

2nd Quarter Settlement of Accounts Explanatory Material

Mori Seiki Co., Ltd.

October 29, 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

2nd Quarter Outline of Settlement of Accounts

Outline of Settlement of Accounts

- Sales: 93.7 billion yen, a 3.3 % decrease from the previous year
Operating income: 9.8 billion yen
Operating income ratio: 10.5%
- Orders: 85.3 billion yen, a 5.1% decrease from the same period last year (April-September, 2007).
The impact of the economic slowdown was minimized by dispersing risk, which is a part of our efforts for “Three diversifications.”
- Net cash provided by operating activities has increased as a result of our swift production adjustment in accordance with the order environment.

Income Statement (P/L)

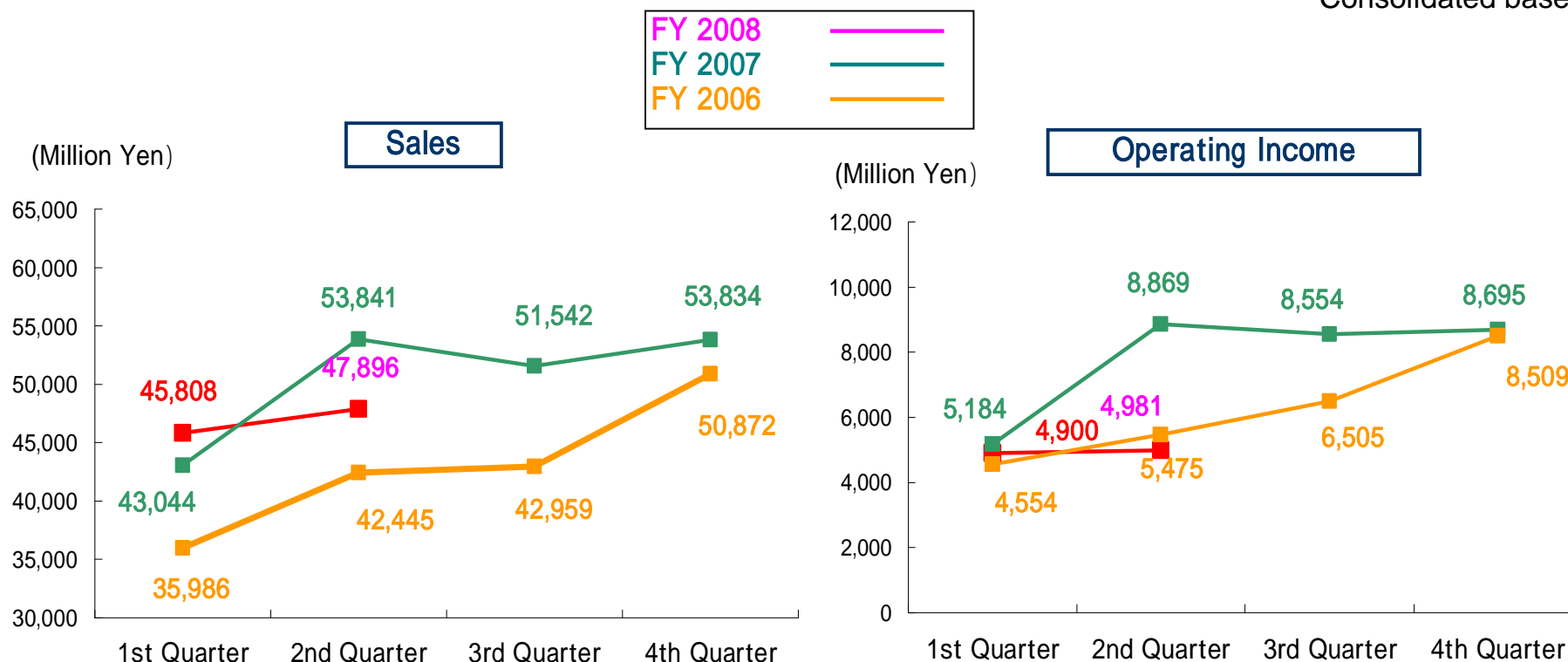
(Million yen)	FY 2007	FY 2008		
	Results	Results	Difference	Year-on-Year
Net sales	96,884	93,704	-3,180	-3.3 %
Operating income	14,052	9,881	-4,171	-29.7 %
(Operating margin)	14.5%	10.5%		—
Ordinary income	13,012	8,759	-4,253	-32.7 %
(Ordinary margin)	13.4%	9.3%		—
Pretax net income	12,531	8,522	-4,009	-32.0 %
Net income	7,232	4,478	-2,754	-38.1 %
(Covers. Rate 1US\$ =)	(119.2)	(106.2)		
(1EURO=)	(162.8)	(162.1)		

Balance Sheet

	FY 2007			FY 2008		
	March 31st	September 30th	Difference	March 31st	September 30th	Difference
Assets						
Current assets	101,976	94,905	-7,071	37,653	30,679	-6,974
Cash and cash equivalents	17,984	11,918	-6,066	12,973	10,446	-2,527
Trade	38,427	30,831	-7,596	1,500	2,498	998
Inventories	38,742	44,888	6,146	Current portion of long-term debt		0
Other	6,823	7,268	445	Other current liabilities	23,180	-5,445
Fixed assets	72,294	72,383	89	Long-term liabilities	5,195	500
Buildings and structures	25,448	25,649	-46,645	Warrant bonds	2,583	0
Machinery and equipment	8,152	8,573	-16,875	Long-term debts		0
Land	15,165	16,256	8,104	Other long-term liabilities	2,612	500
Intangible assets	4,439	5,297	-9,868	Net assets	134,474	-3,561
Other assets	19,090	16,608	12,169	Minority interests	635	661
Total assets	174,270	167,288	148,198	Total liabilities and net assets	177,323	-10,035

