



Okuma Corporation

Fiscal Year 2009 Financial Results



May 7, 2010

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Part 1

Fiscal Year 2009 Financial Results

Key points and issues for the future

- Machine tool demand greatly declined due to continuous worldwide recession and reduction of capital investment stemming from financial crisis in September 2008. JMTBA orders in calendar year 2009 fell to a historically low level. (¥1,301.1 billion in calendar year 2008, ¥411.8 billion in calendar year 2009)
- The Okuma group implemented strategies to expand customer bases, but new orders remained at a low levels due to adverse machine tool market conditions. And sales greatly decreased.
New orders: ¥57.2 billion (Δ 55% compared to previous fiscal year)
Sales: ¥60.3 billion (Δ 64% compared to previous fiscal year)
- In an extreme demand decline of the machine tool market, Okuma concentrated on innovative production and strengthening corporate fundamentals, and implemented reducing cost and inventories. But that could not make up for a loss of ¥38.6 billion due to large sales decreases compared to the previous fiscal year.
Operating profit: Δ ¥15.0 billion (+ ¥12.0 billion at previous fiscal year)
- Inventories did deduce from ¥46.9 billion to ¥31.8 billion by adjusting production to the level of new orders received in FY2009,
Cash flow from operating activities: ensured ¥11.2 billion
Net cash returned to the black: ¥4.1 billion

Key points and issues for the future

- As machine tool demand recovers in fiscal year 2010. Okuma will concentrate on expanding customer base and increasing new orders and sales. In terms of production, increasing while maintaining innovative production and strong corporate fundamentals are key issues.
- Expanding the customer base and strengthening short-, mid- and long-term profitability through quicker strategy implementation (more effective use of strong sales networks in advanced countries, establishing and strengthening sales/service bases in emerging markets, providing new global-market products) are also important issues for fiscal year 2010.

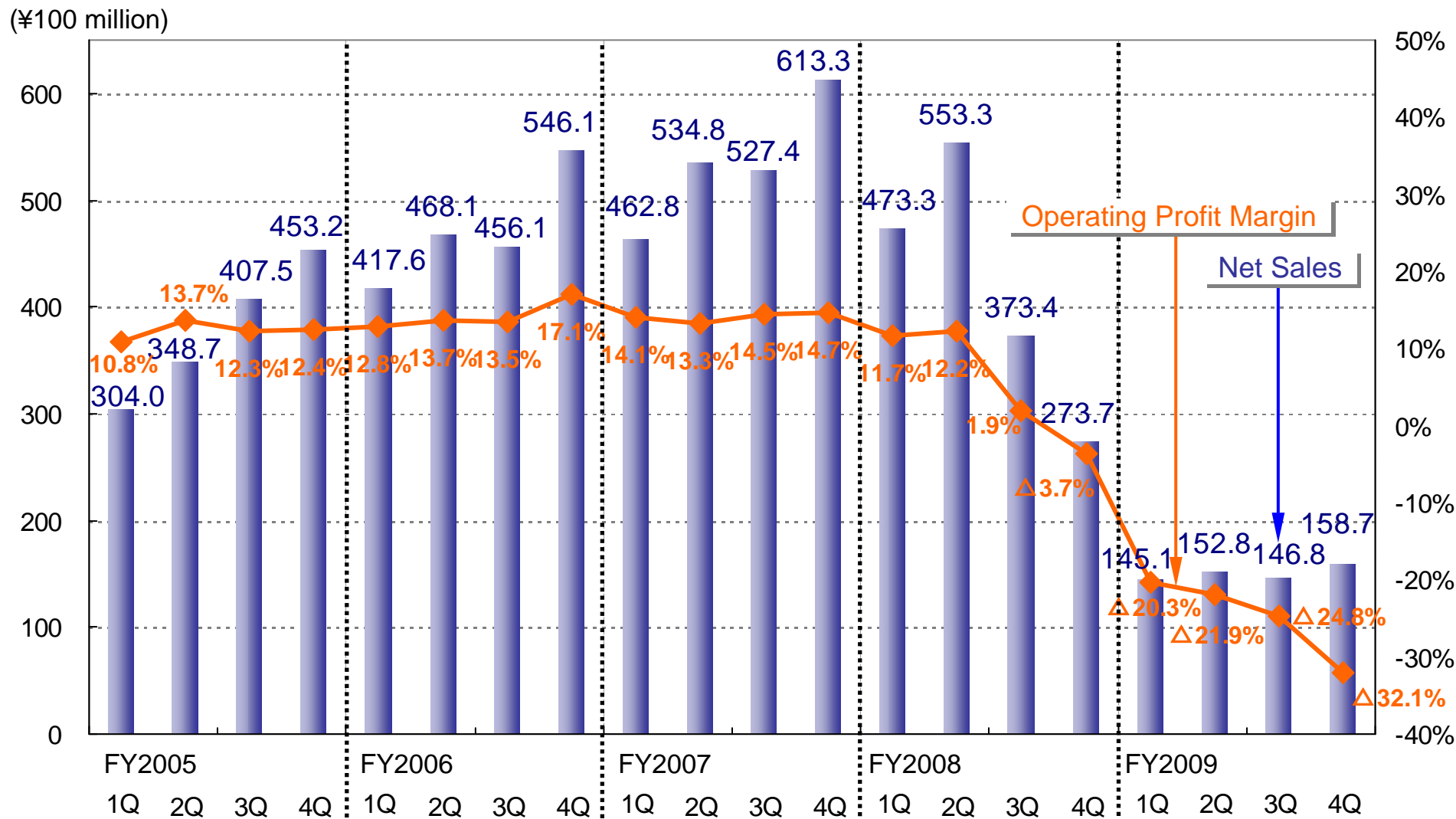
[Fiscal Year 2009 Financial Results] Summary



	FY2008		FY2009			FY2009 [24 Sep 09] forecasts
		(%)		(%)	Amount of change	
Net sales	1,673.7		603.4		△1,070.3	620.0
Operating profit	120.1	7.2%	△150.2	△24.9%	△270.3	△120.0
Ordinary profit	124.3	7.4%	△156.5	△25.9%	△280.8	△123.0
Net profit	40.0	2.4%	△188.1	△31.2%	△228.1	△155.0

Exchange rate	Actual rate for FY2009	US\$1 = ¥ 92.6	1 Euro = ¥130.7
	Actual rate for FY2008	US\$1 = ¥100.7	1 Euro = ¥143.3
Effects of exchange rate fluctuations (operating profit)		US\$ = △¥1.12 billion	Euro = △0.85 billion
(Reference) Assumed rate for FY2009 (as of 24 Sep. 2009)		US\$1 = ¥ 92.5	1 Euro = ¥133.1

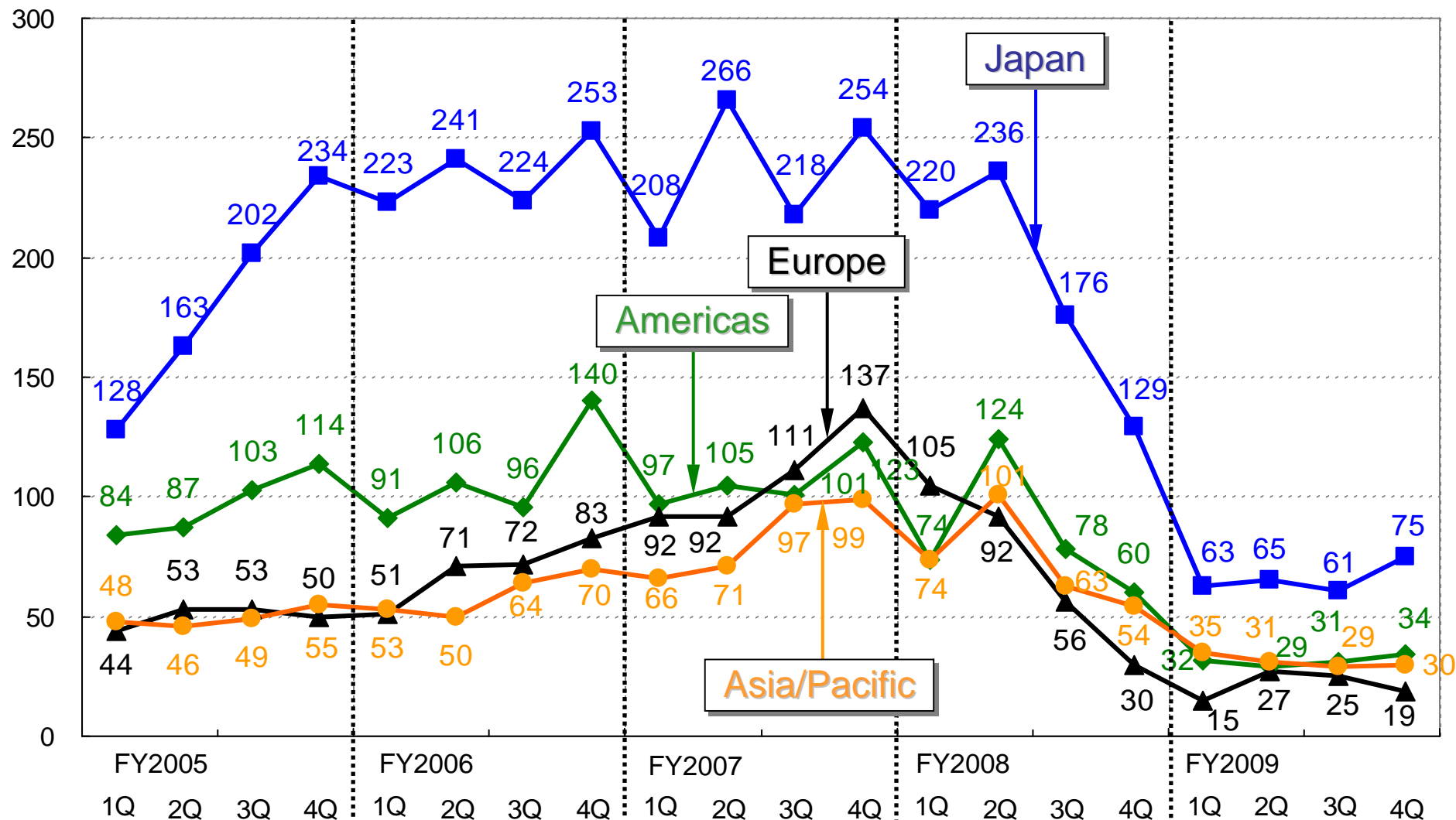
[Fiscal Year 2009 Financial Results] Quarterly Trends



