



FY2010 Results and Outlook

May 10th, 2011



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



Summary

FY2010 Sales JPY 120 Bill

Net Profit JPY 1.3 Bill

- Fiscal year 2010 ends in black
- Consolidated order intake JPY 135.3 Bill (+91.5% year on year)
- Strong orders for X-class / Start of series production
- Alliance with DMG: Stronger capital relation with 20.1% shares
- JV in China with DMG and SMTCL under consideration
- Start of new medium term management plan: “GQ-C-SI 123”



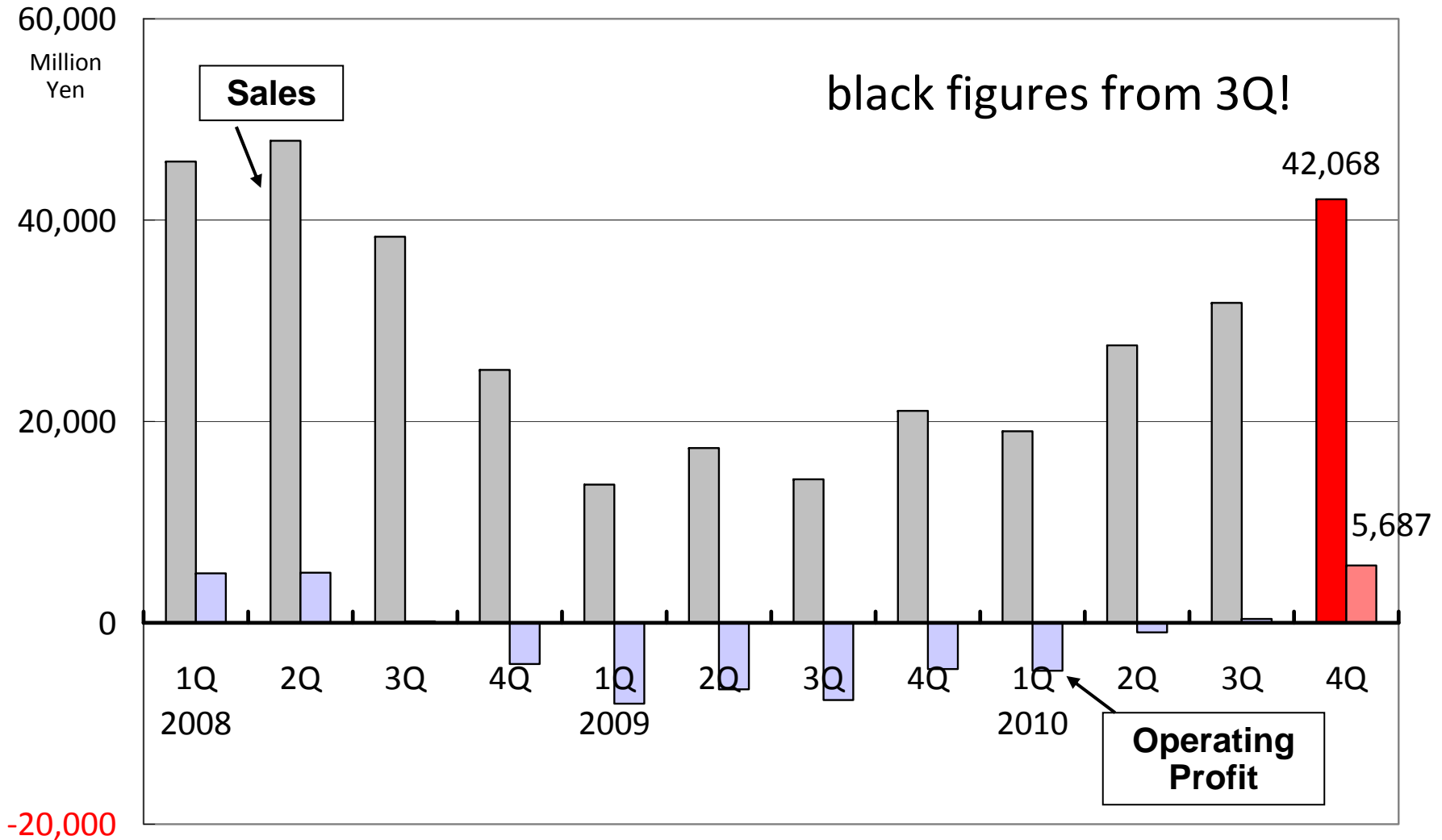
Consolidated Income Statement

(Million Yen)	FY2009	FY2010		
	Full Year	1st Half	2nd Half	Full Year
Net sales	66,402	46,590	73,838	120,428
Operating profit	-26,933	-5,740	6,060	320
Operating margin	-40.6%	-12.3%	8.2%	0.3%
Ordinary profit	-26,599	-6,305	6,871	566
Ordinary margin	-40.1%	-13.5%	9.3%	0.5%
Net profit	-34,693	-6,108	7,415	1,307
Exchange rate (1USD=)	92.8	88.9	82.5	85.7
Exchange rate (1EUR=)	131.2	113.8	112.4	113.1

※4Q Actual Rate (1US\$=82.4Yen、1EURO=112.6Yen)



Sales / Operating Profit



-20,000



Measures against the Earthquake

【Support for Restoration】

Employees dispatched	200
Customers in disaster area	approx. 5,000
Customers requesting for support	approx. 1,500
Customers restored	approx. 700

【Transfer of *CHIBA* production models to *IGA*】

Planned term	April ~ September 2001
Models to be transferred	NTX1000, NTX2000
Workers to be transferred	approx. 50



Consolidated Balance Sheet

(Million Yen)

