OKAMURA ANNUAL REPORT 2007

okamura

Quality pays for itself

Consolidated Financial Highlights 1

Performance Results by Segment 2

To Our Shareholders 4

An Interview with the President 5

Midterm Management Plan 10

Corporate Governance 14

New Products 16

Financial Section 18

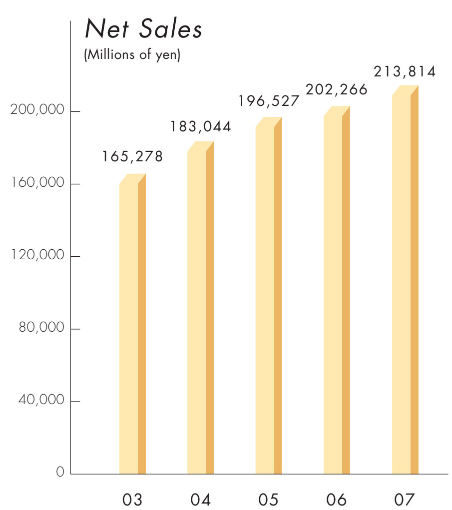
Subsidiaries and Affiliates 44

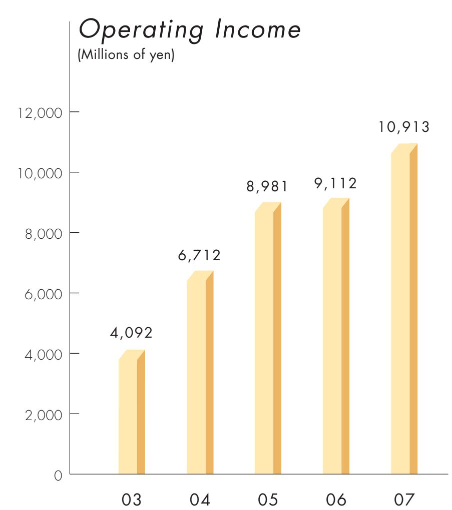
Corporate Data / Stock Information 45

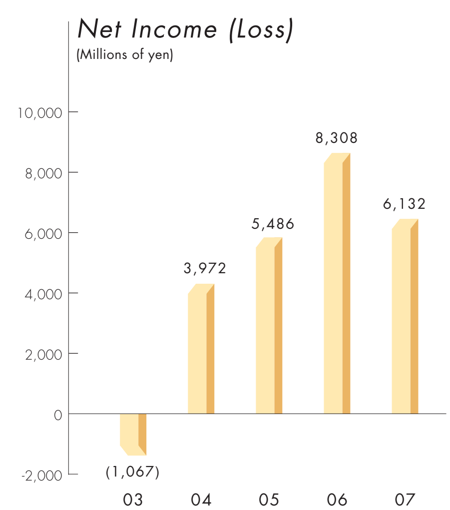
Consolidated Financial Highlights

Years Ended March 31, 2005, 2006 and 2007	2005	2006	**2007**	**2007**
	Millions of yen, except per share figures			Thousands of U.S. dollars, except per share figures
Summary of Operations:				
Net sales	¥ 196,527	¥ 202,266	**¥ 213,814**	**$ 1,811,216**
Operating income	8,981	9,112	**10,913**	**92,444**
Net income	5,486	8,308	**6,132**	**51,944**
Net income per share	¥ 48.93	¥ 74.14	**¥ 54.75**	**$ 0.46**
Year-End Financial Position:				
Total assets	¥ 173,623	¥ 185,969	**¥ 189,754**	**$ 1,607,404**
Total net assets	63,964	77,148	**84,972**	**719,797**
Equity ratio	36.84%	41.48%	**42.87%**	—
Interest-bearing debt	29,980	29,240	**27,848**	**235,898**
General:				
Capital expenditures	¥ 4,648	¥ 5,257	**¥ 7,898**	**$ 66,900**
Depreciation and amortization	4,485	4,885	**5,062**	**42,879**
Dividends per share	¥ 10.00	¥ 12.00	**¥ 15.00**	**$ 0.13**
Common Stock Prices:				
High	¥ 984	¥ 1,270	**¥ 1,497**	**$ 12.68**
Low	671	699	**1,013**	**8.58**

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.05=US$1.



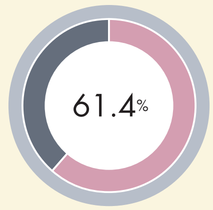


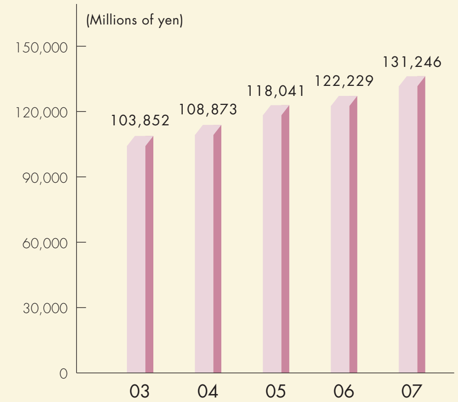


Performance Results by Segment

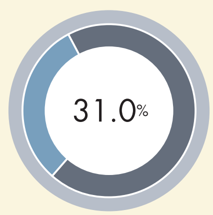
Net Sales (Total sales=100%)

