

**3rd Quarter
Settlement of Accounts
Explanatory Material
Mori Seiki Co., Ltd.**

January 30, 2009

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

3rd Quarter Outline of Settlement of Accounts

Outline of Settlement of Accounts

- 3rd Quarter cumulative

Orders: 107.7 billion yen, a 19% decrease from the previous year. Orders have decreased sharply in all regions since October.

Sales have decreased by 11% from the previous year; we managed to minimize the decrease by producing machines for order backlog.

Operating income: 10 billion yen, a 56% decrease from the previous year. This was greatly affected by exchange rates.

- Net cash provided by operating activities stayed in black.

We have maintained the soundness of the main indicators (notes and accounts receivable, inventories, and accounts payable).

Reduction in production volume and capital investments will have positive effects on the results from the next (4th) Quarter.

- We have raised funds, anticipating further deterioration of financial condition. We aim to achieve shareholders' equity ratio of over 70% at the end of FY 2008.

- We will strive to increase our market share by introducing new products => maintain a high level of investment in R&D.

Clarify the allocation of management resources.

Income Statement (P/L)

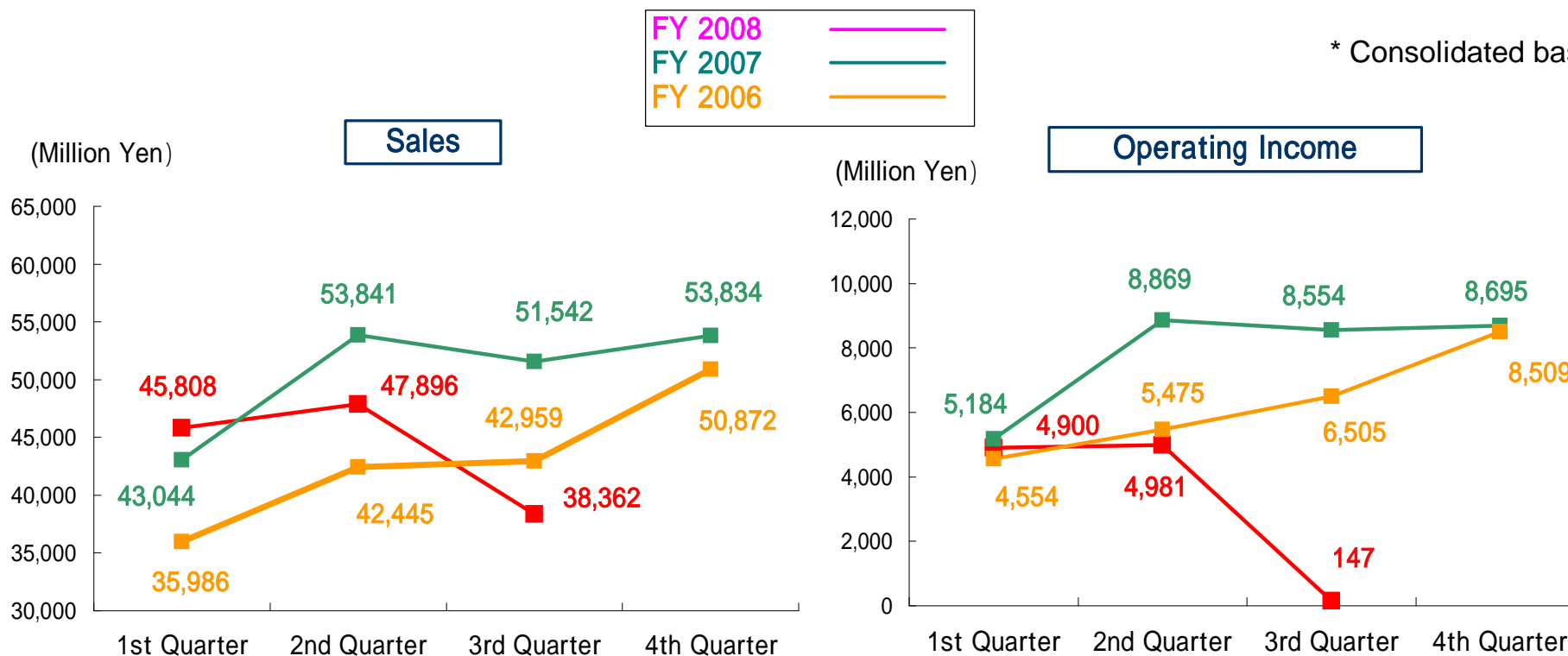
(Million yen)	FY 2007	FY 2008 3rd Quarter		
	Results	Results	Difference	Year-on-Year
Net sales	148,426	132,066	-16,360	-11.0 %
Operating income	22,606	10,028	-12,578	-55.6 %
(Operating margin)	15.2%	7.6%		
Ordinary income	20,780	6,906	-13,874	-66.8 %
(Ordinary margin)	14.0%	5.2%		
Pretax net income	20,465	5,203	-15,262	-74.6 %
Net income	11,931	2,067	-9,864	-82.7 %
(Covers. Rate 1US\$ =)	(117.15)	(95.0)		
(1EURO=)	(163.56)	(125.6)		

