Financial Section

SIX-YEAR SUMMARY

Years Ended March 31	1999	2000	2001	2002	2003	**2004**	**2004**
	Millions of yen, except per share figures						Thousands of U.S. dollars, except per share figures
Sales and Income:							
Net sales	¥169,960	¥165,323	¥187,349	¥158,245	¥165,278	**¥183,044**	**$1,731,895**
Cost of sales	123,284	114,332	129,754	108,653	114,647	**127,024**	**1,201,855**
SG&A expenses	47,276	46,298	48,163	45,722	46,539	**49,308**	**466,534**
Operating income (loss)	(600)	4,693	9,432	3,870	4,092	**6,712**	**63,506**
Income (Loss) before income taxes	(2,150)	4,389	2,872	2,403	(1,159)	**7,422**	**70,224**
Net income (loss)	(2,718)	2,143	1,260	1,094	(1,067)	**3,972**	**37,582**
Capital Expenditures, Depreciation and Amortization:							
Capital expenditures	2,658	2,690	2,697	2,480	2,915	**4,531**	**42,871**
Depreciation and amortization	6,043	5,425	4,902	4,603	4,447	**4,487**	**42,454**
Profitability:							
Operating income (loss) to net sales (%) (Operating income (loss)/Net sales)	(0.35)	2.84	5.03	2.45	2.48	**3.67**	—
Net income (loss) to net sales (%) (Net income (loss)/Net sales)	(1.60)	1.30	0.67	0.69	(0.65)	**2.17**	—
Cost of sales to net sales (%) (Cost of sales/Net sales)	72.54	69.16	69.26	68.66	69.37	**69.40**	—
Return on equity [ROE] (%) (Net income (loss)/Shareholders' equity)	(4.55)	3.63	2.23	2.07	(2.05)	**7.15**	—
Return on assets [ROA] (%) (Operating income (loss)/Total assets)	(0.32)	2.68	5.38	2.31	2.61	**4.06**	—
Assets, Liabilities and Shareholders' Equity:							
Total assets	¥178,160	¥172,170	¥178,751	¥155,862	¥157,802	**¥172,825**	**$1,635,207**
Total shareholders' equity	58,004	59,882	53,136	52,386	51,779	**59,265**	**560,744**
Interest-bearing debt	57,318	49,093	46,023	44,084	39,999	**35,180**	**332,860**
Equity ratio (%) (Shareholders' equity/total liabilities and shareholders' equity)	32.56	34.78	29.73	33.61	32.81	**34.29**	—
Shareholders' equity per share (Shareholders' equity/total number of shares issued)(yen)	464.81	479.89	472.78	466.17	461.60	**528.46**	—
Current assets	90,374	87,651	97,023	77,864	84,490	**95,751**	**905,961**
Current liabilities	74,008	61,176	86,006	65,074	65,208	**80,561**	**762,239**
Current ratio (%) (Current assets/Current liabilities)	122.11	143.28	112.81	119.65	129.57	**118.86**	—
Efficiency:							
Inventory turnover (times) (Net sales/Average inventories)	9.77	11.22	12.71	11.60	14.20	**15.74**	—
Asset turnover (times) (Net sales/Average total assets)	0.92	0.94	1.07	0.95	1.05	**1.11**	—
Number of employees	—	3,661	3,502	3,492	3,444	**3,471**	—

1. SCOPE OF CONSOLIDATION

The Okamura Group consists of Okamura Corporation, nine consolidated subsidiaries, and five affiliates accounted for by the equity holding method, for a total of fifteen member firms. The Okamura Group is engaged in manufacturing, sales, distribution and after-sales service in three business segments namely Office Furniture, Store Displays, and Material Handling Systems and Others.

2. NET SALES

In the Office Furniture segment, results were boosted by a gentle market recovery, fueled by office-related demand in many new areas of Tokyo. In line with the increase in secondary and tertiary demand, the operating environment was characterized by an upsurge in redevelopment projects. In the Store Displays segment, results were further bolstered by the significant increase in commercial sector demand, attributed to the creation and renewal of stores. As a "total solutions provider," we actively strive to develop new products and propose marketing models, with the aim of aggressively capturing business in growth markets such as home centers, drugstores and others. In addition, we worked to create new markets through proposals to improve office productivity in response to diversifying work styles in the information technology era. As a result, consolidated net sales in the fiscal year ended March 31, 2004 were ¥183,044 million, an increase of 10.7% compared with the previous fiscal year.

3. COST OF SALES, SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES

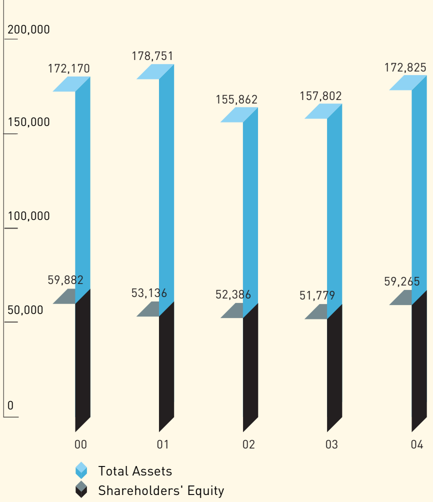
The cost of sales increased by ¥12,377 million, in comparison with the previous fiscal year's ¥114,647 million, and reached ¥127,024 million, essentially in line with the increase in sales. However, the cost of sales ratio was 69.4%, on a par with the previous fiscal year.

SG&A expenses increased by ¥2,769 million to ¥49,308 million, while the ratio of SG&A expenses to total net sales decreased by 1.2 percentage points to 26.9%. Major components of the increase in SG&A expenses were an increase of ¥624 million in amortization of actuarial differences relating to retirement benefit expenses following downward revision of the discount rate from 3.0% to 2.5%, an increase of ¥411 million in bonus accruals, and a rise in delivery and packaging expenses of ¥1,105 million in line with the increase in sales.

