

**MORITA** REPORT 2007

To Shareholders and Investors

Interim Business Report for the 75<sup>th</sup> Term

April 1, 2007 to September 30, 2007



100th Anniversary



**MORITA**  
Securities Code : 6455

## Morita Topics

### The advent of the Miracle CAFS Car enables new fire-fighting tactics

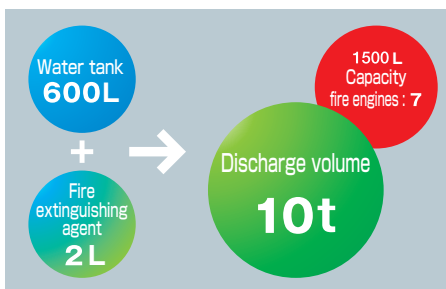
On July 19 this year, Morita held a press conference concerning the new Miracle CAFS Car at the Osaka Head Office. The emergence of a new technology which represents a revolution in fire-fighting methods is an appropriate way of marking the 100<sup>th</sup> anniversary of the company's establishment.

The CAFS (Compressed Air Foam System) technology is said to have been developed in America in the 1930s. Water and fire-extinguishing agent are mixed together, and pumping this mixture



with compressed air causes it to foam. This equipment maximises the surface area of the water which enables fire-fighting with only small amounts of water. The current Miracle CAFS Car carries 600 liters of water and 2 liters of fire-extinguishing agent which provides a fire-fighting capacity equivalent to some 10 tons of water.

When a fire breaks out in a block of flats or other multistorey building, the water damage to the flat where the fire started, as well as to the flats below, is a serious problem in fire fighting. Normally, firefighters must spray several thousand gallons of water to put out a fire. But with CAFS equipment on board, fire engines need to use only a small amount of water which keeps water damage to the minimum.





The fire-extinguishing agent used by the Miracle CAFS Car is environmentally-friendly soap-based foam. It goes by the name Miracle Foam. It was developed jointly by five companies led by Shabondama Soap Co. The foam disperses quickly allowing the site to be inspected promptly.

## ✚ The SUPER Kitchen Leo designed by Kansai Yamamoto now on sale

From August, Morita UG Ltd. began sales of the SUPER Kitchen Leo, a stylish automatic fire extinguishing unit for household ovens with hood fans. We invited Kansai Yamamoto, the world-renowned fashion designer, to design the case of this new product.



The top cause of fires in buildings such as homes is stovetop fires from cooking oil and the majority are due to forgetting to turn off the heat. Installing an automatic fire extinguishing unit that detects outbreaks of fire reliably and prevents it spreading is an important safety measure.

Features of the SUPER Kitchen Leo

- ① Sprays fire extinguishing fluid to put out fire automatically
- ② Stylish design
- ③ Simple installation, maintenance and inspection
- ④ Can be linked to an external alarm system
- ⑤ Comes with the Residential Fire Protection Equipment Mark



## The Sanda New Factory - coming on line next spring

The buildings of the Sanda New Factory, in Sanda, Hyogo Prefecture are complete. This factory will be a major manufacturing centre for fire engines. By integrating the fire engine production facilities that are currently dispersed throughout Osaka Prefecture, and incorporating the manufacturing, repair and maintenance operations which until now were conducted at separate locations, we will achieve greater production efficiency and improved quality.

In addition, the Sanda New Factory will feature a systemised testing ground that can automatically test the discharge capacity of fire engines. It will also have a test course with uneven terrain, gradients and other challenging features, a foam spraying testing ground with environmental safeguards and many other facilities for comprehensive testing of the whole range of fire engines. The Sanda New Factory will not only be the largest fire engine factory in Japan, it will be one of the best in the world. It is expected to be a base for Morita's rapid expansion around the world.



# ● Message from Top Management

We at Morita are pleased to provide you with this Interim Business Report for the 75th Term and a report on the state of our business.

## Overview of Operation

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### 1. Overview of Interim Period

During this interim period, Japan's economy continued its gradual recovery in spite of increasing cost of raw materials such as oil, with increased capital investment thanks to a recovery in corporate performance and an improved employment situation. 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.

Sales during the interim period increased 254 million yen (1.7%) year-on-year to 15,500 million yen. In terms of profits, operating profits decreased 27 million yen (38.1%) year-on-year to 44 million yen, and ordinary profits decreased 13 million yen (7.6%) year-on-year to 169 million yen. Interim net profits decreased 123 million yen (96.1%) year-on-year to 5 million yen.

### 2. Overview of Interim Period by Segment

#### ■ Disaster Prevention Business

Sales for the Disaster Prevention Business increased 319 million yen (3.8%) year-on-year to 8,817 million yen due to the increase in the Fire Fighting Vehicle Division's sale of ladder trucks and mid-size vehicles. In terms of operating profits, operating losses of 87 million yen marked an improvement of 91 million yen year-on-year from 179 million yen.

