



Okuma Corporation

Fiscal Year 2008 Financial Results



May 8, 2009

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- Forecast of Business Results for Fiscal Year 2009

Part 1

Fiscal Year 2008 Financial Results

Fiscal Year 2008 Financial Results



Key points and issues for the future

- New orders sharply decreased due to worldwide demand decline of machine tools in 2nd half of FY2008. Entered phase of sales and profit decrease.
- Net sales: ¥167.4 billion ($\Delta 22\%$ compare to previous fiscal year), Operating profit: ¥12.0 billion ($\Delta 60\%$ compare to previous fiscal year), sales and profits decreased for the first time in 6 years
- Domestic sales: ¥76.2 billion ($\Delta 20\%$), Overseas sales: ¥91.2 billion ($\Delta 23\%$), Overseas sales decrease excludes yen appreciation ($\Delta ¥8.0$ billion) : $\Delta 17\%$
- Completely transferred Konan Plant operations to headquarters and Kani Plants (shifted to “2-plant production system” in Feb 2009).
Reducing production scale and pursuing still higher productivity.
- Ensured operating profit ¥12.0 billion through various reflationary measures (increased in-house manufacturing, emergency variable/fixed cost reduction tactics)
- Economic slow-down countermeasures resulted in insufficient profits and cash flows. Thus further efficiency improvements and even shorter lead-times required to strengthen corporate financial fundamentals.
- Revised plan for year-end cash dividends per share due to drastic profit decrease: ¥2 per share (annual cash dividends ¥11 per share)

[Fiscal Year 2008 Financial Results] Summary



Earnings and profits decreased for the first time in the six fiscal years. Operating profit margin decreased from 14.2% to 7.2%.

Net sales and operating profit closed at the revised 2 Feb 09 forecasted level.

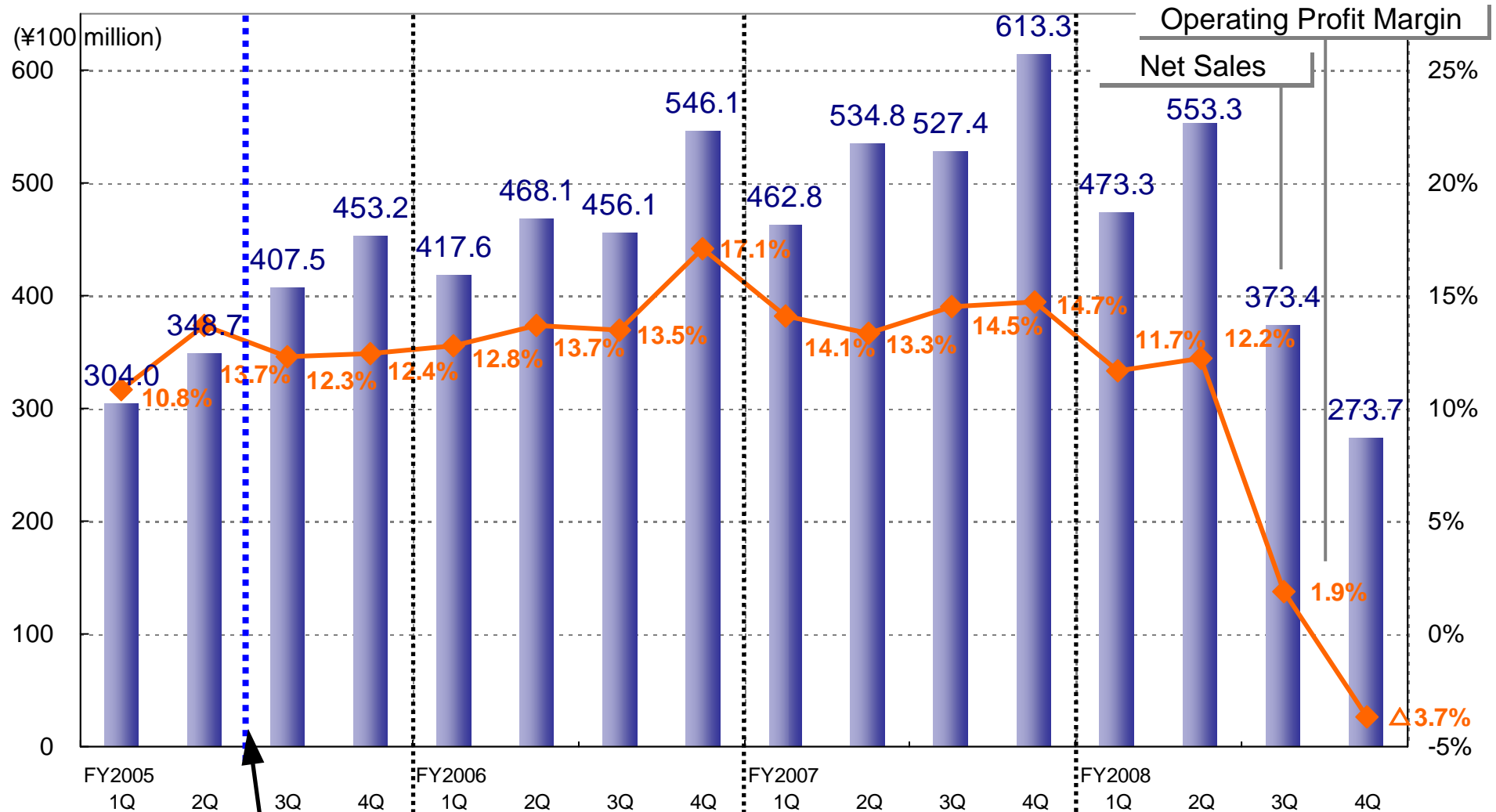
	FY2007		FY2008			FY2008 [2 Feb 09] forecasts
		(%)		(%)	Amount of change	
Net sales	2,138.3	100.0	1,673.7	100.0	△464.6	1,660.0
Operating profit	302.8	14.2	120.1	7.2	△182.7	120.0
Ordinary profit	287.6	13.4	124.3	7.4	△163.2	105.0
Net profit	179.7	8.4	40.0	2.4	△139.7	25.0

Exchange rate	Actual rate for FY2008	US\$1 = ¥100.7	1 Euro = ¥143.3
	Actual rate for FY2007	US\$1 = ¥113.8	1 Euro = ¥162.3
	(Reference) Rates assumed in Feb 2009	US\$1 = ¥ 98.9	1 Euro = ¥141.2
Effects of exchange rate fluctuations (operating profit)		US\$ = △¥4.3 billion	Euro = △¥3.7 billion



[Fiscal Year 2008 Financial Results] Quarterly Trends

- 3Q and 4Q net sales reached lowest level since Oct 2005 management integration.
- Profits recorded in 1Q, 2Q and 3Q. Operating loss in 4Q: $\Delta\yen 1.0$ billion ($\Delta 3.7\%$)



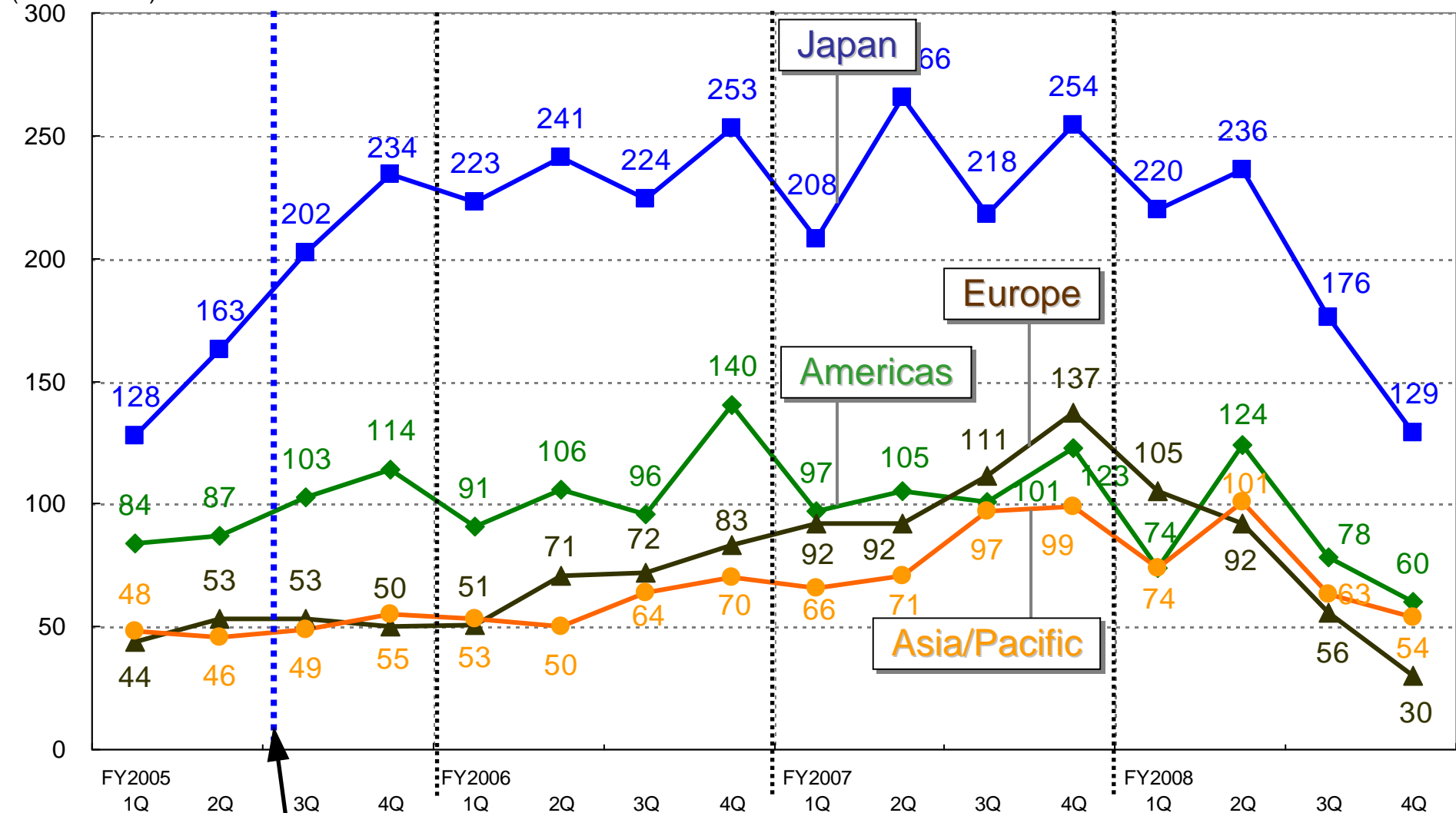
Okuma & Howa Machinery Ltd. became a consolidated subsidiary from 3Q FY2005.