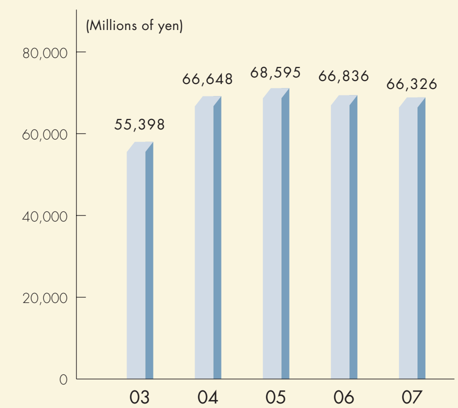
Net Sales



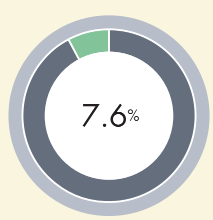


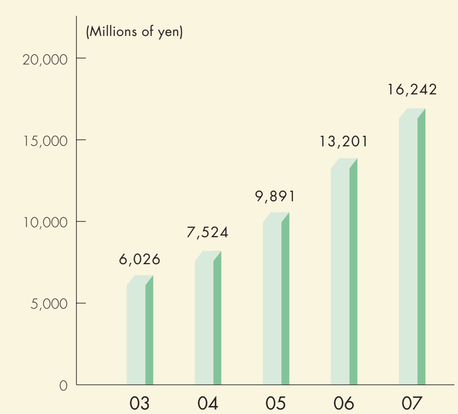
Office Furniture





Store Displays



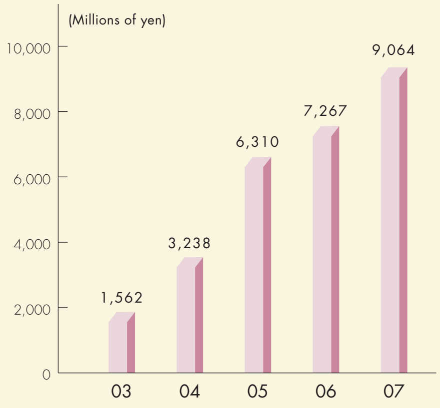


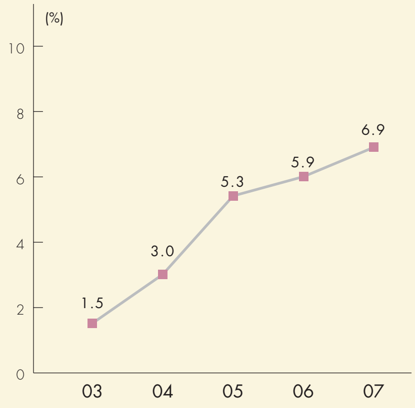
Material Handling Systems and Others

Operating Income (Loss)

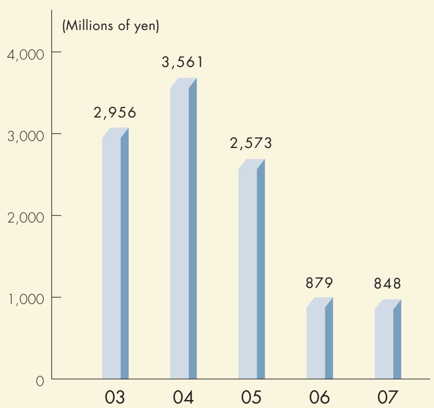
Ratio of Operating Income (Loss) to Net Sales

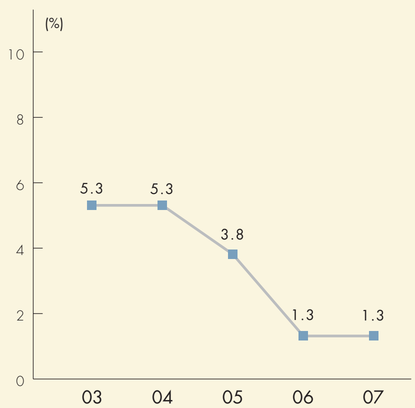
Performance Highlights



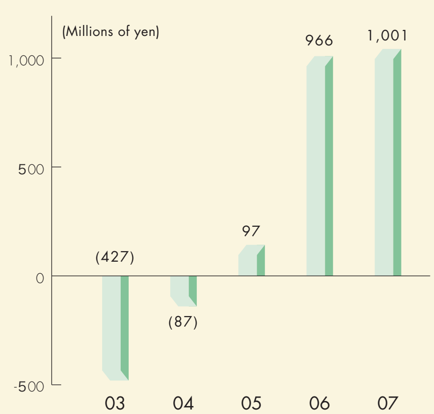


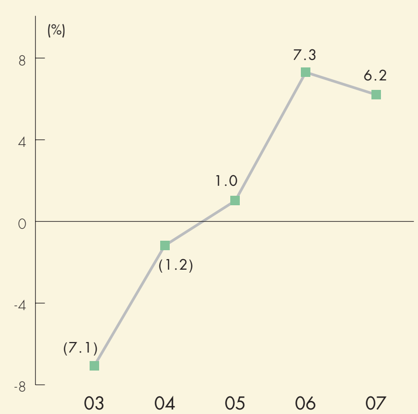
On the back of robust corporate performance, investment in office relocations and expansion remained strong in the fiscal year ended March 31, 2007. Amid such circumstances, Okamura went to great lengths to enhance its operating performance by proactively promoting solution-based proposal sales. As a result, net sales rose 7.4% from the previous fiscal year to ¥131,246 million and operating income increased 24.7% to ¥9,064 million. Notably, the Office Furniture business recorded a ratio of operating income to net sales of 6.9%, a record high.





Despite the ongoing severity of the market environment, the Company broadened its customer base, particularly within growing retail categories. As a result, signs of a recovery were evident in the Store Display segment. During the fiscal year under review, net sales edged down 0.8% to ¥66,326 million, while there was a 3.5% decline in operating income to ¥848 million.





In fiscal 2007, Okamura engaged in aggressive sales activities as it sought to win orders for automatic storage and conveyor systems in its focused category of large-scale distribution centers. As a direct result of these efforts, net sales grew 23.0% to ¥16,242 million and operating income climbed 3.6% to ¥1,001 million.

To Our Shareholders

Underpinned by the motto, "Quality pays for itself," and an unwavering desire to serve its customers, the Okamura Group has consistently produced high-quality products and appealing space solutions since its inception in 1945. Looking ahead, the Group will continue to evolve guided by its watchwords for corporate management: "information technology (IT)," "globalization" and "specialization." Leveraging its strengths as a comprehensive developer, manufacturer and marketer of Office Furniture, Store Displays and Material Handling Systems, Okamura will bolster efforts to develop its business and enhance corporate value as a "Solutions Company that Creates Comfortable Spaces."

From an IT perspective, Okamura will work to develop new products that match the diverse work-style requirements of the IT era. Utilizing our expertise and extensive track record in product delivery, we will also advance total office space solutions for the workplace environment of the future. In this manner, our goal is to expand business activities in tune with the IT society.

Turning to the growing trend toward globalization, Okamura is adopting a broad stance in its pursuit of potential tie-ups and collaboration. In this context, we are constantly examining possible technical cooperation and joint product development with the world's leading companies, in an effort to remain one step ahead of new innovations in cutting-edge technology and product design. In addition, we are further promoting partnerships with local companies that best fit our product sales in overseas markets. Based on these endeavors, Okamura is striving to expand sales worldwide.

Working to address the growing demand for specialization, the Okamura Group will leverage individual research achievements and synergies among its various businesses to provide unrivalled quality, comfort and functionality for every possible workplace scene. In creating comfortable spaces, our goal is to further enhance customer satisfaction in each business field.

Going forward, the Okamura Group will establish a unique position within the market, fortify its position as a leading company in Japan and pursue growth as a global business brand.

July 2007

Kikuo Nakamura, Chairman

Kazuyoshi Hisamatsu, President

An Interview with the President

Q1. First of all, could you please give us a general overview of the fiscal year ended March 31, 2007?

