



MORI SEIKI
THE MACHINE TOOL COMPANY

**FY2007 1st Quarter
Settlement of Accounts
Explanatory Material**

August 2, 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.



1st Quarter Outline of Settlement of Accounts

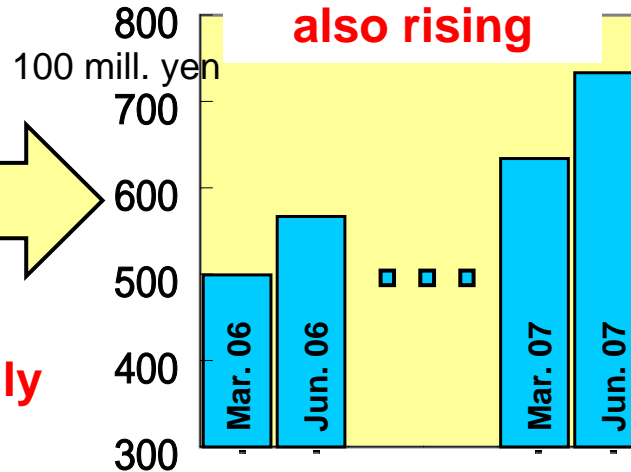


Are Order Backlog, Inventory Rising Together?

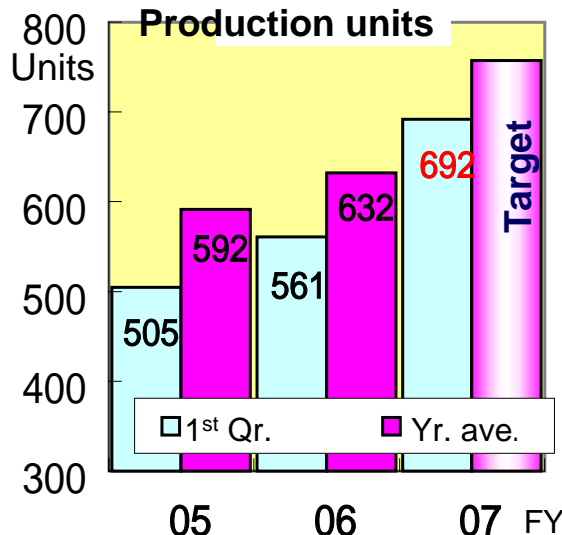
Order amount is rising steadily

Order amount	
Apr. ~ Jun. 2006	38.6 bill.
Apr. ~ Jun. 2007	45.3 bill.
+17%	
July 2007	15.1 bill. +17% from June

Order backlog also rising



Units ordered also rising steadily



Inventory	
31 Mar. 06	25.0 bill.
30 Jun. 06	27.9 bill.
+2.9 bill.	
31 Mar. 07	29.9 bill.
30 Jun. 07	36.3 bill.
+6.4 bill.	

Inventory
3.4 billion yen up from last year

Timing for recording of sale

Product flow: Order Production Shipment

Transportation Delivery Installation Acceptance inspection

We record the sale after confirmation from the customer (acceptance inspection) after delivery/installation.

Inventory Sale



Sales and Operating Profit

Why sales and general/ admin. costs rose and profit rate fell in the 1st Qr.

Sales activities which focused on expanding orders received in Apr. Jun.



Delays in acceptance <about 1 week>

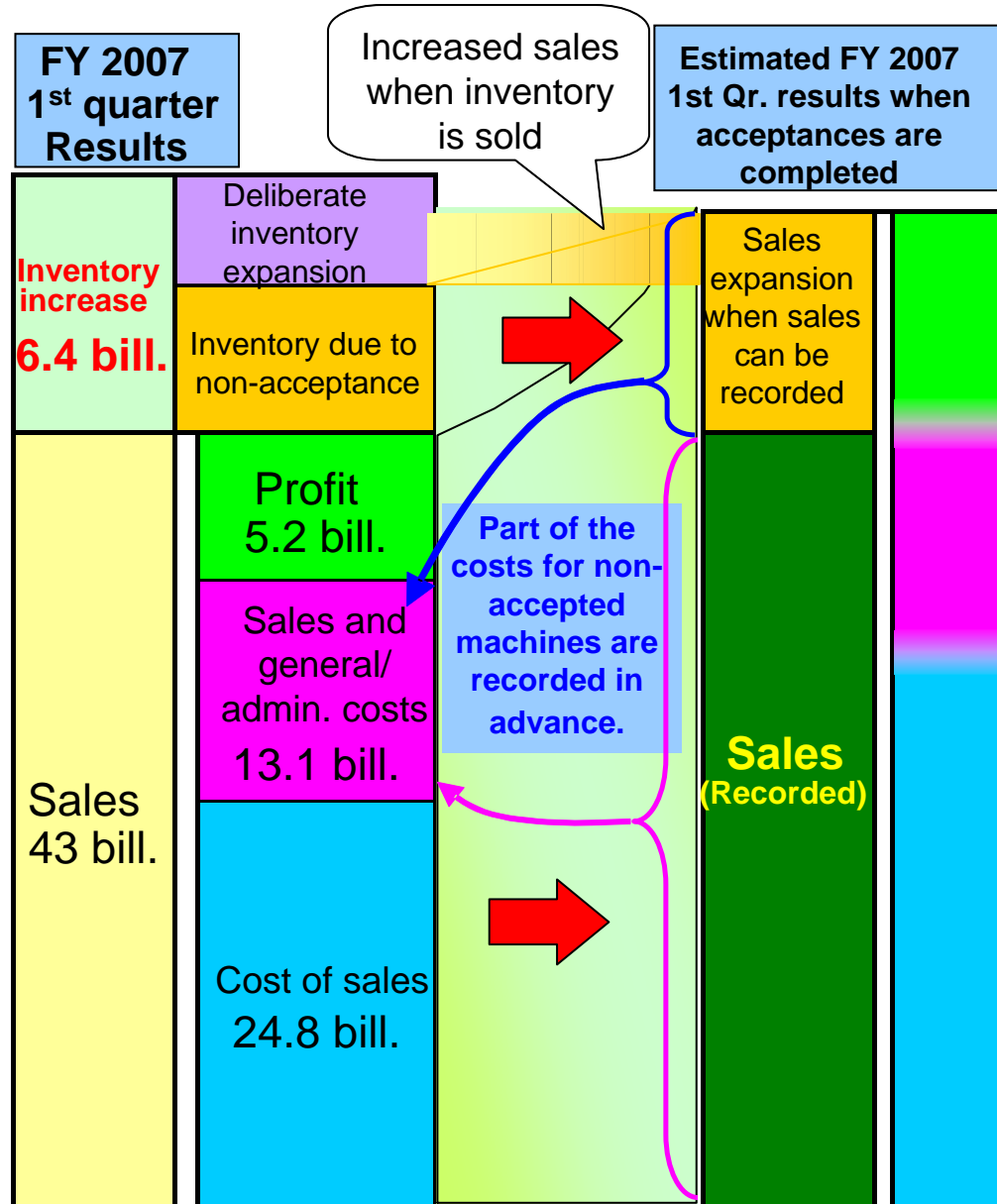
1 week = 1 month/4
Monthly average 15 billion yen x 1/4
= just under 4 billion yen

Based on 60% cost of sales ratio, we estimate that inventory worth 2.0 ~ 2.5 billion yen is non-acceptance (= unrecorded sales)



On the other hand, some costs for [Orders] and [Transportation Delivery Installation] have already been recorded for Apr.~Jun.

From Jul.~Sep. we must focus on acceptance and sales as well as orders, as in a normal year.





Dramatic Increase in Sales/Profit

Outline of Settlement of Accounts

- Sales are 20% higher than last year at 43 billion yen, and operating profit is 13.8% higher at 5.2 billion yen.
- Orders are up 17.3% from a year ago (April-June 2006) at 45.3 billion yen, with strong demand overseas leading the way.
- If we adjust for seasonal factors, the 3rd and final year of the Mori-568PLAN should come to a smooth finish.



Income Statement (P/L)

(Million yen)	FY 2006 1st Qr.	FY 2007 1st Quarter		
	Result	Result	Difference	Year-on-Year
Sales	35,936	43,043	7,107	19.8 % UP
Operating profit	4,554	5,184	630	13.8 % UP
(Operating profit margin)	12.7%	12.0%	-0.6%	-
Ordinary profit	4,736	5,205	469	9.9 % UP
(Ordinary profit margin)	13.2%	12.1%	-1.1%	-
Pretax net income (loss)	-108	5,211	5,319	Profit
Net income for period (loss)	-144	2,844	2,988	Profit
(Convers. rate 1US\$ =)	(113.96)	(121.60)		
(1EURO =)	(144.53)	(164.01)		

The loss from the same period last year was the temporary result of recording the extraordinary profit loss from the disposal of TCs.



