(財)財務会計基準機構会員

Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2010 (Consolidated)

February 5, 2010

Okamura Corporation — Listing: Tokyo Stock Exchange, Osaka Securities Exchange
Code Number: 7994 — URL: http://www.okamura.co.jp/
Representative — Kazuyoshi Hisamatsu — President and Representative Director
Contact — Kiyoshi Sato — Managing Director — (TEL: 045-319-3445)
Scheduled date of filing Quarterly Report: February 12, 2010
Scheduled date of commencement of dividend payments: –

Note: Amounts of less than one million yen have been rounded down.

1. Financial and Operational Review for the Third Quarter (Apr. 1, 2009 to Dec. 31, 2009) of FY March 2010 (Apr. 1, 2009 to Mar. 31, 2010)
   (1) Progress in (consolidated) business results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of FY March 2010	116,295	(19.4)	(846)	–	(270)	–	(395)	–
Third quarter of FY March 2009	144,289	–	2,364	–	3,372	–	2,041	–

	Net income per share	Diluted net income per share
	yen	yen
Third quarter of FY March 2010	(3.58)	–
Third quarter of FY March 2009	18.51	–

   (2) Changes in (consolidated) financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
Third quarter of FY March 2010	156,691	77,143	48.9	694.82
FY March 2009	167,894	76,939	45.5	692.34

(Reference) Equity: Third quarter of FY March 2010: ¥76,602 million FY March 2009: ¥76,335 million

2. Dividend

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end dividend per share (in yen)	Total
	yen	yen	yen	yen	yen
FY March 2009	–	7.50	–	5.00	12.50
FY March 2010	–	3.75	–		
FY March 2010 (forecast)				3.75	7.50

(Note) Revision of dividend forecasts during quarter under review: Not revised

3. Forecast of consolidated performance for the fiscal year ending March 2010 (from April 1, 2009 to March 31, 2010)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net assets per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY March 2010	170,000	(10.6)	2,200	(50.6)	2,800	(49.8)	1,500	(54.5)	13.61

(Note) Revision of consolidated performance forecasts during quarter under review: Not revised

4. Others

(1) Changes in the scope of consolidation during the accounting period: None

New: – company(ies) (Company name:)
Excluded: – company(ies) (Company name:)

(2) Adoption of simplified accounting methods or special accounting methods applicable to preparation of quarterly consolidated financial statements: Adopted

[Note: For details, please refer to “4. Others (2)” in “Qualitative information, Financial statements, Etc.” on page 4.]

(3) Changes in accounting principles and procedures used in the preparation of quarterly consolidated financial statements or in the method of presentation of quarterly consolidated financial statements (Items contained in “Changes in the Basis of Presenting Quarterly Consolidated Financial Statements”)

i. by new accounting standard: Yes
ii. by others: Yes

[Note: For details, please refer to “4. Others (3)” in “Qualitative information, Financial statements, Etc.” on page 4.]

(4) Number of shares of stock (common stock)

i. Number of shares (including treasury shares) outstanding at end of period
Third quarter of FY March 2010: 112,391,530 FY March 2009: 112,391,530

ii. Number of treasury shares at end of period
Third quarter of FY March 2010: 2,143,901 FY March 2009: 2,133,951

iii. Average number of shares outstanding during period (cumulative quarters)
Third quarter of FY March 2010: 110,251,787 Third quarter of FY March 2009: 110,278,372

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

- The performance forecasts and other forward-looking statements contained herein are based on the information available to the Company at the time, and contain certain assumptions that the Company considers to be reasonable. They are subject to diverse factors that may cause actual results of operations and other items to differ significantly from the statements and forecasts. For a description of the assumptions underlying the performance forecasts and points to note when using performance forecasts, please refer to “3. Qualitative information concerning the performance forecast” in “Qualitative information, Financial statements, Etc.” on page 4.

[Qualitative information, Financial statements, Etc.]