Sales and Operating Income Quarterly Trend

* Consolidated base



(Million Yen)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY 2008 Operating income	4,900	4,981		
FY 2007 Operating income	5,184	8,869	8,554	8,695
FY 2006 Operating income	4,554	5,475	6,505	8,509

Cost of Sales Ratio, Selling, General and Administrative Expenses

	FY 2007 2nd Q	FY 2007 3rd Q	FY 2007 4th Q	FY 2008 1st Q	FY 2008 2nd Q
Cost of sales ratio (Lower figure is cost of sales: million yen)	57.0%	57.1%	58.2%	57.5%	58.9%
	30,664	29,417	31,310	26,342	28,194
SG & A expense ratio (Lower figure is SG & A expenses: million yen)	26.6%	26.3%	25.7%	31.8%	30.8%
	14,309	13,572	13,827	14,564	14,721
Shareholders' equity ratio (Lower figure is shareholders' equity: million yen)	75.5%	74.1%	74.7%	75.4%	77.1%
	133,839	132,154	130,109	131,931	129,041

Cash Flow Statement (Consolidated)

(Million yen)	FY 2007 Half-year	FY 2007 3rd Quarter	FY 2007 Full-year	FY 2008 1st Quarter	FY 2008 Half-year
Net cash provided by operating activities	4,216	4,238	14,155	1,393	2,728
Net cash used in investing activities	-6,170	-8,925	-13,454	-3,517	-5,230
Net cash used in financing activities	-3,119	-8,902	-13,131	-1,982	-3,771
(Decrease) increase in cash and cash equivalents	-4,999	-13,447	-12,043	-3,850	-208
Cash and cash equivalents at beginning of the year	29,959	29,959	29,959	17,916	17,916
Cash and cash equivalents at end of the year	25,570	17,122	17,916	14,426	11,795

Turnover Period/Shareholders' Equity Ratio

	FY 2007	FY 2008	
	2nd Quarter Results	2nd Quarter Results	Difference
Notes and accounts receivable turnover period	2.21	1.97	-0.24 Months
Inventories turnover period	2.29	2.87	0.58 Months
Accounts payable turnover period	0.80	0.67	-0.13 Months
Fixed asset turnover period (property, plant and equipment)	3.25	3.55	0.30 Months
Loan payable turnover period (incl. bonds)	0.25	0.33	0.08 Months