In fiscal 2007, Okamura recorded consolidated net sales of ¥213.8 billion, operating income of ¥10.9 billion—both all-time highs—and net income of ¥6.1 billion, while increasing both revenue and earnings for the fifth consecutive year. During the fiscal year under review, the Japanese economy remained strong on the back of brisk employment and eager corporate investment activity. The Group's mainstay Office Furniture segment led in terms of its overall contribution to business performance.

The improvement of office worker productivity is a major aspect of enhancing corporate competitiveness and creating differentiated services and products. Therefore, there is an increasing demand for renovations that turn offices into "Intellectually Creative Work Spaces," in which workers nurture new ideas and devise new business models. Under these circumstances, Okamura seeks to develop new product lines suited to diverse work styles, proposal-based sales that attract orders for the total solutions that are so highly rated by customers.

Okamura recorded favorable results on its 60th anniversary, which made us really happy. At the same time, challenges are looming, and we feel that we need to conduct business with a genuine sense of urgency. In a few years, our industry is expected to be facing intense global competition. In an environment where competition is expected in both global and domestic markets, we will have to confront the question of how the Okamura Group should adapt and develop to meet this new situation. Taking April 1, 2007 as a new starting point, Okamura will enhance its management foundation in preparation for the challenges ahead and aim for the next goal by strengthening and integrating "development," "manufacturing" as well as "sales" systems.

Okamura will enhance its management foundation in preparation for the challenges ahead.

Q2. *Could you provide some details about Okamura's Midterm Management Plan?*

On May 15, 2007, Okamura announced its Midterm Management Plan, which will run until the fiscal year ending March 31, 2009. Under this plan, Okamura has set its sights in achieving three goals in fiscal 2009: net sales of ¥233.0 billion, operating income of ¥14.8 billion and net income of ¥8.5 billion. Attaining these objectives will generate a 35% increase in operating income compared with the fiscal 2007 result, with a ratio of operating income to net sales of 6.4%.

The Office Furniture business will remain a growth driver. Okamura expects that investment in office renovations, which has only just started, will gain momentum as time goes by. Improving offices means the creation of better working conditions and environments for office workers, motivating them to maximize their capabilities and resulting in an improvement in overall corporate performance. This way of thinking is gradually gaining credence among management executives. In other words, office renovation is beginning to be recognized as an opportunity for companies to project their image and for offices to reflect management's way of thinking. Given this, we will further enhance the benefits of our solution-based proposal sales to meet this increasing demand.

In addition, Okamura is making steady progress in overseas business development as the Company reinforces its international competitiveness from a medium- to long-term perspective. Launched on the Japanese market and exported globally in 2002, the *Contessa* chair series has seen a brisk increase in sales volume and is highly rated by overseas customers. In order to build on such achievements, we will make every effort to improve Okamura's unique quality at every facet of our business process; from design and development to sales and after-sales service, as well as from the product quality standpoint. Cost reduction remains a key issue from a manufacturer's perspective. Continuing our meticulous endeavors in manufacturing, cost reductions and quality improvements, Okamura will make deeper inroads into the global market.

Continuing its cost reductions and quality improvements, Okamura will make deeper inroads into the global market.

Q3. *What progress is being made toward achieving these goals?*

Conditions in the Office Furniture business will continue to be favorable as there are a number of areas where high levels of investment are expected: the demand cycle for office relocations coupled with the mass supply of new large buildings in central Tokyo; large-scale urban redevelopment plans in Nagoya and Osaka; occasional demand for elimination and consolidation of financial institutions; and office environment improvements. In such an environment, we will further advance the development of Okamura Production System (OPS), the Company's own newly developed production method, to focus on the manufacture of high-grade products at appropriate cost and short delivery times, while strengthening proposal skills to meet diverse customer needs. The object of all this is sustainable competitiveness.

In the Store Display business, conditions have been fraught with difficulties in recent years for two main reasons: the shrinking distribution market resulting from the moratorium on new store openings and the impact from spiraling material prices. However, we expect some positive factors will lead us to a gradual recovery: the increase in the number of new customers; the upward trend in investment by major customers; vigorous demand for store renovations from large-scale retailers; and a leveling out of material prices. Leveraging our strengths as the sole manufacturer active in Japan as well as overseas that is capable of supplying both store display shelves and frozen and refrigerated showcases, Okamura will offer total solutions covering entire stores. By providing assistance with store creation, we will maintain good relationships with customers as we expand market share and improve business performance.

In the Material Handling System business, we are anticipating the continuation of active customer investment aimed at streamlining and rationalizing the entire distribution network in Japan. Given this, Okamura will develop solution marketing by focusing on existing and cultivating new companies in our specialty sectors, which deal with small products such as pharmaceuticals, foods and sundry goods. Furthermore, we will make effective use of subsidiary Seeder Co., Ltd.'s technological expertise to develop conveyor systems for cleanrooms and leverage its know-how in the Store Display business to develop frozen storage products. Through these activities, we will make improvements, invest early in human resources as well as production facilities and establish a corporate structure designed to accommodate further business expansion.

By conducting solution-based proposal sales that fully utilize its collective strengths, the Okamura Group has further growth in its sights.

Q4. *Finally, could you update us on the Company's efforts with regard to shareholder returns?*

Okamura's revenue and fund distribution policies emphasize investment for growth and appropriate profit returns for shareholders. We therefore distribute performance improvement-based dividends with the proviso that these maintain dividend payment stability. Representing an increase for the fourth consecutive year since fiscal 2004, Okamura's dividend payment in fiscal 2007 was ¥15 per share. We also purchased treasury stock and, in May 2007, 1,667,000 shares for ¥2,029 million.

We will continue to enhance profit returns to shareholders through business expansion and maintain stable dividend payments that take into account the Group's financial standing, business development and retained earnings.

Okamura will continue to enhance profit returns to shareholders through business expansion.

