

Annual Report 2009

Consolidated Financial Statements
(Fiscal Year 2008)

Annual Report

OKUMA

Annual Report

OKUMA Corporation

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Consolidated Five-Year Summary

Okuma Corporation and Consolidated Subsidiaries

Millions of yen

Operating Results	Fiscal year ended 31 March	2005	2006	2007	2008	2009
Net Sales		¥ 115,226	¥ 151,342	¥ 188,801	¥ 213,828	¥ 167,369
Gross Profit		32,270	44,914	58,817	66,572	46,027
Selling, General and Administrative Expenses		21,552	26,226	31,552	36,293	34,016
Operating Income		10,718	18,688	27,265	30,279	12,011
Other Income (Deductions)		(1,842)	(2,574)	(1,109)	(1,523)	(3,825)
Income before Income Taxes and Minority Interests		8,876	16,114	26,156	28,756	8,186
Net Income		9,069	12,111	15,693	17,970	3,995
Net Income per Share of Common Stock (in yen)		67.73	80.00	93.14	106.92	24.13
Cash Dividend per Share of Common Stock (in yen)		5.00	12.00	15.00	17.00	11.00

Financial Position	As of 31 March	2005	2006	2007	2008	2009
Current Assets		¥ 83,835	¥ 124,879	¥ 139,283	¥ 137,565	¥ 113,137
Property, Plant and Equipment		17,786	29,470	37,093	38,727	38,278
Total Assets		118,459	178,841	201,539	200,870	172,105
Current Liabilities		43,736	59,797	69,003	68,931	44,430
Non-current Liabilities		19,817	26,390	29,849	21,705	22,349
Net Assets		51,217	91,089	102,687	110,234	105,326
Net Assets per Share of Common Stock (in yen)		376.95	539.88	598.74	649.64	627.94

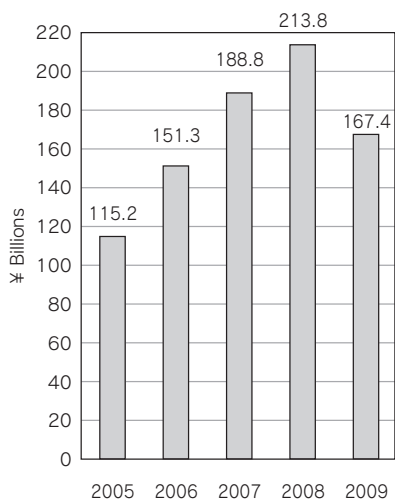
Reference Ratios

Operating Income/Net Sales	9.3%	12.3%	14.4%	14.2%	7.2%
Operating Income/Total Assets	9.2%	12.6%	14.3%	15.0%	6.4%
Net Income/Shareholders' Equity	20.2%	17.0%	16.2%	16.9%	3.7%
Equity Ratio	43.2%	50.9%	51.0%	54.9%	61.2%

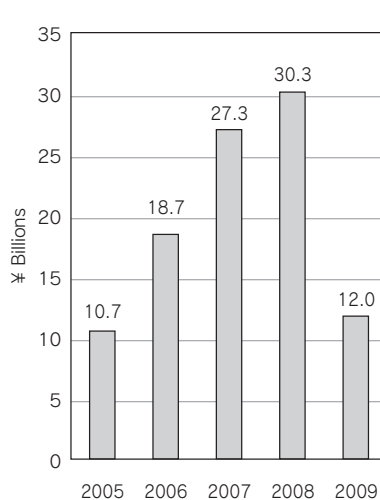
Notes 1: Cash dividends per share are computed based on dividends declared with respect to earnings for the periods.

2: As for "Net Assets" and "Net Assets per Share of Common Stock" before March 31, 2007 (2005 to 2006), the figures shown above are "Shareholders' Equity" and "Shareholders' Equity per Share of Common Stock".

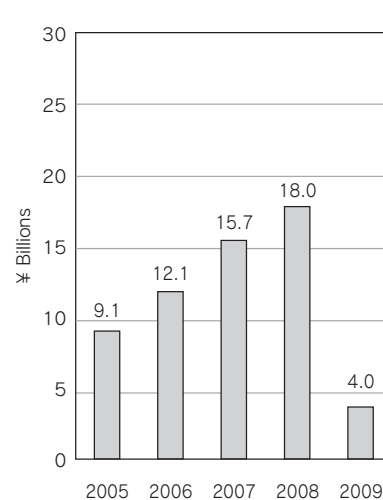
Net Sales



Operating Income



Net Income



Fiscal years ended 31 March

Consolidated Balance Sheets

Okuma Corporation and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		US\$1=98.23
	2009	2008	Thousands of U.S. dollars (note 2)
	2009	2008	2009
ASSETS			
Current assets:			
Cash (note 3)	¥ 26,761	¥ 27,843	\$ 272,432
Trade notes and accounts receivable (note 17)	31,262	55,146	318,253
Short-term investments (note 4)	4	4	41
Inventories	46,878	46,198	477,227
Deferred income taxes (note 8)	2,099	4,342	21,368
Other current assets	6,785	4,815	69,073
Less allowance for doubtful receivables	(652)	(783)	(6,638)
Total current assets	113,137	137,565	1,151,756
Property, plant and equipment (note 13):			
Buildings and structures	37,566	35,523	382,429
Machinery, equipment and vehicles	36,934	39,489	375,995
Land	7,443	7,293	75,771
Construction in progress	668	1,972	6,800
Other	10,605	10,216	107,961
	93,216	94,493	948,956
Less accumulated depreciation	(54,938)	(55,766)	(559,279)
Net property, plant and equipment	38,278	38,727	389,677
Intangible assets, net:			
Software	3,866	3,058	39,357
Other	96	106	977
Net intangible assets	3,962	3,164	40,334
Investments and other assets:			
Investments in securities (notes 4 and 5)	12,589	17,797	128,158
Long-term loans receivable	225	266	2,291
Deferred income taxes (note 8)	396	185	4,031
Other investments and other assets (note 5)	3,596	3,190	36,608
Less allowance for doubtful receivables	(78)	(24)	(794)
Total investments and other assets	16,728	21,414	170,294
Total assets	¥ 172,105	¥ 200,870	\$1,752,061

