

MORI SEIKI
THE MACHINE TOOL COMPANY

Second Stage
Medium-term Management Plan
PQR555

April, 2008 – March, 2011

Challenge of Mori-568 Plan, the first stage medium-term management plan

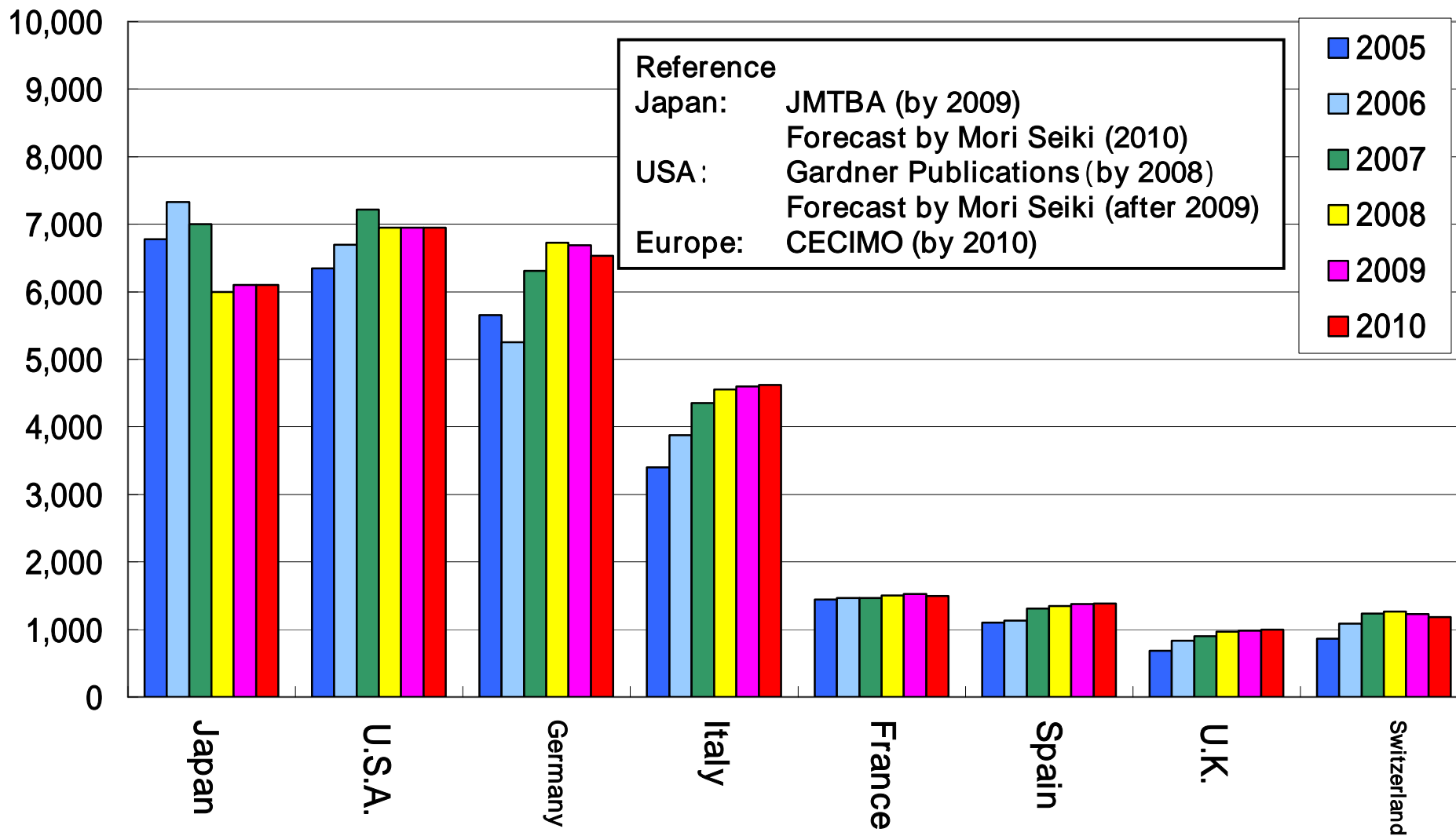
The New Market & Customers, Keys for the Sustainable Development

