



August 4, 2005

Financial and Operational Review for the First Quarter of the Fiscal Year Ending March 31, 2006 (Consolidated)

Okamura Corporation

Listing: Tokyo Stock Exchange, Osaka Securities Exchange

Code Number: 7994 (URL <http://www.okamura.co.jp/>)

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1. Matters concerning the preparation of quarterly financial information

- (i) Adoption of the simplified method in the accounting methods used in the recent consolidated accounting periods : No
- (ii) Change in the accounting methods used in the recent consolidated accounting periods : No
- (iii) Changes in the scope of consolidation and equity method
(Description) Consolidation (new) 1 company (Seeder Co., Ltd.) : As follows

2. Financial and Operational Review for the First Quarter (Apr. 1, 2005 - Jun. 30, 2005) of FY March 2006 (Apr. 1, 2005 - Mar. 31, 2006)

(1) Progress in (consolidated) business results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of FY March 2006	50,111	4.9	2,890	11.1	3,171	11.7	1,935	21.2
First quarter of FY March 2005	47,759	7.5	2,601	34.9	2,840	34.9	1,596	44.5
(Reference) FY March 2005	196,526	7.4	8,980	33.8	9,410	34.7	5,485	38.1

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of FY March 2006	17.27	-
First quarter of FY March 2005	14.24	-
(Reference) FY March 2005	48.93	-

(Note) The percentages alongside net sales, operating income, etc. indicate the percentage increase or decrease on a year-on-year basis.

[Qualitative information concerning the progress in (consolidated) business performance etc.]

The domestic economy of the first quarter has continued its gradual progress toward departure from the leveled-off economy, which has been continuing since the middle of last year, though at a low pace.

Under such circumstances, the Company promoted new product development and proposal-based sales, made efforts to create and explore new markets by obtaining orders for total solutions, and sought to make a leap toward establishing a global brand, aiming to step up to a new stage in each aspect of our business based on the mid-term management plan.

In the office furniture segment, the Company aggressively made proposals to improve office productivity for the sales of the mainstay office furniture, addressing diverse working styles, in order to ensure capturing of the opportunities from the increased capital expenditure due to the improved corporate performances and the demands from the chain relocation and merger movements mainly in the Tokyo central area. The sales of ergonomic mesh chairs "Contessa" and "Baron" have been steadily growing since their launch and the Company

is seeking to expand the distribution channels in markets throughout the world, supported by its excellent reputation in overseas markets. Meanwhile, sales in the security sector, with utilization of the effect of synergy with office furniture products, developed favorably centering on safe deposit systems and the access control systems.

As a result, net sales in this segment increased to ¥29,094 million (Y-o-Y increase of 8.0%).

In the store display segment, in line with the basic policy of leveraging the Company's competitive advantage as the only manufacturer that offers total solutions encompassing store display panels and refrigerated showcases, the Company focused its efforts on winning more orders in connection with new store openings and renovation of existing stores, while developing original products. The sales of the segment for the quarter, however, ended up at ¥18,279 million (Y-o-Y decrease of 2.0%) due to the severe market environment.

In the material handling systems and others segment, the Company has aggressively made sales efforts targeting distribution facilities of pharmaceutical wholesale, transportation, automobile and other sectors taking advantage of the synergy with other business lines, while newly acquiring Seeder Co., Ltd. as a consolidated subsidiary to drive forward solution sales by industry.

As a result, net sales in this segment for the term amounted to ¥2,737 million (Y-o-Y increase of 25.8%).

As regards profit and loss, the Company focused on trimming production and distribution costs by the promotion of the cell production method, and strived for further strengthening of the financial base through measures such as the decrease of interest paid.

As the result of the aforementioned efforts, the consolidated performance of the period under review was as follows: net sales of ¥50,111 million (Y-o-Y increase of 4.9%), operating income of ¥2,890 million (Y-o-Y increase of 11.1%), ordinary income of ¥3,171 million (Y-o-Y increase of 11.7%), and quarterly net income of ¥1,935 million (Y-o-Y increase of 21.2%).