Quarterly Trends in Sales/ Operating Profit Remain the Same

Trends in Sales/Operating Profit by Quarter

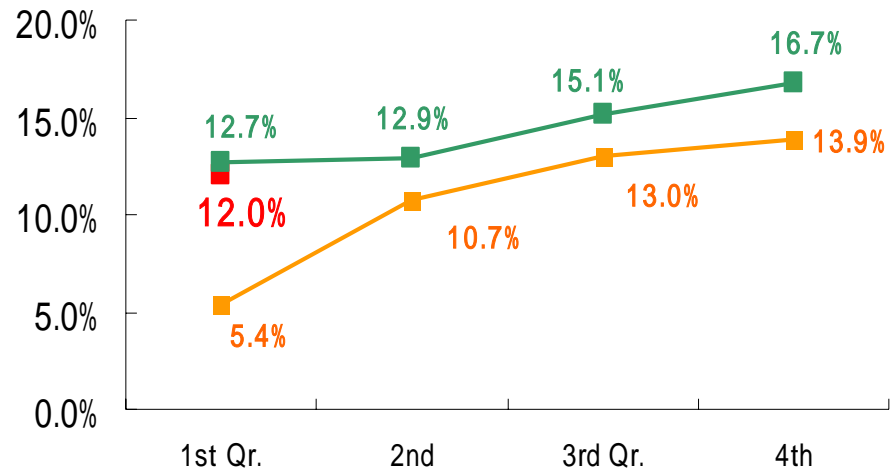
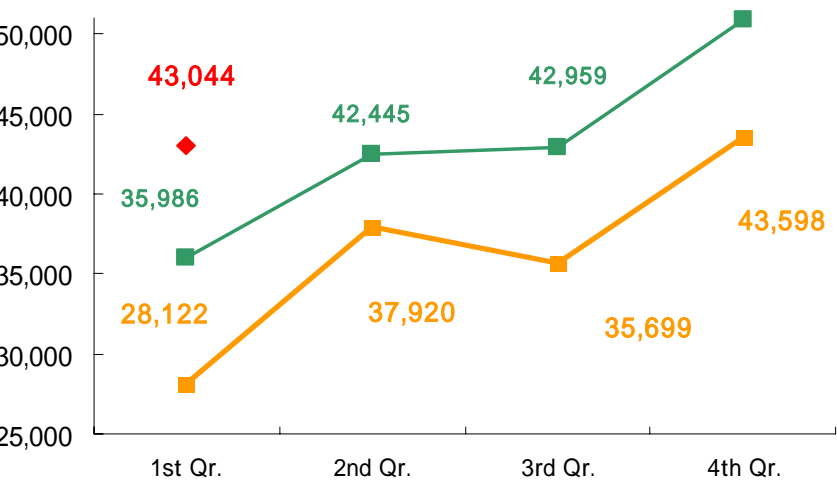
— FY 2005
— FY 2006
— FY 2007

— FY 2005
— FY 2006
— FY 2007

(Units: million yen)

Sales

Operating Profit



(Million yen)	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
FY 2007 Sales	43,043			
FY 2006 Sales	35,936	42,445	42,959	50,872
FY 2005 Sales	28,122	37,920	35,699	43,598
FY 2007 Operating profit	5,184			
FY 2006 Operating profit	4,554	5,475	6,505	8,509
FY 2005 Operating profit	1,505	4,072	4,655	6,062



Balance Sheet (B/S)

(Million yen)	FY 2006	FY 2007		(Million yen)	FY 2006	FY 2007	
	31-Mar	30-Jun	Difference		31-Mar	30-Jun	Difference
Assets				Liabilities			
Current assets	97,694	99,706	2,012	Current liabilities	31,104	36,179	5,075
Cash & deposits	29,959	26,544	-3,415	Trade payable	11,612	12,240	628
Receivables	32,916	29,550	-3,366	Short-term bank loans	1,500	1,500	0
Inventories	29,904	36,271	6,367	Current portion of LT debt		0	0
Other	4,915	7,341	2,426	Other	17,992	22,439	4,447
Fixed assets	71,340	74,015	2,675	Long-term liabilities	6,894	6,490	-404
Buildings	23,067	24,486	1,419	Convertible bonds	3,920	3,868	-52
Equipment	7,004	11,762	4,758	Long-term debts		0	0
Land	15,533	15,757	224	Other	2,974	2,622	-352
Intangible assets	4,092	4,215	123	Total net assets	131,036	131,052	16
Other	21,644	17,795	-3,849	Minority interests	545	577	32
Total assets	169,034	173,721	4,687	Total liabilities & equity	169,034	173,721	4,687
(Convers. 1US\$ =)	(117.00)	(121.60)		(Convers. 1US\$ =)	(117.00)	(121.60)	
(1 Euro =)	(151.00)	(164.01)		(1 Euro =)	(151.00)	(164.01)	



Remarkable reduction in fixed assets and debts

Turnover period, shareholder's equity ratio

	FY 2006		FY 2007	
	1st Qr. results		1st Qr. results	Difference
Receivables turnover period	2.04	Mths.	2.06	0.02 Mths.
Inventories turnover period	2.33	Mths.	2.53	0.20 Mths.
Payables turnover period	0.84	Mths.	0.85	0.02 Mths.
Fixed asset turnover period (tangible)	4.34	Mths.	3.64	-0.69 Mths.
Loan turnover period (incl. bonds)	1.74	Mths.	0.37	-1.37 Mths.
Shareholders' equity ratio	70.0	%	75.1	5.10 %



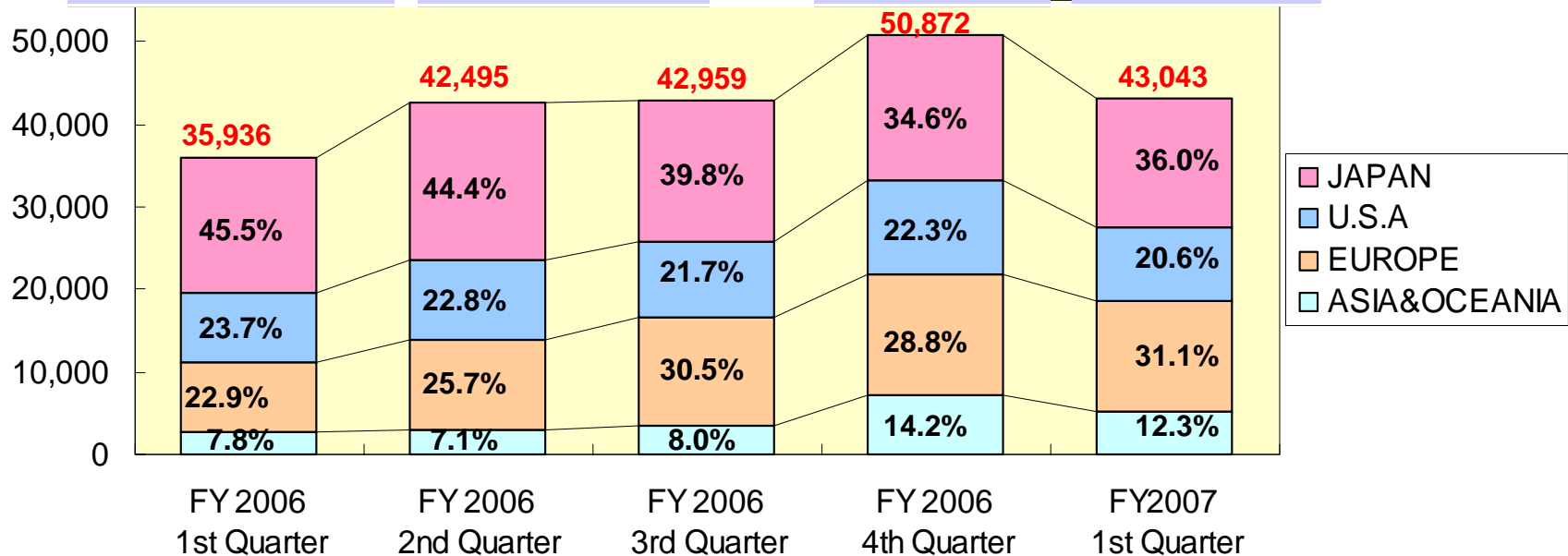
Cash Flow Statement (Consolidated)

(Units: Million yen)	FY 2005 Semi-annual	FY 2006 3rd Quarter
	April 2005 ~ September 2005	April 2006 ~ December 2006
Cash flow (operating activity)	4,951	17,267
Cash flow (investment activity)	776	-2,945
Cash flow (financial activity)	7,435	-16,749
Increase/decrease in cash and cash equivalents	13,180	-2,376
Cash and cash equivalents opening balance	12,772	31,582
Cash and cash equivalents closing balance	25,952	29,206



Great Increase in Sales in Europe/Asia

	FY 2006 1st Qr.		FY 2007 1st Qr.	
	Sales		Sales	(Diff.)
JAPAN	16,364		15,499	-5.3%
U.S.A	8,515		8,866	4.1%
EUROPE	8,239		13,373	62.3%
ASIA & OCEANIA	2,818		5,305	88.3%
Total	35,936		43,043	19.8%



