

**MURITA** REPORT 2008

To Shareholders and Investors

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

From April 1, 2007 to March 31, 2008

**101**  
Toward Our  
Next Centenary



**MURITA**

Securities identification code: 6455

## ● Morita Topics

### 🚒 Fire fighting ambulance (rear carry-in/out type)



In recent years, with the aging of society and the decrease in household size, the frequency of ambulance mobilizations has been increasing and we are experiencing a growing shortage of ambulances.



As a result, actions such as mobilization of fire fighting vehicles to calls before mobilization of ambulances have been taken. To respond to such circumstances, Morita announced the world's first “fire fighting ambulance” as a concept vehicle in 2002.

Subsequently, the company worked on development of a commercially viable fire fighting ambulance, and in 2005, it delivered its first commercial model to Matsudo City in Chiba Prefecture. Following delivery to Matsudo City, we have received inquiries for our fire fighting ambulance from a number of municipal governments throughout Japan, and delivered the vehicle to local governments including Kita-kyushu City, Obihiro City and Fukuoka City.

In March 2008, we developed a new fire fighting ambulance model that enables the crew to carry patients in and out from the rear door, and delivered it to Mutsu City in Aomori Prefecture. While the first model delivered in 2005 had a patient entrance on one side of the vehicle, the new model has the entrance at the rear. This design change allows the crew to work safely on narrow streets and heavily congested roads.

The internal emergency medical space measures 1.75 m in height and

1.67 m in width, which is larger than that of the first model.

This emergency medical space can accommodate up to seven people: three (technicians and an attendant) on the side, one (technician) in the front, and three in the driver's seat, the assistant's seat and the patient's space.

In addition, use of a vibration-isolated bed reduces vibrations while the vehicle is traveling.

Furthermore, the vehicle is equipped with an A-2 class water pump on the left side to ensure a water discharge capacity of 2,000 liter or higher per minute at 0.85 Mpa. Since this capacity is equivalent to that of the most common pumper in Japan, the new fire fighting ambulance is expected to play a more active role in future as one of the solutions to problems that the Japanese fire fighting system faces.



## REDSEAGULL

The multifunctional type fire fighting vehicle “REDSEAGULL” is capable of opening its doors (3 doors) just like the gull wings of a super car. The name “REDSEAGULL” is derived from its shape with the opening doors looking like the outspread wings of a seagull. Because of this innovative design and enhanced functions, the new fire fighting vehicle is also called a “super fire fighting vehicle.”

Recently, the number of requests for fire departments/stations to provide rescue activities in natural disasters in addition to fire fighting activities has been increasing, and expectations for what fire fighting vehicles can do are becoming more diverse.

Given this tendency, the Japan Firefighters Association held a competition for development of new types of fire fighting vehicles that would allow volunteer fire corps to perform emergency life saving activities in addition to fire fighting activities. The competition was made possible by support of the Japan Lottery Association.

“REDSEAGULL” enables the customer to freely rearrange the layout of shelves by selecting rescue equipment from a broad range of options including a small-size power pump according to the intended use in order to respond to such societal requests.

In particular, Morita attached much importance to the design of the vehicle. The sticker drawn on the sides of the vehicle is designed to look like a fire fighter battling a blaze to express the courage of fire fighters.

In addition, the doors that open wide are designed to make use of the vehicle easier for the fire fighters and technicians, and assume that different types of emergency crews ranging from volunteer fire corps members, who protect the safety of local residents, to professional fire fighters may use the vehicle.



## Ceremony to commemorate the 101<sup>st</sup> anniversary of foundation

Our company was founded on April 23, 1907, and this year we celebrate the 101<sup>st</sup> anniversary of our foundation.

We are sincerely grateful for your generous kindness and support that have enabled us to mark such a long history.

On May 30, we held a ceremony for the 101<sup>st</sup> anniversary of our foundation, in which we also unveiled a new factory that has been built in Sanda City, Hyogo Prefecture, to commemorate our new century.



Reception party remarks by the President ▲



Ladder trucks demonstration ▲

## ● Message from Top Management

We are glad that our shareholders are well and prospering.

We would like to express our appreciation for your continued support of our company.

As we provide our business report on the 75<sup>th</sup> term results of our company, we would like to first give you an overview of sales activities.