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Okuma Corporation and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		US\$1=98.23 Thousands of U.S. dollars (note 2)
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable (note 17)	¥ 19,250	¥ 41,701	\$ 195,969
Short-term debt (note 6)	7,267	156	73,979
Current installments of long-term debt (note 6)	6,888	8,205	70,121
Other payables (note 17)	5,052	6,680	51,430
Accrued income taxes (note 8)	1,657	5,234	16,869
Accrued bonuses	1,272	2,845	12,949
Other current liabilities	3,044	4,110	30,989
Total current liabilities	44,430	68,931	452,306
Non-current liabilities:			
Long-term debt (note 6)	18,971	17,260	193,128
Liabilities for retirement and severance benefits(note 7)	810	866	8,246
Deferred income taxes (note 8)	289	141	2,942
Other non-current liabilities	2,279	3,438	23,201
Total non-current liabilities	22,349	21,705	227,517
Total liabilities	66,779	90,636	679,823
Stockholders' equity:			
Common stock (note 9):	18,000	18,000	183,244
Authorized 493,862,000 shares; issued 168,775,770 shares in 2009 and 2008			
Additional paid-in capital (note 9)	41,675	41,684	424,259
Retained earnings (note 10)	52,924	52,130	538,776
Treasury stock, at cost; 4,426,232 shares in 2009 and 2,404,047 shares in 2008	(3,169)	(2,204)	(32,261)
Total stockholders' equity	109,430	109,610	1,114,018
Valuation and translation adjustments:			
Net unrealized gain (loss) on other securities (note 4)	(1,865)	152	(18,986)
Foreign currency translation adjustments	(4,361)	(1,679)	(44,396)
Total valuation and translation adjustments	(6,226)	(1,527)	(63,382)
Minority interests	2,122	2,151	21,602
Total net assets	105,326	110,234	1,072,238
Commitments and contingencies (note 16)			
Total liabilities and net assets	¥ 172,105	¥ 200,870	\$ 1,752,061

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Okuma Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		US\$1=98.23 Thousands of U.S. dollars (note 2)
	2009	2008	2009
Net sales (note 17)	¥ 167,369	¥ 213,828	\$1,703,848
Cost of sales (notes 12 and 17)	121,342	147,256	1,235,285
Gross profit	46,027	66,572	468,563
Selling, general and administrative expenses (notes 11 and 12)	34,016	36,293	346,289
Operating income	12,011	30,279	122,274
Other income (deductions):			
Interest income	304	329	3,095
Dividend income	432	326	4,398
Interest expenses	(597)	(728)	(6,078)
Equity in earnings of affiliates	24	101	244
Exchange gain (loss)	92	(1,085)	937
Loss on devaluation of investments in securities	(3,925)	-	(39,957)
Other, net (note 13)	(155)	(466)	(1,578)
	(3,825)	(1,523)	(38,939)
Income before income taxes and minority interests	8,186	28,756	83,335
Income taxes (note 8):			
Current	2,116	9,969	21,541
Refund of income taxes	(213)	-	(2,168)
Deferred	1,910	215	19,444
	3,813	10,184	38,817
Income before minority interests	4,373	18,572	44,518
Minority interests	378	602	3,848
Net income	¥ 3,995	¥ 17,970	\$ 40,670

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Okuma Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

US\$1=98.23

	Millions of yen				
	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total stockholders' equity
	(note 9)	(note 9)	(note 10)		
Balance at March 31, 2007	¥ 18,000	¥ 41,687	¥ 36,857	¥ (275)	¥ 96,269
Changes arising during year:					
Cash dividends			(2,697)		(2,697)
Net income			17,970		17,970
Purchase of treasury stock				(1,949)	(1,949)
Disposition of treasury stock		(3)		20	17
Net changes other than stockholders' equity					
Total changes during the year		(3)	15,273	(1,929)	13,341
Balance at March 31, 2008	18,000	41,684	52,130	(2,204)	109,610
Changes resulting from					
Accounting changes of foreign subsidiaries			120		120
Changes arising during year:					
Cash dividends			(3,329)		(3,329)
Net income			3,995		3,995
Purchase of treasury stock				(987)	(987)
Disposition of treasury stock		(9)		22	13
Other			8		8
Net changes other than stockholders' equity					
Total changes during the year		(9)	674	(965)	(300)
Balance at March 31, 2009	¥ 18,000	¥ 41,675	¥ 52,924	¥ (3,169)	¥ 109,430

	Thousands of U.S. dollars (note 2)				
	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at March 31, 2008	\$ 183,244	\$ 424,351	\$ 530,693	\$ (22,438)	\$ 1,115,850
Increase resulting from a change in accounting policies of overseas consolidated subsidiaries			1,222		1,222
Changes arising during year:					
Cash dividends			(33,890)		(33,890)
Net income			40,670		40,670
Purchase of treasury stock				(10,048)	(10,048)
Disposition of treasury stock		(92)		225	133
Other			81		81
Net changes other than stockholders' equity					
Total changes during the year	-	(92)	6,861	(9,823)	(3,054)
Balance at March 31, 2009	\$ 183,244	\$ 424,259	\$ 538,776	\$ (32,261)	\$ 1,114,018

US\$1=98.23

	Millions of yen				
	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gain (loss) on other securities (note 4)	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2007	¥ 4,549	¥ 37	¥ 4,586	¥ 1,832	¥ 102,687
Changes arising during year:					
Cash dividends					(2,697)
Net income					17,970
Purchase of treasury stock					(1,949)
Disposition of treasury stock					17
Net changes other than stockholders' equity	<u>(4,397)</u>	<u>(1,716)</u>	<u>(6,113)</u>	<u>319</u>	<u>(5,794)</u>
Total changes during the year	<u>(4,397)</u>	<u>(1,716)</u>	<u>(6,113)</u>	<u>319</u>	<u>7,547</u>
Balance at March 31, 2008	152	(1,679)	(1,527)	2,151	110,234
Increase resulting from a change in accounting policies of overseas consolidated subsidiaries					120
Changes arising during year:					
Cash dividends					(3,329)
Net income					3,995
Purchase of treasury stock					(987)
Disposition of treasury stock					13
Other					8
Net changes other than stockholders' equity	<u>(2,017)</u>	<u>(2,682)</u>	<u>(4,699)</u>	<u>(29)</u>	<u>(4,728)</u>
Total changes during the year	<u>(2,017)</u>	<u>(2,682)</u>	<u>(4,699)</u>	<u>(29)</u>	<u>(5,028)</u>
Balance at March 31, 2009	¥ (1,865)	¥ (4,361)	¥ (6,226)	¥ 2,122	¥ 105,326

