

CONTENTS

Consolidated Five-year Summary	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Independent Auditors' Report	29
Company Profile	30
Directors and Auditors	30
Corporate Offices	30



Consolidated Five-Year Summary

Okuma Corporation and Consolidated Subsidiaries

Millions of yen

Operating Results	Fiscal year ended 31 March	2006	2007	2008	2009	2010
Net Sales		¥ 151,342	¥ 188,801	¥ 213,828	¥ 167,369	¥ 60,336
Gross Profit		44,914	58,817	66,572	46,027	6,145
Selling, General and Administrative Expenses		26,226	31,552	36,293	34,016	21,168
Operating Income (Loss)		18,688	27,265	30,279	12,011	(15,023)
Other Income (Deductions)		(2,574)	(1,109)	(1,523)	(3,825)	(572)
Income before Income (Loss) Taxes and Minority Interests		16,114	26,156	28,756	8,186	(15,595)
Net Income (Loss)		12,111	15,693	17,970	3,995	(18,814)
Net Income (Loss) per Share of Common Stock (in yen)		80.00	93.14	106.92	24.13	(114.48)
Cash Dividend per Share of Common Stock (in yen)		12.00	15.00	17.00	11.00	0.00

Financial Position	As of 31 March	2006	2007	2008	2009	2010
Current Assets		¥ 124,879	¥ 139,283	¥ 137,565	¥ 113,137	¥ 90,360
Property, Plant and Equipment		29,470	37,093	38,727	38,278	32,600
Total Assets		178,841	201,539	200,870	172,105	145,371
Current Liabilities		59,797	69,003	68,931	44,430	29,401
Non-current Liabilities		26,390	29,849	21,705	22,349	27,698
Net Assets		91,089	102,687	110,234	105,326	88,272
Net Assets per Share of Common Stock (in yen)		539.88	598.74	649.64	627.94	523.52

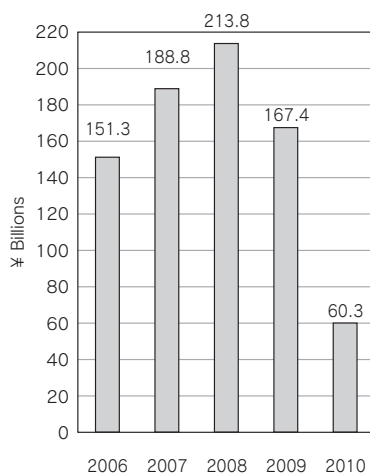
Reference Ratios

Operating Income (Loss)/Net Sales	12.3%	14.4%	14.2%	7.2%	-24.9%
Operating Income (Loss)/Total Assets	12.6%	14.3%	15.0%	6.4%	-9.5%
Net Income (Loss)/Shareholders' Equity	17.0%	16.2%	16.9%	3.7%	-19.4%
Equity Ratio	50.9%	51.0%	54.9%	61.2%	60.7%

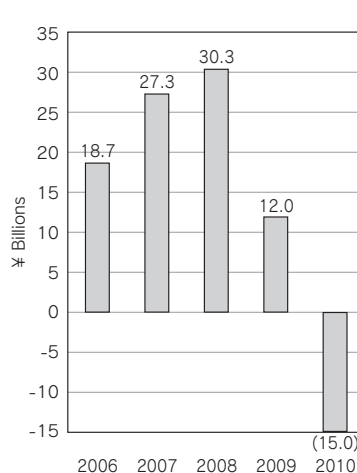
Notes 1: Cash dividends per share are computed based on dividends declared with respect to earnings for the periods.

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

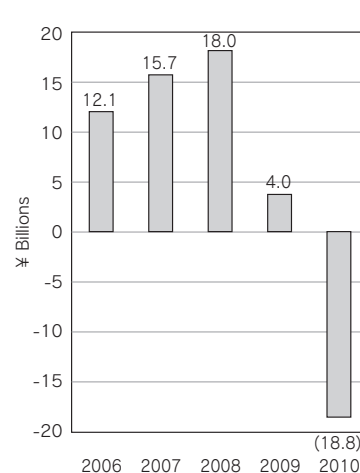
Net Sales



Operating Income (Loss)



Net Income (Loss)



Fiscal years ended 31 March

Consolidated Balance Sheets

Okuma Corporation and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of yen		US\$1=93.04
	2010	2009	Thousands of U.S. dollars (note 2)
			2010
ASSETS			
Current assets:			
Cash (note 3)	¥ 39,609	¥ 26,761	\$ 425,720
Trade notes and accounts receivable	16,817	31,262	180,750
Short-term investments (note 4)	-	4	-
Inventories	31,798	46,878	341,767
Deferred income taxes (note 8)	386	2,099	4,149
Other current assets	2,387	6,785	25,656
Less allowance for doubtful receivables	(637)	(652)	(6,847)
Total current assets	90,360	113,137	971,195
Property, plant and equipment (note 13):			
Buildings and structures	37,278	37,566	400,666
Machinery, equipment and vehicles	32,549	36,934	349,839
Land	7,433	7,443	79,890
Construction in progress	521	668	5,600
Other	11,306	10,605	121,518
	89,087	93,216	957,513
Less accumulated depreciation	(56,487)	(54,938)	(607,126)
Net property, plant and equipment	32,600	38,278	350,387
Intangible assets, net:			
Software	3,172	3,866	34,093
Other	70	96	752
Net intangible assets	3,242	3,962	34,845
Investments and other assets:			
Investments in securities (notes 4 and 5)	15,341	12,589	164,886
Long-term loans receivable	181	225	1,946
Deferred income taxes (note 8)	73	396	785
Other investments and other assets (note 5)	3,639	3,596	39,112
Less allowance for doubtful receivables	(65)	(78)	(699)
Total investments and other assets	19,169	16,728	206,030
Total assets	¥ 145,371	¥ 172,105	\$ 1,562,457