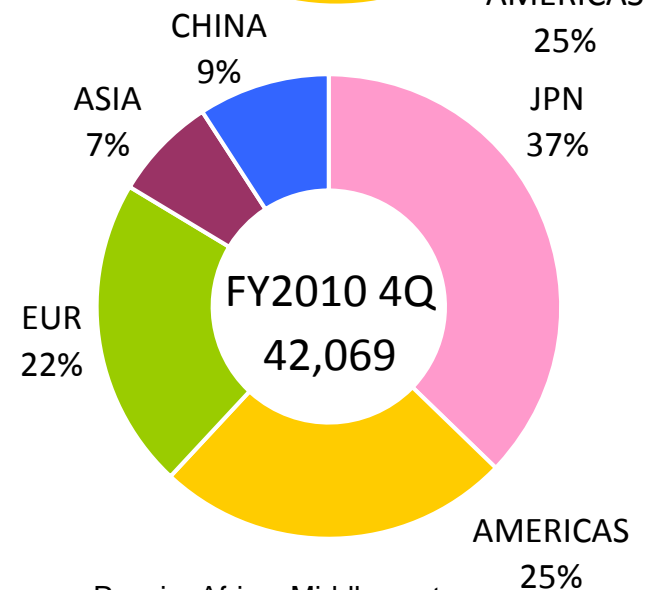
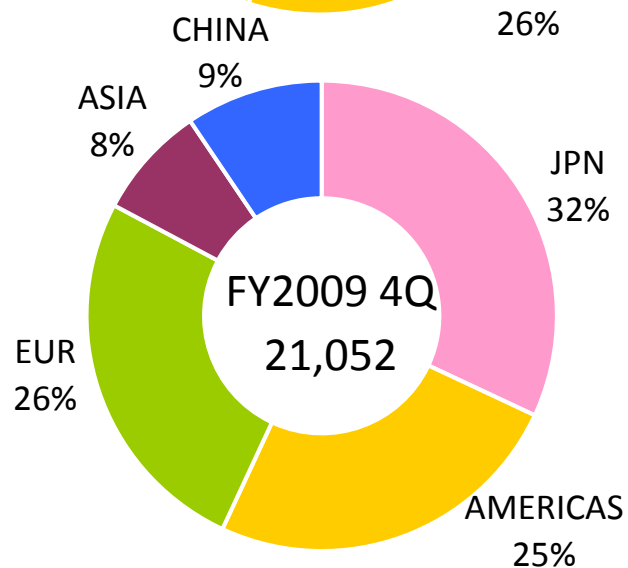
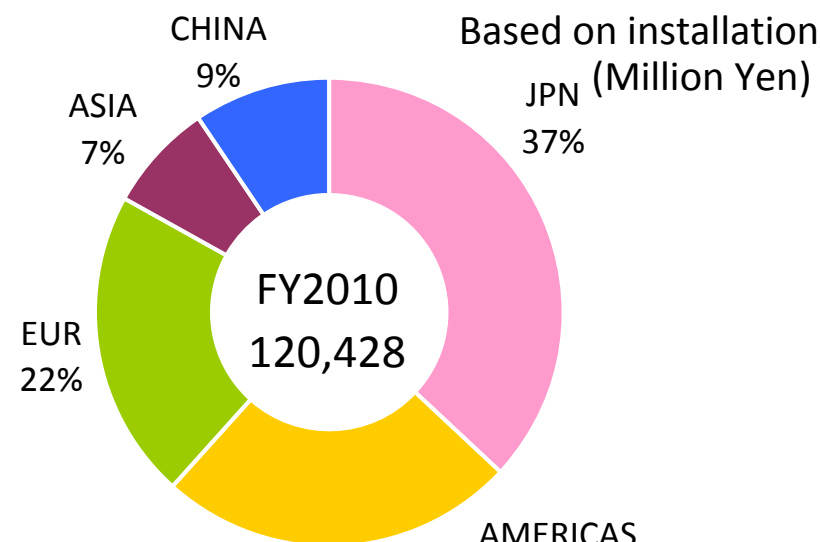
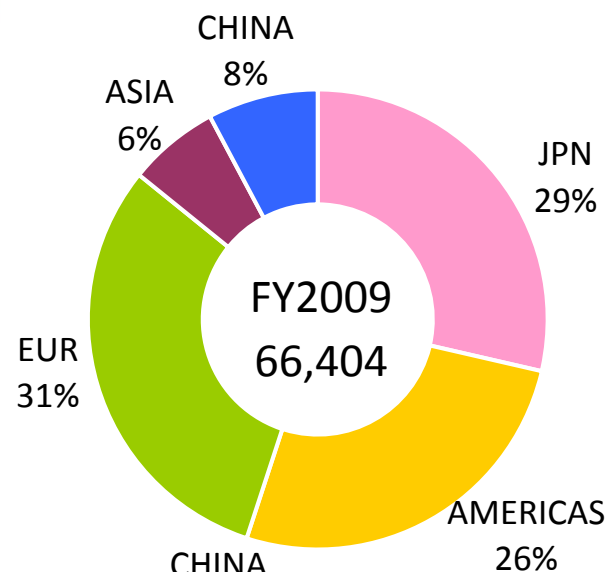
2011/3/31		Total asset	94,995
Cash	7,418	Accounts payable	11,451
Account receivables	32,085	Other short-term liabilities	9,680
		Debt	47,755
		(financial liabilities)	45,172
		(convertible bonds)	2,583
Inventories	38,836	Other long-term liabilities	7,735
Other Short-term assets	7,838	Net assets	95,328
Long-term tangible	54,421	(Paid-in capital)	94,995
		(Revenue provisions)	1,365
		(Others)	-1,032
Other long-term assets	31,351		
Net Debt			40,337
Shareholders' equity ratio			54.6%



2010/3/31		Total asset	94,995
Cash	7,516	Accounts payable	6,087
Account receivables	16,665	Other short-term liabilities	10,346
		Debt	21,133
		(financial liabilities)	18,550
		(convertible bonds)	2,583
Inventories	33,059	Other long-term liabilities	7,883
Other Short-term assets	5,493	Net assets	98,717
Long-term tangible	57,657	(Paid-in capital)	94,995
		(Revenue provisions)	2,276
		(Others)	1,446
Other long-term assets	23,776		
Net Debt			13,617
Shareholders' equity ratio			66.8%



