



Okuma Corporation

Second Quarter

Fiscal Year 2010 Financial Results



November 5, 2010

Part 1 Second Quarter Fiscal Year 2010 Financial Results

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Part 1

Second Quarter Fiscal Year 2010 Financial Results

[Summary of Financial Results]



Highlights and Issues for the Future

- Machine tool demand improved as world investments shifted from recession to recovery. China-led demand in the emerging nations grew, and recovery was evident in Japan, the US, and Europe. The appreciated yen has become a fixed trend.
- In that background, the Okuma Group implemented tactics to increase orders and sales. Consolidated orders increased considerably by 113% over the previous year to ¥51.4 billion, and sales also increased by 43% compared to last year, reaching ¥42.7 billion. Current sales have surpassed the 2010 first half projected ¥39.0 billion target.
- The drop in profits per the high yen is also worse than previously projected, but bigger orders/sales, better productivity, lower design/procurement costs, tighter expense controls, etc--did result in profit assurance. Operating losses were held to ¥1.6 billion; less than projected(¥2.0 billion).
- To keep up with increasing orders, production was increased, lead-times shortened, and inventories reduced to ¥31.7 billion. Operating cash flow reached ¥2.3 billion, and March-end net cash grew from ¥4.1 billion to ¥6.7 billion.
- 2010 fiscal year consolidated financial projections (4 November estimates) were adjusted to reflect current projected orders and exchange rate realities; sales from ¥90.0 billion to ¥96.0 billion. Operating profit remained unchanged at ¥1.2 billion.
- Second half trends should see a continuation of 1st-half positives; more orders/sales based on accelerated tactics to assure profits. Additional efforts to shore up profits being challenged by the high yen will also be implemented, and tied to our growth strategy for FY2011.

[Summary of Financial Results]



(Reference)

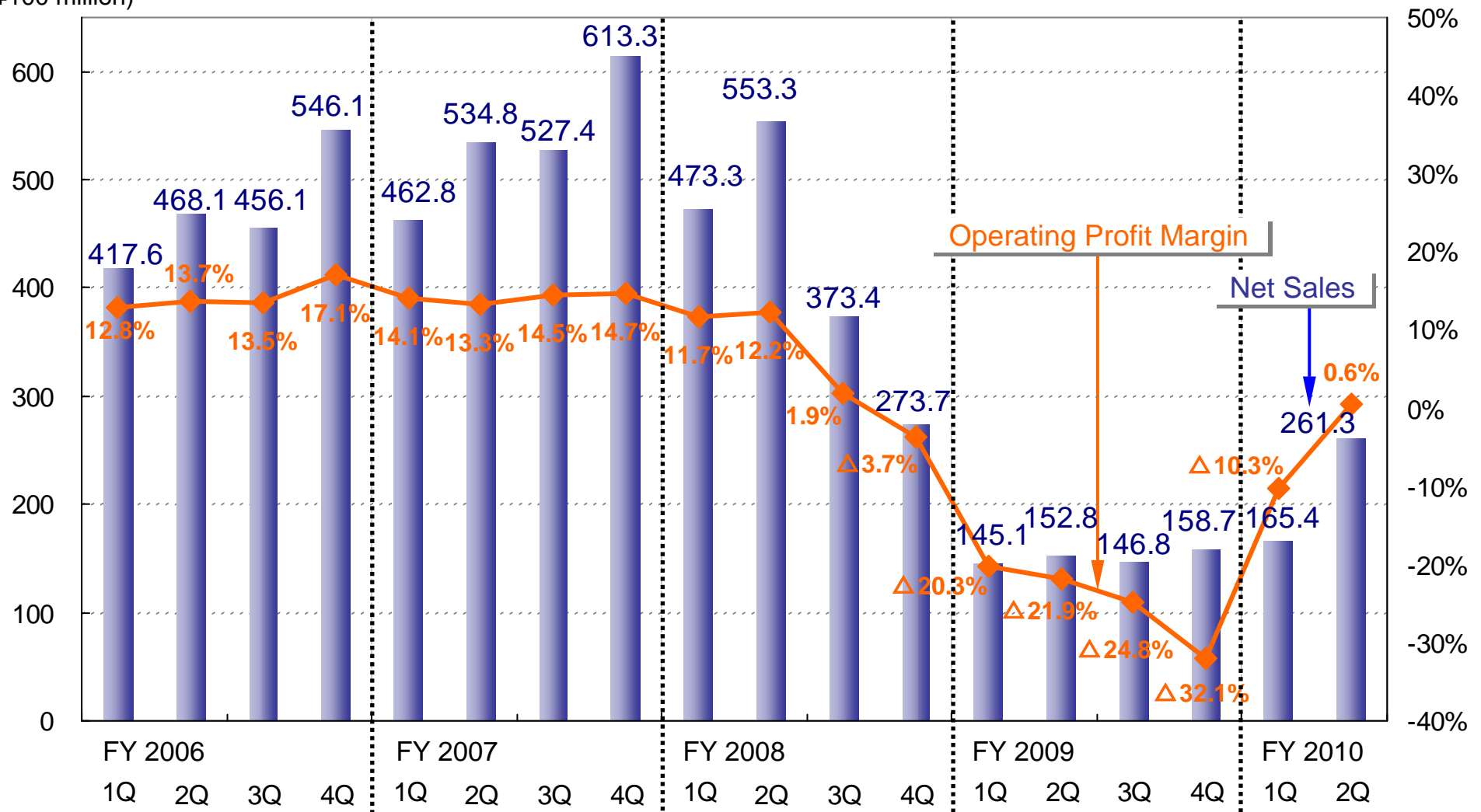
	FY 2009	FY 2010				Mid. FY 2010 Forecast Results (as of 30 Apr 10)
	Midterm Total	1Q	2Q	Midterm Total	% Change (Compared to Mid. FY2009)	
	(¥100 million)	(¥100 million)	(¥100 million)	(¥100 million)		(¥100 million)
Net sales	297.9	165.4	261.3	426.7	43.2%	390.0
Operating profit	△62.8	△17.1	1.5	△15.6	—	△20.0
Ordinary profit	△64.9	△18.5	△2.2	△20.7	—	△22.0
Net profit	△93.8	△24.3	△8.1	△32.3	—	△23.0

Exchange rate	Actual rate for the 1st half of FY2010	US\$1 = ¥88.2	1 Euro = ¥113.1
	Actual rate for the 1st half of FY2009	US\$1 = ¥94.8	1 Euro = ¥133.2
Effects of exchange rate fluctuations (operating profit)	US\$	= △¥0.7 billion	Euro = △¥0.91 billion
(Reference) Assumed Rates for FY2010 as of 30 Apr. 2010	US\$1	= ¥92.0	1 Euro = ¥125.0

[Summary of Financial Results] Quarterly Trends



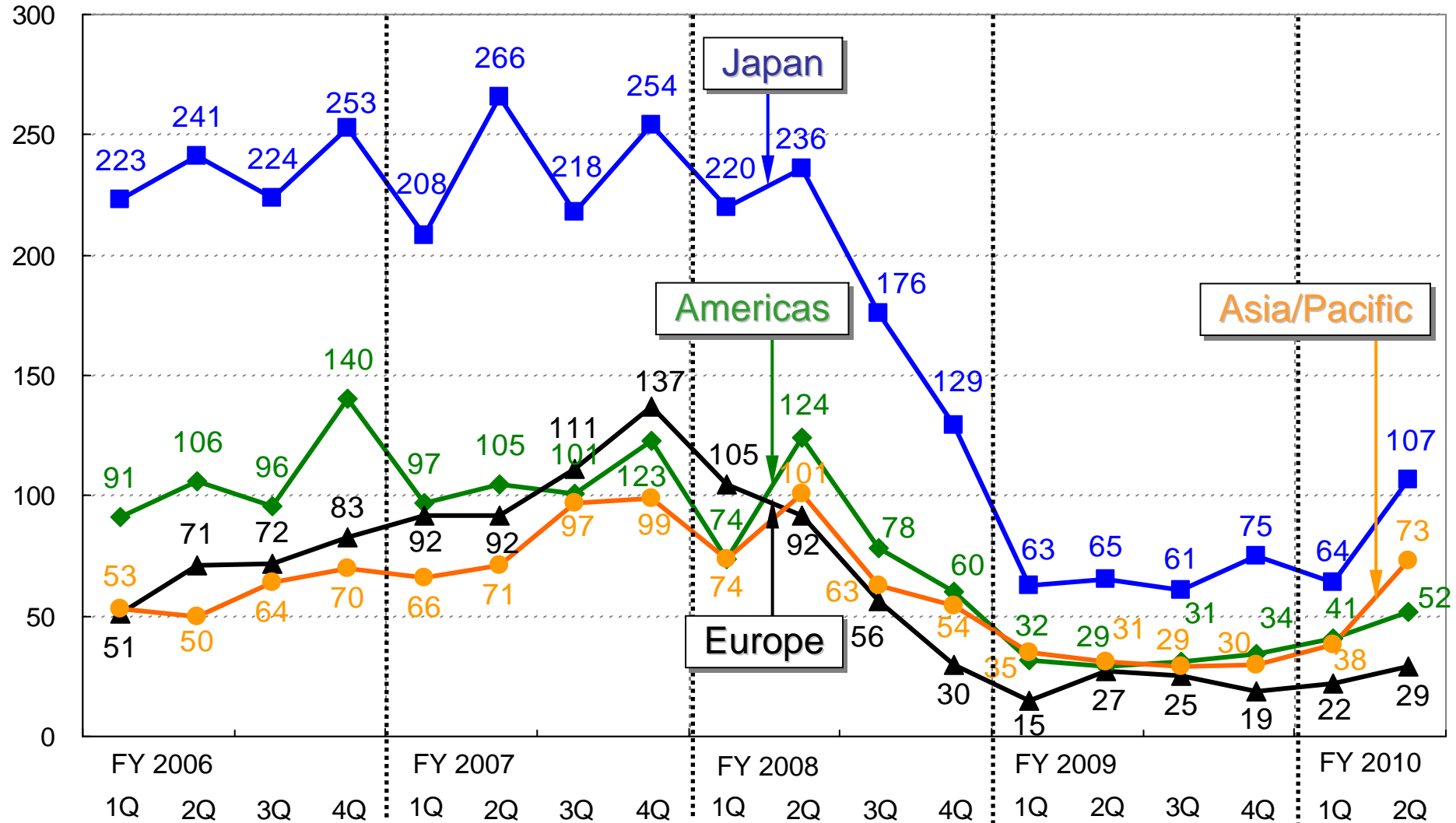
(¥100 million)



