OKAMURA CORPORATION
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2007 AND 2008

ASSETS	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars (Note 1(1)) 2008
Current assets:			
Cash (Note 2(1))	¥ 17,513	¥ 20,515	$ 204,761
Marketable securities (Note 4)	807	122	1,218
Trade receivables:			
Notes	10,409	9,255	92,374
Accounts (Note 12)	51,778	48,350	482,583
Allowance for doubtful accounts (Note 1(9))	(149)	(99)	(988)
Inventories (Note 3)	15,327	16,849	168,170
Deferred income taxes (Note 9)	1,937	1,811	18,076
Other current assets	1,929	1,537	15,341
Total current assets	99,551	98,340	981,535
Property, plant and equipment (Note 6):			
Land	21,745	22,515	224,723
Buildings and structures	49,897	51,905	518,066
Machinery and equipment	61,617	64,511	643,886
Construction in progress	123	87	868
	133,382	139,018	1,387,543
Less accumulated depreciation	83,607	87,900	877,333
	49,775	51,118	510,210
Investments and other assets:			
Investments in affiliated companies	1,300	1,526	15,231
Investment securities (Note 4)	27,790	21,255	212,147
Deferred income taxes (Note 9)	2,075	2,096	20,920
Other non-current assets (Notes 1(11) and 8)	9,263	11,520	114,982
	40,428	36,397	363,280
	¥ 189,754	¥ 185,855	$ 1,855,025

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars (Note 1(1)) 2008
Current liabilities:			
Short-term bank loans (Note 7)	¥ 9,600	¥ 9,868	$ 98,493
Long-term debt due within one year (Note 7)	3,446	3,118	31,121
Trade payables:			
Notes	18,237	16,837	168,050
Accounts	29,620	29,906	298,493
Income taxes payable	3,768	2,372	23,675
Other current liabilities	6,924	6,840	68,270
Total current liabilities	71,595	68,941	688,102
Long-term debt (Note 7)	14,802	16,294	162,631
Employees' severance and retirement benefits (Notes 1(11) and 8)	9,638	11,460	114,383
Deferred income taxes (Note 9)	6,174	3,452	34,454
Other long-term liabilities	2,573	2,587	25,821
Net Assets (Note 10) :			
Common stock			
Authorized 400,000,000 shares			
Issued 112,391,530 shares	18,670	18,670	186,346
Capital surplus	16,760	16,760	167,282
Retained earnings	36,796	40,910	408,324
Treasury stock, at cost (400,900 shares in 2007 and 2,100,241 shares in 2008)	(270)	(2,333)	(23,285)
Net unrealized holding gains on securities (Note 1(5))	9,467	5,262	52,520
Foreign currency translation adjustments (Note 1(4))	(69)	66	659
Minority interests	3,618	3,786	37,788
Total net assets	84,972	83,121	829,634
	¥ 189,754	¥ 185,855	$ 1,855,025

OKAMURA CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2007 AND 2008

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2007	2008	2008
Net sales (Notes 11 and 12)	¥ 213,814	¥ 214,845	$ 2,144,376
Cost of sales	147,526	148,186	1,479,050
Gross profit	66,288	66,659	665,326
Selling, general and administrative expenses	55,375	56,826	567,182
Operating income (Note 11)	10,913	9,833	98,144
Other income (expenses):			
Interest and dividend income	373	442	4,412
Interest expenses	(391)	(433)	(4,322)
Loss on devaluation of investment securities	(48)	(34)	(339)
(Loss) Gain on sale of investment securities, net	(2)	153	1,527
Gain on sale of property, plant and equipment	-	406	4,052
Loss on disposal of property, plant and equipment	(299)	(229)	(2,286)
Equity in income of affiliated companies, net	220	141	1,407
Other, net	397	550	5,489
	250	996	9,940
Income before income taxes	11,163	10,829	108,084
Income taxes (Notes 1(12) and 9):			
Current	5,236	4,423	44,146
Deferred	(347)	409	4,082
Income before minority interests	6,274	5,997	59,856
Minority interests in net income of consolidated subsidiaries	142	46	459
Net income	¥ 6,132	¥ 5,951	$ 59,397

	Yen		U.S. dollars (Note 1(1))
	2007	2008	2008
Amounts per share of common stock (Note 1(13)):			
Net income	¥ 54.75	¥ 53.82	$ 0.54
Cash dividends applicable to the year	15.00	15.00	0.15

See accompanying notes.