Consolidated Sales Amount – Region



*Americas=USA, Canada, Mexico, Argentina, Brazil

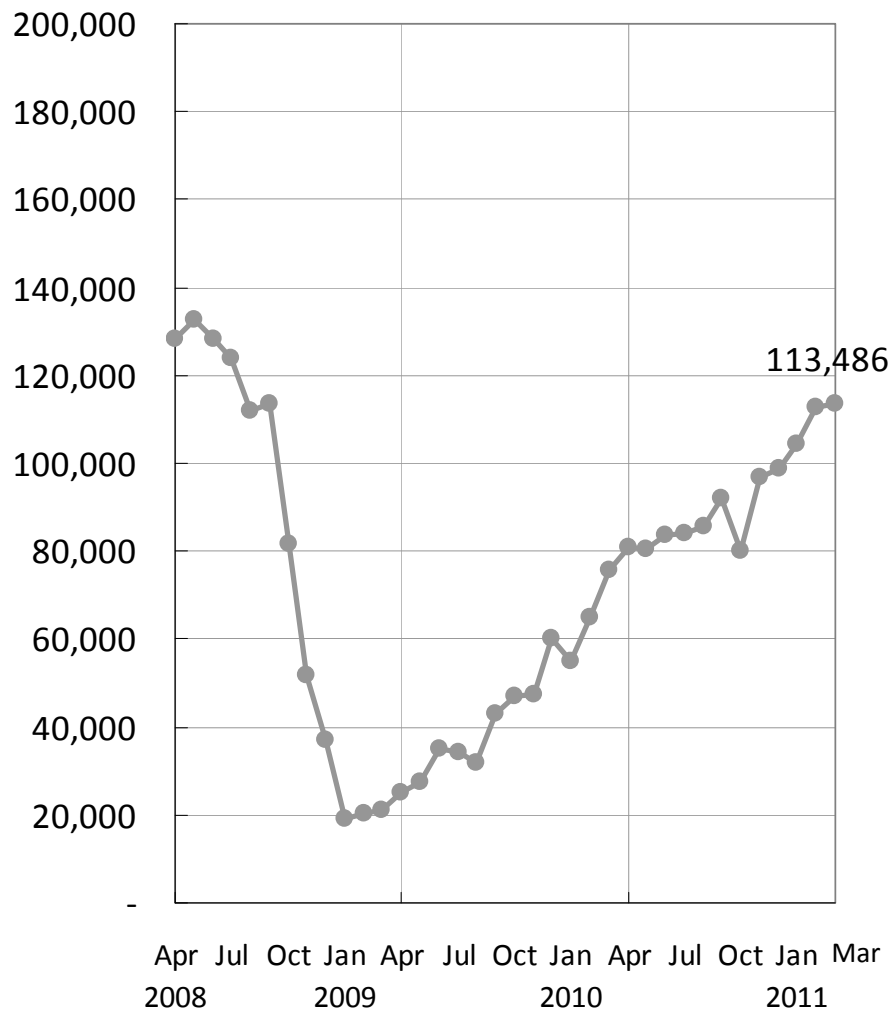
EUR=Europe, Russia, Africa, Middle east



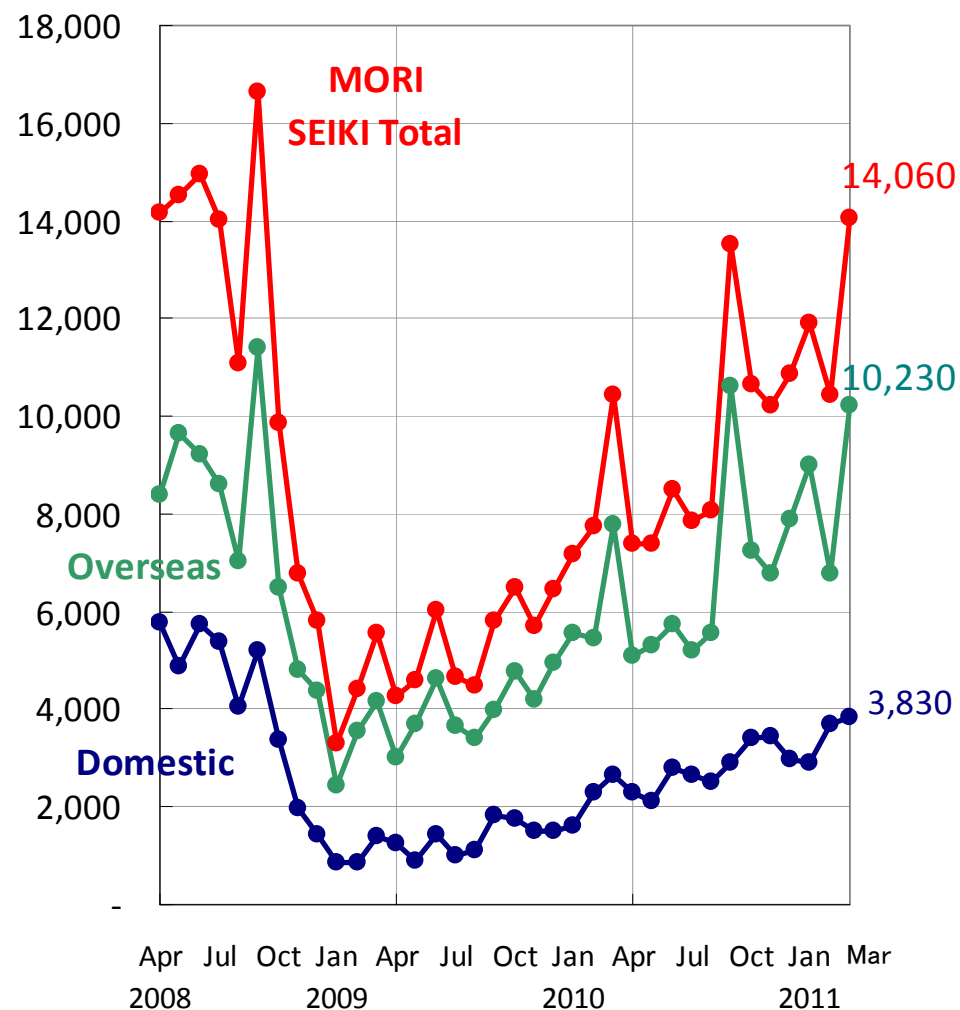
JMTBA / Mori Seiki Orders

(Million Yen)

JMTBA



Mori Seiki



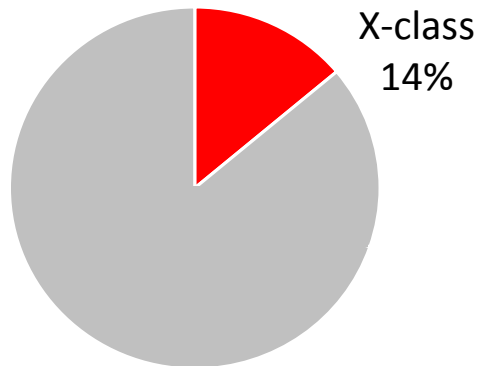


X-Class in Great Demand

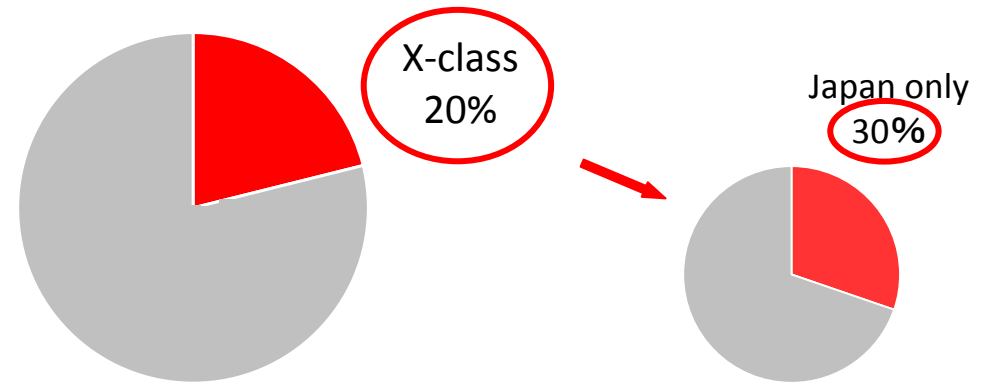


*Unit Base

Percentage of X class in
FY2010 3Q (Oct-Dec) order intake



Percentage of X class in
FY2010 4Q (Jan-Mar) order intake



CNC Lathes



NLX 2500/700

Vertical MC



NVX5000

Horizontal MC



NHX4000

Multi-Axis Turning



NTX2000



Exhibition (Innovation Days “X class & DMG Show”)

