

MURITA REPORT 2006

To Shareholders and Investors

Business Report for the 73rd Term

April 1, 2005 to March 31, 2006



2007: 100years in business



MURITA

Securities Code : 6455

Development of Hazmat Vehicles

At Morita we have been developing hazmat vehicles equipped to respond to large scale NBC disasters (*1) and have successfully delivered our first vehicle to the Saitama City Fire Bureau. As a company which has up until now concentrated on the development of fire-fighting vehicles, this was our first attempt at developing a hazmat vehicle.

In recent years a number of accidents have occurred at petrochemical complexes, chemical facilities and nuclear power stations. Moreover, given the unstable state of world affairs and the deterioration of public safety, we live in fear of a terrorist attack involving chemical weapons. Amidst such an environment, local authorities are rushing to develop measures to handle NBC (nuclear, biological, chemical) disasters in order to protect the general public and are moving to undertake initiatives such as the establishment of response organisations and facilities, and the implementation of drills in anticipation of special disasters.

Hazmat vehicles are vehicles called out together with rescue workers to disaster scenes to which access is dangerous. They are fitted with positive-pressure air purifying systems with special filters (*2) which prevent the penetration of toxic substances by decontaminating the outside air and pumping it inside the vehicle. First and foremost, gas and chemical substances are collected and analysed to determine the extent of the pollution using various measuring instruments installed in the vehicle. The vehicles come equipped with positive-pressure chemical protection suits and radiation protection suits needed for clean-up operations of hazardous materials at disaster scenes and to work at such scenes. They are also equipped with decontamination showers to prevent secondary disasters. The role of these vehicles is to perform at the front line of disaster scenes, and it is



more than likely that such vehicles will be widely introduced in the future.

The hazmat vehicles developed by Morita use the latest air purifiers with special filters which can operate non-stop for up to 48 hours, enabling the vehicles to be used at disaster scenes for extended periods of time. Furthermore, to improve safety, such devices are also installed separately inside the cab.

- *1- NBC Disaster refers to disasters involving N (Nuclear = radioactive materials), B (Biologic = biologic agents), C (Chemical = chemical agents) such as terrorist attacks using biochemical weapons, or nuclear power plant disasters.
- *2- Positive Pressure Systems are devices which prevent the penetration of outside air by raising the inside atmospheric pressure to levels higher than outside.

Hazmat Vehicles' General Specifications and Main Standard Equipment

■ Size : 8000L × 2500W × 3500H (mm)

■ Gross Vehicle Mass : under 12 t

■ Seating Capacity : 7 (2 in the cab, 5 in the chemical laboratory)

■ Main Standard Equipment :

Positive-pressure air purifying system with special filters, mass spectroscope, infra-red spectrophotometer, biological agent detector, chemical agent detector, positive-pressure chemical protection suits, hazardous material absorbent, decontamination shower etc.

Introduction of a Scholarship System to Support Students of the Chiba Institute of Science, Faculty of Risk and Crisis Management

Starting from this year, Morita has established a scholarship system to support the activities of high-achieving students in the Faculty of Risk and Crisis Management at the Chiba Institute of Science (Choshi City, Chiba Prefecture, Chancellor :Toshisuke Hirano). We held the first awards ceremony at the Institute on February 7, 2006.



The Chiba Institute of Science opened in Choshi City, Chiba Prefecture, in April 2004, and as the first institute in Japan to establish a Faculty of Risk and Crisis Management it is working to develop human resources capable of resolving issues in response to various kinds of disasters and hazards.

In recent years we have seen an increase in the number of events giving rise to dangerous situations - natural disasters such as earthquakes and heavy snow, large scale accidents such as fires at petrochemical industrial complexes, atrocious crimes including terrorism, infectious diseases such as BSE, SARS and new strains of influenza, and corporate scandals such as



information leaks and system trouble. Great importance has therefore come to be attached to the prompt establishment of risk management systems, envisaging and averting the various risks involved, and minimizing damage. We are supporting the activities of the Chiba Institute of Science which is aiming to establish the first academic department of risk and crisis management in Japan and have decided to show our support through this scholarship system. This scholarship aims to support the studies of outstanding students studying in the Departments of Disaster System Science, Environmental Security System and Risk and Crisis Management System within the faculty and we intend to continue providing such support in the future.

