

***MORI SEIKI***  
**THE MACHINE TOOL COMPANY**

**Fiscal Year 2006**  
**Settlement of Accounts**  
**Explanatory Material**

**May 8, 2007**

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 may be different from these projected results, depending on various factors.



# The Situation in FY 2006



# Dramatic Increase in Sales/Profit

## Outline of Settlement of Accounts

- **Sales 172.3 billion yen**  
**18.5% up from the previous year.**  
**1.3 billion yen up from the modified forecast released in April, broke the previous best sales record.**
- **Operating profit 25 billion yen**  
**53.5% up from the previous year**  
**1 billion yen up from the modified forecast released in April.**
- **Orders remain high.**
- **We achieved most of the targets set for the 2<sup>nd</sup> year of the Mori-568PLAN**



# Maintaining Steady Growth

## Income Statement (Consolidated)

(Million yen)	FY 2005	FY 2006			
	Results	Forecast (Beginning of FY)	Results	Difference	Ratio
Sales	145,339	157,500	172,262	26,923	118.5%
Operating profit	16,294	20,000	25,043	8,749	153.7%
(Operating profit margin)	11.2%	12.7%	14.5%	-	-
Ordinary profit	15,902	19,500	24,716	8,813	155.4%
(Ordinary profit margin)	10.9%	12.4%	14.3%	-	-
Pretax net income (loss)	15,154	-	19,403	4,248	128.0%
Net income for the period (loss)	13,801	11,200	16,194	2,393	117.3%
( Conversion rate 1US\$=)	(113.93)	(107.00)	(117.00)		
(1EURO=)	(138.12)	(128.00)	(151.00)		

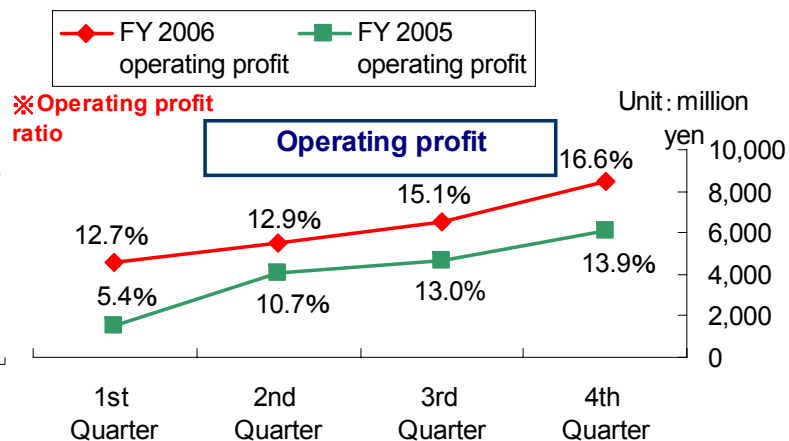
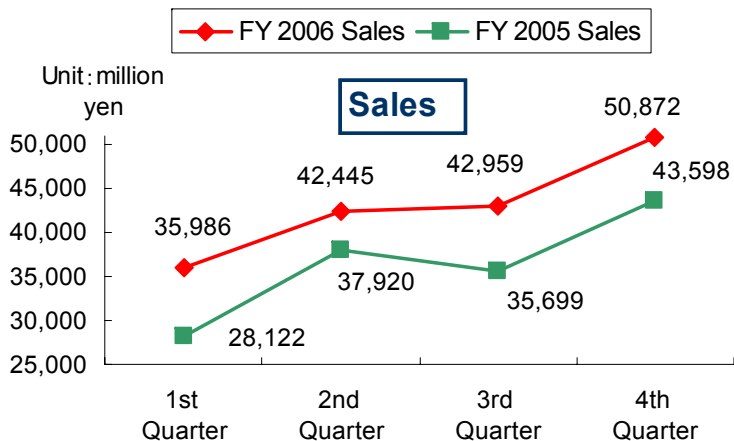


# Quarterly Trends in Sales and Operating Profit Remain the Same

## Trends in Sales/Operating Profit by Quarter

(Million yen)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY 2006 Sales	35,986	42,445	42,959	50,872
FY 2005 Sales	28,122	37,920	35,699	43,598

FY 2006 operating profit	4,554	5,475	6,505	8,509
FY 2005 operating profit	1,505	4,072	4,655	6,062





# Maintaining Good Financial Situation

## Balance Sheet (Consolidated)

(Million yen)	FY 2005	FY 2006		(Million yen)	FY 2005	FY 2006	
	31-Mar	31-Mar	Difference		31-Mar	31-Mar	Difference
<b>Assets</b>				<b>Liabilities/capital</b>			
<b>Current assets</b>	<b>89,365</b>	<b>97,694</b>	<b>8,329</b>	<b>Current liabilities</b>	<b>26,032</b>	<b>31,104</b>	<b>5,072</b>
Cash & Deposits	31,582	29,959	-1,623	Trade payable	9,697	11,612	1,915
Receivables	29,961	32,916	2,955	Short-term loans	1,320	1,500	180
Inventories	25,063	29,904	4,841	Current portion of long-term debt	5,084		-5,084
Other	2,759	4,915	2,156	Other	9,931	17,992	8,061
<b>Fixed assets</b>	<b>73,413</b>	<b>71,340</b>	<b>-2,073</b>	<b>Fixed liabilities</b>	<b>19,972</b>	<b>6,894</b>	<b>-13,078</b>
Buildings	25,100	23,067	-2,033	Warrant bonds	9,333	3,920	-5,413
Equipment	5,814	7,004	1,190	Long-term loans	5,124		-5,124
Land	21,016	15,533	-5,483	Other	5,515	2,974	-2,541
Intangibles	2,952	4,092	1,140	<b>Minority equity</b>	<b>425</b>	<b>545</b>	<b>120</b>
Other	18,531	21,644	3,113	<b>Total capital</b>	<b>116,347</b>	<b>131,036</b>	<b>14,689</b>
<b>Total assets</b>	<b>162,778</b>	<b>169,034</b>	<b>6,256</b>	<b>Total liabilities/capital</b>	<b>162,778</b>	<b>169,034</b>	<b>6,256</b>
(Convers. rate 1US\$=)	(117.48)	(117.00)		(Convers. rate 1US\$=)	(117.48)	(117.00)	
(1EURO=)	(142.80)	(151.00)		(1EURO=)	(142.80)	(151.00)	



# High Asset Efficiency, Shareholder's Equity Ratio of 77%

Turnover period/shareholder's equity ratio  
(Consolidated)

	FY 2005 Full year	FY 2006 Full year	
	Results	Results	Difference
Receivables turnover period	2.47	2.29	-0.18 Mths.
Inventories turnover period	2.07	2.08	0.01 Mths.
Payables turnover period	0.80	0.81	0.01 Mths.
Fixed asset turnover period (tangible)	4.60	3.44	-1.16 Mths.
Loan turnover period (incl. bonds)	1.72	0.80	-0.92 Mths.
Shareholders' equity ratio	71.5%	77.2%	5.72 %



# Continued Reduction in Loans Even Better CF Situation

## Cash Flow Statement (Consolidated)

(Units: Million yen)	FY 2005 Full year	FY 2006 Full year
	April 2005~ March 2006	April 2006~ March 2007
Cash flow (operating activity)	17,128	23,495
Cash flow (investment activity)	-3,001	-8,082
Cash flow (financial activity)	4,524	-16,989
Increase in cash and cash equivalents	18,810	-1,623
Cash and cash equivalents opening balance	12,772	31,582
Cash and cash equivalents closing balance	31,582	29,959

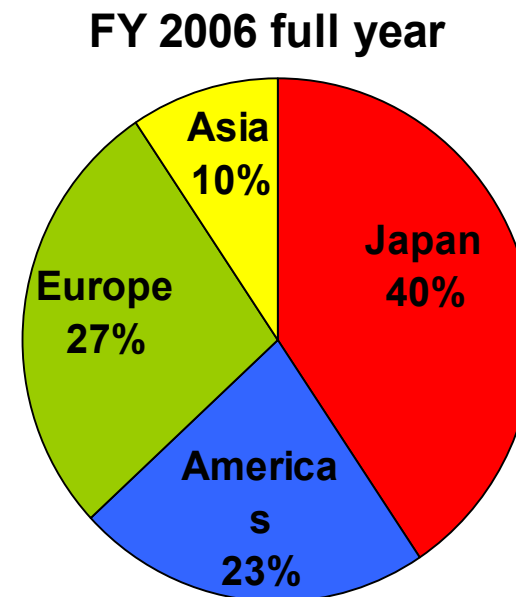
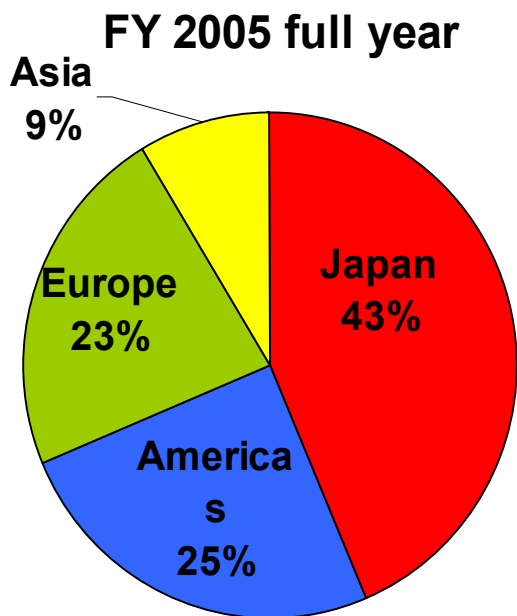


