



Okamura Corporation  
Annual Report 2008

# CONSOLIDATED FINANCIAL HIGHLIGHTS

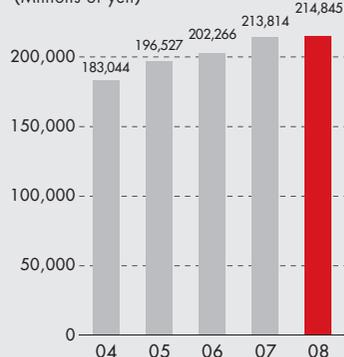
Years ended March 31, 2006, 2007 and 2008

	Millions of yen, except per share figures		Thousands of U.S. dollars, except per share figures	
	2006	2007	2008	2008
<b>SUMMARY OF OPERATIONS:</b>				
Net sales	¥ 202,266	¥ 213,814	¥ 214,845	\$ 2,144,376
Operating income	9,112	10,913	9,833	98,144
Net income	8,308	6,132	5,951	59,397
Net income per share	¥ 74.14	¥ 54.75	¥ 53.82	\$ 0.54
<b>YEAR-END FINANCIAL POSITION:</b>				
Total assets	¥ 185,969	¥ 189,754	¥ 185,855	\$ 1,855,025
Total net assets	77,148	84,972	83,121	829,634
Equity ratio	41.48%	42.87%	42.69%	—
Interest-bearing debt	29,240	27,848	29,280	292,245
<b>GENERAL:</b>				
Capital expenditures	¥ 5,257	¥ 7,898	¥ 5,189	\$ 51,792
Depreciation and amortization	4,885	5,062	5,774	57,631
Dividends per share	¥ 12.00	¥ 15.00	¥ 15.00	\$ 0.15
<b>COMMON STOCK PRICES:</b>				
High	¥ 1,270	¥ 1,497	¥ 1,370	\$ 13.67
Low	699	1,013	660	6.59

U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥100.19=US\$1.

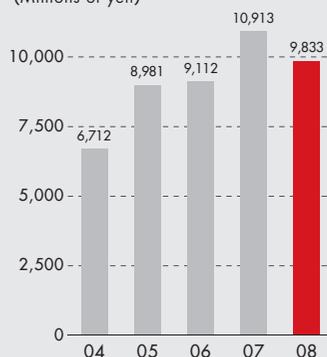
## Net Sales

(Millions of yen)



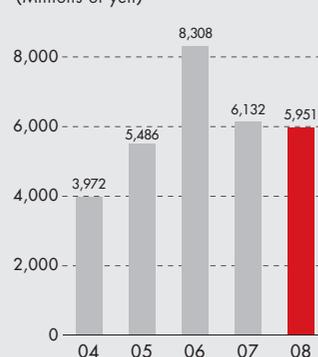
## Operating Income

(Millions of yen)



## Net Income

(Millions of yen)



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## TO OUR SHAREHOLDERS



Kikuo Nakamura, Chairman



Kazuyoshi Hisamatsu, President

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

Presently, we are working to further strengthen our development, manufacturing, and sales functions to expand our business and enhance our corporate value. The keywords for this endeavor are, “information technology (IT),” “globalization,” and “specialization.”

With an emphasis on craftsmanship, we have leveraged our outstanding technical capabilities and the multifaceted marketing capabilities of each of our businesses to achieve results that have earned the high praise and faith of countless customers, and made us the first company that comes to mind for creating office spaces. As a leading company in the office furniture industry, Okamura feels a tremendous responsibility to lead the industry’s future development. Moving ahead, we aim to approach overseas business development with even greater energy and make Okamura into a global company. We believe that expanding our business activities at a global level will serve to promote the development of the entire industry.

Turning to social contributions, another important aspect of company management, we are pursuing product development based on universal design and environmental management initiatives aimed at environmental efficiency in all areas. In so doing, we are striving to contribute to the creation of a sustainable society. We are also implementing compliance-oriented management rooted in social responsibility, and continuing to strengthen our corporate governance.

Conducting ourselves in ways based on a strong sense of corporate ethics, we will continue to respond to the faith of our shareholders and all other stakeholders.

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

July 2008

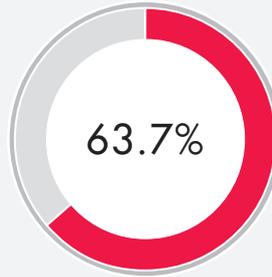
Kikuo Nakamura, Chairman  
Kazuyoshi Hisamatsu, President

# PERFORMANCE RESULTS BY SEGMENT

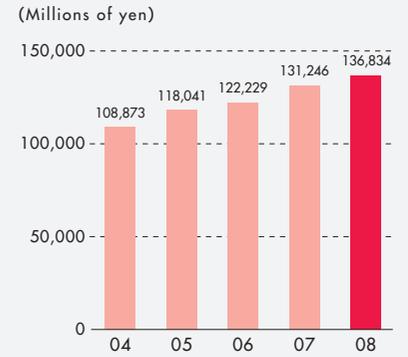
## Office Furniture



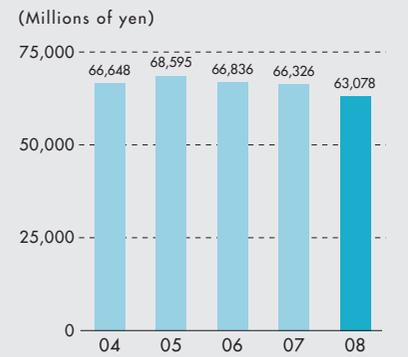
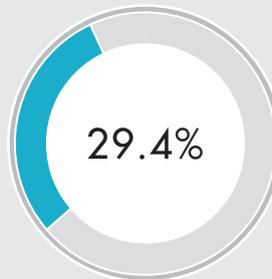
Net Sales (Total sales=100%)



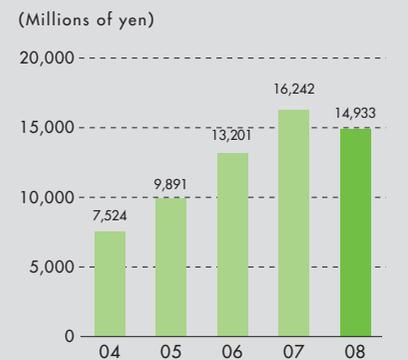
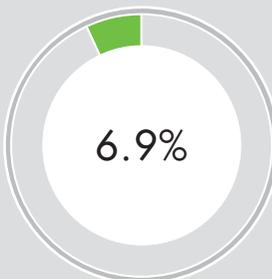
Net Sales



