



OKAMURA CORPORATION

ANNUAL REPORT

2001

okamura

In building a new future, we are promoting:

Information Technology

Okamura aims to create new business models through advancements in information technology.

Globalization

Okamura is developing business with an eye trained on world markets.

Specialization

Through selection and concentration, Okamura increases its specialization in each field to more effectively allocate management resources.

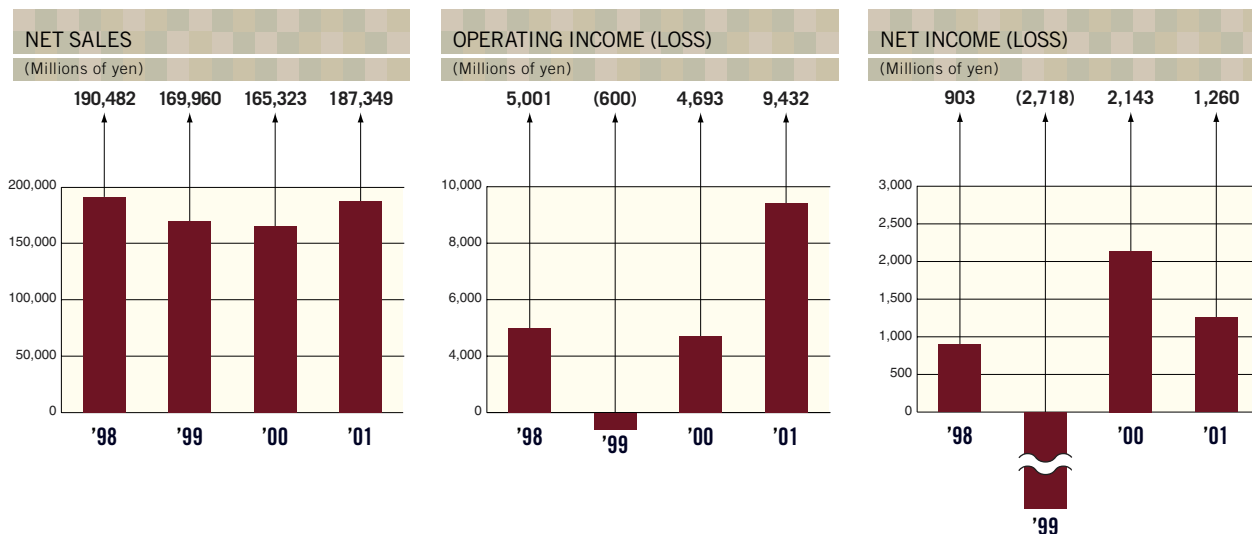
Contents

Consolidated Financial Highlights	1	Environmental Activities	14
Message from the President	2	Directors & Auditors	16
Business Vision	6	Financial Section	17
Review of Operations	8	Corporate Profile	35

Consolidated Financial Highlights

Years ended March 31, 1999, 2000 and 2001	Millions of yen, except per share figures				Thousands of U.S. dollars, except per share figures
	1999	2000	2001	2001	
Summary of Operations:					
Net sales	¥169,960	¥165,323	¥187,349	\$1,512,098	
Operating income (loss)	(600)	4,693	9,432	76,125	
Net income (loss)	(2,718)	2,143	1,260	10,169	
Net income (loss) per share	¥ (21.78)	¥ 17.17	¥ 10.19	\$ 0.08	
Year-End Financial Position:					
Total assets	¥178,160	¥172,170	¥178,751	\$1,442,705	
Total shareholders' equity	58,004	59,882	53,136	428,862	
Equity ratio	32.6%	34.8%	29.7%	—	
Interest-bearing debt	57,318	49,093	46,023	371,453	
General:					
Capital expenditures	¥ 2,658	¥ 2,690	¥ 2,697	\$ 21,768	
Depreciation and amortization	6,043	5,425	4,902	39,564	
Dividends per share	¥ 5.00	¥ 3.00	¥ 4.00	\$ 0.03	
Common Stock Prices:					
High	¥ 464	¥ 425	¥ 600	\$ 4.84	
Low	241	252	235	2.03	

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥123.90=U.S.\$1.



Message from the President



Kikuo Nakamura, President and CEO

ability started to make contributions to earnings.

Net income declined 41.2% to ¥1,260 million (US\$10,169 thousand). We attribute this decrease to an extraordinary loss of ¥8,817 million (US\$71,162 thousand) for severance and retirement benefit expense for amortization of net transition obligation in accordance with the adoption of new accounting standards for retirement benefits. This extraordinary loss was offset to some extent by extraordinary income of ¥2,886 million (US\$23,293 thousand) for gain on

securities contribution to employee retirement benefit trust.

