# Financial Results for FY March 2010

May 11, 2010
Listing: Tokyo Stock Exchange, Osaka Securities Exchange

Okamura Corporation
Code Number: 7994 (URL: http://www.okamura.co.jp/)
Representative: Kazuyoshi Hisamatsu, President and Representative Director
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Date of Board Meeting for Consolidated Settlement of Accounts: June 29, 2010
Scheduled date of filing Annual Security Report: June 29, 2010
Scheduled date of commencement of dividend payments: June 30, 2010

(Amounts less than 1 million yen have been rounded down.)

Consolidated Results for FY March 2010 (Apr. 1, 2009 – Mar. 31, 2010)

(1) Business Results (% Figures indicate year-on-year increase/decrease)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| FY March 2010 | 161,223 | (15.2) | 1,357 | (69.5) | 1,910 | (65.8) | 545 | (83.4) |
| FY March 2009 | 190,108 | (11.5) | 4,455 | (54.7) | 5,582 | (46.9) | 3,293 | (44.7) |

| | Net income per share | Fully diluted net income per share | Return on equity | Ordinary income to total assets | Operating income to net sales |
|---|---|---|---|---|---|
| | yen | yen | % | % | % |
| FY March 2010 | 4.95 | – | 0.7 | 1.2 | 0.8 |
| FY March 2009 | 29.87 | – | 4.2 | 3.2 | 2.3 |

(Note) Gain from investment in subsidiaries and affiliates accounted for by the equity method:
FY March 2010: ¥42 million, FY March 2009: ¥97 million

(2) Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | yen |
| FY March 2010 | 160,422 | 78,294 | 48.4 | 704.88 |
| FY March 2009 | 167,894 | 76,939 | 45.5 | 692.34 |

(Note) Total shareholder's equity: FY March 2010: ¥77,708 million, FY March 2009: ¥76,335 million

(3) Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at term-end |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| FY March 2010 | 7,285 | (2,469) | (2,344) | 20,902 |
| FY March 2009 | 8,012 | (10,194) | 1,196 | 18,425 |

2. Dividend

| | Dividend per share | | | | | Total dividends amount | Dividend payout ratio (Consolidated) | Dividend on equity ratio (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of first quarter | End of second quarter | End of third quarter | Year-end | Total | | | |
| | yen | yen | yen | yen | yen | Millions of yen | % | % |
| FY March 2009 | – | 7.50 | – | 5.00 | 12.50 | 1,379 | 41.9 | 1.8 |
| FY March 2010 | – | 3.75 | – | 3.75 | 7.50 | 827 | 151.6 | 1.1 |
| FY March 2011 (forecast) | – | 3.75 | – | 3.75 | 7.50 | | 43.5 | |

3. Consolidated Forecast for FY March 2011 (Apr. 1, 2010 – Mar. 31, 2011)

(% Figures indicate increase/decrease ratios from the previous year for FY March 2011, and year-on-year increase/decrease ratios for the accumulated total in 2Q, consolidated)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net Income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | yen |
| Accumulated total in 2Q, consolidated | 77,300 | (2.4) | 700 | 198.6 | 900 | 113.6 | 500 | 115.6 | 4.54 |
| FY March 2011 | 164,500 | 2.0 | 2,800 | 106.3 | 3,300 | 72.7 | 1,900 | 248.4 | 17.23 |

4. Other

(1) Changes in the number of material subsidiaries during the fiscal year: None
New — company(ies) (Company name: )
Excluded — company(ies) (Company name: )

(2) Changes in accounting principles and procedures used in the preparation of Consolidated Financial Statements or in the method of presentation of Consolidated Financial Statements (Items contained in "Significant Changes for the Preparation of Consolidated Financial Statements")
i by new accounting standard Yes
ii by others None
(Note) For details, please refer to "(6) Significant Items for the Preparation of Consolidated Financial Statements" on pages 16 to 21.

(3) Number of shares issued (Common stock)
i Number of shares issued (including treasury stock) FY March 2010: 112,391,530 FY March 2009: 112,391,530
ii Number of shares of treasury stock FY March 2010: 2,148,354 FY March 2009: 2,133,951
(Note) For the number of shares forming the basis for calculating (consolidated) net income per share, please refer to "Per Share Data" on page 37.

(Note) Non-Consolidated Business Results

1. Non-Consolidated Results for FY March 2010 (Apr. 1, 2009 – Mar. 31, 2010)

(1) Business Results (% Figures indicate year-on-year increase/decrease)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| FY March 2010 | 148,964 | (19.8) | 271 | (90.9) | 998 | (76.8) | 768 | (62.8) |
| FY March 2009 | 185,682 | (12.1) | 2,989 | (63.1) | 4,303 | (52.3) | 2,067 | (59.9) |

| | Net income per share | Fully diluted net income per share |
|---|---|---|
| | yen | yen |
| FY March 2010 | 6.96 | – |
| FY March 2009 | 18.73 | – |

(2) Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | yen |
| FY March 2010 | 144,731 | 67,251 | 46.5 | 609.29 |
| FY March 2009 | 149,751 | 65,684 | 43.9 | 595.04 |

(Note) Total shareholders' equity: FY March 2010: ¥67,251 million, FY March 2009: ¥65,684 million

* Explanation of Appropriate Use of Performance Forecasts and Other Issues Requiring Particular Mention

- The performance forecasts and other forward-looking statements contained herein are based on the information available to the Company at the time, and contain certain assumptions that the Company considers to be reasonable. They are subject to diverse factors that may cause actual results of operations and other items to differ significantly from the statements and forecasts. For a description of the assumptions underlying the performance forecasts and points to note when using performance forecasts, please refer to "1. Operating Results and Financial Position (1) Operating Results" on pages 3 and 4.

# 1. Operating Results and Financial Position

## (1) Operating Results

### 1-1) Overview of FY March 2010

① Overview of Operating Results

| | Net sales (Millions of yen) | Operating income (Millions of yen) | Ordinary income (Millions of yen) | Net income (Millions of yen) | Net income per share (Yen) |
|---|---|---|---|---|---|
| FY March 2010 | 161,223 | 1,357 | 1,910 | 545 | 4.95 |
| FY March 2009 | 190,108 | 4,455 | 5,582 | 3,293 | 29.87 |
| Changes (%) | (15.2%) | (69.5%) | (65.8%) | (83.4%) | (83.4%) |

During the fiscal year under review, Japan's economic doldrums persisted in the wake of the global financial system turmoil, which dealt an increasingly serious blow to the real economy, particularly affecting employment and income conditions together with personal consumption. The second half of the year saw the first signs of recovery appear in parts of the economy, yet especially with demand in the private corporate sector remaining low, the business climate surrounding Okamura Corporation (hereinafter the "Company") proved to be by far the most difficult it had ever experienced.

Under these circumstances, the Okamura Group (hereinafter the "Group") focused on developing new products to meet changing social conditions and on cultivating new customer bases, while accelerating the cutting of costs and expenses. However, the shrinkage in aggregate demand outpaced these efforts, as businesses curbed investments and cut expenses in response to declines in their earnings, and put a dent in the Group's sales revenues and earnings.

Consequently, the Group's current net sales were ¥161,223 million (a decrease of 15.2% year-on-year).

From a profit and loss perspective, strengthened earnings improvement initiatives produced some effect in reducing selling, general and administrative expenses. Nonetheless, as the decrease in net sales and gross profit had a greater impact than these reductions, the Group's ordinary income amounted to ¥1,910 million (a year-on-year decrease of 65.8%). Owing partly to a reversal of deferred tax assets, the Group's current net income amounted to ¥545 million (a year-on-year decrease of 83.4%).

② Segment Information

| | Net sales (Millions of yen) | | | Operating income (loss) (Millions of yen) | | |
|---|---|---|---|---|---|---|
| | FY March 2009 | FY March 2010 | Change | FY March 2009 | FY March 2010 | Change |
| Office Furniture | 115,625 | 93,191 | (22,434) | 3,807 | 1,151 | (2,655) |
| Store Displays | 62,570 | 59,144 | (3,426) | 1,074 | 522 | (552) |
| Material Handling Systems and Others | 11,912 | 8,888 | (3,023) | (426) | (317) | 109 |

#### i) Office Furniture

The Office Furniture segment continued to face an extremely challenging climate, with aggregate demand shrinking substantially, as businesses curbed investments and cut expenses in reaction to the economic downturn.

In such circumstances, office-related demand remained solid among companies seeking greater office efficiency and cost savings. The Company responded to these needs with proposals to introduce the "creative office" concept involving the transformation of offices into "intellectually creative spaces," combined with solutions to reviewing work styles. Likewise, the Company aggressively promoted its "green workplace" concept aimed at reducing the impact of offices on the environment. Emphasis was also placed on developing demand among educational facilities, local governments and other customer sectors in the periphery of the office furniture market. These efforts however fell short of making up for the negative effects of the shrinking aggregate demand.

As a result, net sales in this segment were ¥93,191 million (a decrease of 19.4% year-on-year), and operating income was ¥1,151 million (a decrease of 69.7% year-on-year).

#### ii) Store Displays

The Store Displays segment's business environment continued to remain challenging as distributors/retailers curbed their investments and shifted to smaller store formats in the face of stagnant personal consumption reflecting increased consumer frugality as a consequence of worsening employment prospects and declining personal income. In such circumstances, the Company focused its efforts on marketing total store solutions designed to meet shifting consumer needs and to improve energy efficiency, and on expanding its business domain by harnessing synergies with SEC Co., Ltd., a consolidated subsidiary of the Company. The segment's gross profit to net sales ratio improved because the Company implemented various profit improvement initiatives, including the maintenance of higher selling prices, and cost reductions.

As a result, net sales in this segment were ¥59,144 million (a decrease of 5.5% year-on-year), and operating income was ¥522 million (a decrease of 51.4% year-on-year).

iii) Material Handling Systems and Others

In the Material Handling Systems segment, the Company aggressively pursued sales activities using solution-based proposals tailored to the needs of logistics centers, plants and other priority customers. The proposals also responded to the growing needs of companies seeking to reduce costs by outsourcing their logistics management and operations to specialist service providers. However, increasing numbers of customers in this business as well postponed or canceled new investment as their market conditions deteriorated, leading to a decline in the number of projects being launched. This put a dent in the segment's sales revenue.

As a result, this segment reported net sales of ¥8,888 million (a decrease of 25.4% year-on-year) and a net operating loss of ¥317 million.

1-2) Outlook for Fiscal 2011

| | Net sales (Millions of yen) | Operating income (Millions of yen) | Ordinary income (Millions of yen) | Net income (Millions of yen) | Net Income per share (Yen) |
|---|---|---|---|---|---|
| FY March 2011 | 164,500 | 2,800 | 3,300 | 1,900 | 17.23 |
| FY March 2010 | 161,223 | 1,357 | 1,910 | 545 | 4.95 |
| Change (%) | 2.0% | 106.3% | 72.7% | 248.4% | 248.4% |

During the current fiscal year, Japan's economy is expected to follow a path of gradual recovery on the strength of robust demand from emerging countries. Yet, especially with corporate capital investment still remaining low, personal consumption stagnating, and office vacancy rates remaining stubbornly high, the environment surrounding the Group will likely continue to be challenging.

Amid such circumstances, in the mainstay Office Furniture segment, the Company will aggressively expand the solution-based business model, its proven forte, by taking on the firm office demand arising from improvements in office efficiency, review of work styles and corporate restructuring. Particular emphasis will be put on proposals to introduce the "green workplace" concept. At the same time, the Company will step up the development of demand in the periphery of the office furniture market, specifically within a variety of public facilities, including educational facilities and local governments. Furthermore, the Company will simultaneously implement cost reductions and higher quality, with the aim to strengthen international competitiveness from the mid to long-term perspectives. The Company will actively pursue developing its overseas business with a view to full-fledged entry into the global market. By making maximum use of its superior product development capabilities and technological expertise, the Company will work on developing products that incorporate new technologies and products that care for the environment.

In the Store Displays segment, with shrinking total demand, the difficult business environment is likely to continue. The Company will seek to increase sales by acquiring new customers by virtue of its strength in comprehensive offerings and by promoting total store solutions designed to meet shifting consumer needs and changing conditions in society. The Company will also seek to expand its business domain by developing the store maintenance and servicing business through SEC Co., Ltd., a consolidated subsidiary of the Company.

In the Material Handling Systems and Others segment, the Company will set its sights on logistics management outsourcing services, renewable energy production facilities, and other fields where investments are growing strongly. The Company will enhance its proposals to attract more orders for total solutions by taking advantage of proposals using logistics engineering and new products that are distinguished by their superiority. The Company will also undertake full-fledged action to promote sector-specific solutions by utilizing synergies with other business segments, in order to achieve a turnaround in revenues and earnings.

In terms of initiatives to improve profitability, the Company will implement further reductions in production costs by pursuing continuous productivity improvement and cost reduction efforts by virtue of OPS (Okamura Production System) while also working on restructuring production systems for better optimization. All of these activities reflect the Company's commitment to consistent corporate reforms aiming for steady and highly profitable corporate structure through prioritized and efficient investment in managerial resources.

For fiscal 2011, the Company anticipates consolidated net sales of ¥164.5 billion, consolidated ordinary income of ¥3.3 billion, and consolidated net income of ¥1.9 billion.

## (2) Financial Position

① Total Assets, Liabilities and Net Assets

| | FY March 2009 | FY March 2010 |
|---|---|---|
| Total assets (Millions of yen) | 167,894 | 160,422 |
| Net assets (Millions of yen) | 76,939 | 78,294 |
| Equity ratio | 45.5% | 48.4% |
| Net assets per share (yen) | 692.34 | 704.88 |

The Company's consolidated financial position at the end of the fiscal year under review is as follows:

Total assets amounted to ¥160,422 million, a decrease of ¥7,471 million compared with the end of the previous fiscal year. Current assets decreased by ¥5,049 million as a result of decreases in trade notes and accounts receivable and inventories despite an increase in cash and time deposits, and fixed assets decreased by ¥2,422 million as a result of a decrease in tangible fixed assets despite an increase in investment securities.

Total liabilities amounted to ¥82,127 million, a decrease of ¥8,826 million over the end of the previous fiscal year, mainly because of a decrease in trade notes and accounts payable.

Total net assets amounted to ¥78,294 million, an increase of ¥1,355 million over the end of the previous fiscal year, primarily reflecting an increase in net unrealized holding gains on other securities. The equity ratio increased by 2.9 percentage points to 48.4%.

② Cash Flows

| | FY March 2009 (Millions of yen) | FY March 2010 (Millions of yen) |
|---|---|---|
| Cash flows from operating activities | 8,012 | 7,285 |
| Cash flows from investing activities | (10,194) | (2,469) |
| Cash flows from financing activities | 1,196 | (2,344) |
| Cash and cash equivalents at the term (year) end | 18,425 | 20,902 |
| Borrowings and corporate bonds at the term (year) end | 32,192 | 30,910 |

Below is a review of cash flows during the fiscal year under review:

Operating activities generated a net cash increase of ¥7,285 million (versus a net cash increase of ¥8,012 million in the previous fiscal year), reflecting inflows including depreciation expenses of ¥5,450 million, a decrease in trade notes and accounts receivable of ¥4,520 million, and a decrease in inventories of ¥4,268 million. Outflows included a decrease in trade notes and accounts payable of ¥7,726 million.

Investing activities resulted in a net cash outflow of ¥2,469 million (versus a net cash outflow of ¥10,194 million in the previous fiscal year), reflecting outflows including an increase in time deposits of ¥798 million and disbursements of ¥1,921 million for the acquisition of tangible fixed assets. Inflows included proceeds of ¥1,030 million from the sale of investment securities.

Financing activities resulted in a net cash outflow of ¥2,344 million (versus a net cash increase of ¥1,196 million in the previous fiscal year), reflecting proceeds from an increase in long-term loans payable of ¥1,223 million and outlays including ¥967 million to pay cash dividends.

Consequently, cash and cash equivalents at the end of the fiscal year under review increased by ¥2,477 million to ¥20,902 million.

The balance of interest-bearing debt (borrowings and corporate bonds) at the end of the current term under review decreased by ¥1,281 million compared to the previous fiscal year to ¥30,910 million.

(Reference) Trends of cash flow indicators

| | FY March 2006 | FY March 2007 | FY March 2008 | FY March 2009 | FY March 2010 |
|---|---|---|---|---|---|
| Equity ratio (%) | 41.5 | 42.9 | 42.7 | 45.5 | 48.4 |
| Market value-based equity ratio (%) | 69.8 | 76.4 | 40.9 | 29.5 | 41.0 |
| Ratio of interest-bearing debt to cash flows (times) | 3.3 | 6.3 | 2.4 | 4.0 | 4.2 |
| Interest coverage ratio (times) | 25.6 | 11.1 | 27.5 | 16.3 | 12.0 |

Equity ratio: Shareholders' equity/Total Assets

Market value-based equity ratio: Market capitalization/Total Assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt/Cash flows
Interest coverage ratio: Operating cash flow/Interest payments
(Note 1) All of the above cash flow indicators are calculated on a consolidated basis.
(Note 2) Market capitalization is calculated based on the total number of shares issued and outstanding adjusted for treasury stock.
(Note 3) Operating cash flow equals cash flows from operating activities stated in the Consolidated Statements of Cash Flows.
(Note 4) Interest-bearing debt equals all liabilities on which interests are paid, as stated in the Consolidated Balance Sheets. Interest payments are equal to interests paid as stated in the Consolidated Statements of Cash Flows.

