



Okuma Corporation

Second Quarter

Fiscal Year 2009 Financial Results



November 4, 2009

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Part 1

Fiscal Year 2009 Midterm Financial Results

Looking back at Fiscal Year 2009 midterm



Key points for FY2009 midterm results and issues for the future

- In an extreme demand decline of global machine tool market,
New orders: ¥24.2 billion(△75% compared to previous midterm)
Net sales: ¥29.8 billion(△71% compared to previous midterm)
- Implemented cost reduction through strengthening in-house production capacity and reducing fixed cost, but that could not make up for loss of ¥27.7 billion due to influence of sales decreases compared to previous midterm.
Operating profit: △¥6.3 billion (¥12.3 billion at previous midterm)
- Reduced inventories through adjusting production to level of new orders,
Cash flow from operating activities: ensured ¥7.7 billion
Net cash returned to the black: ¥1.9 billion
- Capital adequacy ratio: 66% (60% at the end of March 2009), continuously ensured financial strength
- In the second half, promoted major strategies for FY2009 (expanding customer base, innovating production, strengthening corporate fundamentals) to strengthen short-term profitability and mid-/long-term growth potential.
- Implemented measures to secure profit. Due to recent machine tool demand falling much below April 2009 forecast, revised down sales forecast for FY2009 on Sep 24,2009: ¥62.0 billion, and operating profit: △¥12.0 billion

Summary of Fiscal Year 2009 Midterm Results



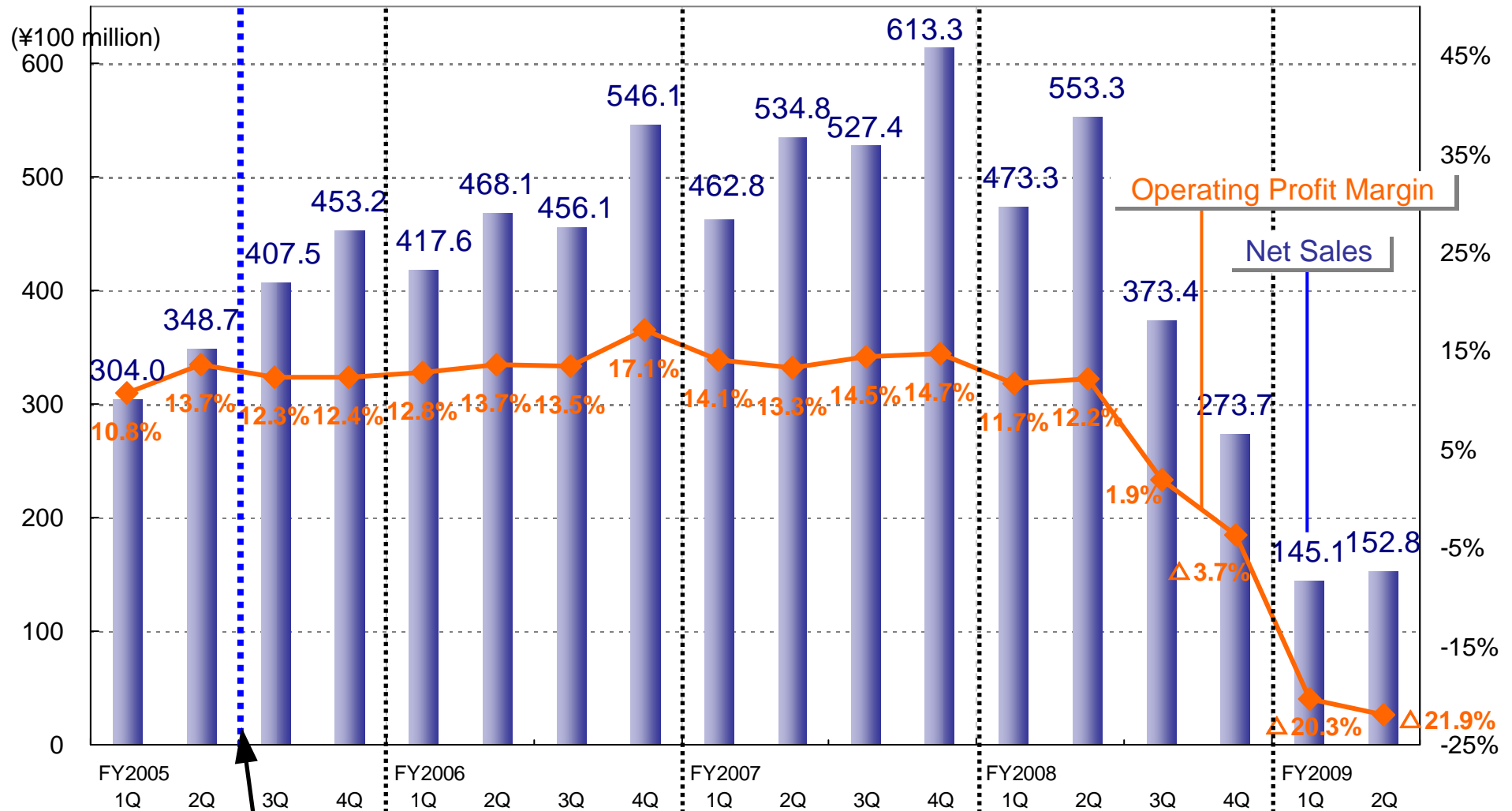
- Earnings and profits decreased for the first time in seven fiscal midterms.
- Deferred income tax asset in the second quarter: ¥3.2 billion
Net profit: Δ ¥9.38 billion
- Net sales and operating profit was at the same level as forecast result (revised down on Sep 24, 2009)

	FY2008	FY2009				(Reference)
	Midterm Total	1Q	2Q	Midterm Total	% Change (Compared to FY2008 mid.)	FY2009 Mid. Forecast Results (as of 24 Sep. 09)
Net sales	1,026.6	145.1	152.8	297.9	Δ 71.0%	300.0
Operating profit	122.9	Δ 29.4	Δ 33.4	Δ 62.8	—	Δ 65.0
(Op. profit margin)	12.0%	Δ 20.3%	Δ 21.9%	Δ 21.1%	—	Δ 21.7%
Ordinary profit	124.9	Δ 28.7	Δ 36.2	Δ 64.9	—	Δ 65.0
(Ord. profit margin)	12.2%	Δ 19.8%	Δ 23.7%	Δ 21.8%	—	Δ 21.7%
Net profit	54.6	Δ 18.0	Δ 75.8	Δ 93.8	—	Δ 97.0

Exchange rate	Actual rate for the 1st half of FY2008	US\$1=¥106.2	1 Euro=¥162.1
	Actual rate for the 1st half of FY2009	US\$1= ¥ 94.8	1 Euro=¥133.2
	(Reference) Assumed rate for FY2009 (as of Apr 09)	US\$1= ¥ 95.0	1 Euro=¥125.0
Effects of exchange rate fluctuations (Operating profit, compared to previous midterm)		US\$= Δ ¥0.73 billion	Euro= Δ ¥0.94 billion

