



MORI SEIKI

THE MACHINE TOOL COMPANY

Financial Results of the First Quarter Ended June 30th, 2005

August 4th, 2005

This document includes future projections and other forward-looking statements on business performance, plans, and other related information. The information is based on certain assumptions and judgments on the economic environment, business policies, and other factors at the time each document was prepared. In view of the element of uncertainty inherent in various factors, the actual results and performance may be different from the projections and forward-looking statements in this material.



Change of Sales Standards

From FYE 3/31/2006, the sales standards for machines sold in Japan have been changed from the conventional delivery standards to the acceptance standards.

	New Accounting Policy From FYE 3/31/2006	Old (Previous) Accounting Policy
Revenue recognition	<u>Acceptance standards</u>	<u>Delivery standards</u>
First quarter results based on each standard	Sales : 28,122 million yen Operating profit : 1,505 million yen Inventory : 26,589 million yen	Sales : 31,523 million yen Operating profit : 2,596 million yen Inventory : 24,333 million yen

Influence on sales : 3,401 Million yen decrease

Influence on operating profit : 1,091 Million yen decrease

Influence on inventory : 2,256 Million yen increase

Reason for changes : By changing from the delivery standards to the acceptance standards, which are more objective and accurate, we are aiming to manage all processes more strictly, from shipping to acceptance, in order to further improve quality.



Results of Large Increase in Revenue and Profit

P/L(Consolidated) (New/Old Accounting Policy)

(Million Yen)	FYE 3/31/2005	FYE 3/31/2006					
	Old Accounting Policy	New Accounting Policy			Old Accounting Policy		
	Results for 1st Quarter	Results for 1st Quarter	Increase	YOY	Results for 1st Quarter		
					Increase		
					YOY		
Sales	21,790	28,122	6,332	+29.0%	31,523	9,733	+44.6%
Operating Profit	704	1,505	801	2.13times	2,596	1,892	3.68times
(Operating Margin)	3.3%	5.4%			8.2%		
Ordinary Profit	782	1,517	735	1.93times	2,608	1,826	3.33times
(Ordinary Margin)	3.6%	5.4%			8.3%		
Pretax Profit	379	1,545	1,166	-	2,636	2,257	-
Net Profit	348	1,372	1,024	-	-	-	-
(Conversion Rate 1US\$=)	(JPY109.58)	(JPY108.37)			(JPY108.37)		
(1EURO=)	(JPY132.41)	(JPY135.23)			(JPY135.23)		