[Sales/Orders] Quarterly Sales by Geographic Region

- Japan: $\Delta 20\%$, Americas: $\Delta 21\%$, Europe: $\Delta 34\%$, Asia/Pacific: $\Delta 12\%$ (FY-08 to FY-07)

(¥100 million)



Okuma & Howa Machinery Ltd. became a consolidated subsidiary from 3Q FY2005.

[Sales/Orders] New Orders and Net Sales by Product Category



- New orders: ¥128.0 billion ($\Delta 40\%$), decreases in all products at approximately the same rate
- Net sales: ¥167.4 billion ($\Delta 22\%$), moderate decrease in Multitasking Machines
- Order backlog: ¥29.3 billion ($\Delta 57\%$), moderate decrease in Double-Column Machining Centers

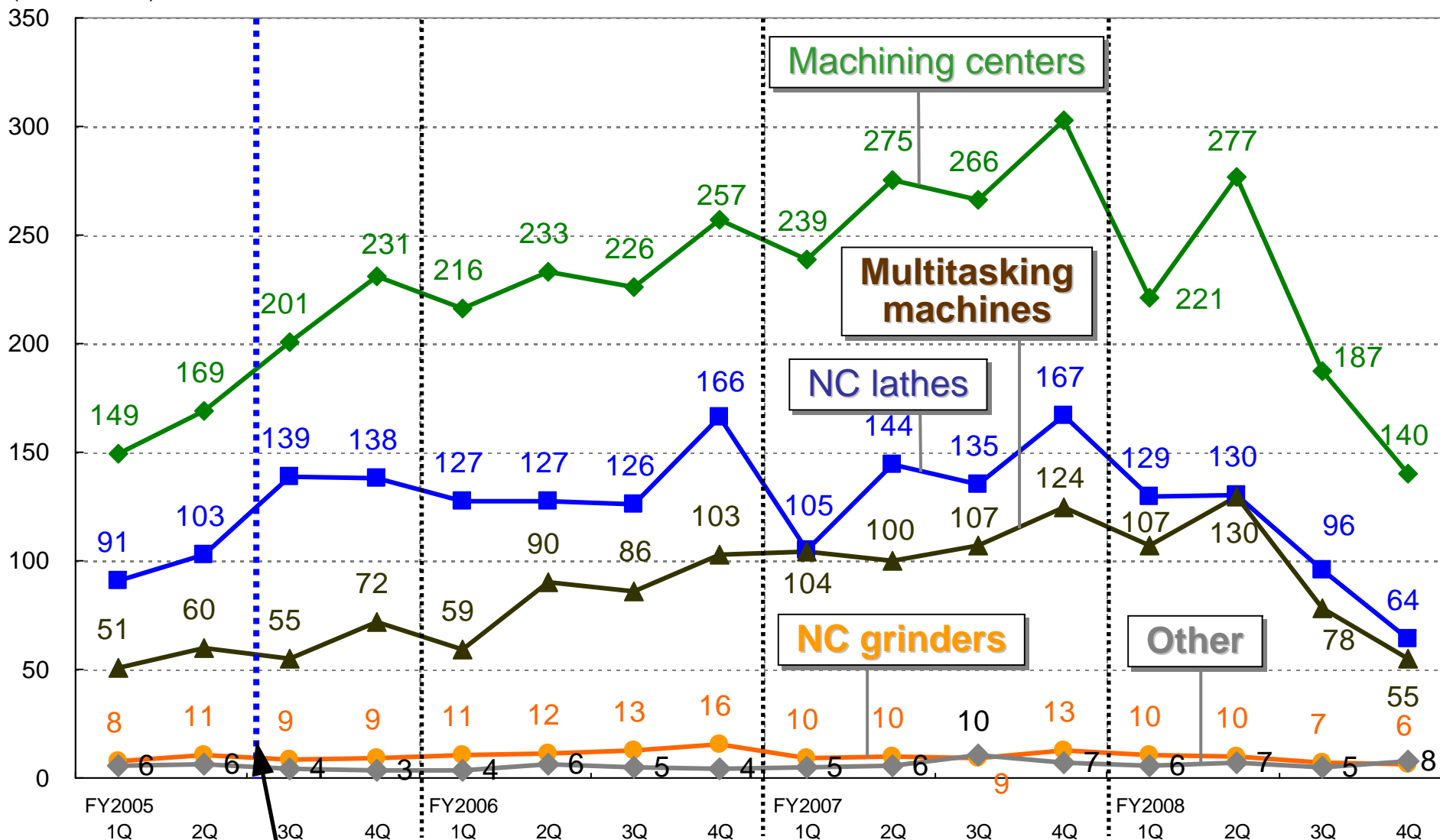
(¥100 million)

	New orders			Net sales			Order backlog		
	FY2007	FY2008	% Change	FY2007	FY2008	% Change	FY2007	FY2008	% Change
NC lathes	560	322	$\Delta 43\%$	550	420	$\Delta 24\%$	164	66	$\Delta 60\%$
Machining centers	1,025	626	$\Delta 39\%$	1,083	824	$\Delta 24\%$	377	179	$\Delta 53\%$
Multitasking machines	470	278	$\Delta 41\%$	436	370	$\Delta 15\%$	133	41	$\Delta 69\%$
NC grinders	39	28		42	34		11	5	
Other	27	26		28	26		2	2	
Total	2,121	1,280	$\Delta 40\%$	2,138	1,674	$\Delta 22\%$	687	293	$\Delta 57\%$

[Sales/Orders] Quarterly Sales by Product Category



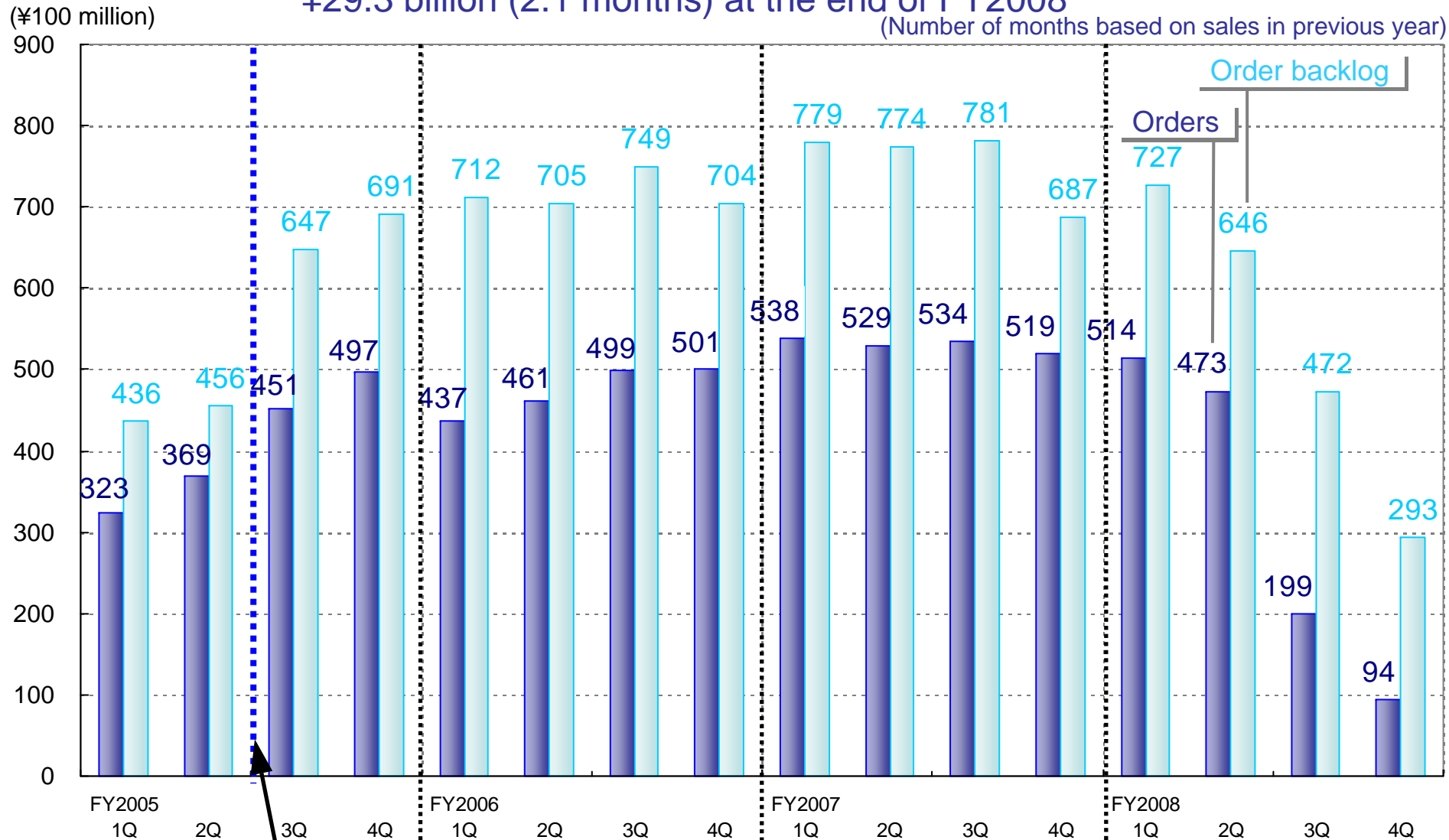
(¥100 million)



Okuma & Howa Machinery Ltd. became a consolidated subsidiary from 3Q. FY2005.