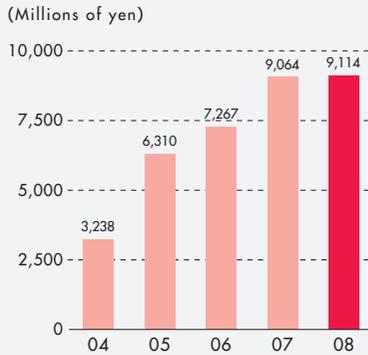
## Store Displays



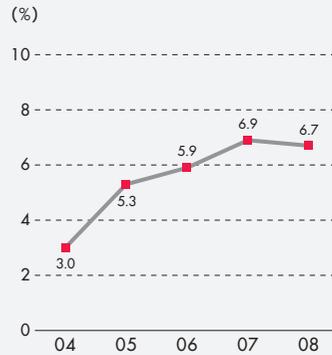
## Material Handling Systems and Others



## Operating Income (Loss)



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

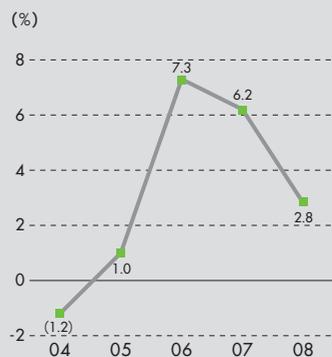
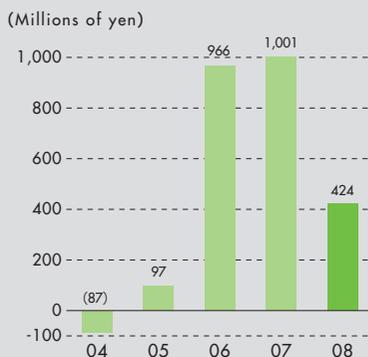


## Performance Highlights

Office improvement investments aimed at helping to resolve management issues have increased. Second-half net sales displayed some weakness due to the impact of the subprime loan problem, but on the whole remained fundamentally solid. For the fiscal year, net sales rose 4.3% from the previous fiscal year, to ¥136,834 million, and operating income increased 0.5%, to ¥9,114 million.



Despite efforts focused on expanding net sales through offer total solutions covering entire stores and development of new customers, lackluster personal consumption caused retailers to keep a tight rein on investment and resulted in lower overall retail demand, making a net sales decline unavoidable. For the fiscal year, net sales fell 4.9%, to ¥63,078 million, and operating income declined 65.2%, to ¥295 million.



Investments aimed at streamlining and making the material handling field more efficient remained solid. However, the significant amount of time devoted to upgrading our internal system in accordance with rapid business expansion over the past several years has led to insufficient development of new customers. As a result, net sales fell 8.1%, to ¥14,933 million, and operating income declined 57.6%, to ¥424 million.

## AN INTERVIEW WITH THE PRESIDENT



### Q1.

To begin with, please give an overview of results for the fiscal year ended March 31, 2008.

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With consolidated net sales of ¥214.8 billion, Okamura reported a sixth consecutive year of record revenues in the fiscal year ended March 31, 2008. Operating income, however, declined 9.9%, to ¥9.8 billion, and net income fell 3.0%, to ¥5.9 billion. We were, thus, unable to continue the string of record operating income results, which ended at five consecutive years.

Through the first half of the fiscal year under review, the Japanese economy continued to grow, though at a mild rate, and the Company's performance remained solid on positive corporate employment and energetic investment activity.

Beginning in the second half, however, factors like sudden increases in crude oil and material prices and exchange rate movements added to the impact of the subprime loan problem in the US, increasing feelings of uncertainty, which weighed on corporate sentiments and caused a change in investment attitudes.

As regards our mainstay Office Furniture segment, which had been performing exceptionally well, stagnation in financial institution demand caused a rapid downturn in sales, which kept us from achieving our objectives. While it could be said that external factors were the main cause, it is regrettable that we were unable to respond more quickly to the change in demand.

I believe difficult conditions will continue through the fiscal year ending March 31, 2009. On the other hand, even amid an economic pullback, it is possible to expect office improvement investments, as a means to address management issues, to increase. It is exactly times like these that test the mettle of companies, so we will take this as an opportunity to differentiate ourselves from the competition and move our operations forward, with everyone working in unison.

**Difficult conditions as a chance to move operations forward, with everyone working in unison.**

**Q2.****Could you describe some specifics about the newly announced Midterm Management Plan?**

Under the new Midterm Management Plan announced in May 2008 and extending through the fiscal year ending March 31, 2010, we have set forth the objectives of attaining net sales of ¥234.0 billion, operating income of ¥13.0 billion, and net income of ¥7.7 billion as we continue to expand our core Office Furniture business.

Though present economic conditions give some cause for concern, there are still deeply rooted desires to pursue office efficiency investments that are consistent with rising office rents and strategic office investments aimed at enhancing employee motivation. As such, Okamura will participate beginning at the very earliest stages of customers' new office planning and concept creation activities and provide office creation support tailored to individual customers' needs through the solution-based proposal sales approach that is our strength. In addition, in the area of product development, we will place greater importance on intellectual property, focus on developing creative designs and new functions, strive to further enhance our design and product-related capabilities, and extend our competitive advantage.

In the field of security, which is seeing a growing market in response to changes in social conditions, Okamura made Fuji Seiko Honsha Co., Ltd. into a wholly owned subsidiary in April 2008. Fuji Seiko excels in the development and production of primarily office security products and will allow the Okamura Group to establish an integrated production and marketing business model. Plans are to achieve further growth by enhancing synergies between Fuji Seiko's technical capabilities and Okamura's product planning and development capabilities, and by pursuing streamlining through increased product development speeds and the integration of production and marketing.

In the Store Display business, weak consumer spending has forced the retail industry to hold back on investment, and caused the market to contract. Difficult business conditions are expected to continue, but some sectors, like premium supermarkets, are actively planning new store openings, so we remain committed to developing new customers. We also have our eye on future business expansion and are taking steps to develop sales and supply systems for China and other emerging markets where major retailers are beginning to invest aggressively.

In the Material Handling System business, we believe that positive market conditions will continue on expectations of active investment aimed at increasing efficiency in and streamlining distribution. To cope with business expansion, we are gradually making up-front investments in personnel and production

**Target of the Midterm Management Plan (consolidated)**

	(Billions of yen)	
	2009	2010
Net sales	¥221.0	¥234.0
Office Furniture	140.0	148.0
Store Displays	64.0	66.0
Material Handling Systems and Others	17.0	20.0
Operating income	11.2	13.0
Net income	6.6	7.7
ROE (%)	8.2	9.1
ROA (%)	6.2	6.9



facilities. To achieve our next objectives, we will focus on horizontal business development targeting customer industries that handle the small products (pharmaceuticals, food items, daily essentials, etc.) that are our specialty.

## We will continue to press forward with business development centered around our Office Furniture business.

### Q3.

What is being done to address rapidly rising material prices?

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With prices for various materials having undergone sudden, significant increases, and no signs of their falling back, we, as a manufacturer, continue to face very difficult circumstances.