[Sales/Orders] Quarterly Sales by Geographic Region



(¥100 million)



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

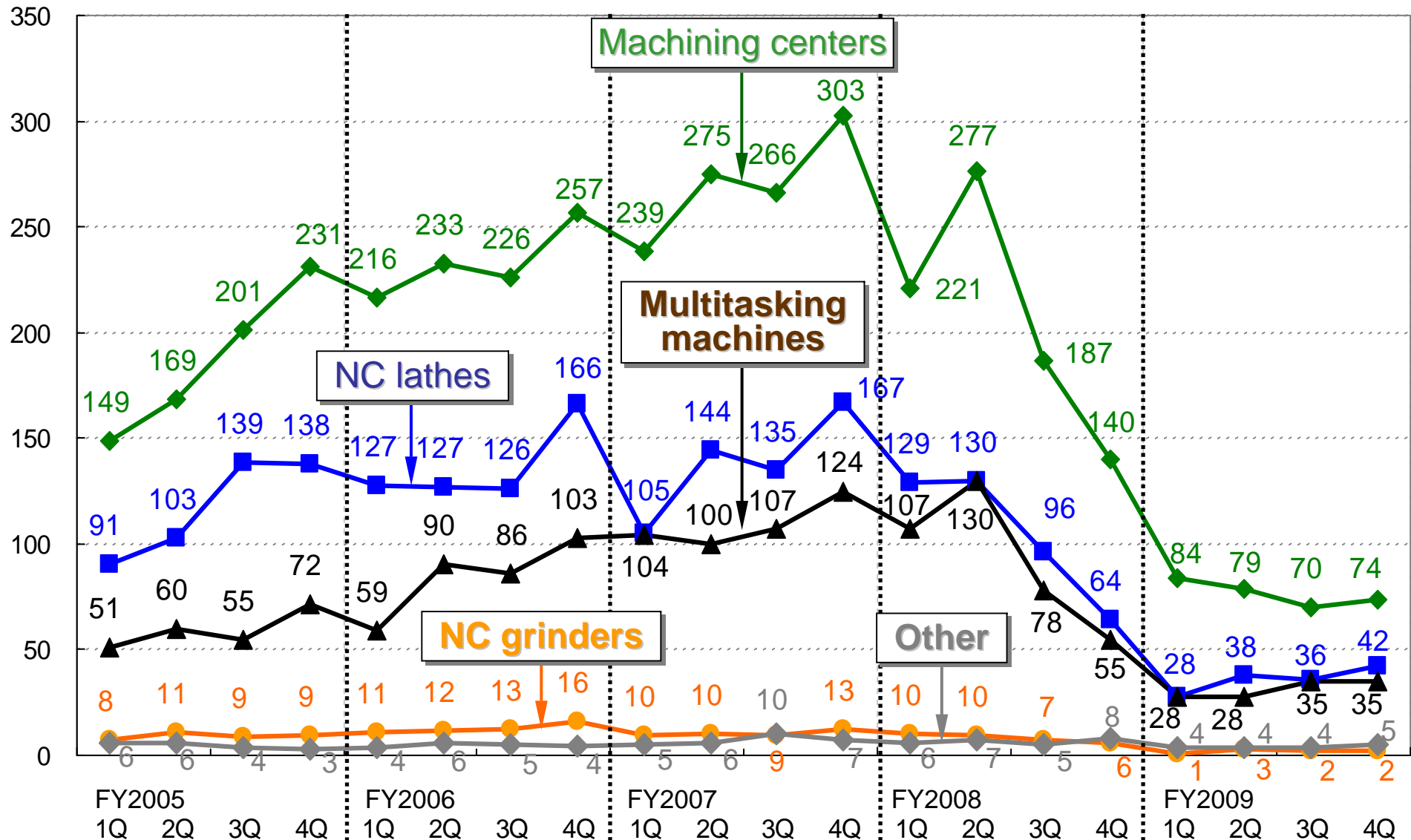


	New orders			Net sales			Order backlog		
	FY2008	FY2009	% Change	FY2008	FY2009	% Change	FY2008	FY2009	% Change
	(¥100 million)	(¥100 million)		(¥100 million)	(¥100 million)		(¥100 million)	(¥100 million)	
NC lathes	322	137	△57%	420	144	△66%	66	59	△10%
Machining centers	626	271	△57%	824	307	△63%	179	143	△20%
Multitasking machines	278	130	△53%	370	127	△66%	41	44	+ 9%
NC grinders	28	10		34	8		5	7	
Other	26	23		26	17		2	7	
Total	1,280	572	△55%	1,674	603	△64%	293	261	△11%

[Sales/Orders] Quarterly Sales by Product Category



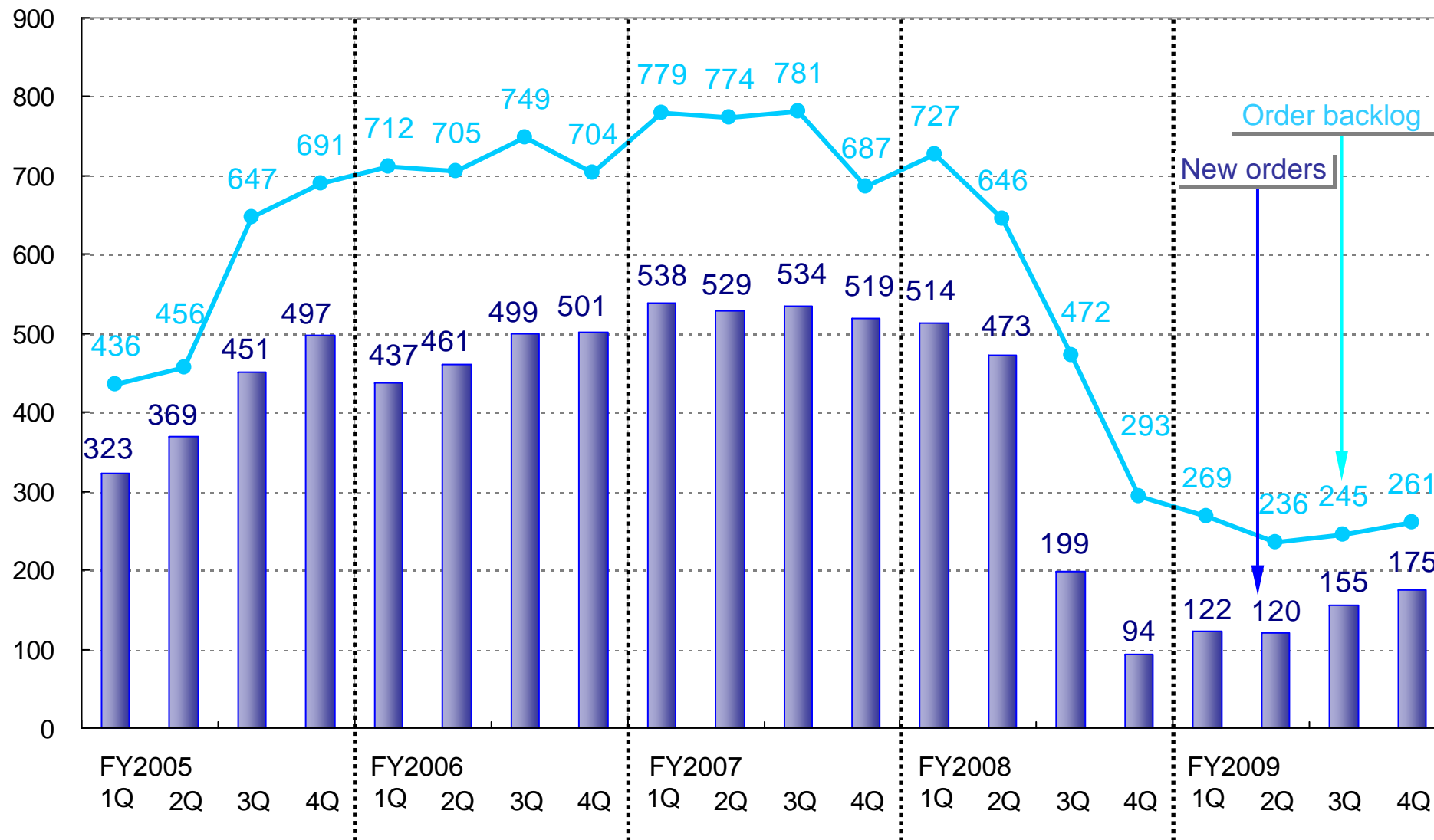
(¥100 million)