### (3) Basic Policies Regarding Allocation of Profits/Dividends in the Fiscal Year under Review and the Next Fiscal Year

We consider the return of profits to shareholders to be an important management priority. To maintain stable dividend payments while increasing enterprise value, we will take into account the needs to bolster internal reserves to provide for investments, as well as business performance and balance funding.

In accordance with these policies, we decided to target annual cash dividends of ¥3.75 per share. Therefore, including the interim dividends (¥3.75 per share), dividends applicable to the year will be ¥7.50 per share.

Dividends for next fiscal year are forecast to be ¥7.50 per share.

## 2. Group Companies

The Group comprises the Company, 15 consolidated subsidiaries and four affiliated companies. The Group's principal businesses are the manufacture and sale of office furniture, store displays, and material handling systems. In these business segments the Group offers logistics, installation, and other services.

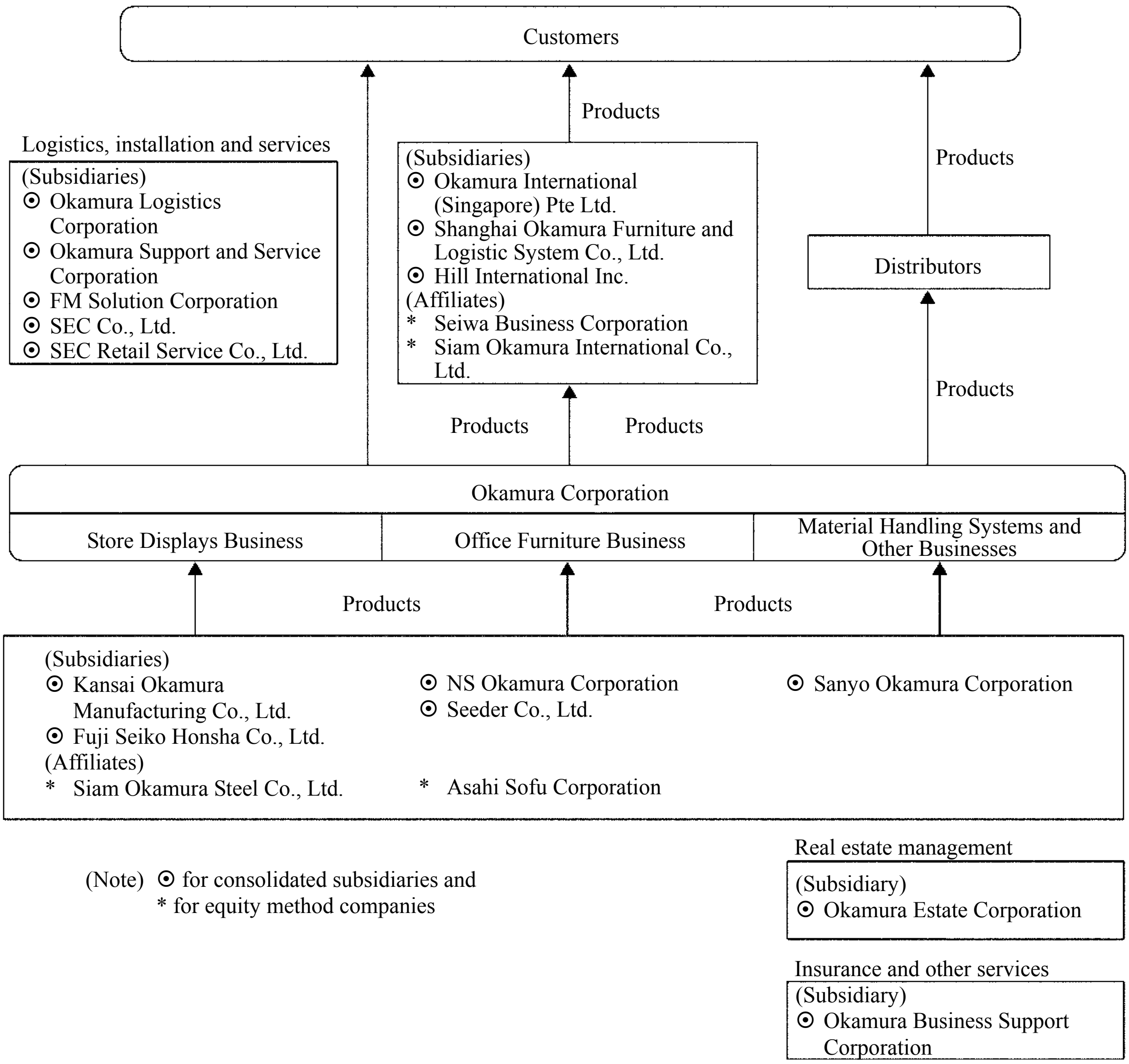
In the office furniture, store displays, and material handling systems business segments, the Company and consolidated subsidiaries including Kansai Okamura Manufacturing Co., Ltd., NS Okamura Corporation, Sanyo Okamura Corporation, Seeder Co., Ltd., and Fuji Seiko Honsha Co., Ltd. engage in manufacturing operations.

In the office furniture, store displays, and material handling systems business segments, the Company engages in sales operations primarily itself and also through its consolidated subsidiaries Okamura International (Singapore) Pte Ltd. and Shanghai Okamura Furniture and Logistic System Co., Ltd., and the Company's affiliates Seiwa Business Corporation and Siam Okamura International Co., Ltd., as well as through the Company's distributors.

In other related businesses, the consolidated subsidiary Okamura Logistics Corporation engages in the Group's logistics and installation for office furniture, store displays, and material handling systems operations, while Okamura Support and Service Corporation and SEC Co., Ltd. undertake the Group's installation and services. The Company established SEC Retail Service Co., Ltd. in the fiscal year under review.

Consolidated subsidiaries Okamura Business Support Corporation and Okamura Estate Corporation engage in insurance and real estate management operations for the Group.

The organization chart below depicts the business structure of the Group. Business segments in the chart correspond to those in the Segment Information section.




(Note) ⊙ for consolidated subsidiaries and
* for equity method companies

# 3. Management Policy

## (1) Basic Management Policy

Guided by its watchwords for corporate reform—information technology, globalization, and specialization—the Group engages in business activities grounded in a basic policy of building and strengthening a relationship of trust with society by constructing a stable management base, engaging in efficient, profit-oriented management, and demonstrating concern for the natural environment.

The Company proclaimed itself "Cooperative Industry—Okamura Seisakusho" when in 1945, a company of engineers, led by its founder, made mutual contributions of funds, technical expertise, and labor to launch it into operation. Throughout its existence, human bonds of the technologically minded have formed the foundation of its operations, primarily in the lines of office furniture, store displays, material handling systems and others. True to its motto that "Quality pays for itself" are the integrated development, manufacture, and distribution of high-quality products that customers feel enrich their amenity environment, as well as turnkey offerings tailored to customers' diverse space requirements. These comprise the Company's approach to setting itself apart from its competition in its pursuit of ensuring and enhancing its corporate value and hence its common shareholder value.

## (2) Target Performance Indicators

The Group places importance on return on assets (ROA), return on shareholders' equity (ROE), and ratio of operating income to sales as key indicators of business performance. The Company strives at all times to improve profitability through cost consciousness and to focus on improving investment efficiency by exercising selectivity and concentration in the allocation of management resources.

## (3) Medium- to Long-Term Business Strategy

### 1) Reducing Break-even Point

The Company will reduce its break-even point to sales ratio in the interest of ensuring growth in operating income. To this end, its manufacturing cost initiatives focus on reducing procurement costs and enhancing productivity by virtue of OPS, while its efforts to improve the structure of SG&A include reducing personnel members and overhauling overhead costs.

### 2) Office Furniture

The Company will aggressively expand its solution-based business model, its proven forte, with particular emphasis on promoting its "green workplace" solution, which seeks to minimize the environmental impact of the office while ensuring that it achieves its essential purpose and functions. It is based on the concept of caring for the environment from both office and worker standpoints. Furthermore, with private-sector demand for office space shrinking, the Company will step up the development of demand in the periphery of the office furniture market by enhancing dedicated marketing capabilities within a variety of public facilities, including educational facilities and local governments.

In developing new products, by making maximum use of its superior product development capabilities and technological expertise, the Company will emphasize the introduction of products incorporating new technologies and products featuring eco-friendly mechanisms.

### 3) Store Displays

The Company's operating environment in the distribution/retail market is likely to continue to be difficult going forward, as retailers shift to smaller store formats in the face of stagnant personal consumption. Despite this environment, the Company will seek to increase sales by differentiating its offerings with total store solutions to create environmentally caring stores and energy efficient stores. The Company will also seek to expand its business domain by developing the store maintenance and servicing business through SEC Co., Ltd., a consolidated subsidiary of the Company.

### 4) Material Handling Systems and Others

The Company's operating environment in this business segment is likely to continue to be difficult, as private-sector capital spending remains depressed. Despite this environment, the Company will seek to expand sales by stepping up sales activities using solution-based proposals tailored to the storage and sorting of small articles in distribution centers, an area which the Company counts as being among its strengths. The proposals will also respond to the growing needs of companies seeking to reduce their costs by outsourcing their logistics management and operations to specialist service providers. The Company will set its sights on renewable energy production facilities and other fields where investments are growing strongly, and step up efforts to attract orders for total solutions by taking advantage of our proposals and new products that are distinguished by their superiority. These efforts should achieve a turnaround in revenues and earnings.

### 5) Overseas Operations

The economic downturn in the wake of the global turmoil in financial systems has contributed to slower sales in the Company's overseas operations. Meanwhile, in June 2008 the Company became the first Japanese office furniture manufacturer to open a permanent showroom in Chicago, and set up sales bases in London in July 2008 and in Dubai in December. Furthermore, new dealers have been distributed in emerging countries, including Russia and Brazil, and steady progress has been made in developing a network of resellers. Going forward, the Company will group its operations overseas around three pillars (North America, Europe and China/Asia) and build a stronger operating foundation as it seeks to expand and evolve into a global company.

## (4) Issues Facing the Company

To cope with a social milieu characterized by diversification, globalization and other sweeping social transformations that are likely to continue to occur in the coming years, the Company has periodically convened the Business Process Improvement Committee, flexibly and rapidly responded to the changes, and implemented a series of profit improvement measures necessary to sustain and increase growth and profitability.

In future business development, the Company will aggressively invest management resources in growth business sectors on the basis of a medium-term management strategy grounded in selectivity and concentration, engage in continued restructuring across all businesses and organizations, work to increase capital efficiency, and promote management reform to establish a highly profitable corporate structure.

# 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Millions of yen)

| | FY March 2009 (As of Mar. 31, 2009) | FY March 2010 (As of Mar. 31, 2010) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 19,488 | 23,719 |
| Trade notes and accounts receivable | 47,600 | 43,079 |
| Marketable securities | 172 | 122 |
| Merchandise and finished products | 12,254 | 8,369 |
| Work in process | 1,286 | 1,101 |
| Raw material and supplies | 2,248 | 2,050 |
| Deferred tax assets | 1,237 | 956 |
| Others | 1,577 | 1,382 |
| Allowance for doubtful debt | (82) | (47) |
| Total current assets | 85,784 | 80,735 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures (at net book value) | 16,880 | 15,697 |
| Machinery, equipment and vehicles (at net book value) | 9,061 | 7,626 |
| Land | 22,771 | 22,562 |
| Machinery, equipment and vehicles | 48 | 33 |
| Others (at net book value) | 2,328 | 1,870 |
| Total tangible fixed assets | *1 51,090 | *1 47,790 |
| Intangible fixed assets | | |
| Goodwill | 1,783 | 1,526 |
| Others | 2,347 | 2,246 |
| Total intangible fixed assets | 4,130 | 3,773 |
| Investments and other assets | | |
| Investment securities | *1, *2 16,120 | *1, *2 18,975 |
| Prepaid pension cost | 2,517 | 2,485 |
| Guarantee deposits | 4,071 | 3,948 |
| Deferred tax assets | 2,165 | 1,614 |
| Others | 2,104 | 1,147 |
| Allowance for doubtful debt | (91) | (48) |
| Total investments and other assets | 26,888 | 28,123 |
| Total fixed assets | 82,109 | 79,687 |
| Total assets | 167,894 | 160,422 |

(Millions of yen)

| | FY March 2009 (As of Mar. 31, 2009) | FY March 2010 (As of Mar. 31, 2010) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 37,432 | 29,529 |
| Short-term bank loans | *1, *3 9,878 | *1, *3 9,820 |
| Long-term debts due within one year | *1 1,674 | *1 2,355 |
| Bonds redeemed within one year | 5,000 | 5,000 |
| Income taxes payable | 793 | 660 |
| Consumption taxes payable | 132 | 389 |
| Allowance for bonus payable | 1,535 | 907 |
| Others | 2,924 | 2,731 |
| Total current liabilities | 59,370 | 51,393 |
| Long-term liabilities | | |
| Debenture bonds | 5,000 | 5,000 |
| Long-term loans payable | *1 10,639 | *1 8,734 |
| Deferred tax liabilities | 668 | 1,592 |
| Severance and employee retirement benefits | 11,710 | 12,052 |
| Others | 3,565 | 3,354 |
| Total long-term liabilities | 31,583 | 30,734 |
| Total liabilities | 90,954 | 82,127 |
| Net assets | | |
| Owners' equity | | |
| Capital stock | 18,670 | 18,670 |
| Capital surplus | 16,759 | 16,759 |
| Retained earnings | 42,547 | 42,126 |
| Treasury stock, at cost | (2,354) | (2,362) |
| Total owners' equity | 75,622 | 75,194 |
| Net unrealized gain and translation adjustments | | |
| Unrealized holding gains (losses) on securities | 1,057 | 2,811 |
| Foreign currency translation adjustments | (345) | (297) |
| Total net unrealized gain and translation adjustments | 712 | 2,513 |
| Minority interests | 604 | 586 |
| Total net assets | 76,939 | 78,294 |
| Total liabilities and net assets | 167,894 | 160,422 |

(2) Consolidated Statements of Income

(Millions of yen)

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Net sales | 190,108 | 161,223 |
| Cost of sales | *2 131,782 | *2 111,481 |
| Gross profit | 58,326 | 49,742 |
| Selling, general and administrative expenses | *1, *2 53,871 | *1, *2 48,385 |
| Operating income | 4,455 | 1,357 |
| Other income | | |
| Interest income | 48 | 36 |
| Dividend income | 431 | 305 |
| Amortization of negative goodwill | 198 | 198 |
| Equity in earnings of affiliated companies | 97 | 42 |
| Refund of premium for cancelled insurance | 457 | – |
| Subsidy income | – | 238 |
| Others | 685 | 603 |
| Total other income | 1,918 | 1,425 |
| Other expenses | | |
| Interest expense | 508 | 625 |
| Others | 282 | 246 |
| Total other expenses | 790 | 871 |
| Ordinary income | 5,582 | 1,910 |
| Extraordinary income | | |
| Gain on sale of property, plant and equipment | *3 3 | *3 0 |
| Gain on sale of investment securities | 83 | 388 |
| Reversal of allowance for doubtful accounts | 13 | 22 |
| Reversal of allowance for bonuses payable | 639 | – |
| Others | 0 | 1 |
| Total extraordinary income | 740 | 412 |
| Extraordinary losses | | |
| Loss on disposal of property, plant and equipment | *4 153 | – |
| Loss on disposal/sale of property, plant and equipment | – | *5 166 |
| Impairment loss on investment securities | 428 | 97 |
| Directors’ retirement benefits | 150 | – |
| Loss on extinguishment of shares in merged company | 99 | – |
| Others | 23 | 76 |
| Total extraordinary losses | 854 | 341 |
| Income before income taxes for the term (fiscal year) | 5,468 | 1,982 |
| Income taxes | 1,765 | 903 |
| Adjustments on income taxes | 501 | 551 |
| Total income taxes | 2,266 | 1,455 |
| Minority interests in earnings (losses) | (91) | (18) |
| Net income | 3,293 | 545 |

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Owners’ equity | | |
| Capital stock | | |
| Opening balance | 18,670 | 18,670 |
| Changes during period | | |
| Total changes during period | – | – |
| Ending balance | 18,670 | 18,670 |
| Capital surplus | | |
| Opening balance | 16,759 | 16,759 |
| Changes during period | | |
| Total changes during period | – | – |
| Ending balance | 16,759 | 16,759 |
| Retained earnings | | |
| Opening balance | 40,909 | 42,547 |
| Changes during period | | |
| Dividends | (1,656) | (965) |
| Net income | 3,293 | 545 |
| Total changes during period | 1,637 | (420) |
| Ending balance | 42,547 | 42,126 |
| Treasury stock, at cost | | |
| Opening balance | (2,333) | (2,354) |
| Changes during period | | |
| Acquisition of treasury stock | (21) | (7) |
| Total changes during period | (21) | (7) |
| Ending balance | (2,354) | (2,362) |
| Total owners’ equity | | |
| Opening balance | 74,006 | 75,622 |
| Changes during period | | |
| Dividends | (1,656) | (965) |
| Net income | 3,293 | 545 |
| Acquisition of treasury stock | (21) | (7) |
| Total changes during period | 1,616 | (428) |
| Ending balance | 75,622 | 75,194 |