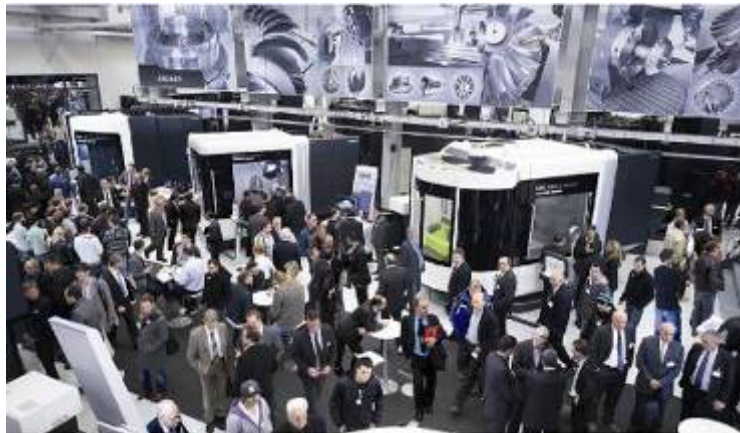
- Period : 2011/2/10 - 12
- Place : MORI SEIKI IGA Campus
- Exhibited Models : NLX2500MC/700, NVX5080/40, NHX4000, NTX1000/SZM, DMU 50, DMF 500 linear, ULTRASONIC 20 linear etc.
- Order Result : 91 units
- Visitors : ca. 2,271People





Exhibition (DMG Pfronten Open House)

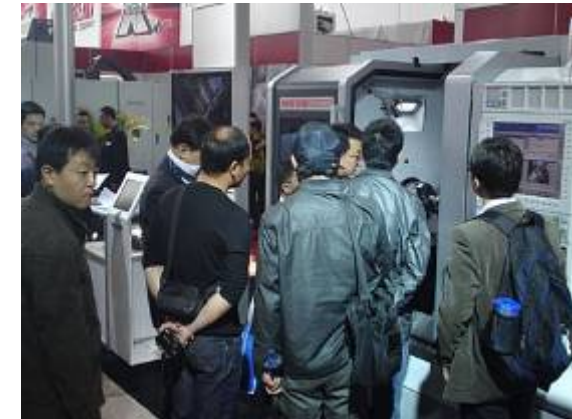
- Period : 2011/02/01-05
- Place : Deckel Maho Pfronten GmbH
- Exhibited Models : NHX4000, NVX5080, NLX2500MC/700, NZL2500Y/600 etc.
- Co-developed Models : CTX delta 4000TC, CTX alpha450TC
- Visitors : ca. 5,022 People





Exhibition (CIMT2011 Beijing Show)

- Period : 2011/04/11-16
- Place : China International Exhibition Center (New Venue)
- Exhibited models : NLX2500MC/700, NHX4000, NH6300 DCGII, DuraVertical 635 eco etc.
- Order Result : 53 Units
- Visitors : ca. 5,000





Exhibition Schedule

Date	Country	Place	Exhibition name
06/20-24	France	Paris	Paris Airshow 2011
06/28-07/01	China	Shanghai	EASTPO 2011
09/19-24	Germany	Hannover	EMO2011
10/17-20	Canada	Toronto	CMTS 2011
11/16-19	Thailand	Bangkok	METALEX2011

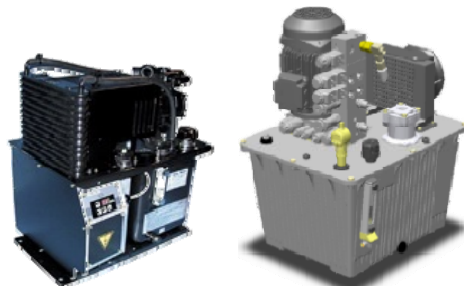


Alliance with DMG

Procurement

Standardization of components

- Fan cooler
- Hydraulic unit
- Chip conveyor
- Electrical parts
- Magnescale



R&D

OEM Production

- NTX1000
- NT6600DCG
- NHX4000
- DuraTurn
310eco
- DuraVertical
635eco



Sales & Service

Expansion of collaboration markets

2009/07/01

Indonesia, Thailand,
Turkey, Taiwan

2009/10/01

Japan

2009/11/01

Korea

2010/03/01

Australia

2010/04/01

USA, India

2010/07/01

South East Asia
(Singapore, Philippines,
Malaysia, Vietnam)

2011/01/01

South Africa

2011/04/01

Mexico



Stronger Capital Relation with DMG

Mori Seiki owns 20.1% of DMG shares
Aiming for a global sales alliance





JV in China with DMG and SMTCL under consideration

MORI SEIKI
THE MACHINE TOOL COMPANY



Name of Company : Shenyang Machine Tool (Group) Co., Ltd.