[Sales/Orders] Quarterly Orders and Order Backlog

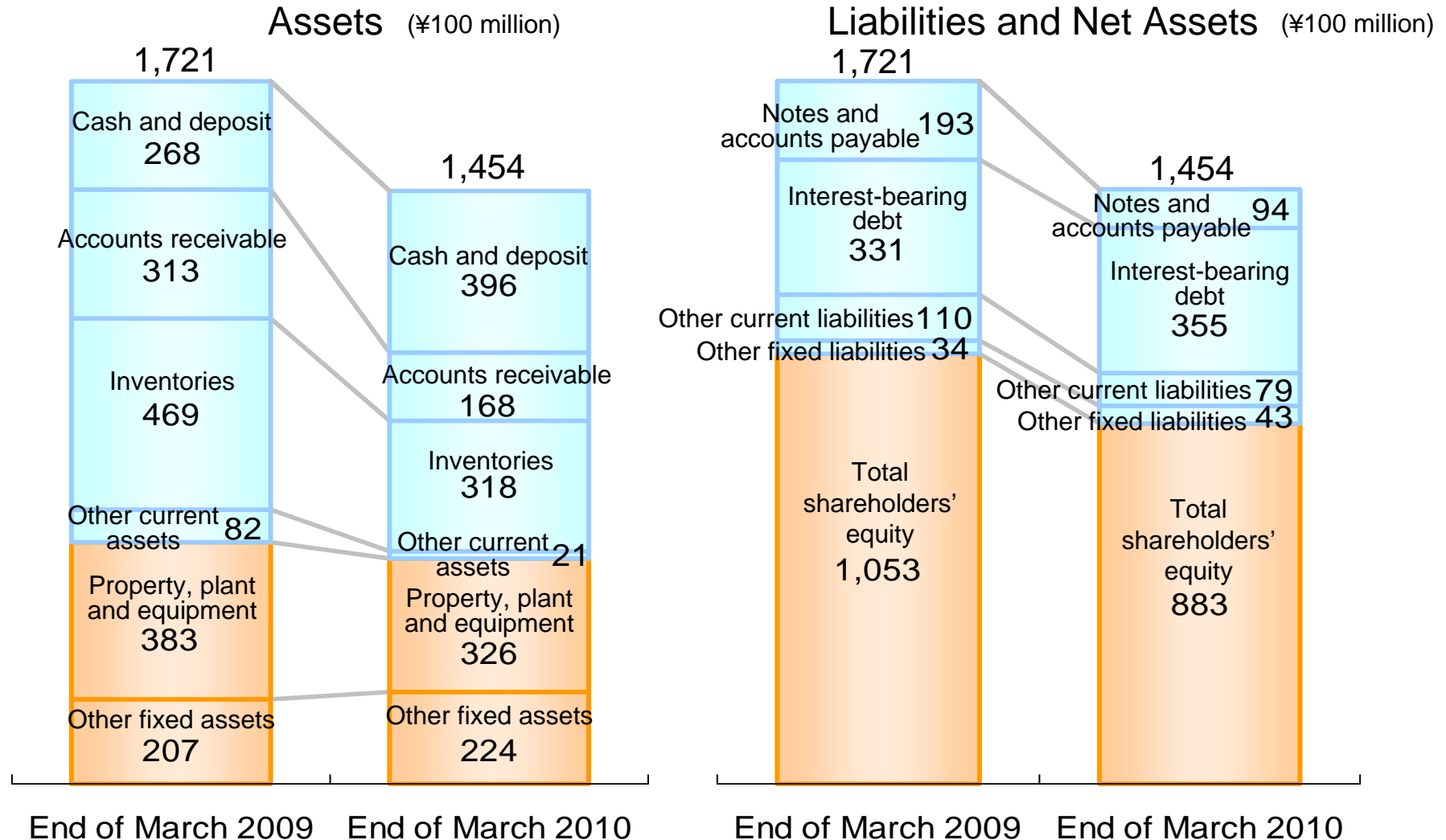


(¥100 million)



Comparison of Balance Sheets

- Shareholders' equity ratio: 59%, net cash: ¥4.1 billion
Ensured strong financial strength
- Inventories: ¥31.8 billion, decreased ¥15.1 billion($\Delta 32\%$) from end of March 2009

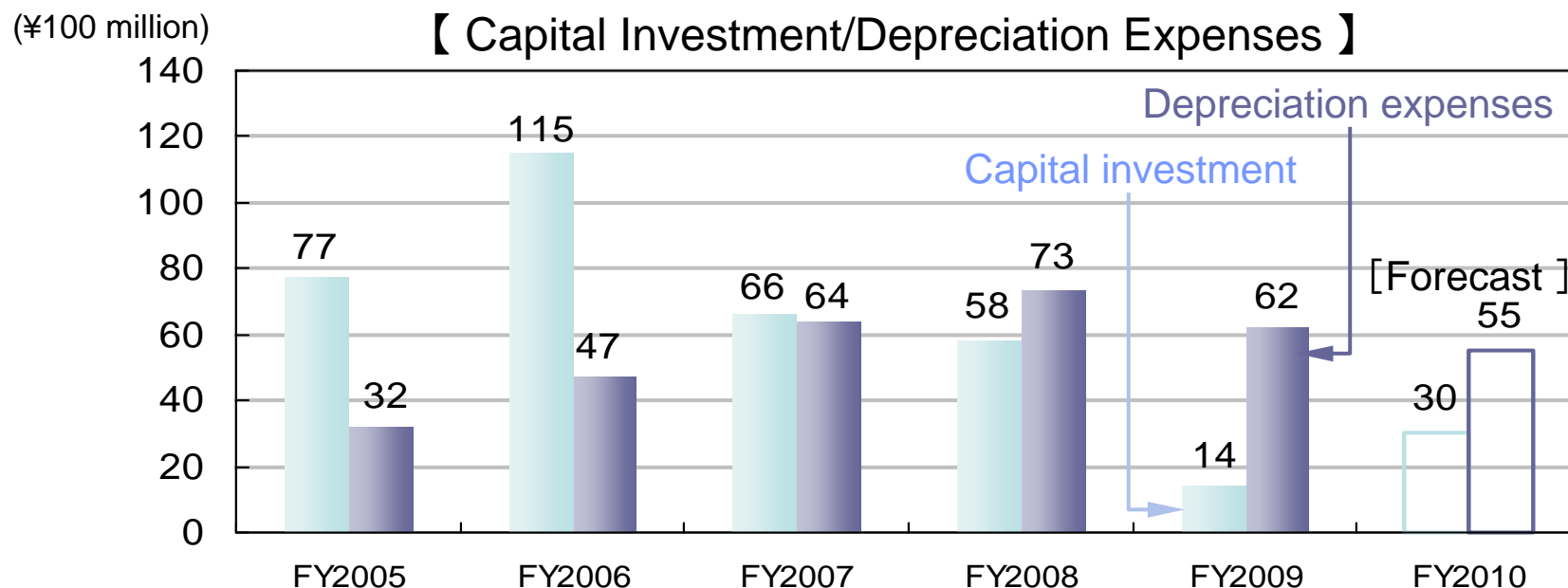


Cash Flows; Capital Investment and Depreciation Expenses



- Reduced inventories by adjusting production and shorten production lead-time. Cash flow from operating activities was ¥11.2 billion.

	FY2008	FY2009
	(¥100 million)	(¥100 million)
Cash flow from operating activities	33	112
Cash flow from investing activities	△88	△47
Cash flow from financing activities	32	20
Cash and cash equivalents at end of fiscal year	264	348



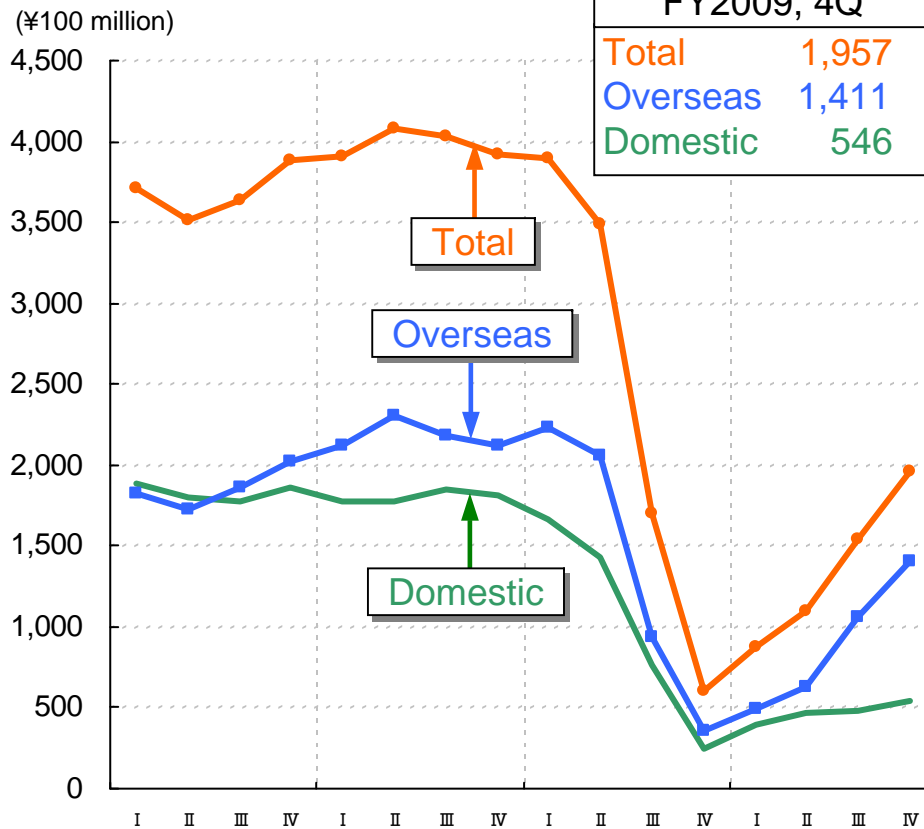
Part 2

Management Policies for Fiscal Year 2010

[Machine Tool Market Conditions] JMTBA/Okuma Orders

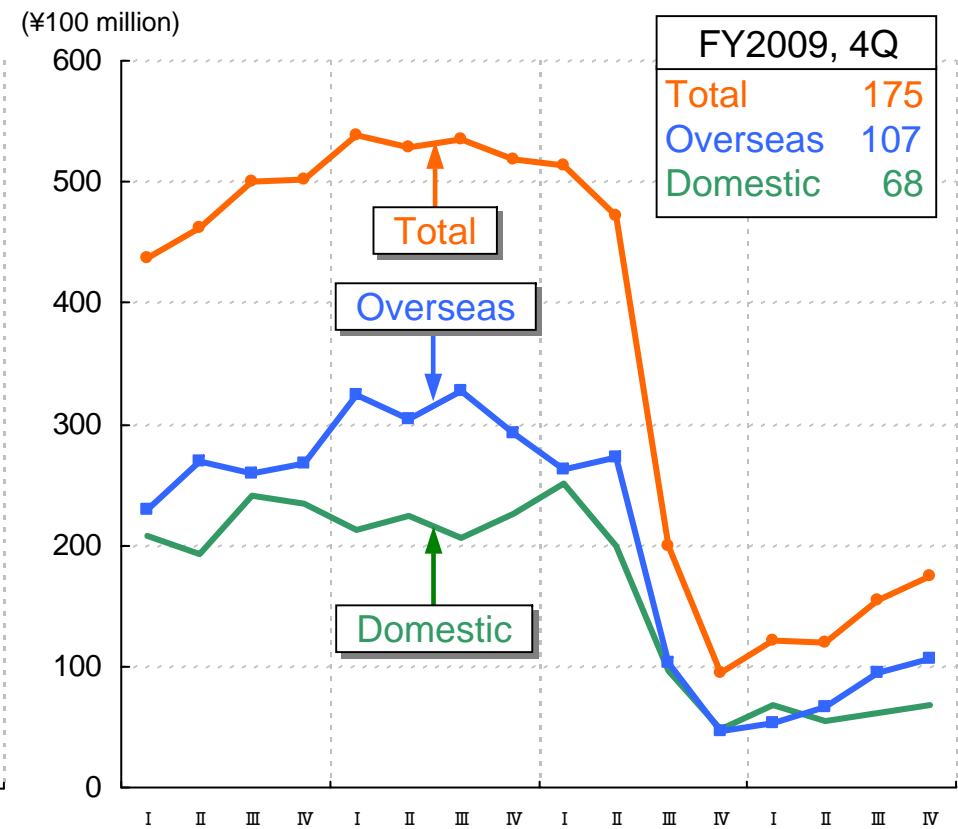


JMTBA



FY	2006	2007	2008	2009
Total	14,746	15,939	9,690	5,471
Domestic	7,316	7,208	4,114	1,890
Overseas	7,430	8,731	5,576	3,581