OKAMURA CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2007 AND 2008

	Thousands of shares	Millions of yen							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	112,392	¥ 18,670	¥ 16,760	¥ 32,135	¥ (219)	¥ 9,954	¥ (152)	¥ 3,493	¥ 80,641
Net income	-	-	-	6,132	-	-	-	-	6,132
Cash dividends paid (¥13 per share)	-	-	-	(1,457)	-	-	-	-	(1,457)
Acquisition of treasury stock	-	-	-	-	(51)	-	-	-	(51)
Bonuses to directors and corporate auditors	-	-	-	(14)	-	-	-	-	(14)
Net changes during the year	-	-	-	-	-	(487)	83	125	(279)
Balance at March 31, 2007	112,392	18,670	16,760	36,796	(270)	9,467	(69)	3,618	84,972
Net income	-	-	-	5,951	-	-	-	-	5,951
Cash dividends paid (¥16.5 per share)	-	-	-	(1,837)	-	-	-	-	(1,837)
Acquisition of treasury stock	-	-	-	-	(2,063)	-	-	-	(2,063)
Net changes during the year	-	-	-	-	-	(4,205)	135	168	(3,902)
Balance at March 31, 2008	112,392	¥ 18,670	¥ 16,760	¥ 40,910	¥ (2,333)	¥ 5,262	¥ 66	¥ 3,786	¥ 83,121

	Thousands of U.S. dollars (Note 1(1))							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	$ 186,346	$ 167,282	$ 367,262	$ (2,694)	$ 94,490	$ (688)	$ 36,111	$ 848,109
Net income	-	-	59,397	-	-	-	-	59,397
Cash dividends paid ($0.16 per share)	-	-	(18,335)	-	-	-	-	(18,335)
Acquisition of treasury stock	-	-	-	(20,591)	-	-	-	(20,591)
Net changes during the year	-	-	-	-	(41,970)	1,347	1,677	(38,946)
Balance at March 31, 2008	$ 186,346	$ 167,282	$ 408,324	$ (23,285)	$ 52,520	$ 659	$ 37,788	$ 829,634

See accompanying notes.

OKAMURA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2007 AND 2008

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2007	2008	2008
Cash flows from operating activities:			
Income before income taxes	¥ 11,163	¥ 10,829	$ 108,084
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	5,062	5,774	57,631
Loss on devaluation of investment securities	48	34	339
Loss (Gain) on sale of investment securities, net	2	(153)	(1,527)
Gain on sale of property, plant and equipment	-	(406)	(4,052)
Loss on sale or disposal of property, plant and equipment	294	229	2,286
Interest and dividends income	(373)	(442)	(4,412)
Interest expenses	391	433	4,322
(Increase) Decrease in notes and accounts receivable-trade	(7,221)	4,697	46,881
Increase in inventories	(394)	(718)	(7,166)
Decrease in notes and accounts payable-trade	(2,823)	(1,395)	(13,924)
Increase (Decrease) in employees' severance and retirement benefits	317	(513)	(5,120)
Other, net	985	(331)	(3,304)
Subtotal	7,451	18,038	180,038
Interest and dividends received	394	484	4,831
Interest expenses paid	(395)	(434)	(4,332)
Income taxes paid	(3,060)	(6,137)	(61,254)
Net cash provided by operating activities	4,390	11,951	119,283
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(6,776)	(4,672)	(46,631)
Proceeds from sale of property, plant and equipment	12	448	4,471
Payments for purchase of investment securities	(41)	(525)	(5,240)
Proceeds from sale of investment securities	14	321	3,204
Proceeds from acquisition of new consolidated subsidiaries (Note 2(2))	-	476	4,751
Other, net	(39)	(356)	(3,553)
Net cash used in investing activities	(6,830)	(4,308)	(42,998)
Cash flows from financing activities:			
Proceeds from long-term debt	5,600	3,450	34,435
Repayments of long-term debt	(6,692)	(3,446)	(34,395)
Decrease in short-term bank loans	(300)	(950)	(9,482)
Cash dividends paid	(1,474)	(1,842)	(18,385)
Other, net	(49)	(2,061)	(20,571)
Net cash used in financing activities	(2,915)	(4,849)	(48,398)
Effect of exchange rate changes on cash and cash equivalents	23	5	50
Net (decrease) increase in cash and cash equivalents	(5,332)	2,799	27,937
Cash and cash equivalents at beginning of year	22,029	16,697	166,653
Cash and cash equivalents at end of year (Note 2(1))	¥ 16,697	¥ 19,496	$ 194,590

See accompanying notes.