(2) Changes in (consolidated) financial position

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2005	169,236	65,348	38.6	583.05
As of Jun. 30, 2004	166,710	60,302	36.2	537.75
(Reference) As of March 31, 2005	173,622	63,964	36.8	570.68

[Consolidated cash flow]

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Term-End
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First quarter of FY March 2006	3,156	(1,011)	(10)	22,565
First quarter of FY March 2005	2,406	(166)	(1,031)	24,746
(Reference) FY March 2005	7,009	(3,868)	(6,248)	20,426

[Qualitative information concerning the changes in (consolidated) financial position, etc.]

The financial position of the current 3-month period is as follows:

Total assets amounted to ¥169,236 million, down ¥4,386 million from the end of the previous fiscal year, mainly due to the decrease of notes and accounts receivable while cash and time deposits have increased.

Liabilities amounted to ¥100,609 million, a decrease of ¥5,798 million from the end of the previous fiscal year, owing to the decrease of notes and accounts payable and short-term bank loans while bonds increased by ¥5,000 million.

Shareholders' equity was ¥65,348 million, an increase of ¥1,384 million from the end of the previous fiscal year due mainly to net income for the current fiscal year. Consequently, the equity ratio went up 1.8 percentage points from the end of the previous fiscal year to 38.6%.

With respect to cash flows, cash flows from operating activities increased by ¥3,156 million, totaling the increase due to the net income before income taxes for the quarter term totaling ¥3,216 million, depreciation and amortization of ¥1,095 million and decrease of ¥6,387 million in notes and accounts receivable, and the decrease due to decrease of ¥2,866 million in notes and accounts payable and payments of corporation tax of ¥1,929 million.

Net cash used in investing activities was ¥1,011 million, which was mainly comprised of payments for investments in machinery and equipment as well as for addressing environmental issues and computerization.

Net cash used in financing activities was ¥10 million, which was mainly comprised of the bond issuance of ¥5,000 million to individual investors accompanied by the partial repayment of short-term bank loans, and payment of ¥701 million for dividends.

Consequently, consolidated cash and cash equivalents at the end of the current first quarter increased by ¥2,138 million from the end of the previous fiscal year to ¥22,565 million.

3. Forecast of consolidated performance for the fiscal year ending March 2006 (from April 1, 2005 to March 31, 2006)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
First half of FY March 2006	99,600	5,300	3,000
FY March 2006	206,000	11,000	7,800

(Reference) Estimated net income per share (fiscal year): 69.59 yen

[Qualitative information concerning the performance forecast etc.]

As regards the performance forecast for the interim period and full fiscal year, the figures announced on May 13, 2005 were used without changes for net sales, ordinary income and net income because the performance of the current first quarter was almost the same as planned values.

(Note) The performance forecast has been prepared using the estimation as of the date of announcement. Actual results may differ from the forecasted figures due to uncertain factors that may arise in the future.

Quarterly Consolidated Balance Sheet

(Millions of yen)