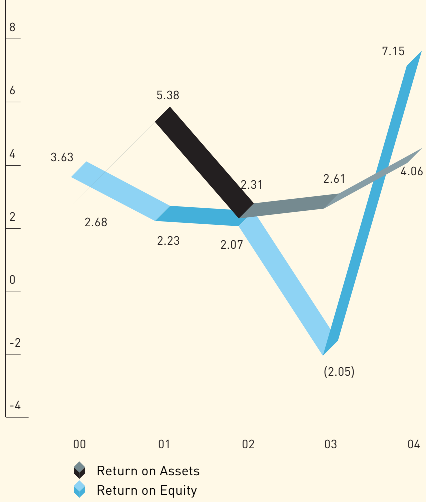
4. OPERATING INCOME

As a result of the aforementioned factors, operating income jumped by 64.0% in comparison with the previous fiscal year to ¥6,712 million, and the operating income ratio improved to 3.7% from 2.5 % in the previous fiscal year. While the surge in operating income was mainly attributed to the increase in net sales, cost reduction benefits were another major contributing factor. Okamura will continue to curtail production costs through the ongoing implementation of SCM and the cell production method, and at the same time reduce shipping and packaging expenses through efforts to streamline inventories.

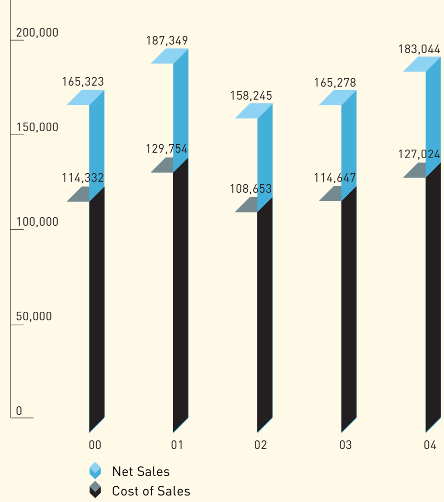
Total Assets/Shareholders' Equity
(Millions of yen)

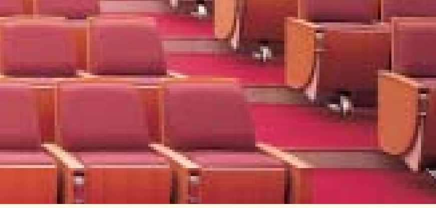


Return on Assets/Return on Equity
(%)



Net Sales/Cost of Sales
(Millions of yen)





5. SEGMENT INFORMATION

Office Furniture

Sales in the Office Furniture segment increased by 4.8% to ¥108,873 million in comparison with the previous fiscal year, while operating income increased by more than double from ¥1,562 million in the previous fiscal year to ¥3,238 million. As a result, the operating income ratio improved significantly from 1.5% in the previous fiscal year to 3.0%. Despite concerns over stagnant conditions in regional areas, the increase in sales reflects signs of a gradual recovery in overall operations. Results were particularly boosted by office-related demand in many new areas of Tokyo and the increase in secondary and tertiary demand attributed to an upsurge in redevelopment projects. Driven by the IT era, Okamura is also receiving an increase in orders thanks to its ability to provide total space solutions in response to increasingly diverse work-style needs. In overseas business, Okamura was the first Japanese office furniture manufacturer to adopt a global product marketing strategy. Since its launch, sales of "CONTESSA"—an ergonomic chair using mesh materials—have increased steadily. Okamura has executed exclusive distribution agreements with some of the world's leading office furniture makers for the sale of "CONTESSA" in 18 countries. In addition, the Company experienced market-wide acclaim for a number of new products including its total office system "ALZATA" and office seating furniture "CARROZZA" and "FEEGO," which contributed to a growth in sales. A further boost to the Office Furniture segment was the security business in which the Company first participated in fiscal 2002. In its security business, Okamura maintains a diverse product lineup from ATM booths and automated safe deposit boxes for financial institutions through to flood barriers for buildings, electromagnetic shield doors for hospitals and broadcast facilities, and access control systems and surveillance camera equipment. The synergy with office furniture and store displays helped to grow the business and enabled Okamura to proactively develop sales proposals.

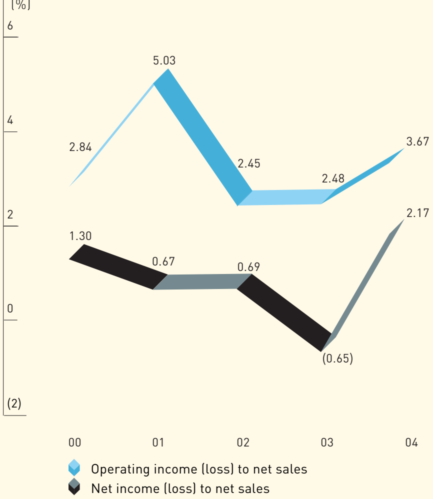
Store Displays

Net sales in this segment increased significantly to ¥66,647 million, up 20.3% in comparison with the previous fiscal year. Operating income also increased by 20.4% in comparison with the previous fiscal year to ¥3,560 million, while the operating income ratio was unchanged at 5.3%. Positive results were generated by Okamura's unrivaled position as the only manufacturer to provide a full range of store display shelving as well as refrigerated and freezer showcases. Our fundamental policy is to deliver attractive stores that satisfy consumers demanding greater variety and choice. Results for the period under review were boosted by growth in orders for the creation and renewal of stores for supermarkets and specialty stores including home centers and drugstores. In addition, Okamura successfully cultivated new customers, which greatly contributed to sales and profit growth. In particular, the Company saw increased demand from wholesale supermarkets for refrigerated and freezer showcases in addition to its traditional supermarket customer base, which helped secure increased market share.