OKAMURA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2007 AND 2008

1. Summary of significant accounting policies

(1) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(2) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(3) Basis of consolidation and accounting for investments in affiliated companies

The consolidated financial statements comprise the accounts of the Company and its twelve and thirteen subsidiaries in 2007 and 2008, respectively. All significant intercompany accounts and transactions have been eliminated in the consolidation. All companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions.

On March 27, 2008, Fuji Seiko Honsha Co., Ltd. was converted to a consolidated subsidiary. For the purpose of preparing the consolidated financial statements, control of this subsidiary was deemed to have been acquired as December 31, 2007.

The accounts of an unconsolidated subsidiary are excluded from the consolidated financial statements since the amounts of the subsidiary in terms of assets, net sales, net income (loss) and retained earnings (accumulated deficit) are immaterial in relation to those of the consolidated financial statements of the Companies.

The investments in affiliated companies are stated at their underlying equity value. All companies are required to account for investments in affiliated companies (all of 20% to 50% owned and certain others of 15% to 20% owned) by the equity method in principle.

The excess of the cost over the underlying net assets of investments in consolidated subsidiaries and affiliated companies is amortized on a straight-line basis over a five-year period.

(4) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rate at the balance sheet date.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except that net assets accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

The Company and its consolidated domestic subsidiaries report foreign currency translation adjustments in net assets in 2007 and 2008.

(5) Securities

The Company and its consolidated subsidiaries examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets in 2007 and 2008. Realized gains and losses on sale of such securities are computed using moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of securities is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(6) Inventories

Inventories are stated at cost, which is determined by the moving-average method.

(7) Depreciation and amortization

Depreciation of property, plant and equipment is computed by the declining-balance method at rates based on the useful lives prescribed by the Japanese tax regulations, except that the straight-line method is applied to buildings acquired after March 31, 1998.

For the year ended March 31, 2008, the Company and its domestic subsidiaries have changed their depreciation methods for tangible fixed assets acquired on or after April 1, 2007 in accordance with fiscal 2007 amendments of the Corporation Tax Law. As a result, operating income and income before income taxes for the year ended March 31, 2008 decreased by ¥231 million ($2,306 thousand) respectively, compared to the previous method.

Effective April 1, 2007, the Company and its domestic subsidiaries have changed their depreciation procedure, which book value became 5% of the acquired cost based on an amendment in the Corporation Tax Law for the tangible fixed assets acquired before March 31, 2007. The tangible fixed assets which book value became 5% of the acquired cost are depreciated by straight-line method over 5 years. As a result, operating income and income before income taxes for the year ended March 31, 2008 decreased by ¥297 million ($2,964 thousand) respectively, compared to the previous method.

Amortization of software used by the Company and its consolidated subsidiaries is computed by the straight-line method over the useful life, 5 years.

Amortization of goodwill purchased is computed by the straight-line method over 5 years.

(8) Research and development expenses

Research and development expenses including basic research and fundamental development costs which are for the improvement of existing products or development of new products are charged to income when paid.

(9) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide allowance for doubtful accounts for probable collection losses by applying the actual rate of bad debt losses experienced in the past reference period for normal receivables and by individual assessment of collectability for other receivables.

(10) Bonuses

Bonuses to employees, which are paid semi-annually, are accrued based upon management's estimate of the amount thereof.