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Okuma Corporation and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of yen		US\$1=93.04 Thousands of U.S. dollars (note 2)
	2010	2009	2010
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable	¥ 9,355	¥ 19,250	\$ 100,548
Short-term debt (note 6)	270	7,267	2,902
Current installments of long-term debt (note 6)	11,837	6,888	127,225
Other payables	4,094	5,052	44,003
Accrued income taxes (note 8)	671	1,657	7,212
Accrued bonuses	834	1,272	8,964
Other current liabilities	2,340	3,044	25,150
Total current liabilities	29,401	44,430	316,004
Non-current liabilities:			
Long-term debt (note 6)	23,434	18,971	251,870
Liabilities for retirement and severance benefits (note 7)	870	810	9,351
Deferred income taxes (note 8)	1,964	289	21,109
Other non-current liabilities	1,430	2,279	15,370
Total non-current liabilities	27,698	22,349	297,700
Total liabilities	57,099	66,779	613,704
Stockholders' equity:			
Common stock (note 9):	18,000	18,000	193,465
Authorized 493,862,000 shares; issued 168,775,770 shares in 2010 and 2009			
Additional paid-in capital (note 9)	41,674	41,675	447,915
Retained earnings (note 10)	33,781	52,924	363,081
Treasury stock, at cost; 4,444,005 shares in 2010 and 4,426,232 shares in 2009	(3,177)	(3,169)	(34,147)
Total stockholders' equity	90,278	109,430	970,314
Valuation and translation adjustments:			
Net unrealized gain (loss) on other securities (note 4)	607	(1,865)	6,524
Foreign currency translation adjustments	(4,854)	(4,361)	(52,171)
Total valuation and translation adjustments	(4,247)	(6,226)	(45,647)
Minority interests	2,241	2,122	24,086
Total net assets	88,272	105,326	948,753
Commitments and contingencies (note 16)			
Total liabilities and net assets	¥ 145,371	¥ 172,105	\$ 1,562,457

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Okuma Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		US\$1=93.04
	2010	2009	Thousands of U.S. dollars (note 2)
Net sales	¥ 60,336	¥ 167,369	\$ 648,495
Cost of sales (notes 12)	54,191	121,342	582,448
Gross profit	6,145	46,027	66,047
Selling, general and administrative expenses (notes 11 and 12)	21,168	34,016	227,515
Operating income (loss)	(15,023)	12,011	(161,468)
Other income (deductions):			
Interest income	110	304	1,182
Dividend income	195	432	2,096
Interest expenses	(617)	(597)	(6,631)
Equity in earnings of affiliates	27	24	290
Exchange gain (loss)	(459)	92	(4,933)
Loss on devaluation of investments in securities	(73)	(3,925)	(785)
Other, net (note 13)	245	(155)	2,633
	(572)	(3,825)	(6,148)
Income (loss) before income taxes and minority interests	(15,595)	8,186	(167,616)
Income taxes (note 8):			
Current	258	2,116	2,773
Refund of income taxes	(499)	(213)	(5,363)
Deferred	3,381	1,910	36,339
	3,140	3,813	33,749
Income (loss) before minority interests	(18,735)	4,373	(201,365)
Minority interests	79	378	849
Net income (loss)	¥ (18,814)	¥ 3,995	\$ (202,214)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Okuma Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

US\$1=93.04

	Millions of yen				
	Stockholders' equity				
	Common stock (note 9)	Additional paid-in capital (note 9)	Retained earnings (note 10)	Treasury stock, at cost	Total stockholders' equity
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
Changes arising during year:					
Cash dividends			(329)		(329)
Net loss			(18,814)		(18,814)
Purchase of treasury stock				(11)	(11)
Disposition of treasury stock		(1)		3	2
Net changes other than stockholders' equity					
Total changes during the year	-	(1)	(19,143)	(8)	(19,152)
Balance at March 31, 2010	¥ 18,000	¥ 41,674	¥ 33,781	¥ (3,177)	¥ 90,278

	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, 2009	\$ 193,465	\$ 447,926	\$ 568,831	\$ (34,061)	\$ 1,176,161
Changes arising during year:					
Cash dividends			(3,536)		(3,536)
Net loss			(202,214)		(202,214)
Purchase of treasury stock				(118)	(118)
Disposition of treasury stock		(11)		32	21
Net changes other than stockholders' equity					
Total changes during the year	-	(11)	(205,750)	(86)	(205,847)
Balance at March 31, 2010	\$ 193,465	\$ 447,915	\$ 363,081	\$ (34,147)	\$ 970,314