There are two ways to cope with these increases – raise prices and cut costs. We would like to absorb as much of the increases as possible, and then ask customers to bear what we cannot.

The price of steel, one of our main materials, has again risen markedly this year, and, based on the judgment that we cannot cover the entire increase on our own, decided to raise prices. While it is difficult to expect that increases in list prices will be reflected directly in actual sales prices, we are explaining the price situation to customers on an individual basis and gradually winning their understanding.

We are also working to cut costs through three approaches: (1) Productivity improvement through Okamura Production System (OPS), the Company's own developed production method; (2) Procurement cost reductions; and (3) Distribution cost reductions. We have been working to achieve productivity improvements through OPS since 1997 and have seen these improvements take hold. We realized approximately ¥1.1 billion in improvements for the fiscal year ended March 31, 2008 and believe we have achieved the capability to realize cost reductions at the rate of ¥1.0 billion per year.

To further enhance our competitiveness, we will also embark on a restructuring of our production system. Presently, we have decided to gradually shift workstation and storage product production from a subsidiary, Kansai Okamura Manufacturing Co., Ltd., to a new central production facility to be constructed at our Tsukuba Plant. The new facility will offer production capacity 1.5 times the current level. At the same time, we are striving to greatly increase productivity, and expecting an annual cost saving of about

¥1.4 billion. Furthermore, we are looking forward to annual distribution cost savings of around ¥700 million to result from the shorter lead time associated with the location of production close to metropolitan Tokyo, our largest market.

## We are striving to thoroughly cut costs from all angles, and make Okamura an even more resilient company.

### Plan for a New Production Facility at the Tsukuba Plant

This new plant will be constructed to provide the additional production capacity and cost competitiveness required for future workstation and storage product sales expansion. We will take the opportunity presented by this project to extend development of Okamura's proprietary OPS to distribution companies and business partners in an effort to achieve significant cost reductions through the use of a uniform production management system.

#### Overview of the New Production Facility

Building area:	21,600 m <sup>2</sup>
Floor space:	64,800 m <sup>2</sup>
Total investment:	Approx. ¥12.0 bil.
Const. start:	April 2009 (Planned)
Completion:	April 2010 (Planned)

### Q4.

It appears that preparations are being made to more aggressively develop overseas business. What directions will be taken in this regard?

A comparison of global office furniture markets shows that the US market is around three times that of Japan, and the European market, about double. The size of the global market, therefore, can be clearly seen.

To date, Okamura's attempts to sell in overseas markets have consisted primarily of sales of high-grade seating through representatives. Exports of high-grade *Contessa* seating begun in 2002 have produced steadily increasing sales. We believe these results mark the first success in exporting Japanese office furniture and serve as feedback regarding our product-related capabilities and competitiveness.

Moving forward, we will enhance our marketing activities targeting promising European and American markets by expanding and enhancing our own network of sales locations to supplement sales through representatives.

In June of this year, we became the first Japanese furniture manufacturer to open a showroom at the Merchandise Mart Building, which is highly



Chicago showroom at the Merchandise Mart Building



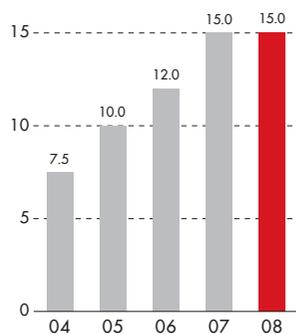
symbolic as a permanent display location for office furniture and located in North America, the world's largest market. We also constructed new sales locations in London, in July, and plan to construct one in Dubai, in the fall.

To increase our name recognition overseas, we will continue to participate in overseas trade shows. We have already exhibited our products at Salone Ufficio an international office furniture trade show held in Milan, Italy in April, and at NeoCon, the world's largest office furniture trade show, which was held in Chicago in June. These trade shows draw top manufacturers from around the world and are attended by large numbers of office furniture experts from a multitude of countries. I believe that our participation in these shows succeeded greatly in boosting our name recognition by exposing these people to our products, which are every bit the equal of those of major European and American manufacturers.

Through activities like these, we are aiming to double our overseas sales to ¥10 billion over a period of three years.

**With designs and product-power as weapons, unrivaled by European and American competitors, Okamura aims to be a global player.**

**Dividends per Share**  
(Yen)



**Q5.**

**What is the company doing in the area of 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. Therefore, for the fiscal year ended March 31, 2008, the dividend was set at ¥15.0 per share, the same as for the previous fiscal year. We intend to continue distributing earnings in a manner appropriate for our performance and will strive to maintain stable dividends in light of overall considerations of factors like our financial condition, future business development, and retained earnings.

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

To develop globally recognized products, we are focused on evolving as a global player.

Okamura's High-Grade Seating Strategy



Based on the concept of “created in Japan, refined by the world,” the *Contessa* is a series of high-grade mesh seating products developed by Okamura for the global market. The *Contessa* series, which was launched in 2002, has been praised the world over for its beautiful design and advanced functionality. *Contessa* was the first Japanese office furniture product to be exported in earnest to North America and other markets. In this special feature, we use the *Contessa* series to introduce the development and manufacturing capabilities that are at the root of Okamura’s competitiveness.

**SPECIAL FEATURE**

# Contessa is the culmination of Okamura technologies embodying ergonomic research results.

Working from the idea that office seating is a tool to be used by people, we aimed to produce comfortable seating and realized smart operability that permits basic adjustments while maintaining a natural seating posture. With features like the ability to adjust seating height and angle by using the front lever on each armrest, we have produced seating that offers an excellent sense of fit and ease of use.

**Arm Pads**

Adjustment ranges of 20° inward and 10° outward allow greater comfort when using a personal computer.



**Seat Adjustment Structure**

Using a lever positioned where one's hand would naturally rest, the seat bottom can be adjusted over a range of 50mm to accommodate various body sizes.



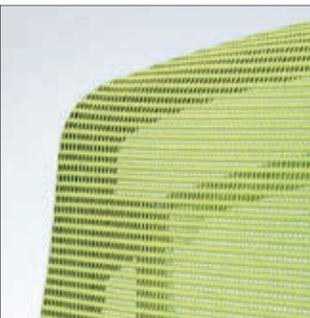
**Reclining Function**

Free rocking and the ability to lock in to five different angles.



**Headrest**

Up-down and forward-backward adjusting headrest allows for greater concentration and deeper relaxation.



**Mesh Structure**

Newly developed mesh material makes for comfortable seating and reduces fatigue due to long hours of work.



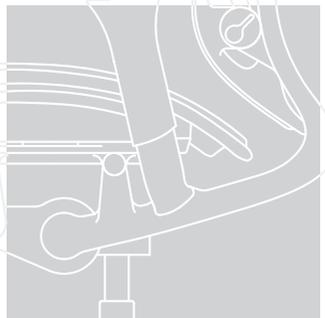
**Lumbar Support Adjustment Function**

Comfortably supports the lower and middle back with adjustment ranges of 15mm forward-backward 60mm up-down.