[Sales/Orders] Quarterly Sales by Geographic Region



(¥100 million)



[Sales/Orders]

New Orders, Net Sales and Order backlog by Product Category

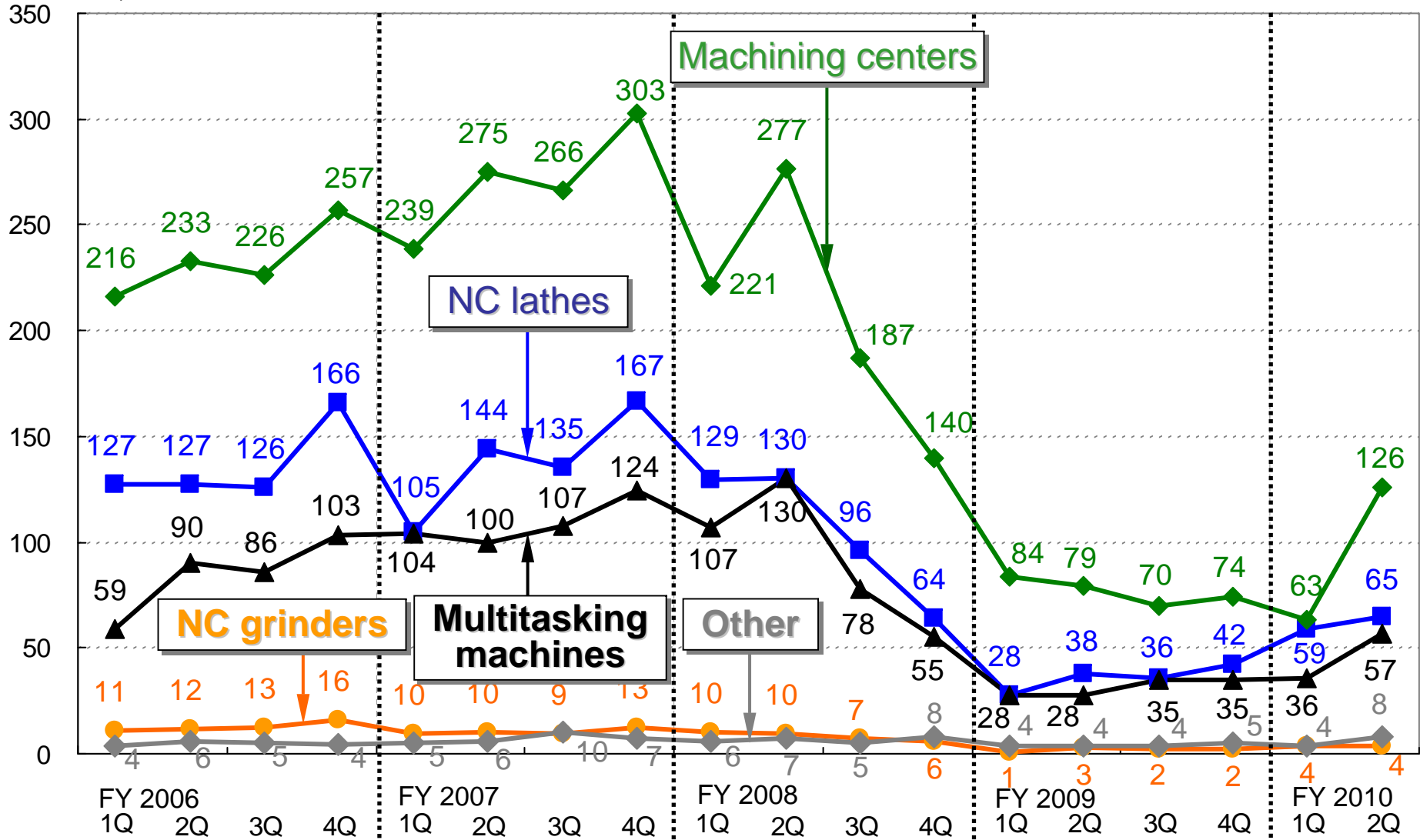


	New orders			Net sales			Order backlog		
	FY 2009 Midterm Total	FY 2010 Midterm Total	% Change	FY 2009 Midterm Total	FY 2010 Midterm Total	% Change	FY 2009 Midterm Total	FY 2010 Midterm Total	% Change
	(¥100 million)	(¥100 million)		(¥100 million)	(¥100 million)		(¥100 million)	(¥100 million)	
NC lathes	45	151	238%	66	124	89%	45	85	91%
Machining centers	128	238	85%	163	189	16%	144	192	33%
Multitasking machines	52	102	95%	56	93	65%	37	54	45%
NC grinders	4	7		4	8		5	6	
Other	12	17		8	12		6	11	
Total	242	514	113%	298	427	43%	236	348	47%

[Sales/Orders] Quarterly Sales by Product Category



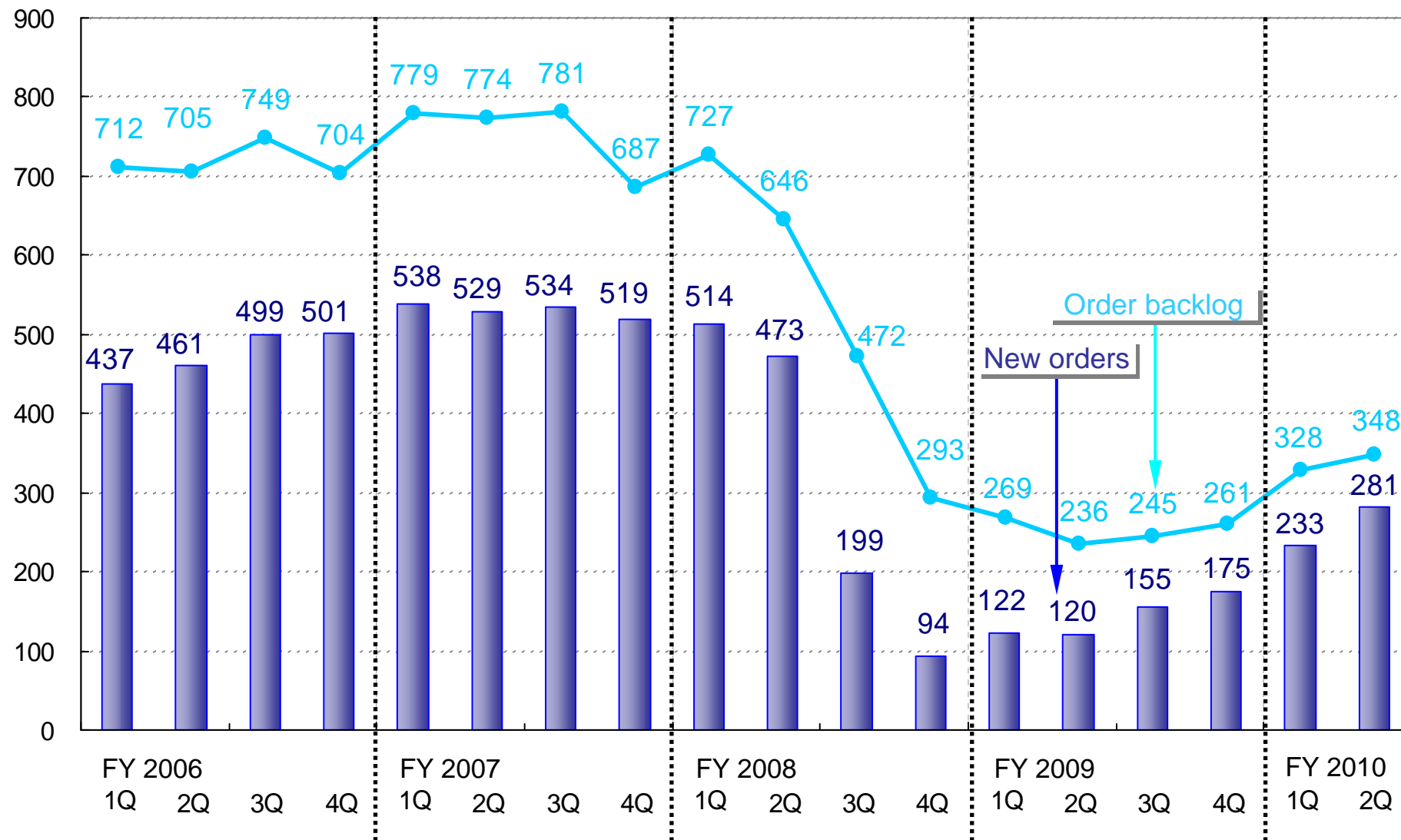
(¥100 million)