(11) Severance and retirement benefits

Severance and retirement benefits covering all employees are provided through two arrangements: an unfunded lump-sum benefit plan and a non-contributory funded pension plan. Upon retirement or termination of employment, employees are generally entitled to lump-sum or annuity payments based on their current rate of pay, length of service and cause of termination.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Company and its consolidated subsidiaries provide allowance for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets. Prior service costs are recognized in expenses in equal amounts over the average of the estimated remaining service lives of the employees. Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted using the declining-balance method over the average of the estimated remaining service lives commencing with the following period for recognizing actuarial gains and losses in expenses. As a result of changing its method of depreciation from the straight-line method to the declining-balance method, income before income taxes for the year ended March 31, 2007 decreased by ¥95 million compared to what would have been reported under the previous method.

In estimating benefit obligation, a consolidated subsidiary of the Company used the simplified method.

As of March 31, 2007, pension assets in excess of projected benefit obligation were included within employees' severance and retirement benefits. As of March 31, 2008, these amounts are included within prepaid pension expenses, other non-current assets. The amount of pension assets in excess of projected benefit obligation was ¥1,397 million and ¥2,133 million ($21,290 thousand) at March 31, 2007 and 2008, respectively.

The Company and major consolidated domestic subsidiaries also provided for retirement allowances for directors and corporate auditors determined based on their internal rules at the estimated amount to be paid if all directors and corporate auditors had retired at the balance sheet date.

(12) Income taxes

Current income taxes are provided at the amounts currently payable for the year ended. Tax effects of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities are recognized as deferred income taxes. Income taxes consist of corporation, enterprise and inhabitants taxes. The provision for income taxes is computed based on the pretax income of the Company and each of its consolidated subsidiaries with certain adjustments required for consolidation and tax purposes, included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for tax loss carry-forward and the expected future tax consequences of temporary differences. Valuation allowances are recorded to reduce deferred tax assets based on the assessment of the realizability of the tax benefits.

(13) Amounts per share of common stock

Net income per share is computed based upon the weighted average number of shares of common stock outstanding during the year ended March 31 of each year, exclusive of the Company's treasury stock held by the Company and the Company's interest in its treasury stock held by its affiliated companies.

The diluted net income per share of common stock is not presented, since there were no securities with dilutive effect such as bonds with warrants or convertible bonds were outstanding through the periods.

Cash dividends per share represent the actual amount declared as applicable to the respective years.

(14) Accounting for certain lease transactions

Finance leases which do not transfer the ownership of the leased assets to the lessee are accounted for in the same manner as operating leases.

(15) Derivatives and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract

(b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

2. Cash and cash equivalents

(1) Reconciliations of cash shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2007 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Cash	¥ 17,513	¥ 20,515	$ 204,761
Less: Time deposits with maturities exceeding three months	(1,472)	(1,142)	(11,399)
Add: Short-term highly liquid investments with maturities of not exceeding three months	656	123	1,228
Cash and cash equivalents	¥ 16,697	¥ 19,496	$ 194,590

(2) The following tables summarize significant non-fund transactions for the years ended March 31, 2008:

(a) Major breakdown of assets and liabilities of companies that are newly included in the consolidated financial statements for the years ended March 31, 2008 due to the acquisition of shares

(i) Acquisition of shares of Fuji Seiko Honsha Co., Ltd. for the year ended March 31, 2008

The following table summarizes the breakdown of Fuji Seiko Co., Ltd.'s assets and liabilities when it was initially consolidated following the acquisition of all of the shares, the acquisition cost, cash and cash equivalents held by Fuji Seiko Co., Ltd., and net cash and cash equivalents increased by the acquisition of the shares of Fuji Seiko Co., Ltd.:

	Millions of yen	Thousands of U.S. dollars
	2008	2008
Current assets	¥ 2,134	$ 21,299
Non-current assets	2,387	23,825
Current liabilities	(3,032)	(30,263)
Long-term liabilities	(927)	(9,252)
Minority interests	(139)	(1,387)
Consolidation adjustments	(29)	(289)
Acquisition cost of Fuji Seiko Honsha Co., Ltd. 's shares	394	3,933
Cash and cash equivalents held by Fuji Seiko Honsha Co., Ltd.	(870)	(8,684)
Net cash and cash equivalents increased by the acquisition of the Fuji Seiko Honsha Co., Ltd.'s shares	¥ 476	$ 4,751

3. Inventories

Inventories at March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Finished products	¥12,254	¥13,098	$130,731
Work-in-process	1,019	1,321	13,185
Raw materials and supplies	2,054	2,430	24,254
	¥ 15,327	¥16,849	$ 168,170