- Establishment of global system
 - Reinforcement of BRICs markets
- Expand to strategic industries
 - Sales expansion of large multi-axis machines
- Reduction in costs
 - Management of procurement costs
 - Management of selling, general and administrative expenses

Market trends in Japan, USA, Europe

Developed Countries to Level Off

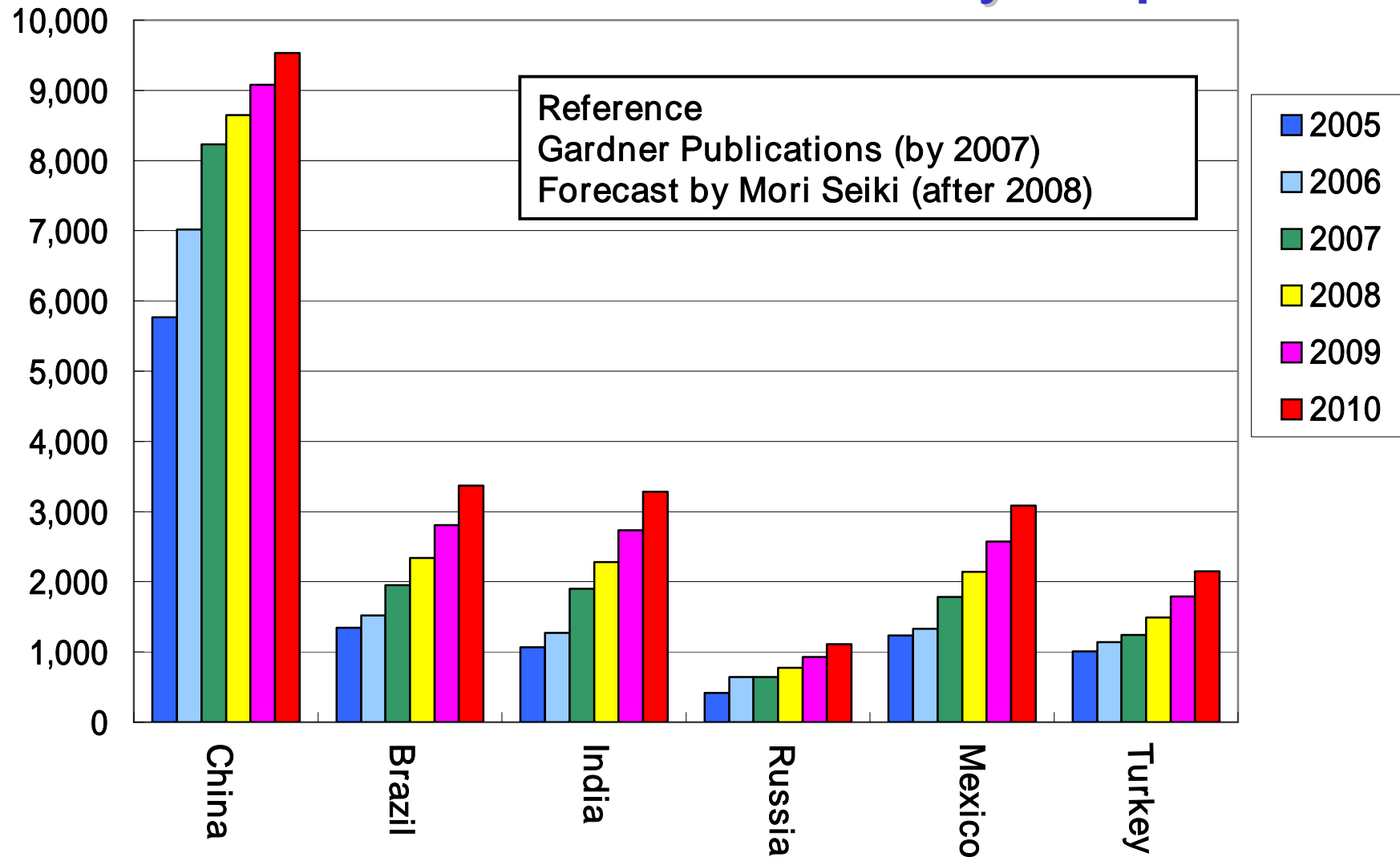
Billion yen



Trends in emerging markets

BRICs to Continuously Expand

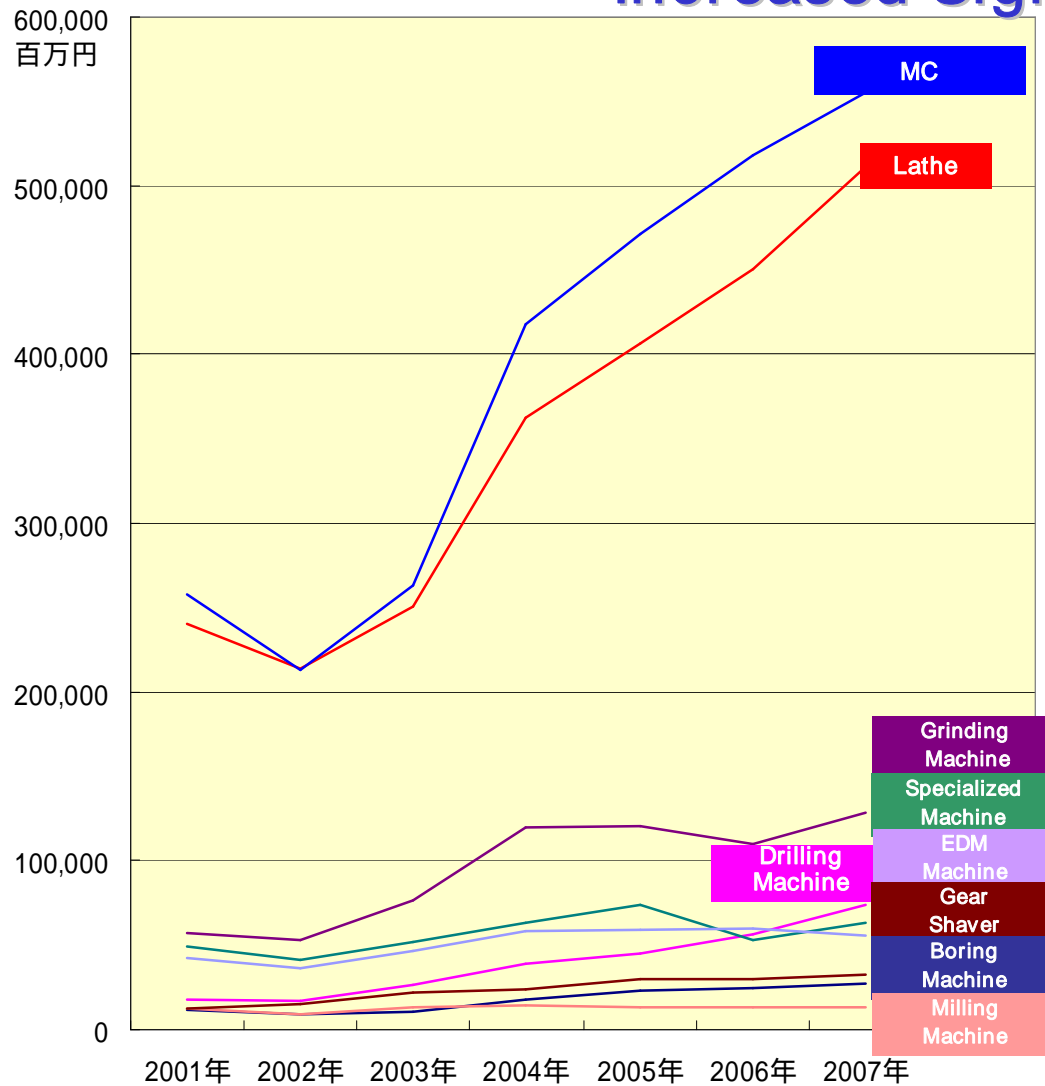
Billion yen



Growth rate of machining tool by model

Machining Center, Lathe, Grinding Machine