[Sales/Orders] Quarterly Orders and Order Backlog

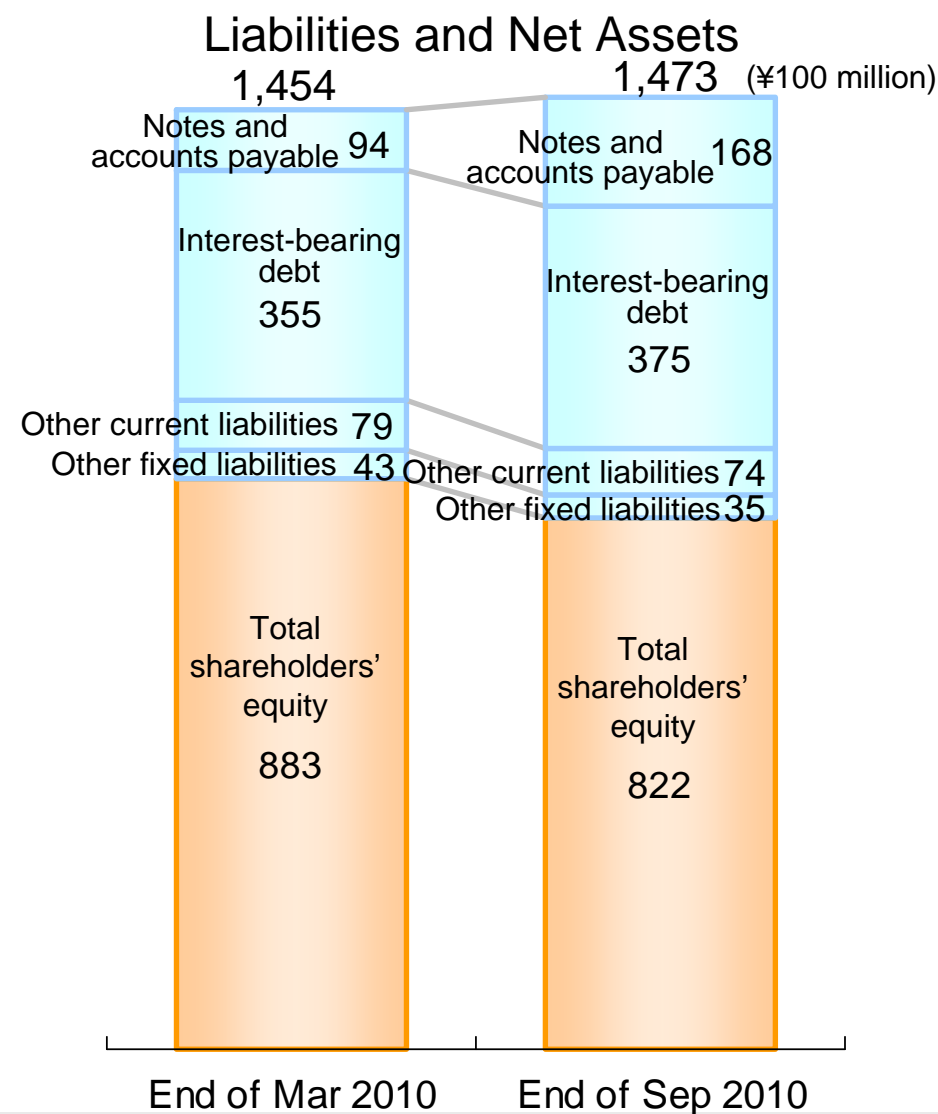
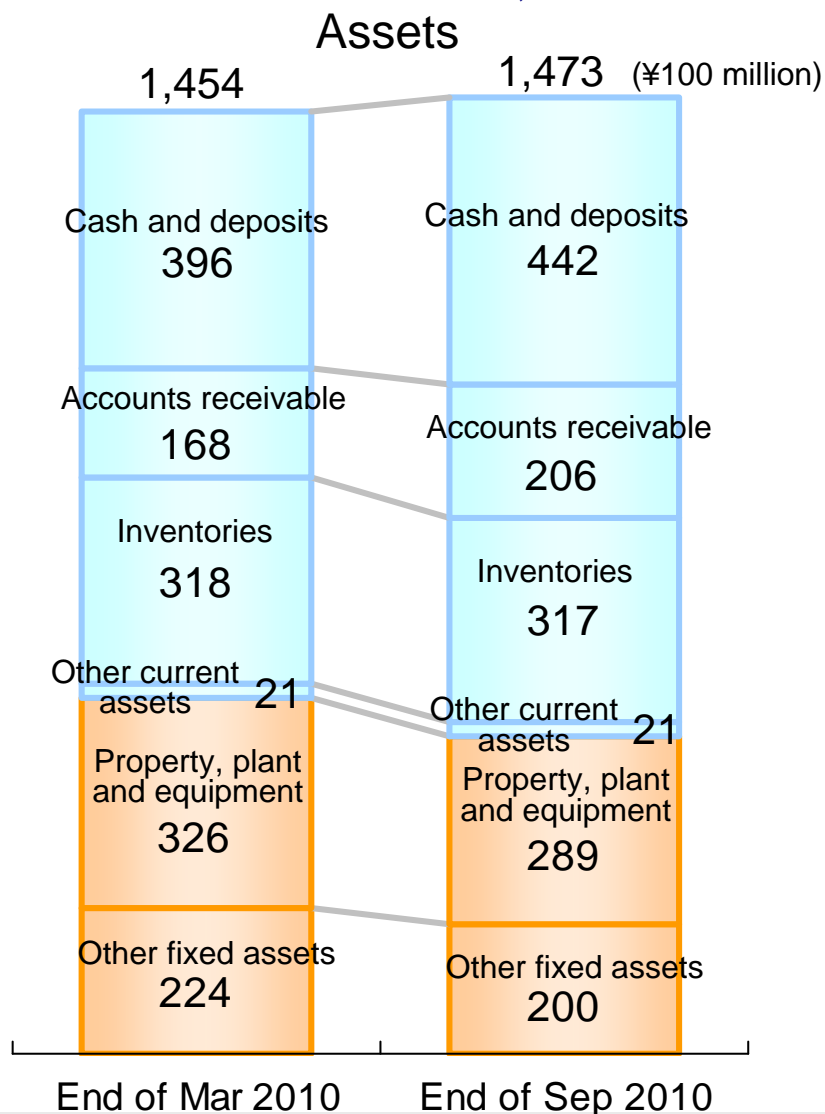


(¥100 million)



[Comparison of Balance Sheets]