Establishment : 1995.12.1

Location of HQ : Shenyang City, Liaoning Province

DMG

MORI SEIKI
THE MACHINE TOOL COMPANY

Shenyang HQ Factory





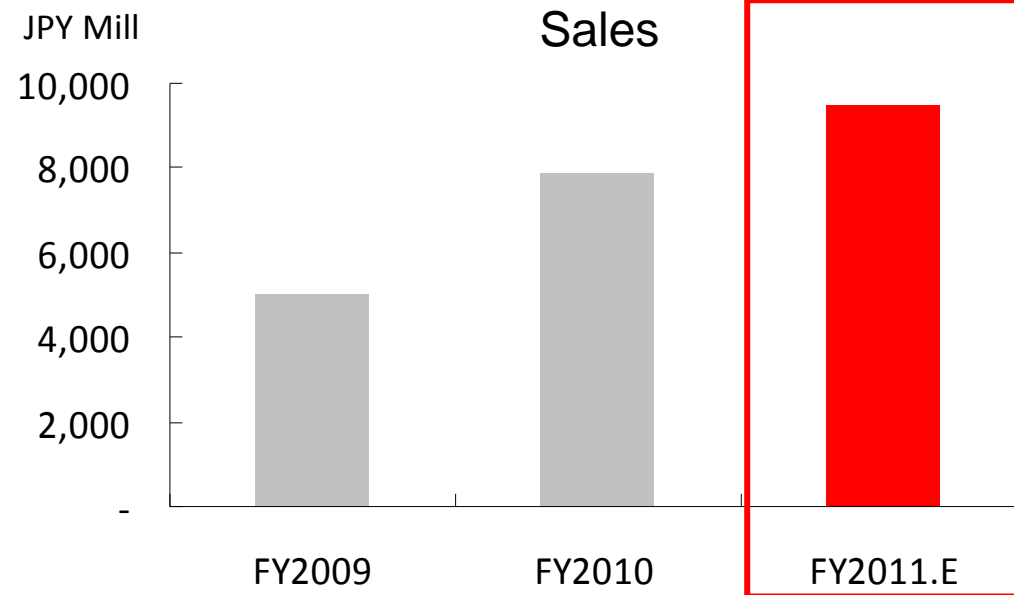
Magnescale

FY2010 Sales Result JPY 7.9 Bill

⇒ Both sales and OP were positive beyond expectation due to the good semi-conductor market and adoption to the Mori Seiki X-class machines as standard feature

FY2011 Sales Expectation JPY 9.5 Bill

SR87 (std on NHX and NTX)



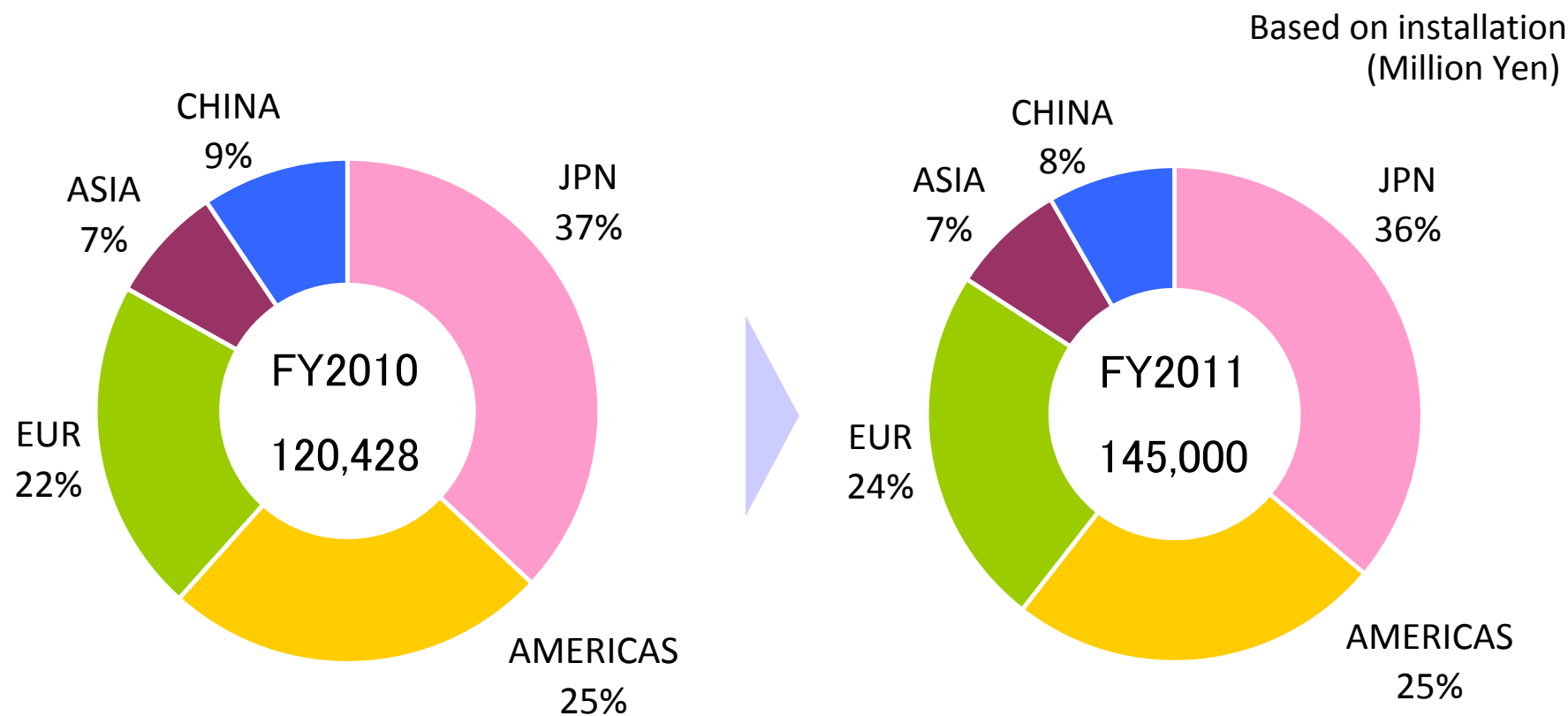


Expected Results of FY2011

(Million Yen)	FY2010	FY2011		
	Full Year	1st Half	2nd Half	Full Year
Net sales	120,428	69,000	76,000	145,000
Operating profit	320	3,000	5,000	8,000
Operating margin	0.3%	4.3%	6.6%	5.5%
Ordinary profit	566	2,500	4,500	7,000
Ordinary margin	0.5%	3.6%	5.9%	4.8%
Net profit	1,307	2,500	4,500	7,000
Exchange rate (1USD=)	85.7	83.0	83.0	83.0
Exchange rate (1EUR=)	113.1	115.0	115.0	115.0



Consolidated Sales Forecast – Region



*Americas=USA, Canada, Mexico, Argentina, Brazil

EUR=Europe, Russia, Africa, Middle east



The 3rd Medium Term Management Plan (FY11-13)
has been started!

