Financial Section

Six-Year Summary

Years Ended March 31	2001	2002	2003	2004	2005	2006	2006
	Millions of yen, except per share figures						Thousands of U.S. dollars, except per share figures
Sales and Income:							
Net sales	¥187,349	¥158,245	¥165,278	¥183,044	¥196,527	**¥202,266**	**$1,721,852**
Cost of sales	129,754	108,653	114,647	127,024	135,976	**139,642**	**1,188,746**
SG&A expenses	48,163	45,722	46,539	49,308	51,570	**53,512**	**455,537**
Operating income	9,432	3,870	4,092	6,712	8,981	**9,112**	**77,569**
Income (Loss) before income taxes	2,872	2,403	(1,159)	7,422	9,348	**14,463**	**123,121**
Net income (loss)	1,260	1,094	(1,067)	3,972	5,486	**8,308**	**70,724**
Capital Expenditures, Depreciation and Amortization:							
Capital expenditures	2,697	2,480	2,915	4,531	4,648	**5,257**	**44,752**
Depreciation and amortization	4,902	4,603	4,447	4,487	4,485	**4,885**	**41,585**
Profitability:							
Operating income to net sales (%) (Operating income/Net sales)	5.03	2.45	2.48	3.67	4.57	**4.50**	—
Net income (loss) to net sales (%) (Net income (loss)/Net sales)	0.67	0.69	(0.65)	2.17	2.79	**4.11**	—
Cost of sales to net sales (%) (Cost of sales/Net sales)	69.26	68.66	69.37	69.40	69.19	**69.04**	—
Return on equity [ROE] (%) (Net income (loss)/Shareholders' equity)	2.23	2.07	(2.05)	7.15	8.90	**11.77**	—
Return on assets [ROA] (%) (Operating income/Total assets)	5.38	2.31	2.61	4.06	5.18	**5.07**	—
Assets, Liabilities and Shareholders' Equity:							
Total assets	¥178,751	¥155,862	¥157,802	¥172,825	¥173,623	**¥185,969**	**$1,583,119**
Total shareholders' equity	53,136	52,386	51,779	59,265	63,965	**77,148**	**656,747**
Interest-bearing debt	46,023	44,084	39,999	35,180	29,980	**29,240**	**248,915**
Equity ratio (%) (Shareholders' equity/total liabilities and shareholders' equity)	29.73	33.61	32.81	34.29	36.84	**41.48**	—
Shareholders' equity per share (Shareholders' equity/total number of shares issued)(yen)	472.78	466.17	461.60	528.46	570.68	**688.63**	—
Current assets	97,023	77,864	84,490	95,751	96,407	**98,559**	**839,014**
Current liabilities	86,006	65,074	65,208	80,561	78,267	**74,267**	**632,221**
Current ratio (%) (Current assets/Current liabilities)	112.81	119.65	129.57	118.86	123.18	**132.71**	—
Efficiency:							
Inventory turnover (times) (Net sales/Average inventories)	12.71	11.60	14.20	15.74	15.57	**14.14**	—
Asset turnover (times) (Net sales/Average total assets)	1.07	0.95	1.05	1.11	1.13	**1.12**	—
Number of employees	3,502	3,492	3,444	3,471	3,594	**3,700**	—

1.
Scope of Consolidation

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

2.
Net Sales and Operating Income

In fiscal 2006, ended March 31, 2006, consolidated net sales increased 2.9% compared with the previous fiscal year to ¥202,266 million. In line with sales growth, the cost of sales climbed to ¥139,642 million, an increase of ¥3,666 million. Accounting for increased sales in Office Furniture and Material Handling Systems, along with favorable trends in input costs, the cost of sales ratio improved 0.2 of a percentage point to 69.0%.

Selling, general and administrative (SG&A) expenses rose to ¥53,512 million, an increase of ¥1,942 million year on year. This was mainly attributed to IT investment including system development-related expenditure and a surge in personnel costs reflecting the increase in consolidated subsidiaries. Accordingly, the ratio of SG&A expenses to total net sales edged up 0.3 of a percentage point, to 26.5%.