Increased Significantly

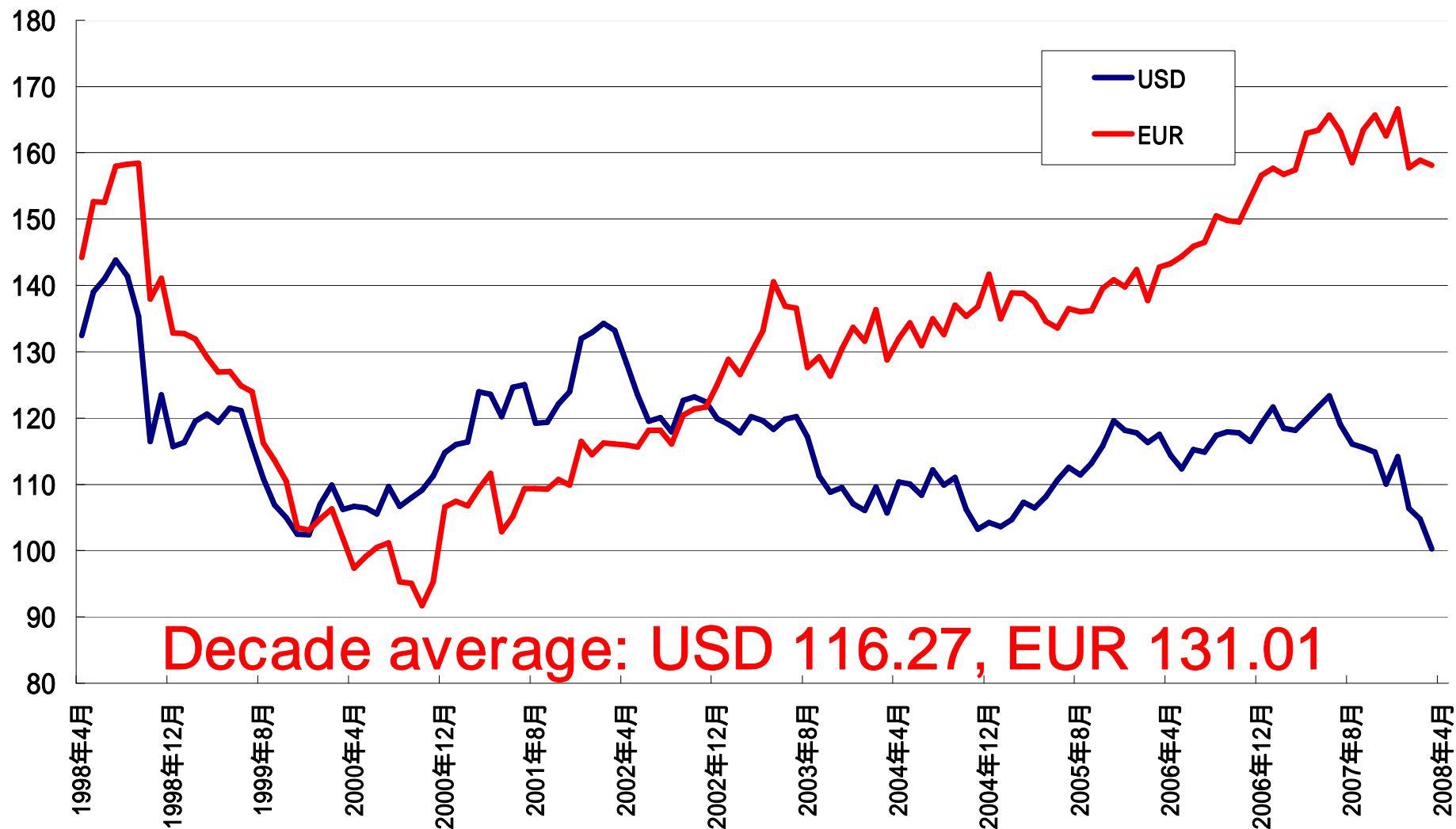


| Growth rate 2001-2007 | Order received 2007 | Order received 2007 X Growth rate | Model |
|-----------------------|---------------------|-----------------------------------|---------------------|
| 427% | 5,550 | 11,941 | MC |
| | 5,112 | 10,898 | Lathe |
| 272% | | | |
| 247% | | | |
| 223% | 1,284 | 3,144 | Drilling Machine |
| 215% | 737 | 2,868 | Grinding Machine |
| 213% | | | |
| | 631 | 882 | Gear Shaver |
| | 556 | 806 | Specialized Machine |
| 132% | 325 | 732 | EDM Machine |
| 128% | 275 | 678 | Boring Machine |
| 106% | 128 | 135 | Milling Machine |

Trends of Exchange Rate & Internal Rate

Continue USD: ¥107, EUR: ¥128 as the Internal Rate

(Yen)



Vision of PQR555

Basic Principle of the Next Medium-term Management Policy, “**PQR555**”

“We will continue to maintain the growing trend by achieving stable growth in mature markets and actively expanding the market share in emerging markets. We will establish the global management system for human resources, quality and risk management. Through these efforts, we will strive to become Global One.”