Balance Sheet

	FY 2007		FY 2008			FY 2007		FY 2008	
	March 31st	December 31st	Difference	March 31st		December 31st	Difference		
Assets					Liabilities and net assets				
Current assets	101,976	106,667	4,691		Current liabilities	37,151	46,202	9,051	
Cash and cash equivalents	17,984	28,439	10,455		Accounts payable, trade	11,517	6,668	-4,849	
Trade	38,427	22,726	-15,701		Short-term loans	696	26,478	25,782	
Inventories	38,742	42,148	3,406		Other current liabilities	24,938	13,056	-11,882	
Other	6,823	13,354	6,531		Long-term liabilities	5,357	6,277	920	
Fixed assets	72,294	68,515	-3,779		Warrant bonds	2,583	2,583	0	
Buildings and structures	25,448	24,724	-724		Other long-term liabilities	2,774	3,694	920	
Machinery and equipment	8,152	7,918	-234		Net assets	131,761	122,702	-9,059	
Land	15,165	15,853	688			130,109	121,999	-8,110	
Intangible assets	4,439	4,977	538			-4,768	-10,588	-5,820	
Other assets	19,090	15,040	-4,050			104	-1,363	-1,467	
Total assets	174,270	175,183	913		Minority interests	1,177	1,363	186	
					Total liabilities and net assets	174,270	175,183	913	

Sales and Operating Income Quarterly Trend

* Consolidated base



(Million Yen)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY 2008 Sales	45,808	47,896	38,362	
FY 2007 Sales	43,044	53,841	51,542	53,834
FY 2006 Sales	35,986	42,445	42,959	50,872

(Million Yen)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY 2008 Operating income	4,900	4,981	147	
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 3rd Q	FY 2007 4th Q	FY 2008 1st Q	FY 2008 2nd Q	FY 2008 3rd Q
Cost of sales ratio (Lower figure is cost of sales: million yen)	57.1%	58.2%	57.5%	58.9%	63.7%
	29,417	31,310	26,342	28,194	24,452
SG & A expense ratio (Lower figure is SG & A expenses: million yen)	26.3%	25.7%	31.8%	30.8%	35.9%
	13,572	13,827	14,564	14,721	13,765
Shareholders' equity ratio (Lower figure is shareholders' equity: million yen)	74.1%	74.7%	75.4%	77.1%	68.9%
	132,154	130,109	131,931	129,041	120,636

The shareholders' equity ratio for the FY2008 3rd Quarter has temporarily decreased as we hastened financing, anticipating further deterioration of the financial condition.

We aim to achieve shareholders' equity ratio of over 70% at the end of FY 2008, by reducing inventories and optimizing cash & cash equivalents as well as interest-bearing debt.

Cash Flow Statement (Consolidated)

(million Yen)

FY 2007 3rd Quarter	FY 2007 Full-year	FY 2008 1st Quarter	FY 2008 Half-year	FY 2008 3rd Quarter
4,238	14,155	1,393	2,728	2,938
-8,925	-13,454	-3,517	-5,230	-7,485
-8,902	-13,131	-1,982	-3,771	15,857
-13,447	-12,043	-3,850	-208	10,073
29,959	29,959	17,916	17,916	17,916
17,122	17,916	14,426	11,795	28,350

Turnover Period/Shareholders' Equity Ratio

	FY 2007	FY 2008	
	1st Quarter Results	1st Quarter Results	Difference
Notes and accounts receivable turnover period	2.44	1.55	-0.89
Inventories turnover period	2.40	2.87	0.47
Accounts payable turnover period	0.86	0.45	-0.40
Fixed asset turnover period (property, plant and equipment)	3.25	3.63	0.38
Loan payable turnover period (incl. bonds)	0.21	1.98	1.77

Changes in Capital Investment Plan (FY 2008 to FY 2010)

PQR555 Initial Plan (3-year)

Total	25.5 billion yen
Buildings	Large Machine Assembly Plant
	Sheet Metal Plant
	S&P Center
	Spindle Plant (renovation)
	Company housing in Iga
	Heat Treatment Plant (expansion)
	Women's dormitory in Iga



