



MORI SEIKI

THE MACHINE TOOL COMPANY

Road to “Global One”

Mori - 568PLAN

2005.4 ~ 2008.3

April 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 judgment 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.



Mori-568PLAN Concepts

**Stop depending on the
business environment**

- **Market analysis**
- **Analysis of internal environment**
- **Moving towards aggressive
business style**



Mori-568PLAN

Targets for March 2008

Mori-5: Attain a 5% share of the world market

Mori-6: Consolidated cost of sales ratio of 60%

Mori-8: Establish a system that produces a minimum of 800 machines per month



- ① **Mori Seiki Mission Statement**
- ② **Vision of Mori-568PLAN**
- ③ **Market Analysis**
- ④ **Analysis of Internal Environment**
- ⑤ **Goals of Mori-568PLAN**
- ⑥ **Strategies and Action Plans**



① Mori Seiki Mission Statement



- **As a global corporation continually striving to be the world's largest and most respected international manufacturer of lathes, machining centers, multi-axis turning centers and grinders.**
- **We will enable our customers to maximize their advantages and excel in their respective markets by continually striving to provide innovative, accurate, and trouble-free machines at competitive prices**
- **We will increase our customers' productivity and efficiency through our latest developments in technology as manifested by our increasingly accurate and progressive manufacturing capabilities.**
- **We will support our customers with our knowledgeable and responsive sales, applications, and service personnel.**



② Vision of Mori-568PLAN



- **The top ten companies in industry become our customers and we achieve Number 1 in the world's machine tool business (Global One)**

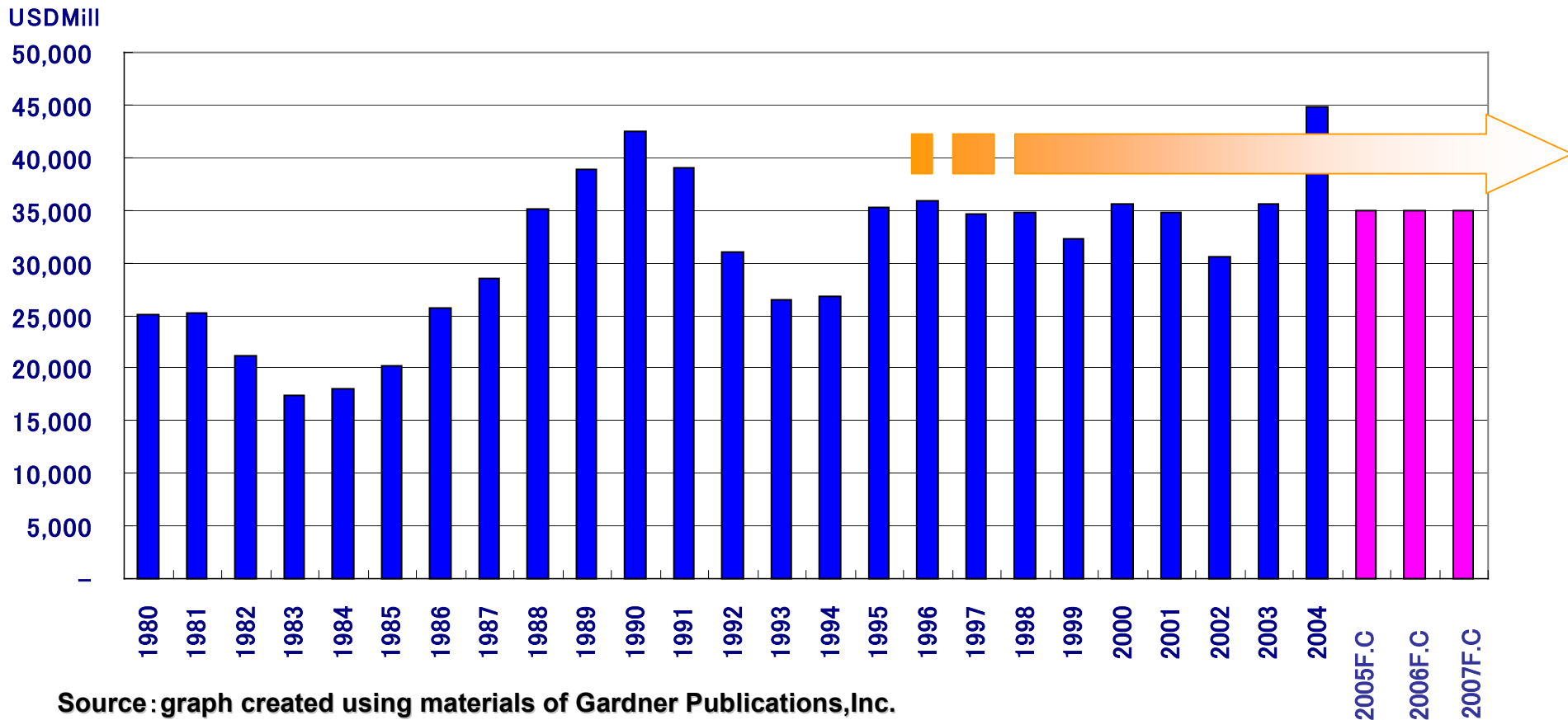


③ Business Environment



Worldwide Demand for Machine Tools

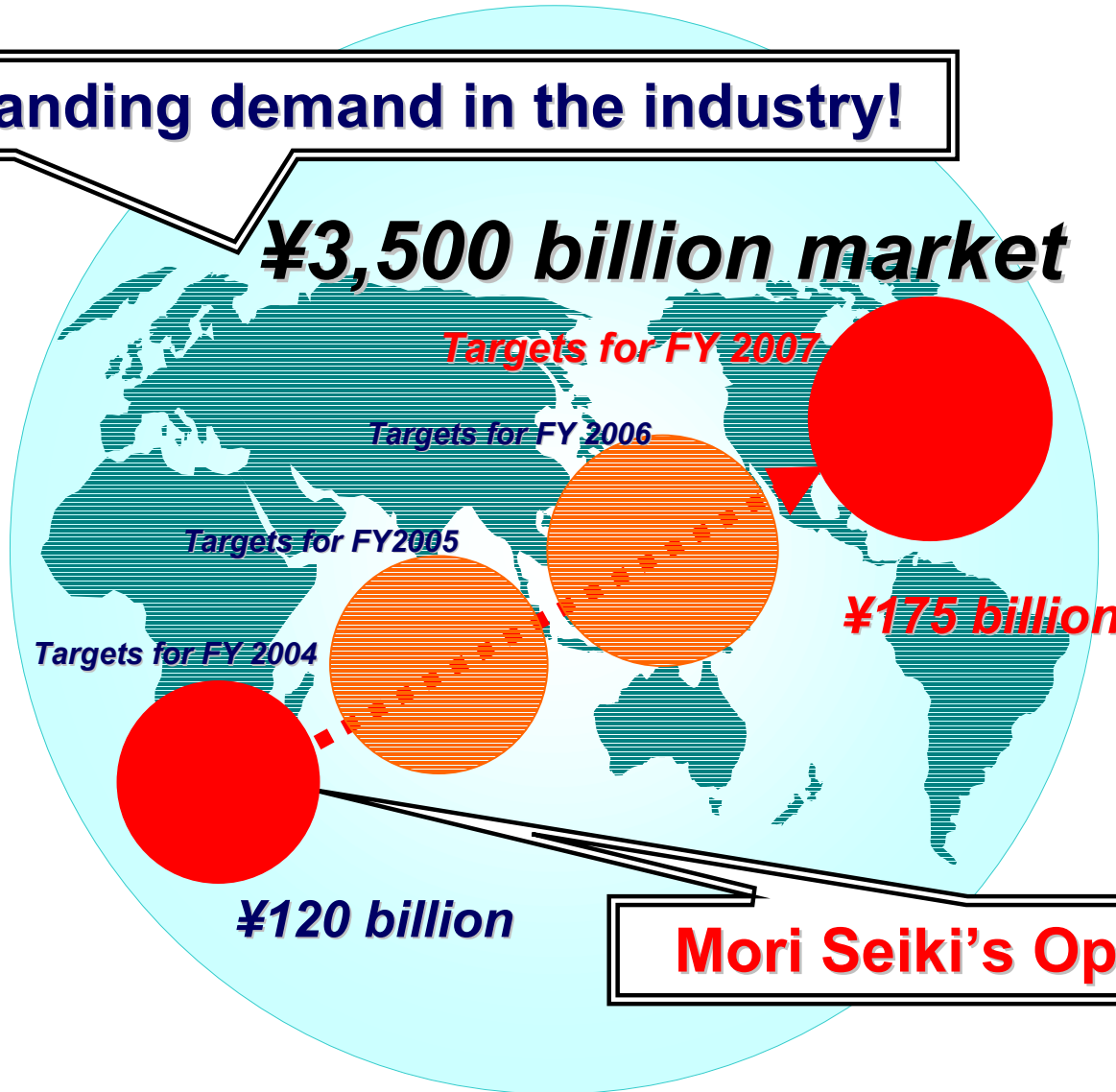
Expanded world market, ¥3,500 billion



Source: graph created using materials of Gardner Publications, Inc.