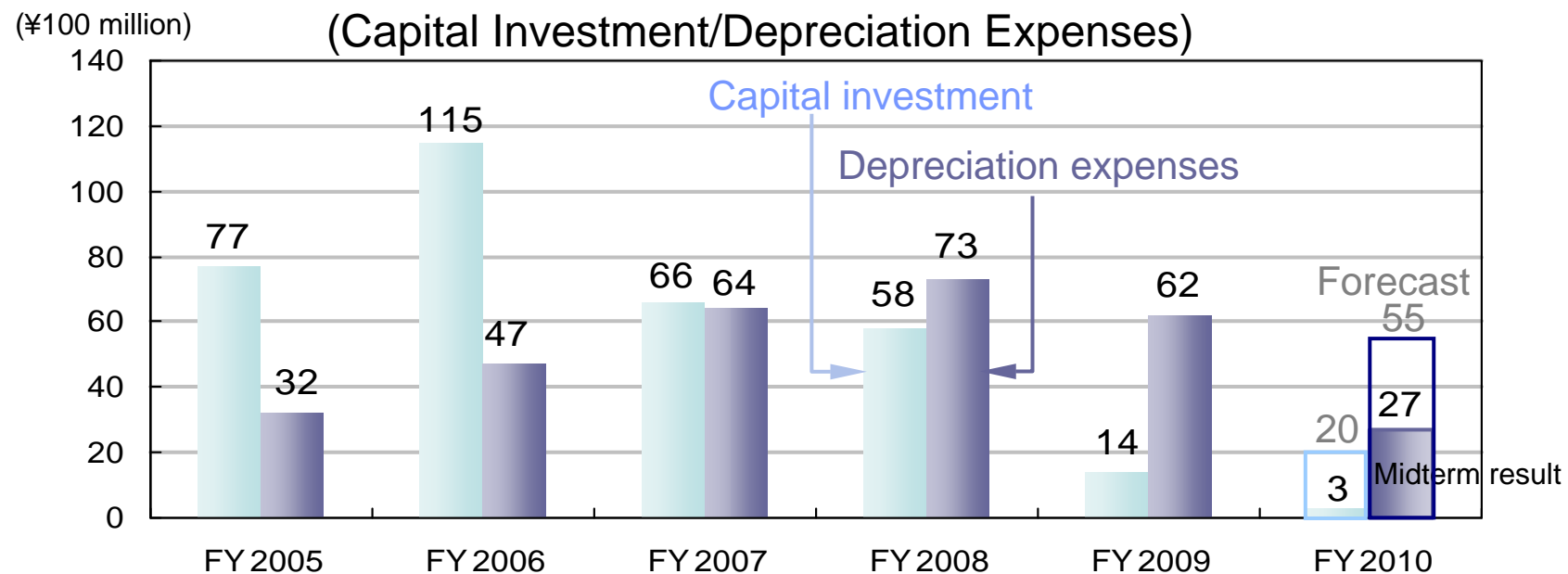
- Capital adequacy ratio: 54%, Net cash: ¥6.7 billion (sound financing)
- Inventories: ¥31.7 billion, decreased ¥0.1 billion from end of March 2010



[Cash Flows/Capital Investment]

- Controlled inventories while increasing production
Cash flow from operating activity was ¥2.3 billion

	FY 2009 Midterm	FY 2010 Midterm
	(¥100 million)	(¥100 million)
Cash flow from operating activities	77	23
Cash flow from investing activities	△17	12
Cash flow from financing activities	△ 44	19
Cash and cash equivalents at end of fiscal year	280	394



Part 2

Forecast of Business Results for Fiscal Year 2010

[Forecast of Business Results for Fiscal Year 2010]



- **Net sales:** ¥96.0 billion (1st half: ¥42.7 billion, 2nd half: ¥53.3 billion)
(Revised) (Forecast as of April 30, 2010: ¥90.0 billion)
- **Operating profit:** ¥1.2 billion from revenue increase and influence of currency exchange rates.
(Unchanged)
- **Planned dividend:** No dividend payouts in midterm.
Year-end dividends not yet determined.

	FY 2009 (Results)		FY 2010 (Forecast)			(Reference)
		(%)		(%)	Amount of change	FY 2010 (Forecast)
	(¥100 million)		(¥100 million)		(¥100 million)	(as of 30 Apr 10)
Net sales	603.4		960.0		+356.6	900.0
Operating profit	△150.2	△24.9%	12.0	1.3%	+162.2	12.0
Ordinary profit	△156.5	△25.9%	2.0	0.2%	+158.5	5.0
Net profit	△188.1	△31.2%	△12.0	△1.3%	+176.1	3.0

Exchange rates	Actual rates for FY2009	US\$1=¥92.6	1 Euro=¥130.7
	Assumed rates for FY2010	US\$1=¥84.0	1 Euro=¥113.0

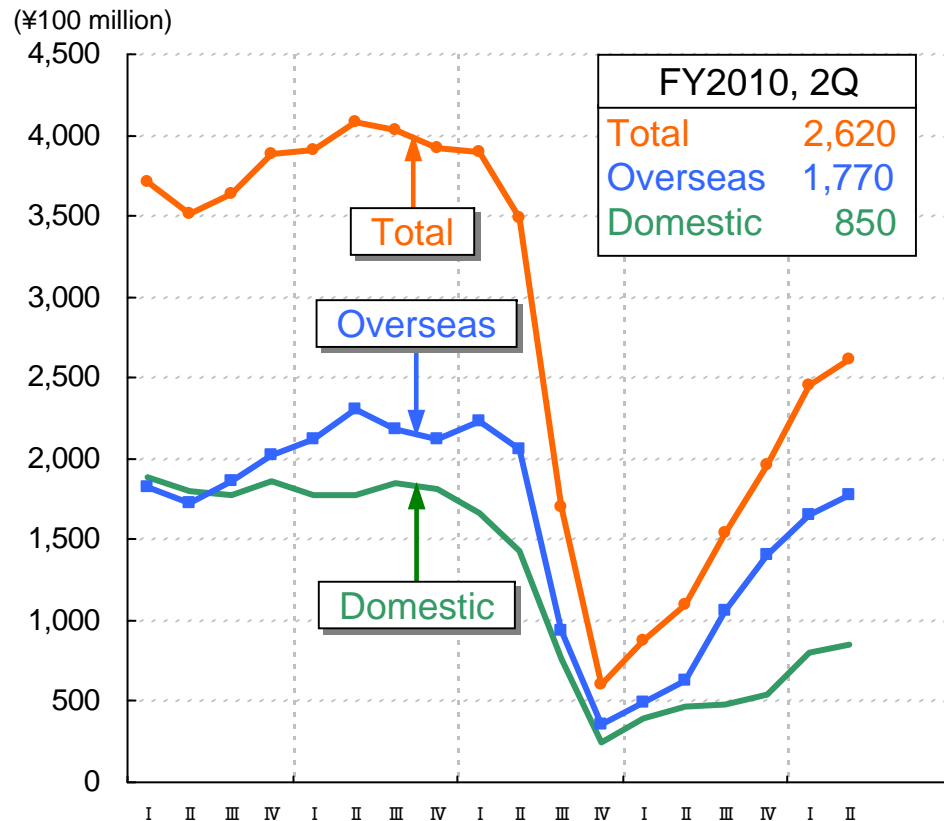
Part 3

Management Policies for Fiscal Year 2010

[Machine Tool Market Conditions] JMTBA/Okuma Orders

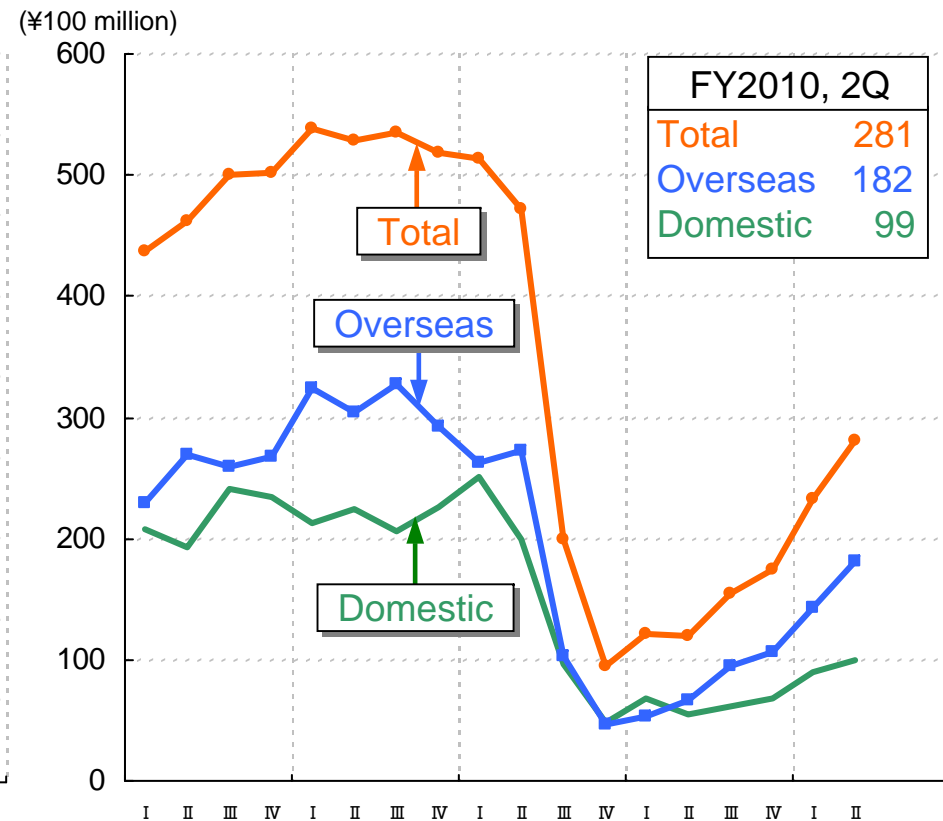


JMTBA



FY	2006	2007	2008	2009	2010 1-2Q
Total	14,746	15,939	9,690	5,471	5,072
Domestic	7,316	7,208	4,114	1,890	1,651
Overseas	7,430	8,731	5,576	3,581	3,421