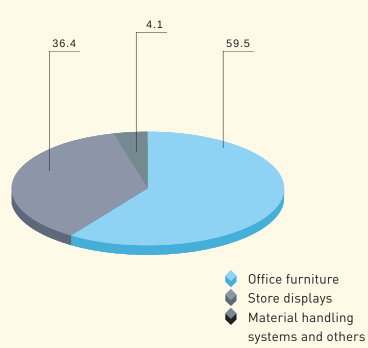
Material Handling Systems and Others

In the fiscal year under review, sales in the Material Handling Systems and Others segment totaled ¥7,524 million, an increase of 24.8% in comparison with the previous fiscal year. As to earnings, the operating loss of ¥427 million reported in the previous fiscal year narrowed significantly to ¥86 million. Leveraging synergies with the office furniture and store displays busi-

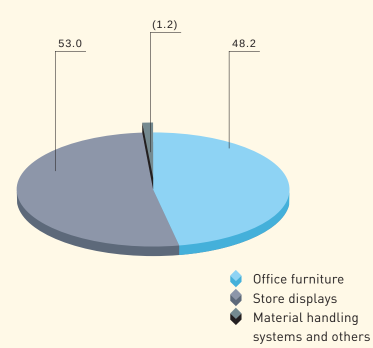
Operating Income (Loss) to Net Sales/
Net Income (Loss) to Net Sales
(%)

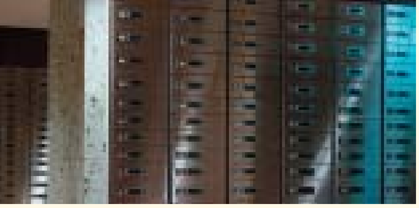


Breakdown of Net Sales
by Business Segment
(%)



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





nesses, Okamura expanded sales of system equipment for distribution centers of pharmaceutical wholesalers, transporters and the automobile industry. At the same time, the Company actively developed sales of automated warehousing systems and storage system fixtures for factories and warehouses.

In the hydraulic transmissions business, Okamura secured increased orders of torque converters used in forklifts underpinned by an upswing in capital investment in Japan and increased export activity in line with growth in Asian economies.

6. OTHER INCOME (EXPENSES)

Interest expenses decreased by ¥141 million from ¥692 million in the previous fiscal year to ¥551 million. This is attributed to the reduction in interest-bearing debt by ¥4,819 million, from ¥39,999 million to ¥35,180 million.

The loss on devaluation of investment securities of ¥3,584 million reported in the previous fiscal year narrowed substantially to ¥18 million, buoyed by a surge in stock market prices. Okamura reported a gain on sales of investment securities of ¥535 million, following a review of the Company's cross shareholdings.

In addition, equity in income of affiliated companies increased by ¥47 million from ¥29 million to ¥76 million owing to the strong performance of equity-method affiliates. Other income, net for the fiscal year under review was ¥624 million compared with ¥431 million in the previous fiscal year.

7. NET INCOME

The income tax rate for the period after adjustments for tax-effect accounting was 46.9%.

In the previous fiscal year, Okamura reported minority interests in net loss of consolidated subsidiaries of ¥36 million. In the fiscal year under review, this figure narrowed to ¥28 million and mainly comprised the Company's equity in net losses of Kansai Okamura Manufacturing and NS Okamura Corporation.

As a result, net income for fiscal 2004 was ¥3,972 million, a turnaround of ¥5,039 million. In addition, net income per share improved substantially from a net loss per share in the previous fiscal year of ¥9.50 to net income per share of ¥35.41.

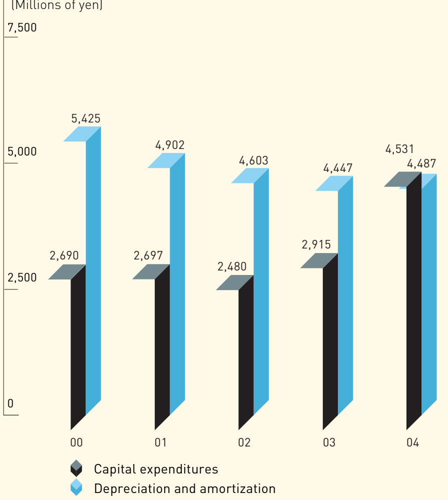
8. ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

Total assets as of March 31, 2004 stood at ¥172,825 million, an increase of ¥15,023 million compared with the previous fiscal year-end. Current assets were ¥95,751 million, up ¥11,261 million, while property, plant and equipment less accumulated depreciation was ¥48,475 million, an increase of ¥42 million. Investments and other assets rose by ¥3,720 million to ¥28,599 million.

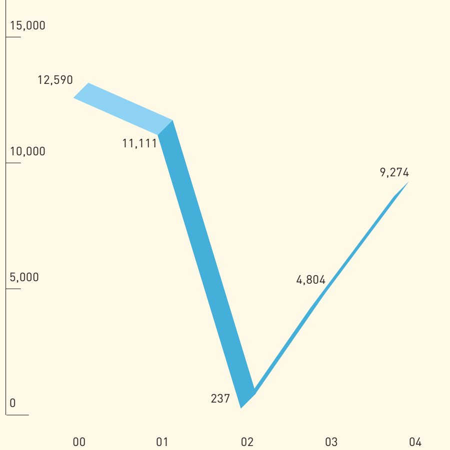
The major components contributing to the increase in current assets were cash and trade receivables. While the increase in trade receivables is attributed to the increase in sales, inventories as of the fiscal year-end fell by ¥115 million to ¥11,574 million on the back of efforts to promote SCM.

During the fiscal year under review, the Company undertook capital expenditures totaling ¥3,934 million to expand and upgrade its production capacity. Okamura increased production facilities for refrigerated and freezer showcases and for panels

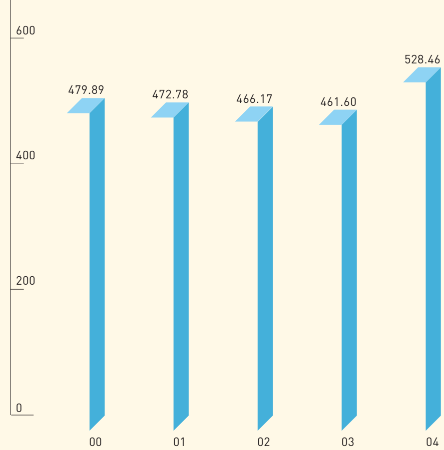
Capital Expenditures/
Depreciation and Amortization
(Millions of yen)



Free Cash Flows
(Millions of yen)



Shareholders' Equity per Share
(Yen)



at its Fuji plant. Accordingly, property, plant and equipment before depreciation amounted to ¥124,205 million, an increase of ¥1,838 million.

Investment securities as of March 31, 2004 stood at ¥17,920 million, an increase of ¥5,644 million. Despite the sale of investment securities in line with the Company's review of cross shareholdings, this increase is attributed to a recovery in the share prices of listed companies and the consequent increase in market values.