Trends in Financial Results by Quarter

- Net sales in 2nd quarter slightly increased from 1st quarter

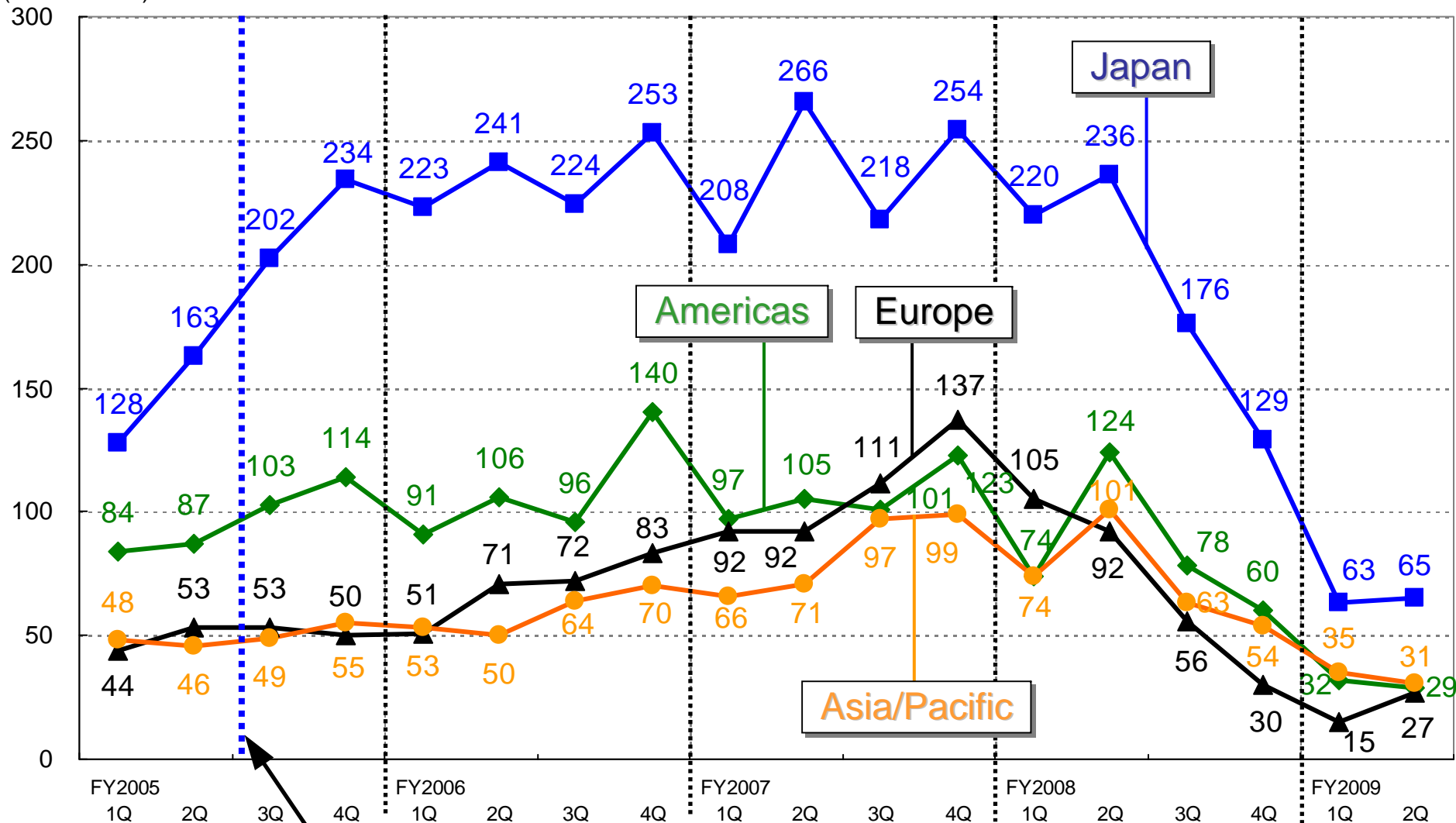


Okuma & Howa Machinery Ltd. became a consolidated subsidiary from 3Q FY2005.

Quarterly Sales by Geographic Region



(¥100 million)



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

Orders and Net Sales by Product Category



- New Orders: ¥24.2 billion ($\Delta 75\%$ compared to previous midterm)
- Net Sales: ¥29.8 billion ($\Delta 71\%$ compared to previous midterm)
- Order Backlog: ¥23.6 billion ($\Delta 63\%$ compared to previous midterm)
- Moderate decrease in Machining Centers

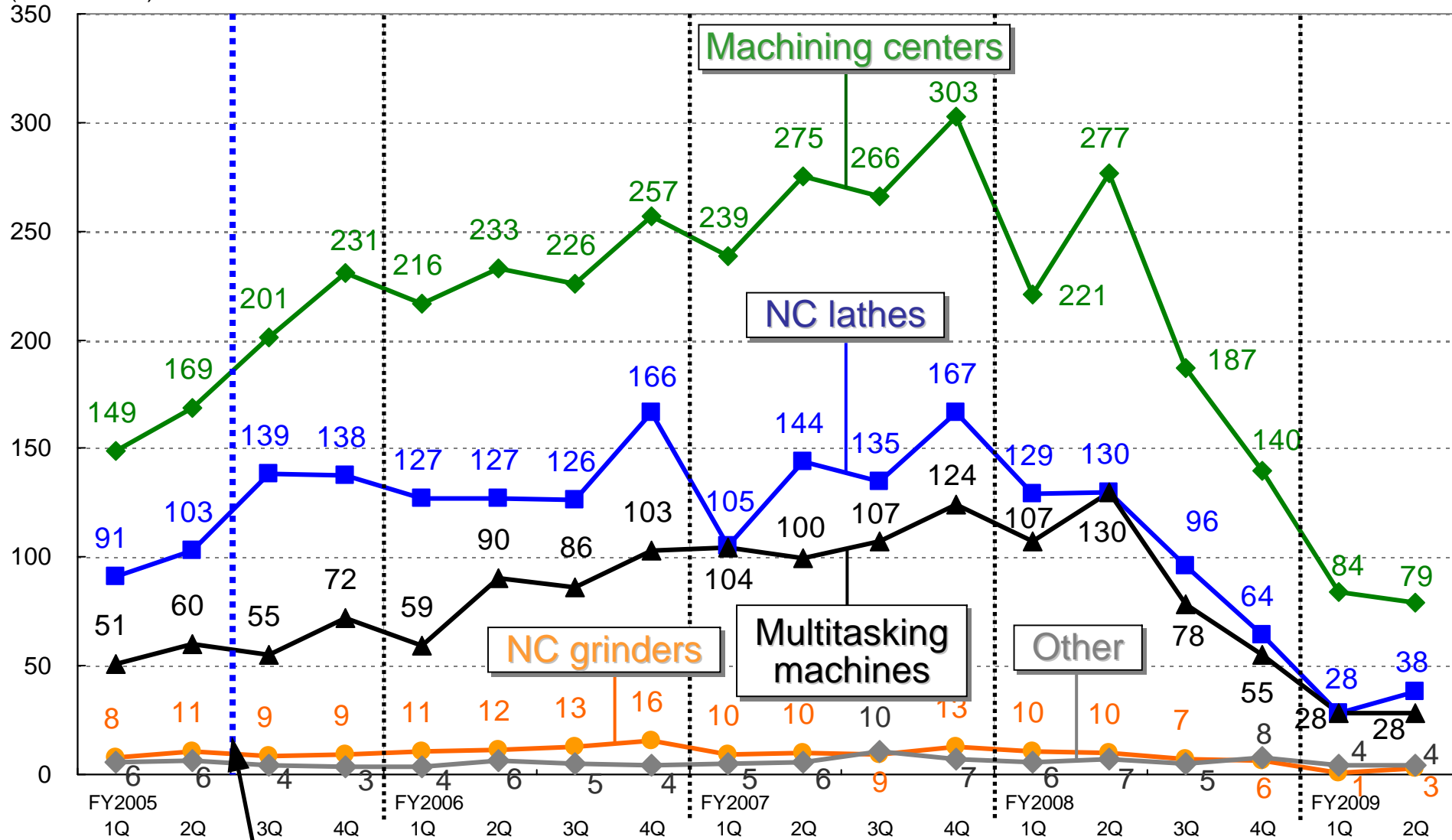
(¥100 million)

	New orders			Net sales			Order backlog		
	FY2008 Midterm Total	FY2009 Midterm Total	% Change	FY2008 Midterm Total	FY2009 Midterm Total	% Change	FY2008 Midterm Total	FY2009 Midterm Total	% Change
NC lathes	251	45	$\Delta 82\%$	259	66	$\Delta 75\%$	156	45	$\Delta 71\%$
Machining centers	491	128	$\Delta 74\%$	497	163	$\Delta 67\%$	371	144	$\Delta 61\%$
Multitasking machines	205	52	$\Delta 75\%$	237	56	$\Delta 76\%$	101	37	$\Delta 64\%$
NC grinders	25	4		20	4		16	5	
Other	14	12		13	8		3	6	
Total	986	242	$\Delta 75\%$	1,027	298	$\Delta 71\%$	646	236	$\Delta 63\%$

Quarterly Sales by Product Category



(¥100 million)

