

**Summary of Consolidated Financial and Business Results of the Second Quarter  
for the Fiscal Year 2008 (to March 31, 2009)**

(All financial information has been prepared based on the original Japanese-language document, Summary of Consolidated Financial and Business Results of the Second Quarter announced on October 28, 2008)

October 28, 2008

**Company name** Mori Seiki Co., Ltd.

Code Number 6141 Tokyo and Osaka Stock Exchanges  
( URL <http://www.moriseiki.co.jp/> )

Representative Title President  
Name Masahiko Mori

Contact Title Managing Director  
Accounting / Finance HQ Executive Officer  
Name Morikuni Uchigasaki (TEL: 052-587-1811)

Note: All amounts less than one million are disregarded.

1. Consolidated business results for the Second Quarter of fiscal year 2008 (April 1, 2008 to September 30, 2008)

(1) Consolidated business results

(Percentage shows the change from the previous Second Quarter)

|                                 | Net sales   |      | Operating income |      | Ordinary income |      | Net income  |      |
|---------------------------------|-------------|------|------------------|------|-----------------|------|-------------|------|
|                                 | million yen | %    | million yen      | %    | million yen     | %    | million yen | %    |
| Second Quarter Fiscal Year 2008 | 93,704      | —    | 9,881            | —    | 8,759           | —    | 4,478       | —    |
| Second Quarter Fiscal Year 2007 | 96,884      | 23.5 | 14,052           | 40.1 | 13,012          | 29.6 | 7,232       | 57.7 |

|                                 | Net income per share<br>In this quarter |     | Diluted net income<br>per share |     |
|---------------------------------|-----------------------------------------|-----|---------------------------------|-----|
|                                 | yen                                     | yen | yen                             | yen |
| Second Quarter Fiscal Year 2008 | 47                                      | 95  | 47                              | 51  |
| Second Quarter Fiscal Year 2007 | 74                                      | 82  | 72                              | 41  |

(2) Consolidated financial position

|                                 | Total assets | Net assets  | Shareholders' equity ratio | Shareholders' equity per share |
|---------------------------------|--------------|-------------|----------------------------|--------------------------------|
|                                 | million yen  | million yen | %                          | yen                            |
| Second Quarter Fiscal Year 2008 | 167,288      | 130,913     | 77.1                       | 1,411.54                       |
| Fiscal Year 2007                | 174,270      | 131,761     | 74.7                       | 1,388.52                       |

(Reference) Equity capital Second Quarter Fiscal Year 2008 129,040million yen Fiscal Year 2007 130,214million yen

## 2. Situation of Dividend

| Dividend per share          |               |                |               |                     |      |
|-----------------------------|---------------|----------------|---------------|---------------------|------|
|                             | First Quarter | Second Quarter | Third Quarter | The end of the term | Year |
|                             | yen           | yen            | yen           | yen                 | yen  |
| Fiscal Year 2007            | -             | 25.0           | -             | 25.0                | 50.0 |
| Fiscal Year 2008            | -             | 20.0           | -             | -                   | -    |
| Fiscal Year 2008 (Forecast) | -             | -              | -             | 20.0                | 40.0 |

Note Amendment of Dividend for the second quarter of fiscal year 2008 Yes

## 3. Consolidated earnings forecast for Fiscal Year 2008 (April 1, 2008 to March 31, 2009)

(Percent change shows the change from the previous interim or full year.)

|           | Net sales |       | Operating income |       | Ordinary income |       | Net income |       | Net income per share |
|-----------|-----------|-------|------------------|-------|-----------------|-------|------------|-------|----------------------|
|           | million   | %     | million          | %     | million         | %     | million    | %     | yen                  |
| Full year | 170,000   | -15.9 | 7,000            | -77.6 | 4,500           | -84.3 | 2,500      | -84.4 | 26.77                |

Note: Amendment of Consolidated earnings forecast for the second quarter of fiscal year 2008 Yes

## 4. Other

(1) Changes of significant subsidiaries during the financial term (increasing/deletion in the scope of consolidation) None

Increase — (Name ) Decrease — (Name )

(2) Adoption of simplified accounting methods and peculiar accounting methods for making quarter accounting statements None

(3) Change of important accounting policies, procedures, and ways of display (description as the change of basis for preparing quarter consolidated financial statements)

① Changes along the revision of accounting standard, etc Yes

② Changes mentioned other than mentioned in ① Yes

Note: Please refer to page No.3 on "[Qualitative Information/Financial Statements, etc]"4. Notes for further details.