Thousands of U.S. dollars
(note 2)

	Thousands of U.S. dollars				
	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2008	\$ 1,547	\$ (17,092)	\$ (15,545)	\$ 21,898	\$ 1,122,203
Increase resulting from a change in accounting policies of overseas consolidated subsidiaries					1,222
Changes arising during year:					
Cash dividends					(33,890)
Net income					40,670
Purchase of treasury stock					(10,048)
Disposition of treasury stock					133
Other					81
Net changes other than stockholders' equity	<u>(20,533)</u>	<u>(27,304)</u>	<u>(47,837)</u>	<u>(296)</u>	<u>(48,133)</u>
Total changes during the year	<u>(20,533)</u>	<u>(27,304)</u>	<u>(47,837)</u>	<u>(296)</u>	<u>(51,187)</u>
Balance at March 31, 2009	\$ (18,986)	\$ (44,396)	\$ (63,382)	\$ 21,602	\$ 1,072,238

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Okuma Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		US\$1=98.23 Thousands of U.S. dollars (note 2)
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 8,186	¥ 28,756	\$ 83,335
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	6,819	5,876	69,419
Allowance for doubtful receivables	(8)	(71)	(81)
Increase in accrued bonuses	(1,572)	405	(16,003)
Decrease in liabilities for retirement and severance benefits	(88)	(27)	(896)
Interest and dividend income	(736)	(655)	(7,493)
Interest expenses	597	728	6,078
Equity in earnings of affiliates	(24)	(101)	(244)
Gain on sale of investments in securities	-	(3)	-
Loss on devaluation of investments in securities	3,925	-	39,957
Loss on disposal of property, plant and equipment	163	97	1,659
Decrease (increase) in trade notes and accounts receivable	21,561	(2,753)	219,495
Increase in inventories	(3,045)	(4,785)	(30,999)
Increase (decrease) in trade notes and accounts payable	(19,919)	4,228	(202,779)
Other, net	(4,657)	(581)	(47,409)
Sub total	11,202	31,114	114,039
Interest and dividend received	768	521	7,818
Interest paid	(597)	(741)	(6,077)
Income taxes paid	(8,045)	(11,719)	(81,900)
Net cash provided by operating activities	3,328	19,175	33,880
Cash flows from investing activities:			
Capital expenditures	(5,671)	(7,284)	(57,732)
Proceeds from sale of property, plant and equipment	74	180	753
Purchase of intangible assets	(2,564)	(2,149)	(26,102)
Purchase of investments in securities	(361)	(6,257)	(3,675)
Proceeds from sale of investments in securities	-	17	-
Other, net	(289)	(266)	(2,942)
Net cash used in investing activities	(8,811)	(15,759)	(89,698)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	7,149	(155)	72,778
Proceeds from long-term debt	9,000	4,000	91,622
Payments on long-term debt	(8,605)	(9,919)	(87,601)
Payments on lease obligations	(47)	(56)	(478)
Purchase of treasury stock	(988)	(1,949)	(10,058)
Proceeds from sale of treasury stock	13	17	132
Dividends paid to stockholders	(3,330)	(2,697)	(33,900)
Dividends paid to minority stockholders of subsidiaries	(1)	(82)	(10)
Net cash provided by (used in) financing activities	3,191	(10,841)	32,485
Effect of exchange rate changes on cash and cash equivalents	1,212	(1,054)	12,339
Net increase (decrease) in cash and cash equivalents	(1,080)	(8,479)	(10,994)
Cash and cash equivalents at beginning of year	27,457	35,759	279,517
Increase in cash and cash equivalents resulting from the merger of non-consolidated subsidiaries	-	177	-
Cash and cash equivalents at end of year (note 3)	¥ 26,377	¥ 27,457	\$ 268,523

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

Okuma Corporation and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

Previously, a company could use the financial statements of its foreign subsidiaries which have been prepared in conformity with financial accounting standards of the countries of their domicile. From the year ended March 31, 2009, the Company adopted "Practical Solution on unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006). This PITF requires that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with IFRSs or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that net income is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF. The effect of the change on operating income and income before income taxes and minority interests is immaterial.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the

consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (8 subsidiaries both for 2009 and 2008).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in affiliates are accounted for by the equity method.

The Accounting Standards for Consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments.

The unallocated portion of the difference, which is recognized as goodwill or negative goodwill, is being amortized over 5 years.

(c) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

(d) Short-term Investments and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories - "trading securities," "held-to-maturity securities," "investments in affiliates" and "other securities." Securities classified as "trading securities" are stated at fair value and unrealized gains or losses are recorded in the consolidated statements of income. Securities classified as "held-to-maturity securities" are stated at amortized cost. Securities classified as "other securities" with fair value are

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and recorded in a separate component of net assets. Realized gains and losses on the other securities are computed using the moving-average cost. Debt classified as "other securities" for which fair value is not available are stated at the amortized cost. Equity securities classified as "other securities" for which fair value is not available are stated at the moving-average cost. Holding securities of the Company are classified as other securities.

(e) Inventories

Inventories are stated principally at cost. Cost is determined principally by the specific identification method for finished products and work in process, and principally by the moving average method for raw materials. From the year ended March 31, 2009, the Company adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006), and inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the specific identification method for finished products and work in process, and principally by the moving average method for raw materials. As a result of the change, operating income and income before income taxes and minority interests decreased by ¥140 million (\$1,425 thousand).