Commencement of the sale of the 'Fire Fighting Ambulance FFA' Security Buzzer

Since December of last year we have been selling the 'Fire Fighting Ambulance FFA' Security Buzzer through our internet shop (<http://www.morita119.com/shop/index.html>) and at specialist

disaster prevention goods outlets. This features in miniature the Morita-designed fire fighting ambulance : the only vehicle in the world of its kind with both fire engine and ambulance capabilities.



By pulling out a pin plug, an intimidating 100 decibel siren rings out and a light flashes, setting off a warning to those in the area.

We designed and are selling this alarm in the hope that it will lead to improving fire fighting and disaster prevention awareness and cause people to reflect on regional crime prevention measures.



Registration of Fire Engine Day

April 23rd is the anniversary of the founding of Morita Corporation and 2007 sees Morita celebrate 100 years in business. To commemorate our centenary we have registered Fire Engine Day with the Japan Anniversary Association.

We established Fire Engine Day not only in the hope of making Morita Corporation known throughout Japan, but also with the aim of creating an opportunity to increase fire fighting and disaster prevention awareness and consideration of fire prevention measures. Furthermore, we hope through this to be able to ‘save the lives of as many people as possible’ from fire and other disasters.

In addition, August 5th has been registered as Ladder Truck Day, and January 7th as Fire Fighting Ambulance Day.

■ Overview of Operations

During the consolidated fiscal year, the Japanese economy performed steadily in terms of exports and private capital investment, and the economy started to recover slowly as a result of improvements in the employment environment and increases in income.

Amidst such conditions, the various divisions within the Morita Group resolutely expanded operations and endeavoured to improve the collective strength of the group and to strengthen earning capacities by reducing costs and cutting operating expenses.

As a result, in terms of business results for the consolidated fiscal year, sales of 45,413 million yen were recorded, an increase in revenue of 3,216 million yen (7.6%) year-on-year. In terms of profits, operating profits of 3,249 million yen, an increase of 264 million yen (8.8%) year-on-year, and pre-tax profits of 3,419 million yen, an increase of 346 million yen (11.2%) year-on-year, were recorded. Net profits of 2,101 million yen were recorded, an increase of 299 million yen (16.6%) year-on-year.

■ Overview by Division

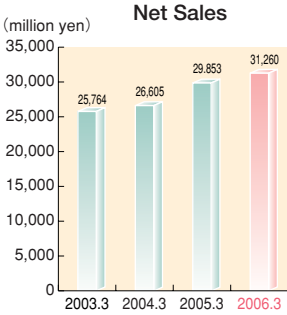
(1) Disaster Prevention Business



Disaster Prevention Business's sales increased 1,407 million yen (4.7%) year-on-year to 31,260 million yen due to increases in the Fire Fighting

Vehicle Division's sale of water towers and increases in our subsidiary Morita UG Ltd.'s sales of Sprinex packaged automatic fire extinguishing equipment. In terms of profit, operating profits decreased 258 million yen (8.6%) year-on-year to 2,712 million yen due to a fall in sales of the Fire Fighting Vehicle Division's ladder trucks and aircraft rescue and fire fighting vehicles.

Disaster Prevention Business



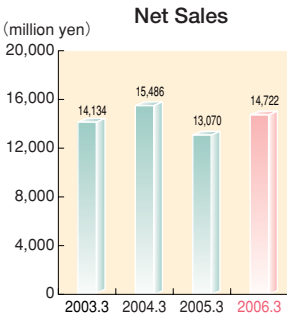
(2) Environmental Business

Environmental Business's sales rose 1,651 million yen (12.6%) year-on-year to 14,722 million yen with sales of



subsidiary Morita Econos Corporation's environmental and sanitary vehicles, including sanitary vehicles and garbage trucks, recovering slightly from last year's special procurement

Environmental Business



repercussions from emission controls. In terms of profits, operating profits greatly increased by 528 million yen year-on-year to 536 million yen due to increased sales of the aforementioned environmental and sanitary vehicles.