### Overview of sales activities

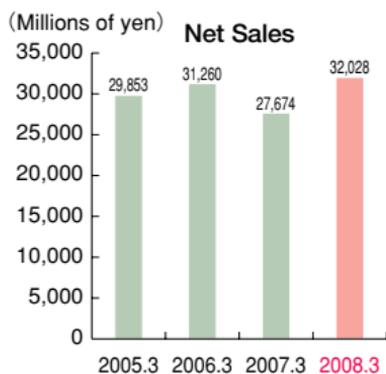
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In our current fiscal year on a consolidated basis, the Japanese economy first enjoyed a mild upswing because of increased capital investments and improved employment conditions backed by steady business performances. However, the economic prospects grew less certain due to financial unrest triggered by the surge in crude oil and raw material prices and the sub-prime loan problem in the United States.

Despite such circumstances, the performances of the Disaster Prevention Business, including the Pump Division, and the Industrial Machinery Division fared well, and net sales of our Group increased ¥4,764 million from the same period of the previous year to ¥46,357 million (up 11.5%). The operating income increased ¥228 million from the same period a year earlier to ¥2,324 million (up 10.9%). The ordinary profit increased ¥277 million from the same period of the previous year to ¥2,653 million (up 11.7%). The current net income decreased ¥270 million from the same period a year ago to ¥1,066 million (down 20.2%) partly because a ¥737 million impairment loss brought about by the existing factory becoming idle due to consolidation of pumper-related factories to the new factory in Sanda City, Hyogo Prefecture. This was recorded as an extraordinary loss.

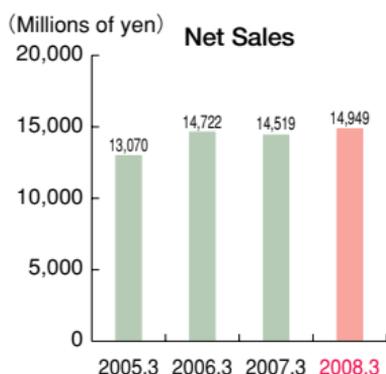
## ● Overview by segment

### ■ Disaster Prevention Business



In the Disaster Prevention Business, net sales increased ¥4,353 million from the same period a year earlier to ¥32,028 million (up 15.7%) owing to an increase in the number of ladder trucks, etc. sold from the Pump Division, and operating income increased ¥340 million from the same period a year ago to ¥1,871 million (up 22.3%).

### ■ Environmental Business



In the Environmental Business, net sales increased ¥430 million from the same period of the previous year to ¥14,949 million (up 3.0%) due to the industrial machinery division including guillotine presses and scrap presses achieving strong showings. However, the operating income decreased ¥113 million from the same period a year ago to ¥453 million (down 20.0%) because of a decrease in the sales of environmental sanitary vehicles from our subsidiary Morita Econos Corporation.

## Tasks to Be Addressed:

It is expected that the business climate will become even harsher and change rapidly. Our company intends to aim at building a strong brand supported by our customers by revisiting the basic manufacturing principles: “advancement of technologies” and “realization of customer satisfaction” while responding to the rapid changes we expect. The specific tasks we have to fulfill are as follows.

- (1) Increase earnings from overseas businesses through expansion of overseas bases for production, sales and post-sale services.
- (2) Strengthen the earning capacity of the existing businesses by transferring and consolidating them to the Sanda Factory.
- (3) Increase market share by launching highly value-added products.
- (4) Increase the organizational capacity by cultivating human resources and firmly establishing a performance-based wage system.

In addition, our company plans to reorganize the Group through introduction of a holding company system and spin-off of some of the Group companies starting October 1, 2008 in order to survive the intensifying domestic and international competition, achieve agile management of the Group and increase earnings from our businesses.

Our Group will aim to further increase our corporate value by reinforcing management and strengthening earning capacity.

We sincerely hope that our shareholders will provide us with further support and guidance.