Expanding markets gives us opportunities!

Expanding demand in the industry!

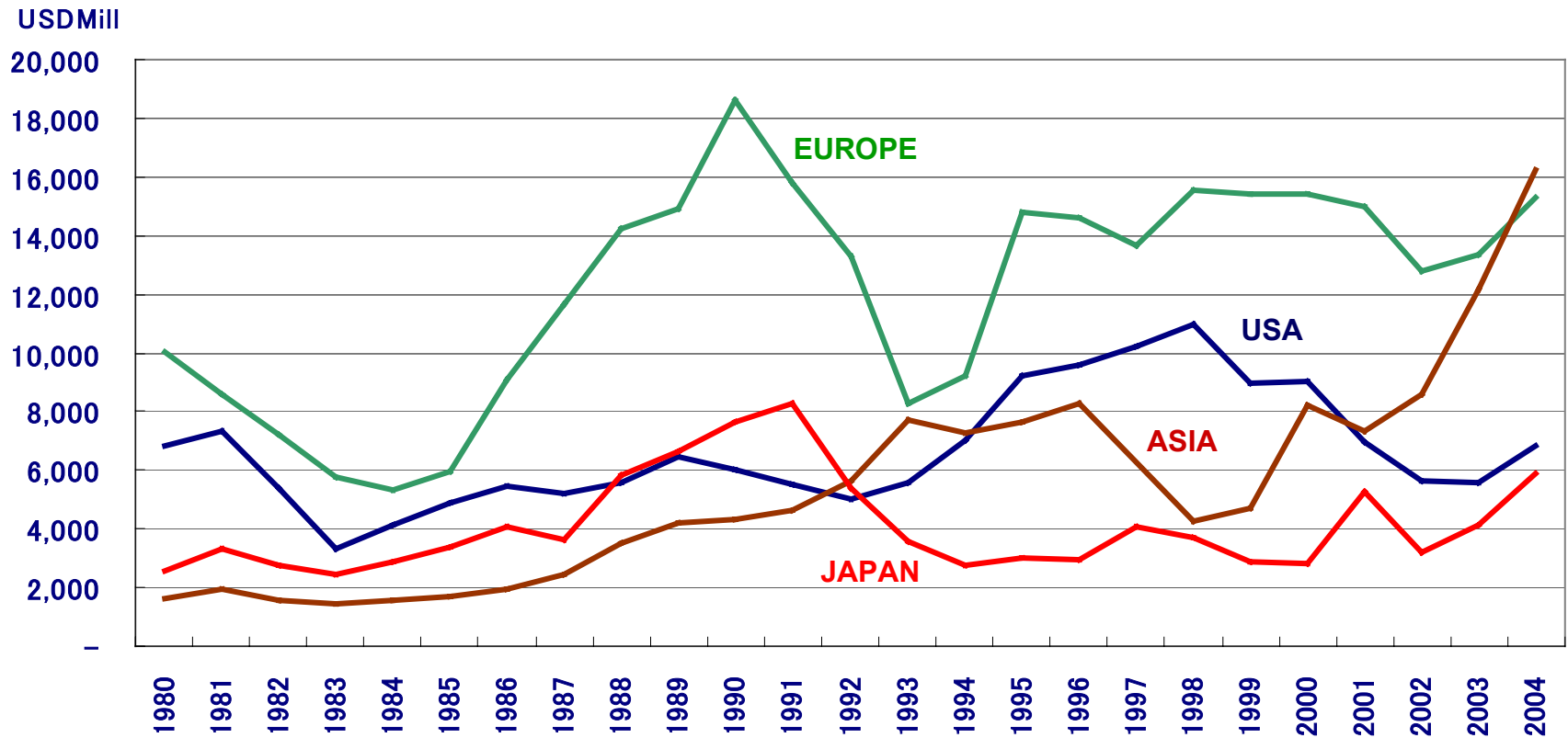


Mori Seiki's Opportunity!



Worldwide Demand for Machine Tools

Huge European Market and Growing Asian Market

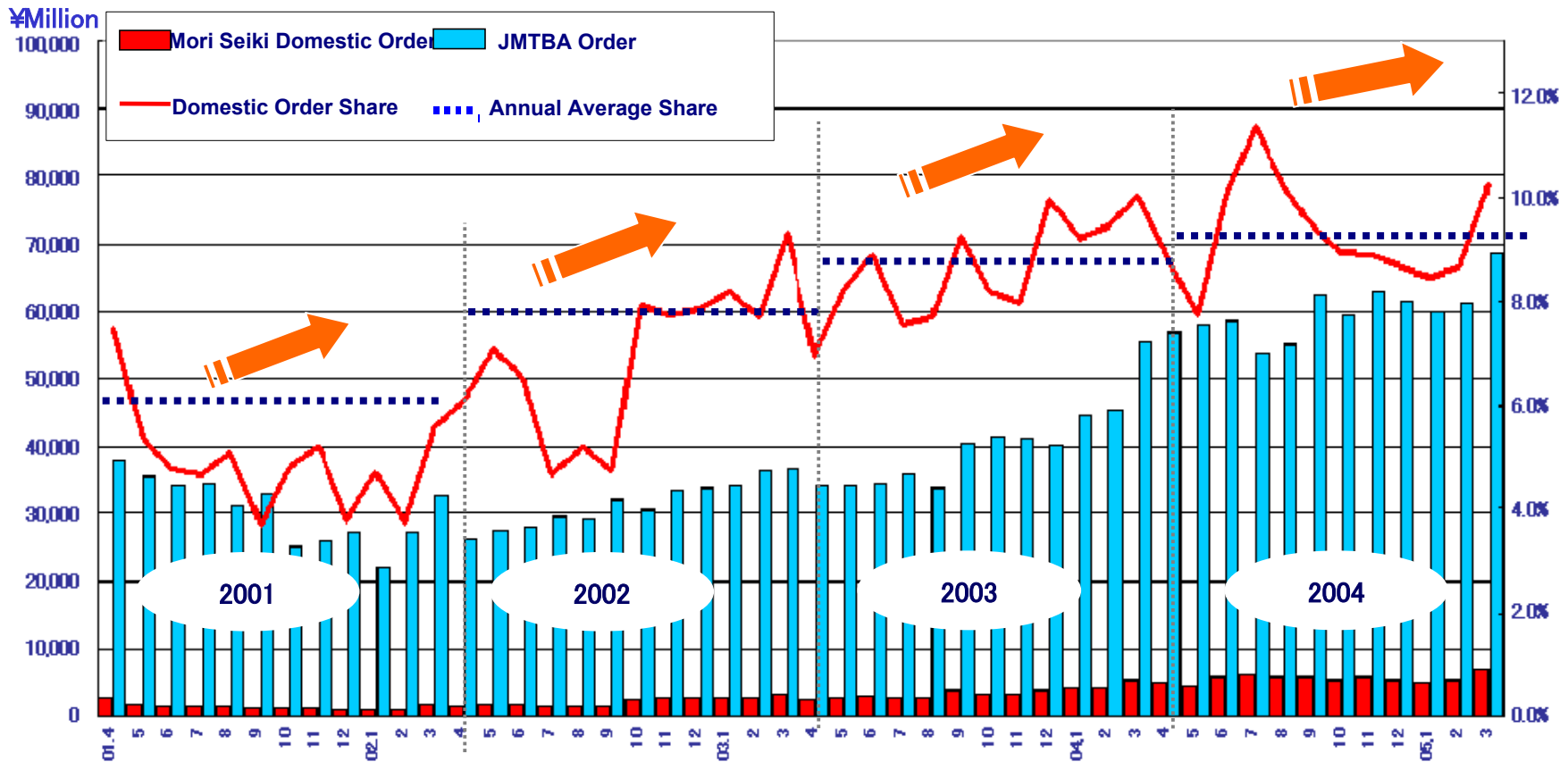


Source: graph created using materials of Gardner Publications, Inc



Mori Seiki's JMTBA Share (Domestic Market)