Global One

First-class customers

First-class products

First-class service

First-class employees

Strategy of PQR555

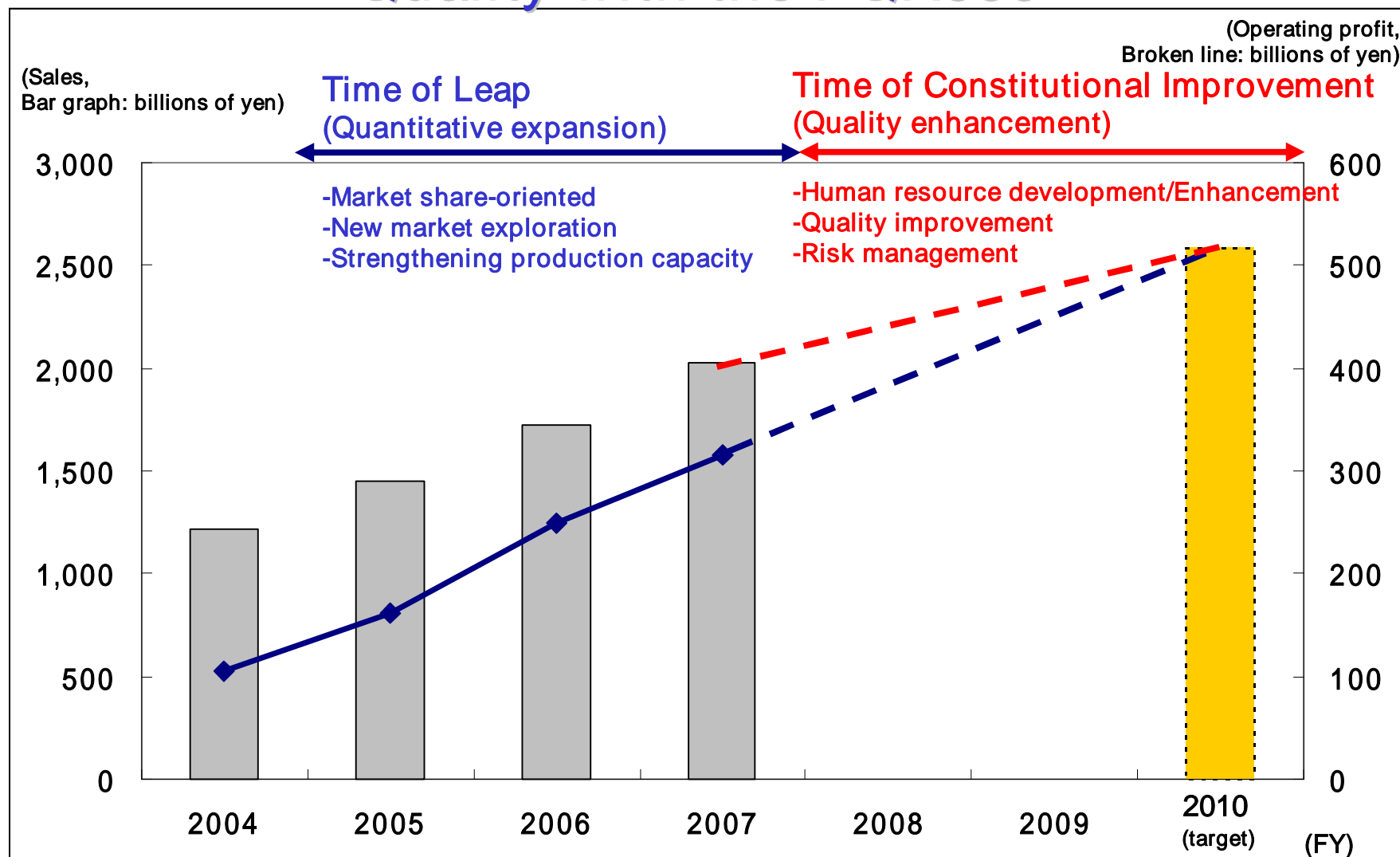
Strategy of the Next Medium-term Management Plan, “PQR555”