Total liabilities as of the fiscal year-end stood at ¥110,600 million, an increase of ¥8,623 million. Current liabilities rose by ¥15,353 million to ¥80,561 million while long-term liabilities declined by ¥6,730 million to ¥30,039 million.

The balance of trade payables increased by ¥5,713 million to ¥45,881 million in line with the increase in sales.

Income taxes payable surged ¥4,186 million to ¥4,942 million reflecting the significant jump in taxable income.

During the fiscal year under review, Okamura worked to reduce interest-bearing debt (the balance of short-term bank loans, long-term debt due within one year, corporate bonds and long-term bank loans). As a result, interest-bearing debt decreased by ¥4,819 million to ¥35,180 million.

Okamura acquired treasury stock from minority interests held in consolidated subsidiary Kansai Okamura Manufacturing. As a result, minority interests fell by ¥1,086 million to ¥2,960 million.

As of March 31, 2004, shareholders' equity stood at ¥59,265 million, an increase of ¥7,486 million compared with the end of the previous fiscal year. The primary reasons for the increase were a jump in retained earnings and net unrealized holding gains on securities.

Retained earnings climbed by ¥3,411 million to ¥20,586 million due to the increase in net income. Net unrealized holding gains on securities stood at ¥3,552 million, a turnaround of ¥4,112 million. This reflected the rise in stock prices of publicly listed shares.

As a result, the shareholders' equity ratio improved 1.5 percentage points from 32.8%, to 34.3%. Equity per share climbed from ¥461.60 to ¥528.46.

9. CASH FLOWS

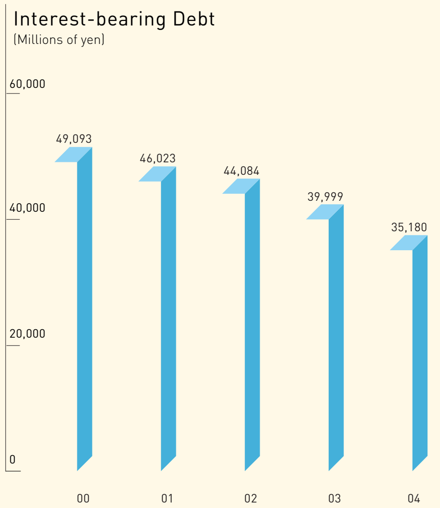
Net cash provided by operating activities rose by 47.7% to ¥12,460 million. The principal components were income before income taxes of ¥7,422 million and depreciation and amortization of ¥4,487 million.

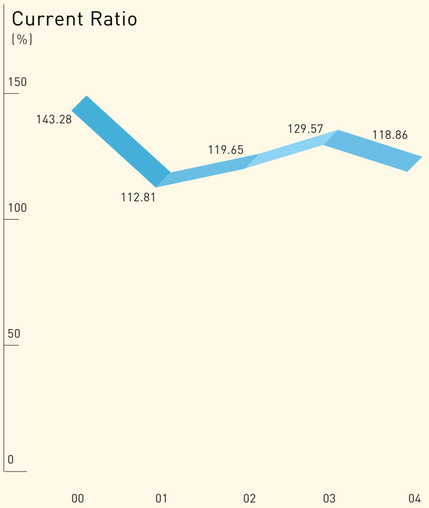
Net cash used in investing activities amounted to ¥3,186 million. In the fiscal year under review the Company undertook capital expenditures totaling ¥4,414 million with the aim of increasing production capacity and upgrading its information systems. This was in part offset by proceeds from sale of investment securities of ¥2,152 million.

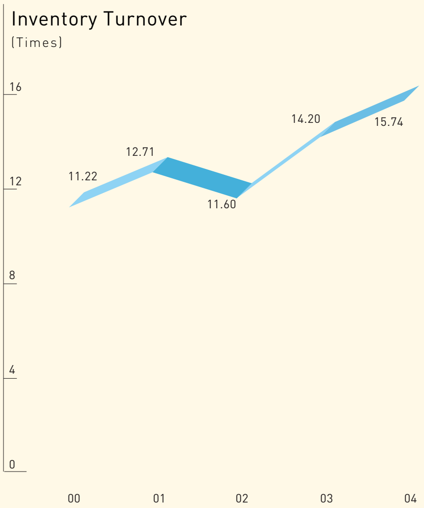
Accounting for these factors, free cash flow improved significantly from ¥4,804 million in the previous fiscal year to ¥9,274 million.

Net cash used in financing activities jumped from ¥4,714 million to ¥6,068 million, owing to progress on the repayment of interest-bearing debt and payments for purchase of treasury stock by one of the consolidated subsidiaries.

As a result, cash and cash equivalents at the end of the period increased by ¥3,196 million in comparison with the previous fiscal year to ¥23,538 million.







CONSOLIDATED BALANCE SHEETS

MARCH 31, 2003 AND 2004

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
ASSETS	2003	2004	2004
Current assets:			
Cash (Note 2)	¥ 21,894	¥ 26,458	$ 250,336
Marketable securities (Note 4)	223	223	2,110
Trade receivables:			
Notes	8,108	10,450	98,874
Accounts	40,038	43,656	413,057
Allowance for doubtful accounts	(369)	(291)	(2,753)
Inventories (Note 3)	11,689	11,574	109,509
Deferred income taxes (Note 9)	1,037	1,767	16,719
Other current assets	1,870	1,914	18,109
Total current assets	84,490	95,751	905,961
Property, plant and equipment (Note 7):			
Land	21,112	21,543	203,832
Buildings	47,409	47,507	449,494
Machinery and equipment	53,820	55,087	521,213
Construction in progress	26	68	643
	122,367	124,205	1,175,182
Less accumulated depreciation	73,934	75,730	716,529
	48,433	48,475	458,653
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies	1,145	1,200	11,354
Investment securities (Note 4)	12,276	17,920	169,553
Deferred income taxes (Note 9)	3,330	2,362	22,348
Other non-current assets	8,128	7,117	67,338
	24,879	28,599	270,593
	¥157,802	¥172,825	$1,635,207

