

# MORITA REPORT 2010

## To Shareholders and Investors

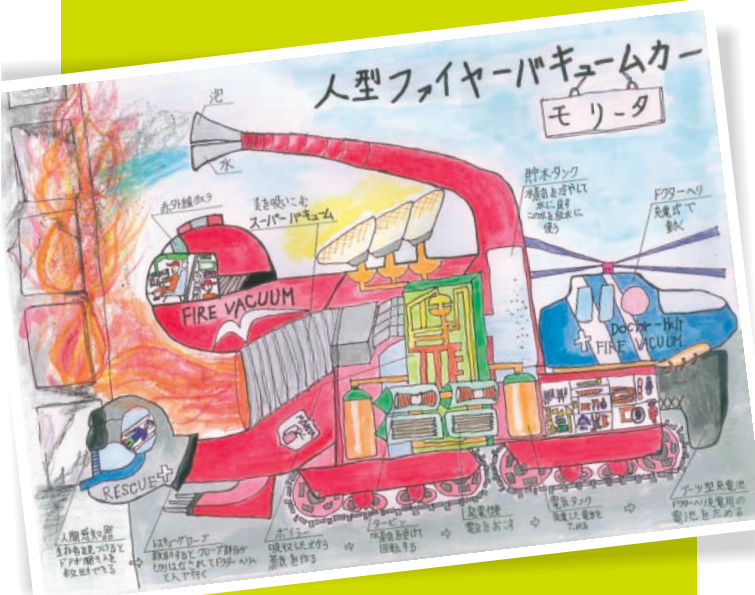
Business Report for the 77<sup>th</sup> Term

From April 1, 2009 to March 31, 2010



# MORITA GROUP

Protecting Human Life and Mother Earth



Securities identification code:6455

## Morita Topics

### ■ Morita's Forest Fire Fighting Concept Car to the World!

~presented at INTERSCHUTZ 2010, world's leading trade fair for public safety~

In Japan, more than 2,000 cases of forest fire are reported annually, and large-scale forest fires are on the increase in many parts of the world including the United States and Australia in recent years. Such fires not only burn down forest resources and cause environmental damages but also trigger many other damages such as deterioration of global economic activities and health damages. At an international conference held in Greece in October 2008, participants pointed out the "importance of initial fire control and prevention of spreading of fire." With a mission of "protecting human life and mother earth," Morita embarked on the development of new fire fighting technologies, and in April this year, we successfully developed and announced a concept car for organizing and leading effective fire fighting strategies, which is capable of communicating information such as weather and forest conditions with land and aerial bases and fire control headquarters from the front line.



#### Main Features of Concept Car

- Operation deck for exchanging information with other teams
- LED lighting and camera to deliver images of the disaster site, which are mounted on a telescopic pole powered by an electric water pump.
- Deck gun (Discharge nozzles) on the sides of the operation deck, which allows fire fighters to carry out fire fighting activity while the vehicle is running
- Compressed Air Foam System (CAFS) unit

## ■ Development of State-of-the-art Ladder Truck SUPER GYRO LADDER MLL Series

~presented at INTERSCHUTZ 2010, world's leading trade fair  
for public safety~

Striving to “save lives and control fire as quickly as possible,” Morita has developed SUPER GYRO LADDER MLL SERIES, ladder trucks equipped with a number of new technologies including faster extension and retraction speed as a result of lighter weight ladder, and a latest control system that is capable of memorizing the ladder movements and repeating the same movements. It is the latest model designed for higher operability, not only equipped with a unit controlling the ladder from swinging, but also capable of automatically controlling the extension/retraction and raising/lowering of the ladder, facilitating the horizontal and vertical movements of the basket, and commanding complicated movements with a single push of a button. SUPER GYRO LADDER MLL SERIES delivers the technology, safety, and security that only Morita can provide.