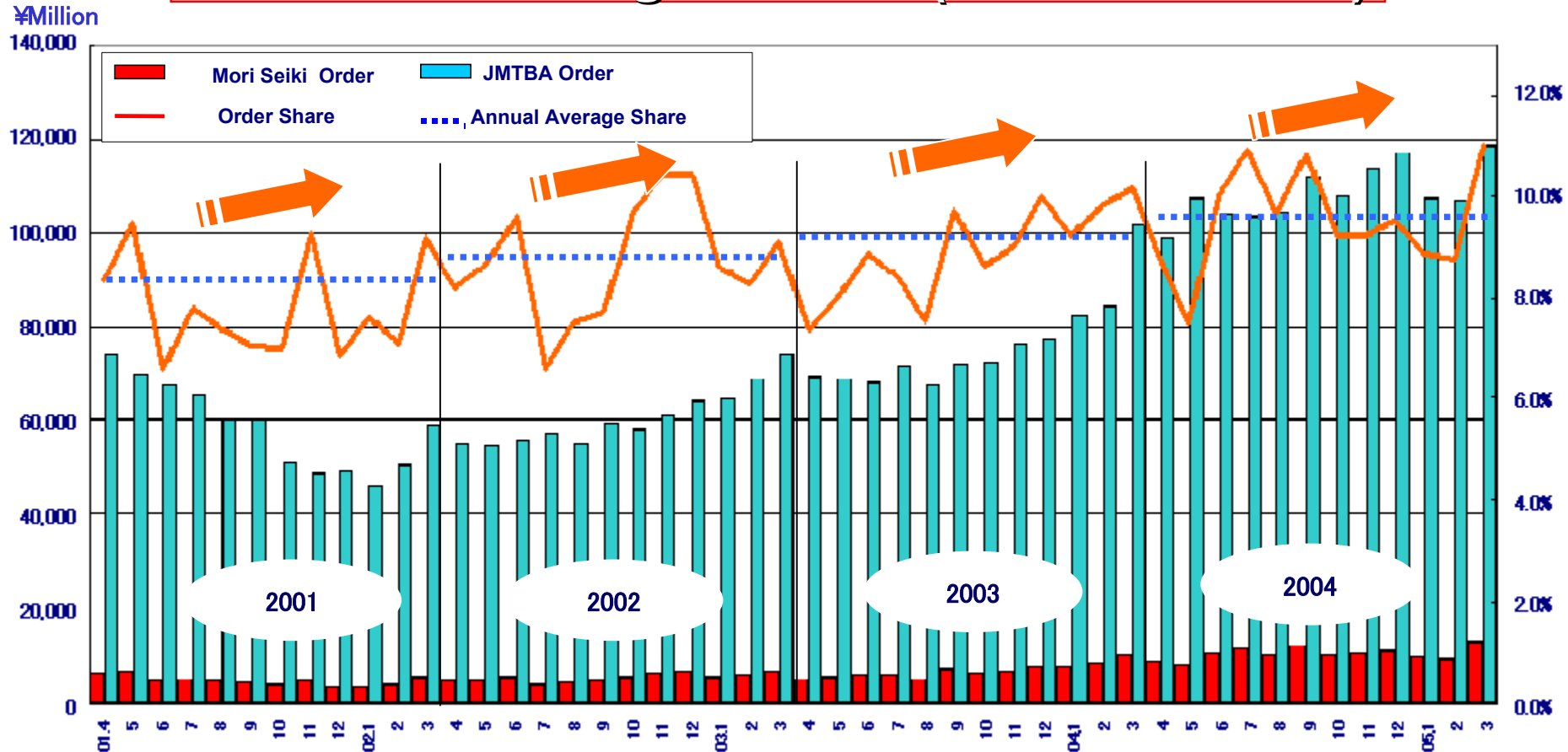
Mori Seiki's domestic share has been steadily increasing. (JMTBA share)





Mori Seiki's JMTBA Share (Global Market)

Mori Seiki's global share has been increasing as well. (JMTBA share)

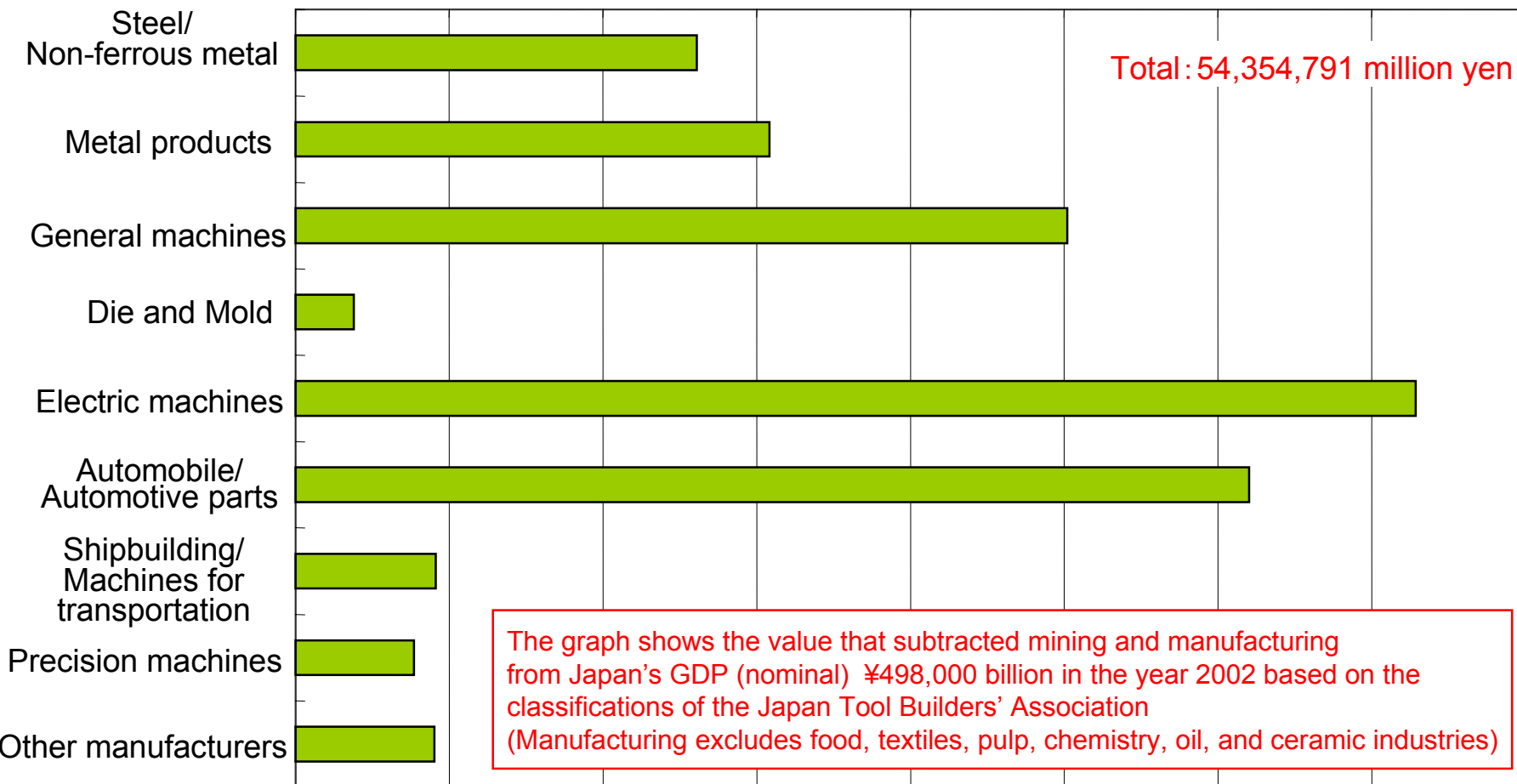




Japan's GDP by Industry

(¥million)

0 2,000,000 4,000,000 6,000,000 8,000,000 10,000,000 12,000,000 14,000,000 16,000,000



