



Okamura Corporation  
Annual Report 2009



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This picture shows *Leopard*, which was developed as our next-generation, new-concept seating in pursuit of pleasurable office-seating comfort. Please see page 16, Topics, for details.

# Consolidated Financial Highlights

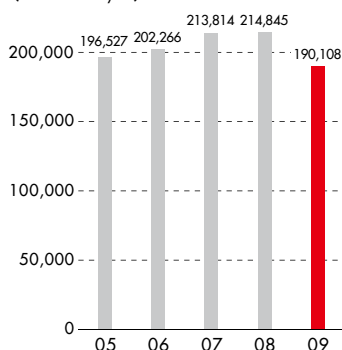
Years ended March 31, 2007, 2008 and 2009

	Millions of yen, except per share figures		Thousands of U.S. dollars, except per share figures	
	2007	2008	2009	2009
<b>SUMMARY OF OPERATIONS:</b>				
Net sales	¥ 213,814	¥ 214,845	¥ 190,108	\$ 1,935,336
Operating income	10,913	9,833	4,455	45,353
Net income	6,132	5,951	3,293	33,523
Net income per share	¥ 54.75	¥ 53.82	¥ 29.87	\$ 0.30
<b>YEAR-END FINANCIAL POSITION:</b>				
Total assets	¥ 189,754	¥ 185,855	¥ 167,894	\$ 1,709,193
Total net assets	84,972	83,121	76,939	783,254
Equity ratio	42.87%	42.69%	45.47%	—
Interest-bearing debt	27,848	29,280	32,192	327,721
<b>GENERAL:</b>				
Capital expenditures	¥ 7,898	¥ 5,189	¥ 5,583	\$ 56,836
Depreciation and amortization	5,062	5,774	6,107	62,171
Dividends per share	¥ 15.00	¥ 15.00	¥ 12.50	\$ 0.13
<b>COMMON STOCK PRICES:</b>				
High	¥ 1,497	¥ 1,370	¥ 878	\$ 8.94
Low	1,013	660	397	4.04

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98.23=US\$1.

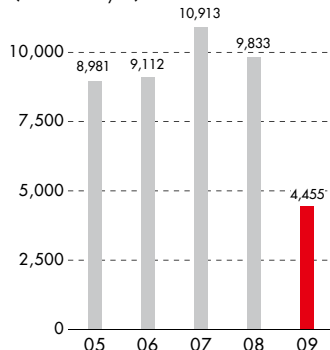
## Net Sales

(Millions of yen)



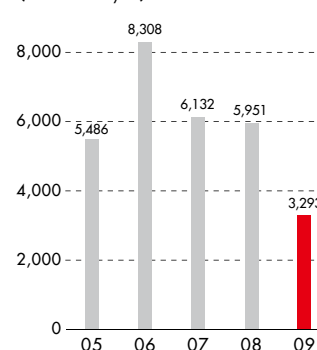
## Operating Income

(Millions of yen)



## Net Income

(Millions of yen)



## Performance Results by Segment

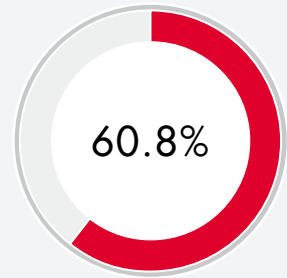
### Major Products

Net Sales (Total sales=100%)

#### Office Furniture



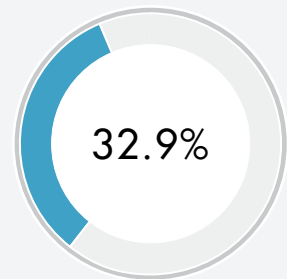
- Desk systems
- Office seating
- Low partitions
- Storage systems
- Reception/Meeting room furniture
- Security systems
- Fixtures for educational facilities
- Fixtures for auditoriums and theaters



#### Store Displays



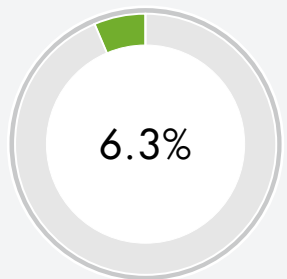
- Freezer and refrigerated showcases
- Display fixtures for foods
- Display fixtures for:
  - Drugstores
  - Book and AV stores
  - Electric appliance stores
  - Apparel stores
  - Auto supply and sports stores
- Backyard fixtures
- Modular systems for commercial interiors



#### Material Handling Systems and Others



- Light, medium, and heavy shelves
- Shelves for layered and multilayered materials/movable shelves
- Logistics, IT equipment
- Automated warehousing and *Rotary Rack*
- Distribution system and factory equipment
- Conveyor equipment
- Sorting equipment
- Torque converters

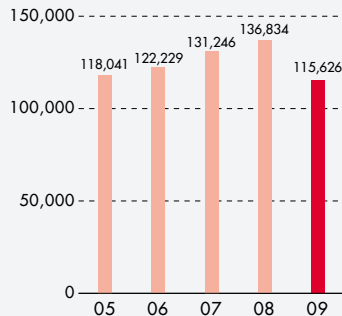


## Net Sales

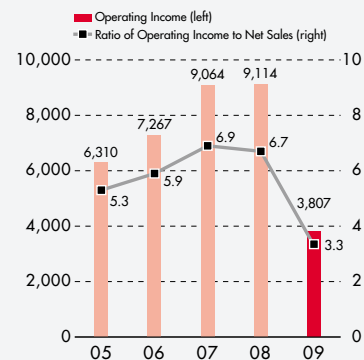
## Operating Income (Loss)/Ratio of Operating Income (Loss) to Net Sales

## Performance Highlights

(Millions of yen)

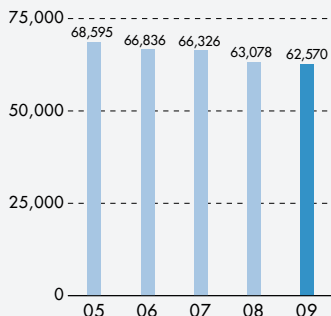


(Millions of yen)

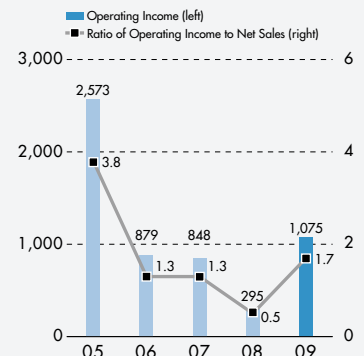


After the Lehman shock, there was significant corporate activity to curb capital investment, reduce expenses, and reduce workforces. Demand declined at a speed that Okamura had never experienced before, and the market environment remained extremely challenging. For the fiscal year, net sales fell 15.5% from the previous fiscal year to ¥115,626 million and operating income fell 58.2% to ¥3,807 million.

(Millions of yen)

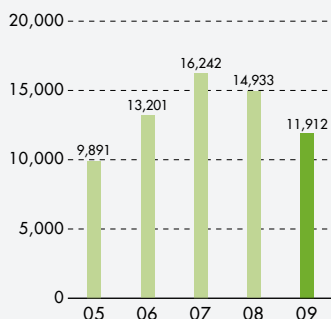


(Millions of yen)



Severe conditions such as the slump in consumer spending, and capital investment cutbacks in the distribution industry, are continuing. Although sales were nearly flat, due to the results of various improvement measures including cost reductions for store shelving, profits increased considerably from the previous year. For the fiscal year, net sales fell 0.8% from the previous fiscal year to ¥62,570 million, and operating income increased 264.4% to ¥1,075 million.

(Millions of yen)



(Millions of yen)



In conjunction with the deterioration in the market environment, the number of properties declined under the impact of capital investment cutbacks, and competition with our competitors intensified. Thus, sales fell considerably, resulting in an operating loss. For the fiscal year, net sales fell 20.2% from the previous fiscal year to ¥11,912 million, and the operating loss was ¥427 million.

## To Our Shareholders

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**Kikuo Nakamura**  
Chairman



**Kazuyoshi Hisamatsu**  
President

Since its foundation, under the motto “Quality pays for itself” and with the aim of serving customer needs, the Okamura Group has constantly delivered high-quality products and services that provide a real sense of richness.

Currently, taking “information technology (IT),” “globalization,” and “specialization” as the key words of our business management, we are carrying out business activities under the basic policy of constructing a stable business foundation; putting into practice profit-oriented, efficient management; and improving the social trust relationship including environmental consciousness.