Midterm Management Plan

Targets of the Midterm Management Plan

Profit targets

(Billions of yen)

	Actual Results		Targets	
	06/3	07/3	08/3	09/3
Net sales	202.3	213.8	223.0	233.0
Cost of sales	139.6	147.5	152.7	158.4
Gross profit	62.6	66.3	70.3	74.6
SG&A expenses	53.5	55.4	57.3	59.8
Operating income	9.1	10.9	13.0	14.8
Ordinary income	9.8	11.5	13.6	15.5
Net income	8.3	6.1	7.4	8.5

Targets by business segments

(Billions of yen)

Net sales	06/3	07/3	08/3	09/3
Office Furniture	122.2	131.2	138.8	146.0
Store Displays	66.8	66.3	67.0	68.5
Material Handling Systems and Others	13.2	16.2	17.2	18.5
Operating income (Billions of yen)				
Office Furniture	7.3	9.1	10.6	11.7
Store Displays	0.9	0.8	1.1	1.6
Material Handling Systems and Others	1.0	1.0	1.3	1.5
Operating income to net sales (%)				
Office Furniture	5.9	6.9	7.6	8.0
Store Display	1.3	1.3	1.6	2.3
Material Handling Systems and Others	7.3	6.2	7.6	8.1

Key Financial Indicators

(%)

Profit ratio	06/3	07/3	08/3	09/3
ROA	5.4	6.1	7.0	7.5
ROE	11.8	7.7	8.8	9.5
EPS	74.1	54.7	66.1	76.0

Profitability

(%)

	06/3	07/3	08/3	09/3
Gross profit to net sales	31.0	31.0	31.5	32.0
Operating income to net sales	4.5	5.1	5.8	6.4
Ordinary income to net sales	4.8	5.4	6.1	6.7

Efficiency

Total asset turnover (times)	1.09	1.13	1.11	1.11
Inventory turnover (months)	0.89	0.86	0.80	0.75

Investments

(Billions of yen)

Capital expenditures	5.3	7.9	5.5	6.0
Depreciation and amortization	4.9	5.1	5.5	5.7
R&D expenses	0.9	1.0	1.0	1.1

Midterm Management Plan

1. *Office Furniture Business*

Vacancy ratio at record low levels in the Tokyo area, firm demand for accelerating new construction and redevelopment, as well as increasing building sizes are expected. Though the construction of new buildings has passed the peak, still keeping the active demand, progressive demand expected in secondary tertiary relocation in few years. Also, offices as "Intellectually Creative Work Spaces" are growing trend in executives.

In these circumstances, the Company seeks to develop new product lines suited to the diverse work styles of the IT era, proposal-based sales, and attract orders for total solutions in order to create and develop new markets.

On the other hand, market in the regional area, demand in relocation is accelerating mainly in regional hub cities such as Osaka and Nagoya, the Company will leverage the total solutions sales developed in the urban area to fortify approaching such demand.

Sales of ergonomic mesh chairs, including *Contessa* and *Baron*, continue to expand in overseas. Moreover, the Company will bolster marketing activities on a global scale by creating marketing strategies.

In the security sector, response to the intensifying competition, reorganization of financial institutions, not only major banks, are the target which will seek active investment such as biometric recognition automated safes. Buoyed by this increased awareness, the Company will fortify development and sales structure as well as total proposals for branches.

2. *Store Display Business*

Business environment within the retail industry shows signs of rapid changes, such as the "3 Rules of Community Renovation." In this circumstance, the Company will seek to increase its sales and profits by accommodating customers' needs.

In the supermarket business, the Company leverages its competitive advantage of offering store display fixtures and freezer & refrigerator showcases, stepping up the development of periphery products promoting total solutions of stores, in order to reinvigorate earnings.

In addition, targeting growing market for high-grade specialty stores, the Company aims to broaden its customer base by developing original fixtures to store characteristics and store decors, engaging aggressively proposal-based selling.

3. Material Handling System and Others Business

Condition in the material handling systems business are expected to benefit from investment in production facilities and distribution centers. In this circumstance, the Company is making active efforts to expand sales by firming total proposal mainly storages for boxes, assortment line and delivery equipment business accommodating distribution centers. The Company will correspond for internal and external demand in capital expenditure by Seeder Co., Ltd., the prodution of clean room conveyor systems acquired as a subsidiary, exploring new business opportunity other than FPD (Flat Panel Displays).

4. Production System

The Company will further advance the development of Okamura Production System (OPS), a new method of production aimed at reducing manufacturing costs, though favorable efficient has already shown, the Company will continuously improve the method to its Group companies.

In addition, expansion of overseas procurements of resources, select and concentrate the resource suppliers, re-integration of logistics facilities, the Company will target the reduction of cost cutting as ¥4.7 billion in two years.

5. Development

Underpinned by the motto "Quality pays for itself," the Okamura Group has engaged in product development that fully meets the needs of its customers. Manufacturing products that are used in people's everyday lives requires a feel for the environments that the products will be used in, be they at work, in the home or when relaxing. Simultaneously, Okamura needs to consider the uses of products in the next generation as well as current usability. Given this, Okamura will add a new theme of unique product creation to its traditional manufacturing spirit, and aim to cultivate markets with its new products.

6.
Overseas Development

Okamura's mainstay product, the *Contessa* chair series, is now marketed in 51 countries around the world. There are a number of large-lot overseas orders, reflecting a steady increase in sales. In addition, Okamura participates in an increasing number of overseas exhibitions and receives a growing number of notable design awards from the office furniture industry every year. These achievements serve to steadily increase awareness of the Okamura brand overseas. In 2006, Okamura launched *Visconte*, the third in the line of strategic products in the overseas market after *Contessa* and *Baron*. Aggressively engaging in the development of "Okamura's unique" world-class products, the Company will reinforce its international competitiveness from a medium- to long-term perspective.

7.
Environmental Activities

Positioned as an important management issue, the Okamura Group is constantly reinforcing its approach to environmental matters. The Okamura Group is tireless in its efforts to improve environmental efficiency throughout the product lifecycle—from production and distribution to consumption and final disposal—on top of the development of new environmental products. Accordingly, the Group will engage in business activities that contribute to the establishment of a sustainable society.

1. 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.

2. 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.

Responding to the enactment of the Financial Instruments and Exchange Law, Okamura instigated an Internal Control Project in June 2006 for the purpose of enhancing its corporate management transparency and preventing irregularities that could lead to material misrepresentations in financial statements. The Internal Control Project is fully under way in preparation for laws due to be applied in the fiscal year ending March 31, 2009.

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

3. Compliance

Okamura established a Compliance Committee to ensure the Group's legal compliance, fairness and ethics in its business activities, and a Help Line System that has in-house representatives as consultation points. Furthermore, the Company formulated its "Action Charter and Codes of Conduct" and implements in-house training. By doing so, Okamura strives to adhere to and enhance its compliance policy.