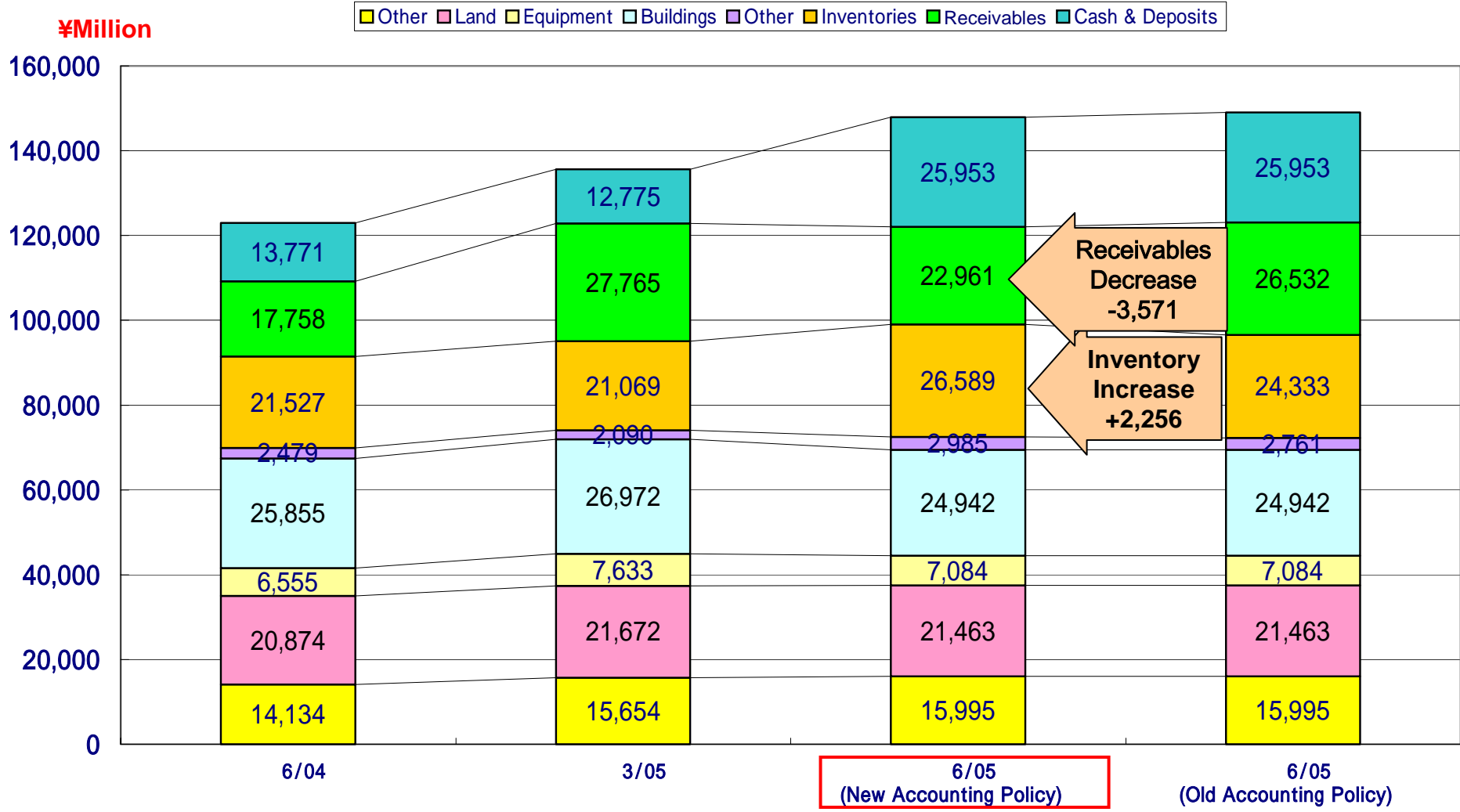
Keeping Sound Balance Sheet

Major changes in Balance Sheet (Consolidated) (New accounting policy)

New Accounting Policy							
(¥Million)	3/05	6/05		(¥Million)	3/05	6/05	
	Results	Results	Increase		Results	Results	Increase
Assets				Liabilities			
Current Assets	63,699	78,488	14,789	Current Liabilities	22,742	23,726	984
Cash & Deposits	12,775	25,953	13,178	Trade Payable	8,199	8,622	423
Receivables	27,765	22,961	-4,804	Current Portion of LT Debts	5,084	5,084	0
Inventories	21,069	26,589	5,520	Accounts Payable	4,496	3,597	-899
Other	2,090	2,985	895	Other	4,963	6,423	1,460
Fixed Assets	71,931	69,484	-2,447	Long-term Liabilities	16,290	27,921	11,631
