off course. Raising speed only marginally shortens machining time. And, if precision and finished surface quality is required, there has to be a trade-off with speed.

DCG is a technology born out of thinking about machine drive dynamics. Any engineer of machine tools knows that it is better to push the center of gravity. But nobody sufficiently considered how important that is or why it is important. MORI SEIKI came up with a technology that enables truly authentic improvements to machining time, machining precision, finished surface quality and tool lifespan. It is a fundamental principle common to all machine tools, from machining centers to machines where tools and workpieces are in relative motion. MORI SEIKI machines with DCG move precisely as instructed without waste.

Outline of CAPS-NET Global Network



Using CAPS-NET software, the customer can connect to MORI SEIKI's server and confirm the operating performance of his own plants from any region around the world.

(Not necessary to purchase a server PC, database, UPS, etc.)

Status of Other Activities

Expansion of Service & Parts Center

Service Center

1. Transfer and set up the Service & Parts Center on the same floor
   (2,920 m^2 $\Rightarrow$ 4,811 m^2)
2. Increase the number of service staff
3. Establish Chiba Service Center

Parts Center

Service Car

Financial Solutions

Rental business with Mitsui Leasing & Development

Maintenance lease business with SMBC Leasing Company

MORI SEIKI

THE MACHINE TOOL COMPANY