**Casters**

Large 75mm casters minimize resistance when moving while seated and reduce lower-back stress.



### Success in Developing a Mesh Chair for the World

*Contessa*, the highest grade office seating developed for the world market, embodies years of research on the needs of IT-centered offices, changes in work styles, greater health-consciousness on the part of workers, and other topics as well. Development of innovative designs and completely new functions, like lever on the armrest edge, were made possible by Okamura's outstanding technical capabilities, and are extremely competitive even in comparison to leading European and American products.

### Collaboration with Giugiaro Design

*Contessa* was born of a collaboration with the distinguished Italian industrial design firm Giugiaro Design. This collaboration produced the fluid rear form of the aluminum frame, the wide mesh back, and a light, original style that adds new life to office seating concepts.

### Beautiful Design Realized through Okamura's Technical Capabilities

Okamura's technical capabilities responded to both the design objective of making the frame as thin and light as possible, and the need to meet overseas strength specifications that are much stricter than those in Japan. The result was a product that added new life to office seating concepts through a light, original style.

### Debut at ORGATEC – The World's Largest Office Furniture Trade Show

*Contessa* made a spectacular debut at ORGATEC, the world's largest office furniture trade show, held in Cologne at 2002. *Contessa* products, which were displayed in a dedicated booth on the main floor of the show's enormous venue, were experienced by countless visitors and won rave reviews in that international forum.

### Contessa Sold Throughout the World

*Contessa* products have won high praise for the lightness of their mesh material and for their comfort, and are being shipped in increasing numbers to Europe, the Americas, Asia, the Middle East, and other regions comprising over 50 countries in total.

We granted an exclusive license to TEKNION Corporation, the largest office furniture company in Canada, for production and distribution of *Contessa* in North America.

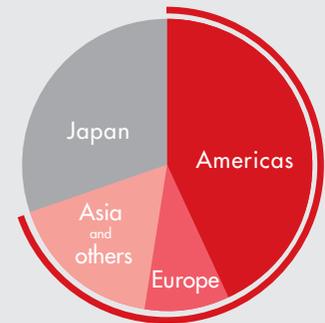


Giorgio Giugiaro



ORGATEC 2002

### Cumulative Contessa Shipment by Region (as of March 2008)



### Contessa Shipment Area (as of March 2008)



# Promoting Okamura Production System (OPS) to produce better products more economically and in less time.

Both lines and cells are used to make production capacity adjustments possible. Production lines are constantly being upgraded to increase efficiency.



Cost reductions are being pursued through round after round of rationalization in which searching for items during work is counted as 2 seconds, or ¥2, and 2 steps are counted as 1 second, or ¥1.



We have succeeded in automating some of the mesh application process, which is difficult to automate and requires skilled manual labor. Installation time has been reduced to 8 minutes, from the previous 21.3 minutes.



BEFORE transition



AFTER transition

We have transitioned from traditional line work, to the cell production format, in which one person performs all tasks. This has made it possible to easily change production items and volumes, and produce small lots of many items.



To help ensure that the outstanding skills of veteran employees are transferred to young employees, we regularly hold skill training workshops. At these workshops, we have implemented approaches that allow us to know at a glance how young employees are progressing.

The Okamura Production System (OPS) is based on the Toyota Production System (TPS) and is Okamura's own developed production method. The Okamura Group views OPS as an ongoing activity in which all employees participate. OPS improvement activities are aimed at enhancing productivity and eliminating the wasting of resources and energy.

### Cost Reduction Through Thorough Waste Elimination

OPS activities began 10 years ago and are aimed at thoroughly eliminating waste due to overproduction, inventory waste, waste related to inefficient work procedures, and waste from other sources as well. Regarding waste related to inefficient work procedures, the focus is on eliminating the need to search for items while working, and getting rid of procedures that require walking. To do this, we position components and workspaces within strike zones, and strive to reduce work procedures and cut processing time.

### Small Lot, Multiple Cycle Production through the Cell Approach

In recent years, diversifying work styles have made it necessary to customize office furniture in response to individualized customer needs. That has pushed the number of production management items beyond 600,000. And it has become necessary to meet rapid turnaround times and produce small numbers of many items in response to custom orders.

To meet those requirements, a production line in which each employee performs a single task is inadequate. Use of the cell production approach in which each employee performs multiple tasks makes it possible to adjust production facilities to changes in demand. In addition, shortening preparation time by, for example, revising procedures and plant layout has allowed us to achieve significant improvements in productivity.

### Net sales / Inventories

(Billions of yen)



### Contessa Assembly

#### Man-minute

(Minute / Unit)



### Plan for a New Production Facility at the Oppama Plant



Based on strong domestic and overseas demand for *Contessa*, *Baron*, and other high-grade office seating, Okamura has decided to construct a new production facility at the Oppama Plant site. The new facility will be managed as a part of the Oppama Plant and our aim is to create a high productivity production plant at Oppama by revising the site's overall layout.

### Overview of the New Production Facility

Building area:	2,370 m <sup>2</sup>
Floor space:	7,590 m <sup>2</sup>
Total investment:	Approx. ¥2.4 bil.
Const. start:	September 2008 (Planned)
Completion:	April 2009 (Planned)

## feego mesh

Feego Mesh Office Seating

*General-purpose mesh seating for a wide variety of applications*

The *Feego MESH* series is office seating that employs a contoured backrest and an airy, transparent mesh material. Offering the unique style characteristics of a mesh chair and seating comfort with just the right amount of give, the *Feego MESH* comes in six color variations and is appropriate for a wide variety of applications.

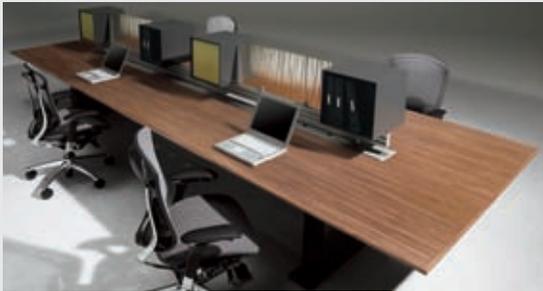


## PROSTAGE CREST

PROSTAGE CREST Office System

*A workstation refined from the perspective of design quality*

*PROSTAGE CREST* office system adds high-quality design that piques the sensibilities to the basic functions demanded of workstations. While responding to work style changes through simple design, *PROSTAGE CREST* office system helps to stimulate the imagination and creativity through sophisticated forms combining beauty and functionality.