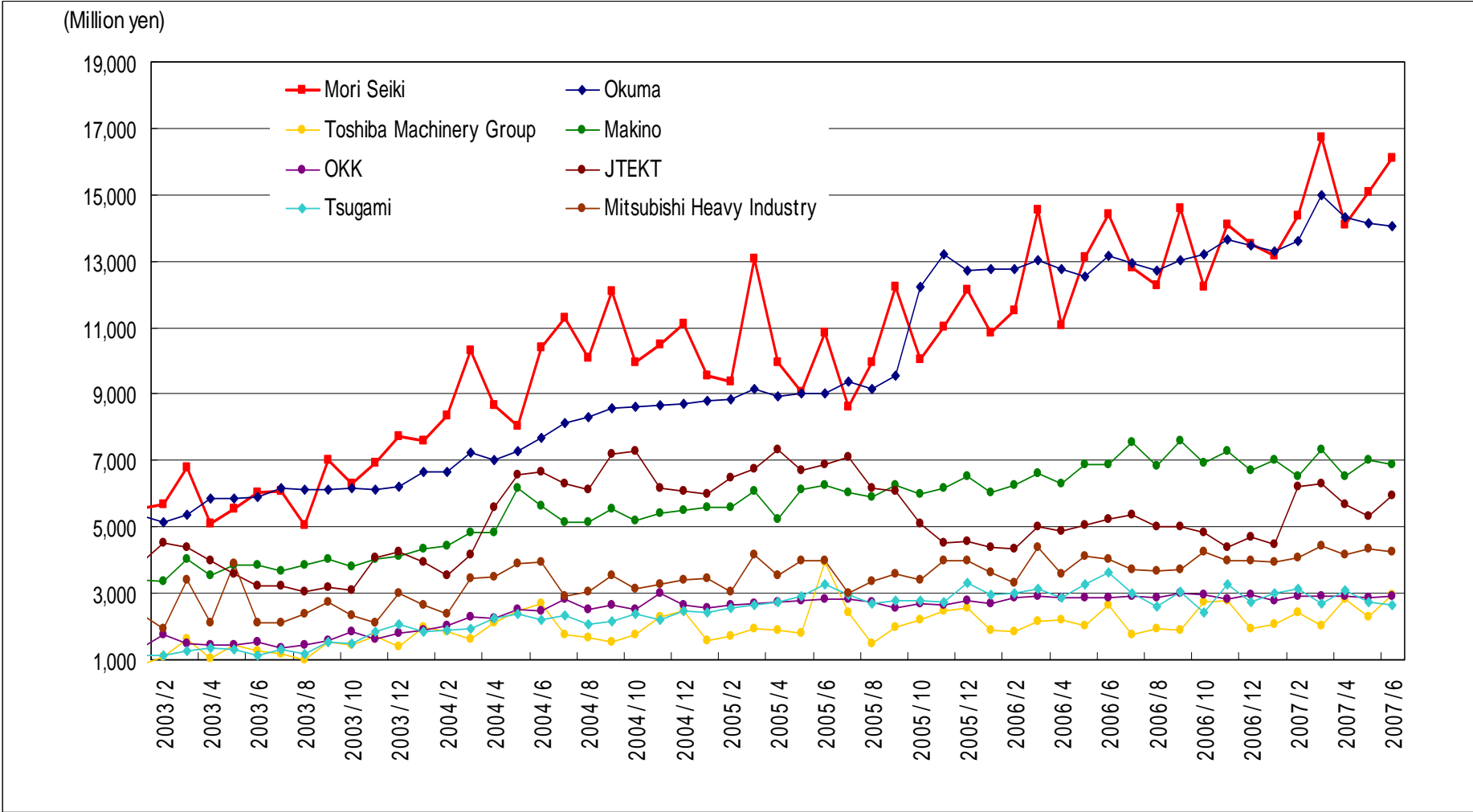


1st Quarter Orders

- **Orders for 8 major manufacturers**
- **Orders by Region**
- **Production/Orders/Inventory**
- **Order Backlog**



