

# ***MORI SEIKI***

## **THE MACHINE TOOL COMPANY**

# **FY3/2005 Financial Results**

## **First Half Ended September 30, 2004**

Mori Seiki Co., Ltd.

November 5, 2004

This document includes future projections and other forward-looking statements on business performance, plans, and other related information. The information is based on certain assumptions and judgment on the economic environment, business policies, and other factors at the time each document was prepared. In view of the element of uncertainty inherent in various factors, the actual results and performance may be different from the projections and forward-looking statements in this material.

# Summary

Significant upward revision in annual forecasts thanks to strong demand (orders) in the 1H.

## 1H Results

- Strong Orders, Rising Market Share
- Successful Launch of New “NL Series”
- Improvement in Performance Ratios

## FY3/05 Forecasts

- Sustainable High-level Orders
- Expanding Capacity
- New Model Impacts

# Agenda

1. Summary of 1H Results
  2. Annual Forecasts for FY3/05
  3. Overview of Machine Tool Industry
  4. Business Strategy
- Appendix

# **1. 1H Financial Results**

**(First Half Ended September 30, 2004)**

# Results Summary

(Consolidated)

(¥Million)	1H 9/03	1H 9/04			FY3/2004
	Results	Results	Increase	Chg. YOY	Annual Results
Sales	39,718	53,311	13,593	+34.2%	87,557
Operating Profit	818	3,101	2,282	+278.9%	2,401
(Operating Margin)	2.1%	5.8%	3.8%		2.7%
Ordinary Profit	659	3,165	2,505	+379.7%	1,850
(Ordinary Margin)	1.7%	5.9%	4.3%		2.1%
Pretax Profit	-429	2,730	3,159	—	821
Net Profit	-676	2,574	3,251	—	712
(Conversion Rate) 1US\$	(¥117.71)	(¥110.30)			(¥112.73)
(Conversion Rate) 1Euro	(¥133.96)	(¥133.63)			(¥132.57)













# Major Changes in Balance Sheet

				(Consolidated)					
(¥Million)		FY3/04	2005年3月期		(¥Million)		FY3/04	FY3/05	
			As of 9/04	Difference				As of 9/04	Difference
<b>Assets</b>				<b>Liabilities</b>					
<b>Current Assets</b>		55,575	58,108	2,533	<b>Current Liabilities</b>		14,336	18,232	3,896
Cash & Deposits		15,968	10,933	-5,035	Trade Payable		6,466	7,675	1,209
Receivables		20,352	23,042	2,690	Current Portion of LT Debts		2,584	5,084	2,500
Inventories		17,621	21,916	4,295	Accounts payable		3,373	2,950	-423
Other		1,634	2,217	583	Other		1,913	2,523	610
<b>Fixed Assets</b>		66,589	67,705	1,116	<b>Long-term Liabilities</b>		20,857	18,258	-2,599
Buildings		25,668	26,698	1,030	Long-term Debts		17,792	15,250	-2,542
Equipment		7,013	6,545	-468	Other		3,065	3,008	-57
Land		20,886	21,156	270	<b>Minority Interests</b>		59	74	15
Other		13,022	13,306	284	<b>Shareholders' Equity</b>		86,911	89,248	2,337
<b>Total Assets</b>		122,165	125,813	3,648	<b>Total Liabilities &amp; Equity</b>		122,165	125,813	3,648
(Conversion 1US\$ rate)		(¥105.64)	(¥111.05)		(Conversion 1US\$ rate)		(¥105.64)	(¥111.05)	
		(¥128.79)	(¥137.02)				(¥128.79)	(¥137.02)	

**An increase in working capital is funded by cash & deposits, while an increase in fixed assets is funded by earnings.**

# Improving Turnover Ratios

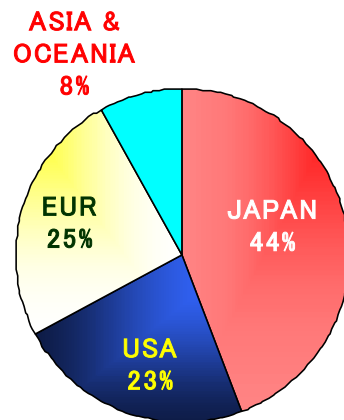
(Consolidated)

(Months)	FY3/2004		FY3/2005	
	1H 9/03	FY 3/04	1H 9/04	Chg. From 3/04
Receivables	2.37 mo. 	2.79 mo. 	2.59 mo.	-0.20 mo.
Inventories	3.12 mo. 	2.42 mo. 	2.47 mo.	0.05 mo.
Payables	0.69 mo. 	0.89 mo. 	0.86 mo.	-0.03 mo.
Fixed Assets	8.58 mo. 	7.75 mo. 	6.51 mo.	-1.24 mo.
Borrowings	3.08 mo. 	2.79 mo. 	2.29 mo.	-0.50 mo.
Equity Ratio	71.41 % 	71.14 % 	70.94 %	-0.20 %

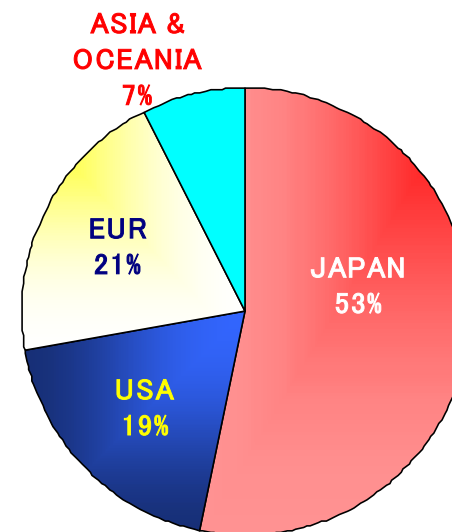
# Sales by Region

(¥Million)	JAPAN	USA	EUROPE	ASIA & OCEANIA	TOTAL
FY3/05 1H Ended 9/04	28,464	9,980	10,935	3,932	53,311
Sales FY3/04 1H Ended 9/03	17,565	9,184	9,815	3,154	39,718
Change YOY	+ 62.0%	+ 8.7%	+ 11.4%	+ 24.7%	+ 34.2%