Buildings	26,972	24,942	-2,030	Convertible Bond	0	11,500	11,500
Equipment	7,633	7,084	-549	Long-term Debts	12,708	12,687	-21
Land	21,672	21,463	-209	Other	3,582	3,734	152
Intangible Fixed Assets	2,704	2,325	-379	Minority Interests	156	151	-5
Other	15,654	15,995	341	Shareholders' Equity	96,442	96,174	-268
Total Assets	135,631	147,973	12,342	Total Liabilities & Equity	135,631	147,973	12,342
(Conversion (1US\$=) Rate) (1EURO=)	(¥107.32) (¥138.75)	(¥110.63) (¥133.61)		(Conversion (1US\$=) Rate) (1EURO=)	(¥107.32) (¥138.75)	(¥110.63) (¥133.61)	



Trends in Assets



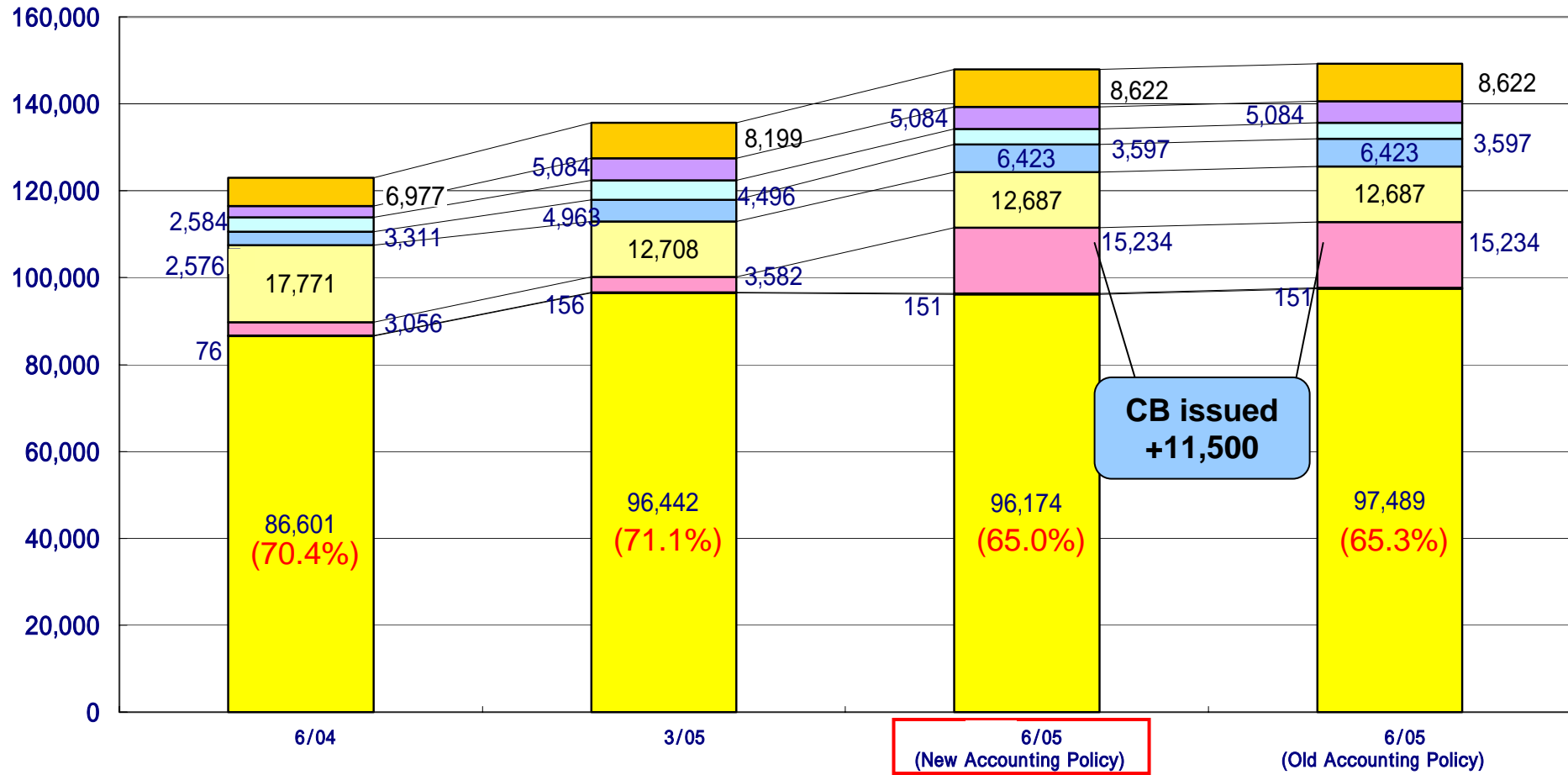
Due to the changes in the accounting policy, an increase in stock and decrease in accounts receivable will occur.