Accounting for the aforementioned factors, operating income increased 1.5% from ¥8,981 million in the previous fiscal year to ¥9,112 million.

3.
Other Income (Expenses)

For the fiscal year under review, net other income totaled ¥5,351 million, a significant increase from ¥367 million in the previous fiscal year.

The major factors contributing to this improvement included a drop in interest expenses of ¥80 million from ¥449 million to ¥369 million, reflecting the decline in interest-bearing debt of ¥740 million from ¥29,980 million in fiscal 2005 to ¥29,240 million in the fiscal year under review. In line with increased earnings at subsidiary companies, interest and dividend income and equity in income of affiliated companies, net also grew ¥70 million and ¥52 million, respectively. In addition, the Company reported a gain from the transfer of the substitutional portion of the government's Welfare Pension Insurance Scheme of ¥3,493 million, and a gain from termination of the tax-qualified defined benefit plan amounting to ¥1,358 million.

As a result, income before income taxes for the fiscal year totaled ¥14,463 million, an increase of 54.7% compared with the previous fiscal year.

4.
Current and Deferred Income Taxes

Income taxes for the fiscal year under review totaled ¥5,898 million, an increase of ¥2,120 million year on year. The income tax rate for the period after the application of tax-effect accounting was 40.8%.

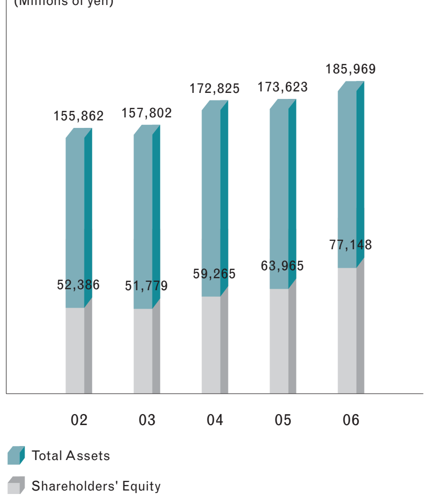
5.
Net Income

Net income in fiscal 2006 surged 51.4% compared with the previous fiscal year to ¥8,308 million. Net income per share also improved substantially, up 51.5% to ¥74.14. Return on equity (ROE) improved 2.9 percentage points to 11.8%.

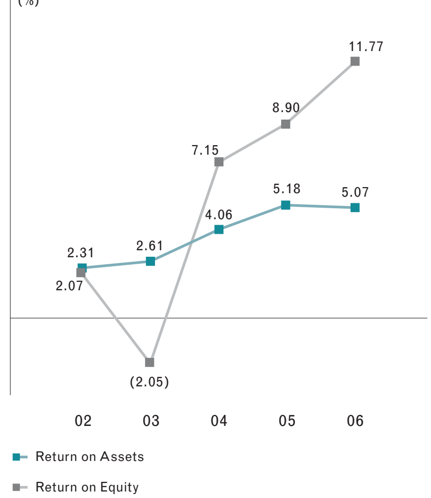
6.
Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2006 stood at ¥185,969 million, an increase of ¥12,346 million compared with the previous fiscal

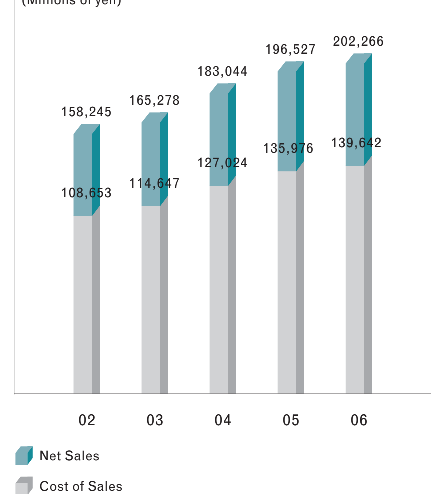
Total Assets/Shareholders' Equity
(Millions of yen)



Return on Assets/Return on Equity
(%)



Net Sales/Cost of Sales
(Millions of yen)



year-end. Current assets were ¥98,559 million, up ¥2,152 million year on year. Fixed assets totaled ¥87,410 million, an increase of ¥10,194 million. Growth in current assets is mainly attributed to sales expansion. As a result cash increased ¥1,581 million year on year. Inventories also climbed ¥1,257 million. Major components in fixed assets were investment securities, which rose ¥10,411 million due to appreciation in stock market prices. Intangible fixed assets also increased by ¥829 million year on year.