(Millions of yen)

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Net unrealized gain and translation adjustments | | |
| Unrealized holding gains (losses) on securities | | |
| Opening balance | 5,262 | 1,057 |
| Changes during period | | |
| Net changes of net assets other than owners' equity during period | (4,204) | 1,753 |
| Total changes during period | (4,204) | 1,753 |
| Ending balance | 1,057 | 2,811 |
| Foreign currency translation adjustments | | |
| Opening balance | 66 | (345) |
| Changes during period | | |
| Net changes of net assets other than owners' equity during period | (411) | 47 |
| Total changes during period | (411) | 47 |
| Ending balance | (345) | (297) |
| Total net unrealized gain and translation adjustments | | |
| Opening balance | 5,328 | 712 |
| Changes during period | | |
| Net changes of net assets other than owners' equity during period | (4,615) | 1,801 |
| Total changes during period | (4,615) | 1,801 |
| Ending balance | 712 | 2,513 |
| Minority interests | | |
| Opening balance | 3,786 | 604 |
| Changes during period | | |
| Net changes of net assets other than owners' equity during period | (3,181) | (18) |
| Total changes during period | (3,181) | (18) |
| Ending balance | 604 | 586 |
| Total net assets | | |
| Opening balance | 83,121 | 76,939 |
| Changes during period | | |
| Dividends | (1,656) | (965) |
| Net income | 3,293 | 545 |
| Acquisition of treasury stock | (21) | (7) |
| Net changes of net assets other than owners' equity during period | (7,797) | 1,782 |
| Total changes during period | (6,181) | 1,354 |
| Ending balance | 76,939 | 78,294 |

(4) Consolidated Statements of Cash Flows

(Millions of yen)

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes for the term (fiscal year) | 5,468 | 1,982 |
| Depreciation expense | 6,107 | 5,450 |
| Amortization of negative goodwill | (198) | (198) |
| Loss (gain) on sales of property, plant and equipment | (3) | – |
| Loss on disposal of property, plant and equipment | 153 | – |
| Loss (gain) on disposal/sale of property, plant and equipment | – | 166 |
| Loss (gain) on equity in earnings of affiliated companies | (97) | (42) |
| Increase (decrease) in allowance for doubtful debt | (59) | (78) |
| Increase (decrease) in allowance for bonus payable | (1,410) | (628) |
| Increase (decrease) in allowance for employee retirement benefits | (133) | 374 |
| Increase (decrease) in reserve for directors' retirement benefits | (20) | – |
| Interest and dividend income | (479) | (342) |
| Interest expense | 508 | 625 |
| Loss (gain) on sale of investment securities | (70) | (367) |
| Loss (gain) on devaluation of investment securities | 428 | 97 |
| Decrease (increase) in notes and accounts receivable | 11,056 | 4,520 |
| Decrease (increase) in inventories | 1,142 | 4,268 |
| Increase (decrease) in notes and accounts payable | (10,005) | (7,726) |
| Others | (886) | 249 |
| Sub-total | 11,500 | 8,352 |
| Interest and dividends received | 513 | 364 |
| Interest expenses paid | (491) | (609) |
| Income taxes paid | (3,510) | (821) |
| Cash flows from operating activities | 8,012 | 7,285 |
| Cash flows from investing activities | | |
| Outlay for placement of time deposits | (1,225) | (4,233) |
| Proceeds from withdrawal of time deposits | 1,168 | 3,434 |
| Payment for purchase of property, plant and equipment | (6,041) | (1,921) |
| Proceeds from sale of property, plant and equipment | 14 | 177 |
| Payment for purchase of intangible fixed assets | (379) | (657) |
| Payment for purchase of investment securities | (1,947) | (546) |
| Proceeds from sale and redemption of investment securities | 1,216 | 1,030 |
| Outlay for acquisition of stock in subsidiary | (2,089) | – |
| Payment for purchase of stock in subsidiary affecting the scope of consolidation | *2 (1,957) | – |
| Others | 1,045 | 245 |
| Cash flows from investing activities | (10,194) | (2,469) |

(Millions of yen)

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term bank loans | 11 | (58) |
| Proceeds from long-term bank loans | 6,050 | 600 |
| Repayments of long-term debt | (3,148) | (1,823) |
| Proceeds from issuance of corporate bonds | – | 5,000 |
| Outlays for redemption of corporate bonds | – | (5,000) |
| Payment for purchase of treasury stock | (18) | (4) |
| Cash dividends | (1,655) | (967) |
| Cash dividends paid to minority shareholders | (24) | – |
| Others | (15) | (90) |
| Cash flows from financing activities | 1,196 | (2,344) |
| Effect on exchange rate changes on cash and cash equivalents | (85) | 5 |
| Increase (decrease) in cash and cash equivalents | (1,071) | 2,477 |
| Cash and cash equivalents at beginning of the year | 19,496 | 18,425 |
| Cash and cash equivalents at the end of the year | *1 18,425 | *1 20,902 |

(5) Events or Conditions That May Cast Significant Doubt on the Going Concern Assumption

Not applicable.

(6) Significant Items for the Preparation of Consolidated Financial Statements

<table>
<tr><th></th><th>FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009)</th><th>FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010)</th></tr>
<tr><td>1. Scope of consolidation</td><td>(1) Consolidated subsidiaries<br>Number of consolidated subsidiaries: 14 companies.<br>The names of the consolidated subsidiaries are not stated here since they appear in “2. Group Companies” on page 7.<br>Pursuant to the acquisition of shares dated Mar. 6, 2009, SEC Co., Ltd. became the Company’s consolidated subsidiary from this consolidated fiscal year. The deemed acquisition date is Mar. 31, 2009, and only the balance sheet is subject to consolidation.<br>(2) Non-consolidated subsidiaries<br>Not applicable.<br>Kagaseiko Corporation, which in the previous consolidated fiscal year had been classified as a non-consolidated subsidiary, was absorbed and merged into Fuji Seiko Honsha Co., Ltd., a consolidated subsidiary of the Company, as of Oct. 1, 2008.</td><td>(1) Consolidated subsidiaries<br>Number of consolidated subsidiaries: 15 companies.<br>The names of the consolidated subsidiaries are not stated here since they appear in “2. Group Companies” on page 7.<br>The Company established a new entity called SEC Retail Service Co., Ltd. on January 20, 2010, which is added to the scope of consolidation effective with this consolidated fiscal year.<br>(2) Non-consolidated subsidiaries<br>Not applicable.</td></tr>
<tr><td>2. Application of the equity method</td><td>(1) Equity method non-consolidated subsidiaries<br>Not applicable.<br>(2) Equity method affiliates<br>Number of equity method affiliates: 4 companies.<br>The names of the equity method affiliates are not stated here since they appear in “2. Group Companies” on page 7.<br>(3) Non-consolidated subsidiaries not accounting for the equity method<br>Not applicable.<br>(4) Affiliates not accounting for the equity method<br>Not applicable.<br>(5) Those equity method companies whose date of yearly settlement of accounts differs from the date of yearly settlement of consolidated accounts are accounted for using their financial statements prepared according to their operating year.</td><td>(1) Equity method non-consolidated subsidiaries<br>Same as left.<br>(2) Equity method affiliates<br>Same as left.<br>(3) Non-consolidated subsidiaries not accounting for the equity method<br>Same as left.<br>(4) Affiliates not accounting for the equity method<br>Same as left.<br>(5) Same as left.</td></tr>
<tr><td>3. Operating year of consolidated subsidiaries</td><td>The date of yearly settlement of accounts is December 31 for Okamura International (Singapore) Pte Ltd., Shanghai Okamura Furniture and Logistic System Co., Ltd., and Fuji Seiko Honsha Co., Ltd., and September 30 for SEC Co., Ltd. For all other consolidated subsidiaries, the date of yearly settlement of accounts is March 31, which is the same date the Company files Consolidated Financial Statements. The difference between the date of yearly settlement of accounts for Okamura International (Singapore) Pte Ltd., Shanghai Okamura Furniture and Logistic System Co., Ltd., and Fuji Seiko Honsha Co., Ltd. and the date of yearly settlement of consolidated accounts is three months or less, so that the financial statements of the three subsidiaries according to their operating year could be used as the basis for consolidating the three subsidiaries. As for SEC Co., Ltd., its financial statements prepared as of the date of provisional settlement of accounts (December 31) undertaken due to the acquisition of shares were used for consolidation. However, any significant transactions that occurred following the end of such operating year through the date of yearly settlement of consolidated accounts were adjusted in manners necessary for consolidation.</td><td>The date of yearly settlement of accounts is December 31 for Okamura International (Singapore) Pte Ltd. and Shanghai Okamura Furniture and Logistic System Co., Ltd., and September 30 for SEC Co., Ltd and SEC Retail Service Co., Ltd. For all other consolidated subsidiaries, the date of yearly settlement of accounts is March 31, which is the same date the Company files Consolidated Financial Statements. The difference between the date of yearly settlement of accounts for Okamura International (Singapore) Pte Ltd. and Shanghai Okamura Furniture and Logistic System Co., Ltd. and the date of yearly settlement of consolidated accounts is three months or less, so that the financial statements of the two subsidiaries according to their operating year could be used as the basis for consolidating the two subsidiaries. As for SEC Co., Ltd., its financial statements prepared as of the date of provisional settlement of accounts (December 31) were used for consolidation, and as for SEC Retail Service Co., Ltd., its balance sheet prepared as of its establishment was used for consolidation. However, any significant transactions that occurred following the end of such operating year through the date of yearly settlement of consolidated accounts were adjusted in manners necessary for consolidation. As for Fuji Seiko Honsha Co., Ltd., due to a change in its date of yearly settlement of accounts from December 31 to March 31, the subsidiary was consolidated for the period of 15 months from January 1, 2009 to March 31, 2010. The effect of this change on income was negligible.</td></tr>
</table>

| | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| 4. Accounting standards | (1) Standards and methods for valuation of significant assets<br>① Securities<br>a. Held-to-maturity bonds<br>Amortized cost method (straight-line method).<br>b. Other securities<br>Securities with market value<br>Market value method based on values such as the market price at the end of the settlement year.<br>(All valuation differences were accounted for as a separate component of net assets, and the cost of selling was calculated on the moving average method.)<br>Securities without market value<br>Cost method based on the moving average method.<br>② Derivatives<br>Market value method.<br>③ Inventories<br>Inventories held for sale in the ordinary course of business.<br>Cost method (which reduces the book value of assets whose profitability is diminished) based on the moving average method.<br>(Change in accounting policy)<br>Effective with this consolidated fiscal year, the Company adopted the Accounting Standard for Valuation of Inventories (ASBJ Statement No. 9, issued by the Accounting Standards Board of Japan on July 5, 2006).<br>The effect of this change was to reduce gross profit, operating income, ordinary income and income before income taxes by ¥455 million each compared with the results based on the same method used in the previous consolidated fiscal year.<br>The impact this caused on segment information is described where it is relevant.<br>(2) Methods of depreciation of significant depreciable assets<br>① Tangible fixed assets (excluding lease assets)<br>Buildings (excluding building equipment)<br>a. those acquired on or before Mar. 31, 1998<br>Former fixed percentage method.<br>b. those acquired between Apr. 1, 1998 and Mar. 31, 2007<br>Former straight-line method.<br>c. those acquired on or after Apr. 1, 2007<br>The straight-line method.<br>Other tangible assets excluding buildings<br>a. those acquired on or before Mar. 31, 2007<br>Former fixed percentage method.<br>b. those acquired on or after Apr. 1, 2007<br>The straight-line method.<br>The duration of useful life and residual value were determined in accordance with the standards prescribed in the Japanese Corporation Tax Law.<br>For tangible assets acquired on or before March 31, 2007, depreciation is accounted for up to the limit amount available for depreciation over a period of five years in equal amounts, starting from the next consolidated fiscal year after completion of the depreciation.<br>(Additional information)<br>Following the revision of the Corporate Tax Law in the 2008 fiscal year, effective with this consolidated fiscal year the Company changed the numbers of useful life years it uses in respect of machinery and equipment to conform to the same criteria as prescribed in the revised Corporate Tax Law.<br>The effect of this change was to reduce operating income, ordinary income and net income before income taxes by ¥148 million each compared with the results based on the same method used in the previous consolidated fiscal year.<br>The impact this caused on segment information is described where it is relevant. | (1) Standards and methods for valuation of significant assets<br>① Securities<br>a. Held-to-maturity bonds<br>Same as left.<br>b. Other securities<br>Same as left.<br>② Derivatives<br>Same as left.<br>③ Inventories<br>Same as left.<br>—<br>(2) Methods of depreciation of significant depreciable assets<br>① Tangible fixed assets (excluding lease assets)<br>Buildings (excluding building equipment)<br>a. those acquired on or before Mar. 31, 1998<br>Same as left.<br>b. those acquired between Apr. 1, 1998 and Mar. 31, 2007<br>Same as left.<br>c. those acquired on or after Apr. 1, 2007<br>Same as left.<br>Other tangible assets excluding buildings<br>a. those acquired on or before Mar. 31, 2007<br>Same as left.<br>b. those acquired on or after Apr. 1, 2007<br>Same as left.<br>Same as left.<br>— |

| | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| 4. Accounting standards | ② Intangible fixed assets (excluding lease assets)<br>Straight-line method.<br>The standard for the depreciation period is based on the same standard adopted in the method stipulated in the Corporate Tax Law.<br>However, the depreciation of goodwill is accounted for over a period of five or eight years in equal amounts, and the depreciation of software (for in-house use) is calculated using the straight-line method based on the duration of useful life determined by the Company (five years).<br>③ Lease assets<br>Lease assets involved in finance lease transactions other than those where ownership is transferred.<br>Straight-line method that assumes the lease period to be the useful life and the residual value to be zero.<br>(Change in accounting policy)<br>Effective with this consolidated fiscal year, the Company adopted the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, issued by the Accounting Standards Board of Japan on June 17, 1993 and last revised on March 30, 2007) and the Implementation Guidance for Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued by the Accounting Standards Board of Japan on January 18, 1994 and last revised on March 30, 2007).<br>With regard to non-ownership-transferred finance lease transactions whose effective date precedes the commencement of the initial fiscal year of adoption of the revised standard for lease transactions, the Company continues to apply mutatis mutandis the same method used to account for ordinary lease transactions.<br>The effect of this change on income was negligible.<br>(3) Method of accounting for significant deferred assets<br>—<br>(4) Standards for providing for significant allowances<br>① Allowance for doubtful accounts<br>In order to provide against loss arising from bad debts, the Company has provided for estimated uncollectable amounts.<br>a. General receivables<br>Based on the method of actual bad debt rates.<br>b. Receivables from doubtful, bankrupt or reorganized debtors<br>Based on the method of valuating financial positions.<br>② Allowance for bonuses payable<br>To prepare for the payment of bonuses to employees, the amount expected to be payable to all employees for this consolidated fiscal year was determined based on the portion of total amount expected to be payable corresponding to this consolidated fiscal year.<br>③ Severance and employee retirement benefits<br>To prepare for payment of severance and retirement benefits to employees, the Company and major domestic consolidated subsidiaries provided for the amount considered to have been accrued as of the end of this consolidated fiscal year based on the estimated amount of liabilities for severance and retirement benefits and pension assets at year end.<br>Past service liabilities were accounted for as an expense by the amount prorated over a certain number of years (14 years) not exceeding the average remaining service period of employees in the year in which the liabilities are recognized.<br>Actuarial differences were accounted for as expenses effective the consolidated fiscal year following their accrual on a declining balance basis over a certain number of years (14 years) not exceeding the average remaining service period of employees in each year of accrual.<br>Some domestic consolidated subsidiaries adopted simplified methods. | ② Intangible fixed assets (excluding lease assets)<br>Same as left.<br>③ Lease assets<br>Lease assets involved in finance lease transactions other than those where ownership is transferred.<br>Same as left.<br>—<br>(3) Method of accounting for significant deferred assets<br>The expense incurred for issuing bonds was charged in full to income as disbursed.<br>(4) Standards for providing for significant allowances<br>① Allowance for doubtful debt<br>Same as left.<br>a. General receivables<br>Same as left.<br>b. Receivables from doubtful, bankrupt or reorganized debtors<br>Same as left.<br>② Allowance for bonus payable<br>Same as left.<br>③ Severance and employee retirement benefits<br>Same as left. |

| | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| 4. Accounting standards | — | (Change in accounting policy)<br>Effective with this consolidated fiscal year, the Company adopted the Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19, issued by the Accounting Standards Board of Japan on July 31, 2008).<br>This change had no impact on income. |
| | ④ Reserve for directors' retirement benefits<br>(Additional information)<br>Until now, to prepare for payment of retirement benefits to directors, certain consolidated subsidiaries had provided for the amount considered necessary at the end of each consolidated fiscal year under the internal rules. However, such consolidated subsidiaries through their board of directors resolved the abolishment of retirement allowance system of directors effective as of the conclusion of the general meeting of shareholders to be held in June 2008. According to the abolishment, serving directors shall be furnished upon their retirement with the amount appropriate to their service time to the date of abolishment in accordance with the system before abolishment. This subject was resolved at the same ordinary general meeting of shareholders and the amount involved with this abolishment, ¥21 million, was recognized as Other liabilities in Long-term liabilities. | — |
| | (5) Accounting standard for recognizing significant revenues and expenses<br>— | (5) Accounting standard for recognizing significant revenues and expenses<br>Accounting standard for recognizing revenues related to completed construction work<br>Beginning with the construction contracts initiated during this consolidated fiscal year, those contracts whose outcome can be estimated with certainty are accounted for on the percentage-of-completion method (the progress toward completion of construction work is estimated based on the proportion of costs incurred) in respect to the portion of work completed up to the end of this consolidated fiscal year. The other contracts are accounted for on the completed-contract method.<br>(Change in accounting policy )<br>For the purpose of accounting for contract construction work, previously the Company has applied a policy that recognizes related revenues upon the completion of the contract. Effective with this consolidated fiscal year, the Company adopted the Accounting Standard for Construction Contracts (ASBJ Statement No. 15, issued by the Accounting Standards Board of Japan on December 27, 2007) and the Implementation Guidance for Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued by the Accounting Standards Board of Japan on December 27, 2007). Accordingly, beginning with the construction contracts initiated during this consolidated fiscal year, those contracts whose outcome can be estimated with certainty are accounted for on the percentage-of-completion method (the progress toward completion of construction work is estimated based on the proportion of costs incurred) in respect to the portion of work completed. The other contracts are accounted for on the completed-contract method.<br>This change has no effect on income. |

| | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| 4. Accounting standards | (6) Significant hedge accounting method<br>① Hedge accounting method<br>The Company has adopted an exceptional treatment for interest rate swap transactions since the requirements for the treatment have been met. Foreign currency-denominated receivables that are hedged by forward foreign exchange contracts are accounted for using the contracted forward rates.<br>② Hedge method and transactions to be hedged<br>(Hedge method)<br>• Interest rate swap transactions<br>• Forward exchange transactions<br>(Transactions to be hedged)<br>• Interest on borrowings (with the risk of loss that may arise due to fluctuations in the interest rate market and will consequently change cash flows)<br>• Foreign currency receivables (with the risk of loss that may arise due to fluctuations in the foreign exchange market and will consequently change cash flows)<br>③ Hedging policy<br>The Company will engage in derivatives transactions in order to avoid risk of interest rate fluctuations or reduce the burden of interest payment, not in those with a speculative purpose or high leverage effect.<br>The Company will also engage in currency derivatives transactions within the volume of contracts for assets, liabilities, or transactions in foreign currency, since the purpose of derivatives transactions is to hedge transactions in foreign currency against the risk of exchange rate fluctuations. The Company will therefore not conduct derivatives transactions for speculative purposes.<br>④ Method for valuating the effectiveness of hedge transactions<br>The Company has adopted an exceptional treatment for interest rate swap transactions since the notional principal, conditions for receipt and payment of interest (such as the interest rate and dates of receipt and payment of interest) and contract terms are the same as those for transactions being hedged. The Company has not therefore conducted post tests to evaluate the effectiveness of interest rate transactions. Forward exchange contracts are used to hedge foreign currency exposures under a risk management policy of designing the contract, as it is concluded, to have the same amount and maturity in order to establish a relationship that cancels out any subsequent change in the exchange rate. This allows the Company to dispense with evaluation of the effectiveness of such hedges at the settlement of accounts.<br>⑤ Other risk control methods concerned with hedge accounting<br>Since the issuance of corporate bonds to be hedged, borrowing of a large amount of money, and similar acts are subject to resolutions by the board of directors, the conclusion of currency swap or interest rate swap contracts as a means of hedging such bond issuances, borrowings, and the like are to be resolved at the time of the act by the board of directors. Currency and interest derivatives transactions are conducted and managed by the Accounting Department subject to the Corporate Management Rules.<br>(7) Other significant items for the preparation of Consolidated Financial Statements<br>Accounting for consumption taxes<br>National and local consumption taxes are accounted for using the tax exclusion method. | (6) Significant hedge accounting method<br>① Hedge accounting method<br>Same as left.<br>② Hedge method and transactions to be hedged<br>Same as left.<br>③ Hedging policy<br>Same as left.<br>④ Method for valuating the effectiveness of hedge transactions<br>Same as left.<br>⑤ Other risk control methods concerned with hedge accounting<br>Same as left.<br>(7) Other significant items for the preparation of Consolidated Financial Statements<br>Accounting for consumption taxes<br>Same as left. |

| | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| 5. Appraising consolidated subsidiaries' assets and liabilities | Consolidated subsidiaries' assets and liabilities are revalued as acquired by the Company to their fair market value, inclusive of minority interests. | Same as left. |
| 6. Amortizing goodwill and negative goodwill | Goodwill is amortized in equal amounts over five or eight years, and negative goodwill is amortized in equal amounts over five years. | Same as left. |
| 7. Scope of funds in consolidated cash flow statement | Cash and cash equivalents in the consolidated cash flow statement are comprised of items such as cash on hand, demand deposits, time deposits due within three months of the date of acquisition, and beneficiary certificates of trust that are due within three months of the date of acquisition, are easily converted into money, and have a small risk of price fluctuation. | Same as left. |

(7) Significant Changes for the Preparation of Consolidated Financial Statements

[Changes to Accounting Standards]

| FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|
| (Tentative treatments applicable to accounting for foreign subsidiaries in preparation of Consolidated Financial Statements)<br>Effective with this consolidated fiscal year, the Company adopted the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18, issued by the Accounting Standards Board of Japan on May 17, 2006).<br>This change had no impact on income. | — |

[Changes to Financial Statements Format]

| FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|
| (Consolidated Balance Sheets)<br>1. In accordance with the newly effective Cabinet Order for Partial Revision of Regulations, Etc., Concerning the Terminology, Formats and Methods of Preparation of Financial Statements, Etc. (Cabinet Order No. 50 of August 7, 2008), what would have been classified as "inventories" in the previous consolidated fiscal year are subdivided and classified separately as "merchandise and finished products," "work in process," and "raw material and supplies" commencing with this consolidated fiscal year. "Inventories" at the end of the previous consolidated fiscal year included "merchandise and finished products," "work in process," and "raw material and supplies" amounting to ¥13,098 million, ¥1,320 million, and ¥2,430 million, respectively.<br>2. The "goodwill" that in the previous consolidated fiscal year was included (to the amount of ¥13 million at the end of the previous consolidated fiscal year) in other liabilities in Long-term liabilities is separated and classified as "goodwill" in intangible fixed assets commencing with this consolidated fiscal year. | — |
| (Consolidated Statements of Income)<br>The "amortization of negative goodwill" that in the previous consolidated fiscal year was included (to the amount of ¥72 million for the previous consolidated fiscal year) in others in Other income is separated and classified as "amortization of negative goodwill" in Other income commencing with this consolidated fiscal year. | (Consolidated Statements of Income)<br>1. "Refund of premium for cancelled insurance," subdivided and separately classified in the previous consolidated fiscal year (which amounts to ¥6 million in this consolidated fiscal year), is included in "others" in other income commencing with this consolidated fiscal year, because it is insignificant in value.<br>2. "Loss on disposal of property, plant and equipment," subdivided and separately classified in the previous consolidated fiscal year (which amounts to ¥107 million in this consolidated fiscal year), is included in "loss on disposal/sale of property, plant and equipment" commencing with this consolidated fiscal year. |
| — | (Consolidated Statements of Cash Flows)<br>"Loss on disposal of property, plant and equipment," subdivided and separately classified in the previous consolidated fiscal year (which amounts to ¥107 million in this consolidated fiscal year), is included in "loss (gain) on disposal/sale of property, plant and equipment" commencing with this consolidated fiscal year. |

(8) Notes

(Consolidated Balance Sheet)

| FY March 2009<br>(As of Mar. 31, 2009) | FY March 2010<br>(As of Mar. 31, 2010) |
|---|---|
| *1 (1) Accumulated depreciation of tangible fixed assets amounted to ¥91,585 million. | *1 (1) Accumulated depreciation of tangible fixed assets amounted to ¥94,488 million. |
| (2) Those of these assets that were hypothecated and liabilities corresponding to them are as follows:<br>Amount of pledged assets (book value)<br>Other tangible fixed assets ¥3,384 million<br>Land ¥8,033 million<br>Investment securities ¥27 million<br>Total ¥11,445 million<br>Within the above, assets offered as mortgage for factory foundation<br>Other tangible fixed assets ¥283 million<br>Land ¥282 million<br>Total ¥565 million | (2) Those of these assets that were hypothecated and liabilities corresponding to them are as follows:<br>Amount of pledged assets (book value)<br>Buildings and structures ¥3,179 million<br>Land ¥7,847 million<br>Investment securities ¥28 million<br>Total ¥11,056 million<br>Within the above, assets offered as mortgage for factory foundation<br>Buildings and structures ¥281 million<br>Land ¥282 million<br>Total ¥563 million |
| Liabilities relevant to the above<br>Short-term bank loans ¥3,187 million<br>Long-term debts due within one year ¥255 million<br>Long-term loans payable ¥465 million<br>Total ¥3,907 million<br>Within the above, liabilities corresponding to mortgage for factory foundation<br>Short-term bank debts ¥1,187 million<br>Long-term debts due within one year ¥175 million<br>Long-term debts ¥329 million<br>Total ¥1,691 million | Liabilities relevant to the above<br>Short-term bank loans ¥3,052 million<br>Long-term debts due within one year ¥210 million<br>Long-term loans payable ¥145 million<br>Total ¥3,407 million<br>Within the above, liabilities corresponding to mortgage for factory foundation<br>Short-term bank loans ¥1,052 million<br>Long-term debts due within one year ¥163 million<br>Long-term loans payable ¥112 million<br>Total ¥1,327 million |
| *2 Balances held in affiliates are as follows:<br>Investment securities (equity shares) ¥1,266 million | *2 Balances held in affiliates are as follows:<br>Investment securities (equity shares) ¥1,328 million |
| *3 For the purpose of raising working capital efficiently, the Company has entered into a specified commitment line agreement with the main financial institutions it transacts with.<br>Total amount under specified commitment line agreements ¥12,000 million<br>Outstanding loans borrowed ¥1,000 million<br>Balance ¥11,000 million | *3 For the purpose of raising working capital efficiently, the Company has entered into a specified commitment line agreement with the main financial institutions it transacts with.<br>Total amount under specified commitment line agreements ¥12,000 million<br>Outstanding loans borrowed ¥1,000 million<br>Balance ¥11,000 million |

(Consolidated Balance Sheet)

| FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|
| *1 Major items and amounts of selling, general and administrative expenses are as follows:<br>Selling expense ¥2,960 million<br>Packing and transportation expense ¥9,693 million<br>Salaries and allowances ¥16,680 million<br>Provision for allowance for bonus payable ¥984 million<br>Retirement benefits ¥883 million<br>Depreciation and amortization expenses ¥1,855 million<br>Rent ¥7,208 million | *1 Major items and amounts of selling, general and administrative expenses are as follows:<br>Selling expense ¥1,821 million<br>Packing and transportation expense ¥7,452 million<br>Salaries and allowances ¥16,590 million<br>Provision for allowance for bonus payable ¥644 million<br>Retirement benefits ¥1,256 million<br>Depreciation and amortization expenses ¥1,786 million<br>Rent ¥6,744 million |
| *2 R&D cost included in selling, general and administrative expenses and cost of sales amounted to ¥1,016 million. | *2 R&D cost included in selling, general and administrative expenses and cost of sales amounted to ¥755 million. |
| *3 Details of gain on sales of property, plant and equipment are as follows:<br>Machinery, equipment and vehicles ¥3 million<br>Others ¥0 million<br>Total ¥3 million | *3 Details of gain on sales of property, plant and equipment are as follows:<br>Machinery, equipment and vehicles ¥0 million<br>Others ¥0 million<br>Total ¥0 million |
| *4 Details of loss on disposal of property, plant and equipment are as follows:<br>Buildings and structures ¥23 million<br>Machinery, equipment and vehicles ¥78 million<br>Others ¥50 million<br>Total ¥153 million | — |
| — | *5 Details of loss on disposal/sale of property, plant and equipment are as follows:<br>Buildings and structures ¥21 million<br>Machinery, equipment and vehicles ¥40 million<br>Land ¥41 million<br>Others ¥62 million<br>Total ¥166 million |

(Consolidated Statements of Changes in Net Assets)

FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009)

1. Types and numbers of shares issued

| Type of stock | Number of shares at the end of the previous year | Increase | Decrease | Number of shares at the end of the term |
|---|---|---|---|---|
| Common stock (shares) | 112,391,530 | – | – | 112,391,530 |

2. Treasury stock

| Type of stock | Number of shares at the end of the previous year | Increase | Decrease | Number of shares at the end of the term |
|---|---|---|---|---|
| Common stock (shares) | 2,100,241 | 33,710 | – | 2,133,951 |

(Outline of change factors)
The details of increase are as stated below:
Increase due to purchase of fractional shares 29,608 shares
Increase due to acquisition of treasury stock by equity-method affiliates which belong to us 4,102 shares

3. Stock acquisition rights and others
Not applicable.

4. Dividends
(1) Dividends paid during the fiscal year

| Resolved | Type | Total amount (Millions of yen) | Cash dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders' held on June 27, 2008 | Common stock | 828 | 7.50 | March 31, 2008 | June 30, 2008 |
| Board of Directors held on October 15, 2008 | Common stock | 828 | 7.50 | September 30, 2008 | December 10, 2008 |

(2) Dividends to be paid after the fiscal year balance sheet date, but the record date for the payment of dividends belongs to the term.

| Resolved | Type | Resource of the dividends to be paid | Total amount (Millions of yen) | Cash dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders' held on June 26, 2009 | Common stock | Retained earnings | 551 | 5.00 | March 31, 2009 | June 29, 2009 |

FY March 2010 (from Apr. 1, 2009 to Mar. 31, 2010)

1. Types and numbers of shares issued

| Type of stock | Number of shares at the end of the previous year | Increase | Decrease | Number of shares at the end of the term |
|---|---|---|---|---|
| Common stock (shares) | 112,391,530 | – | – | 112,391,530 |

2. Treasury stock

| Type of stock | Number of shares at the end of the previous year | Increase | Decrease | Number of shares at the end of the term |
|---|---|---|---|---|
| Common stock (shares) | 2,133,951 | 14,403 | – | 2,148,354 |

(Outline of change factors)
The details of increase are as stated below:
Increase due to purchase of fractional shares 9,856 shares
Increase due to acquisition of treasury stock by equity-method affiliates which belong to us 4,547 shares

3. Stock acquisition rights and others
Not applicable.

4. Dividends
(1) Dividends paid during the fiscal year

| Resolved | Type | Total amount (Millions of yen) | Cash dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders' held on June 26, 2009 | Common stock | 551 | 5.00 | March 31, 2009 | June 29, 2009 |
| Board of Directors held on October 21, 2009 | Common stock | 413 | 3.75 | September 30, 2009 | December 10, 2009 |

(2) Dividends to be paid after the fiscal year balance sheet date, but the record date for the payment of dividends belongs to the term.

| Resolved | Type | Resource of the dividends to be paid | Total amount (Millions of yen) | Cash dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders' held on June 29, 2010 | Common stock | Retained earnings | 413 | 3.75 | March 31, 2010 | June 30, 2010 |

(Consolidated Cash Flow Statement)

<table>
<tr><th>FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009)</th><th>FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010)</th></tr>
<tr><td>*1 Relations between the balance of cash and cash equivalents at the end of the term (fiscal year) and the amount of the item posted in the consolidated balance sheet<br><br>Cash and deposit accounts ¥19,488 million<br>Time deposits—over three months (¥1,186 million)<br>Short-term investment securities—within three months ¥122 million<br>Cash and cash equivalents ¥18,425 million</td><td>*1 Relations between the balance of cash and cash equivalents at the end of the term (fiscal year) and the amount of the item posted in the consolidated balance sheet<br><br>Cash and deposit accounts ¥23,719 million<br>Time deposits—over three months (¥2,940 million)<br>Short-term investment securities—within three months ¥122 million<br>Cash and cash equivalents ¥20,902 million</td></tr>
<tr><td>*2 Major assets and liabilities of the newly consolidated company following the acquisition of shares<br>Due to the new consolidation of SEC Co., Ltd. after acquisition of its shares, following are details of the situation at the start of the consolidation including: details of assets and liabilities, the acquisition price of SEC Co., Ltd. and the relevant expenditure for the acquisition.<br><br>Current assets ¥3,417 million<br>Fixed assets ¥768 million<br>Current liabilities (¥1,465 million)<br>Long-term liabilities (¥46 million)<br>Goodwill ¥1,551 million<br>Acquisition price of the shares of SEC Co., Ltd. ¥4,224 million<br>Cash and cash equivalents (¥2,267 million)<br>Deduction: Decrease due to acquisition of the subsidiary shares (¥1,957 million)</td><td>—</td></tr>
</table>

(Segment Information)

[Business Segment Information]

FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009)

| | Office Furniture (Millions of yen) | Store Displays (Millions of yen) | Material Handling Systems and Others (Millions of yen) | Total (Millions of yen) | Unallocated and Eliminations (Millions of yen) | Consolidated (Millions of yen) |
|---|---|---|---|---|---|---|
| I. Net sales and operating income (loss)<br>Net sales<br>(1) Net sales to external customers | 115,625 | 62,570 | 11,912 | 190,108 | – | 190,108 |
| (2) Internal sales or transfers between segments | – | – | – | – | ( –) | – |
| Total | 115,625 | 62,570 | 11,912 | 190,108 | ( –) | 190,108 |
| Operating expenses | 111,818 | 61,495 | 12,339 | 185,653 | ( –) | 185,653 |
| Operating income (loss) | 3,807 | 1,074 | (426) | 4,455 | ( –) | 4,455 |
| II. Net asset, depreciation and capital expenditure<br>Total assets | 86,017 | 39,986 | 9,505 | 135,510 | 32,384 | 167,894 |
| Depreciation expenses | 4,367 | 1,130 | 608 | 6,107 | ( –) | 6,107 |
| Capital expenditure | 4,678 | 453 | 450 | 5,582 | ( –) | 5,582 |

FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010)

| | Office Furniture (Millions of yen) | Store Displays (Millions of yen) | Material Handling Systems and Others (Millions of yen) | Total (Millions of yen) | Unallocated and Eliminations (Millions of yen) | Consolidated (Millions of yen) |
|---|---|---|---|---|---|---|
| I. Net sales and operating income (loss)<br>Net sales<br>(1) Net sales to external customers | 93,191 | 59,144 | 8,888 | 161,223 | – | 161,223 |
| (2) Internal sales or transfers between segments | – | – | – | – | ( –) | – |
| Total | 93,191 | 59,144 | 8,888 | 161,223 | ( –) | 161,223 |
| Operating expenses | 92,039 | 58,621 | 9,205 | 159,866 | ( –) | 159,866 |
| Operating income (loss) | 1,151 | 522 | (317) | 1,357 | ( –) | 1,357 |
| II. Net asset, depreciation and capital expenditure<br>Total assets | 76,455 | 34,931 | 9,704 | 121,091 | 39,330 | 160,422 |
| Depreciation expenses | 3,886 | 1,008 | 554 | 5,450 | ( –) | 5,450 |
| Capital expenditure | 1,963 | 333 | 170 | 2,467 | ( –) | 2,467 |

(Notes) 1 Business segmentation method

Business segmentation is based on considerations of similarities among product types (inclusive of operations) and markets.