▣ Issues to be handled by the Group

In terms of outlook for the future, given the serious financial circumstances surrounding local authorities, our main customers, the high cost of raw materials and tough competition from other companies in the industry, we expect the current harsh operating environment to continue. In order to survive in such a harsh environment we are improving the earning capacity of existing operations by 1) implementing an operational headquarters system to fully prioritise earnings, 2) realising cost reductions using ERP (Enterprise Resource Planning), 3) reducing sales and administration expenses, and 4) reducing interest-bearing liabilities. Aiming to make the next leap forwards, we will expand foreign operations and establish new businesses by 1) investing in development (high performance ladder trucks, high performance pumps, double-function vehicles (fire fighting ambulances), highly effective fire extinguishing compressed foam air systems that prevent water damage, high performance shredders, and the 'Shokyudan' fire suppressant and explosion prevention grenade), 2) investing in facilities (construction of new plants capable of optimum production), 3) investing in operations (setting up overseas production bases - establishing Morita Vietnam), and 4) investing in human resources (new personnel system, in-house recruitment, education and training).

With the aim of building on existing human resource training and developing new technology, we have been moving ahead with joint research in collaboration with various universities, and we intend to continue actively undertaking such research in cooperation with educational institutes including other leading universities.

I would like to take this opportunity to ask shareholders for your continuing support and encouragement.

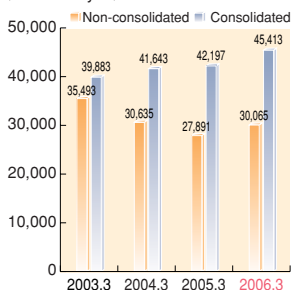
June 2006

Masahiro Nakajima
President

FINANCIAL HIGHLIGHTS

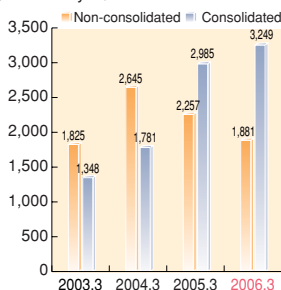
Net Sales

(Millions of yen)



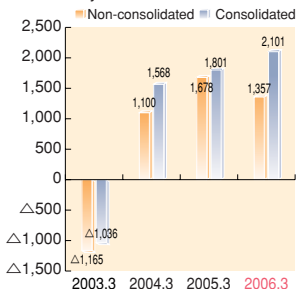
Ordinary Profit

(Millions of yen)



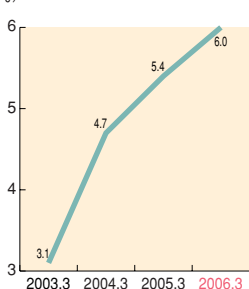
Net Income

(Millions of yen)



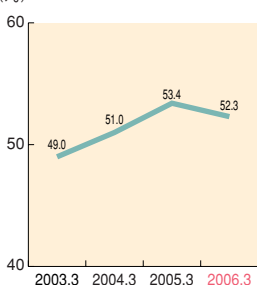
Return on Assets (ROA)

(%) (Consolidated)



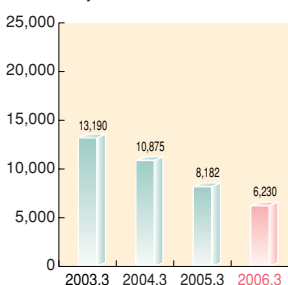
Shareholders' Equity Ratio

(%) (Consolidated)



Interest-Bearing Liabilities

(Millions of yen) (Consolidated)



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

Morita Corporation and Consolidated Subsidiaries
As of March 31, 2005 and 2006

Assets	Millions of yen	
	2005	2006
Current assets	¥23,771	¥22,384
Property, plant and equipment	27,083	26,887
Intangible assets	222	185
Investments and other assets	5,164	9,131
Total assets	56,242	58,590
Liabilities and Shareholders' Equity		
Current liabilities	16,866	18,884
Long-term liabilities	9,038	8,765
Total liabilities	25,904	27,650
Minority interests in consolidated subsidiaries	286	280
Contingent liabilities		
Shareholders' equity		
Common stock	4,746	4,746
Authorized : 2006 - 180,000,000 shares 2005 - 75,778,000 shares		
Issued : 46,918,542 shares		
Additional paid-in capital	4,346	4,346
Retained earnings	19,262	20,336
Unrealized gains(losses) on revaluation of land	1,463	(4)
Unrealized gains on available-for-sale securities	1,185	2,845
	31,004	32,269
Treasury stock, at cost	(952)	(1,610)
Total shareholders' equity	30,051	30,659
Total liabilities and shareholders' equity	¥56,242	¥58,590