4. Securities

(1) The following tables summarize acquisition costs, book values (fair values) and differences of securities with available fair values as of March 31, 2007 and 2008:

Available-for-sale securities:

Securities with book values exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Acquisition cost			
Equity securities	¥ 9,413	¥9,407	$93,892
Bonds	150	50	499
Total	9,563	9,457	94,391
Book value (fair value)			
Equity securities	25,599	18,736	187,005
Bonds	152	50	499
Total	25,751	18,786	187,504
Difference			
Equity securities	16,186	9,329	93,113
Bonds	2	0	0
Total	¥ 16,188	¥ 9,329	$93,113

Other securities

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Acquisition cost			
Equity securities	¥ 1,083	¥1,514	$15,112
Others	48	203	2,026
Total	1,131	1,717	17,138
Book value (fair value)			
Equity securities	863	1,077	10,750
Others	46	153	1,527
Total	909	1,230	12,277
Difference			
Equity securities	(220)	(437)	(4,362)
Others	(2)	(50)	(499)
Total	¥ (222)	¥ (487)	$ (4,861)

(2) The following table summarizes book values of securities with no available fair values as of March 31, 2007 and 2008:

Available-for-sale securities:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Book value			
Money market fund	¥ 555	¥ 21	$ 210
Medium-term government bond funds	101	101	1,008
Preference shares	1,000	1,000	9,981
Non-listed equity securities	282	240	2,395
Total	¥ 1,938	¥ 1,362	$ 13,594

(3) The following table summarizes total sales amounts of available-for-sale securities sold, and amounts of the related gains and losses in the years ended March 31, 2007 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Total sales amounts of available-for-sale securities sold	¥ 14	¥ 262	$ 2,615
Amounts of the related gains	5	153	1,527
Amounts of the related losses	7	0	0

(4) Available-for-sale securities with maturities at March 31, 2008 are bonds amounting to ¥ 50 million ($ 499 thousand), which will be matured after 1 year through 5 years.

5. Derivative financial instruments and hedging transactions

The Company utilizes interest rate swap agreements in order to fix floating interest rate thereon, currency option agreements, for which hedge accounting has not been applied, in order to fix floating rate of exchange for payment of foreign currency payable in the future, and forward foreign exchange agreements in order to fix floating rate of exchange for receipt of foreign currency receivable in the future.

Interest rate swap contracts are hardly subject to risks of interest rate changes. Currency option is subject to risks of foreign exchange rate changes. Forward foreign exchange contracts are hardly subject to risks of foreign exchange rate changes. The derivative transactions are solely made with highly rated financial institutions, and therefore, the Company considers there are little credit risks.

The derivative transactions are decided by the Board of Directors and managed by the Accounting Department in accordance with the established policies and within the decision of the Board of Directors. The Company does not evaluate hedge effectiveness as the notional amounts, terms and interest payment dates are the same for the hedging derivative financial instruments ("interest rate swap contracts") and the hedged items, the future receivables denominated in foreign currencies are recorded using the contracted forward rate because of forward foreign exchange contracts executed to hedge a future receivables denominated in a foreign currency.

The following summarizes hedging derivative financial instruments used by the Company and items hedged.

Hedging instruments:	Hedged items:
Interest rate swap contracts	Interest on long-term debt
Forward foreign exchange contracts	Foreign currency trade receivables

The following table summarizes market value information as of March 31, 2007 of derivative transactions for which hedge accounting has not been applied:

Currency related: (Millions of yen)

	Type	2007		
		Contracted Amount	Market value	Recognized gains
Items not traded on exchanges	Currency option	¥ 83	¥ 9	¥ 9
Total		¥ 83	¥ 9	¥ 9

At March 31, 2008, there was no outstanding derivative transaction for which hedge accounting has not been applied.

6. Information for certain leases

Lease payments under finance leases which are accounted for in the same manner as operating leases for the years ended March 31, 2007 and 2008 were ¥203 million and ¥187 million ($1,866 thousand), respectively. Future lease payments as of March 31, 2008, exclusive of interest, under such leases were ¥312 million ($3,114 thousand), including ¥131 million ($1,308 thousand) due within one year.