- Sustainable growth
 1. Stable growth in the mature markets
 2. Acquisition of emerging markets
 3. Expand to strategic industries
 4. Reduction of cost of sales ratio/selling, general and administrative expenses
 5. Establishment of global management system
 6. Development of management executives

Function of PQR

Enhancement of Management Resources

Quality with the PQR555



Sales plan by region and fiscal year

Achieved Sales of ¥250 billion with the Annual Growth Rate of 10%

| | FY 2007 (actual results) | | FY 2010 (target) | | Growth rate Annual rate (%) |
|------------------------------|--------------------------|--------|-------------------------|--------|--------------------------------|
| | Sales (millions of yen) | | Sales (millions of yen) | | |
| Japan | 79,502 | 42.4% | 90,000 | 36.0% | 4.2% |
| Americas | 38,753 | 20.7% | 48,000 | 19.2% | 7.4% |
| Europe | 45,609 | 24.3% | 64,000 | 25.6% | 12.0% |
| Asia & Oceania | 23,712 | 12.6% | 48,000 | 19.2% | 26.5% |
| Total (on the internal rate) | 187,576 | 100.0% | 250,000 | 100.0% | 10.0% |

- i) These figures are based on the internal rate (\$1=¥107, 1 Euro=¥128)
- ii) Target sales for FY 2010 is based on the premise that the JMTBA's total amount of orders received exceeds ¥1.66 trillion. (The total amount of orders received in FY 2007 was ¥1.5939 trillion)

CSF 1

Management of PQR555 Based on CSF and KPI

To achieve PQR555, we will decide CSF, and set KPI to measure the progress of each CSF.

- **CSF (Critical Success Factors)**
 - Necessary factors to achieve the management plan.
- **KPI (Key Performance Indicator)**
 - Index for monitoring the CSF progress

CSF 2

CSF for “5”, Sales of 250 Billion Yen, JMTBA Share of 15%

- Acquisition of emerging markets
(BRICs + Asia, Turkey, Mexico)
- Expansion of strategic industries
(Automobile, aircraft, energy, precision)
- Stable growth in mature markets
(Japan, Europe, North America)
- Quick launch of new models
- Establishment of new plant
- Expansion of OEM

CSF 3

CSF for "55", Cost of Sales Ratio of 55%,
Selling, general and administrative expenses of 25%

- Management of procurement cost
(a material cost of sales ratio under 45%)
- Improvement of production efficiency (twofold)
- Improvement of distribution efficiency (twofold)
- Integration of units whose services are compatible with each other
- Budget management (actual achievement and budget management on a daily basis)

CSF 4

CSF for "P", 5,500 employees

- Recruitment of global human resources
(Overseas: fist-class employees, Japan : English-speaking persons)
- Human resources management
on consolidated basis
- Language education
- Improvement of employees satisfaction

CSF 5

CSF for "Q", positioning accuracy of 5 μ m

- Achievement of positioning accuracy of 5 μ m
(positioning, prominent quadrant, displacement of a day)
- Enhancement of customer satisfaction
(improvement of response times, reinforcement of spare parts)
- Dealing with PPRs (Product Problem Report) quickly
(within 5 days)
- Implementation of quality check at the time of SDR/MDR
(Design Review)
- Measurement of in-house machining parts

CSF 6

CSF for "R", Risk Management

- Compliance with a regulation
- Promote health and safety practices
- Complete audit for Japan TCs and consolidated subsidiaries
- Strict export control
- Establishment of information security
- Establishment of the internal control system relating to management system and financial reporting
- Establishment of risk management system

Facilities and equipment investment

Strive Toward the Goal with the Investment Equivalent to Mori-568 plan's

Planned Investment (FY 2008-FY 2010)