Accounts	Term	First quarter of FY March 2006 (As of Jun. 30, 2005)		First quarter of FY March 2005 (As of Jun. 30, 2004)		Increase /Decrease Amount	FY March 2005 (As of March 31, 2005)	
		Amount	Ratio	Amount	Ratio		Amount	Ratio
(Assets)			(%)		(%)			(%)
I. Current assets:		24,592		27,667		(3,074)	23,095	
	Cash and time deposits	49,691		48,351		1,340	55,753	
	Trade notes and accounts receivable	664		121		542	614	
	Marketable securities	14,293		12,031		2,261	13,677	
	Inventories	436		403		33	1,660	
	Deferred income taxes	1,935		1,913		22	1,966	
	Other current assets	(220)		(307)		87	(360)	
	Total current assets	91,394	54.0	90,181	54.1	1,212	96,406	55.5
II. Fixed assets:								
1. Tangible fixed assets:								
	Buildings and structures	14,544		15,545		(1,001)	14,799	
	Machinery, equipment and vehicles	8,944		8,426		517	9,200	
	Land	21,471		21,524		(52)	21,470	
	Construction in progress	389		71		317	77	
	Others	2,718		2,332		385	2,781	
	Total tangible fixed assets	48,068	28.4	47,901	28.7	166	48,328	27.8
2. Intangible fixed assets:		2,355	1.4	1,552	0.9	803	1,889	1.1
3. Investments and other assets:								
	Investment securities	19,598		19,175		422	19,290	
	Guarantee deposits	4,143		4,244		(101)	4,095	
	Deferred income taxes	2,460		2,416		43	2,406	
	Others	1,378		1,408		(29)	1,377	
	Allowance for doubtful accounts	(162)		(168)		6	(171)	
	Total investment and other assets	27,418	16.2	27,075	16.3	342	26,997	15.6
	Total fixed assets	77,841	46.0	76,529	45.9	1,312	77,216	44.5
Total assets		169,236	100.0	166,710	100.0	2,525	173,622	100.0

(Millions of yen)

Accounts	Term	First quarter of FY March 2006 (As of Jun. 30, 2005)		First quarter of FY March 2005 (As of Jun. 30, 2004)		Increase /Decrease Amount	FY March 2005 (As of March 31, 2005)	
		Amount	Ratio	Amount	Ratio		Amount	Ratio
(Liabilities)			(%)		(%)			(%)
I. Current liabilities:								
Trade notes and accounts payable		46,574		45,419		1,154	49,298	
Short-term bank loans		12,700		13,540		(840)	16,900	
Long-term debts due within one year		3,940		1,200		2,740	3,940	
Bonds redeemed within one year		-		9,000		(9,000)	-	
Income taxes payable		541		437		104	2,233	
Consumption taxes payable		530		517		13	350	
Allowance for bonus payable		507		470		36	2,828	
Others		2,455		2,607		(151)	2,716	
Total current liabilities		67,250	39.8	73,192	43.9	(5,942)	78,266	45.1
II. Long-term liabilities:								
Bonds		10,000		5,000		5,000	5,000	
Long-term loans payable		4,049		6,005		(1,955)	4,140	
Deferred tax liabilities		234		480		(245)	367	
Severance and employee retirement benefits		16,526		16,240		285	16,086	
Reserve for directors' retirement benefits		545		490		55	519	
Consolidated adjustment account		184		288		(104)	226	
Other liabilities		1,817		1,779		38	1,799	
Total long-term liabilities		33,358	19.7	30,284	18.2	3,074	28,140	16.2
Total liabilities		100,609	59.5	103,477	62.1	(2,868)	106,407	61.3
Minority interests		3,278	1.9	2,930	1.7	347	3,251	1.9
(Shareholders' equity)								
I. Capital stock		18,670	11.0	18,670	11.2	-	18,670	10.8
II. Capital surplus		16,759	9.9	16,759	10.1	-	16,759	9.6
III. Retained earnings		26,323	15.6	21,621	13.0	4,701	25,089	14.4
IV. Unrealized holding gains (losses) on securities		3,956	2.3	3,574	2.1	382	3,818	2.2
V. Foreign currency translation adjustment		(193)	(0.1)	(205)	(0.1)	11	(208)	(0.1)
VI. Treasury stock, at cost		(169)	(0.1)	(118)	(0.1)	(50)	(165)	(0.1)
Total shareholders' equity		65,348	38.6	60,302	36.2	5,045	63,964	36.8
Total liabilities, minority interests and shareholders' equity		169,236	100.0	166,710	100.0	2,525	173,622	100.0

Quarterly Consolidated Income Statement

(Millions of yen)