2 Classification of main products by business segment

| Business segment | Main products |
|---|---|
| Office Furniture | Office furniture, Cultural and educational facilities, Partitions, Medical and research facilities, Security systems, SOHO-related products |
| Store Displays | Showcases for stores, Refrigerated showcases, Counters for stores |
| Material Handling Systems and Others | Racks and stackers for factories and warehouses, Automated material handling systems, Torque converters for industrial and construction equipment, Real estate leasing, Insurance |

3 Out of total assets, corporate assets included in the unallocated and eliminations item amounted to ¥32,384 million at the end of the previous year and ¥39,330 million at the end of this year, and consisted primarily of cash and time deposits and investment securities and others.

4 Change in accounting policy

(FY March 2009)

The Company adopted the Accounting Standard for Valuation of Inventories (ASBJ Statement No. 9, issued by the Accounting Standards Board of Japan on July 5, 2006) and changed its valuation policy from the cost method to a cost basis (which reduces the book value of assets whose profitability has diminished). Compared with the results based on the same method used in the previous consolidated fiscal year, the effect of this change for this consolidated fiscal year was to reduce operating income in Office Furniture and in Store Displays by ¥282 million and by ¥110 million, respectively, and to increase operating loss in Material Handling Systems and Others by ¥63 million.

5 Additional information

(FY March 2009)

Following the revision of the Corporate Tax Law in the 2008 fiscal year, effective with this consolidated fiscal year the Company changed the number of useful life years it uses in respect of machinery and equipment to conform to the same criteria as prescribed in the revised Corporate Tax Law. Compared with the results based on the same method used in the previous consolidated fiscal year, the effect of this change for this consolidated fiscal year was to reduce operating income in Office Furniture and in Store Displays by ¥67 million and by ¥47 million, respectively, and to increase operating loss in Material Handling Systems and Others by ¥32 million.

[Geographically Segmented Information]
FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009)
Because net sales and assets for Japan exceed 90% of aggregate net sales and assets for all segments, geographically segmented information is omitted.

FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010)
Because net sales and assets for Japan exceed 90% of aggregate net sales and assets for all segments, geographically segmented information is omitted.

[Overseas Sales]
FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009)
Overseas sales were omitted since they accounted for less than 10% of total consolidated sales.

FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010)
Overseas sales were omitted since they accounted for less than 10% of total consolidated sales.

(Lease Transactions)

| FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|
| Finance lease transactions<br>(Lessee's side)<br>Non-ownership-transfer finance lease transactions<br>(1) Details of lease assets<br>• Tangible fixed assets<br>Comprised primarily of information and telecommunications equipment (tools & fittings).<br>• Intangible fixed assets<br>Comprised of software. | Finance lease transactions<br>(Lessee's side)<br>Non-ownership-transfer finance lease transactions<br>(1) Details of lease assets<br>Same as left. |
| (2) Method of depreciation/amortization of lease assets<br>Depreciated/amortized using the calculation method that assumes the lease period to be the useful life and the residual value to be zero.<br>Those non-ownership-transferred finance lease transactions whose effective date occurred on or before March 31, 2008, were accounted for by applying mutatis mutandis the same method used to account for ordinary lease transactions. The details of these assets are as follows: | (2) Method of depreciation/amortization of lease assets<br>Same as left.<br>Same as left. |
| ① Amounts equivalent to the cost of acquisition, accumulated depreciation, and balance as of the end of the term (fiscal year) for lease properties | ① Amounts equivalent to the cost of acquisition, accumulated depreciation, and balance as of the end of the term (fiscal year) for lease properties |

FY March 2009:

| | Amount equivalent to acquisition cost (Millions of yen) | Amount equivalent to accumulated depreciation (Millions of yen) | Balance as of the end of the term (fiscal year) (Millions of yen) |
|---|---|---|---|
| Machinery, equipment and vehicles | 76 | 62 | 14 |
| Others | 372 | 296 | 75 |
| Total | 449 | 358 | 90 |

FY March 2010:

| | Amount equivalent to acquisition cost (Millions of yen) | Amount equivalent to accumulated depreciation (Millions of yen) | Balance as of the end of the term (fiscal year) (Millions of yen) |
|---|---|---|---|
| Machinery, equipment and vehicles | 60 | 53 | 6 |
| Others | 175 | 134 | 40 |
| Total | 235 | 188 | 47 |

| FY March 2009 | FY March 2010 |
|---|---|
| ② Amount equivalent to the balance of prepaid rent as at the end of the consolidated fiscal year<br>One year or less ¥65 million<br>More than one year ¥104 million<br>Total ¥170 million | ② Amount equivalent to the balance of prepaid rent as at the end of the consolidated fiscal year<br>One year or less ¥38 million<br>More than one year ¥66 million<br>Total ¥104 million |
| ③ Amount equivalent to lease payment, accumulated depreciation and interest expense<br>Lease payment ¥127 million<br>Amount equivalent to depreciation expense ¥91 million<br>Amount equivalent to interest expense ¥5 million | ③ Amount equivalent to lease payment, accumulated depreciation and interest expense<br>Lease payment ¥69 million<br>Amount equivalent to depreciation expense ¥43 million<br>Amount equivalent to interest expense ¥3 million |
| ④ Method of calculating the amounts equivalent to depreciation expense<br>The amount equivalent to depreciation expense was calculated by multiplying the depreciation expense by 9/10 (0.9) calculated using the fixed percentage method considering the lease period to be the usable life in years and residual value to be 10%. | ④ Method of calculating the amounts equivalent to depreciation expense<br>Same as left. |
| ⑤ Method of calculating the amounts equivalent to interest<br>The amount equivalent to interest was calculated considering the difference between the total lease payment and the amount equivalent to the cost of acquisition of the lease property to be the amount equivalent to interest. The difference was distributed to each term using the interest method. | ⑤ Method of calculating the amounts equivalent to interest<br>Same as left. |

(Transaction with Related Parties)

During previous year (From Apr. 1, 2008 to Mar. 31, 2009)

Not applicable.

During current year (From Apr. 1, 2009 to Mar. 31, 2010)

Not applicable.

(Accounting for Deferred tax assets)

## FY March 2009 (As of Mar. 31, 2009)

1 Significant components of deferred income tax assets and liabilities

(1) Current assets and liabilities

| | |
|---|---|
| **Deferred tax assets** | |
| Allowance for bonus payable | ¥625 million |
| Accrued enterprise taxes | ¥84 million |
| Valuation loss on raw materials and finished products | ¥292 million |
| Accrued social insurance premiums | ¥71 million |
| Others | ¥256 million |
| Sub-total deferred tax assets | ¥1,329 million |
| Valuation allowance | (¥92 million) |
| Total deferred tax assets | ¥1,237 million |
| Offset against deferred tax liabilities | (¥0 million) |
| Net deferred tax assets | ¥1,237 million |
| **Deferred tax liabilities** | |
| Unrealized holding gains (losses) on securities | ¥0 million |
| Total deferred tax liabilities | ¥0 million |
| Offset against deferred tax assets | (¥0 million) |
| Net deferred tax liabilities | – |

(2) Non-current assets and liabilities

| | |
|---|---|
| **Deferred tax assets** | |
| Severance and employee retirement benefits | ¥4,899 million |
| Unrealized gross profits from sales of property, plant and equipment | ¥744 million |
| Unpaid directors' retirement benefits | ¥182 million |
| Unrealized loss on golf memberships | ¥208 million |
| Others | ¥919 million |
| Sub-total deferred tax assets | ¥6,955 million |
| Valuation allowance | (¥1,052 million) |
| Total deferred tax assets | ¥5,903 million |
| Offset against deferred tax liabilities | (¥3,737 million) |
| Net deferred tax assets | ¥2,165 million |
| **Deferred tax liabilities** | |
| Deferred gains on property, plant and equipment | ¥3,503 million |
| Unrealized holding gains (losses) on securities | ¥787 million |
| Valuation difference based on the full fair value method | 114 million |
| Others | ¥1 million |
| Total deferred tax liabilities | ¥4,406 million |
| Offset against deferred tax assets | (¥3,737 million) |
| Net deferred tax liabilities | ¥668 million |

2 Significant components of difference between statutory tax rate and effective tax rate after adjustments for tax effect accounting

There is no note regarding this item because the difference between statutory tax rate and effective tax rate after adjustments for tax effect accounting is less than 5/100 of the statutory tax rate.

## FY March 2010 (As of Mar. 31, 2010)

1 Significant components of deferred income tax assets and liabilities

(1) Current assets and liabilities

| | |
|---|---|
| **Deferred tax assets** | |
| Allowance for bonus payable | ¥370 million |
| Accrued enterprise taxes | ¥76 million |
| Accrued property taxes | ¥54 million |
| Valuation loss on raw materials and finished products | ¥297 million |
| Others | ¥172 million |
| Sub-total deferred tax assets | ¥971 million |
| Valuation allowance | (¥14 million) |
| Total deferred tax assets | ¥956 million |

(2) Non-current assets and liabilities

| | |
|---|---|
| **Deferred tax assets** | |
| Severance and employee retirement benefits | ¥5,099 million |
| Unrealized gross profits from sales of property, plant and equipment | ¥744 million |
| Loss carried forward | ¥879 million |
| Unrealized loss on golf memberships | ¥203 million |
| Others | ¥410 million |
| Sub-total deferred tax assets | ¥7,338 million |
| Valuation allowance | (¥1,771 million) |
| Total deferred tax assets | ¥5,566 million |
| Offset against deferred tax liabilities | (¥3,952 million) |
| Net deferred tax assets | ¥1,614 million |
| **Deferred tax liabilities** | |
| Deferred gains on property, plant and equipment | ¥3,446 million |
| Unrealized holding gains (losses) on securities | ¥1,974 million |
| Valuation difference based on the full fair value method | ¥114 million |
| Others | ¥9 million |
| Total deferred tax liabilities | ¥5,545 million |
| Offset against deferred tax assets | (¥3,952 million) |
| Net deferred tax liabilities | ¥1,592 million |

2 Significant components of difference between statutory tax rate and effective tax rate after adjustments for tax effect accounting

| | |
|---|---|
| Statutory tax rate | 40.7% |
| (Reconciliation) | |
| Non-deductible expenses | 6.5 |
| Non-taxable dividend income | (2.6) |
| Per capita inhabitant tax | 5.4 |
| Special deduction of experimental and research expenses, others | (2.2) |
| Valuation allowance | 27.4 |
| Others | (1.8) |
| Effective tax rate | 73.4% |

(Financial Instruments)

FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010)

(Additional information)

Effective with this consolidated fiscal year, the Company adopts the revised Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued by the Accounting Standards Board of Japan on March 10, 2008) and the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, issued by the Accounting Standards Board of Japan on March 10, 2008).

1. Matters regarding status of financial instruments

(1) Policy governing use of financial instruments

The Group raises necessary funds by means of bank loans, bond issues and the like principally in accordance with its manufacturing and sales plans in the Office Furniture, Store Displays and Material Handling Systems and Others segments. The Group manages temporary surplus funds in highly secure financial assets, and meets its short-term working capital needs by borrowing from banks. The Group uses derivatives to avoid the risks described below, but as a matter of policy does not engage in derivatives transactions for speculative purposes.

(2) Description of financial instruments and related risks

Trade notes and accounts receivable, classified as trade receivables, are exposed to the credit risk of customers. Trade receivables denominated in foreign currencies, which arise from the Group's global development of business operations, are exposed to the risk of changes in foreign exchange rates. Marketable securities and investment securities, which consist primarily of held-to-maturity bonds and stocks held for the purpose of facilitating trading relationships and others with companies the Group transacts business with, are exposed to the risk of changes in market prices.

Trade notes and accounts payable, classified as trade payables, have a due date of one year or less. Some of these that arise from imports and are denominated in foreign currencies are exposed to the risk of changes in foreign exchange rates. Loans, bonds and finance lease obligations are arranged primarily to meet working capital and capital expenditure needs, and almost all have a redemption date of five years or less. Some of these that carry variable interest rates are exposed to the risk of changes in interest rates, but the exposure is hedged using derivatives transactions (interest rate swap transactions).

Derivatives transactions comprise forward foreign exchange transactions designed to hedge trade receivables and payables denominated in foreign currencies against the risk of changes in foreign exchange rates, and interest rate swap transactions designed to hedge loans payable against the risk of changes in interest payable. For a description of hedge accounting with regard to hedging instruments and hedged items, hedging policy, method to evaluate hedge effectiveness, and others, refer above to "(6) Significant hedge accounting method" in "4. Accounting standards" in "Significant Items for the Preparation of Consolidated Financial Statements."

(3) Arrangements in place for managing risks arising from financial instruments

① Managing credit risk (the risk of customers defaulting on contractual obligations)

The Group manages the credit risk exposure of trade receivables pursuant to the Corporate Management Rules. By periodically monitoring the affairs of principal customers and by tracking due dates and outstanding balances customer-by-customer, the Group ensures the early identification and minimization of doubtful collections that may arise in the event of customer financial distress or in other cases.

② Managing market risk (the risk of changes in foreign exchange rates, interest rates, etc.)

The Group manages the market risk exposure of foreign currency-denominated trade receivables and payables pursuant to the Corporate Management Rules. In addition to tracking their due dates and outstanding balances, the Group hedges certain trade receivables and payables denominated in foreign currencies using foreign exchange forward contracts. The Group uses interest rate swap transactions to limit the exposure of loans payable to the risk of changes in interest payable.

The Group manages the market risk exposure of marketable securities and investment securities by keeping periodic track of their current fair values, the issuers' financial condition and other factors. Unless they are held-to-maturity bonds, the Group reviews the status of its holdings on an ongoing basis to take account of its relationships with the issuers, who do business with the Group.

It is the Accounting Department's responsibility to execute and manage derivatives transactions pursuant to the Corporate Management Rules.

③ Managing funding liquidity risk (the risk of becoming unable to meet payment obligations when due)
The Group manages liquidity risk by ensuring that each constituent company prepares its plan for funding its operations on a timely basis and has in place arrangements including retaining a certain level of liquidity on hand.

(4) Supplementary explanation of fair values of financial instruments and related disclosures

The fair values of financial instruments may be those based on quoted market prices and in the absence of quoted market prices may be reasonable estimates of fair value. Because the estimation of fair value takes account of variable factors, the application of different assumptions or others could result in different estimates of fair value. In "2. Matters regarding fair values of financial instruments and related disclosures," under the "Derivatives transactions" heading, the contractual amounts do not directly represent the market risk exposure relating to derivatives transactions.

2. Matters regarding fair values of financial instruments and related disclosures

The Consolidated Balance Sheet amounts and fair values, and the differences if any between them, of financial instruments held by the Group as of March 31, 2010, are tabulated below. It should be noted that the table below does not include those financial instruments for which it is considered extremely difficult to determine the fair value.