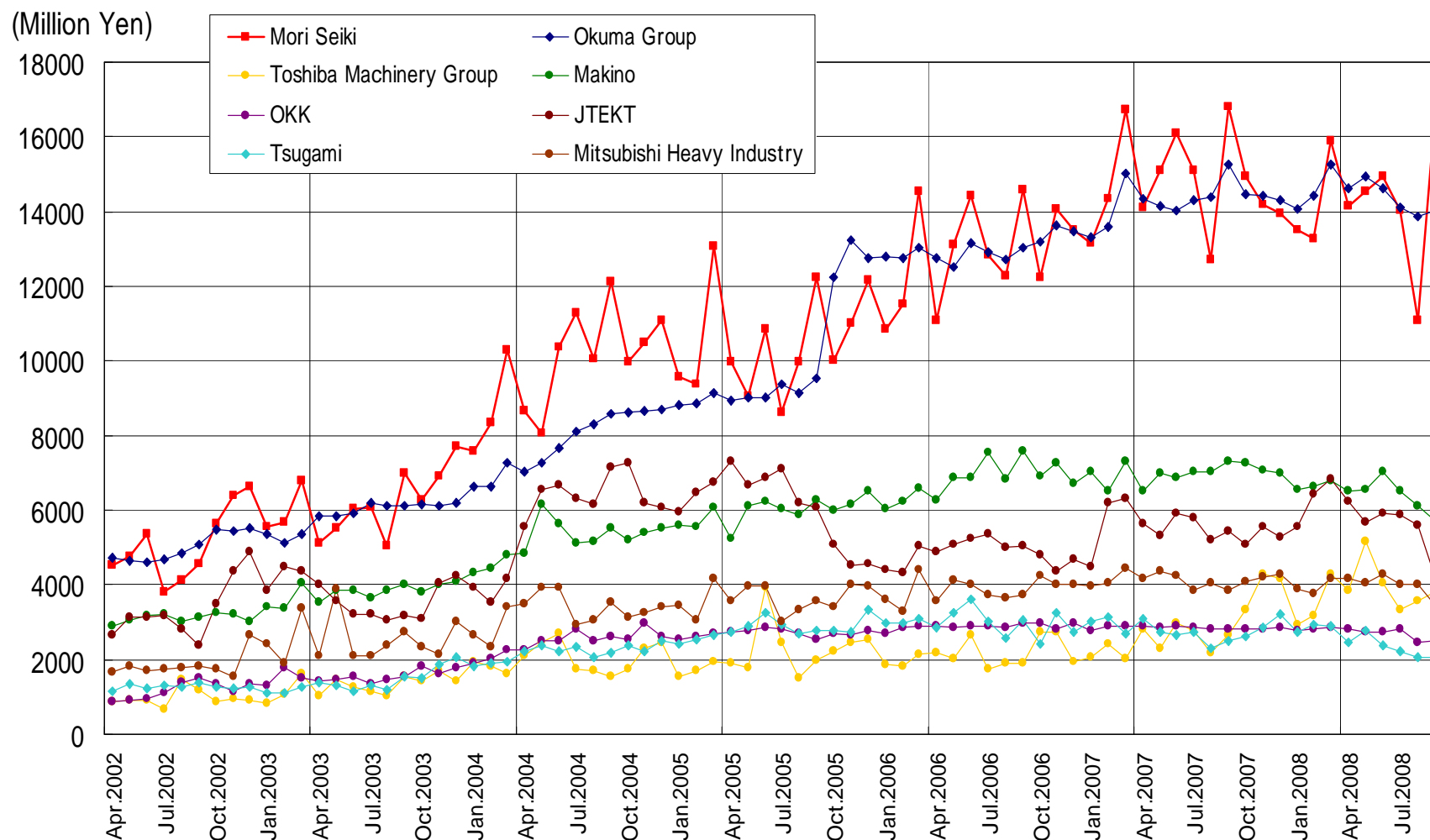
Revisions to Full-Year Forecast

(Million yen)	FY 2008 2nd Quarter		FY 2008 Full-year Forecast		
	Results	(Translated at average rate for the year)	Initial forecast	Revised	Difference
Net sales	93,704	88,200	200,000	170,000	-15%
Operating income	9,881	5,300	28,000	7,000	-75%
(Ordinary margin)	10.5%	6.0%	14.0%	4.1%	
Ordinary income	8,759	4,200	26,800	4,500	-83%
(Ordinary margin)	9.3%	4.8%	13.4%	2.6%	
Net income	4,478	2,400	15,600	2,500	-84%
(Covers. Rate 1US\$ =)	(106.2)	(90.0)	—	(90.0)	—
(1EUR=)	(162.2)	(115.0)	—	(115.0)	—

Order Situation for 2nd Quarter

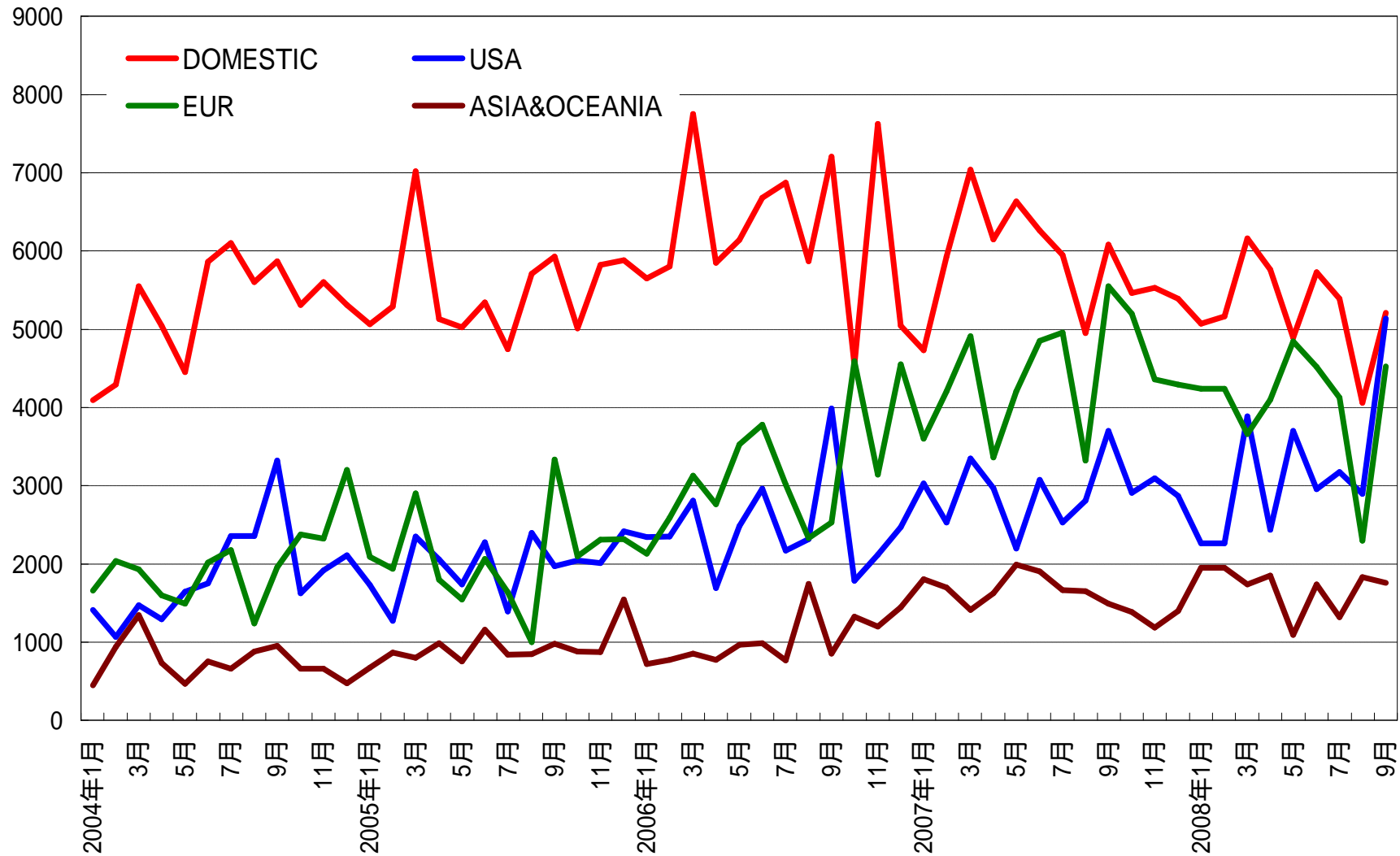
- Trends in orders for 8 Major Companies
- Trends in orders by Region
- Production/Orders/Inventory
- Order Breakdown

Trends in Orders



Trends in Orders by Region (Machines)