Total liabilities as of March 31, 2006 stood at ¥105,328 million, a drop of ¥1,079 million compared with the previous fiscal year-end. Current liabilities declined to ¥74,267 million, a decrease of ¥4,000 million. Long-term liabilities rose to ¥31,061 million, an increase of ¥2,921 million. Major components were an increase in trade notes and accounts payables of ¥1,192 million, reflecting the rise in net sales, and an increase in deferred income taxes of ¥6,137 million due to a variety of factors including the improvement in unrealized gains on investment securities. During the fiscal year under review, interest-bearing debt declined ¥740 million, while employees' severance and retirement benefits fell ¥6,765 million owing to the change in retirement benefit plans.

As of March 31, 2006, shareholders' equity stood at ¥77,148 million, an increase of ¥13,183 million compared with the previous fiscal year-end. This was mainly attributed to the upswing in retained earnings by ¥7,045 million on the back of improved net income and an increase in net unrealized holding gains on securities totaling ¥6,135 million.

Accounting for the aforementioned factors, the shareholders' equity ratio improved 4.7 percentage points from 36.8% to 41.5%. Equity per share also rose from ¥570.68 to ¥688.63.

7.
Cash Flows

Net cash provided by operating activities was ¥8,934 million. Major cash inflows comprised income before income taxes of ¥14,463 million and depreciation and amortization totaling ¥4,885 million. Principal cash outflows were an increase in inventories of ¥1,156 million, income taxes paid of ¥4,353 million, gain from the transfer of the substitutional portion of the government's Welfare Pension Insurance Scheme of ¥3,493 million and gain from termination of the tax-qualified defined benefit plan of ¥1,358 million.

Net cash used in investing activities was ¥5,284 million. In the fiscal year under review, the Company undertook investment in line with environmental initiatives and IT-related expenditure totaling ¥5,327 million.

Net cash used in financing activities was ¥2,068 million. This was mainly attributed to the reduction of net interest-bearing liabilities of ¥740 million and parent company cash dividends paid totaling ¥1,278 million.

As a result, cash and cash equivalents at the end of the fiscal year amounted to ¥22,029 million, an increase of ¥1,603 million as of March 31, 2005.

8.
Business and Other Risks

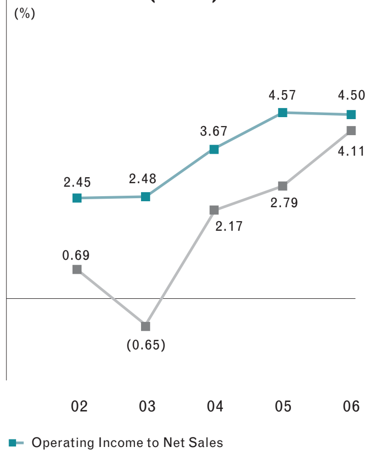
This section explains the risks that may affect the Group's operating results, stock price, financial condition, and so on. The Company will strive to minimize and avoid, wherever possible, the occurrence of such risks. The risks listed below do not constitute an exhaustive list of all potential risks facing the Company's operations. Furthermore, discussions concerning forward-looking statements reflect the observations of the Company as of August 31, 2006.

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

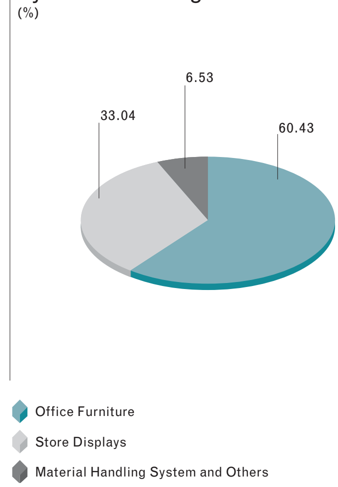
① Competitive Conditions, Pricing Trends