New Plan (4-year)

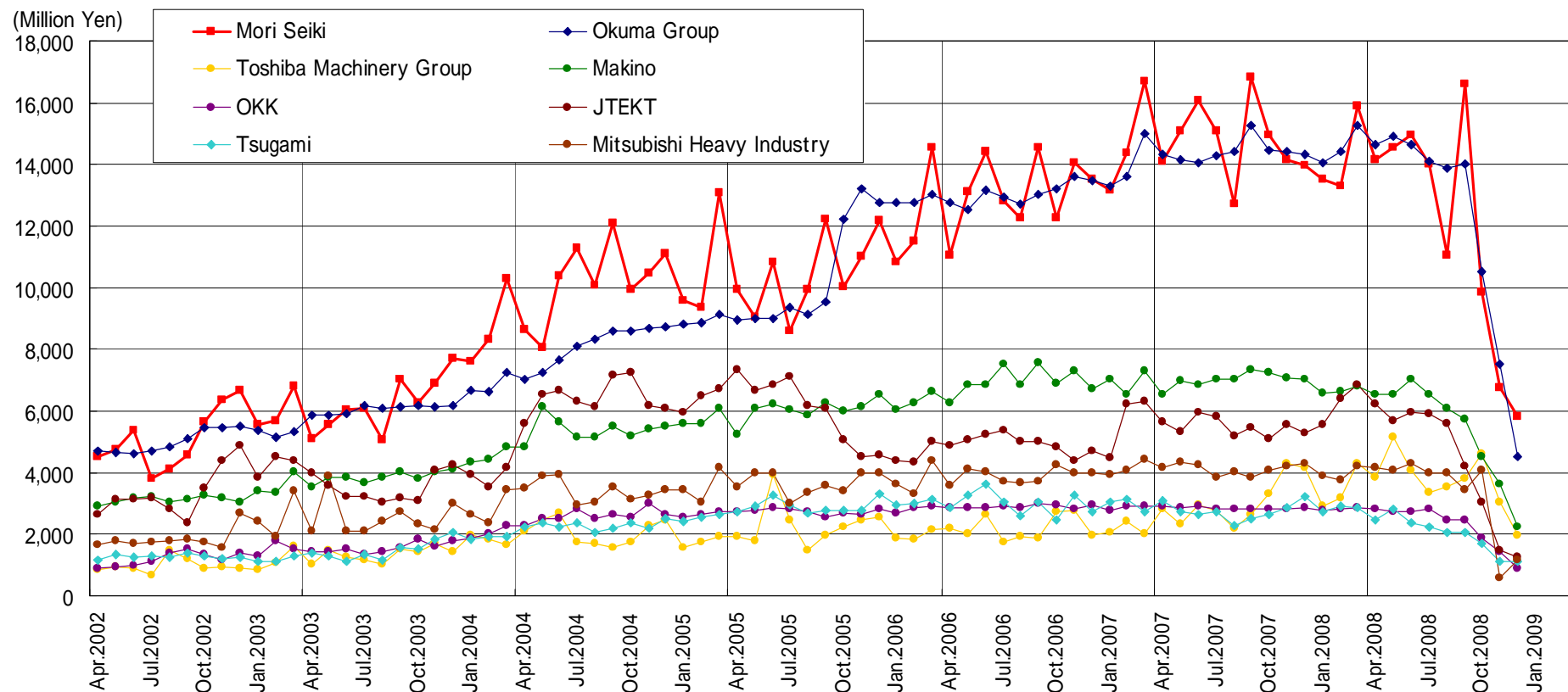
Total	23 billion yen
Buildings	No changes

- No changes in buildings from initial plan
- The period of the plan will be extended from 3 years to 4 years.
(FY 2008:¥9.7 billion, FY 2009:¥2.3 billion, FY 2010:¥1 billion, FY 2011:¥10 billion)
- Construction plans will be postponed until the number of orders is restored to 400 units/month.
- The investment amount will be reduced by 2.5 billion yen due to a decrease in material costs etc.