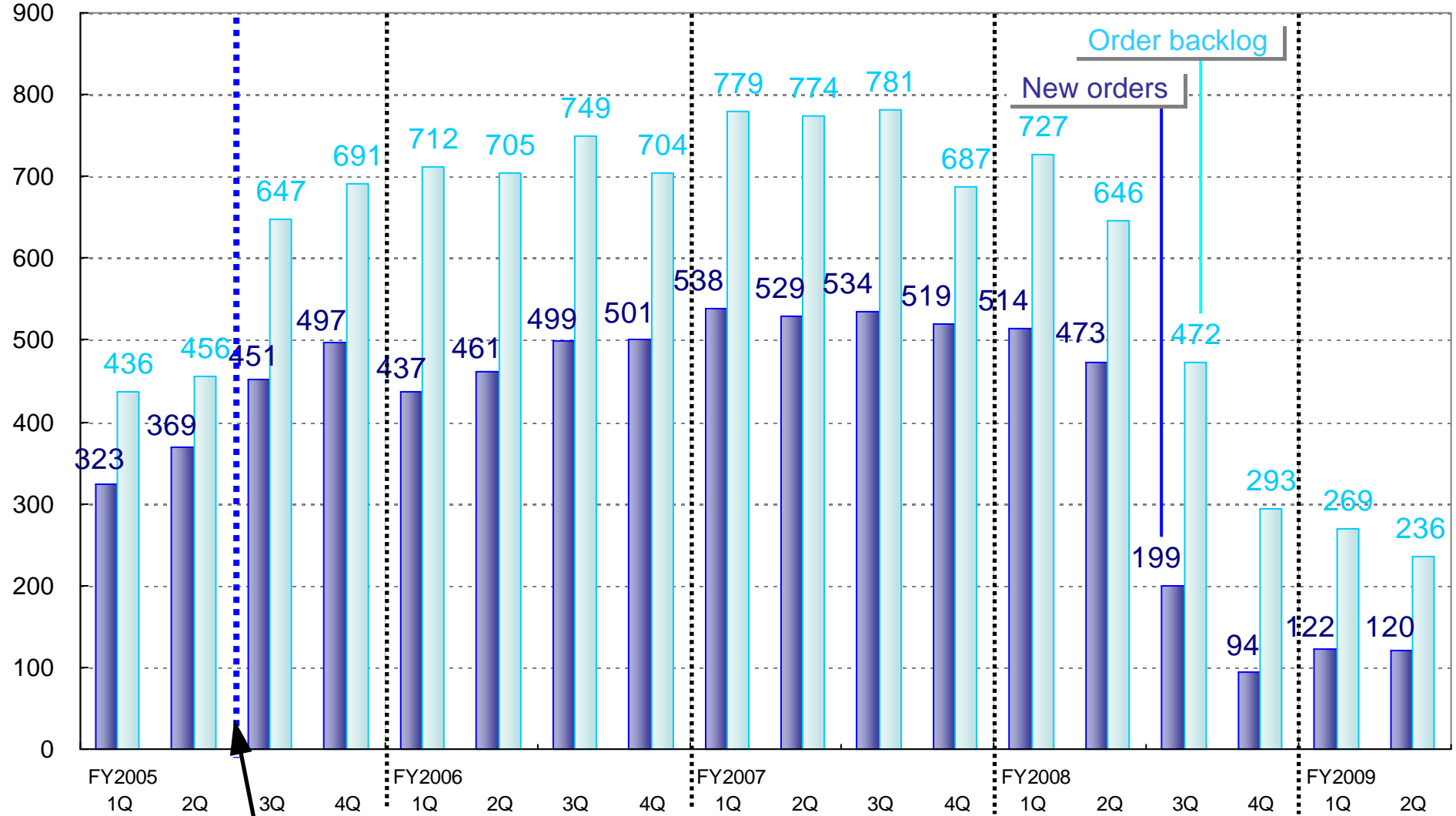


Okuma & Howa Machinery Ltd. became a consolidated subsidiary from 3Q FY2005.

Quarterly Orders and Order Backlog

- New orders hit bottom in FY2008 4Q, and remain low

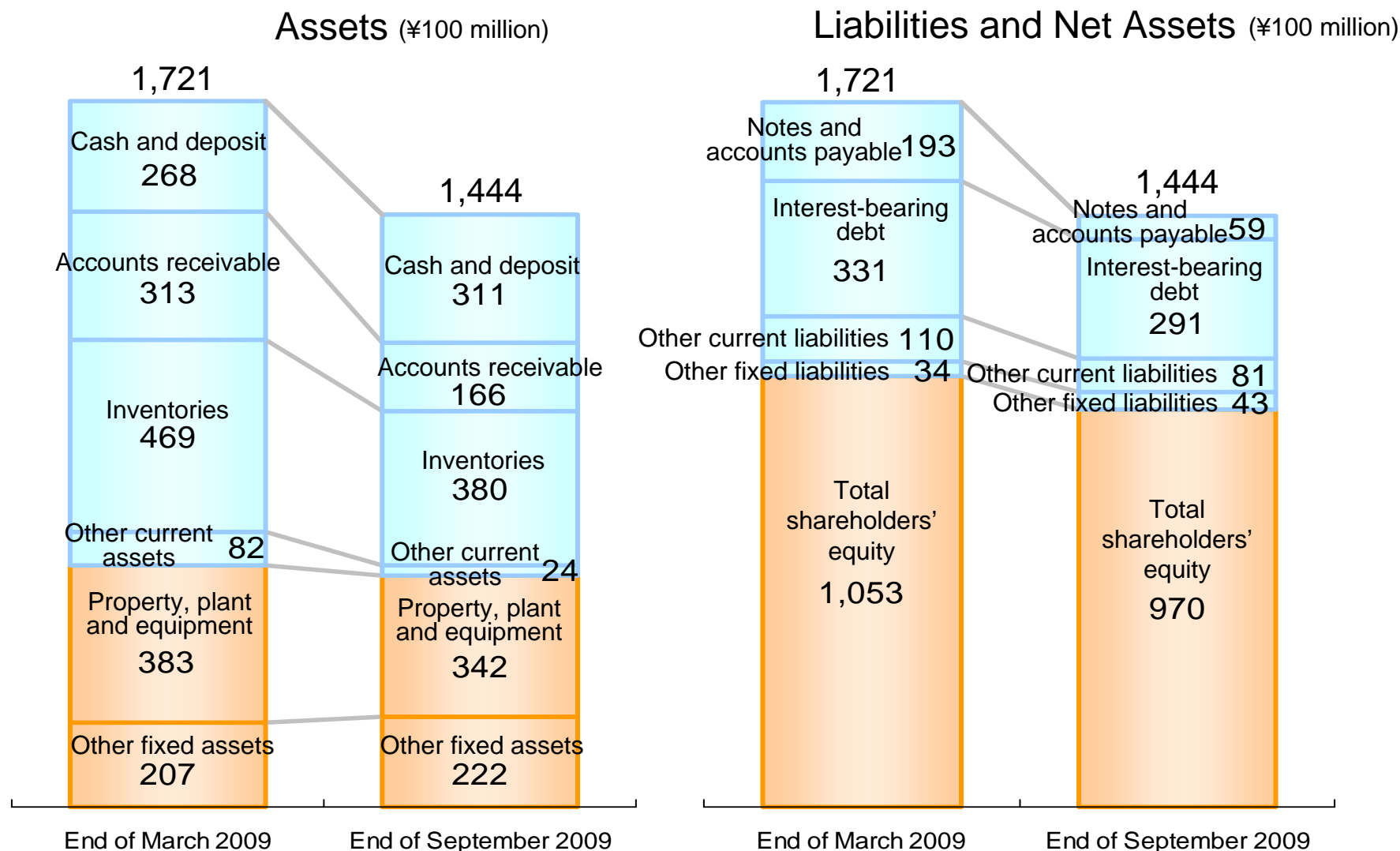
(¥100 million)



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

Comparison of Balance Sheets

- Capital adequacy ratio: 66%, Net cash: ¥1.9 billion (sound financing)
- Inventories: ¥38.0 billion, decreased ¥8.8 billion(△19%) from end of March 2009