[Sales/Orders] Quarterly Orders and Order Backlog

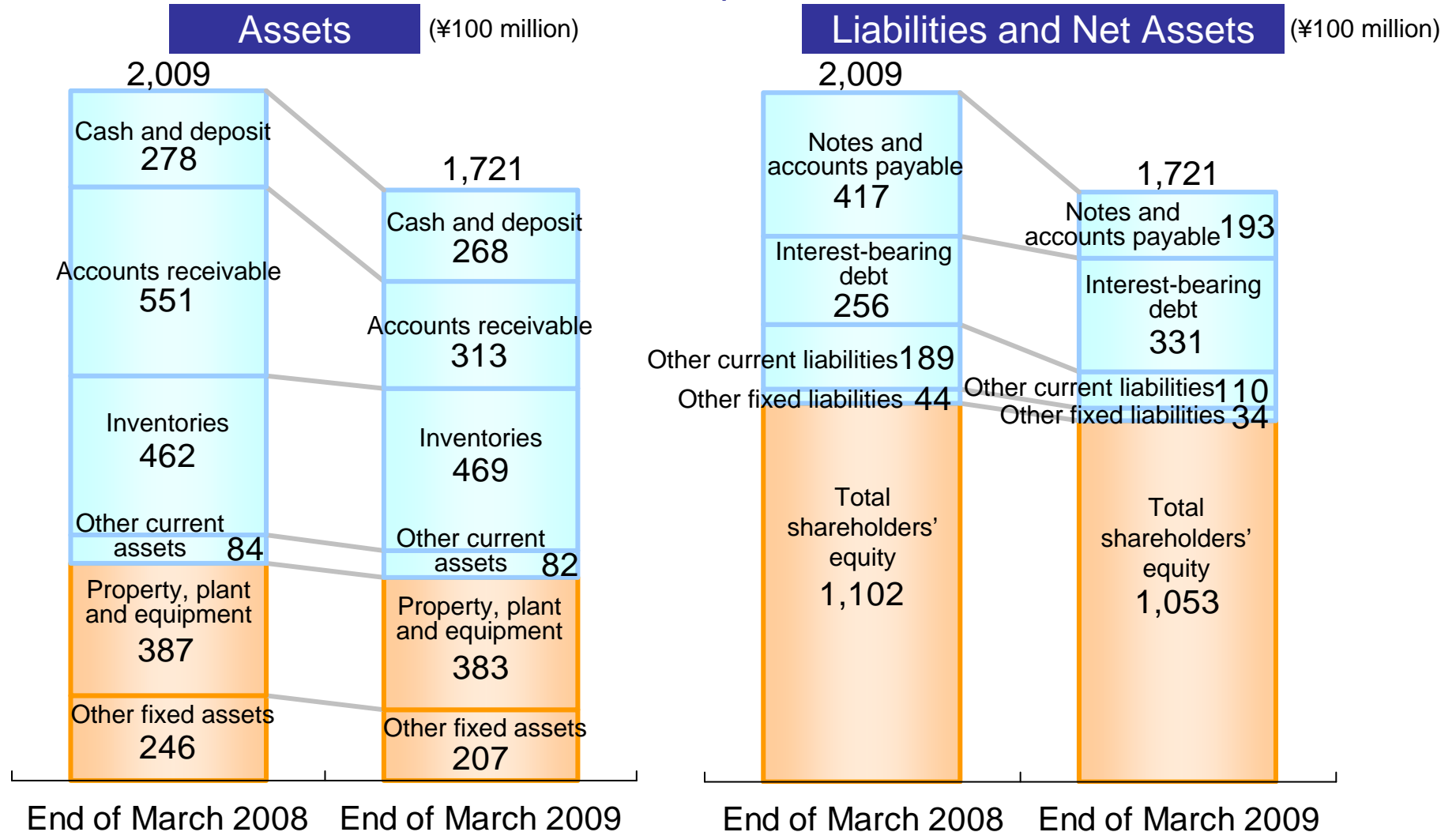
- Order backlog: ¥68.7 billion (3.9 months) at the end of FY2007
 - ¥29.3 billion (2.1 months) at the end of FY2008
- (Number of months based on sales in previous year)



Okuma & Howa Machinery Ltd. became a consolidated subsidiary from 3Q FY2005.

Comparison of Balance Sheets

- Capital adequacy ratio: 60%, net interest-bearing debt: ¥6.4 billion
Ensured strong financial strength
- Inventories: ¥46.9 billion, same level as the previous fiscal term



Cash Flows; Capital Investment and Depreciation Expenses

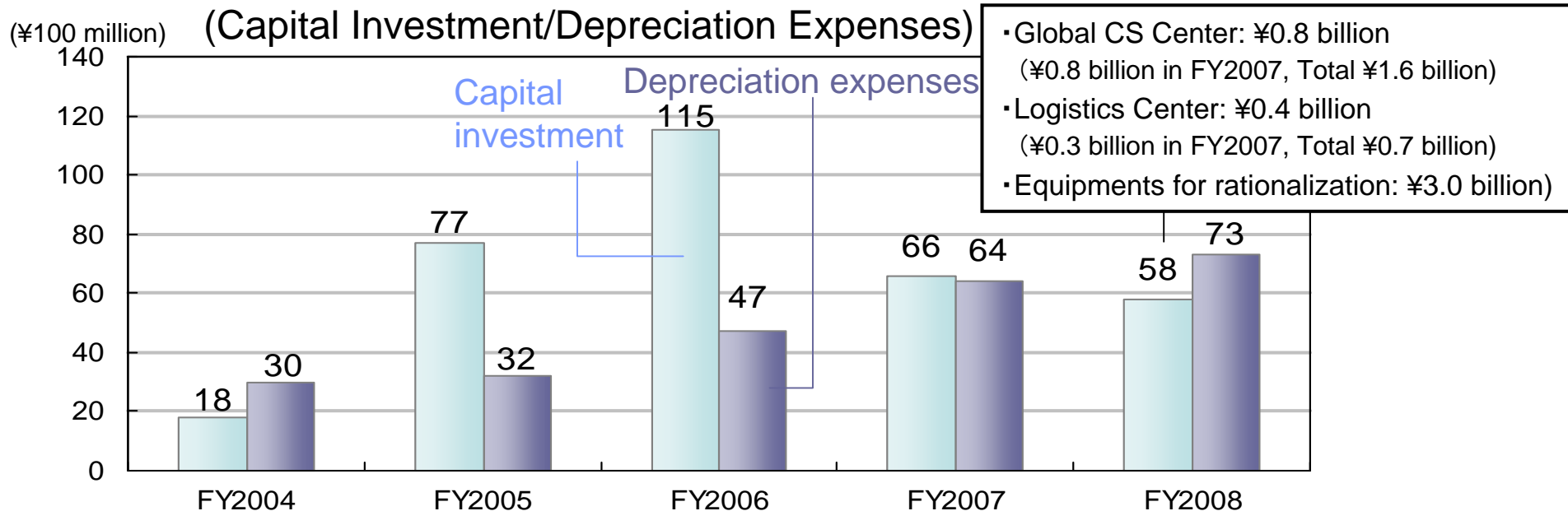


- Cash flow from operating activities was ¥3.3 billion. Improve cash flow through inventory reduction in FY2009.
- Capital investment in FY2009: ¥4.0 billion. Promote investment for stronger competitiveness

	FY2007	FY2008
Cash flow from operation	192	33
Cash flow from investing	△158	△88
Cash flow from financing	△108	32
Cash and cash equivalents at end of fiscal year	275	264

(¥100 million)

Note: C/F from operating activities excluding corporate tax and interest expense: ¥31.1 billion in FY2007
¥11.2 billion in FY2008