The graph shows the value that subtracted mining and manufacturing from Japan's GDP (nominal) ¥498,000 billion in the year 2002 based on the classifications of the Japan Tool Builders' Association (Manufacturing excludes food, textiles, pulp, chemistry, oil, and ceramic industries)

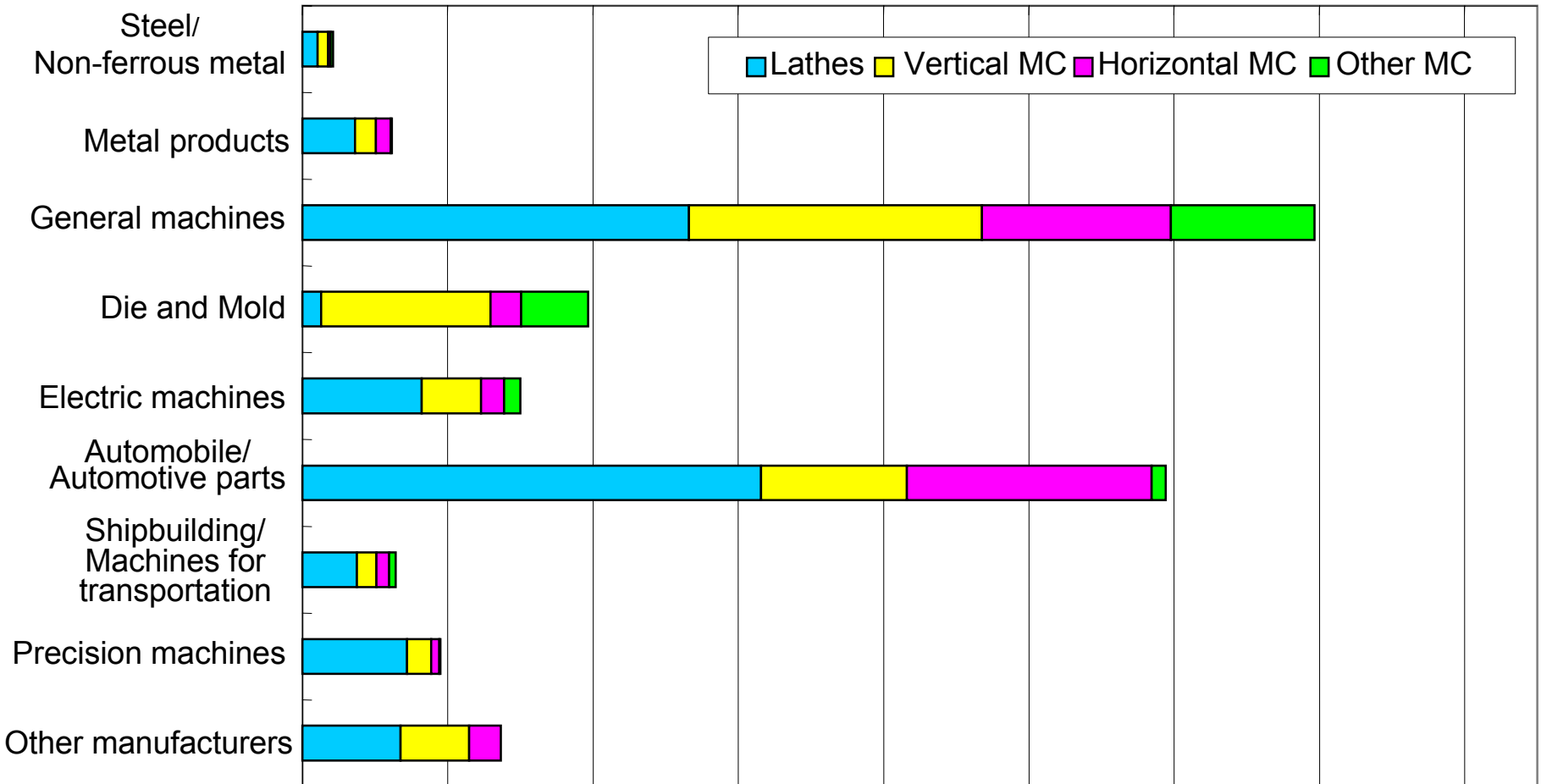


Orders by Industry Within Japan Machine Tool Builders' Association

2004 Calendar Orders within Machine Tool Builders' Association
Lathes + Machining Centers (¥403,253million)

(¥million)

0 20,000 40,000 60,000 80,000 100,000 120,000 140,000 160,000





Top 10 Major Customers by Industry

**Automobiles · Automotive Parts ·
Die and mold · Aerospace ·
Construction · Agriculture ·
Transportation equipment ·
Semi-conductor · Home appliances ·
Electric appliances · Communication ·
Environment · General machines ·
Medical · Precision machines**



Technical Trends Related to Machines, Environment, IT, etc

【Automobile】

We must look at new technologies such as a collision detection technology using cameras and lasers, G-book using mobile modules, and apply those technologies to machine tool development

【Energy Saving】

Energy-saving technologies are advancing in order to reduce CO₂ emissions. We must take a closer look at peripheral technologies of electric automobiles.

Recycling technologies are also advancing; recycling must be reconsidered in the machine tool industry too.

【Communication】

Since mobile phones are changing to IP phones, and wireless LAN networks are expanding, we must apply machine tools to networking. We must learn networking related technologies.

Aim to be able to set up a TV conference between our service centers and our customers using our customers' MAPPS screen.

【Semi-conductor chip】

We must learn the applied technology of IC chips, which is rapidly advancing. We will consider using those technologies in our production system.

【Medical】

Due to an aging society, demand for artificial bones is increasing. We need to improve the status of our high speed machining centers for dies and molds.

There is a possibility that new medical technologies will be able to cure obstinate diseases, such as cancer.

【Image Processing Technology, Graphics】

We must take a look at technologies such as operation monitors, machine measurements, and interference prevention in order to apply them to machine tool technologies.

【Robots】

Reference to their applied technologies and utilization of their transportation and detachment/attachment functions.



Current Situation of World Economy and Major Concerns

【Japan】

- Business investment started recovering in 2003, and will keep improving at a higher rate until 2006. Along with the economic recovery, the employment and income situation will show an upturn, and expansion of individual consumption is expected from 2006.
- Japan will be the first country to have an “aging society” in the world, and the social and economical structures will change. There will be structural problems such as an inadequate pension system, etc.
An aging population, the retirement of baby boomers, and lack of young employees are going to be a huge concern.
- The post Koizumi government, Japan’s relationship with China and Taiwan, and problems with North Korea are a significant concern.
- Preparation for big earthquakes.



Current Situation of World Economy and Major Concerns

【Europe】

- EU unification is in progress; however, conflict among countries due to various differences (economic standard/difference in scale/difference in systems) will delay the speed of progression. Approximately 2% economical growth is expected.
- Degree of freedom for economic policies will decrease. Immigration problems, lack of manpower, and an aging society will be a big concern.
- Tax system within EU vs. the US.
What will happen to the relationship of cooperation and competition?



Current Situation of World Economy and Major Concerns

【USA】

- Diplomatic policies of Bush administration
Iran/Iraq/Middle East policies
- Average over 2% increase in GDP by 2008, and steady expansion in the economy are expected.
- Financial problems symbolized by twin deficits
- Progress in making the world standards for IT, bio, nanotech, environment, etc by the government's leadership in fostering industries.
- Birth rate is increasing (more than two children per family), and even in the long run, it is expected to increase.
- Fall of BIG3, decreased individual consumption, and pension problems are a big concern.



Current Situation of World Economy and Major Concerns

【China】

- Social instability due to disparity in income levels
- Risk of overheating resulting from a bubble economy
- Chinese yuan and diplomatic policies
- Focus on economic growth, automobile production, demand for machine tool replacement, progress in economical structural reform before and after the Beijing Olympics and Shanghai Expo, and increased GDP per capita.
- Economic differences between regions, poor infrastructure, and an increase in military capacity are major concerns



Current Situation of World Economy and Major Concerns

【Southeast Asia】

- High growth of 4 – 6% by 2008 is expected in ASEAN countries.

Investment from North America, Europe, and Japan will accelerate, and international specialization structure will deepen more.

Not only plants of global companies will increase, but also the power of internal production will be strengthened. As a consequence, the status of the “global plant” will become higher.

- Economic effect of post-quake reconstruction
- Movement of automotive industry. Regional vitalization achieved by an increase in motorbike production.