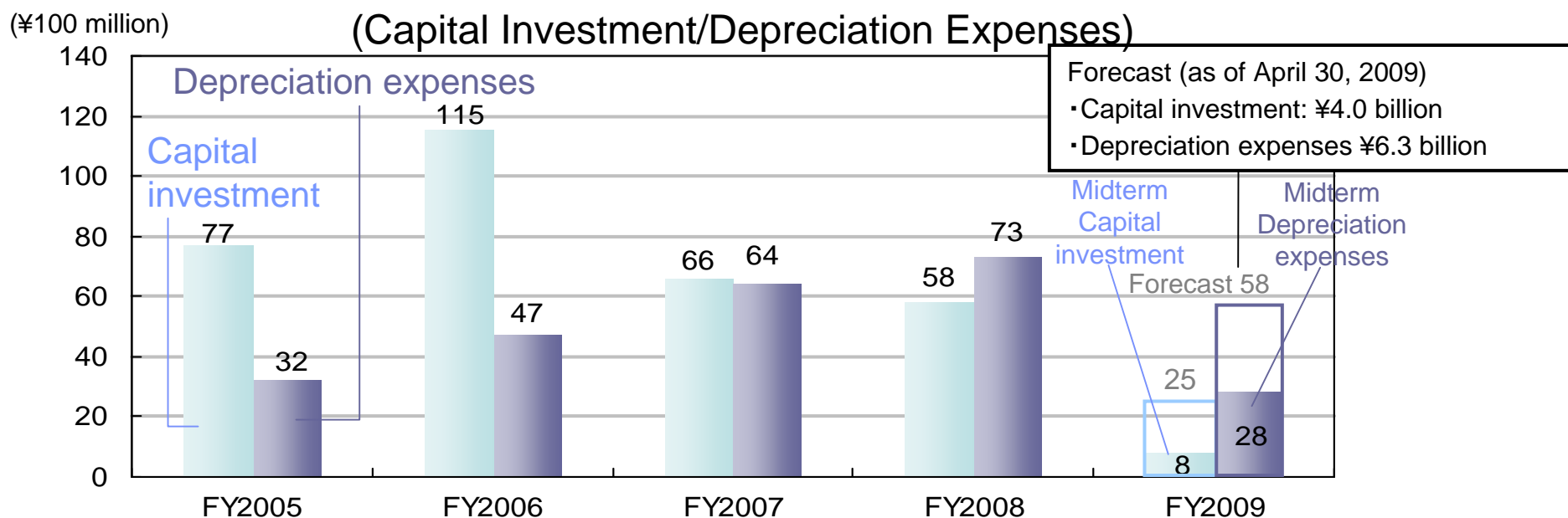


Cash Flows, Capital Investment/Depreciation Expenses



- Cash flows from operating activities: secured ¥7.7 billion by reducing inventories and accounts receivable
- Carefully selected capital investment in FY2009: ¥2.5 billion (Forecast) (¥100 million)

	FY2008 Midterm	FY2009 Midterm
Cash flow from operating activities	97	77
Cash flow from investing activities	△57	△17
Cash flow from financing activities	△28	△44
Cash and cash equivalents at end of fiscal year	259	280



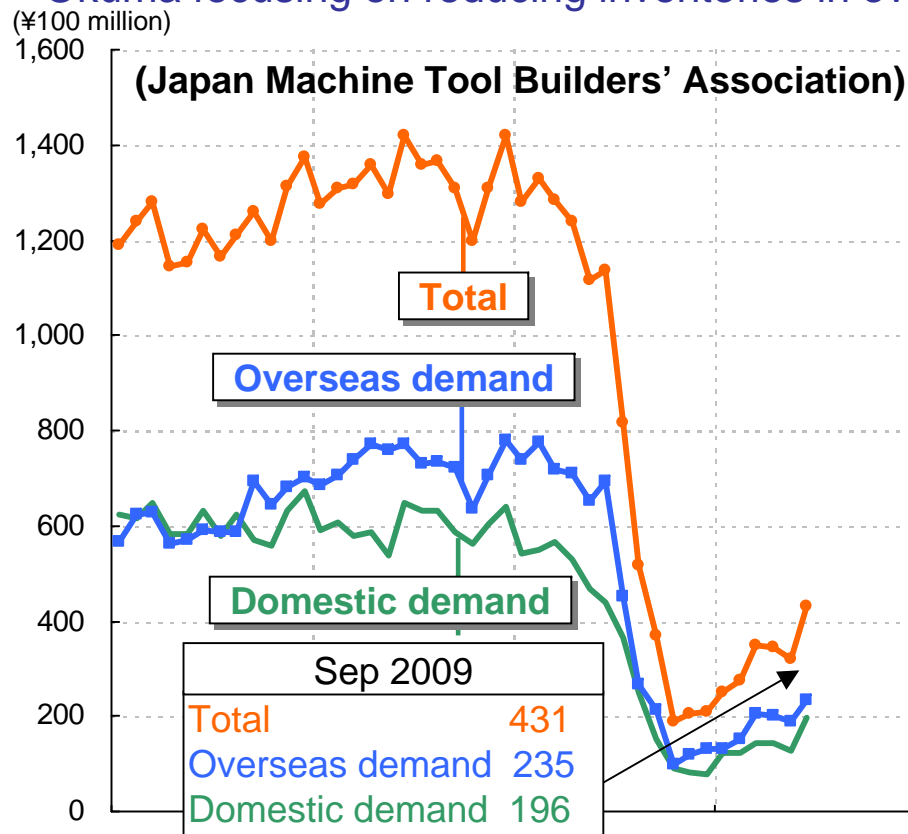
Part 2

Current Conditions and Future Management Policies

Machine Tool Order Trends — JMTBA/Okuma Orders

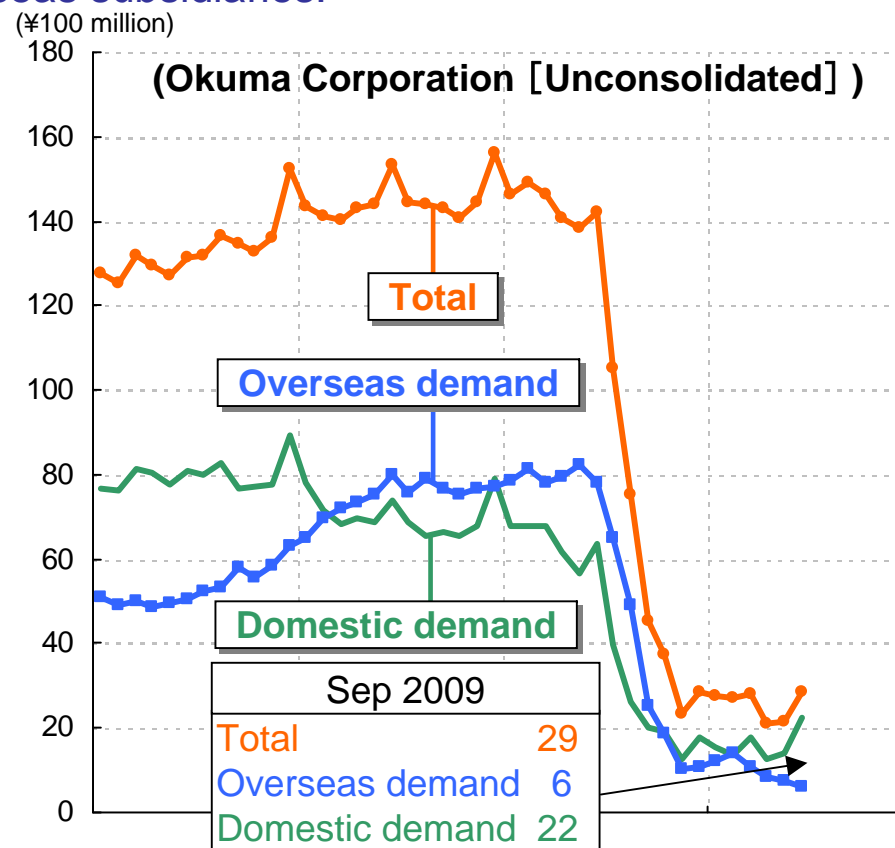


- JMTBA orders from domestic and overseas markets bottomed out during January to March in 2009 and are now in a moderate up trend.
- Okuma focusing on reducing inventories in overseas subsidiaries.



