

Annual Report 2011

Consolidated Financial Statements
(Fiscal Year 2010)

Annual Report

 **OKUMA**

Annual Report

Annual Report

OKUMA Corporation

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Consolidated Five-Year Summary

Okuma Corporation and Consolidated Subsidiaries

Millions of yen

Operating Results	Fiscal year ended 31 March	2007	2008	2009	2010	2011
Net Sales		¥ 188,801	¥ 213,828	¥ 167,369	¥ 60,336	¥ 100,966
Gross Profit		58,817	66,572	46,027	6,145	23,544
Selling, General and Administrative Expenses		31,552	36,293	34,016	21,168	21,391
Operating Income (Loss)		27,265	30,279	12,011	(15,023)	2,153
Other Income (Deductions)		(1,109)	(1,523)	(3,825)	(572)	(2,266)
Income (Loss) before Income Taxes and Minority Interests		26,156	28,756	8,186	(15,595)	(113)
Net Income (Loss)		15,693	17,970	3,995	(18,814)	611
Net Income (Loss) per Share of Common Stock (in yen)		93.14	106.92	24.13	(114.48)	3.72
Cash Dividend per Share of Common Stock (in yen)		15.00	17.00	11.00	0.00	2.00

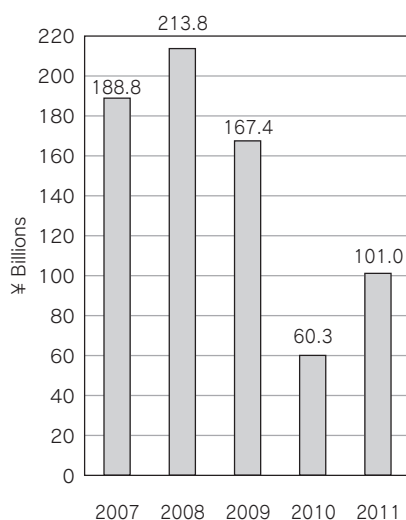
Financial Position	As of 31 March	2007	2008	2009	2010	2011
Current Assets		¥ 139,283	¥ 137,565	¥ 113,137	¥ 90,360	¥ 107,579
Property, Plant and Equipment		37,093	38,727	38,278	32,600	27,095
Total Assets		201,539	200,870	172,105	145,371	156,104
Current Liabilities		69,003	68,931	44,430	29,401	41,628
Non-current Liabilities		29,849	21,705	22,349	27,698	26,875
Net Assets		102,687	110,234	105,326	88,272	87,601
Net Assets per Share of Common Stock		598.74	649.64	627.94	523.52	519.12

Reference Ratios		2007	2008	2009	2010	2011
Operating Income/Net Sales		14.4%	14.2%	7.2%	-24.9%	2.1%
Operating Income/Total Assets		14.3%	15.0%	6.4%	-9.5%	1.4%
Net Income/Shareholders' Equity		16.2%	16.9%	3.7%	-19.4%	0.7%
Equity Ratio		51.0%	54.9%	61.2%	60.7%	56.1%

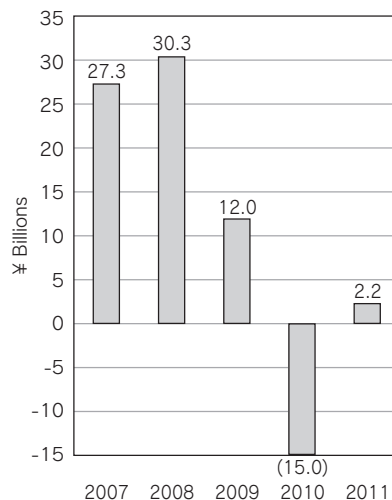
Note 1: Cash dividends per share are computed based on dividends declared with respect to earnings for the periods.

Note 2: Comprehensive Income (Loss) is not applied to this summary since it is not yet familiarized to Japan.

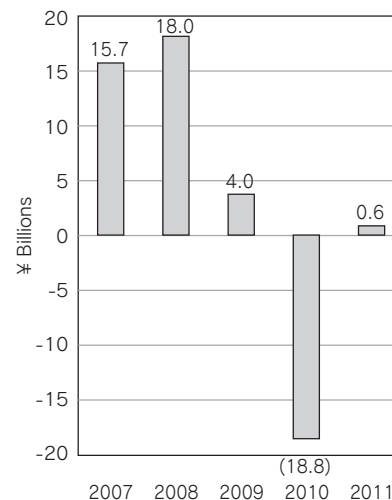
Net Sales



Operating Income (Loss)



Net Income (Loss)



Fiscal years ended 31 March

Consolidated Balance Sheets

Okuma Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen		US\$1=83.15 Thousands of U.S. dollars (note 2)
	2011	2010	2011
ASSETS			
Current assets:			
Cash (note 3)	¥ 42,182	¥ 39,609	\$ 507,300
Trade notes and accounts receivable	26,736	16,817	321,539
Inventories	34,472	31,798	414,576
Deferred income taxes (note 8)	2,118	386	25,472
Other current assets	2,543	2,387	30,583
Less allowance for doubtful receivables	(472)	(637)	(5,676)
Total current assets	107,579	90,360	1,293,794
Property, plant and equipment (note 13):			
Buildings and structures	36,531	37,278	439,339
Machinery, equipment and vehicles	27,520	32,549	330,968
Land	7,355	7,433	88,455
Construction in progress	463	521	5,568
Other	10,999	11,306	132,279
	82,868	89,087	996,609
Less accumulated depreciation	(55,773)	(56,487)	(670,752)
Net property, plant and equipment	27,095	32,600	325,857
Intangible assets, net:			
Software	2,358	3,172	28,358
Other	67	70	806
Net intangible assets	2,425	3,242	29,164
Investments and other assets:			
Investments in securities (notes 4 and 5)	15,252	15,341	183,428
Long-term loans receivable	140	181	1,684
Deferred income taxes (note 8)	37	73	445
Other investments and other assets (note 5)	3,640	3,639	43,776
Less allowance for doubtful receivables	(64)	(65)	(770)
Total investments and other assets	19,005	19,169	228,563
Total assets	¥ 156,104	¥ 145,371	\$ 1,877,378