# Dramatic Increase in Overseas Sales

## Sales ratios by region

(Million yen)		Japan	Americas	Europe	Asia	Total
Sales	FY 2006 full year	69,939	38,886	46,954	16,483	172,262
	FY 2005 full year	63,218	36,421	33,303	12,397	145,339
Difference		10.6%	6.8%	41.0%	33.0%	18.5%

※Segment: Overseas sales base





# Order Environment

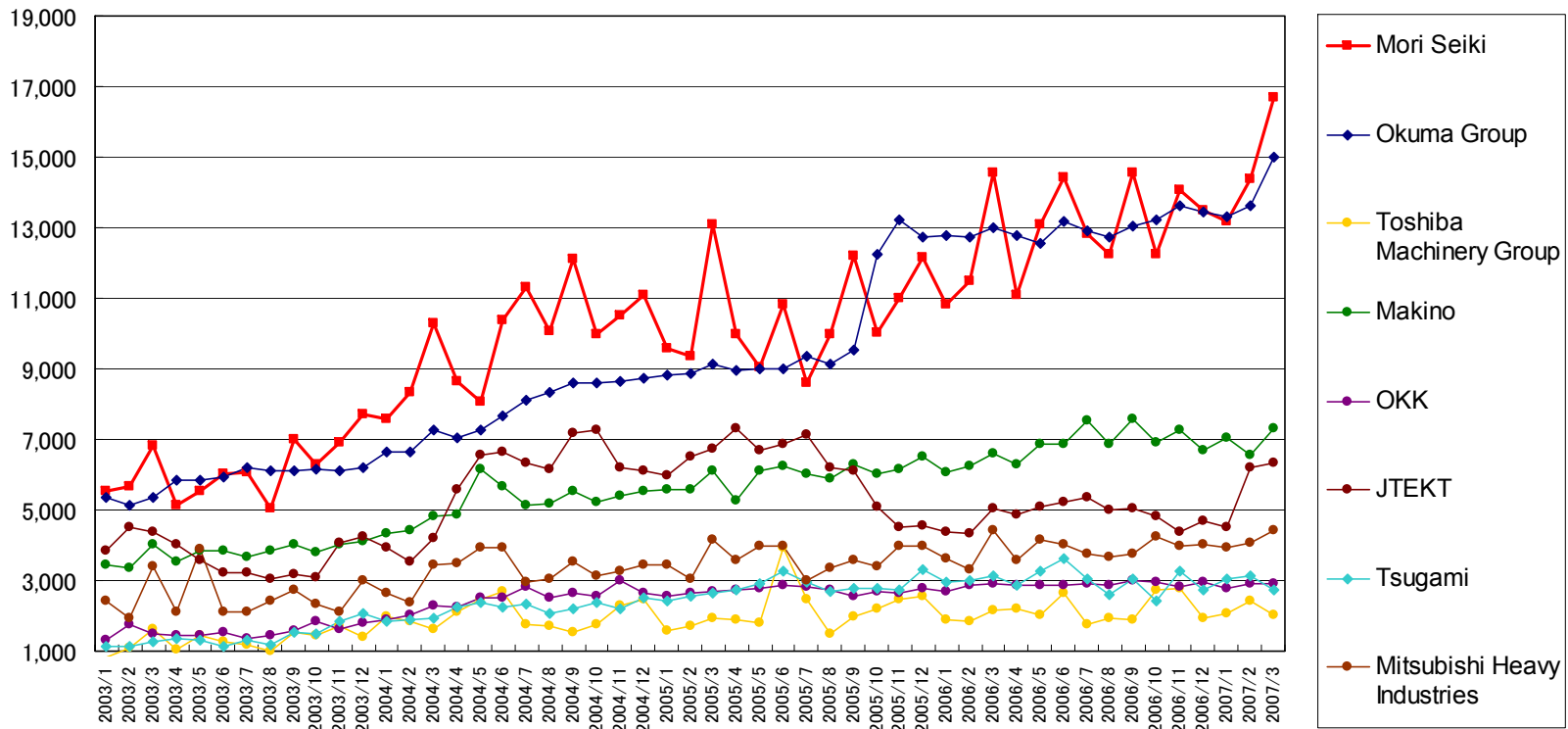
- Machine tool order situation for 8 major companies
- Production • Orders • Inventory



# Further Improvements Towards the End of the Fiscal Year

Machine tool order situation for 8 major companies in Japan

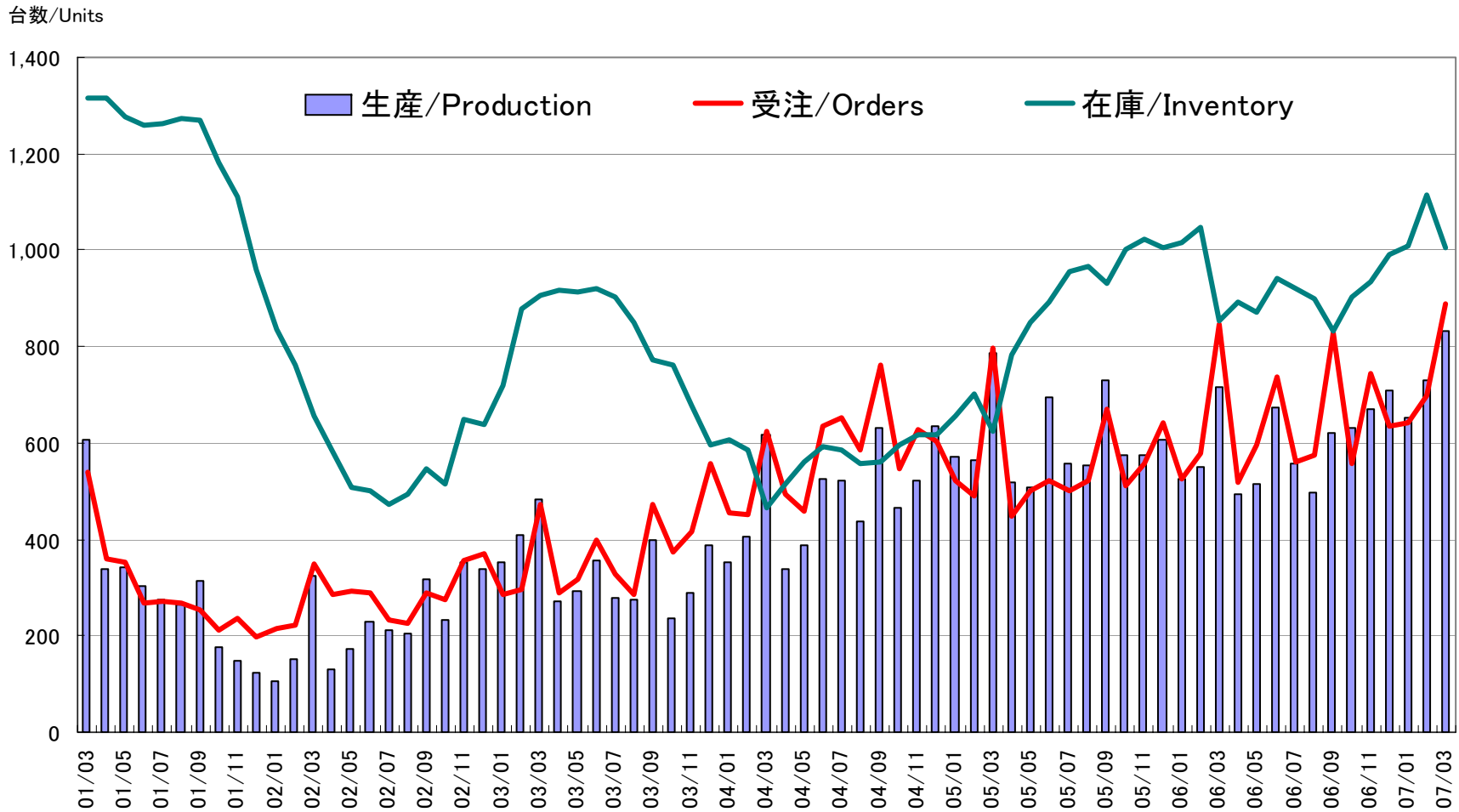
(Million yen) Order amounts of 8 major machine tool companies