FY3/04 1H Ended 9/03

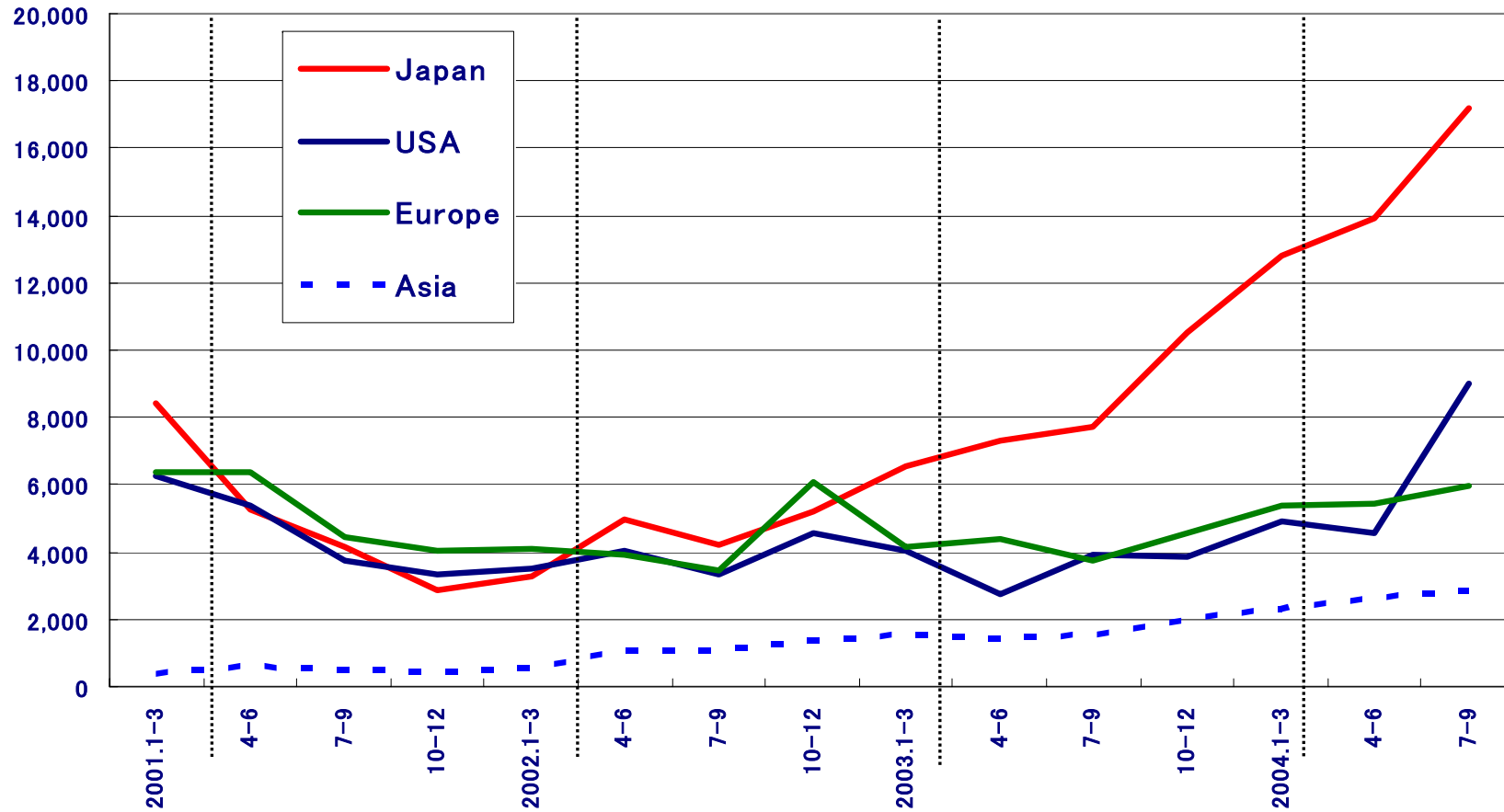


FY3/05 1H Ended 9/04



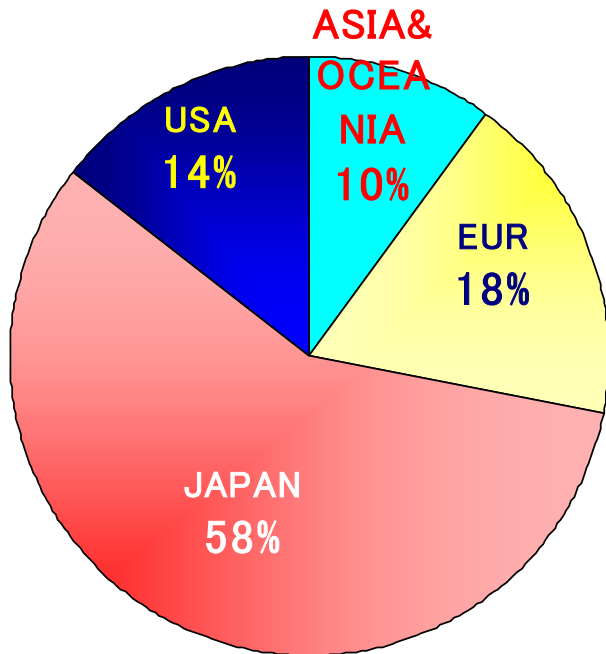
# Quarterly Orders By Region

Orders (¥Million)