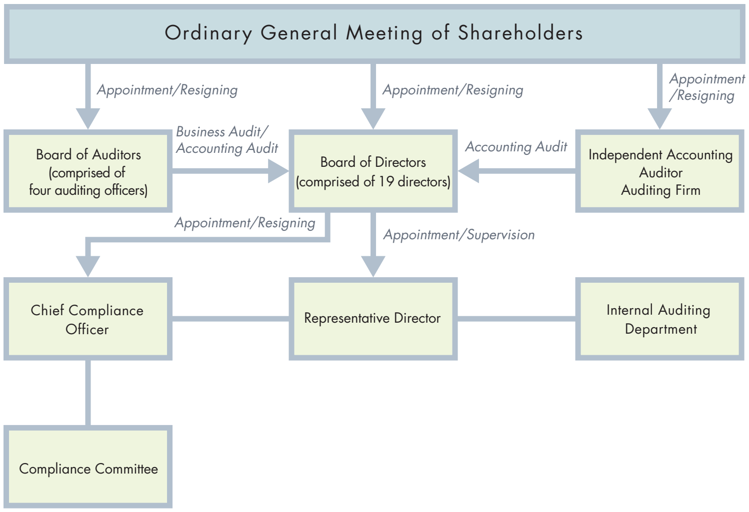
4. Principal Activities in Fiscal 2006

Introduction of Countermeasures against Large-Scale Acquisitions of Shares (Takeover Defense Measures)

In accordance with approvals granted at the Board of Directors' meeting held on May 12, 2006 and the Ordinary General Meeting of Shareholders held on June 29, 2006, Okamura introduced countermeasures against large-scale acquisitions of shares (Takeover Defense Measures). This is to stipulate the process that purchasers of Okamura shares should follow, and the terms and conditions for the gratis issue of stock options, which cannot be exercised by purchasers in cases where such purchasers do not follow these terms and conditions (peacetime Takeover Defense Measures).

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

Corporate Governance Structure



Visconte

Visconte Office Seating

Design- and material-selective office seating

Visconte is a new type of office seating that suits any work style. A wide variety of materials and design combinations—for the backrest, recliner function, size and cushion color—can provide comfort to correspond to any individual's style of work.

Pro Unit Freeway

ProUnit-Freeway Office System

Business Station Realizes Attractive and Comfortable Office Space

The ProUnit-Freeway office system improves business efficiency while realizing an attractive and comfortable office space. With its long-span desktop, unimpeded leg space, as well as simple and solid design, ProUnit-Freeway can flexibly support various work styles from allocated seating to hot-desking.

LATUS

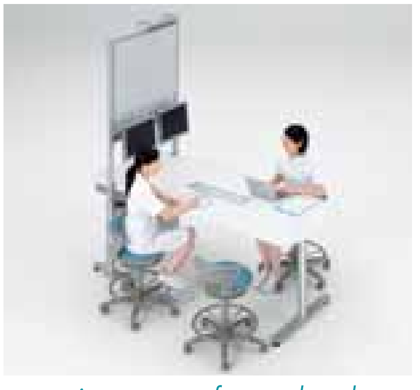
LATUS L-Shaped Shell-Type Connected Tables and Stand-Alone Chairs for Lecture Rooms

New wooden L-shaped shell-type lineup lends an air of sophistication

The LATUS series adopted a "two-movement system" for its chairs, thereby providing enough space to walk behind them. The chairs also feature a stand-alone structure, so they do not cause the tables to vibrate and disturb people who are writing. The new wooden L-shaped shell-type table is added to the line-up to offer a comfortable study space with an air of sophistication.

Staff Station Fliessend

IT-Compatible Solution Furniture for Staff Stations at Medical Facilities



Providing precise support for work styles undergoing radical change following introduction of electronic medical charts

The rapid introduction of electronic patient charts at medical facilities is drastically changing the work styles of nursing staff. In prompt response, Okamura has launched the Fliessend Staff Station series, a solution unit that supports nursing staff from both workability and space efficiency standpoints. With a wide variety of products and arrangements, the Fliessend Staff Station provides a perfect solution in a fresh, clean design.

ALT GLANCE

ALT GLANCE Custom-Made Low Partitions

Custom-made low partitions that bring "beautility" to the workplace

Thanks to sharp and sophisticated design, ALT GLANCE low partitions can be used to arrange an entire office from the entrance hall to the work spaces. Used in conjunction with Okamura's ALT TRANS or PROVATO high partitions, ALT GLANCE can offer unified interior coordination.

Fontana-Deux

Fontana-Deux Refrigerator and Freezer Showcases

Concentrating technologies to blend energy savings, safety and eco-friendliness into one cutting-edge design

Fitted with highly efficient air-curtain systems, refrigerators and freezer showcases in the Fontana-Deux series achieved a 12% reduction of refrigeration load compared with conventional Okamura products. On top of its high energy-saving features, the Fontana-Deux series realizes attractive storefronts thanks to its cutting-edge, accessible form and assures world-class standards for safety and eco-friendliness.

Airlink Series

Airlink IT-Compatible Office Storage Furniture Series

IT-compatible office storage furniture for advanced office styling

The Airlink series offers computerized storage furniture for offices switching to a ubiquitous environment. It enables the installation of authentication systems by means of FeliCa non-contact-type IC cards, which offer flexible, quick-change office layouts for different purposes. Combining information and property security with credibility, Airlink offers optimal systems for diverse office security needs.

RapiROL Conveyor

High-Speed Roller Conveyor

Offers 120 m per minute performance

A high-speed roller conveyor featuring a simple and efficient mechanism, RapiROL offers 120 m per minute performance. Two types of conveyors are available: the "accumulation type," which allows roller operations by zone and can store goods on the conveyor belt; or the "basic type," which controls all the rollers in one operation. Customers can choose either type for a wide range of uses.