Current Situation of World Economy and Major Concerns

【India】

- India is expecting more than a 7% annual increase in economic growth by 2008. It is aiming to become the world's No.8 in size of economy.
- Improvement in infrastructure, deregulation in agricultural and industrial sectors, decrease in budget deficit, review of labor regulations, privatization of public enterprises, and poverty problems in rural areas are major concerns.

【Central & South America】

- Although the current scale of economy is small, the economy is expected to grow steadily along with political stability and market internationalization.
- Growing economic differences between regions are a major concern.



Current Situation of World Economy and Major Concern

【Russia・CIS】CIS: Ukraine・Kazakhstan・Turkmenistan

- Penetration of market economy has increased foreign investment, household expenditures, oil export (No.2 export volume in the world), and natural gas export (No.1 in the world). 5% economic growth is expected to be achieved by 2010.
- Political instability of Central Asia, simplified procedures of public institutions, and bureaucratic corruption are major issues.

【Middle East・Africa】

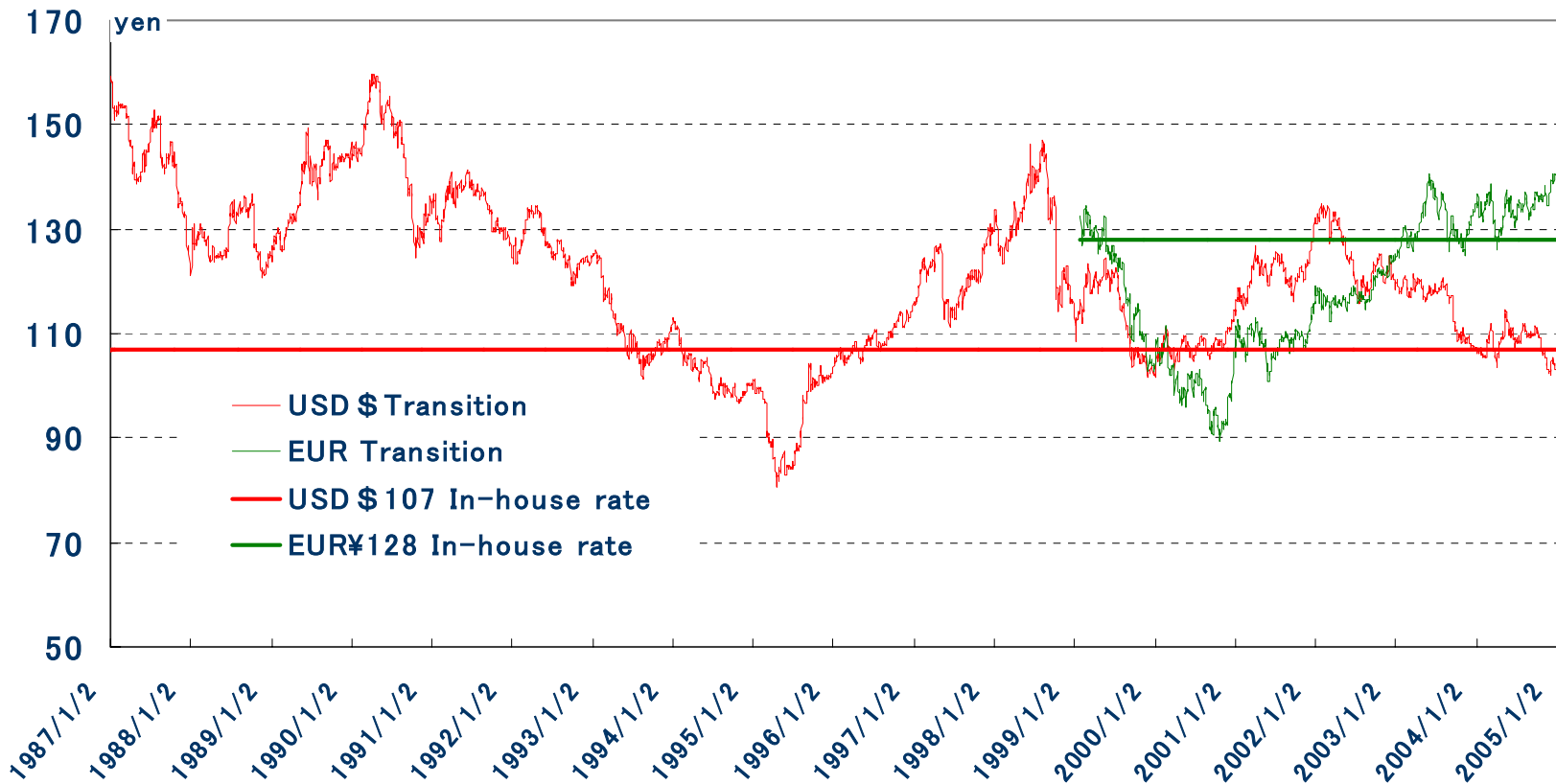
- 3-4% growth is expected in Middle East by 2008.
- Stabilization of Middle East Situation, Development of non-oil related industries are major issues.
- African countries have been negatively growing since 1970.

There are so many problems such as high population growth, political instability, regional conflicts, and an increasing HIV-infected population, and there is no telling when all the problems will be solved.