Okuma Corporation (consolidated)



FY	2006	2007	2008	2009
Total	1,900	2,121	1,280	572
Domestic	876	871	596	251
Overseas	1,024	1,250	684	321

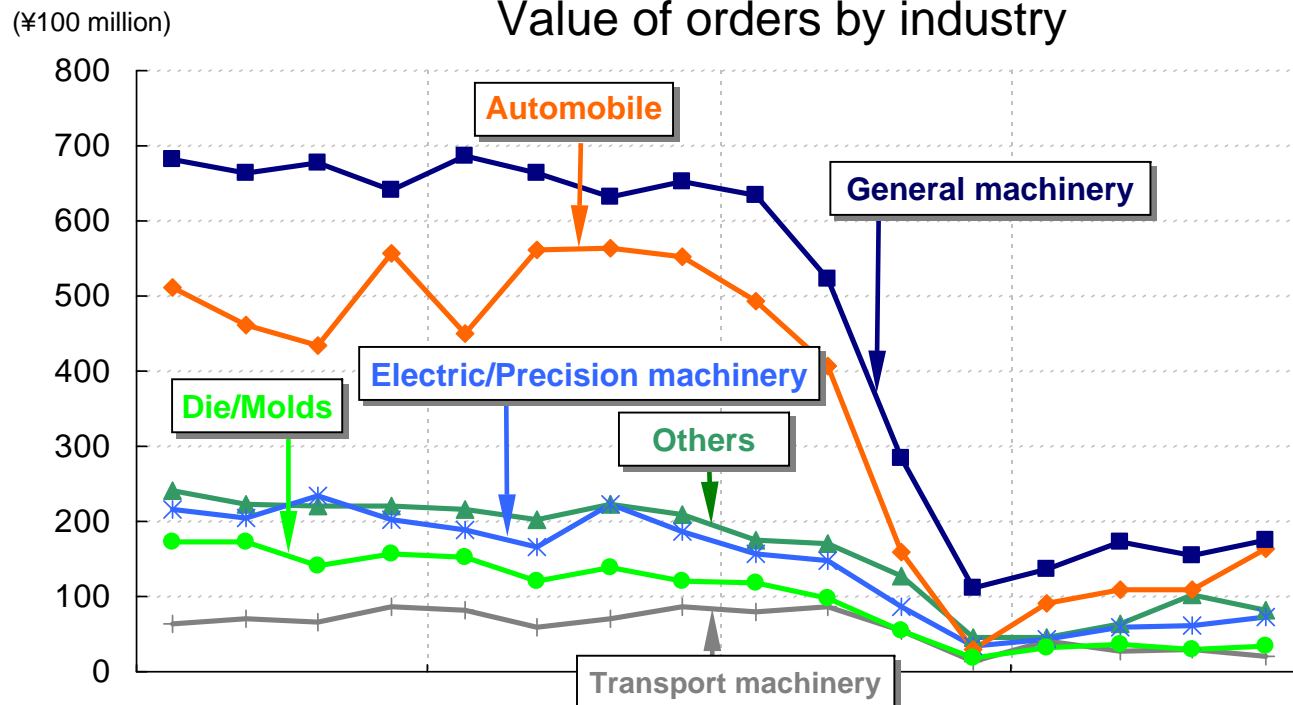
Source: Japan Machine Tool Builders' Association (JMTBA)

※ I = Apr. ~ Jun., II = Jul. ~ Sep., III = Oct. ~ Dec., IV = Jan. ~ Mar.

[Machine Tool Market Conditions] Domestic Demand by Industry



Japan Machine Tool Builders' Association
Value of orders by industry



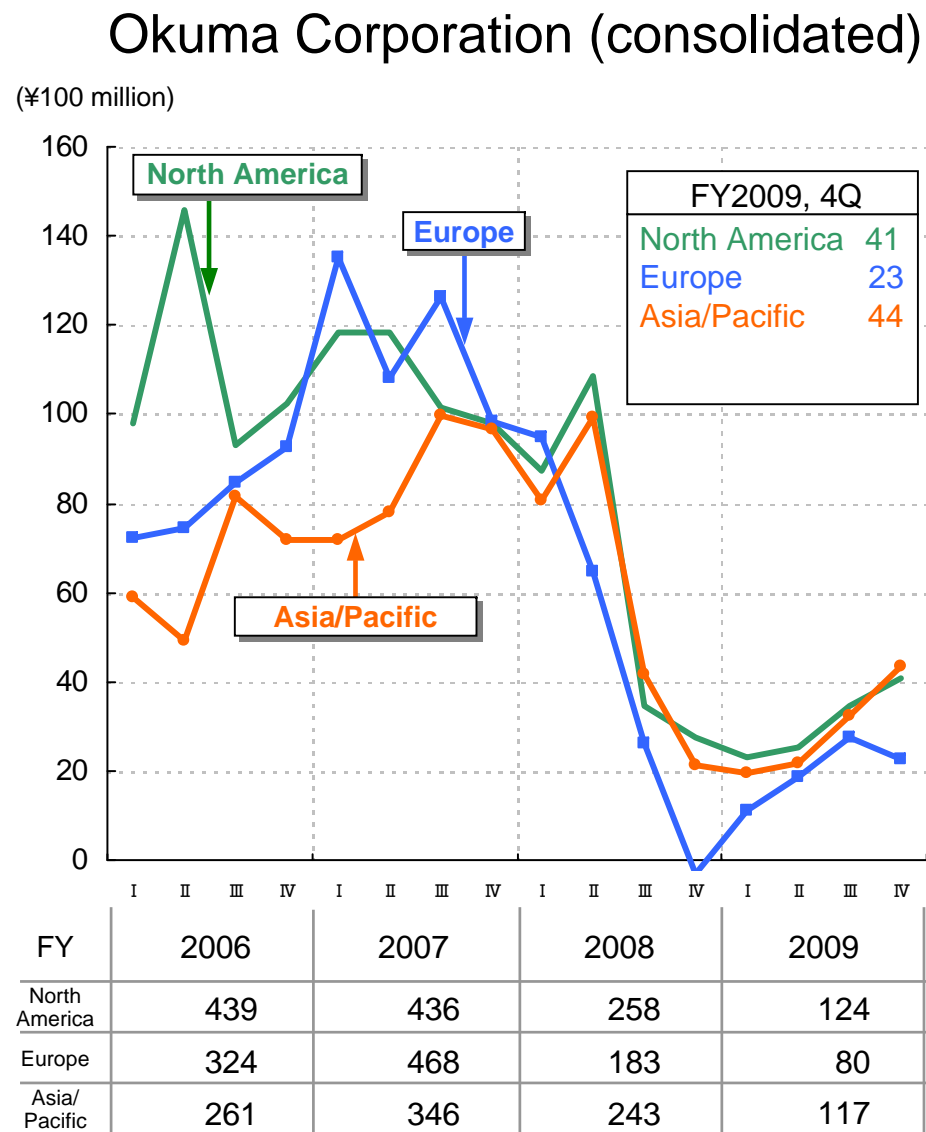
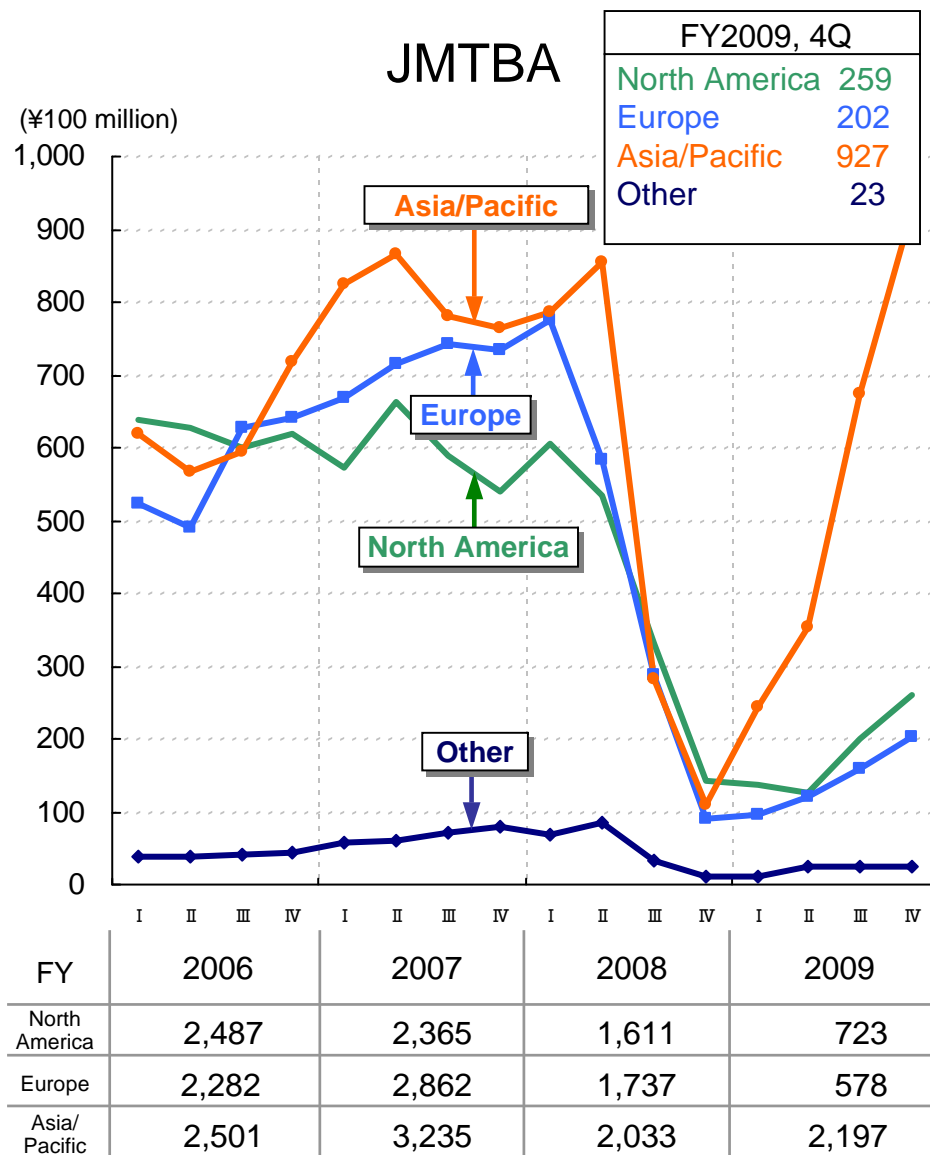
Percentage of orders by industries
for FY2009 (FY2008)

	Japan Machine Tool Builders' Association	Okuma Corporation (reference)
General machinery	34% (38%)	62% (64%)
Automobile	25% (26%)	14% (14%)
Electric/Precision machinery	13% (10%)	6% (7%)
Transport machinery	6% (6%)	6% (4%)
Die/Molds	7% (7%)	6% (8%)
Others	15% (13%)	6% (3%)

FY	2006	2007	2008	2009	Type of industry
General machinery	2,664	2,634	1,552	637	Construction machinery, industrial machinery, semiconductor/LCD production equipment, etc.
Automobile	1,963	2,128	1,089	473	Cars, trucks, motorcycles, etc.
Electric/Precision machinery	856	763	428	239	Motors, TVs, OA equipment, etc.
Transport machinery	288	298	236	117	Railcars, Aerospace, Ships etc.
Die/Molds	642	533	290	132	Die/Molds
Others	902	853	519	292	Iron and steel, Metalware, Public, etc.