(f) Property, Plant and Equipment

Property, plant and equipment are carried substantially at cost. Depreciation of the Company and domestic subsidiaries is provided by the declining-balance method based on the estimated useful lives, except for the buildings acquired on or after April 1, 1998, which are depreciated based on the straight-line method. And depreciation of overseas subsidiaries is provided by the straight-line method.

The estimated useful lives are as follows:

Buildings and structures	3-60 years
Machinery, equipment and vehicles	4-22 years

From the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the estimated useful lives of machinery as a result of review of their useful lives. The effect of this change is to decrease both operating income and income before income taxes and minority interests by

¥166 million (\$1,690 thousand).

From the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed the estimated residual value of property, plant and equipment which was acquired on or after April 1, 2007 from 5% of the acquisition cost to ¥1. As a result of the change, both operating income and income before income taxes and minority interests decreased by ¥181 million.

From the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, property, plant and equipment acquired on or before March 31, 2007 which were depreciated to the allowable limit (95% of the acquisition cost) in a particular business year can be further depreciated down to ¥1 evenly over five years starting from the following business year. As a result of the change, both operating income and income before income taxes and minority interests decreased by ¥260 million.

(g) Intangible Assets

Intangible assets are carried at cost less amortization. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (5 years). The expenses for computer software to be sold are deferred and amortized on the ratio of current sales quantity to total quantity expected to be sold within 3 years, or on the straight-line basis over the estimated sales period, whichever is greater.

(h) Accounting Standard for the Impairment of Fixed Assets

The standard for the impairment of fixed assets requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

(i) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(j) Retirement and Severance Benefits

The Company and its domestic consolidated subsidiaries have contributory and noncontributory pension plans to provide retirement and severance benefits to substantially all employees.

Under the Accounting Standards for Retirement and Severance Benefits, provisions have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under pension plans.

Domestic consolidated subsidiaries have unfunded defined benefit pension plans for directors and corporate auditors. The provision for the plans has been made in the accompanying consolidated financial statements for the vested benefits to which directors and corporate auditors are entitled if they were to retire or sever immediately at the balance sheet dates.

(k) Leases

Previously, finance leases, except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, are accounted for similarly to operating leases. On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Guidance No.16, "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued on January 18, 1994. From the year ended March 31, 2009, the Company adopted the revised accounting standards. The revised accounting standards require that all finance lease transactions shall be capitalized. Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value. Regarding finance leases transactions without title transfer for which the starting date for the lease transactions is prior to the initial fiscal year in which these new accounting standards apply, the Company and its domestic consolidated subsidiaries have continued recognize lease payments as expenses.

There is no impact of this change on the operating income and income before income taxes and minority interests.

(l) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction dates, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date and revenues and expenses are translated into yen at the rate of exchange prevailing during the year, and a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" and "Minority interests" in a component of net assets.

(m) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has filed consolidated tax returns in Japan.

(n) Directors' Bonus

Directors' bonuses are accounted for as an expense when such bonuses are accrued.

(o) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used as of and for the year ended March 31, 2009.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

2. Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars at the rate of ¥98.23=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2009. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Cash and Cash Equivalents

Reconciliation between "Cash" in the accompanying consolidated balance sheets and "Cash and cash equivalents" in the accompanying consolidated statements of cash flows at March 31, 2009 and 2008 is follows:

	Millions of yen		Thousands of
	2009	2008	U.S. dollars
Cash	¥ 26,761	¥ 27,843	\$ 272,432
Short-term investments	4	4	41
Time deposits etc. with maturities of over three months	(388)	(390)	(3,950)
Cash and cash equivalents	¥ 26,377	¥ 27,457	\$ 268,523

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

4. Short-term Investments and Investments in Securities

Acquisition cost, balance sheet amount, and gross unrealized gain and gross unrealized loss of other securities with fair value as of March 31, 2009 and 2008 are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2009				
Equity securities	¥ 11,022	¥ 353	¥ (2,196)	¥ 9,179
Debt securities	850	-	(2)	848
	<u>¥ 11,872</u>	<u>¥ 353</u>	<u>¥ (2,198)</u>	<u>¥ 10,027</u>
March 31, 2008				
Equity securities	¥ 14,734	¥ 2,379	¥ (2,703)	¥ 14,410
Debt securities	700	-	-	700
	<u>¥ 15,434</u>	<u>¥ 2,379</u>	<u>¥ (2,703)</u>	<u>¥ 15,110</u>

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2009				
Equity securities	\$ 112,206	\$ 3,594	\$ (22,356)	\$ 93,444
Debt securities	8,653	-	(20)	8,633
	<u>\$ 120,859</u>	<u>\$ 3,594</u>	<u>\$ (22,376)</u>	<u>\$ 102,077</u>

It is not practicable to estimate the fair value of securities as of March 31, 2009 and 2008 described below because of lack of market price and difficulty in estimating fair value.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Other securities:			
Unlisted equity securities	¥ 165	¥ 165	\$ 1,680
Free financial fund	4	4	41

Losses on impairment of other securities recognized to reflect declines in market value considered to be other than temporary were ¥3,925 million (\$39,957 thousand) for the year ended March 31, 2009.

Projected future redemption of other securities with maturities at March 31, 2009 is summarized as follows:

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Other	¥ -	¥ -	¥ 150	¥ -
	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 150</u>	<u>¥ -</u>
	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Other	\$ -	\$ -	\$ 1,527	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,527</u>	<u>\$ -</u>

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2009 and 2008 are ¥3,475 million (\$35,376 thousand) and ¥3,600 million, respectively.

6. Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year. The weighted average interest rates of short-term debt at March 31, 2009 and 2008 are 1.2 % and 5.9%, respectively.

Long-term debt as of March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans from banks, unsecured, maturing in installments through 2014; bearing weighted average interest of 1.5 % and 1.8% at March 31, 2009 and 2008, respectively	¥ 25,859	¥ 25,465	\$ 263,249
Less current installments	6,888	8,205	70,121
	<u>¥ 18,971</u>	<u>¥ 17,260</u>	<u>\$ 193,128</u>

The aggregate annual maturities of long-term debt after March 31, 2010 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 8,771	\$ 89,290
2012	5,071	51,624
2013	2,871	29,227
2014	1,971	20,065

At March 31, 2009, the Company had unused committed lines of credit amounting to ¥11,000 million (\$111,982 thousand) with thirteen financial institutions whom the Company has committed line contracts to finance efficiently.