The world economy is in the midst of a deep recession, which is called a “once-in-a-century” crisis, and it is the first such recession that Okamura has ever experienced. In the previous fiscal year, under the impact of corporate efforts to curb capital investment and reduce expenses in conjunction with deteriorating earnings, the market for our Office Furniture business, our core business, contracted massively, and our account settlement was very harsh. There is still a lot of uncertainty over the future economic outlook, and an economic recovery is projected to require a considerable amount of time. Until now, we have dedicated ourselves relentlessly to craftsmanship, and by means of product development capabilities and proposal efforts that anticipated changes of the times and matched customer needs, we have received the high acclaim and trust of countless customers. In the future, as we continue that approach, we intend to get through the current severe conditions by expanding business fields while further supplementing areas in which we have been weak, and by strongly promoting cost reduction measures for manufacturing costs and selling, general, and administrative expenses.

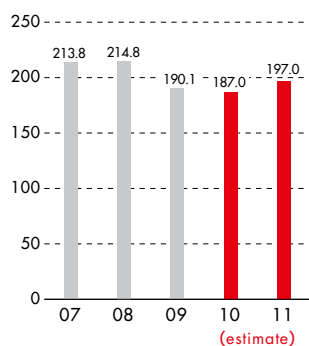
Furthermore, in our overseas business expansion, by exporting aggressively while proactively establishing overseas offices, we have steadily improved our global network. We believe that in striving to make the leap from “Okamura of Japan” to “Okamura of the world,” expanding our business activities at the level of global markets will contribute to the development of the entire industry.

## Target of the Midterm Management Plan (consolidated)

	(Billions of yen)		
	2009	2010 (estimate)	2011 (estimate)
Net sales:	¥190.1	¥187.0	¥197.0
Office Furniture	115.6	105.5	111.0
Store Displays	62.6	69.0	72.5
Material Handling Systems and Others	11.9	12.5	13.5
Operating income:	4.5	5.4	7.5
Office Furniture	3.8	3.9	5.3
Store Displays	1.1	1.5	2.1
Material Handling Systems and Others	(0.4)	0.0	0.1
Net income	3.3	3.5	4.7

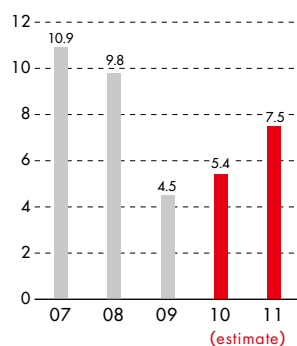
### Net Sales

(Billions of yen)



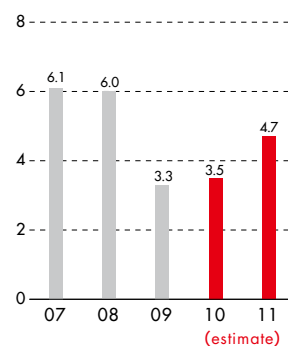
### Operating Income

(Billions of yen)



### Net Income

(Billions of yen)



Turning to social contributions, another important aspect of business management, we are pursuing product development based on universal design and environmental management initiatives aimed at environmental efficiency in all areas. In so doing, we will strive to contribute to the construction of a sustainable society, and we will continue to implement compliance-oriented management rooted in social responsibility and to strengthen our corporate governance.

We ask for your further support as we work to achieve what we have described above.

July 2009

Kikuo Nakamura, Chairman

Kazuyoshi Hisamatsu, President

## An Interview with the President



Kazuyoshi Hisamatsu  
President

### Q1

To begin with, please give an overview of the results for the fiscal year ended March 31, 2009.

The results for the fiscal year ended March 31, 2009, were severe, falling substantially below forecasts with net sales down 11.5% from the previous year to ¥190.1 billion, operating income down 54.7% to ¥4.5 billion, and net income down 44.7% to ¥3.3 billion. The greatest factor was that, in our mainstay Office Furniture business, demand declined at unprecedented speed after the Lehman shock in September last year. In conjunction with deteriorating corporate earnings, moves to curb capital investment and to reduce expenses have been spreading throughout the entire market.

In a phase of deteriorating earnings, there is widespread demand for office relocations and renewals to boost office efficiency and increase competitiveness, but such demand failed to compensate for the downturn in the entire market. In order to cope with the abrupt change in the environment, we implemented measures to improve productivity and reduce costs, but the effects of those measures could not offset the considerable decline in net sales. Thus, unfortunately, our results were far below our targets. This degree of change in the economic environment is beyond forecastable bounds, and we are taking the situation very seriously.

On the other hand, good news was the profit recovery in our Store Display business. In a way similar to our Office Furniture business, with the market scale of the distribution industry on a slightly contractionary trend under the impact of the economic recession and the slump in consumption, severe conditions have been continuing. Amid such circumstances, our operating income increased 3.6 times year on year. We achieved this by responding appropriately to the rising trend in demand resulting from factors such as an increase in discount stores and a shift of shops from large to small stores, as well as by successfully compensating for substantial increases in materials prices by cutting costs and passing cost increases onto sales prices.

**The results were below our targets, but there was also good news such as the profit recovery in our Store Display business.**



**Q2**

**Could you describe some specifics about the newly announced Midterm Management Plan and the outlook for the future business environment?**

In the new Midterm Management Plan that extends through the fiscal year ending March 31, 2011, we have set forth the objective of achieving net sales of ¥197.0 billion, operating income of ¥7.5 billion, and net income of ¥4.7 billion. Since we expect the economic recovery not to take place until fiscal year ending March 31, 2011 and the economic environment surrounding Okamura to remain severe, we have lowered our targets for the fiscal year ending March 31, 2010, and have established new targets for the fiscal year ending March 31, 2011.

With aggregate demand on a contractionary trend, Okamura will promote the following three efforts. The first is to expand sales by applying resources to areas in which demand is increasing even in an environment where the macro economy is deteriorating. The second is to strive to expand business fields in which we have been weak and cultivate the market by supplementing those fields through collaboration with outside parties and aggressive M&A. The third is to ensure a stronger financial standing and profits by lowering the break-even point ratio by strongly promoting cost reduction measures for manufacturing costs and for selling, general, and administrative expenses.

Now is a time when business efforts are being called into question, and by taking it as an opportunity to differentiate ourselves from our competitors, we will attempt to achieve our objective by fully utilizing our product development capabilities, production capacity, and proposal efforts, which are our strengths.

Furthermore, with regard to the plan to construct a new production facility at the Tsukuba plant (construction scheduled to begin in April 2009), which we announced in April 2008, we are now reviewing the plan in light of the recent market environment and have delayed the start of construction.

**We will take the current time as an opportunity to differentiate ourselves from our competitors by fully utilizing our product development capabilities, production capacity, and proposal efforts.**



**Q3**

Please explain your future strategy for your Office Furniture business.

We forecast that a considerable amount of time will be required for a recovery in demand, which has declined very rapidly and substantially since the second half of last year. However, even amid an undeniable contraction in aggregate demand, there has been an increase in needs for office relocations and renewals to boost office efficiency and increase competitiveness as a part of corporate improvement measures in a phase of deteriorating earnings. For example, these are needs to consolidate distributed offices and integrate offices in conjunction with company reorganizations. Okamura will steadily take in this demand by investigating customers' current problems and selecting solutions for them, and by more proactively carrying out "Office Improvement Consulting" in which we think together with the customers to develop new office concepts for converting those solutions into tangible forms.

In addition, although our customers are mainly major private-sector corporations, other areas in which we can make good use of our product development capabilities and technical capabilities are government and municipal offices, schools, and various auditoriums, or public facilities including hospitals and airports. Since we project relatively stable demand in these areas while the private-sector office market is on a contractionary trend, we will promote sales activities by strengthening our organizational structure through increases in the number of expert sales representatives.

**We will steadily take in demand by proactively carrying out "Office Improvement Consulting."**

**Q4**

Please explain your future strategy for your Store Display business?

With sluggish consumption and falling prices, the severe conditions in the business environment in the distribution industry are forecast to continue in the immediate future. In our Store Display business, until now, we have had both store shelvings and freezer and refrigerated showcases. With the advantage of being able to totally support store improvements, we have achieved steady development. However, over the past few years, due to the slump in consumer spending, there has been a tendency to hold back on investment in the distribution industry, so business growth has slowed to a temporary lull.

Under such circumstances, Okamura is promoting active collaboration with outside parties, and by supplementing areas in which we have been weak, we will strive to expand target business fields and achieve further growth of the business. Specifically, by utilizing SEC Co., Ltd., which became a subsidiary of ours in March 2009, and Visplay systems, which we started importing and selling exclusively in Japan in February 2009, we have embarked on the following two measures.