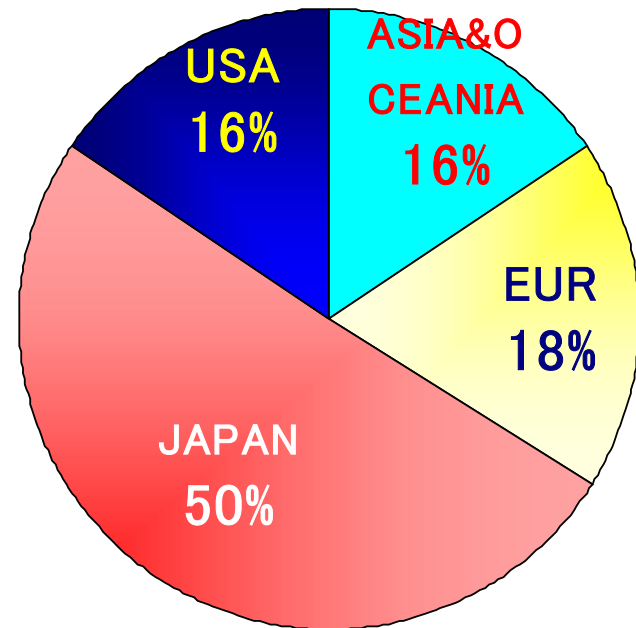


# Machine Sales vs. Installation by Region (4-9/2004, Actual)

Machines Sold by Region

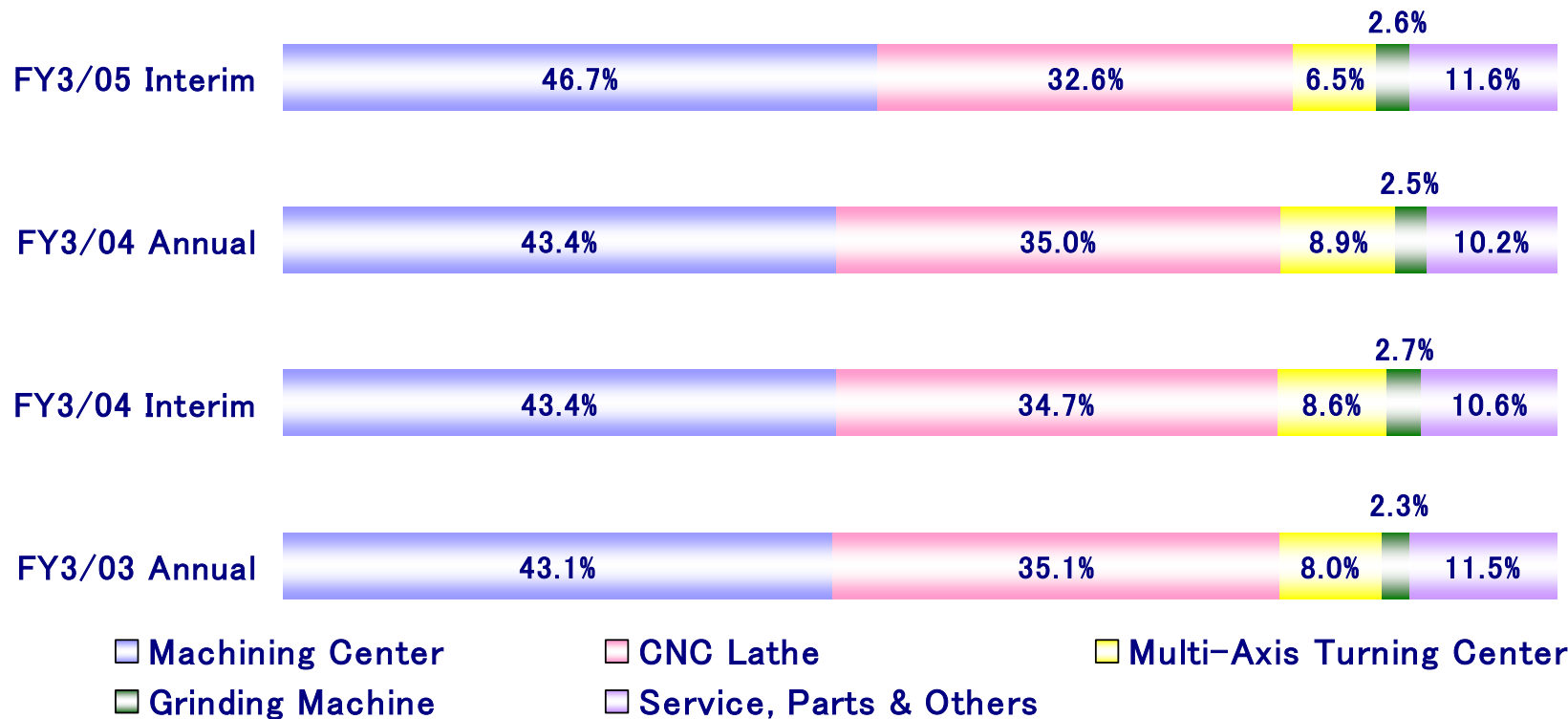


Machines Installed by Region



# Sales Breakdown

(Consolidated)