Order Situation for 3rd Quarter

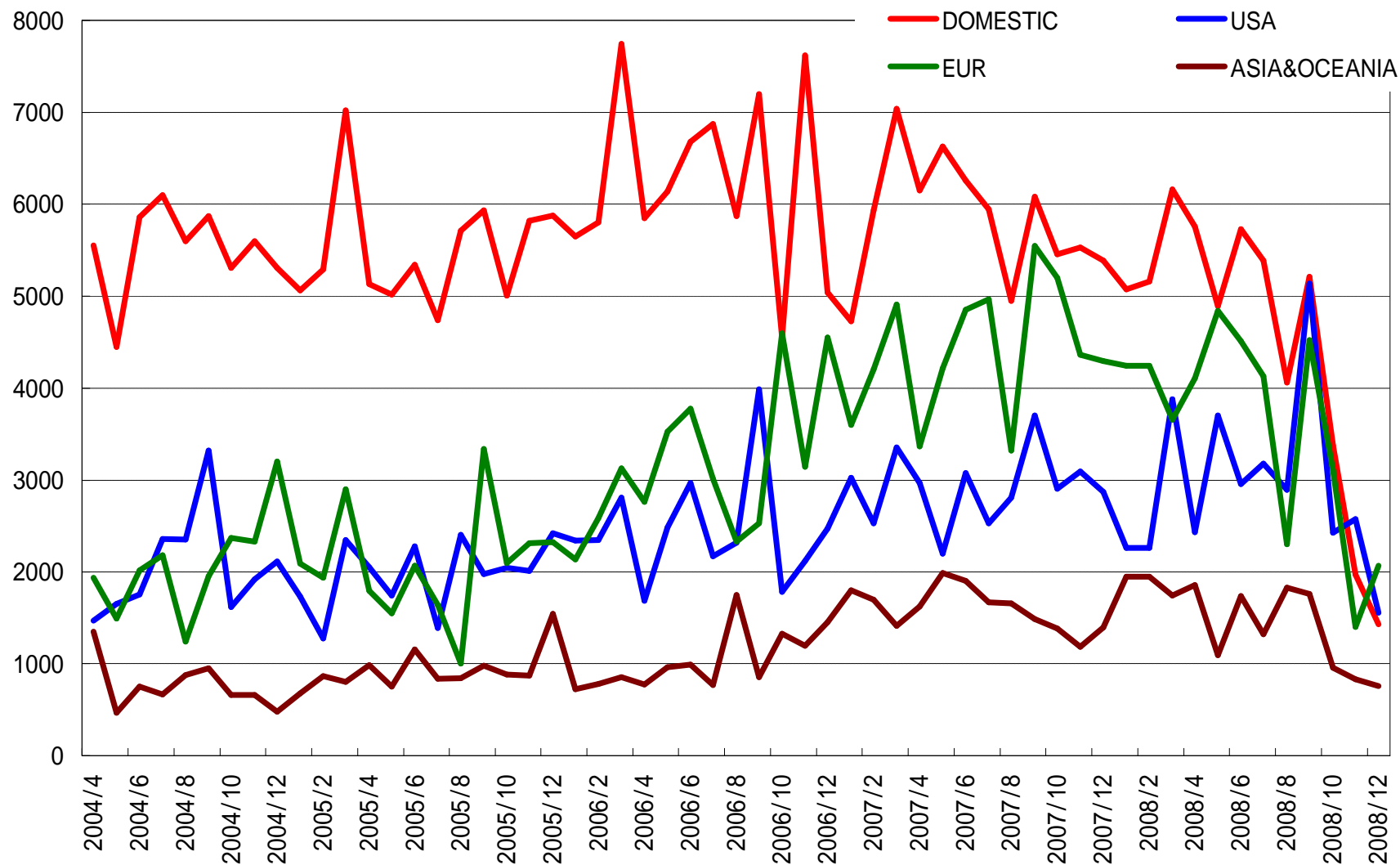
- Trends in orders for 8 Major Companies
- Trends in orders by Region
- Order Breakdown

Trends in orders for 8 Major Companies



Trends in Orders by Region (Machines)