1. Qualitative information concerning the progress in (consolidated) business performance

During the first three quarters of the current fiscal year under review, Japan's economy bottomed out from the persistent doldrums it had been in since last year, due to it benefitting from government stimulus packages, and with signs of recovery beginning to appear in some sectors. Still, with their earnings continuing to decline substantially, businesses showed no signs of regaining confidence in capital investment, especially when further deterioration in the employment situation, the fears of a possible double-dip in the global economy, and the consequences of deflation made their future prospects highly uncertain. This contributed to the persistence of the extremely challenging business conditions surrounding the Company.

Under such circumstances, the Company endeavored to develop new market possibilities and cultivate new customer bases by introducing new products differentiated by virtue of product creativity and design excellence and stepping up proposal-driven marketing approaches, with a view to ensuring continued growth in each segment the Company operates in.

In the Office Furniture segment, as an increasing number of companies began downsizing their personnel base, in addition to curbing investment and cutting expenses, demand arising from office relocations and from office renovations both weakened substantially. Meanwhile, office-related demand remained solid among companies seeking greater office efficiency and cost savings as a way of cutting expenses. In response to this, the Company aggressively pursued the solution-oriented business with a particular emphasis on proposals to introduce the "creative office" concept involving the transformation of offices into "intellectually creative spaces," combined with solutions to reviewing work styles. These efforts promoted enhanced value for office environments. Furthermore, although the Company put a strong emphasis on the marketing of proposals among a wide range of public facility providers, including educational and medical institutions, sales remained slow.

As a result, net sales in this segment decreased to ¥65,513 million (Y-o-Y a decrease of 23.4%).

In the Store Displays segment, the business environment continued to remain challenging as retailers curbed their investments and shifted to smaller store formats in the face of slowing personal consumption as a consequence of increasingly adverse employment and income conditions. Under these circumstances, the Company sought to expand sales by marketing and acquiring new customers for total store solutions whose key concepts boiled down to "food safety and security," "energy efficiency enhancement," and "low-cost operation." Furthermore, the Company sought to expand and put these activities on a more competitive footing by exploring new markets and by developing the store maintenance and servicing business.

As a result, net sales in this segment decreased to ¥44,799 million (Y-o-Y a decrease of 8.6%).

In the Material Handling Systems and Others segment, the Company aggressively stepped up the efforts to market solution proposals among logistics centers, production factories, and other facility operators. Nevertheless, as more and more customers moved to postpone or reduce investment, and as the number of deals decreased amid further market deterioration, net sales from this operation marked a decline as well.

As a result, net sales in this segment decreased to ¥5,981 million (Y-o-Y a decrease of 38.4%).

As a result of the above, during the first three quarters of the current fiscal year, the Company posted net sales of ¥116,295 million (Y-o-Y a decrease of 19.4%), operating loss of ¥846 million, ordinary loss of ¥270 million, and net loss of ¥395 million.

2. Qualitative information concerning the changes in (consolidated) financial position

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

Total assets amounted to ¥156,691 million, down ¥11,203 million compared with the end of the previous fiscal year. Current assets decreased by ¥10,601 million as a result of a decrease in trade notes and accounts receivable despite an increase in cash and time deposits, and fixed assets decreased by ¥601 million primarily as a result of a decrease in tangible fixed assets despite an increase in investment securities.

Liabilities amounted to ¥79,547 million, down ¥11,406 million over the end of the previous fiscal year, mainly because of decreases in notes and accounts payable.

Net assets amounted to ¥77,143 million, primarily reflecting an increase in net unrealized holding gains on other securities. The equity ratio rose to 48.9%.

A review of cash flows for the third quarter of the current fiscal year is as follows:

Operating activities generated a net cash increase of ¥8,641 million (versus a net cash increase of ¥4,672 million in the same period of the previous fiscal year), as a result of (1) inflows including depreciation expenses of ¥4,036 million and the decrease in notes and accounts receivable of ¥15,220 million and of (2) outflows including the decrease in notes and accounts payable of ¥11,415 million and the payment of income taxes of ¥792 million.