Trends in Orders

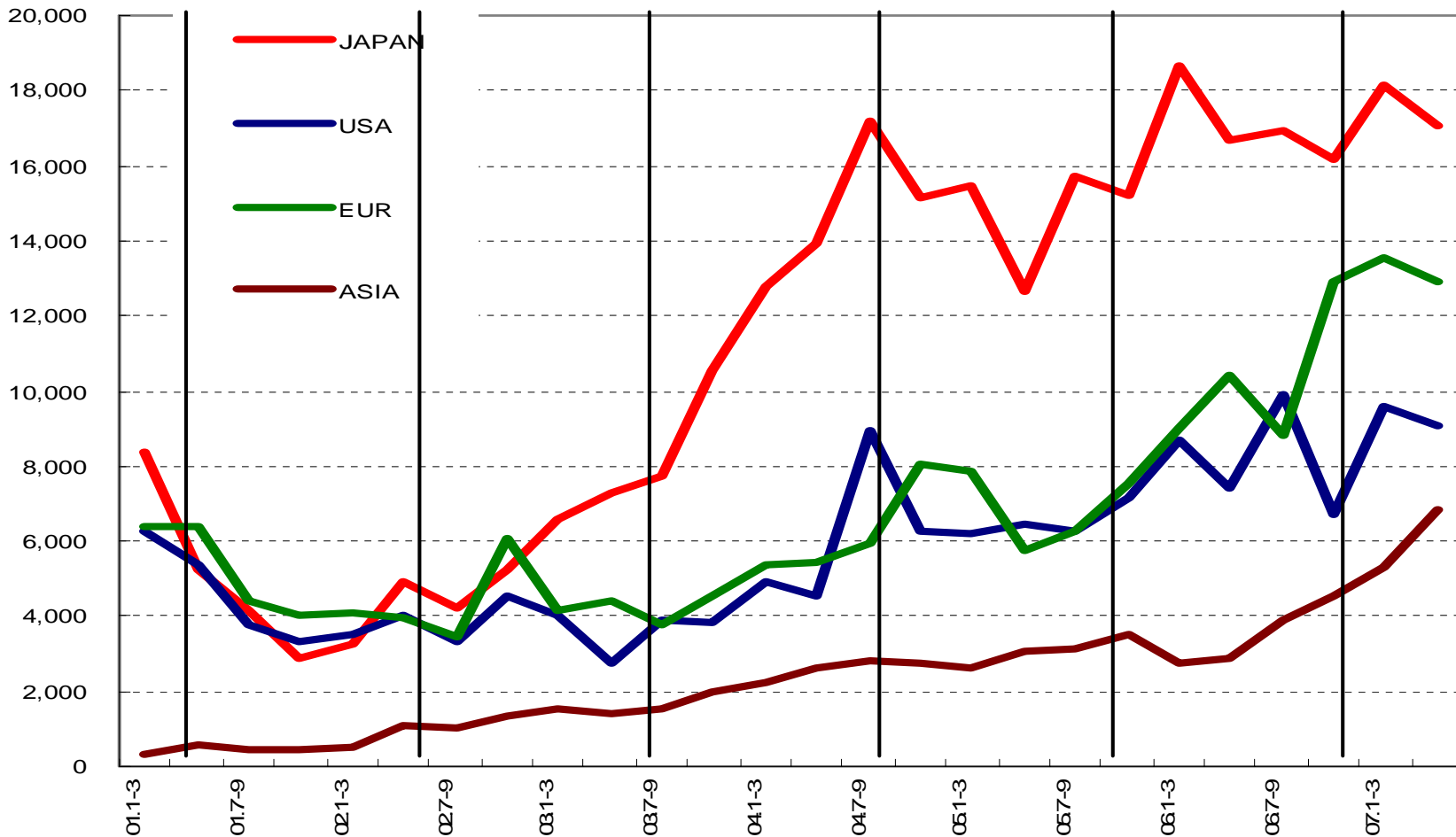




Japan Remains High, Overseas Increasing

Quarterly Trends in Machine Orders by Region

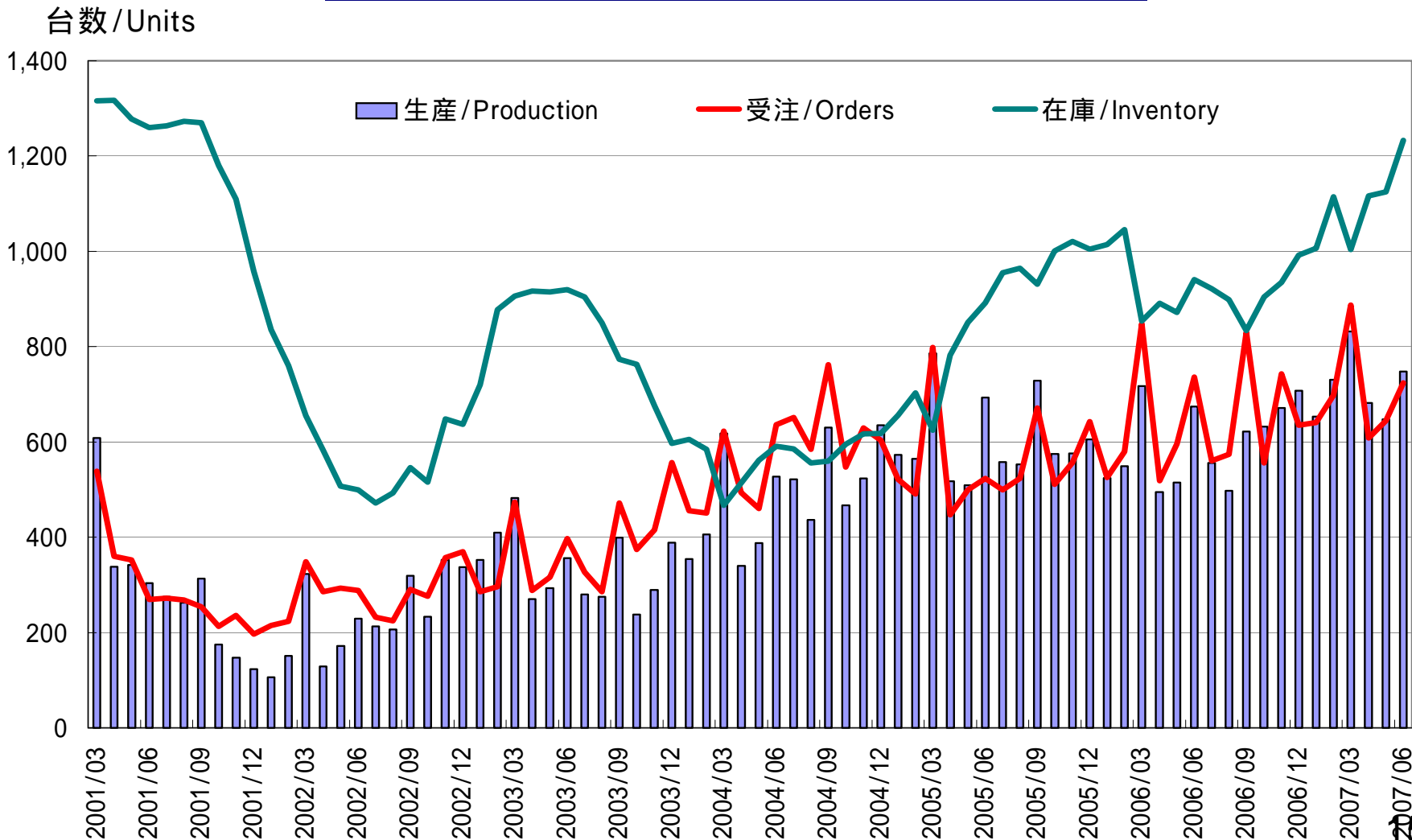
Orders (million yen)





Ensuring Inventory to Shorten Delivery Times

Trends in Production/Orders/Inventory

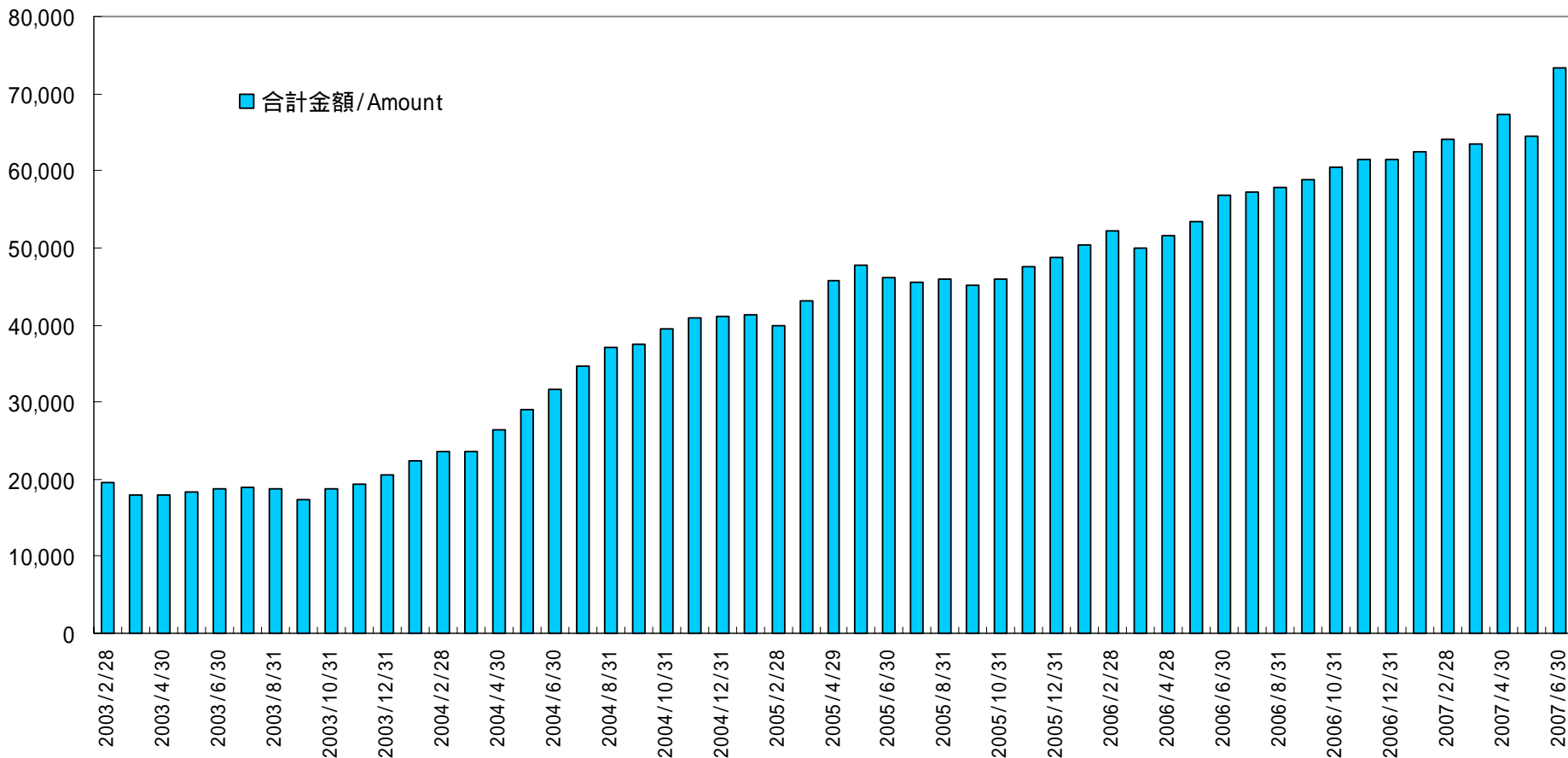




Order Backlog Bigger than Expected

Trends in Order Backlog

(Million yen)





Mori-568PLAN

Progress Report



Mori-568PLAN Targets/Results

FY 2007 1st Quarter Results

Mori-5

	Target	Result
· Sales	15.57 billion yen/mth	14.2 billion yen/mth
(Global share	4.5%	4.2%)