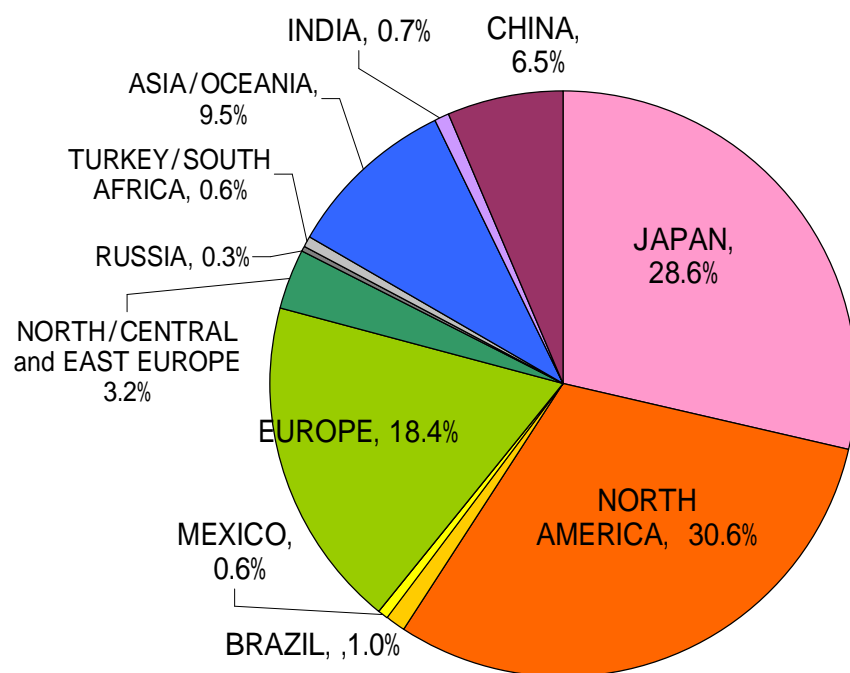
Order amount (million yen)



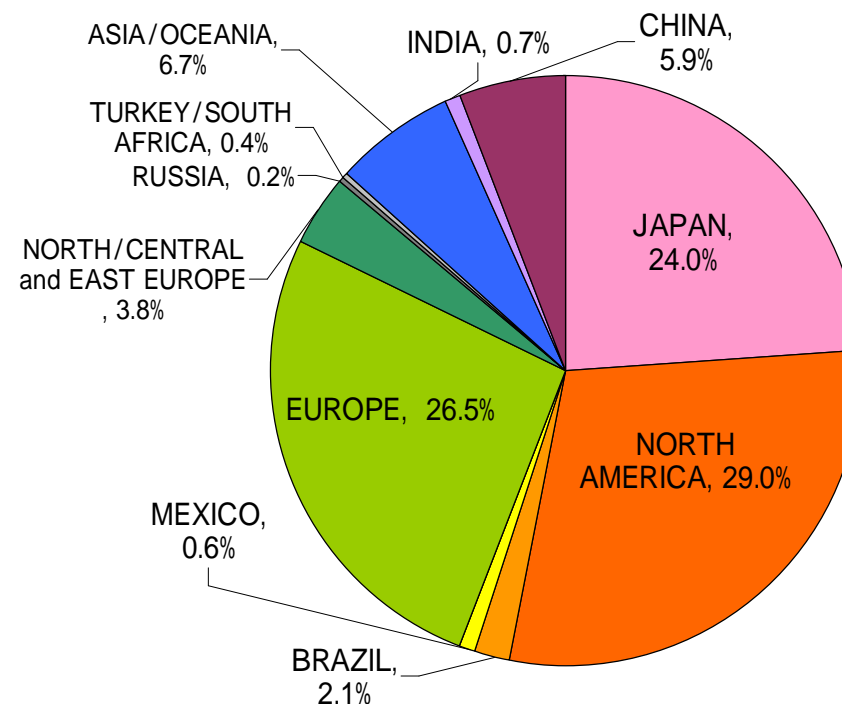
FY 2008 3rd Quarter Breakdown by Region

(By delivery region)

[Unit base]



[Amount base]