Okuma Corporation (consolidated)



FY	2006	2007	2008	2009	2010 1-2Q
Total	1,900	2,121	1,280	572	514
Domestic	876	871	596	251	190
Overseas	1,024	1,250	684	321	324

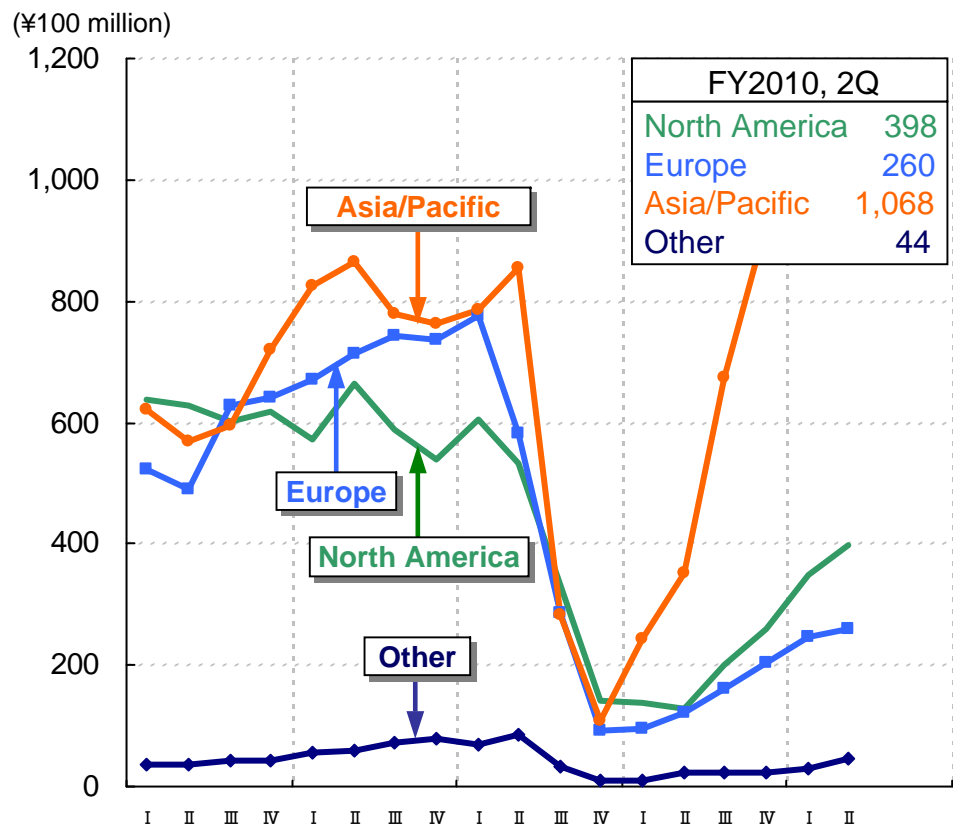
Source: Japan Machine Tool Builders' Association (JMTBA)

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

[Machine Tool Market Conditions] Overseas Demand by Geographic Region



JMTBA

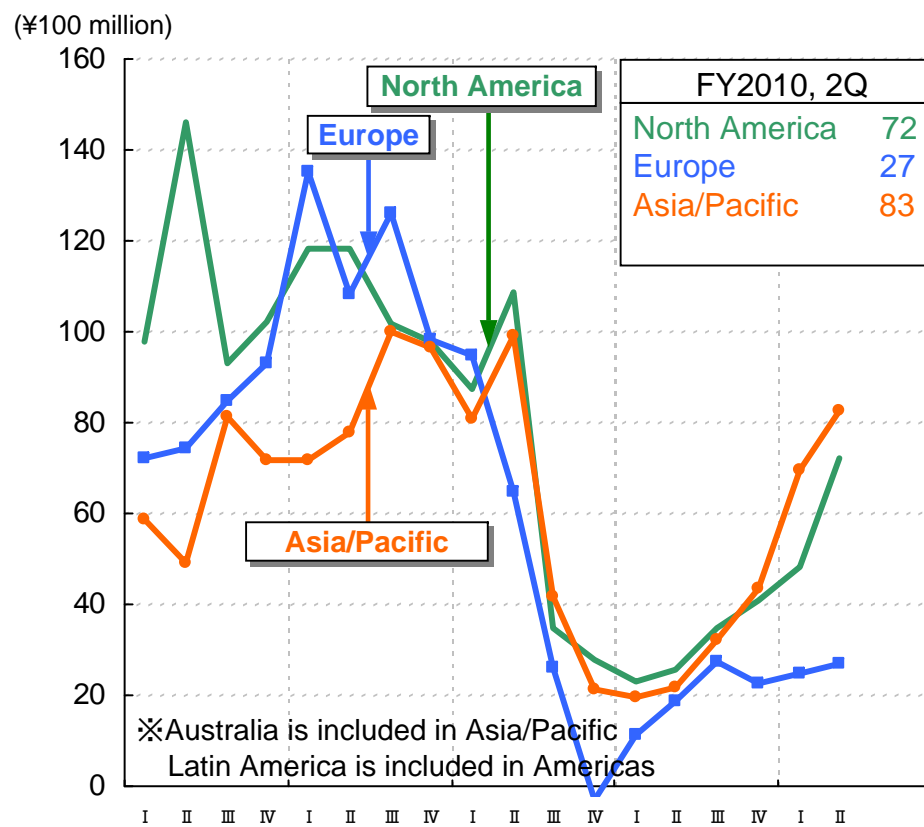


FY2010, 2Q	
North America	398
Europe	260
Asia/Pacific	1,068
Other	44

FY	2006	2007	2008	2009	2010 1-2Q
North America	2,487	2,365	1,611	723	745
Europe	2,282	2,862	1,737	578	506
Asia/Pacific	2,501	3,235	2,033	2,197	2,097

Source: Japan Machine Tool Builders' Association (JMTBA)

Okuma Corporation (consolidated)



FY2010, 2Q	
North America	72
Europe	27
Asia/Pacific	83

FY	2006	2007	2008	2009	2010 1-2Q
North America	439	436	258	124	120
Europe	324	468	183	80	52
Asia/Pacific	261	346	243	117	152

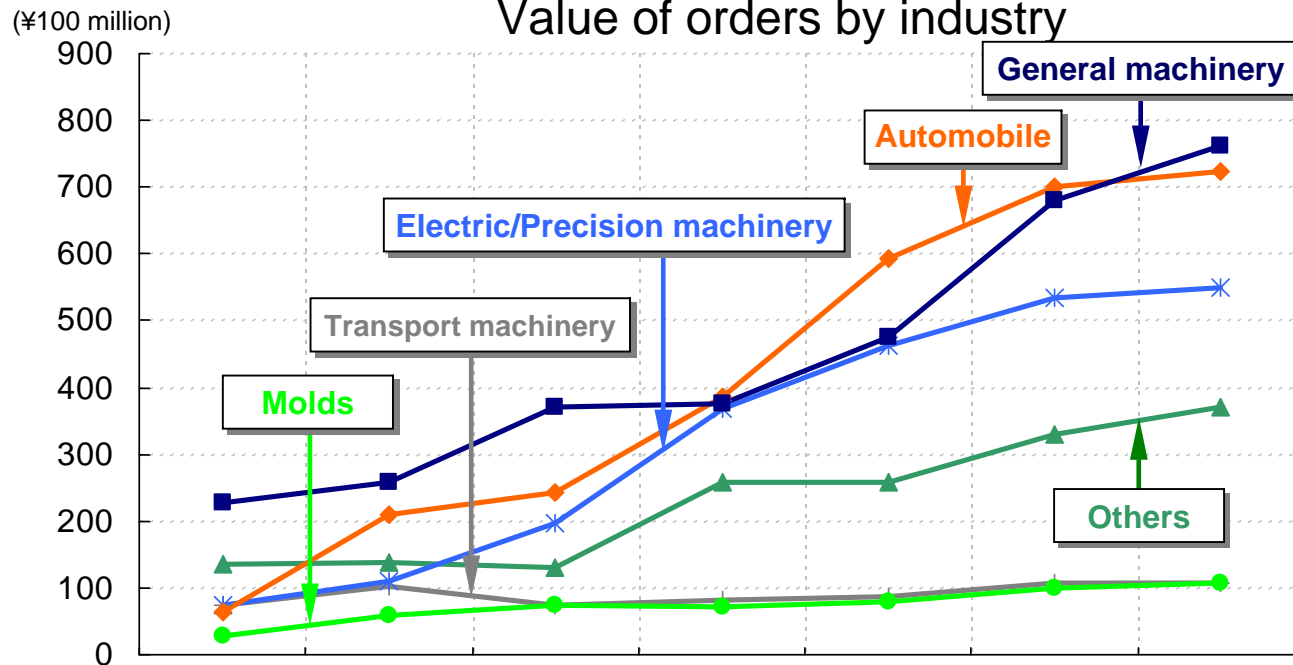
※Australia is included in Asia/Pacific
Latin America is included in Americas