--- **¥25.5 billion**

<Major investment>

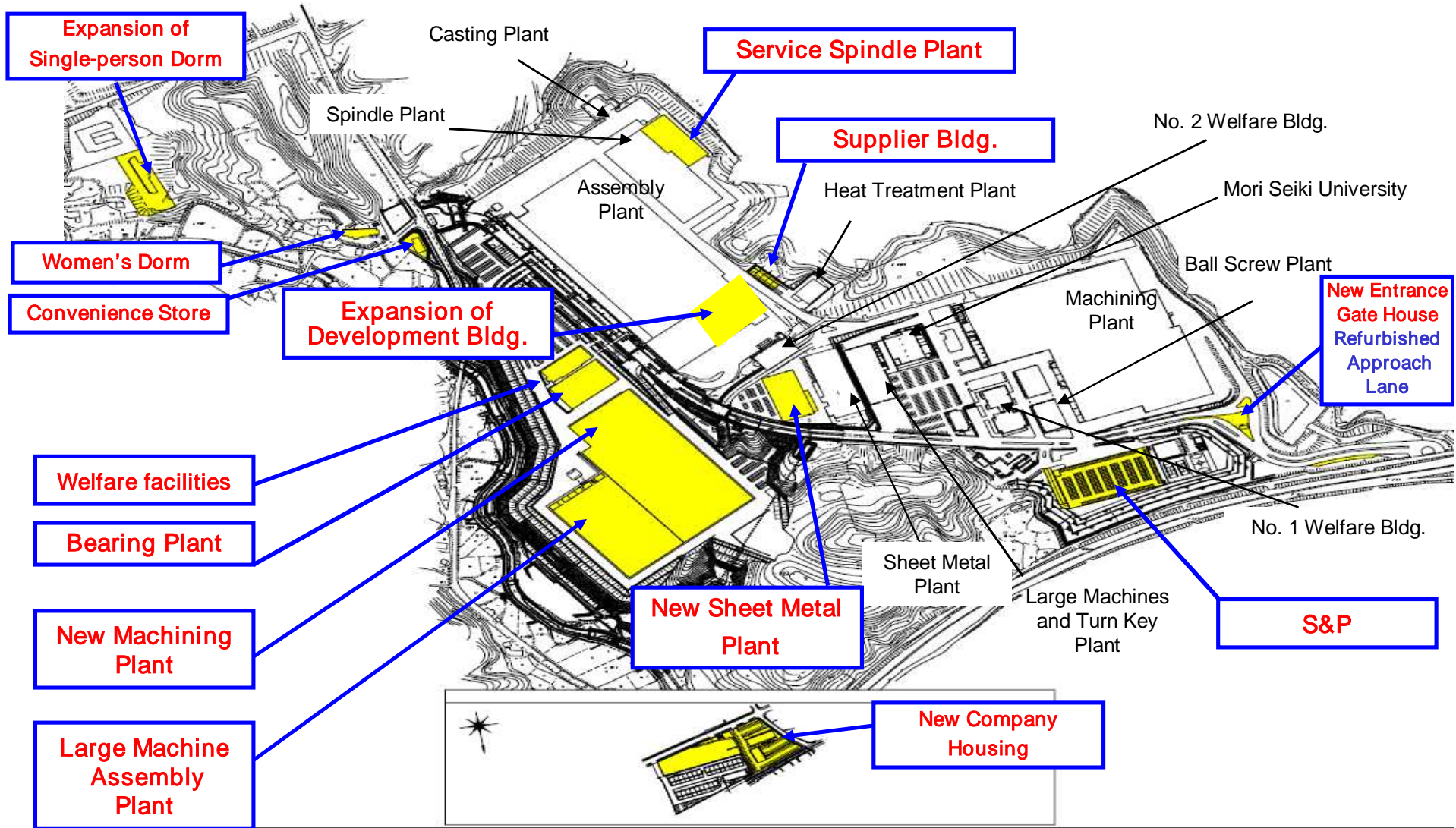
- Construction of Iga new plants
- Introduction of new equipment in Iga
- Establishment of new Technical Centers
and Application Centers
- Investment to the information system

*) Investment during Mori-568 Plan (FY 2005- FY 2007)