(4) Number of shares outstanding (Common Stocks)

|                                                                                   |                                        |                   |                                        |                   |
|-----------------------------------------------------------------------------------|----------------------------------------|-------------------|----------------------------------------|-------------------|
| ① Number of shares outstanding at the end of the year (Including treasury stocks) | The second quarter of Fiscal year 2008 | 96,475,312 shares | Fiscal year 2007                       | 96,475,312 shares |
| ② Treasury stocks at the end of the end of the year                               | The second quarter of Fiscal year 2008 | 5,057,151 shares  | Fiscal year 2007                       | 2,695,892 shares  |
| ③ Number of average shares (During quarter consolidated terms)                    | The second quarter of Fiscal year 2008 | 93,399,253 shares | The second quarter of Fiscal year 2007 | 96,577,628 shares |

### ※Proper use of the earnings forecasts and other notes

(1) The above forecasts are based on information available as of the release of this report and assumptions of several uncertain factors which may affect the company's results. Actual results might be different from the above estimates due to subsequent changes in the circumstances. Please refer to "Qualitative Information/Financial Statements, etc" 3 Qualitative information about consolidated earnings forecast on page No.3 for further information of the forecasts and assumptions.

(2) [Accounting standards regarding quarter financial statements](Administration of financial accounting standards Article 12 on 14th Mar., 2007) and [application guideline regarding quarter financial statements] (Administration of financial accounting standards application guideline Article 14 on 14th Mar., 2007) are applied from current consolidated fiscal year. Quarter Consolidated financial statements are made according to the regulation of quarter consolidate financial statements.

Qualitative Information/Financial Statements, etc.

1. Qualitative information about consolidated operating results

Currently, there are sudden fluctuations in exchange rates. Assuming that the exchange rates, one U.S. dollar is 90 yen and one Euro is 115 yen, will continue for the foreseeable future, and the actual result is translated at the average rates for the year, the consolidated sales and operating income for the first half of FY 2008 decrease by about 5.5 billion yen and 4.6 billion yen respectively.

|                                                                                | Sales       | Operating income | Ordinary income | Quarterly net income | Assumed exchange rates<br>(As of Oct. 27, 2008) |            |
|--------------------------------------------------------------------------------|-------------|------------------|-----------------|----------------------|-------------------------------------------------|------------|
|                                                                                | Million yen | Million yen      | Million yen     | Million yen          | 1 U.S. dollar                                   | 1 Euro     |
| Results for the 1st half of FY 2008                                            | 93,704      | 9,881            | 8,759           | 4,478                | 106.24 yen                                      | 162.10 yen |
| Translated at average rate for the year<br>Results for the 1st half of FY 2008 | 88,200      | 5,300            | 4,200           | 2,400                | 90 yen                                          | 115 yen    |
| Forecast for the 2nd half of FY 2008                                           | 81,800      | 1,700            | 300             | 100                  | 90 yen                                          | 115 yen    |
| Full-year forecast for FY 2008                                                 | 170,000     | 7,000            | 4,500           | 2,500                | —                                               | —          |

The following is the Mori Seiki Group's business environment by region for the period from April 1st to September 30, 2008 (hereinafter referred to as "the second quarter"):

The Americas: There was concern that investment in plant and equipment in the manufacturing industry would decrease due to the subprime mortgage problem. But we received favorable orders driven by strong demand from the aircraft, oil and medical equipment industries. Inquiries from the automobile industry are also increasing because of increased production of small cars and a shift to in-house production.

Europe: There was a strong demand from the aircraft industry. However, with the stricter examination of new loans by financial institutions, which is due to the subprime mortgage problem, we need to wait for a long time before receiving orders.

Asia: In addition to a decrease in demand in the die and mold industry, there was a reluctance to invest in plant and equipment caused by China's tight monetary policy. However the oil industry in Singapore and Indonesia as well as the mining and tool industries in Australia are showing steady growth, and we expect many orders will be placed from these industries.

Other emerging markets: We received favorable orders from the energy (e.g., oil and power generation) and construction machinery industries in Russia, and from the automobile industry in India and Turkey. In the future, demand from the US and Europe-based automobile companies, which are now required to produce high-precision parts, and from companies exporting industrial machines is expected to increase as they will continue to work on cost reduction.

Japan: Despite the decrease in demand from the automobile, general machinery, precision machinery, and die and mold industries, there was good orders from the aircraft and construction machinery sectors. In the future, we expect that demand will increase in the environment and energy sectors.

Under these rapidly changing market conditions, the Mori Seiki Group is committed to developing and improving large machines to respond to a strong demand for large, high-productivity machines from the aircraft, oil, energy and construction machinery industries. As part of these efforts, we have developed the NT6600 DCG high-precision, high-efficiency integrated mill turn center for long/large-diameter workpieces and the MV-1003L vertical machining center. We also completely redesigned the medium and large horizontal machining centers of the NH6300 DCG II and NH8000 DCG II and started to accept orders. As for our business activity, we established a subsidiary in Canada, where demand for machine tools has been growing. We will continue to expand our business to regions with strong demand, and conduct active and effective sales activities based on our thorough analysis of the company size, industry and needs of customers.