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 1(1)) 2004
Current liabilities:			
Short-term bank loans (Note 7)	¥ 14,840	**¥ 13,890**	**$ 131,422**
Long-term debt due within one year (Note 7)	4,819	**10,200**	**96,509**
Trade payables:			
Notes	14,391	**15,726**	**148,794**
Accounts	25,777	**30,155**	**285,316**
Income taxes payable	756	**4,942**	**46,759**
Other current liabilities	4,625	**5,648**	**53,439**
Total current liabilities	65,208	**80,561**	**762,239**
Long-term debt (Note 7)	20,340	**11,090**	**104,929**
Employees' severance and retirement benefits (Note 8)	14,214	**15,645**	**148,027**
Deferred income taxes (Note 9)	32	**757**	**7,163**
Other long-term liabilities	2,183	**2,547**	**24,099**
Minority interests	4,046	**2,960**	**28,006**
Shareholders' equity (Note 10):			
Common stock			
Authorized 200,000,000 shares			
Issued 112,391,530 shares	18,670	**18,670**	**176,649**
Capital surplus	16,760	**16,760**	**158,577**
Retained earnings	17,175	**20,586**	**194,777**
Net unrealized holding gains (losses) on securities (Note 1(5))	(560)	**3,552**	**33,608**
Foreign currency translation adjustments (Note 1(4))	(170)	**(191)**	**(1,807)**
Treasury stock, at cost	(96)	**(112)**	**(1,060)**
	51,779	**59,265**	**560,744**
	¥157,802	**¥172,825**	**$1,635,207**

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED MARCH 31, 2003 AND 2004

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2003	2004	2004
Net sales (Note 11)	¥165,278	¥183,044	$1,731,895
Cost of sales	114,647	127,024	1,201,855
Gross profit	50,631	56,020	530,040
Selling, general and administrative expenses	46,539	49,308	466,534
Operating income (Note 11)	4,092	6,712	63,506
Other income (expenses):			
Interest and dividend income	181	185	1,750
Interest expenses	(692)	(551)	(5,213)
Loss on devaluation of investment securities	(3,584)	(18)	(170)
Gain (Loss) on sale of investment securities	(1,548)	535	5,062
Gain on sale of property, plant and equipment	103	—	—
Loss on disposal of property, plant and equipment	(171)	(141)	(1,334)
Equity in income of affiliated companies, net	29	76	719
Other, net	431	624	5,904
	(5,251)	710	6,718
Income (Loss) before income taxes	(1,159)	7,422	70,224
Income taxes (Note 1(11)):			
Current	941	5,337	50,496
Deferred	(997)	(1,859)	(17,589)
Income (Loss) before minority interests	(1,103)	3,944	37,317
Minority interests in net loss of consolidated subsidiaries	36	28	265
Net income (loss)	¥ (1,067)	¥ 3,972	$ 37,582

	Yen		U.S. dollars (Note 1(1))
	2003	2004	2004
Amounts per share of common stock:			
Net income (loss)	¥ (9.50)	¥ 35.41	$ 0.34
Cash dividends applicable to the year	5.00	7.50	0.07

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED MARCH 31, 2003 AND 2004

	Thousands of shares	Millions of yen					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	112,392	¥18,670	¥16,760	¥18,804	¥(1,701)	¥(138)	¥ (9)
Net loss	—	—	—	(1,067)	—	—	—
Adjustments from translation of foreign currency financial statements (Note 1(4))	—	—	—	—	—	(32)	—
Net decrease in unrealized holding losses on securities	—	—	—	—	1,141	—	—
Treasury stock	—	—	—	—	—	—	(87)
Cash dividends paid (¥5.00 per share)	—	—	—	(562)	—	—	—
Balance at March 31, 2003	112,392	18,670	16,760	17,175	(560)	(170)	(96)
Net income	—	—	—	3,972	—	—	—
Adjustments from translation of foreign currency financial statements (Note 1(4))	—	—	—	—	—	(21)	—
Net increase in unrealized holding gains on securities	—	—	—	—	4,112	—	—
Treasury stock	—	—	—	—	—	—	(16)
Cash dividends paid (¥5.00 per share)	—	—	—	(561)	—	—	—
Balance at March 31, 2004	**112,392**	**¥18,670**	**¥16,760**	**¥20,586**	**¥3,552**	**¥(191)**	**¥(112)**

	Thousands of U.S. dollars (Note 1(1))					
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	$176,649	$158,577	$162,503	$ (5,298)	$(1,608)	$ (908)
Net income	—	—	37,582	—	—	—
Adjustments from translation of foreign currency financial statements (Note 1(4))	—	—	—	—	(199)	—
Net increase in unrealized holding gains on securities	—	—	—	38,906	—	—
Treasury stock	—	—	—	—	—	(152)
Cash dividends paid ($0.05 per share)	—	—	(5,308)	—	—	—
Balance at March 31, 2004	**$176,649**	**$158,577**	**$194,777**	**$33,608**	**$(1,807)**	**$(1,060)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2003 AND 2004

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2003	2004	2004
Cash flows from operating activities:			
Income (Loss) before income taxes	¥(1,159)	¥ 7,422	$70,224
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:			
Depreciation and amortization	4,447	4,487	42,454
Loss on devaluation of investment securities	3,584	18	170
Loss (Gain) on sale of investment securities	1,548	(535)	(5,062)
Gain on sale of property, plant and equipment	(103)	—	—
Loss on disposal of property, plant and equipment	171	141	1,334
Interest and dividend income	(181)	(185)	(1,750)
Interest expenses	692	551	5,213
Increase in notes and accounts receivable—trade	(6,072)	(5,960)	(56,391)
Decrease (Increase) in inventories	(96)	108	1,022
Increase in notes and accounts payable—trade	5,772	5,656	53,515
Increase in employees' severance and retirement benefits	223	1,431	13,540
Other, net	52	855	8,090
Subtotal	8,878	13,989	132,359
Interest and dividends received	199	202	1,911
Interest expenses paid	(768)	(580)	(5,488)
Income taxes paid	(361)	(1,233)	(11,666)
Income taxes refunded	486	82	776
Net cash provided by operating activities	8,434	12,460	117,892
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(2,632)	(3,935)	(37,232)
Proceeds from sale of property, plant and equipment	137	3	28
Payments for purchase of investment securities	(2,099)	(321)	(3,037)
Proceeds from sale of investment securities	1,120	2,152	20,362
Other, net	(156)	(1,085)	(10,266)
Net cash used in investing activities	(3,630)	(3,186)	(30,145)
Cash flows from financing activities:			
Proceeds from long-term debt	7,100	1,000	9,462
Repayments of long-term debt	(11,625)	(4,869)	(46,069)
Increase (Decrease) in short-term bank loans	440	(950)	(8,989)
Cash dividends paid	(586)	(586)	(5,544)
Payments for purchase of treasury stock by consolidated subsidiaries	—	(648)	(6,131)
Other, net	(43)	(15)	(142)
Net cash used in financing activities	(4,714)	(6,068)	(57,413)
Effect of exchange rate changes on cash and cash equivalents	(3)	(10)	(95)
Net increase in cash and cash equivalents	87	3,196	30,239
Cash and cash equivalents at beginning of year	20,255	20,342	192,469
Cash and cash equivalents at end of year (Note 2)	¥20,342	¥23,538	$222,708