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Okuma Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen		US\$1=83.15 Thousands of U.S. dollars (note 2)
	2011	2010	2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable	¥ 22,957	¥ 9,355	\$ 276,091
Short-term debt (note 6)	129	270	1,551
Current installments of long-term debt (note 6)	9,510	11,837	114,372
Other payables	4,058	4,094	48,803
Accrued income taxes (note 8)	596	671	7,168
Accrued bonuses	1,235	834	14,853
Other current liabilities	3,143	2,340	37,799
Total current liabilities	<u>41,628</u>	<u>29,401</u>	<u>500,637</u>
Non-current liabilities:			
Long-term debt (note 6)	23,238	23,434	279,471
Liabilities for retirement and severance benefits (note 7)	968	870	11,642
Deferred income taxes (note 8)	1,984	1,964	23,860
Other non-current liabilities	685	1,430	8,238
Total non-current liabilities	<u>26,875</u>	<u>27,698</u>	<u>323,211</u>
Total liabilities	<u>68,503</u>	<u>57,099</u>	<u>823,848</u>
Stockholders' equity:			
Common stock (note 9):	18,000	18,000	216,476
Authorized 493,862,000 shares; issued 168,775,770 shares in 2011 and 2010			
Additional paid-in capital (note 9)	41,673	41,674	501,179
Retained earnings (note 10)	34,392	33,781	413,614
Treasury stock, at cost; 4,558,414 shares in 2011 and 4,444,005 shares in 2010	(3,242)	(3,177)	(38,990)
Total stockholders' equity	<u>90,823</u>	<u>90,278</u>	<u>1,092,279</u>
Accumulated other comprehensive income:			
Net unrealized gain on other securities (note 4)	946	607	11,377
Foreign currency translation adjustments	(6,520)	(4,854)	(78,412)
Total accumulated other comprehensive income	<u>(5,574)</u>	<u>(4,247)</u>	<u>(67,035)</u>
Minority interests	<u>2,352</u>	<u>2,241</u>	<u>28,286</u>
Total net assets	<u>87,601</u>	<u>88,272</u>	<u>1,053,530</u>
Commitments and contingencies (note 16)			
Total liabilities and net assets	<u>¥ 156,104</u>	<u>¥ 145,371</u>	<u>\$ 1,877,378</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Okuma Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		US\$1=83.15 Thousands of U.S. dollars (note 2)
	2011	2010	2011
Net sales	¥ 100,966	¥ 60,336	\$ 1,214,263
Cost of sales (note 12)	77,422	54,191	931,112
Gross profit	23,544	6,145	283,151
Selling, general and administrative expenses (note 11 and 12)	21,391	21,168	257,258
Operating income (loss)	2,153	(15,023)	25,893
Other income (deductions):			
Interest income	132	110	1,587
Dividend income	200	195	2,405
Interest expenses	(801)	(617)	(9,633)
Amortization of negative goodwill	401	521	4,823
Equity in earnings of affiliates	63	27	758
Exchange gain (loss)	(644)	(459)	(7,745)
Loss on devaluation of investments in securities (note 4)	(772)	(73)	(9,284)
Impairment loss (note 13)	(630)	-	(7,577)
Other, net	(215)	(276)	(2,586)
	(2,266)	(572)	(27,252)
Loss before income taxes and minority interests	(113)	(15,595)	(1,359)
Income taxes (note 8):			
Current	725	258	8,719
Refund of income taxes	-	(499)	-
Deferred	(1,663)	3,381	(20,000)
	(938)	3,140	(11,281)
Income (loss) before minority interests	825	(18,735)	9,922
Minority interests	214	79	2,574
Net income (loss)	¥ 611	¥ (18,814)	\$ 7,348

Consolidated Statements of Changes in Net Assets

Okuma Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

US\$1=83.15

	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, 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
Changes arising during year:					
Net income			611		611
Purchase of treasury stock				(67)	(67)
Disposition of treasury stock		(1)		2	1
Net changes other than stockholders' equity					
Total changes during the year	-	(1)	611	(65)	545
Balance at March 31, 2011	¥ 18,000	¥ 41,673	¥ 34,392	¥ (3,242)	¥ 90,823

	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, 2010	\$ 216,476	\$ 501,191	\$ 406,266	\$ (38,208)	\$ 1,085,725
Changes arising during year:					
Net income			7,348		7,348
Purchase of treasury stock				(806)	(806)
Disposition of treasury stock		(12)		24	12
Net changes other than stockholders' equity					
Total changes during the year	-	(12)	7,348	(782)	6,554
Balance at March 31, 2011	\$ 216,476	\$ 501,179	\$ 413,614	\$ (38,990)	\$ 1,092,279