Financial Section

Financial Summary 19

Management's Discussion and Analysis 20

Consolidated Balance Sheets 24

Consolidated Statements of Income 26

Consolidated Statements of Changes in Net Assets 27

Consolidated Statements of Cash Flows 28

Notes to Consolidated Financial Statements 29

Independent Auditors' Report 42

Financial Summary

Years Ended March 31	2002	2003	2004	2005	2006	**2007**	**2007**
	Millions of yen, except per share figures						Thousands of U.S. dollars, except per share figures
Sales and Income:							
Net sale	¥158,245	¥165,278	¥183,044	¥196,527	¥202,266	**¥213,814**	**$1,811,216**
Cost of sales	108,653	114,647	127,024	135,976	139,642	**147,526**	**1,249,691**
SG&A expenses	45,722	46,539	49,308	51,570	53,512	**55,375**	**469,081**
Operating income	3,870	4,092	6,712	8,981	9,112	**10,913**	**92,444**
Income (Loss) before income taxes	2,403	(1,159)	7,422	9,348	14,463	**11,163**	**94,562**
Net income (loss)	1,094	(1,067)	3,972	5,486	8,308	**6,132**	**51,944**
Capital Expenditures, Depreciation and Amortization:							
Capital expenditures	2,480	2,915	4,531	4,648	5,257	**7,898**	**66,900**
Depreciation and amortization	4,603	4,447	4,487	4,485	4,885	**5,062**	**42,879**
Profitability:							
Operating income to net sales (%) (Operating income/Net sales)	2.45	2.48	3.67	4.57	4.50	**5.10**	—
Net income (loss) to net sales (%) (Net income (loss)/Net sales)	0.69	(0.65)	2.17	2.79	4.11	**2.87**	—
Cost of sales to net sales (%) (Cost of sales/Net sales)	68.66	69.37	69.40	69.19	69.04	**69.00**	—
Return on equity [ROE] (%) (Net income (loss)/Shareholders' equity)	2.07	(2.05)	7.15	8.90	11.77	**7.74**	—
Return on assets [ROA] (%) (Operating income/Total assets)	2.31	2.61	4.06	5.18	5.07	**5.81**	—
Assets, Liabilities and Shareholders' Equity:							
Total assets	¥155,862	¥157,802	¥172,825	¥173,623	¥185,969	**¥189,754**	**$1,607,404**
Total net assets	52,386	51,780	59,264	63,964	77,148	**84,972**	**719,797**
Interest-bearing debt	44,084	39,999	35,180	29,980	29,240	**27,848**	**235,898**
Equity ratio (%) (Shareholders' equity/total liabilities and shareholders' equity)	33.61	32.81	34.29	36.84	41.48	**42.87**	—
Total net assets per share (Total net assets/total number of shares issued)(yen)	466.17	461.60	528.46	570.68	688.63	**726.44**	—
Current assets	77,864	84,490	95,751	96,407	98,559	**99,551**	**843,295**
Current liabilities	65,074	65,208	80,561	78,267	74,267	**71,596**	**606,487**
Current ratio (%) (Current assets/Current liabilities)	119.65	129.57	118.86	123.18	132.71	**139.05**	—
Efficiency:							
Inventory turnover (times) (Net sales/Average inventories)	11.60	14.20	15.74	15.57	14.14	**14.13**	—
Asset turnover (times) (Net sales/Average total assets)	0.95	1.05	1.11	1.13	1.12	**1.14**	—
Number of employees	3,492	3,444	3,471	3,594	3,700	**3,769**	—

Management's Discussion and Analysis

1.
Scope of Consolidation

The Okamura Group consists of Okamura Corporation, 12 consolidated subsidiaries and four affiliates accounted for by the equity holding method for a total of 17 member firms. The Okamura Group is engaged in manufacturing, sales, distribution and installation in three business segments: Office Furniture, Store Displays, Material Handling Systems and Others.

2.
Net Sales and Operating Income

In fiscal 2007, ended March 31, 2007, consolidated net sales increased 5.7% compared with the previous fiscal year, to ¥213,814 million. In line with sales growth, the cost of sales climbed to ¥147,526 million, an increase of ¥7,884 million. At 69.0% the cost of sales ratio remained on par with the previous fiscal year.

Selling, general and administrative (SG&A) expenses rose to ¥55,375 million, an increase of ¥1,862 million year on year. Accordingly, the ratio of SG&A expenses to total net sales edged down 0.6 percentage point, to 25.9%.

Accounting for the aforementioned factors, operating income increased 19.8% from ¥9,112 million in the previous fiscal year, to ¥10,913 million.

3.
Other Income (Expenses)

For the fiscal year under review, net other income totaled ¥250 million, a significant decrease from ¥5,351 million in the previous fiscal year.

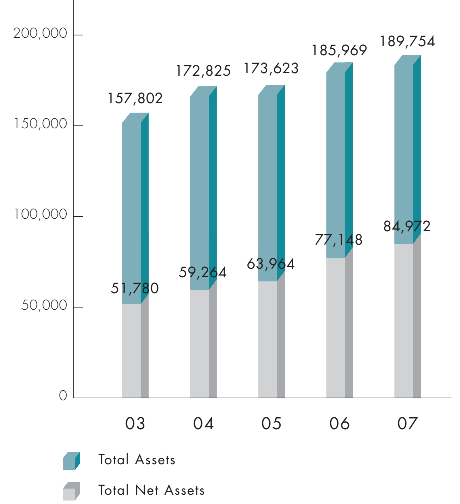
The major factors contributing to this improvement included a ¥22 million increase in interest expenses, from ¥369 million to ¥391 million, reflecting the ¥1,392 million decline in interest-bearing debt, from ¥29,240 million in fiscal 2006 to ¥27,848 million in the fiscal year under review. In line with increased earnings at subsidiary companies, interest and dividend income and equity in income of affiliated companies, net also grew ¥90 million and ¥77 million, respectively.

As a result, income before income taxes for the fiscal year totaled ¥11,163 million, a decrease of 22.8% compared with the previous fiscal year.

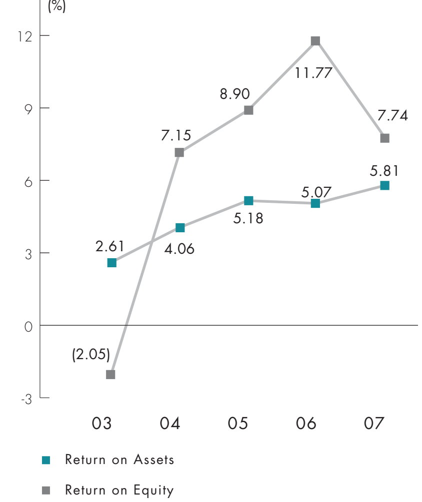
4.
Current and Deferred Income Taxes

Income taxes for the fiscal year under review totaled ¥4,889 million, down ¥1,009 million year on year. The income tax rate for the period after the application of tax-effect accounting was 43.8%.

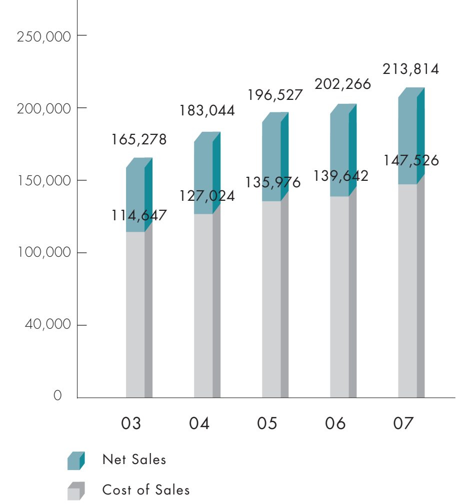
Total Assets/Total Net Assets
(Millions of yen)



Return on Assets/ Return on Equity
(%)



Net Sales/Cost of Sales
(Millions of yen)



5.