## ONE BLOCK

ONE BLOCK Creative Worktable

*Broad desktop that exude a sense of presence and provide space for imagining and creating*

*ONE BLOCK* creative worktables coming in lengths of up to 6.4 meters provide enormous amounts of legroom. They offer completely new creative workspaces that promote conceptual and intellectual focus by appealing to sensibilities through the feel of high-quality materials and design characteristics, and providing the exceptional sense of presence of broad desktops.



## ALZATA SPINE

ALZATA SPINE Office System

*Expanding the possibilities of office environments through the "SPINE" concept*

The *ALZATA SPINE* office system expands the possibilities of office layouts with spine-like base panels to which a wide variety of attachments can be affixed. Offering the ability to creatively tailor office spaces to particular needs, this office system also features flexibility to adjust layouts as needed.

## safewall spread & move

Active Partitions & Sliding Walls (*spread & move*)

*Ability to flexibly adjust walls and construct needs-matching spaces*

The *safewall spread & move* wall system consists of “safewall spread” partitions and “safewall move” sliding walls. Use of a uniform panel design permits a flexible response to a wide variety of work styles calling for anything from personal spaces, to presentation rooms.



## Fontana-Deux 1000D

Fontana-Deux 1000D Refrigerator and Freezer Showcase

*Space- and energy-efficient refrigerators and freezers*

The *Fontana-Deux 1000D* series of mid-size supermarket refrigerator and freezer showcases eliminate wasted display space without sacrificing a sense of display volume. In addition, by addressing the problem of global warming through a reduced refrigerant load, they offer an environmentally conscious sales measure.



## Manner Jet

Manner Jet Pollen Removal Booth with Deodorizing Function

*Glass paneled booth that removes pollen and dust, and prevents their further dispersal*

The *Manner Jet* pollen removal booth with deodorizing function uses a dustless jet air wash to remove pollen and dust, as well as odors, from clothing and hair. Its glass paneled booth offers a sense of openness and high-performance pollen and dust removal, and employs an air curtain effect to keep contaminants outside.



## 6N Crank Mobile Rack

6N Crank-Operated Mobile Rack

*Medium-capacity crank-operated mobile shelves that nearly double storage, compared to immovable shelving*

*6N Crank Mobile Rack* is crank-operated mobile shelving based on the boltless 6N medium-capacity shelf design. Able to hold up to 300kg per shelf and 2,000kg per rack, *6N Crank Mobile Rack* can handle a wide variety of storage needs. Having roughly double the capacity of immovable shelving, they also offer considerable space efficiency.

# RESEARCH AND DEVELOPMENT

## Overseas Design Awards

2004



Contessa

Industrial Design  
Excellence Award,  
Gold Prize

*Contessa*, ergonomic mesh chair

2006



Baron

iF Product Design Award  
*Baron*, ergonomic mesh chair

Red Dot Design Award  
*Baron*, ergonomic mesh chair

*Cruise & Atlas*,  
intelligent creation  
workstation



*Cruise & Atlas*

2007



*Interact NT*

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

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

## Basic Concept

Okamura works to develop more comfortable environments, and extend its achievements in product research and development, based on customer needs assessments that are constantly up to date. In addition, we apply outstanding organizational capabilities and cutting-edge facilities to flexibly adjust to market changes. And, we take a proactive approach to developing environmentally conscious products and universal designs stressing ease-of-use for all people.

## Research and Development System

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

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

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

## Overseas Design Awards

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



### Receiving the Ergonomics Excellence Award

The *Contessa* and *Baron* series of ergonomic mesh chairs have been presented with the Ergonomics Excellence Award.

This award is recognized by the British FIRA (Furniture Industry Research Association) and is the top ergonomic award in Europe that certifies that a product is truly ergonomic by undergoing inspection and fulfilling strict requirements.

Inspections include conformance to ergonomic requirements (scheme to consider intended use, measurement compatibility, simplicity, comfort), as well as safety, ease of use, and clear explanations for maintenance. Furthermore, there are also other various inspections including inspections of sales staff training, quality assurance, environmental friendliness, etc.

Note: *Baron* is a follow-up to *Contessa* as a global strategic product of Okamura.

# INTELLECTUAL PROPERTY

## Basic Concept

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

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

(1) Expand design development freedom

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

(2) Secure product originality

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

(3) Increase the morale of engineers and designers

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

## System for Acquiring and Applying Intellectual Property

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

## Track Record

Okamura is very diligent about registering designs. We have registered the second highest number of designs in Japan and ranked 20th among registrants in Japan, the US, Europe, China, and Korea. We also actively work with companies in other industries to fight the proliferation of counterfeit goods. Our efforts in this respect were recognized by the Japan Patent Office, which presented Okamura with the Minister of Economy, Trade and Industry Award (Excellence in Design Application), in April 2008. This award is presented to acknowledge efforts on behalf of intellectual property.

## Japan Design Registration Ranking (2006)

1	Matsushita Electric Industrial Co., Ltd.	961
2	<b>Okamura Corporation</b>	<b>428</b>
3	Sanyo Electric Co., Ltd.	417
4	Matsushita Electric Works, Ltd.	392
5	Sharp Corporation	347
6	Toshiba Corporation	337
7	Mitsubishi Electric Corporation	246
8	Rinnai Corporation	243
9	Fujishoji Co., Ltd.	237
10	Sony Corporation	202
11	Honda Motor Co., Ltd.	192
12	Mirai Industry Co., Ltd.	174
13	Sankyo Co., Ltd.	169
14	Sankyo Tateyama Aluminium, Inc.	160
15	Kokuyo Furniture Co., Ltd.*	155
16	Itoki Corporation*	152
17	Inax Corporation	149
18	Casio Computer Co., Ltd.	141
19	Kubota Corporation	137
20	Hitachi Koki Co., Ltd.	135

Source: Patent Administration Yearbook 2007

\*Office furniture manufacturer

## World Design Registration Ranking (2006)

1	Samsung Electronics Co., Ltd.	2,375
2	Matsushita Electric Industrial Co., Ltd.	1,566
3	Qiu Zeyou	1,313
4	LG Electronics Inc.	1,101
5	Sony Corporation	855
6	The Procter & Gamble Company	784
7	Lifan Industry (Group) Co., Ltd.	753
8	Honda Motor Co., Ltd.	744
9	Toyota Motor Corporation	709
10	Bosch and Siemens Home Appliances Group	688
11	Nike International, Ltd.	658
12	Microsoft Corporation	639
13	Hannspree Inc.	597
14	Sanyo Electric Co., Ltd.	565
15	Eglo Leuchten GmbH	562
16	Toshiba Corporation	524
17	Chana Inc.	520
18	Créations Nelson S.A.	511
19	Matsushita Electric Works, Ltd.	506
20	<b>Okamura Corporation</b>	<b>501</b>

Source: 2007 Design Application Trend Study Report

## Basic Policy

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

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

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

## Internal Control System

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

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

Furthermore, in response to the passage of the Financial Instruments and Exchange Law, Okamura launched an internal control project aimed at increasing management transparency and preventing improprieties that could lead to material misstatements in financial statements. Though this project, which was launched in anticipation of the Law's taking effect in the fiscal year ending March 2009, internal control documentation was completed by December 2007, and systems necessary for operations were prepared.

