



MORI SEIKI

THE MACHINE TOOL COMPANY

Fiscal Year 2005

Third Quarter

Settlement of Accounts

7 February 2006

Projected future results and details of business plans are included in this material.
All material is based on certain assumptions about the economic climate, business policies, etc at the time of writing.
Therefore, please be aware that there is a risk or uncertainty that the actual results will be different from these projected results, depending on various factors.



Summary of Third Quarter Settlement of Accounts

Continuing High Demand, Results Exceeding Expectations

- **Sales up 18.7% from last year**
- **Operating profit up 70.9% from last year**
- **Steady order environment**
- **End of term projections revised upwards**
- **Significantly increased dividends**
- **Good start towards Mori-568PLAN**

Effect of Change in Sales Standards

From FY 2005, we are changing the **sales standards for machines within Japan** from the conventional **delivery standards** to **acceptance standards**.

	New Accounting Policy From FY 2005	Former accounting policy
Revenue recognition standards	<u>Acceptance Standards</u>	<u>Delivery Standards</u>
Semi-annual results based on each sales standard	Sales: 101,741 mill. yen Operating profit: 10,232 mill. yen Inventory assets: 27,682 mill. yen	Sales: 104,453 mill. yen Operating profit: 11,094 mill. yen Inventory assets: 25,868 mill. yen

- **Effect on Sales:** one factor in the 2.712 billion yen decrease
- **Effect on Operating Profit:** one factor in the 862 million yen decrease
- **Effect on Inventory Assets:** one factor in the 1.814 billion yen increase
- **Reason for Change:** By changing the sales standards to acceptance standards, which offer greater objectivity and reliability, we aim to manage the process from delivery to acceptance more strictly and to further improve quality.

Satisfactory Increase in Profits

Income Statement (Consolidated)

(Million yen)	FY 2004 3rd Quarter	FY 2005 Third Quarter					
	Former policy	New Accounting Policy			Former accounting policy		
	Results	Results	Increase	YOY	Results	Increase	YOY
Sales	85,726	101,741	16,015	118.7%	104,453	18,727	121.8%
Operating profit	5,986	10,232	4,246	170.9%	11,094	5,108	185.3%
(Operating profit margin)	7.0%	10.1%	3.1%		10.6%		
ordinary profit	6,091	10,136	4,045	166.4%	10,998	4,907	180.6%
(ordinary profit margin)	7.1%	10.0%	2.9%		10.5%		
Pretax net earnings	5,603	9,859	4,256	176.0%	10,721	5,118	191.3%
Net income for the period	5,291	8,935	3,644	168.9%	-	-	-
Convers. Rate: 1US\$ =	(JPY108.37)	(JPY112.85)			(JPY112.85)		
1 Euro =	(JPY135.07)	(JPY137.18)			(JPY137.18)		



Strong Financial Structure

(Consolidated) Major Changes in Balance Sheet

(Million yen)	FY 2004 3rd Quarter	FY 2004		FY 2005 Semi-annual		FY 2005 3rd Quarter	
	31 Dec. 2004	31-Mar-05	Difference	30-Sep-05	Difference	31-Dec-05	Difference
Assets							
Current assets	63,947	63,699	-248	80,151	16,452	86,572	6,421
Cash & Deposits	12,772	12,775	3	25,955	13,180	30,763	4,808
Receivables	24,814	27,765	2,951	25,987	-1,778	24,464	-1,523
Inventories	23,047	21,069	-1,978	25,877	4,808	27,682	1,805
Other	3,313	2,088	-1,225	2,330	242	3,661	1,331
Fixed Assets	67,814	71,931	4,117	69,575	-2,356	71,780	2,205
Buildings	26,915	26,972	57	25,553	-1,419	25,320	-233
Equipment	5,974	7,633	1,659	5,984	-1,649	5,870	-114
Land	21,158	21,672	514	20,921	-751	20,987	66
Intangibles	2,917	2,704	-213	2,200	-504	2,411	211
Other	10,848	12,947	2,099	14,915	1,968	17,188	2,273
Total Assets	131,762	135,631	3,869	149,727	14,096	158,353	8,626
Convers. Rate: 1US\$ =	(JPY104.20)	(JPY107.32)		(JPY113.21)		(JPY118.07)	
1 Euro =	(JPY141.66)	(JPY138.75)		(JPY136.15)		(JPY139.82)	