Mori Seiki started its medium-term management plan, the PQR555, for the three-year period from FY 2008 to FY 2010. Under the PQR555, we are aiming to achieve 15% of share in the total amounts of machine tool orders reported by the Japan Machine Tool Builders' Association; attain an annual growth of 25% in BRICs; and achieve a consolidated cost of sales ratio of 55% and a selling, general and administrative expenses ratio of 25%, in order to further strengthen the profit structure. We also pursue high standards in "P" (People: human resource development), "Q" (Quality: quality improvement) and "R" (Risk Management) and establish a global management system with the aim of becoming "Global One."

Against this background, we recorded sales of 93,704 million yen and operating income of 9,881 million yen for the second quarter of the current consolidated fiscal year.

2. Qualitative information about consolidated financial status

At the end of the second quarter, total assets were 167,288 million yen, down 6,981 million yen from the end of the previous fiscal year. The main reasons for the decrease are that even though inventories have increased by 6,144 million yen and property, plant and equipment by 1,574 million yen, cash and cash equivalents decreased by 6,065 million yen, trade notes and accounts receivable by 7,595 million yen and investments in securities by 1,966 million yen.

Net assets were 130,913 million yen, and shareholders' equity ratio was 77.1%, up 2.4 percentage points from the end of the previous fiscal year.

(Cash flow situation)

For the second quarter, the balance of cash and cash equivalents was 11,795 million yen, down 6,121 million yen from the end of the previous fiscal year.

Net cash provided by operating activities was 2,728 million yen. The main positive factors are income before income taxes and minority interests of 8,522 million yen and a 7,596 million yen decrease in notes and accounts receivable, etc. The main negative factors are a 7,212 million yen increase in inventories, and income tax payments of 10,648 million yen, etc.

Net cash used in investing activities was 5,230 million yen. This is mainly due to purchases of property, plant and equipment of 3,629 million yen, and of other assets of 1,313 million yen.

Net cash used in financing activities was 3,771 million yen. This resulted mainly from an increase in short-term loans of 1,802 million yen, dividend payments of 2,336 million yen and purchase of treasury stock worth 3,280 million yen.

### 3. Qualitative information about consolidated earnings forecast

Affected by the current global economic downturn resulting from the US financial crisis, demand for investment in plant and equipment is declining sharply. The Group has been promoting diversification in markets, customers' industries and company sizes so that we are not influenced by economic fluctuations. However, for the second half of FY 2008, we will reduce production according to our schedule and control our production, sales and inventory, taking the current demand trends into consideration. In accordance with this, we have reviewed consolidated sales to 170,000 million yen and consolidated operating income to 7,000 million yen for the full-year earnings forecast.

### 4. Other

(1) Important changes in subsidiary companies (changes in subsidiaries which could affect the size of the consolidated Group) during the term

There are no applicable matters.

(2) Adoption of simpler accounting practices and accounting practices peculiar to quarterly consolidated financial statements

There are no applicable matters.

(3) Changes in rules, procedures, ways of description, etc. for preparing quarterly consolidated financial statements

1. From the current fiscal year, we applied "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 14, 2007), and "Implementation Guidance for Accounting Standard for Quarterly Financial Statements" (ASBJ Guidance No. 14, March 14, 2007). Also, our quarterly consolidated financial statements were created in accordance with the "Rules for Quarterly Consolidated Financial Statements."

2. Previously, inventories (which were held for the ordinary purpose of marketing) at Mori Seiki Co., Ltd. and its domestic consolidated subsidiaries had been stated principally at cost determined by the gross average method, and those at the overseas consolidated subsidiaries had been stated principally at the lower of cost or market, cost being determined by the first-in, first-out method. However, since the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) was applied from the 1st quarter of FY 2008, the inventories were stated principally at cost determined by the gross average method (The value to be carried on the balance is calculated by the write-down of book value due to the decline in profitability).

This change has almost no effect on profit and loss.

3. From the 1st quarter, we applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006), and made modifications necessary for the consolidated settlement of accounts.

This change has almost no effect on profit and loss.

4. Previously, finance lease not accompanying the transfer of ownership had been accounted in the same manner as operating leases. However, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 (June 17, 1993 (The First Committee of Business Accounting Council), revised on March 30, 2007)) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 (January 18, 1994 (The Japan Institute of Certified Public Accountants), revised on March 30, 2007)) have become available for quarterly consolidated financial statements for fiscal years beginning on or after April 1, 2008. Therefore, these accounting standards were applied from the 1st quarter of FY2008, and the leases were accounted by the method for ordinary sales transactions. Depreciation related to leased property is calculated by the straight-line method over the respective lease terms assuming a nil residual value. Finance leases not accompanying the transfer of ownership, which became effective in or before March 2008, are accounted in the same manner as operating leases.