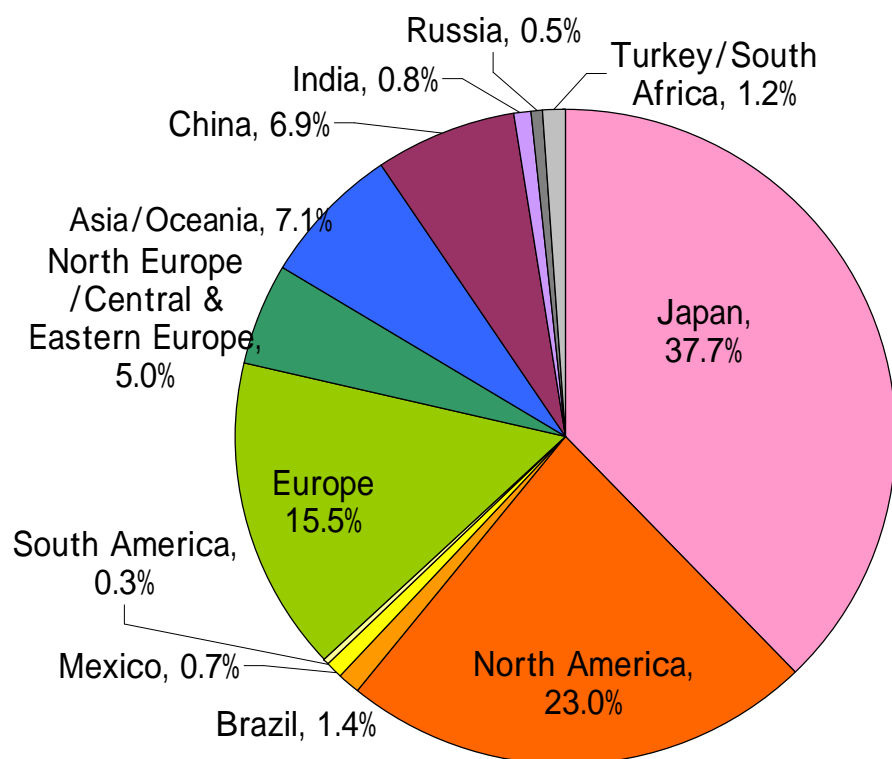
Order amount (million yen)



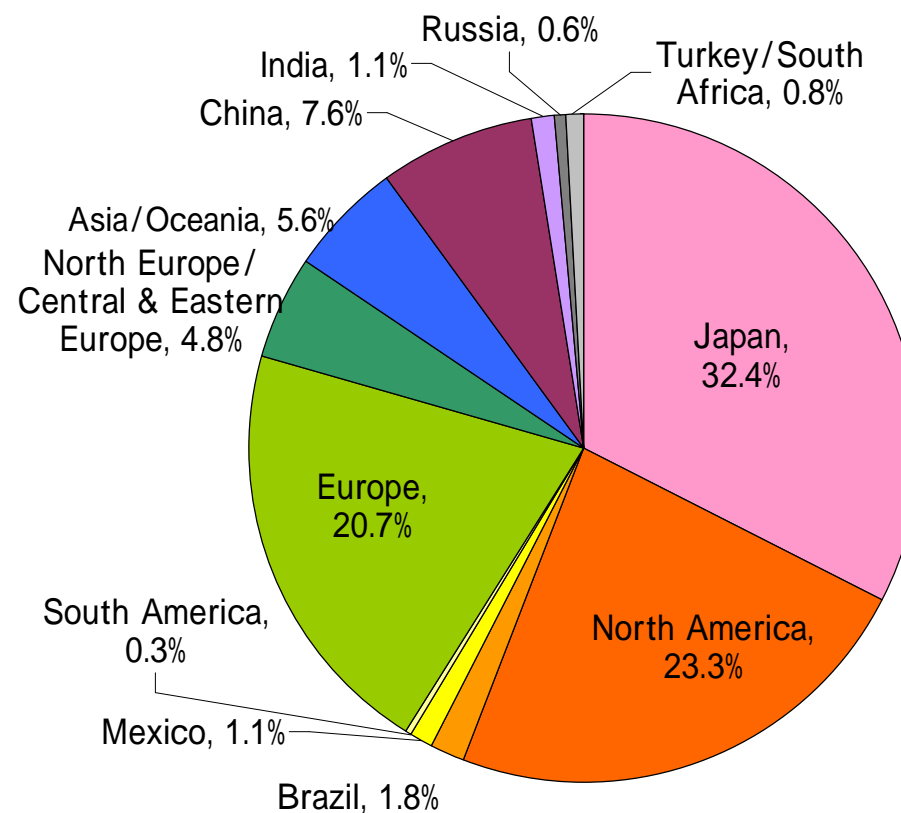
FY 2008 First Half Order Breakdown by Region

(By delivery region)

[Unit base]



[Amount base]