## ■ Environmental Business

While sales of the Industrial Equipment Division products including the Guillotine Press and Scrap Baling Press were strong, sales for the Environmental Business decreased 82 million yen (1.2%) year-on-year to 6,909 million yen due to a decline in sales of subsidiary company Morita Econos Corporation's sanitary vehicles and garbage trucks. Operating profits decreased 117 million yen year-on-year to 130 million yen.

## Future Outlook

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As can be seen from above, the business results for the Morita Group during the interim period reflect the harsh business conditions. However, in the future we will work to improve our market share through rigorous profit-focused management, cost reduction and new product development, and by curbing the cost of sales management including in back-office sections, we aim to raise our corporate value. Specifically, the company will enhance the profitability of existing businesses through relocation and concentration at the new Sanda Plant, scheduled to start operations next spring. Furthermore, we will expand sales by reinforcing our overseas businesses through expansion of production, sales, and after service centres abroad. We will make every effort to meet and overcome the issues we currently face by increasing our market share through the development and launch of high value-added products.

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

November, 2007

**Masahiro Nakajima**  
President

# Consolidated Summary



## Consolidated Balance Sheets

Morita Corporation and Consolidated Subsidiaries

	Millions of yen		
	FY2006 First half	FY2007 First half	FY2006 Full Year
<b>Assets</b>			
Current assets	¥ 21,981	¥ 23,453	¥ 24,294
Property, plant and equipment	26,642	27,848	27,211
Intangible assets	169	178	161
Investments and other assets	8,433	6,447	7,498
<b>Total assets</b>	<b>¥ 57,226</b>	<b>¥ 57,928</b>	<b>¥ 59,165</b>
<b>Liabilities</b>			
Current liabilities	¥ 20,550	¥ 17,114	¥ 18,248
Long-term liabilities	6,832	12,496	10,947
<b>Total liabilities</b>	<b>27,382</b>	<b>29,610</b>	<b>29,195</b>
<b>Net assets</b>			
Shareholders' equity			
Common stock	4,746	4,746	4,746
Additional paid-in capital	4,359	4,365	4,365
Retained earnings	20,135	20,255	21,127
Treasury stock, at cost	(1,982)	(2,488)	(2,321)
<b>Total shareholders' equity</b>	<b>27,258</b>	<b>26,878</b>	<b>27,917</b>
Valuation and translation adjustments			
Unrealized gains on available-for-sale securities	2,331	1,086	1,734
Deferred gains (losses) on hedges	(12)	0	(4)
Unrealized gains (losses) on revaluation of land	(4)	(4)	(4)
Foreign currency translation adjustments	(3)	73	40
<b>Total valuation and translation adjustments</b>	<b>2,311</b>	<b>1,156</b>	<b>1,765</b>
Minority interests in consolidated subsidiaries	274	282	286
<b>Total net assets</b>	<b>29,844</b>	<b>28,318</b>	<b>29,969</b>
<b>Total liabilities and net assets</b>	<b>¥ 57,226</b>	<b>¥ 57,928</b>	<b>¥ 59,165</b>

## Consolidated Statements of Income

Morita Corporation and Consolidated Subsidiaries

	Millions of yen		
	FY2006 First half	FY2007 First half	FY2006 Full Year
<b>Net sales</b>	¥ 15,246	¥ 15,500	¥ 41,592
<b>Cost of sales</b>	11,079	11,361	31,054
Gross profit	4,167	4,138	10,537
<b>Selling , general and administrative expenses</b>	4,095	4,094	8,441
Operating income	71	44	2,096
<b>Other income</b>	319	417	1,037
<b>Other expenses</b>	167	234	632
<b>Income before income taxes</b>	223	226	2,500
<b>Income taxes</b>			
Current	96	221	1,105
Deferred	—	—	47
	96	221	1,152
Minority interests in earnings of consolidated subsidiaries	(1)	0	11
<b>Net income</b>	¥ 128	¥ 5	¥ 1,336

## Consolidated Statements of Cash Flows

Morita Corporation and Consolidated Subsidiaries

	Millions of yen		
	FY2006 First half	FY2007 First half	FY2006 Full Year
<b>Cash flows from operating activities</b>	(¥ 493)	(¥ 1,940)	¥ 3,597
<b>Cash flows from investing activities</b>	(506)	(825)	(1,038)
<b>Cash flows from financing activities</b>	1,813	1,487	(69)
<b>Net increase (decrease) in cash and cash equivalents</b>	814	(1,278)	2,489
<b>Cash and cash equivalents at beginning of year</b>	2,366	4,856	2,366
Cash and cash equivalents of newly consolidated subsidiaries, net excluded subsidiaries from consolidation	—	23	—
<b>Cash and cash equivalents at end of year</b>	¥ 3,181	¥ 3,600	¥ 4,856