US\$1=93.04

	Millions of yen				
	Valuation and translation adjustments				
	Net unrealized gain (loss) on other securities (note 4)	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
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	(2,017)	(2,682)	(4,699)	(29)	(4,728)
Total changes during the year	(2,017)	(2,682)	(4,699)	(29)	(5,028)
Balance at March 31, 2009	(1,865)	(4,361)	(6,226)	2,122	105,326
Changes arising during year:					
Cash dividends					(329)
Net loss					(18,814)
Purchase of treasury stock					(11)
Disposition of treasury stock					2
Net changes other than stockholders' equity	2,472	(493)	1,979	119	2,098
Total changes during the year	2,472	(493)	1,979	119	(17,054)
Balance at March 31, 2010	¥ 607	¥ (4,854)	¥ (4,247)	¥ 2,241	¥ 88,272

Thousands of U.S. dollars
(note 2)

	Thousands of U.S. dollars (note 2)				
	Valuation and translation adjustments				
	Net unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	\$ (20,045)	\$ (46,872)	\$ (66,917)	\$ 22,807	\$ 1,132,051
Changes arising during year:					
Cash dividends					(3,536)
Net loss					(202,214)
Purchase of treasury stock					(118)
Disposition of treasury stock					21
Net changes other than stockholders' equity	26,569	(5,299)	21,270	1,279	22,549
Total changes during the year	26,569	(5,299)	21,270	1,279	(183,298)
Balance at March 31, 2010	\$ 6,524	\$ (52,171)	\$ (45,647)	\$ 24,086	\$ 948,753

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Okuma Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		US\$1=93.04 Thousands of U.S. dollars (note 2)
	2010	2009	2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (15,595)	¥ 8,186	\$ (167,616)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	5,632	6,819	60,533
Allowance for doubtful receivables	(19)	(8)	(204)
Increase in accrued bonuses	(455)	(1,572)	(4,890)
Decrease in liabilities for retirement and severance benefits	(190)	(88)	(2,042)
Interest and dividend income	(305)	(736)	(3,278)
Interest expenses	637	597	6,846
Equity in earnings of affiliates	(27)	(24)	(290)
Gain on sale of investments in securities	(44)	-	(473)
Loss on devaluation of investments in securities	73	3,925	784
Loss on disposal of property, plant and equipment	29	163	312
Decrease in trade notes and accounts receivable	13,985	21,561	150,312
Decrease (increase) in inventories	14,502	(3,045)	155,868
Decrease in trade notes and accounts payable	(9,367)	(19,919)	(100,677)
Other, net	841	(4,657)	9,039
Sub total	9,697	11,202	104,224
Interest and dividend received	340	768	3,654
Interest paid	(610)	(597)	(6,556)
Income taxes paid	(1,552)	(8,045)	(16,681)
Income taxes refund	3,280	-	35,254
Net cash provided by operating activities	11,155	3,328	119,895
Cash flows from investing activities:			
Net increase in time deposits	(4,400)	-	(47,292)
Capital expenditures	(1,678)	(5,671)	(18,035)
Proceeds from sale of property, plant and equipment	3,017	74	32,427
Purchase of intangible assets	(1,174)	(2,564)	(12,618)
Purchase of investments in securities	(298)	(361)	(3,203)
Proceeds from sale of investments in securities	88	-	946
Other, net	(228)	(289)	(2,451)
Net cash used in investing activities	(4,673)	(8,811)	(50,226)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(7,000)	7,149	(75,236)
Proceeds from long-term debt	17,000	9,000	182,717
Payments on long-term debt	(7,588)	(8,605)	(81,556)
Payments on lease obligations	(30)	(47)	(323)
Purchase of treasury stock	(11)	(988)	(118)
Proceeds from sale of treasury stock	2	13	21
Dividends paid to stockholders	(329)	(3,330)	(3,536)
Dividends paid to minority stockholders of subsidiaries	(1)	(1)	(11)
Net cash provided by financing activities	2,043	3,191	21,958
Effect of exchange rate changes on cash and cash equivalents	(77)	1,212	(828)
Net increase (decrease) in cash and cash equivalents	8,448	(1,080)	90,799
Cash and cash equivalents at beginning of year	26,377	27,457	283,502
Cash and cash equivalents at end of year (note 3)	¥ 34,825	¥ 26,377	\$ 374,301

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. For the year ended March 31, 2009, 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 2010 and 2009).

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

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

of income. Securities classified as "held-to-maturity securities" are stated at amortized cost. Securities classified as "other securities" with fair value are 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.

(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.

(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.

(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

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

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. The effect of this change on operating income and income before income taxes and minority interests is nil.

(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) Derivative Financial Instruments

Derivatives are recorded at their fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is directly included in the net assets.

(o) Directors' Bonus

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

(p) 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, 2010.