Source: Japan Machine Tool Builders' Association (JMTBA)

[Machine Tool Market Conditions] Overseas Demand by Geographic Region



Source: Japan Machine Tool Builders' Association (JMTBA)

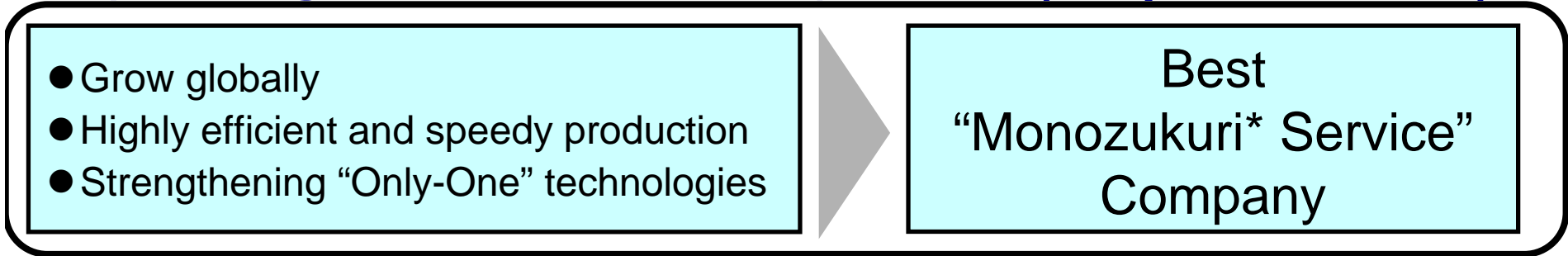
※ I = Apr. ~ Jun., II = Jul. ~ Sep., III = Oct. ~ Dec., IV = Jan. ~ Mar.

Management Policies/Major Strategies for FY2010



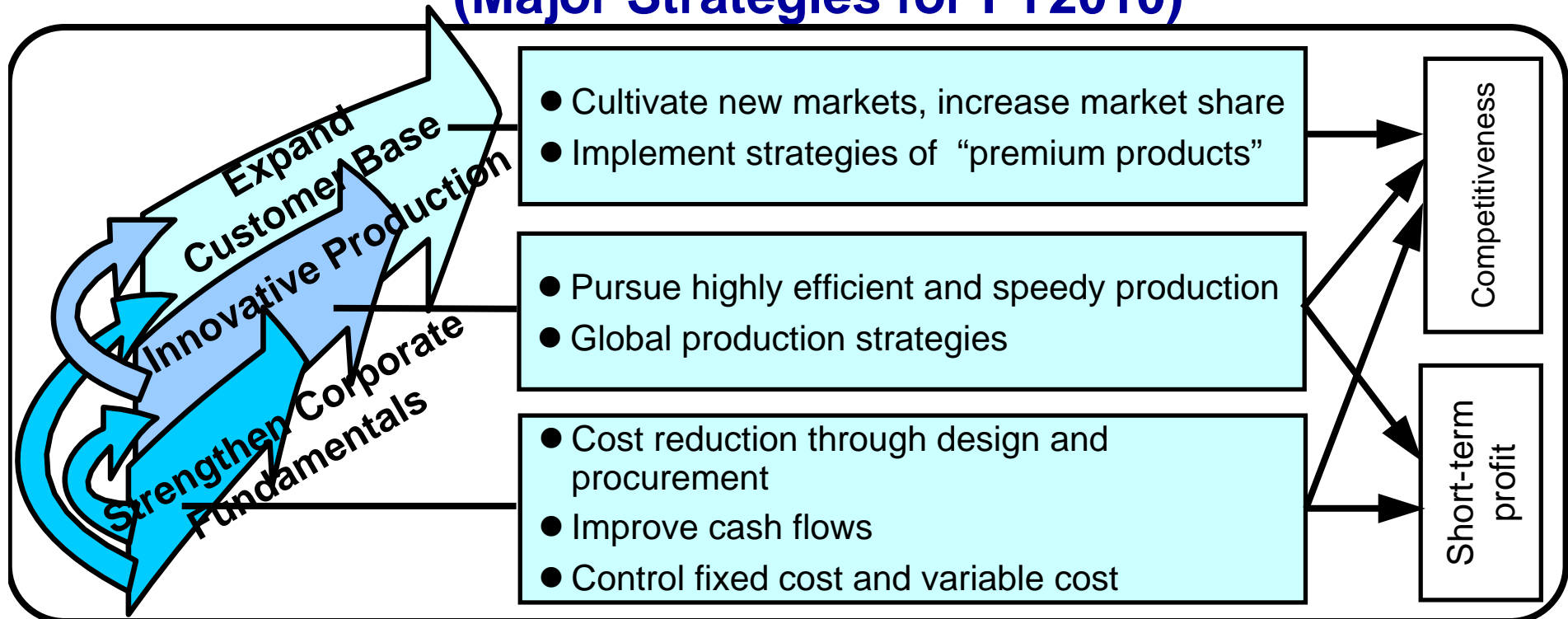
(Midrange Business Policies)

(Corporate Vision)



*Monozukuri: the art of making things better than ever

(Major Strategies for FY2010)



[Expanding customer base]

Cultivate new markets, increase market shares



Increase market share in advanced nations

Increase orders in advanced countries where Okuma is competitive by focusing on high-performing industries

Cultivate emerging markets

Develop networks in emerging markets through strengthening sales/service bases and employee skills

[Expanding customer base] Cultivate emerging markets

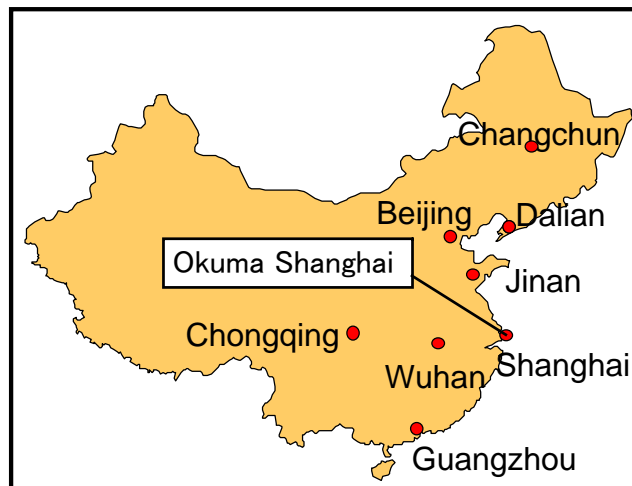


Provide “premium products” to emerging markets

— Machine tools are capital goods —

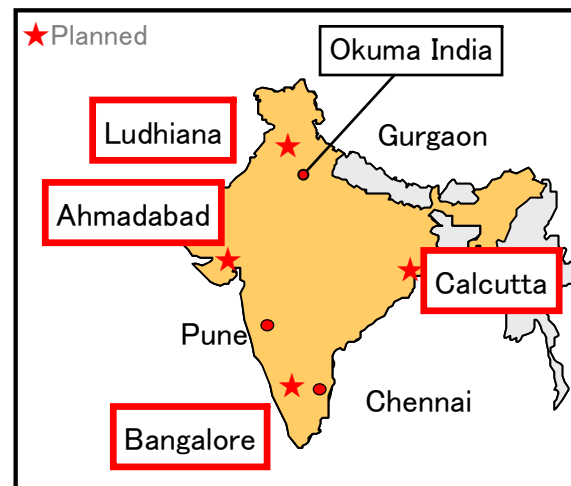
- Establishing sales and service bases in Asia (mainly in China and India), and in Russia/Eastern Europe (mainly in Russia).
- Sales to infrastructure and automobile industries with growth potential in the med-/long-term future. **Setting up bases in:**

China



- Established sales and service bases in Wuhan, Jinan and Changchun
- 8 bases cover China market from north to south

India



- Establishing sales and service bases in Pune and Chennai.
- 4 bases for sales and service Bangalore, Ahmadabad, etc planned