This change has almost no effect on profit and loss.

5. Consolidated financial statement

(1) The 2nd quarter consolidated balance sheets

(Amount : million yen)

| Bracket                               | At the end of the 2nd consolidated quarter<br>(September 30 ,2008) | At the end of the previous consolidated fiscal year<br>(March 31, 2008) |
|---------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------|
| (Assets)                              |                                                                    |                                                                         |
| I Current Assets                      |                                                                    |                                                                         |
| 1 Cash and deposit                    | 11,918                                                             | 17,984                                                                  |
| 2 Notes and accounts receivable       | 30,831                                                             | 38,427                                                                  |
| 3 Inventories                         | 16,977                                                             | 13,703                                                                  |
| 4 Goods in process                    | 8,740                                                              | 7,867                                                                   |
| 5 Raw material                        | 19,171                                                             | 17,172                                                                  |
| 6 Deferred income taxes               | 3,592                                                              | 3,280                                                                   |
| 7 Consumption tax receivable          | 577                                                                | 711                                                                     |
| 8 Other                               | 3,223                                                              | 2,953                                                                   |
| 9 Allowance for doubtful receivables  | (128)                                                              | (126)                                                                   |
| Total current assets                  | 94,905                                                             | 101,976                                                                 |
| II Fixed assets                       |                                                                    |                                                                         |
| 1 Tangible fixed assets               |                                                                    |                                                                         |
| (1) Buildings and structure           | 25,649                                                             | 25,448                                                                  |
| (2) Machinery ,equipment and vehicles | 8,573                                                              | 8,152                                                                   |
| (3) Land                              | 16,256                                                             | 15,165                                                                  |
| (4) Construction in progress          | 870                                                                | 1,131                                                                   |
| (5) Other                             | 4,032                                                              | 3,911                                                                   |
| Total property ,plant and equipment   | 55,383                                                             | 53,808                                                                  |
| 2 Intangible fixed assets             |                                                                    |                                                                         |
| (1) Goodwill                          | 1,084                                                              | 1,012                                                                   |
| (2) Other                             | 4,212                                                              | 3,427                                                                   |
| Total Intangible fixed assets         | 5,297                                                              | 4,439                                                                   |
| 3 Investments and other assets        |                                                                    |                                                                         |
| (1) Investment in securities          | 9,574                                                              | 11,541                                                                  |
| (2) Long-term prepaid expenses        | 389                                                                | 401                                                                     |
| (3) Deferred income taxes             | 664                                                                | 1,115                                                                   |
| (4) Other                             | 1,073                                                              | 987                                                                     |
| Total investments and other assets    | 11,702                                                             | 14,045                                                                  |
| Total fixed assets                    | 72,383                                                             | 72,294                                                                  |
| Total assets                          | 167,288                                                            | 174,270                                                                 |