- 1) Increasing our low shares of business in the convenience stores and specialty store segments.
- 2) Enhancing our interior finishing/installation work and after-sales service (with a 24-hour service system).

Through these measures, we would like to further solidify our number-one industry position.

**Through active collaboration with outside parties, we will strive to expand target business fields and achieve further growth of the business.**

**Q5**

**You appear to be planning to intensify your overseas business expansion. Please explain the measures for that purpose.**

Recently, due to the impact of the worldwide recession, net sales from our overseas business have been flat. However, we are continuing to pursue our aggressive plan, which includes the establishment of overseas offices and new dealership contracts in emerging economies. In this way, we are steadily improving our global network. Last year, in Chicago in the United States, the world's largest market, we established the first independent showroom of any Japanese furniture manufacturer and exhibited at NeoCon, the world's largest office furniture trade show, and we received a lot of feedback on the spot. We also established new sales offices one after another in promising cities – London in July, and Dubai in December. Since the beginning of this year, we have set up new dealerships in emerging economies, such as Russia and Brazil, as well.

Currently, sales in overseas markets consist primarily of exports of high-grade seating, but we have gotten a strong sense that our product-related capabilities and competitiveness will also do very well in global markets. In the near future, we would like to promote not only exports of single items but also preparations for enabling sales of total office solutions.

In June of this year, we exhibited at NeoCon for the second consecutive year, and we announced *Leopard*, our next-generation seating, which incorporates the first robot technology in the world resulting from muscle mechanism research.



NeoCon 2009



Although we have only taken the first step to penetrate global markets, we will progress steadily as we strive to make the transition from “Okamura of Japan” to “Okamura of the world.”

**We will strive to make the leap from “Okamura of Japan” to “Okamura of the world.”**

**Q6**

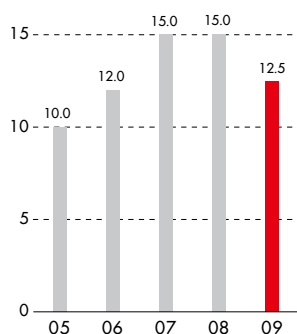
**Please tell us about Okamura’s shareholder returns.**

We are implementing management to ensure and boost profits for the company and shareholders in common, and we regard an appropriate return of profits to shareholders as an important management policy. With regard to our dividend policy, we are striving for appropriate performance-based profit sharing, and by comprehensively taking into account our financial standing and investment for long-term business development, we are also making an effort to maintain stable dividends.

For the fiscal year ended March 31, 2009, just to repeat, due to our booking a large fall in profits because of the abrupt deterioration in the business environment, we have reduced the dividend to ¥12.5 per share, a reduction of ¥2.5 per share from the previous fiscal year.

We believe that the company’s greatest mission is to steadily accomplish the Midterm Management Plan and continue growing in the future. Furthermore, by doing this, we would like to achieve appropriate profit sharing with shareholders.

**Dividends per Share**  
(Yen)



**Okamura will steadily accomplish the Midterm Management Plan and achieve appropriate profit sharing with shareholders.**



### SPECIAL FEATURE

# Striving for further business development by providing total support for store improvements

Growth Strategy for Okamura's Store Display Business



As with our mainstay Office Furniture business, the concept of our Store Display business is the “creation of comfortable spaces.” Over a period of many years, we have accumulated know-how for attractive store improvements and grown steadily by providing products and services to customers in a timely manner. As a result, we have solidified our industry-leading position. In this Special Feature, we introduce the strengths of our Store Display business and the measures we are taking for Okamura’s further development.

## SPECIAL FEATURE

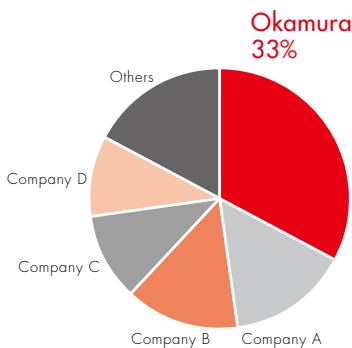


Providing store space based on VMD (Visual Merchandising)

# We will further solidify our industry-leading position.

Okamura is the only manufacturer in the world that handles both store shelvings and freezer and refrigerated showcases. We will strive for further business development by utilizing this competitive advantage to respond to all customer needs.

### Store Shelving Shares



### Continued, steady growth in our Store Display business

Since the business environment in Japan continues to be severe due to the slump in consumer spending, it is important to construct attractive store interiors in order to attract customers and increase sales.

From store planning and design to product provision and interior finishing/construction work, by making comprehensive proposals for store improvements, Okamura's Store Display business has received accolades from customers. By conducting product development and making shop proposals that appropriately assess changes in the environment surrounding the retail industry, we have steadily captured the business growth conditions of supermarkets, drugstores, 100-yen shops, discount stores, and others, thereby achieving steady growth.

### An efficient production system with clearly divided plant roles

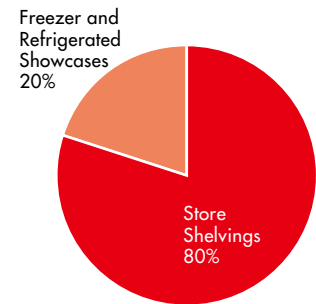
In recent years, individualization of shops in the distribution industry has advanced, and requests for custom-made products customized according to specifications that differ even from other shops in the same business category have been increasing. Even for custom-made products, customer needs cannot be satisfied without costs and production lead-times similar to those for standard products. With standard products being made in thoroughly automated, specialized plants, and with custom-made products being made in specialized plants based on a cell production approach utilizing multiskilled workers, Okamura has constructed a production system with clearly divided plant roles. As a result, our competitive advantages, namely, a minimum cost that compares favorably with Chinese products and a stable provision of products, cannot be copied by other companies.

### Aggressively expanding business into growth areas

In Japan, with the revision of the Pharmaceutical Affairs Law coming into force in June 2009, convenience stores, supermarkets and others are now entering the market for the sale of nonprescription drugs. Additionally, in line with changes in the social environment, there also are positive developments such as increases in the number of discount-type industry categories and shops, as well as increasing investment aimed at improving the energy efficiency of stores. Okamura will focus on product development targeting these areas in which expanding demand is projected, and we will increase efforts to make proposals that appropriately assess the needs of retail stores.

At the same time, leading domestic retailers are accelerating their openings of new stores in emerging economies where consumer spending is in a growth phase. Taking as our first target the Chinese market, where investment by leading Japanese retailers is brisk, we will increase the number of sales personnel and product procurement specialists and conduct a thorough investigation of future improvements of our product provision system.

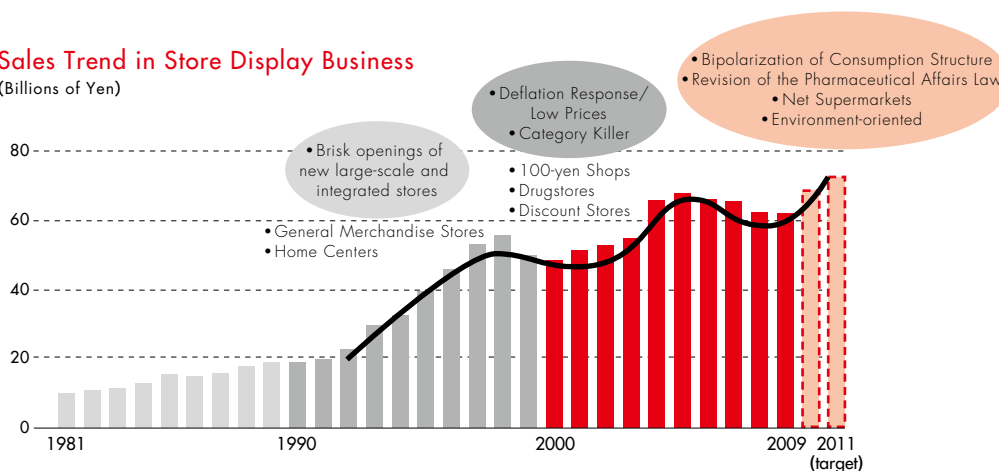
### Sales Composition Ratios for Fiscal Year ended March 31, 2009



Pharmaceutical display fixtures complying with the revised Pharmaceutical Affairs Law

### Sales Trend in Store Display Business

(Billions of Yen)



**SPECIAL FEATURE**



A sophisticated, European-style shop layout that improves the image of merchandise by using Visplay systems

## By advancing our collaboration with outside parties, we will strive for further business development.

Okamura will aim to improve profitability by actively collaborating with outside parties in order to supplement areas where we have been weak, and by further cultivating business fields and expanding our business scale.

