



# Settlement of Accounts Explanatory Material

May 8, 2008

# About Future Projections

This material contains targets, plans, etc, concerning the future of Mori Seiki and the Mori Seiki Group. All predictions concerning the future are judgments and assumptions based on information available to Mori Seiki at the time of writing. There is a possibility that the actual future results may differ significantly from these forecasts, due to changes in management policy or changes in external factors. There are many factors which contain elements of uncertainty or the possibility of fluctuation, including the following:

- Fluctuations in exchange rates

- Changes to the laws, regulations and government policies in the markets where Mori Seiki conducts its business

- Mori Seiki's ability to develop and sell new products in a timely fashion

- Instability of governments in the markets where Mori Seiki conducts its business

# Outline of Settlement of Accounts

- Sales 202.3 billion yen 17.4% increase from the previous year
- Operating profit 31.3 billion yen  
25.0% increase from the previous year

Sales increased 2.3 billion yen and operating profit increased 0.8 billion yen from the modified forecast released in February

- Influence of exchange rate fluctuations,  
increase in raw material cost
- Continuous growth in the emerging markets and  
stable growth in Japan, Americas and Europe
- Reduction of selling, general and administrative expenses and  
cost of sales ratio
- Achieving the targets, concluded the final year of the Mori-568 Plan

# P/L Statement: Favorable Achievement Growth

Consolidated base

(Millions of yen)	FY 2006	FY 2007		
	Actual results	Actual results	Difference	From FY 2006
Sales	172,262	202,260	29,998	17.4 %UP
Operating profit	25,043	31,302	6,259	25.0 %UP
(Operating profit margin)	14.5%	15.5%	0.9%	—
Ordinary profit	24,716	28,665	3,949	16.0 %UP
(Ordinary profit margin)	14.3%	14.2%	-0.2%	—
Pretax income	19,403	27,708	8,305	42.8 %UP
Net income	16,194	15,975	-219	-1.4 %UP
(Convers. rate 1US\$=)	(117.0)	(113.8)		
(1EURO=)	(151.0)	(162.2)		

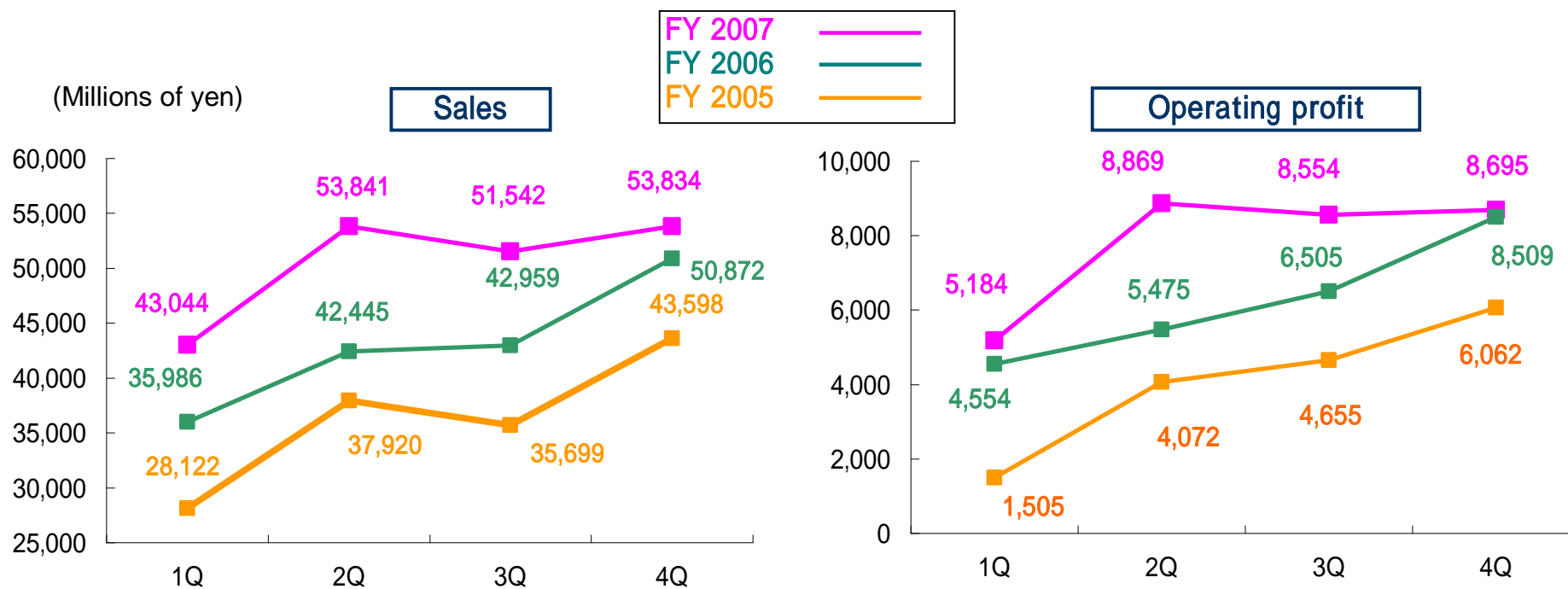
# B/S: Stable Financial Structure

Consolidated base

(Millions of yen)	FY 2006			FY 2007		
	March 31	March 31	Difference	March 31	March 31	Difference
<b>ASSETS</b>						
<b>Current Assets</b>	97,694	101,976	4,282			
Cash and cash equivalents	29,959	17,984	-11,975			
Account receivable	32,916	38,427	5,511			
Inventories	29,904	38,744	8,840			
Other	4,915	6,821	1,906			
<b>Fixed Assets</b>	71,340	72,294	954			
Buildings and structures	23,067	25,448	2,381			
Machinery and equipment	7,004	8,152	1,148			
Land	15,533	15,165	-368			
Intangible assets	4,092	4,439	347			
Other assets	21,644	19,090	-2,554			
<b>Total Assets</b>	<b>169,034</b>	<b>174,270</b>	<b>5,236</b>			
(Millions of yen)						
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Current Liabilities</b>	31,104	37,151	6,047			
Accounts payable	11,612	11,517	-95			
Short-term loans	1,500	696	-804			
Current portion of long-term debt			0			
Other current liabilities	17,992	24,938	6,946			
<b>Long-term Liabilities</b>	6,894	5,357	-1,537			
Warrant-bearing bonds	3,920	2,583	-1,337			
Long-term debt			0			
Other long-term liabilities	2,974	2,774	-200			
<b>Shareholder's equity</b>	131,036	131,761	725			
Minority interest in consolidated subsidiaries	545	1,177	632			
<b>Total Liabilities and Shareholders' Equity</b>	<b>169,034</b>	<b>174,270</b>	<b>5,236</b>			