FY	2006	2007	2008	2009 1-2Q
Total	14,746	15,939	9,690	1,969
Domestic	7,316	7,208	4,114	857
Overseas	7,430	8,731	5,576	1,112

Source: Japan Machine Tool Builders' Association (JMTBA)



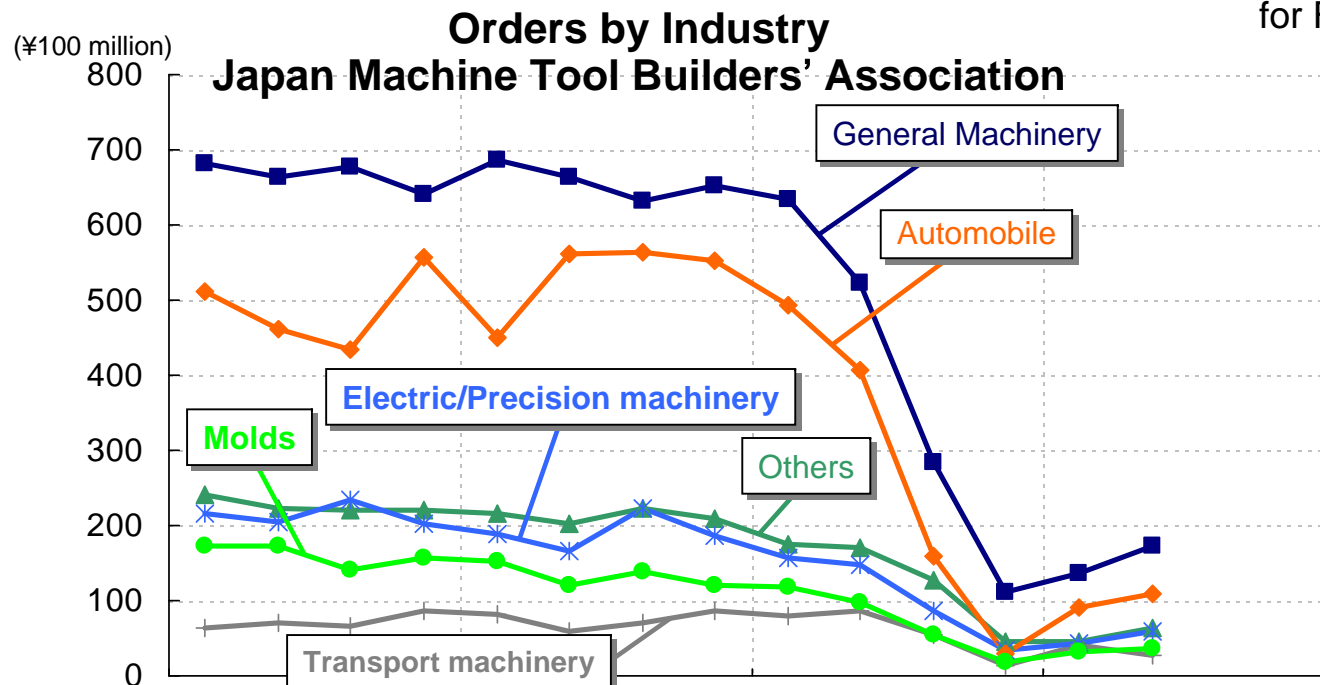
FY	2006	2007	2008	2009 1-2Q
Total	1,597	1,738	1,178	155
Domestic	956	843	521	96
Overseas	640	895	657	59

Machine Tool Order Trends — Domestic Demand by Industry



- Orders by almost all industries including General Machinery show signs of having bottomed out, but levels are still low.

Percentage of orders by industry for FY2009 1st half (FY2008 1st half)



FY2009 Apr-Sep Percentage of orders by industry	Japan Machine Tool Builders' Association	Okuma Corporation (reference)
General machinery	36% (37%)	67% (64%)
Automobile	23% (29%)	11% (16%)
Electric/Precision machinery	12% (10%)	6% (6%)
Transport machinery	8% (5%)	5% (4%)
Molds	8% (7%)	5% (8%)
Others	13% (12%)	6% (2%)

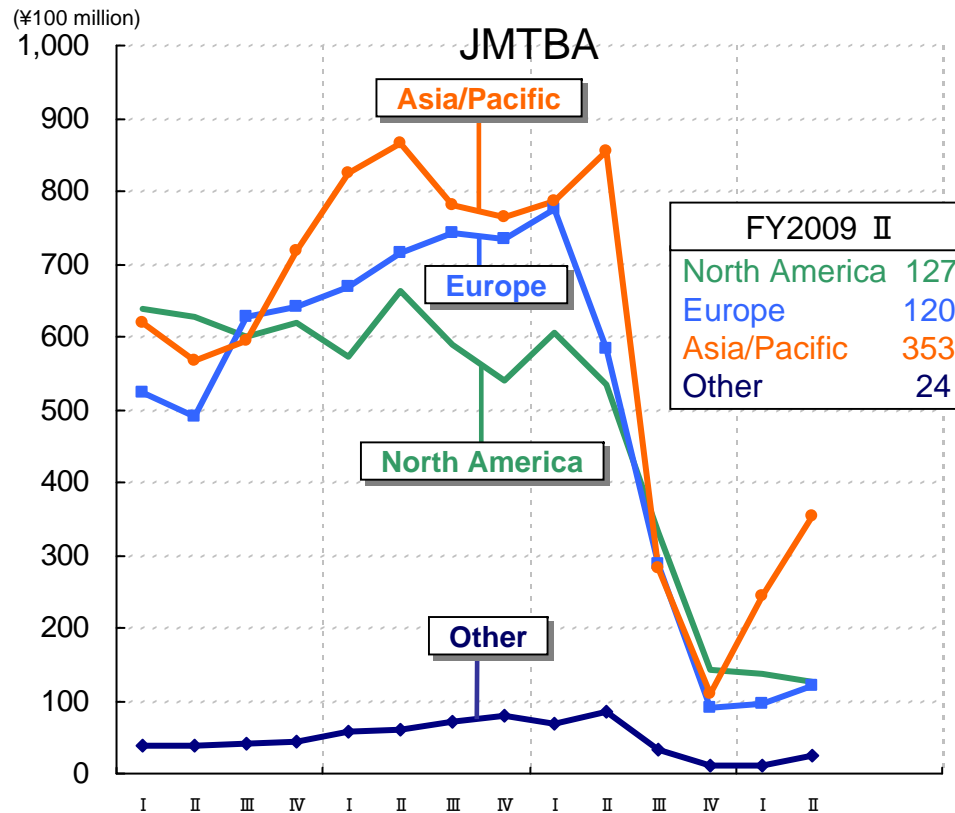
FY	2006	2007	2008	2009 1-2Q	Type of industry
General machinery	2,664	2,634	1,552	308	Construction machinery, industrial machinery, semiconductor/LCD production equipment, etc.
Automobile	1,963	2,128	1,089	200	Cars, trucks, motorcycles, etc.
Electric/Precision machinery	856	763	428	104	Motors, TVs, OA equipment, etc.
Transport machinery	288	298	236	68	Railcars, Aerospace, Ships etc.
Molds	642	533	290	68	Molds
Others	902	853	519	109	Iron and steel, Metalware, Public, etc.

Source: Japan Machine Tool Builders' Association (JMTBA)

Machine Tool Order Trends — Demand by Geographic Region

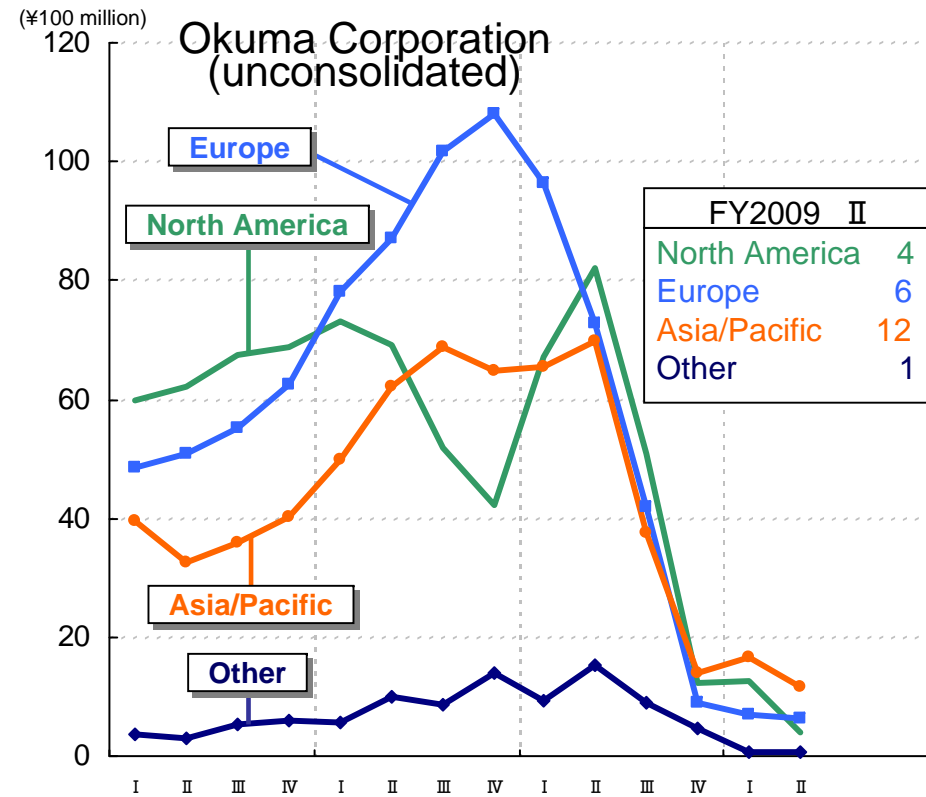


- JMTBA orders from Asia/Pacific shows signs of significant recovery due to increasing demand of small machine tools for the IT-related sector and specialized machine tools for the automobile industry.