US\$1=83.15

	Millions of yen				
	Accumulated other comprehensive income				
	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, 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
Changes arising during year:					
Net income					611
Purchase of treasury stock					(67)
Disposition of treasury stock					1
Net changes other than stockholders' equity	339	(1,666)	(1,327)	111	(1,216)
Total changes during the year	339	(1,666)	(1,327)	111	(671)
Balance at March 31, 2011	¥ 946	¥ (6,520)	¥ (5,574)	¥ 2,352	¥ 87,601

	Thousands of U.S. dollars (note 2)				
	Accumulated other comprehensive income				
	Net unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2010	\$ 7,300	\$ (58,376)	\$ (51,076)	\$ 26,951	\$ 1,061,600
Changes arising during year:					
Net income					7,348
Purchase of treasury stock					(806)
Disposition of treasury stock					12
Net changes other than stockholders' equity	4,077	(20,036)	(15,959)	1,335	(14,624)
Total changes during the year	4,077	(20,036)	(15,959)	1,335	(8,070)
Balance at March 31, 2011	\$ 11,377	\$ (78,412)	\$ (67,035)	\$ 28,286	\$ 1,053,530

See accompanying notes to consolidated financial statements

Statement of Comprehensive Loss

Okuma Corporation and Consolidated Subsidiaries
Year ended March 31, 2011

		US\$1=83.15
	Millions of yen	Thousands of U.S. dollars (note 2)
Income before minority interests	¥ 825	\$ 9,922
Other comprehensive loss:		
Unrealized gain on other securities	344	4,137
Foreign currency translation adjustments	(1,773)	(21,323)
Other comprehensive loss of affiliates accounted for by the equity method	(1)	(12)
Total other comprehensive loss (note 19)	<u>(1,430)</u>	<u>(17,198)</u>
 Comprehensive loss (note 19)	 ¥ (605)	 \$ (7,276)
 Comprehensive income (loss) attributable to:		
Owners of the parent	¥ (717)	\$ (8,623)
Minority interests	112	1,347

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Okuma Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		US\$1=83.15
			Thousands of
	2011	2010	U.S. dollars (note 2)
Cash flows from operating activities:			
Loss before income taxes and minority interests	¥ (113)	¥ (15,595)	\$ (1,359)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	4,920	5,632	59,170
Impairment loss	630	-	7,577
Allowance for doubtful receivables	(142)	(19)	(1,708)
Increase (decrease) in accrued bonuses	404	(455)	4,859
Increase (decrease) in liabilities for retirement and severance benefits	224	(190)	2,694
Interest and dividend income	(332)	(305)	(3,993)
Interest expenses	801	637	9,633
Equity in earnings of affiliates	(63)	(27)	(758)
Gain on sale of investments in securities	-	(44)	-
Loss on devaluation of investments in securities	772	73	9,285
Loss on disposal of property, plant and equipment	-	29	-
Decrease (increase) in trade notes and accounts receivable	(10,615)	13,985	(127,661)
Decrease (increase) in inventories	(3,938)	14,502	(47,360)
Increase (decrease) in trade notes and accounts payable	14,066	(9,367)	169,164
Other, net	(393)	841	(4,726)
Sub total	6,221	9,697	74,817
Interest and dividend received	369	340	4,438
Interest paid	(841)	(610)	(10,114)
Income taxes paid	(1,056)	(1,552)	(12,700)
Income taxes refund	816	3,280	9,813
Net cash provided by operating activities	5,509	11,155	66,254
Cash flows from investing activities:			
Net decrease (increase) in time deposits	1,636	(4,400)	19,675
Capital expenditures	(800)	(1,678)	(9,621)
Proceeds from sale of property, plant and equipment	2,203	3,017	26,494
Purchase of intangible assets	(1,083)	(1,174)	(13,025)
Purchase of investments in securities	(87)	(298)	(1,046)
Proceeds from sale of investments in securities	19	88	229
Other, net	(291)	(228)	(3,500)
Net cash provided by (used in) investing activities	1,597	(4,673)	19,206
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(123)	(7,000)	(1,479)
Proceeds from long-term debt	10,007	17,000	120,349
Payments on long-term debt	(12,531)	(7,588)	(150,703)
Payments on lease obligations	(24)	(30)	(289)
Purchase of treasury stock	(66)	(11)	(794)
Proceeds from sale of treasury stock	-	2	-
Dividends paid to stockholders	-	(329)	-
Dividends paid to minority stockholders of subsidiaries	-	(1)	-
Net cash provided by (used in) financing activities	(2,737)	2,043	(32,916)
Effect of exchange rate changes on cash and cash equivalents	(140)	(77)	(1,684)
Net increase in cash and cash equivalents	4,229	8,448	50,860
Cash and cash equivalents at beginning of year	34,825	26,377	418,821
Cash and cash equivalents at end of year (note 3)	¥ 39,054	¥ 34,825	\$ 469,681

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 was 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 2011 and 2010).

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

Investments in affiliates are accounted for by the equity method.

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

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

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

(c) Cash and Cash Equivalents

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

(d) Short-term Investments and Investments in Securities

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

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

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 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.

(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

(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 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

Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line method, with the lease periods as their useful lives and no residual value.

Finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

(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) Asset retirement obligations

From the year ended March 31, 2011, the Company applied "the Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "the Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008). The Standard and the Guidance require that a company should recognize an asset retirement obligation which is a statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the same amount.

The effect of this change is immaterial.