# Quarterly Trend

Consolidated base

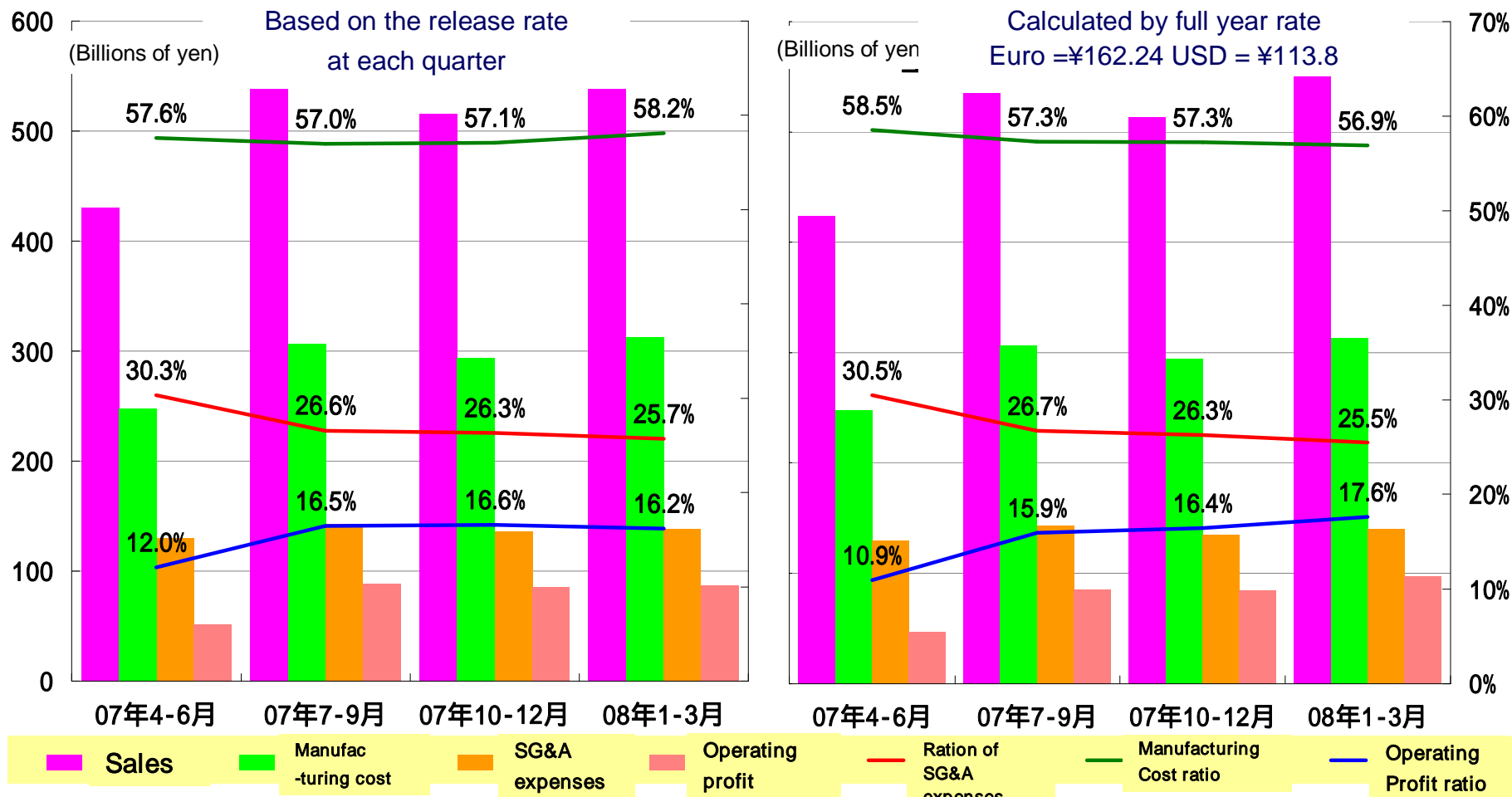


## Controlling Cost of Sales Ratio/Selling, General and Administrative Expenses

	FY 2007 1Q	FY2007 2Q	FY 2007 3Q	FY 2007 4Q
Cost of sales ratio (lower figure is cost of sales: millions of yen)	57.6% 24,808	57.0% 30,664	57.1% 29,417	58.2% 31,310
SG&A expense ratio (lower figure is SG&A expenses: millions of yen)	30.3% 13,051	26.6% 14,309	26.3% 13,572	25.7% 13,827
Shareholders' equity to total assets (lower figure is shareholder's equity: millions of yen)	75.1% 130,475	75.5% 133,839	74.1% 132,154	74.7% 130,109

( Shareholders' equity at the end of the quarter)

# Influence of Exchange Rate Fluctuations at Each Quarter



<The release rate at each quarter> is calculated by the average transition rate at the end of month as shown by the right table. Therefore, influence of exchange rate fluctuations at each quarter is represented at the 4Q.

	1Q	1-2Q	1-3Q	1-4Q
Euro	164.01	162.86	163.56	162.24
USD	121.60	119.22	117.15	113.80

# Turnover Period

Consolidated base

	FY 2005 Full year	FY 2006 Full year	FY 2007 Full year	Difference
Account receivable turnover	2.47 months	2.29 months	2.28 ヶ月	-0.01 months
Inventory turnover	2.07 months	2.08 months	2.30 ヶ月	0.22 months
Accounts payable turnover	0.80 months	0.81 months	0.68 ヶ月	-0.13 months
Tangible fixed asset turnover	4.60 months	3.44 months	3.19 ヶ月	-0.25 months
Debt loan turnover (incl. bonds)	1.72 months	0.38 months	0.19 ヶ月	-0.18 months

# Cash Flow

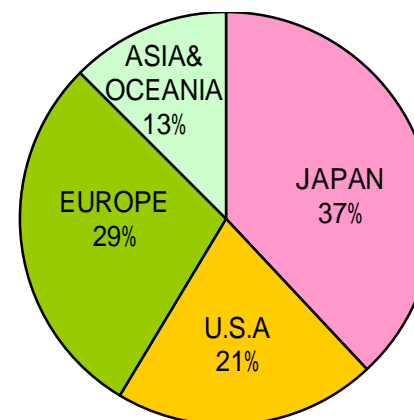
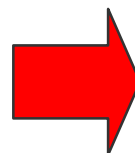
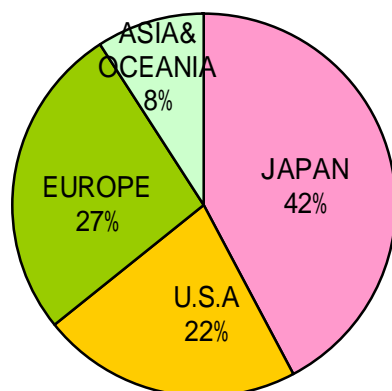
Consolidated base

(Millions of yen)	FY 2007 1Q	FY 2007 Semi-annual	FY 2007 3Q	FY 2007 Full year
Operating activity cash flow	-201	4,216	4,238	14,155
Investment activity cash flow	-2,351	-6,170	-8,925	-13,454
Financial activity cash flow	-1,756	-3,119	-8,902	-13,131
Increase in cash and cash equivalents	-4,042	-4,999	-13,447	-12,043
Cash and cash equivalents opening balance	29,959	29,959	29,959	29,959
Cash and cash equivalents closing balance	26,543	25,570	17,122	17,916