# Maintaining Inventory for Quicker Deliveries

## Trends in Production · Orders · Inventory





# Plans for FY 2007

# Further Development From This Term

## Outline of Projections for FY 2007

- **Sales 188 billion yen**  
**9.0% up from the previous fiscal year**  
**Operating profit 28 billion yen**  
**11.2 % up from the previous fiscal year**  
⇒ **< Progress for the second half of FY 2005 > × 2**
- **The last year of the Mori-568PLAN is positioned as the transition period for the next medium-term management plan.**  
**<Development of infrastructure i.e. production bases, etc>**  
**<Enhance recruitment·education·human resources development>**



# Planned Figures at the Progress Rate for the Second Half of FY 2005

FY 2007 full year consolidated results forecast

(Million yen)	FY 2006	FY 2007			
	Results	Interim forecast	Full-year forecast	Difference	Ratio
Sales	172,262	94,000	188,000	15,738	109.1%
Operating profit	25,043	14,000	28,000	2,957	111.8%
(Operating profit margin)	14.5%	14.9%	14.9%	-	-
Ordinary profit	24,716	14,000	28,000	3,284	113.3%
(Ordinary profit margin)	14.3%	14.9%	14.9%	-	-
Pretax net income (loss)	19,403	-	-	-	-
Net income for the period (loss)	16,194	8,400	16,800	606	103.7%
(Convers. rate 1US\$=)	(117.00)	(117.00)	(117.00)		
(1EURO=)	(151.00)	(151.00)	(151.00)		



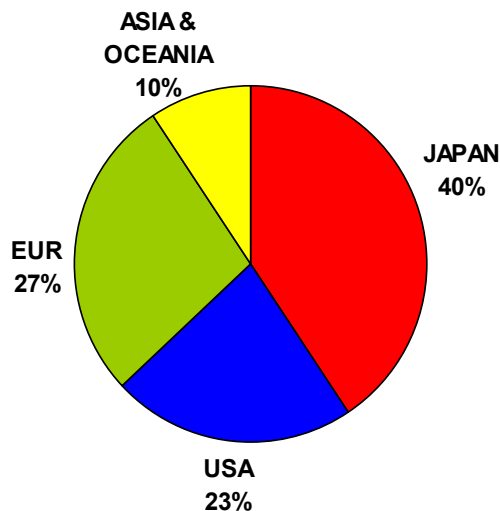
# Major Growth in Europe and Asia

## FY 2007 Order targets by region

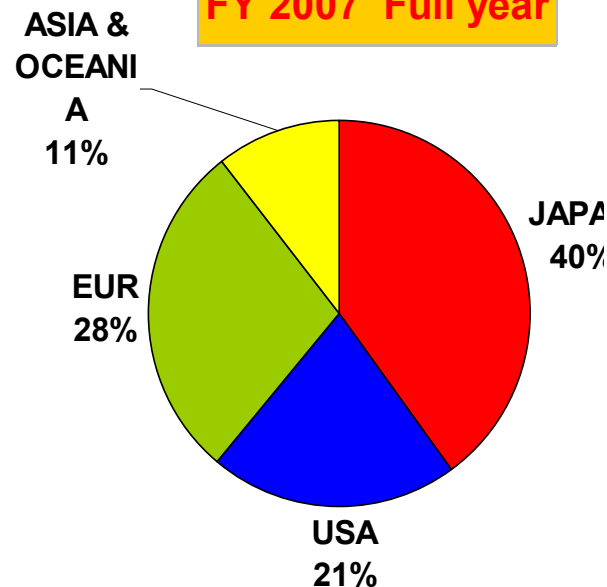
(Million yen)		JAPAN	USA	EUR	ASIA & OCEANIA	Total
Sales	FY 2007 Full year (local currency)	75,000	40,000	53,000	20,000	188,000
		-	342 (1 m \$)	351 (1 m EUR)	-	-
	FY 2006 Full year (local currency)	69,939	38,886	46,954	16,483	172,262
		-	332 (1 m \$)	311 (1 m EUR)	-	-
Difference (local currency)		7.2%	2.9%	12.9%	21.3%	9.1%
			3.0%	12.9%		

※Segments: overseas sales base

FY 2006 Full year



FY 2007 Full year





# Planned Capital Investment

## FY 2007 Planned capital investment

(Units: million yen)

	FY 2004	FY 2005	FY 2006	FY 2007 (planned)
Plant and equipment	8,328	7,239	10,380	9,160
Leases	1,276	3,691	5,049	5,240
Depreciation	5,099	5,289	4,982	5,200
Investment in machinery	2,000	7,000	2,000	4,000



# Dividend Policy

**Performance system + stable dividend  
+ commemorative dividend**

		Year-end	Interim	Date of record	Date paid		Year-end	Date of	Date paid
1997.3	Result	7.5		1996.9	1996.1		7.5	1997	1998
1998.3	Result	10		1997.9	1997.1		10	1998	1999
1999.3	Result	10		1998.9	1998.1		10	1999	2000
2000.3	Result	6		1999.9	1999.1		6	2000	2001
2001.3	Result	7		2000.9	2000.1		7	2001	2002
2002.3	Result	5		2001.9	2001.1		5	2002	2003
2003.3	Result	5		2002.9	2002.1		5	2003	2004
2004.3	Result	10		2003.9	2003.1		10	2004	2005
2005.3	Result	20		2004.9	2004.1		20	2005	2006
2006.3	Result	40	20	2005.9	2005.1		20	2006	2007
2007.3	Forecast	40	20	2006.9	2006.1		20	2007	2008
2007.3	Correction	44	20	2006.9	2006.1		24	2007	2008
2008.3	Forecast	50	25	2007.9	2007.1		25	2008	2009



# Mori-568PLAN



# Results for **FY 2006**

## Mori-5

Target

Result

- Sales      ¥165.8 billion      **¥172.3 billion** ○  
(Global share      4.7%      **4.9%** )      ○

## Mori-6

Target

Result

- Consolidated cost of sales ratio  
                                 61.7%      **59.4%**  
(Material cost ratio 46%      44.7% )

## Mori-8

Target

Result

- Monthly production (average for year)  
                                 644 units      **632 units**  
**Ave. for the last half of FY 2006** 704 units ○  
                                 **March 831 units** ◎