Investing activities generated a net cash outflow of ¥2,429 million (versus a net cash outflow of ¥4,859 million in the same period of the previous fiscal year), as a result of outlays primarily reflecting a net change in time deposits of ¥884 million and disbursements of ¥1,499 million for the acquisition of tangible fixed assets.

Financing activities generated a net cash outflow of ¥705 million (versus a net cash outflow of ¥1,262 million in the same period of the previous fiscal year), as a result of outlays primarily reflecting a net change in short-term loans payable of ¥1,146 million and cash dividend payments of ¥918 million.

Consequently, consolidated cash and cash equivalents at the end of the current fiscal year's third quarter increased by ¥5,502 million from the end of the previous fiscal year (versus a decrease of ¥1,468 million over the same period of the previous fiscal year) to ¥23,927 million.

3. Qualitative information concerning the performance forecast

During the first three quarters of the current fiscal year under review, the Company's performance in terms of consolidated net sales, operating income, ordinary income, and net income turned out to be slower than in the same period of the previous fiscal year. While the business environment surrounding the Company is likely to remain challenging in the months ahead, we will continue to step up efforts to expand sales, improve productivity and reduce costs on a continuous basis.

Accordingly, the full-year consolidated performance forecasts for the current fiscal year ending in March 2010, which we announced on July 31, 2009, remain unchanged.

4. Others

(1) Changes in the scope of consolidation during the accounting period

Not applicable.

(2) Adoption of simplified accounting methods and special accounting methods applicable to preparation of quarterly consolidated financial statements

i. Simplified accounting methods

1) Method for valuation of inventories

For the purpose of valuing inventories at the end of the third quarter of the current fiscal year, the Company has dispensed with physical inventorying and applies a rational valuation method on the basis of the inventory value physically verified at the end of the second quarter of the current fiscal year.

2) Calculation of depreciation expenses on fixed assets

In respect of the assets that are depreciated on a declining-balance basis, the Company applies a calculation method that allocates the amount of depreciation attributable to a specific fiscal year appropriately to the quarterly periods.

ii. Special accounting methods applicable to preparation of quarterly consolidated financial statements

Nothing in particular

(3) Changes in accounting principles and procedures used in the preparation of quarterly consolidated financial statements or in the method of presentation of quarterly consolidated financial statements

i. Change in accounting policy for recognizing revenues and costs related to completed construction work

For the purpose of accounting for contract construction work, previously the Company has applied a policy that recognizes related revenues upon the completion of the contract. Effective with the first quarter of the current fiscal year, the Company adopts the Accounting Standard for Construction Contracts (ASBJ Statement No. 15, issued by the Accounting Standards Board of Japan on December 27, 2007) and the Implementation Guidance for Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued by the Accounting Standards Board of Japan on December 27, 2007). Accordingly, beginning with the construction contracts initiated during the first quarter of the current fiscal year, those contracts whose outcome can be estimated with certainty are accounted for on the percentage-of-completion method (the progress toward completion of construction work is estimated based on the proportion of costs incurred) in respect to the portion of work completed. The other contracts are accounted for on the completed-contract method.

This change has no material impact on corporate earnings.

ii. Change in method of presentation

(Quarterly Consolidated Income Statements)

"Loss on disposal of property, plant and equipment," subdivided and separately classified in the first three quarters of the previous fiscal year (which amounts to ¥86 million in the first three quarters of the current fiscal year), is included in "loss on disposal/sale of property, plant and equipment" commencing with the first three quarters of the current fiscal year.

(Quarterly Consolidated Cash Flow Statements)

"Loss on disposal of property, plant and equipment," subdivided and separately classified in the first three quarters of the previous fiscal year (which amounts to ¥86 million in the first three quarters of the current fiscal year), is included in "loss/gain on disposal/sale of property, plant and equipment (parentheses indicate a gain)" commencing with the first three quarters of the current fiscal year.