### Visplay Global Network

(as of March 2009)



- Visplay Offices..... 9
- Visplay Partners + Okamura .... 15

### Developing new business in luxury markets: concluding an exclusive Japan sales agreement with Visplay International AG

With the goal of expanding business with specialty stores and brand shops, in July 2008, Okamura concluded an exclusive Japan sales agreement with Visplay International AG, a major European manufacturer of store fixtures and equipment, whose head office is in Switzerland. We started sales in February 2009.

Sharp, innovative designs unavailable in Japan are the distinguishing feature of Visplay's fixtures. The designs are used extensively in the form of shop equipment and fixtures for world-famous department stores, specialty stores, and especially luxury brand shops.

Under the concept of "Invisible Design," in which fixtures do not come to the surface, a defining characteristic of Visplay's systems is their enhancing the appearance of merchandise. Shop designers regard them very highly for their



beauty and good-quality of their finish, their systematic usability, and for their ease of handling in remodeling.

By combining Okamura's products and Visplay's systems, we will strive to enter the market for fashionable stores including high-quality specialty stores, department stores, or automobile showrooms – a market in which we have been weak until now.

■ Profile of Visplay International AG

As a core company in the Vitrasnop Group, Visplay leads the group's Store Display business. Starting with European countries, Visplay has expanded its sales offices throughout the world in locations including the United States, India, and the Middle East.

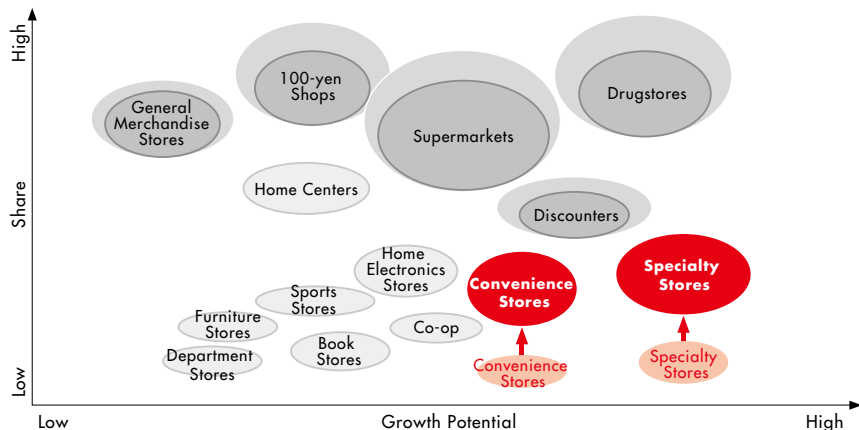
Strengthening our construction, maintenance and repairs structure: Making SEC Co., Ltd., into a subsidiary

We acquired SEC Co., Ltd., as a subsidiary in March 2009 in order to strengthen our engineering capabilities by enhancing our after-sales service and our interior finishing/installation work.

SEC's mainstay business, comprehensive engineering, covers a wide array of areas such as store planning and development, interior facilities design, construction, and 24-hour maintenance. Particularly in the convenience store category, they are strong in areas ranging from store development to 24-hour maintenance service for freezer and refrigerated showcases.

In the future, we will utilize our abundant experience and know-how to make proposals to convenience stores, SEC's main customers, for comprehensive store improvements. At the same time, we will also make proposals to our existing major customers for after-sales service and interior finishing/installation work, which are SEC's specialties. Through these efforts, we will strive to further expand our Store Display business.

Targets for Our Store Display Business



Note: Bubble size indicates the size of Okamura's sales.



BEAM SERIES  
Special-purpose attachments are inserted into vertical rails.



MONO SERIES  
Merchandise display attachments are supported by single points.



Utilizing SEC's strengths in 24-hour maintenance of shop fixtures

## Topics

### ■ Developing our global network

In order to ensure our growth in the medium and long terms, Okamura is continuing to construct global network.

In June 2008, in North America, the world's largest market, we established the first independent showroom of any Japanese furniture manufacturer in the Merchandise Mart building in Chicago. Then, in June 2009, also in the Merchandise Mart, we exhibited at NeoCon, the world's largest office furniture trade show, for the second consecutive year. Furthermore, in July 2008, we established a new sales office in London, the largest market in Europe. Then, in December, we established a new sales office in Dubai, a major Middle Eastern urban area.

Okamura's sales in overseas markets extend over a wide area covering more than 50 countries worldwide in North America, Europe, Asia, the Middle East, and other regions. In the future, we will aim for further growth of our overseas business by strengthening our marketing in promising markets and improving our brand recognition.



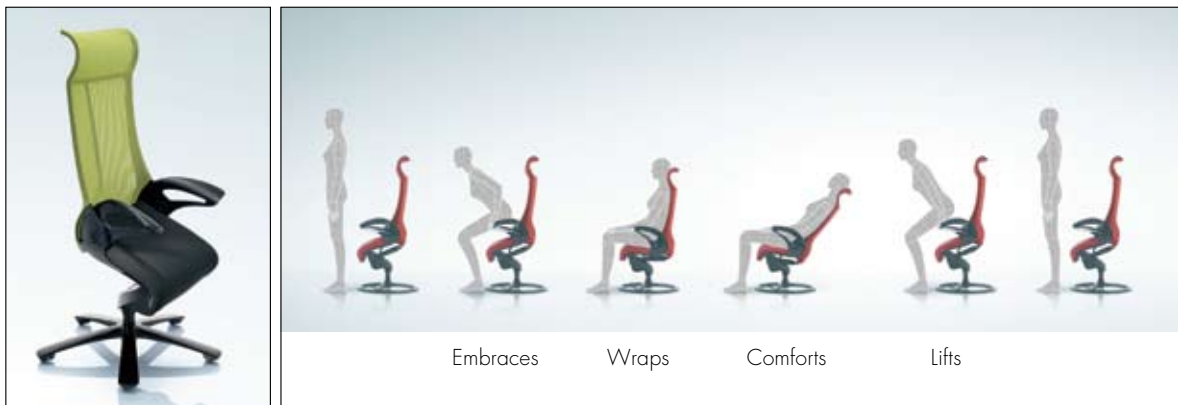
NeoCon 2009

#### Overseas Sales Offices

(as of March 2009)



### ■ *Leopard*, our new-concept seating for the next generation



In June 2009, we started selling *Leopard*, a new-concept seating for the next generation, which is the first seating in the world to incorporate the "Robot Leg\*" technology developed by Oki Electric Industry Co., Ltd. The distinguishing feature of *Leopard* is that the seat of the chair slopes forward, and when a person sits down, the seat and the backrest sink so that the chair fits the person's sitting posture in conformance with the person's movement. Thus, people can experience all-encompassing sitting comfort and high responsiveness.

*Leopard* was announced in June 2009 in Chicago at NeoCon and was highly regarded by office furniture buyers from all over the world.

\* Robot Leg is a legged robot resulting from research into bone structure and muscle mechanisms.

## ■ Making Fuji Seiko Honsha Co., Ltd. and SEC Co., Ltd. into subsidiaries

- In March 2008, Okamura made Fuji Seiko Honsha Co., Ltd. into a consolidated subsidiary by acquiring a majority of its outstanding shares. Fuji Seiko Honsha has established a firm position in the business of producing safe deposit vaults and various types of equipment for financial institutions. By converting Fuji Seiko Honsha into a subsidiary and enhancing collaboration, Okamura will promote faster product development and rationalization through cooperation in production and sales.
- In addition, in March 2009, Okamura acquired a majority of the outstanding shares of SEC Co., Ltd., thereby making the company into a consolidated subsidiary. As the division of labor advances in the individual areas of store development, construction, and after-sales service, SEC is one of the few companies with experience in comprehensive engineering ranging from store development to 24-hour maintenance. By combining SEC's nationwide construction, maintenance, and repair structure with our sales and product provision capabilities, we will strive to further expand our Store Display business.