Net Income

Net income in fiscal 2007 declined 26.2% compared with the previous fiscal year to ¥6,132 million. Net income per share also fell 26.2% to ¥54.75. Return on equity (ROE) declined 4.0 percentage points, to 7.7%.

6.

Assets, Liabilities and Total Net Assets

Total assets as of March 31, 2007 stood at ¥189,754 million, an increase of ¥3,785 million compared with the previous fiscal year-end. Current assets were ¥99,551 million, representing a year-on-year rise of ¥992 million. Fixed assets totaled ¥90,204 million, an increase of ¥2,794 million. Growth in current assets is mainly attributed to sales expansion. As a result, cash decreased ¥7,163 million year on year. Inventories increased ¥392 million. The major component was a ¥2,198 million increase in fixed assets due to the establishment of the Tsurumi Plant.

Total liabilities as of March 31, 2007 stood at ¥104,783 million, a drop of ¥545 million compared with the previous fiscal year-end. Current liabilities declined to ¥71,596 million, a decrease of ¥2,671 million. Long-term liabilities rose to ¥33,187 million, an increase of ¥2,126 million. Major components were decrease in trade notes and accounts payable of ¥2,634 million, interest-bearing debt of ¥1,392 million, and increase in income taxes payable of ¥2,303 million.

As of March 31, 2007, retained earnings rose ¥4,661 million, to ¥36,796 million. As a result, total net assets stood at ¥84,972 million.

Accounting for the aforementioned factors, the equity ratio improved 1.4 percentage points, from 41.5% to 42.9%. Total net assets per share also rose from ¥688.63 to ¥726.44.

7.

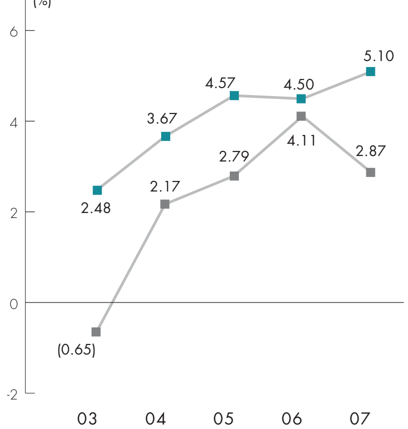
Cash Flows

Net cash provided by operating activities was ¥4,390 million. Major cash inflows comprised income before income taxes of ¥11,163 million and depreciation and amortization totaling ¥5,062 million. Principal cash outflows were an increase in inventories of ¥394 million, income taxes paid of ¥3,060 million, gain from the transfer of the substitutional portion of the government's Welfare Pension Insurance Scheme of ¥3,493 million, and gain from termination of the tax-qualified defined benefit plan of ¥1,358 million.

Net cash used in investing activities totaled ¥6,830 million. This resulted primarily from the fixed assets acquisition of ¥6,776 million including the establishment of the Tsurumi Plant.

Operating Income to Net Sales/ Net Income (Loss) to Net Sales

(%)

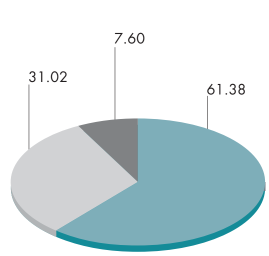


■ Operating Income to Net Sales

■ Net Income (Loss) to Net Sales

Breakdown of Net Sales by Business Segment

(%)



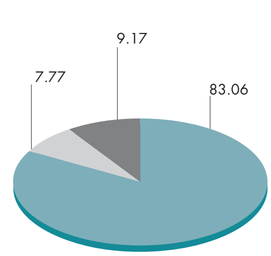
Office Furniture

Store Displays

Material Handling Systems and Others

Breakdown of Operating Income by Business Segment

(%)



Office Furniture

Store Displays

Material Handling Systems and Others

Net cash used in financing activities was ¥2,915 million. This was mainly attributed to the reduction of net interest-bearing liabilities of ¥1,392 million and parent company cash dividends paid totaling ¥1,457 million.

As a result, cash and cash equivalents at the end of the fiscal year under review amounted to ¥16,697 million, a decrease of ¥5,332 million compared with the end of the previous fiscal year.

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 August 31, 2006.

(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 theses 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.

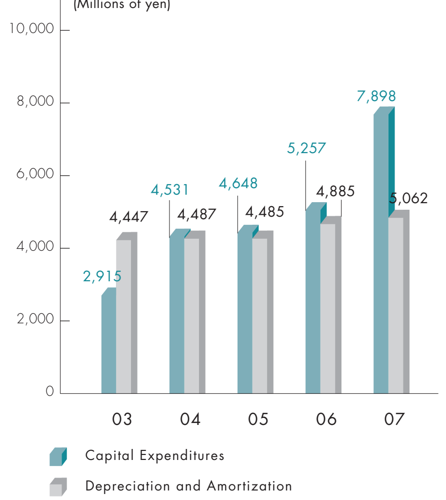
2. Macroeconomic Circumstances

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.

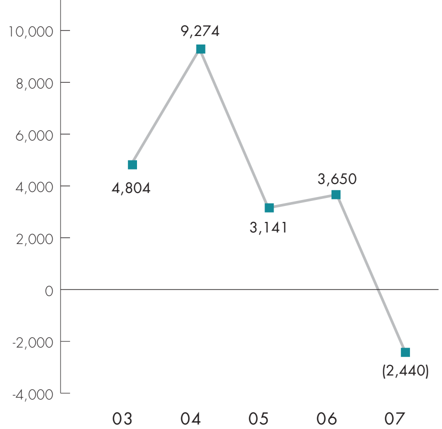
3.Funding Risks, Consequences of Interest Rate Fluctuations

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

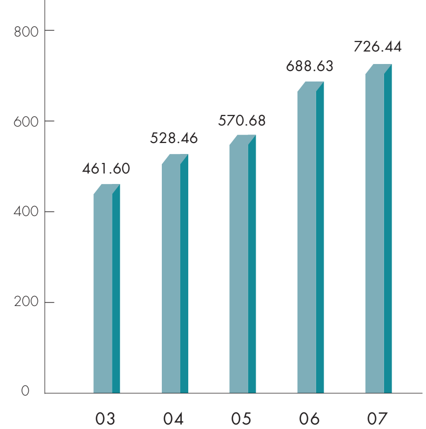
Capital Expenditures/ Depreciation and Amortization
(Millions of yen)



Free Cash Flows
(Millions of yen)



Total Net Assets per Share
(Yen)



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.