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, 2010 have been translated into United States dollars at the rate of ¥93.04=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2010. 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, 2010 and 2009 is follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash	¥ 39,609	¥ 26,761	\$ 425,720
Short-term investments	-	4	-
Time deposits etc. with maturities of over three months	(4,784)	(388)	(51,419)
Cash and cash equivalents	¥ 34,825	¥ 26,377	\$ 374,301

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, 2010 and 2009 are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2010				
Equity securities	¥ 11,182	¥ 2,279	¥ (1,540)	¥ 11,921
Debt securities	850	3	-	853
	<u>¥ 12,032</u>	<u>¥ 2,282</u>	<u>¥ (1,540)</u>	<u>¥ 12,774</u>
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>

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2009				
Equity securities	\$ 120,185	\$ 24,495	\$ (16,552)	\$ 128,128
Debt securities	9,136	32	-	9,168
	<u>\$ 129,321</u>	<u>\$ 24,527</u>	<u>\$ (16,552)</u>	<u>\$ 137,296</u>

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

	Millions of yen
	2009
Other securities:	
Unlisted equity securities	¥ 165
Free financial fund	4

Losses on impairment of other securities recognized to reflect declines in market value considered to be other than temporary were ¥73 million (\$785 thousand) and ¥3,925 million for the years ended March 31, 2010 and 2009, respectively.

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

	Millions of yen			
	Due within one year	Due over one year within five years	Due over five years within ten years	Due over 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 over one year within five years	Due over five years within ten years	Due over 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, 2010 and 2009 are ¥3,483 million (\$37,436 thousand) and ¥3,475 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, 2010 and 2009 are 4.6 % and 1.2 %, respectively.

Long-term debt as of March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans from banks, unsecured, maturing in installments through 2014; bearing weighted average interest of 1.7% and 1.5 % at March 31, 2010 and 2009, respectively	¥ 30,271	¥ 25,859	\$ 325,355
Unsecured Japanese yen bonds due 2014, bearing interest of 1.48% at March 31, 2010	5,000	-	53,740
Total	35,271	25,859	379,095
Less current installments	11,837	6,888	127,225
	¥ 23,434	¥ 18,971	\$ 251,870

The aggregate annual maturities of long-term debt after March 31, 2011 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 8,137	\$ 87,457
2012	5,939	63,833
2013	3,372	36,242
2014	5,986	64,338

At March 31, 2010, the Company had unused committed lines of credit amounting to ¥15,000 million (\$161,221 thousand) with twelve 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 indemnity 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 corporate pension plan under the Corporate Defined Benefit Pension Plan Law and a defined contribution corporate pension plan, another 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, 2010 and 2009 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligations	¥ (18,455)	¥ (19,277)	\$ (198,356)
Plan assets at fair value	13,406	12,549	144,089
Funded status	(5,049)	(6,728)	(54,267)
Unrecognized actuarial loss	5,356	6,967	57,566
Unrecognized prior service benefit	(753)	(866)	(8,093)
Net amount recognized in the consolidated balance sheets	(446)	(627)	(4,794)
Prepaid retirement and severance benefits	347	112	3,729
Accrued retirement and severance benefits	¥ (793)	¥ (739)	\$ (8,523)

Net periodic pension cost for the years ended March 31, 2010 and 2009 consists of the following components:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥ 481	¥ 517	\$ 5,170
Interest cost	441	465	4,740
Expected return on plan assets	(365)	(485)	(3,923)
Amortization of actuarial loss	500	273	5,374
Amortization of prior service benefit	(97)	(98)	(1,043)
Net periodic pension cost	¥ 960	¥ 672	\$ 10,318

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

Significant assumptions of pension plans used to determine these amounts in fiscal 2010 and 2009 are as follows:

	2010	2009
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	Mainly 15 years
Period for amortization of unrecognized actuarial loss/gain	Mainly 15 years	Mainly 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.

As of March 31, 2010 and 2009, the liabilities for retirement and severance benefits of consolidated domestic subsidiaries related to the plans were ¥77 million (\$828 thousand) and ¥71 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 2010 and 2009. 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 is as follows:

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

The reconciliation for the year ended March 31, 2010 was omitted since loss before income taxes and minority interests were recorded.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

Significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets (current):			
Accrued bonus	¥ 215	¥ 362	\$ 2,311
Unrealized intercompany profits on inventories	232	716	2,494
Accrued business tax	-	11	-
Depreciation	159	351	1,709
Liabilities for retirement and severance benefits (Employee) etc.	439	631	4,718
Allowance for doubtful receivables	63	78	677
Accrued product warranty costs	3	186	32
Accrued sales commission	113	42	1,215
Other	512	575	5,503
	<u>1,736</u>	<u>2,952</u>	<u>18,659</u>
Valuation allowance	(1,347)	(642)	(14,478)
	<u>389</u>	<u>2,310</u>	<u>4,181</u>
Offset with deferred tax liabilities	(3)	(211)	(32)
Net deferred tax assets	<u>¥ 386</u>	<u>¥ 2,099</u>	<u>\$ 4,149</u>
Deferred tax liabilities (current):			
Business tax receivable	¥ -	¥ 198	\$ -
Other	5	18	54
	<u>5</u>	<u>216</u>	<u>54</u>
Offset with deferred tax assets	(3)	(211)	(32)
Net deferred tax liability	<u>¥ 2</u>	<u>¥ 5</u>	<u>\$ 22</u>
Deferred tax assets (non-current):			
Tax loss carryforwards	¥ 7,068	¥ 876	\$ 75,967
Depreciation	386	493	4,149
Liabilities for retirement and severance benefits (Employee) etc.	281	403	3,020
Unrealized intercompany profits on fixed assets	118	143	1,268
Devaluation loss on inventories	1,068	790	11,479
Devaluation loss on investment in securities	348	347	3,741
Other	639	785	6,868
	<u>9,908</u>	<u>3,837</u>	<u>106,492</u>
Valuation allowance	(9,708)	(1,898)	(104,342)
	<u>200</u>	<u>1,939</u>	<u>2,150</u>
Offset with deferred tax liabilities	(127)	(1,543)	(1,365)
Net deferred tax assets	<u>¥ 73</u>	<u>¥ 396</u>	<u>\$ 785</u>
Deferred tax liabilities (non-current):			
Unrealized gain on other securities	¥ 122	¥ 10	\$ 1,311
Assets valuation amount arising from reorganization	1,333	1,333	14,327
Other	636	489	6,836
	<u>2,091</u>	<u>1,832</u>	<u>22,474</u>
Offset with deferred tax assets	(127)	(1,543)	(1,365)
Net deferred tax liabilities	<u>¥ 1,964</u>	<u>¥ 289</u>	<u>\$ 21,109</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, 2009

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

(a) Total dividends	¥1,832 million
(b) Cash dividends per common share	¥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
(b) Cash dividends per common share	¥9
(c) Record date	September 30, 2008
(d) Effective date	November 26, 2008

b. Dividends paid during the year ended March 31, 2010

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

(a) Total dividends	¥329million (\$3,536 thousand)
(b) Cash dividends per common share	¥2 (\$0.02)
(c) Record date	March 31, 2009
(d) Effective date	June 29, 2009

c. Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2010

Not applicable.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

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
	2010	2009	2010
Freight and packing	¥ 3,497	¥ 9,244	\$ 37,586
Sales related costs	3,122	5,542	33,555
Remuneration and salary	5,434	7,350	58,405
Traveling and communications	1,270	1,986	13,650

12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2010 and 2009 are 2,741 million (\$29,460 thousand) and ¥2,320 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
Konan factory (Konan City, Aichi Prefecture)	Machining facilities	Buildings	¥ 159

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. The buildings in Konan factory were written down to a memorandum amount and the amount written down was recognized as impairment loss of ¥159 million because the Company has no plan to reuse them in the future and does not expect any future cash flows derived from them.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

14. Per Share Information

(a) Net income (loss) per share

Basic net income (loss) per share, and reconciliation of the numbers and the amounts used in the basic net income (loss) per share computations for the years ended March 31, 2010 and 2009 are as follows:

	Yen		U.S. dollars
	2010	2009	2010
Basic net income (loss) per share	¥ (114.48)	¥ 24.13	\$ (1.23)

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net income (loss)	¥ (18,814)	¥ 3,995	\$ (202,214)
Net income (loss) not applicable to common stockholders	-	-	-
Net income (loss) applicable to common stockholders	¥ (18,814)	¥ 3,995	\$ (202,214)

	Number of shares (Thousands)	
	2010	2009
Weighted average number of shares outstanding on which basic net income (loss) per share is calculated	164,341	165,522

(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, 2010 and 2009 are as follows:

	Yen		U.S. dollars
	2010	2009	2010
Net assets per share	¥ 523.52	¥ 627.94	\$ 5.63

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total net assets	¥ 88,272	¥ 105,326	\$ 948,753
Amount deducted from total net assets:			
Minority interests	2,241	2,122	24,086
Net assets applicable to common stockholders	¥ 90,513	¥ 103,204	\$ 972,839

	Number of shares (Thousands)	
	2010	2009
Number of shares outstanding at end of year on which net assets per share is calculated	164,311	164,349

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

15. Leases

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value at March 31, 2010 and 2009 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
	2010	2009	2010
Acquisition cost	¥ 1,103	¥ 1,307	\$ 11,855
Accumulated depreciation	871	863	9,361
Net book value	¥ 232	¥ 444	\$ 2,494

Future minimum payments which include interest portion required under finance leases at March 31, 2010 and 2009 are as follows

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Within one year	¥ 131	¥ 214	\$ 1,408
Over one year	101	230	1,086
	¥ 232	¥ 444	\$ 2,494

Lease payments for the years ended March 31, 2010 and 2009 amounted to 212 million (\$2,279 thousand) and ¥313 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, 2010 and 2009, the Company was contingently liable with respect to trade notes receivable endorsed in the amounts of 27 million (\$290 thousand) and ¥233 million, respectively.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

17. Financial Instruments

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and its “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 Guidance, March 10, 2008) were applied from the year ended March 31, 2010.

Conditions of Financial Instruments

(a) Management policy

The Group invests only in short-term deposits and the Group finances funds mainly through bank loans and bond payable. The Group utilizes derivative financial instruments to hedge various risks as described in detail below and does not enter into derivatives for trading or speculative purposes.