### Profile of Fuji Seiko Honsha Co., Ltd.

<b>Establishment:</b>	July 1952
<b>Number of employees:</b>	184
<b>Business description:</b>	Development and manufacturing of various types of financial institution equipment, such as vaults and safe doors, and office security systems.
<b>Sales:</b>	¥3,750 million (Fiscal year ended December 2008)

### Profile of SEC Co., Ltd.

<b>Establishment:</b>	October 1967
<b>Number of employees:</b>	330
<b>Business description:</b>	Construction, interior facilities design, and 24-hour maintenance of commercial facilities, food processing plants, distribution centers, and others.
<b>Sales:</b>	¥9,720 million (Fiscal year ended September 2008)

## ■ Completion of additional production facility at the Oppama plant

In order to build up production capabilities and enhance cost competitiveness for a future increase in sales of high-quality office seating such as *Contessa* and *Baron*, Okamura undertook the construction of a new production facility at the Oppama plant, and the work was completed in April 2009. As a result, Okamura not only boosted productive capacity by 150% but also improved productivity by simultaneously revising the production system within the existing facilities in order to conduct unified operations of the new production facility as part of the Oppama plant.

### Profile of the new production facility at the Oppama plant

(as of April 2009)

• <b>Site area:</b>	approx. 2,370m <sup>2</sup>
• <b>Total floor area:</b>	approx. 7,590m <sup>2</sup>
• <b>Business description:</b>	Manufacturing of office seating
• <b>Total investment:</b>	approx. ¥2.4 billion



The Oppama plant's new production facility for manufacturing office seating

## Research and Development

### Overseas Design Awards

2004

Industrial Design  
Excellence Award,  
Gold Prize

*Contessa*, ergonomic mesh chair



2006

iF Product Design Award  
*Baron*, ergonomic mesh chair

Red Dot Design Award  
*Baron*, ergonomic mesh chair

*Cruise & Atlas*,  
intelligent creation  
workstation



2007

iF Product Design Award  
*Interact NT*, side folding table

Ergonomics Excellence Award  
*Contessa*, ergonomic mesh chair  
*Baron*, ergonomic mesh chair



### Basic Concept

Okamura pays special attention to craftsmanship and strives to achieve high-quality designs in order to provide a real sense of richness and pass on better environments to the next generation.

We regard high-quality designs as “pursuing optimal forms of products,” “responding appropriately to desired needs,” and “creating new value.” In order to achieve such designs, we believe that product development must be implemented from the three perspectives of “quality design,” “eco-design,” and “universal design.”

**Quality Design:** By improving features such as ergonomic design and functionality, we develop products that contribute to improving customers’ safety, productivity, and creativity.

**Eco-design:** In order to promote the 3Rs of “reduce, reuse, and recycle,” for all products, we conduct an assessment in the planning, the design, and the drawing stages, thereby promoting development of products with smaller environmental loads.

**Universal Design:** With user diversity in mind, we strive to provide products that have basic performance which makes them comfortable for as many people as possible, and that, by means of options and customization, are comfortable to use by all people.

### Research and Development System

At Okamura, the marketing and design divisions take the lead in planning and developing new products. Making the most of the fact that Okamura makes and sells its own products, these divisions work in close cooperation with the technical sections of our production plants, and develop products incorporating new technologies and materials. They also work with manufacturers to jointly develop new materials and incorporate the results of joint research with universities in new designs and functions. In these and other ways, they actively collaborate with outside parties in seeking to develop more creative products.

We greatly reduce development lead time for new products by concurrently pursuing work necessary for design, drawing, proto-typing, preparation for production, and mass production, and putting IT to effective use. This allows us to develop and rapidly bring to market numerous new products every year. On the cost front, our development expertise and adoption of cost reduction suggestions gathered through OPS activities allow us to introduce new products at fair prices, and build competitive advantage.

Okamura, however, also devotes significant time and resources to trying to understand how changes in social and economic conditions will shape future office environments. Since establishing an Office Research Center in 1978, we have been supporting total office construction with basic research in various areas and the development of new office systems, based on the concept of “creating environments that take good care of people.”

### Overseas Design Awards

In 2006, Okamura became the first Japanese office furniture manufacturer to receive the Red Dot Design Award. We have also received numerous other overseas prestigious design awards for our high-grade products.

# Intellectual Property

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## Basic Concept

At Okamura, close ties among technology, design, and intellectual property play important roles in our product and marketing strategies. We, therefore, believe that building such close ties increases the competitiveness of our products.

### Our three purposes for acquiring patents and design rights are:

(1) Expand design development freedom

By securing rights to the extent possible, we help to ensure development freedom unencumbered by rights held by other companies.

(2) Secure product originality

Securing rights helps to maintain product originality over the long term, and build our brand image.

(3) Increase the morale of engineers and designers

We reward designers who obtain patents or design rights to promote highly original design development.

## System for Acquiring and Applying Intellectual Property

At Okamura, we promote communication among intellectual property staff and designers by locating our intellectual property office and design department in the same design division. This allows our intellectual property staff to constantly observe design development from the very beginning of the process and assess application timing and content.

## Track Record

Okamura is very diligent about registering designs. We have registered the fifth number of designs in Japan. We also actively work with companies in other industries to fight the proliferation of counterfeit goods. Our efforts in this respect were recognized by the Japan Patent Office, which presented Okamura with the Minister of Economy, Trade and Industry Award (Excellence in Design Application), in April 2008. This award is presented to acknowledge efforts on behalf of intellectual property.

### Japan Design Registration Ranking (2007)

1	Matsushita Electric Industrial Co., Ltd.	883
2	Sharp Corporation	456
3	Matsushita Electric Works, Ltd.	438
4	Sanyo Electric Co., Ltd.	354
5	<b>Okamura Corporation*</b>	<b>330</b>
6	Mitsubishi Electric Corporation	324
7	Toshiba Corporation	210
8	Sankyo Co., Ltd.	209
9	Shin Nikkei Co., Ltd.	203
10	Rinnai Corporation	194
11	Sekisui Jushi Corporation	189
12	Mirai Industry Co., Ltd.	182
13	Kokuyo Co., Ltd.*	179
14	Honda Motor Co., Ltd.	175
15	Sony Corporation	172
16	Itoki Corporation*	170
17	Toshiba Lighting & Technology Corporation	143
18	Dai Nippon Printing Co., Ltd.	142
19	Inax Corporation	141
20	Toyo Seikan Kaisha, Ltd.	139

Source: Patent Administration Yearbook 2008

\*Office furniture manufacturer

## Corporate Governance

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### ■ Basic Policy

In the course of its business activities, which cover office furniture, store displays and material handling systems, Okamura has built up relationships of trust with its stakeholders, including shareholders, customers, clients and local communities. Okamura is making every effort to ensure management transparency and enhance accountability to thereby strengthen these relationships. Simultaneously, the Company is conducting thorough risk management and compliance, and establishing corporate ethics guidelines in pursuit of improved management efficiency.

To gain and maintain stakeholder trust and support, it is essential for the Okamura Group to have in place a highly transparent and efficient management structure. Therefore, the Okamura Group regards the strengthening of corporate governance as one of its top priorities and makes every effort to achieve this goal.

The Company appointed outside directors to reinforce oversight of the Board of Directors, which fulfills senior management decision-making functions. The Company also appointed outside auditors to conduct strict audits of directors in the execution of their tasks. In addition, the Company established the Compliance Committee to ensure the Group's legal compliance, and that standards of fairness and ethics are upheld in its business activities.

### ■ Internal Control System

To maintain the trust of its stakeholders, it was essential for the Okamura Group to establish internal controls and to develop a system to ensure appropriate compliance and risk management.

To this end, Okamura formulated and is currently promoting its basic policy with regard to its Group-wide internal control system.

Initiatives are underway to increase the effectiveness and efficiency of business and preserve assets through the establishment of the business process control department, which is responsible for internal control evaluation, and the maintenance and advancement of internal controls to ensure the reliability of financial statements.