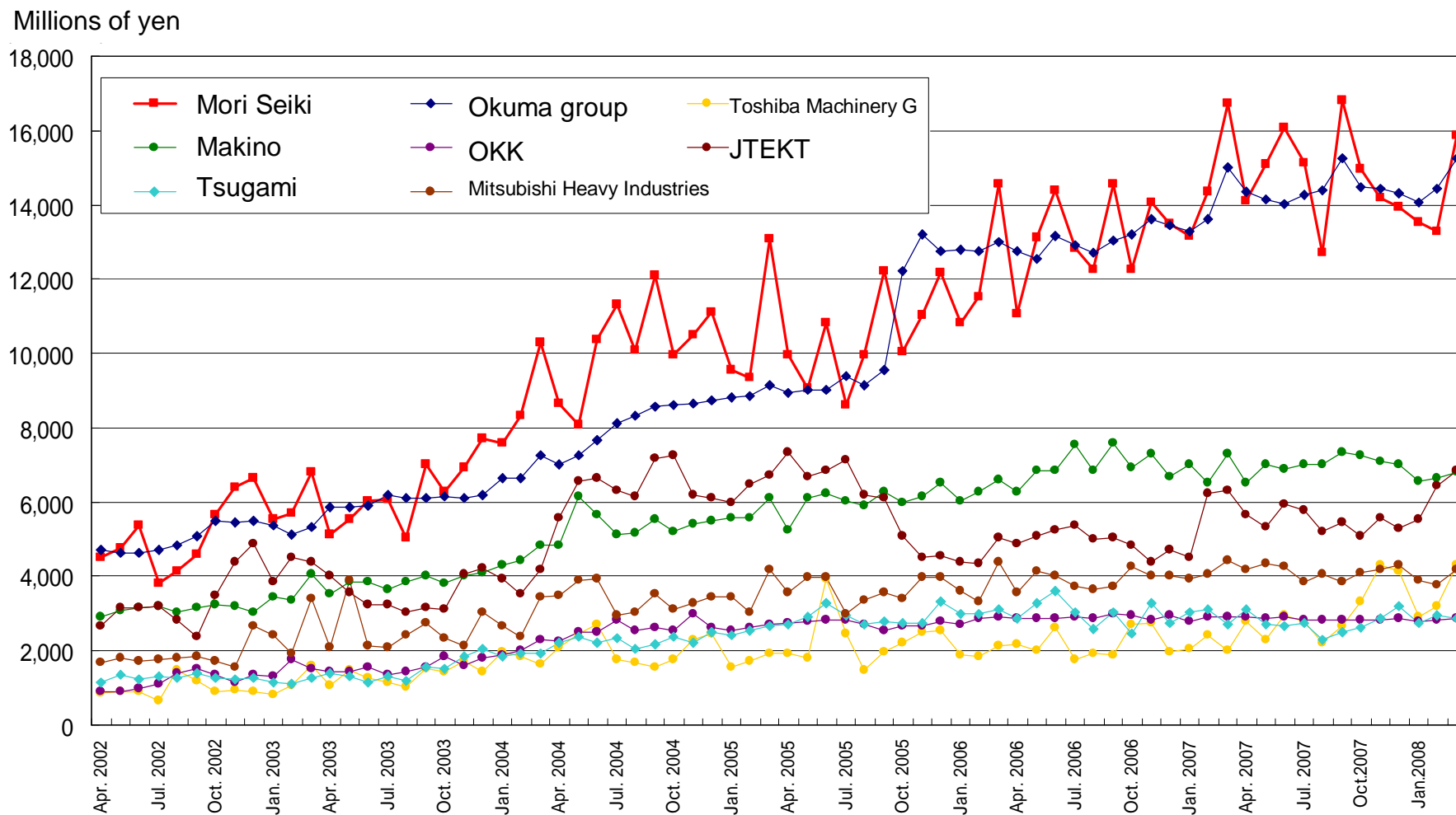
# Sales by Region

Consolidated base

(Millions of yen)	FY 2006 Full year		FY 2007 Full year	
	Sales	Local currency	Sales	Local currency
JAPAN	72,533		76,717	
U.S.A	37,848	354M\$	42,068	370M\$
EUROPE	46,164	306M€	58,104	358M€
ASIA & OCEANIA	15,715		25,371	
TOTAL	172,260		202,260	