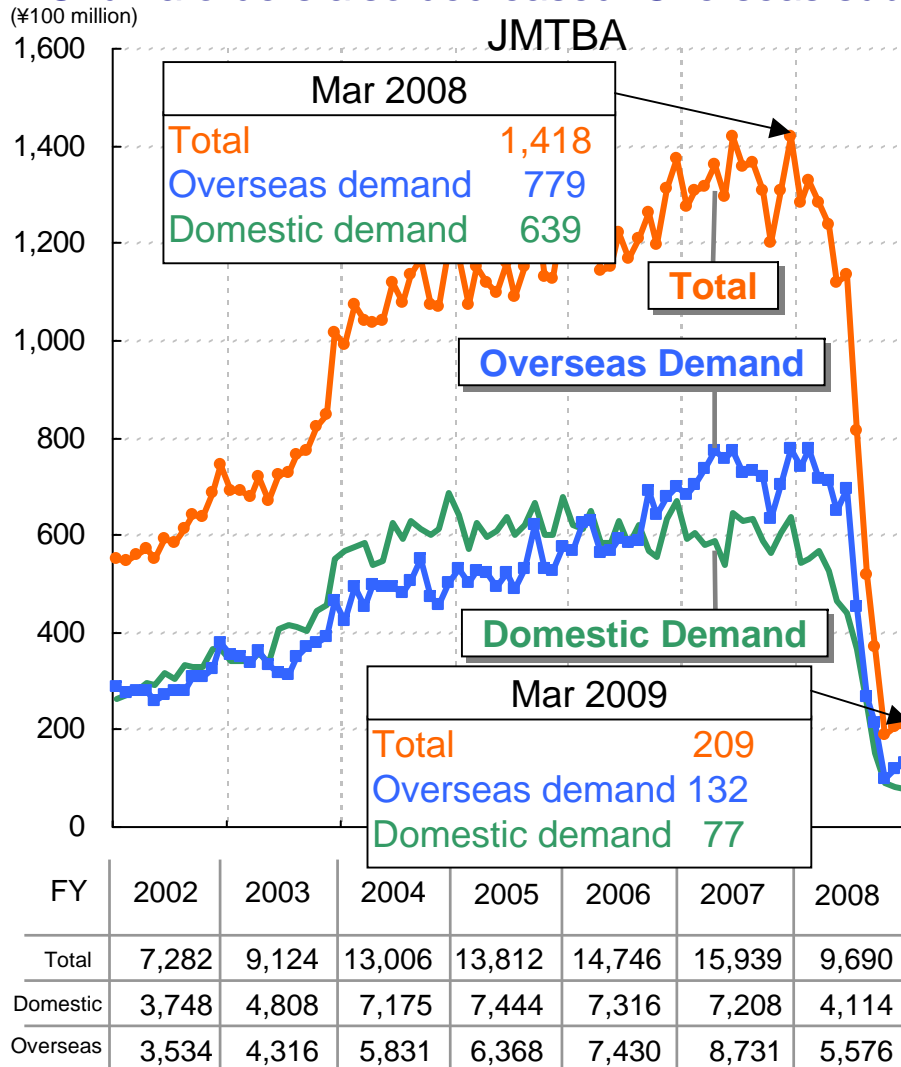
Part 2

Management Policies for Fiscal Year 2009

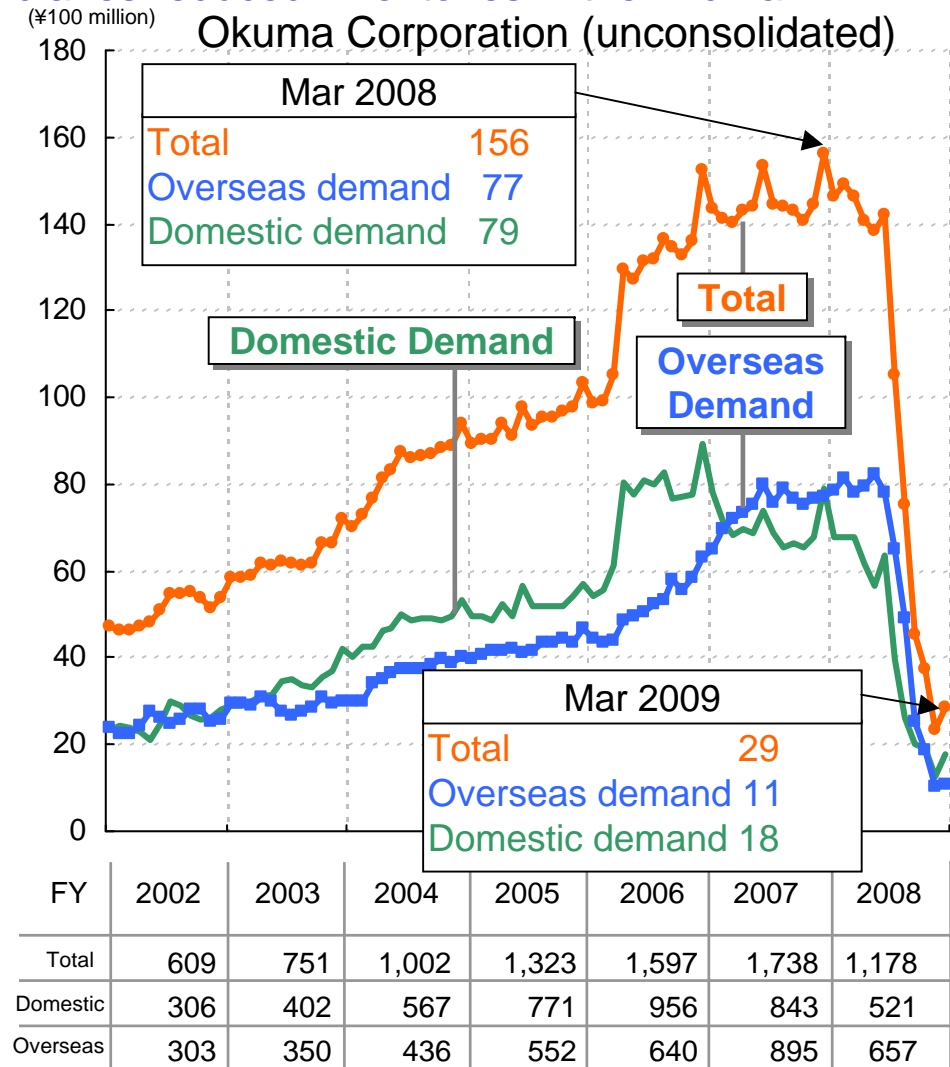
[Machine Tool Market Conditions] JMTBA/Okuma Orders



- Historically rapid and dramatic decreases of JMTBA orders. JTBA orders has decreased to one-sixth in six months.
- Okuma orders also decreased. Overseas subsidiaries reduced inventories in the 2nd half.



Source: Japan Machine Tool Builders' Association (JMTBA)

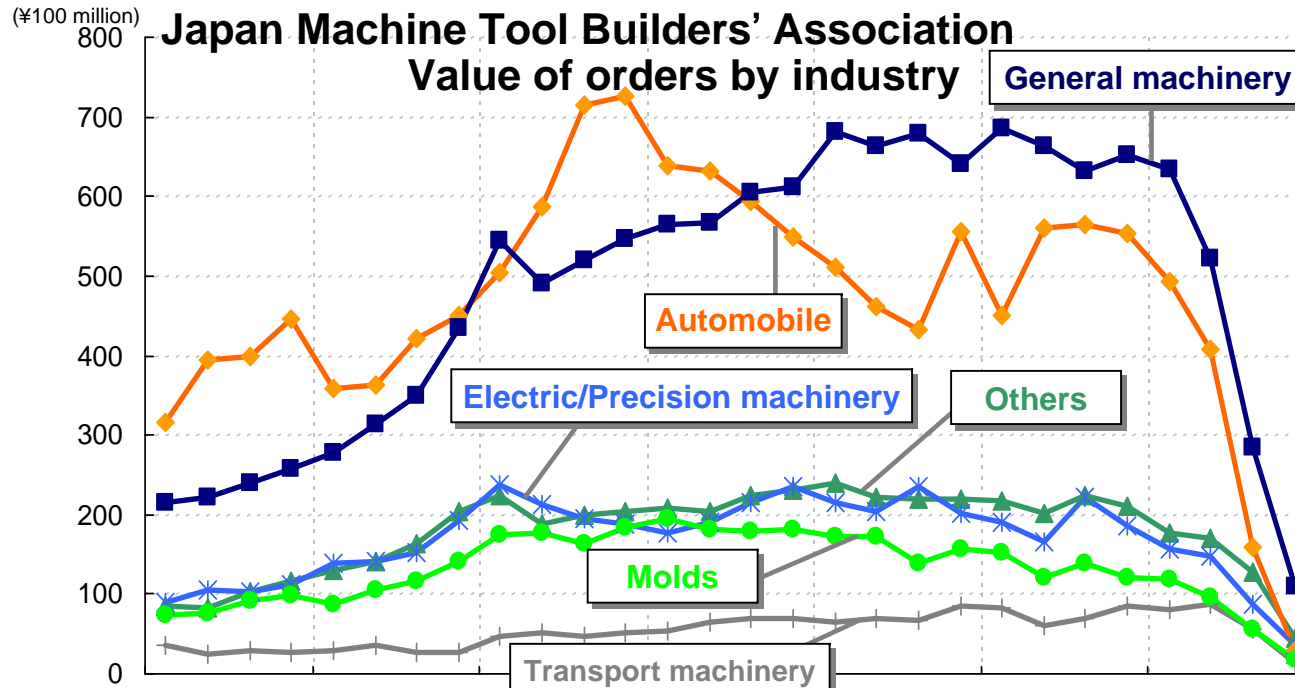




[Machine Tool Market Conditions] Domestic Demand by Industry

- Demand from all industries including automobile rapidly decreased.
- Demand from railcars and ships moderately decreased.