#### **Basis of Okamura's Internal Control System**

Okamura's internal control system consists of frameworks to:

- (1) Store and control information regarding the execution of director job functions
- (2) Formulate regulations pertaining to risk management
- (3) Ensure the efficient execution of director job functions
- (4) Ensure directors and employees are in compliance with applicable laws and regulations as well as the Company's Articles of Incorporation in the execution of their respective duties
- (5) Ensure business operations are conducted in a way befitting a business group comprised of companies, a parent company and subsidiaries
- (6) Appoint auditor-approved employees to assist auditors' duties

- (7) Stipulate items relating to the impartiality of employees mentioned in the preceding clause
- (8) Compile reports from directors and employees to auditors
- (9) Ensure efficient implementation of audits

■ **Compliance**

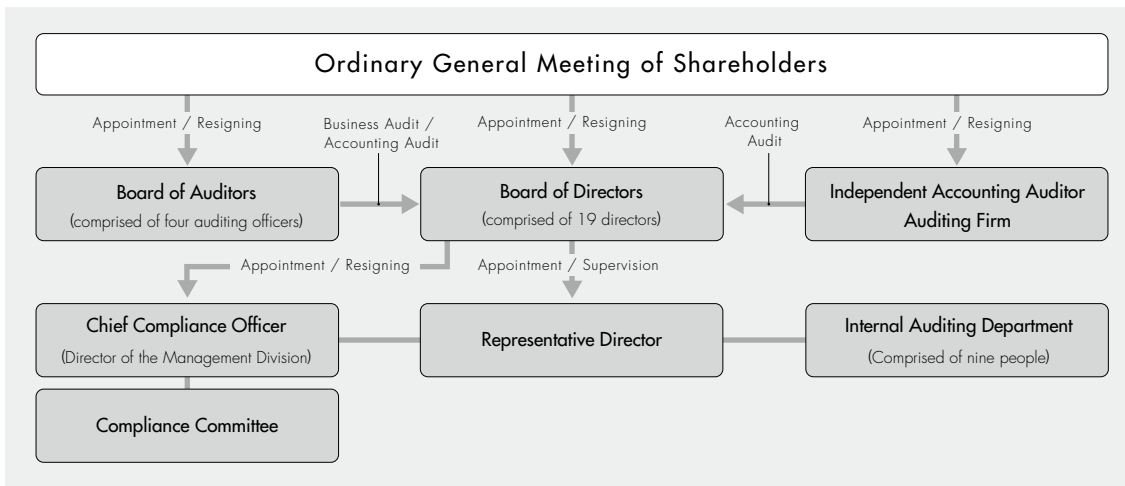
Okamura appointed a Director of the Management Division as Chief Compliance Officer (CCO) to help ensure legal compliance, fairness, and ethics in its business activities, and established the Compliance Committee, composed of division heads, under the CCO to discuss and determine policies and solutions for compliance-related matters. A Help Line System has also been established to address legal violations and other contraventions of Okamura’s Action Charter and Codes of Conduct, should they occur.

To help ensure thorough compliance, the Company has distributed copies of the Action Charter and Codes of Conduct, and Ethics Cards, to all executives and employees to promote thorough understanding of related points. It also works to promote solid corporate ethics through compliance training.

To measure the effectiveness of these efforts, Okamura conducts regular compliance awareness surveys. Results are used to determine what must be done to ensure thorough compliance, and applied to good effect in improvement activities.

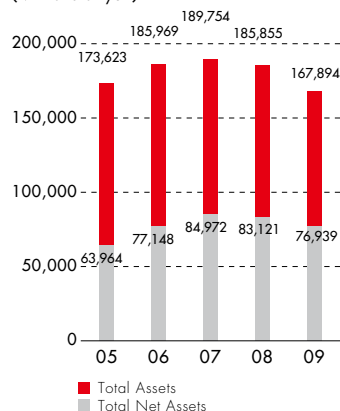
## Okamura will strengthen its corporate governance to maintain the trust of its stakeholders.

### Corporate Governance Structure

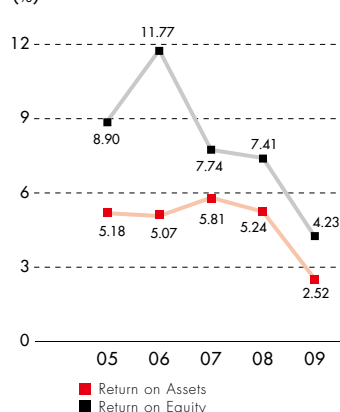


## Management's Discussion and Analysis

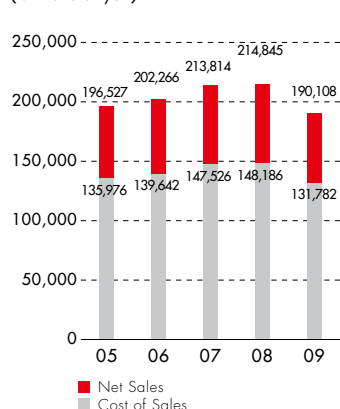
### Total Assets / Total Net Assets (Millions of yen)



### Return on Assets / Return on Equity (%)



### Net Sales / Cost of Sales (Millions of yen)



### 1 Scope of Corporate Group

The Okamura Group consists of Okamura Corporation, 14 consolidated subsidiaries and four affiliates accounted for by the equity holding method for a total of 19 member firms. The Okamura Group is engaged in manufacturing, sales, distribution and installation in three business segments: Office Furniture, Store Displays, and Material Handling Systems and Others.

### 2 Net Sales and Operating Income

In the fiscal year ended March 31, 2009, consolidated net sales decreased 11.5% compared with the previous fiscal year, to ¥190,108 million. In line with the sales decline, the cost of sales decreased to ¥131,782 million, a fall of ¥16,404 million. At 69.3% the cost of sales ratio increased 0.3 percentage points from the previous fiscal year.

Selling, general and administrative (SG&A) expenses fell to ¥53,871 million, a decrease of ¥2,955 million year on year. Accordingly, the ratio of SG&A expenses to net sales edged up 1.9 percentage points to 28.3%. Accounting for the aforementioned factors, operating income decreased 54.7% from ¥9,833 million in the previous fiscal year, to ¥4,455 million.

### 3 Other Income (Expenses)

For the fiscal year under review, net other income increased by ¥18 million, to ¥1,014 million. Key factors behind this increase included ¥457 million in refund on cancellation of insurance and ¥639 million for reversal of reserve for bonuses due to change of wage system. As a result, income before income taxes for the fiscal year came to ¥5,469 million, 49.5% less than the ¥10,829 million recorded for the previous fiscal year.

### 4 Current and Deferred Income Taxes

Income taxes for the fiscal year under review totaled ¥2,267 million, down ¥2,565 million year on year. The income tax rate for the period after the application of tax-effect accounting was 41.4%.

### 5 Net Income

Net income in the fiscal year ended March 31, 2009 declined 44.7% compared with the previous fiscal year to ¥3,293 million. Net income per share also fell 44.5% to ¥29.87. Return on equity (ROE) was 4.2%.

### 6 Assets, Liabilities and Total Net Assets

Total assets as of March 31, 2009 stood at ¥167,894 million, a decrease of ¥17,961 million compared with the previous fiscal year-end. Current



assets were ¥85,785 million, representing a year-on-year fall of ¥12,555 million. Fixed assets totaled ¥82,109 million, a decrease of ¥5,406 million. The decline in current assets was mainly the result of declines in cash, inventories, and trade notes and accounts receivable. Fixed assets declined because of a ¥6,401 million decrease in investment securities.

Total liabilities as of March 31, 2009 stood at ¥90,955 million, a drop of ¥11,779 million compared with the previous fiscal year-end. Current liabilities declined to ¥59,371 million, a decrease of ¥9,570 million. Long-term liabilities fell to ¥31,584 million, a drop of ¥2,209 million. The major causes of the decline in total liabilities included a ¥9,311 million decrease in trade notes and accounts payable, and a ¥1,578 million decrease in income taxes payable.

As of March 31, 2009, total net assets had declined by ¥6,182 million, to ¥76,939 million. The main cause of this decline was a ¥4,204 million decrease in the net unrealized holding gains on securities, which more than offset the ¥1,637 million increase in retained earnings.

Accounting for the aforementioned factors, the equity ratio increased 2.8 percentage points, from 42.7% to 45.5%. Total net assets per share declined from ¥719.32 to ¥692.34.

## 7 Cash Flows

Net cash provided by operating activities came to ¥8,013 million. Positive factors included income before income taxes of ¥5,469 million, a depreciation and amortization of ¥6,107 million, and a decrease of ¥11,057 million in trade notes and accounts receivable. Primary cash outflows included a decrease of ¥10,005 million in trade notes and accounts payable, a decrease of ¥1,410 million in the allowance for bonuses payable, and income taxes paid of ¥3,511 million.

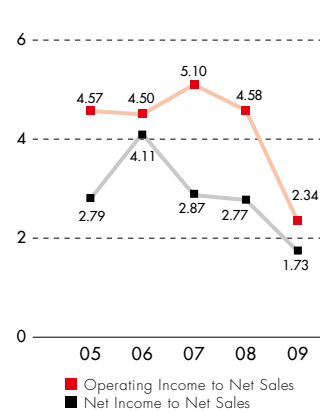
Net cash used in investing activities came to ¥10,195 million, mainly due to the acquisition of ¥6,420 million in tangible and intangible fixed assets, and to an expenditure of ¥2,089 million as the payments for acquisition of equity of consolidated subsidiaries.