Transition in Exchange Rate

Forecasted Exchange Rate
USD\$1=¥107 Euro 1 = ¥128



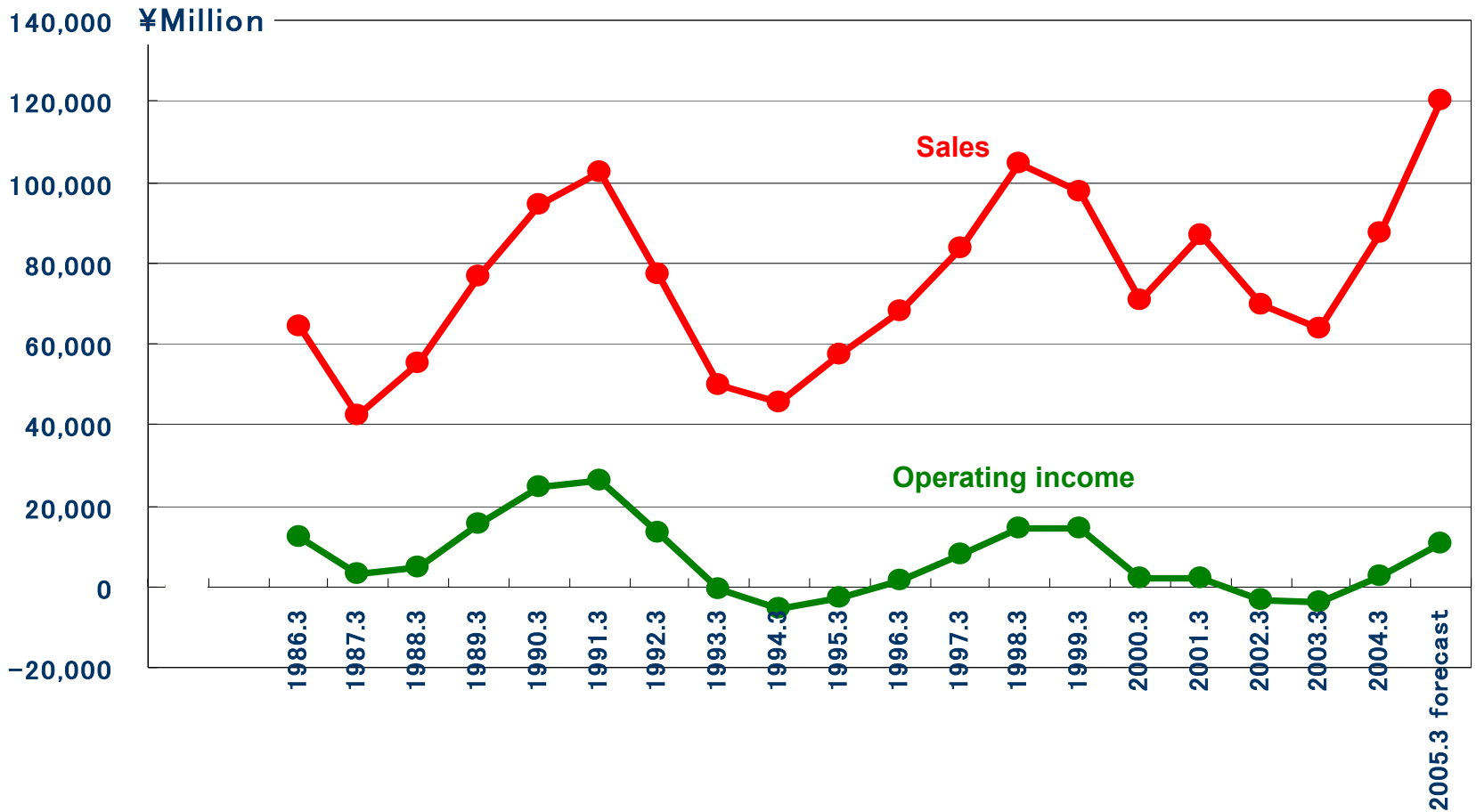


④ Analysis of Internal Environment



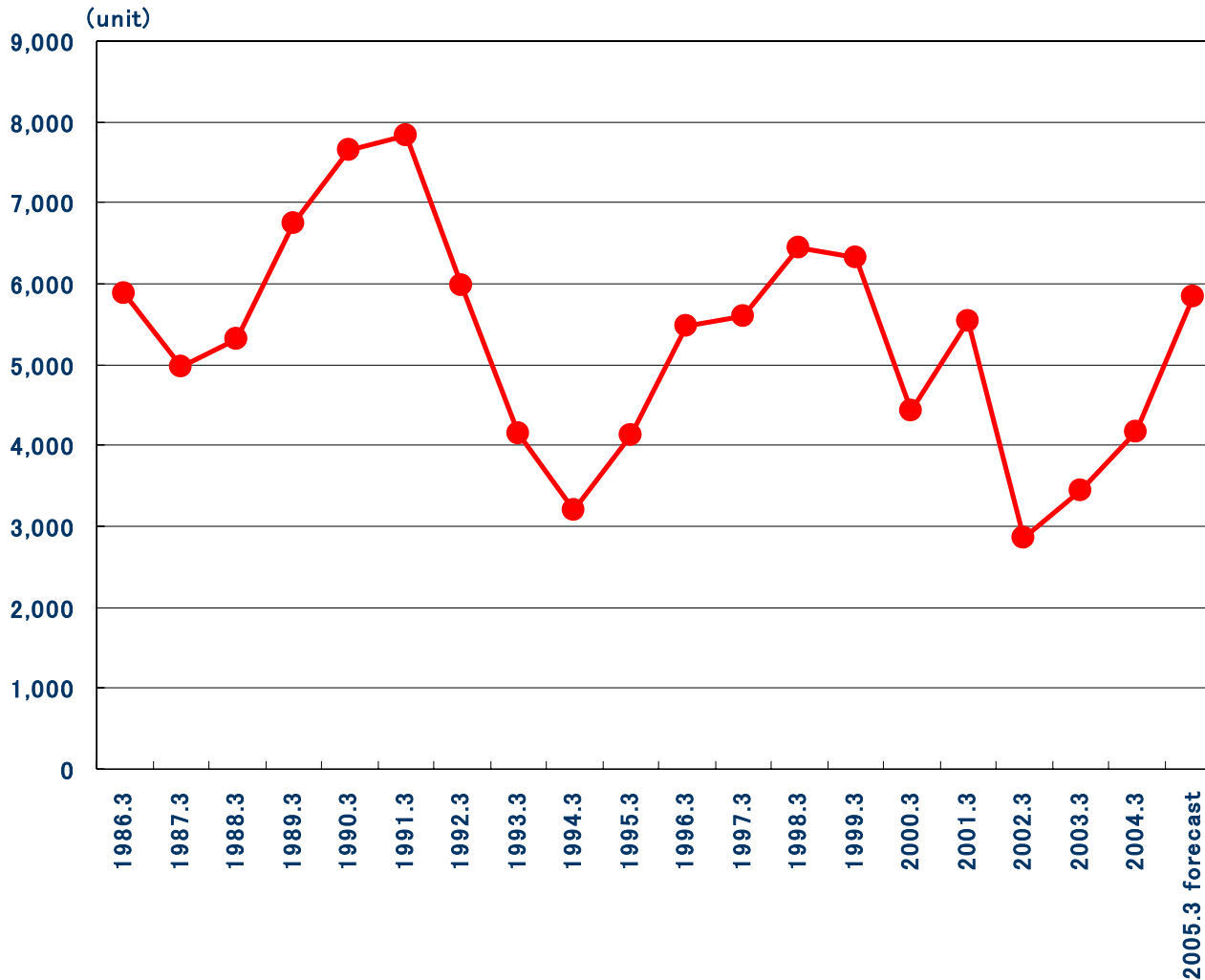
Consolidated Accounting Data: Trends in PL