## ■ A number of CAFS-equipped vehicles launched with advanced equipments!

Up to now, Morita has sold about 300 fire fighting vehicles to municipalities equipped with a new fire fighting system, CAFS (Compressed Air Foam System), which has been recognized for its effectiveness and is becoming a standard system for fire fighting vehicles. With lessons learnt from the Great Hanshin Earthquake, Morita developed CAFS in 2007, which can carry out effective fire control with less water in areas with poor access to water resources. In the following year, it succeeded in the development of a CAFS vehicle

with an ejector-based water priming system powered by compressed air. In May this year, it has launched a discharge nozzle with minimum fluid friction in order to maximize the CAFS capacity. This nozzle is capable of not only switching its flow path between for CAF



and for water, but also protecting fire fighters from heat and smoke by spraying water fog in front of them to assist safety in fire fighting activities.

CAFS-equipped fire fighting vehicle is a system that Morita presents to achieve higher efficiency in fire fighting activities by combining the cooling effect and suffocating effect of foam and to minimize damages from sprayed water.

## ■ “Eco-utan Fund”—Collecting Old Fire Extinguishers for Creating Forest



In January this year, fire extinguisher manufacturers have joined hands to start collecting old extinguishers, orchestrated by a extensive recognition system of Japan Fire Extinguisher Manufacturers’ Association, in order to prevent accidents due to the use of decrepit fire extinguishers and ensure that safe fire extinguishers are installed into households. Morita Bohsai Tech and Miyata Industry have been actively collecting old fire extinguishers through their sales offices and distributors and, in April this year, have started to donate “1 yen” for each fire extinguisher collected to NPO Asian Green Forest Network to assist their “Eco-utan fund.”

The number of orangutans living in a tropical rain forest is said to be an

indicator of the soundness of the ecosystem of the tropical rain forest. They play the role of scattering plants' seeds round the forest and are indispensable for maintaining the forests. If orangutans are living happily, it means that the tropical rain forest they live in is growing soundly.

We hope that, through the fund, as many trees as possible will be planted in forests throughout the world to ensure safe habitats for animals.

## ■ Spin-off of Miyata Cycle

After 120 years since the development of the prototype model of the first safety-focused domestic bicycle, the Bicycle Division of Miyata Industry has made a fresh start on June 1 this year by spinning off into Miyata Cycle, Morita Holdings' 100% subsidiary. Miyata Cycle will strive to boost its competitiveness and accelerate its growth by shifting to a marketing-led business structure that will allow it to provide products and services that are more in tune with the needs of customers in a swifter manner.

Last August, Miyata Industry signed a sole distributorship agreement with Merida for its global brand "MERIDA," which is currently sold in 54 countries. We offer an attractive lineup of bicycles from entry-level to high-end products that are sure to satisfy sport bike users.



Scultura EVO TEAM-20

## ■ New Scrap Cutting Machine “Eco Guillo Shear” and Press Machine “35PAL Press”

“Eco Guillo Shear” has been newly added to Morita Environmental Tech’s Guillotine series. The new model is designed to install in 3/4 site compared to the conventional models in the Guillotine series, which tend to be large in order to cut and process waste metals from scrapped buildings, and achieved less noise, vibration, and energy with the use of a new oil-hydraulic unit. This is a strategic model designed to meet the needs of users. Similarly, 35PAL Press is a scrap press machine that has been developed with the same concept in mind. “Less energy” and “environmental friendliness” have become the leading keywords today. We will continue to propose products that will play a part in achieving less energy and a recycling society.



### Cover page

A drawing by Shotaro Hikita, a second grade student in Kokubunji, Tokyo, selected for the best award in the 5<sup>th</sup> Future Fire Truck Idea Contest for elementary school students throughout Japan.

## Message from Top Management

We would first like to extend our deep appreciation for your continued support for Morita.

We are pleased to provide you with the Business Report on the 77<sup>th</sup> term and report on the business overview.