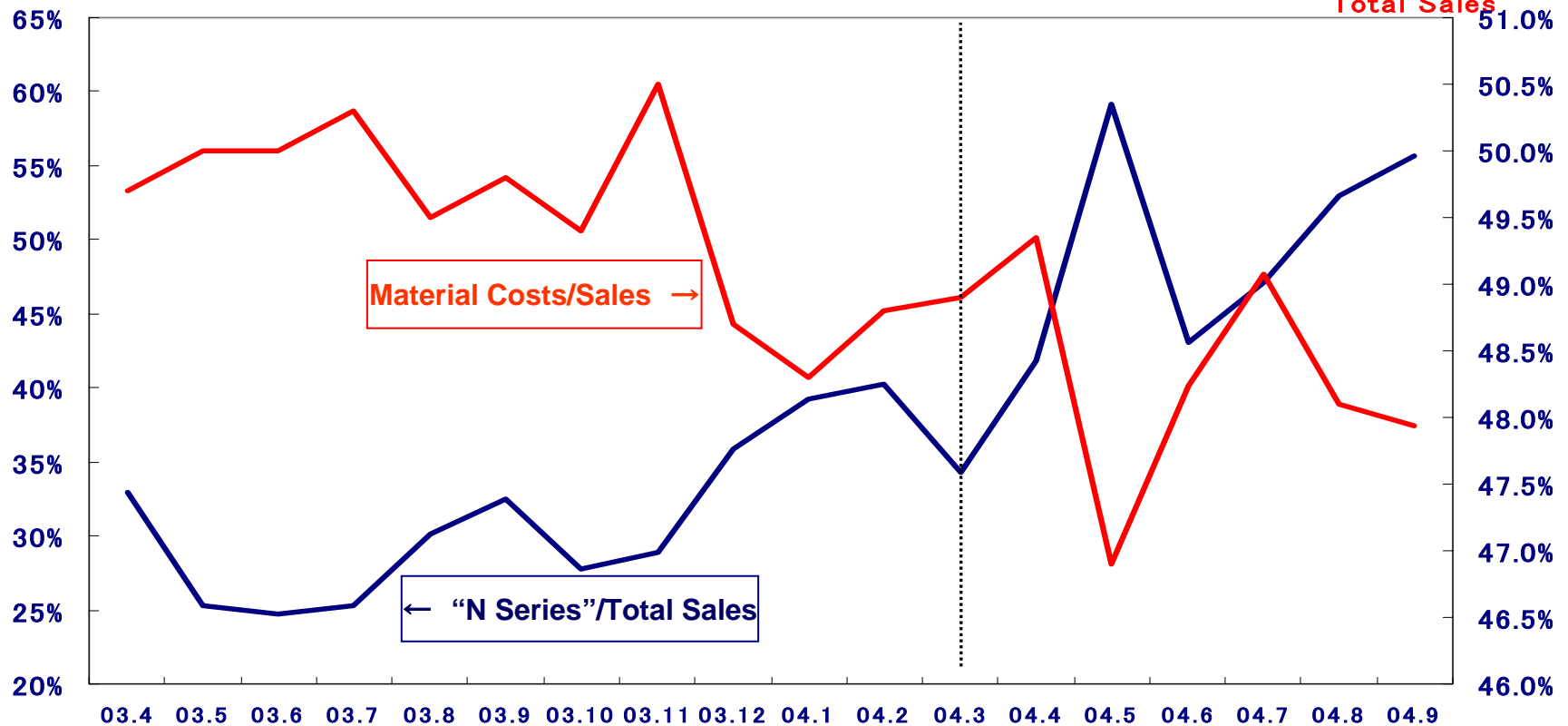


# Sales of "N Series" vs. Material Costs

(Parent-only)