Future Strategy

The Okamura Group is working to implement a medium-term management plan that covers activity through March 31, 2003. The goal of the plan is to clarify the Group's position as a solutions business that aims to create comfortable space. Financially, the plan stresses cash-flow management, and seeks both to reduce produc-

tion costs through the continued implementation of our Okamura Production System (OPS) and supply chain management (SCM) techniques, and to reduce the Company's total asset holdings. The fiscal year under review was the first year of the new plan, and we are proud to announce that our results exceeded the targets of the plan's first year.

The Company's core Office Furniture segment expects a substantial increase in new, large-scale office building construction towards

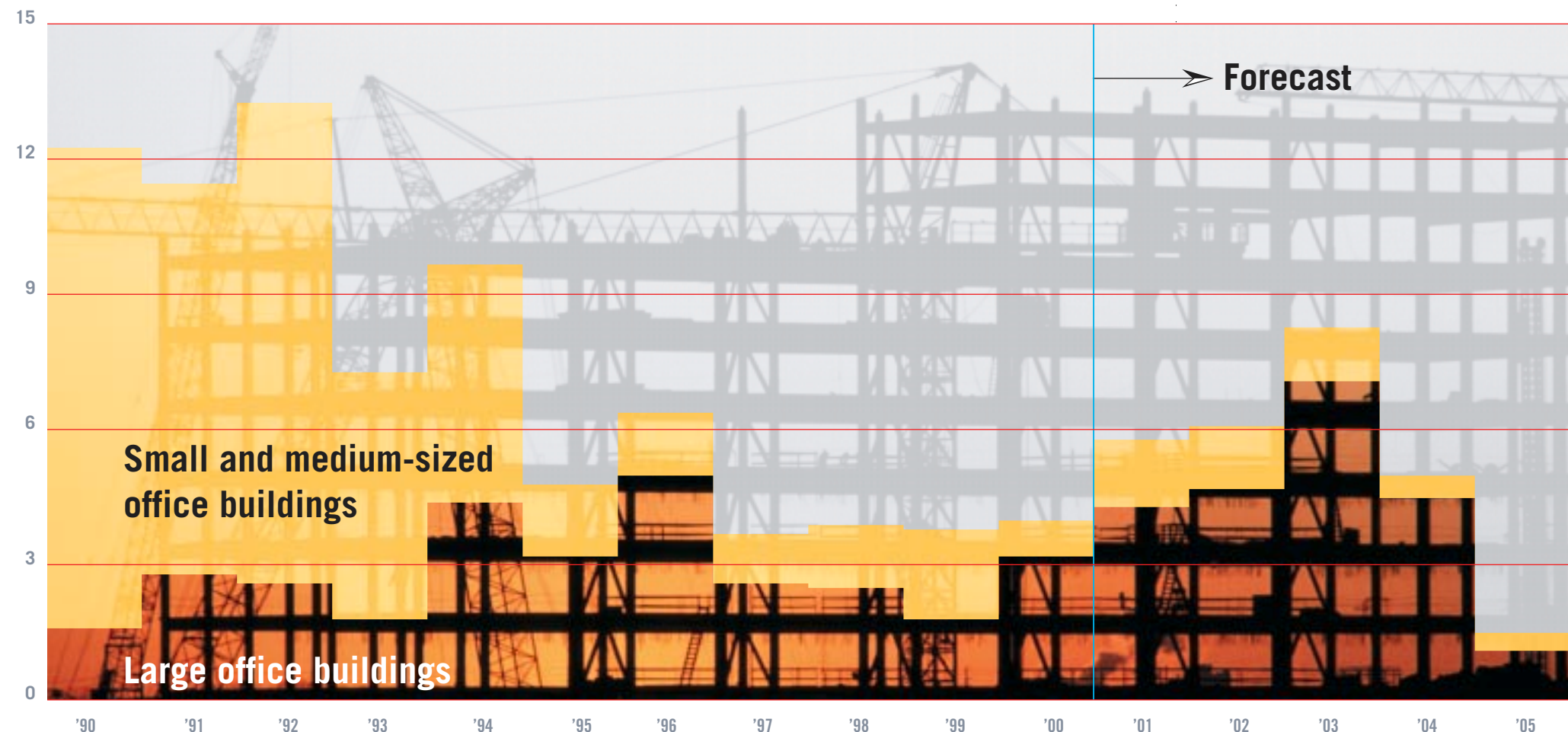
Okamura aims to become a solutions company that provides a pleasant working environment.