(Millions of yen)

| | Consolidated Balance Sheet amount | Fair value | Difference |
|---|---|---|---|
| (1) Cash and time deposits | 23,719 | 23,719 | – |
| (2) Trade notes and accounts receivable | 43,079 | 43,079 | – |
| (3) Marketable securities and investment securities | | | |
| ① Held-to-maturity bonds | 816 | 845 | 29 |
| ② Other securities | 16,746 | 16,746 | – |
| Total assets | 84,362 | 84,391 | 29 |
| (1) Trade notes and accounts payable | 29,529 | 29,529 | – |
| (2) Short-term bank loans | 9,820 | 9,820 | – |
| (3) Debenture bonds | 10,000 | 10,216 | 216 |
| (4) Long-term loans payable | 11,089 | 11,222 | 132 |
| Total liabilities | 60,439 | 60,788 | 348 |
| Derivatives transactions | – | – | – |

(Note 1) Methods used for determining fair values of financial instruments and matters regarding marketable securities and derivatives transactions

Assets

(1) Cash and time deposits and (2) Trade notes and accounts receivable

Because of the short term to settlement of these assets, their fair values approximate their carrying values, so their fair values are determined based on their carrying values.

(3) Marketable securities and investment securities

Fair values for stocks are determined based on exchange-quoted prices. Fair values for bonds and investment trusts are derived from exchange-quoted prices, prices quoted by counterparty financial institutions, or the present values of future cash flows, grouped according to terms to maturity, that are discounted using interest rates adjusted for credit risk.

For a description of marketable securities categorized according to the purposes for which they are held, refer to the notes in the “Securities” section.

Liabilities

(1) Trade notes and accounts payable and (2) Short-term bank loans

Because of the short term to settlement of these liabilities, their fair values approximate their carrying values, so their fair values are determined based on their carrying values.

(3) Debenture bonds

The fair values of bonds issued by the Company are determined based on quoted market prices.

(4) Long-term loans payable

The fair values of long-term loans payable are derived from the present values of the total sums of principal and interest obligations, grouped according to terms to maturity, that are discounted using the assumed interest rates that may be applicable if new similar loans are issued.

Derivatives transactions

(1) Derivatives transactions for which hedge accounting is not applied

None exist that fall under this category.

(2) Derivatives transactions for which hedge accounting is applied

(Millions of yen)

| Method of hedge accounting | Type, etc., of derivatives transactions | Main item to be hedged | Contractual amount | The portion of contractual amount whose term to maturity exceeds 1 year | Fair value |
|---|---|---|---|---|---|
| Exceptional treatment for interest rate swaps | Interest rate swap transactions (pay fixed/ receive floating) | Long-term loans payable | 8,350 | 6,750 | (*) |

(*) Because the interest rate swaps receiving the exceptional treatment are treated en bloc with the long-term loans payable being hedged, their fair values are included in the stated fair values of such long-term loans payable.

(Note 2) Financial instruments for which it is considered extremely difficult to determine fair value

(Millions of yen)

| Category | Consolidated Balance Sheet amount |
|---|---|
| Unlisted stocks | 1,525 |
| Unlisted bonds | 10 |

Those listed above have no quoted market price, and it is considered extremely difficult to determine fair values for them, so they are not included in the Assets category of (3) marketable securities and investment securities.

(Note 3) Scheduled redemptions of monetary receivables and securities having maturity subsequent to balance sheet date

(Millions of yen)

| | Due within 1 year | Due in 1 to 5 years | Due in 5 to 10 years | Due after 10 years |
|---|---|---|---|---|
| Cash and time deposits | 4,120 | – | – | – |
| Trade notes and accounts receivable | 43,079 | – | – | – |
| Marketable securities and investment securities | | | | |
| Held-to-maturity bonds | – | 10 | 800 | – |
| Other securities having maturity | – | 10 | – | – |
| Total | 47,200 | 20 | 800 | – |

(Note 4) Scheduled repayments of bonds and long-term loans payable subsequent to balance sheet date

(Millions of yen)

| | Due within 1 year | Due in 1 to 2 years | Due in 2 to 3 years | Due in 3 to 4 years | Due in 4 to 5 years | Due after 5 years |
|---|---|---|---|---|---|---|
| Debenture bonds | 5,000 | – | – | 5,000 | – | – |
| Long-term loans payable | 2,355 | 3,671 | 2,549 | 2,012 | – | 500 |
| Total | 7,355 | 3,671 | 2,549 | 7,012 | – | 500 |

(Securities)

FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009)

1. Other securities with market value

(Millions of yen)

| Items | Acquisition cost | Consolidated Balance Sheet amount at consolidated settlement date | Difference |
|---|---|---|---|
| Other securities with Consolidated Balance Sheet amount exceeding acquisition | | | |
| ① Stocks | 7,481 | 10,287 | 2,806 |
| ② Bonds | | | |
| Government bonds | 50 | 50 | (0) |
| Sub-total | 7,531 | 10,337 | 2,806 |
| Other securities with Consolidated Balance Sheet amount not exceeding acquisition cost | | | |
| ① Stocks | 4,528 | 3,555 | (973) |
| ② Others | 157 | 108 | (48) |
| Sub-total | 4,686 | 3,663 | (1,022) |
| Total | 12,217 | 14,001 | 1,783 |

2. Other securities sold during the year

(Millions of yen)

| Items | Proceeds from sales | Gross gain on sales | Gross loss on sales |
|---|---|---|---|
| ① Stocks | 139 | 83 | 12 |
| ② Others | 2 | – | – |
| Total | 141 | 83 | 12 |

3. Securities not marked to market

(Millions of yen)

| Items | Consolidated Balance Sheet amount |
|---|---|
| (1) Held-to-maturity bonds | |
| Debenture bonds | 707 |
| Total | 707 |
| (2) Other securities | |
| Unlisted stocks | 196 |
| MMF | 21 |
| Medium-term government securities fund | 101 |
| Total | 318 |

4. Scheduled redemptions of other securities having maturity and held-to-maturity bonds subsequent to balance sheet date
End of Previous Fiscal Year (Mar. 31, 2009)

(Millions of yen)

| Items | Due within 1 year | Due in 1 to 5 years | Due in 5 to 10 years | Due after 10 years |
|---|---|---|---|---|
| Held-to-maturity bonds | | | | |
| Debenture bonds | – | – | 700 | – |
| Sub-total | – | – | 700 | – |
| Other securities | | | | |
| Bonds | | | | |
| Government bonds | 50 | – | – | – |
| Sub-total | 50 | – | – | – |
| Total | 50 | – | 700 | – |

FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010)

1. Held-to-maturity bonds (As of Mar. 31, 2010)

(Millions of yen)

| Items | Consolidated Balance Sheet amount at consolidated settlement date | Fair value at consolidated settlement date | Difference |
|---|---|---|---|
| Held-to-maturity bonds with fair value exceeding Consolidated Balance Sheet amount | 806 | 829 | 22 |
| Held-to-maturity bonds with fair value not exceeding Consolidated Balance Sheet amount | 10 | 9 | (0) |
| Total | 816 | 838 | 22 |

2. Other securities (As of Mar. 31, 2010)

(Millions of yen)

| Items | Consolidated Balance Sheet amount at consolidated settlement date | Acquisition cost | Difference |
|---|---|---|---|
| Other securities with Consolidated Balance Sheet amount exceeding acquisition cost | | | |
| Stocks | 12,891 | 7,376 | 5,514 |
| Others | 47 | 47 | 0 |
| Sub-total | 12,938 | 7,423 | 5,515 |
| Other securities with Consolidated Balance Sheet amount not exceeding acquisition cost | | | |
| Stocks | 3,663 | 4,433 | (770) |
| Others | 144 | 147 | (3) |
| Sub-total | 3,807 | 4,581 | (773) |
| Total | 16,746 | 12,004 | 4,741 |

3. Other securities sold during the year (From Apr. 1, 2009 to Mar. 31, 2010)

(Millions of yen)

| Items | Proceeds from sales | Gross gain on sales | Gross loss on sales |
|---|---|---|---|
| Stocks | 527 | 388 | – |
| Others | 85 | – | 21 |
| Total | 612 | 388 | 21 |

(Derivative Transactions)

Disclosure in this note regarding derivative transactions has been omitted, because the necessity of disclosing their information in this financial report is not considered significant.

(Retirement Benefits)

1. Established retirement benefit arrangements
   The Company and five domestic consolidated subsidiaries provided a retirement benefit program comprising a defined-contribution annuity plan and a defined-benefit lump-sum severance allowance. Some other domestic consolidated subsidiaries provided a retirement benefit program comprising a defined-benefit lump-sum severance allowance plan.

2. Retirement benefit obligation

(Millions of yen)

| | FY March 2009 (As of Mar. 31, 2009) | FY March 2010 (As of Mar. 31, 2010) |
|---|---|---|
| ① Benefit obligation | (17,784) | (17,567) |
| ② Pension assets | 6,619 | 7,560 |
| ③ Unfunded benefit obligation (① + ②) | (11,164) | (10,007) |
| ④ Unrecognized actuarial difference | 4,289 | 2,518 |
| ⑤ Unrecognized past service obligation | (2,317) | (2,078) |
| ⑥ Consolidated Balance Sheet net benefit liability (③ + ④ + ⑤) | (9,193) | (9,567) |
| ⑦ Prepaid pension cost | 2,517 | 2,485 |
| Allowance for retirement benefits (⑥ - ⑦) | (11,710) | (12,052) |

3. Retirement benefit expense

(Millions of yen)

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| ① Service cost | 837 | 899 |
| ② Interest cost | 327 | 344 |
| ③ Expected return on plan assets | (173) | (126) |
| ④ Amortization of past service obligation | (215) | (206) |
| ⑤ Amortization of actuarial difference | 235 | 647 |
| ⑥ Contributions to the defined contribution pension program | 364 | 367 |
| Retirement benefit expense | 1,375 | 1,926 |

4. Basis for calculating retirement benefit obligation and others

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| ① Method to periodically allocate projected benefit obligation | Allocated equally to each service year. | Same as noted in the left column. |
| ② Discount rate | 2.0% | Same as noted in the left column. |
| ③ Expected return on pension assets | 2.0% | Same as noted in the left column. |
| ④ Number of years to amortize past service obligation | 14 years<br>(Past service obligations are prorated and recognized in expense over a constant number of years (14 years) that is within the average remaining service period of employees as they arise.) | Same as noted in the left column. |
| ⑤ Number of years to amortize actuarial difference | 14 years<br>(Actuarial differences are prorated over a constant number of years (14 years) that is within the average remaining service period of employees in an accounting year as they arise, and recognized in expense the following years.) | Same as noted in the left column. |

(Business Combinations and Others)

Disclosure in this note regarding business combinations and others has been omitted, because the necessity of disclosing their information in this financial report is not considered significant.

(Investment and Rental Property)

FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010)

(Additional information)

Effective with this consolidated fiscal year, the Company adopts the Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (ASBJ Statement No. 20, issued by the Accounting Standards Board of Japan on November 28, 2008) and the Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (ASBJ Guidance No. 23, issued by the Accounting Standards Board of Japan on November 28, 2008).

The Company and some subsidiaries maintain ownership of parking lots and other properties available for lease in Kanagawa Prefecture and other regions. The Group's rental income accrued from such rental properties during the fiscal year ended March 2010 amounted to ¥142 million (rental revenues were included in net sales; major rental expenses were included in operating expenses).

The Consolidated Balance Sheet amount and fair value of investment and rental property as of the balance sheet date, as well as the method used for determining the fair value, are described below.

(Millions of yen)

| Consolidated Balance Sheet amount | | | Fair value at balance sheet date |
|---|---|---|---|
| Opening balance | Increase (decrease) during fiscal year | Closing balance | |
| 991 | (5) | 985 | 7,703 |

(Notes) 1 The Consolidated Balance Sheet amount indicates the cost of acquisition minus accumulated depreciation.

2 Method used for determining fair value
The fair value is estimated primarily by reference to the Real Estate Appraisal Standards.

(Per Share Data)

| Items | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| Net assets per share of common stock | ¥692.34 | ¥704.88 |
| Net income per share of common stock | ¥29.87 | ¥4.95 |
| | The diluted net income per share of common stock is not presented, since there were no securities with dilutive effect outstanding through the period. | The diluted net income per share of common stock is not presented, since there were no securities with dilutive effect outstanding through the period. |

(Note) The basis for calculating net income per share of common stock was as follows:

1. Net Assets per share of common stock

| Items | FY March 2009<br>(As of Mar. 31, 2009) | FY March 2010<br>(As of Mar. 31, 2010) |
|---|---|---|
| Net assets in Consolidated Balance Sheet (in million yen) | 76,939 | 78,294 |
| Net assets attributable to common stock (in million yen) | 76,335 | 77,708 |
| Breakdown of difference (in million yen)<br>Minority interests | 604 | 586 |
| Number of common stock issued (thousand) | 112,391 | 112,391 |
| Number of Treasury common stock (thousand) | 2,133 | 2,148 |
| Number of common stock calculated for Net Assets per share of common stock (thousand) | 110,257 | 110,243 |

2. Net Income per share

| Items | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| Net income in Consolidated Statements of Income (in million yen) | 3,293 | 545 |
| Amounts not reverting to common shareholders (in million yen) | – | – |
| Net income attributable to common stock (in million yen) | 3,293 | 545 |
| Average number of shares of common stock during the period (thousand) | 110,273 | 110,250 |

(Important Subsequent Events)

| FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|
| Pursuant to the resolution of a Board of Directors meeting held on March 18, 2009, the Company issued its 10th Series Unsecured Straight Bonds as outlined below:<br>• Total amount of issue: ¥5,000 million<br>• Issue price: ¥100 per ¥100 of par value<br>• Payment due date: April 27, 2009<br>• Redemption at maturity: April 26, 2013<br>• Coupon rate: 2.52% per annum<br>• Intended use of proceeds: Funding for bond redemptions<br>• Security: No collateral or guarantee is pledged. | — |

## 5. Non-Consolidated Financial Statements

### (1) Non-Consolidated Balance Sheets

(Millions of yen)

| | FY March 2009 (As of Mar. 31, 2009) | FY March 2010 (As of Mar. 31, 2010) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 11,452 | 14,321 |
| Trade notes | 8,920 | 6,579 |
| Accounts receivable | 36,796 | 34,921 |
| Marketable securities | 172 | 122 |
| Merchandise and finished products | 11,603 | 7,977 |
| Work in process | 686 | 564 |
| Raw material and supplies | 1,661 | 1,523 |
| Prepaid expense | 643 | 659 |
| Deferred tax assets | 983 | 787 |
| Others | 1,106 | 1,073 |
| Allowance for doubtful debt | (60) | (40) |
| Total current assets | 73,965 | 68,490 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings (at net book value) | 13,821 | 12,890 |
| Structures (at net book value) | 648 | 564 |
| Machinery & equipment (at net book value) | 5,905 | 5,171 |
| Vehicles (at net book value) | 147 | 114 |
| Tools & Fittings (at net book value) | 1,610 | 1,290 |
| Land | 21,051 | 21,051 |
| Machinery, equipment and vehicles | 44 | 30 |
| Total tangible fixed assets | *1 43,229 | *1 41,113 |
| Intangible fixed assets | | |
| Goodwill | 73 | 5 |
| Patent property | 4 | 2 |
| Land leaseholds | 725 | 725 |
| Software | 1,342 | 1,380 |
| Others | 139 | 161 |
| Total intangible fixed assets | 2,285 | 2,275 |
| Investments and other assets | | |
| Investment securities | 14,452 | 17,342 |
| Investment in affiliates | 8,440 | 8,440 |
| Long-term loans receivable from affiliates | 570 | 510 |
| Receivables from bankrupt or reorganized debtors and others | 89 | 46 |
| Prepaid pension cost | 2,517 | 2,485 |
| Long-term prepaid expenses | 11 | – |
| Guarantee deposits | 3,834 | 3,715 |
| Others | 795 | 708 |
| Allowance for doubtful debt | (439) | (396) |
| Total investments and other assets | 30,271 | 32,852 |
| Total fixed assets | 75,786 | 76,241 |
| Total assets | 149,751 | 144,731 |