### Business Overview

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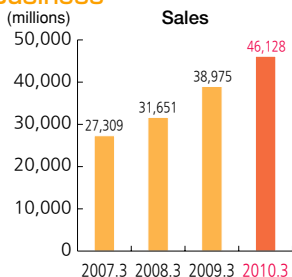
In this consolidated fiscal year, the Japanese economy remained in uncertainty due to refrainment from capital investment and sluggish consumer spending, although earnings showed signs of recovery in some businesses.

Under such situations, Morita Group has been striving to strengthen its earning capacity by promoting cost reduction and cutting expenses, in addition to active marketing activities.

As a result, albeit decrease in orders for the fire control equipments and industrial machinery, sales in the pump division have significantly increased thanks to supplementary budgets, pushing sales to 61,737 million yen, which is an increase of 5,032 million yen or 8.9% from the previous term; operating profit to 4,223 million yen, up 1,839 million yen or 77.2%; and ordinary profit to 4,503 million yen, up 1,720 million yen or 61.8%, a record high since listing on the market. As for net income, although 316 million yen in impairment loss has been marked as extraordinary loss, it has increased by 924 million yen or 82.6% to 2,044 million yen.

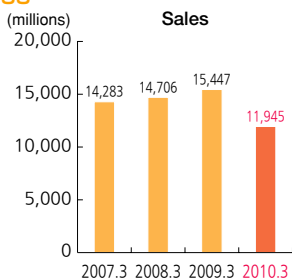
## Business Condition by Segment

### ■ Disaster Prevention Business



In the Disaster Prevention Business, the sales have increased by 7,153 million yen or 18.4% to 46,128 million yen due to increased sale in the pump division thanks to supplementary budgets, and as a result of Miyata Industry joining Morita's consolidated subsidiaries in the third quarter last year. The operating profit marked 4,337 million yen, up 2,501 million yen or 136.2% from the previous term, pushed by significant increase in revenues in the pump division albeit the initial sluggish growth in the fire extinguisher/fire control equipment division due to refrainment from capital investment.

### ■ Environmental Business



In the Environmental Business, orders and sales in the industrial machinery segment such as Guillotine Press and Scrap Baling Press and the environmental conservation vehicle segment such as refuse disposal cars remained slow, pushing down the sales to 11,945 million yen, which is a decrease of 3,502 million yen or 22.7% from the previous term. The operating profit decreased by 498 million yen from the previous term, resulting in 10 million yen in loss.



## ■ Other Businesses

The Bicycle Division has marked 3,663 million yen in sales and 97 million yen in operating loss.

## Issues we need to address

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Our business environment is expected to get more challenging and change more rapidly. To deal with such situations, Morita will strive to establish a strong brand with loyal clientele by revisiting our principles of “technological improvement” and “achievement of customer satisfaction.” Following are the specific issues we need to address:

- 1) Increase the earning power of the existing businesses
- 2) Increase the earning power of the overseas businesses
- 3) Increase the market share through the launch of high value-added products
- 4) Human resource development

Morita Group will strive further to improve its corporate value through speedier management and strengthened earning power.

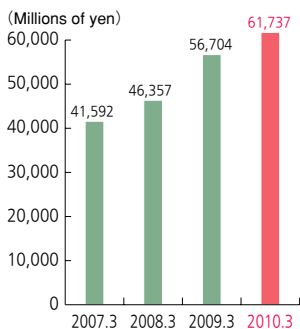
We would like to take this opportunity to ask our shareholders for their continuing support and encouragement.