Strong Financial Structure

(Consolidated) Major Changes in Balance Sheet)

(Million yen)	FY 2004 3rd Quarter	FY 2004		FY 2005 Semi-annual		FY 2005 3rd Quarter	
	31-Dec-04	31-Mar-05	Difference	30-Sep-05	Difference	31-Dec-05	Difference
Liabilities/capital							
Current liabilities	21,565	22,742	1,177	22,645	-97	22,802	157
Trade payable	7,521	8,199	678	8,650	451	8,131	-519
Short-term loans	1,370	1,370	0	1,320	-50	1,320	0
Current portion of long-term debt	5,084	5,084	0	5,084	0	5,084	0
Other	7,587	8,089	502	7,591	-498	8,267	676
Fixed liabilities	18,362	16,290	-2,072	26,059	9,769	26,785	726
Warrant bonds	0	0	0	11,500	11,500	11,500	0
Long-term loans	15,229	12,708	-2,521	10,166	-2,542	10,145	-21
Other	3,133	3,582	449	4,393	811	5,140	747
Minority equity	98	156	58	201	45	210	9
Total capital	91,735	96,442	4,707	100,821	4,379	108,555	7,734
Total liabilities/capital	131,762	135,631	3,869	149,727	14,096	158,353	8,626
Conv. Rate: 1US\$	(JPY104.20)	(JPY107.32)		(JPY113.21)		(JPY118.07)	
1 Euro	(JPY141.66)	(JPY138.75)		(JPY136.15)		(JPY139.82)	

Improving Efficiency of Assets

Turnover period/changes in equity ratio (consolidated)

(months/%)	FY 2004 3rd Quarter	FY 2004		FY 2005 Semi-annual		FY 2005 3rd Quarter	
	27-Feb-05	01-Mar-05	Difference	1-Sep-05	Difference	1-Dec-05	Difference
Receivables	2.61 mth	2.73 mth	+0.12 mth	2.36 mth	-0.37 mth	2.16 mth	-0.20 mth
Inventories	2.42 mth	2.07 mth	-0.35 mth	2.35 mth	+0.28 mth	2.45 mth	+0.10 mth
Payables	0.79 mth	0.81 mth	+0.02 mth	0.79 mth	-0.02 mth	0.72 mth	-0.07 mth
Fixed assets (tangible)	6.07 mth	5.88 mth	-0.19 mth	5.07 mth	-0.81 mth	4.93 mth	-0.14 mth
Equity ratio	69.6%	71.1%	+1.5%	67.4%	-3.7%	68.6%	+1.2%

The receivables turnover period, payables period and physical fixed assets turnover period have improved.

The semi-annual shareholders' equity ratio is 1.2% better than the semi-annual results.

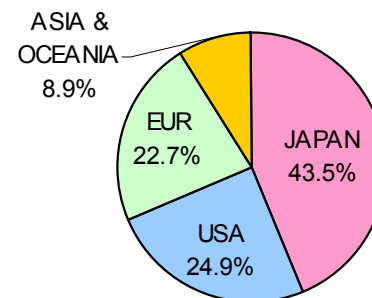
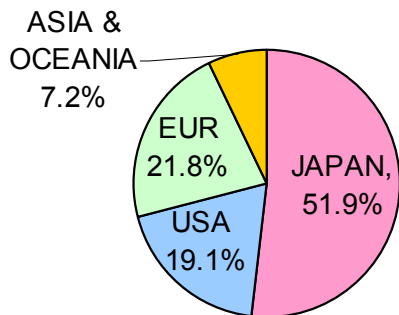
Balanced Sales Structure

Sales by region

(million yen)		JAPAN	USA	EUR	ASIA & OCEANIA	Total
	FY 2005 3rd Quarter	44,247	25,376	23,077	9,041	101,741
Sales	FY 2004 3rd Quarter	44,473	16,406	18,655	6,193	85,727
	Difference	-0.5%	+54.7%	+23.7%	+46.0	+18.7