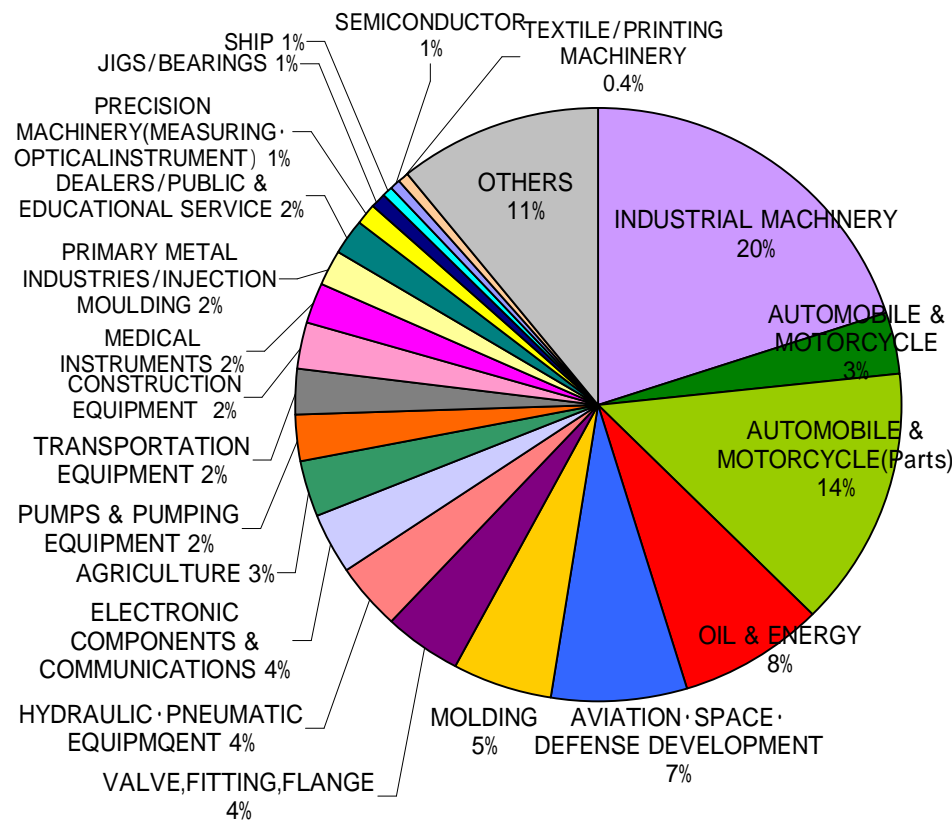
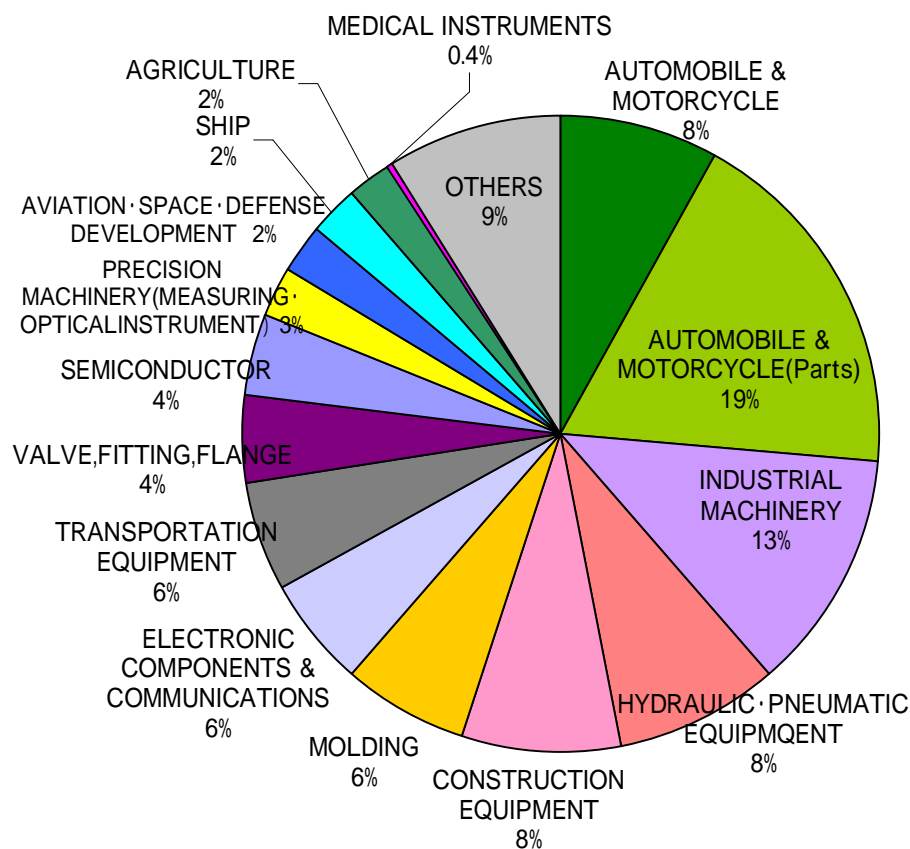


FY 2008 First Half Order Breakdown by Industry

(* Amount base)

[Japan]

[Overseas]

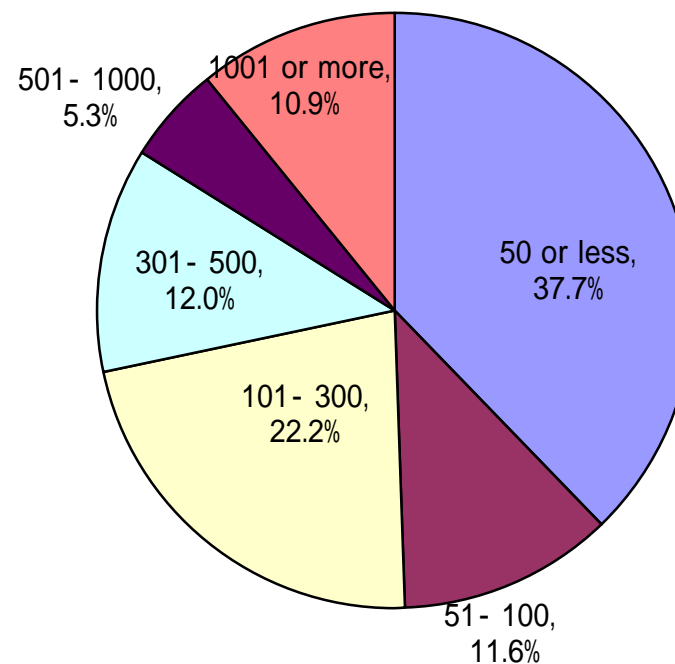
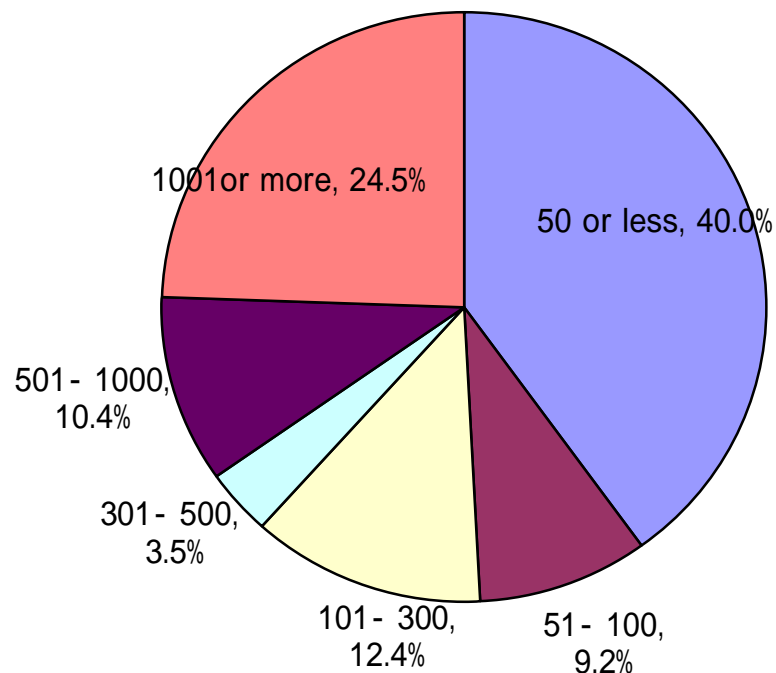


