Financial Section

Six-Year Summary

Years Ended March 31	2000	2001	2002	2003	2004	2005	2005
	Millions of yen, except per share figures						Thousands of U.S. dollars, except per share figures
Sales and Income:							
Net sales	¥165,323	¥187,349	¥158,245	¥165,278	¥183,044	**¥196,527**	**$1,830,031**
Cost of sales	114,332	129,754	108,653	114,647	127,024	**135,976**	**1,266,189**
SG&A expenses	46,298	48,163	45,722	46,539	49,308	**51,570**	**480,212**
Operating income	4,693	9,432	3,870	4,092	6,712	**8,981**	**83,630**
Income (Loss) before income taxes	4,389	2,872	2,403	(1,159)	7,422	**9,348**	**87,047**
Net income (loss)	2,143	1,260	1,094	(1,067)	3,972	**5,486**	**51,085**
Capital Expenditures, Depreciation and Amortization:							
Capital expenditures	2,690	2,697	2,480	2,915	4,531	**4,648**	**43,282**
Depreciation and amortization	5,425	4,902	4,603	4,447	4,487	**4,485**	**41,764**
Profitability:							
Operating income to net sales (%) (Operating income/Net sales)	2.84	5.03	2.45	2.48	3.67	**4.57**	—
Net income (loss) to net sales (%) (Net income (loss)/Net sales)	1.30	0.67	0.69	(0.65)	2.17	**2.79**	—
Cost of sales to net sales (%) (Cost of sales/Net sales)	69.16	69.26	68.66	69.37	69.40	**69.19**	—
Return on equity [ROE] (%) (Net income (loss)/Shareholders' equity)	3.63	2.23	2.07	(2.05)	7.15	**8.90**	—
Return on assets [ROA] (%) (Operating income/Total assets)	2.68	5.38	2.31	2.61	4.06	**5.18**	—
Assets, Liabilities and Shareholders' Equity:							
Total assets	¥172,170	¥178,751	¥155,862	¥157,802	¥172,825	**¥173,623**	**$1,616,752**
Total shareholders' equity	59,882	53,136	52,386	51,779	59,265	**63,965**	**595,633**
Interest-bearing debt	49,093	46,023	44,084	39,999	35,180	**29,980**	**279,169**
Equity ratio (%) (Shareholders' equity/total liabilities and shareholders' equity)	34.78	29.73	33.61	32.81	34.29	**36.84**	—
Shareholders' equity per share (Shareholders' equity/total number of shares issued)(yen)	479.89	472.78	466.17	461.60	528.46	**570.68**	—
Current assets	87,651	97,023	77,864	84,490	95,751	**96,407**	**897,728**
Current liabilities	61,176	86,006	65,074	65,208	80,561	**78,267**	**728,811**
Current ratio (%) (Current assets/Current liabilities)	143.28	112.81	119.65	129.57	118.86	**123.18**	—
Efficiency:							
Inventory turnover (times) (Net sales/Average inventories)	11.22	12.71	11.60	14.20	15.74	**15.57**	—
Asset turnover (times) (Net sales/Average total assets)	0.94	1.07	0.95	1.05	1.11	**1.13**	—
Number of employees	3,661	3,502	3,492	3,444	3,471	**3,594**	—

Management's Discussion and Analysis

1.
Scope of Consolidation

The Okamura Group consists of Okamura Corporation, 11 consolidated subsidiaries, and four affiliates accounted for by the equity holding method, for a total of 16 member firms. The Okamura Group is engaged in manufacturing, sales, distribution and installation in three business segments, namely Office Furniture, Store Displays, and Material Handling Systems and Others.

2.
Net Sales

In fiscal 2005, ended March 31, 2005, results in the Office Furniture segment were strong, boosted by new office-related demand in the Tokyo metropolitan area, an increase in related secondary and tertiary relocation demand, and a general upsurge in regional markets. In the Store Displays segment, the Company adopted a proactive stance targeting specialty store markets, and strove to increase orders in line with the growth in new store openings and the renewal of existing stores. As a result, consolidated net sales for the fiscal year under review amounted to ¥196,527 million, an increase of 7.4% compared with the previous fiscal year.

3.
Cost of Sales, Selling, General and Administrative (SG&A) Expenses

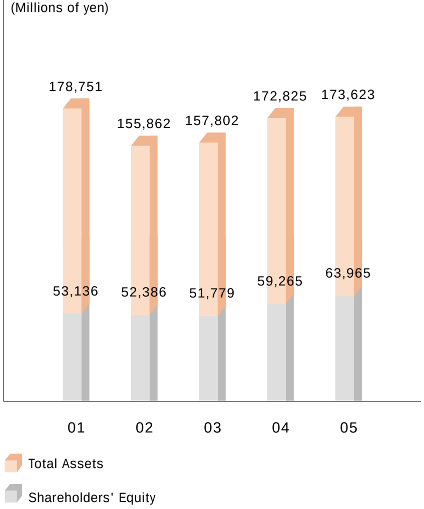
The cost of sales rose ¥8,952 million, in comparison with the previous fiscal year's ¥127,024 million, to ¥135,976 million, essentially in line with the increase in sales. Despite this increase, however, the cost of sales ratio improved 0.2 of a percentage point from 69.4% in the previous fiscal year to 69.2%.

SG&A expenses edged up ¥2,262 million to ¥51,570 million. This was mainly attributed to the rise in delivery and packaging expenses of ¥768 million in line with the growth in sales. The ratio of SG&A expenses to total net sales decreased 0.7 of a percentage point to 26.2%.

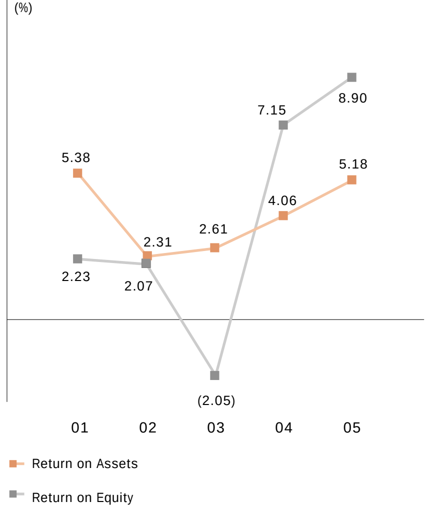
4.
Operating Income

Accounting for the aforementioned factors, operating income climbed 33.8% in comparison with the previous fiscal year from ¥6,712 million to ¥8,981 million. The operating income ratio also improved from 3.7% in the previous fiscal year to 4.6%.