FY 2004 3rd Quarter

FY 2005 3rd Quarter



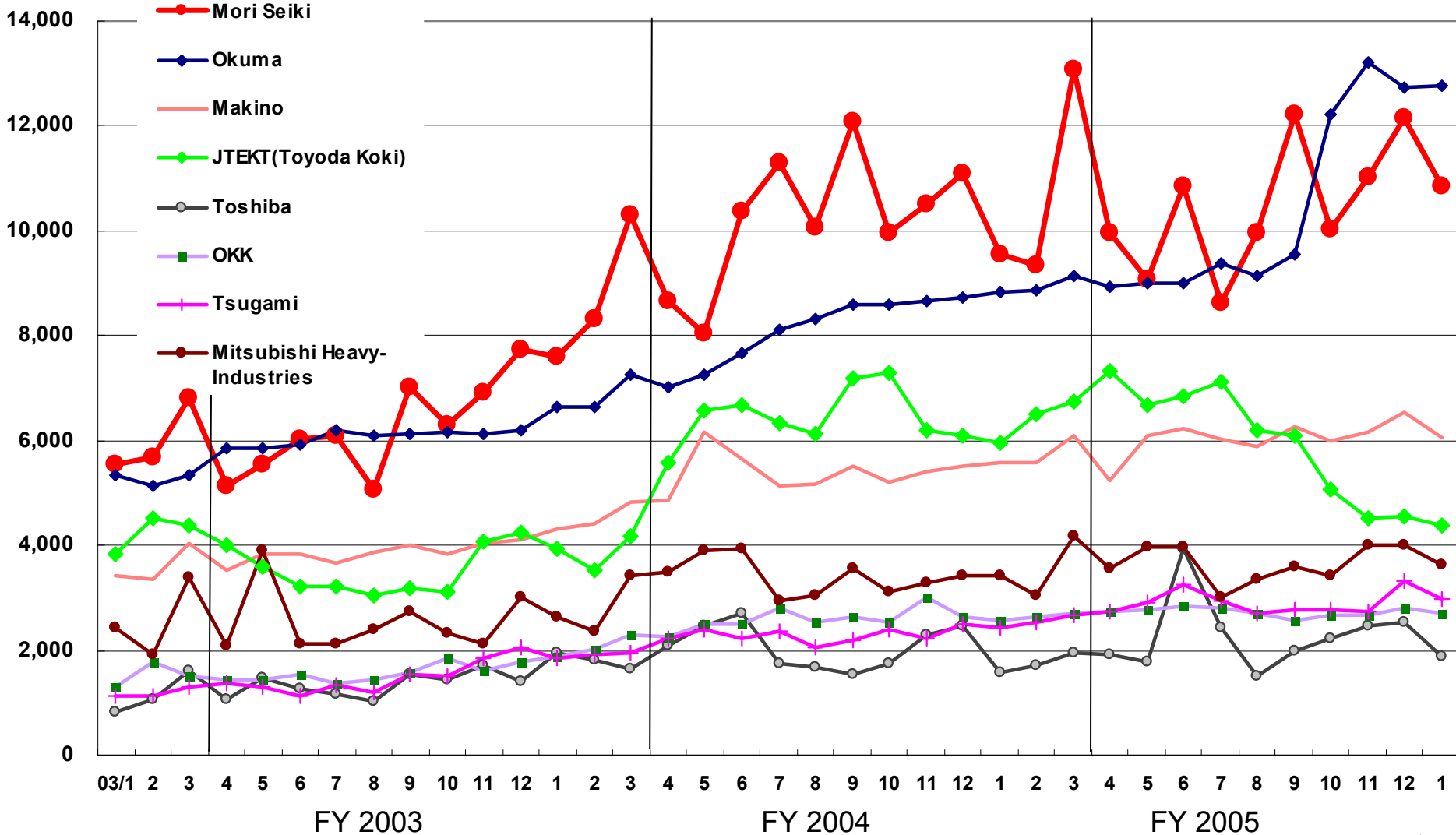
Japanese domestic sales experienced a drop in revenue of 5.606 billion yen, due to the change in sales standards written in ①, ② below. However, if we exclude this effect, revenue increased by 12.1% compared with last year.