Trends in Liabilities and Equity

¥Million

■ Shareholders' Equity
 ■ Minority Interests
 ■ Other
 ■ Long-term Debts
 ■ Other
 ■ Accounts Payable
 ■ Current Portion of LT Debts
 ■ Trade Payable

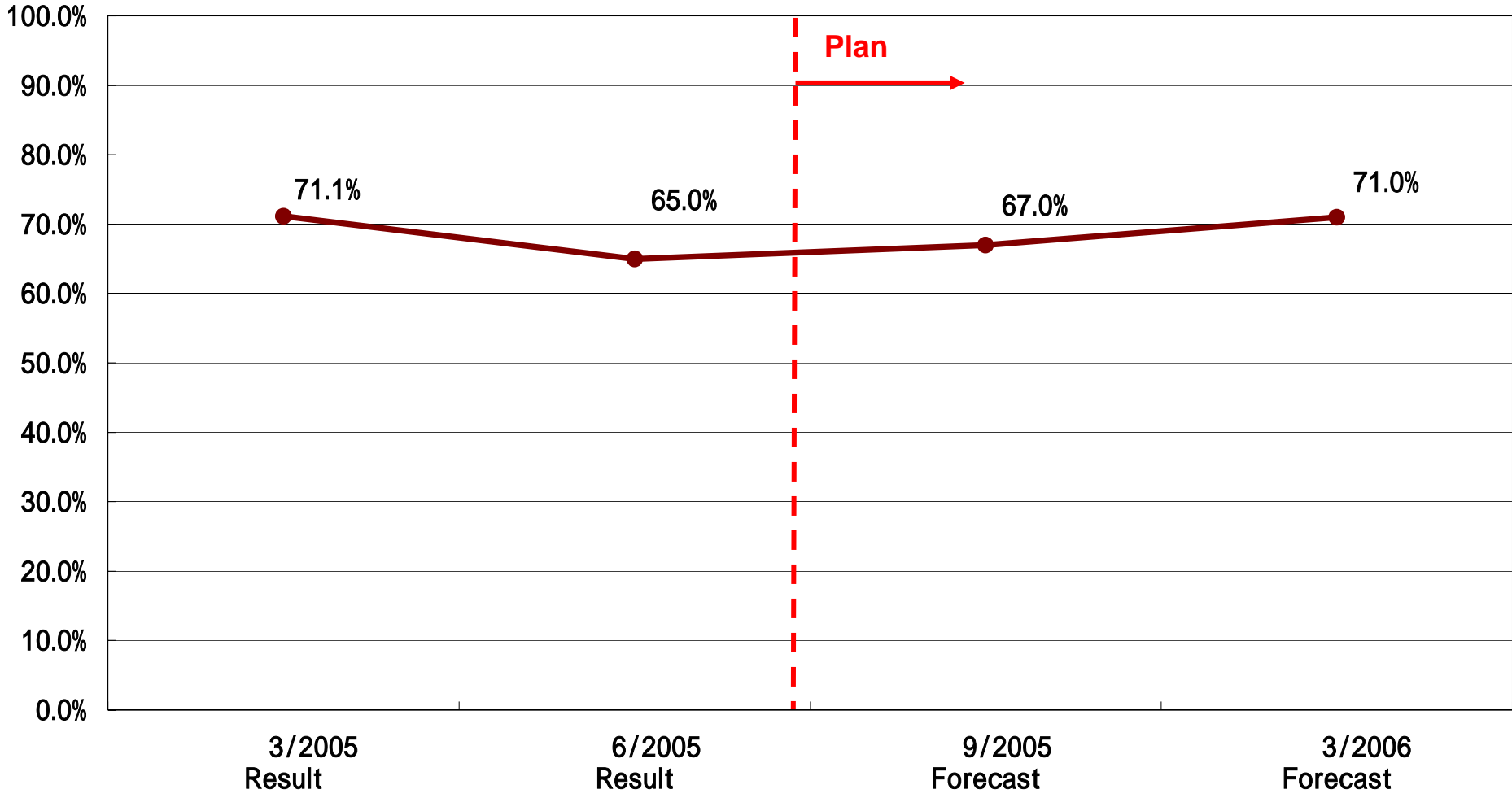


Increased total assets by issuance of CB reduced the equity ratio. (): Equity Ratio



Expected Trends in Equity Ratio

70% recovery is expected by the end of March 2006





Sufficient Operating Cash Flow

Statement of Cash Flow (Consolidated)

(¥Million)	FYE 3/31/2006
	April — June
Cash Flow (Operating Activities)	2,518
Cash Flow (Investing Activities)	1,203
Cash Flow (Financing Activities)	9,760
Increase in Cash and Cash Equivalents	13,177
Cash and Cash Equivalents at Beginning of Year	12,772
Cash and Cash Equivalents at End of Year	25,950



Progress Situation of Investment in Plant and Equipment

As of August 4

Of the 22 billion yen budgeted for investment in the Mori-568PLAN, **6.1 billion yen** worth of machines have been ordered.

Major machines invested:

Arch-type machining centers 10 units	···1,930 million yen
Chiba Machining Plant	···900 million yen
New Casting Prototype Plant Set	···700 million yen
High Precision Screw Grinding Machines 7 units	···620 million
Heat Treatment Plant Building Construction	···220 million yen
Arch-type Flat Face Grinding Machines 2 units	···220 million yen
BHT(Block Code Reader) 900 units	···140 million yen



Improved Assets Turnover Rate

Turnover period · trends and equity ratio (consolidated)

(Month / %)	1Q 4-6/2004	New Accounting Policy		Old Accounting Policy	
		1Q 4-6/2005		1Q 4-6/2005	
	Results	Results	YOY	Results	YOY
Receivables	2.44Mo.	2.44Mo.	0.00Mo.	2.52Mo.	0.08Mo.
Inventories	2.96Mo.	2.83Mo.	-0.13Mo.	2.31Mo.	-0.65Mo.
Payables	0.96Mo.	0.91Mo.	-0.05Mo.	0.82Mo.	-0.14Mo.
Fixed Assets	7.87Mo.	6.10Mo.	-1.77Mo.	5.44Mo.	-2.43Mo.
Borrowings	2.80Mo.	3.26Mo.	0.46Mo.	2.91Mo.	0.11Mo.
Equity Ratio	70.4%	65.0%	-5.4%	65.3%	70.7%

Long-term debts turnover and reduction in equity ratio are caused by CB issuance.



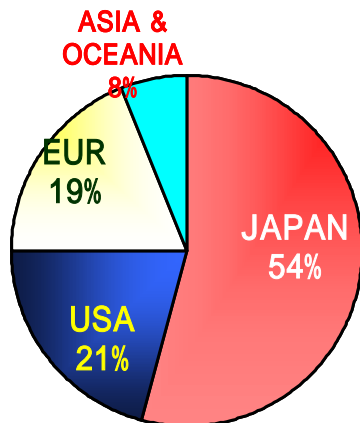
Balanced Sales Structure

Sales/Sales ratio by region

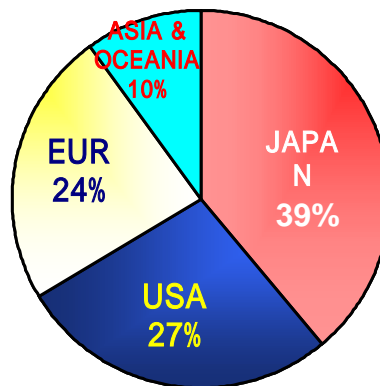
(¥Million)		JAPAN	USA	EUR	ASIA & OCEANIA	Total
Sales	1Q 4-6/2005 (New Accounting Policy)	10,974	7,685	6,627	2,836	28,122
	1Q 4-6/2005 (Old Accounting Policy)	14,375	7,685	6,627	2,836	31,523
1Q 4-6/2004		11,815	4,544	4,103	1,328	21,790
YOY (Old Accounting Policy)		21.6%up	69.1%up	61.5%up	113.5%up	44.6%up