June 2010

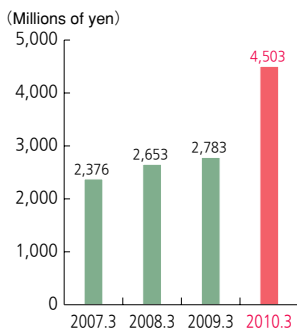
Masahiro Nakajima  
President

# FINANCIAL HIGHLIGHTS (Consolidated)

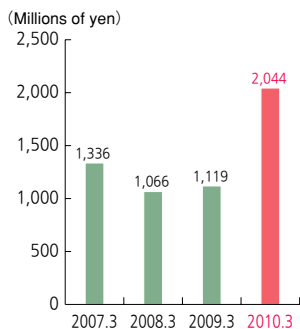
## Net Sales



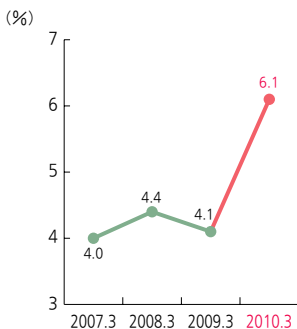
## Ordinary Profit



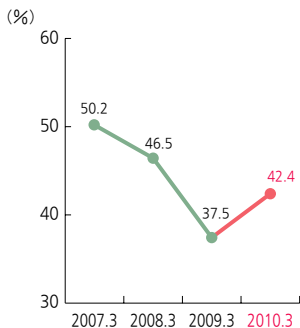
## Net Income



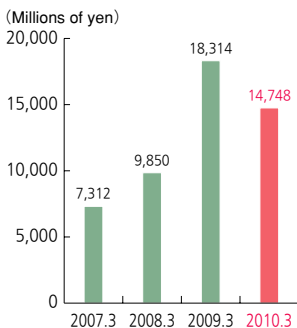
## Return on Assets (ROA)



## Shareholders' Equity Ratio



## Interest-Bearing Liabilities



# Consolidated Summary

## Consolidated Balance Sheets

Morita Holdings Corporation and Consolidated Subsidiaries  
As of March 31, 2009 and 2010

	Millions of yen	
	2009	2010
<b>Assets</b>		
Current assets	¥ 37,178	¥ 36,269
Property, plant and equipment	30,686	29,778
Intangible assets	451	433
Investments and other assets	5,993	6,576
<b>Total assets</b>	<b>¥ 74,310</b>	<b>¥ 73,058</b>
<b>Liabilities</b>		
Current liabilities	¥ 29,506	¥ 25,495
Long-term liabilities	15,453	16,260
Total liabilities	44,960	41,756
<b>Net assets</b>		
Shareholders' equity		
Common stock	4,746	4,746
Additional paid-in capital	4,362	3,743
Retained earnings	23,400	25,142
Treasury stock, at cost	(2,711)	(1,023)
Total shareholders' equity	29,798	32,608
Valuation and translation adjustments		
Unrealized gains (losses) on available-for-sale securities	(269)	150
Deferred gains (losses) on hedges	(4)	(15)
Unrealized gains (losses) on revaluation of land	(1,600)	(1,728)
Foreign currency translation adjustments	(61)	(50)
Total valuation and translation adjustments	(1,935)	(1,644)
Minority interests in consolidated subsidiaries	1,486	338
Total net assets	29,349	31,302
<b>Total liabilities and net assets</b>	<b>¥ 74,310</b>	<b>¥ 73,058</b>

**Consolidated Statements of Income**  
 Morita Holdings Corporation and Consolidated Subsidiaries  
 For the Years Ended March 31, 2009 and 2010

	Millions of yen	
	2009	2010
<b>Net sales</b>	¥ 56,704	¥ 61,737
<b>Cost of sales</b>	44,794	47,300
Gross profit	11,910	14,437
<b>Selling, general and administrative expenses</b>	9,526	10,213
Operating income	2,383	4,223
<b>Other income</b>	1,033	697
<b>Other expenses</b>	1,904	927
<b>Income before income taxes</b>	1,512	3,993
<b>Income taxes</b>		
Current	1,189	2,299
Deferred	(942)	(364)
	246	1,935
Minority interests in earnings of consolidated subsidiaries	147	13
<b>Net income</b>	<b>¥ 1,119</b>	<b>¥ 2,044</b>

	Yen	
	2009	2010
<b>Per share of common stock</b>		
Basic net income	¥ 26.63	¥ 47.01
Diluted net income	—	—
Cash dividends applicable to the year	10.00	10.00