The fiscal year ended March 31, 2001, was a great leap forward for the Okamura Group. Despite a harsh domestic economic environment, we were able to double operating income year-on-year by increasing revenues from consolidated net sales in the fiscal year under review. In the 21st century, we aim to make bold strides forward and aggressively develop operations under the keywords "information technology" (IT), "globalization" and "specialization." Okamura Corporation also plans to improve performance while earning the trust of its investors.

Results of Operations

Net sales rose 13.3% to ¥187,349 million (US\$1,512,098 thousand) in the fiscal year ended March 31, 2001. Operating income finished 101.0% higher than the previous fiscal year at ¥9,432 million (US\$76,125 thousand), as increased revenues from sales growth and efforts we began in the previous term to improve profit-

CHANGES IN AND FORECASTS OF THE TRENDS IN OFFICE BUILDING SUPPLIES IN THE 23 WARDS OF TOKYO
(Million square feet)



(Source) Ikoma Data Service System/estimates by Okamura

2003 in such areas as Harumi, Shiodome, Shinagawa, Marunouchi and Roppongi in central Tokyo. Substantial office investment is anticipated due to improvements in work environments to increase the productivity of office workers, business integration and mergers, as well as the movement of headquarter functions by major corporations and financial institutions.

Okamura's strengths lie in its large market share of the Tokyo metropolitan area, its solutions-based marketing for major and cutting-edge corporations, and its Garden Court Showroom,

Environmental Stewardship

Okamura promotes Company-wide efforts to protect the global environment and realize a recycling society. These efforts began with the Company's First Medium-Term Environmental Plan "Toward a Prosperous Future" in April 1993, and continued in April 1997 with the start of the Second Medium-Term Environmental Plan "Green Wave 21," through which Okamura worked to create an environmental management system. Management is continuing efforts with the Third Medium-Term Environmental Plan,

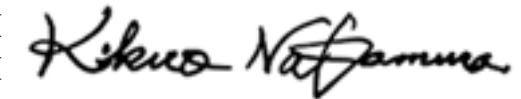
technology, globalization and specialization. Information technology means not only responding to trends of the IT era, such as increasing mobility, but also aggressively promoting efforts in e-business, including the construction of an ordering system for our customers and business partners.

Globalization means moving ahead with technological and marketing tie-ups with overseas companies and launching overseas production bases. By constantly keeping our eyes on the world, we believe we can establish a position

In the fiscal year under review, management advanced toward its financial objectives by cutting interest-bearing debt by approximately ¥3.0 billion and reducing the cost of production and inventory assets through OPS and SCM techniques. Management also worked to raise shareholder value through the retirement of 12.4 million shares of its treasury stocks, or approximately 10% of the Company's outstanding shares.

To improve the satisfaction of all our investors, we aim to maximize corporate value and would like to express our appreciation and ask for continued support in the current fiscal year.

September 2001



Kikuo Nakamura, President and CEO

for Okamura as a global brand.

Finally, specialization means combining selection and concentration in our businesses to ensure more effective use of management resources. We plan to promote business resource management that increases the specialization of our individual businesses and raises customer satisfaction.



Focus, Alliance, Efficiency and Synergy

the best place in the world for customers to experience Okamura product arrangements firsthand. We aim to expand revenues with plans to concentrate management resources and enhance marketing to important customers through our industry-leading product development capabilities and extensive dealer network.

Focusing mainly on small-scale e-businesses, we are significantly expanding partnerships with various companies in industries similar to and divergent from our own.

In the other mainstay Store Displays segment, where a reversal to high demand for large-scale retail store fixtures is expected, Okamura is working to minimize negative consequences from the start of the Large-Scale Retail Store Location Law by reinforcing its No. 1 position and aggressively targeting certain specialty chains that it expects can continue expanding.

which is based on the keywords "integration" and "efficiency."

Under the Third Medium-Term Environmental Plan, Okamura obtained comprehensive ISO 14001 certification Company-wide in October 2000, which was previously acquired for various operations separately. In the future, we will advance a Company-wide environmental management system.

To Our Investors

In each of its business areas, the Okamura Group has worked aggressively to develop new products that fit the changes in its markets and to strengthen its marketing system, guided by the motto "Creating Your Ideal Living Space."

We are currently planning further dramatic business developments based on the three keywords mentioned previously: information



Medium-Term Management Plan

Okamura has implemented its “Medium-Term Management Vision,” a medium-term plan that runs until March 31, 2003. The plan aims to further develop the Company’s mainstay Office Furniture and Store Displays businesses, strengthen their No. 1 position in the industry, and take advantage of synergies from these two business areas for development of the Material Handling System and Others segment. In addition, the plan aims to adopt the OPS and promote SCM for a wide range of products, with the

ultimate goal of reducing costs, increasing asset efficiency and creating a solid management base.