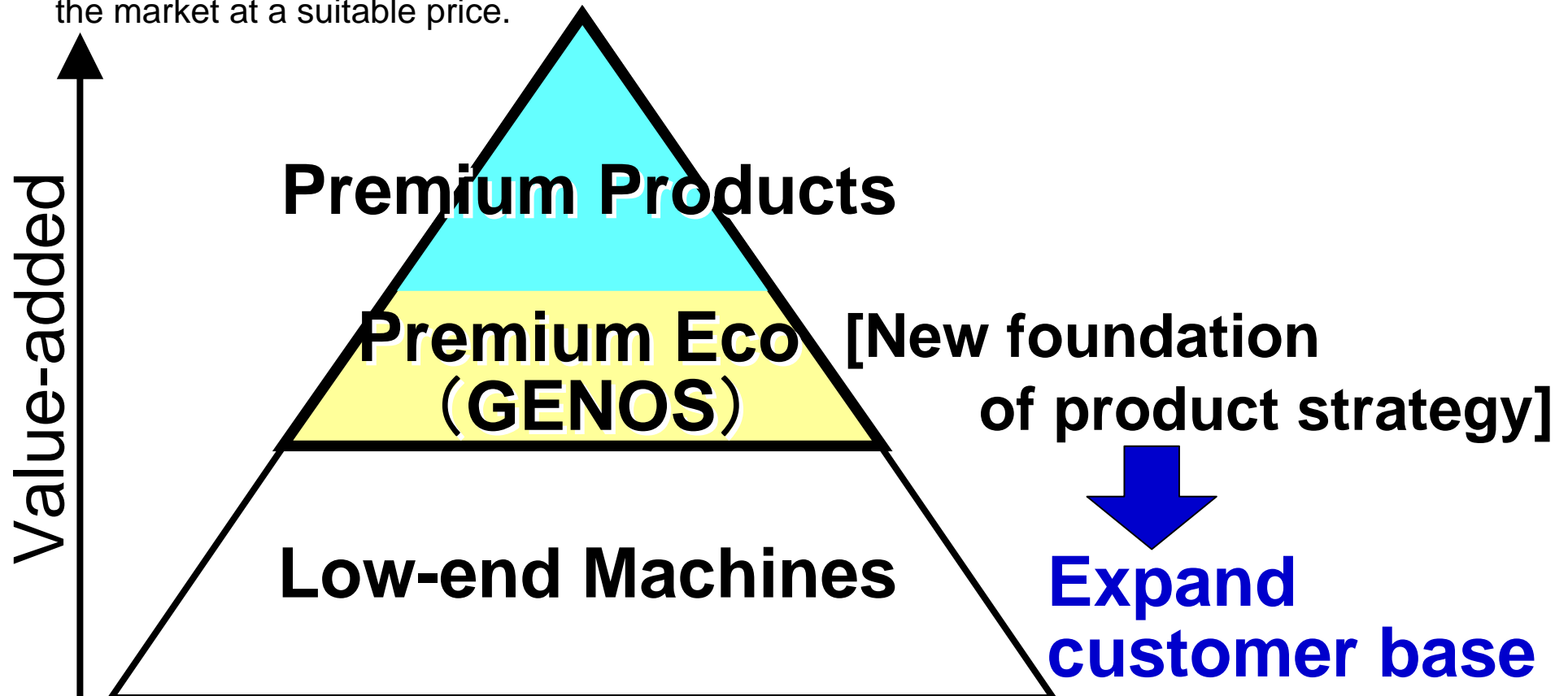
Russia/Eastern Europe



- Established technical center in Moscow to develop Russian market.
- Brazil base established in 1997.

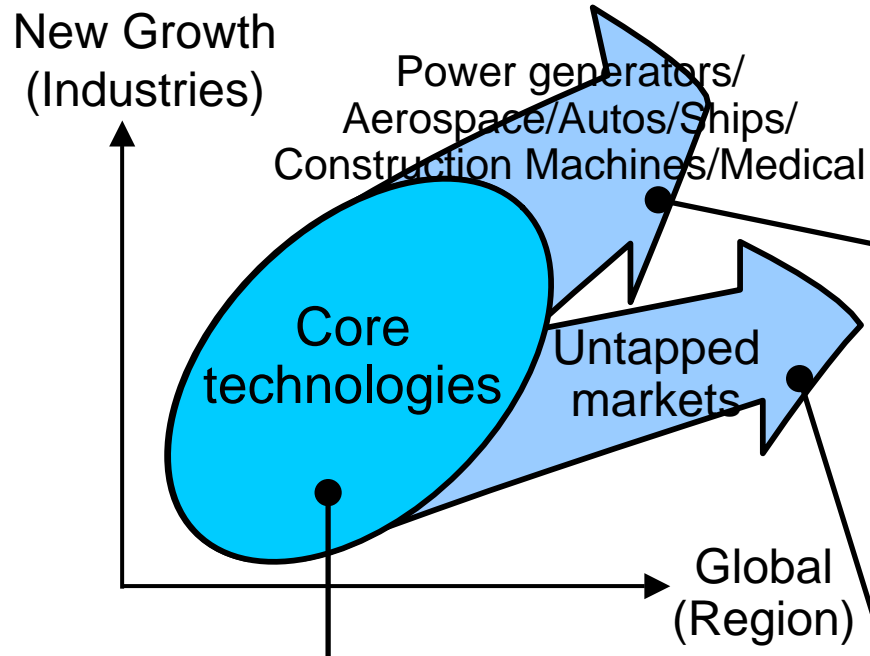
[Expanding Customer Base] Strategies for “premium products”

- Foundation of product strategy: Premium Products (high quality, and high value-added functions)
Cultivate new markets/customers and increase market shares with premium products to advanced and emerging countries
- Develop Premium Products for Premium Eco Range (new foundation of product strategy)
Simplify and optimize function/performance to meet market needs, and provide the products to the market at a suitable price.



Global-X Project

Okuma technology trends



- 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

- Strengthen solution technologies for large parts machining

Double-column turning center VTR series

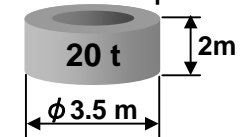
- Integration of technologies for double-column machining center and vertical lathe

VTR-160, 200, 280, 350



Thermo-Friendly Concept

Max workpiece



- Expanding customer bases

Vertical machining center GENOS series

- Specification/price fitted to market needs

M460-VE



Thermo-Friendly Concept

A Collision-Free Machine
Collision Avoidance System

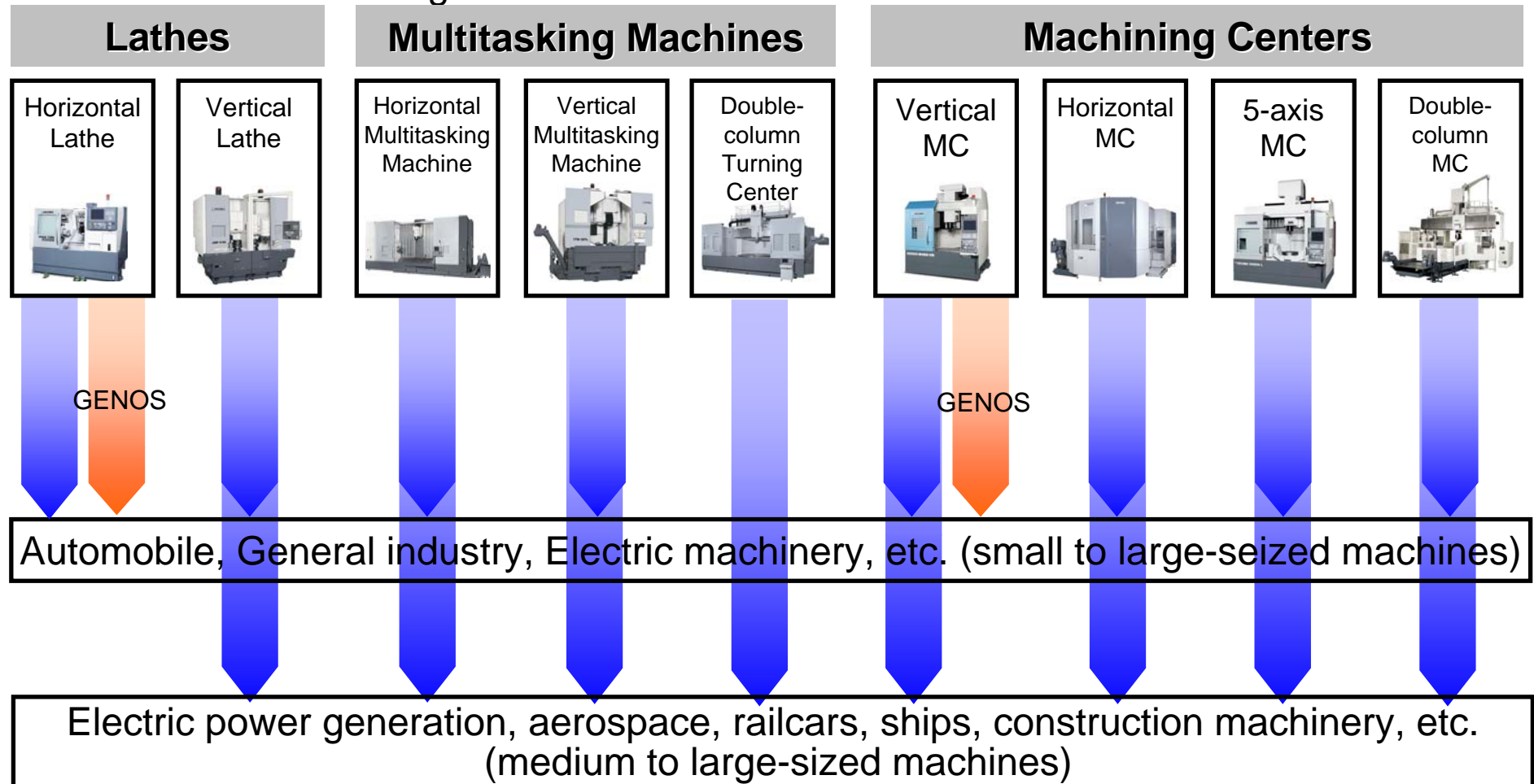
Machining Navi

[Expanding Customer Base]



Extend product line through Global-X Project

- Take advantage of strong demand from electric power generation, aerospace, railcars, ships and construction machinery
- Take advantage of the increasing demand from automobile, general machinery and electric machinery mainly in emerging countries.
- Cultivate new users in global markets