GQ-C-SI 123

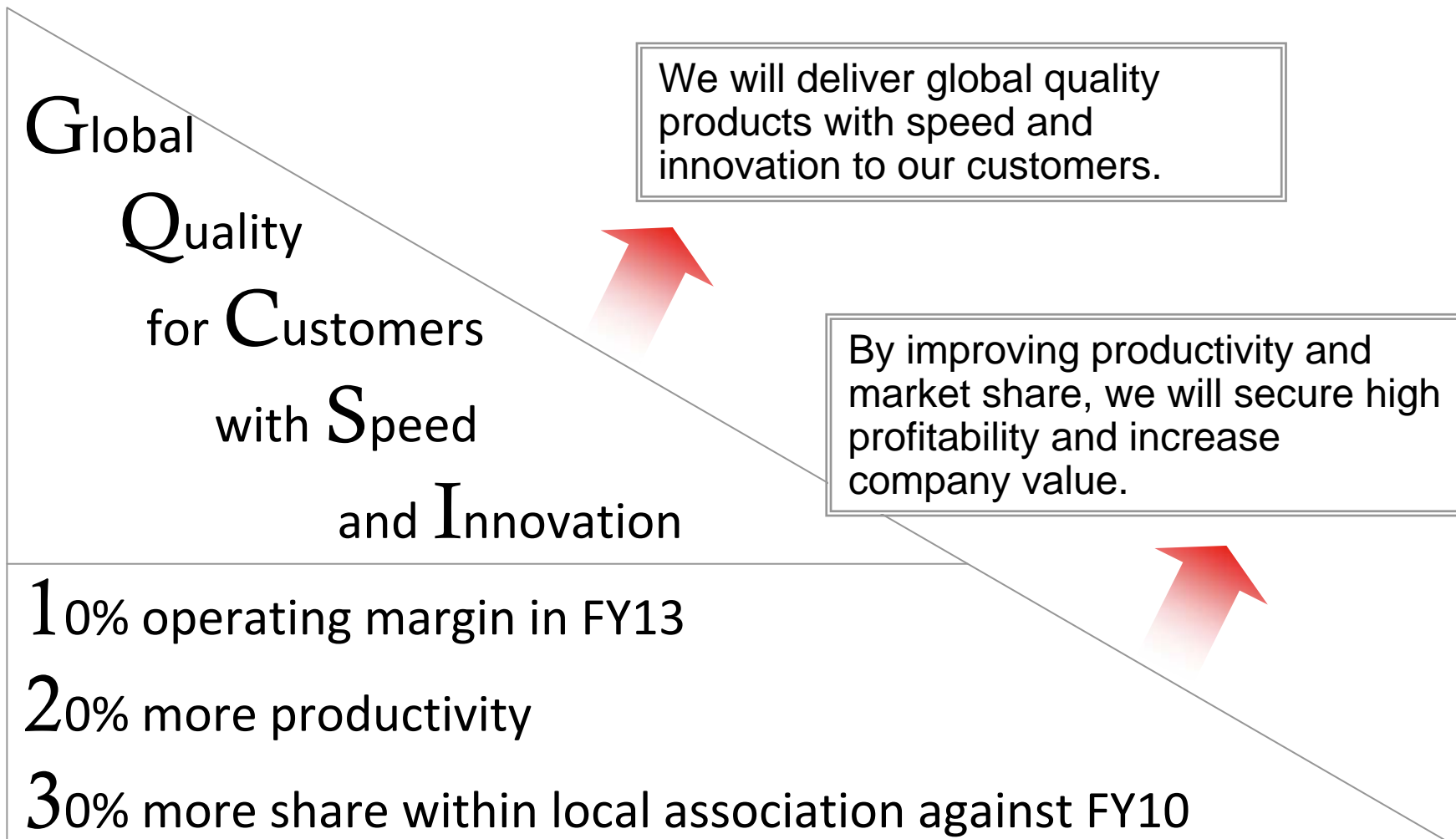
Global Quality for Customers with Speed and Innovation





Essence of The 3rd Medium Term Management Plan

“GQ-C-SI 123”





Essence of Historical Medium Term Plans

FY2005-2007 Mori-568Plan

[Global Market Expansion]

Mori-5: Global market share 5%

- Expansion of -Strategic/Large Account
-Overseas TC

Mori-6: Consolidated cost of sales ratio 60%

- Pursing technological competitiveness
through in-house production

Mori-8: Production 800 units/ m

- Investing in plant and equipments
- Increasing effectiveness by cell production
system

FY2008-2010 PQR555

[Management Quality Improvement]

P: People

- Improvement of TOEIC and skill points

Q: Quality

- Improvement of accuracy
and PPR utilization

R: Risk Management

- Strengthening export control and BCP

5: Share within JMTBA 15%

55: Consolidated cost of sales ratio 55%



Result of PQR555

5: Share within JMTBA 15%

Although the global target was not achieved, great progress were made in Americas and Europe.

55: Consolidated cost of sales ratio 55%

Targeted cost of sales ratio was not achieved, yet variable cost ratio and fixed cost amount have decreased.



People

Nurturing of global human resource, Interfusion of in company education

Quality

Less piece-to-piece variation, improvement of accuracy

Risk Management

Establishment of risk-resistant organization (export license control, BCP)



Vision of GQ-C-SI 123

Pioneer Company with Innovative Solution

Mori Seiki will establish a new value creation model in the machine tool industry, and become the pioneer company by providing innovative solution to the customer.

Peripherals



Machining Technology



Machine



Software



Maintenance & Education





Strategy of GQ-C-SI 123

Robust Factory and Sales Network

Maintain delivery and quality

Implementation of Toyota production method

Alliance with DMG

Expansion of sales & service collaboration

Strengthening of partnership in
development and production

Higher Level Quality

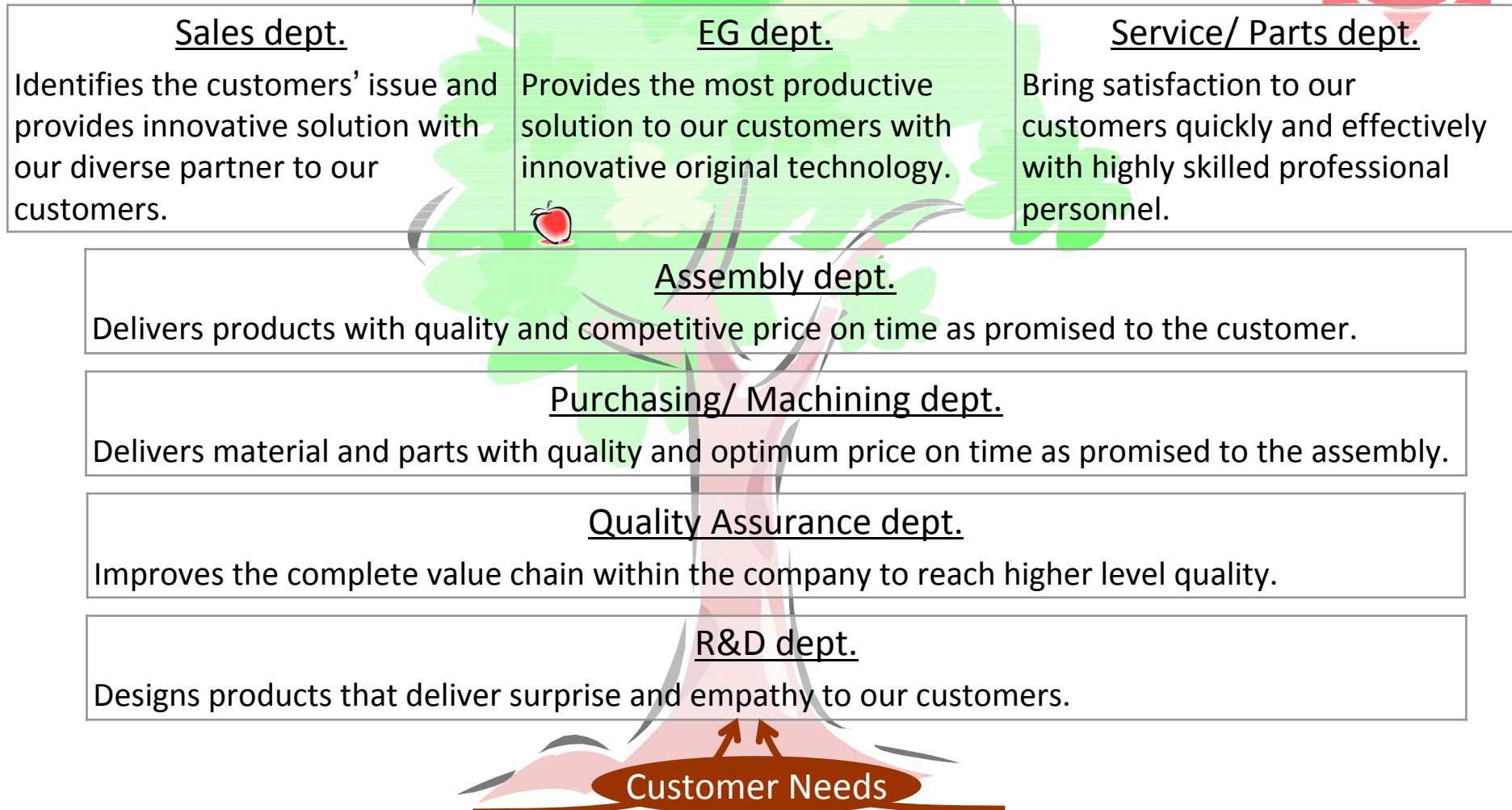
Quality of products
(accuracy, outer appearance)