7. Short-term bank loans and long-term debt

Short-term bank loans are represented by short-term notes, principally of 90 days maturity, bearing interest at a weighted average year-end rate of 1.20% and 1.56% at March 31, 2007 and 2008, respectively.

Long-term debt at March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Long-term bank loans principally 0.73%-3.00%, due through 2012	¥ 8,248	¥ 9,412	$ 93,942
0.61% unsecured bonds due in 2010	5,000	5,000	49,905
1.41% unsecured bonds due in 2011	5,000	5,000	49,905
	18,248	19,412	193,752
Less amount due within one year	3,446	3,118	31,121
	¥14,802	¥16,294	$ 162,631

Property, plant and equipment at cost less accumulated depreciation of ¥10,177 million was pledged as collateral for short term bank loans at March 31, 2007. Property, plant and equipment at cost less accumulated depreciation of ¥11,662 million ($116,399 thousand) and investment securities of ¥43 million ($429 thousand) were pledged as collateral for short-term bank loans and long-term debt at March 31, 2008.

The aggregate annual maturities of long-term debt at March 31, 2008 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ 3,118	$ 31,121
2010	6,655	66,424
2011	6,353	63,409
2012	2,258	22,537
2013	1,028	10,261
	¥ 19,412	$ 193,752

8. Employees' severance and retirement benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2007 and 2008 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Projected benefit obligation	¥ 16,520	¥ 16,994	$ 169,618
Unrecognized prior service costs	3,086	2,829	28,236
Unrecognized actuarial losses (gains)	615	(1,559)	(15,560)
Less fair value of pension assets	(10,583)	(8,937)	(89,201)
Prepaid pension expenses	-	2,133	21,290
Employees' severance and retirement benefits	¥ 9,638	¥ 11,460	$ 114,383

Included in the consolidated statements of income for the years ended March 31, 2007 and 2008 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Service costs – benefits earned during the year	¥ 836	¥ 796	$ 7,945
Interest cost on projected benefit obligation	358	328	3,274
Expected return on plan assets	(195)	(212)	(2,116)
Amortization of prior service costs	(258)	(258)	(2,575)
Amortization of actuarial losses (gains)	355	(93)	(928)
Contributions to defined-contribution pension plan	342	352	3,513
Severance and retirement benefit expenses	¥ 1,438	¥ 913	$ 9,113

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are 2.0% respectively in 2007 and 2008. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Past service costs are recognized as an expense in equal amounts over 14 years in 2007 and 2008. Actuarial gains and losses are recognized in income statements using the declining-balance method over 14 years in 2007 and 2008, commencing with the following period.

9. Income taxes

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 40.7%.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for consolidated financial statement purposes for the years ended March 31, 2007 and 2008:

	2007	2008
Statutory tax rate	40.7 %	40.7 %
Non-taxable dividend income	(0.8)	(0.6)
Non-deductible expenses	2.0	2.0
Per capita inhabitant tax	0.9	0.9
Special tax credit for experimental and research expenses, others	(0.3)	(0.5)
Valuation allowance	3.2	2.4
Other	(1.9)	(0.3)
Effective tax rate	43.8 %	44.6 %

Significant components of the deferred income taxes as of March 31, 2007 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Deferred income taxes (current assets):			
Excess bonuses accrued	¥ 1,211	¥ 1,204	$ 12,017
Accrued social insurance premiums	133	137	1,367
Accrued enterprise taxes	312	212	2,116
Valuation loss of finished products	100	124	1,238
Other	195	170	1,697
Sub-total deferred income taxes (current assets)	1,951	1,847	18,435
Valuation allowance	(14)	(36)	(359)
Total deferred income taxes (current assets)	¥ 1,937	¥ 1,811	$ 18,076
Deferred income taxes (long-term liabilities):			
Deferred gains on fixed assets	¥ (3,631)	¥ (3,565)	$ (35,582)
Net unrealized holding gains on securities	(6,501)	(3,611)	(36,042)
Other	-	(4)	(40)
Total deferred income taxes (long-term liabilities)	(10,132)	(7,180)	(71,664)
Offset against deferred tax assets	3,958	3,728	37,210
Net deferred income taxes (long-term liabilities)	¥ (6,174)	¥ (3,452)	$ (34,454)
Deferred income taxes (non-current assets):			
Retirement benefits	¥ 4,921	¥ 4,870	$ 48,608
Unrealized gross profits from sales of property, plant and equipment	745	745	7,436
Other	847	1,180	11,777
Sub-total deferred income taxes (non-current assets)	6,513	6,795	67,821
Valuation allowance	(480)	(971)	(9,691)
Total deferred income taxes (non-current assets)	6,033	5,824	58,130
Offset against deferred tax liabilities	(3,958)	(3,728)	(37,210)
Net deferred income taxes (non-current assets)	¥ 2,075	¥ 2,096	$ 20,920