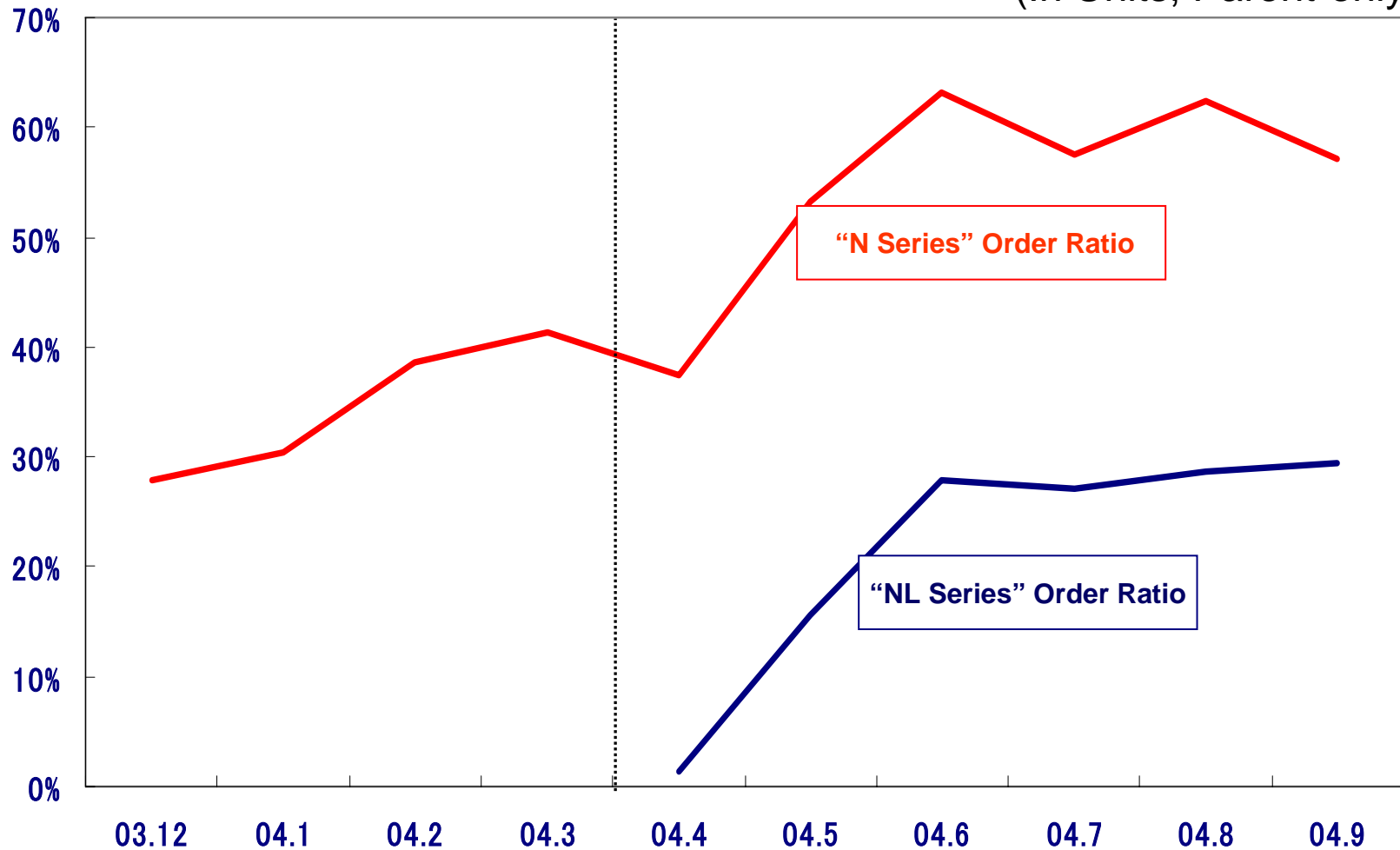
"N Series" Sales/Total Sales

Material Costs/  
Total Sales

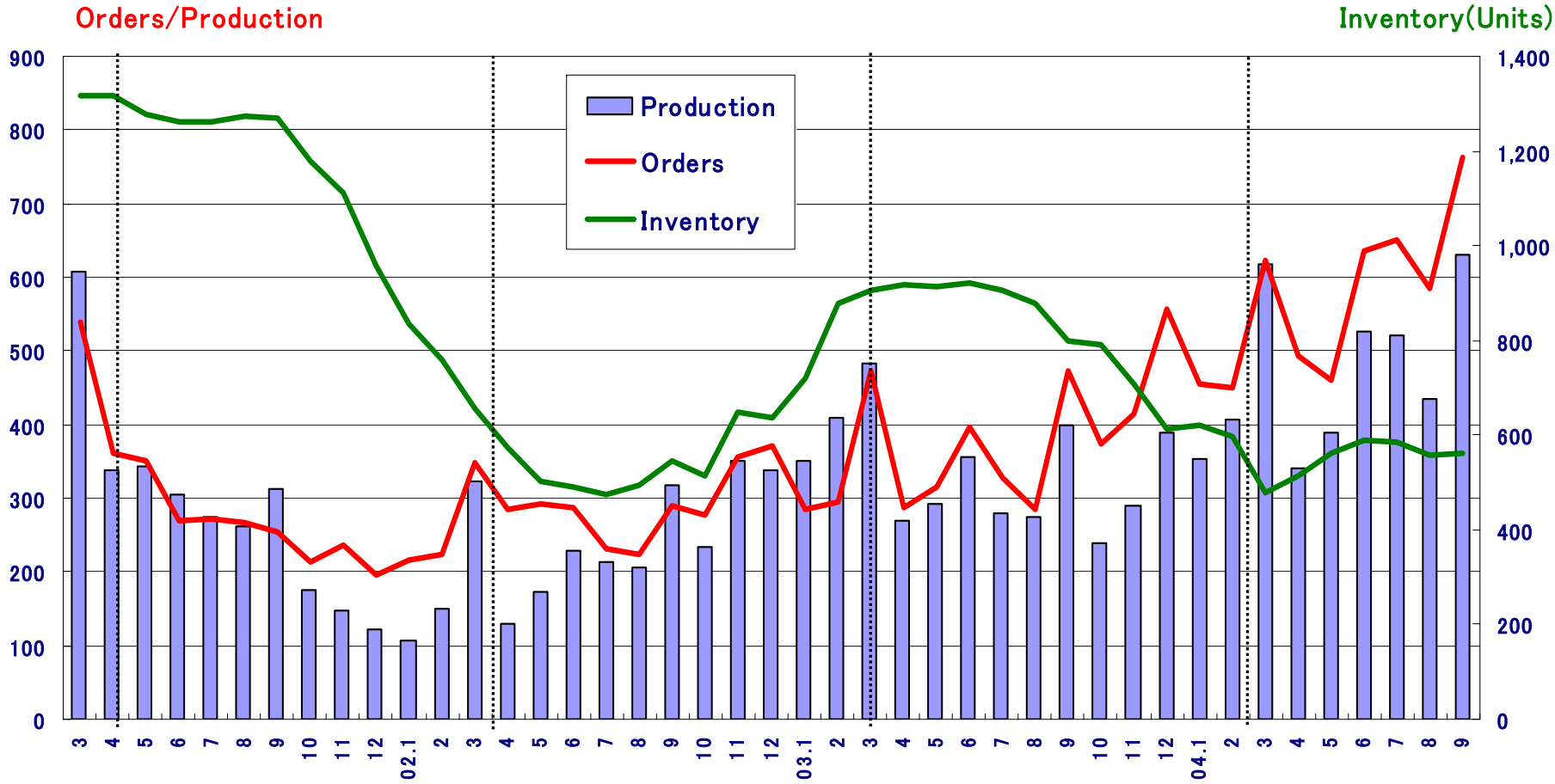


# “N Series” Order Ratio

(In Units, Parent-only)