**Managerial index fluctuation,
towards a stable model**



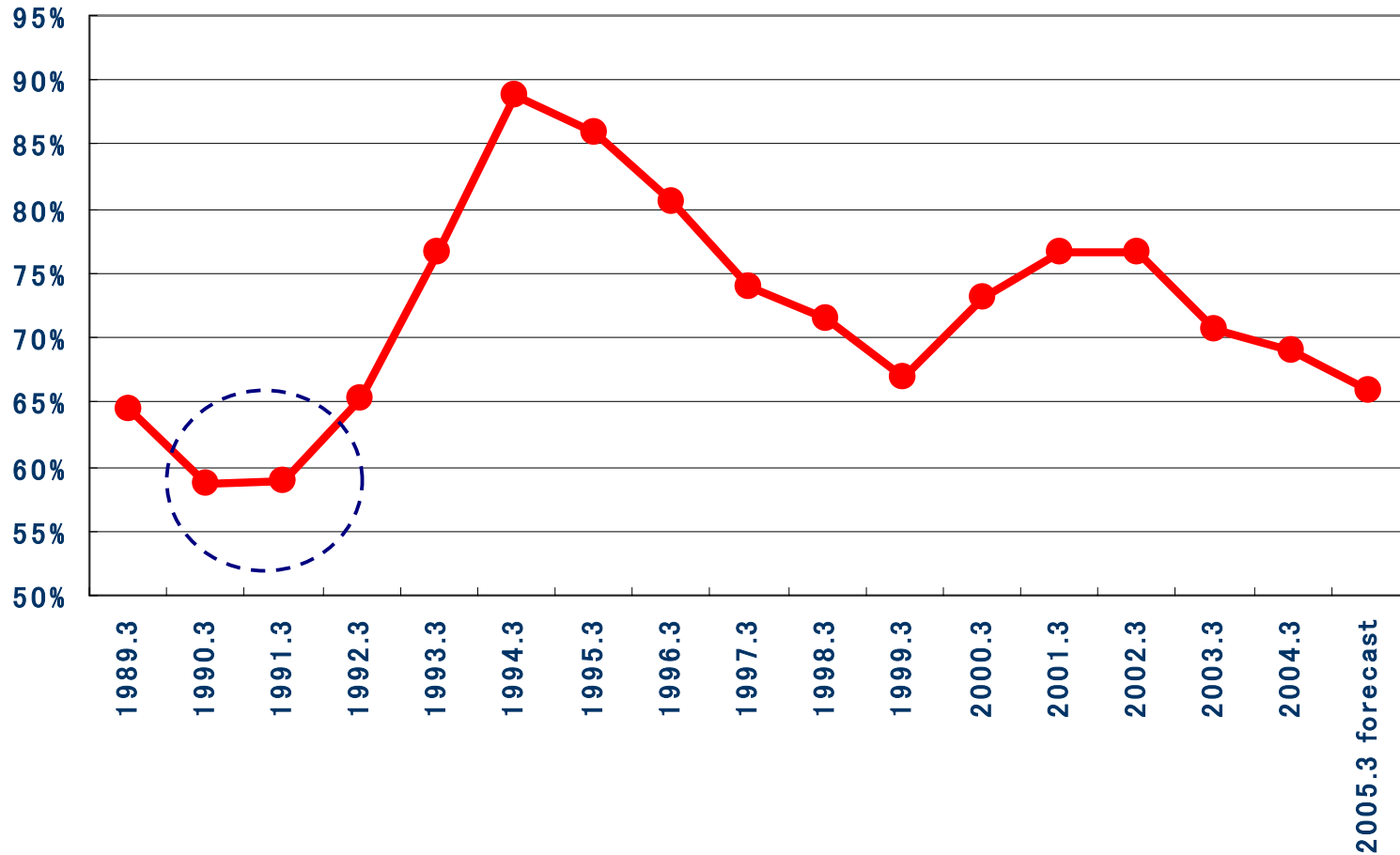


Consolidated Accounting Data: Trends in Production Units



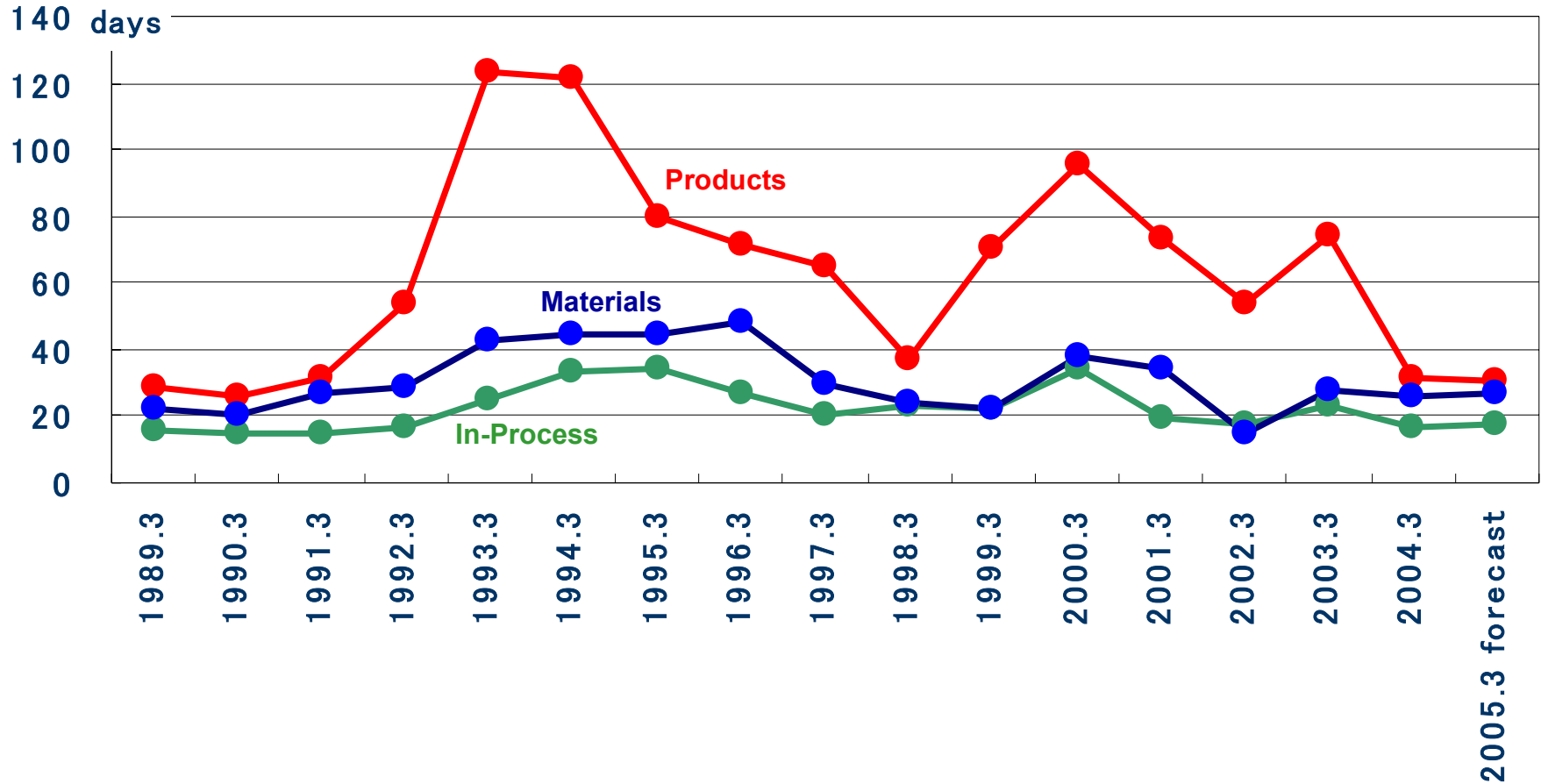


Consolidated Accounting Data Trends in Cost of Sales Ratio



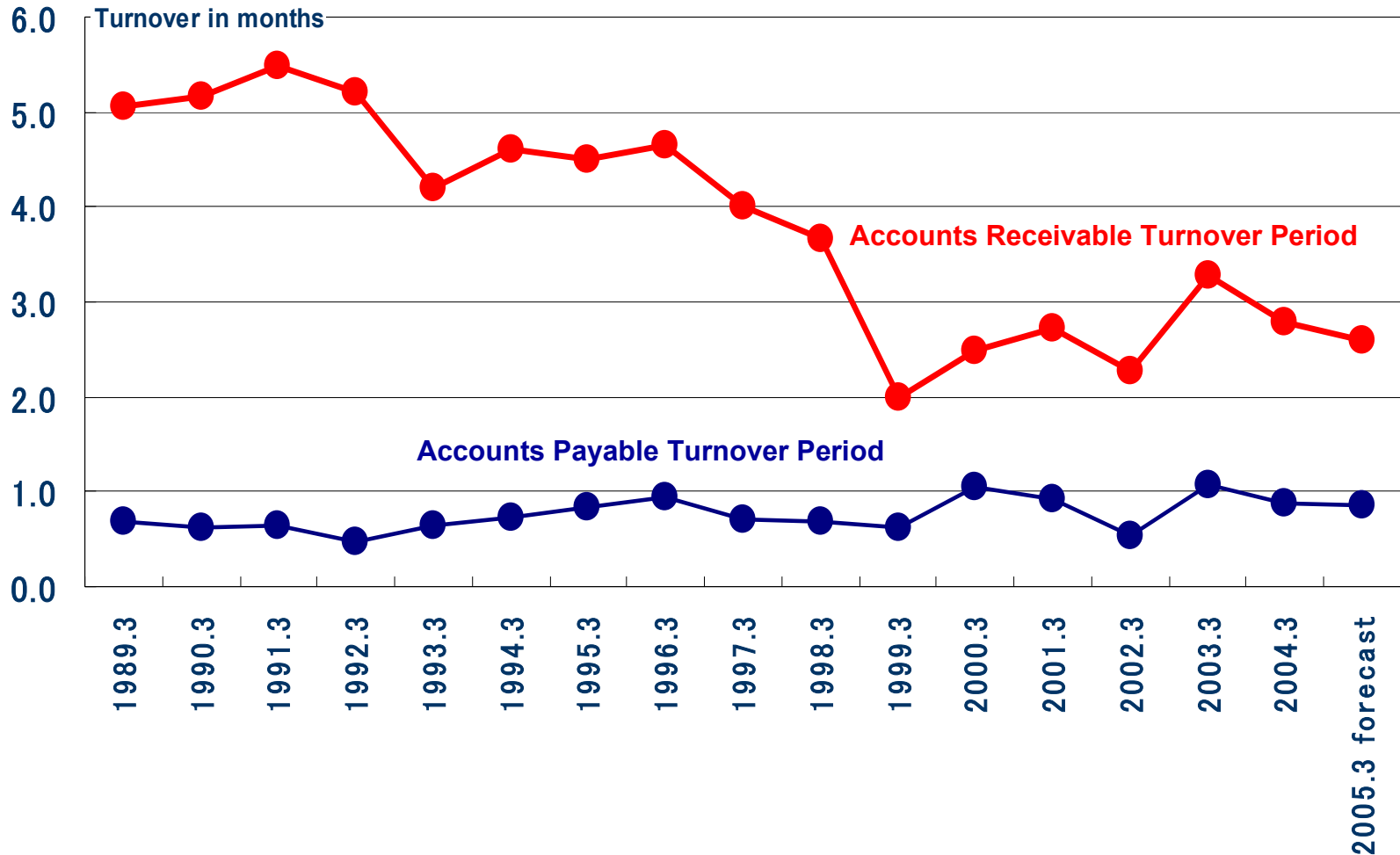


Consolidated Accounting Data Trends in Stock Turnover Period (Materials/In-Process/Products)





Consolidated Accounting Data: Trends in Accounts Receivable/Accounts Payable Turnover Period