FY	2006	2007	2008	2009 1-2Q
North America	2,487	2,365	1,611	264
Europe	2,282	2,862	1,737	216
Asia/Pacific	2,501	3,235	2,033	596

Source: Japan Machine Tool Builders' Association (JMTBA)



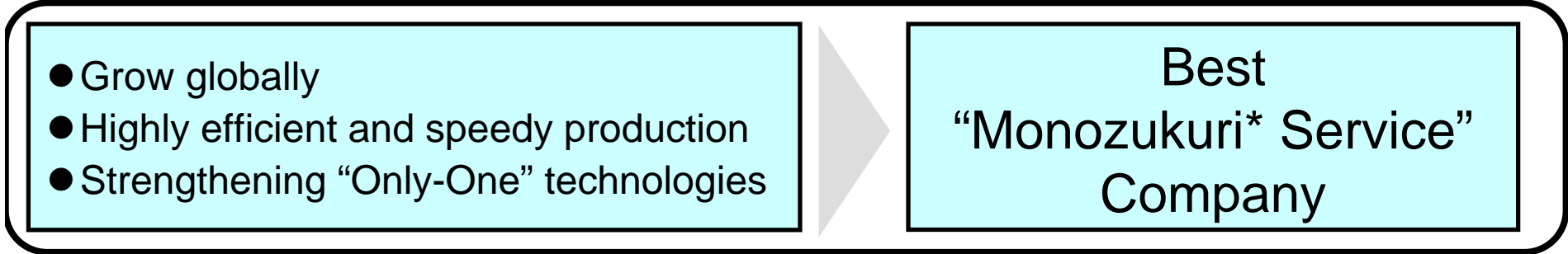
FY	2006	2007	2008	2009 1-2Q
North America	259	236	213	17
Europe	217	375	220	13
Asia/Pacific	149	246	187	28



Management Policies/Major Strategies for FY2009

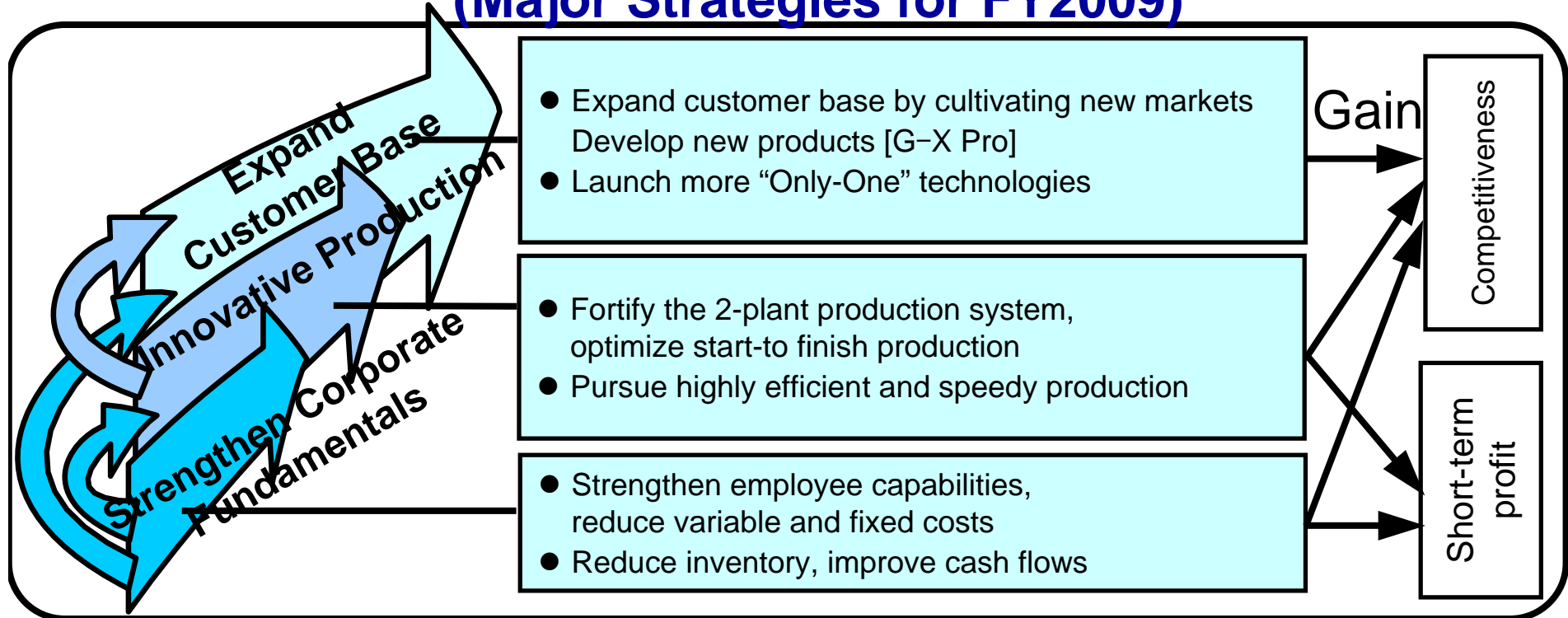
(Midrange Business Policies)

(Corporate Vision)



*Monozukuri: the art of making things better than ever

(Major Strategies for FY2009)



Expanding Customer Base by Cultivating New Markets

Provide “premium products” to emerging markets

—premium products for capital goods market—

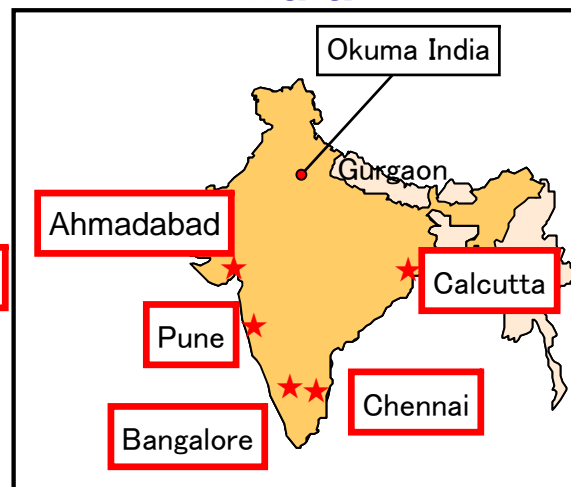
- Establishing sales and service bases in Asia (mainly in China and India), and in Eastern Europe/Russian (mainly in Russia).
- Sales expected to grow in mid- and long-term, such as infrastructure related and automobile industries. **Setting up bases in:**

China



- Established sales base in Shanghai—class largest in China.
- Establishing sales and service bases in Wuhan, Chungchun and Quindao are planned.

India



- Establishing five bases for sales and service—Pune, Chennai and other areas planned.

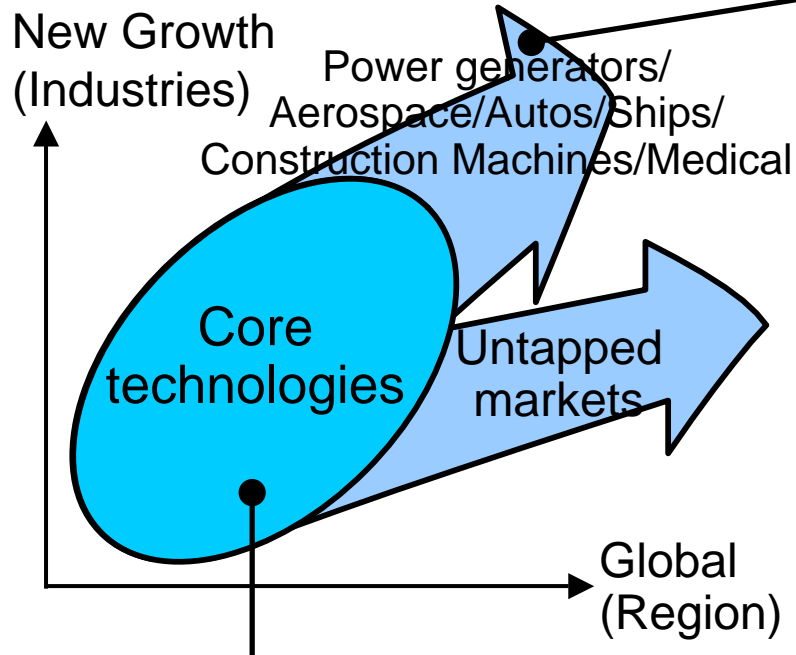
Eastern Europe/Russia



- Established technical center in Moscow to cultivate Russian market.
- Established a base in Brazil in 1997.