Percentage of orders by industries for FY2008 (FY2007)



	Japan Machine Tool Builders' Association	Okuma Corporation (reference)
General machinery	38% (37%)	64% (61%)
Automobile	26% (30%)	14% (18%)
Electric/Precision machinery	10% (11%)	7% (5%)
Transport machinery	6% (4%)	4% (3%)
Molds	7% (7%)	8% (9%)
Others	13% (11%)	3% (4%)

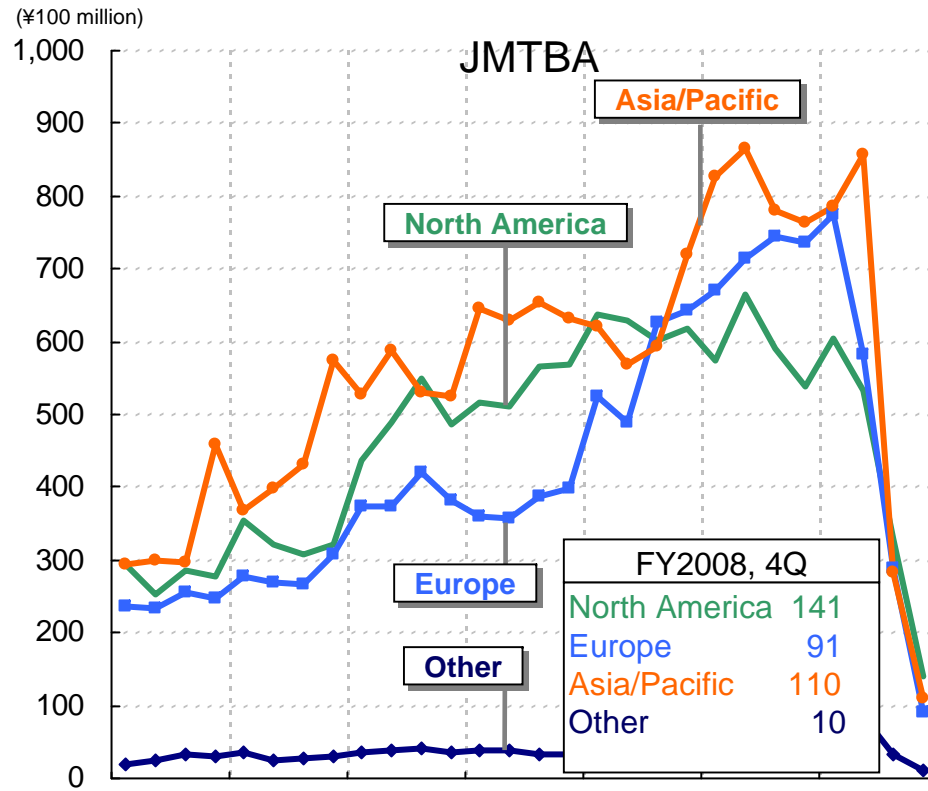
FY	2002	2003	2004	2005	2006	2007	2008	Type of industry
General machinery	935	1,375	2,099	2,351	2,664	2,634	1,552	Construction machinery, industrial machinery, semiconductor/LCD production equipment, etc.
Automobile	1,555	1,596	2,532	2,411	1,963	2,128	1,089	Cars, trucks, motorcycles, etc.
Electric/Precision machinery	410	627	834	820	856	763	428	Motors, TVs, OA equipment, etc.
Transport machinery	116	120	197	257	288	298	236	Railcars, Aerospace, Ships etc.
Molds	342	450	698	737	642	533	290	Molds
Others	389	640	816	868	902	853	519	Iron and steel, Metalware, Public, etc.

Source: Japan Machine Tool Builders' Association (JMTBA)

[Machine Tool Market Conditions]

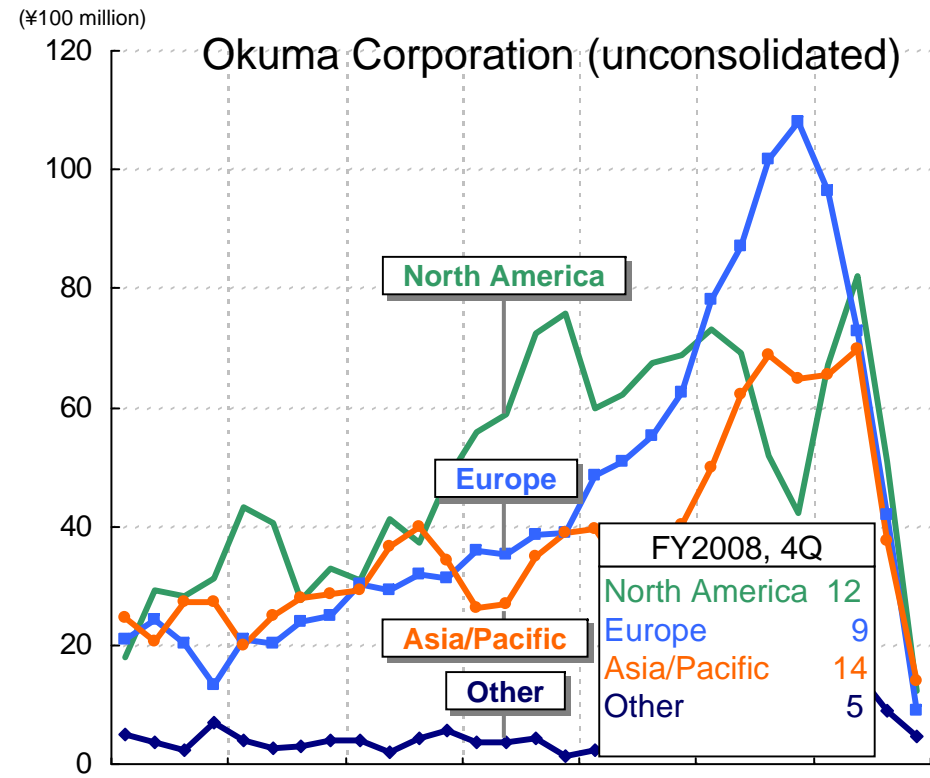
Overseas Demand by Geographic Region

- Demand in all regions rapidly decreased after 3Q.
- China showing signs of increasing orders to Japan.



FY	2002	2003	2004	2005	2006	2007	2008
North America	1,108	1,306	1,961	2,161	2,487	2,365	1,611
Europe	972	1,120	1,549	1,505	2,282	2,862	1,737
Asia/Pacific	1,347	1,773	2,172	2,559	2,501	3,235	2,033

Source: Japan Machine Tool Builders' Association (JMTBA)



FY	2002	2003	2004	2005	2006	2007	2008
North America	107	144	157	263	259	236	213
Europe	79	90	123	149	217	375	220
Asia/Pacific	100	101	140	127	149	246	187

Management Policies/Major Strategies for FY2009



(Midrange Business Policies)

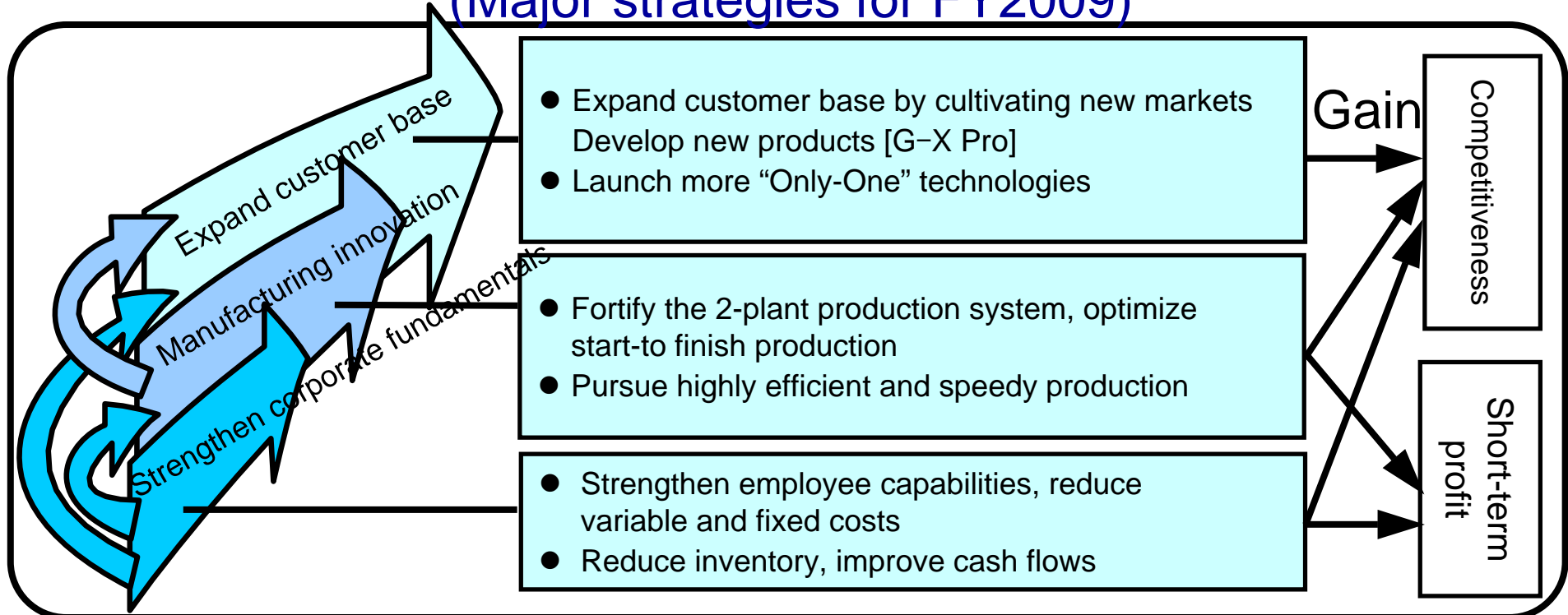
- Glowing globally
- Highly efficient and speedy production
- Strengthening “Only-One” technologies