# **Analysis of Mori Seiki's Orders/Sales**

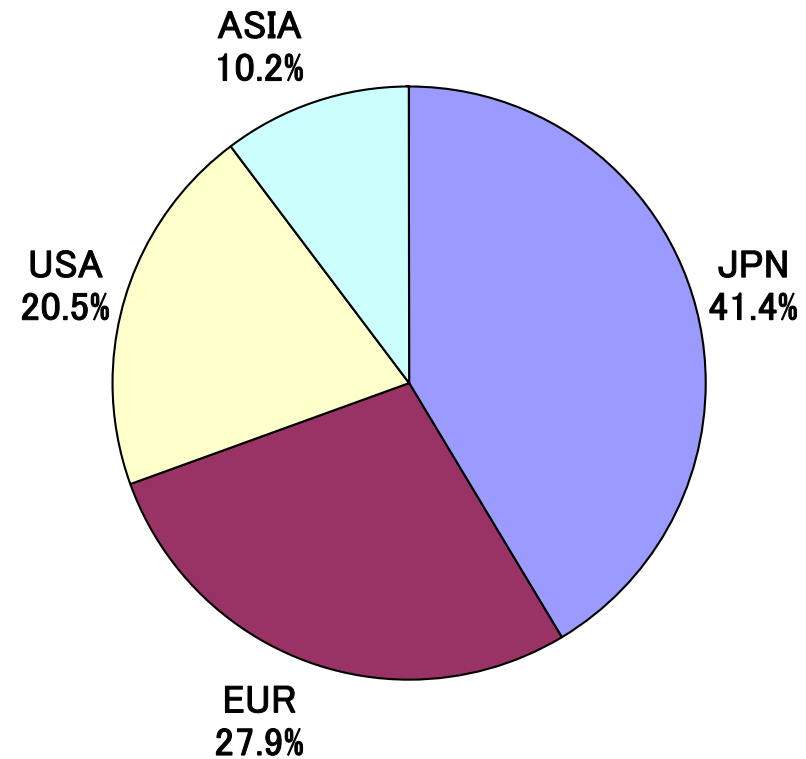
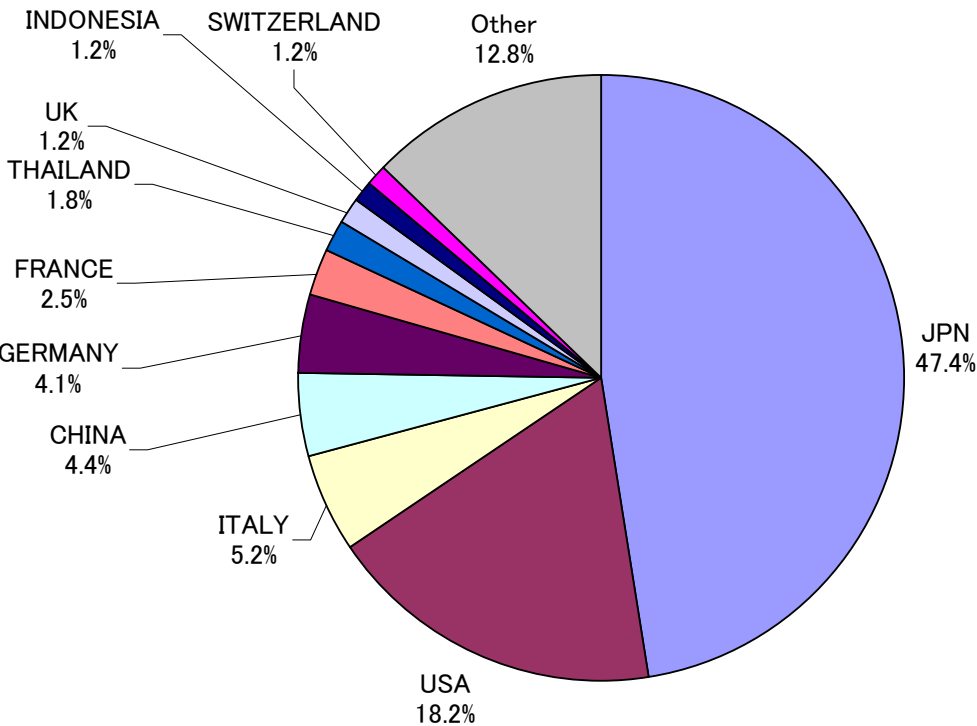
- **Orders**  
(by Region/Industry/Number  
of Customers' Employees)
- **Activities of the Strategic/  
Large Account Dept.**
- **Original Technologies**
- **New Models**



