

MURITA REPORT 2007

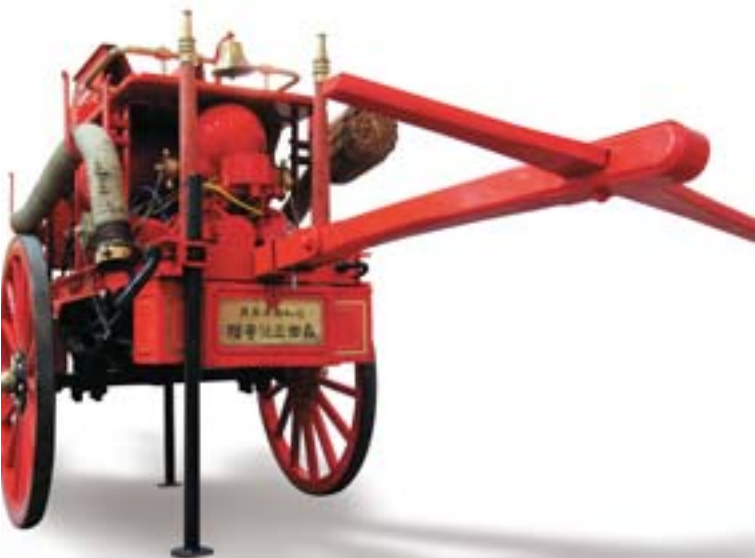
To Shareholders and Investors

Business Report for the 74th Term

April 1, 2006 to March 31, 2007



100th Anniversary



MURITA

Securities Code : 6455

● Morita Topics

🔍 Looking to the future of Morita on our 100th anniversary

In April 2007, Morita celebrated its 100th anniversary. It is exactly 100 years since our founder, Shosaku Morita, established a Fire Protection Association under private management in Osaka's Minami Ward in 1907, and started manufacturing fire extinguishers and fire pumps. When the lifetime of corporations is said to be 30 years, thriving and developing over a century is an astonishing achievement, and a testament to the support of our shareholders and everyone involved in the company.

We would like to express our gratitude for the support of our shareholders, as well as our hopes for your continued support in the future. In addition to the ordinary dividend (¥5 per share), we have decided to pay a special dividend to commemorate the company's 100th anniversary (¥10 per share), for a total end-of-period ¥15 per common share.

Over the last 100 years, motivated by the desire to save as many lives as possible, Morita has made every effort to develop our firefighting technologies, achieving the position of top domestic fire engine manufacturer; and over the next 100 years, Morita will strive towards our dream of being a global company with a worldwide presence.



Shosaku Morita, Founder

Our founder Shosaku Morita was born in Wakayama on July 30, 1883, the oldest of eight siblings. Shosaku was interested in making things from a young age. Even today the story goes that, gazing at the river flowing near his home, he made himself one of those predecessors to the fully fledged pump: a water gun. Shosaku chose the lifelong path of engineering and in 1919, his own technologies had won patents in England, America, France and Germany. Then, in 1922 he went to Europe for six months of research and observation of fire engines, arranging technological cooperation with Benz of Germany. This resulted in dramatic improvements in the quality of Morita's firefighting equipment.

In 1929, having established the foundations of today's Morita Corporation and passed on his vision to the next generation of engineers, our founder died. This vision, based on the manufacture of ladder trucks, spurred the development of the company.

Morita's 100 years

1907 Shosaku Morita established a Fire Protection Association in Osaka's Minami Ward

1910 He succeeded in developing Japan's first plunger pump with a gasoline engine



Japan's first plunger pump with a gasoline engine



Morita pump fire engine

1928 Successfully manufactured a high performance Morita pump truck with a 1,000-gallon per minute flow (the first in Japan with this capacity)

1932 Established Morita Gasoline Pump Seisakusho Co., Ltd.

1933 Successfully manufactured Japan's first wooden-ladder fire engines

1939 Changed the company name to Morita Pump Industries

1950 Successfully manufactured a fire engine with a 30m fully automatic mechanical metal ladder



Japan's first wooden-ladder fire engines

1951 Transferred the head office to its present location in Osaka

1957 Successfully manufactured a fire engine with a 12m hydraulically-operated ladder

1960 Successfully manufactured Japan's first snorkel vehicle (a fire engine with an aerial platform)



Fire engine with a hydraulically operated ladder

1961 Changed the company name to Morita Pump K.K.

1970 Through technological cooperation with Snorkel of America, completed Asia's first squirt vehicle (folding articulated water tower)