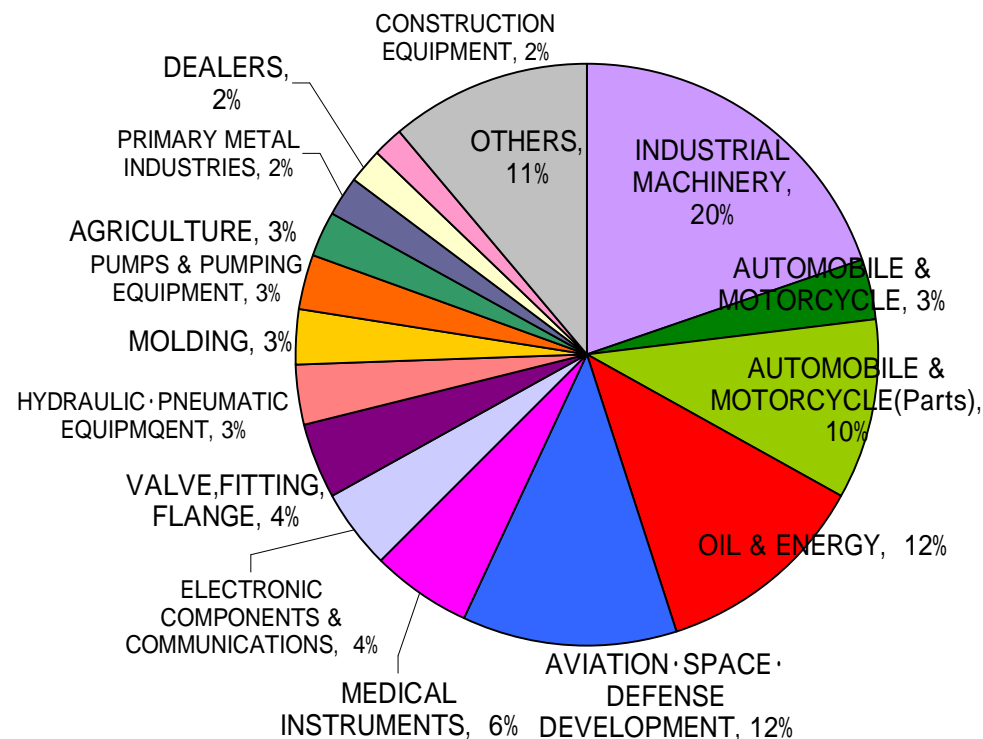
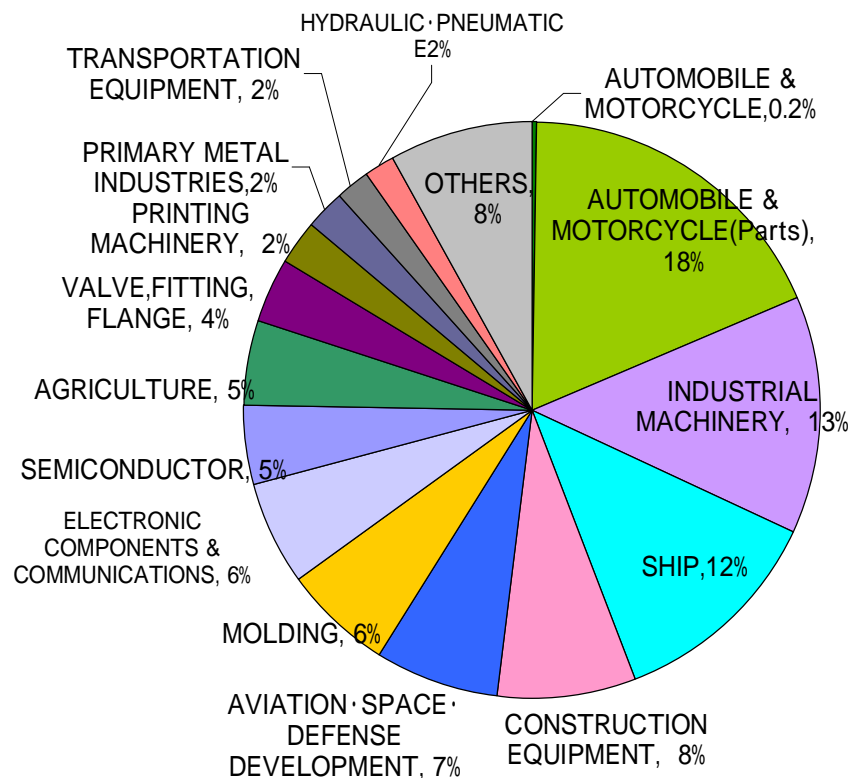


FY 2008 3rd Quarter Breakdown by Industry

(* Amount base)

[Japan]

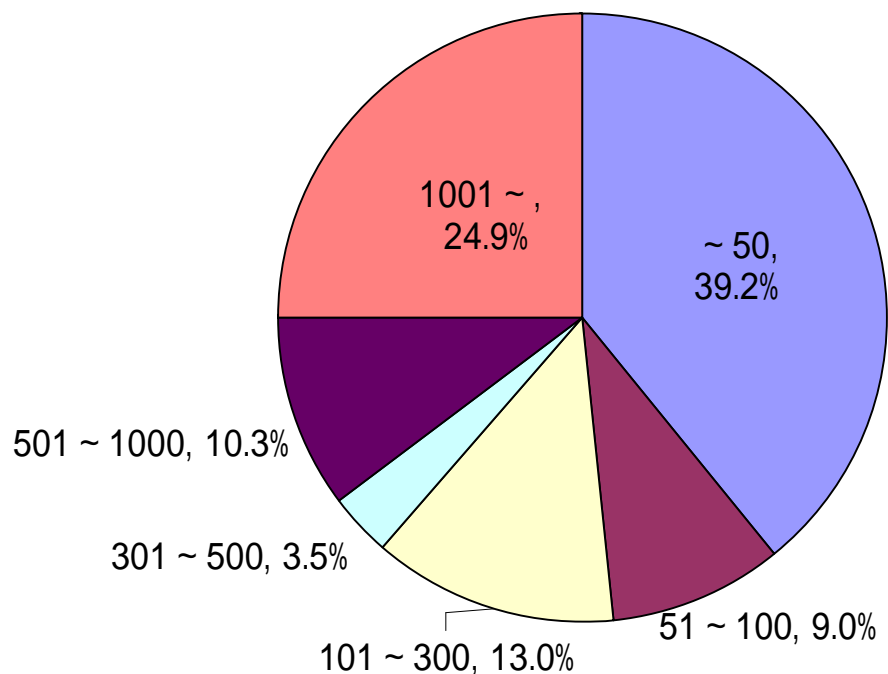
[Overseas]