5. Quarterly financial statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Third quarter of FY March 2010 (As of Dec. 31, 2009)	Condensed consolidated balance sheet concerning FY March 2009 (As of March 31, 2009)
Assets		
Current assets		
Cash and time deposits	26,447	19,488
Trade notes and accounts receivable	32,380	47,600
Marketable securities	122	172
Merchandise and finished products	10,635	12,254
Work in process	1,153	1,286
Raw material and supplies	2,052	2,248
Others	2,449	2,815
Allowance for doubtful debt	(58)	(82)
Total current assets	75,182	85,784
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (at net book value)	15,994	16,880
Land	22,567	22,771
Others (at net book value)	10,091	11,438
Total tangible fixed assets	48,654	51,090
Intangible fixed assets:		
Goodwill	1,590	1,783
Others	2,082	2,347
Total intangible fixed assets	3,673	4,130
Investments and other assets:		
Investment securities	18,936	16,120
Others	10,294	10,859
Allowance for doubtful accounts	(49)	(91)
Total investment and other assets	29,181	26,888
Total fixed assets	81,508	82,109
Total assets	156,691	167,894

(Millions of yen)

	Third quarter of FY March 2010 (As of Dec. 31, 2009)	Condensed consolidated balance sheet concerning FY March 2009 (As of March 31, 2009)
Liabilities		
Current liabilities:		
Trade notes and accounts payable	25,757	37,432
Short-term bank loans	11,024	9,878
Long-term debts due within one year	1,787	1,674
Bonds redeemed within one year	–	5,000
Income taxes payable	89	793
Allowance for bonus payable	325	1,535
Others	3,677	3,056
Total current liabilities	42,662	59,370
Long-term liabilities:		
Debenture bonds	10,000	5,000
Long-term loans payable	9,627	10,639
Severance and employee retirement benefits	12,423	11,710
Others	4,834	4,233
Total long-term liabilities	36,885	31,583
Total liabilities	79,547	90,954
Net assets		
Owners' equity		
Capital stock	18,670	18,670
Capital surplus	16,759	16,759
Retained earnings	41,186	42,547
Treasury stock, at cost	(2,359)	(2,354)
Total owners' equity	74,256	75,622
Net unrealized gain and translation adjustments		
Unrealized holding gains (losses) on securities	2,674	1,057
Foreign currency translation adjustment	(328)	(345)
Total Net unrealized gain and translation adjustments	2,346	712
Minority interests	540	604
Total net assets	77,143	76,939
Total liabilities and net assets	156,691	167,894

(2) Quarterly Consolidated Income Statement

[First Three Quarters of Current Fiscal Year]

(Millions of yen)

	First three quarters of FY March 2009 (From Apr. 1, 2008 to Dec. 31, 2008)	First three quarters of FY March 2010 (From Apr. 1, 2009 to Dec. 31, 2009)
Net sales	144,289	116,295
Cost of sales	100,611	80,396
Gross profit	43,677	35,898
Selling, general and administrative expenses	41,313	36,745
Operating income (loss)	2,364	(846)
Other income:		
Interest income	42	26
Dividend income	427	300
Equity in earnings of affiliated companies	151	35
Refund of premium for cancelled insurance	457	–
Others	567	916
Total other income	1,647	1,279
Other expenses:		
Interest expenses	391	476
Others	247	226
Total other expenses	638	703
Ordinary income (loss)	3,372	(270)
Extraordinary income:		
Gain on sale of investment securities	83	–
Reversal of allowance for doubtful accounts	–	12
Reversal of allowance for bonuses payable	639	–
Others	3	1
Total extraordinary income	726	14
Extraordinary losses:		
Loss on disposal of property, plant and equipment	94	–
Loss on disposal/sale of property, plant and equipment	–	143
Impairment loss on investment securities	218	88
Provision for doubtful receivables from affiliated companies	99	–
Other losses	37	25
Total extraordinary losses	449	257
Income (loss) before income taxes for the quarter term	3,649	(513)
Income taxes	784	244
Adjustments on income taxes	884	(299)
Total income taxes	1,669	(54)
Minority interests in earnings (losses)	(61)	(63)
Net income (loss) for the quarter term	2,041	(395)