1971 Successfully manufactured a fire engine with a 40m class ladder, the only one of its type in Asia

1973 Listed Morita stocks on the Osaka Stock Exchange

1979 Listed Morita stocks on the Tokyo Stock Exchange

1985 Successfully manufactured the MLEX5-30 Super Gyro Ladder equipped with a gyroscopic automatic incline adjustment device

1986 Entered the disaster prevention facilities field

1990 Successfully manufactured a fire engine with a 50m ladder



Top articulated ladder truck



Fire Fighting Ambulance

- 1994 Entered the environmental business field with such products as a recycling facility and waste disposal facility
- 1997 Changed the company name to Morita Corporation
- 2000 Successfully manufactured a top articulated ladder truck with fixed water piping
- 2002 Successfully manufactured a Fire Fighting Ambulance which combined features of fire engine and ambulance
- 2005 Took an equity stake in Sichuan Fire Safety Appliances Factory in China
- 2006 Successfully manufactured a Hazmat Vehicle for responding to terrorism related disasters
- 2007 Successfully manufactured the Miracle CAFS Car that can put out fires using 1/17 of the water previously used

Morita in the future



100th Anniversary

A new start

Fire engine production facilities presently dispersed throughout Osaka Prefecture will be concentrated in Sanda City, Hyogo Prefecture.

The new production centre for fire engines will begin operation in April 2008.

Innovative production methods will be pursued at the new factory, incorporating production, repair and maintenance sections for greater efficiency and improved quality. In addition, the site will feature a systemized testing ground for automatically testing the



The planned Sanda New Factory

water discharge capacity of fire engines. It will also have a test course with uneven terrain, gradients and other challenging features, a foam testing ground with environmental safeguards and many other facilities for comprehensive testing of the whole range of fire engines.

In addition, the site will include training facilities for basic fire and disaster prevention know-how, fire engine driving skills, and operation of ladder trucks, as well as research facilities for raising fire prevention awareness in the local community. It is planned as a base for rapid expansion around the world in the new century, 101 years after our founding.

Morita goes worldwide

In December 2006, we entered a cooperative selling agreement with the German fire engine maker Magirus for aircraft rescue and fire fighting vehicles in the Asian region. Magirus will provide its products on an OEM basis, using Morita's brand power to expand sales in the Asian region. Also, this year, the Group company Morita Technos Corporation entered into a distribution agreement with Magirus, taking on responsibility for sales and maintenance within Japan. Based on a comprehensive cooperative system, we have been able to provide a wider selection of products in overseas markets as well.

At the same time, the Environmental Business Division entered into an agreement in October 2006 with SGM Gantry S.p.A. of Italy regarding the domestic manufacture and sale of magnetic separator and inductive sensor separator. SGM specializes in magnetic separation and related equipment, and is evaluated highly around the world for its technical capabilities. At the N-EXPO 2007 (May 22~25, 2007), we exhibited the SIS Eddy Current Separator, promoting awareness of Morita's entry into the environmental field.



As a corporate citizen protecting human life and mother earth, Morita will globally expand its horizons. Not only will we continue to undertake the production, sale, and maintenance of firefighting equipment, especially fire engines, we will continue our corporate activities aimed at reducing harm to the environment and for a greener earth.

● Message from the President

On behalf of the company, I would like to express our gratitude to our shareholders for their support.

On the opportunity of the Report for the 74th Period, I would like to report on the general outlook for sales.

Overview of Operations

In the current consolidated fiscal year, Japan's economy is seeing increased capital investment thanks to a recovery in corporate earnings and an improved employment situation, suggesting an economic turnaround.

In this business environment, each division of the Group strove to improve the overall strength of the Group through vigorous sales activities combined with efforts to reduce costs and operating expenses in order to strengthen profitability.

However, our business performance in this consolidated fiscal year was significantly impacted by reduced sales of high-end fire engines from the Pump Division, with sales of ¥41,592 million, down ¥3,821 million (8.4%) compared with the same period last year. Operating profit fell by ¥1,153 million to ¥2,096 million (down 35.4%); ordinary income fell by ¥1,043 million to ¥2,376 million (down 30.5%); and current net profit fell by ¥764 million to ¥1,336 million (down 36.3%).