# FY 2006 Orders **By Region**

**[Number of units breakdown]**

**[Amount breakdown]**

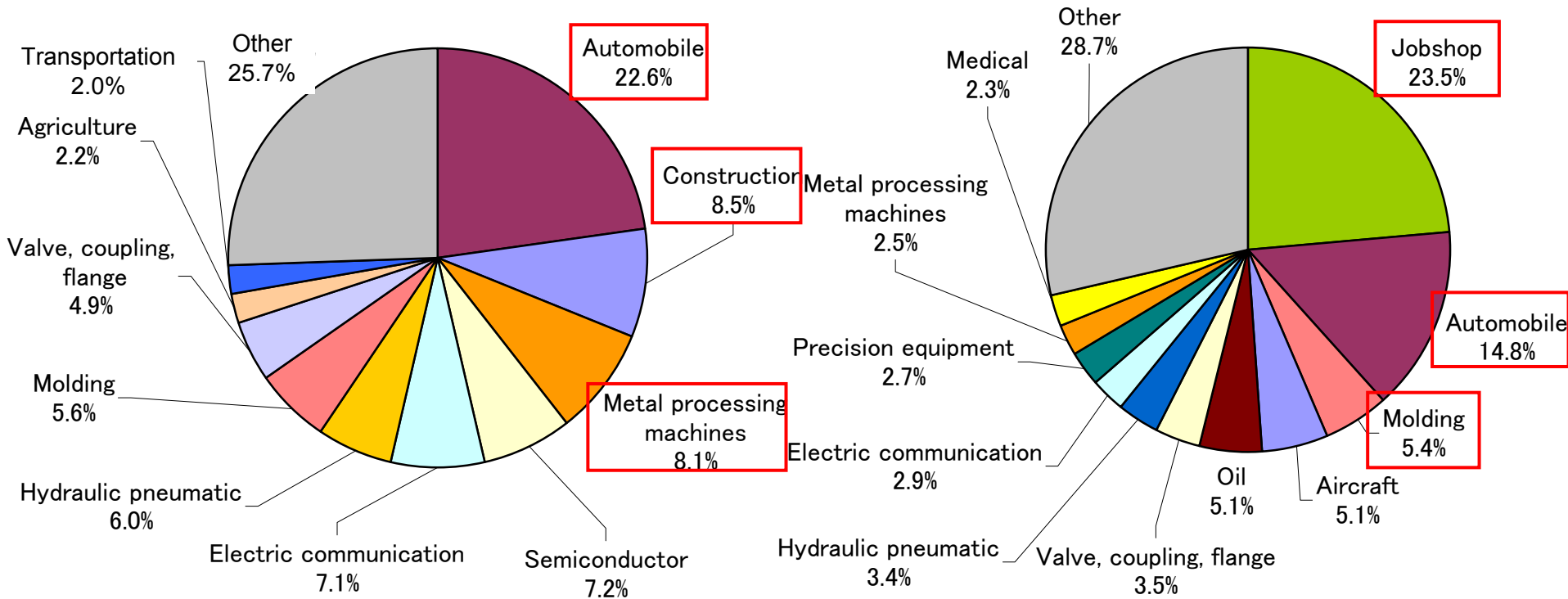




# FY 2006 Orders By Industry (Number of Units base)

**【Japan】**

**【Overseas】**

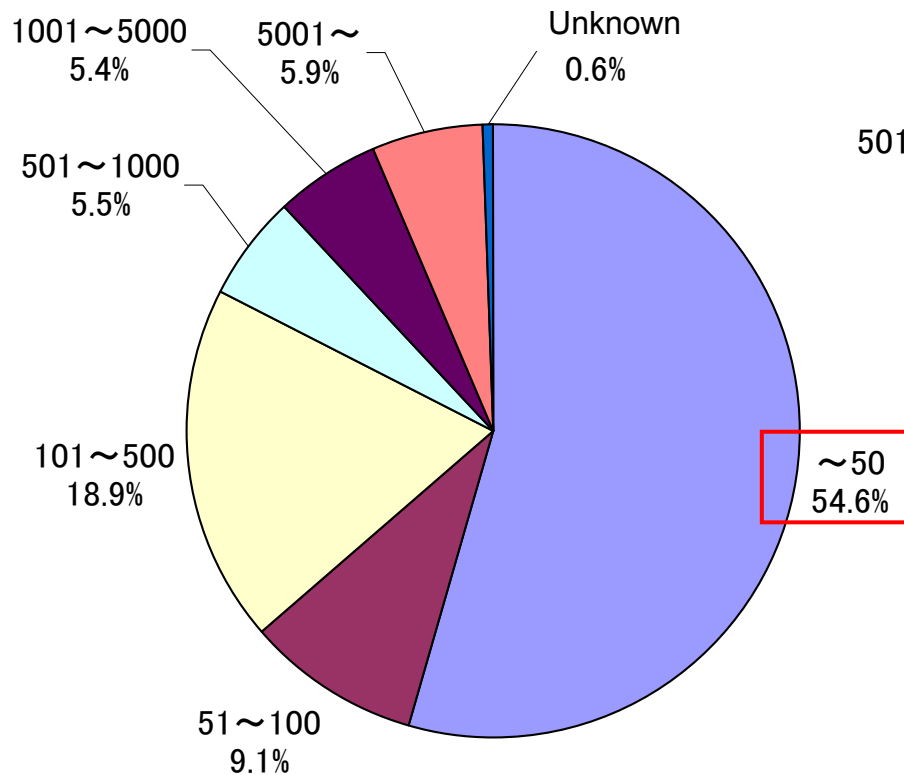




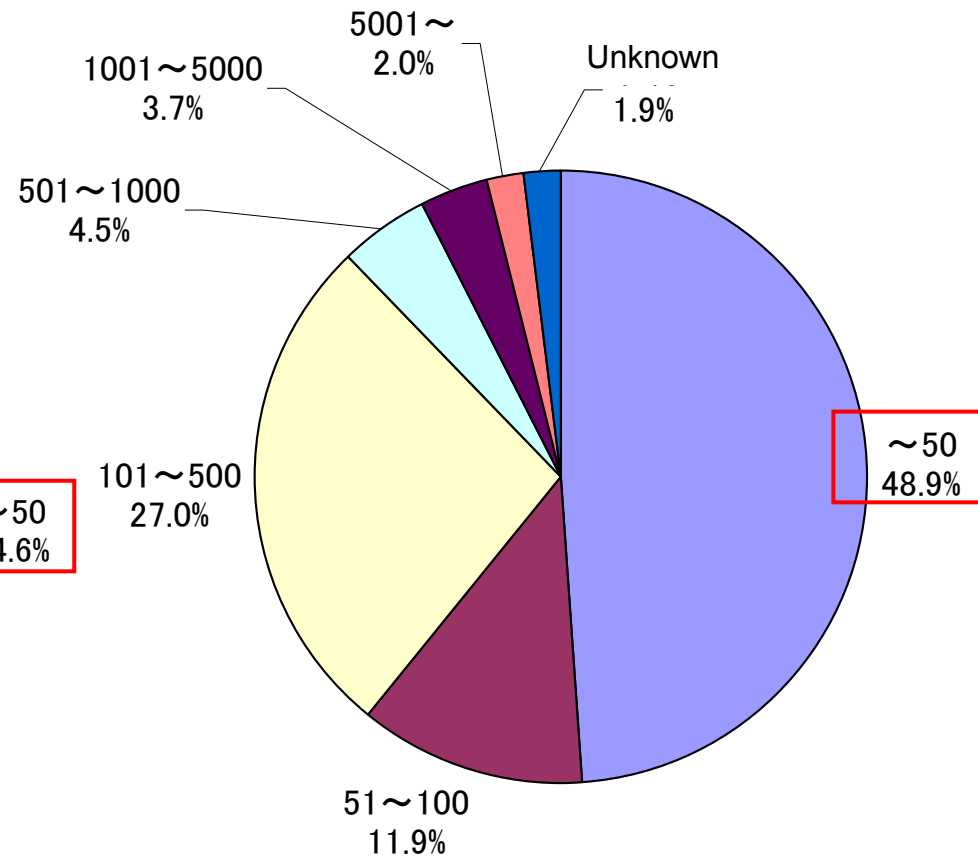
# FY 2006 Orders

## By Number of Customers' Employees (Number of Units base)

**【Japan】**



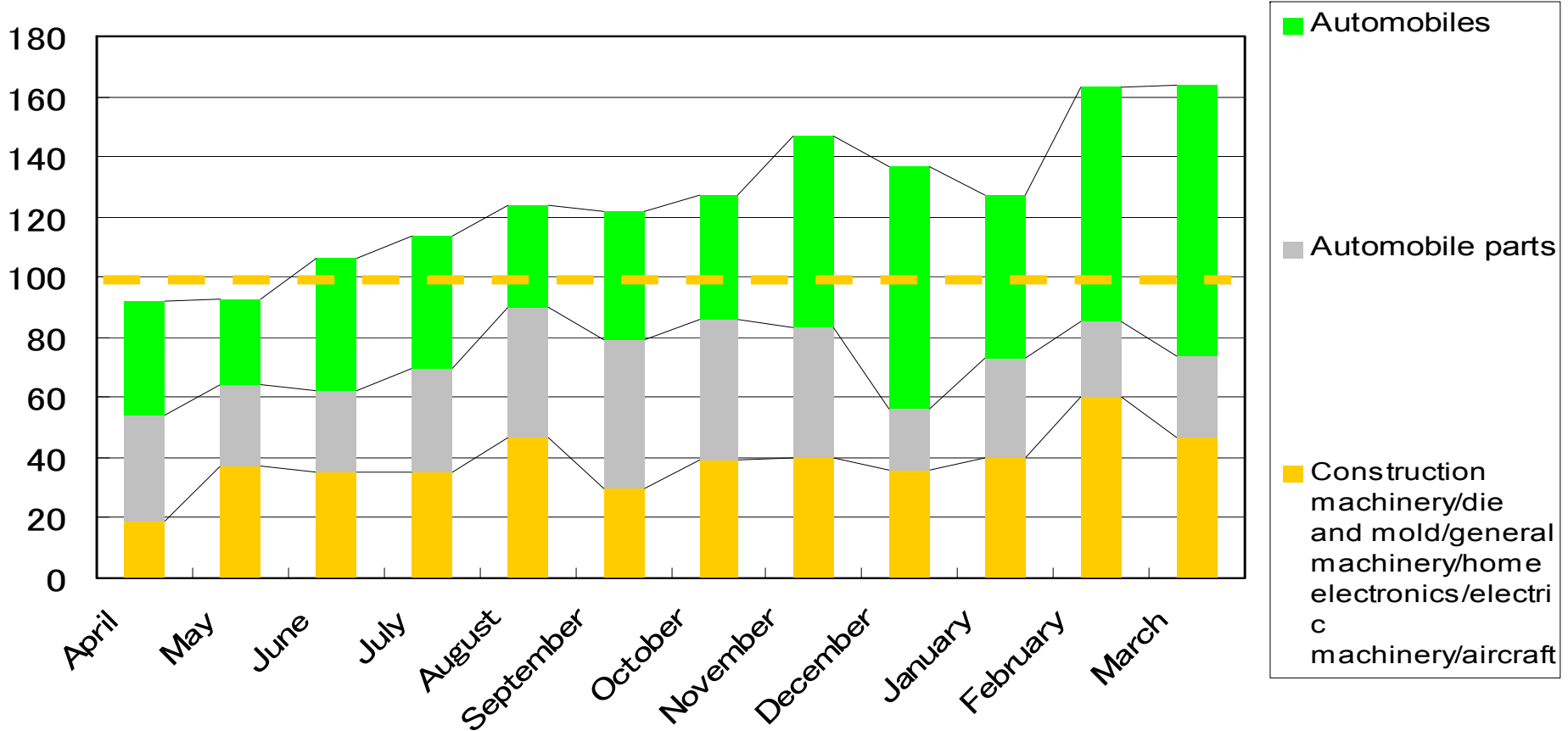
**【Overseas】**





# From the Top Companies in Each Industry

## Strategic/Large Account Dept.: No. of visits



**FY 2006: average 126 visits** **(FY 2005: average 79 visits)**



# Highly Original Mori Seiki Technologies



## Driven at the Center of Gravity

Minimizes vibration, allowing maximum acceleration



## Direct Drive Motor

Zero backlash

World's fastest rotary axis drive mechanism



## Octagonal Ram Construction

Controls thermal displacement, allowing superior straightness



## Built-in Motor Turret

Minimizes heat and vibration

Improves transmission efficiency

For details please see the Mori Seiki homepage  
(<http://www.moriseiki.com>), catalogs, etc.

# FY 2006 New Models Released (1/3)



**DuraVertical**



**DuraTurn**

(Went on sale June 2006: 10 months) (Went on sale June 2006: 10 months)

**DURA SERIES Total: 946 units**



# FY 2006 New Models Released (2/3)



## NH5000 DCG

(Went on sale June  
2006: 10 months)



## NMH6300 DCG

(Went on sale June  
2006: 10 months)

## NV6000 DCG



## NVD6000 DCG

(Went on sale May  
2006: 11 months)