(3) Quarterly Consolidated Cash Flow Statement

(Millions of yen)

	First three quarters of FY March 2009 (From Apr. 1, 2008 to Dec. 31, 2008)	First three quarters of FY March 2010 (From Apr. 1, 2009 to Dec. 31, 2009)
Cash flows from operating activities		
Income (loss) before income taxes for the quarter term	3,649	(513)
Depreciation expense	4,442	4,036
Loss on disposal of property, plant and equipment	94	–
Loss/gain on disposal/sale of property, plant and equipment (parentheses indicate a gain)	–	142
Equity in earnings of affiliated companies (parentheses indicate a gain in earnings)	(151)	(35)
Increase/decrease in allowance for doubtful accounts (parentheses indicate a decrease)	81	(65)
Allowance for bonuses payable (parentheses indicate a decrease)	(2,050)	(1,209)
Increase/decrease in allowance for employee retirement benefits (parentheses indicate a decrease)	530	713
Increase/decrease in reserve for directors’ retirement benefits (parentheses indicate a decrease)	(20)	–
Interest and dividends income	(469)	(326)
Interest expense	391	476
Loss/gain on sale of investment securities (parentheses indicate a gain)	(73)	21
Loss on devaluation of investment securities (parentheses indicate a revaluation gain)	218	88
Increase/decrease in notes and accounts receivable (parentheses indicate an increase)	13,622	15,220
Increase/decrease in inventories (parentheses indicate an increase)	(671)	1,949
Increase/decrease in notes and accounts payable (parentheses indicate a decrease)	(10,722)	(11,415)
Others	(849)	453
Sub-total	8,019	9,534
Interest and dividends received	505	342
Interest expenses paid	(370)	(443)
Income taxes paid	(3,482)	(792)
Net Cash provided by operating activities	4,672	8,641
Cash flows from investing activities		
Outlay for placement of time deposits	(602)	(2,363)
Proceeds from withdrawal of time deposits	618	1,479
Payment for purchase of property, plant and equipment	(4,046)	(1,499)
Payment for purchase of intangible fixed assets	(180)	(311)
Payment for purchase of investment securities	(636)	(250)
Proceeds from sale and redemption of investment securities	1,215	136
Outlay for acquisition of stock in subsidiary	(2,089)	–
Others	861	378
Net Cash used in investing activities	(4,859)	(2,429)

	First three quarters of FY March 2009 (From Apr. 1, 2008 to Dec. 31, 2008)	First three quarters of FY March 2010 (From Apr. 1, 2009 to Dec. 31, 2009)
Cash flows from financing activities		
Net increase/decrease in short-term bank loans (parentheses indicate a decrease)	1,254	1,146
Proceeds from long-term bank loans	1,150	600
Repayments of long-term debt	(2,056)	(1,498)
Proceeds from issuance of corporate bonds	–	5,000
Outlays for redemption of corporate bonds	–	(5,000)
Payment for purchase of treasury stock	(16)	(3)
Cash dividends	(1,562)	(918)
Cash dividends paid to minority shareholders	(24)	–
Others	(6)	(31)
Net Cash used in financing activities	(1,262)	(705)
Effect on exchange rate changes on cash and cash equivalents	(18)	(3)
Increase/decrease in cash and cash equivalents (parentheses indicate a decrease)	(1,468)	5,502
Cash and cash equivalents at beginning of year	19,496	18,425
Cash and cash equivalents at term end	18,028	23,927

(4) Note regarding the assumption of going concern

First three quarters of previous fiscal year (from April 1, 2008 to December 31, 2008)

There is no information that needs to be disclosed herein.

First three quarters of current fiscal year (from April 1, 2009 to December 31, 2009)

There is no information that needs to be disclosed herein.