(b) Financial instruments and risks

The notes and accounts receivable are exposed to credit risk of customers. Operating receivables denominated in foreign currencies from global operations are exposed to foreign currency fluctuation risk, but in principle, the Group hedges the risk by using forward foreign exchange contracts to the net position of operating receivables and payables denominated in foreign currencies. Investments in securities are held for business and capital alliances with business associates, and are exposed to stock market fluctuation risk.

Maturities of notes and accounts payable are within one year. Some of the operating payables which arise from import of raw materials are denominated in foreign currencies, but are constantly within the amount of the operating receivables dominated in foreign currencies.

Long-term debt is for financing funds mainly for operating capital or capital expenditure and their maximum maturities are 4 and half years after the balance sheet date. Some of the long-term debt are with variable interest rates and are exposed to interest rate risk, but the Group hedges the risk by using interest rate swaps. Bond payable is with fixed interest rate and exposed to fair value fluctuation risk, but the Group hedges the risk by using interest rate swaps.

In order to hedge the foreign exchange rates fluctuation risk associated with the operating receivables and payables denominated in foreign currencies, forward foreign exchange contracts, currency option contracts and currency swap contracts are used. In order to hedge the interest rate risk associated with long-term debt, interest rate swaps are used. Hedge accounting is applied for certain derivative transactions. Please refer to note 2(n).

(c) Financial instruments risk management

a) Credit risk

To timely capture the sign of defaults and reduce the loss, the sales department regularly monitors customers' credit status, and performs due date controls and balance controls for each customer in accordance with internal management rules.

When the Group utilizes derivatives, to mitigate the counterparty risk, the counterparties to these transactions are limited to financial institutions with high credit ratings.

Maximum amount of credit risk on consolidated balance sheet date is recorded as the balance sheet amount of financial assets exposed to credit risk.

b) Market risk

The Group hedges the foreign currency fluctuation risk associated with operating receivables and payables denominated in foreign currencies by using forward exchange contracts, currency option contracts and currency swap contracts. The Group hedges the interest rate risk associated with long-term debt by using interest rate swaps.

The Group regularly monitors a stock price and a business associate's financial status, and continuously considers whether the Group holds the stock.

Currency-related derivative transactions are entered into by the accounting department and controlled by overseas sales department in accordance with the internal management rules which prescribe the authority of its transactions. Interest-related derivative transactions are entered into and controlled by accounting department in accordance with the internal management rules which prescribe the authority of its transactions.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

c) Liquidity risk

To mitigate the liquidity risk, each company of the Group prepares and updates a funds management plan on a timely basis.

(d) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in note (18) Derivative Financial Instruments does not represent the market risk of the derivative transactions.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

Fair Value of Financial Instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2010 are as follows.

Financial instruments, of which it is extremely difficult to measure the fair value, are not included.

(Please see “(b) Financial instruments of which the fair value is extremely difficult to measure”)

March 31, 2010	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Differences	Carrying value	Fair value	Differences
Assets:						
(1) Cash	¥ 39,609	¥ 39,609	¥ -	\$ 425,720	\$ 425,720	\$ -
(2) Notes and accounts receivable	16,817	16,806	(11)	180,750	180,632	(118)
(3) Investments in securities:						
Other securities	12,774	12,774	-	137,296	137,296	-
Total	¥ 69,200	¥ 69,189	¥ (11)	\$ 743,766	\$ 743,648	\$ (118)
Liabilities:						
(1) Notes and accounts payable	¥ 9,355	¥ 9,355	¥ -	\$ 100,548	\$ 100,548	\$ -
(2) Short-term debt	270	270	-	2,902	2,902	-
(3) Long-term debt	35,271	35,654	383	379,095	383,212	4,117
Total	¥ 44,896	¥ 45,279	¥ 383	\$ 482,545	\$ 486,662	\$ 4,117
Derivative transactions	¥ (128)	¥ (157)	¥ (29)	\$ (1,376)	\$ (1,688)	\$ (312)

* Derivative receivables and liabilities are on net basis.

(a) Fair value measurement of financial instruments

Assets:

a) Cash

The carrying amount approximates fair value because of the short maturity of these instruments.

b) Notes and accounts receivable

The fair value is based on the present value of future cash flows through maturity discounted using an estimated credit-risk-adjusted interest rate.

c) Investments in securities

The fair value of equity securities is calculated by quoted market price. The fair value of debt securities is calculated by quoted market price or quotes from counterparties. Please see note (4) Short-term Investments and Investments in Securities for information by category.

Liabilities:

a) Notes and accounts payable and short-term debt

The carrying amount approximates fair value because of the short maturity of these instruments.

b) Long-term debt

Fair value of bond payable is calculated by quoted market price.

Fair value of loans from banks is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Fair value of certain long-term borrowings with interest rate swaps for which exceptional accounting method applied are based on the present value of future cash flows of interest and principal payments discounted using the current borrowing rate for similar borrowings of a comparable maturity.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

Derivative Transactions:

Please see note (18) Derivative Financial Instruments.