### Basis of Okamura's Internal Control System

Okamura's internal control system consists of frameworks to:

- (1) Store and control information regarding the execution of director job functions
- (2) Formulate regulations pertaining to risk management
- (3) Ensure the efficient execution of director job functions
- (4) Ensure directors and employees are in compliance with applicable laws and regulations as well as the Company's Articles of Incorporation in the execution of their respective duties

- (5) Ensure business operations are conducted in a way befitting a business group comprised of companies, a parent company and subsidiaries
- (6) Appoint auditor-approved employees to assist auditors' duties
- (7) Stipulate items relating to the impartiality of employees mentioned in the preceding clause
- (8) Compile reports from directors and employees to auditors
- (9) Ensure efficient implementation of audits

### Compliance

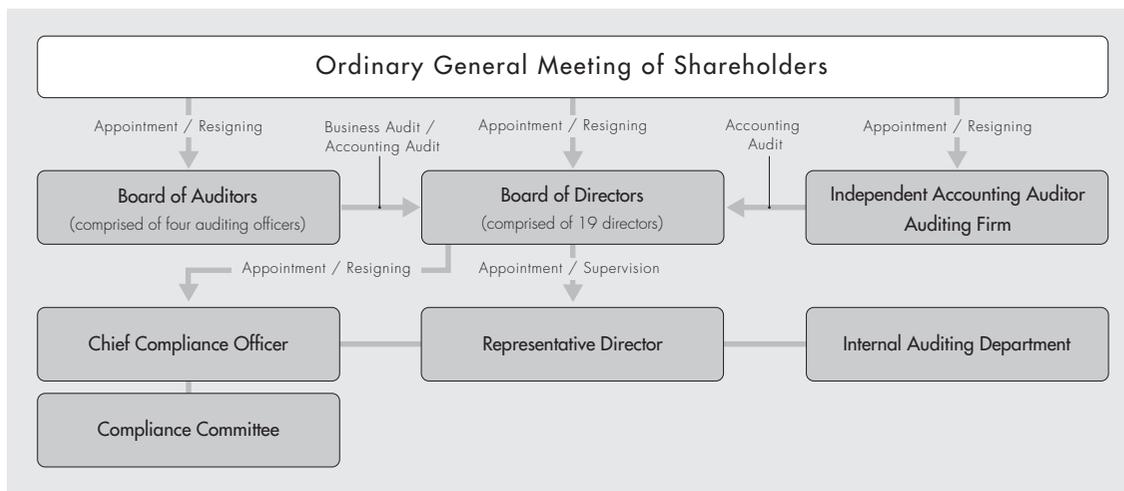
Okamura appointed a Chief Compliance Officer (CCO) to help ensure legal compliance, fairness, and ethics in its business activities, and established the Compliance Committee, composed of division heads, under the CCO to discuss and determine policies and solutions for compliance-related matters. A Help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

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

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

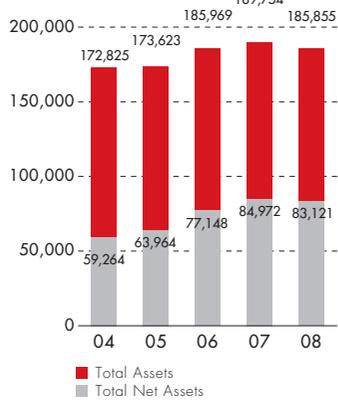
## Okamura will strengthen its corporate governance to maintain the trust of its stakeholders.

### Corporate Governance Structure

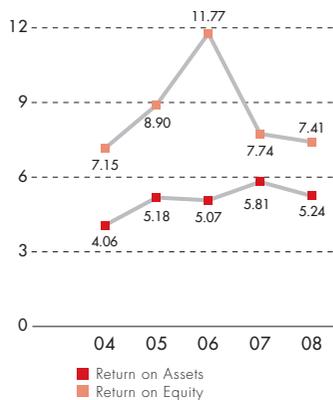


MANAGEMENT'S DISCUSSION AND ANALYSIS

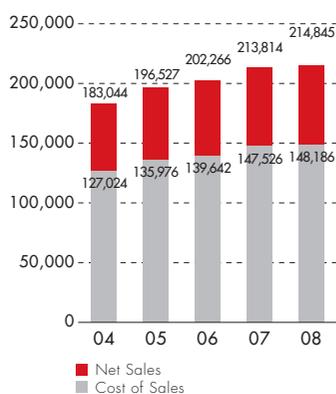
Total Assets / Total Net Assets  
(Millions of yen)



Return on Assets /  
Return on Equity  
(%)



Net Sales / Cost of Sales  
(Millions of yen)



1. Scope of Consolidation

The Okamura Group consists of Okamura Corporation, 13 consolidated subsidiaries and four affiliates accounted for by the equity holding method for a total of 18 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 the fiscal year ended March 31, 2008, consolidated net sales increased 0.5% compared with the previous fiscal year, to ¥214,845 million. In line with sales growth, the cost of sales climbed to ¥148,186 million, an increase of ¥660 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 ¥56,826 million, an increase of ¥1,451 million year on year. Accordingly, the ratio of SG&A expenses to net sales edged up 0.5 percentage point, to 26.4%.

Accounting for the aforementioned factors, operating income decreased 9.9% from ¥10,913 million in the previous fiscal year, to ¥9,833 million.

3. Other Income (Expenses)

For the fiscal year under review, net other income increased by ¥746 million, to ¥996 million. Key factors behind this increase include a ¥69 million increase in interest and dividend income, ¥406 million increase in gains on sale of property, plant and equipment, and ¥155 million increase in gains on sales of investment securities, net. As a result, income before income taxes for the fiscal year came to ¥10,829 million, 3.0% less than the ¥11,163 million recorded for the previous fiscal year.

4. Current and Deferred Income Taxes

Income taxes for the fiscal year under review totaled ¥4,832 million, down ¥57 million year on year. The income tax rate for the period after the application of tax-effect accounting was 44.6%.

5. Net Income

Net income in the fiscal year ended March 31, 2008 declined 3.0% compared with the previous fiscal year to ¥5,951 million. Net income per share also fell 1.7 percentage point to ¥53.82. Return on equity (ROE) was 7.4%.

## 6. Assets, Liabilities and Total Net Assets

Total assets as of March 31, 2008 stood at ¥185,855 million, a decrease of ¥3,899 million compared with the previous fiscal year-end. Current assets were ¥98,340 million, representing a year-on-year fall of ¥1,211 million. Fixed assets totaled ¥87,515 million, a decrease of ¥2,688 million. The decline in current assets was mainly the result of a ¥4,582 million decline in notes and accounts receivable, which outweighed increases in cash and inventories. Fixed assets declined because of a ¥6,535 million decrease in investment securities.