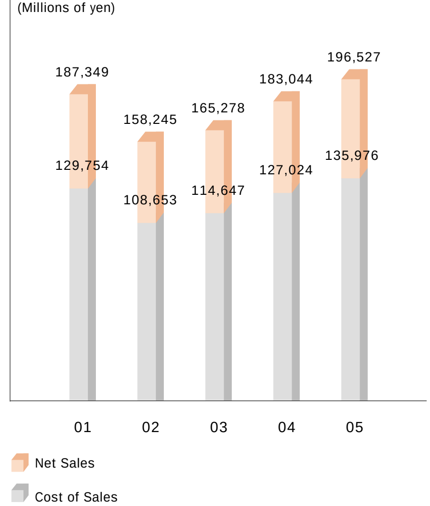
Total Assets/Shareholders' Equity
(Millions of yen)



Return on Assets/Return on Equity
(%)



Net Sales/Cost of Sales
(Millions of yen)



5.
Segment Information

Office Furniture > Conditions in the Office Furniture segment were strong, boosted by new office-related demand in the Tokyo metropolitan area, an increase in related secondary and tertiary demand fueled by the spate of office relocations, and a general recovery in regional demand. Okamura also saw gains in aggregated orders, which involves developing new products and solution proposals that are responsive to the diverse work styles that have emerged in the ubiquitous age. As a result of the above efforts, Okamura achieved steady growth in sales.

Leveraging synergy benefits from the other office furniture operations and working to further enhance product lineup, Okamura also experienced growth in its security systems business.

Buoyed by a generally positive operating environment, sales in the Office Furniture segment increased 8.4% to ¥118,041 million. Operating income nearly doubled from ¥3,238 million in the previous fiscal year to ¥6,310 million, while the operating income ratio improved significantly from 3.0% in the previous fiscal year to 5.3%.

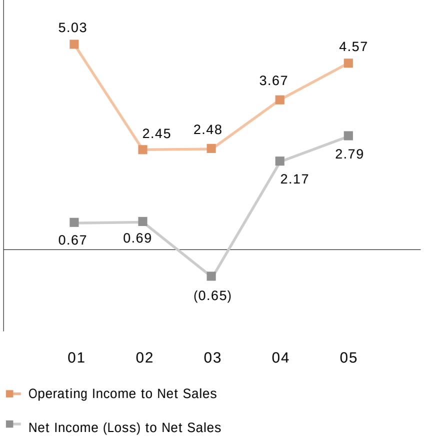
Store Displays > Results in the Store Displays segment were mixed. Okamura continued to benefit from its unrivalled position as the only manufacturer to provide a full range of store display shelving as well as refrigerator and freezer showcases. We also maintained a strict focus on our fundamental policy to assemble attractive stores that satisfy consumers' demands for greater variety and choice. During the fiscal year under review, Okamura incurred increased depreciation costs due to production line expansion at the end of the previous fiscal year. Costs also rose reflecting the increase in sales staff. These initiatives are expected to generate an increase in sales, which in turn is anticipated to offset the rise in expenses. Based on these factors, sales in the Store Displays segment increased 2.9% in comparison with the previous fiscal year to ¥68,595 million. On the other hand, operating income fell 27.7% year on year to ¥2,574 million.

Material Handling Systems and Others > Leveraging synergies in the Office Furniture and Store Displays segments, Okamura expanded sales of system equipment for distribution centers of the pharmaceutical wholesalers, 3PL and the automobile industries. At the same time, we actively promoted sales of automated warehousing systems and storage system fixtures to the Chinese market.

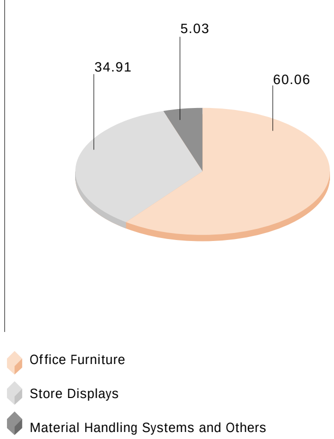
In the hydraulic transmissions business, Okamura secured increased orders of torque converters used in forklifts, underpinned by a recovery in Japan's industrial machinery manufacturing sector.

As a result, sales in the Material Handling Systems and Others segment surged 31.5% in comparison with the previous fiscal year to ¥9,891 million. Okamura reported operating income of ¥97 million, a turnaround from the operating loss of ¥86 million in the previous fiscal year.

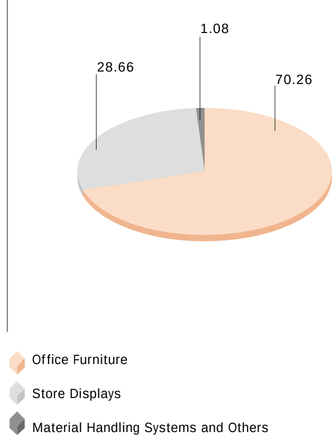
Operating Income to Net Sales /Net Income (Loss) to Net Sales
(%)



Breakdown of Net Sales by Business Segment
(%)



Breakdown of Operating Income by Business Segment
(%)



6.
Other Income (Expenses)

Other income, net with other expenses for the fiscal year under review totaled ¥367 million compared with ¥710 million in the previous fiscal year. The principal factor was the gain on sale of investment securities, which narrowed ¥299 million from ¥535 million to ¥237 million, while interest expenses dropped ¥102 million year on year from ¥551 million to ¥449 million, owing to the reduction of interest-bearing debt by ¥5,200 million from ¥35,180 million in the previous fiscal year to ¥29,980 million. In addition, we incurred impairment losses of ¥18 million, as a result of the adoption of impairment accounting in the fiscal year under review.

Accordingly, income before income taxes increased 26.0% in comparison with the previous fiscal year to ¥9,348 million.

7.
Current and Deferred Income Taxes

Income taxes for the fiscal year under review totaled ¥3,778 million, an increase of ¥300 million in comparison with the previous fiscal year. The income tax rate for the period after the application of tax-effect accounting was 40.4%.