Selection and Concentration

Selection and concentration forms the Company’s primary management strategy. Okamura plans to further cultivate the market for large corporations, where the Company’s strengths can be most effectively applied, accurately identify increasing demand arising from the construction of large-scale office buildings in central locations in Tokyo, where activity is gaining momentum, and focus efforts on total orders by expanding solution businesses.

In retail stores, while focusing on constantly expanding specialty stores, we aim to make further inroads in major supermarkets and foreign-capital distributors, pioneer new markets through the development of custom made fixtures that match a variety of store formats and strengthen proposal-based marketing.

Alliances

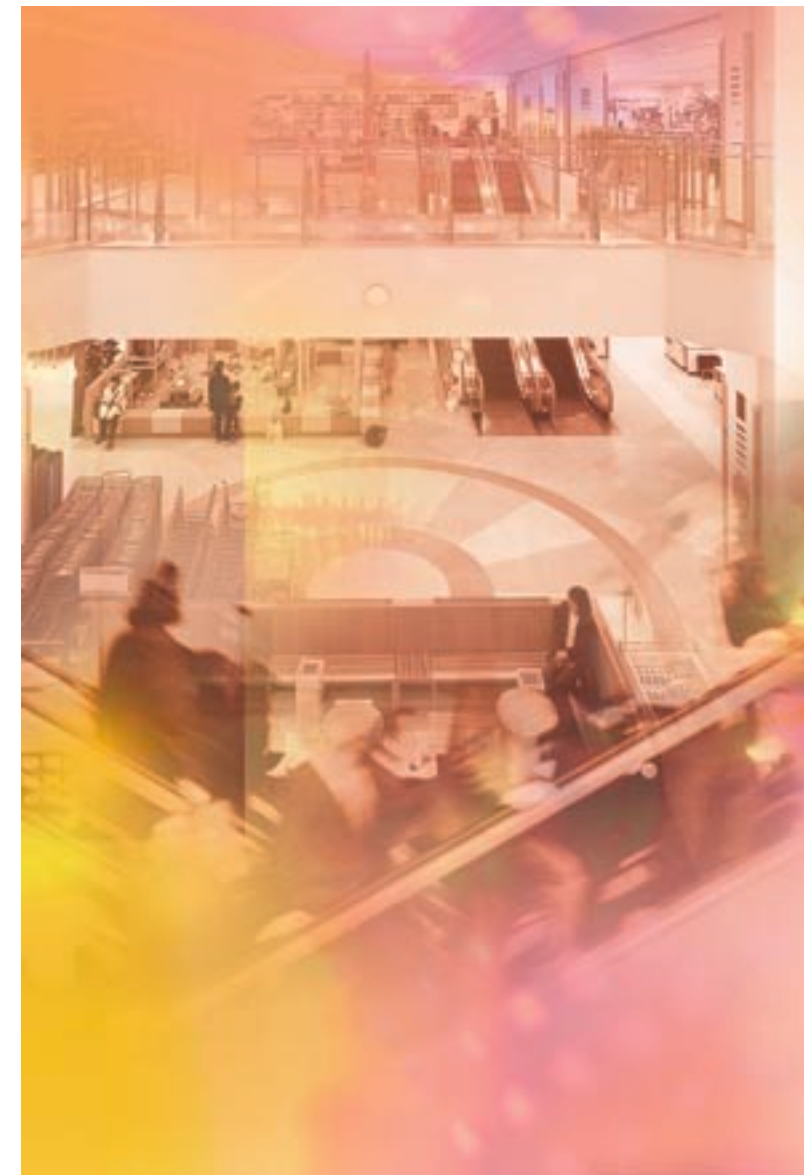
Okamura is pushing ahead with product planning and development that anticipate changing work environments and diversifying customer needs in the information age. The Company is also working to respond to demand for remodeling through such measures as bolstering its dealer sales network as well as moving ahead with development of the small-lot market, mainly through far-ranging tie-ups with top-ranking companies in e-business. Okamura aims to further clarify its unique character as a market-

creating company and establish a dominant position as the industry’s No. 1 company.

Issues Facing the Company

Okamura continued to implement comprehensive revenue-enhancing measures with the establishment of the Business Improvement Committee at the beginning of fiscal year 2000, resulting in enhanced profitability and asset efficiency in the fiscal year under review.