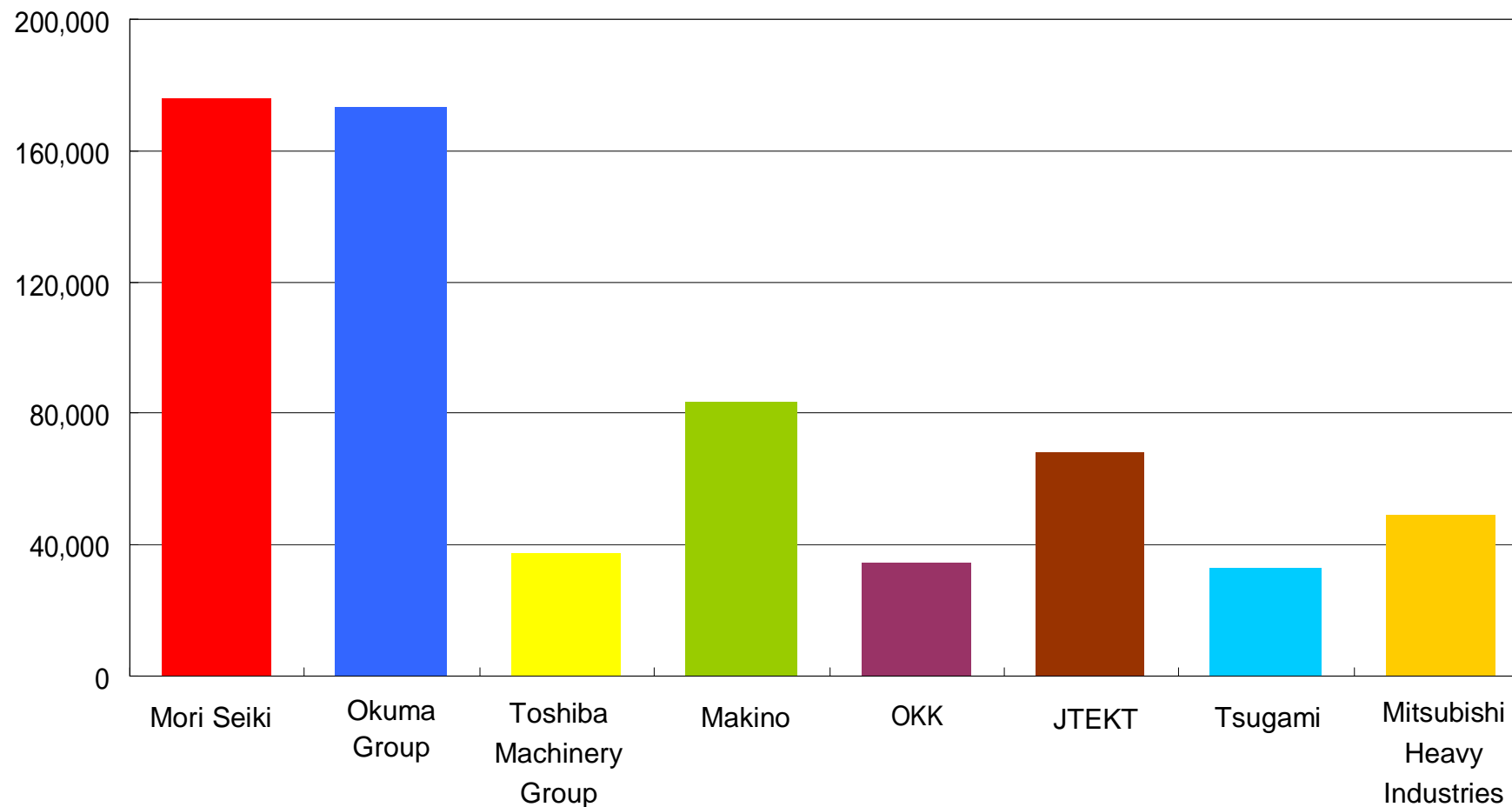


# Order Trends for Major 8 Companies



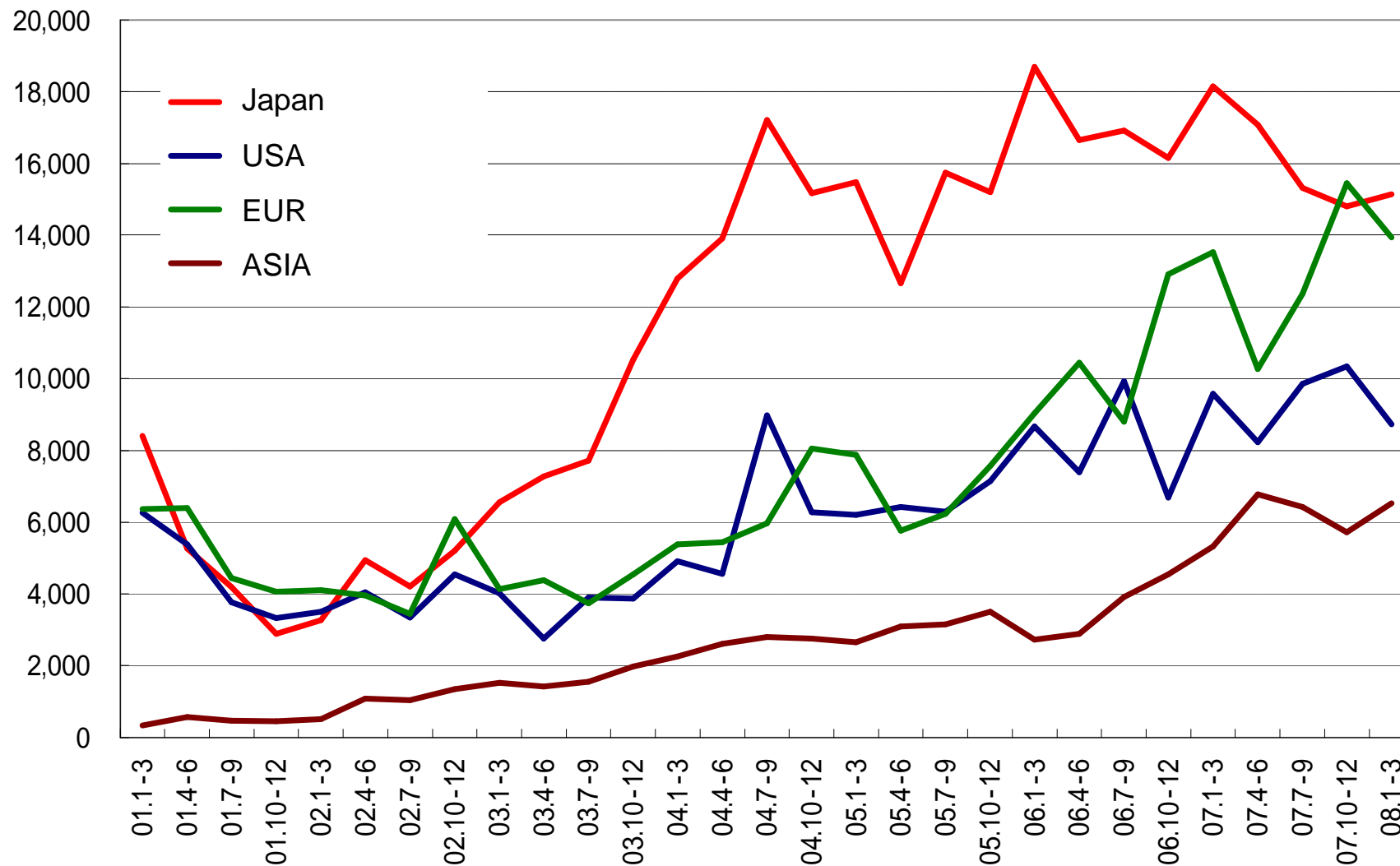
## Unconsolidated Orders for 8 Major Companies in FY 2007

Millions of yen

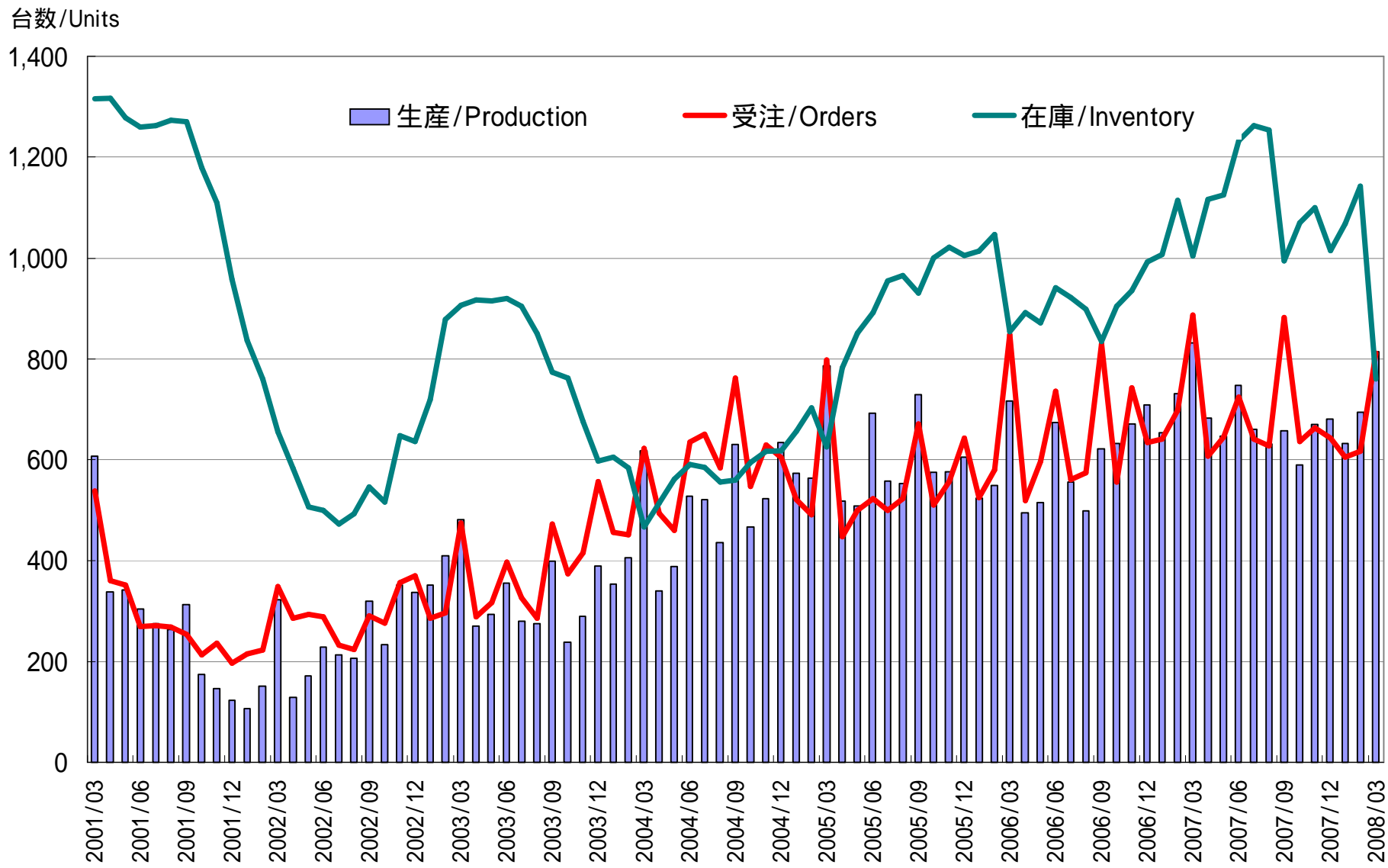


# Quarterly Trends in Orders for Machine Tools by Region

Order amount  
(millions of yen)