Net cash provided by financing activities came to ¥1,196 million. The principal factors contributing to this result were ¥2,901 million in proceeds from long-term bank loans, and cash dividends of ¥1,656 million.

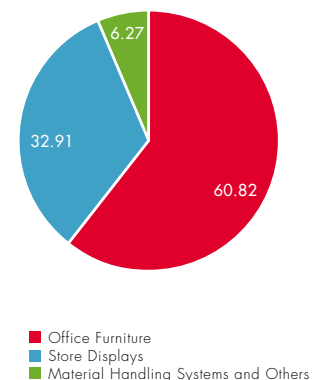
As a result, cash and cash equivalents at the end of the fiscal year under review amounted to ¥18,425 million, a decrease of ¥1,071 million compared with the end of the previous fiscal year.

Interest-bearing debt at the year end had increased ¥2,912 million to ¥32,192 million compared with the previous fiscal year-end.

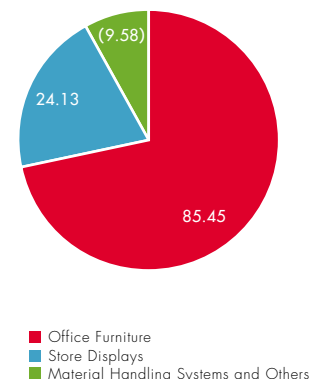
## Operating Income to Net Sales / Net Income to Net Sales (%)



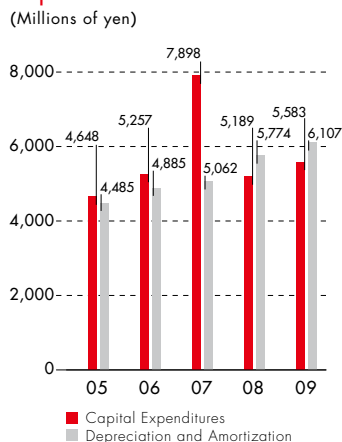
## Breakdown of Net Sales by Business Segment (%)



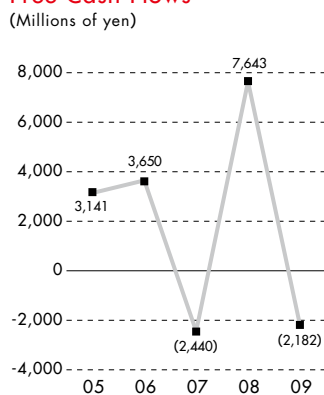
## Breakdown of Operating Income by Business Segment (%)



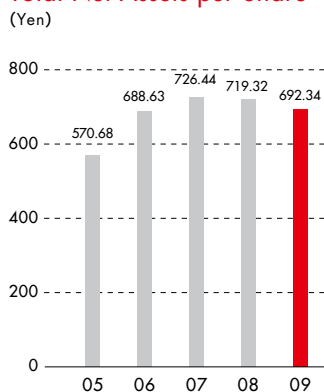
## Capital Expenditures / Depreciation and Amortization



## Free Cash Flows



## Total Net Assets per Share



## 8 Business and Other Risks

This section explains the risks that may affect the Group's operating results, stock price, financial condition, and so on. The Company will strive to make minimize and avoid, wherever possible, the occurrence of such risks. The risks listed below do not constitute an exhaustive list of all potential risks facing the Company's operations. Furthermore, discussions concerning forward-looking statements reflect the observations of the Company as of June 26, 2009.

### (1) Factors Affecting Changes in Financial Condition and Operating Results

#### 1. Competitive Conditions, Pricing Trends

The industry in which the Group participates is highly competitive, and accordingly, significant emphasis is placed on further enhancing the Company's technological prowess as the means to differentiate its products from competitors. Despite these efforts, the Company may lose its share of the market to a competitor, in the event that competitor emulates the Company's design and technology, undercuts the Company's product prices, or develops designs and technologies that surpass the Company. In addition there is no assurance that the Group can consistently secure a substantial profit margin for its products given constant market pressure to reduce prices.

#### 2. Macroeconomic Circumstances

Japan accounts for more than 90% of all sales generated by the Group. Accordingly, demand for its products may be greatly affected by the capital-investment behavior of local customers. If a downturn in the local economy depresses corporate earnings, which in turn restrains business equipment investment, the resultant shrinkage in demand for the Group's products may adversely affect operating results or financial condition.

#### 3. Funding Risks, Consequences of Interest Rate Fluctuations

The Group is in the business of manufacturing products, which calls for investing regularly in constructing and renewing/replacing facilities necessary to prepare for the future. At present, the Company enjoys good relationships with its banks and has no trouble raising funds as needed. There is, however, no assurance that the Company can continue to meet its funding needs readily over the years to come. Most of the Company's outstanding long-term debt and bonds issued and owed are provided on a fixed interest rate basis, and exhibit low exposure to the

risks of fluctuating interest rates generally. Yet, as far as its future funding is concerned, movements of general interest rates may affect the Company's operating results.

#### 4. Consequences of Investing in Securities

The Group owns shares of stock in the financial institutions it deals with, its subsidiaries and affiliates, and its primary trading relationships, which the Company intends to hold for the long term. Changes in the prices of individual stocks held by the Company may affect its operating results.

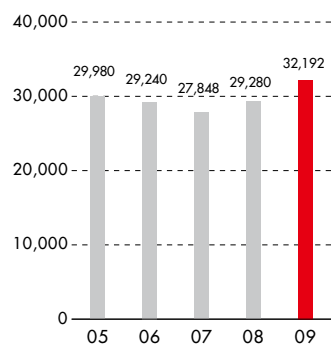
### (2) Quality Control, Statutory Regulations, Product Quality Maintenance

The Group manufactures a variety of products in accordance with globally recognized quality standard (ISO 9001). This provides no assurance, however, of the prevention of serious contingencies or complaints in connection with any of the Company's products over the years ahead. The Company is insured against product liability claims, yet there is no assuring that this insurance will completely cover all eventual damages. A serious product defect may affect the reputation enjoyed by the Group, and adversely affect its operating results or financial condition.

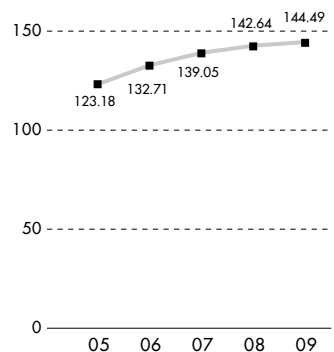
### (3) Occurrence of Significant Litigation

At present, the Group is not in any way the subject of a claim or lawsuit seeking damages that could have a material impact on the Company's operating results in the future. Regarding the future, however, in the normal course of the Group's business activities, it is possible that a lawsuit or other claim may be initiated against the Group on charges of supplying a defective product, producing a hazardous substance, breaching an intellectual property right, or on a range of other grounds. Depending upon the details, such an occurrence may adversely affect the Group's operating results.

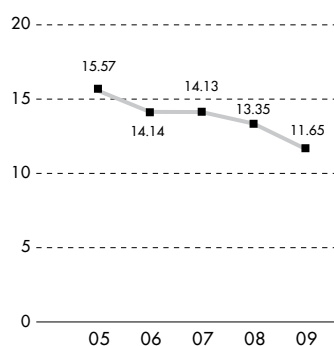
### Interest-bearing Debt (Millions of yen)