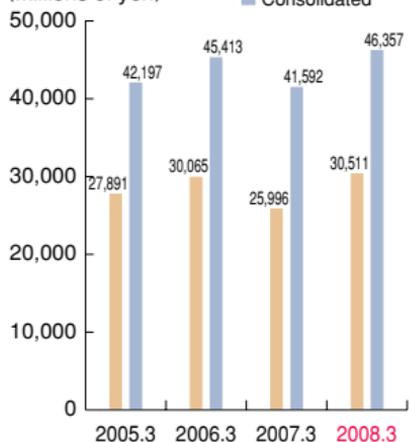
June 2008

Masahiro Nakajima, President

# FINANCIAL HIGHLIGHTS

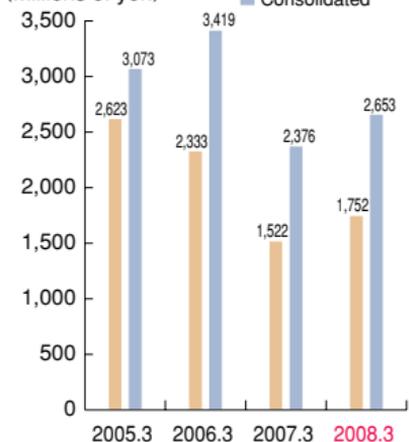
## Net Sales

(Millions of yen)



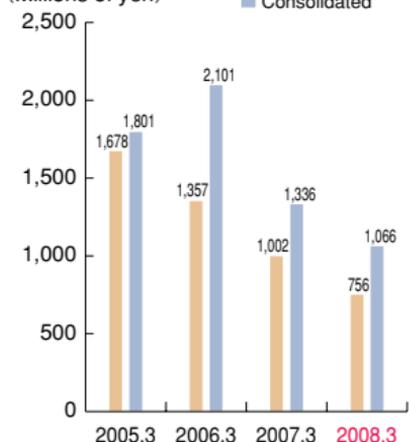
## Ordinary Profit

(Millions of yen)



## Net Income

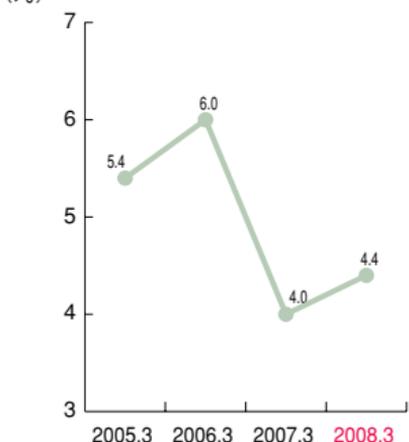
(Millions of yen)



## Return on Assets (ROA)

(%)

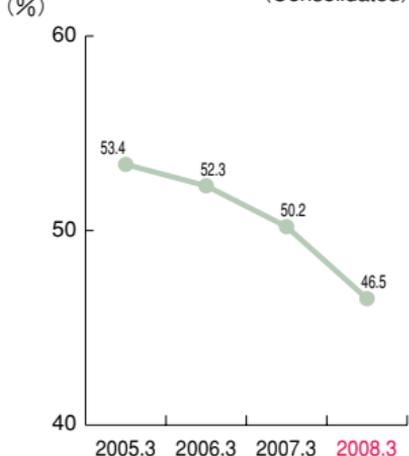
(Consolidated)



## Shareholders' Equity Ratio

(%)

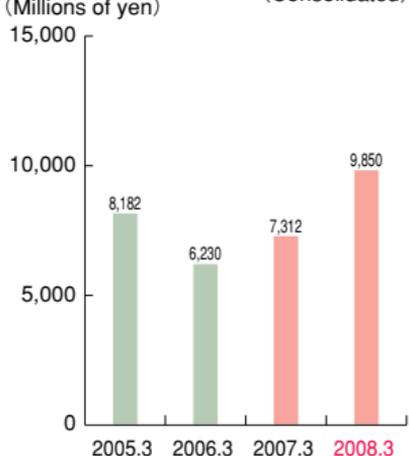
(Consolidated)



## Interest-Bearing Liabilities

(Millions of yen)

(Consolidated)



# Consolidated Summary



## Consolidated Balance Sheets

Morita Corporation and Consolidated Subsidiaries

As of March 31, 2007 and 2008

	Millions of yen	
	2007	2008
<b>Assets</b>		
Current assets	¥ 24,294	¥ 25,408
Property, plant and equipment	27,211	29,170
Intangible assets	161	289
Investments and other assets	7,498	5,587
<b>Total assets</b>	<b>¥ 59,165</b>	<b>¥ 60,456</b>
<b>Liabilities</b>		
Current liabilities	¥ 18,248	¥ 21,922
Long-term liabilities	10,947	10,125
Total liabilities	29,195	32,048
<b>Net assets</b>		
Shareholders' equity		
Common stock	4,746	4,746
Additional paid-in capital	4,365	4,365
Retained earnings	21,127	21,345
Treasury stock, at cost	(2,321)	(2,496)
Total shareholders' equity	27,917	27,959
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	1,734	345
Deferred gains (losses) on hedges	(4)	(0)
Unrealized gains (losses) on revaluation of land	(4)	(244)
Foreign currency translation adjustments	40	49
Total valuation and translation adjustments	1,765	149
Minority interests in consolidated subsidiaries	286	298
Total net assets	29,969	28,408
<b>Total liabilities and net assets</b>	<b>¥ 59,165</b>	<b>¥ 60,456</b>