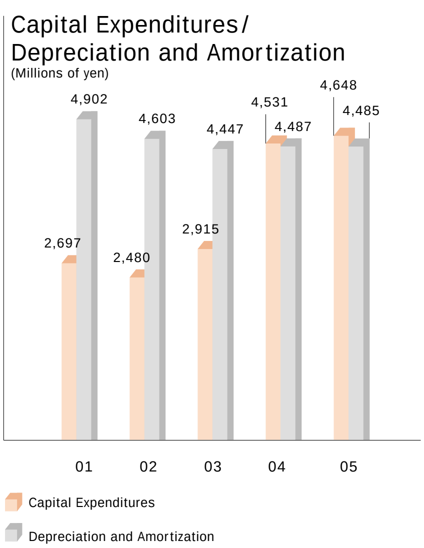
8.
Net Income

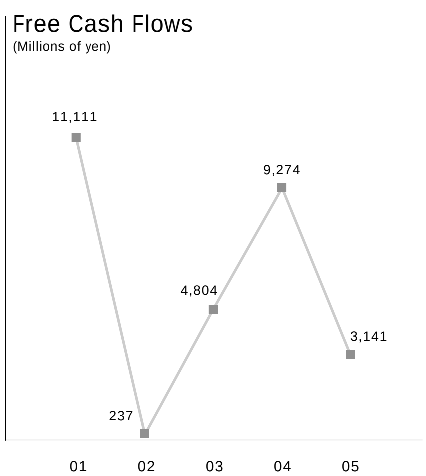
Net income for fiscal 2005 was ¥5,486 million, a jump of 38.1% compared with the previous fiscal year. In addition, net income per share improved substantially to ¥48.93, an increase of 38.2% in comparison with the previous fiscal year. ROE (return on equity) was 8.9%, up 1.7 percentage points from the previous fiscal year.

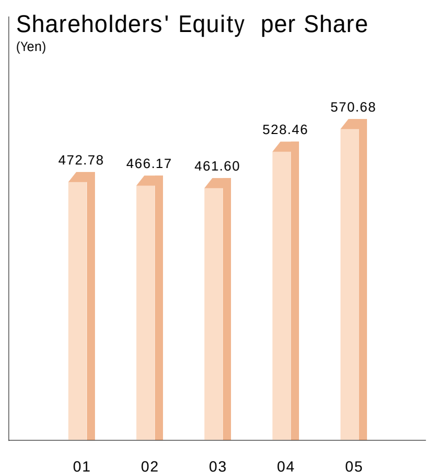
9.
Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2005 stood at ¥173,623 million, an increase of ¥798 million compared with the previous fiscal year-end. Current assets were ¥96,407 million, up ¥656 million, while property, plant and equipment less accumulated depreciation was ¥48,329 million, a decrease of ¥146 million. Investments and other assets rose ¥288 million to ¥28,887 million.

A major component contributing to the increase in current assets was trade receivables and inventories, which rose in line with the growth in sales, the former of which increased ¥1,578 million to ¥55,393 million and the latter of which climbed ¥2,104 million to ¥13,678 million. Cash, on the other hand, declined ¥3,363 million to ¥23,095 million owing to the redemption of corporate bonds and the payment of income taxes.







Total liabilities as of the end of the fiscal year under review stood at ¥106,407 million, a decrease of ¥4,193 million. Current liabilities declined ¥2,294 million compared with the end of the previous fiscal year to ¥78,267 million, while long-term liabilities fell ¥1,899 million to ¥28,140 million.

During the fiscal year under review, Okamura undertook redemption of corporate bonds totaling ¥9,000 million, which was partially funded by an increase in short-term bank loans of ¥3,010 million. As a result, the total of interest-bearing debt decreased ¥5,200 million to ¥29,980. Other factors contributing to the decrease in total liabilities included income taxes payable, which decreased ¥2,708 to ¥2,233 million. On the other hand, trade payables rose ¥3,417 million to ¥49,298 million, reflecting the growth in sales.

As of March 31, 2005, shareholders' equity stood at ¥63,965 million, an increase of ¥4,700 million compared with the end of the previous fiscal year. The primary reason for the increase was the jump in retained earnings, which climbed by ¥4,503 million to ¥25,090 million due to the increase in net income.

As a result of all these factors, the shareholders' equity ratio improved 2.5 percentage points from 34.3% to 36.8%. Equity per share rose from ¥528.46 to ¥570.68.

10. Cash Flows

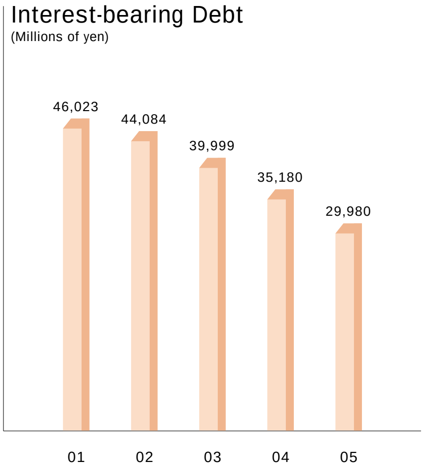
Net cash provided by operating activities amounted to ¥7,010 million. The principal components were income before income taxes of ¥9,348 million, depreciation and amortization of ¥4,485 million, increases in notes and accounts payable-trade and inventories of ¥2,789 million and ¥1,954 million, respectively, and income taxes paid of ¥7,246 million.

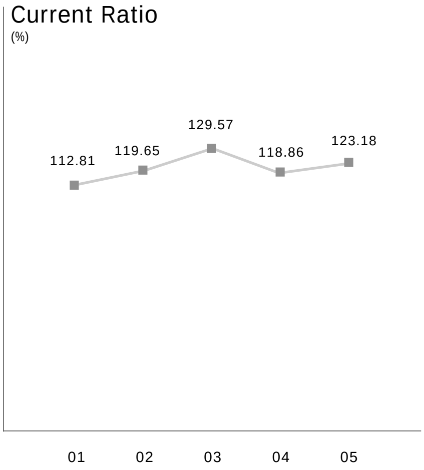
Income taxes paid for the period rose ¥6,013 million. This is attributed to the one-off low tax payment made in fiscal 2004 following the loss incurred by the Company in fiscal 2003. Accounting to this factor, net cash provided by operating activities for the period under review declined ¥5,451 million in comparison with the previous fiscal year.

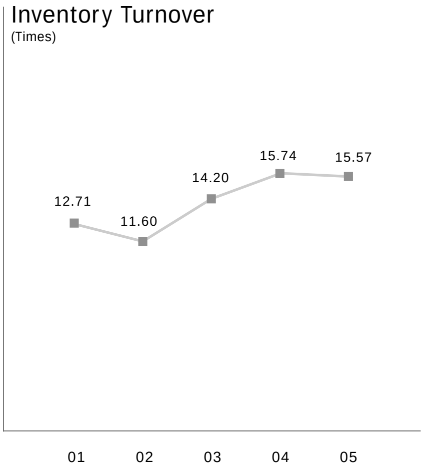
Net cash used in investing activities totaled ¥3,869 million. In the fiscal year under review, Okamura undertook capital expenditures totaling ¥4,648 million, with the aim of increasing production capacity and upgrading information systems.