FY 2008 First Half Order Breakdown by Employee Number

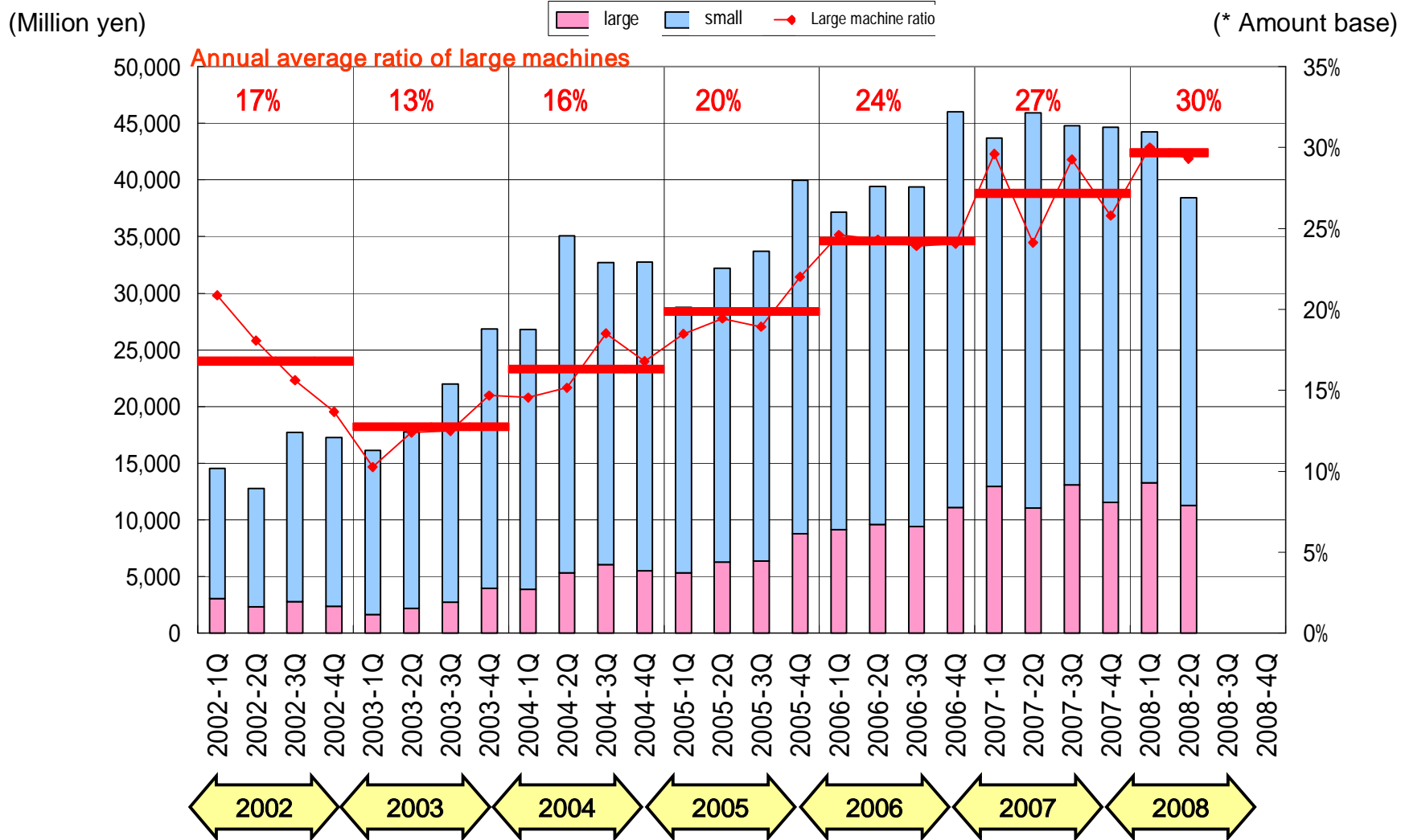
(* Amount base)

[Japan]

[Overseas]



Trends in Orders for Large Machines



•Large machines are defined as follows: Lathe: Chuck 12 inch or larger, Vertical MC: Y-axis stroke 600 mm or longer, Horizontal MC: pallet size 630 mm square or more

Topics

Ranks 28th in the “2008 Best Companies to Work For!” in Japan

Mori Seiki was listed in the 28th place in the “2008 Best Companies to Work For” ranking in Japan, according to Nihon Keizai Shimbun.