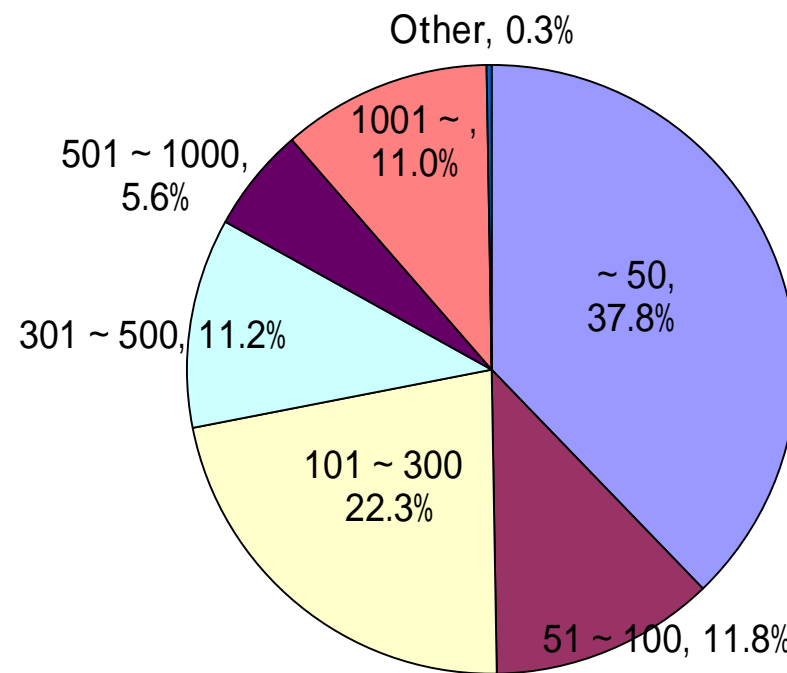
FY 2008 3rd Quarter Order Breakdown by Employee Number

(* Amount base)

[Japan]



[Overseas]