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations due the banks.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

7. Retirement and Severance Benefits

The Company and its subsidiary have defined benefit pension plans, which consist of a lump-sum indemnities plan and a corporate pension plan under the Corporate Defined Benefit Pension Plan Law, and a defined contribution pension plan.

One domestic subsidiary has a tax-qualified noncontributory pension plan and certain overseas subsidiaries have defined benefit pension plans.

The funded status of the pension plans at March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligations	¥ (19,277)	¥ (20,178)	\$ (196,243)
Plan assets at fair value	12,549	16,301	127,751
Funded status	(6,728)	(3,877)	(68,492)
Unrecognized actuarial loss	6,967	4,120	70,925
Unrecognized prior service benefit	(866)	(980)	(8,816)
Unrecognized transition obligation	-	158	-
Net amount recognized in the consolidated balance sheets	(627)	(579)	(6,383)
Prepaid retirement and severance benefits	112	222	1,140
Accrued retirement and severance benefits	¥ (739)	¥ (801)	\$ (7,523)

Net periodic pension cost for the years ended March 31, 2009 and 2008 consist of the following components:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥ 517	¥ 519	\$ 5,263
Interest cost	465	476	4,734
Expected return on plan assets	(485)	(544)	(4,937)
Amortization of actuarial loss	273	138	2,779
Amortization of prior service benefit	(98)	(97)	(998)
Amortization of transition obligation	-	12	-
Net periodic pension cost	¥ 672	¥ 504	\$ 6,841

Notes to Consolidated Financial Statements

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Significant assumptions of pension plans used to determine these amounts in fiscal 2009 and 2008 are as follows:

	2009	2008
Periodic allocation method for projected benefit	Straight-line	Straight-line
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%
Period for amortization of unrecognized prior service benefit	Mainly 15 years	15 years
Period for amortization of unrecognized actuarial loss/gain	Mainly 15 years	Mainly 15 years
Period for amortization of unrecognized transition obligation	-	15 years

Directors and corporate auditors are not covered by the plans described above. For such persons, domestic subsidiaries had defined benefit pension plans. Under the plans, directors and corporate auditors were entitled to lump-sum payments based on the current rate of pay and length of service when they leave the Company. The plans are not funded, however, provisions have been made in the accompanying consolidated financial statements for the vested benefits to which directors and corporate auditors are entitled if they were to retire or sever immediately at the balance sheet dates.

At the general meeting of stockholders held on June 28, 2007, abolishment of retirement benefit system for corporate auditors of the Company was approved and corporate auditors were entitled to lump-sum payment up to the date of the abolishment when they leave the Company. No additional provision has been made and the balance at the date of the abolishment will be reversed when they leave the Company. As of March 31, 2008 the amount of ¥377 million to be paid is included in other non-current liabilities in the accompanying consolidated balance sheet.

As of March 31, 2009 and 2008, the liabilities for retirement and severance benefits of consolidated domestic subsidiaries related to the plans were ¥71 million (\$723 thousand) and ¥65 million, respectively.

8. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income. The aggregate normal tax rates for domestic companies were approximately 39.9% in 2009 and 2008. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they are incorporated.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2009 and 2008 is as follows:

	2009	2008
Statutory tax rate	39.9%	39.9%
Expenses not deductible for tax purposes	0.7	0.7
Per capita tax, etc.	0.4	0.5
Income not credited for tax purposes	(0.7)	(0.5)
Refund of income taxes	(2.6)	-
Overseas withholding tax not tax-deductible	1.7	-
Tax credits	-	(0.8)
Equity in gains of affiliates	(0.1)	(0.4)
Difference in statutory tax rates of subsidiaries	(4.2)	(2.8)
Valuation allowance	7.8	(0.3)
Consolidation adjustments	5.1	-
Other	(1.4)	(0.9)
Effective tax rate	46.6%	35.4%

Notes to Consolidated Financial Statements

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Significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets (current):			
Accrued bonus	¥ 362	¥ 843	\$ 3,685
Unrealized intercompany profits on inventories	716	904	7,289
Accrued business tax	11	307	112
Depreciation	351	371	3,573
Liabilities for retirement and severance benefits (Employee) etc.	631	339	6,424
Allowance for doubtful receivables	78	240	794
Accrued product warranty costs	186	277	1,893
Accrued sales commission	42	256	428
Other	575	812	5,854
	<u>2,952</u>	<u>4,349</u>	<u>30,052</u>
Valuation allowance	(642)	-	(6,536)
	<u>2,310</u>	<u>4,349</u>	<u>23,516</u>
Offset with deferred tax liabilities	(211)	(7)	(2,148)
Net deferred tax assets	<u>¥ 2,099</u>	<u>¥ 4,342</u>	<u>\$ 21,368</u>
Deferred tax liabilities (current):			
Business tax receivable	¥ 198	¥ -	\$ 2,016
Other	18	7	183
	<u>216</u>	<u>7</u>	<u>2,199</u>
Offset with deferred tax assets	(211)	(7)	(2,148)
Net deferred tax liabilities	<u>¥ 5</u>	<u>¥ -</u>	<u>\$ 51</u>
Deferred tax assets (non-current):			
Tax loss carryforwards	¥ 876	¥ -	\$ 8,918
Net unrealized gain on other securities	-	405	-
Depreciation	493	496	5,019
Liabilities for retirement and severance benefits (Employee) etc.	403	705	4,103
Unrealized intercompany profits on fixed assets	143	160	1,456
Devaluation loss on inventories	790	731	8,042
Devaluation loss on investment in securities	347	596	3,532
Other	785	893	7,991
	<u>3,837</u>	<u>3,986</u>	<u>39,061</u>
Valuation allowance	(1,898)	(2,439)	(19,322)
	<u>1,939</u>	<u>1,547</u>	<u>19,739</u>
Offset with deferred tax liabilities	(1,543)	(1,362)	(15,708)
Net deferred tax assets	<u>¥ 396</u>	<u>¥ 185</u>	<u>\$ 4,031</u>
Deferred tax liabilities (non-current):			
Unrealized gain on other securities	¥ 10	¥ 28	\$ 102
Other	1,822	1,475	18,548
	<u>1,832</u>	<u>1,503</u>	<u>18,650</u>
Offset with deferred tax assets	(1,543)	(1,362)	(15,708)
Net deferred tax liabilities	<u>¥ 289</u>	<u>¥ 141</u>	<u>\$ 2,942</u>

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

9. Common Stock

On May 1, 2006, a new corporation law (the "Corporation Law") became effective, which reformed and replaced the Commercial Code of Japan with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. Under the Corporation Law, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

10. Retained Earnings and Dividends

The Corporation Law provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.