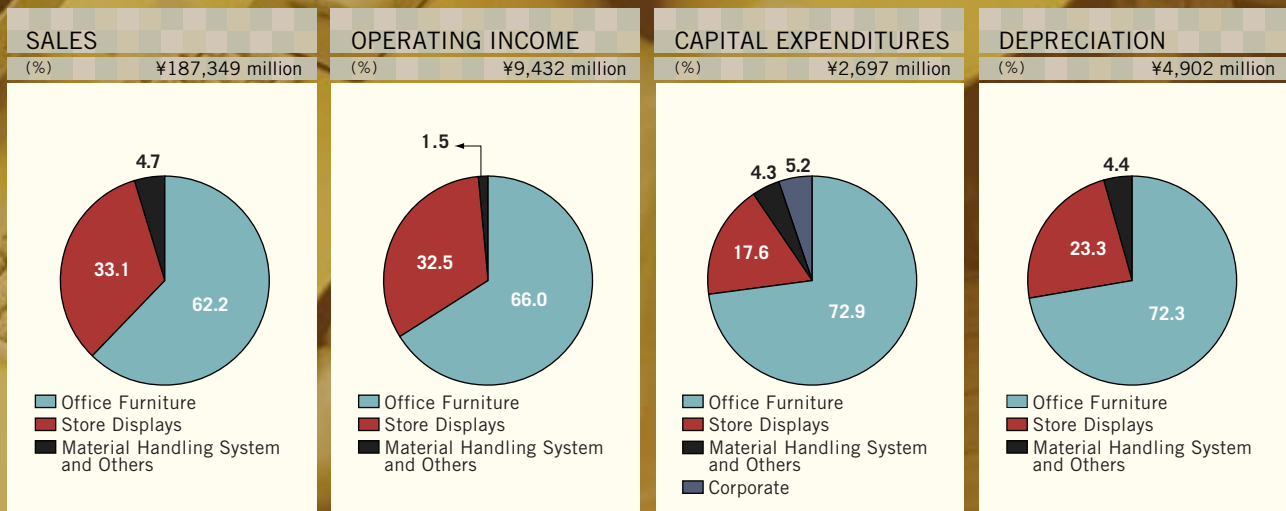
The harsh operating environment is expected to continue due to uncertainty about the economy and concern about the decreasing number of new store openings. Therefore, we are advancing management reforms that aim to improve productivity and expand income by aggressively focusing resources in growth areas to achieve the objectives of our medium-term management strategy.



New business styles provide Okamura with new business opportunities.

Rush of New Office Building Construction in Tokyo Provides Big Business Chances for Okamura.

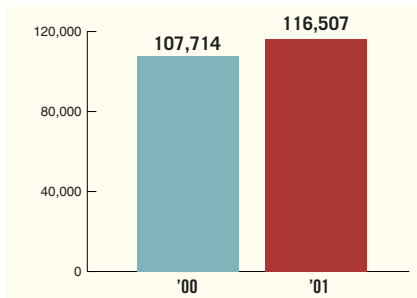
Segment classifications were altered to better correspond with the Company's internal management structure and business lines.



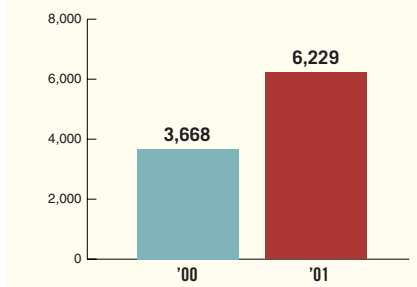
OFFICE FURNITURE

Okamura changed the name of the segment previously known as Furniture to Office Furniture in the fiscal year under review. This business segment handles the Company's core product lines of office furniture, public interiors, various partitions, furniture for research facilities and SOHO-related products.

SALES (Millions of yen)



OPERATING INCOME (Millions of yen)



Executive furniture Master Line series (Upper)
Seating for conferences (Middle)
Office space created with ERCIO and Expert (Right)

Segment Information

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2000	2001	% of total	2001
Sales	¥107,714	¥116,507	62.2	\$940,331
Operating income	3,668	6,229	66.0	50,274
Capital expenditures	1,013	1,966	72.9	15,868
Depreciation	3,816	3,544	72.3	28,604

Market Overview

Mainstay office furniture sales for the Office Furniture segment was brisk, supported by broad-based demand from IT-related firms and foreign-owned companies, and the transfer and remodeling of public and private offices due to the reorganization of financial institutions and the central government in Japan. In addition, Okamura worked aggressively to cultivate new markets in areas where it expects to see future growth, including cultural facilities, libraries, educational facilities and medical and welfare facilities.

As a result, sales for this segment rose 8.2% to ¥116,507 million (US\$940,331 thousand).

In this segment, with accumulated expertise in office creation, we are working hard to develop products appropriate for the IT age that respond to new business styles and the diversification of work styles accompanying the expansion of IT. Okamura also researches the work styles of small office/home office (SOHO) businesses in which fixed office space is not a requirement, and provides proposals for highly flexible work spaces backed by unique perspectives and technological capabilities.