The industry in which the Group participates is highly competitive, and accordingly, significant emphasis is placed on further enhancing the Company's technological prowess as the means to differentiate its products from competitors. Despite these efforts, the

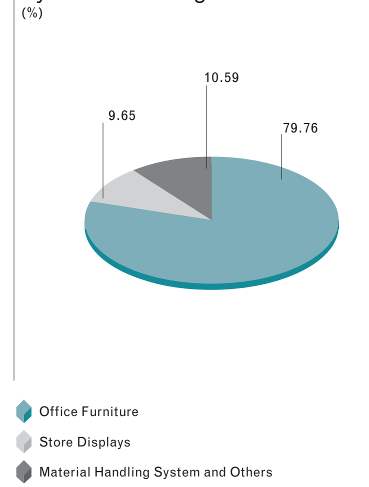
Operating Income to Net Sales/
Net Income (Loss) to Net Sales
(%)



Breakdown of Net Sales
by Business Segment
(%)



Breakdown of Operating Income
by Business Segment
(%)



Company may lose its share of the market to a competitor, in the event that a competitor emulates the Company's design and technology, undercuts the Company's product prices, or develops designs and technologies that surpass the Company. In addition, there is no assurance that the Group can consistently secure a substantial profit margin for its products given constant market pressure to reduce prices.

② Macroeconomic Circumstances

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

③ Funding Risks, Consequences of Interest Rate Fluctuations

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

④ Consequences of Investing in Securities

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

(2) Quality Control, Statutory Regulations

Product Quality Maintenance

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

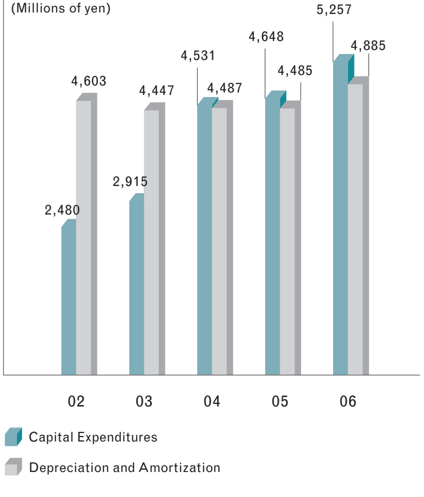
(3) Occurrence of Significant Litigation

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

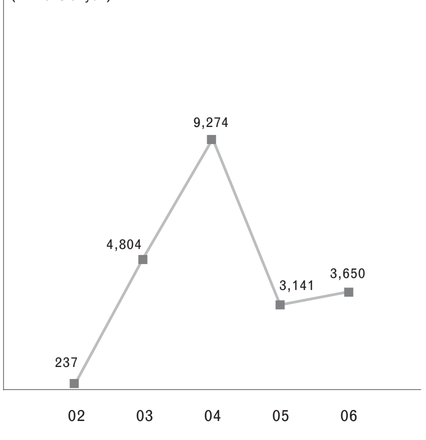
(4) Risks Concerning the Introduction of Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

Following a Board of Directors' meeting held on May 12, 2006, and ratification at the Company's Ordinary General Meeting of Shareholders on June 29, 2006, Okamura introduced a plan for countermeasures to large-scale acquisitions of the Company's shares (takeover defense measures) ("the Plan").

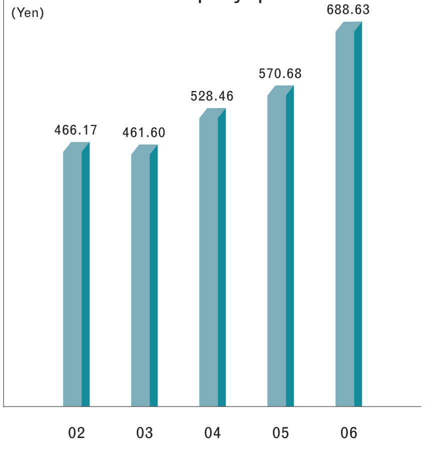
Capital Expenditures/ Depreciation and Amortization
(Millions of yen)



Free Cash Flows
(Millions of yen)