Segment: Based on Overseas Sales

1Q 4-6/2004

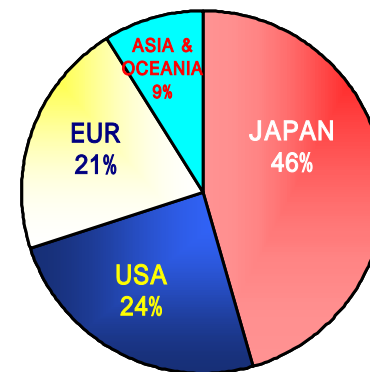


1Q 4-6/2005



New Accounting Policy

1Q 4-6/2005



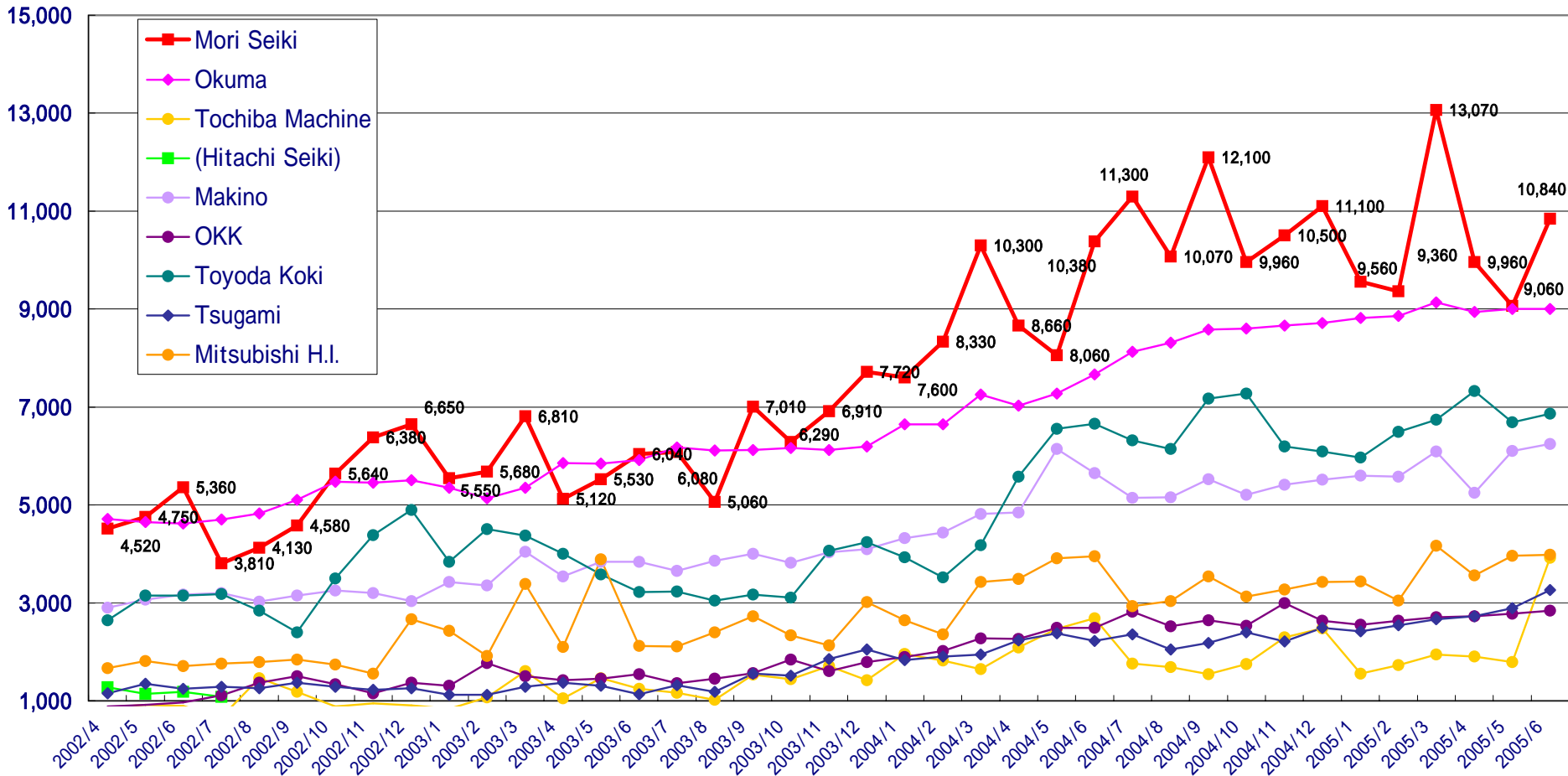
Old Accounting Policy



Order Situation Has Been Good

Order situation of 8 major machine tool companies

(¥Million)