(From top right) Seating for stadiums
Library furnishings
Equipment for educational facilities
Furniture for SOHO Work (WORKIT)
Navio chair
Lineared's linear motor automatic doors

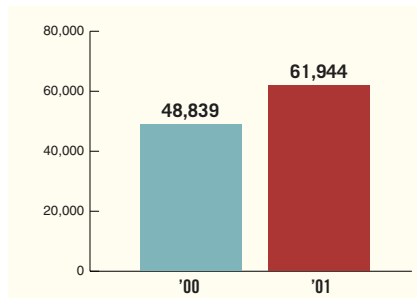


A number of new and innovative products were released during the fiscal year under review based on these concepts, including Fores II, a wooden grain desk system equipped with wiring functions suitable for the sophisticated information age; the Inpile room unit, a low partition for creating office spaces; Alt Share, a shared-space tool with a fresh sensibility and an emphasis on communications; Navio, an advanced seating system specially designed for extended computer use; and SD-e, an environmentally friendly desk system. These products were well received by the market and made considerable contributions to sales.

STORE DISPLAYS

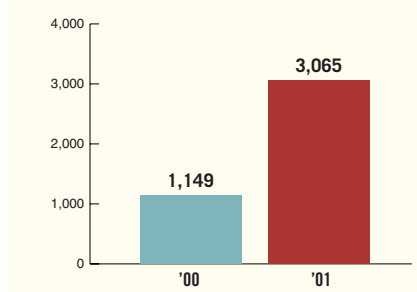
SALES

(Millions of yen)



OPERATING INCOME

(Millions of yen)



Racks for audiovisual and CD shops (Upper)
Home center fixtures (Middle)
Fontana refrigerated showcases (Right)

The name of the segment previously known as Store Displays, Industrial Racks and Shelving, which included the Commercial Environment and System Equipment Divisions, has changed its name to Store Displays, and the System Equipment Division was split off into a separate segment in the fiscal year under review. The products handled by the Store Displays segment comprise store fixtures and refrigerated and frozen showcases, as well as store counters.

Segment Information

Years ended March 31	Millions of yen		% of total	Thousands of U.S. dollars
	2000	2001		2001
Sales	¥48,839	¥61,944	33.1	\$499,951
Operating income	1,149	3,065	32.5	24,737
Capital expenditures	466	476	17.6	3,842
Depreciation	1,423	1,141	23.3	9,209

Market Overview

Okamura's Store Displays segment has concentrated on the Company's strengths as the sole manufacturer of store fixtures and refrigerated showcases, and has carried out aggressive proposal-based marketing aimed at creating attractive stores that respond to the needs of large-scale commercial facilities, convenience stores, large-scale book stores, drug stores, CD shops, electronics stores, home centers and other retail outlets. The segment recorded considerable growth in sales and earnings during the fiscal year under review, benefiting from concentrated demand among retailers ahead of the start of the Large-Scale Retail Store Location Law.

As a result of these efforts, sales grew 26.8% to ¥61,944 million (US\$499,951 thousand).

In the Store Displays segment, Okamura acts as a total coordinator in store development, using its unique and extensive product lineup and considerable wealth of related expertise. The Company works to produce store displays with an emphasis on consumer sensibilities of both stores and the peripheral facilities that surround them.



Shop interior fixtures (Right)
Drug store fixtures (Middle Upper)
Apparel store fixtures (Lower)



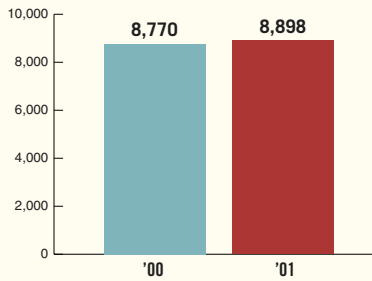
As demand for fixtures for large-scale stores is expected to decline, Okamura plans to strengthen its development and proposal-based marketing capabilities for original store fixtures that match individual store character, while aggressively targeting certain specialty chains that it expects to expand and major foreign-owned retailers that it expects will engage in full-scale store expansion in Japan.