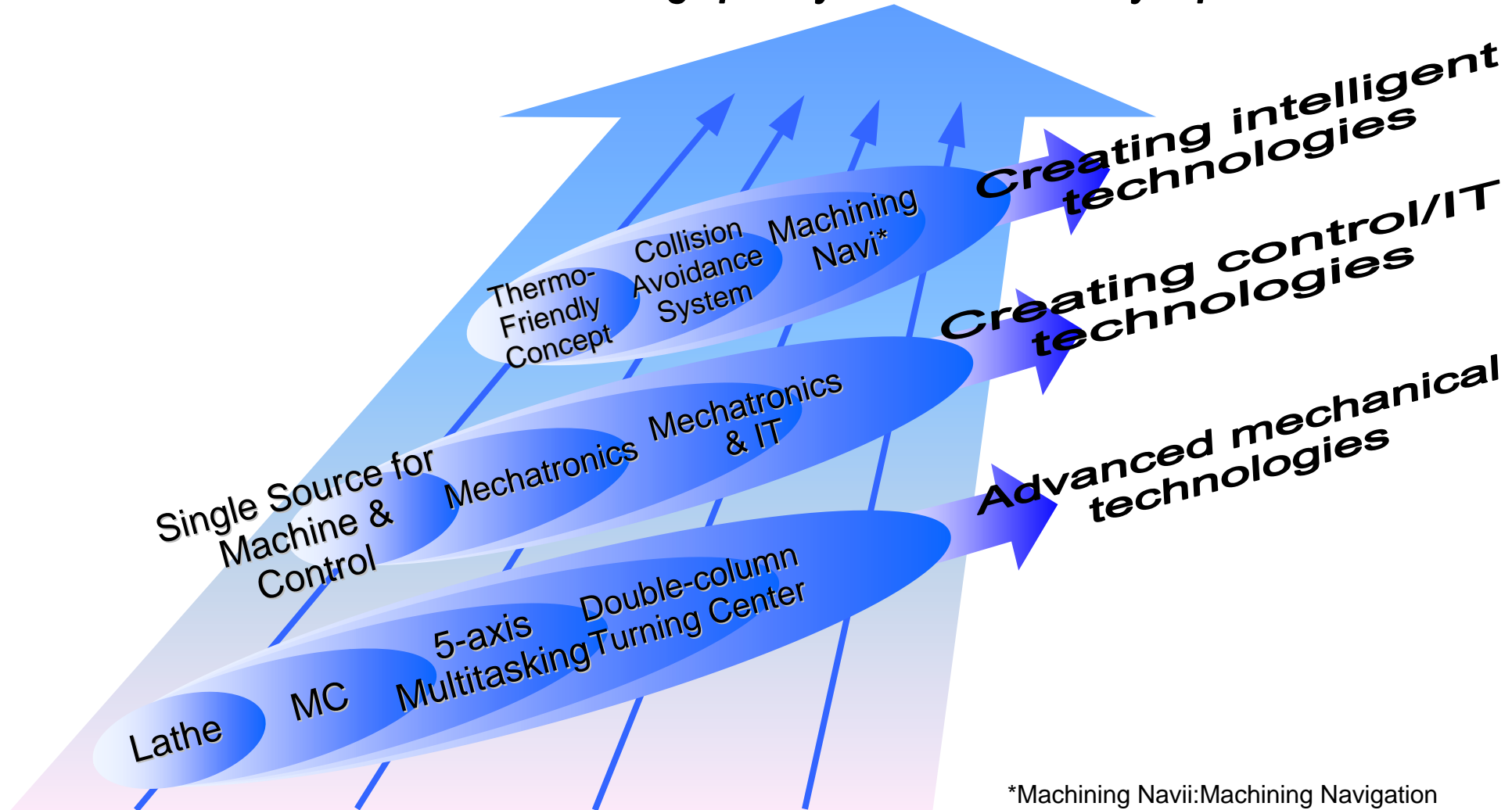
[Expanding Customer Base]

Launch more "Only-One" technologies



Toward Higher Precision and Productivity

Machining quality/Total efficiency/Speed

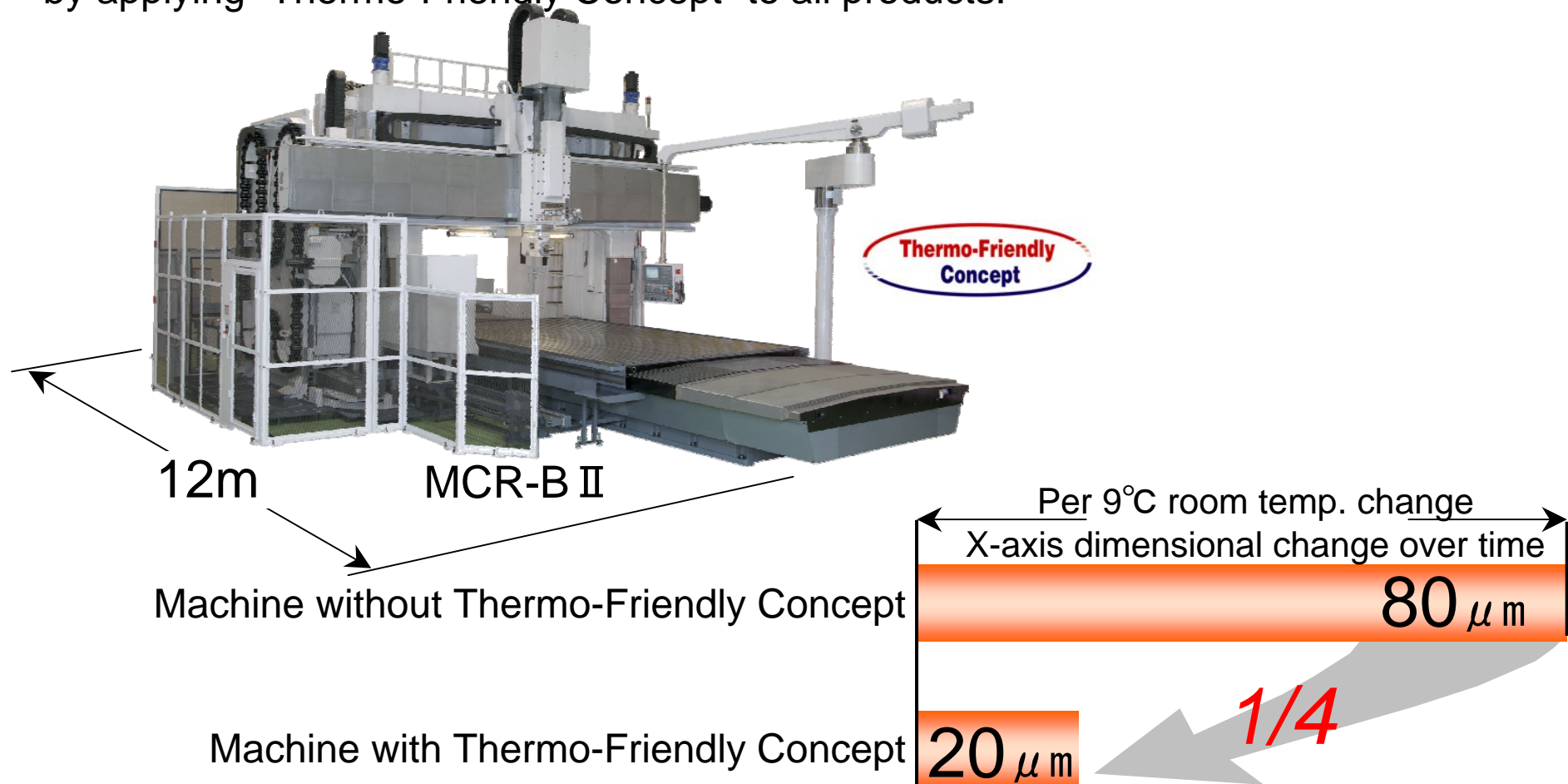


*Machining Navii: Machining Navigation

[Expanding Customer Base]

Promoting intelligent technology: “Thermo-Friendly Concept”

- An Okuma Only-One Technology; award-winning thermal deformation compensation system achieves high stabilization of thermal deformation even on large-sized machines.
- Globally provide solution technologies that achieve high precision and high productivity by applying “Thermo-Friendly Concept” to all products.



[Expanding Customer Base]

Promoting intelligent technology: “Machining Navi”

- Improve productivity with another Okuma Only-One technology “Machining Navi” to eliminate chatter.
- Strengthen Okuma brand with “Machining Navi” in global markets.

[Domestic Promotion]

Install “Machining Navi M-g (Guidance)” as standard function on the first contracted machine.

(Until September 2010)

Vertical Machining Center



GENOS
M-V series



MB-V series

[Machining Navi]

~ Solutions for issues unresolved since the Industrial Revolution ~

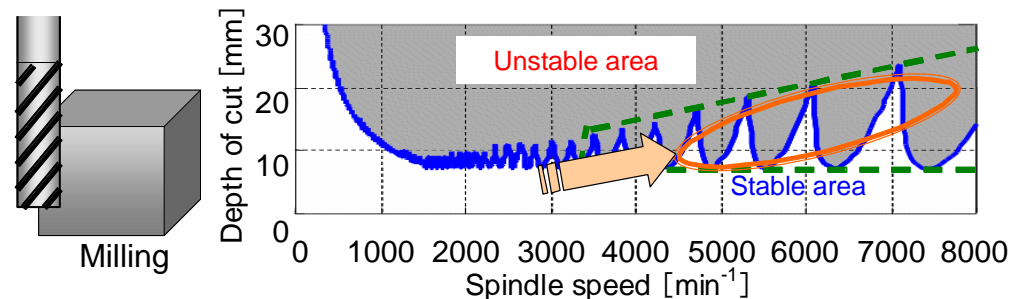
- Eliminate chatter and increase productivity

Machining Navi M-g (Guidance)

- Display recommended rotation speed, operator decides

Machining Navi M-i (Automatic)