# FY 2006 New Models Released (3/3)



## NMV5000 DCG

**(Went on sale Nov. 2006:  
5 months)**



## NZ2000 T3Y3

**(Went on sale Jan 2007:  
3 months)**



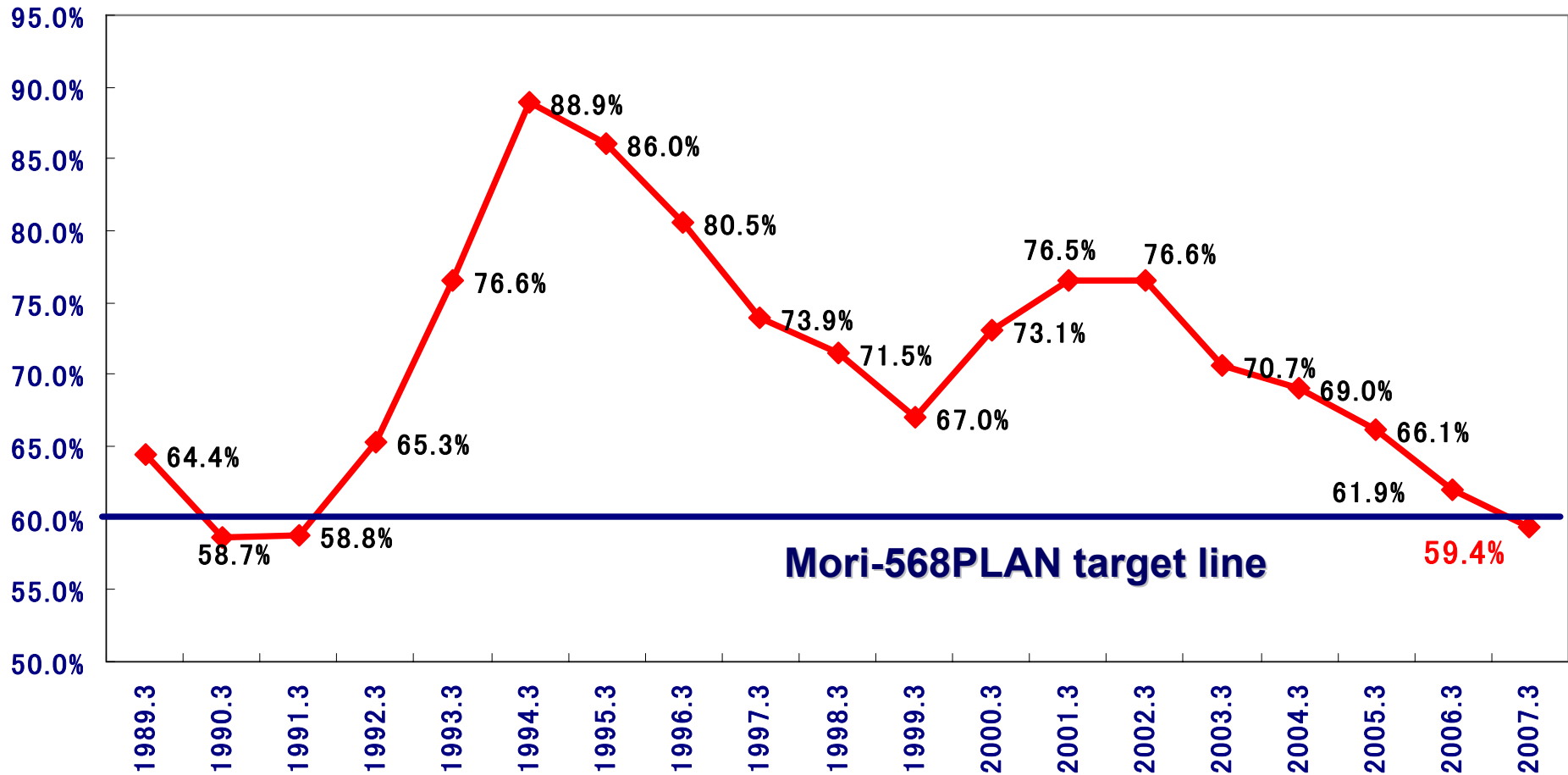
# Improving Production Efficiency

- **Cost of sales ratio**
  - **In-house production**
- **Extending cost-free repair period**



# MORI-6

## Trends in cost of sales ratio



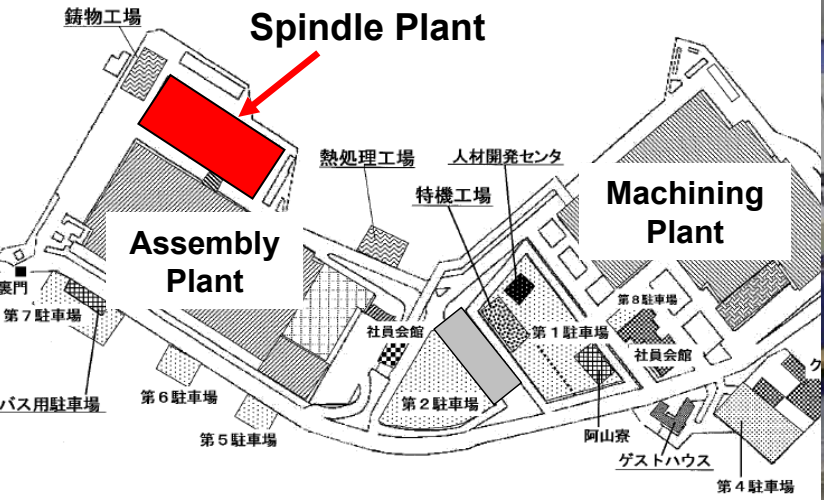
**Mori-568PLAN target line**



# Spindle Plant Completed

(August 2006)

## Iga Plant (Layout)



# Ball Screw Plant Completed

(August 2006)

Iga Campus (Layout)

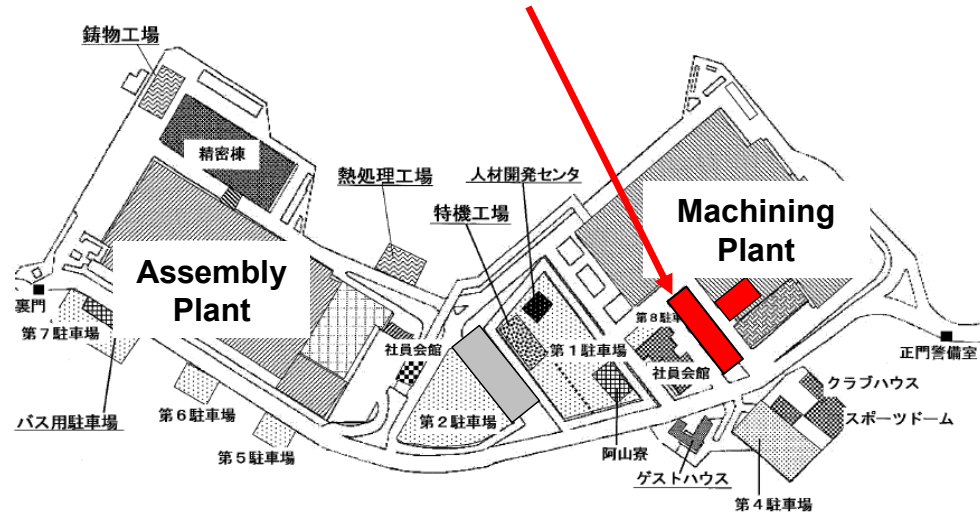
## Ball screw grinding area

- Male thread-grinding machines 11
- Female thread-grinding machines 7
- Cylindrical grinding machines 9