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of presenting consolidated financial statements

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2004, which was ¥105.69 to US$ 1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

In the year ended March 31, 2004, the Company and its consolidated subsidiaries did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2004, but the standard does not prohibit earlier adoption. The Company and its consolidated subsidiaries will adopt these standards effective April 1, 2004.

The Company and its consolidated subsidiaries have begun their analysis of possible impairment of fixed assets. The Company and its consolidated subsidiaries cannot currently estimate the effect of adoption of the the new standard, because the Company and its consolidated subsidiaries have not yet completed their analysis. However, management believes that adoption of this new accounting standard will have no significant effect on the consolidated financial statements.

(2) Consolidated statements of cash flows

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

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

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

The investments in affiliated companies are stated at their underlying equity value. All companies are required to account for investments in affiliated companies (all of 20% to 50% owned and certain others of 15% to 20% owned) by the equity method in principle. The excess of the cost over the underlying net assets of investments in consolidated subsidiaries and affiliated companies is amortized over a five-year period with the exception of minor differences which are charged or credited to income in the period of acquisition.

(4) Translation of foreign currencies

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

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

The Company and its domestic subsidiaries report foreign currency translation adjustments in the shareholders' equity.

(5) **Securities**

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

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

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

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

(6) **Inventories**

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

(7) **Depreciation and amortization**

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

Amortization of intangible assets is computed by the straight-line method over periods prescribed by the Japanese Corporation Tax Law.

(8) **Deferred charges**

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

(9) **Bonuses**

Bonuses to employees, which are paid semi-annually, are accrued based upon management's estimate of the amount thereof. Bonuses to directors and corporate auditors, which are subject to approval at the shareholders' meeting, are accounted for as an appropriation of retained earnings.

(10) **Severance and retirement benefits**

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

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Company and its consolidated subsidiaries provide allowance for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets. Prior service costs are recognized in expenses in equal amounts over the average of the estimated remaining service lives of the employees, and actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives commencing with the following period.

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

(11) **Income taxes**

Current income taxes are provided at the amounts currently payable for the year ended. Tax effects of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities are recognized as deferred income taxes. The provision for income taxes is computed based on the pretax income included in the consolidated statement of operation. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(12) **Amounts per share of common stock**

Prior to the year ended March 31, 2003, net income per share was computed based upon the weighted average number of shares of common stock outstanding during the year ended March 31 of each year, exclusive of the Company's treasury stock.

Effective from the year ended March 31, 2003, the Company and its consolidated subsidiaries adopted the new accounting standard for earning per share and related guidance (Accounting Standards Board Statement No.2, "Accounting Standard for Earning Per Share" and Financial Standards Implementation Guidance No.4, "Implementation Guidance for Accounting Standard for Earning Per Share," issued by the Accounting Standards Board of Japan on September 25, 2002).

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

The effect of adopting the new accounting standard was immaterial.

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

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

(13) **Accounting for certain lease transactions**

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

(14) **Derivatives and hedge accounting**

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

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

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

(a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
   (ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

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

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

(15) **Additional information**

Prior to the year ended March 31, 2003, only treasury stock held by the Company itself was shown on the consolidated balance sheets.

Effective from the year ended March 31, 2003, the Company adopted the new Japanese accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No.1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002). Due to the adoption of the new accounting standard, the Company's interest in the treasury stock held by its affiliated companies accounted for using the equity method is also included in treasury stock in the consolidated balance sheets.

2. CASH AND CASH EQUIVALENTS

Reconciliations of cash shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Cash	¥21,894	**¥26,458**	**$ 250,336**
Less: Time deposits with maturities exceeding three months	(1,775)	**(3,143)**	**(29,738)**
Add: Short-term highly liquid investments with maturities of not exceeding three months	223	**223**	**2,110**
Cash and cash equivalents	¥20,342	**¥23,538**	**$ 222,708**

3. INVENTORIES

Inventories at March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Finished products	¥ 9,725	**¥ 9,446**	**$ 89,374**
Work-in-process	615	**673**	**6,368**
Raw materials and supplies	1,349	**1,455**	**13,767**
	¥11,689	**¥11,574**	**$109,509**

4. SECURITIES

(1) The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2003 and 2004:

Available-for-sale securities:

Securities with book values exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Acquisition cost			
Equity securities	¥1,981	**¥ 8,277**	**$ 78,314**
Others	97	**204**	**1,930**
Total	2,078	**8,481**	**80,244**
Book value			
Equity securities	2,845	**14,730**	**139,370**
Others	103	**267**	**2,526**
Total	2,948	**14,997**	**141,896**
Difference			
Equity securities	864	**6,453**	**61,056**
Others	6	**63**	**596**
Total	¥ 870	**¥ 6,516**	**$ 61,652**

Other securities

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Acquisition cost			
Equity securities	¥ 9,702	**¥2,069**	**$19,576**
Others	211	**95**	**899**
Total	9,913	**2,164**	**20,475**
Book value			
Equity securities	7,882	**1,541**	**14,580**
Others	197	**86**	**814**
Total	8,079	**1,627**	**15,394**
Difference			
Equity securities	(1,820)	**(528)**	**(4,996)**
Others	(14)	**(9)**	**(85)**
Total	¥(1,834)	**¥ (537)**	**$ (5,081)**

(2) The following table summarizes book values of securities with no available fair values as of March 31, 2003 and 2004:

Available-for-sale securities:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Book value			
Money market fund	¥ 21	**¥ 21**	**$ 199**
Medium-term government bond funds	202	**202**	**1,911**
Preference shares	1,000	**1,000**	**9,462**
Non-listed equity securities	249	**296**	**2,801**
Total	¥1,472	**¥1,519**	**$14,373**

(3) The following table summarizes total sales amounts of available-for-sale securities sold, and amounts of the related gains and losses in the years ended March 31, 2003 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Total sales amounts of available-for-sale securities sold	¥1,120	**¥2,152**	**$20,362**
Amounts of the related gains	18	**752**	**7,115**
Amounts of the related losses	1,566	**217**	**2,053**

5. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

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

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

The derivative transactions are decided by the Board of Directors and managed by the Accounting Department in accordance with the established policies and within the decision of the Board of Directors. The Company does not evaluate hedge effectiveness as the notional amounts, terms and interest payment dates are the same for the hedging derivative financial instruments and the hedged items.

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

Hedging instruments:	Hedged items:
Interest rate swap contracts	Interest on long-term debt

The following tables summarize market value information as of March 31, 2003 and 2004 of derivative transactions for which hedge accounting has not been applied:

Currency related: (Millions of yen)

	2003		
Type	Contracted amount	Market value	Recognized losses
Items not traded on exchanges			
Currency option	¥2,501	¥(31)	¥(31)
Total	¥2,501	¥(31)	¥(31)

Currency related: (Millions of yen)

	2004		
Type	Contracted amount	Market value	Recognized losses
Items not traded on exchanges			
Currency option	**¥915**	**¥(38)**	**¥(38)**
Total	**¥915**	**¥(38)**	**¥(38)**

Currency related: (Thousands of U.S. dollars)

	2004		
Type	Contracted amount	Market value	Recognized losses
Items not traded on exchanges			
Currency option	**$8,657**	**$(360)**	**$(360)**
Total	**$8,657**	**$(360)**	**$(360)**

6. INFORMATION FOR CERTAIN LEASES

Lease payments under finance leases which are accounted for in the same manner as operating leases for the years ended March 31, 2003 and 2004 were ¥623 million and ¥572 million ($5,412 thousand), respectively. Future lease payments as of March 31, 2004, exclusive of interest, under such leases were ¥1,008 million ($9,537 thousand), including ¥395 million ($3,737 thousand) due within one year.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans are represented by short-term notes, principally of 90 days maturity, bearing interest at a weighted average year-end rate of 0.80% and 0.80% at March 31, 2003 and 2004, respectively.

Long-term debt at March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Long-term bank loans principally 0.71%-2.30%, due through 2008	¥ 8,159	**¥ 7,290**	**$ 68,975**
3.00% unsecured bonds due in 2003	3,000	**—**	**—**
2.80% unsecured bonds due in 2004	4,000	**4,000**	**37,847**
1.29% unsecured bonds due in 2005	5,000	**5,000**	**47,308**
2.06% unsecured bonds due in 2007	5,000	**5,000**	**47,308**
	25,159	**21,290**	**201,438**
Less amount due within one year	4,819	**10,200**	**96,509**
	¥20,340	**¥11,090**	**$104,929**

Property, plant and equipment at cost less accumulated depreciation of ¥16,017 million ($151,547 thousand) was pledged as collateral for short-term bank loans at March 31, 2004.

The aggregate annual maturities of long-term debt at March 31, 2004 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥10,200	$ 96,509
2006	3,920	37,089
2007	6,340	59,987
2008	780	7,380
2009	50	473
	¥21,290	$201,438

8. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2003 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Projected benefit obligation	¥56,021	**¥57,381**	**$542,918**
Unrecognized prior service costs	909	**844**	**7,986**
Unrecognized actuarial differences	(19,972)	**(13,772)**	**(130,306)**
Less fair value of pension assets	(22,744)	**(28,808)**	**(272,571)**
Liability for severance and retirement benefits	¥14,214	**¥15,645**	**$148,027**

Included in the consolidated statements of operations for the years ended March 31, 2003 and 2004 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Service costs—benefits earned during the year	¥1,738	**¥1,892**	**$17,902**
Interest cost on projected benefit obligation	1,484	**1,399**	**13,237**
Expected return on plan assets	(755)	**(569)**	**(5,384)**
Amortization of prior service costs	(65)	**(65)**	**(615)**
Amortization of actuarial differences	729	**1,417**	**13,407**
Severance and retirement benefit expenses	¥3,131	**¥4,074**	**$38,547**

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are 2.5% and 3.0%, respectively, in 2003, and 2.5% in 2004. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Past service costs are recognized as an expense in equal amounts over 15 years. Actuarial gains and losses are recognized in income statement using the straight-line method over 15 years commencing with the following period.

9. INCOME TAXES

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 42.0% for the year ended March 31, 2002. Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and its consolidated domestic subsidiaries used the aggregate statutory income tax rates of 42.0% for temporary differences expected to be reversed before April 1, 2004 and 40.7% for those expected to be reversed after March 31, 2004.

As a result of the change, in the year ended March 31, 2003, net deferred tax assets decreased by ¥105 million, deferred tax liabilities decreased by ¥1 million, provision for deferred income taxes increased by ¥92 million and net unrealized holding losses on securities increased by ¥12 million.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2004:

	2004
Statutory tax rate	**42.0%**
Non-taxable dividend income	**(0.4)**
Non-deductible expenses	**2.7**
Per capita inhabitant tax	**1.2**
Special deduction of experimental and research expenses, others	**(1.2)**
Effect of change in income tax rate	**1.3**
Other	**1.3**
Effective tax rate	**46.9%**

The significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2003 are not shown since loss before income taxes was recorded in the consolidated statement of operations.