Accounts	Term	First quarter of FY March 2006 (From Apr. 1, 2005 to Jun. 30, 2005)		First quarter of FY March 2005 (From Apr. 1, 2004 to Jun. 30, 2004)		Increase /Decrease Amount	FY March 2005 (From Apr. 1, 2004 to Mar. 31, 2005)	
		Amount	Ratio	Amount	Ratio		Amount	Ratio
I. Net sales		50,111	100.0	47,759	100.0	2,351	196,526	100.0
II. Cost of sales		34,336	68.5	32,856	68.8	1,479	135,975	69.2
Gross profit		15,774	31.5	14,903	31.2	871	60,551	30.8
III. Selling, general and administrative expenses		12,884	25.7	12,301	25.8	582	51,570	26.2
Operating income		2,890	5.8	2,601	5.4	289	8,980	4.6
IV. Other income:		453	0.9	398	0.8	54	1,067	0.5
Interest and dividends income		188		172		16	212	
Amortization of consolidated adjustment account		18		19		(1)	76	
Equity in earnings of affiliated companies		21		28		(6)	91	
Others		224		178		45	687	
V. Other expenses:		172	0.4	159	0.3	12	638	0.3
Interest expenses		90		127		(36)	448	
Others		81		31		49	189	
Ordinary income		3,171	6.3	2,840	5.9	331	9,410	4.8
VI. Extraordinary income:		151	0.3	-	-	151	269	0.2
Gain on sale of property, plant and equipment		-		-		-	32	
Gain on sale of investment securities		-		-		-	236	
Reversal of allowance for doubtful accounts		151		-		151	-	
VII. Extraordinary losses:		106	0.2	68	0.1	37	332	0.2
Loss on disposal of property, plant and equipment		98		50		47	264	
Loss on devaluation of investment securities		8		-		8	33	
Loss on sale of investment securities		-		-		-	0	
Impairment loss		-		18		(18)	18	
Evaluation losses of golf memberships		0		-		0	16	
Income before income taxes for the quarter term (fiscal year)		3,216	6.4	2,771	5.8	444	9,347	4.8
Income taxes		295	0.6	158	0.4	137	4,287	2.2
Adjustments on income taxes		941	1.8	1,016	2.1	(74)	(510)	(0.2)
Minority interests in earnings		43	0.1	0	0.0	43	84	0.0
Net income for the quarter term (fiscal year)		1,935	3.9	1,596	3.3	338	5,485	2.8

Quarterly Consolidated Cash Flow Statement

(Millions of yen)

Term	First quarter of FY March 2006 (From Apr. 1, 2005 to Jun. 30, 2005)	First quarter of FY March 2005 (From Apr. 1, 2004 to Jun. 30, 2004)	FY March 2005 (From Apr. 1, 2004 to Mar. 31, 2005)
Accounts			
I. Cash flows from operating activities			
Income before income taxes for the quarter term (fiscal year)	3,216	2,771	9,347
Depreciation expense	1,095	1,011	4,485
Loss on disposal of property, plant and equipment	98	50	264
Equity in earnings of affiliated companies	(21)	(28)	(91)
Amortization of consolidated adjustment account	(18)	(19)	(76)
Increase/decrease in allowance for doubtful accounts	(151)	10	65
Allowance for bonuses payable	(2,347)	(2,039)	299
Increase/decrease in allowance for employee retirement benefits	419	595	408
Increase/decrease in allowance for directors' retirement benefits	26	1	30
Interest and dividends income	(188)	(172)	(212)
Interest expense	90	127	448
Gain/loss on sale of property, plant and equipment	-	-	(32)
Gain/loss on sale of investment securities	-	-	(236)
Loss on devaluation of investment securities	8	-	33
Increase/decrease in notes and accounts receivable	6,387	5,753	(1,391)
Increase/decrease in inventories	(514)	(451)	(1,953)
Increase/decrease in notes and accounts payable	(2,866)	(633)	2,788
Others	(279)	(36)	314
Sub-total	4,953	6,942	14,490
Interest and dividends received	187	175	225
Interest expenses paid	(55)	(48)	(460)
Income taxes paid	(1,929)	(4,662)	(7,245)
Net Cash provided by operating activities	3,156	2,406	7,009
II. Cash flows from investing activities			
Term deposits paid	(1,221)	(1,661)	(5,466)
Term deposits withdrawn	1,812	1,761	5,526
Payment for purchase of property, plant and equipment	(861)	(254)	(3,858)
Proceeds from sale of property, plant and equipment	3	0	94
Payment for purchase of intangible fixed assets	(583)	(75)	(681)
Payment for purchase of investment securities	(79)	(1)	(87)
Proceeds from sale of investment securities	27	0	483
Increase/decrease due to the acquisition of subsidiaries' stocks accompanied by changes in the scope of consolidation	(74)	-	61
Others	(34)	63	59
Net cash used in investing activities	(1,011)	(166)	(3,868)
III. Cash flows from financing activities			
Increase/decrease in short-term bank loans	(4,200)	(350)	3,010
Proceeds from long-term debt	59	-	2,000
Repayments of long-term debt	(150)	(85)	(1,210)
Issuance of bonds	5,000	-	-
Redemption of bonds	-	-	(9,000)
Purchase of treasury stock	(3)	(5)	(50)
Cash dividends paid by the Company	(701)	(561)	(982)
Cash dividends paid to minority shareholders	(16)	(29)	(16)
Net cash used in financing activities	(10)	(1,031)	(6,248)
IV. Effect on exchange rate changes on cash and cash equivalents	4	(0)	(3)
V. Increase in cash and cash equivalents	2,138	1,207	(3,111)
VI. Cash and cash equivalents at beginning of year	20,426	23,538	23,538
VII. Cash and cash equivalents at term end	22,565	24,746	20,426