Consolidated Statements of Income

Morita Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2005 and 2006

	Millions of yen	
	2005	2006
Net sales	¥42,197	¥45,413
Cost of sales	30,919	33,691
Gross profit	11,278	11,722
Selling, general and administrative expenses	8,292	8,472
Operating income	2,985	3,249
Other income	866	640
Other expenses	601	318
Income before income taxes	3,251	3,571
Income taxes		
Current	288	1,062
Deferred	1,148	408
	1,436	1,470
Minority interests in earnings of consolidated subsidiaries	12	0
Net income	¥1,801	¥2,101
Yen		
	2005	2006
Per share of common stock		
Basic earnings per share	¥38.58	¥45.61
Diluted earnings per share	38.52	45.39
Annual dividend per share	9.00	10.00

■ Consolidated Statements of Shareholders' Equity

Morita Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2005 and 2006

	Millions of yen	
	2005	2006
Common stock:		
Beginning of year	¥4,746	¥4,746
End of year	4,746	4,746
Additional paid-in capital:		
Beginning of year	4,345	4,346
End of year	4,346	4,346
Retained earnings:		
Beginning of year	18,556	19,262
Net income for the year	1,801	2,101
Cash dividends paid	(335)	(432)
Bonuses to directors and corporate auditors	(74)	(81)
Reversal of unrealized gains on revaluation of land	(686)	(506)
Decrease in retained earnings due to change in scope consolidation	-	(7)
End of year	¥19,262	¥20,336

■ Consolidated Statements of Cash Flows

Morita Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2005 and 2006

	Millions of yen	
	2005	2006
Cash Flows from operating activities	¥1,928	¥4,676
Cash Flows from investing activities	(953)	(2,250)
Cash Flows from financing activities	(3,265)	(3,045)
Net decrease in cash and cash equipment	(2,290)	(619)
Cash and cash equivalents at beginning of year	5,238	2,947
Cash and cash equivalents of newly consolidated subsidiaries, net excluded subsidiaries from consolidation	-	39
Cash and cash equivalents at end of year	¥2,947	¥2,366

Nonconsolidated Summary

■ Nonconsolidated Balance Sheets

As of March 31, 2005 and 2006

	Millions of yen	
	2005	2006
Assets		
Current assets	¥ 17,656	¥ 15,630
Property, plant and equipment	25,822	25,449
Intangible assets	169	162
Investments and other assets	6,565	10,928
Total assets	50,214	52,172
Liabilities		
Current liabilities	12,483	14,866
Long-term liabilities	8,336	8,015
Total liabilities	20,820	22,882
Shareholders' Equity		
Common stock	4,746	4,746
Additional paid-in capital	4,346	4,346
Retained earnings	18,673	19,026
Unrealized gains(losses) on revaluation of land	1,463	(4)
Unrealized gains on available-for-sale securities	1,117	2,785
Treasury stock, at cost	(952)	(1,610)
Total shareholders' equity	29,394	29,289
Total liabilities and shareholders' equity	¥ 50,214	¥ 52,172

■ Nonconsolidated Statements of Income

For the Years Ended March 31, 2005 and 2006

	Millions of yen	
	2005	2006
Net sales	27,891	30,065
Cost of sales	20,888	23,150
Gross profit	7,003	6,914
Selling, general and administrative expenses	4,745	5,032
Operating income	2,257	1,881
Other income	1,324	1,024
Other expenses	755	464
Income before income taxes	2,826	2,442
Income taxes		
Current	1	640
Deferred	1,147	444
Net income	¥ 1,678	¥ 1,357

■ Appropriation of Retained Earnings

	Millions of yen
	2006
Unappropriated retained earnings, end of the year	¥ 878
Reversal of reserve for reduction of acquisition cost of fixed assets	24
Total	903
Cash dividends	240 (5.50yen per share)
Directors' bonuses	60
General reserve	300
Unappropriated retained earnings to be carried forward	¥ 303

STOCK INFORMATION March 31, 2006

Principal Stockholders (Top 10 shareholders)