**Consolidated Statements of Cash Flows**  
 Morita Holdings Corporation and Consolidated Subsidiaries  
 For the Years Ended March 31, 2009 and 2010

	Millions of yen	
	2009	2010
<b>Cash flows from operating activities</b>	¥ 2,269	¥ 764
<b>Cash flows from investing activities</b>	(3,509)	(950)
<b>Cash flows from financing activities</b>	6,492	(4,037)
<b>Net increase (decrease) in cash and cash equivalents</b>	5,252	(4,224)
<b>Cash and cash equivalents at beginning of year</b>	3,947	9,200
<b>Cash and cash equivalents at end of year</b>	¥ 9,200	¥ 4,976

## Consolidated Statement of Changes in Net Assets

(in millions of yen)

Morita Holdings Corporation and Consolidated Subsidiaries  
For the Year Ended March 31, 2010

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2009	4,746	4,362	23,400	(2,711)	29,798
Amount of change					
Cash dividends			(430)		(430)
Net income			2,044		2,044
Acquisition of treasury stock				(61)	(61)
Disposal of treasury stock		(619)		1,749	1,130
Reversal of reserve for land revaluation			128		128
Net changes other than shareholders' equity					—
Total changes	—	(619)	1,741	1,687	2,810
Balance at March 31, 2010	4,746	3,743	25,142	(1,023)	32,608

	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, 2009	(269)	(4)	(1,600)	(61)	1,486	29,349
Amount of change						
Cash dividends						(430)
Net income						2,044
Acquisition of treasury stock						(61)
Disposal of treasury stock						1,130
Reversal of reserve for land revaluation						128
Net changes other than shareholders' equity	419	(11)	(128)	10	(1,148)	(857)
Total changes	419	(11)	(128)	10	(1,148)	1,953
Balance at March 31, 2010	150	(15)	(1,728)	(50)	338	31,302

# Company Profile

## Overview

Company name	MORITA HOLDINGS CORPORATION
Inauguration of business	April 23, 1907
Establishment	July 23, 1932
Capital	¥4,746mil
Osaka Head Office	5-5-20 Shoji-Higashi, Ikuno-ku, Osaka-shi Osaka
Tokyo Head Office	3-25-31 Nishishinbashi, Minato-ku, Tokyo
Type of Business	Control/management of business activities of group companies, and undertaking of indirect management operations on a commission basis

## Group Companies

### MORITA CORPORATION

1-5 Techno Park, Sanda-shi, Hyogo, 669-1339, Japan  
Manufacturing and sale of ladder trucks, pumpers, and other fire trucks and specialty vehicles

### MORITA BOHSAI TECH CORPORATION

3-25-31 Nishishinbashi, Minato-ku, Tokyo, 105-0003, Japan  
Manufacturing and sales of disaster prevention equipment including dry chemical fire extinguishers, and design, conservation and inspection of disaster prevention facilities

### MORITA ENVIRONMENTAL TECH CORPORATION

1530 Konoda-cho, Funabashi-shi, Chiba, 274-0081, Japan  
Design of waste recycling facilities and other waste disposal facilities, and manufacturing and sales of large hydraulic equipment

### MORITA ECONOS CORPORATION

1-48 Jinmu-cho, Yao-shi, Osaka, 581-0067, Japan  
Manufacturing and sales of environment preservation vehicles such as sanitation vehicles and garbage trucks

### MORITA TECHNOS CORPORATION

5-5-20 Shoji-Higashi, Ikuno-ku, Osaka-shi, Osaka, 544-8585, Japan  
after-service and maintenance of equipment and materials for fire trucks and rescue activities, and manufacturing and sales of electronic applied machinery/equipment and information processing machinery/equipment

### MIYATA INDUSTRY CO.,LTD.

1-1-1 Shimomachiya, Chigasaki-shi, Kanagawa, 253-8588, Japan  
Manufacturing and sales of fire extinguishers, fire fighting equipment, disaster prevention-related equipment and bicycles

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**MORITA SOGO SERVICE CORPORATION**

5-5-20 Shoji-Higashi, Ikuno-ku, Osaka-shi, Osaka, 544-8585, Japan  
.....