|                                                                 | At the end of the 2nd consolidated<br>quarter<br>(September 30 ,2008) | At the end of the previous consolidated<br>fiscal year<br>(March 31, 2008) |
|-----------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------|
| (Liabilities)                                                   |                                                                       |                                                                            |
| I Current liabilities                                           |                                                                       |                                                                            |
| 1 Accounts payable                                              | 10,446                                                                | 11,517                                                                     |
| 2 Short-term loans                                              | 2,498                                                                 | 696                                                                        |
| 3 Accrued payments                                              | 6,091                                                                 | 6,962                                                                      |
| 4 Accrued expenses                                              | 1,697                                                                 | 637                                                                        |
| 5 Advances received                                             | 1,909                                                                 | 1,637                                                                      |
| 6 Accrued income taxes                                          | 5,043                                                                 | 11,623                                                                     |
| 7 Accrued consumption tax                                       | 10                                                                    | 42                                                                         |
| 8 Deferred income taxes                                         | 122                                                                   | 79                                                                         |
| 9 Allowance for product warranties                              | 2,013                                                                 | 1,555                                                                      |
| 10 Allowance for bonuses to directors<br>and corporate auditors | 96                                                                    | 163                                                                        |
| 11 other                                                        | 750                                                                   | 2,237                                                                      |
| Total current liabilities                                       | 30,679                                                                | 37,151                                                                     |
| II Fixed liabilities                                            |                                                                       |                                                                            |
| 1 Convertible bonds with stock<br>acquisition rights            | 2,583                                                                 | 2,583                                                                      |
| 2 Deferred income taxes                                         | 659                                                                   | 643                                                                        |
| 3 Deferred income taxes on for land<br>revaluation reserve      | 1,699                                                                 | 1,699                                                                      |
| 4 Employee retirement benefit reserve                           | 739                                                                   | —                                                                          |
| 5 Long-term accrued payment                                     | 14                                                                    | 431                                                                        |
| Total fixed liabilities                                         | 5,695                                                                 | 5,357                                                                      |
| Total liabilities                                               | 36,375                                                                | 42,508                                                                     |
| (Net worth)                                                     |                                                                       |                                                                            |
| I Shareholder's equity                                          |                                                                       |                                                                            |
| 1 Capital                                                       | 32,698                                                                | 32,698                                                                     |
| 2 Capital surplus                                               | 45,429                                                                | 45,429                                                                     |
| 3 Retained earnings                                             | 58,700                                                                | 56,750                                                                     |
| 4 Treasury stock                                                | (7,937)                                                               | (4,768)                                                                    |
| Total shareholder's equity                                      | 128,891                                                               | 130,109                                                                    |
| II Valuation and translation adjustments                        |                                                                       |                                                                            |
| 1 Net unrealized holding gain on<br>securities                  | 1,358                                                                 | 1,570                                                                      |
| 2 Net unrealized loss on hedging                                | (106)                                                                 | (1,026)                                                                    |
| 3 Land revaluation reserve                                      | 1,545                                                                 | 1,545                                                                      |
| 4 Translation adjustments                                       | (2,647)                                                               | (1,984)                                                                    |
| Total adjustment gains and losses                               | 148                                                                   | 104                                                                        |
| III Stock acquisition rights                                    | 576                                                                   | 369                                                                        |
| IV Minority interests                                           | 1,296                                                                 | 1,177                                                                      |
| Total net assets                                                | 130,913                                                               | 131,761                                                                    |
| Total liabilities and net assets                                | 167,288                                                               | 174,270                                                                    |

(2) The 2nd quarter consolidated statement of income  
 【The 2nd consolidated quarter total】

(Amount : million yen)

|                                                               | The 2nd consolidated quarter total<br>(April 1, 2008 to September 30, 2008) |
|---------------------------------------------------------------|-----------------------------------------------------------------------------|
| I Net sales                                                   | 93,704                                                                      |
| II Cost of sales                                              | 54,536                                                                      |
| Gross profit                                                  | 39,167                                                                      |
| III Selling, general and administrative expenses              | 29,285                                                                      |
| Operating income                                              | 9,881                                                                       |
| IV Non operating income                                       |                                                                             |
| 1 Interest income                                             | 83                                                                          |
| 2 Dividend income                                             | 130                                                                         |
| 3 Equity method income                                        | 9                                                                           |
| 4 Other                                                       | 182                                                                         |
| Total of Non operating income                                 | 405                                                                         |
| V Non-operating expenses                                      |                                                                             |
| 1 Interest expense                                            | 53                                                                          |
| 2 Exchange loss                                               | 1,078                                                                       |
| 3 Fees and commissions                                        | 70                                                                          |
| 4 Other                                                       | 326                                                                         |
| Total of Non operating expenses                               | 1,528                                                                       |
| Ordinary income                                               | 8,759                                                                       |
| VI Extraordinary gain                                         |                                                                             |
| 1 Gain on sale of fixed assets                                | 11                                                                          |
| 2 Reversal of allowance for doubtful receivables              | 16                                                                          |
| Total of Extraordinary income                                 | 27                                                                          |
| VII Extraordinary loss                                        |                                                                             |
| 1 Loss on sale of fixed assets                                | 1                                                                           |
| 2 Loss on disposal of fixed assets                            | 69                                                                          |
| 3 Impairment loss                                             | 14                                                                          |
| 4 Loss on devaluation of investments in securities            | 175                                                                         |
| 5 Loss on devaluation of other investments                    | 2                                                                           |
| Total of Extraordinary loss                                   | 264                                                                         |
| Income before income taxes and minority interests             | 8,522                                                                       |
| Income taxes                                                  | 4,151                                                                       |
| Deferred                                                      | (257)                                                                       |
| Total of Income taxes                                         | 3,893                                                                       |
| Minority interests in net income of consolidated subsidiaries | 150                                                                         |
| Net income                                                    | 4,478                                                                       |