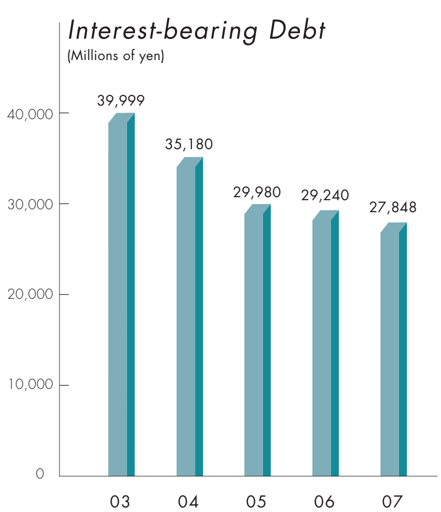
(2) Quality Control, Statutory Regulations

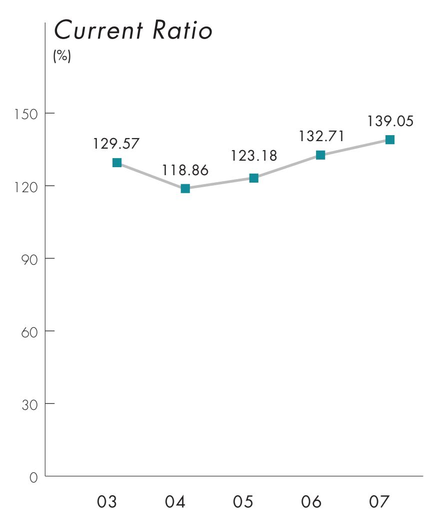
Product quality maintenance

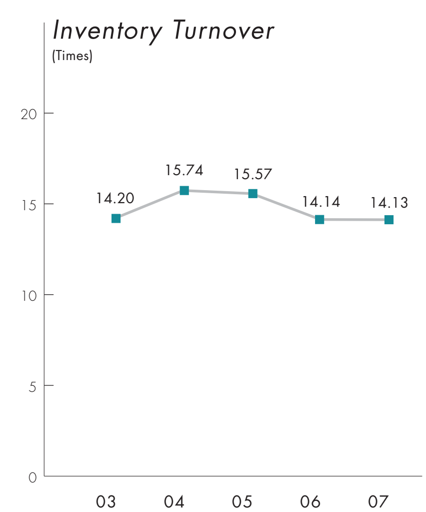
The Group manufactures a variety of products in accordance with globally recognized quality standard (ISO 9001). This provides no assurance, however, of the prevention of serious contingencies or complaints in connection with any of the Company's products over the years ahead. The Company is insured 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.







Corporate Data

(As of March 31, 2007)

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: 3,769

Stock Information

(As of March 31, 2007)

Stock Exchange Listings
Tokyo, Osaka

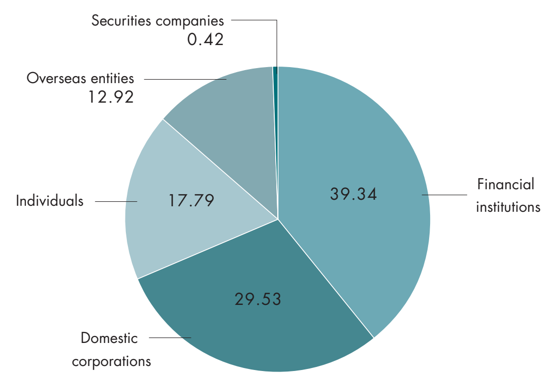
Number of Shares of Common Stock
Authorized: 400,000,000
Issued: 112,391,530

Number of Shareholders
5,208

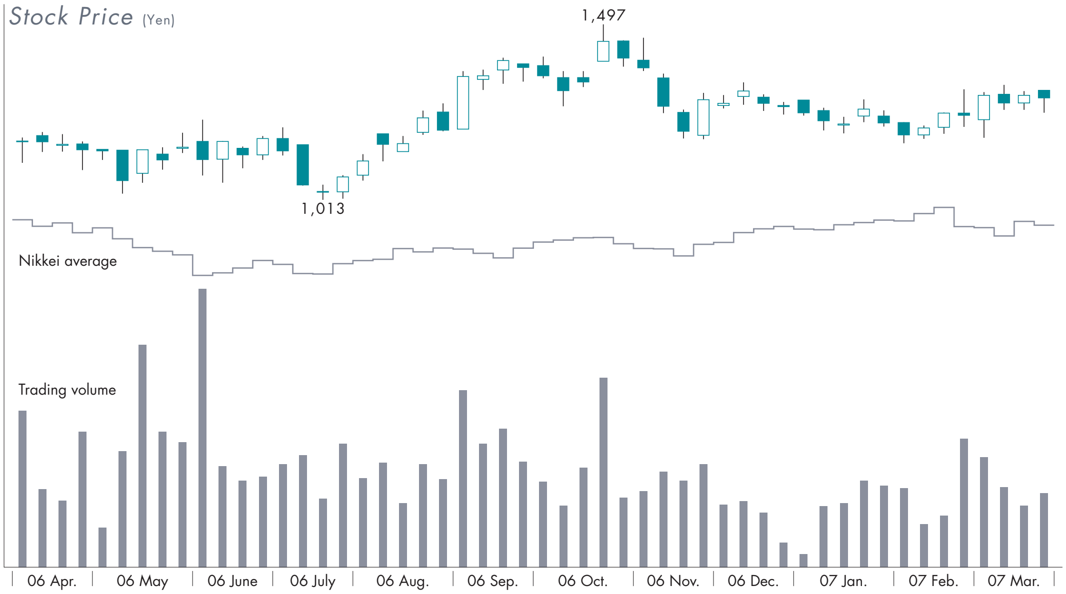
Major Shareholders

	(Thousands of shares)	(%)
Mitsubishi Corporation	9,163	8.15
Japan Trustee Services Bank, Ltd. (Trust Account)	7,608	6.77
Mitsui Sumitomo Insurance Co., Ltd.	5,895	5.25
Meiji Yasuda Life Insurance Company	5,510	4.90
Nippon Steel Corporation	5,313	4.73
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,959	4.41
Okamura Group Employees Stock Ownership Plan	4,824	4.29
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,805	4.28
The Bank of Yokohama, Ltd.	4,076	3.63
State Street and Trust Company	3,790	3.37

Distribution of Stock by Shareholder Type (%)



Stock Price (Yen)



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.co.jp/

Printed on 100%
recycled paper

PRINTED WITH SOY INK
Trademark of American Soybean Association

YZCA14-781 P.AI '07-08
Printed in Japan