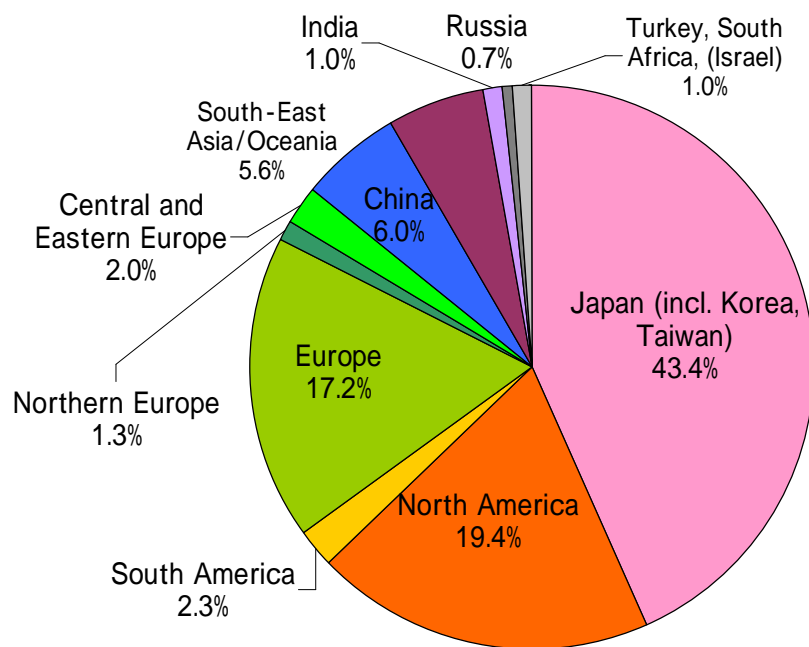


# Trends in Orders, Production, Inventory

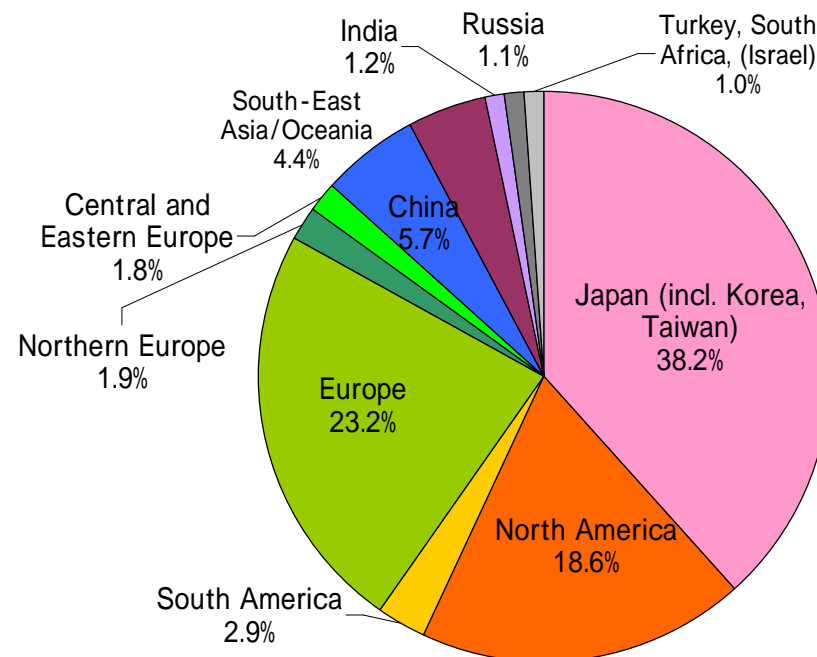


# Breakdown of Orders by Region

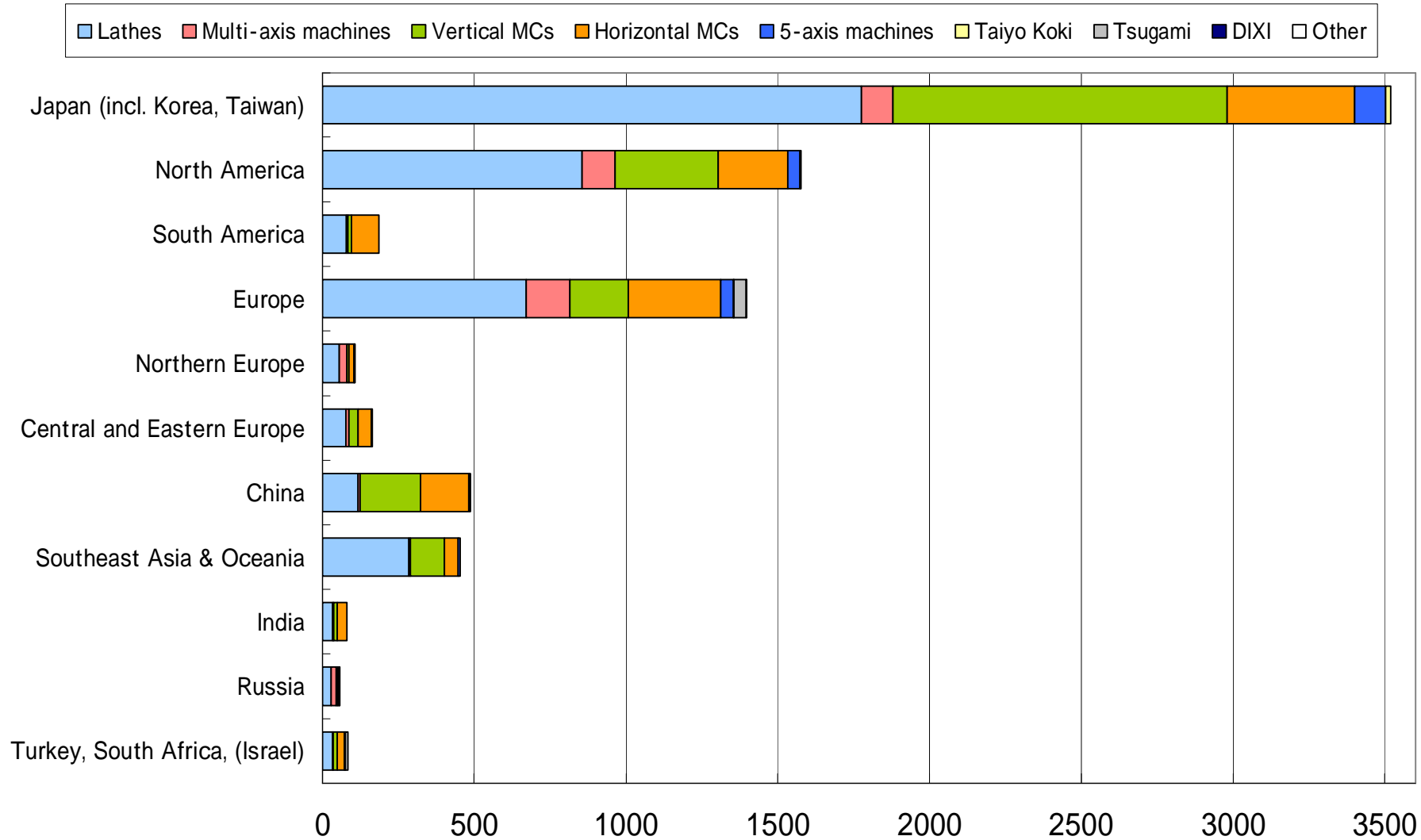
[Breakdown of **units ordered** by region]