# Production, Orders & Inventory



## **2. FY3/2005 Annual Forecasts**

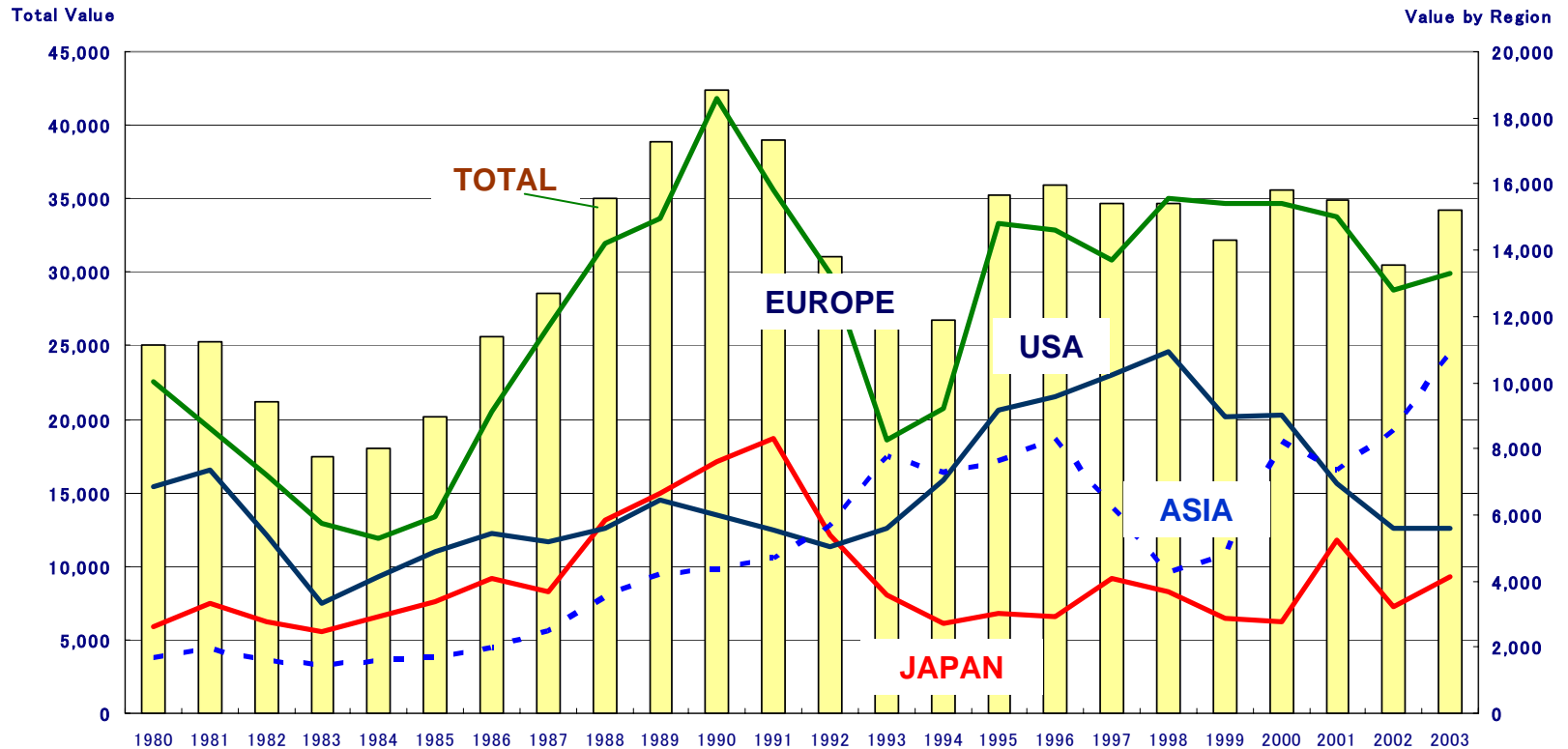
# FY3/2005 Annual Forecasts

(¥Million)	FY3/2004		FY3/2005				
	1H 9/03	Annual	1H 9/04	Previous Forecasts	Revised Forecasts	Increase	Chg. YOY
Sales	39,718	87,557	53,311	105,000	116,000	+11,000	+32.5%
Operating Profit	818	2,401	3,101	—	10,500	—	+337.3%
Ordinary Profit	659	1,850	3,165	5,300	10,500	+5,200	+467.6%
Pre-tax Profit	-429	821	2,730	—	—	—	—
Net Profit	-676	712	2,574	4,800	9,700	+4,900	+1,262.4%
(Conversion 1US\$ Rate) 1Euro	(¥117.71) (¥133.96)	(¥112.73) (¥132.57)	(¥110.30) (¥133.63)	(¥107.00) (¥128.00)	(¥107.00) (¥128.00)		

# 3. Overview of Machine Tool Industry

# Consumption of Machine Tools by Region

(US\$ Million)



# 4. Business Strategy

# Mid-term Target

**Raise market share by 1% each year  
in Japan's Machine Tool Builders' Association**

Total Orders for the Builders' Association will stay between ¥800 B and ¥1.2 TR  
Because of its 12% of the market, Mori Seiki will exceed its break-even point  
even at the bottom of its cycle.