(q) Presentation of comprehensive income

From the year ended March 31, 2011, the Company applied "the Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010) and "the Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, Revised on June 30, 2010). Comprehensive income is the change in net assets that is recognized in an entity's financial statements for a period, other than those changes resulting from direct transactions with equity holders in the entity's net assets. Other comprehensive income is a portion of comprehensive income that is not included in net income for the period or minority interest's share in it.

Comprehensive income is required to be presented in either of, (a) a format composed of the statement of income that presents net income and the statement of comprehensive income that presents calculation of comprehensive income (two-statement format), or (b) a format using one statement (statement of income and comprehensive income) that presents net income and comprehensive income (one-statement format).

The Company presents comprehensive income in two-statement format.

(r) 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, 2011.

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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, 2011 have been translated into United States dollars at the rate of ¥83.15=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2011. 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, 2011 and 2010 is follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash	¥ 42,182	¥ 39,609	\$ 507,300
Short-term investments	-	-	-
Time deposits etc. with maturities of over three months	(3,128)	(4,784)	(37,619)
Cash and cash equivalents	¥ 39,054	¥ 34,825	\$ 469,681

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, 2011 and 2010 are summarized as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2011				
Equity securities	¥ 10,430	¥ 2,645	¥ (1,324)	¥ 11,751
Debt securities	850	3	-	853
	¥ 11,280	¥ 2,648	¥ (1,324)	¥ 12,604
March 31, 2010				
Equity securities	¥ 11,182	¥ 2,279	¥ (1,540)	¥ 11,921
Debt securities	850	3	-	853
	¥ 12,032	¥ 2,282	¥ (1,540)	¥ 12,774

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Balance sheet amount
March 31, 2011				
Equity securities	\$ 125,436	\$ 31,810	\$ (15,923)	\$ 141,323
Debt securities	10,222	32	-	10,258
	\$ 135,658	\$ 31,846	\$ (15,923)	\$ 151,581

Losses on impairment of other securities recognized to reflect declines in market value considered to be other than temporary were ¥772 million (\$9,284 thousand) and ¥73 million for the years ended March 31, 2011 and 2010, respectively.

Notes to Consolidated Financial Statements

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5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2011 and 2010 are ¥3,541 million (\$42,586 thousand) and ¥3,483 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, 2011 and 2010 are 5.3% and 4.6%, respectively.

Long-term debt as of March 31, 2011 and 2010 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans from banks, unsecured, maturing in installments through 2015; bearing weighted average interest of 1.6% and 1.7 % at March 31, 2011 and 2010, respectively	¥ 27,748	¥ 30,271	\$ 333,710
Unsecured Japanese yen bonds due 2014, bearing interest of 1.48% at March 31, 2011 and 2010.	5,000	5,000	60,133
Total	32,748	35,271	393,843
Less current installments	9,510	11,837	114,372
	¥ 23,238	¥ 23,434	\$ 279,471

The aggregate annual maturities of long-term debt after March 31, 2012 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 7,312	\$ 87,937
2014	4,744	57,053
2015	2,102	25,280
2016	4,080	49,068

At March 31, 2011, the Company had unused committed lines of credit amounting to ¥22,000 million (\$264,582 thousand) with fourteen 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.

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.

Notes to Consolidated Financial Statements

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The funded status of the pension plans at March 31, 2011 and 2010 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligations	¥ (17,744)	¥ (18,455)	\$ (213,398)
Plan assets at fair value	12,468	13,406	149,946
Funded status	(5,276)	(5,049)	(63,452)
Unrecognized actuarial loss	5,231	5,356	62,911
Unrecognized prior service benefit	(653)	(753)	(7,853)
Net amount recognized in the consolidated balance sheets	(698)	(446)	(8,394)
Prepaid retirement and severance benefits	184	347	2,213
Accrued retirement and severance benefits	¥ (882)	¥ (793)	\$ (10,607)

Net periodic pension cost for the years ended March 31, 2011 and 2010 consist of the following components:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥ 460	¥ 481	\$ 5,532
Interest cost	412	441	4,955
Expected return on plan assets	(375)	(365)	(4,510)
Amortization of actuarial loss	401	500	4,823
Amortization of prior service benefit	(96)	(97)	(1,155)
Net periodic pension cost	802	960	9,645
Contribution to the defined contribution pension plan	202	164	2,429
	¥ 1,004	¥ 1,124	\$ 12,074

Significant assumptions of pension plans used to determine these amounts in fiscal 2011 and 2010 are as follows:

	2011	2010
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, 2011 and 2010, the liabilities for director's retirement benefits of consolidated domestic subsidiaries related to the plans were ¥86 million (\$1,035 thousand) and ¥77 million, respectively.

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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 2011 and 2010. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they are incorporated.

The reconciliation for the year ended March 31, 2011 and 2010 was omitted because loss before income taxes and minority interests were recorded.

Significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets (current):			
Accrued bonus	¥ 334	¥ 215	\$ 4,017
Unrealized intercompany profits on inventories	776	232	9,333
Accrued business tax	69	-	830
Depreciation	228	159	2,742
Liabilities for retirement and severance benefits (Employee) etc.	396	439	4,761
Allowance for doubtful receivables	138	63	1,660
Accrued product warranty costs	97	3	1,167
Tax loss carryforwards	563	61	6,771
Other	312	564	3,752
	<u>2,913</u>	<u>1,736</u>	<u>35,033</u>
Valuation allowance	<u>(772)</u>	<u>(1,347)</u>	<u>(9,284)</u>
	<u>2,141</u>	<u>389</u>	<u>25,749</u>
Offset with deferred tax liabilities	<u>(23)</u>	<u>(3)</u>	<u>(277)</u>
Net deferred tax assets	<u>¥ 2,118</u>	<u>¥ 386</u>	<u>\$ 25,472</u>
Deferred tax liabilities (current):			
Other	<u>26</u>	<u>5</u>	<u>313</u>
	<u>26</u>	<u>5</u>	<u>313</u>
Offset with deferred tax assets	<u>(23)</u>	<u>(3)</u>	<u>(277)</u>
Net deferred tax liabilities	<u>¥ 3</u>	<u>¥ 2</u>	<u>\$ 36</u>
Deferred tax assets (non-current):			
Tax loss carryforwards	¥ 7,274	¥ 7,068	\$ 87,481
Depreciation	659	386	7,926
Liabilities for retirement and severance benefits (Employee) etc.	207	281	2,489
Unrealized intercompany profits on fixed assets	86	118	1,034
Devaluation loss on inventories	780	1,068	9,381
Devaluation loss on investment in securities	429	348	5,159
Other	644	639	7,745
	<u>10,079</u>	<u>9,908</u>	<u>121,215</u>
Valuation allowance	<u>(9,809)</u>	<u>(9,708)</u>	<u>(117,968)</u>
	<u>270</u>	<u>200</u>	<u>3,247</u>
Offset with deferred tax liabilities	<u>(233)</u>	<u>(127)</u>	<u>(2,802)</u>
Net deferred tax assets	<u>¥ 37</u>	<u>¥ 73</u>	<u>\$ 445</u>
Deferred tax liabilities (non-current):			
Unrealized gain on other securities	¥ 358	¥ 122	\$ 4,305
Assets valuation amount arising from reorganization	1,321	1,333	15,887
Other	538	636	6,470
	<u>2,217</u>	<u>2,091</u>	<u>26,662</u>
Offset with deferred tax assets	<u>(233)</u>	<u>(127)</u>	<u>(2,802)</u>
Net deferred tax liabilities	<u>¥ 1,984</u>	<u>¥ 1,964</u>	<u>\$ 23,860</u>

Notes to Consolidated Financial Statements

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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, 2010 and 2009 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, 2010

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

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

b. Dividends paid during the year ended March 31, 2011

Nondividend.

c. Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2011

The following was approved by the general meeting of stockholders held on June 29, 2011.

(a) Total dividends	¥328million (\$3,945thousand)
(b) Cash dividends per common share	¥2 (\$0.02)
(c) Record date	March 31, 2011
(d) Effective date	June 30, 2011

Notes to Consolidated Financial Statements

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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
	2011	2010	2011
Freight and packing	¥ 4,921	¥ 3,497	\$ 59,182
Sales related costs	2,652	3,122	31,894
Remuneration and salary	5,534	5,434	66,554
Traveling and communications	1,155	1,270	13,891

12. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2011 and 2010 are ¥1,624 million (\$19,531 thousand) and ¥2,741 million, respectively.

13. Long-lived Assets

For the year ended March 31, 2011, 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	Thousands of U.S. dollars
Konan plant (Konan City, Aichi Prefecture)	Machining facilities	Land, Buildings etc.	¥ 630	\$7,577

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

Konan plant will resume operations depending on production volume in the future, but the Company separated Konan factory into an independent asset group from headquarters plant and Kani plant, considering current and future usage. The assets of Konan plant were written down to a recoverable value and the amount written down was recognized as impairment loss of ¥630 million (\$7,577 thousand).

The breakdown of impairment loss is as follows:

Land	¥30 million (\$361 thousand)
Buildings and structures	¥348 million (\$4,185 thousand)
Machinery, equipment, and vehicles	¥192 million (\$2,309 thousand)
Other	¥60 million (\$722 thousand)

Recoverable value is measured by net selling value. Net selling value of land and buildings are based on real estate appraisal and others are memorandum amount considering estimated cost of disposal.

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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, 2011 and 2010 are as follows:

	Yen		U.S. dollars
	2011	2010	2011
Basic net income (loss) per share	¥ 3.72	¥ (114.48)	\$ (0.04)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net income (loss)	¥ 611	¥ (18,814)	\$ 7,348
Net income (loss) not applicable to common stockholders	-	-	-
Net income (loss) applicable to common stockholders	¥ 611	¥ (18,814)	\$ 7,348

	Number of shares (Thousands)	
	2011	2010
Weighted average number of shares outstanding on which basic net income (loss) per share is calculated	164,275	164,341

(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, 2011 and 2010 are as follows:

	Yen		U.S. dollars
	2011	2010	2011
Net assets per share	¥ 519.12	¥ 523.52	\$ 6.24

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total net assets	¥ 87,601	¥ 88,272	\$ 1,053,530
Amount deducted from total net assets:			
Minority interests	2,352	2,241	28,286
Net assets applicable to common stockholders	¥ 85,249	¥ 90,513	\$ 1,025,244

	Number of shares (Thousands)	
	2011	2010
Number of shares outstanding at end of year on which net assets per share is calculated	164,217	164,311

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15. Leases

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value at March 31, 2011 and 2010 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
	2011	2010	2011
Acquisition cost	¥ 577	¥ 1,103	\$ 6,939
Accumulated depreciation	487	871	5,857
Net book value	¥ 90	¥ 232	\$ 1,082

Future minimum payments which include interest portion required under finance leases at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Within one year	¥ 56	¥ 131	\$ 673
Over one year	34	101	409
	¥ 90	¥ 232	\$ 1,082

Lease payments for the years ended March 31, 2011 and 2010 amounted to ¥141 million (\$1,696 thousand) and ¥212 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, 2011 and 2010, the Company was contingently liable with respect to trade notes receivable endorsed in the amounts of ¥78 million (\$938 thousand) and ¥27 million, respectively.