(Corporate Visions)

Best
“Monozukuri* Service”
Company

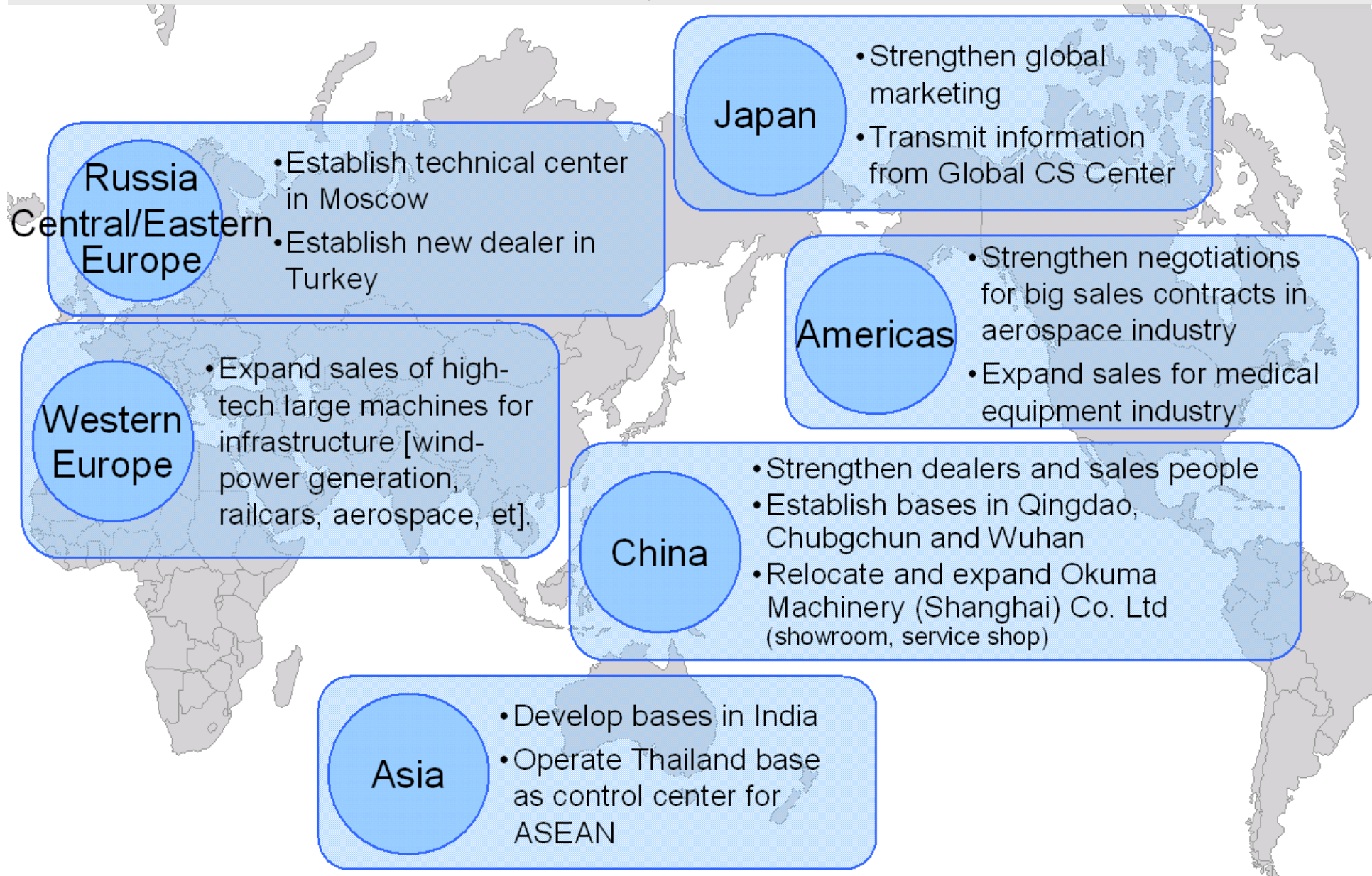
*Monozukuri: the art of making things better than ever

(Major strategies for FY2009)



[Expanding Customer Base]

Expand customer base by cultivating new markets



[Expanding Customer Base]

Expand customer base by cultivating new markets



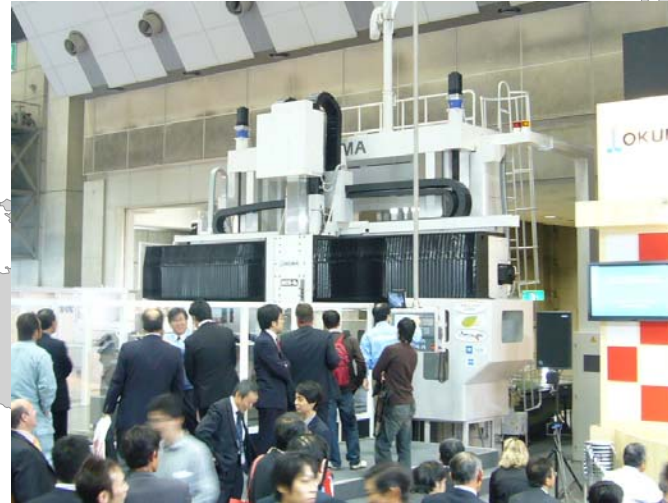
- Offer more-competitive double-column machining centers to overseas markets
- Get the demand for energy, construction machines, railcars, and other infrastructure related industries

CIMT-09 (China)



First exhibition of a double column in China, for Okuma

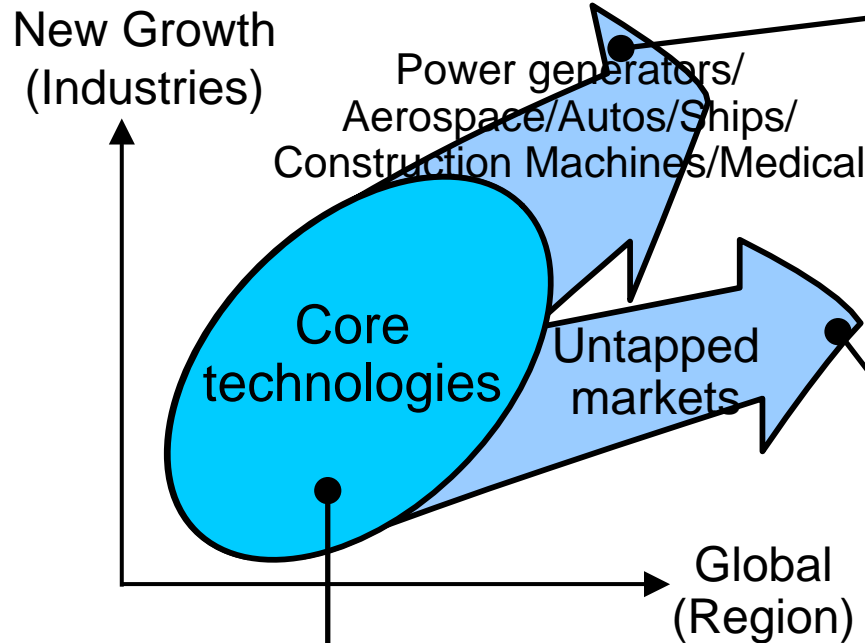
JIMTOF-08 (Japan)



Double column driven by linear motor and with Thermo-Friendly Concept

G-X Pro

Okuma technology trends



Strengthen solution technologies for large parts machining

- Further strengthen competitiveness of double-column machining centers
- Equip large machines with “Thermo-Friendly Concept”
- Apply large hi-tech machine engineering to large multitasking machines and large 5-axis machines
- Strengthen machining technologies for difficult-to-machine materials

Evolution and expansion of Only-One technologies

- Extend product line with new intelligent technologies
- Enhance hi-tech machine effectiveness
- Enhance options to better match diverse customer needs
- Even higher product quality

- All-round offerings
 - Compact lathes to large double columns
 - Die/mold applications to mass production lines
- *Single-Source Okuma*
 - NC controls, sensors, motors
 - Comprehensive *Machine & Control* service

Develop twenty new products in two years

[Expanding Customer Base]
Develop new products [G-X Pro]



- First machine tool builder to win Nikkan Kogyo* Top 10 New Products award--six consecutive years