MATERIAL HANDLING SYSTEM AND OTHERS

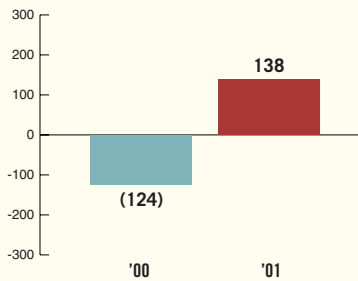
SALES

(Millions of yen)



OPERATING INCOME (LOSS)

(Millions of yen)



Sliding shoe sorter (Upper)
Torque converter (Middle)
Rotary Rack H (Right)

The name of the segment known previously as Hydraulic Transmissions was changed to Material Handling System and Others following the integration of the System Equipment Division and hydraulic transmissions operations in the fiscal year under review. This segment handles automated warehouse systems and storage facilities for factories and warehouses, as well as hydraulic transmissions for industrial vehicles and construction equipment. In addition, real estate leasing and insurance businesses previously grouped in the Others segment have been added to Material Handling System and Others.

Segment Information

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2000	2001	% of total	2001
Sales	¥8,770	¥8,898	4.7	\$71,816
Operating income (loss)	(124)	138	1.5	1,114
Capital expenditures	898	115	4.3	928
Depreciation	186	217	4.4	1,751

Market Overview

The System Equipment Division worked to expand sales of automatic warehouse and storage system fixtures mainly in markets related to drug stores, daily amenity shops, food stores and consumer electronics retailers. However, sales growth for the fiscal year under review was limited owing to sluggish capital expenditures in the distribution industry overall.

In the Hydraulic Transmissions Division, sales of torque converters for forklifts and bulldozers remained comparatively healthy.

Overall sales in the segment rose 1.5% to ¥8,898 million (US\$71,816 thousand).

Okamura aims to further cultivate this segment mainly in the shipping of small packages, which is an area of strength for the Company, by pursuing synergistic effects between this segment and the Office Furniture and Store Displays segments.