Mori-6

	Target	Result
· Cost of sales ratio	58.5%	57.6%

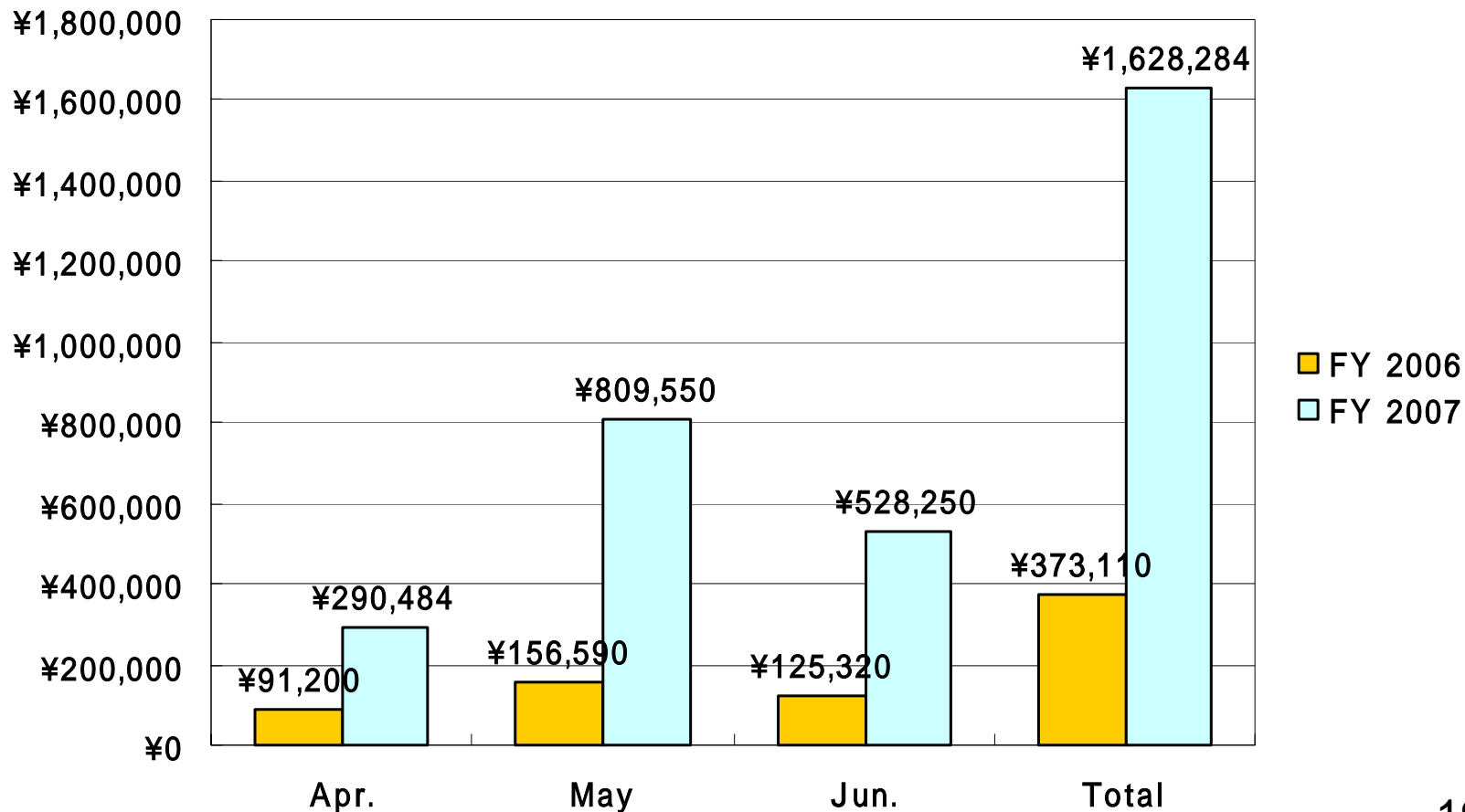
Mori-8

	Target	Result
· Production	715 units	692 units (qr. ave.)
(If Taiyo Koki, DIXI are included, the average is 702 units)	



Growing Orders of Strategic/Large Account Department

Units: Millions of yen





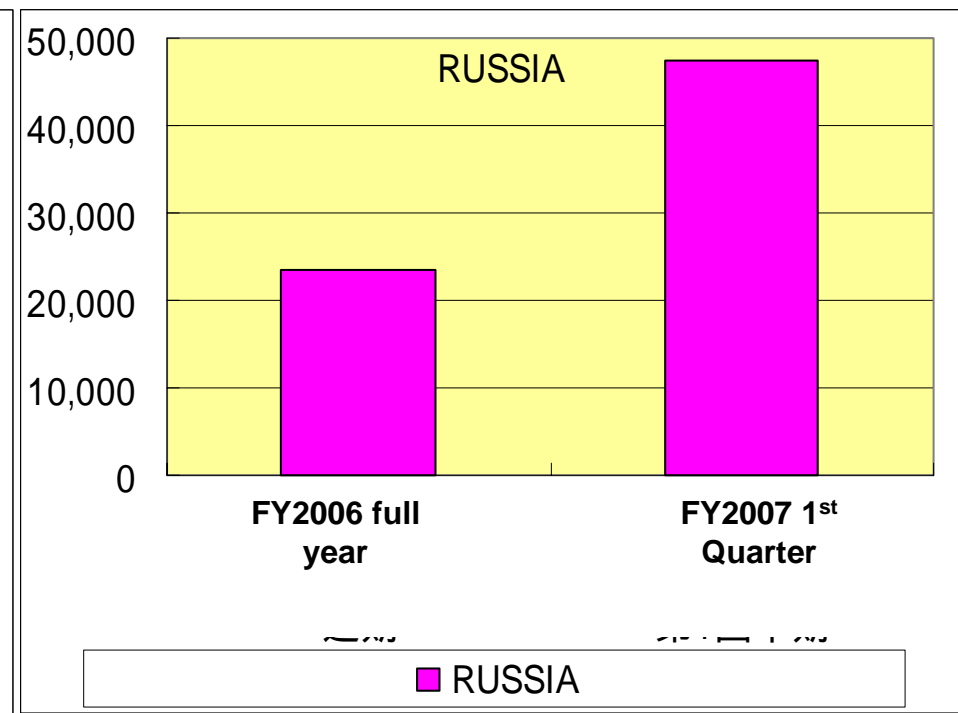
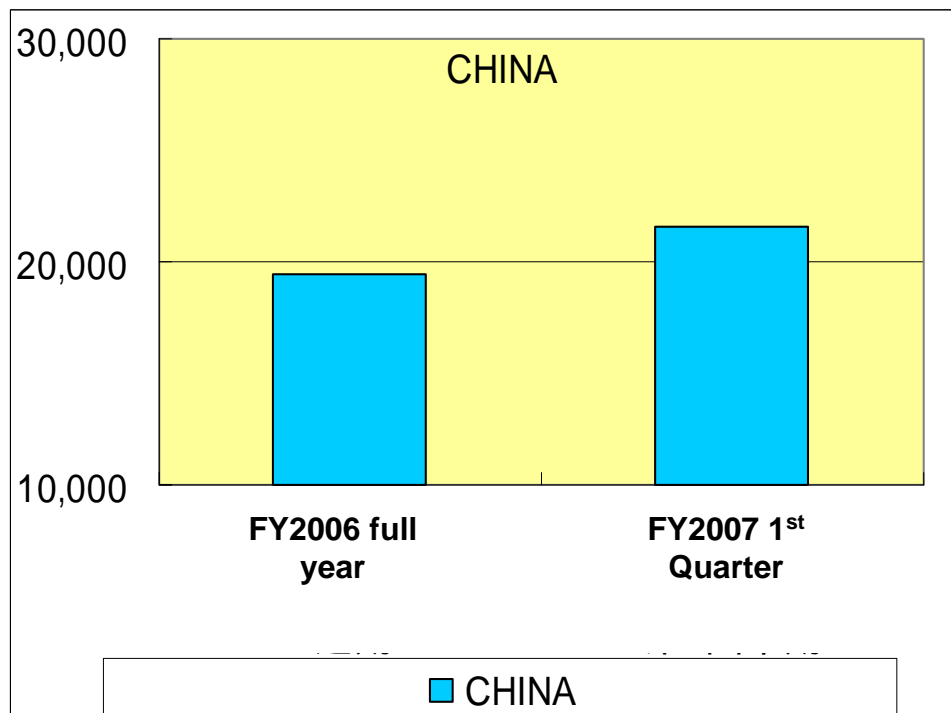
Summer Productivity Show

- **Venue:** Mori Seiki's Iga Campus
(Iga, Mie Prefecture)
- **Date:** June 21 (Thurs.) ~ 23 (Sat.)
- **Display Machines:** NMV5000 DCG (new model),
NZ Series
NVD1500 DCG,
NVD4000 DCG,
DuraVertical 5060,
DuraTurn 2050
- **Visitors:** 6,098 (total)
(Last year: 4,095, 49% up)