Cash dividends charged to retained earnings for the years ended March 31, 2009 and 2008 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Corporation Law.

a. Dividends paid during the year ended March 31, 2008

The following was approved by the general meeting of stockholders held on June 28, 2007.

(a) Total dividends	¥1,686 million
(b) Cash dividends per common share	¥10
(c) Record date	March 31, 2007
(d) Effective date	June 29, 2007

The following was approved by the Board of Directors held on November 8, 2007.

(a) Total dividends	¥1,011 million
(b) Cash dividends per common share	¥6
(c) Record date	September 30, 2007
(d) Effective date	December 6, 2007

b. Dividends paid during the year ended March 31, 2009

The following was approved by the general meeting of stockholders held on June 27, 2008.

(a) Total dividends	¥1,832 million (\$18,650 thousand)
(b) Cash dividends per common share	¥11 (\$0.11)
(c) Record date	March 31, 2008
(d) Effective date	June 30, 2008

The following was approved by the Board of Directors held on November 5, 2008.

(a) Total dividends	¥1,498 million (\$15,250 thousand)
(b) Cash dividends per common share	¥9 (\$0.09)
(c) Record date	September 30, 2008
(d) Effective date	November 26, 2008

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

c. Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2009

The following was approved by the general meeting of stockholders held on June 26, 2009.

(a) Total dividends	¥329 million (\$3,349 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥2 (\$0.02)
(d) Record date	March 31, 2009
(e) Effective date	June 29, 2009

11. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Freight and packing	¥ 9,244	¥ 10,640	\$ 94,106
Sales related costs	5,542	5,022	56,419
Remuneration and salary	7,350	7,828	74,824
Traveling and communications	1,986	2,040	20,218

12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2009 and 2008 are ¥2,320 million (\$ 23,618 thousand) and ¥2,118 million, respectively.

13. Long-lived Assets

For the year ended March 31, 2009, the Company reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss as follows:

Location	Usage	Classification	Millions of yen	Thousand of U.S. dollars
Konan factory (Konan City, Aichi Prefecture)	Machining facilities	Buildings	¥ 159	\$ 1,619

The long-lived assets that are used for business are grouped by districts, and the idle assets are grouped individually by each item.

Konan factory temporarily stopped operations because the Company decided to integrate three domestic factories into two factories. Parts of the buildings at Konan factory were written down to a memorandum amount and the amount written down was recognized as impairment loss of ¥159 million (\$1,619 thousand) because the Company has no plan to reuse them in the future and does not expect any future cash flows derived from them.

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14. Per Share Information

(a) Net Income per Share

Basic net income per share, and reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2009 and 2008 are as follows:

	Yen		U.S. dollars
	2009	2008	2009
Basic net income per share	¥ 24.13	¥ 106.92	\$ 0.25

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net income	¥ 3,995	¥ 17,970	\$ 40,670
Net income not applicable to common stockholders	-	-	-
Net income applicable to common stockholders	¥ 3,995	¥ 17,970	\$ 40,670

	Number of shares (Thousands)	
	2009	2008
Weighted average number of shares outstanding on which basic net income per share is calculated	165,522	168,058

(b) Net Assets per Share

Net assets per share, and reconciliation of the numbers and the amounts used in the net assets per share computations at March 31, 2009 and 2008 are as follows:

	Yen		U.S. dollars
	2009	2008	2009
Net assets per share	¥ 627.94	¥ 649.64	\$ 6.39

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Total net assets	¥ 105,326	¥ 110,234	\$ 1,072,238
Amount deducted from total net assets: Minority interests	2,122	2,151	21,602
Net assets applicable to common stockholders	¥ 103,204	¥ 108,083	\$ 1,050,636

	Number of shares (Thousands)	
	2009	2008
Number of shares outstanding at end of year on which net assets per share is calculated	164,349	166,371

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15. Leases

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value at March 31, 2009 and 2008 are as follows, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Acquisition cost	¥ 1,307	¥ 2,088	\$ 13,306
Accumulated depreciation	863	1,318	8,786
Net book value	¥ 444	¥ 770	\$ 4,520

Future minimum payments which include interest portion required under finance leases at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Within one year	¥ 214	¥ 325	\$ 2,179
Over one year	230	445	2,341
	¥ 444	¥ 770	\$ 4,520

Lease payments for the years ended March 31, 2009 and 2008 amounted to ¥313 million (\$3,186 thousand) and ¥446 million, respectively.

16. Commitments and Contingencies

It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of trade accounts receivable and to transfer them by endorsement to suppliers in the settlement of accounts payable. At March 31, 2009 and 2008, the Company was contingently liable with respect to trade notes receivable endorsed in the amounts of ¥233 million (\$2,372 thousand) and ¥167 million, respectively.

17. Balances and Transactions with Related Party

There is no material balances with related party at March 31, 2009 and transactions for the year then ended.

Tokuichi Okaya, the director of the Company is concurrently serving as a representative director of Okaya & Co., Ltd., and the balances with the company at March 31, 2008, and related transactions for the year then ended is summarized as follows:

	Millions of yen 2008
Balances:	
Trade accounts receivable	¥ 1,397
Trade accounts payable and other payables	475
Transactions:	
Sales	5,384
Purchases	972

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18. Derivative Financial Instruments

The Company does not hold or issue derivative financial instruments for the purpose of trading. The Company has entered into forward exchange contracts and currency option contracts to hedge the risk of changes in foreign currency exchange rates associated with assets and liabilities denominated in foreign currencies. The Company also has entered into interest rate swap contracts to manage interest rate exposures on certain borrowings.