--- **¥27 billion**

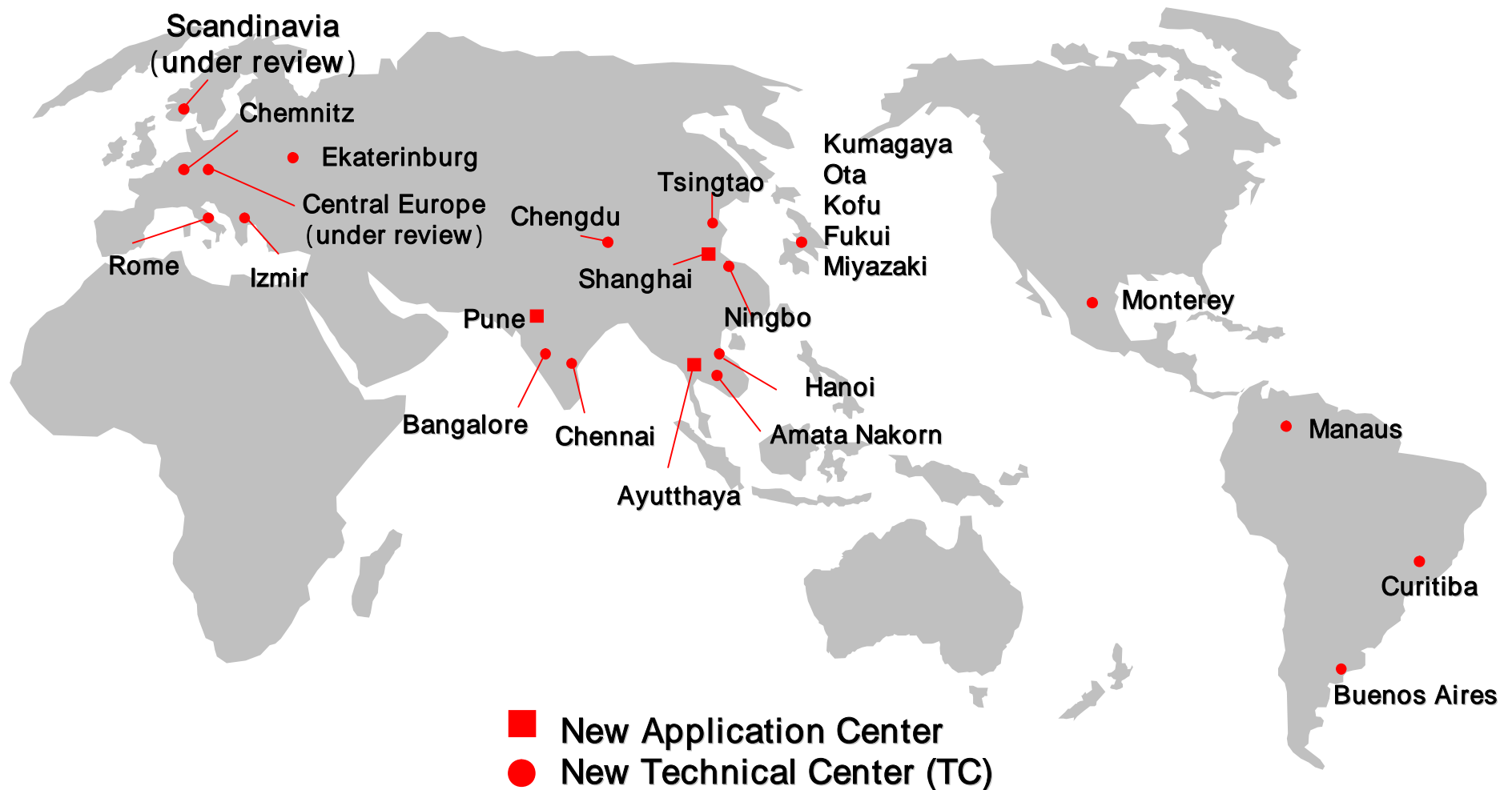
General View of Iga New Plants

Large Machines Mass Production System with New Plants



TCs & Application Centers to be established

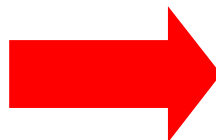
TCs & Application Centers to be Established



Organization to promote PQR555

Cross-functional Engagement

Promotion by
Cross-functional Team & each HQ



Progress check at monthly regular meeting
and regular KPI check at each HQ