## (3) The 2nd quarter consolidated statement of Cash flows

(Amount : million yen)

|                                                                       | The 2nd consolidated quarter total<br>(April 1, 2008 to September 30, 2008) |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Operating activities                                                  |                                                                             |
| Income before income taxes and minority interests                     | 8,522                                                                       |
| Depreciation and amortization                                         | 3,290                                                                       |
| Loss on sale of fixed assets                                          | (9)                                                                         |
| Loss on disposal of fixed assets                                      | 69                                                                          |
| Impairment loss                                                       | 14                                                                          |
| Gain on sale of investments in securities                             | 175                                                                         |
| Amortization of goodwill                                              | 214                                                                         |
| Stock-based compensation                                              | 207                                                                         |
| Profit on equity method                                               | (9)                                                                         |
| Loss on revaluation of other investments                              | 2                                                                           |
| Increase in allowance for bonuses to directors and corporate auditors | 96                                                                          |
| Increase in allowance for doubtful receivables                        | (16)                                                                        |
| Increase in allowance for employee retirement benefit                 | 623                                                                         |
| Increase in allowance of products warranties                          | 459                                                                         |
| Interest and dividend income                                          | (213)                                                                       |
| Interest expense                                                      | 53                                                                          |
| Unrealized exchange gain                                              | 968                                                                         |
| Increase in accounts receivable                                       | 7,596                                                                       |
| Increase (decrease) in inventories                                    | (7,212)                                                                     |
| Increase in accounts payable                                          | (1,280)                                                                     |
| Increase (decrease) in accrued consumption tax                        | 133                                                                         |
| Increase (decrease) in accrued consumption tax                        | (33)                                                                        |
| Increase (decrease) in other accrued payments                         | (995)                                                                       |
| Bonuses to directors and statutory auditors                           | (163)                                                                       |
| Other                                                                 | 710                                                                         |
| Sub-total                                                             | 13,205                                                                      |
| Interest and dividend income received                                 | 223                                                                         |
| Interest paid                                                         | (51)                                                                        |
| Income taxes paid                                                     | (10,648)                                                                    |
| Net cash provided by operating activities                             | 2,728                                                                       |
| Investing activities                                                  |                                                                             |
| Increase in long-term deposit                                         | (56)                                                                        |
| Increase in investments in securities                                 | (50)                                                                        |
| Increase in investments in subsidiaries and affiliates                | (140)                                                                       |
| Sale of property, tangible fixed assets                               | 54                                                                          |
| Expenditure from acquisition, tangible fixed assets                   | (3,629)                                                                     |
| Expenditure from acquisition, intangible fixed assets                 | (1,313)                                                                     |
| Other                                                                 | (95)                                                                        |
| Net cash used in investing activities                                 | (5,230)                                                                     |
| Financing activities                                                  |                                                                             |
| Increase (decrease) in short-term debt                                | 1,802                                                                       |
| Proceeds from disposal of Treasury stock                              | 71                                                                          |
| Purchase of Treasury stock                                            | (3,280)                                                                     |
| Cash Dividend                                                         | (2,336)                                                                     |
| Cash dividend for minority shareholders                               | (21)                                                                        |
| Other                                                                 | (6)                                                                         |
| Net cash used in financing activities                                 | (3,771)                                                                     |
| Effect of exchange rate changes on cash and cash equivalent           | (208)                                                                       |
| Increase (decrease) in cash and cash equivalent                       | (6,482)                                                                     |
| Cash and cash equivalents at the beginning of year                    | 17,916                                                                      |
| Increase in cash and cash equivalent with elimination                 | 361                                                                         |
| Cash and cash equivalent at the end of the second quarter             | 11,795                                                                      |



Effective the current fiscal year, the Company has adopted Accounting Standard for Quarterly Financial Report (ASBJ statement No.12 on 14th March, 2007) and Implementation Guidance for Accounting Standard for Quarterly Financial Statements" (ASBJ Guidance No. 14, on March 14, 2007). The quarterly consolidated financial statements are prepared on "Rules for Quarterly Consolidated Financial Statements."

(4) Important changes in subsidiary companies during the term.  
Nothing is suitable for the requirements.

(5) Segment Information

a. Business segment information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of computerized numerically-controlled lathes, vertical-type and horizontal-type machining centers, multi-axis machines and grinding machines produced in a wide variety of models to meet their customers' diverse needs.