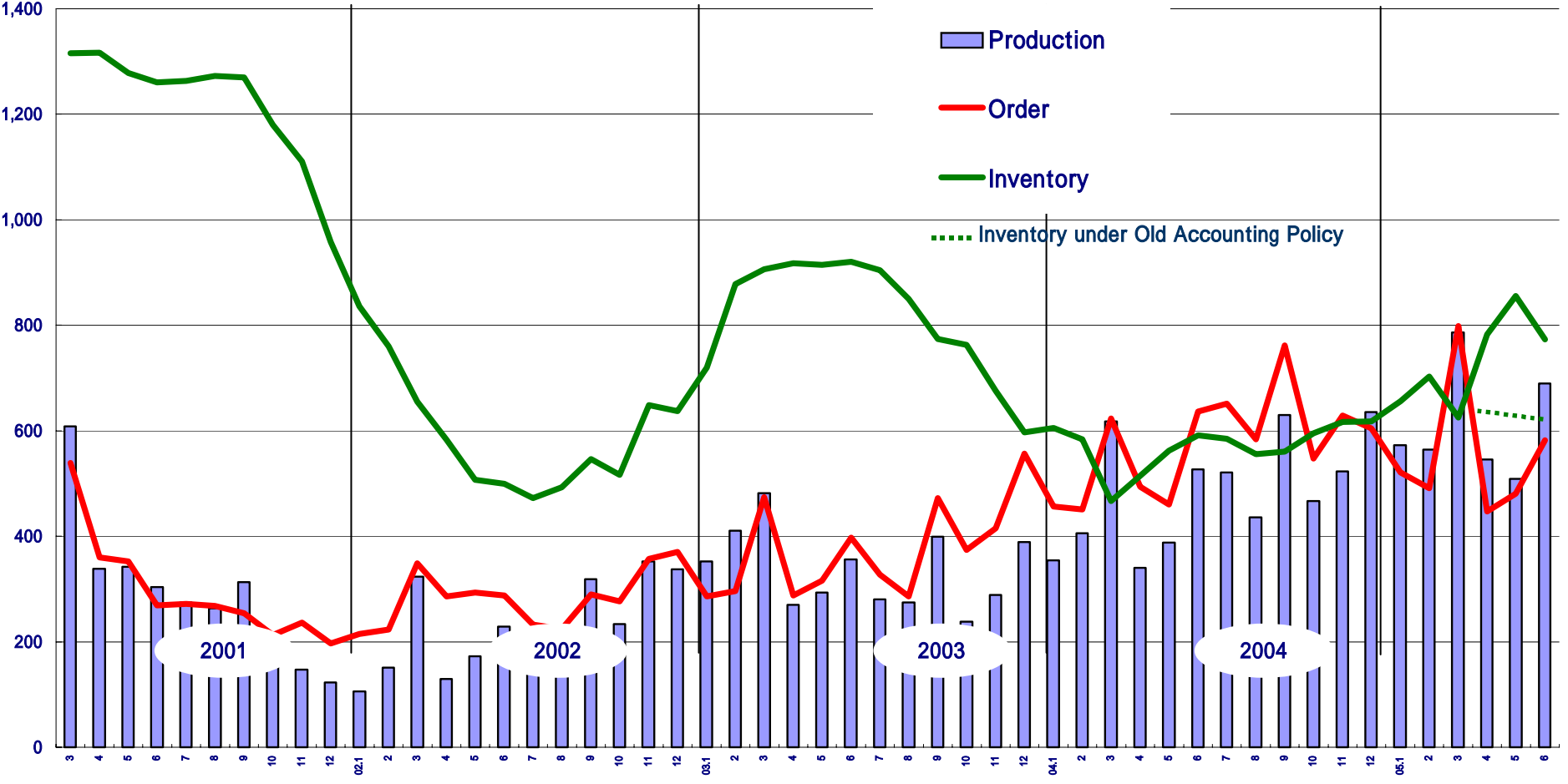




Increased Production/Orders and Optimization of Inventory

Trends in Production, Orders and Machines in Stock

Order · Production · Inventory(unit)