Net cash used in financing activities was ¥6,249 million. This was primarily the net effect of the redemption in corporate bonds totaling ¥9,000 million, funded in part by an increase in short-term bank loans.

As a result, cash and cash equivalents at the end of year decreased ¥3,112 million to ¥20,426 million.







OKAMURA CORPORATION
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2004 AND 2005

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
ASSETS	2004	2005	2005
Current assets:			
Cash (Note 3(1))	¥ 26,458	¥ 23,095	$ 215,057
Marketable securities (Note 5)	223	614	5,718
Trade receivables:			
Notes	10,450	10,234	95,297
Accounts (Note 14)	43,656	45,519	423,866
Allowance for doubtful accounts (Note 1(10))	(291)	(360)	(3,352)
Inventories (Note 4)	11,574	13,678	127,368
Deferred income taxes (Note 11)	1,767	1,660	15,458
Other current assets	1,914	1,967	18,316
Total current assets	95,751	96,407	897,728
Property, plant and equipment (Note 9):			
Land (Notes 2 and 6)	21,543	21,470	199,926
Buildings	47,507	47,439	441,745
Machinery and equipment	55,087	59,171	550,992
Construction in progress	68	78	726
	124,205	128,158	1,193,389
Less accumulated depreciation	75,730	79,829	743,356
	48,475	48,329	450,033
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies	1,200	914	8,511
Investment securities (Note 5)	17,920	18,376	171,115
Deferred income taxes (Note 11)	2,362	2,406	22,404
Other non-current assets	7,117	7,191	66,961
	28,599	28,887	268,991
	¥ 172,825	¥ 173,623	$ 1,616,752

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2004	Millions of yen 2005	Thousands of U.S. dollars (Note 1(1)) 2005
Current liabilities:			
Short-term bank loans (Note 9)	¥ 13,890	¥ 16,900	$ 157,370
Long-term debt due within one year (Note 9)	10,200	3,940	36,689
Trade payables:			
Notes	15,726	17,831	166,040
Accounts	30,155	31,467	293,016
Income taxes payable	4,942	2,233	20,793
Other current liabilities	5,648	5,896	54,903
Total current liabilities	80,561	78,267	728,811
Long-term debt (Note 9)	11,090	9,140	85,110
Employees' severance and retirement benefits (Notes 1(12) and 10)	15,645	16,086	149,790
Deferred income taxes (Note 11)	757	368	3,427
Other long-term liabilities	2,547	2,546	23,708
Minority interests	2,960	3,251	30,273
Shareholders' equity (Note 12):			
Common stock			
Authorized 200,000,000 shares			
Issued 112,391,530 shares	18,670	18,670	173,852
Capital surplus	16,760	16,760	156,067
Retained earnings	20,586	25,090	233,635
Net unrealized holding gains on securities (Note 1(5))	3,552	3,819	35,562
Foreign currency translation adjustments (Note 1(4))	(191)	(209)	(1,946)
Treasury stock, at cost	(112)	(165)	(1,537)
	59,265	63,965	595,633
	¥ 172,825	¥ 173,623	$ 1,616,752

OKAMURA CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2004 AND 2005

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2004	2005	2005
Net sales (Note 13 and 14)	¥ 183,044	¥ 196,527	$ 1,830,031
Cost of sales	127,024	135,976	1,266,189
Gross profit	56,020	60,551	563,842
Selling, general and administrative expenses (Note 1(17))	49,308	51,570	480,212
Operating income (Note 13)	6,712	8,981	83,630
Other income (expenses):			
Interest and dividend income	185	213	1,983
Interest expenses	(551)	(449)	(4,181)
Loss on devaluation of investment securities	(18)	(33)	(307)
Gain on sale of investment securities	535	237	2,207
Gain on sale of property, plant and equipment	-	32	298
Loss on disposal of property, plant and equipment	(141)	(264)	(2,458)
Impairment losses (Notes 2 and 6)	-	(18)	(168)
Equity in income of affiliated companies, net	76	91	847
Other, net	624	558	5,196
	710	367	3,417
Income before income taxes	7,422	9,348	87,047
Income taxes (Note 1(13)):			
Current	5,337	4,288	39,929
Deferred	(1,859)	(510)	(4,749)
Income before minority interests	3,944	5,570	51,867
Minority interests in net income (loss) of consolidated subsidiaries	(28)	84	782
Net income	¥ 3,972	¥ 5,486	$ 51,085

	Yen		U.S. dollars (Note 1(1))
	2004	2005	2005
Amounts per share of common stock (Note 1(14)):			
Net income	¥ 35.41	¥ 48.93	$ 0.46
Cash dividends applicable to the year	7.50	10.00	0.09

See accompanying notes.

OKAMURA CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED MARCH 31, 2004 AND 2005

	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, 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)
Net income	-	-	-	5,486	-	-	-
Adjustments from translation of foreign currency financial statements (Note 1(4))	-	-	-	-	-	(18)	-
Net increase in unrealized holding gains on securities	-	-	-	-	267	-	-
Treasury stock	-	-	-	-	-	-	(53)
Cash dividends paid (¥ 8.75 per share)	-	-	-	(982)	-	-	-
Balance at March 31, 2005	112,392	¥ 18,670	¥ 16,760	¥ 25,090	¥ 3,819	¥ (209)	¥ (165)

	Thousands of U.S. dollars (Note 1(1))					
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	$ 173,852	$ 156,067	$ 191,694	$ 33,076	$ (1,778)	$ (1,043)
Net income	-	-	51,085	-	-	-
Adjustments from translation of foreign currency financial statements (Note 1(4))	-	-	-	-	(168)	-
Net increase in unrealized holding gains on securities	-	-	-	2,486	-	-
Treasury stock	-	-	-	-	-	(494)
Cash dividends paid ($ 0.08 per share)	-	-	(9,144)	-	-	-
Balance at March 31, 2005	$ 173,852	$ 156,067	$ 233,635	$ 35,562	$ (1,946)	$ (1,537)

See accompanying notes.