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

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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 mitigate and quickly capture the collectability issues, 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.

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.

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Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2011 and 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, 2011	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Differences	Carrying value	Fair value	Differences
Assets:						
(1) Cash	¥ 42,182	¥ 42,182	¥ -	\$ 507,300	\$ 507,300	\$ -
(2) Notes and accounts receivable	26,736	26,736	-	321,539	321,539	-
(3) Investments in securities:						
Other securities	12,604	12,604	-	151,582	151,582	-
Investments in affiliates	2,150	898	(1,252)	25,857	10,800	(15,057)
Total	¥ 83,672	¥ 82,420	¥ (1,252)	\$1,006,278	\$ 991,221	\$ (15,057)
Liabilities:						
(1) Notes and accounts payable	¥ 22,957	¥ 22,957	¥ -	\$ 276,091	\$ 276,091	\$ -
(2) Short-term debt	129	129	-	1,551	1,551	-
(3) Long-term debt	32,748	32,993	245	393,843	396,789	2,946
Total	¥ 55,834	¥ 56,079	¥ 245	\$ 671,485	\$ 674,431	\$ 2,946
Derivative transactions	¥ (116)	¥ (96)	¥ 20	\$ (1,395)	\$ (1,154)	\$ 241

March 31, 2010	Millions of yen		
	Carrying value	Fair value	Differences
Assets:			
(1) Cash	¥ 39,609	¥ 39,609	¥ -
(2) Notes and accounts receivable	16,817	16,806	(11)
(3) Investments in securities:			
Other securities	12,774	12,774	-
Total	¥ 69,200	¥ 69,189	¥ (11)
Liabilities:			
(1) Notes and accounts payable	¥ 9,355	¥ 9,355	¥ -
(2) Short-term debt	270	270	-
(3) Long-term debt	35,271	35,654	383
Total	¥ 44,896	¥ 45,279	¥ 383
Derivative transactions	¥ (128)	¥ (157)	¥ (29)

* 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.

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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.

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
	2011	2010	2011
Unlisted equity securities	¥ 141	¥ 160	\$ 1,696
Investment in affiliates	357	2,407	4,293

(c) Projected future redemption of monetary claim and securities with maturities at March 31, 2011

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash	¥ 42,182	¥ -	¥ -	¥ -
Notes and accounts receivable	26,736	-	-	-
Investments in securities:				
Other securities				
(Corporate bond securities)	-	-	150	-
	¥ 68,918	¥ -	¥ 150	¥ -

	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	\$ 507,300	\$ -	\$ -	\$ -
Notes and accounts receivable	321,539	-	-	-
Investments in securities:				
Other securities				
(Corporate bond securities)	-	-	1,804	-
	\$ 828,839	\$ -	\$ 1,804	\$ -

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

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

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18. Derivative Financial Instruments

At March 31, 2011 and 2010, 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, 2011			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 7,155	¥ 7,208	¥ (53)
Euro	4,449	4,656	(207)
To buy foreign currency:			
U.S. dollar	47	45	(2)
Yen	213	200	(13)
Currency option contracts:			
Written:			
U.S. dollar	2,304 (69)	131	(62)
Purchased:			
U.S. dollar	4,706 (69)	77	8
Currency swap contracts:			
Receive JPY / paid USD	1,389	89	89
Receive JPY / paid EUR	3,736	124	124
	<u>¥ 23,999</u>	<u>¥ 12,530</u>	<u>¥ (116)</u>
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>

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, 2011			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	\$ 86,049	\$ 86,687	\$ (638)
Euro	53,506	55,995	(2,489)
To buy foreign currency:			
U.S. dollar	565	541	(24)
Yen	2,561	2,405	(156)
Currency option contracts:			
Written:			
U.S. dollar	27,709 (830)	1,576	(746)
Purchased:			
U.S. dollar	56,597 (830)	926	96
Currency swap contracts:			
Receive JPY / paid USD	16,705	1,071	1,071
Receive JPY / paid EUR	44,931	1,491	1,491
	<u>\$ 288,623</u>	<u>\$ 150,692</u>	<u>\$ (1,395)</u>

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

At March 31, 2011 and 2010, the disclosure of fair value information for derivatives which is accounted for as hedges are as follows:

March 31, 2011			Millions of yen		Thousands of U.S. dollars	
Hedge accounting method	Nature of transaction	Hedged items	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	¥ 20	\$ 60,132	\$ 241
*1	Interest rate swaps: Variable rate received for fixed rate	Long-term debt	14,200	*2	170,776	*2
March 31, 2010			Millions of yen			
Hedge accounting method	Nature of transaction	Hedged items	Contract or notional amounts	Fair value		
*1	Interest rate swaps: Fixed rate received for variable rate	Long-term debt (Corporate bonds)	¥ 5,000	¥ (29)		
*1	Interest rate swaps: Variable rate received for fixed rate	Long-term debt	23,874	*2		

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

*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.