(5) Segment information

[Segment information by business type]

First three quarters of previous fiscal year (from April 1, 2008 to December 31, 2008)

	Office Furniture (Millions of yen)	Store Displays (Millions of yen)	Material Handling Systems and Others (Millions of yen)	Total (Millions of yen)	Unallocated and Eliminations (Millions of yen)	Consolidated (Millions of yen)
Net sales						
(1) Net sales to external customer	85,552	49,020	9,715	144,289	–	144,289
(2) Internal sales or transfers between segments	–	–	–	–	(–)	–
Total	85,552	49,020	9,715	144,289	(–)	144,289
Operating income or (operating loss)	1,509	1,129	(274)	2,364	(–)	2,364

First three quarters of current fiscal year (from April 1, 2009 to December 31, 2009)

	Office Furniture (Millions of yen)	Store Displays (Millions of yen)	Material Handling Systems and Others (Millions of yen)	Total (Millions of yen)	Unallocated and Eliminations (Millions of yen)	Consolidated (Millions of yen)
Net sales						
(1) Net sales to external customers	65,513	44,799	5,981	116,295	–	116,295
(2) Internal sales or transfers between segments	–	–	–	–	(–)	–
Total	65,513	44,799	5,981	116,295	(–)	116,295
Operating income or (operating loss)	(675)	253	(424)	(846)	(–)	(846)

Notes: 1. Business segmentation method

Business segmentation is based on considerations of similarities among types, characteristics and markets, etc. for products (inclusive of operations) delivered under business activities of consolidated companies.

2. Classification of main products by business segment

Business segment	Main products
Office Furniture	Office furniture, cultural and educational facilities, partitions, medical and research facilities, security systems, SOHO-related products
Store Displays	Showcases for stores, refrigerated showcases, counters for stores
Material Handling Systems and Others	Racks and stackers for factories and warehouses, automated material handling systems, torque converters for industrial and construction equipment, real estate leasing, insurance

3 Change in accounting policy
(First three quarters of previous fiscal year)

Effective with the first quarter of the current fiscal year, the Company adopts the Accounting Standard for Valuation of Inventories (ASBJ Statement No. 9, issued by the Accounting Standards Board of Japan on July 5, 2006). The effect of this change is to reduce the segment operating income for the first three quarters of the current fiscal year by ¥240 million for the Office Furniture segment and by ¥56 million for the Store Displays segment, and to increase the segment operating loss by ¥40 million for the Material Handling Systems and Others segment respectively compared with the results based on the previous method.

4 Additional information
(First three quarters of previous fiscal year)

Following the revision of the Corporation Tax Act in the 2008 fiscal year, effective with the first quarter of the fiscal year the Company changes the number of useful life years it uses in respect of machinery and equipment to conform to the same criteria prescribed in the revised Corporation Tax Act. The effect of this change is to reduce the segment operating income for the first three quarters of the current fiscal year by ¥48 million for the Office Furniture segment and by ¥34 million for the Store Displays segment, and to increase the segment operating loss by ¥22 million for the Material Handling Systems and Others segment respectively compared with the results based on the previous method.

[Geographically segmented information]

First three quarters of previous fiscal year (from April 1, 2008 to December 31, 2008)

Geographically segmented information is omitted. This is because Japan accounts for over 90% of the Company's total net sales across all segments.

First three quarters of current fiscal year (from April 1, 2009 to December 31, 2009)

Geographically segmented information is omitted. This is because Japan accounts for over 90% of the Company's total net sales across all segments.

[Overseas sales]

First three quarters of previous fiscal year (from April 1, 2008 to December 31, 2008)

Information on overseas sales is omitted, because they account for less than 10% of the Company's consolidated net sales.

First three quarters of current fiscal year (from April 1, 2009 to December 31, 2009)

Information on overseas sales is omitted, because they account for less than 10% of the Company's consolidated net sales.

(6) Note regarding occurrence of significant change in amount of shareholders' equity

First three quarters of previous fiscal year (from April 1, 2008 to December 31, 2008)

There is no information that needs to be disclosed herein.

First three quarters of current fiscal year (from April 1, 2009 to December 31, 2009)

There is no information that needs to be disclosed herein.