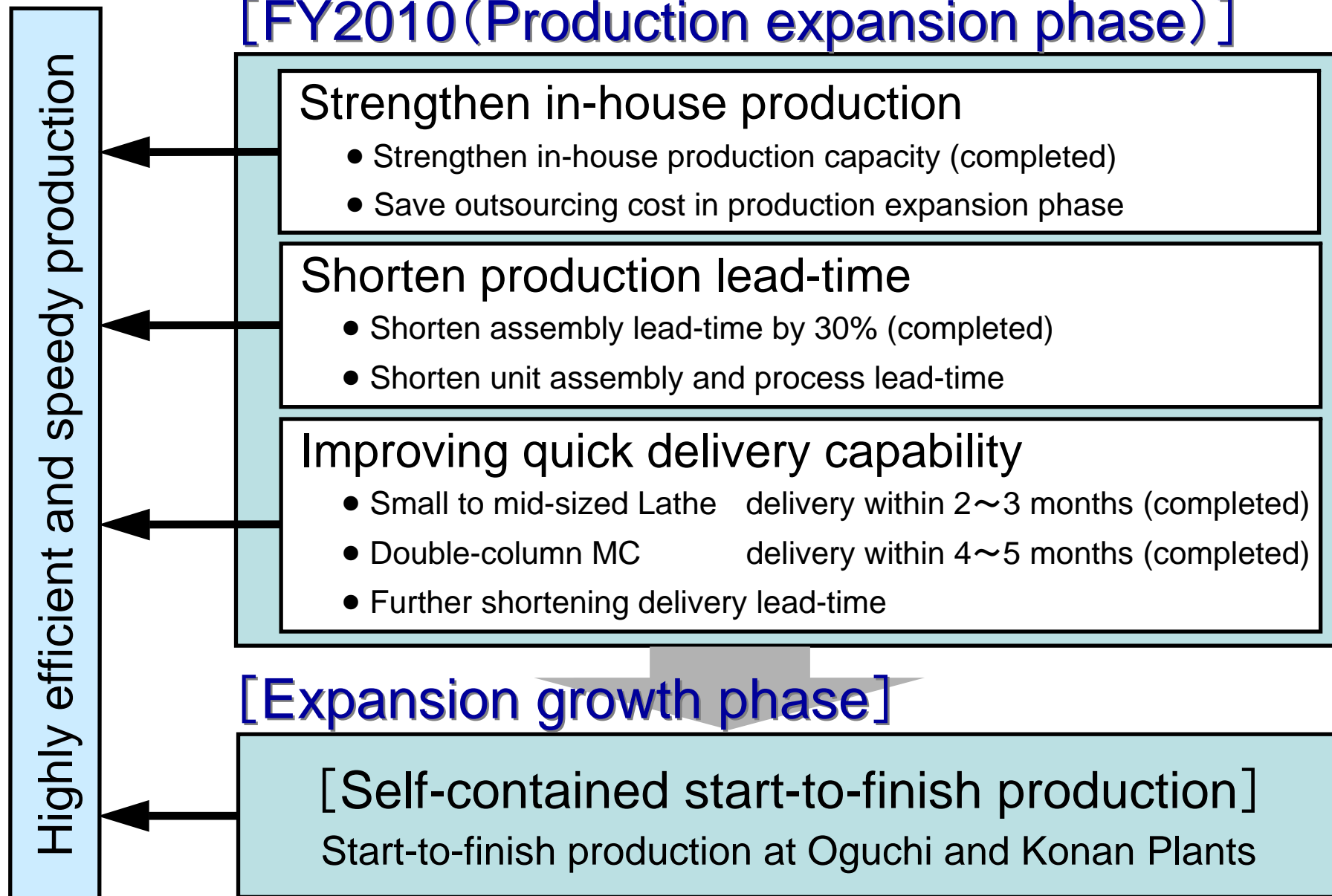
- Automatically change rotation speed



○ Area OK for fast, heavy-duty cutting

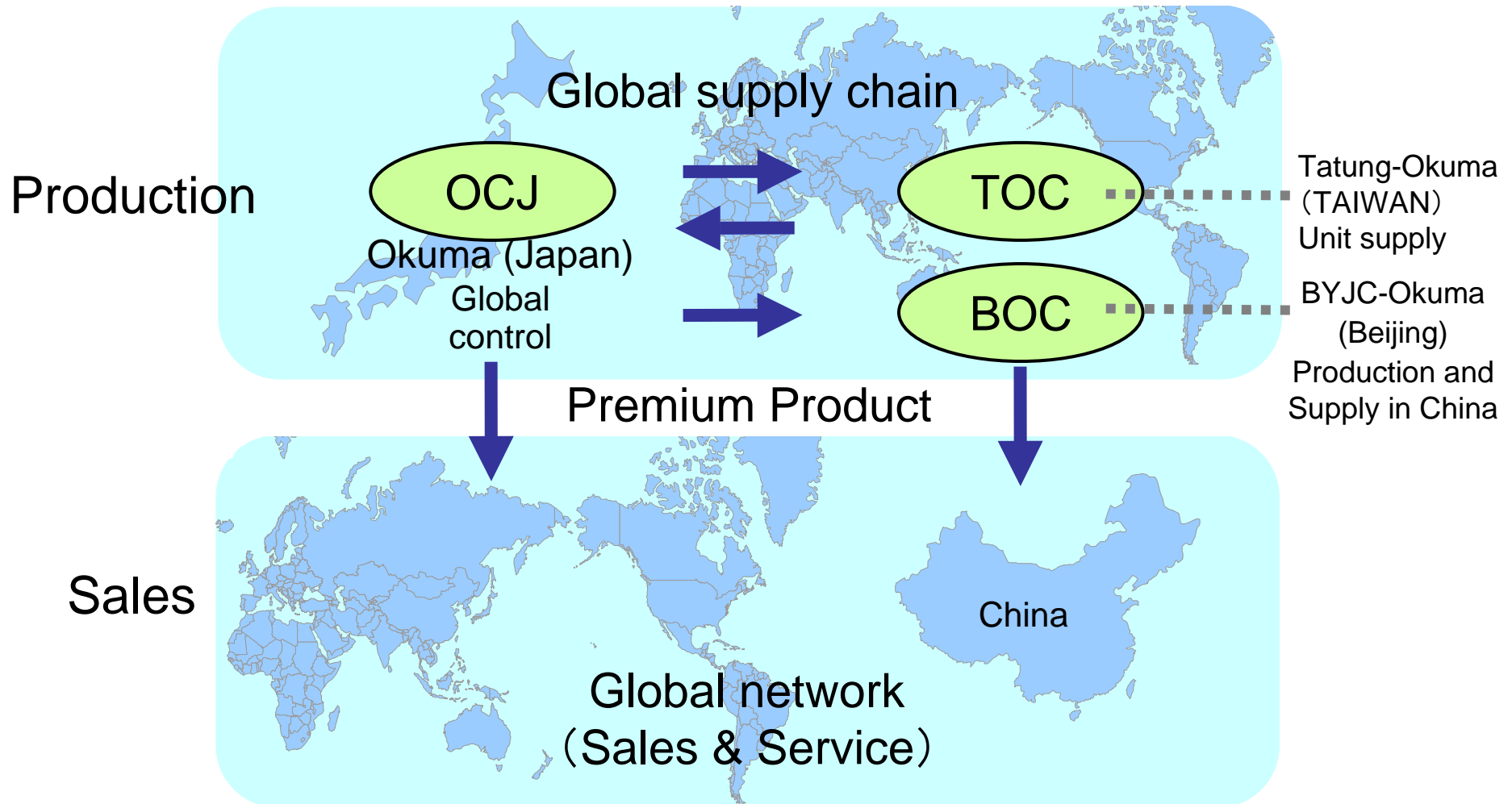
* Chatter: The vibration of a cutting tool or workpiece, resulting in a poor finish, and sometimes tool or workpiece breakage.

[FY2010 (Production expansion phase)]



[Innovative Production] Global production

- Develop supply-chain of overseas production and procurement, and provide “premium products” to global markets
- BOC produce products with core units supplied by OCJ, and BOC provide the products that suit market needs in consumer country (in China).



Part 3

Forecast of Business Results for Fiscal Year 2010

Forecast of Business Results for Fiscal Year 2010



- Net sales: ¥90.0 billion (1st half: ¥39.0 billion, 2nd half: ¥51.0 billion)
+49% (compared to previous fiscal year)
- Operating profit: ¥1.2 billion from revenue increase and streamlining
- Planned dividend: No dividend payouts in midterm due to deficit balance forecasted
year-end dividends not yet determined

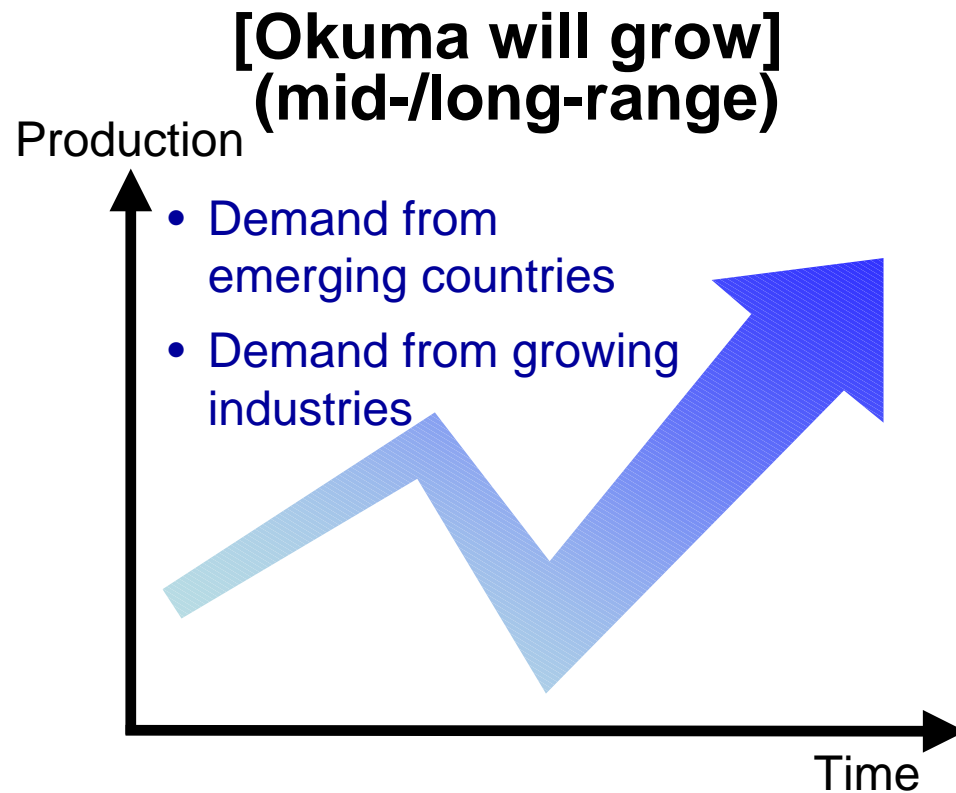
	FY2009 (Results)		FY2010 (Forecast)		
	(¥100 million)	(%)	(¥100 million)	(%)	Amount of change (¥100 million)
Net sales	603.4		900.0		+296.6
Operating profit	△150.2	△24.9%	12.0	1.3%	+162.2
Ordinary profit	△156.5	△25.9%	5.0	0.6%	+161.5
Net profit	△188.1	△31.2%	3.0	0.3%	+191.1

Exchange rates	Actual rates for FY2009	US\$1=¥92.6	1 Euro=¥130.7
	Assumed rates for FY2010	US\$1=¥92.0	1 Euro=¥125.0

Okuma's Mid- and Long-Range Business Policies



- The enormous decline in machine tool demand has begun to recover. In supporting the “monozukuri”^{*} needs of key industries throughout the world, Okuma will promote strategies based on midrange business policies to strengthen our corporate profitability and competitiveness, and develop a firm business foundation for the next growth stage.



[Midrange Business Policies]

- Growing globally
- Highly efficient and speedy production
- Strengthening “Only-One” technologies
 - Strengthen investment in development of basic research
 - Continuous strengthening of human resources
 - Strengthen function of Global CS Center

**Best
“Monozukuri” Service Company**

^{*}Monozukuri: the art of making things better than ever

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