(* The personnel and labor systems of 442 companies were surveyed and ranked by score)

順位 (昨年)	社名	総合 得点
1(2)	N E C	722.27
2(1)	松下電器産業	720.50
3(22)	日立製作所	709.97
4(10)	一井住友海上火災保険	702.98
5(5)	凸版印刷	677.30
6(16)	大日本印刷	677.29
7(9)	三菱電機	665.98
8(3)	東 芝	654.18
9(17)	シャープ	646.07
10(4)	日本 I B M	640.47
11(6)	富士通	639.18
12(12)	日産自動車	637.09
13(86)	アメリカンファミリー 生命保険	636.07
14(35)	大和証券グループ本社	635.45
15(159)	あいおい損害保険	631.68
16(13)	帝 人	630.95
17()	パナソニックグループ	629.59
18(23)	富士フイルム	627.85
19(11)	東京海上日動火災保険	626.11
20(8)	日本ビューレット・パ ッカード	625.13
21(7)	ソニー	620.38
22(32)	ジェーシービー	619.83
23(101)	富士電機ホールディン グス	618.12
24(21)	野村ホールディングス	616.40
25(19)	第一生命保険	610.40
26()	埼玉りそな銀行	607.23
27(57)	伊藤忠商事	603.56
28(87)	森精機製作所	601.99
29(117)	住友商事	600.38
30(29)	りそな銀行	600.36
31(26)	富士ソフト	599.96
32(14)	T O T O	599.39
33(28)	パイオニア	599.24
34(266)	ホンダ	596.31
35(37)	リコー	593.81
36(39)	オリックス	590.25
37(61)	三菱商事	588.69
38(51)	マツダ	587.40
39(15)	積水化学工業	586.21
40(52)	キリンホールディングス	581.88
41(34)	資生堂	581.68
42(60)	三菱UFJ信託銀行	579.04
43(43)	高島屋	577.12
44(133)	コマツ	576.40
45(79)	新日本石油	569.46
46(29)	トヨタ自動車	569.21
47(42)	大成建設	568.90
48(78)	静岡銀行	568.97
49(54)	東レ	565.73
50(18)	損害保険ジャパン	563.14

(51—200位を23面に)

Turkey TC Open House



Date: October 23
**Place: Samandıra-
Kartal/Istanbul**
Number of Staff: 9



Chicago TC Groundbreaking Ceremony



Date: September 10
Land area: 40,000m²
Building area: 10,000m²



Establishment of Chemnitz TC

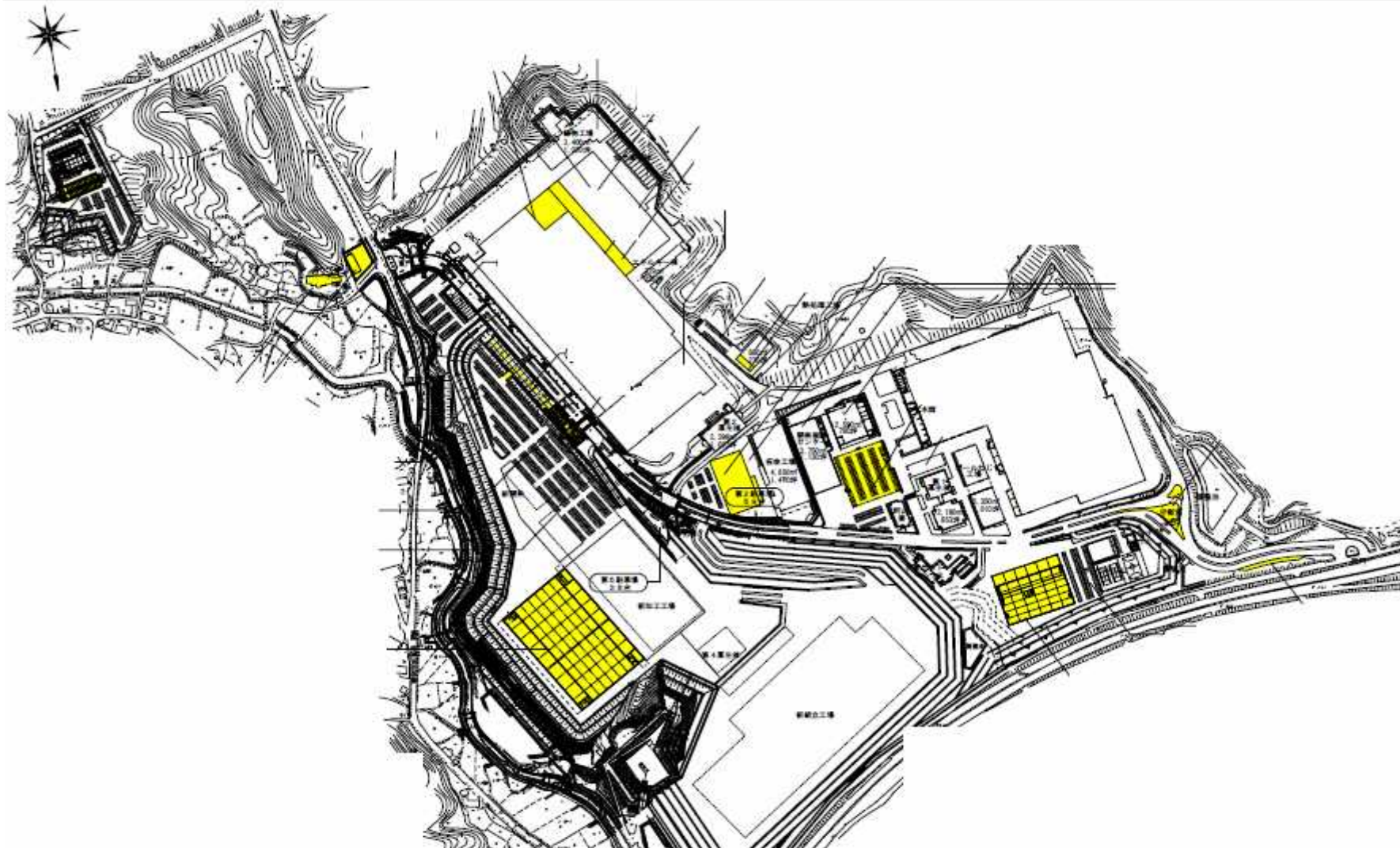


Land area: 4,000m²

Completion:
February 2009



Iga Campus Expansion Plan: Scheduled for Completion by the End of October 2009



Personnel Change of Board Members (As of October 1st)