*Business & Technology News

2008 Top 10 New Products Award

Multitasking
MULTUS B750



First G-X Pro product

2007
Lathe
LB-EX



2006
DCMC
MCR-H



2005
5-Axes
MU-500V



2004
Multi
MULTUS B300



2003
HMC
MA-H

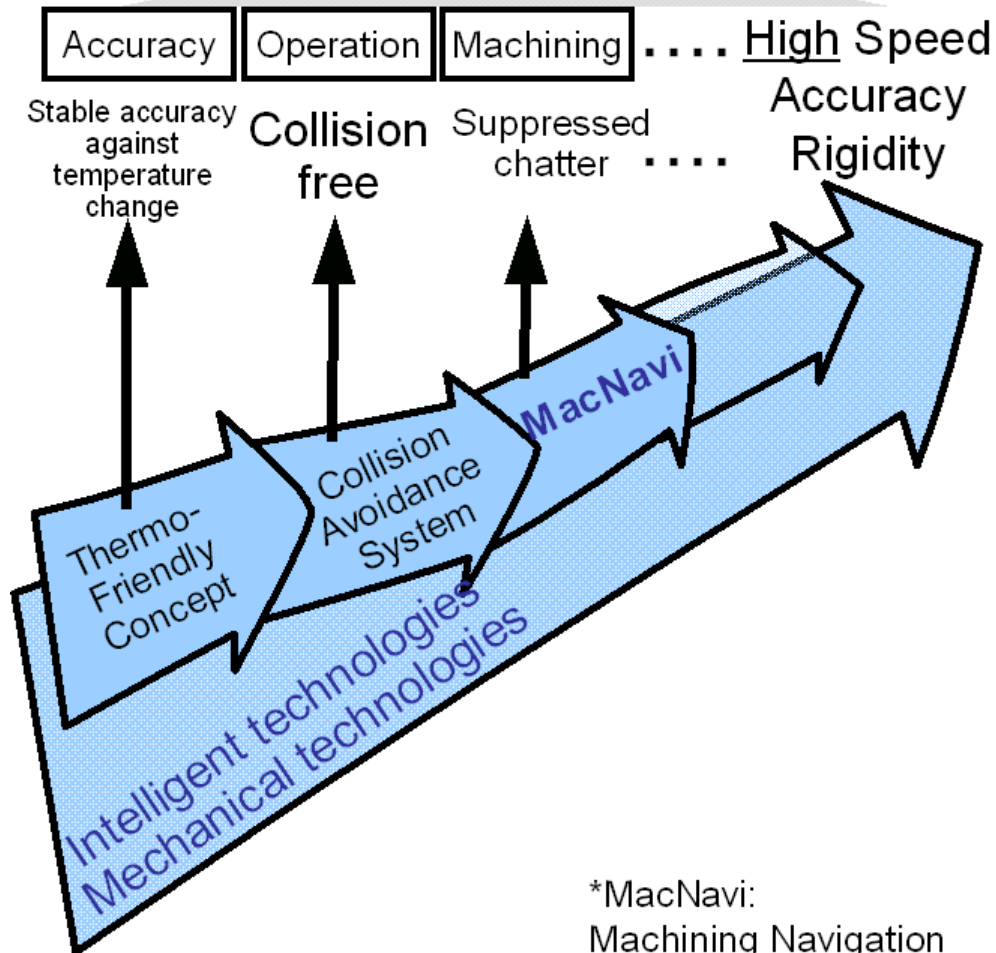


Single Source Machine & Control
Differentiated & Advanced products
per Okuma Only-One Technologies

[Expanding Customer Base]
Launch more only-one technologies

**How Okuma pursues greater value
with practical innovations**

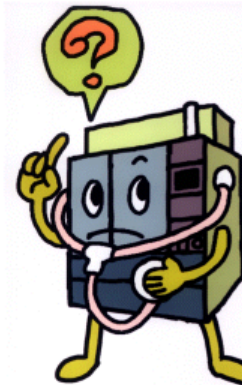
Machining quality/Total efficiency/Speed



*MacNavi:
Machining Navigation

MacNavi*

- Sensors monitor cutting conditions
- Detects chatter and analyzes:
 - To “advise” optimum cutting speed
 - To auto select optimum cutting speed
- Okuma’s machining know-how integrated in our NC control (OSP)
- Will help spread NC machine tools in emerging countries



On Okuma machining centers from
April 2009

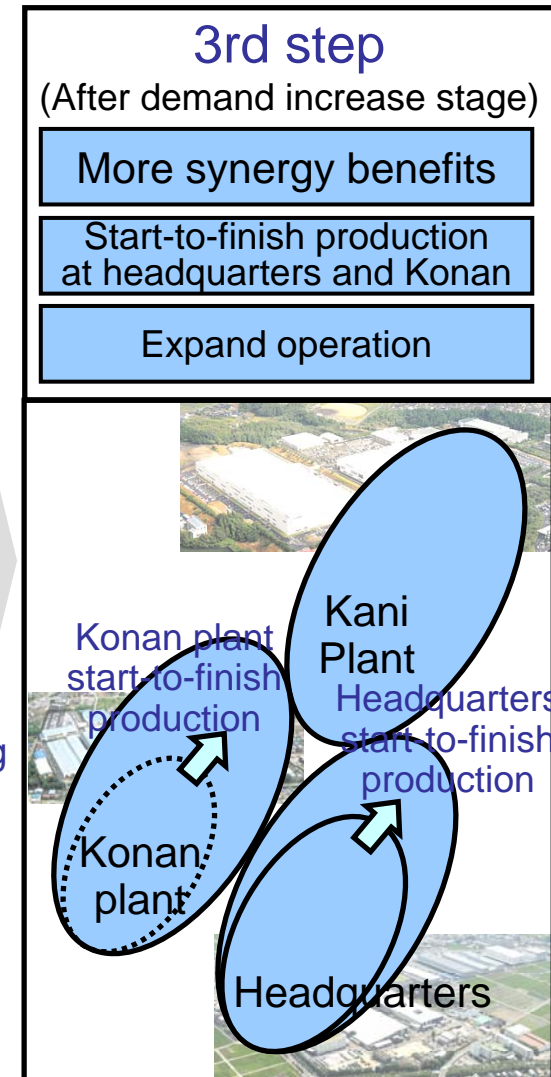
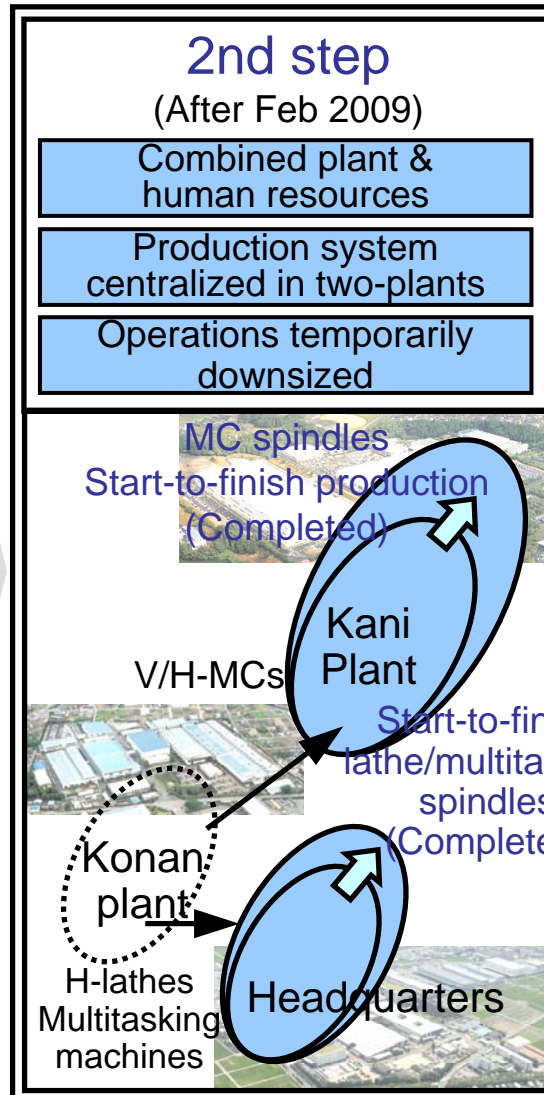
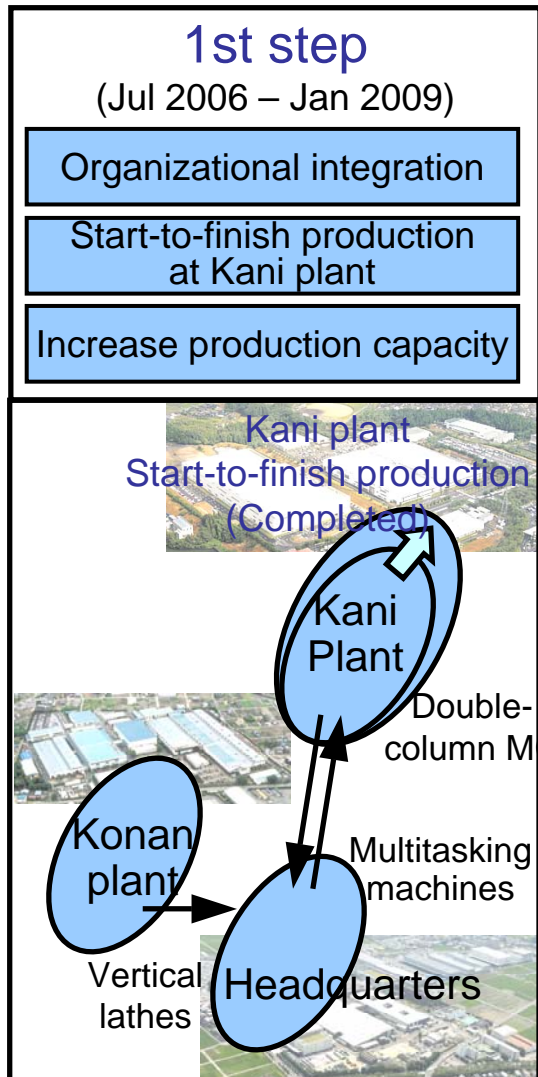
[Innovating Production]