(Millions of yen)

| | FY March 2009 (As of Mar. 31, 2009) | FY March 2010 (As of Mar. 31, 2010) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Trade notes | *2 9,090 | *2 6,327 |
| Accounts receivable | *2 26,717 | *2 22,039 |
| Short-term bank loans | *1, *4 8,350 | *1, *4 8,350 |
| Short-term loan in affiliates | – | 500 |
| Long-term debts due within one year | 4,410 | *2 5,200 |
| Bonds redeemed within one year | 5,000 | 5,000 |
| Lease obligations | 30 | 55 |
| Accounts payable-other | 479 | 428 |
| Accrued expenses | 1,242 | 1,100 |
| Income taxes payable | 584 | 562 |
| Consumption taxes payable | 15 | 332 |
| Advances received | 29 | 236 |
| Deposit received | 272 | 141 |
| Allowance for bonus payable | 1,134 | 633 |
| Total current liabilities | 57,356 | 50,908 |
| Long-term liabilities | | |
| Bonds | 5,000 | 5,000 |
| Long-term loans payable | 10,150 | 8,550 |
| Lease obligations | 90 | 137 |
| Deferred tax liabilities | 485 | 1,431 |
| Severance and employee retirement benefits | 8,465 | 8,961 |
| Long-term deposit received | 2,148 | 2,123 |
| Other liabilities | 371 | 367 |
| Total long-term liabilities | 26,711 | 26,572 |
| Total liabilities | 84,067 | 77,480 |
| Net assets | | |
| Owners' equity | | |
| Capital stock | 18,670 | 18,670 |
| Capital surplus | | |
| Additional paid-in capital | 16,759 | 16,759 |
| Total capital surplus | 16,759 | 16,759 |
| Retained earnings | | |
| Legal reserve of retained | 1,874 | 1,874 |
| Other retained earnings | | |
| Deferred income reserve | 5,049 | 4,968 |
| Other reserves | 4,180 | 4,180 |
| Earned surplus carried forward | 20,357 | 20,241 |
| Total retained earnings | 31,462 | 31,264 |
| Treasury stock, at cost | (2,295) | (2,300) |
| Total owners' equity | 64,596 | 64,394 |
| Net unrealized gain and translation adjustments | | |
| Unrealized holding gains (losses) on securities | 1,088 | 2,857 |
| Total Net unrealized gain and translation adjustments | 1,088 | 2,857 |
| Total net assets | 65,684 | 67,251 |
| Total liabilities and net assets | 149,751 | 144,731 |

(2) Non-Consolidated Statements of Income

(Millions of yen)

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Net sales | 185,682 | 148,964 |
| Cost of sales | *1, *3 135,141 | *1, *3 108,177 |
| Gross profit | 50,541 | 40,786 |
| Selling, general and administrative expenses | *2, *3 47,551 | *2, *3 40,515 |
| Operating income | 2,989 | 271 |
| Other income | | |
| Interest income | 38 | 36 |
| Dividend income | 721 | 601 |
| Refund of premium for cancelled insurance | 457 | – |
| Subsidy income | – | 238 |
| Others | 816 | 675 |
| Total other income | *1 2,034 | *1 1,553 |
| Other expenses | | |
| Interest expense | 372 | 403 |
| Bond interest expense | 100 | 189 |
| Others | 246 | 233 |
| Total other expenses | 720 | 826 |
| Ordinary income | 4,303 | 998 |
| Extraordinary income | | |
| Gain on sales of property, plant and equipment | *4 3 | – |
| Gain on sale of investment securities | 83 | 388 |
| Reversal of allowance for doubtful accounts | 13 | 18 |
| Reversal of allowance for bonuses payable | 521 | – |
| Total extraordinary income | 621 | 407 |
| Extraordinary losses | | |
| Loss on disposal of property, plant and equipment | *5 112 | – |
| Loss on disposal/sale of property, plant and equipment | – | *6 59 |
| Impairment loss on investment securities | 415 | 97 |
| Appraised loss in investments in affiliates | 580 | – |
| Reversal of allowance for doubtful accounts in affiliates | 30 | – |
| Others | 16 | 13 |
| Total extraordinary losses | 1,154 | 171 |
| Income before income taxes | 3,770 | 1,234 |
| Income taxes | 1,350 | 538 |
| Adjustments on income taxes | 353 | (72) |
| Total income taxes | 1,703 | 465 |
| Net income | 2,067 | 768 |

(3) Non-Consolidated Statements of Changes in Net Assets

(Millions of yen)

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Owners' equity | | |
| Capital stock | | |
| Opening balance | 18,670 | 18,670 |
| Changes during period | | |
| Total changes during period | – | – |
| Ending balance | 18,670 | 18,670 |
| Capital surplus | | |
| Additional paid-in capital | | |
| Opening balance | 16,759 | 16,759 |
| Changes during period | | |
| Total changes during period | – | – |
| Ending balance | 16,759 | 16,759 |
| Total capital surplus | | |
| Opening balance | 16,759 | 16,759 |
| Changes during period | | |
| Total changes during period | – | – |
| Ending balance | 16,759 | 16,759 |
| Retained earnings | | |
| Legal reserve of retained | | |
| Opening balance | 1,874 | 1,874 |
| Changes during period | | |
| Total changes during period | – | – |
| Ending balance | 1,874 | 1,874 |
| Other retained earnings | | |
| Deferred income reserve | | |
| Opening balance | 5,136 | 5,049 |
| Changes during period | | |
| Used deferred income reserve | (86) | (80) |
| Total changes during period | (86) | (80) |
| Ending balance | 5,049 | 4,968 |
| Other reserves | | |
| Opening balance | 4,180 | 4,180 |
| Changes during period | | |
| Total changes during period | – | – |
| Ending balance | 4,180 | 4,180 |
| Earned surplus carried forward | | |
| Opening balance | 19,859 | 20,357 |
| Changes during period | | |
| Dividends | (1,656) | (965) |
| Used deferred income reserve | 86 | 80 |
| Net income | 2,067 | 768 |
| Total changes during period | 498 | (116) |
| Ending balance | 20,357 | 20,241 |

(Millions of yen)

| | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Total retained earnings | | |
| Opening balance | 31,050 | 31,462 |
| Changes during period | | |
| Dividends | (1,656) | (965) |
| Used deferred income reserve | – | – |
| Net income | 2,067 | 768 |
| Total changes during period | 411 | (197) |
| Ending balance | 31,462 | 31,264 |
| Treasury stock, at cost | | |
| Opening balance | (2,276) | (2,295) |
| Changes during period | | |
| Acquisition of treasury stock | (18) | (4) |
| Total changes during period | (18) | (4) |
| Ending balance | (2,295) | (2,300) |
| Total owners' equity | | |
| Opening balance | 64,203 | 64,596 |
| Changes during period | | |
| Dividends | (1,656) | (965) |
| Net income | 2,067 | 768 |
| Acquisition of treasury stock | (18) | (4) |
| Total changes during period | 392 | (202) |
| Ending balance | 64,596 | 64,394 |
| Net unrealized gain and translation adjustments | | |
| Unrealized holding gains (losses) on securities | | |
| Opening balance | 5,258 | 1,088 |
| Changes during period | | |
| Net changes of Net assets other than owners' equity during period | (4,170) | 1,769 |
| Total changes during period | (4,170) | 1,769 |
| Ending balance | 1,088 | 2,857 |
| Total Net unrealized gain and translation adjustments | | |
| Opening balance | 5,258 | 1,088 |
| Changes during period | | |
| Net changes of Net assets other than owners' equity during period | (4,170) | 1,769 |
| Total changes during period | (4,170) | 1,769 |
| Ending balance | 1,088 | 2,857 |
| Total net assets | | |
| Opening balance | 69,462 | 65,684 |
| Changes during period | | |
| Dividends | (1,656) | (965) |
| Net income | 2,067 | 768 |
| Acquisition of treasury stock | (18) | (4) |
| Net changes of Net assets other than owners' equity during period | (4,170) | 1,769 |
| Total changes during period | (3,777) | 1,566 |
| Ending balance | 65,684 | 67,251 |

(4) Events or Conditions That May Cast Significant Doubt on the Going Concern Assumption
Not applicable.

(5) Significant Accounting Policies

| | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| 1 Standards and methods for valuation of securities | (1) Held-to-maturity bonds<br>Amortized cost method (straight-line method)<br>(2) Equity shares in subsidiaries and related companies<br>Cost method based on the moving average method<br>(3) Other securities<br>Securities with market value<br>Market value method based on values such as the market price at the end of the settlement year (All valuation differences were accounted for as separate components of net assets, and the cost of selling was calculated on the moving average method.)<br>Securities without market value<br>Cost method based on the moving average method | (1) Held-to-maturity bonds<br>Same as left.<br>(2) Equity shares in subsidiaries and related companies<br>Same as left.<br>(3) Other securities<br>Securities with market value<br>Same as left.<br>Securities without market value<br>Same as left. |
| 2 Standards and methods for valuation of derivatives | Market value method | Same as left. |
| 3 Standards and methods for valuation of inventories | Inventories held for sale in the ordinary course of business<br>Cost method (which reduces the book value of assets whose profitability is diminished) based on the moving average method<br>(Change in accounting policy)<br>Effective with this fiscal year, the Company adopted the Accounting Standard for Valuation of Inventories (ASBJ Statement No. 9, issued by the Accounting Standards Board of Japan on July 5, 2006).<br>The effect of this change was to reduce gross profit, operating income, ordinary income and income before income taxes by ¥448 million each compared with the results based on the same method used in the previous fiscal year. | Inventories held for sale in the ordinary course of business<br>Same as left.<br>— |
| 4 Methods of depreciation of fixed assets | (1) Tangible fixed assets (excluding lease assets)<br>Buildings (excluding building equipment)<br>① Those acquired on or before Mar. 31, 1998<br>Former fixed percentage method<br>② Those acquired between Apr. 1, 1998 and Mar. 31, 2007<br>Former straight-line method<br>③ Those acquired on or after Apr. 1, 2007<br>The straight-line method<br>Other tangible assets excluding buildings<br>① Those acquired on or before Mar. 31, 2007<br>Former fixed percentage method<br>② Those acquired on or after Apr. 1, 2007<br>The fixed percentage method<br>The duration of useful lives and residual value were determined subject to the standards prescribed in the Japanese Corporation Tax Law.<br>For tangible assets acquired on or before March 31, 2007, depreciation is accounted for up to the limit amount available for depreciation over a period of five years in equal amounts, starting from the next fiscal year after completion of the depreciation. | (1) Tangible fixed assets (excluding lease assets)<br>Buildings (excluding building equipment)<br>① Those acquired on or before Mar. 31, 1998<br>Same as left.<br>② Those acquired between Apr. 1, 1998 and Mar. 31, 2007<br>Same as left.<br>③ Those acquired on or after Apr. 1, 2007<br>Same as left.<br>Other tangible assets excluding buildings<br>① Those acquired on or before Mar. 31, 2007<br>Same as left.<br>② Those acquired on or after Apr. 1, 2007<br>Same as left.<br>Same as left. |

| | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| 4 Methods of depreciation of fixed assets | (Additional information)<br>Following the revision of the Corporate Tax Law in the 2008 fiscal year, effective with this fiscal year the Company changed the number of useful life years it uses in respect of machinery and equipment to conform to the same criteria as prescribed in the revised Corporate Tax Law.<br>The effect of this change was to reduce operating income, ordinary income and net income before income taxes by ¥119 million each compared with the results based on the same method used in the previous fiscal year.<br>(2) Intangible fixed assets (excluding lease assets)<br>Straight-line method.<br>The standard for the depreciation period is based on the same standard adopted in the method stipulated in the Corporate Tax Law.<br>However, the depreciation of goodwill is accounted for over a period of five years in equal amounts, and the depreciation of software (for in-house use) is calculated in the straight-line method based on the duration of useful lives set in the Company (five years).<br>(3) Lease assets<br>Lease assets involved in finance lease transactions other than those where ownership is transferred<br>Straight-line method that assumes the lease period to be the useful life and the residual value to be zero.<br>(Change in accounting policy)<br>Effective with this fiscal year, the Company adopted the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, issued by the Accounting Standards Board of Japan on June 17, 1993 and last revised on March 30, 2007) and the Implementation Guidance for Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued by the Accounting Standards Board of Japan on January 18, 1994 and revised on March 30, 2007).<br>With regard to non-ownership-transferred finance lease transactions whose effective date precedes the commencement of the initial fiscal year of adoption of the revised standard for lease transactions, the Company continues to apply mutatis mutandis the same method used to account for ordinary lease transactions.<br>The effect of this change on income was negligible. | —<br>(2) Intangible fixed assets (excluding lease assets)<br>Same as left.<br>(3) Lease assets<br>Lease assets involved in finance lease transactions other than those where ownership is transferred<br>Same as left.<br>— |
| 5 Method of accounting for deferred assets | — | The expense incurred for issuing bonds was charged in full to income as disbursed. |

| | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| 6 Standards for providing for allowances | (1) Allowance for doubtful accounts<br>In order to provide against loss arising from bad debts, the Company has provided for estimated uncollectable amounts.<br>① General receivables<br>Based on the method of actual bad debt rates.<br>② Receivables from doubtful, bankrupt, or reorganized debtors<br>Based on the method of valuating financial positions.<br>(2) Allowance for bonus payable<br>To prepare for the payment of bonuses to employees, the amount expected to be payable to all employees for this fiscal year was determined based on the portion of total amount expected to be payable corresponding to this fiscal year.<br>(3) Severance and employee retirement benefits<br>To prepare for payment of severance and retirement benefits to employees, the Company provided for the amount considered to have been accrued as of the end of this fiscal year based on the estimated amount of liabilities for severance and retirement benefits and pension assets at year end.<br>Past service liabilities were accounted for as an expense by the amount prorated over a certain number of years (14 years) not exceeding the average remaining service period of employees in the year in which the liabilities are recognized.<br>Actuarial differences were accounted for as expenses effective the fiscal year following their accrual on a declining balance basis over a certain number of years (14 years) not exceeding the average remaining service period of employees in each year of accrual.<br>— | (1) Allowance for doubtful accounts<br>Same as left.<br>① General receivables<br>Same as left.<br>② Receivables from doubtful, bankrupt, or reorganized debtors<br>Same as left.<br>(2) Allowance for bonus payable<br>Same as left.<br>(3) Severance and employee retirement benefits<br>Same as left.<br>(Change in accounting policy)<br>Effective with this fiscal year, the Company adopted the Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19, issued by the Accounting Standards Board of Japan on July 31, 2008).<br>This change had no impact on income. |
| 7 Accounting standard for recognizing revenues and expenses | — | Accounting standard for recognizing revenues related to completed construction work<br>Beginning with the construction contracts initiated during this fiscal year, those contracts whose outcome can be estimated with certainty are accounted for on the percentage-of-completion method (the progress toward completion of construction work is estimated based on the proportion of costs incurred) in respect to the portion of work completed up to the end of this fiscal year. The other contracts are accounted for on the completed-contract method.<br>(Change in accounting policy)<br>For the purpose of accounting for contract construction work, previously the Company has applied a policy that recognizes related revenues upon the completion of the contract. Effective with this fiscal year, the Company adopted the Accounting Standard for Construction Contracts (ASBJ Statement No. 15, issued by the Accounting Standards Board of Japan on December 27, 2007) and the Implementation Guidance for Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued by the Accounting Standards Board of Japan on December 27, 2007). Accordingly, beginning with the construction contracts initiated during this fiscal year, those contracts whose outcome can be estimated with certainty are accounted for on the percentage-of-completion method (the progress toward completion of construction work is estimated based on the proportion of costs incurred) in respect to the portion of work completed. The other contracts are accounted for on the completed-contract method.<br>This change has no impact on income. |

| | FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|---|
| 8 Hedge accounting method | (1) Hedge accounting method<br>The Company has adopted an exceptional treatment for interest rate swap transactions since the requirements for the treatment have been met.<br>Foreign currency-denominated receivables that are hedged by forward foreign exchange contracts are accounted for using the contracted forward rates.<br>(2) Hedge method and transactions to be hedged<br>(Hedge method)<br>• Interest rate swap transactions<br>• Forward exchange transactions<br>(Transactions to be hedged)<br>• Interest on borrowings (with the risk of loss that may arise due to fluctuations in the interest rate market and will consequently change cash flows)<br>• Foreign currency receivables (with the risk of loss that may arise due to fluctuations in the foreign exchange market that will consequently change cash flows)<br>(3) Hedging policy<br>The Company will engage in derivatives transactions in order to avoid risk of interest rate fluctuations or reduce the burden of interest payment, not in those with a speculative purpose or high leverage effect.<br>The Company will also engage in currency derivatives transactions within the volume of contracts for assets, liabilities, or transactions in foreign currency, since the purpose of derivatives transactions is to hedge transactions in foreign currency against the risk of exchange rate fluctuations. The Company will therefore not conduct derivatives transactions for speculative purposes.<br>(4) Method for valuating the effectiveness of hedge transactions<br>The Company has adopted an exceptional treatment for interest rate swap transactions since the notional principal, conditions for receipt and payment of interest (such as the interest rate and dates of receipt and payment of interest) and contract terms are the same as those for transactions being hedged.<br>The Company has not therefore conducted post tests to evaluate the effectiveness of interest rate transactions.<br>Forward exchange contracts are used to hedge foreign currency exposures under a risk management policy of designing the contract, as it is concluded, to have the same amount and maturity in order to establish a relationship that cancels out any subsequent change in the exchange rate. This allows the Company to dispense with evaluation of the effectiveness of such hedges at the settlement of accounts.<br>(5) Other risk control methods concerned with hedge accounting<br>Since the issuance of corporate bonds to be hedged, borrowing of a large amount of money, and similar acts are subject to resolutions by the board of directors, the conclusion of currency swap or interest rate swap contracts as a means of hedging such bond issuances, borrowings, and the like are to be resolved at the time of the act by the board of directors. Currency and interest derivatives transactions are conducted and managed by the Accounting Department subject to the Corporate Management Rules. | (1) Hedge accounting method<br>Same as left.<br>(2) Hedge method and transactions to be hedged<br>Same as left.<br>(3) Hedging policy<br>Same as left.<br>(4) Method for valuating the effectiveness of hedge transactions<br>Same as left.<br>(5) Other risk control methods concerned with hedge accounting<br>Same as left. |
| 9 Other significant items for the preparation of Financial Statements | Accounting for consumption taxes<br>National and local consumption taxes are accounted for using the tax exclusion method. | Accounting for consumption taxes<br>Same as left. |