(b) Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥ 160	\$ 1,720
Investment in affiliates	2,407	25,870

(c) Projected future redemption of monetary claim and securities with maturities

	Millions of yen			
	Due within one year	Due over one year within five years	Due over five years within ten years	Due over ten years
Cash	¥ 39,609	¥ -	¥ -	¥ -
Notes and accounts receivable	16,392	425	-	-
Investments in securities:				
Other securities				
(Corporate bond securities)	-	-	150	-
	<u>¥ 56,001</u>	<u>¥ 425</u>	<u>¥ 150</u>	<u>¥ -</u>

	Thousands of U.S. dollars			
	Due within one year	Due over one year within five years	Due over five years within ten years	Due over ten years
Cash and cash equivalents	\$ 425,720	\$ -	\$ -	\$ -
Notes and accounts receivable	176,182	4,568	-	-
Investments in securities:				
Other securities				
(Corporate bond securities)	-	-	1,612	-
	<u>\$ 601,902</u>	<u>\$ 4,568</u>	<u>\$ 1,612</u>	<u>\$ -</u>

(d) The annual maturities of the long-term debt

Please see note (6) Short-term and Long-term Debt.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

18. Derivative Financial Instruments

At March 31, 2010 and 2009, the disclosure of fair value information for derivatives which is not accounted for as hedges are as follows:

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2010			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 4,190	¥ 4,224	¥ (34)
Euro	1,424	1,410	14
To buy foreign currency:			
Euro	19	19	-
Yen	103	96	(7)
CHF	2	2	-
Currency option contracts:			
Written:			
U.S. dollar	880 (54)	63	(9)
Purchased:			
U.S. dollar	1,798 (54)	51	(3)
Currency swap contracts:			
Received in JPY / paid in USD	1,389	(63)	(63)
Received in JPY / paid in EUR	3,736	(26)	(26)
	<u>¥ 13,541</u>	<u>¥ 5,776</u>	<u>¥ (128)</u>
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)
	<u>¥ 18,559</u>	<u>¥ 15,450</u>	<u>¥ (395)</u>

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2010			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	\$ 45,035	\$ 45,400	\$ (365)
Euro	15,305	15,155	150
To buy foreign currency:			
Euro	204	204	-
Yen	1,107	1,032	(75)
CHF	22	22	-
Currency option contracts:			
Written:			
U.S. dollar	9,458 (580)	677	(97)
Purchased:			
U.S. dollar	19,235 (580)	548	(32)
Currency swap contracts:			
Received in JPY / paid in USD	14,929	(677)	(677)
Received in JPY / paid in EUR	40,155	(279)	(279)
	<u>\$ 145,540</u>	<u>\$ 62,081</u>	<u>\$ (1,376)</u>

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

At March 31, 2010, the disclosure of fair value information for derivatives which is accounted for as hedges are as follows:

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen		Thousands of U.S. dollars	
			Contract or notional amounts	Fair value	Contract or notional amounts	Fair value
*1	Interest rate swaps: Fixed rate received for variable rate	Long-term debt (Corporate bonds)	¥ 5,000	¥ (29)	\$ 53,740	\$ (312)
*1	Interest rate swaps: Variable rate received for fixed rate	Long-term debt	23,874	*2	256,599	*2

*1 The difference in amounts to be paid or received on interest rate swaps is recognized over the life of the agreements as an adjustment to interest expense.

*2 For certain long-term borrowings for which interest rate swap contracts are used to hedge the interest rate fluctuations, fair value of derivative financial instrument is included in fair value of the long-term borrowings as hedged items.

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

Notes to Consolidated Financial Statements

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, 2010 and 2009.

(b) Geographic segments

Segment information by geographic area for the years ended March 31, 2010 and 2009 is summarized as follows:

	Millions of yen						
	2010						
	Japan	Americas	Europe	Asia/ Pacific	Total	Eliminations	Consolidation
Sales to outside customers	¥ 34,732	¥ 12,930	¥ 8,578	¥ 4,096	¥ 60,336	¥ -	¥ 60,336
Inter-segment sales	11,322	33	239	1,057	12,651	(12,651)	-
	46,054	12,963	8,817	5,153	72,987	(12,651)	60,336
Operating expenses	60,249	13,825	10,132	5,307	89,513	(14,154)	75,359
Operating loss	¥ (14,195)	¥ (862)	¥ (1,315)	¥ (154)	¥ (16,526)	¥ 1,503	¥ (15,023)
Assets	¥ 90,800	¥ 17,882	¥ 13,824	¥ 6,441	¥ 128,947	¥ 16,424	¥ 145,371

	Millions of yen						
	2009						
	Japan	Americas	Europe	Asia/ Pacific	Total	Eliminations	Consolidation
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

	Thousands of U.S. dollars						
	2010						
	Japan	Americas	Europe	Asia/ Pacific	Total	Eliminations	Consolidation
Sales to outside customers	\$ 373,302	\$ 138,972	\$ 92,197	\$ 44,024	\$ 648,495	\$ -	\$ 648,495
Inter-segment sales	121,689	355	2,569	11,361	135,974	(135,974)	-
	494,991	139,327	94,766	55,385	784,469	(135,974)	648,495
Operating expenses	647,560	148,592	108,899	57,040	962,091	(152,128)	809,963
Operating loss	\$ (152,569)	\$ (9,265)	\$ (14,133)	\$ (1,655)	\$ (177,622)	\$ 16,154	\$ (161,468)
Assets	\$ 975,925	\$ 192,197	\$ 148,581	\$ 69,228	\$ 1,385,931	\$ 176,526	\$ 1,562,457

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 43,164 million (\$463,929 thousand) and ¥31,675 million as of March 31, 2010 and 2009 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 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 and operating income decreased by the same amount.