Total liabilities as of March 31, 2008 stood at ¥102,734 million, a drop of ¥2,048 million compared with the previous fiscal year-end. Current liabilities declined to ¥68,941 million, a decrease of ¥2,654 million. Long-term liabilities rose to ¥33,793 million, an increase of ¥606 million. The major causes of the decline in total liabilities included a ¥1,114 million decrease in trade notes and accounts payable, and a ¥1,396 million decrease in income taxes payable, the combination of which exceeded an increase of ¥1,432 million in interest-bearing debt.

As of March 31, 2008, total net assets had declined by ¥1,851 million, to ¥83,121 million. The main causes of this decline were a ¥2,063 million increase in treasury stock and a ¥4,205 million decrease in the net unrealized holding gains on securities, which together more than offset the ¥4,114 million increase in retained earnings.

Accounting for the aforementioned factors, the equity ratio decreased 0.2 percentage points, from 42.9% to 42.7%. Total net assets per share declined from ¥726.44, to ¥719.32.

## 7. Cash Flows

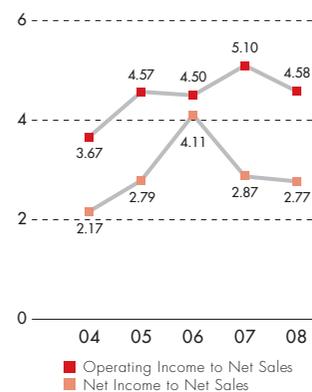
Net cash provided by operating activities came to ¥11,951 million. Positive factors included income before income taxes of ¥10,829 million, depreciation and amortization of ¥5,774 million, and a decrease of ¥4,697 million in notes and accounts receivable-trade. Primary cash outflows included a decrease of ¥1,395 million in notes and accounts payable-trade and income taxes paid of ¥6,137 million.

Net cash used in investing activities came to ¥4,308 million, mainly due to the acquisition of ¥5,127 million in tangible and intangible fixed assets.

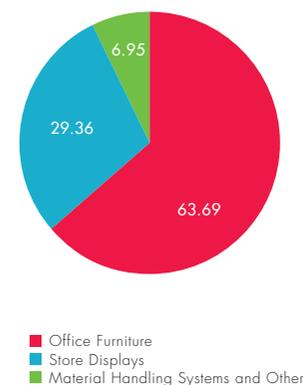
Net cash used in financing activities totaled ¥4,849 million. The principal factors contributing to this result were treasury stock acquisitions of ¥2,061 million and dividends of ¥1,826 million paid by the parent company.

As a result, cash and cash equivalents at the end of the fiscal year under review amounted to ¥19,496 million, an increase of ¥2,799 million compared with the end of the previous fiscal year.

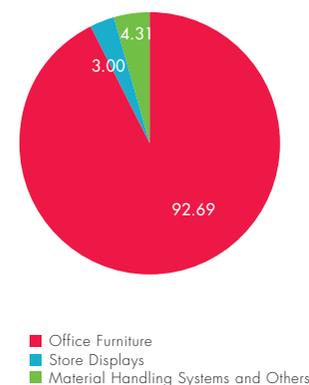
### Operating Income to Net Sales / Net Income to Net Sales (%)



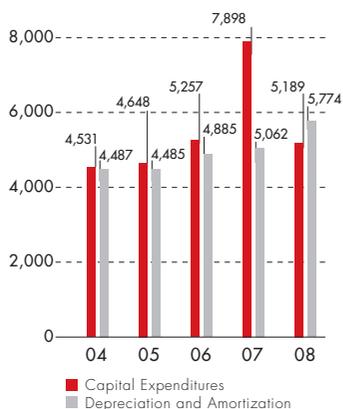
### Breakdown of Net Sales by Business Segment (%)



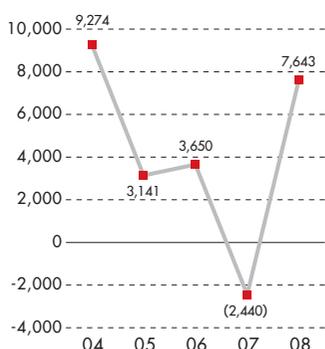
### Breakdown of Operating Income by Business Segment (%)



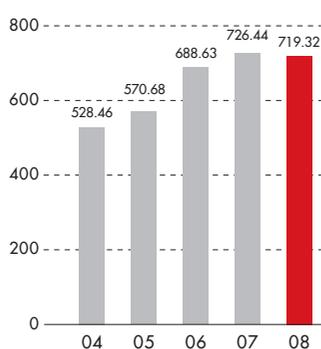
### Capital Expenditures / Depreciation and Amortization (Millions of yen)



### Free Cash Flows (Millions of yen)



### Total Net Assets per Share (Yen)



## 8. Business and Other Risks

This section explains the risks that may affect the Group's operating results, stock price, financial condition, and so on. The Company will strive to make minimize and avoid, wherever possible, the occurrence of such risks. The risks listed below do not constitute an exhaustive list of all potential risks facing the Company's operations. Furthermore, discussions concerning forward-looking statements reflect the observations of the Company as of June 27, 2008.

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

#### 1. Competitive Conditions, Pricing Trends

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

#### 2. Macroeconomic Circumstances

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

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

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

#### 4. Consequences of Investing in Securities

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

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

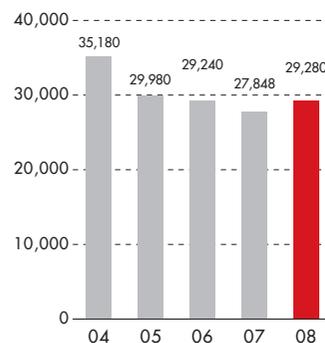
The Group manufactures a variety of products in accordance with globally recognized quality standard (ISO 9001). This provides no assurance, however, of the prevention of serious contingencies or complaints in connection with any of the Company's products over the years ahead. The Company is insured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

#### (3) Occurrence of Significant Litigation

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

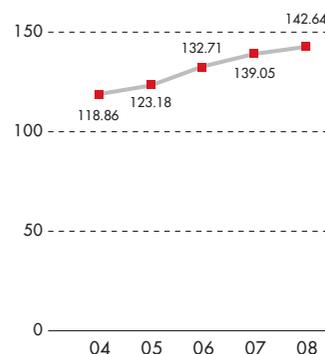
#### Interest-bearing Debt

(Millions of yen)