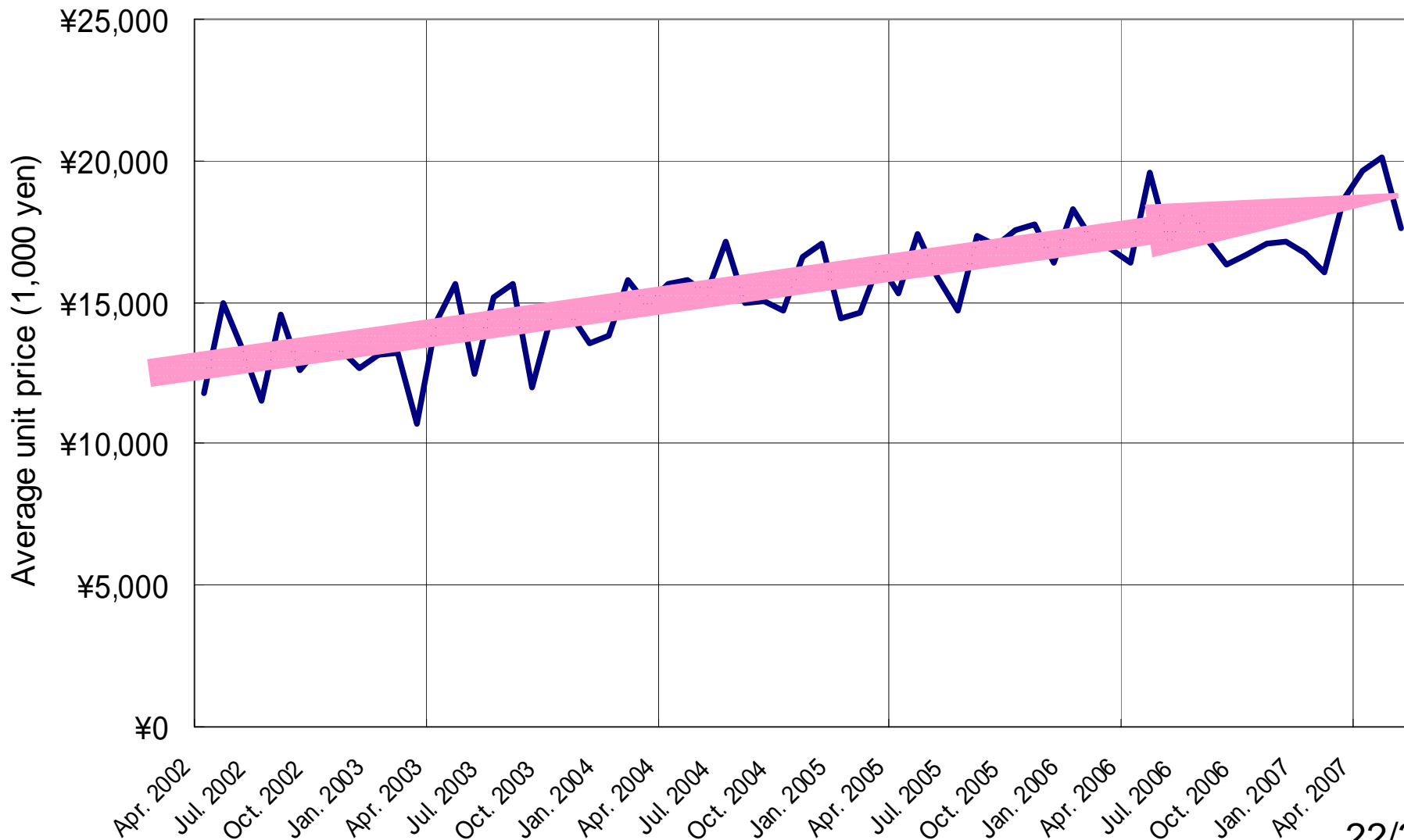


Average Unit Price Increasing in China, Russia



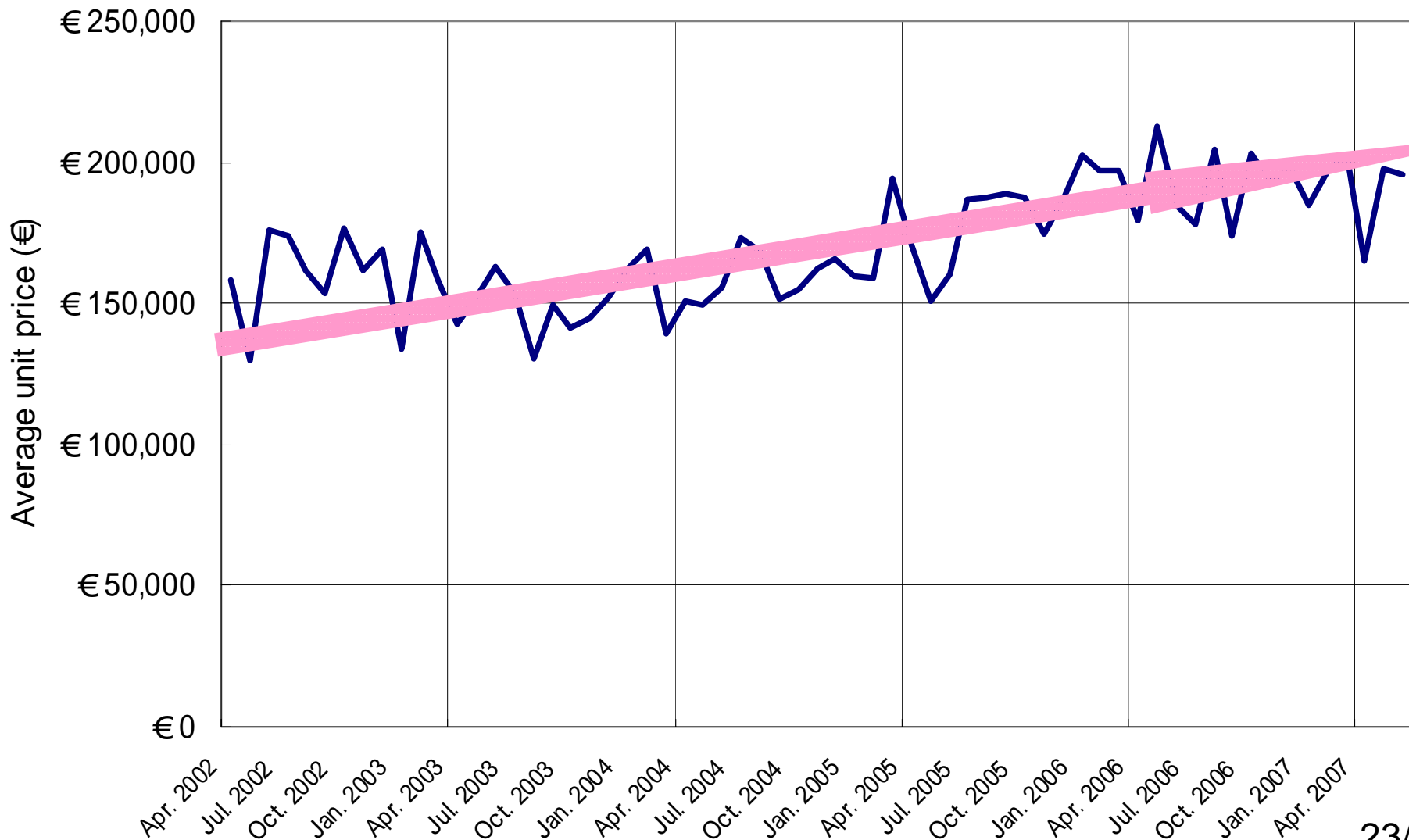


Average Unit Price (Japan)



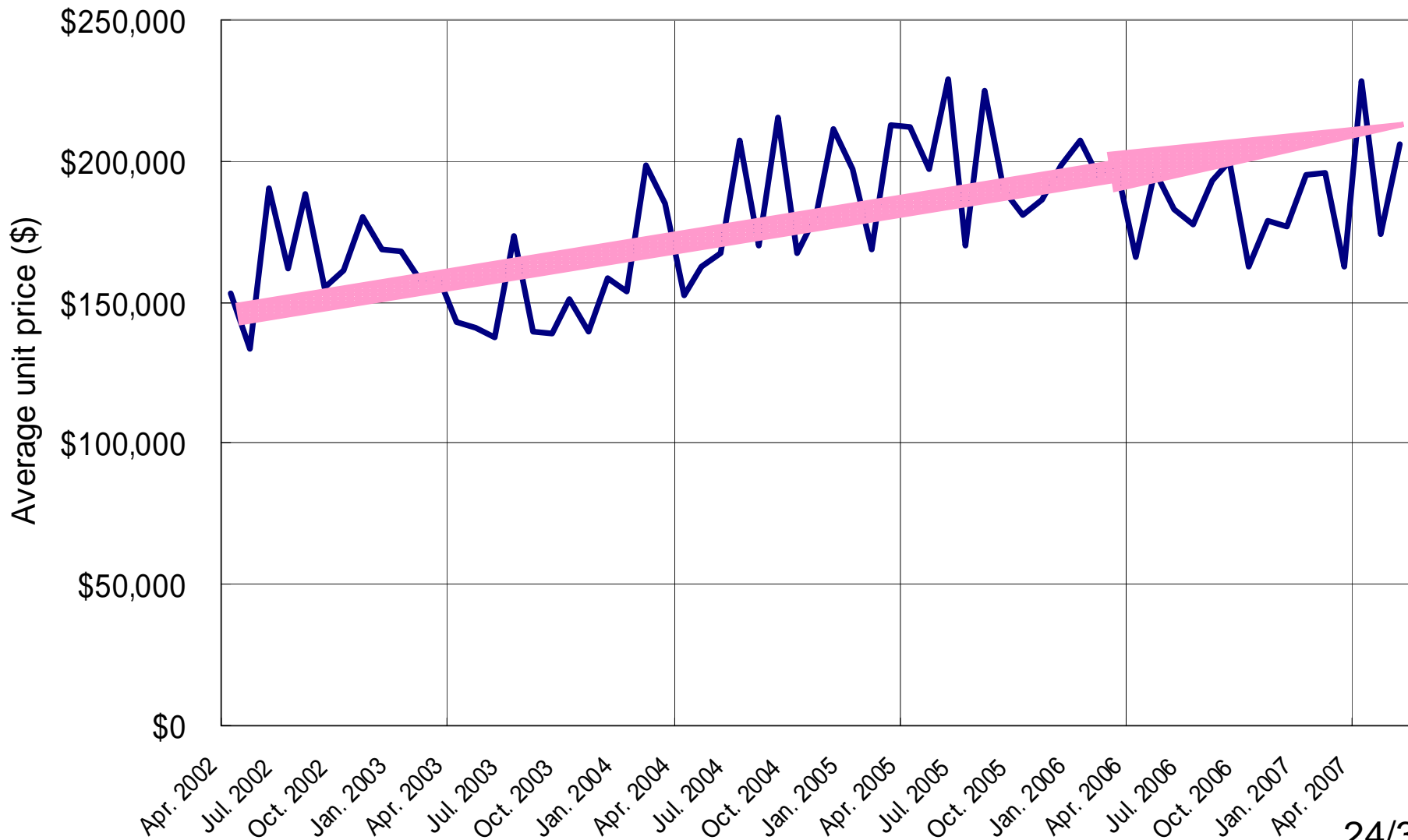


Average Unit Price (Europe)