**Ball Screw Plant**

**Machining Plant**

**Assembly Plant**



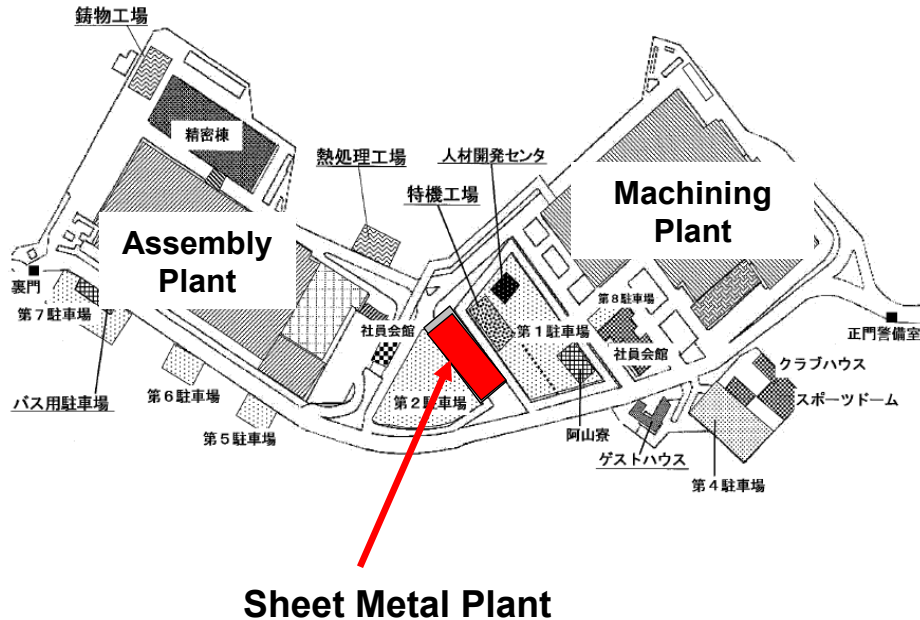


# Sheet Metal Plant Completed

## (August 206)

### Iga Campus (Layout)

株式会社森精機製作所伊賀事業所 構内図



### Sheet Metal Plant Overview





# Machine Tool 2-Year Warranty

**For machines sold from April 1, 2007**

- **Japan**

**Both parts and service are free for 2 years**

- **Overseas**

**Parts are free for 2 years, service is free for 1 year**

⌘ The warranty for some high-speed spindle units is 1 year

⌘ For details, please contact Mori Seiki Technical Centers



# Developing Global Activities

- **Introducing DIXI Technology**
- **General Situation in Other Regions**



# Introducing DIXI Technology

# Production Environment for High Precision



## Assembly Line

- Temperature control within  $\pm 0.2^{\circ}\text{C}$

## Metrology Center

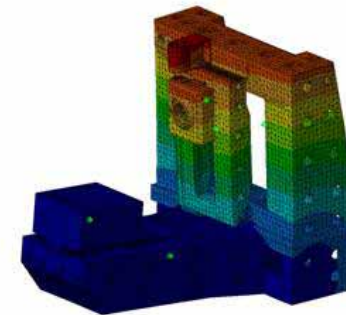
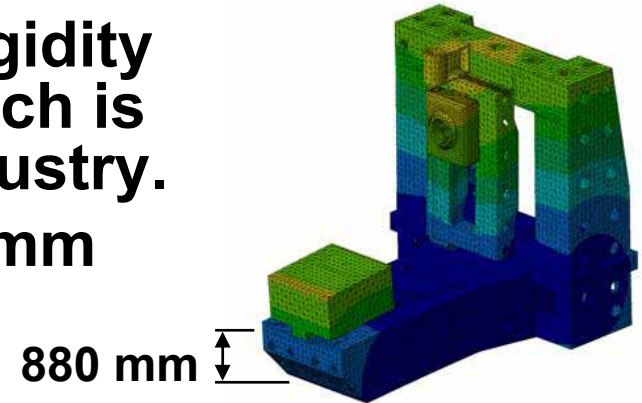
- Calibration service approved by METAS (Swiss Federal Office for Metrology) on the basis of ISO 17025 standards
- Temperature control within  $\pm 0.03^{\circ}\text{C}$



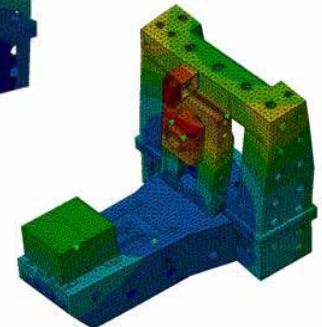


# Rigidity 3 Times the Industry Standard

- The static rigidity gives uniform rigidity which has no weak points and which is **3 times** the usual values in the industry.
  - Standard machines » 30 - 40 N/mm
  - DIXI machines » 120 N/mm
  
- High-frequency dynamic rigidity which is **2-3 times** the usual values in the industry.
  - Standard machines ≈ 30 - 40 Hz
  - DIXI machines » 80 Hz self-resonant frequency



Low frequency  
50 [Hz]

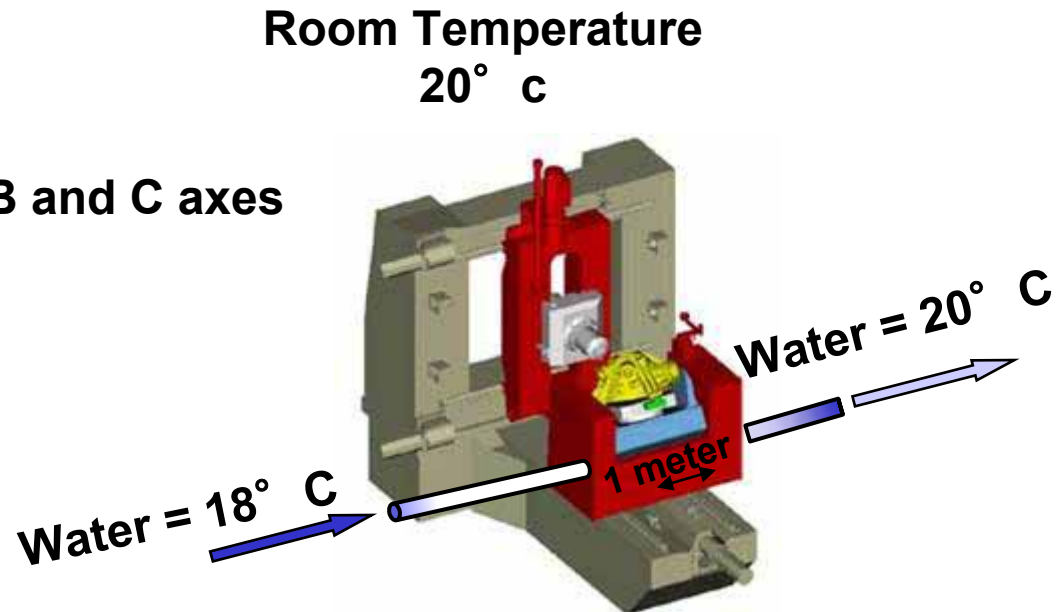


High frequency  
80 [Hz] 39/59

# Thermal effects totally under control

All thermal sources are actively cooled through a temperature controlled flow:

- Ball screw support bearing
- Ball screw nuts
- Spindle ball bearing
- Spindle motor
- Direct drive motors on B and C axes
- Electrical cabinet
- Flushing coolant
- Hydraulic unit

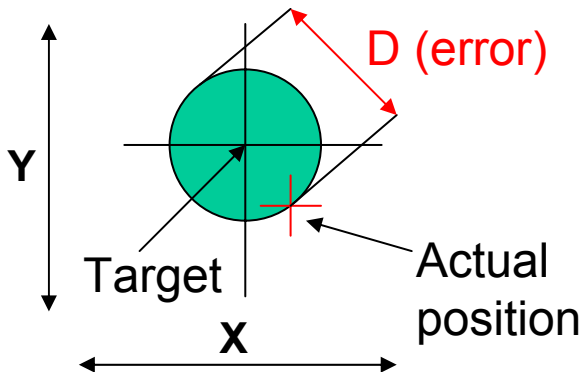




# Achieving High Precision for Nano Machining

- Guarantees machining error of less than  $15\mu\text{m}$  for 4-axis machines and  $25\mu\text{m}$  for 5-axis
- To achieve the above machining errors, each axis must achieve accuracy of **less than  $1\mu\text{m}$**

⇒ Enter the world of nanoprecision machining



If we assume the following errors,

$X = 0.001 \text{ mm}$  ( $1\mu\text{m}$ ),  $Y = 0.001 \text{ mm}$  ( $1\mu\text{m}$ )

the error is defined as below.

$$D = 2\sqrt{X^2 + Y^2} = 0.0028 \text{ mm} (28\mu\text{m})$$



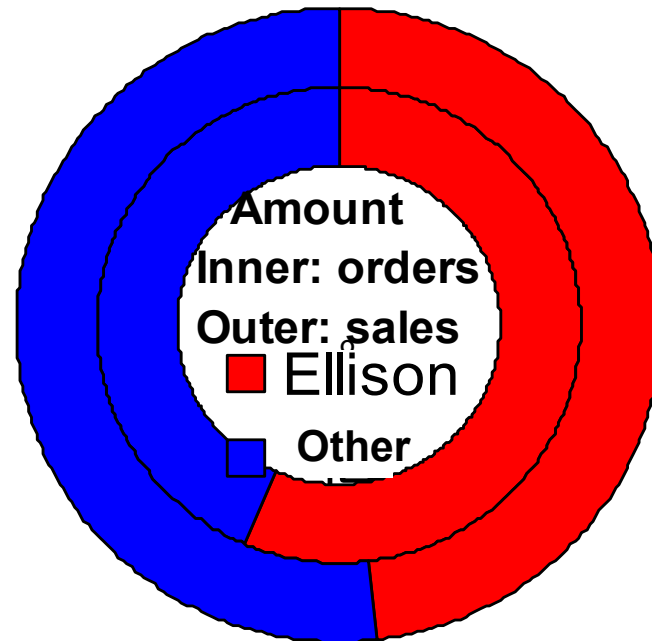
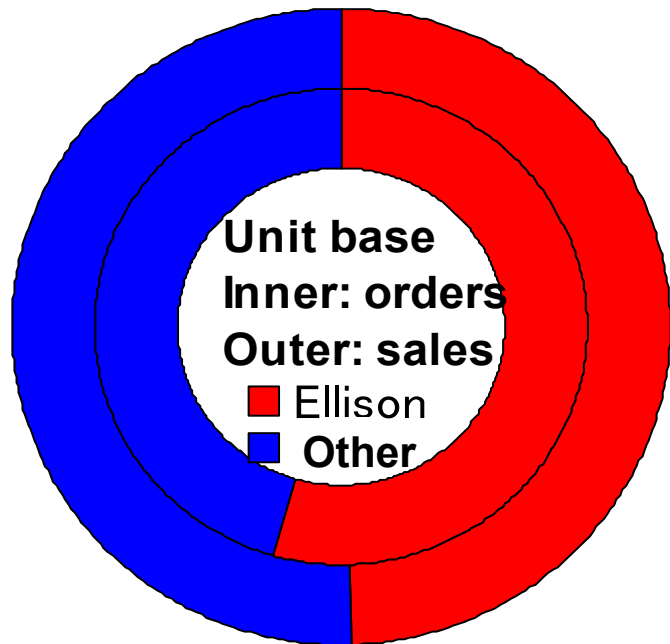
# General Situation in Other Regions