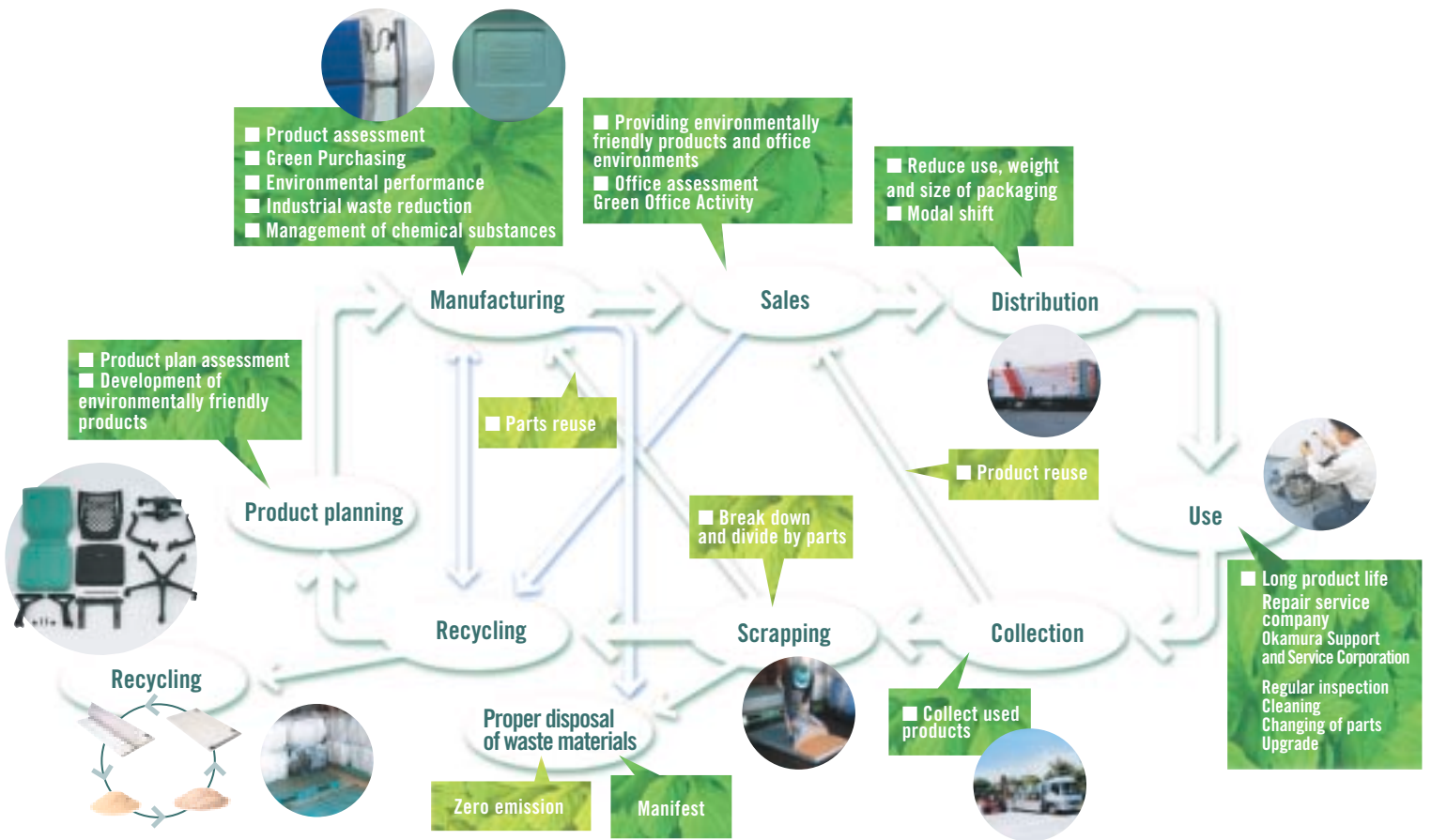
Guided by the catch phrase

“Green and Ecology,”

Okamura is making concerted efforts toward environmental protection.



GREEN WAVE 21



Okamura Acquires Comprehensive ISO 14001 Certification for Environmental Management Systems Companywide

Since launching its second medium-term environmental plan, Okamura has worked with each of its employees to realize a sustainable society in which limited resources are used as effectively as possible. The Company's third medium-term environmental plan began in April 2000 with the aim of creating a comprehensive Companywide environmental management system.

As a result of efforts with the new plan, in October 2000, Okamura acquired ISO 14001 certification from the Japan Quality Assurance Organization for its comprehensive Companywide environmental management system. In addition, the production affiliate NS Okamura Corporation completed certification of all its production sites in June 2001.

Green Wave 21

Okamura believes a sustainable society must be a recycling society. We chose the term "Green Wave Activity" to describe our corporate efforts toward realizing a recycling economy, and we are committed to promoting these activities.

3R Principles: Reduce, Reuse and Recycle

The Company is aggressively expanding its 3R activities, which consist of reducing, which means limiting creation of waste materials by using fewer resources in products and promoting longer usage lives, as well as reusing and recycling materials. Okamura is engaged in Companywide environmental preservation activities aimed at realizing a recycling economy.

Environmental Accounting

Understanding environmental costs is an essential part of promoting environmental management. In recognition of this fact, Okamura has introduced an environmental accounting system, and publishes an annual environmental report.

Environmental accounting, based on the guidelines of the Ministry of the Environment, is used to calculate environmental costs and to understand the benefits of environmental protection and the economic benefits of environmentally clean policies. The system also provides a mechanism for detailed management of environmental costs and understanding of related benefits that can then be reflected in financial accounting systems. As a consequence, companies can contribute to alleviating their burden on the environment, which management at Okamura believes is a highly important issue.

Zero Emissions

As a result of our efforts toward attaining zero emissions at a model office in 2001 under the first item of the third medium-term environmental plan, "Reduction and avoidance of production waste," we achieved zero emissions at the model Nakai Plant in June 2001.

Under the medium-term environmental plan, Okamura is currently developing standards to achieve zero emissions Companywide by using the Nakai Plant as a model, as well as reuse and recycle activities at Okamura Logistics Corporation of the Group's Distribution Division.

Striving to Help Create a Fully Recycling Society

In all of Okamura's corporate activities, the Company is making efforts in environmental activities using optimal environmental technology based on the core environmental principles of contributing to the protection of the earth and the creation of a fully recycling society.

Directors & Auditors

President and CEO

Kikuo Nakamura



Kikuo Nakamura

Senior Managing Director

Yuji Nakazawa



Yuji Nakazawa

Managing Directors

Katsumi Yamaoka

Kazuyoshi Hisamatsu

Tatsuo Ozawa

Masayuki Nakamura



Katsumi Yamaoka



Kazuyoshi Hisamatsu



Tatsuo Ozawa



Masayuki Nakamura

Directors

Norio Okada

Hiroyoshi Mutoh

Kazuhiko Matsumura

Hiroyuki Arai

Koichi Kurasaki

Nobuo Koide

Kunio Seki

Tsutomu Hirako

Hiroshi Makino

Shuichi Hosoya

Hideharu Sekino

Tamotsu Muroya



Norio Okada



Hiroyoshi Mutoh



Kazuhiko Matsumura



Hiroyuki Arai



Koichi Kurasaki



Nobuo Koide



Kunio Seki



Tsutomu Hirako



Hiroshi Makino



Shuichi Hosoya



Hideharu Sekino



Tamotsu Muroya

Standing Corporate Auditor

Tsuguji Okabe

Corporate Auditors

Shohachi Oki

Kazunobu Katoh

(As of June 28, 2001)