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

[Machine Tool Market Conditions] Domestic Demand by Industry



Japan Machine Tool Builders' Association
Value of orders by industry



Percentage of orders by industry for Apr-Sep 2010 (Apr-Sep 2009)

	Japan Machine Tool Builders' Association	Okuma Corporation (reference)
General machinery	29% (27%)	56% (58%)
Automobile	28% (26%)	27% (21%)
Electric/Precision machinery	21% (21%)	8% (9%)
Transport machinery	4% (6%)	6% (7%)
Molds	4% (5%)	Included in General machinery
Others	14% (14%)	3% (5%)

	2009				2010			Type of industry
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	
General machinery	227	258	372	376	477	680	762	Construction machinery, industrial machinery, semiconductor/LCD production equipment, etc.
Automobile	65	210	244	387	593	700	723	Cars, trucks, motorcycles, etc.
Electric/Precision machinery	73	111	196	369	463	535	550	Motors, TVs, OA equipment, etc.
Transport machinery	74	102	74	82	87	106	106	Railcars, Aerospace, Ships etc.
Die/Molds	28	58	74	71	80	100	107	Molds
Others	136	138	131	259	257	331	371	Iron and steel, Metalware, Public, etc.

Source: Japan Machine Tool Builders' Association (JMTBA)

[Management Policies/Major Strategies for FY 2010]



(Midrange Business Policies)

- Grow globally
- Highly efficient and speedy production
- Strengthening “Only-One” technologies

(Corporate Vision)

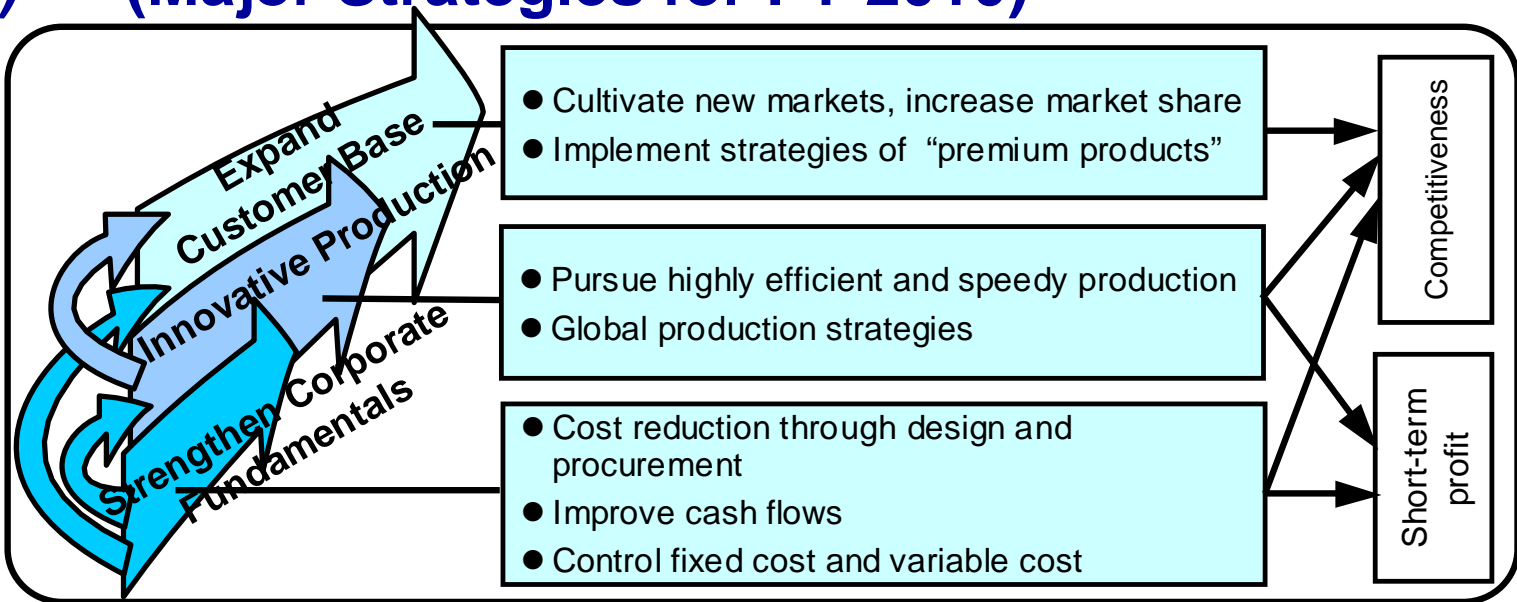
Best
“Monozukuri* Service”
Company

*Monozukuri: the art of making things better than ever

(Business Environment)

- Growth of Asia and emerging countries
- Appreciating Yen

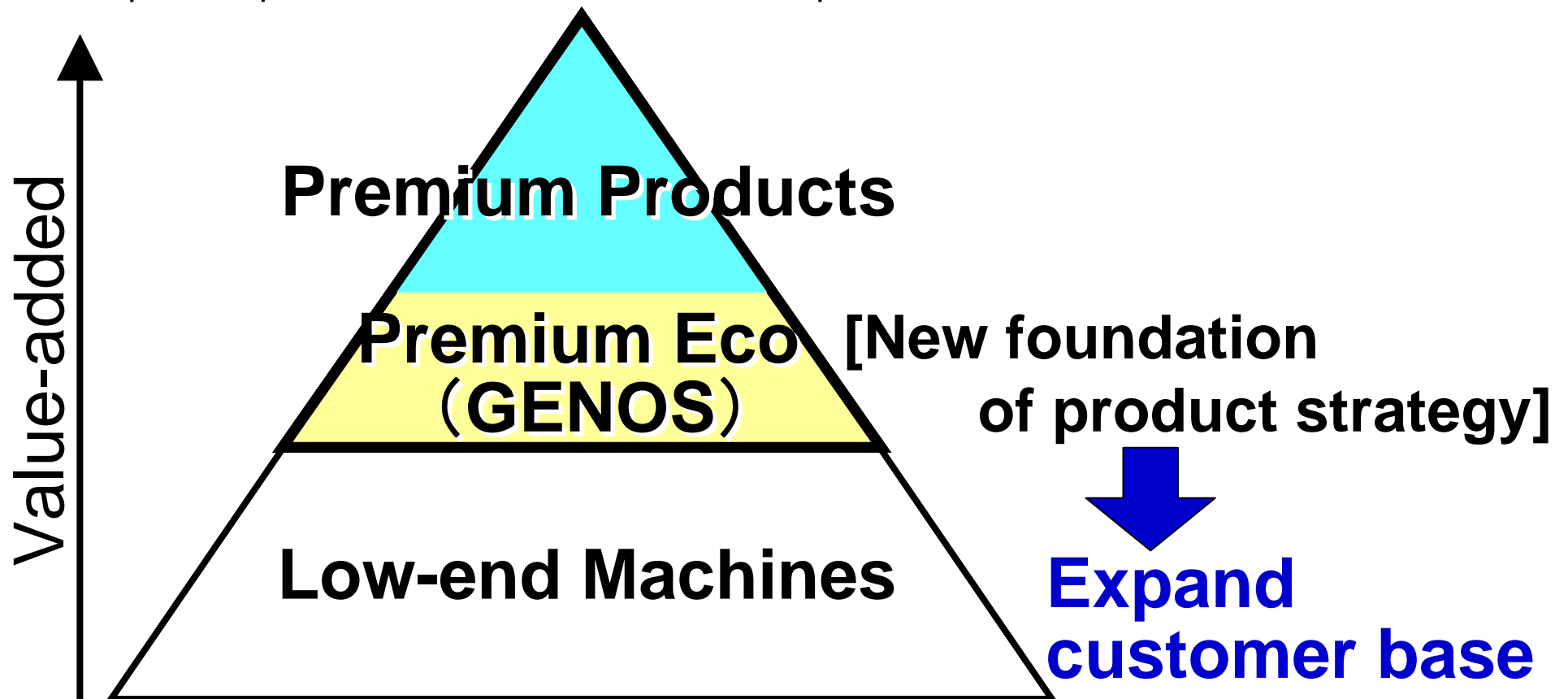
(Major Strategies for FY 2010)