OKAMURA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2004 AND 2005

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2004	2005	2005
Cash flows from operating activities:			
Income before income taxes	¥ 7,422	¥ 9,348	$ 87,047
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	4,487	4,485	41,764
Loss on devaluation of investment securities	18	33	307
Gain on sale of investment securities	(535)	(237)	(2,207)
Gain on sale of property, plant and equipment	-	(32)	(298)
Loss on disposal of property, plant and equipment	141	264	2,458
Interest and dividends income	(185)	(213)	(1,983)
Interest expenses	551	449	4,181
Increase in notes and accounts receivable-trade	(5,960)	(1,391)	(12,953)
Decrease (Increase) in inventories	108	(1,954)	(18,195)
Increase in notes and accounts payable-trade	5,656	2,789	25,971
Increase in employees' severance and retirement benefits	1,431	409	3,808
Other, net	855	541	5,038
Subtotal	13,989	14,491	134,938
Interest and dividends received	202	225	2,095
Interest expenses paid	(580)	(461)	(4,293)
Income taxes paid	(1,233)	(7,246)	(67,474)
Income taxes refunded	82	1	10
Net cash provided by operating activities	12,460	7,010	65,276
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(3,935)	(3,858)	(35,925)
Proceeds from sale of property, plant and equipment	3	94	875
Payments for purchase of investment securities	(321)	(88)	(820)
Proceeds from sale of investment securities	2,152	483	4,498
Proceeds from purchase of additional investments in new conslidated subsidiaries (Note 3(2))	-	62	577
Other, net	(1,085)	(562)	(5,233)
Net cash used in investing activities	(3,186)	(3,869)	(36,028)
Cash flows from financing activities:			
Proceeds from long-term debt	1,000	2,000	18,624
Repayments of long-term debt	(4,869)	(10,210)	(95,074)
Increase (Decrease) in short-term bank loans	(950)	3,010	28,028
Cash dividends paid	(586)	(998)	(9,293)
Payments for purchase of treasury stock by consolidated subsidiaries	(648)	-	-
Other, net	(15)	(51)	(475)
Net cash used in financing activities	(6,068)	(6,249)	(58,190)
Effect of exchange rate changes on cash and cash equivalents	(10)	(4)	(37)
Net increase (decrease) in cash and cash equivalents	3,196	(3,112)	(28,979)
Cash and cash equivalents at beginning of year	20,342	23,538	219,183
Cash and cash equivalents at end of year (Note 3(1))	¥ 23,538	¥ 20,426	$ 190,204

See accompanying notes.

OKAMURA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2005

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, 2005, which was ¥ 107.39 to U.S. $ 1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(2) Consolidated statements of cash flows

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

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

The consolidated financial statements comprise the accounts of the Company and all of its nine subsidiaries in 2004 and eleven subsidiaries in 2005. 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.

JT OKAMURA CORPORATION, which was previously accounted for using the equity method, became a consolidated subsidiary due to additional purchase by the Company of equity shares on September 27, 2004. JT OKAMURA CORPORATION was renamed to be SANYO OKAMURA CORPORATION on October 1, 2004. For the purpose of preparing the consolidated financial statements, this subsidiary was deemed to have been acquired as at September 30, 2004. On June 16, 2004, the Company established Shanghai Okamura Furniture and Logistic System CO., LTD., which is treated as its consolidated subsidiary.

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

(8) Research and development expenses

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

(9) Deferred charges

Bond issue expense is charged to income when bonds are issued.

(10) Allowance for doubtful accounts

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

(11) 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.

(12) 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 had retired at the balance sheet date.

Employees of Japanese companies are compulsorily included in the Welfare Pension Insurance Scheme operated by the government. Employers are legally required to deduct employees' welfare pension insurance contributions from their payroll and to pay them to the government together with employers' own contributions. For companies that have established their own Employees' Pension Fund, which meets certain legal requirements, it is possible to transfer a part of their welfare pension insurance contributions (referred to as the "substitutional portion" of the government's Welfare Pension Insurance Scheme) to their own Employees' Pension Fund under the government's permission and supervision.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Company and a part of its consolidated domestic subsidiaries decided to restructure their Employees' Pension Fund and were permitted by the Minister of Health, Labor and Welfare on August 27, 2004 to be released from their future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme. Pension assets for the substitutional portion maintained by the Employees' Pension Fund are to be transferred back to the government's scheme.

The amount of pension plan assets expected to be transferred back to the government approximated ¥ 13,310 million ($ 123,941 thousand) as at March 31, 2005.

If the Company and a part of its consolidated domestic subsidiaries had applied the transitional provisions as prescribed in Paragraph 44-2 of the JICPA Accounting Committee Report No.13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)", in the year ended March 31, 2005, the Company and its consolidated domestic subsidiaries would have recorded gains on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme amounting to ¥ 2,624 million ($ 24,434 thousand), which was calculated based on the amount of the substitutional portion of the projected benefit obligations as of March 31, 2005, the related pension assets determined pursuant to the government formula and the related unrecognized items.

(13) Income taxes

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

(14) Amounts per share of common stock

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

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

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

(15) 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.

(16) 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.

(17) Additional information

With the promulgation of the "Revision of the Local Tax Law" (Legislation No.9, 2003) on March 31, 2003, the tax bases for assessing enterprise taxes comprise "amount of income", "amount of added value" and "amount of capital" commencing April 1, 2004. Enterprise taxes based on "amount of added value" and "amount of capital" are included in "Selling, general and administrative expenses" in the consolidated statement of income commencing this fiscal year pursuant to "Practical Solutions on Presentation for Size-Based Components of Corporate Enterprise Tax on the Income Statement" (Accounting Standards Board, Practical Solutions Report No.12 issued on February 13, 2004). Enterprise taxes based on "amount of added value" and "amount of capital" amounting to ¥ 248 million ($ 2,309 thousand) are included in selling, general and administrative expenses.

2. Change in accounting policies

Accounting standards for impairment of fixed assets

Effective from the year ended March 31, 2005, the Company and its consolidated subsidiaries adopted the accounting standards for impairment of fixed assets ("Opinion on Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the guidance on accounting standards for impairment of fixed assets (the "Financial Accounting Standards Guidance No.6" issued by the Accounting Standards Board of Japan on October 31, 2003). As a result of adopting the accounting standards and the guidance, income before income taxes for the year ended March 31, 2005 decreased by ¥ 18 million ($ 168 thousand) compared to what would have been reported under the previous accounting standards. Accumulated impairment losses are deducted from book values of related fixed assets.