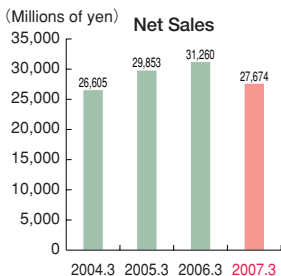
● Overview by Division



Disaster Prevention
Business

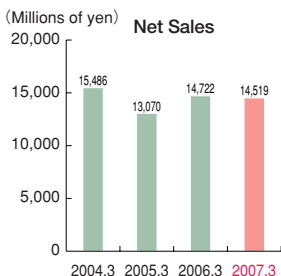
Environmental Business

■ Disaster Prevention Business



In the Pump Division, volume of sales was significantly impacted by reduced sales of such products as ladder trucks and water towers, at ¥27,674 million, down ¥3,585 million (11.4%), and an operating profit of ¥1,530 million, down ¥1,181 million (43.5%) compared with the same period last year.

■ Environmental Business



Volume of sales fell by ¥203 million to ¥14,519 million (down 1.3%), however the Guillotine Press and Scrap Baling Press of the Industrial Equipment Division made a strong showing with an operating profit of ¥566 million, up ¥29 million (5.5%) compared with the same period last year.

Issues to be handled by the Group

- (1) With the expansion of regions due to the merger of municipalities and changes in subsidy systems, local governments, our main customers, are revising their plans for maintaining fire engines. This has led to an ongoing situation of dormant demand. In order to prevail in this tough environment, Morita will develop products

for disaster response that meet customer requirements, offering safety and reassurance, thereby creating demand.

Firstly, we developed the Miracle CAFS Car that can put out fires using 1/17 of the water previously used. This is positioned as an innovative product with the potential to fundamentally change firefighting activities, and we are undertaking sales aggressively both in Japan and overseas. It is expected to assist in efficient fire fighting when little water is available after a major earthquake. It will also help to prevent the problem of secondary disasters from water damage when fighting fires in apartment blocks and similar buildings.

Next, we will launch products such as a high performance ladder truck that is three times as effective in saving lives. We are developing vehicles with superior design, using plastic for the vehicle body to reduce weight.

- (2) Although the domestic market for fire engines is flat, the Southeast Asian market, principally in China, and the Middle Eastern market are characterized by sales of some three thousand vehicles a year (about three times that of the domestic market), and further expansion is expected. In response, Morita will expand its dealership network and secure production centers in China and Vietnam in order to expand sales in overseas markets.
- (3) The Fire Extinguisher Division is working towards achieving a recycling-oriented society. To this end it has started a system for recovering waste fire extinguishers known as the "Circle Morita Eco", recycling the fire extinguishing agents or converting them to fertilizer, and reutilizing the containers of waste extinguishers. In addition, in response to fires in group homes for the elderly and the subsequently tightened regulations, Morita is actively promoting sales of its SPRINEX easy-use firefighting equipment.

I trust that we can count on your ongoing support as Morita continues to grow.

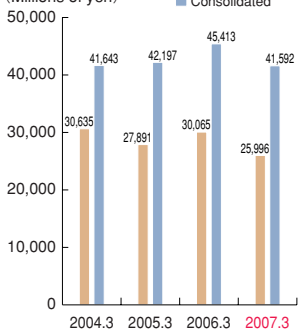
June, 2007

Masahiro Nakajima
President

FINANCIAL HIGHLIGHTS

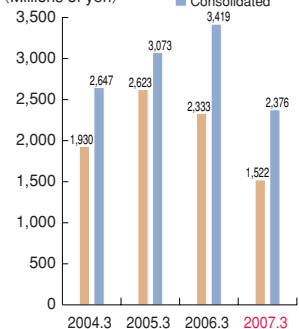
Net Sales

(Millions of yen)



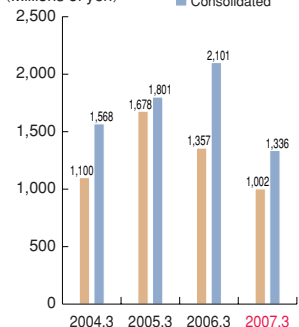
Ordinary Profit

(Millions of yen)