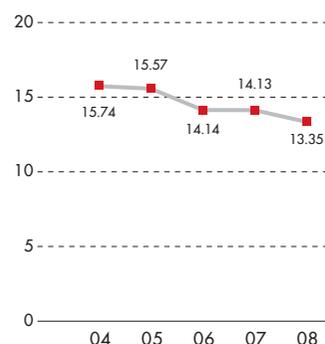
#### Current Ratio

(%)



#### Inventory Turnover

(Times)



**okamura**

OKAMURA CORPORATION

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

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

# FINANCIAL SUMMARY

Years ended March 31	Millions of yen, except per share figures					Thousand of U.S. dollars, except per share figures	
	2003	2004	2005	2006	2007	2008	2008
<b>SALES AND INCOME:</b>							
Net sales	¥165,278	¥183,044	¥196,527	¥202,266	¥213,814	¥214,845	\$2,144,376
Cost of sales	114,647	127,024	135,976	139,642	147,526	148,186	1,479,050
SG&A expenses	46,539	49,308	51,570	53,512	55,375	56,826	567,182
Operating income	4,092	6,712	8,981	9,112	10,913	9,833	98,144
Income (Loss) before income taxes	(1,159)	7,422	9,348	14,463	11,163	10,829	108,084
Net income (loss)	(1,067)	3,972	5,486	8,308	6,132	5,951	59,397
<b>CAPITAL EXPENDITURES, DEPRECIATION AND AMORTIZATION:</b>							
Capital expenditures	2,915	4,531	4,648	5,257	7,898	5,189	51,792
Depreciation and amortization	4,447	4,487	4,485	4,885	5,062	5,774	57,631
<b>PROFITABILITY:</b>							
Operating income to net sales (%) (Operating income/Net sales)	2.48	3.67	4.57	4.50	5.10	4.58	—
Net income (loss) to net sales (%) (Net income (loss)/Net sales)	(0.65)	2.17	2.79	4.11	2.87	2.77	—
Cost of sales to net sales (%) (Cost of sales/Net sales)	69.37	69.40	69.19	69.04	69.00	68.97	—
Return on equity [ROE] (%) (Net income (loss)/ Average shareholders' equity)	(2.05)	7.15	8.90	11.77	7.74	7.41	—
Return on assets [ROA] (%) (Operating income/Average total assets)	2.61	4.06	5.18	5.07	5.81	5.24	—
<b>ASSETS, LIABILITIES AND NET ASSETS:</b>							
Total assets	¥157,802	¥172,825	¥173,623	¥185,969	¥189,754	¥185,855	\$1,855,025
Total net assets	51,780	59,264	63,964	77,148	84,972	83,121	829,634
Interest-bearing debt	39,999	35,180	29,980	29,240	27,848	29,280	292,245
Equity ratio (%) (Shareholders' equity/Total liabilities and net assets)	32.81	34.29	36.84	41.48	42.87	42.69	—
Total net assets per share (Total net assets/Total number of shares issued)(yen)	461.60	528.46	570.68	688.63	726.44	719.32	—
Current assets	84,490	95,751	96,407	98,559	99,551	98,340	981,535
Current liabilities	65,208	80,561	78,267	74,267	71,595	68,941	688,102
Current ratio (%) (Current assets/Current liabilities)	129.57	118.86	123.18	132.71	139.05	142.64	—
<b>EFFICIENCY:</b>							
Inventory turnover (times) (Net sales/Average inventories)	14.20	15.74	15.57	14.14	14.13	13.35	—
Asset turnover (times) (Net sales/Average total assets)	1.05	1.11	1.13	1.12	1.14	1.14	—
Number of employees	3,444	3,471	3,594	3,700	3,769	4,019	—

## SUBSIDIARIES AND AFFILIATES

As of March 31, 2008

### Consolidated Subsidiaries

Corporate name	Paid-in capital (Millions of yen except where noted)	Principal business activities	Voting rights held by Okamura Corporation (%)
Kansai Okamura Manufacturing Co., Ltd.	1,015	Production of work stations and storage cabinets	64.8
Okamura Logistics Corporation	90	Transportation, storage, loading and unloading, assembly during distribution processing, construction, interior finishing and others	100.0
NS Okamura Corporation	1,000	Production of work stations and material handling system products	55.5
SANYO Okamura Corporation	490	Production of work stations	80.1
Okamura Estate Corporation	150	Management of Okamura Group's real estate	100.0
Okamura International (Singapore) Pte Ltd	SGD 1 million	Sales to Singapore and Southeast Asian countries	100.0
Okamura Business Support Corporation	10	General insurance agency and Okamura Group employee benefit support service provider	100.0
FM Solution Corporation	40	General facility management consulting and related business	100.0
Okamura Support and Service Corporation	90	Installation, maintenance and after-sales service for all Okamura products	100.0
Hill International Inc.	10	Import and sales of luxury furniture and products for interior decorations	65.0
Seeder Co., Ltd.	41	Production and sales of conveyor systems and related products	100.0
Shanghai Okamura Furniture and Logistic System Co., Ltd.	CNY 24 million	Sales of office furniture, material handling system products, store display equipment and others in China	100.0
Fuji Seiko Honsha Co., Ltd.	36	Production and sales of automatic safe deposit vaults and office security systems	75.2

### Affiliates

Siam Okamura Steel Co., Ltd.

Siam Okamura International Co., Ltd.

Asahi Sofu Corporation

Seiwa Business Corporation

# CORPORATE DATA

As of March 31, 2008

## Head Office

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

## Foundation

1945

## Japanese Security Code No.

7994

## Paid-in Capital

¥18,670 million

## Number of Employees

Consolidated: 4,019

# STOCK INFORMATION

As of March 31, 2008

## Stock Exchange Listings

Tokyo, Osaka

## Number of Shares of Common Stock

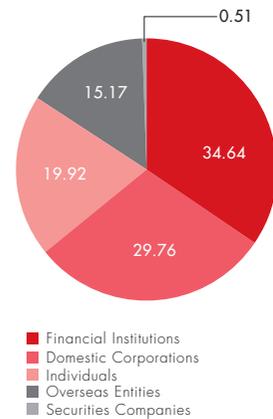
Authorized: 400,000,000

Issued: 112,391,530

## Number of Shareholders

5,371

## Distribution of Stock by Shareholder Type (%)



## Major Shareholders

	(Thousands of shares)	(%)
Mitsubishi Corporation	9,163	8.15
Mitsui Sumitomo Insurance Co., Ltd.	5,895	5.25
Meiji Yasuda Life Insurance Company	5,476	4.87
Nippon Steel Corporation	5,313	4.73
Okamura Group Employees Stock Ownership Plan	5,029	4.47
State Street Bank and Trust Company	4,966	4.42
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,805	4.28
Northern Trust Company (AVFC) Sub-account American Client	4,734	4.21
The Bank of Yokohama, Ltd.	4,076	3.63
Japan Trustee Services Bank, Ltd. (Trust Account)	3,928	3.49

## Stock Price

(Yen)