[Breakdown of **order amount** by region]

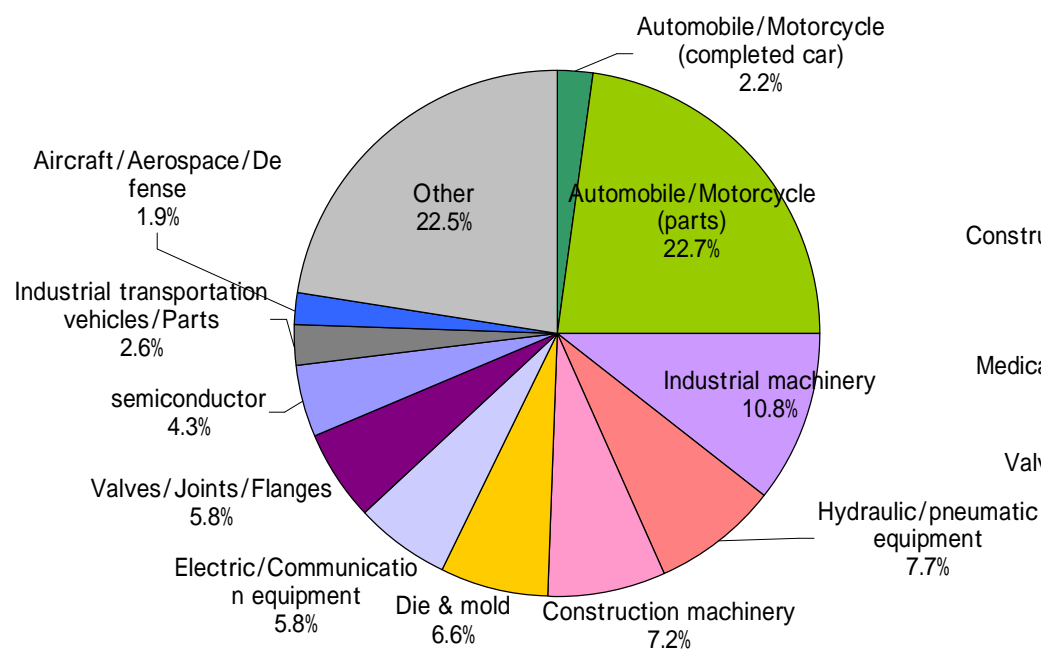


# Product Composition by Region (Unit Base)

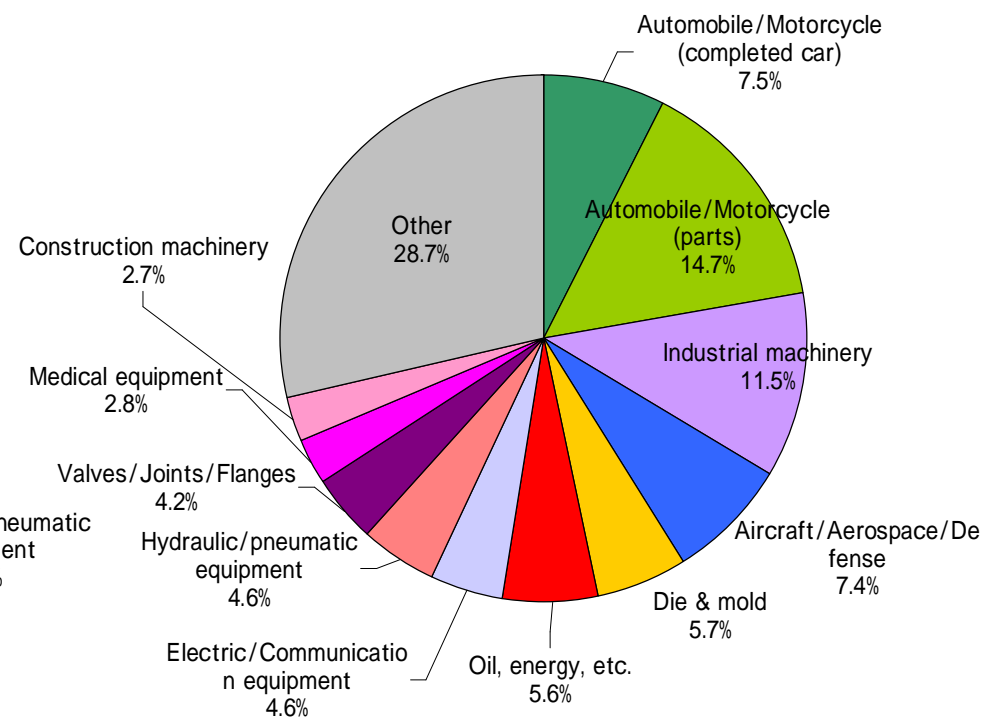


# Breakdown of FY 2007 Orders by Industry (Unit Base)

[Japan]