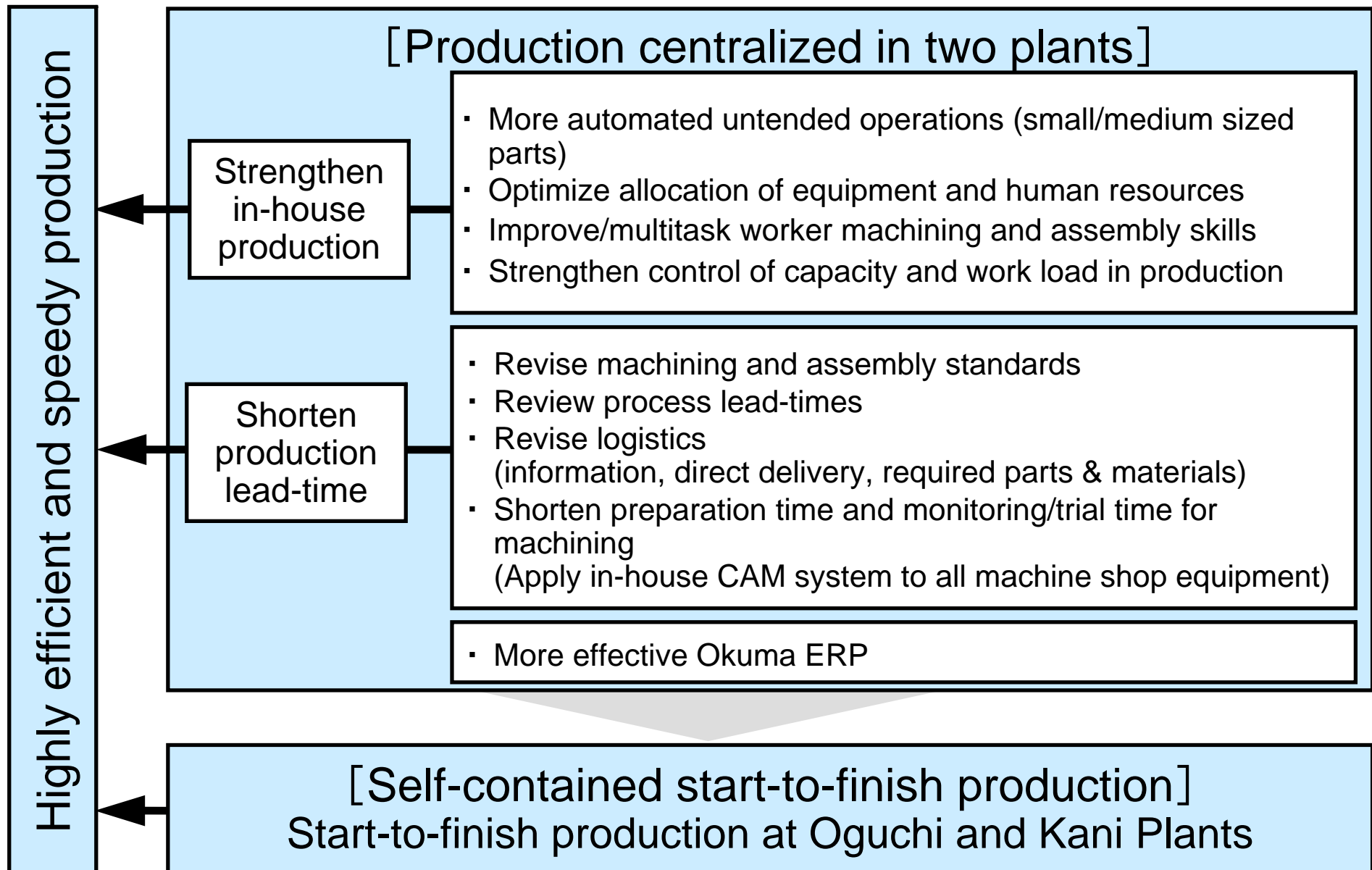
Production in two plants; start-to-finish production system



“2-plant production system” ⇒

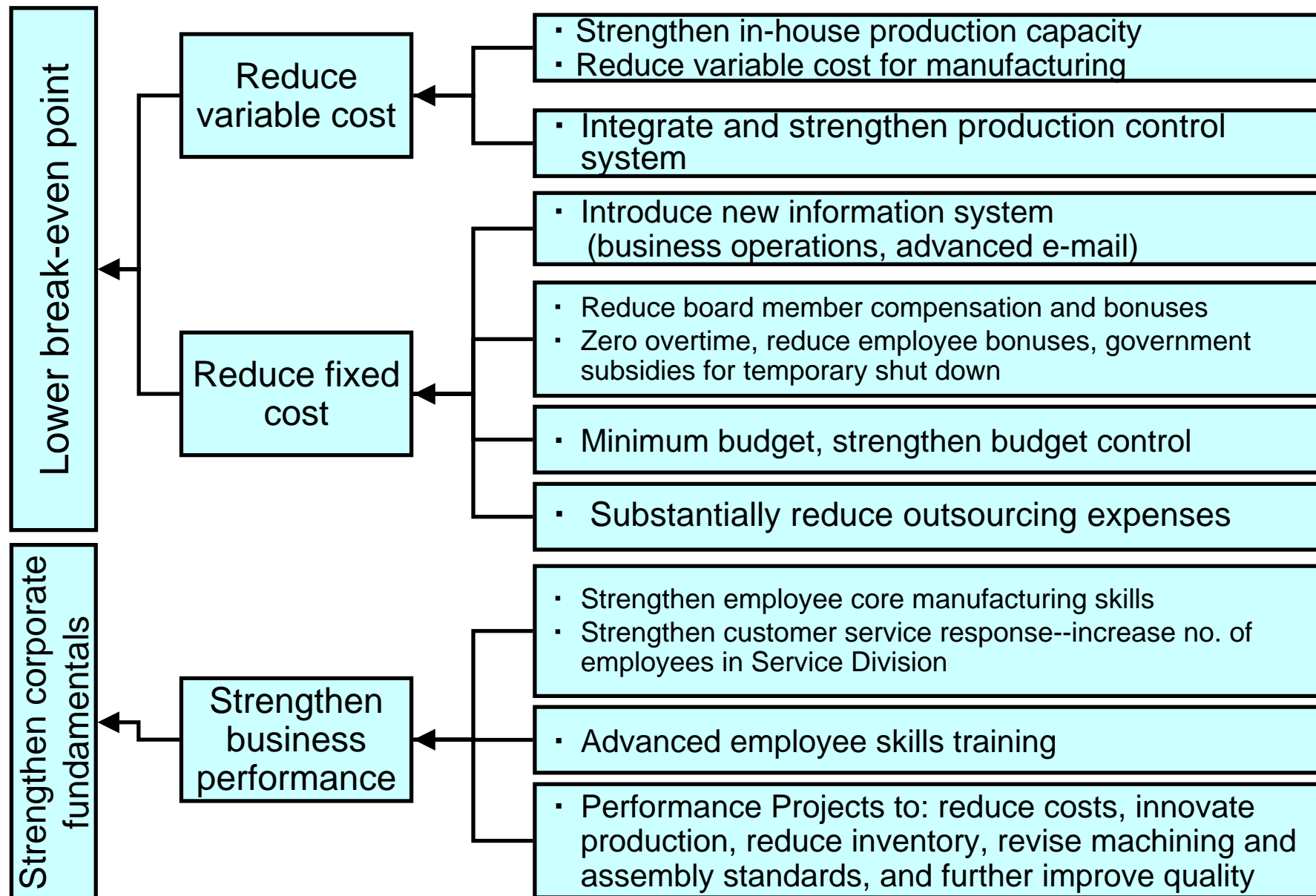
Synergy benefits + Mid to long-term competitiveness + Short-term profits





[Strengthen corporate financial fundamentals]

Improving employees skills, reducing variable and fixed costs



Part 3

Forecast of Business Results for Fiscal Year 2009

Forecast of Business Results for Fiscal Year 2009

- Net sales: ¥78.0 billion (1st half: ¥36.0 billion, 2nd half: ¥42.0 billion)
 $\Delta 53\%$ (compared to previous fiscal year)
 Operating profit: Δ ¥4.5 billion, returns fall below lowered break-even point.
- Planned dividend: no dividend payouts due to deficit balance forecasted

(¥100 million)

	FY2008 (Results)		FY2009 (Forecast)		
		%		%	Amount of change
Net sales	1,673.7	100.0	780.0	100.0	Δ 893.7
Operating profit (Op profit margin)	120.1	7.2	Δ 45.0	Δ 5.8	Δ 165.1
Ordinary profit (Ord. profit margin)	124.3	7.4	Δ 55.0	Δ 7.1	Δ 179.3
Net profit	40.0	2.4	Δ 35.0	Δ 4.5	Δ 75.0

Exchange rates

Actual rates for FY2008

US\$1 = ¥100.7

1 Euro = ¥143.3

Assumed rates for FY2009

US\$1 = ¥ 95.0

1 Euro = ¥125.0

Disclaimer

Notice regarding Forecasts

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