Significant components of the deferred income taxes as of March 31, 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Deferred income taxes (current liabilities):			
Enterprise taxes receivable	¥ (0)	**¥ (—)**	**$ (—)**
Total deferred tax liabilities	(0)	**(—)**	**(—)**
Offset against deferred tax assets	0	**—**	**—**
Net deferred income taxes (current liabilities)	¥ —	**¥ —**	**$ —**

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Deferred income taxes (current assets):			
Excess bonuses accrued	¥ 690	¥1,022	$ 9,670
Accrued social insurance premiums	69	93	880
Accrued enterprise taxes	61	423	4,002
Valuation loss of finished products	86	117	1,107
Other	231	209	1,978
Sub-total deferred income taxes (current assets)	1,137	1,864	17,637
Valuation allowance	(100)	(97)	(918)
Total deferred income taxes (current assets)	1,037	1,767	16,719
Offset against deferred tax liabilities	(0)	(—)	(—)
Net deferred income taxes (current assets)	¥1,037	¥1,767	$16,719
Deferred income taxes (long-term liabilities):			
Deferred gains on fixed assets	¥(3,956)	¥(3,862)	$(36,541)
Net unrealized holding gains on securities	(—)	(2,437)	(23,058)
Total deferred tax liabilities	(3,956)	(6,299)	(59,599)
Offset against deferred tax assets	3,924	5,542	52,436
Net deferred income taxes (long-term liabilities)	¥ (32)	¥ (757)	$ (7,163)
Deferred income taxes (non-current assets):			
Retirement benefits	¥ 5,558	¥ 6,630	$ 62,731
Unrealized gross profits from sales of property, plant and equipment	744	744	7,039
Excess bad debt expenses	141	68	643
Net unrealized holding losses on securities	384	—	—
Other	481	529	5,005
Sub-total deferred income taxes (non-current assets)	7,308	7,971	75,418
Valuation allowance	(54)	(67)	(634)
Total deferred income taxes (non-current assets)	7,254	7,904	74,784
Offset against deferred tax liabilities	(3,924)	(5,542)	(52,436)
Net deferred income taxes (non-current assets)	¥ 3,330	¥ 2,362	$ 22,348

10. SHAREHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares is required to be designated as common stock. The portion which is not transferred to common stock is determined by resolution of the Board of Directors. Proceeds not transferred to common stock are credited to additional paid-in capital of which "capital surplus" consists.

Under the Code, the Company is required to appropriate as a legal earnings reserve a portion of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors for each period until the total amount of the legal earnings reserve and additional paid-in capital equals 25% of the amount of common stock. This legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of a shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of the legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of the amount of common stock, they are available for distributions and certain other purposes by the resolution of shareholders' meeting. The legal earnings reserve is included in retained earnings.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code. The appropriations are not accrued in the consolidated financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at March 31, 2004 included amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 29, 2004 as described in Note 13.

On June 27, 2003, shareholders approved a stock repurchase program, under which the Company could repurchase up to 6,800 thousand shares of its common stock at the maximum amount of ¥3,000 million subject to authorization by the Board of Directors until the close of the annual general meeting held on June 29, 2004. But there was no repurchase under the repurchase program during the period.

On June 29, 2004, shareholders approved a revision to the articles of association, under which the Company may repurchase shares of its common stock based on an authorization of the Board of Directors.

11. SEGMENT INFORMATION

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

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Sales:			
Office Furniture	¥103,852	**¥108,873**	**$1,030,117**
Store Displays	55,399	**66,647**	**630,589**
Material Handling Systems and Others	6,027	**7,524**	**71,189**
Consolidated	¥165,278	**¥183,044**	**$1,731,895**
Operating expenses:			
Office Furniture	¥102,290	**¥105,635**	**$ 999,480**
Store Displays	52,442	**63,087**	**596,906**
Material Handling Systems and Others	6,454	**7,610**	**72,003**
Consolidated	¥161,186	**¥176,332**	**$1,668,389**
Operating income (loss):			
Office Furniture	¥1,562	**¥3,238**	**$30,637**
Store Displays	2,957	**3,560**	**33,683**
Material Handling Systems and Others	(427)	**(86)**	**(814)**
Consolidated	¥4,092	**¥6,712**	**$63,506**
Identifiable assets:			
Office Furniture	¥ 79,747	**¥ 79,909**	**$ 756,070**
Store Displays	34,371	**38,624**	**365,446**
Material Handling Systems and Others	5,558	**6,754**	**63,904**
	119,676	**125,287**	**1,185,420**
Corporate assets	38,126	**47,538**	**449,787**
Consolidated	¥157,802	**¥172,825**	**$1,635,207**
Depreciation:			
Office Furniture	¥3,160	**¥3,146**	**$29,766**
Store Displays	1,059	**1,100**	**10,408**
Material Handling Systems and Others	228	**241**	**2,280**
Consolidated	¥4,447	**¥4,487**	**$42,454**

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Capital expenditures:			
Office Furniture	¥2,023	**¥2,704**	**$25,584**
Store Displays	482	**1,402**	**13,265**
Material Handling Systems and Others	140	**213**	**2,016**
	2,645	**4,319**	**40,865**
Corporate	270	**212**	**2,006**
Consolidated	¥2,915	**¥4,531**	**$42,871**

Geographic segment information was not shown since aggregate sales of overseas consolidated subsidiaries were less than 10% of the consolidated net sales for the years ended March 31, 2003 and 2004, and assets of overseas consolidated subsidiaries were less than 10% of the consolidated assets at March 31, 2003 and 2004.

Overseas sales are not shown, since overseas sales were less than 10% of the Company's consolidated net sales for the years ended March 31, 2003 and 2004.

12. BALANCES AND TRANSACTIONS WITH RELATED PARTY

As of March 31, 2004, the accounts receivable—trade from Mitsubishi Corporation (the Company's director, Masayuki Takashima, has hold the representative director of which), was ¥4,398 million ($41,612 thousand) and the Company recognized net sales of ¥19,730 million ($186,678 thousand) for the year ended March 31, 2004. The selling price was determined the same as general business.

There were no balances or transactions with related party as of March 31, 2003 and for the year then ended.

13. SUBSEQUENT EVENT

At the annual general meeting held on June 29, 2004, the Company's shareholders approved the appropriations of retained earnings at March 31, 2004 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥5.00 ($0.047) per share	¥561	$5,308

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
OKAMURA CORPORATION:

We have audited the accompanying consolidated balance sheets of OKAMURA CORPORATION and its consolidated subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OKAMURA CORPORATION and its consolidated subsidiaries as of March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(1) to the consolidated financial statements.

KPMG AZSA & Co.

Yokohama, Japan
June 29, 2004

okamura

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