Common Stock Authorized Issued

180,000,000 shares
46,918,542 shares

	Thousands of share	Voting Right Percentage
Morita Corporation	3,281	—
The Dai-ichi Mutual Life Insurance Company	3,265	7.59%
Mizuho Corporate Bank, Ltd.	2,177	5.06%
The Sumitomo Trust & Banking Co., Ltd.	2,172	5.05%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,138	4.97%
Morita Torihiki-saki mochikabu-kai (Morita Supplier Stockholding Association)	2,027	4.71%
The Sumitomo Mitsui Banking Corporation	2,007	4.67%
Japan Trustee Services Bank, Ltd.	1,792	4.17%
Dresdner Bank AG Frankfurt Equities Customers' Account	1,600	3.72%
Morita Jugyo-in mochikabu-kai (Morita Employee Stockholding Association)	1,079	2.51%

CORPOLATE DATA

■ Overview

Founded : April 23,1907

Established : July 23,1932

Representative : President Masahiro Nakajima

Paid-in capital : JPY4,746mil

Osaka Head Office :

5-20,5-Chome,Shojihigashi,Ikuno-ku,Osaka City,Osaka,544-8585

Tokyo Head Office :

25-31,3-Chome,Nishishinbashi,Minato-ku,Tokyo, 105-0003

Primary Products

Pump Division

Manufacture and sale of fire engines with ladders, chemical trucks,ordinary fire engines, other fire fighting vehicles and specialty vehicles.

Disaster Prevention Division

Manufacture and sale of disaster prevention equipment including dry chemical fire extinguishers and design, conservation and inspection of disaster prevention facilities.

Environment Business Division

Design of waste recycling facilities and other waste disposal facilities and manufacture and sale of large hydraulic equipment.

■ Group Companies

Morita Econos Corporation

Morita Technos Corporation

Morita Sogo Service Ltd.

Morita Toukai Corporation

Ueno Morita Ltd.

Morita UG Ltd.

Morita Engineering Corporation

ALUVO.CO.,LTD.

Hokkaido Morita Corporation

Kagoshima Morita Pump Ltd.

Morita Toyo Corporation

Sichuan Morita Fire Safety Appliances Limited Company

Nanjing Chenguang Morita Environment Protection Science & Technology Co.,Ltd.

DIRECTORS, AUDITORS AND EXECUTIVE OFFICERS

Chairman & CEO	Toshio Shinmura
President	Masahiro Nakajima
Executive Vice President	Shigetsugu Demizu
Executive Vice President	Masaaki Onji
Senior Managing Director	Masaaki Shibata
Managing Director	Naoyuki Murai
Managing Director	Eiji Asada
Managing Director	Yukihiro Maehata
Managing Director	Kazuhiko Nakata
Director	Kenichi Kitamura
Director	Kazuhiro Tsuchiya
Full-Time Corporate Auditor	Kyo Hirose
Full-Time Corporate Auditor	Kazunari Nishida
Auditor	Kazuyoshi Matsumura
Auditor	Teruo Nakano
Associate Senior Corporate Executive Officer	Reizo Kitamura
Corporate Executive Officer	Michihiro Ichihara
Corporate Executive Officer	Toshihiko Iwamuro
Corporate Executive Officer	Akira Koga
Corporate Executive Officer	Fumikazu Hashimoto

Shareholder's Memo

Operating Year : April 1st to March 31st

Annual General Meeting of Shareholders : June

Schedule : Ordinary General Meeting of Shareholders - March 31st
Year-end Dividend - March 31st
Interim Dividend - September 30st
Other dates publicised in advance as necessary

Method of Publicity : Posted on company website.
<http://www.morita119.com/kohkoku/index.html>

Shareholder Register Administrator :
The Sumitomo Trust & Banking Co., Ltd.
5-33, 4-Chome, Kitahama, Chuo-ku, Osaka

Administrator's Office :
The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Department
5-33, 4-Chome, Kitahama, Chuo-ku, Osaka

(Postal Address)
The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Department
1-10 Nikko-cho, Fuchu City, Tokyo 183-8701

(Telephone Enquiries)
(Requests for change of address forms) +81-120-175-417
(Other enquiries) +81-120-176-417

(Internet Website URL)
<http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html>

Agent : The Sumitomo Trust & Banking Co., Ltd.
all branches throughout Japan

Stock Listing : Tokyo Stock Exchange, Osaka Securities Exchange

**Please visit our website
for the latest investor relations information.**



<http://www.morita119.com>



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