Develop New Products [G-X Pro]

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

G-X Pro

- Further strengthen large parts machining.
- Pursue high precision and high productivity with intelligent technologies.

Double Column Turning Center VTR series

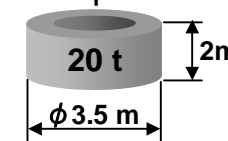
- Double column MC and vertical lathe fusion technology

VTR-350A



Thermo-Friendly Concept

Max workpiece



Large Multitasking Machine MULTUS B750

- Process-intensive technology for larger machines

MULTUS B750



Thermo-Friendly Concept

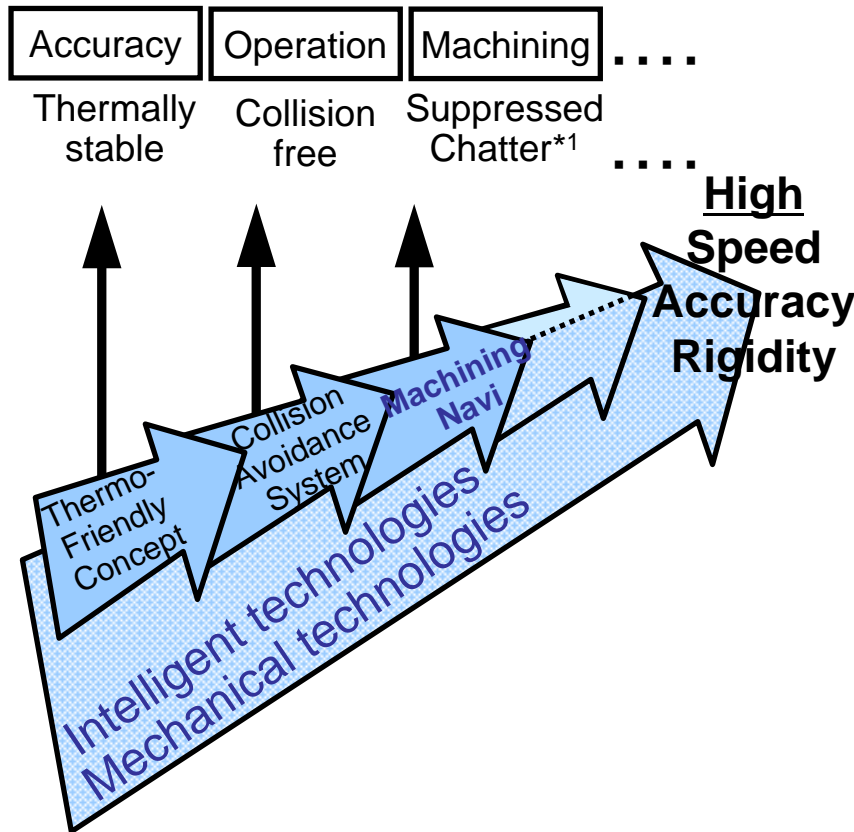
A Collision-Free Machine
Collision Avoidance System

**20
New
Products
in 2
Years**

Launch More “Only-One” Technologies

How Okuma pursues greater value with practical innovations

Machining quality/Total efficiency/Speed



Machining Navi*2

~solutions for issues unresolved since the Industrial Revolution~

- Eliminate chatter and increase productivity

<p>Machining Navi M-g (Guidance)</p> <ul style="list-style-type: none"> Display recommended rotation speed, operator decides 	<p>Machining Navi M-i (Automatic)</p> <ul style="list-style-type: none"> Automatically change rotation speed
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○ Area OK for fast, heavy-duty cutting

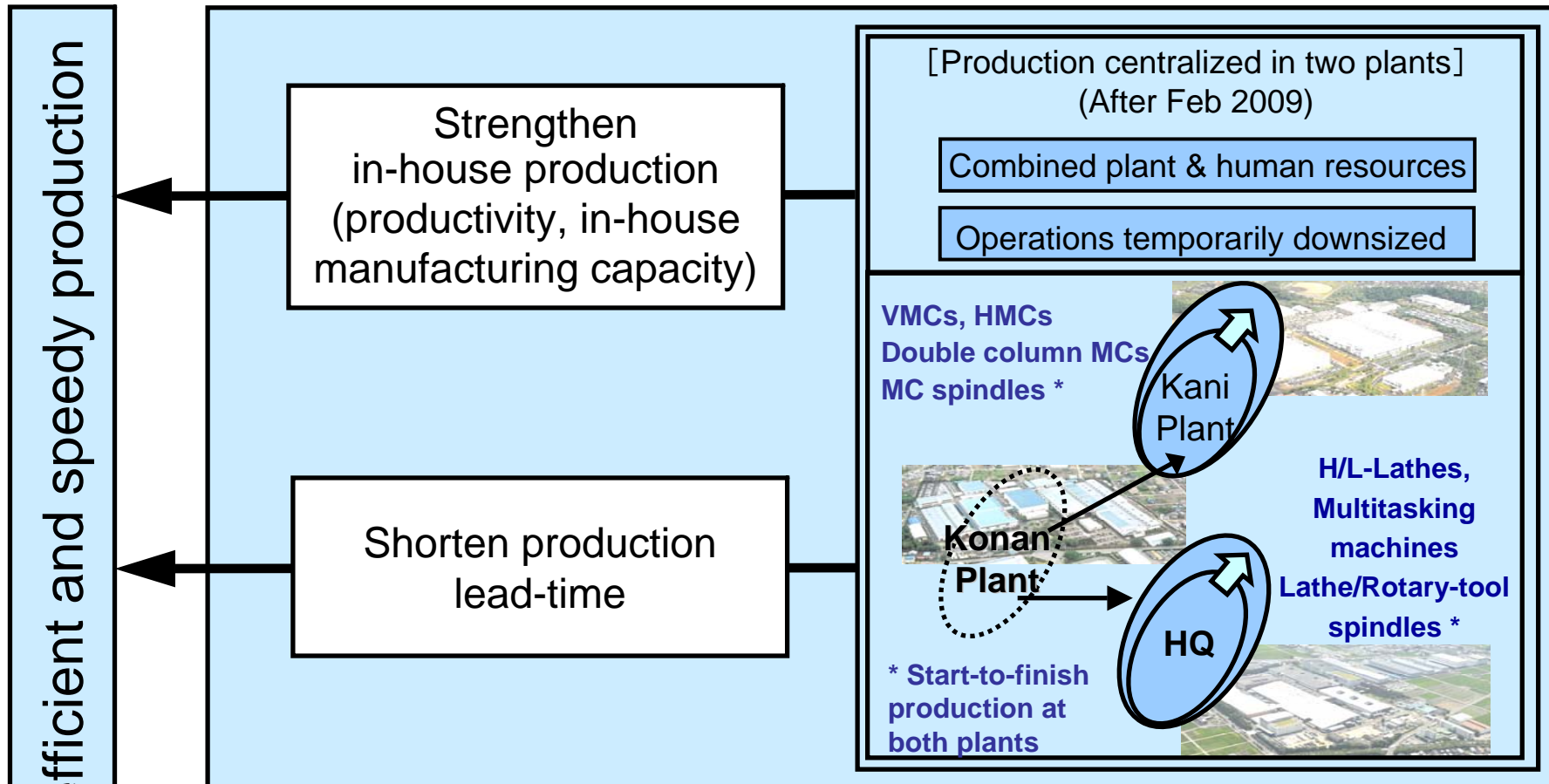
- Okuma’s machining know-how integrated in our NC control (OSP)
- Dramatic productivity increases in advanced countries
- Will help spread NC machine tools in emerging countries

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

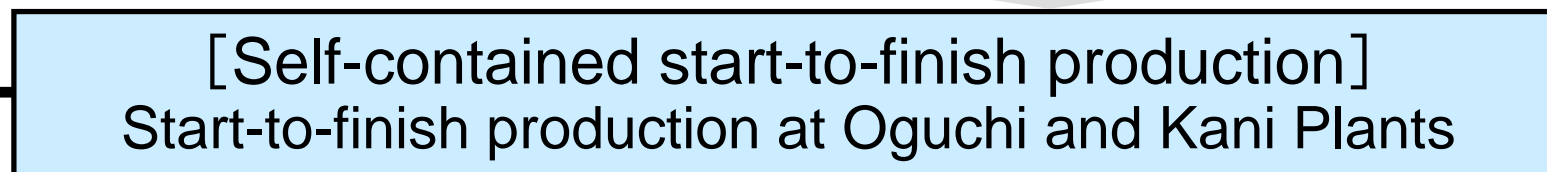
Pursue Highly Efficient and Speedy Production