## Consolidated Statements of Income

Morita Corporation and Consolidated Subsidiaries  
For the Years Ended March 31, 2007 and 2008

	Millions of yen	
	2007	2008
<b>Net sales</b>	¥ 41,592	¥ 46,357
<b>Cost of sales</b>	31,054	35,301
Gross profit	10,537	11,055
<b>Selling, general and administrative expenses</b>	8,441	8,731
Operating income	2,096	2,324
<b>Other income</b>	1,037	879
<b>Other expenses</b>	632	1,384
<b>Income before income taxes</b>	2,500	1,820
<b>Income taxes</b>		
Current	1,105	877
Deferred	47	(139)
	1,152	737
Minority interests in earnings of consolidated subsidiaries	11	16
<b>Net income</b>	¥ 1,336	¥ 1,066

	Yen	
	2007	2008
<b>Per share of common stock</b>		
Basic net income	¥ 31.05	¥ 25.11
Diluted net income	30.98	—
Cash dividends applicable to the year	20.00*	10.00

\*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, 2007 and 2008

	Millions of yen	
	2007	2008
<b>Cash flows from operating activities</b>	¥ 3,597	¥ 1,057
<b>Cash flows from investing activities</b>	(1,038)	(2,972)
<b>Cash flows from financing activities</b>	(69)	982
<b>Net increase (decrease) in cash and cash equivalents</b>	2,489	(932)
<b>Cash and cash equivalents at beginning of year</b>	2,366	4,856
Cash and cash equivalents of newly consolidated subsidiaries	—	23
<b>Cash and cash equivalents at end of year</b>	¥ 4,856	¥ 3,947

## Consolidated Statement of Changes in Net Assets

(in millions of yen)

Morita Corporation and Consolidated Subsidiaries  
For the Year Ended March 31, 2008

	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					
Cash dividends			(851)		(851)
Net income			1,066		1,066
Acquisition of treasury stock				(177)	(177)
Disposal of treasury stock		(0)		2	2
Reversal of reserve for land revaluation			240		240
Decrease due to changes in scope of consolidation			(237)		(237)
Net changes other than shareholders' equity					—
Total changes	—	(0)	217	(175)	41
Balance at March 31, 2008	4,746	4,365	21,345	(2,496)	27,959

	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						
Cash dividends						(851)
Net income						1,066
Acquisition of treasury stock						(177)
Disposal of treasury stock						2
Reversal of reserve for land revaluation						240
Decrease due to changes in scope of consolidation						(237)
Net changes other than shareholders' equity	(1,388)	4	(240)	9	11	(1,603)
Total changes	(1,388)	4	(240)	9	11	(1,561)
Balance at March 31, 2008	345	(0)	(244)	49	298	28,408

# Nonconsolidated Summary

## Nonconsolidated Balance Sheets

As of March 31, 2007 and 2008

	Millions of yen	
	2007	2008
<b>Assets</b>		
Current assets	¥ 16,651	¥ 18,057
Property, plant and equipment	25,775	27,562
Intangible assets	129	171
Investments and other assets	9,288	7,350
<b>Total assets</b>	<b>¥ 51,843</b>	<b>¥ 53,141</b>
<b>Liabilities</b>		
Current liabilities	¥ 13,644	¥ 17,400
Long-term liabilities	10,205	9,384
Total liabilities	23,850	26,785
<b>Net assets</b>		
Shareholders' equity		
Common stock	4,746	4,746
Additional paid-in capital	4,365	4,365
Retained earnings	19,512	19,657
Treasury stock, at cost	(2,321)	(2,496)
Total shareholders' equity	26,303	26,272
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	1,699	330
Deferred gains (losses) on hedges	(4)	(1)
Unrealized gains (losses) on revaluation of land	(4)	(244)
Total valuation and translation adjustments	1,690	84
Total net assets	27,993	26,356
<b>Total liabilities and net assets</b>	<b>¥ 51,843</b>	<b>¥ 53,141</b>