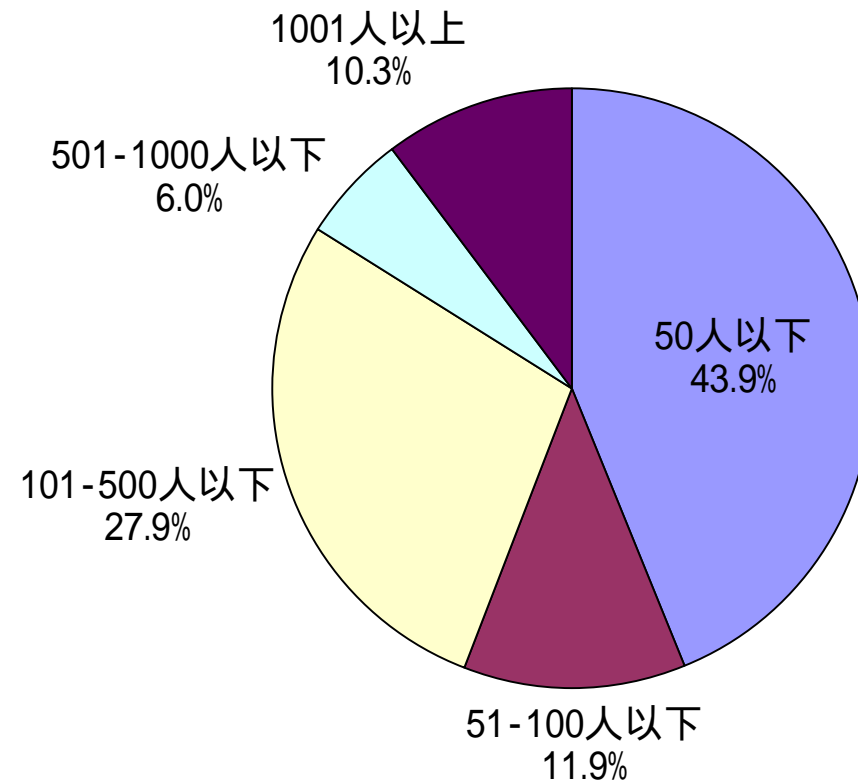
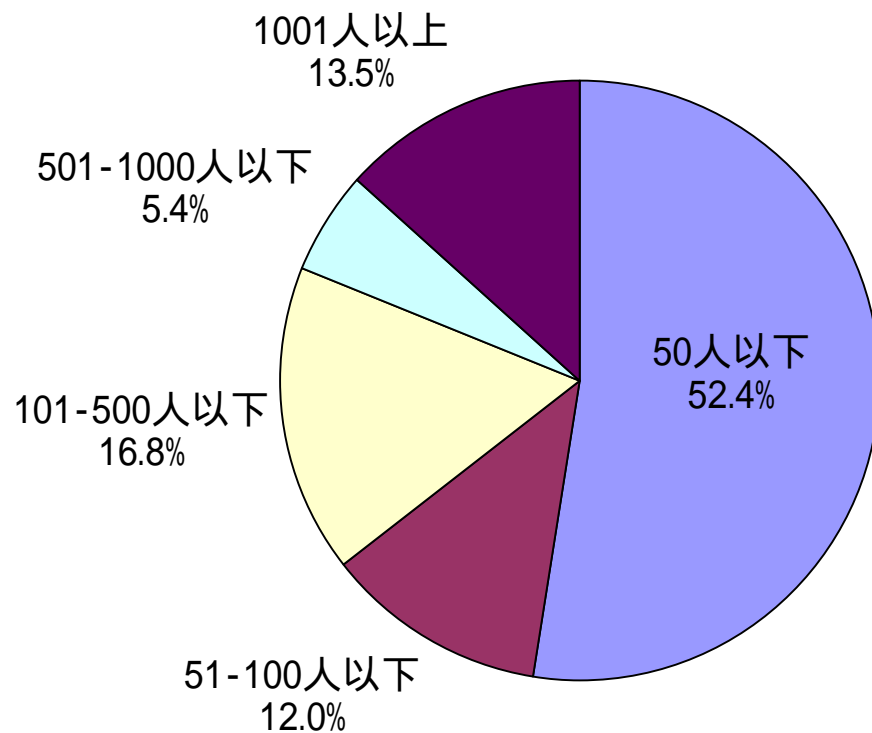
[Overseas]



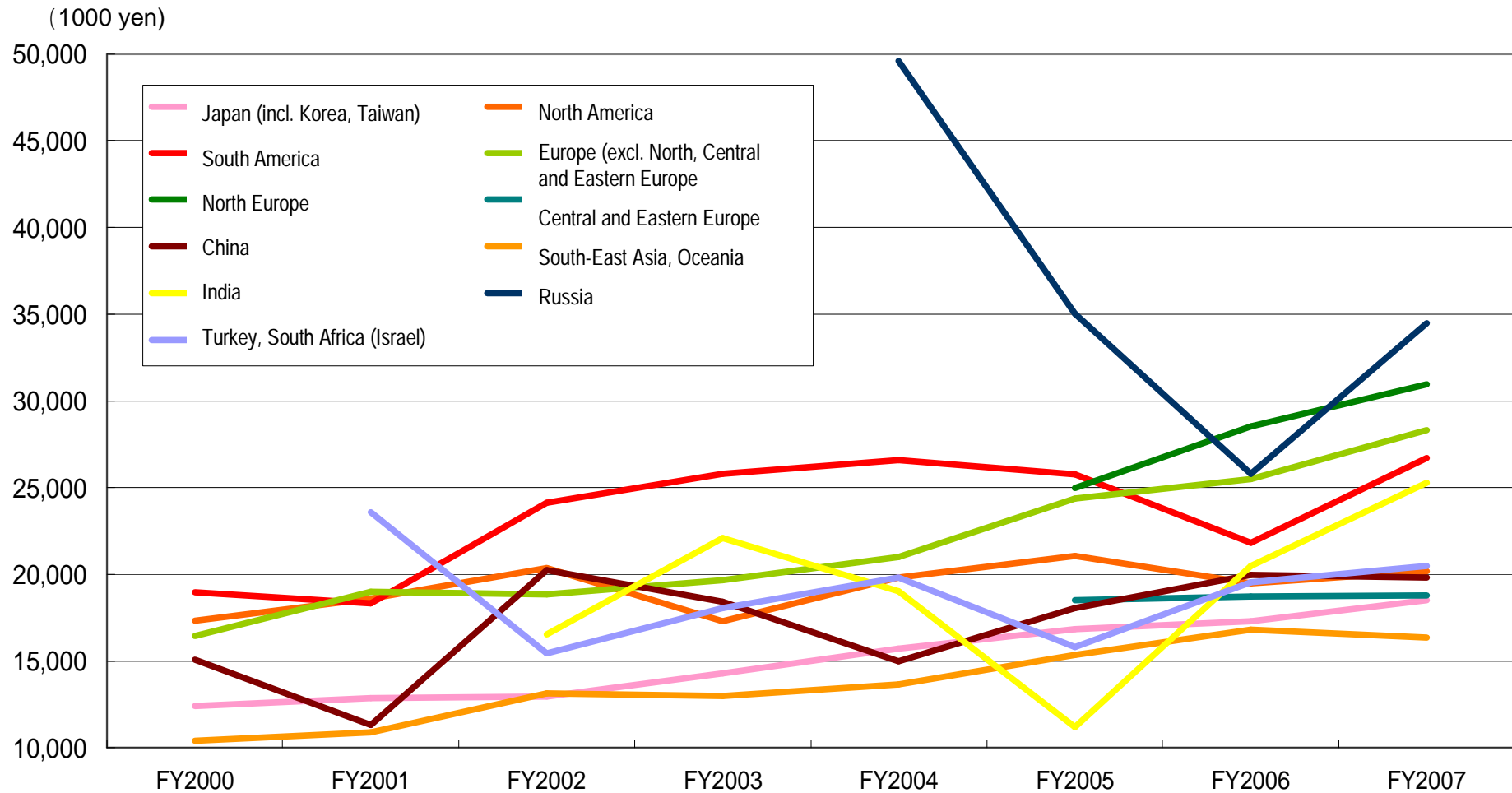
# 2007 Order Trends by Number of Employees

**[Japan]**

**[Overseas]**



# Trends in Average Unit Price by Region



# Build Solid Foundation and Challenge External Environment

## Outline of FY2008 Forecasts

- **Must achieve Sales of 200 billion yen, Operating profit of 28 billion yen.**
- Build a solid foundation by FY2010 the final year of PQR555—, and challenge the external environment
- Increase in material costs
- Fluctuations in exchange rates (weak Dollar -> Yen -> strong Euro)
- labor market tightness (Employment / Education, Human resources development)
- Region with a high demand for machines is shifting worldwide.
- Stable demand in Japan, Americas and Europe. Rapid growth of BRICs and Asia.