Net Income

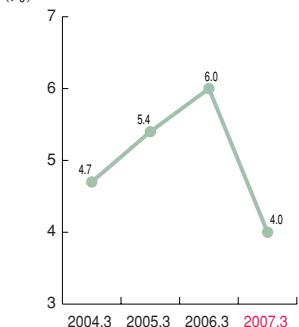
(Millions of yen)



Return on Assets (ROA)

(%)

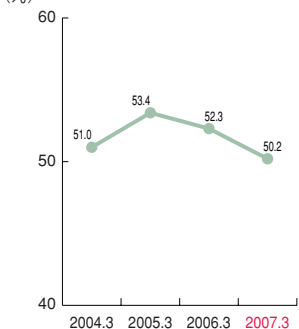
(Consolidated)



Shareholders' Equity Ratio

(%)

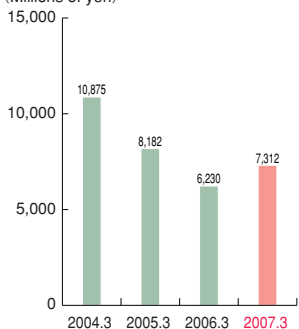
(Consolidated)



Interest-Bearing Liabilities

(Millions of yen)

(Consolidated)



Consolidated Summary

Consolidated Balance Sheets

Morita Corporation and Consolidated Subsidiaries
As of March 31, 2006 and 2007

	Millions of yen	
	2006	2007
Assets		
Current assets	¥ 22,384	¥ 24,294
Property, plant and equipment	26,887	27,211
Intangible assets	185	161
Investments and other assets	9,131	7,498
Total assets	¥ 58,590	¥ 59,165
Liabilities		
Current liabilities	¥ 18,884	¥ 18,248
Long-term liabilities	8,765	10,947
Total liabilities	27,650	29,195
Minority interests in consolidated subsidiaries	280	—
Shareholders' equity		
Common stock	4,746	—
Additional paid-in capital	4,346	—
Retained earnings	20,336	—
Unrealized gains (losses) on revaluation of land	(4)	—
Unrealized gains on available-for-sale securities	2,845	—
	32,269	—
Treasury stock, at cost	(1,610)	—
Total shareholders' equity	30,659	—
Total liabilities and shareholders' equity	¥ 58,590	—
Net assets		
Shareholders' equity		
Common stock		4,746
Additional paid-in capital		4,365
Retained earnings		21,127
Treasury stock, at cost		(2,321)
Total shareholders' equity		27,917
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities		1,734
Deferred gains (losses) on hedges		(4)
Unrealized gains (losses) on revaluation of land		(4)
Foreign currency translation adjustments		40
Total valuation and translation adjustments		1,765
Minority interests in consolidated subsidiaries		286
Total net assets		29,969
Total liabilities and net assets		¥ 59,165

Consolidated Statements of Income

Morita Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2006 and 2007

	Millions of yen	
	2006	2007
Net sales	¥ 45,413	¥ 41,592
Cost of sales	33,691	31,054
Gross profit	11,722	10,537
Selling, general and administrative expenses	8,472	8,441
Operating income	3,249	2,096
Other income	640	1,037
Other expenses	318	632
Income before income taxes	3,571	2,500
Income taxes		
Current	1,062	1,105
Deferred	408	47
	1,470	1,152
Minority interests in earnings of consolidated subsidiaries	(0)	11
Net income	¥ 2,101	¥ 1,336

	Yen	
	2006	2007
Per share of common stock		
Basic net income	¥ 45.61	¥ 31.05
Diluted net income	45.39	30.98
Cash dividends applicable to the year	10.00	20.00*

*Includes 100th anniversary commemorative dividend of Yen 10.00

Consolidated Statements of Cash Flows

Morita Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2006 and 2007

	Millions of yen	
	2006	2007
Cash flows from operating activities	¥ 4,676	¥ 3,597
Cash flows from investing activities	(2,250)	(1,038)
Cash flows from financing activities	(3,045)	(69)
Net increase (decrease) in cash and cash equivalents	(619)	2,489
Cash and cash equivalents at beginning of year	2,947	2,366
Cash and cash equivalents of newly consolidated subsidiaries, net excluded subsidiaries from consolidation	39	—
Cash and cash equivalents at end of year	¥ 2,366	¥ 4,856