3. Cash and cash equivalents

(1) Reconciliations of cash shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2004 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Cash	¥ 26,458	¥ 23,095	$ 215,057
Less: Time deposits with maturities exceeding three months	(3,143)	(3,283)	(30,571)
Add: Short-term highly liquid investments with maturities of not exceeding three months	223	614	5,718
Cash and cash equivalents	¥ 23,538	¥ 20,426	$ 190,204

(2) The following tables summarize significant non-fund transactions for the year ended March 31, 2005:

Major breakdown of assets and liabilities of SANYO OKAMURA CORPORATION that is newly included in the consolidated financial statements for the year ended March 31, 2005 due to the acquisition of additional shares

The following table summarizes the breakdown of SANYO OKAMURA CORPORATION's assets and liabilities when it was initially consolidated following the acquisition of the additional shares, the acquisition cost, cash and cash equivalents held by SANYO OKAMURA CORPORATION, and net cash and cash equivalents paid for the shares of SANYO OKAMURA CORPORATION:

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Current assets	¥ 959	$ 8,930
Non-current assets	514	4,786
Consolidation differences	4	37
Current liabilities	(577)	(5,373)
Long-term liabilities	(33)	(307)
Minority interests	(223)	(2,076)
Interests before the acquisition of additional shares of SANYO OKAMURA CORPORATION	(363)	(3,380)
Acquisition cost of SANYO OKAMURA CORPORATION's shares	281	2,617
Cash and cash equivalents held by SANYO OKAMURA CORPORATION	(343)	(3,194)
Net cash and cash equivalents received from the acquisition of SANYO OKAMURA CORPORATION's additional shares	¥ 62	$ 577

4. Inventories

Inventories at March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Finished products	¥ 9,446	¥ 10,926	$ 101,741
Work-in-process	673	931	8,670
Raw materials and supplies	1,455	1,821	16,957
	¥ 11,574	¥ 13,678	$ 127,368

5. Securities

(1) The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2004 and 2005:

Available-for-sale securities:

Securities with book values exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Acquisition cost			
Equity securities	¥ 8,277	¥ 8,075	$ 75,193
Bonds	-	150	1,397
Others	204	204	1,900
Total	8,481	8,429	78,490
Book value			
Equity securities	14,730	14,756	137,406
Bonds	-	160	1,490
Others	267	272	2,533
Total	14,997	15,188	141,429
Difference			
Equity securities	6,453	6,681	62,213
Bonds	-	10	93
Others	63	68	633
Total	¥ 6,516	¥ 6,759	$ 62,939

Other securities

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Acquisition cost			
Equity securities	¥ 2,069	¥ 2,079	$ 19,359
Others	95	120	1,118
Total	2,164	2,199	20,477
Book value			
Equity securities	1,541	1,768	16,463
Others	86	112	1,043
Total	1,627	1,880	17,506
Difference			
Equity securities	(528)	(311)	(2,896)
Others	(9)	(8)	(75)
Total	¥ (537)	¥ (319)	$ (2,971)

(2) The following table summarizes book values of securities with no available fair values as of March 31, 2004 and 2005:

Available-for-sale securities:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Book value			
Money market fund	¥ 21	¥ 513	$ 4,777
Medium-term government bond funds	202	101	941
Preference shares	1,000	1,000	9,312
Non-listed equity securities	296	308	2,868
Total	¥ 1,519	¥ 1,922	$ 17,898

(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, 2004 and 2005:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Total sales amounts of available-for-sale securities sold	¥ 2,152	¥ 483	$ 4,498
Amounts of the related gains	752	237	2,207
Amounts of the related losses	217	0	0

(4) Available-for-sale securities with maturities at March 31, 2005 are bonds amounting to ¥ 160 million ($ 1,490 thousand), which will be matured over 1 year but within 5 years.

6. Impairment losses

The Company recognized impairment losses for the following groups of assets in the year ended March 31, 2005.

Use	Type of assets	Location	Recognized impairment losses (Millions of yen)	Recognized impairment losses (Thousands of U.S. dollars)
Unused	Land	Shima County, Mie	¥ 16	$ 149
Unused	Land	Kikuchi City, Kumamoto	¥ 2	$ 19
Total			¥ 18	$ 168

(Circumstances)

As the market values of the above land were significantly below the book values in line with the significant deterioration in land prices, the book values were written down to recoverable amounts, and the amounts written down were reported as impairment losses in the income statement.

(Grouping method)

For the purpose of identifying those fixed assets used for operations that are impaired, the Company and its consolidated subsidiaries grouped their fixed assets according to the grouping method used for management accounting purpose. Unused fixed assets are evaluated for any impairment by each land.

(Calculation method for recoverable amounts, etc.)

The recoverable amounts are the net realizable values, based on amounts determined in a manner similar to real estate appraisals.

7. 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: Interest rate swap contracts

Hedged items: Interest on long-term debt

The following tables summarize market value information as of March 31, 2004 and 2005 of derivative transactions for which hedge accounting has not been applied:

Currency related: (Millions of yen)

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

Currency related: (Millions of yen)

	Type	2005		
		Contracted Amount	Market value	Recognized losses
Items not traded on exchanges	Currency option	¥ 665	¥ (20)	¥ (20)
Total		¥ 665	¥ (20)	¥ (20)

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

	Type	2005		
		Contracted Amount	Market value	Recognized losses
Items not traded on exchanges	Currency option	$ 6,192	$ (186)	$ (186)
Total		$ 6,192	$ (186)	$ (186)

8. 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, 2004 and 2005 were ¥ 572 million and ¥ 484 million ($ 4,507 thousand), respectively. Future lease payments as of March 31, 2005, exclusive of interest, under such leases were ¥ 862 million ($ 8,027 thousand), including ¥ 358 million ($ 3,334 thousand) due within one year.

9. 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 0.69% at March 31, 2004 and 2005, respectively.

Long-term debt at March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Long-term bank loans principally 0.71%-2.10%, due through 2009	¥ 7,290	¥ 8,080	$ 75,240
2.80% unsecured bonds due in 2004	4,000	-	-
1.29% unsecured bonds due in 2005	5,000	-	-
2.06% unsecured bonds due in 2007	5,000	5,000	46,559
	21,290	13,080	121,799
Less amount due within one year	10,200	3,940	36,689
	¥ 11,090	¥ 9,140	$ 85,110

Property, plant and equipment at cost less accumulated depreciation of ¥ 10,713 million ($ 99,758 thousand) was pledged as collateral for short-term bank loans at March 31, 2005.