As the Company and its consolidated subsidiaries manufacture and sell the same types and series of machine tools which use similar manufacturing methods and are sold in the same markets, the disclosure of business segment information for the first and second quarter from 1st April to 30th September 2008.

b. Geometrical Segment Information

The geographical segment information of the Company and its consolidated subsidiaries for the first and second quarter from April 1, 2008 to September 30, 2008 is outlined as follows:

(Millions of Yen)

|                            | Japan  | The Americas | Europe | Asia and Oceania | Total   | Eliminations | Consolidated |
|----------------------------|--------|--------------|--------|------------------|---------|--------------|--------------|
| Sales and operating income |        |              |        |                  |         |              |              |
| 1. Sales to third parties  | 44,666 | 16,902       | 30,129 | 2,005            | 93,704  | —            | 93,704       |
| 2. Inter-group sales       | 41,308 | 570          | 990    | 695              | 43,564  | (43,564)     | —            |
| Net Sales                  | 85,975 | 17,472       | 31,119 | 2,701            | 137,268 | (43,564)     | 93,704       |
| Operating income           | 10,577 | -153         | 959    | (343)            | 11,039  | (1,157)      | 9,881        |

c. Overseas sales

The second accumulated fiscal quarter (From April 1, 2008 to September 30, 2008)

|                                                       | The Americas | Europe | Asia and Oceania | Total  |
|-------------------------------------------------------|--------------|--------|------------------|--------|
| I Overseas sales (Millions of Yen)                    | 19,301       | 30,195 | 11,862           | 61,359 |
| II Consolidated net sales (Millions of Yen)           | —            | —      | —                | 93,704 |
| III Ratio of overseas sales to consolidated net sales | 20.6         | 32.2   | 12.7             | 65.5   |

(6) Note regarding remarkable fluctuation of owner's capital

In the end of the second quarter of the fiscal year, treasury stock is 7,937 million yen, increase 3,168 million yen from the end of the last fiscal year.

The major reason of this increase was recording purchase of treasury stock of 3,276 million yen from 13th August to 26th September, 2008, with market purchase based on the resolution in the board meeting on 18th June, 2008.

Reference Data  
Financial statements concerning the previous 2nd quarter  
(1) Semi annual consolidated statement of income

| Subject                                               | The previous 2nd consolidated quarter total<br>(April 1, 2007 to September 30, 2007) |        |                |
|-------------------------------------------------------|--------------------------------------------------------------------------------------|--------|----------------|
|                                                       | Amount (million)                                                                     |        | percentage (%) |
| I Net sales                                           |                                                                                      | 96,884 | 100.0          |
| II Cost of goods sold                                 |                                                                                      | 55,471 | 57.3           |
| Gross margin                                          |                                                                                      | 41,412 | 42.7           |
| III Selling, general and administrative expenses      |                                                                                      | 27,359 | 28.2           |
| Operating profit                                      |                                                                                      | 14,052 | 14.5           |
| IV Non operating profit                               |                                                                                      |        |                |
| 1. Interest income                                    | 84                                                                                   |        |                |
| 2. Dividend income                                    | 148                                                                                  |        |                |
| 3. Equity method income                               | 33                                                                                   |        |                |
| 4. Other                                              | 179                                                                                  | 446    | 0.4            |
| V Non operating expenditure                           |                                                                                      |        |                |
| 1. Interest expense                                   | 21                                                                                   |        |                |
| 2. Exchange loss                                      | 1,330                                                                                |        |                |
| 3. Fees and commissions                               | 47                                                                                   |        |                |
| 4. Other                                              | 87                                                                                   | 1,486  | 1.5            |
| Ordinary profit                                       |                                                                                      | 13,012 | 13.4           |
| VI Extraordinary gain                                 |                                                                                      |        |                |
| 1 Gain from sale of fixed assets                      | 47                                                                                   |        |                |
| 2 Reversal of allowance for doubtful account          | 35                                                                                   | 82     | 0.1            |
| VII Extraordinary loss                                |                                                                                      |        |                |
| 1. Loss from sale of fixed assets                     | 220                                                                                  |        |                |
| 2. Loss on disposal of fixed assets                   | 269                                                                                  |        |                |
| 3. Loss from revaluation of investments in securities | 73                                                                                   | 563    | 0.6            |
| Income before income taxes                            |                                                                                      | 12,531 | 12.9           |
| Income taxes                                          | 5,834                                                                                |        |                |
| Deferred                                              | (625)                                                                                | 5,209  | 5.3            |
| Minority interests in net income                      |                                                                                      | 89     | 0.1            |
| Net profit (Semi annual)                              |                                                                                      | 7,232  | 7.5            |

(2)The previous 2nd quarter consolidated statement of cash flows

(Amount : million yen)