## Nonconsolidated Statements of Income

For the Years Ended March 31, 2007 and 2008

	Millions of yen	
	2007	2008
<b>Net sales</b>	¥ 25,996	¥ 30,511
<b>Cost of sales</b>	20,226	24,156
Gross profit	5,770	6,355
<b>Selling, general and administrative expenses</b>	5,016	5,283
<b>Operating income</b>	753	1,072
Other income	1,720	1,444
Other expenses	788	1,465
<b>Income before income taxes</b>	1,685	1,051
Income taxes		
Current	670	400
Deferred	13	(105)
<b>Net income</b>	<b>¥ 1,002</b>	<b>¥ 756</b>

# ● Company Profile

(current as of March 31,2008)

## Overview

Inauguration of business: April 23, 1907

Establishment: July 23, 1932

Capital: ¥4,746,120,000

Osaka Head Office: 5-5-20 Shoji-Higashi, Ikuno-ku, Osaka-shi  
Osaka

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

Major lines of business

### Pump Division

Manufacture and sale of aerial ladder trucks, chemical pumpers, pumpers, other fire fighting-related vehicles and special vehicles

### Disaster Prevention Division

Sale of disaster prevention equipment such as ABC dry chemical fire extinguishers, and design, installation and maintenance of disaster prevention facilities

### Environmental Business Division

Manufacture and sale of recycle plants, waste treatment facilities and industrial waste treatment machines

## 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(Hong Kong) Company Limited

MORITA VIETNAM COMPANY LTD.

## ● Executives

Chairman & CEO	Toshio Shinmura
President	Masahiro Nakajima
Executive Vice President	Masaaki Onji
Managing Director	Eiji Asada
Managing Director	Yukihiro Maehata
Director	Kenichi Kitamura
Director	Kazuhiro Tsuchiya
Director	Fumikazu Hashimoto
Director	Kazumi Kawaguchi
Full-Time Corporate Auditor	Kyo Hirose
Full-Time Corporate Auditor	Kazunari Nishida
Auditor	Kazuyoshi Matsumura
Auditor	Kanji Masuda
Associate Senior Corporate Executive Officer	Junji Inamoto
Corporate Executive Officer	Toshihiko Iwamuro
Corporate Executive Officer	Akira Koga
Corporate Executive Officer	Ryutaro Nakagawa
Corporate Executive Officer	Yukio Tanaka
Corporate Executive Officer	Nakatsune Nakano

## Memorandum for Shareholders (notice on shares)

Business year: from April 1 to March 31 every year

Annual general meeting of shareholders: held in June every year

Reference date: Annual general meeting of shareholders: March 31 every year  
Dividend at the end of term: March 31 every year  
Interim dividend: September 30 every year  
Other: specified date publicly announced in advance as necessary

Public announcement method:  
posted on the website of our company  
<http://www.morita119.com/kohkoku/index.html>

Administrator of the shareholders list:  
The Sumitomo Trust & Banking Co., Ltd.  
4-5-33, Kitahama, Chuo-ku, Osaka-shi

Place of clerical office for the above:  
Stock Transfer Agency Department, The Sumitomo  
Trust & Banking Co., Ltd.  
4-5-33, Kitahama, Chuo-ku, Osaka-shi

(Post delivery address)  
Stock Transfer Agency Department, The Sumitomo  
Trust & Banking Co., Ltd.  
1-10, Nikko-cho, Fuchu-shi, Tokyo, 183-8701

(Phone number for inquiries)  
(Request for application form for address change, etc.) +81-120-175-417  
(Other inquiries) +81-120-176-417

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

Agent for the above: Nationwide branches of The Sumitomo Trust & Banking Co., Ltd.

Stock exchanges: Tokyo Stock Exchange, Osaka Securities Exchange

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<http://www.morita119.com>

Protecting Human Life  
and Mother Earth

**MORITA**

MORITA CORPORATION

Osaka Head Office : 5-5-20, Shoji-Higashi, Ikuno-ku, Osaka-shi,  
Osaka, 544-8585

Tel: +81-6-6756-0100

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

Tel: +81-3-5777-5777

<http://www.morita119.com>



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