Quality of operation
(etiquettes and ethics)



The Vision Tree

describes how the missions of each department works together to meet customers' satisfaction.





3 Elements of “Global Employee”



Innovation

Communication

Business Ethics



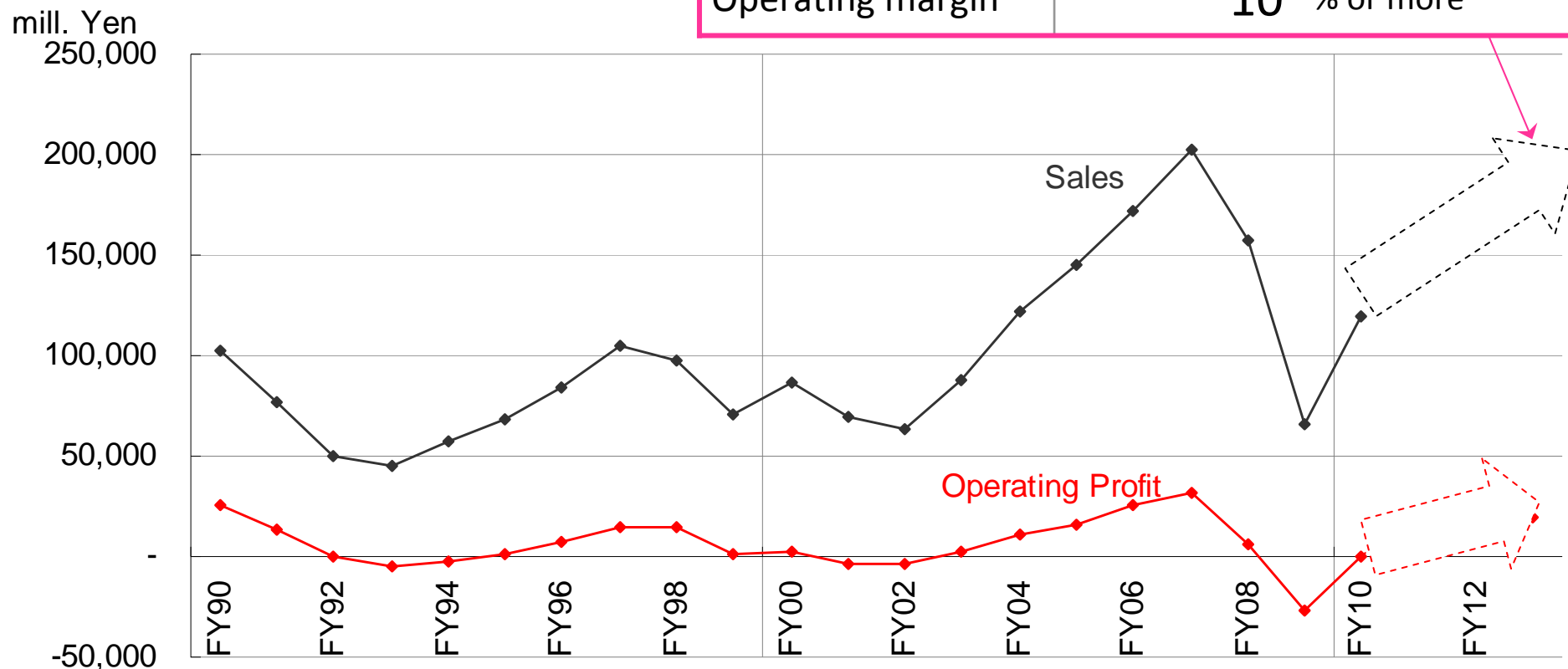
“Speedy Response”

- Diversity
 - Dynamics and action
 - Experiment and verification
 - Specialty
 - Knowledge and wisdom
 - Creative
 - Challenge spirit
 - Passion
-
- English
 - Manner
 - Teamwork
 - Cheerful workplaces
 - Leadership
-
- Responsibility and accountability for customer, local community and society
 - Safety
 - Global environment
 - Continuous strife
 - Quality