10. Net assets

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

11. Segment information

The business operations of the Company and its consolidated subsidiaries are classified into three business segments: "Office Furniture", "Store Displays" and "Material Handling System and Others".

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Sales:			
Office Furniture	¥ 131,246	¥ 136,834	$ 1,365,745
Store Displays	66,326	63,078	629,584
Material Handling System and Others	16,242	14,933	149,047
Consolidated	¥ 213,814	¥ 214,845	$ 2,144,376
Operating expenses:			
Office Furniture	¥ 122,182	¥ 127,720	$ 1,274,778
Store Displays	65,477	62,783	626,639
Material Handling System and Others	15,242	14,509	144,815
Consolidated	¥ 202,901	¥ 205,012	$ 2,046,232
Operating income:			
Office Furniture	¥ 9,064	¥ 9,114	$ 90,967
Store Displays	848	295	2,945
Material Handling System and Others	1,001	424	4,232
Consolidated	¥ 10,913	¥ 9,833	$ 98,144
Identifiable assets:			
Office Furniture	¥ 86,068	¥ 89,595	$ 894,251
Store Displays	40,651	35,661	355,933
Material Handling System and Others	11,561	11,289	112,676
	138,280	136,545	1,362,860
Corporate assets	51,474	49,310	492,165
Consolidated	¥ 189,754	¥ 185,855	$ 1,855,025
Depreciation:			
Office Furniture	¥ 3,505	¥ 4,113	$ 41,052
Store Displays	1,096	1,150	11,478
Material Handling System and Others	461	511	5,101
Consolidated	¥ 5,062	¥ 5,774	$ 57,631

Capital expenditures:			
Office Furniture	¥ 6,424	¥ 4,210	$ 42,020
Store Displays	877	464	4,631
Material Handling System and Others	597	515	5,141
	7,898	5,189	51,792
Corporate	-	-	-
Consolidated	¥ 7,898	¥ 5,189	$ 51,792

Geographic segment information was not shown since aggregate sales of overseas consolidated subsidiaries were less than 10% of the consolidated net sales for the years ended March 31, 2007 and 2008, and assets of overseas consolidated subsidiaries were less than 10% of the consolidated assets at March 31, 2007 and 2008.

Overseas sales was not shown, since overseas sales were less than 10% of the Company's consolidated net sales for the years ended March 31, 2007 and 2008.

12. Balances and transactions with related party

As of March 31, 2007 and 2008, the balance of the accounts receivable-trade from Mitsubishi Corporation (the Company's director, Mutsumi Kotsuka, was the representative director), was ¥3,989 million and ¥4,161 million ($41,531 thousand), respectively. The Company's consolidated net sales to Mitsubishi Corporation amounted to ¥20,394 million and ¥22,011 million ($219,693 thousand), respectively, for the years ended March 31, 2007 and 2008. The selling price was determined at the same general business terms.

Independent Auditors' Report

To the Board of Directors of
OKAMURA CORPORATION:

We have audited the accompanying consolidated balance sheets of OKAMURA CORPORATION and its consolidated subsidiaries as of March 31, 2007 and 2008, the related consolidated statements of income for the years then ended, the consolidated statement of changes in net assets for the year ended March 31, 2007 and 2008,and the consolidated statements of cash flows for the years ended March 31, 2007 and 2008, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OKAMURA CORPORATION and its consolidated subsidiaries as of March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(1) to the consolidated financial statements.

KPMG AZSA & Co.

(KPMG AZSA & Co.)
Yokohama, Japan
June 27, 2008