# Strategic Launch of New Products

①

**NX**

②

**NT**

③

**Dura**

# ① NX



## ② NT

“N Series” Multi-Axis Turning Center  
Prototype “NT” Machine



# More Efficient Production Processes Through SCM

1. Spindles
2. Ball Screws
3. Heat Treatment Plant
4. Foundry

## ③ Dura

- "Dura" brand models to be developed
- Production at the second plant in Nara
- Business model to be introduced Globally

# ***MORI SEIKI***

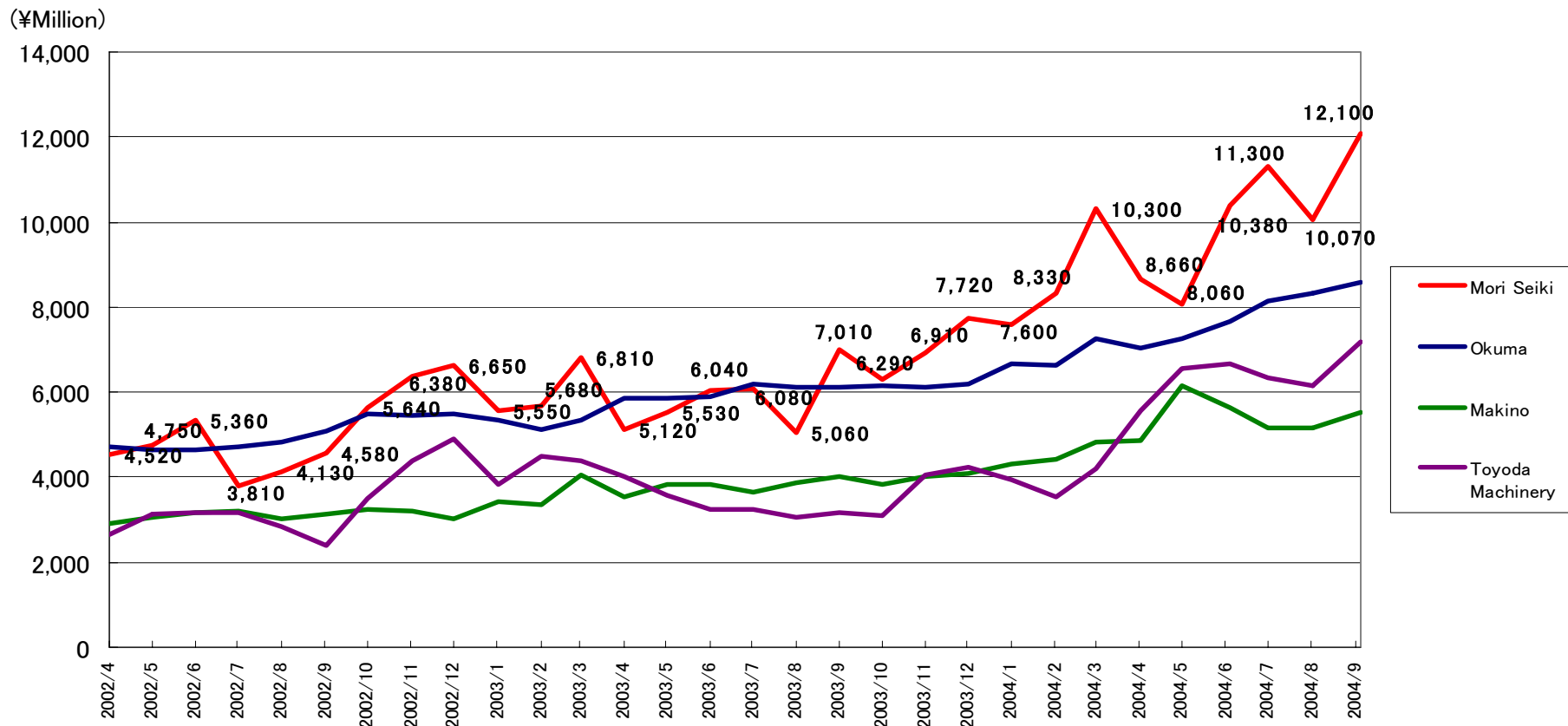