# Mitsui & Co., Ltd and Mori Seiki Invest in US Distributor, Ellison Technologies

Ellison: Sales approx. \$210 million, approx. 450 employees

Investment ratio: Mitsui 71%, Mori Seiki 9%, existing shares 20%



**FY 2007 Ellison sales target 1000 units**



# Establishment of Mori Seiki Moscow as Joint Venture with Mitsui Co. Ltd.

Company name: Mori Seiki Moscow LLC

Head Office: Moscow (President: Mr. Yoshimi Ota)

Investment ratio: Mitsui 51%, Mori Seiki 49%

Targets: 2013: sales of 3 billion yen

Company registration finished in March

# Sales/Service Bases

New TCs in FY 2007 (Overseas)

**India** Technical Center  
Due to open June 2007



**Moscow** Technical Center  
Opening Ceremony May 2007



# Topics – Long-Term Policy

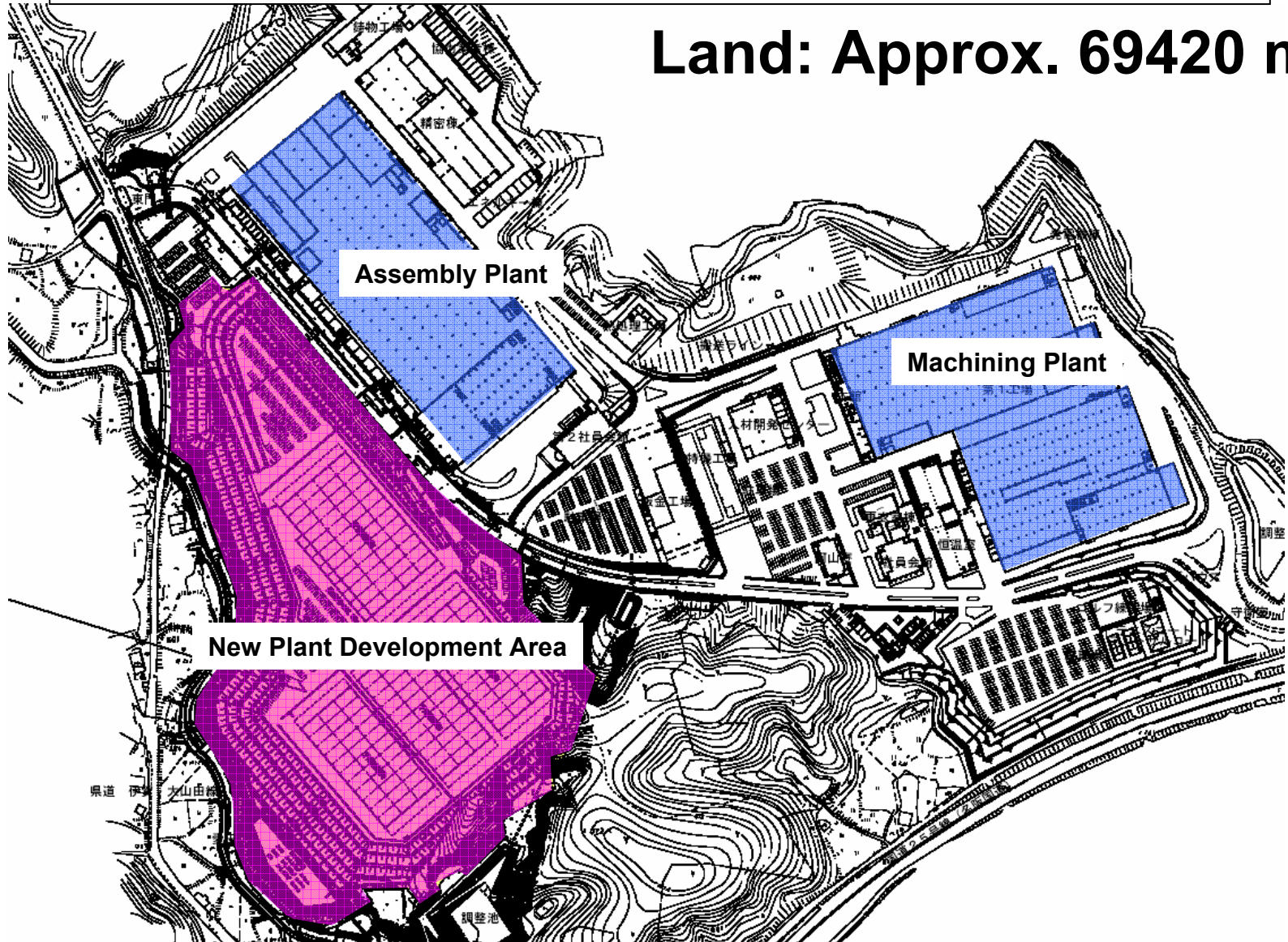
- **Facilities**
- **Human Resources**
- **Sales Promotion (Exhibitions)**



# Topics – Long-Term Policy [Facilities]

# New Iga Plant Development

Land: Approx. 69420 m<sup>2</sup>



# Akishino Mold Laboratory, Ltd.



**Location**  
**Capital**  
**Business**

Kitakoriyama, Yamatokoriyama, Nara  
100 million yen

- Design, manufacture and sale of sheet metal, peripheral equipment, fixtures, tools and parts for machine tools
- Design, manufacture and sale of mold parts

**Start date**

Opening ceremony on May 25



# Akishino Mold Laboratory, Ltd.

## Objectives:

1. Support the expansion of machine sales through the manufacture of molds which aim to perfect machining, based on our accumulated knowledge.
2. To provide proposals which will increase effectiveness of functions and operations and improve the performance of machines for die and mold part machining.

## Differences from ordinary mold manufacturers:

Die and mold manufacturers have their own knowledge, but usually do not release it.

Akishino Mold Laboratory, Ltd. will make our know-how available, as a mold plant for customers. (information about CAM, tools, peripheral equipment, machining methods, etc.)





# Topics – Long-Term Policy [Human Resources]



# Recruitment Situation

- **Number of new employees in FY 2007**  
**124 (university: 65, technical college: 22, high school: 37)**
- **FY 2006 new employee retention rate: 100%**
- **Employment brand ranking (Recruit Co., Ltd)**

**FY 2005 798<sup>th</sup>**



**FY 2006 277<sup>th</sup>**

**A dramatic improvement!**



# Mori Seiki Way

- **Principle 1: Act based upon a clear, aggressive long-term mission and vision.**
- **Principle 2: Succeed by expanding Mori Seiki's competence to all areas.**
- **Principle 3: Maintain financial stability and reserves for the long haul.**

• • • **10 Principles in total**



# Mori Seiki University

## Purpose

- 1. Establish a single community defined by a common culture - The Mori Seiki Way**
- 2. Educate managers for the next generation**
- 3. Train application engineers, service engineers, designers, sales engineers, management staff**
- 4. Improve employees' teamwork and communications within the company**

# Mori Seiki University's Facilities



**Human Resources  
Development Center**



**Tateshina Seminar House**



**Nemunosato Seminar House**



**Chicago MSU**



# Topics - Long-Term Policy [Exhibitions]



# Exhibition at INTEC (March 14~17, 2007)

- Location : Intec Leipzig
- Display machines : NL1500SY/500, DuraVertical 5060, DuraTurn 2550





# Scheduled Exhibitions

- **INTERMOLD 2007** : April 25-28
  - Tokyo Big Sight (486 m<sup>2</sup>)
- **2007 Automotive Parts Product Solution Fair** : June 13-16
  - Tokyo Big Sight (108 m<sup>2</sup>)
- **Summer Productivity Show** : June 21-23
  - Mori Seiki Iga Campus (Mie)
- **EMO 2007** : September 17-22
  - Hannover Messe (2,880 m<sup>2</sup>)
- **MECT2007** : October 17-20
  - Port Messe Nagoya (450 m<sup>2</sup>)
- **Winter Productivity Show** : November 15-17
  - Mori Seiki Chiba Campus (Chiba)

***MORI SEIKI***  
**THE MACHINE TOOL COMPANY**