Shareholders' Equity per Share
(Yen)



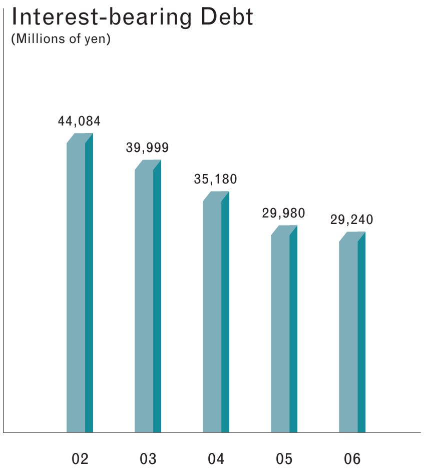
Plan Outline

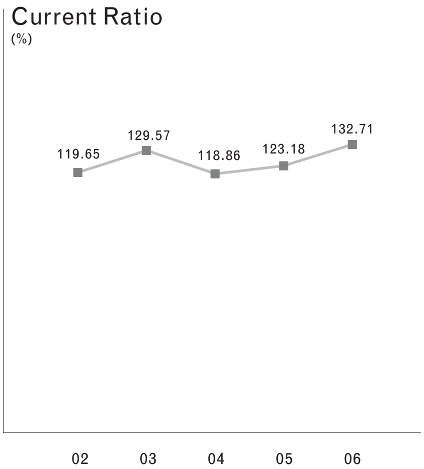
In the case that there is an acquisition of share certificates of the Company exceeding 20% or the like, or any similar action, or a proposal for such action (the "Acquisition"), in addition to allowing for requests to the person affecting the Acquisition (the "Acquirer") to provide alternative proposals, and securing sufficient time to conduct information collection and consideration with respect to the Acquisition, the Plan also sets out procedures for presenting information ("Essential Information") such as plans of the Company's management to the shareholders, and for conducting negotiations with the Acquirer. If an Acquirer effects an Acquisition without following the procedures set out in the Plan or otherwise acts in a way that is deemed detrimental to the Company's corporate value or the common interests of its shareholders, the Company will allot stock acquisition rights ("Stock Acquisition Rights") having an exercise condition that does not allow the Acquirer to exercise such rights and an acquisition provision to the effect that the Company may acquire the stock acquisition rights from persons other than the Acquirer in exchange for shares in the Company by means of a gratis allotment of Stock Acquisition Rights to all shareholders at that time. The number of Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares in the Company on a certain date ("the Allotment Date") that is separately determined by the Company's Board of Directors. The Company will implement the gratis allotment of the Stock Acquisition Rights ("Gratis Allotment Resolution") to those shareholders, other than the Company, who are entered or recorded in the Company's final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share of the Company held. Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined by the Company's Board of Directors in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share of the Company.

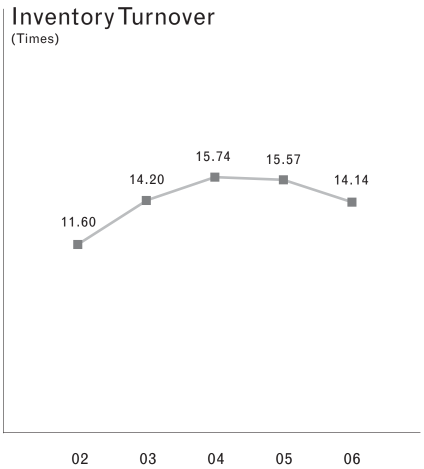
In the event of a Gratis Allotment Resolution, the Acquirer will be unable to exercise such rights. In addition, the Company will be in the position to acquire Stock Acquisition Rights from persons other than the Acquirer in exchange for shares. As a result, the exercise of Stock Acquisition Rights by persons other than the Acquirer and the acquisition of Stock Acquisition Rights from persons other than the Acquirer by the Company may contribute to a dilution of the ratio of voting rights held by the Acquirer and the economic value of the Acquirer's holdings making it difficult for the Acquirer to takeover the Company.