1. Masahiko Mori (President and Representative Director)
(Old) President and Representative Director
(New) President and Representative Director /
Executive Officer of Sales HQ / in charge of Marketing
2. Kazuyuki Hiramoto (Vice President)
(Old) Vice President /
Executive Officer of Sales HQ / in charge of Marketing
(New) Vice President / Executive officer of Development HQ
3. Naoshi Takayama (Managing Director)
(Old) Managing Director / Executive Officer of Development and Manufacturing
(New) Managing Director / in charge of Quality HQ / in charge of Purchasing
Department

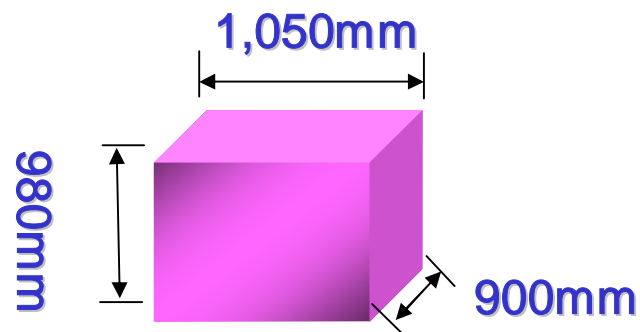
2nd Quarter New Models Released



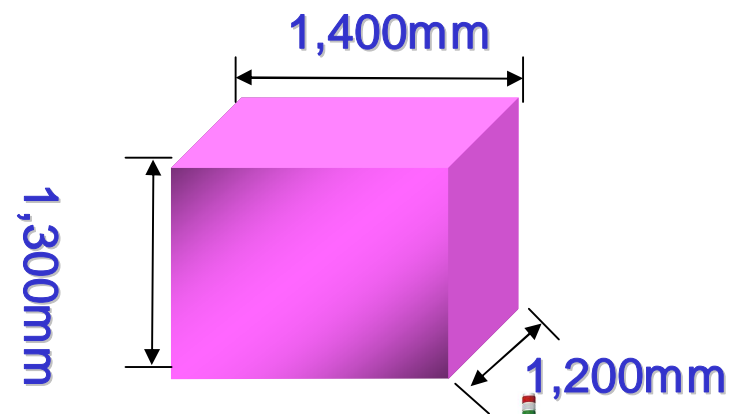
NH6300 DCG

(Official release: July 2008)

* Maximum workpiece size



* Maximum workpiece size



NH8000 DCG

(Official release: July 2008)

FY 2009 New Models to be Released

NT1000

NVL1350/T/MC

NB2540 APC etc.

Total 37 models!

Published

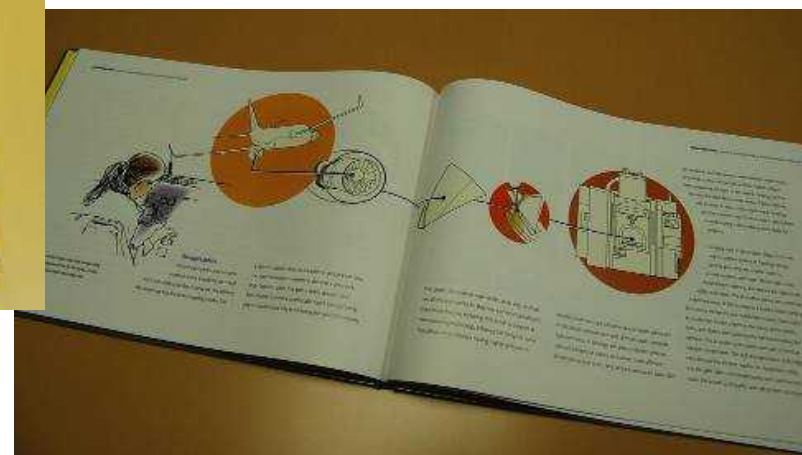
“Hitome de wakarū! Zukai Mori Seiki” (Illustrated Mori Seiki Guidebook)

“Hitome de wakarū! Zukai Mori Seiki” (Illustrated Mori Seiki guidebook) was published through Nikkan Kogyo Shimbun.

This book was issued to commemorate the company’s 60th anniversary. It is full of information about Mori Seiki’s history, characteristics of each departments and so on.



Published “the PATH of PRECISION”



In collaboration with Professor David Dornfeld of University of California, Berkley, Mori Seiki also published an English version of 60th anniversary commemorative book. This is a technological book focusing on the changes in high-precision machining technology.

Exhibitions in FY 2008

IMTS2008 (Chicago)

Dates: September 8 (Mon.) – 13 (Sat.)

Venue: Chicago McCormick Place

Mori Seiki booth area: Approx. 1,580 m²

Display models: DuraTurn 2550 MC,

NT6600 DCG/4000CS,

DHP80, etc.

(Total 19 models)



**Exceeded our
order target!**



JIMTOF2008

Dates: October 30 (Thu.) – November 4 (Tue.)

Time: 9:00 - 18:00 (9:00 - 17:00 on Nov. 4)

Venue: Tokyo Big Sight (Tokyo International Exhibition Center)

East Hall 3, Booth No. **E3022**

Booth size 63.5 m x 33.0 m

**Largest
booth size!**

Mori Seiki 2,043m²
+
Taiyo Koki 261m²



Mori Seiki's Theme

THINK BIG

Big Machines

Big Solutions

Big Ideas

THINK
BIG

THINK

BIG