The aggregate annual maturities of long-term debt at March 31, 2005 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 3,940	$ 36,689
2007	6,360	59,223
2008	2,700	25,142
2009	70	652
2010	10	93
	¥ 13,080	$ 121,799

10. 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, 2004 and 2005 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Projected benefit obligation	¥ 57,381	¥ 52,952	$ 493,081
Unrecognized prior service costs	844	6,583	61,300
Unrecognized actuarial differences	(13,772)	(12,328)	(114,797)
Less fair value of pension assets	(28,808)	(31,121)	(289,794)
Liability for severance and retirement benefits	¥ 15,645	¥ 16,086	$ 149,790

Included in the consolidated statements of income for the years ended March 31, 2004 and 2005 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Service costs – benefits earned during the year	¥ 1,892	¥ 1,741	$ 16,212
Interest cost on projected benefit obligation	1,399	1,336	12,441
Expected return on plan assets	(569)	(720)	(6,704)
Amortization of prior service costs	(65)	(355)	(3,306)
Amortization of actuarial differences	1,417	1,098	10,224
Severance and retirement benefit expenses	¥ 4,074	¥ 3,100	$ 28,867

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are 2.5%. 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 in 2004, and 14 or 15 years in 2005. Actuarial gains and losses are recognized in income statement using the straight-line method over 15 years commencing with the following period.

11. 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.

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 years ended March 31, 2004 and 2005:

	2004	2005
Statutory tax rate	42.0 %	40.7 %
Non-taxable dividend income	(0.4)	(0.5)
Non-deductible expenses	2.7	2.1
Per capita inhabitant tax	1.2	1.1
Special deduction of experimental and research expenses, others	(1.2)	(0.9)
Effect of change in income tax rate	1.3	-
Tax loss carry-forward	-	(1.1)
Other	1.3	(1.0)
Effective tax rate	46.9 %	40.4 %

Significant components of the deferred income taxes as of March 31, 2004 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Deferred income taxes (current assets):			
Excess bonuses accrued	¥ 1,022	¥ 1,151	$ 10,718
Accrued social insurance premiums	93	118	1,099
Accrued enterprise taxes	423	190	1,769
Valuation loss of finished products	117	78	727
Other	209	219	2,039
Sub-total deferred income taxes (current assets)	1,864	1,756	16,352
Valuation allowance	(97)	(96)	(894)
Total deferred income taxes (current assets)	¥ 1,767	¥ 1,660	$ 15,458
Deferred income taxes (long-term liabilities):			
Deferred gains on fixed assets	¥ (3,862)	¥ (3,779)	$ (35,190)
Net unrealized holding gains on securities	(2,437)	(2,621)	(24,406)
Total deferred tax liabilities	(6,299)	(6,400)	(59,596)
Offset against deferred tax assets	5,542	6,032	56,169
Net deferred income taxes (long-term liabilities)	¥ (757)	¥ (368)	$ (3,427)

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Deferred income taxes (non-current assets):			
Retirement benefits	¥ 6,630	¥ 7,149	$ 66,570
Unrealized gross profits from sales of property, plant and equipment	744	744	6,928
Excess bad debt expenses	68	66	615
Other	529	563	5,242
Sub-total deferred income taxes (non-current assets)	7,971	8,522	79,355
Valuation allowance	(67)	(84)	(782)
Total deferred income taxes (non-current assets)	7,904	8,438	78,573
Offset against deferred tax liabilities	(5,542)	(6,032)	(56,169)
Net deferred income taxes (non-current assets)	¥ 2,362	¥ 2,406	$ 22,404

12. 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 and its consolidated domestic subsidiaries are 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, 2005 included amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 29, 2005 as described in Note 13(1).

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 based on the resolution of the Board of Directors until the close of the annual general shareholders' 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 the resolution of the Board of Directors. But there was no repurchase under the repurchase program during the period.

On June 29, 2005, shareholders approved a revision to the articles of association, under which the Company may issue 400,000,000 shares of its common stock based on an authorization of the Board of Directors.

13. Segment information

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

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Sales:			
Office Furniture	¥ 108,873	¥ 118,041	$ 1,099,181
Store Displays	66,647	68,595	638,747
Material Handling System and Others	7,524	9,891	92,103
Consolidated	¥ 183,044	¥ 196,527	$ 1,830,031
Operating expenses:			
Office Furniture	¥ 105,635	¥ 111,731	$ 1,040,423
Store Displays	63,087	66,021	614,778
Material Handling System and Others	7,610	9,794	91,200
Consolidated	¥ 176,332	¥ 187,546	$ 1,746,401
Operating income (loss):			
Office Furniture	¥ 3,238	¥ 6,310	$ 58,758
Store Displays	3,560	2,574	23,969
Material Handling System and Others	(86)	97	903
Consolidated	¥ 6,712	¥ 8,981	$ 83,630
Identifiable assets:			
Office Furniture	¥ 79,909	¥ 84,478	$ 786,647
Store Displays	38,624	40,503	377,158
Material Handling System and Others	6,754	7,563	70,425
	125,287	132,544	1,234,230
Corporate assets	47,538	41,079	382,522
Consolidated	¥ 172,825	¥ 173,623	$ 1,616,752
Depreciation:			
Office Furniture	¥ 3,146	¥ 3,092	$ 28,792
Store Displays	1,100	1,147	10,681
Material Handling System and Others	241	246	2,291
Consolidated	¥ 4,487	¥ 4,485	$ 41,764
Capital expenditures:			
Office Furniture	¥ 2,704	¥ 3,152	$ 29,351
Store Displays	1,402	1,218	11,342
Material Handling System and Others	213	278	2,589
	4,319	4,648	43,282
Corporate	212	-	-
Consolidated	¥ 4,531	¥ 4,648	$ 43,282

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, 2004 and 2005, and assets of overseas consolidated subsidiaries were less than 10% of the consolidated assets at March 31, 2004 and 2005.

Overseas sales was not shown, since overseas sales were less than 10% of the Company's consolidated net sales for the years ended March 31, 2004 and 2005.

14. Balances and transactions with related party

As of March 31, 2004 and 2005, the accounts receivable-trade from Mitsubishi Corporation (the Company's director, Masayuki Takashima, was the representative director), was ¥ 4,398 million and ¥ 3,693 million ($ 34,389 thousand), respectively, and the Company recognized net sales of ¥ 19,730 million and ¥ 18,661 million ($ 173,769 thousand), respectively, for the years ended March 31, 2004 and 2005. The selling price was determined at the same general business terms.