## **THE MACHINE TOOL COMPANY**

# Thank you.



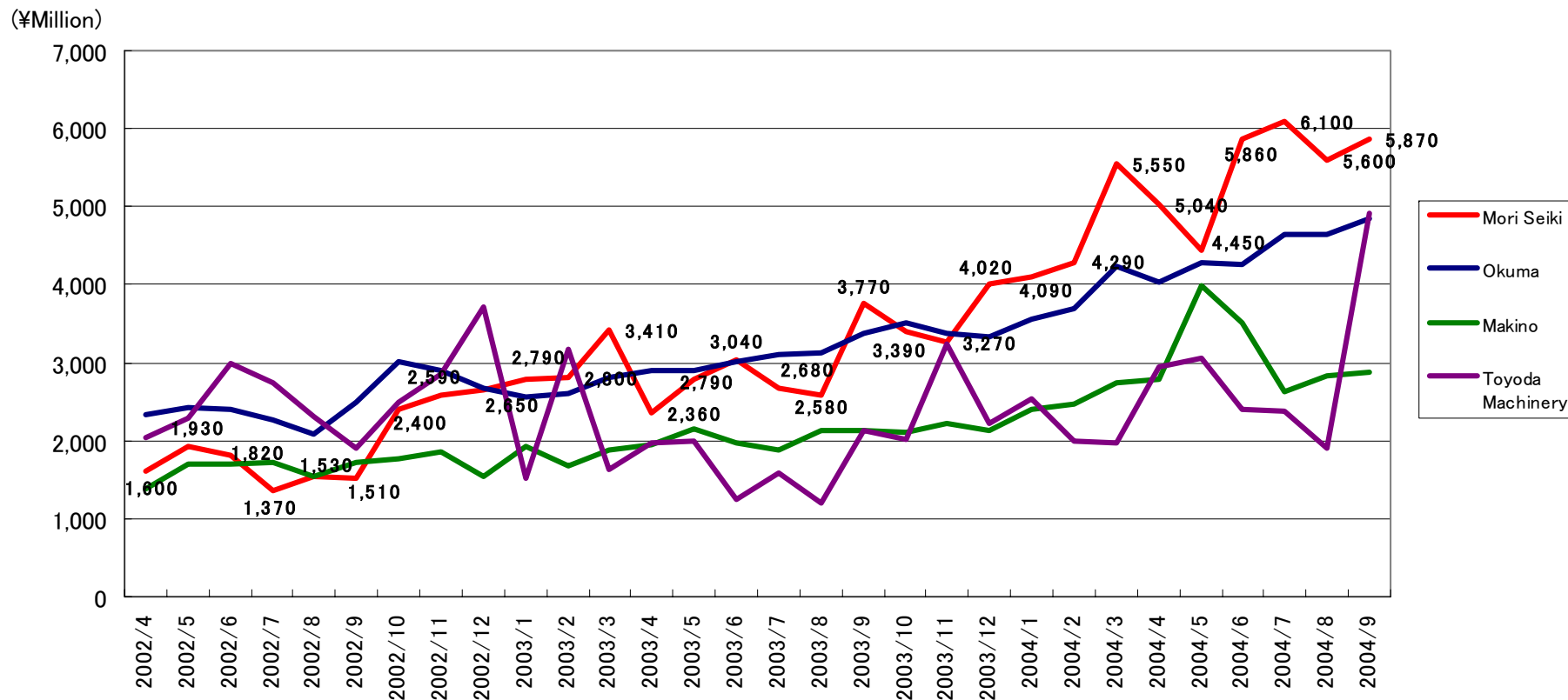
# Appendix

# Total Orders for leading Machine Tool Builders (April 2002 thru September 2004)

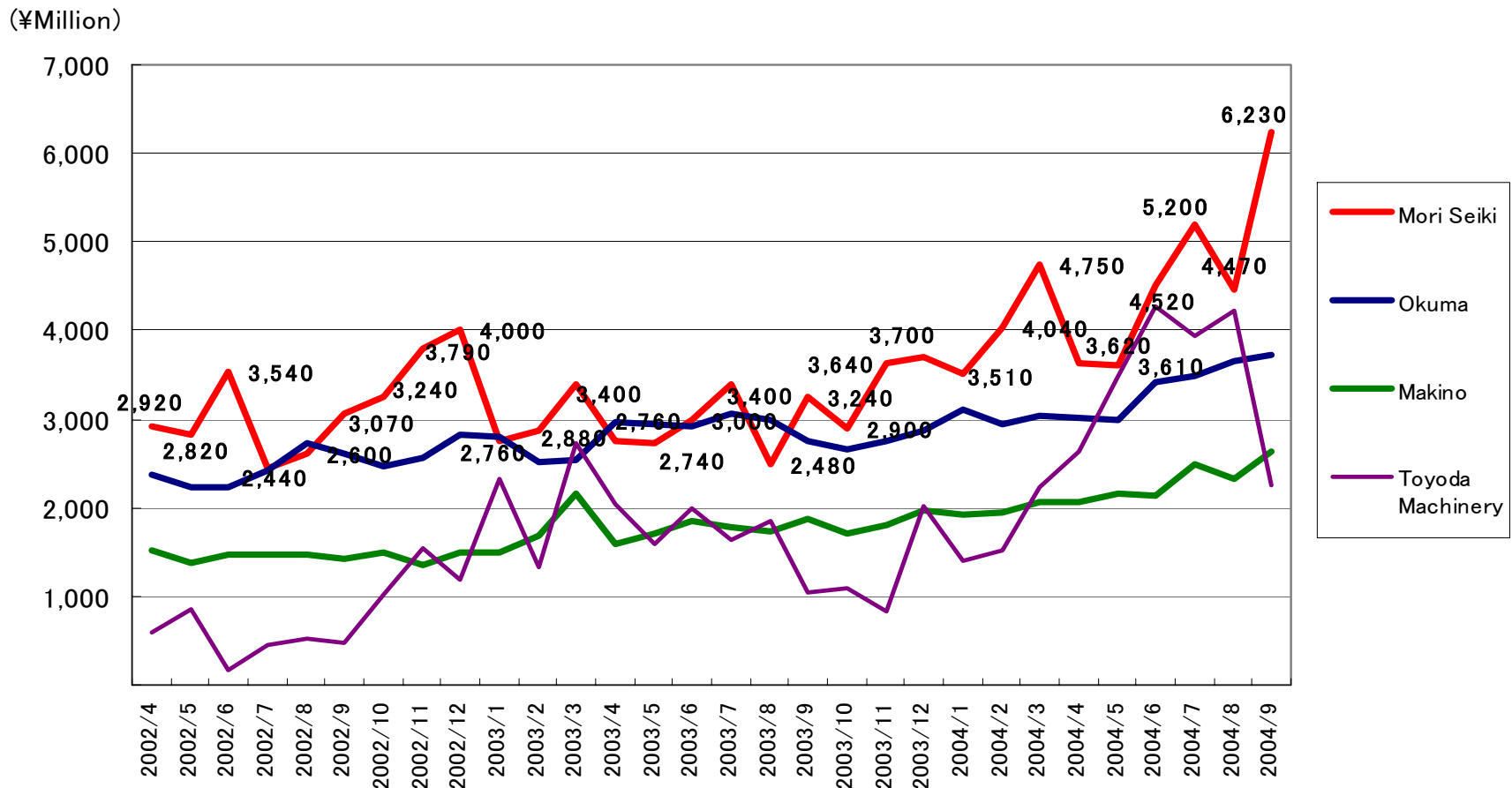


Source: Nikkan Kogyo Newspaper

# Domestic Orders for leading Machine Tool Builders (April 2002 thru September 2004)



# Overseas Orders for leading Machine Tool Builders (April 2002 thru September 2004)



Source: Nikkan Kogyo Newspaper

# Mori Seiki's Market Share

## in Japan's Machine Tool Builders' Association