**Consolidated Statement of Changes in Net Assets** (in millions of yen)  
**Morita Corporation and Consolidated Subsidiaries**

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2007	¥ 4,746	¥ 4,365	¥ 21,127	(¥ 2,321)	¥ 27,917
Amount of change in interim period					
Cash dividends			(639)		(639)
Net income			5		5
Acquisition of treasury stock				(168)	(168)
Disposal of treasury stock		0		0	0
Decrease due to changes in scope of consolidation			(237)		(237)
Net changes other than shareholders' equity					
Total change in interim period	—	0	(871)	(167)	(1,039)
Balance at September 30, 2007	¥ 4,746	¥ 4,365	¥ 20,255	(¥ 2,488)	¥ 26,878

	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, 2007	¥ 1,734	(¥ 4)	(¥ 4)	¥ 40	¥ 286	¥ 29,969
Amount of change in interim period						
Cash dividends						(639)
Net income						5
Acquisition of treasury stock						(168)
Disposal of treasury stock						0
Decrease due to changes in scope of consolidation						(237)
Net changes other than shareholders' equity	(648)	5	—	33	(3)	(612)
Total change in interim period	(648)	5	—	33	(3)	(1,651)
Balance at September 30, 2007	¥ 1,086	¥ 0	(¥ 4)	¥ 73	¥ 282	¥ 28,318

# ● Nonconsolidated Summary

## ■ Nonconsolidated Balance Sheets

	Millions of yen		
	FY2006 First half	FY2007 First half	FY2006 Full Year
<b>Assets</b>			
Current assets	¥ 14,349	¥ 16,083	¥ 16,651
Property, plant and equipment	25,218	26,206	25,775
Intangible assets	144	105	129
Investments and other assets	10,210	8,294	9,288
<b>Total assets</b>	<b>¥ 49,922</b>	<b>¥ 50,689</b>	<b>¥ 51,843</b>
<b>Liabilities</b>			
Current liabilities	¥ 15,925	¥ 12,356	¥ 13,644
Long-term liabilities	6,101	11,686	10,205
Total liabilities	22,027	24,043	23,850
<b>Net assets</b>			
Shareholders' equity			
Common stock	4,746	4,746	4,746
Additional paid-in capital	4,359	4,365	4,365
Retained earnings	18,508	18,960	19,512
Treasury stock, at cost	(1,982)	(2,488)	(2,321)
Total shareholders' equity	25,632	25,583	26,303
Valuation and translation adjustments			
Unrealized gains on available-for-sale securities	2,280	1,065	1,699
Deferred gains (losses) on hedges	(12)	1	(4)
Unrealized gains (losses) on revaluation of land	(4)	(4)	(4)
Total valuation and translation adjustments	2,263	1,062	1,690
Total net assets	27,895	26,646	27,993
<b>Total liabilities and net assets</b>	<b>¥ 49,922</b>	<b>¥ 50,689</b>	<b>¥ 51,843</b>

## ■ Nonconsolidated Statements of Income

	Millions of yen		
	FY2006 First half	FY2007 First half	FY2006 Full Year
<b>Net sales</b>	¥ 7,531	¥ 8,336	¥ 25,996
<b>Cost of sales</b>	5,790	6,332	20,226
Gross profit	1,741	2,003	5,770
<b>Selling, general and administrative expenses</b>	2,354	2,409	5,016
<b>Operating income</b>	(613)	(405)	753
Other income	512	819	1,720
Other expenses	251	253	788
<b>Income before income taxes</b>	(352)	161	1,685
Income taxes			
Current	(134)	73	670
Deferred	—	—	13
<b>Net income</b>	<b>(¥ 217)</b>	<b>¥ 87</b>	<b>¥ 1,002</b>

# CORPORATE DATA

(current as of September 30, 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.

#### 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.

Ueno Morita Ltd.

Morita UG Ltd.

Morita Engineering Corporation

ALUVO.CO.,LTD.

Ento.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

## Shareholder's Memo

Operating Year : April 1<sup>st</sup> to March 31<sup>st</sup>

Annual General Meeting of Shareholders : June

Schedule : Ordinary General Meeting of Shareholders—March 31<sup>st</sup>  
Year-end Dividend—March 31<sup>st</sup>  
Interim Dividend—September 30<sup>th</sup>  
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>



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

☎ +81-6-6756-0100

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

☎ +81-3-5777-5777

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with reduced eyesight.

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