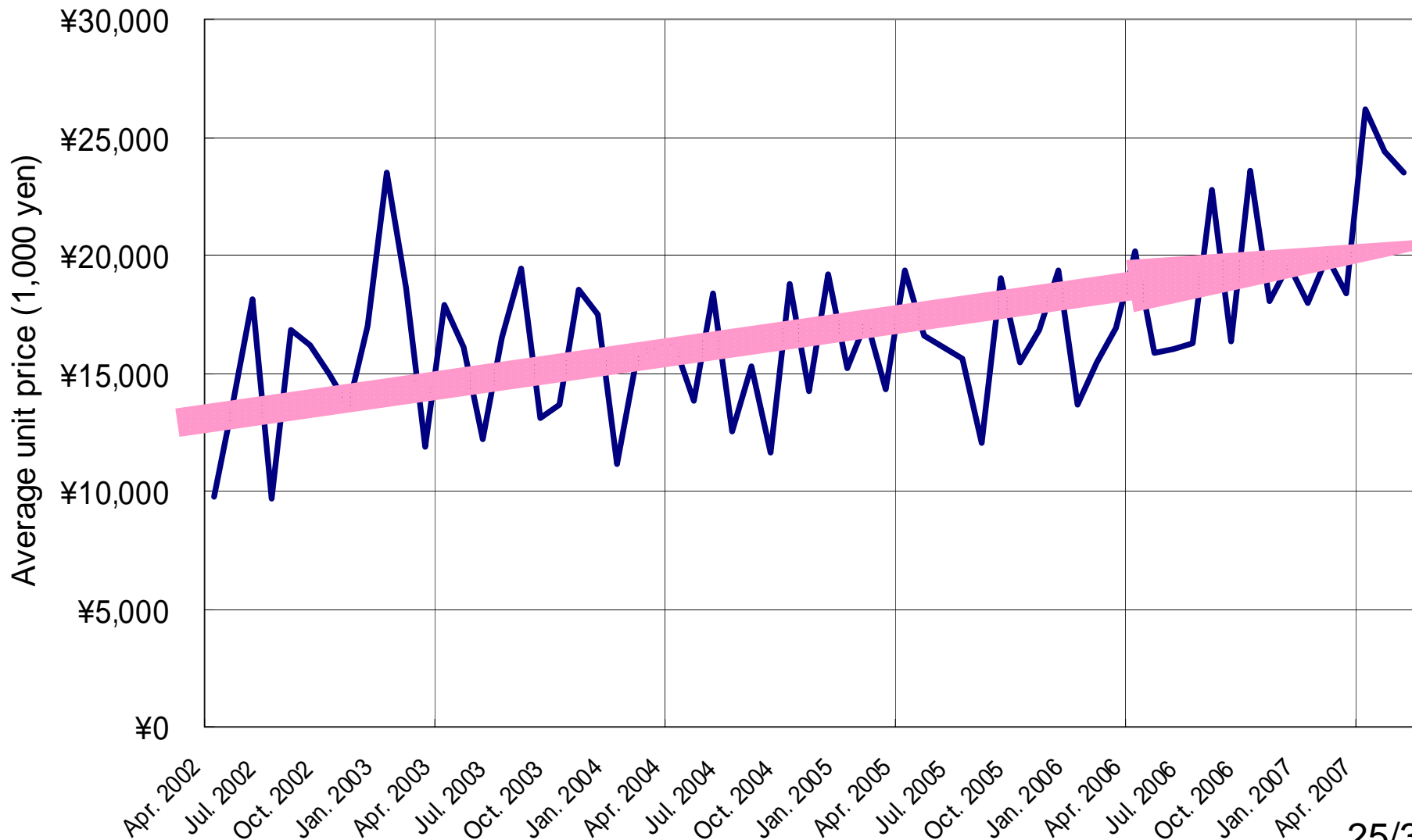


Average Unit Price (Americas)





Average Unit Price (Asia)





Machines and Equipment

Main equipment introduced Machines 4 units Amount 500 million yen

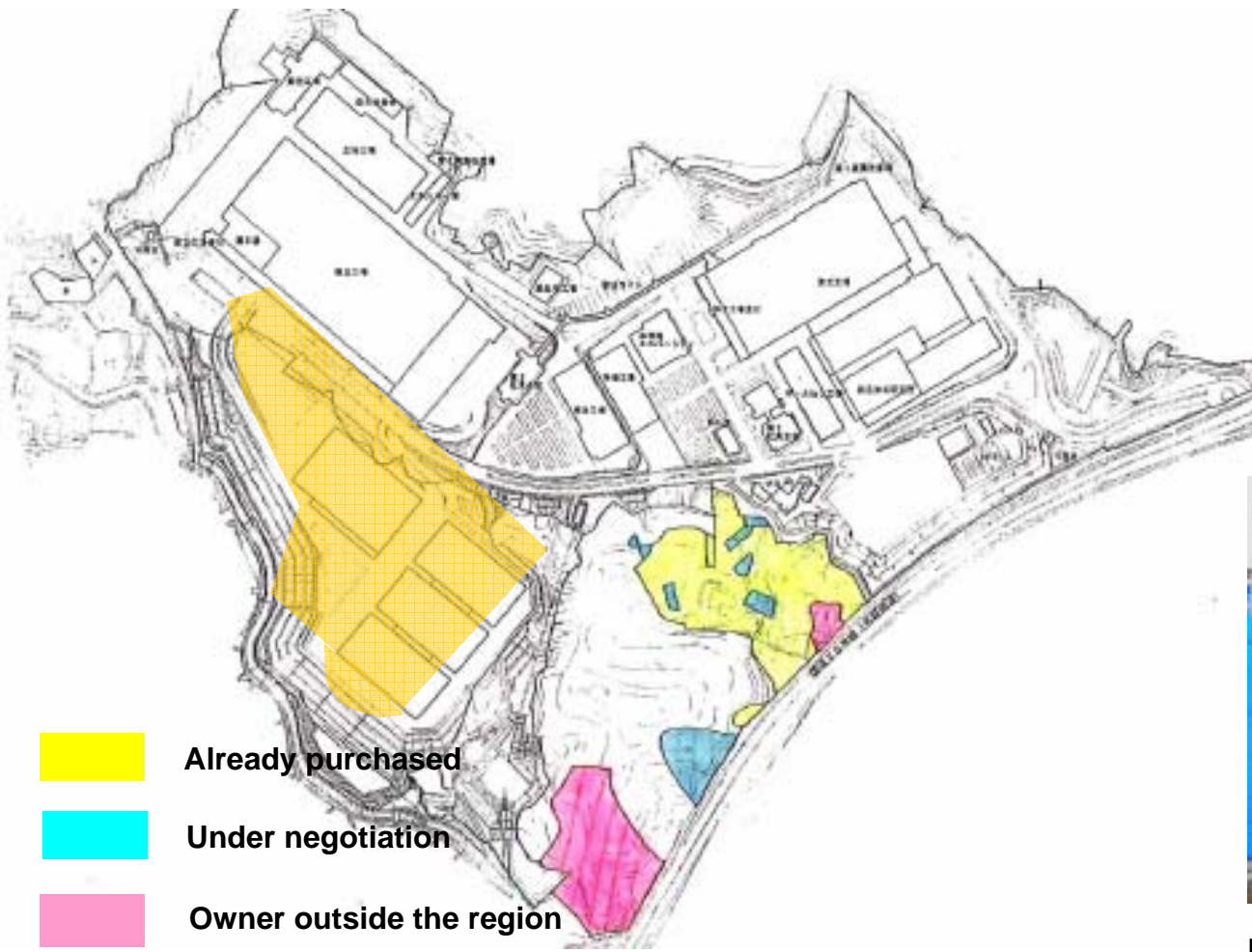
Plant	Equipment name	Manufacturer	Units
Iga Machine Plant	5-face machine	Toshiba Machine	2
	Robot system for vertical grinders	Fanuc	1
Spindle Plant	Turret-type multi-process grinder	Taiyo Koki	1


Scheduled for introduction Machines 43 units Amount 2.5 billion yen

Plant	Equipment name	Manufacturer	Units
Iga Machine Plant	Horizontal MC + robot system	NH6300, Fanuc	3
Ball Screw Plant	Induction hardening unit	DHF	2
	Integrated mill turn center + robot system	Fanuc	2
Spindle Plant	Integrated mill turn center + robot system	NT5400, Fanuc	2
	Equipment for making bearings in-house	Taiyo Koki, Toyo Advanced Technologies, etc.	10
Chiba Machine Plant	Integrated mill turn center + robot system	NT4250, Fanuc	2
	3D measuring instrument	Tokyo Seimitsu	1
DIXI Machines (Switzerland)	5-face machine	Toshiba Machine	1
	Horizontal MC + 10PP	DIXI, Mori Seiki	1
	Integrated mill turn center	NT6600DCG/4000	1