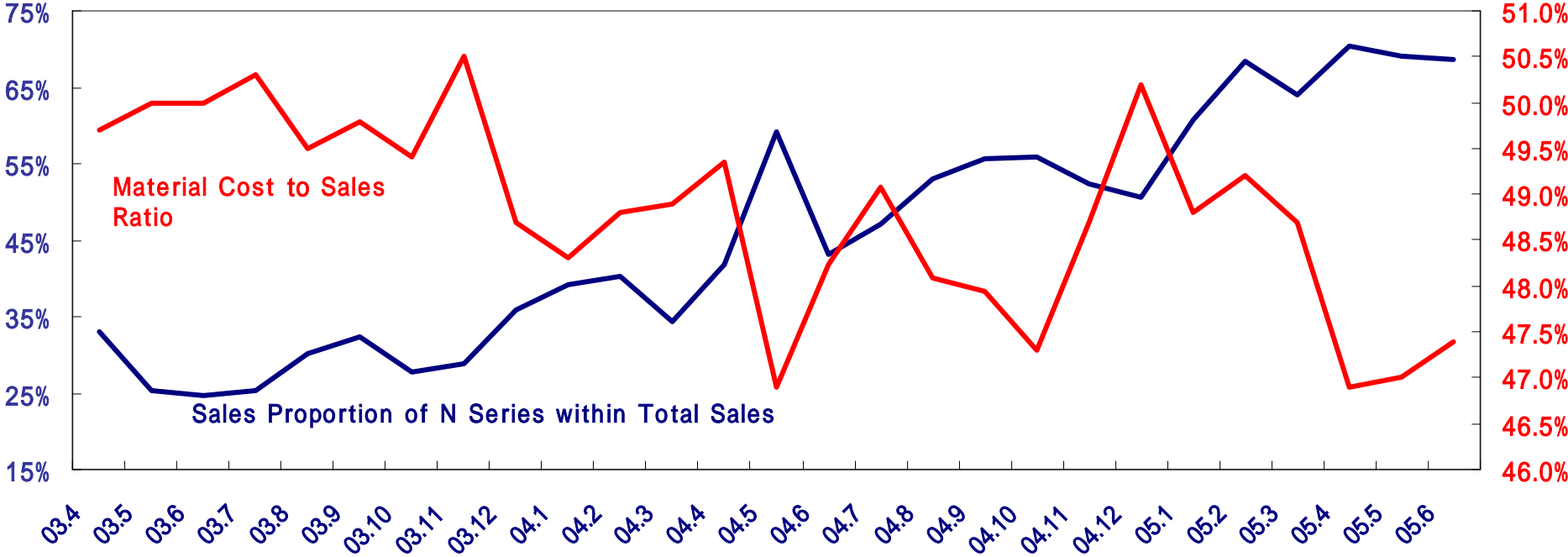




Effective Reduction in Material Cost Ratio by the Sales of the N Series

Sales proportion of N series within total sales

Material cost to sales



June is Advance Report



Expecting Increased Income and Profit

Forecast of consolidated results for the 1st Half of FY2006

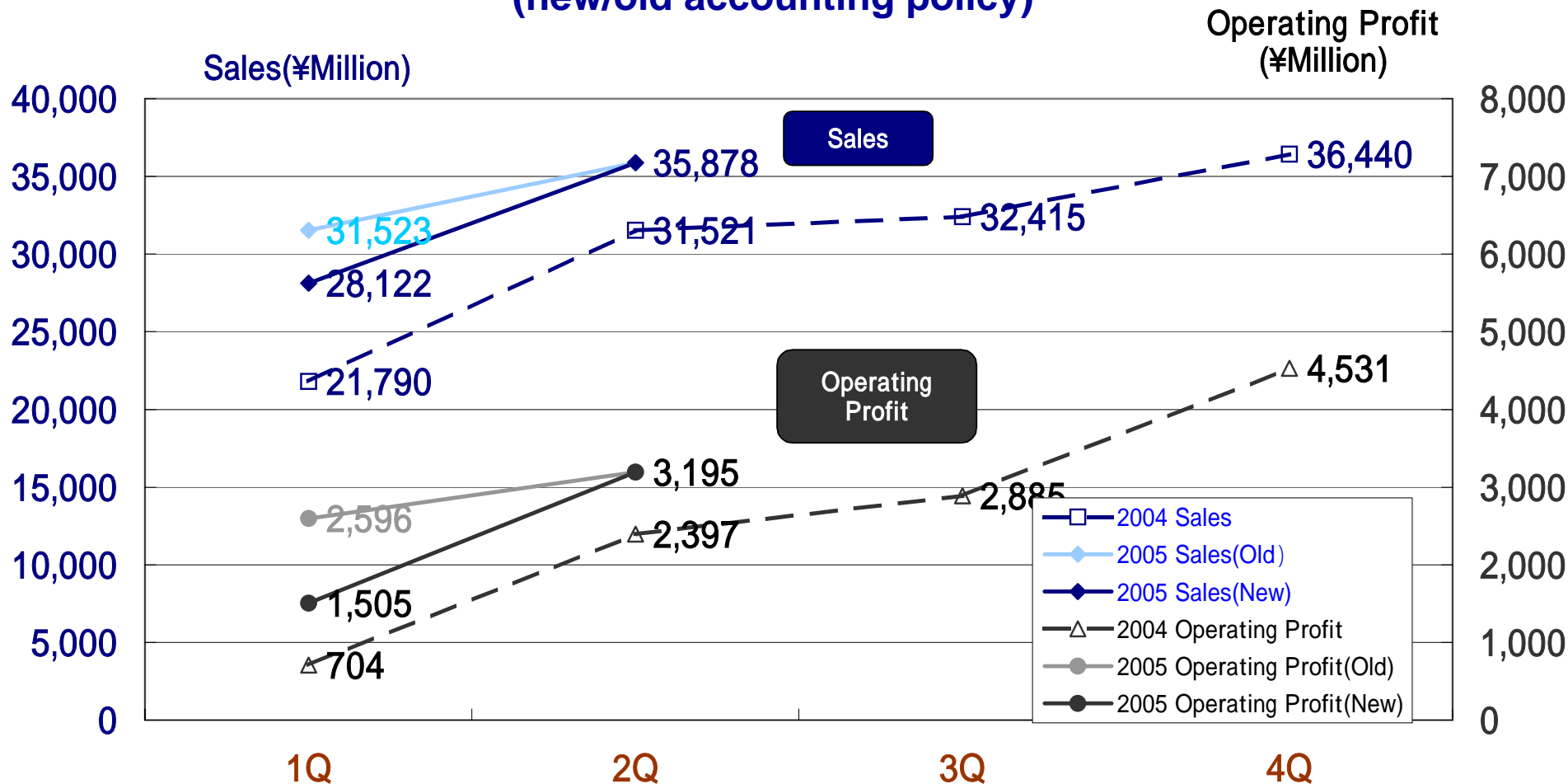
(¥Million)	2005					
	1Q 4-6/2005 (New Accounting Policy)	1Q 4-6/2005 (Old Accounting Policy)	1H 4-9/2005 (New Accounting Policy)		1H 4-9/2005 (New Accounting Policy)	
	Results	Results	Forecasts	YOY	Forecasts	YOY
Sales	28,122	31,523	64,000	20.1%	67,401	26.4%
Operating Profit	1,505	2,596	4,700	51.6%	5,791	86.7%
Ordinary Profit	1,517	2,608	4,600	45.3%	5,691	79.8%
Pretax Profit	1,545	-	-	-	-	-
Net Profit	1,372	-	3,300	28.2%	-	-
(Conversion (1US\$=)	(JPY108.37)	(JPY108.37)	(JPY107.00)		(JPY107.00)	
Rate) (1EURO=)	(JPY135.23)	(JPY135.23)	(JPY128.00)		(JPY128.00)	