The previous 2nd consolidated quarter total  
(April 1 2007 to September 30 2007)

|                                                                         |         |
|-------------------------------------------------------------------------|---------|
| I Operating activities                                                  |         |
| 1 Income before income taxes and minority interests                     | 12,531  |
| 2 Depreciation and amortization                                         | 2,944   |
| 3 Loss on sale of retirement of fixed assets                            | 269     |
| 4 Loss from sale of fixed assets                                        | 220     |
| 5 Gain from sale of fixed assets                                        | (47)    |
| 6 Loss on revaluation of securities                                     | 73      |
| 7 Increase in allowance for bonuses to directors and corporate auditors | 100     |
| 8 Bond redemption expense                                               | 13      |
| 9 Amortization of goodwill                                              | 408     |
| 10 Equity method income                                                 | (33)    |
| 11 Decrease in allowance for employee retirement benefit                | (94)    |
| 12 Increase in allowance of product warranties                          | 284     |
| 13 Interest and dividend income                                         | (233)   |
| 14 Interest expense                                                     | 21      |
| 15 Unrealized exchange gain                                             | (358)   |
| 16 Increase in accounts receivable                                      | (2,408) |
| 17 Decrease (increase) in inventories                                   | (7,167) |
| 18 Increase in accounts payable                                         | 1,073   |
| 19 Bonuses to directors and corporate auditors                          | (158)   |
| 20 Other                                                                | 895     |
| Sub-total                                                               | 8,336   |
| 21 Interest and dividend income received                                | 232     |
| 22 Interest paid                                                        | (26)    |
| 23 Income tax paid                                                      | (4,325) |
| Net cash provided by operating activities                               | 4,216   |

(Amount : million yen)

|                                                                    | The previous 2nd consolidated quarter total<br>(April 1, 2007 to September 30, 2007) |
|--------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| II Investing activities                                            |                                                                                      |
| 1 Increase in investments in securities                            | (917)                                                                                |
| 2 Increase in stock of affiliated company                          | (441)                                                                                |
| 3 Proceeds from sale of property and equipment                     | 823                                                                                  |
| 4 Purchase of property and equipment                               | (4,331)                                                                              |
| 5 Purchase of Intangible assets                                    | (904)                                                                                |
| 6 Increase in short-term loan                                      | (81)                                                                                 |
| 7 Other                                                            | (317)                                                                                |
| Net cash provided by investing activities                          | (6,170)                                                                              |
| III Financing activities                                           |                                                                                      |
| 1 Proceeds from disposal of Treasury stock                         | 1,744                                                                                |
| 2 Purchase of Treasury stock                                       | (2,571)                                                                              |
| 3 Cash Dividend                                                    | (2,291)                                                                              |
| Net cash provided by financing activities                          | (3,119)                                                                              |
| IV Effect of exchange rate changes on cash and cash equivalents    | 73                                                                                   |
| V Increase (decrease) in cash and cash equivalents                 | (4,999)                                                                              |
| VI Cash and cash equivalents at beginning of the year              | 29,959                                                                               |
| VII Increase (decrease) in cash and cash equivalents with addition | 613                                                                                  |
| VIII decrease in cash and cash equivalents with elimination        | (2)                                                                                  |
| IX Cash and cash equivalents at end of 1st quarter                 | 25,570                                                                               |

(3) Segment information

By business

Previous consolidated Second Quarter (April 1, 2007 to September 30, 2007)

As the Company and its consolidated subsidiaries manufacture and sell the same kinds and same series of machine tools which are similar in terms of the type and nature of the products, the manufacturing methods and sales markets, the disclosure of business segment information has been omitted.

By geographic region

Previous consolidated Second Quarter (April 1, 2007 to September 30, 2007)

|                            | Japan<br>(million yen) | Americas<br>(million yen) | Europe<br>(million yen) | Asia and<br>Oceania<br>(million yen) | Total<br>(million yen) | Eliminations<br>(million yen) | Consolidated<br>(million yen) |
|----------------------------|------------------------|---------------------------|-------------------------|--------------------------------------|------------------------|-------------------------------|-------------------------------|
| Sales and operating income |                        |                           |                         |                                      |                        |                               |                               |
| (1) Sales to third parties | 47,876                 | 18,712                    | 28,238                  | 2,056                                | 96,884                 | —                             | 96,884                        |
| (2) Intra-group sales      | 40,102                 | 321                       | 522                     | 672                                  | 41,618                 | (41,618)                      | —                             |
| Total sales                | 87,978                 | 19,034                    | 28,760                  | 2,729                                | 138,502                | (41,618)                      | 96,884                        |
| Operating expenses         | 13,874                 | 273                       | 853                     | 8                                    | 15,008                 | (956)                         | 14,052                        |

Overseas sales

Previous consolidated Second Quarter (April 1, 2007 to September 30, 2007)

|                                                                    | Americas | Europe | Asia and<br>Oceania | Total  |
|--------------------------------------------------------------------|----------|--------|---------------------|--------|
| I Overseas sales (million yen )                                    | 20,302   | 27,717 | 12,148              | 60,169 |
| II Consolidated Sales (million yen )                               | —        | —      | —                   | 96,884 |
| III Overseas sales as a percentage of total consolidated sales (%) | 21.0     | 28.6   | 12.5                | 62.1   |