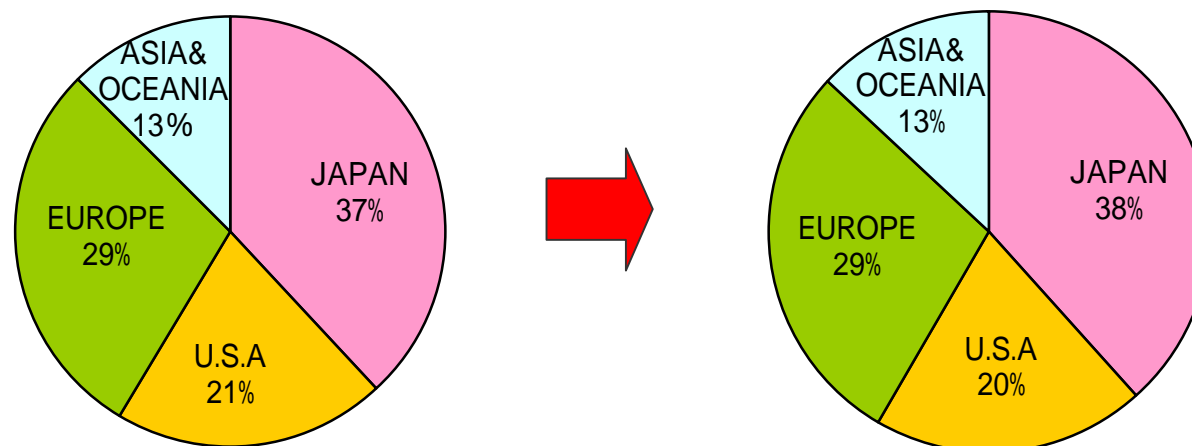
# FY2008 Consolidated Earnings Forecast

(million yen)	FY2007	FY2008			
	Result	Interim forecast	Full-year forecast	Year-on-Year	Ratio
Sales	202,260	90,000	200,000	-2,260	-1.1%
Operating profit	31,302	12,600	28,000	-3,302	-10.6%
(Operating margin)	15.5%	14.0%	14.0%	-	-
Ordinary profit	28,665	12,000	26,800	-1,865	-6.5%
(Ordinary margin)	14.2%	13.3%	13.4%	-	-
Pretax net income	27,708	-	-	-	-
Net income	15,975	7,000	15,600	-375	-2.3%
(Converts. rate 1US\$=)	(113.8)	(107.0)	(107.0)		
(1 EURO=)	(162.2)	(158.0)	(158.0)		

# Earnings Forecast by Region

	JAPAN	U.S.A	EUROPE	ASIA& OCEANIA	TOTAL
<b>FY2008 full year (local currency base)</b>	76,500	40,000	57,500	26,000	200,000
<b>Exchange rate</b>	-	374M\$ (107.0)	364M€ (158.0)	-	-
<b>FY2007 full year (local currency base)</b>	76,717	42,068	58,104	25,371	202,260
<b>Exchange rate</b>	-	370M\$ (113.8)	358M€ (162.2)	-	-
<b>Difference</b>	<b>99.7%</b>	<b>95.1%</b>	<b>99.0%</b>	<b>102.5%</b>	<b>98.9%</b>

\* Overseas sales base



# Received the 2007 (3<sup>rd</sup>) JSME Excellent Product Award

NMV5000 won the 2007 (3<sup>rd</sup>) JSME  
(Japan Society of Mechanical  
Engineers) Excellent Product Award

## NMV5000 DCG



## New Models Released in FY2007



### NMV8000 DCG

Received orders: 11 units

(Released in March 2008:  
orders received in about a month)



### NZ Series

Received orders: 141 units

(Released in May 2007:  
orders received in about 10 months)

<Reference> NMV5000 DCG orders received: 238 units

# PRISM Ranking (2nd place in machine sector)

PRISM (PRIVate Sector Multi-angular evaluation system)  
(researched by Nikkei)

業種別の主な企業の総合順位 (注)カッコ内は2006年度の総合順位

電機・精密	自動車	機械	鉄鋼・化学	医薬品	サービス
2(2)キヤノン	9(3)トヨタ自動車	1(1)コマツ	12(17)JSR	4(18)武田薬品工業	11(57)トレンド マイクロ
2(14)東京エレクトロン	19(41)日産自動車	<u>17(33)森精機製作所</u>	20(16)住友金属工業	7(8)エーザイ	15(45)ヤフー
8(7)ファナック	37(64)ホンダ	28(33)ダイキン工業	21(13)新日本製鉄	39(120)アステラス 製薬	50(99)野村総合 研究所
10(4)HOYA	47(45)ヤマハ発動機	34(80)フボク	22(27)花王	39(114)参天製薬	65(58)セコム
13(10)村田製作所	56(23)デンソー	35(80)日立建機	32(30)JFEホール ディングス	46(318)大塚製薬	113(347)ケネディクス
14(9)TDK	103(228)エクセディ	51(66)THK	39(18)信越化学工業	84(91)久光製薬	123(153)ベネッセコー ポレーション
18(62)オリンパス	112(60)マツダ	65(86)SMC	39(18)信越化学工業	87(153)ツムラ	126(164)日本 オラクル
26(24)日本電産	128(125)いすゞ 自動車	69(99)住友重機 工業	55(117)ユニ チャーム	100(→)大日本住友 製薬	135(196)スクウェア ・ニックス
27(64)ニコン	135(129)日信工業	75(56)日本精工	58(27)住友化学	106(117)第一三共	163(139)リゾート トラスト
29(6)アドバンテスト	145(80)アイシン精機	79(71)NTN	63(53)日立化成工業	132(204)塩野義製薬	183(223)ラウンドワン
31(20)オムロン	155(142)ボッシュ	91(31)SANKYO	76(107)旭化成	142(139)みらいホール ディングス	192(300)オービック
32(42)ディスコ	181(172)スズキ	114(177)ダイフク	78(47)日東電二	188(397)協和発酵	192(418)伊藤忠テクノ ソリューションズ
36(24)京セラ	183(248)豊平レーキ 工業	117(189)日本製鋼所	81(32)神戸製鋼所		
44(91)ウシオ電機		151(126)ジェイテクト	87(158)ニフコ		
45(71)シスメックス	192(187)NOK	159(→)オークマ	121(103)日本ゼオン		

## Recruitment Status

- New employees in FY2008: **194** (university: 118, technical college: 25, high school: 51)
- **Retention rate of employees in FY2007: 100%**
- Ranking of hiring university graduates  
(researched by Nikkei)

FY2007 32nd

**FY2008 20th A dramatic improvement!**

## Exhibition at WESTEC 2008 (March 31 ~ April 3, 2008)

- Venue : Los Angeles Convention Center
- Machines displayed: NMV5000 DCG, DuraTurn 2050MC, Dura Vertical 5100 etc.
- Total orders received: 16
- Total inquiries: 110
- Visitors to our booth (total): 424



# Exhibition at INTERMOLD 2008 (April 17 – 20, 2008)

- Venue: Intex Osaka
- Machines displayed: DHP 80, NMV8000 DCG/50, NMV5000 DCG, etc.
- Total orders received: 24
- Total inquiries: 83
- Visitors to our booth (total): 4,810



## Exhibition Schedule

- **Automotive Parts Product Solution Fair:** June. 18 - 21
  - Tokyo Big Sight
- **Summer Productivity Show:** June 19 - 21
  - Mori Seiki Iga Campus (Mie Pref.)
- **IMTS 2008:** September 8 - 13
  - Chicago, IL
- **BIMU 2008:** October 3 - 7
  - Milan
- **JIMTOF 2008:** October 30 - November 4
  - Tokyo Big Sight