- ① The effect of the change in sales standards from delivery to acceptance was 2.712 billion yen.
- ② The effect of entering machines sold in Japan and installed overseas as overseas sales from this term was 2.894 billion yen.



Continuing High Level of Orders

(Million yen) Machine tool order situation for 8 major companies





Towards Global One With the Mori-568PLAN

Progress towards the medium-term management plan

		FY 2004 Results	FY 2006 Targets	Semi-annual	Third Quarter	Apr.-Dec. 2005 Average
Mori-5	Sales (100 mill. yen)	101.80/mo	112.50/mo	110.07	118.99	113.04
	Share of Sales (of 3.5 trillion yen)	3.5%	4%	3.8%	4.1%	3.9%
Mori-6	Consolidated cost of sales ratio (%)	66.1%	64.0%	62.5%	60.5%	61.8%
Mori-8	Monthly production (machines)	532.5	608	598	585	591

We have reached the Mori-5 and Mori-6 targets for this year. We may reach Mori-8 as well.



Financial Outlook for Rest of FY

Upward Corrections to Financial Outlook

- **Sales 141 billion yen**
- **Operating profit 14.5 billion yen**
- **Demand is strong, but order backlogs are at a high level**
- **Can expect good results from the Mori-568PLAN**
- **Significant increase in dividends**



Prospects for Continued Increased Revenue, Increased Profits

FY 2005 Projected consolidated results

(Million yen)	FY 2004	FY 2005		
	Full Year Results	3rd Quarter Results	Projected Full Year Results	
		Amount	Amount	Amount
Sales	122,166	101,741	141,000	15.4%
Operating profit	10,517	10,232	14,500	37.9%
Ordinary profit	10,504	10,136	14,200	35.2%
Pre-tax profit	10,004	9,859	-	-
Net income	9,381	8,935	12,500	33.2%
Conversion rate: 1 US\$	(JPY107.58)	(JPY112.85)	(JPY107.00)	
1 Euro	(JPY135.68)	(JPY137.18)	(JPY128.00)	



New Models Released in This Period

- NVD1500 DCG (April 2005, compact, high-precision, vertical MC)
- NT Series (Sept. 2005, integrated mill turn center, 9 models)
- VS8000·VS10000 (Nov. 2005, bridge-type vertical MC)
- NZ-S1500 (Dec. 2005, shaft machine)
- NL3000/2000·NL3000/3000 (Jan. 2006, large-bed lathe)

15 Models Released
Currently 29 Models
in the N Series



(We also produce 148 models other than the N Series)

The N series has an impressive line-up!

NT Series

2005 Nikkei Superior Products and Services Awards Nihon Keizai Shimbun Awards for Excellence

We want to support Japanese manufacturing by delivering high-quality, high-performance products.
The ultimate integrated mill turn center, NT Series, developed with this idea in mind,
has won one of the "Nihon Keizai Shimbun Awards for Excellence"
at the 2005 Nikkei Superior Products and Services Awards.

Other Prize-Winners

- ◇ Lexus luxury brand car (Toyota)
- ◇ iPod (Apple Computers)
- ◇ PIXUS Printer (Canon)
- ◇ AQUOS large-screen LC TV (Sharp)
- ◇ Viera Plasma TV (Panasonic)



**2005 Nikkei Superior Products and Service Awards
Award for Excellence** **Nihon Keizai Shimbun Awards for Excellence**



Sponsored ADR Program – Level 1

So that Mori Seiki shares can be easily purchased in the USA.

○Benefits

(1) Institutional investors in the USA will be able to purchase Mori Seiki shares in dollars.

(2) No excessive burden for Mori Seiki.

① Estimated maintenance costs are low: 1-3 million yen per year.

② Since Mori Seiki's ADR is Level 1, the disclosure is very similar to the disclosure range in Japan, there is almost no workload for supplementary disclosure, and US accounting standards do not apply.

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