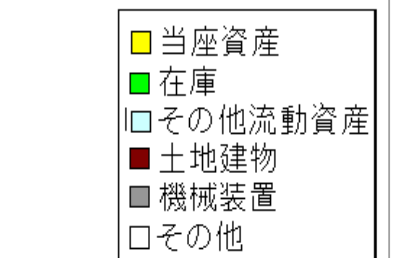


Consolidated Accounting Data: Trends in BS

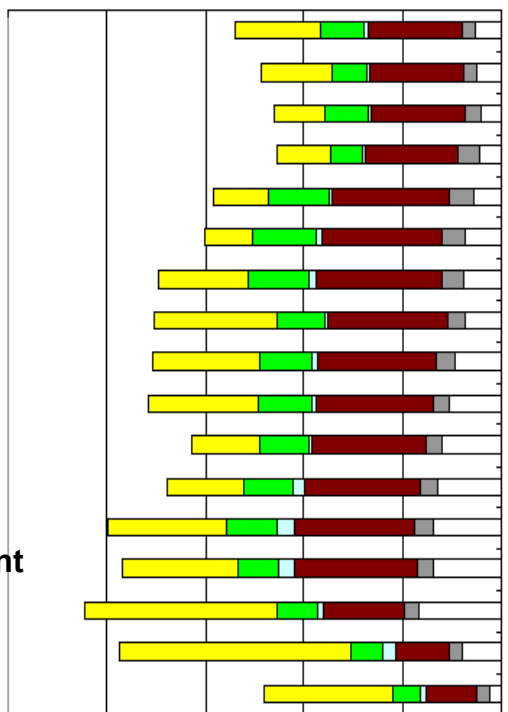
Large reduction of interest-bearing liabilities and reevaluation of assets /Financial position improvement

Funds allocation

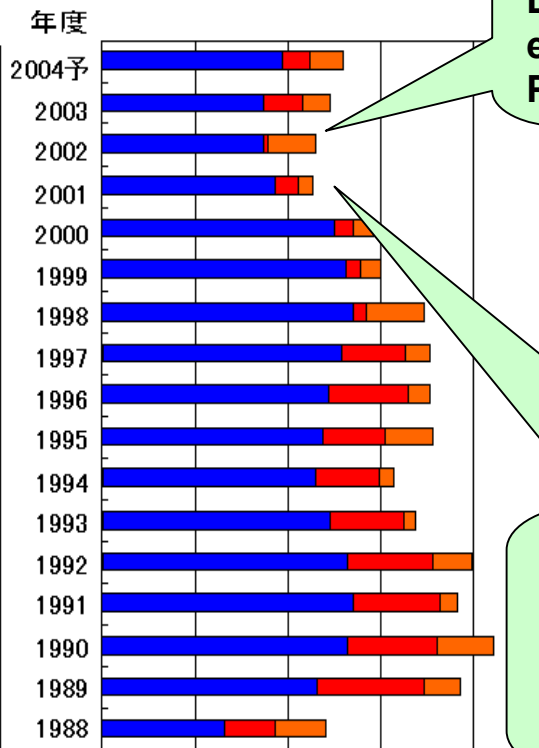
Raising funds



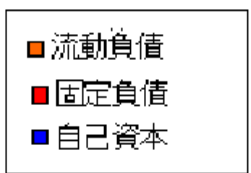
Quick assets
Inventory
Other current assets
Land and buildings
Machinery and equipment
Other



¥100million



Year 2002
Dissolution of our employees' Welfare Pension Fund Plan



Current liabilities
Fixed liabilities
Shareholders' equity

Year 2001
- Land reevaluation
- Inventory clear-out
- Reduction in stock evaluation

¥100million



⑤ Goals of Mori-568PLAN



Goals of Mori-568PLAN

Mori-5

- **5% of the world's market share**
(Current 3.4% → 5%)

Mori-6

- **Consolidated cost of sales ratio of 60%**
(Current 66% → 60%)

Mori-8

- **Establish a system that produces a minimum of 800 machines per month**
(Current 600 machines → 800 machines)

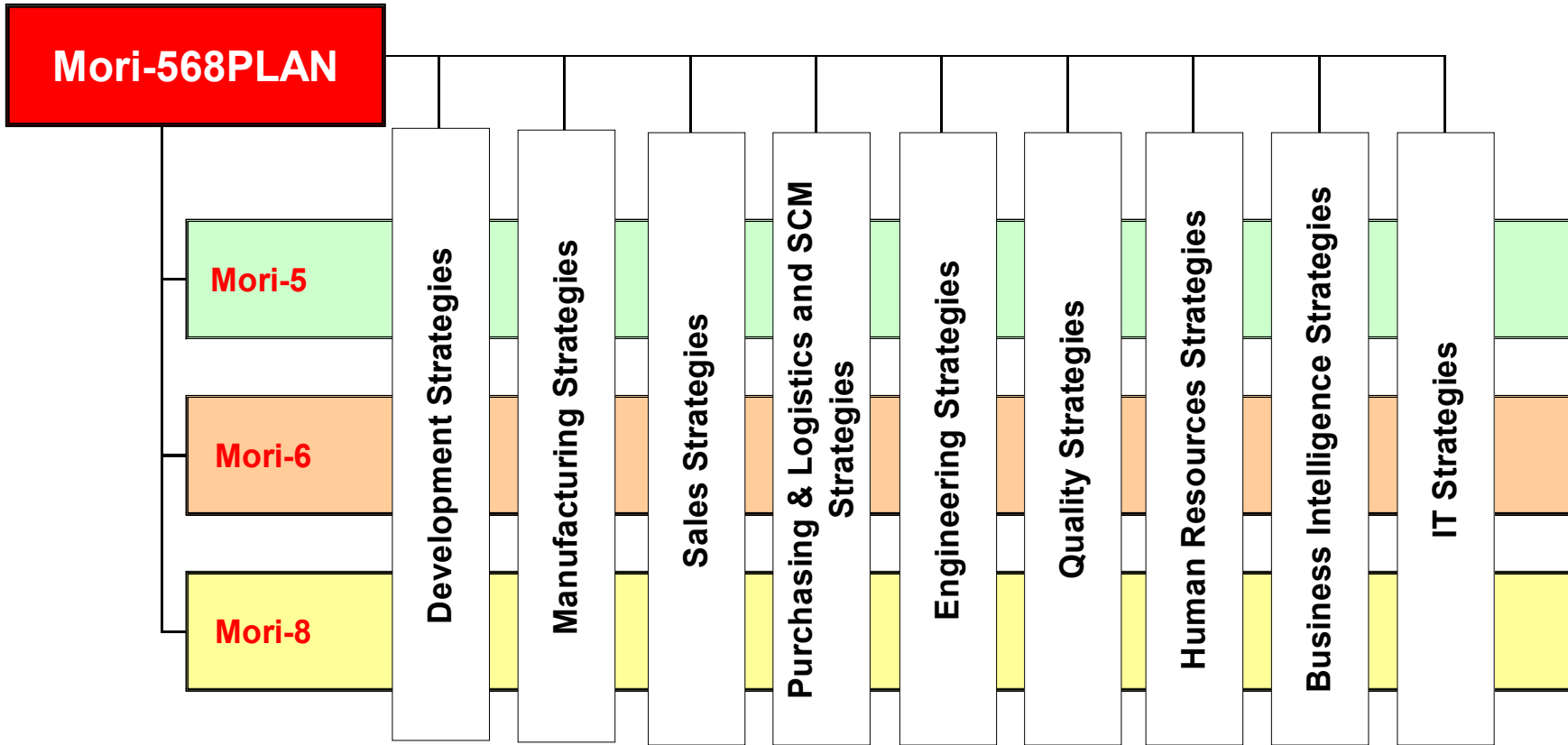


⑥ Strategies and Action Plans



Implementation Plan of Mori-568PLAN

CSF : Critical Success Factor





Mori-5

- **Strengthening sales force by increasing number of employees in Europe and Asia.**
- **Expansion of sales/service network**
- **Establishment of sales teams by industry and customer**



Mori-6

- 1. Gradual reduction in cost of material**
 - **Expansion of in-house manufacturing (Casting test plant, heat treatment plant, increased new equipment)**
 - **Rationalization by new machine models (Rate of N Series)**
 - **Standardization of peripheral devices**
- 2. Improved productivity per person**



Mori-8

- **Increased production achieved by strengthening the Chiba Plant**
- **Improved machining capability by increased new equipment**
- **Increased rate of cell production (Rate of N series)**
- **SCM strategies cooperating with suppliers**



DURA & M&A

MORI SEIKI

THE MACHINE TOOL COMPANY