19. Comprehensive Income (Loss)

(a) Comprehensive loss for the year ended March 31, 2010 was as follows:

	Millions of yen
Comprehensive loss attributable to owners of parent	¥ (16,834)
Comprehensive income attributable to minority interests	118
Total comprehensive loss	<u>¥ (16,716)</u>

(b) Other comprehensive income for the year ended March 31, 2010 was consisted of as follows:

	Millions of yen
Net unrealized gain on other securities	¥ 2,476
Foreign currency translation adjustments	(457)
Other comprehensive loss of affiliates accounted for by the equity method	(0)
Total other comprehensive income	<u>¥ 2,019</u>

20. Segment Information

From the year ended March 31, 2011, the Company applied "the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 21, 2008) and "the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).

The Standard and the Guidance adopt the management approach adopted in International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles in the United States (USGAAP) as the segment reporting method. Disclosures about segments of an enterprise and related information should provide proper information on the nature of various business activities in which it engages and the economic environments in which it operates.

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for Executive Officers to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

The Company operates the manufacture and sale of machine tools and industrial machinery. The Company and its subsidiaries are responsible in Japan and overseas subsidiaries are responsible for each area. Each overseas subsidiary is an independent business unit and develops its comprehensive strategy about its products in each area.

Therefore, the Company is consisted of the geographic segments based on manufacturing and sales system and "Japan", "Americas", "Europe" and "Asia/Pacific" are the Company's reporting segments.

Segment sales, income, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements. Segment income (loss) are calculated based on operating income in the consolidated statements of operations.

The inter-segment transactions which are based on arms-length transactions are the inter-company transactions.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

The reported segment information for the Company and its consolidated subsidiaries for the year ended March 31, 2011 is summarized as follows:

	Millions of yen						
	2011						
	Japan	Americas	Europe	Asia/ Pacific	Total	Adjustments	Consolidated
Sales to outside customers	¥ 58,424	¥ 22,049	¥ 12,608	¥ 7,885	¥ 100,966	¥ -	¥ 100,966
Inter-segment sales	29,423	69	72	2,179	31,743	(31,743)	-
Total	¥ 87,847	¥ 22,118	¥ 12,680	¥ 10,064	¥ 132,709	¥ (31,743)	¥ 100,966
Segment income (loss)	¥ 1,655	¥ 978	¥ (188)	¥ 580	¥ 3,025	¥ (872)	¥ 2,153
Segment assets	¥ 145,733	¥ 22,291	¥ 14,432	¥ 8,455	¥ 190,911	¥ (34,807)	¥ 156,104
Others							
Depreciation and amortization	¥ 4,708	¥ 183	¥ 71	¥ 134	¥ 5,096	¥ (51)	¥ 5,045
Investments in affiliated companies	2,150	-	-	-	2,150	-	2,150
Purchases of property, plant and equipment, and intangible assets	1,633	136	10	164	1,943	-	1,943

	Thousands of U.S. dollars						
	2011						
	Japan	Americas	Europe	Asia/ Pacific	Total	Adjustments	Consolidated
Sales to outside customers	\$ 702,634	\$ 265,171	\$ 151,629	\$ 94,829	\$ 1,214,263	\$ -	\$ 1,214,263
Inter-segment sales	353,854	830	866	26,206	381,756	(381,756)	-
Total	\$ 1,056,488	\$ 266,001	\$ 152,495	\$ 121,035	\$ 1,596,019	\$ (381,756)	\$ 1,214,263
Segment income (loss)	\$ 19,904	\$ 11,762	\$ (2,261)	\$ 6,975	\$ 36,380	\$ (10,487)	\$ 25,893
Segment assets	\$ 1,752,652	\$ 268,082	\$ 173,566	\$ 101,683	\$ 2,295,983	\$ (418,605)	\$ 1,877,378
Others							
Depreciation and amortization	\$ 56,621	\$ 2,201	\$ 854	\$ 1,611	\$ 61,287	\$ (614)	\$ 60,673
Investments in affiliated companies	25,857	-	-	-	25,857	-	25,857
Purchases of property, plant and equipment, and intangible assets	19,639	1,636	120	1,972	23,367	-	23,367

"Adjustments" of ¥872 million (\$10,487 thousand) in segment income (loss) are from the elimination of unrealized profit etc.

"Adjustments" of ¥34,807 million (\$418,605 thousand) in segment assets are from the elimination of inter-segment transactions.

"Adjustments" of ¥51 million (\$614 thousand) in depreciation and amortization are from the elimination of unrealized profit.

Segment income (loss) is adjusted with operating income in the consolidated statements of operations.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

The reported segment information for the year ended March 31, 2010 which are restated to conform to the segmentation for the year ended March 31, 2011 are as follows:

	Millions of yen						
	2010						
	Japan	Americas	Europe	Asia/ Pacific	Total	Adjustments	Consolidated
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)	-
Total	¥ 46,054	¥ 12,963	¥ 8,817	¥ 5,153	¥ 72,987	¥ (12,651)	¥ 60,336
Segment loss	¥ (14,195)	¥ (862)	¥ (1,315)	¥ (154)	¥ (16,526)	¥ 1,503	¥ (15,023)
Segment assets	¥ 133,964	¥ 17,882	¥ 13,824	¥ 6,441	¥ 172,111	¥ (26,740)	¥ 145,371
Others							
Depreciation and amortization	¥ 5,478	¥ 224	¥ 86	¥ 141	¥ 5,929	¥ (52)	¥ 5,878
Investments in affiliated companies	2,158	-	-	-	2,158	-	2,158
Purchases of property, plant and equipment, and intangible assets	2,433	92	21	33	2,579	-	2,579

"Adjustments" of ¥1,503 million in segment loss are from the elimination of unrealized profit etc.