All receivables or payables denominated in foreign currency, either hedged with forward exchange contracts or currency option contracts, or not, are translated at the exchange rate prevailing at the balance sheet dates. Forward exchange contracts or currency option contracts are stated at fair value. The fair value of the forward exchange contracts or currency option contracts to which hedge accounting is applied is not subject to disclosure.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the difference in amounts to be paid or received on the interest rate swap contracts is recognized over the life of the contracts as an adjustment to interest expense. The fair value of the interest rate swap contracts to which hedge accounting is applied is not subject to disclosure.

The counterparties to these derivative transactions are financial institutions with high credit ratings and consequently, the Company does not anticipate credit-related losses from non-performance by the counterparties to transactions involving derivative financial instruments.

The accounting department has executed derivative transactions according to the Company's rule, and the overseas sales department has managed those transactions.

The contract or notional amounts disclosed below do not represent straightforwardly the extent of market risk or credit risk of the derivatives.

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2009			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 7,348	¥ 7,552	¥ (204)
Euro	7,419	7,613	(194)
To buy foreign currency:			
Yen	92	110	18
Currency option contracts:			
Written:			
U.S. dollar	1,209		
	(90)	95	(5)
Purchased:			
U.S. dollar	2,491		
	(90)	80	(10)
	¥ 18,559	¥ 15,450	¥ (395)

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	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2008			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 8,387	¥ 7,947	¥ 440
Euro	11,119	10,933	186
To buy foreign currency:			
Euro	54	60	6
Yen	506	536	30
CHF	11	11	-
Currency option contracts:			
Written:			
Euro	603		
	(23)	29	(6)
Purchased:			
U.S. dollar	48	42	(6)
Euro	1,207		
	(23)	13	(10)
	¥ 21,935	¥ 19,571	¥ 640
Thousands of U.S. dollars			
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2009			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	\$ 74,804	\$ 76,881	\$ (2,077)
Euro	75,527	77,502	(1,975)
To buy foreign currency:			
Yen	936	1,120	184
Currency option contracts:			
Written:			
U.S. dollar	12,308		
	(916)	967	(51)
Purchased:			
U.S. dollar	25,359		
	(916)	814	(102)
	\$ 188,934	\$ 157,284	\$ (4,021)

The fair value of forward exchange contracts and currency option contracts are estimated based on quotes from counterparties etc.

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Okuma Corporation and Consolidated Subsidiaries

19. Segment Information

(a) Industry segments

The Company operates in one reportable segment as the manufacture and sale of machine tools and industrial machinery for the years ended March 31, 2009 and 2008.

(b) Geographic segments

Segment information by geographic area for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of yen						
	2009						Elimination / corporate
Japan	Americas	Europe	Asia/ Pacific	Total			
Sales to outside customers	¥ 98,840	¥ 32,748	¥ 28,040	¥ 7,741	¥ 167,369	¥ -	¥ 167,369
Inter-segment sales	53,820	124	171	4,051	58,166	(58,166)	-
	152,660	32,872	28,211	11,792	225,535	(58,166)	167,369
Operating expenses	144,903	31,264	25,997	10,705	212,869	(57,511)	155,358
Operating income	¥ 7,757	¥ 1,608	¥ 2,214	¥ 1,087	¥ 12,666	¥ (655)	¥ 12,011
Assets	¥ 125,332	¥ 22,672	¥ 18,880	¥ 7,354	¥ 174,238	¥ (2,133)	¥ 172,105

	Millions of yen						
	2008						Elimination / corporate
Japan	Americas	Europe	Asia/ Pacific	Total			
Sales to outside customers	¥ 123,550	¥ 40,041	¥ 42,708	¥ 7,529	¥ 213,828	¥ -	¥ 213,828
Inter-segment sales	64,828	195	218	5,090	70,331	(70,331)	-
	188,378	40,236	42,926	12,619	284,159	(70,331)	213,828
Operating expenses	168,094	37,064	37,288	11,352	253,798	(70,249)	183,549
Operating income	¥ 20,284	¥ 3,172	¥ 5,638	¥ 1,267	¥ 30,361	¥ (82)	¥ 30,279
Assets	¥ 148,778	¥ 22,747	¥ 25,492	¥ 8,946	¥ 205,963	¥ (5,093)	¥ 200,870

	Thousands of U.S. dollars						
	2009						Elimination / corporate
Japan	Americas	Europe	Asia/ Pacific	Total			
Sales to outside customers	\$ 1,006,210	\$ 333,381	\$ 285,452	\$ 78,805	\$ 1,703,848	\$ -	\$ 1,703,848
Inter-segment sales	547,898	1,262	1,741	41,240	592,141	(592,141)	-
	1,554,108	334,643	287,193	120,045	2,295,989	(592,141)	1,703,848
Operating expenses	1,475,140	318,274	264,654	108,979	2,167,047	(585,473)	1,581,574
Operating income	\$ 78,968	\$ 16,369	\$ 22,539	\$ 11,066	\$ 128,942	\$ (6,668)	\$ 122,274
Assets	\$ 1,275,904	\$ 230,805	\$ 192,202	\$ 74,865	\$ 1,773,776	\$ (21,715)	\$ 1,752,061

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

The major countries or regions in the respective divisions are as follows:

Americas: U.S.A.

Europe: Germany

Asia/Pacific: China, Taiwan and Australia

Corporate assets of ¥31,675 million (\$322,457 thousand) and ¥35,711 million as of March 31, 2009 and 2008 in the Elimination / corporate line consist primarily of surplus fund (cash and deposits, and securities) and long-term investments (investments in securities).

For the year ended March 31, 2009, as described in Note 1 (e), the Company adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). As a result of this change, operating expenses of "Japan" segment increased by ¥140 million (\$1,425 thousand) and operating income decreased by the same amount.

For the year ended March 31, 2009, as described in Note 1 (f), the Company and its domestic consolidated subsidiaries changed the depreciation method of property, plant and equipment. As a result of this change, operating expenses of "Japan" segment increased by ¥166 million (\$1,690 thousand) and operating income decreased by the same amount.