- Increase orders from Asia, merging countries
 - Implement strategies of “premium products”
 - Cultivate Asia/emerging markets
- Pursue Highly Efficient and Speedy Production
 - Strengthen in-house production, shorten lead time
- Strengthen Global Production
 - Unit-assembly production at TOC (Tatung-Okuma, Taiwan)
 - Production at BOC (BYJC-Okuma, Beijing)
- Strengthen “Only-One” products and technologies
 - Global-X products
 - Promote intelligent technologies

Strategies for “premium products”

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



Cultivate Asia, emerging markets

Provide “premium products” to Asia, emerging markets
 —premium products for capital goods market—

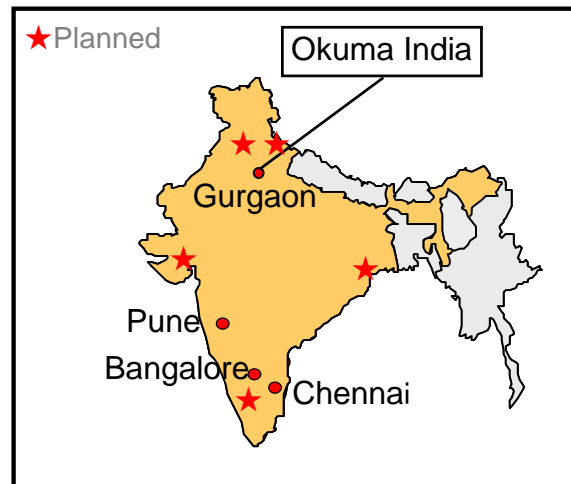
- Establishing sales and service bases in Asia (mainly in China, India and ASEAN).
- Sales expected to grow in mid- and long-term, such as infrastructure related and automobile industries. **Setting up bases in:**

China



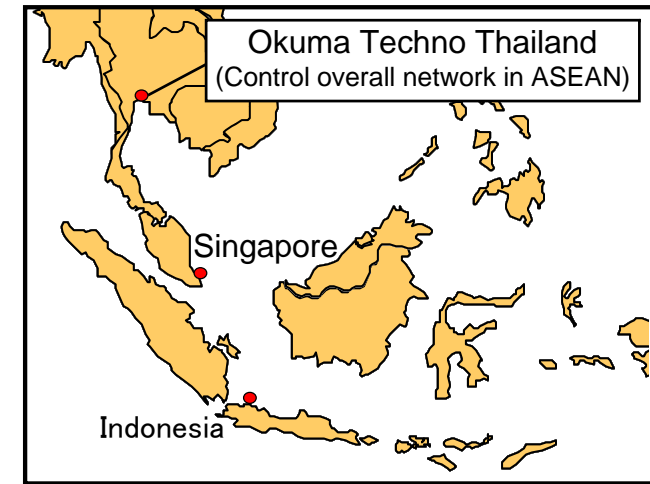
- Established sales and service bases in Chungchun and Jinan. A sales and service base in Xian is planned.
- Continue to establish sales and service bases to enjoy booming demand.

India



- Established a sales and service base in Bangalore.
- Strengthen sales and service bases, and dealer networks to cultivate markets.

ASEAN



- Okuma Techno Thailand controls overall network in ASEAN after structure change.
Strengthen sales and service bases in ASEAN.

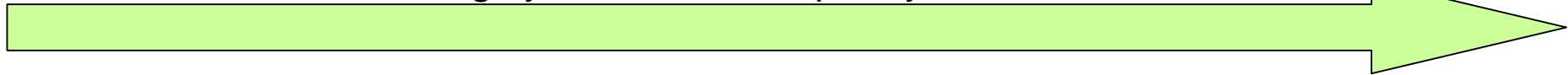
Pursue Highly Efficient and Speedy Production



Further strengthen in-house production

Increase profits through production expansion and improving productivity

Highly Efficient and Speedy Production



<ul style="list-style-type: none">■ Reorganized three plants in Japan<ul style="list-style-type: none">▪ Started “Self contained start-to-finish production”■ Enhanced machine shop equipment<ul style="list-style-type: none">▪ Established K4·K5▪ Introduced more unattended equipment■ Established logistic center<ul style="list-style-type: none">▪ Optimized supply chain	<ul style="list-style-type: none">■ Centralized production system in two-plants<ul style="list-style-type: none">▪ Temporary shut down of Konan plant, allocation of equipment and human resources■ Machining and assembly standards<ul style="list-style-type: none">▪ Revised working standard, processing lead-time■ Shorten preparation time for production<ul style="list-style-type: none">▪ Apply in-house CAM system to all machine shop equipment▪ Shorten programming time and monitoring/trial time for machining	<ul style="list-style-type: none">■ Strengthen in-house production<ul style="list-style-type: none">▪ Expanding production and improving productivity■ Reorganization of machine shop equipment<ul style="list-style-type: none">▪ Start-to-finish production for small lot and precision assembly■ Shorten delivery time<ul style="list-style-type: none">▪ Deploy unit production system▪ Shorten preparation time for shipping
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Strengthen Global Production



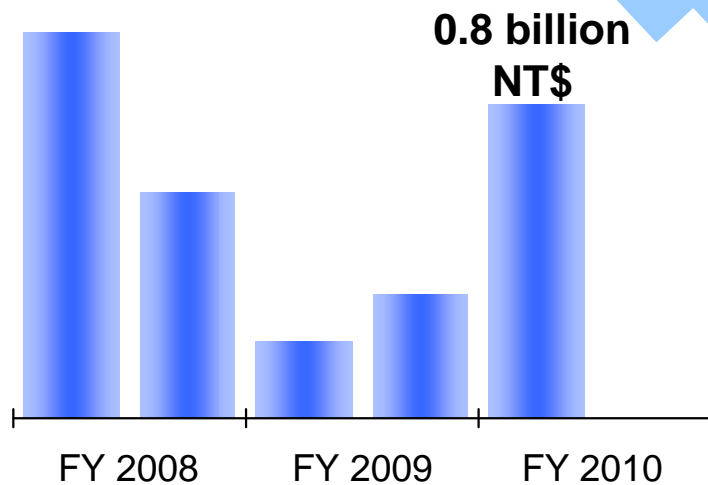
[TOC=Tatung-Okuma] Taiwan

- Unit production base for premium products
- Started commercial production of GENOS series
- Started construction of new plant
Starting operation is scheduled in 2012



New administration building completed in August 2010

Sales



Recent exchange rate: 1NT\$ = ¥2.65

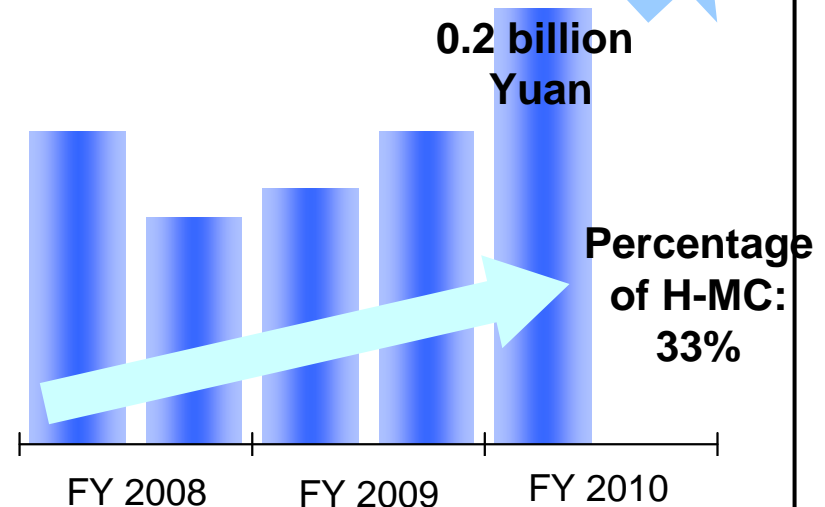
[BOC=BYJC-Okuma] Beijing

- Increase orders and production of highly competitive Horizontal MC
- Increase production capacity through enhancing equipments and management
- Make Okuma brand penetrate