Segment information

Segment information by business type

First Quarter (from April 1, 2005 to June 30, 2005) of FY March 2006 (from Apr. 1, 2005 - Mar. 31, 2006)
(Millions of yen)

Accounts \ Segment	Office Furniture	Store Displays	Material Handling Systems and Others	Total	Unallocated and Eliminations	Consolidated
I. Net sales and operating income (loss)						
Net sales						
1) Net sales to external customers	29,094	18,279	2,737	50,111	-	50,111
2) Internal sales or transfers between segments	-	-	-	-	(-)	-
Total	29,094	18,279	2,737	50,111	(-)	50,111
Operating expenses	27,225	17,387	2,606	47,220	(-)	47,220
Operating income	1,868	891	130	2,890	(-)	2,890

First Quarter (from April 1, 2004 to June 30, 2004) of FY March 2005 (from Apr. 1, 2004 - Mar. 31, 2005)
(Millions of yen)

Accounts \ Segment	Office Furniture	Store Displays	Material Handling Systems and Others	Total	Unallocated and Eliminations	Consolidated
I. Net sales and operating income (loss)						
Net sales						
1) Net sales to external customers	26,938	18,645	2,176	47,759	-	47,759
2) Internal sales or transfers between segments	-	-	-	-	(-)	-
Total	26,938	18,645	2,176	47,759	(-)	47,759
Operating expenses	25,470	17,474	2,213	45,158	(-)	45,158
Operating income (loss)	1,468	1,170	(37)	2,601	(-)	2,601

Previous Consolidated Fiscal Year (from April 1, 2004 to March 31, 2005)

(Millions of yen)

Accounts \ Segment	Office Furniture	Store Displays	Material Handling Systems and Others	Total	Unallocated and Eliminations	Consolidated
I. Net sales and operating income (loss)						
Net sales						
1) Net sales to external customers	118,040	68,595	9,891	196,526	-	196,526
2) Internal sales or transfers between segments	-	-	-	-	(-)	-
Total	118,040	68,595	9,891	196,526	(-)	196,526
Operating expenses	111,730	66,021	9,793	187,546	(-)	187,546
Operating income	6,310	2,573	97	8,980	(-)	8,980

(Note) 1. Business segmentation method
 Business segmentation is based on considerations of similarities among product types (inclusive of operations) and markets

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