For the year ended March 31, 2008, as described in Note 1 (f), the Company and its domestic consolidated subsidiaries changed the depreciation method of property, plant and equipment. As a result of this change, operating expenses of "Japan" segment increased by ¥441 million and operating income decreased by the same amount.

(c) Overseas sales

Information for overseas sales for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Overseas sales			
Americas	¥ 33,570	¥ 42,639	\$ 341,749
Europe	28,341	43,253	288,517
Asia/Pacific	29,293	33,270	298,208
	¥ 91,204	¥ 119,162	\$ 928,474
Consolidated sales	¥ 167,369	¥ 213,828	\$ 1,703,848
Percentage of overseas sales to consolidated sales	54.5%	55.7%	54.5%

The major countries or regions in the respective divisions are as follows:

Americas: U.S.A., Brazil and Canada

Europe: Germany, Italy and Sweden

Asia/Pacific: China, Thailand and Australia

Independent Auditors' Report

To the Board of Directors of
Okuma Corporation

We have audited the accompanying consolidated balance sheets of Okuma Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and related consolidated statements of income, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Okuma Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 2 to the consolidated financial statements.

Toyo Horwath

Toyo Horwath
Nagoya, Japan
June 26, 2009

COMPANY PROFILE

Name	Okuma Corporation
Foundation	January, 1898 (111th Anniversary)
Headquarters	Oguchi-cho, Niwa-gun, Aichi 480-0193
Main Business	Manufacture and sale of machine tools (lathes, machining centers, multitasking machines and grinders), NC controllers, FA products, servo motors, etc. A total solution provider (applications, system technologies, after-sales service, etc)
Capital	18 billion yen
Sales	167.3 billion yen
Employee	2,908

DIRECTORS AND AUDITORS

(As of June 26, 2009)

Board of Directors

Yoshimaro Hanaki	President and Chief Executive Officer*
Yoshihiko Mori	Senior Executive Director
Takeshi Ezaki	Senior Executive Director
Toshio Ishihara	Executive Director
Toshio Tomida	Senior Director
Masato Ryoki	Senior Director
Yukiharu Takehara	Senior Director
Masamichi Ito	Senior Director
Yoshinori Ozaki	Senior Director
Tokuichi Okaya	Senior Director

Corporate Auditors

Koji Toyoda	Corporate Auditor
Kazuo Ichimura	Corporate Auditor
Satoru Nishigaki	Corporate Auditor
Hideo Achira	Corporate Auditor

*Representative director

CORPORATE OFFICES

(As of June 26, 2009)

Headquarters & Oguchi Plant

Oguchi-cho, Niwa-gun, Aichi 480-0193 Japan
Tel: (0587) 95-7822 Fax: (0587) 95-4807

Okuma Europe GmbH*

Europark Fichtenhain A20
47807 Krefeld, F.R.Germany
Tel: (49) 2151-374-0 Fax: (49) 2151-374-100

Kani Plant

3-6, Himegaoka, Kani-shi, Gifu 509-0249 Japan
Tel: (0574) 63-5630 Fax: (0574) 63-5625

Okuma Australia Pty. Ltd.*

3 Tampe Road, Rowvillie, Victoria 3178, Australia
Tel: (61) 3-9757-5888 Fax: (61) 3-9757-5899

Overseas Offices

Singapore Branch (Effective from 11 August, 2009)
275 Kaki Bukit Avenue 1 Shun Li Industrial Park
Singapore 416072
Tel: (65) 6214-0112 Fax: (65) 6214-0076

Tatung-Okuma Co., Ltd.*

352, Shi-tong Rd., San-Hsia, 237, Taipei County,
Taiwan, R.O.C.
Tel: (886) 2-8676-8678 Fax: (886) 2-8676-6901

Principal Subsidiaries and Affiliates Domestic

Nippon Seiki Syoukai Co., Ltd.*
800-1, Shimozuenagata, Komaki-shi, Aichi
485-0825 Japan
Tel: (0568) 73-3557 Fax: (0568) 73-3667

Okuma Machine Tool (Shanghai) Corporation

NO.8, Lane 2915,
Huaning Road, Xinzhuang Industrial Zone, Shanghai, China
Tel: (86) 21-3137-3100 Fax: (86) 21-3137-3200

Overseas

Okuma America Corporation*
11900 Westhall Drive, Charlotte, NC 28278 U.S.A.
Tel: (1) 704-588-7000 Fax: (1) 704-588-6503

Okuma Techno (Thailand) Ltd.

47/291 Kaitak Building, Unit.C Moo 3 Popular 3 Road,
T.Banmai A.Pakkred, Nonthaburi 11120 THAILAND
Tel: (66) 2-980-5547 Fax: (66) 2-980-5549

Okuma Latino Americana Comercio Ltda.*
Al. Vicente Pinzon, 173-cj 31A CEP 04547-130
Vila Olimpia, Sao Paulo, Brasil
Tel: (55) 11-3049-5600 Fax: (55) 11-3049-5601
Okuma Latino Americana Comercio Ltda is subsidiary of
Okuma America Corporation.

Okuma New Zealand Limited.

Unit F, 47 Mt Wellington Highway,
Mt Wellington, Auckland 1060, New Zealand
Tel: (64) 9-570-7025 Fax: (64) 9-570-7026

BYJC-Okuma (Beijing) Machine Tool Co., Ltd.*
16 Shuanghe Dajie, Linhe Industrial Development
Zone, Shunyi District, Beijing, China
Tel: (86) 10-8949-8551 Fax: (86) 10-8949-8518

Okuma India Private Limited

Ground Floor, Times Square Building B-Block,
Sushant Lok-I, Gurgaon-122001, Haryana, India
Tel: (91) 124-404-3800 Fax: (91) 124-404-0013

*Consolidated subsidiary



OKUMA Corporation

Oguchi-cho, Niwa-gun, Aichi 480-0193 Japan

Tel: +81 587 95 7822 Fax: +81 587 95 4807

URL: <http://www.okuma.co.jp/english/>

E-Mail: info@okuma.co.jp