### Current Ratio (%)



### Inventory Turnover (Times)



## Financial Summary

Years ended March 31	Millions of yen, except per share figures						Thousand of U.S. dollars, except per share figures
	2004	2005	2006	2007	2008	2009	2009
<b>SALES AND INCOME:</b>							
Net sales	¥183,044	¥196,527	¥202,266	¥213,814	¥214,845	¥190,108	\$1,935,336
Cost of sales	127,024	135,976	139,642	147,526	148,186	131,782	1,341,566
SG&A expenses	49,308	51,570	53,512	55,375	56,826	53,871	548,417
Operating income	6,712	8,981	9,112	10,913	9,833	4,455	45,353
Income (Loss) before income taxes	7,422	9,348	14,463	11,163	10,829	5,469	55,675
Net income (loss)	3,972	5,486	8,308	6,132	5,951	3,293	33,523
<b>CAPITAL EXPENDITURES, DEPRECIATION AND AMORTIZATION:</b>							
Capital expenditures	4,531	4,648	5,257	7,898	5,189	5,583	56,836
Depreciation and amortization	4,487	4,485	4,885	5,062	5,774	6,107	62,171
<b>PROFITABILITY:</b>							
Operating income to net sales (%) (Operating income/Net sales)	3.67	4.57	4.50	5.10	4.58	2.34	—
Net income (loss) to net sales (%) (Net income (loss)/Net sales)	2.17	2.79	4.11	2.87	2.77	1.73	—
Cost of sales to net sales (%) (Cost of sales/Net sales)	69.40	69.19	69.04	69.00	68.97	69.32	—
Return on equity [ROE] (%) (Net income (loss)/ Average shareholders' equity)	7.15	8.90	11.77	7.74	7.41	4.23	—
Return on assets [ROA] (%) (Operating income/Average total assets)	4.06	5.18	5.07	5.81	5.24	2.52	—
<b>ASSETS, LIABILITIES AND NET ASSETS:</b>							
Total assets	¥172,825	¥173,623	¥185,969	¥189,754	¥185,855	¥167,894	\$1,709,193
Total net assets	59,264	63,964	77,148	84,972	83,121	76,939	783,254
Interest-bearing debt	35,180	29,980	29,240	27,848	29,280	32,192	327,721
Equity ratio (%) (Shareholders' equity/Total liabilities and net assets)	34.29	36.84	41.48	42.87	42.69	45.47	—
Total net assets per share (Total net assets/Total number of shares issued)(yen)	528.46	570.68	688.63	726.44	719.32	692.34	—
Current assets	95,751	96,407	98,559	99,551	98,340	85,785	873,308
Current liabilities	80,561	78,267	74,267	71,595	68,941	59,371	604,408
Current ratio (%) (Current assets/Current liabilities)	118.86	123.18	132.71	139.05	142.64	144.49	—
<b>EFFICIENCY:</b>							
Inventory turnover (times) (Net sales/Average inventories)	15.74	15.57	14.14	14.13	13.35	11.65	—
Asset turnover (times) (Net sales/Average total assets)	1.11	1.13	1.12	1.14	1.14	1.07	—
Number of employees	3,471	3,594	3,700	3,769	4,019	4,375	—

## Subsidiaries and Affiliates

As of March 31, 2009

### Consolidated Subsidiaries

Corporate name	Paid-in capital (Millions of yen except where noted)	Principal business activities	Voting rights held by Okamura Corporation (%)
Kansai Okamura Manufacturing Co., Ltd.	100	Production of work stations and storage cabinets	100.0
Okamura Logistics Corporation	90	Transportation, storage, loading and unloading, assembly during distribution processing, construction, interior finishing and others	100.0
NS Okamura Corporation	1,000	Production of work stations and material handling system products	55.5
SANYO Okamura Corporation	490	Production of work stations	80.1
Okamura Estate Corporation	150	Management of Okamura Group's real estate	100.0
Okamura International (Singapore) Pte Ltd	SGD 1 million	Sales to Singapore and Southeast Asian countries	100.0
Okamura Business Support Corporation	10	General insurance agency and Okamura Group employee benefit support service provider	100.0
FM Solution Corporation	40	General facility management consulting and related business	100.0
Okamura Support and Service Corporation	90	Installation, maintenance and after-sales service for all Okamura products	100.0
Hill International Inc.	10	Import and sales of luxury furniture and products for interior decorations	65.0
Seeder Co., Ltd.	41	Production and sales of conveyor systems and related products	100.0
Shanghai Okamura Furniture and Logistic System Co., Ltd.	CNY 51 million	Sales of office furniture, material handling system products, store display equipment and others in China	100.0
Fuji Seiko Honsha Co., Ltd.	36	Production and sales of automatic safe deposit vaults and office security systems	100.0
SEC Co., Ltd.	300	Construction, maintenance and repairs for the Store Display business	100.0

### Affiliates

Siam Okamura Steel Co., Ltd.

Siam Okamura International Co., Ltd.

Asahi Sofu Corporation

Seiwa Business Corporation

## Corporate Data

As of March 31, 2009

### Head Office

Tenri Bldg., 1-4-1, Kitasaiwai, Nishi-ku,  
Yokohama 220-0004, Japan  
Telephone: +81-45-319-3401  
Facsimile: +81-45-319-3515  
<http://www.okamura.co.jp/>

### Foundation

1945

### Japanese Security Code No.

7994

### Paid-in Capital

¥18,670 million

### Number of Employees

Consolidated: 4,375

## Stock Information

As of March 31, 2009

### Stock Exchange Listings

Tokyo, Osaka

### Number of Shares of Common Stock

Authorized: 400,000,000

Issued: 112,391,530

### Number of Shareholders

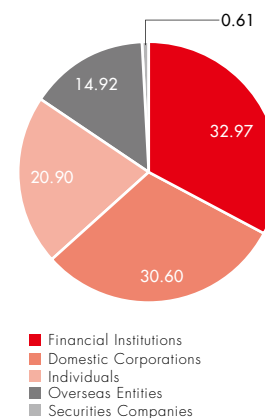
5,405

### Distribution of Stock by Shareholder Type

(%)

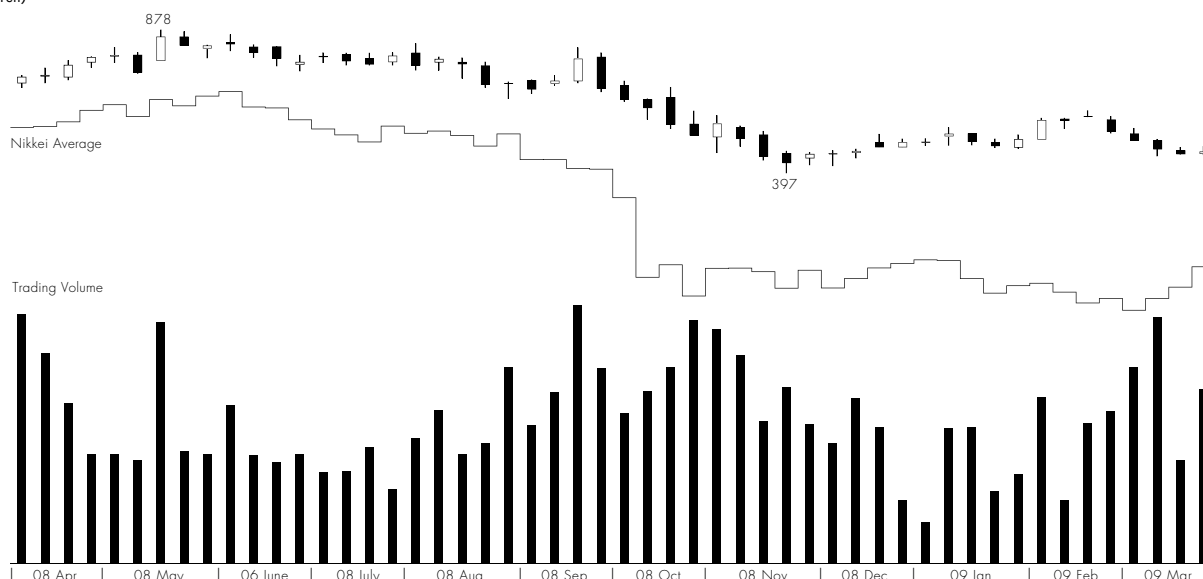
### Major Shareholders

	(Thousands of shares)	(%)
Mitsubishi Corporation	9,163	8.30
Japan Trustee Services Bank, Ltd. (Trust Account)	6,863	6.22
Mitsui Sumitomo Insurance Co., Ltd.	5,895	5.34
Northern Trust Company (AVFC) Sub-account American Client	5,735	5.20
Meiji Yasuda Life Insurance Company	5,541	5.02
Okamura Group Employees Stock Ownership Plan	5,507	4.99
Nippon Steel Corporation	5,313	4.81
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,805	4.35
The Bank of Yokohama, Ltd.	4,076	3.69
Morgan Stanley and Company International PLC	3,849	3.49



### Stock Price

(Yen)



**okamura**

OKAMURA CORPORATION

Tenri Bldg., 1-4-1, Kitasaiwai, Nishi-ku, Yokohama 220-0004, Japan

Telephone: +81-45-319-3401 Facsimile: +81-45-319-3515

<http://www.okamura.jp/>