"Adjustments" of ¥26,740 million in segment assets are from the elimination of inter-segment transactions.

"Adjustments" of ¥52 million in depreciation and amortization are from the elimination of unrealized profit.

Segment loss is adjusted with operating loss in the consolidated statements of operations.

The following is based on the former segmentation for the year ended March 31, 2010:

(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.

(b) Geographic segments

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

	Millions of yen						
	2010						
	Japan	Americas	Europe	Asia/ Pacific	Total	Elimination/ corporate	Consolidated
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

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 as of March 31, 2010 in the Elimination / corporate line consist primarily of surplus fund (cash and deposits, and securities) and long-term investments (investments in securities).

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

(c) Overseas sales

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

	Millions of yen
	2010
Overseas sales	
Americas	¥ 12,681
Europe	8,613
Asia/Pacific	12,59
	¥ 33,885
Consolidated sales	¥ 60,336
Percentage of overseas sales to consolidated sales	56.2%

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

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

Europe: Germany, Russia, Italy, Netherlands and Rumania

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

21. Segment Related Information

Related segment information for the year ended March 31, 2011 is as follows:

a) Information by products and services

	Millions of yen					
	2011					
	Numerical Control lathe	Machining center	Multitasking machine	numerically controlled grinding machine	Other	Total
Sales to outside customers	¥ 29,261	¥ 45,085	¥ 22,270	¥ 1,596	¥ 2,754	¥ 100,966

	Thousands of U.S. dollars					
	2011					
	Numerical Control lathe	Machining center	Multitasking machine	numerically controlled grinding machine	Other	Total
Sales to outside customers	\$ 351,906	\$ 542,213	\$ 267,829	\$ 19,194	\$ 33,121	\$1,214,263

b) Geographical information

(1) Sales

	Millions of yen				
	2011				
	Japan	Americas	Europe	Asia/Pacific	Total
	¥ 39,692	¥ 22,853	¥ 12,696	¥ 25,725	¥ 100,966

	Thousands of U.S. dollars				
	2011				
	Japan	Americas	Europe	Asia/Pacific	Total
	\$ 477,354	\$ 274,841	\$ 152,688	\$ 309,380	\$1,214,263

Sales are based on location of the customers and classified to countries or regions.

Notes to Consolidated Financial Statements

Okuma Corporation and Consolidated Subsidiaries

(2) Property, plant and equipment

Millions of yen					
2011					
Japan	Americas	Europe	Asia/Pacific	Total	
¥ 23,712	¥ 1,243	¥ 1,293	¥ 847	¥ 27,095	
Thousands of U.S. dollars					
2011					
Japan	Americas	Europe	Asia/Pacific	Total	
\$ 285,171	\$ 14,949	\$ 15,550	\$ 10,187	\$ 325,857	

c) Information by major customers

Disclosures are omitted since net sales to the major customers does not exceed more than 10% of the consolidated net sales for the year ended March 31, 2011.

22. Information of Impairment loss on fixed assets by reported segments

Millions of yen							
2011							
	Japan	Americas	Europe	Asia/Pacific	Total	Elimination/corporate	Total
Impairment loss on fixed assets	¥ 630	¥ -	¥ -	¥ -	¥ 630	¥ -	¥ 630
Thousands of U.S. dollars							
2011							
	Japan	Americas	Europe	Asia/Pacific	Total	Elimination/corporate	Total
Impairment loss on fixed assets	\$ 7,577	\$ -	\$ -	\$ -	\$ 7,577	\$ -	\$ 7,577

23. Information of Amortization of goodwill and unamortized goodwill by reported segments

Millions of yen							
2011							
	Japan	Americas	Europe	Asia/Pacific	Total	Elimination/corporate	Total
Amortization of negative goodwill	¥ 401	¥ -	¥ -	¥ -	¥ 401	¥ -	¥ 401
Unamortized negative goodwill	104	-	-	-	104	-	104
Thousands of U.S. dollars							
2011							
	Japan	Americas	Europe	Asia/Pacific	Total	Elimination/corporate	Total
Amortization of negative goodwill	\$ 4,823	\$ -	\$ -	\$ -	\$ 4,823	\$ -	\$ 4,823
Unamortized negative goodwill	1,251	-	-	-	1,251	-	1,251

Negative goodwill incurred by reported segments

March 31, 2011

Not applicable.



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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, 2011 and 2010, and related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and related consolidated statement of comprehensive loss for the year ended March 31, 2011, 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, 2011 and 2010, 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, 2011 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.

BDO Toyo & Co.

BDO Toyo & Co.
Nagoya, Japan
June 29, 2011

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	101 billion yen
Employee	2,908
URL	http://www.okuma.co.jp/english/

DIRECTORS AND AUDITORS

(As of June 29, 2011)

Board of Directors

Yoshimaro Hanaki	President and Chief Executive Officer*
Yoshihiko Mori	Senior Executive Director
Masato Ryoki	Executive Director
Yukiharu Takehara	Executive Director
Toshio Tomida	Senior Director
Masamichi Ito	Senior Director
Yoshinori Ozaki	Senior Director
Katsuyoshi Kitagawa	Senior Director
Yasunori Hori	Senior Director
Takeshi Yamamoto	Senior Director
Chikashi Horie	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, 2011)

Headquarters & Oguchi Plant

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

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