Targeted Sales and Operating Profit

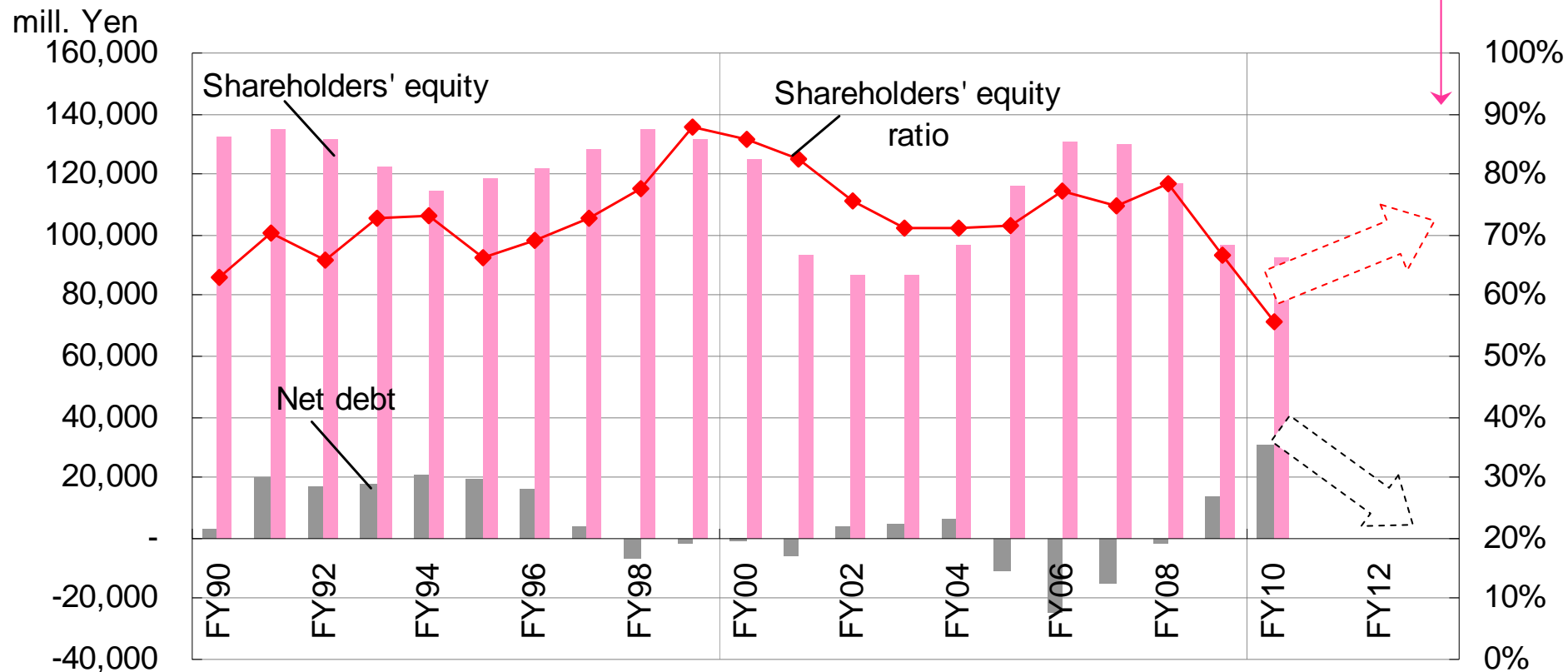
FY2013	
Sales	180,000 Mill Yen or more
Operating margin	10 % or more





Stronger Balance Sheet

FY2013	
Shareholders' equity ratio	70 % or more





Plan of Facility Investment

Total Amount in next 3 years: **20** Bill Yen (Based on acceptance)

New Machining Hall in Iga	5.0	Bill Yen
North America Factory	5.0	Bill Yen
Magnescale	3.5	Bill Yen
IT related	3.0	Bill Yen
China Solution Centers (Shanghai, Beijing, Tianjin, Guangzhou)	0.5	Bill Yen



Development Plan

- Expansion and completion of X class



- Common platform with DMG (NTX, NHX Series)



Technology refinement to deliver additional value to our customers

New X-class models in FY2011

NLX1500, NLX2000,

NLX2500, NLX3000

NVX5080, NHX5500,

NHX6300,

NTX2000,

Gear cutting, hobbing,
hard turning, long boring bar,
additional axis,
grinding technology etc.



Appendix

(Million Yen)	FY2009	FY2010		FY2011 Forecast	
			(Y/Y)		(Y/Y)
Net sales	66,402	120,428	81.4%	145,000	20.4%
Japan domestic	19,085	44,531	133.3%	52,200	17.2%
Overseas	47,317	75,895	60.4%	92,800	22.3%
Americas	17,398	29,695	70.7%	35,700	20.2%
Europe	20,577	25,912	25.9%	34,200	32.0%
Asia(Incl. China)	9,341	20,288	117.2%	22,900	12.9%
Operating profit	-26,933	320	-	8,000	2400.0%
Ordinary profit	-26,599	566	-	7,000	1136.7%
Net profit	-34,693	1,307	-	7,000	435.6%
Exchange rate (1USD=)	¥92.8	¥85.7	-	¥83.0	-
Exchange rate (1EUR=)	¥131.2	¥113.1	-	¥115.0	-
CAPEX	6,800	4,600	-32.4%	7,000	52.2%
Depreciation	7,286	6,635	-8.9%	7,000	5.5%
R&D	5,632	4,809	-14.6%	5,000	4.0%



Q&A: Analyst Meeting

Q: Borrowings have increased due to the investment to DMG. How do you plan your future financial position?

A: Now that the shareholding ratio has increased up to 20.1%, additional profit from DMG will be brought into Mori Seiki and will contribute to cash flow improvement. This will also help to pay back the borrowings. Our goal is to recover the shareholders' equity ratio up to over 70%.

Q: The planned results of the year is OP 8 Bil JPY against Sales 145 Bil JPY. Could more profit be expected?

A: Compared to FY10, FY11 contains positive effects such as increased proportion of X-class in product mix and cost deduction; while there are also negative points such as increase in personnel cost or raw material cost.

Q: Do you estimate any negative impact to be caused by the earthquake (order / purchasing)?

A: There is a slight concern that the production volume of the automotive manufactures remain unclear, since they stand first in our customer proportion.

Purchasing shall not be a problem.

Q: The alliance with DMG seems to be making only a minimum contribution to the earnings.

A: In sales & service, there are stable synergy effects. Common purchasing is progressing as planned. Production and product design shall be the next in bringing out effects.



Q&A: Analyst Meeting

Q: What is the reason of establishing a joint venture with Shenyang and DMG?
30 taper machining center is in a tough competition field.

A: Our aim is to understand the business situation and structure in China and expand market share with differentiated technologies and specifications.

Some automobile customers are using 30 taper machining centers. The demand in China for these type of machines shall grow.

Q: How do you analyze the future Chinese market?

A: In the next 2-3 years, there shall be a variety of builders competing in the Chinese market. In longer term, the number of machine tool manufactures in China is expected to decrease.

Q: What is your current sensitivity towards exchange rate fluctuation?

A: In FY11 the sensitivity for 1 JPY fluctuation is as follows: USD Sales: 0.4 Bill JPY, EUR Sales 0.3 Bill JPY

(Answered by: President Dr. Masahiko Mori, Vice President Mr. Tatsuo Kondo)



MORI SEIKI

THE MACHINE TOOL COMPANY