(6) Significant Changes in Accounting Policies

[Changes to Financial Statements Format]

| FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|
| (Balance Sheet)<br>"Other accounts receivable," which had been stated as a separate item in the previous operating year, was included (to the amount of ¥596 million) in Other current assets in Current assets at the end of this fiscal year, because it was insignificant in value. | — |
| — | (Statements of Income)<br>"Loss on disposal of property, plant and equipment," subdivided and separately classified in the previous fiscal year (which amounts to ¥57 million in this fiscal year), is included in "loss on disposal/sale of property, plant and equipment" commencing with this fiscal year. |

(7) Notes

(Non-Consolidated Balance Sheet)

| FY March 2009<br>(As of Mar. 31, 2009) | FY March 2010<br>(As of Mar. 31, 2010) |
|---|---|
| *1 (1) Accumulated depreciation of tangible fixed assets amounted to ¥71,743 million.<br><br>(2) Those out of these assets that were hypothecated and the corresponding liabilities are as follows:<br>Amount of pledged assets (book value)<br>Other tangible fixed assets ¥2,497 million<br>Land ¥7,269 million<br>Total ¥9,766 million<br>Liabilities relevant to the above<br>Short-term bank loans ¥2,000 million | *1 (1) Accumulated depreciation of tangible fixed assets amounted to ¥74,476 million.<br><br>(2) Those out of these assets that were hypothecated and the corresponding liabilities are as follows:<br>Amount of pledged assets (book value)<br>Other tangible fixed assets ¥2,287 million<br>Land ¥7,269 million<br>Total ¥9,556 million<br>Liabilities relevant to the above<br>Short-term bank loans ¥2,000 million |
| *2 Major assets and liabilities held with regard to related companies are as follows:<br>Trade notes ¥2,133 million<br>Accounts receivable ¥5,801 million | *2 Major assets and liabilities held with regard to related companies are as follows:<br>Trade notes ¥1,345 million<br>Accounts receivable ¥5,467 million<br>Loans payable ¥3,100 million |
| — | *3 The Company provides debt guarantees with respect to loans that the company listed below owes to financial institutions.<br>Shanghai Okamura Furniture and Logistic System Co., Ltd. ¥130 million |
| *4 For the purpose of raising working capital efficiently, the Company has entered into a specified commitment line agreement with the main financial institutions it transacts with.<br>Total amount under specified commitment line agreements ¥12,000 million<br>Outstanding loans borrowed ¥1,000 million<br>Balance ¥11,000 million | *4 For the purpose of raising working capital efficiently, the Company has entered into a specified commitment line agreement with the main financial institutions it transacts with.<br>Total amount under specified commitment line agreements ¥12,000 million<br>Outstanding loans borrowed ¥1,000 million<br>Balance ¥11,000 million |

(Non-Consolidated Statements of Income)

| FY March 2009<br>(From Apr. 1, 2008<br>to Mar. 31, 2009) | FY March 2010<br>(From Apr. 1, 2009<br>to Mar. 31, 2010) |
|---|---|
| *1 The component associated with transactions with related companies is as follows:<br>Products purchased ¥54,434 million<br>In addition to the above, transactions with related companies were reflected also in Other income items to a total amount of ¥223 million. | *1 The component associated with transactions with related companies is as follows:<br>Products purchased ¥41,390 million<br>In addition to the above, transactions with related companies were reflected also in Other income items to a total amount of ¥224 million. |
| *2 Major items and amounts of selling, general and administrative expenses are as follows:<br>Selling expense ¥2,940 million<br>Packing and transportation expense ¥9,931 million<br>Salaries and allowances ¥13,033 million<br>Provision for allowance for bonus payable ¥768 million<br>Retirement benefits ¥750 million<br>Depreciation and amortization expenses ¥1,604 million<br>Rent ¥6,574 million | *2 Major items and amounts of selling, general and administrative expenses are as follows:<br>Selling expense ¥1,804 million<br>Packing and transportation expense ¥7,903 million<br>Salaries and allowances ¥11,565 million<br>Provision for allowance for bonus payable ¥425 million<br>Retirement benefits ¥1,095 million<br>Depreciation and amortization expenses ¥1,536 million<br>Rent ¥5,994 million |
| *3 R&D cost included in selling, general and administrative expenses and cost of sales amounted to ¥1,000 million. | *3 R&D cost included in selling, general and administrative expenses and cost of sales amounted to ¥744 million. |
| *4 Details of gain on sales of property, plant and equipment are as follows:<br>Machinery & equipment ¥3 million<br>Others ¥0 million<br>Total ¥3 million | — |
| *5 Details of loss on disposal of property, plant and equipment are as follows:<br>Buildings ¥10 million<br>Structures ¥11 million<br>Machinery & equipment ¥40 million<br>Tools & Fittings ¥45 million<br>Others ¥4 million<br>Total ¥112 million | — |
| — | *6 Details of loss on disposal/sale of property, plant and equipment are as follows:<br>Buildings ¥2 million<br>Structures ¥4 million<br>Machinery & equipment ¥21 million<br>Tools & Fittings ¥29 million<br>Others ¥2 million<br>Total ¥59 million |

(Non-Consolidated Statements of Changes in Net Assets)

FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009)

1. Matters relating to treasury stock

| Type of stock | Number of shares at the end of the previous year | Increase | Decrease | Number of shares at the end of the term |
|---|---|---|---|---|
| Stocks issued Common stock (stocks) | 1,974,836 | 29,608 | — | 2,004,444 |

(Outline of change factors)

The major factor for the increase is as follows:

Increase due to purchase of fractional shares 29,608 shares

FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010)

1. Matters relating to treasury stock

| Type of stock | Number of shares at the end of the previous year | Increase | Decrease | Number of shares at the end of the term |
|---|---|---|---|---|
| Stocks issued Common stock (stocks) | 2,004,444 | 9,856 | — | 2,014,300 |

(Outline of change factors)

The details of increase are as stated below:

Increase due to purchase of fractional shares 9,856 shares

(Lease Transactions)

**FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009)**

Finance lease transactions
(Lessee' s side)
Non-ownership-transfer finance lease transactions
(1) Details of lease assets
- Tangible fixed assets
  Comprised primarily of information and telecommunications equipment.
- Intangible fixed assets
  Comprised of software.

(2) Method of depreciation/amortization of lease assets
Depreciated/amortized using a calculation method that assumes the lease period to be the useful life and the residual value to be zero.

Those non-ownership-transferred finance lease transactions whose effective date occurred on or before March 31, 2008, were accounted for by applying mutatis mutandis the same method used to account for ordinary lease transactions. The details of these assets are as follows:

① Amounts equivalent to the cost of acquisition, accumulated depreciation, and balance as of the end of the term (fiscal year) for lease properties

| | Amount equivalent to acquisition cost (Millions of yen) | Amount equivalent to accumulated depreciation (Millions of yen) | Amount equivalent to the balance as of the end of the term (Millions of yen) |
|---|---|---|---|
| Tools & fittings | 224 | 180 | 43 |
| Others | 91 | 65 | 25 |
| Total | 315 | 246 | 69 |

② Amount equivalent to the balance of prepaid rent as at the end of the consolidated fiscal year

| | |
|---|---|
| One year or less | ¥44 million |
| More than one year | ¥83 million |
| Total | ¥127 million |

③ Amount equivalent to lease payment, accumulated depreciation and interest expense

| | |
|---|---|
| Lease payment | ¥96 million |
| Amount equivalent to depreciation expense | ¥69 million |
| Amount equivalent to interest expense | ¥4 million |

④ Method of calculating the amounts equivalent to depreciation expense
The amount equivalent to depreciation expense was calculated by multiplying the depreciation expense by 9/10 (0.9) calculated using the fixed percentage method considering the lease period to be the usable life in years and residual value to be 10%.

⑤ Method of calculating the amounts equivalent to interest
The amount equivalent to interest was calculated considering the difference between the total lease payment and the amount equivalent to the cost of acquisition of the lease property to be the amount equivalent to interest. The difference was distributed to each term using the interest method.

**FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010)**

Finance lease transactions
(Lessee' s side)
Non-ownership-transfer finance lease transactions
(1) Details of lease assets
Same as left.

(2) Method of depreciation/amortization of lease assets
Same as left.

Same as left.

① Amounts equivalent to the cost of acquisition, accumulated depreciation, and balance as of the end of the term (fiscal year) for lease properties

| | Amount equivalent to acquisition cost (Millions of yen) | Amount equivalent to accumulated depreciation (Millions of yen) | Amount equivalent to the balance as of the end of the term (Millions of yen) |
|---|---|---|---|
| Tools & fittings | 85 | 63 | 21 |
| Others | 91 | 74 | 16 |
| Total | 176 | 138 | 38 |

② Amount equivalent to the balance of prepaid rent as at the end of the consolidated fiscal year

| | |
|---|---|
| One year or less | ¥27 million |
| More than one year | ¥54 million |
| Total | ¥82 million |

③ Amount equivalent to lease payment, accumulated depreciation and interest expense

| | |
|---|---|
| Lease payment | ¥46 million |
| Amount equivalent to depreciation expense | ¥30 million |
| Amount equivalent to interest expense | ¥2 million |

④ Method of calculating the amounts equivalent to depreciation expense
Same as left.

⑤ Method of calculating the amounts equivalent to interest
Same as left.

(Securities)

FY March 2009 (as of Mar. 31, 2009)

No equity shares held by the Company in subsidiaries or affiliates have market value.

FY March 2010 (as of Mar. 31, 2010)

(Additional information)

Effective with this fiscal year, the Company adopts the revised Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued by the Accounting Standards Board of Japan on March 10, 2008) and the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, issued by the Accounting Standards Board of Japan on March 10, 2008).

Equity shares in subsidiaries and affiliates

(Note) Equity shares in subsidiaries and affiliates regarding which it is considered extremely difficult to determine their fair value

(Millions of yen)

| Items | Balance Sheet amount |
|---|---:|
| 1. Equity shares in subsidiaries | 8,293 |
| 2. Equity shares in affiliates | 146 |
| Total | 8,440 |

Those securities listed above have no quoted market price. Therefore, it is considered extremely difficult to determine their fair values.

(Accounting for Deferred Income Taxes)

**FY March 2009 (As of Mar. 31, 2009)**

1 Significant components of deferred income tax assets and liabilities

(1) Current assets and liabilities

| | |
|---|---|
| Deferred tax assets | |
| Allowance for bonus payable | ¥461 million |
| Accrued enterprise taxes | ¥70 million |
| Valuation loss on raw materials and finished products | ¥264 million |
| Accrued social insurance premiums | ¥55 million |
| Accrued property taxes | ¥53 million |
| Others | ¥77 million |
| Total deferred tax assets | ¥983 million |
| Offset against deferred tax liabilities | (¥0 million) |
| Net deferred tax assets | ¥983 million |
| Deferred tax liabilities | |
| Unrealized holding gains (losses) on securities | ¥0 million |
| Total deferred tax liabilities | ¥0 million |
| Offset against deferred tax assets | (¥0 million) |
| Net deferred tax liabilities | — |

(2) Non-current assets and liabilities

| | |
|---|---|
| Deferred tax assets | |
| Severance and employee retirement benefits | ¥3,590 million |
| Appraised loss in investments in affiliates | ¥236 million |
| Unpaid director's retirement benefits | ¥151 million |
| Allowance for doubtful accounts | ¥155 million |
| Unrealized loss on golf memberships | ¥146 million |
| Others | ¥135 million |
| Sub-total deferred tax assets | ¥4,414 million |
| Valuation allowance | (¥687 million) |
| Total deferred tax assets | ¥3,727 million |
| Offset against deferred tax liabilities | (¥3,727 million) |
| Net deferred tax assets | — |
| Deferred tax liabilities | |
| Deferred income reserve | ¥3,465 million |
| Unrealized holding gains (losses) on securities | ¥746 million |
| Total deferred tax liabilities | ¥4,212 million |
| Offset against deferred tax assets | (¥3,727) million |
| Net deferred tax liabilities | ¥485 million |

2 Significant components of difference between statutory tax rate and effective tax rate after adjustments for tax effect accounting

| | |
|---|---|
| Statutory tax rate | 40.7% |
| (Reconciliation) | |
| Non-deductible expenses | 4.6 |
| Non-taxable dividend income | (5.0) |
| Per capital inhabitant tax | 2.4 |
| Special deduction of experimental and research expenses, others | (1.2) |
| Valuation allowance | 6.2 |
| Others | (2.5) |
| Effective tax rate | 45.2% |

**FY March 2010 (As of Mar. 31, 2010)**

1 Significant components of deferred income tax assets and liabilities

(1) Current assets and liabilities

| | |
|---|---|
| Deferred tax assets | |
| Allowance for bonus payable | ¥257 million |
| Accrued enterprise taxes | ¥69 million |
| Valuation loss on raw materials and finished products | ¥280 million |
| Accrued social insurance premiums | ¥32 million |
| Accrued property taxes | ¥53 million |
| Others | ¥95 million |
| Total deferred tax assets | ¥787 million |

(2) Non-current assets and liabilities

| | |
|---|---|
| Deferred tax assets | |
| Severance and employee retirement benefits | ¥3,830 million |
| Appraised loss in investments in affiliates | ¥236 million |
| Unpaid director's retirement benefits | ¥149 million |
| Allowance for doubtful accounts | ¥146 million |
| Unrealized loss on golf memberships | ¥146 million |
| Others | ¥124 million |
| Sub-total deferred tax assets | ¥4,634 million |
| Valuation allowance | (¥686 million) |
| Total deferred tax assets | ¥3,947 million |
| Offset against deferred tax liabilities | (¥3,947 million) |
| Net deferred tax assets | — |
| Deferred tax liabilities | |
| Deferred income reserve | ¥3,410 million |
| Unrealized holding gains (losses) on securities | ¥1,961 million |
| Others | ¥8 million |
| Total deferred tax liabilities | ¥5,379 million |
| Offset against deferred tax assets | (¥3,947 million) |
| Net deferred tax liabilities | ¥1,431 million |

2 Significant components of difference between statutory tax rate and effective tax rate after adjustments for tax effect accounting

| | |
|---|---|
| Statutory tax rate | 40.7% |
| (Reconciliation) | |
| Non-deductible expenses | 10.1 |
| Non-taxable dividend income | (13.2) |
| Per capital inhabitant tax | 7.3 |
| Special deduction of experimental and research expenses, others | (3.2) |
| Others | (4.0) |
| Effective tax rate | 37.7% |

(Per Share Data)

| Items | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Net assets per share of common stock | 595.04 yen | 609.29 yen |
| Net income per share of common stock | 18.73 yen | 6.96 yen |
| | The diluted net income per share of common stock is not presented, since there were no securities with dilutive effect outstanding through the period. | The diluted net income per share of common stock is not presented, since there were no securities with dilutive effect outstanding through the period. |

(Note) The basis for calculating net income per share of common stock was as follows:

1. Net assets per share of common stock

| Items | FY March 2009 (As of Mar. 31, 2009) | FY March 2010 (As of Mar. 31, 2010) |
|---|---|---|
| Net assets in Non-Consolidated Balance Sheet (in million yen) | 65,684 | 67,251 |
| Net assets attributable to common stock (in million yen) | 65,684 | 67,251 |
| Number of common stock issued (in thousand shares) | 112,391 | 112,391 |
| Number of treasury common stock (in thousand shares) | 2,004 | 2,014 |
| Number of common stock calculated for net assets per share of common stock (in thousand shares) | 110,387 | 110,377 |

2. Net income per share of common stock

| Items | FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|---|
| Net income in Non-Consolidated Statements of Income (in million yen) | 2,067 | 768 |
| Amount not reverting to common shareholders (in million yen) | – | – |
| Net profit relating to common stock (in million yen) | 2,067 | 768 |
| Average number of shares of common stock during the period (in thousand shares) | 110,401 | 110,381 |

(Important Subsequent Events)

| FY March 2009 (From Apr. 1, 2008 to Mar. 31, 2009) | FY March 2010 (From Apr. 1, 2009 to Mar. 31, 2010) |
|---|---|
| Pursuant to the resolution of a Board of Directors meeting held on March 18, 2009, the Company issued its 10th Series Unsecured Straight Bonds as outlined below:<br>• Total amount of issue: ¥5,000 million<br>• Issue price: ¥100 per ¥100 of par value<br>• Payment due date: April 27, 2009<br>• Redemption at maturity: April 26, 2013<br>• Coupon rate: 2.52% per annum<br>• Intended use of proceeds: Funding for bond redemptions<br>• Security: No collateral or guarantee is pledged. | — |

## 6. Others

### (1) Changes in Board Members

1. Change of Representative Director
   Not applicable.

2. Change of other board members (scheduled for June 29, 2010)

   (1) Candidates for new Directors
   Director　　　　　　　　Toshikazu Iwata

   (2) Resigning board members
   Director　　　　　　　　Hiroshi Moriwake

   (3) Candidate for new Assistant Auditing Officer
   Standing Corporate Auditor　　　Hiroshi Moriwake

   (4) Resigning Auditing Officer
   Standing Corporate Auditor　　　Kiyoshi Noji