Consolidated Statement of Changes in Net Assets (in millions of yen)

Morita Corporation and Consolidated Subsidiaries
For the Year Ended March 31, 2007

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2006	¥ 4,746	¥ 4,346	¥ 20,336	(¥ 1,610)	¥ 27,818
Amount of change					
Cash dividends*			(240)		(240)
Cash dividends			(216)		(216)
Bonuses to directors			(85)		(85)
Net income			1,336		1,336
Acquisition of treasury stock				(795)	(795)
Disposal of treasury stock		18		84	102
Decrease due to changes in scope of consolidation			(3)		(3)
Net changes other than shareholders' equity					
Total changes	—	18	791	(711)	99
Balance at March 31, 2007	¥ 4,746	¥ 4,365	¥ 21,127	(¥ 2,321)	¥ 27,917

	Valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets
	Unrealized gains on available-for-sale securities	Deferred gains (losses) on hedges	Unrealized gains (losses) on revaluation of land	Foreign currency translation adjustments		
Balance at March 31, 2006	¥ 2,845	—	(¥ 4)	—	¥ 280	¥ 30,939
Amount of change						
Cash dividends*						(240)
Cash dividends						(216)
Bonuses to directors						(85)
Net income						1,336
Acquisition of treasury stock						(795)
Disposal of treasury stock						102
Decrease due to changes in scope of consolidation						(3)
Net changes other than shareholders' equity	(1,111)	(4)	—	40	6	(1,069)
Total changes	(1,111)	(4)	—	40	6	(969)
Balance at March 31, 2007	¥ 1,734	(¥ 4)	(¥ 4)	¥ 40	¥ 286	¥ 29,969

*Appropriation of income decided at the general shareholders' meeting in June 2006

Nonconsolidated Summary

Nonconsolidated Balance Sheets

As of March 31, 2006 and 2007

	Millions of yen	
	2006	2007
Assets		
Current assets	¥ 15,630	¥ 16,651
Property, plant and equipment	25,449	25,775
Intangible assets	162	129
Investments and other assets	10,928	9,288
Total assets	¥ 52,172	¥ 51,843
Liabilities		
Current liabilities	¥ 14,866	¥ 13,644
Long-term liabilities	8,015	10,205
Total liabilities	22,882	23,850
Shareholders' equity		
Common stock	4,746	—
Additional paid-in capital	4,346	—
Retained earnings	19,026	—
Unrealized gains on revaluation of land	(4)	—
Unrealized gains on available-for-sale securities	2,785	—
Treasury stock, at cost	(1,610)	—
Total shareholders' equity	29,289	—
Total liabilities and shareholders' equity	¥ 52,172	—
Net assets		
Shareholders' equity		
Common stock		4,746
Additional paid-in capital		4,365
Retained earnings		19,512
Treasury stock, at cost		(2,321)
Total shareholders' equity		26,303
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities		1,699
Deferred gains (losses) on hedges		(4)
Unrealized gains (losses) on revaluation of land		(4)
Total valuation and translation adjustments		1,690
Total net assets		27,993
Total liabilities and net assets		¥ 51,843

Nonconsolidated Statements of Income

For the Years Ended March 31, 2006 and 2007

	Millions of yen	
	2006	2007
Net sales	¥ 30,065	¥ 25,996
Cost of sales	23,150	20,226
Gross profit	6,914	5,770
Selling, general and administrative expenses	5,032	5,016
Operating income	1,881	753
Other income	1,024	1,720
Other expenses	464	788
Income before income taxes	2,442	1,685
Income taxes		
Current	640	670
Deferred	444	13
Net income	¥ 1,357	¥ 1,002

CORPORATE DATA

(current as of March 31,2007)

Overview

Founded : April 23,1907

Established : July 23,1932

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.

Environmental 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.

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

MORITA HOLDRICH (HONGKONG)COMPANY LIMITED

DIRECTORS, AUDITORS AND EXECUTIVE OFFICERS

Chairman & CEO	Toshio Shinmura
President	Masahiro Nakajima
Executive Vice President	Masaaki Onji
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	Masaoki Shibata
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 30th
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

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Stock Transfer Agency Department
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Stock Transfer Agency Department
1-10 Nikko-cho, Fuchu City, Tokyo 183-8701

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

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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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