Horizontal MC produced by BOC
MAR-500H, MAR-630H

Sales



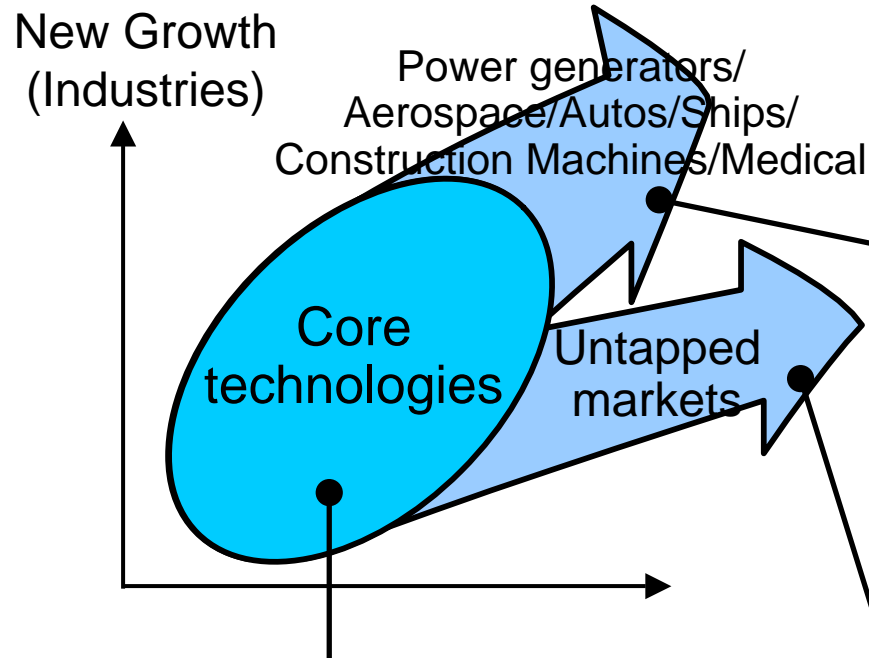
Most recent exchange rate : 1 Yuan = ¥12.0

Develop new products [Global-X Project]



Global-X Project


Okuma technology trends



- All-round offerings
 - Compact lathes to large double columns
 - Die/mold applications to mass production lines
- *Single-Source Okuma*
 - NC controls, sensors, motors
 - Comprehensive *Machine & Control* service


● **New product lineup of Horizontal MC for mid to high volume production**

Horizontal MC
MA-H series



+

Horizontal MC
MB-H series



● **Completed product line-up of Premium Eco “GENOS-M/L”**

Vertical Machining Center
GENOS-M series



Horizontal Lathe
GENOS-L series



Develop new products [Global-X Project]–Exhibited in JIMTOF



- Exhibited 14 machines including 9 new products in JIMTOF2010 (from Oct. 28th through Nov. 2nd)
- Promote Okuma's only-one product and technology

Lathe

- GENOS L200H-M **New**
- GENOS L300H-MY **New**



- LT2000 EX **New**



- VTR-350A **New**



MC

- GENOS M460-VE **New**
- GENOS M560-V **New**
- MB-46VA



- MB-4000H **New**
- MB-8000H **New**



- MCR-BⅢ **New**



5-axis, Multi- tasking

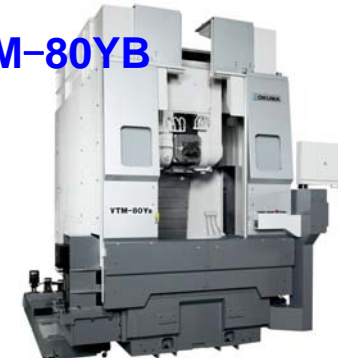
- MULTUS B300-W
- MULTUS B750-W



- MU-500VA-L



- VTM-80YB



Develop new products [Global-X Project]–Horizontal MC



- Expand sales of general-purpose horizontal MC “MA–H series” in global markets, and strengthen technologies.
- Developed horizontal MC “MB–H series” for mid to high volume production, and extend high speed machining capability.
- Meet the needs of unattended equipment in global markets with both of MA–H and MB–H series.

Exhibited in JIMTOF2010

New

[MB–H series]

Exhibited in JIMTOF2010



MB-4000H

New



MB-5000H

500 × 500 mm

600 × 600 mm



MB-8000H

800 × 800 mm

Develop large-sized MC

Pallet size
400 × 400 mm



MA-400HA



MA-500HB



MA-600HB



MA-800HB

[MA–H series]

Develop new products [Global-X Project]-GENOS



- Completed product line-up of premium eco “GENOS series”
- Release GENOS series to global markets to make Okuma brand penetrate to the markets and cultivate new markets.

【 Vertical MC GENOS-M 】

- Extend product line-up
 - Develop GENOS M560-V

【 GENOS M460-VE 】

Released in Jan 2010



【 GENOS M560-V 】

Exhibited in JIMTOF2010



【 Horizontal Lathe GENOS-L 】

- Launch 14 new models at once
 - GENOS
 - Abundant sizing (L200H,L250H,L300H,L400H)
 - Various specifications
 - Turning to multitasking

【 GENOS L200H-M、 GENOS L300H-MY 】

Exhibited in JIMTOF2010



Develop new products [Global-X Project]-GENOS



- Win a Nikkan Kogyo* Machine Design Award

*Business & Technology News

2010
Double-Column Turning Center
VTR-A series



2008
Multi
MULTUS B200



2005
Lathe
2SP-150H



2004
Multi
MU-400VA



1998
Lathe
LB300/300-M

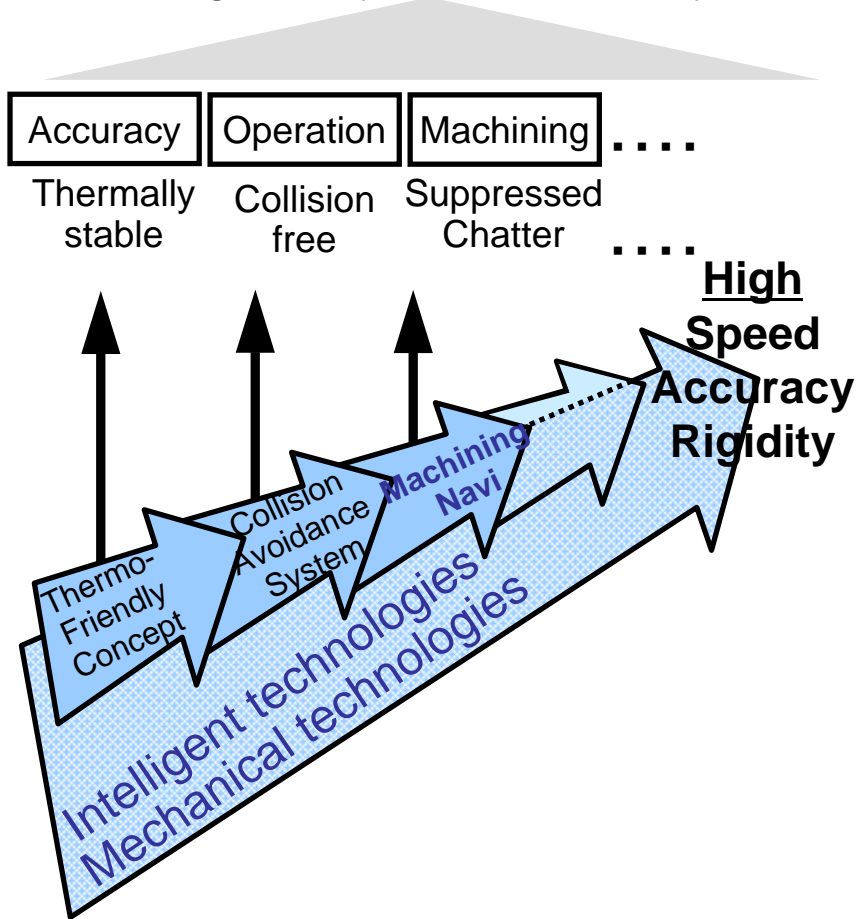


Single Source Machine & Control
Differentiated & Advanced products
per Okuma Only-One Technologies

Promote Intelligent Technologies: “Machining Navi”

- Apply our own intelligent technology “Machining Navi” for V-MC to horizontal lathe.
- Promote intelligent technologies for improving productivity in advanced and emerging countries, and increase sales.

Machining quality/Total efficiency/Speed

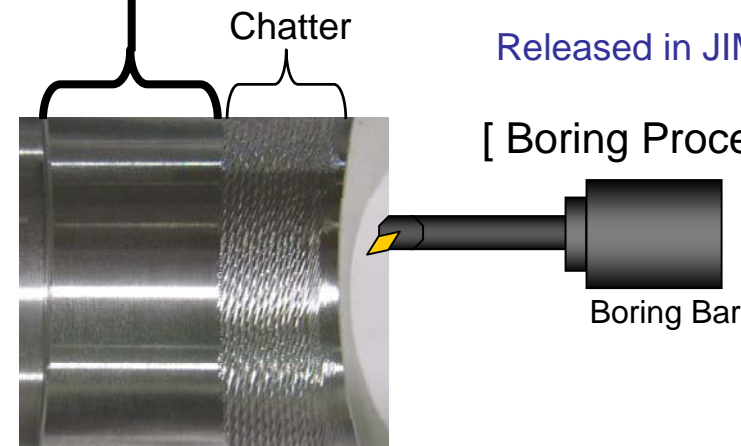


[Machining Navi L-g(Guidance)]

~solutions for issues unresolved since the Industrial Revolution~

- Eliminate chatter* and improve machining quality and accuracy
- Improve productivity through raising cutting speed
- Low cost for tooling. No vibration-proof tool is required.

Eliminate chatter by “Machining Navi L-g”



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

Disclaimer

Notice regarding Forecasts

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