Effect of Accounting Policy
Change to be Considered



Good Prospects for the 2nd Quarter

Trends in sales/operating profit (consolidated) for each quarter
(new/old accounting policy)



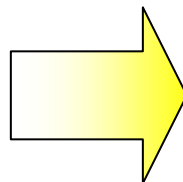
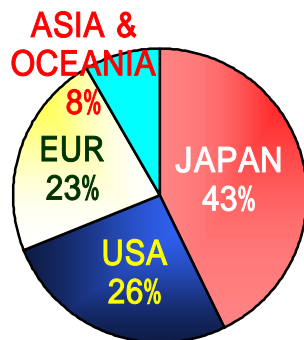


Sales Targets by Region

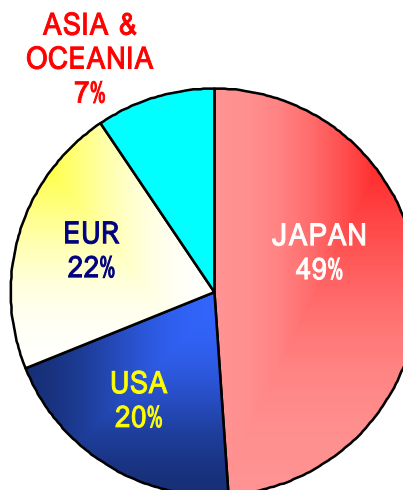
(¥Million)		JAPAN	USA	EUR	ASIA & OCEANIA	Total
FYE 3/06 Forecasts		64,500	26,500	28,500	12,500	132,000
Sales	1Q 4-6/2005 (New Accounting Policy)	12,000	7,352	6,421	2,350	28,122
	Achievement Ratio (New Accounting Policy)	18.6%	27.7%	22.5%	18.8%	21.3%
	1Q 4-6/2005 (Old Accounting Policy)	15,401	7,352	6,421	2,350	31,523
	Achievement Ratio (New Accounting Policy)	23.9%	27.7%	22.5%	18.8%	23.9%

Segment : Based on Technical Center in Charge

1Q 4-6/2005
(New Accounting Policy)



FYE 3/05 Forecasts





Aiming at “Global One” by Achieving the Mori-568PLAN

Progress Situation of Mori Seiki Medium Term Management Plan

		FYE 3/05	1Q 4-6/2005 Average Results (New Accounting Policy)	1Q 4-6/2005 Average Results (Old Accounting Policy)	Final Goal (FYE 3/08)
Mori-5	Sales (¥Billion)	101.80/Mo.	93.74/Mo.	105.07/Mo.	-
	Share (VS 3,500 Billion)	3.5%	3.2%	3.6%	5.0%
Mori-6	Consolidated Cost to Sales Ratio (%)	66.1%	62.0%	62.0%	60.0%
Mori-8	Production per Month (Unit)	532.5	581	581	800

Progress situation during the first quarter of FY2006

Mori-5 : The Strategic/ Large Account Department started its operation.
Paris TC was established as a new sales base in Europe.

Mori-6 : Concentrated efforts to reduce material cost to sales ratio.

Mori-8 : Installation of new machines. Preparation for starting the Chiba Machining Plant and the Iga Heat Treatment Plant and Casting Plant.



Introduction of the NT Series, Integrated Mill Turn Centers



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