**MIYATA CYCLE CO.LTD.**

3-25-31 Nishishinbashi, Minato-ku, Tokyo, 105-0003, Japan  
.....

**ALUVO CORPORATION**

1479-1 Kamikanzo, Iwata-shi, Shizuoka, 438-0115, Japan  
.....

**MORITA U.G. CORPORATION**

2-3-5 Kandasuda-cho, Chiyoda-ku, Tokyo, 101-0041, Japan  
.....

**MORITA ENGINEERING CORPORATION**

1-48 Jinmu-cho, Yao-shi, Osaka 581-0067, Japan  
.....

**HOKKAIDO MORITA CORPORATION**

13-2-17 Naebo-cho, Higashi-ku, Sapporo-shi, Hokkaido, 065-0043, Japan  
.....

**KAGOSHIMA MORITA PUMP CORPORATION**

12-32, Matsubara-cho, Kagoshima-shi, Kagoshima, 892-0833, Japan  
.....

**MORITA TOYO CORPORATION**

1700-2 Konjinzuka, Sanagu-cho, Iga-shi, Mie, 518-0001, Japan  
.....

**NANJING CHENGUANG MORITA ENVIRONMENT PROTECTION  
SCIENCE & TECHNOLOGY CO., LTD**

No. 188 Tianyuanzhong Road, Jiangning Economic & Technical  
Development Zone, Nanjing, China, 211100  
.....

**SICHUAN MORITA FIRE SAFETY APPLIANCES CO., LTD**

No.8, Xinhua Avenue, Chengdu, Cross-Straits Technological,  
Industry Park, Wenjiang District, China, 611130  
.....

**MORITA HOLDRICH (HONG KONG) COMPANY LIMITED**

FLAT/RM, 1909, 19/F, Hutchison HSE., 10 Harcourt RD., Central, Hong Kong  
.....

**MORITA VIETNAM COMPANY LTD.**

Minh Duc Commune, My Hao District, Hung Yen Province, Vietnam  
.....

 **Executives**

Chairman & CEO

President

Director

Director

Director

Director

Full-Time Corporate Auditor

Full-time Corporate Auditor

Full-time Corporate Auditor

Auditor

Corporate Executive Officer

Corporate Executive Officer

Corporate Executive Officer

Corporate Executive Officer

Toshio Shinmura

Masahiro Nakajima

Kouki Shirai

Kenichi Kitamura

Kazuhiro Tsuchiya

Kazumi Kawaguchi

Eiji Asada

Atsushi Sasaki

Hisao Hayakawa

Kazuyoshi Matsumura

Toshihiko Iwamuro

Hiroko Urano

Naohisa Sakamoto

Shinichi Kanaoka

# Shareholder's Memo

## ■ Introduction to the Share

**Business Year** April 1<sup>st</sup> to March 31<sup>st</sup>

**Annual General Meeting of Shareholders** June

**Reference date** Annual 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 published in advance as necessary

**Notification Method** Posted on company website  
<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

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

**(Telephone Inquiries)** +81-120-176-417

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

**Stock Listing** Tokyo Stock Exchange, Osaka Securities Exchange

### [Special Account]

For shareholders who did not use JASDEC (Japan Securities Depository Center, Inc.) before the share certificates were computerized, an account (special account) has been opened above Sumitomo Trust & banking Co., Ltd., the shareholder register administrator. For details regarding the special account, notification of address change, and so on, please inquire with the above contact.

### [Notification of address change and inquiries]

For shareholders who have an account at a securities firm, please contact the firm where your account is established for notification of address change and so on. For shareholders who do not have an account at a securities firm, please inquire with the above contact.

Protecting Human Life  
and Mother Earth

**MORITA**

MORITA HOLDINGS 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>