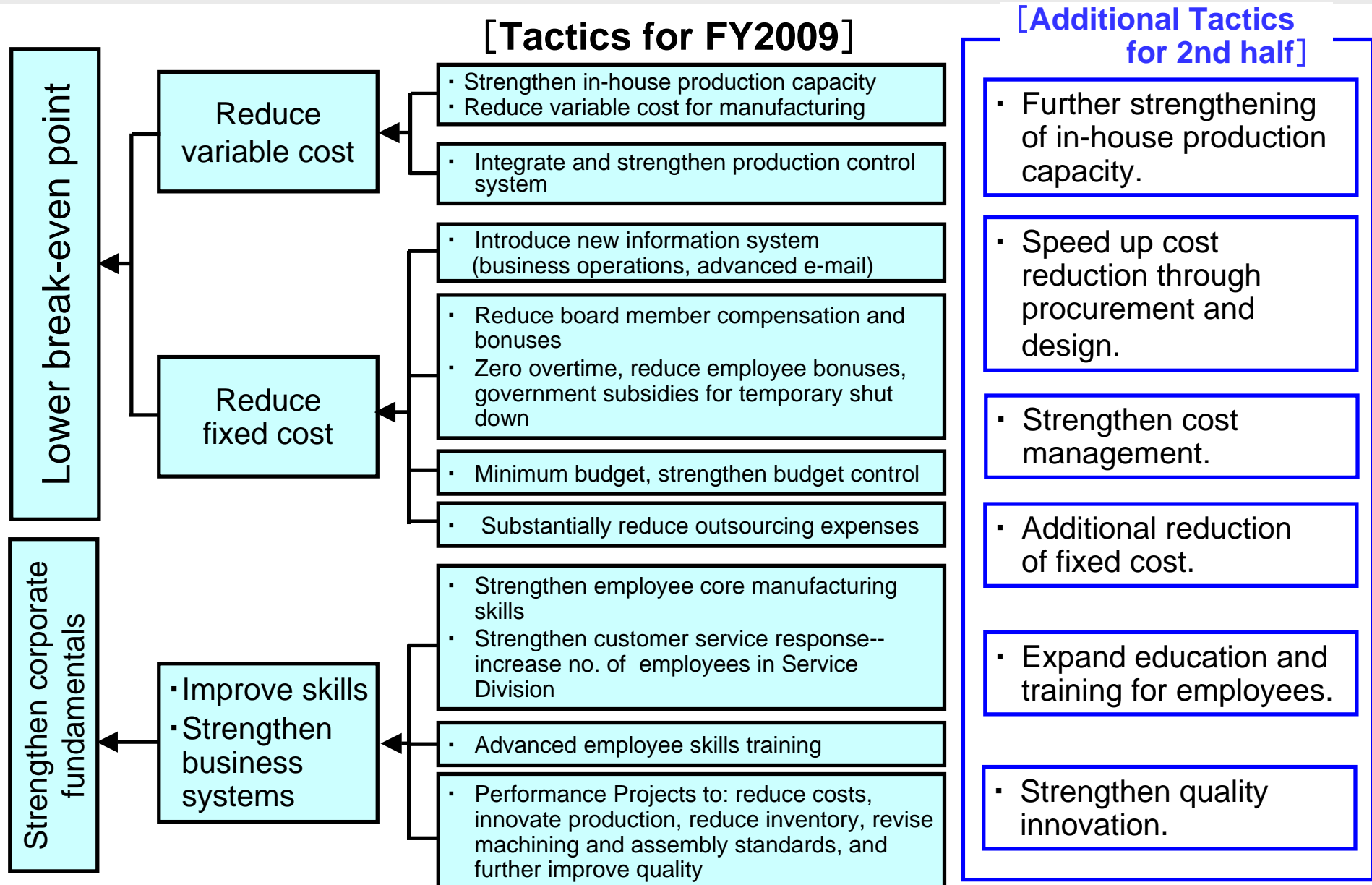
- When demand decreases



- When demand increases



Professional employees, reducing variable and fixed costs



Part 3

Forecast of Business Results for Fiscal Year 2009

Forecast of Business Results for Fiscal Year 2009

- Revised down business forecast for FY2009 on Sep 24, 2009
- Net Sales: ¥62.0 billion (1st half: ¥30.0 billion, 2nd half: ¥32.0 billion)
△63% (compared to previous fiscal year)
- Operating loss: △¥12.0 billion
Implemented measures designed to secure profit, however forecasted operating loss due to heavy sales decrease

(¥100 million)

	FY2008 (Results)		FY2009 (Forecast)		
		%		%	Amount of change
Net sales	1,673.7	100.0	620.0	100.0	△1,053.7
Operating profit	120.1	7.2	△120.0	△19.4	△240.1
Ordinary profit	124.3	7.4	△123.0	△19.8	△247.3
Net profit	40.0	2.4	△155.0	△25.0	△195.0

Exchange rates	Actual rate for FY2009 1st half	US \$1 = ¥94.8	1 Euro = ¥133.2
	Assumed rate for FY2009 2nd half	US \$1 = ¥90.0	1 Euro = ¥133.0
	Assumed rate for FY2009 (as of Oct. 09)	US \$1 = ¥92.5	1 Euro = ¥133.1
	(Reference) Assumed rate (as of Apr. 09)	US \$1 = ¥95.0	1 Euro = ¥125.0

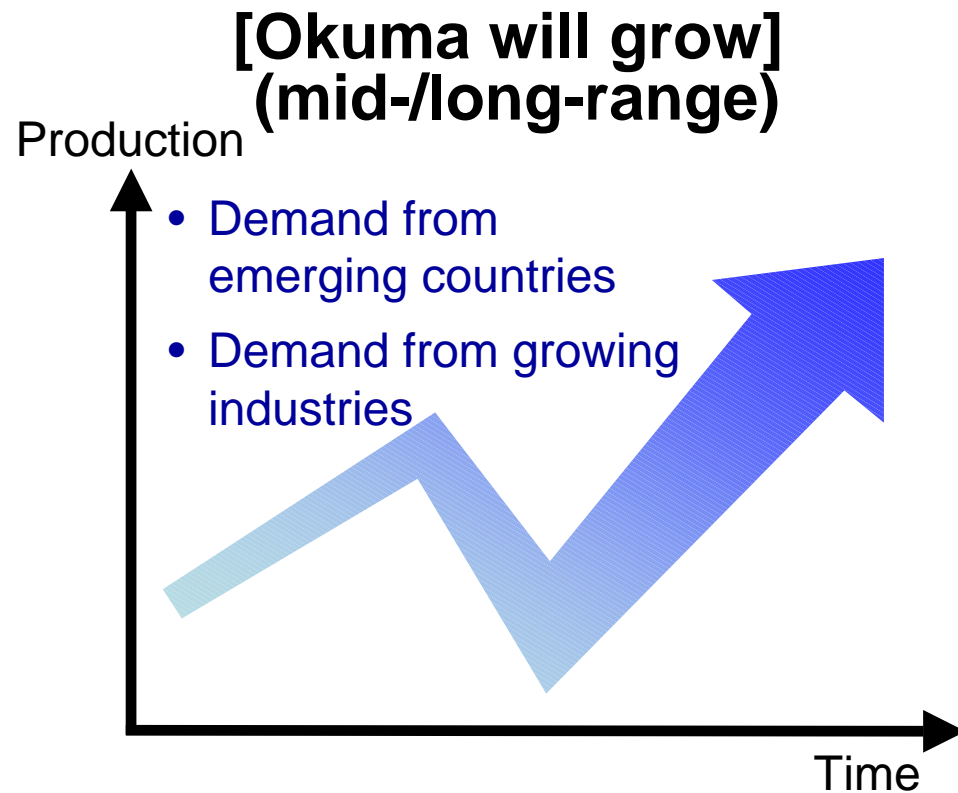
Part 4

Okuma's Mid- and Long-Range Business Policies

Okuma's Mid- and Long-Range Business Policies



- Currently machine tool demand is drastically low, however demand is expected to grow mainly from emerging countries (mid- and long-term trends). To support the “monozukuri”^{*} needs of key industries throughout the world: Okuma will promote strategies based on midrange business policies to strengthen 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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