(c) Overseas sales

Information for overseas sales for the years ended March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Overseas sales			
Americas	¥ 12,681	¥ 33,570	\$ 136,296
Europe	8,613	28,341	92,573
Asia/Pacific	12,591	29,293	135,329
	¥ 33,885	¥ 91,204	\$ 364,198
Consolidated sales	¥ 60,336	¥ 167,369	\$ 648,495
Percentage of overseas sales to consolidated sales	56.2%	54.5%	56.2%

The major countries or regions in the respective divisions for the years ended March 31, 2010 and 2009 are as follows:

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

Europe: Germany, Russia, Italy, Netherlands and Rumania

Asia/Pacific: China, Australia, Korea, Thailand and Taiwan



Toyo Horwath
Kandamitoshirocho7,
Chiyoda-ku, Tokyo 101-0053 Japan
+81-3-3295-1040 Main
+81-3-3295-1993 Fax
E-Mail: info@toyo.or.jp
www.toyo.or.jp

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, 2010 and 2009, and related consolidated statements of operations, 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, 2010 and 2009, 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, 2010 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.

A handwritten signature in black ink that reads "Toyo Horwath".

Toyo Horwath
Nagoya, Japan
June 29, 2010

COMPANY PROFILE

Name	Okuma Corporation
Foundation	January, 1898
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	60.3 billion yen
Employee	2,886
URL	http://www.okuma.co.jp/english/

DIRECTORS AND AUDITORS

(As of June 29, 2010)

Board of Directors

Yoshimaro Hanaki	President and Chief Executive Officer*
Yoshihiko Mori	Senior Executive Director
Toshio Tomida	Senior Director
Masato Ryoki	Senior Director
Yukiharu Takehara	Senior Director
Masamichi Ito	Senior Director
Yoshinori Ozaki	Senior Director
Katsuyoshi Kitagawa	Senior Director
Yasunori Hori	Senior Director
Tokuichi Okaya	Senior Director

Corporate Auditors

Kazuo Ichimura	Corporate Auditor
Akihiko Ogata	Corporate Auditor
Satoru Nishigaki	Corporate Auditor
Keizo Tsutsui	Corporate Auditor

*Representative director

CORPORATE OFFICES

(As of June 29, 2010)

Headquarters & Oguchi Plant

Oguchi-cho, Niwa-gun, Aichi 480-0193 Japan
Tel: +81 587 95 7822 Fax: +81 587 95 4807

Kani Plant

3-6, Himegaoka, Kani-shi, Gifu 509-0249 Japan
Tel: +81 574 63 5630 Fax: +81 574 63 5625

Principal Subsidiaries and Affiliates Domestic

Nippon Seiki Syoukai Co., Ltd.*
800-1, Shimozenagata, Komaki-shi, Aichi
485-0825 Japan
Tel: +81 568 73 3557 Fax: +81 568 73 3667

Overseas

Okuma America Corporation*
11900 Westhall Drive, Charlotte, NC 28278 U.S.A.
Tel: +1 704 588 7000 Fax: +1 704 588 6503
URL <http://www.okuma.com/>

Okuma Latino Americana Comercio Ltda.*
Al. Vincente 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 Europe GmbH*
Europark Fichtenhain A20
47807 Krefeld, Germany
Tel: +49 2151 374 0 Fax: +49 2151 374 100
URL <http://www.okuma.de/>

Okuma Australia Pty. Ltd.*
3 Tampe Road, Rowvillie, Victoria 3178, Australia
Tel: +61 3 9757 5888 Fax: +61 3 9757 5899
URL <http://www.okumaaustralia.com.au/>

Tatung-Okuma Co., Ltd.*
352, Shi-tong Rd., San-Hsia, 237, Taipei County, Taiwan
Tel: +886 2 8676 8678 Fax: +886 2 8676 6901
URL <http://www.tatung-okuma.com.tw/>

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
URL <http://www.okuma-byjc.com/>

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

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 Techno (Thailand) Ltd. Singapore Branch
275 Kakibukit Avenue 1 Shun Li Industrial Park
Singapore 416072
Tel: +65 6214 0112 Fax: +65 6214 0076

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
URL <http://www.okumaaustralia.com.au/>

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
URL <http://www.okumaindia.com/>

OTR Makina Sanayi ve Ticaret Ltd. Sti.
Basin Ekspres Yolu, Merkez Mahallesi
5/B Ayaz Plaza Kat: 1 Ikitelli 34303 Kucukcekmece
Istanbul, Turkey
Tel: +90 212 472 90 99 Fax: +90 212 472 90 98
URL <http://www.otr.com.tr/>

Okuma Europe RUS LLC
Untusiastos Street, House 56, Bldg. 32, 111123
Moscow, Russia
Tel: +7 495 229 2652 Fax: +7 495 223 2547

*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