Revisions to Full-Year Forecast

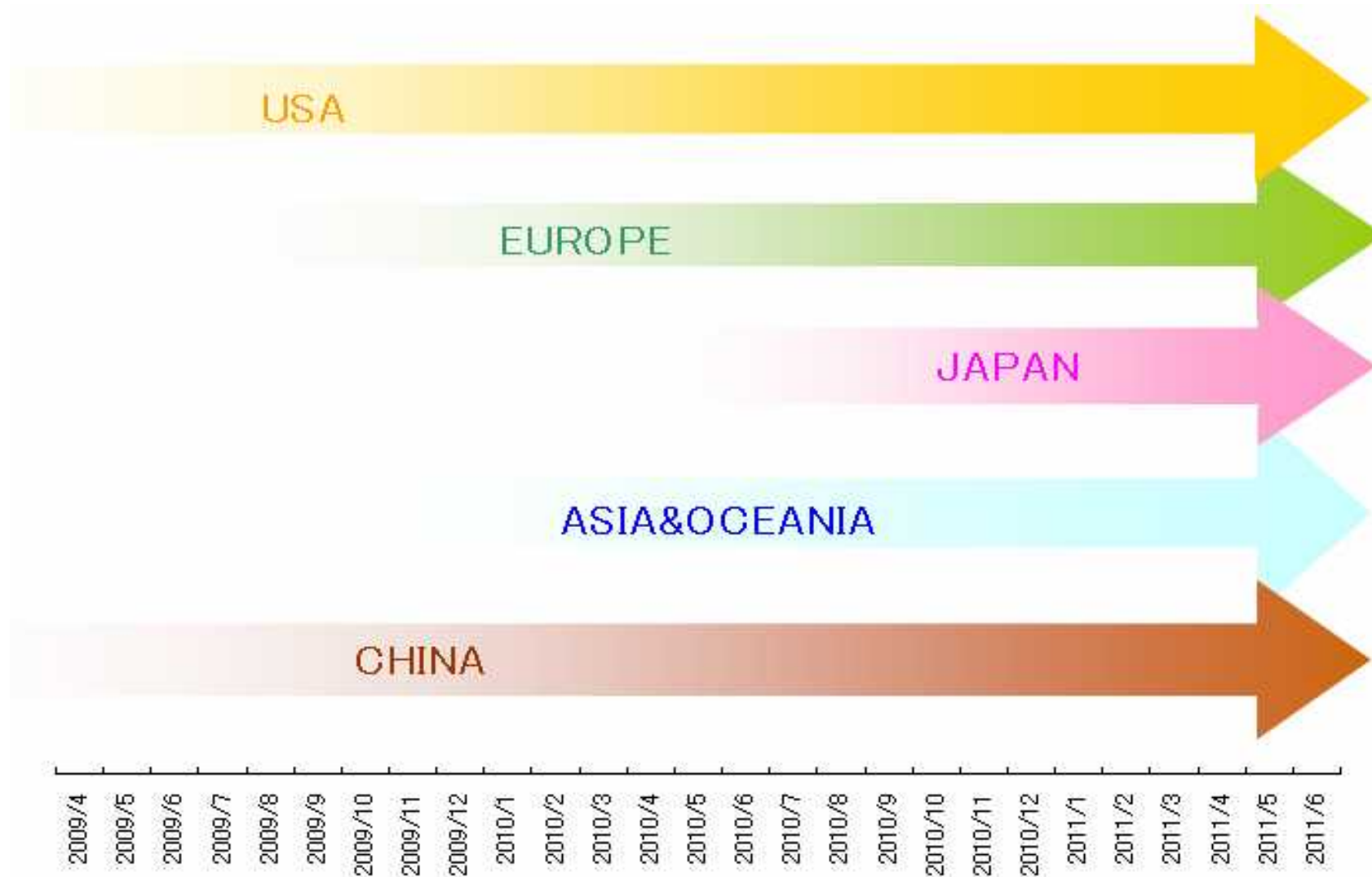
	FY 2008 3rd Q	Revised forecast as of 2nd Q	FY 2008 full- year forecast	Difference
(Million yen)	Results	Revised forecast	Revised forecast	With respect to the revised forecast as of 2nd Q
Net sales	132,066	170,000	160,000	-5.9%
Operating income	10,028	7,000	5,000	-28.6%
(Operating margin)	7.6%	4.1%	3.1%	
Ordinary income	6,906	4,500	1,500	-66.7%
(Ordinary margin)	5.2%	2.6%	0.9%	
Net income	2,067	2,500	-1,000	—
(Covers. Rate 1US\$ =)	(102.5)	(90.0)	—	—
(1EURO=)	(149.9)	(115.0)	—	—

*4th quarter assumed rate

\$ = 90.0

€ = 115.0

Prospects for Recovery of Demand



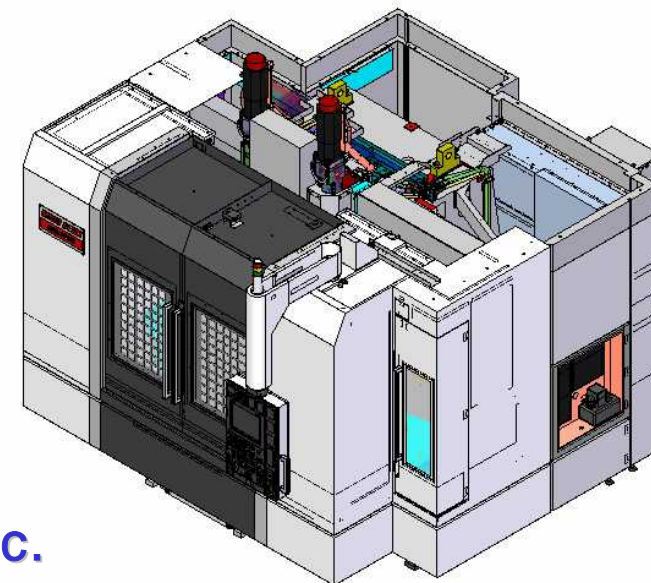
Introduction of New Models



NZL6000/2000

(Target customers)

Energy-related industries etc.



NVL1350

(Target customers)

Energy-related and
aircraft industries etc.

Introduction of New Models



NT1000

(Target customers)

Medical and Die & mold industries etc.

(Target customers)

Medical and Die & mold industries etc.

NMV3000