15. Subsequent event

(1) Cash dividends

At the annual general meeting held on June 29, 2005, the Company's shareholders approved the appropriations of retained earnings at March 31, 2005 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥ 6.25 ($ 0.058) per share	¥ 701	$ 6,528

(2) Issuance of unsecured bonds

According to a resolution approved at the meeting of the Company's Board of Directors held on March 18, 2005, unsecured bonds were issued under the following conditions:

(a) Total amount of bond issue:	¥ 5,000 million ($ 46,559 thousand)
(b) Issue price:	¥ 100 ($ 0.93) with a par value of ¥ 100 ($ 0.93)
(c) Interest rate:	0.61% per annum
(d) Payment date:	April 27, 2005
(e) Redemption date:	April 27, 2009
(f) Use of funds:	Repayments of long-term debt

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, 2004 and 2005, and the related consolidated statements of income, 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, 2004 and 2005, 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, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(1) to the consolidated financial statements.

KPMG AZSA & Co.

(KPMG AZSA & Co.)
Yokohama, Japan
June 29, 2005

Corporate Data (As of March 31, 2005)

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

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Tokyo 107-0052, Japan
Telephone: +81-3-5561-4085
Facsimile: +81-3-5561-4086

Foundation
1945

Stock Exchange Listings
Tokyo, Osaka

Japanese Security Code No.
7994

Paid-in Capital
¥18,670 million

Number of Employees
Consolidated: 3,594

Subsidiaries (As of May 31, 2005)
Kansai Okamura Manufacturing Co., Ltd.
NS Okamura Corporation
Okamura Logistics Corporation
SANYO Okamura Corporation
Okamura Estate Corporation
Okamura International (Singapore) Pte Ltd.
Okamura Business Support Corporation
FM Solution Corporation
Okamura Support and Service Corporation
Hill International Inc.
Shanghai Okamura Furniture and Logistic System Co.,Ltd.
Seeder Co., Ltd.

Affiliates
Siam Okamura Steel Co., Ltd.
Siam Okamura International Co., Ltd.
Asahi Sofu Corporation
Seiwa Business Corporation

Stock Information (As of March 31, 2005)

Number of Shares of Common Stock

Authorized: 200,000,000

Issued: 112,391,530

Number of Shareholders

6,232

Major Shareholders

	(Thousands of shares)	(%)
Mitsubishi Corporation	9,163	8.15
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,849	7.87
Mitsui Sumitomo Insurance Co., Ltd.	5,895	5.25
Okamura Group Employees Stock Ownership Plan	5,528	4.92
Meiji Yasuda Life Insurance Company	5,460	4.86
Nippon Steel Corporation	5,313	4.73
The Bank of Tokyo-Mitsubishi, Ltd.	4,654	4.14
The Bank of Yokohama, Ltd.	4,076	3.63
Okamura Group Suppliers and Sub-contractors Stock Ownership Plan	3,593	3.20
Japan Trustee Services Bank, Ltd. (Trust Account)	3,326	2.96

Notes: 1 Among the number of shares owned that are listed above, the number of shares related to trust services are as follows:

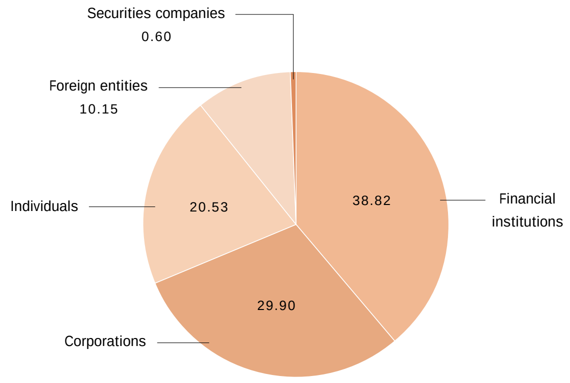
	(Thousands of shares)	(%)
The Master Trust Bank of Japan, Ltd.	8,849	7.87
Japan Trustee Services Bank, Ltd.	3,326	2.96

2 The list of major shareholders is prepared from the register of shareholders as of March 31, 2005. Although a Notice of Change in Large-scale Shareholdings submitted on April 14, 2005 to the Kanto Finance Bureau by Schroder Investment Management (Japan) Ltd., the Company has not included such information in the above table because that information had not been confirmed as part of the register of shareholders.

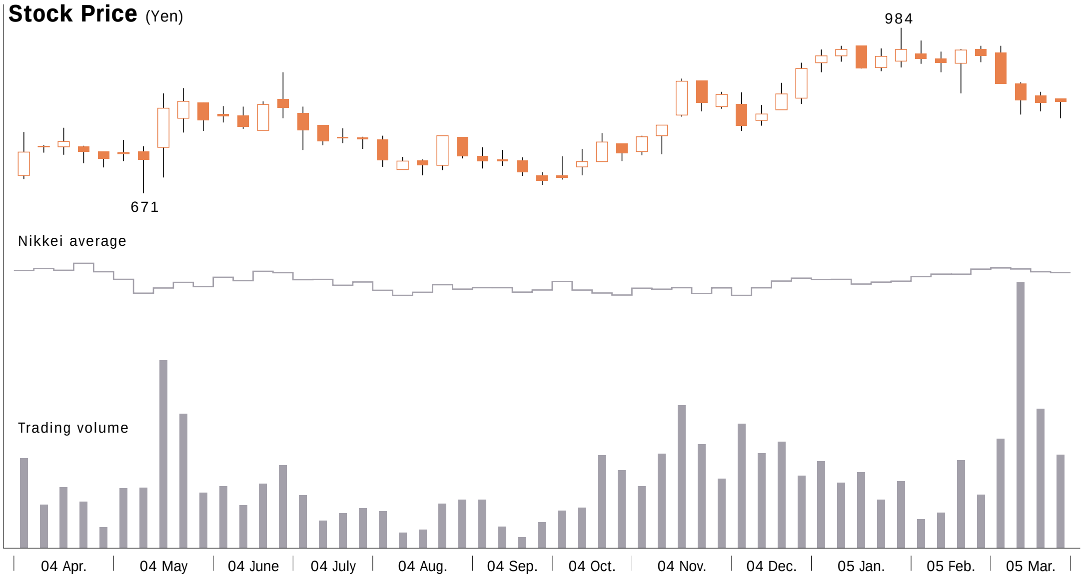
Details of the Notice of Change in Large-scale Shareholdings submitted on April 14, 2005 are as follows:

	(Thousands of shares)	(%)
Schroder Investment Management (Japan) Ltd.	3,399	3.02
Schroder Investment Management Limited	2,839	2.53

Distribution of Stock by Shareholder Type (%)



Stock Price (Yen)



okamura

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