Iga Campus Land Purchase Overall Plan

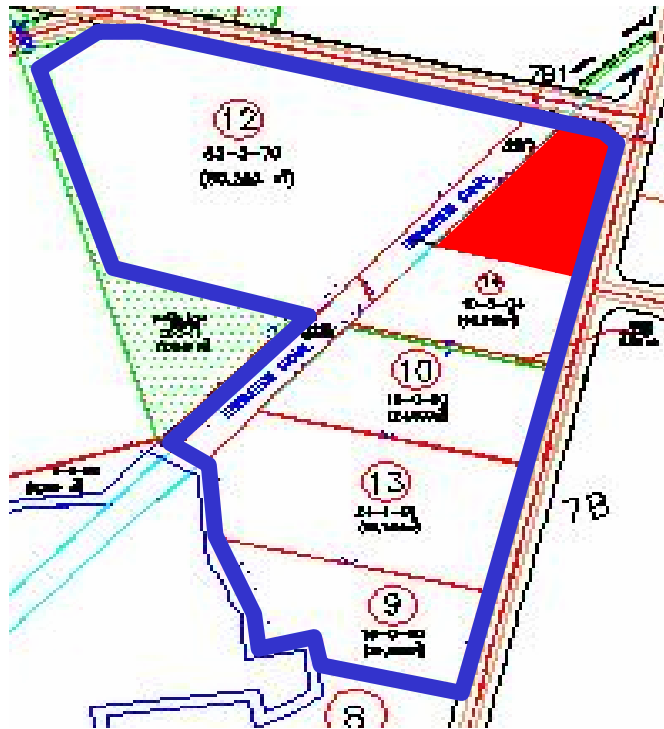


-  Already purchased
-  Under negotiation
-  Owner outside the region
-  Under development



July 9 Ground-purifying ceremony for site preparation

Plan for New Thailand TC



- We are planning to build a new TC with office, showroom, Training Center and Parts Center functions, which will be the nucleus for Asia.
- They will also procure castings etc from Thailand for Mori Seiki Japan.
- Location: Rojana Industrial Park (It will be built on one corner of the land for the planned Thai factory)
- Total area: 15,184 m²

Blue line: land for the planned Thai factory

Red area: land for the construction of the new Thailand TC



TOPICS



Scheduled Exhibitions

EMO2007 (Hannover)

- Unveiling our continually evolving
“Pure Technology” in Europe -

Dates: September 17 (Mon.) ~ 22 (Sat.), 2007

Site: Hannover Messe, Hannover, Germany, Hall 27 B-44

Mori Seiki booth area: 2,700 m²

EMO official website

http://www.emo-hannover.de/homepage_e

Clicking the Japanese flag on the above homepage will transfer you to the Japanese version.

New Models on Display at EMO



NMV8000 DCG

A new Series of our wildly popular 5-axis control machines



NMH10000 DCG

The world's largest, fastest, most accurate trunnion-type 5-axis horizontal machining center



DuraTurn 2550M

The CNC lathe with the long-awaited milling function



NMV5000 DCG Receives the Minister of Economy, Trade and Industry Prize

NMV5000 DCG

Awarded the Nikkan Kogyo Shimbun sponsored “37th Machine Design Award (Minister of Economy, Trade and Industry Prize)”



5軸制御高精度立形マシニングセンタ
NMV5000 DCG





Starting Production of the NMV at DIXI

- **Production system: Full knockdown**
- **Start of production: October 1, 2007 (scheduled)**
- **Number of units produced: 20/month**
- **Current production site: Nara Plant**
- **DIXI employees started assembly training at the Nara Plant from May 2007**



DIXI Open House

DIXI MACHINES SA

Le Locle, Neuchatel, Switzerland

Scheduled for 3 days, October 23-25



Please visit our DIXI Opening!

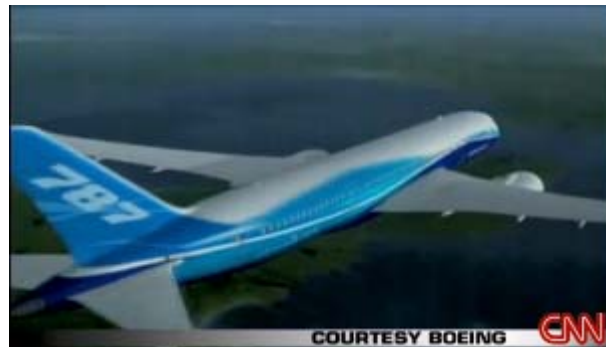
Since there is not much accommodation locally, we will secure rooms for people who wish to take part in our opening event. For applications or inquiries please contact Hiroki Shibayama or Asuka Uchida at the President's Office, IR Team (052-587-1830).

Please pay for your own travel and accommodation.



NT Series Shown on CNN News

When AMRC (Advanced Manufacturing Research Centre) in Sheffield, England was introduced on CNN, Mori Seiki's NT5400 DCG was shown. AMRC was established as a joint project of the University of Sheffield and Boeing, and many companies including Mori Seiki and Rolls-Royce are participating as sponsors.





Internal Controls Progress (Improvements)

Team name	Improvement requests			
	Number of improvement requests	Completed improvements		Incomplete
		Current month	Total	
Sales/Cost Calculation/Purchasing/Accounting Workflow Team	146 (81)	2 (1)	144 (80)	2 (1)
Property Management/Finance Operations Workflow Team	74 (55)	2 (0)	71 (54)	3 (1)
Internal Auditing Department total	220 (136)	4 (1)	215 (134)	5 (29)
Percentage			98%	2%

Processes for which improvements have been completed () improvements in financial reports

- | | | |
|------------------------------|--------------------------------|--------------------------------------------|
| Sales (Japan, machines) | Sales (Japan, S&P) | Sales (Overseas, parts) |
| Creating financial reports | Maintenance leases | Allowance for doubtful receivables |
| Capital transactions | Consignment fees | Foreign currency transactions/Derivatives |
| Recording personnel expenses | Asset evaluation | Tax calculation and tax effect calculation |
| Payment of posted expenses | Loans for affiliated companies | Purchasing Inventory |
| Valuable securities | Debt payment | Money collection |

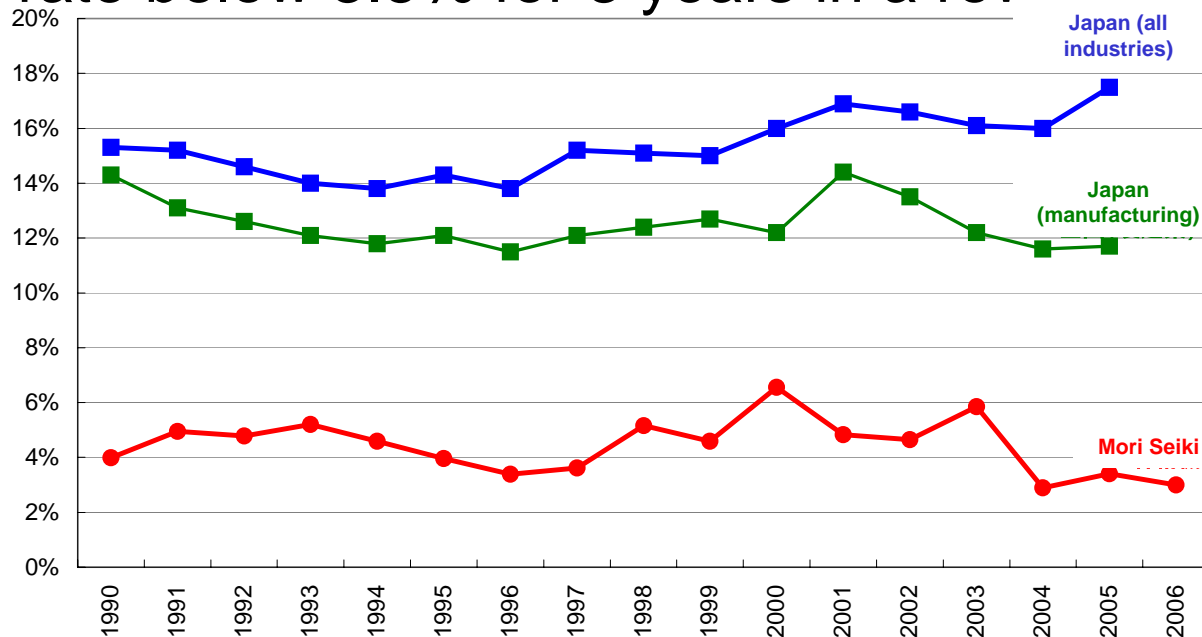


Good Recruitment, Reduced Turnover

- For FY 2008 we have hired graduates from these universities (213 people)

Tokyo University, Kyoto University, Osaka University, Waseda University, Keio University, University of California, University of Michigan, etc.

- Turnover rate below 3.5% for 3 years in a row



Investing in Development of Human Resources

- After the welcome ceremony for new employees in April, we hold 4 months of manufacturing training (practical training in each manufacturing department) and skills training
- English conversation classes with outside instructors (once a week), regular groups taking the TOEIC test
- We established a system so that people can get MBA, MOT from their former universities
- We hold RST training, finance training, etc, for each occupation

(RST = Rodosho Health and Safety Education Trainer)



Training in manufacturing