Eligibility to receive Stock Acquisition Rights is limited to shareholders other than the Acquirer, who are entered or recorded in the Company's final register of shareholders or register of beneficial shareholders on the Allotment Date. If certain shareholders do not proceed with the payment for the allotment and the other procedures for the exercise of Stock Acquisition Rights, the share they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders. However, the possibility exists that the Company will acquire Stock Acquisition Rights of all shareholders other than the Acquirer and, in exchange, deliver shares in the Company. If the Company carries out such acquisition procedures, all shareholders other than the Acquirer will come to receive shares in the Company without exercising their Stock Acquisition Rights attained after paying an amount equivalent to the exercise price, and no dilution of the aggregate shares in the Company they hold will result.

Furthermore, in the event the Company terminates the Gratis Allotment Resolution between the periods from the Allotment Date or the start of the effective period for the Gratis Allotment Resolution to the day before the start of the Stock Acquisition Rights exercise period, or acquires the Gratis Allotments Resolution without the delivery of shares of the Company, then the possibility exists that the price of the Company's share will fluctuate.







OKAMURA CORPORATION
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2005 AND 2006

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
ASSETS	2005	2006	2006
Current assets:			
Cash (Note 3(1))	¥ 23,095	¥ 24,676	$ 210,062
Marketable securities (Note 5)	614	584	4,972
Trade receivables:			
Notes	10,234	7,201	61,301
Accounts (Note 14)	45,519	47,765	406,614
Allowance for doubtful accounts (Note 1(10))	(360)	(198)	(1,686)
Inventories (Note 4)	13,678	14,935	127,139
Deferred income taxes (Note 11)	1,660	1,647	14,021
Other current assets	1,967	1,949	16,591
Total current assets	96,407	98,559	839,014
Property, plant and equipment (Note 9):			
Land (Notes 2 and 6)	21,470	21,472	182,787
Buildings	47,439	47,522	404,546
Machinery and equipment	59,171	60,848	517,988
Construction in progress	78	102	868
	128,158	129,944	1,106,189
Less accumulated depreciation	79,829	82,366	701,166
	48,329	47,578	405,023
Investments and other assets:			
Investments in affiliated companies	914	1,046	8,904
Investment securities (Note 5)	18,376	28,787	245,058
Deferred income taxes (Note 11)	2,406	2,014	17,145
Other non-current assets	7,191	7,985	67,975
	28,887	39,832	339,082
	¥ 173,623	¥ 185,969	$ 1,583,119

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars (Note 1(1)) 2006
Current liabilities:			
Short-term bank loans (Note 9)	¥ 16,900	¥ 9,900	$ 84,277
Long-term debt due within one year (Note 9)	3,940	6,670	56,780
Trade payables:			
Notes	17,831	17,911	152,473
Accounts	31,467	32,579	277,339
Income taxes payable	2,233	1,919	16,336
Other current liabilities	5,896	5,288	45,016
Total current liabilities	78,267	74,267	632,221
Long-term debt (Note 9)	9,140	12,670	107,857
Employees' severance and retirement benefits (Notes 1(12) and 10)	16,086	9,321	79,348
Deferred income taxes (Note 11)	368	6,505	55,376
Other long-term liabilities	2,546	2,565	21,835
Minority interests	3,251	3,493	29,735
Shareholders' equity (Note 12):			
Common stock			
Authorized 400,000,000 shares			
Issued 112,391,530 shares	18,670	18,670	158,934
Capital surplus	16,760	16,760	142,675
Retained earnings	25,090	32,135	273,559
Net unrealized holding gains on securities (Note 1(5))	3,819	9,954	84,737
Foreign currency translation adjustments (Note 1(4))	(209)	(152)	(1,294)
Treasury stock, at cost	(165)	(219)	(1,864)
	63,965	77,148	656,747
	¥ 173,623	¥ 185,969	$ 1,583,119

OKAMURA CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2005 AND 2006

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2005	2006	2006
Net sales (Notes 13 and 14)	¥ 196,527	¥ 202,266	$ 1,721,852
Cost of sales	135,976	139,642	1,188,746
Gross profit	60,551	62,624	533,106
Selling, general and administrative expenses (Note 1(17))	51,570	53,512	455,537
Operating income (Note 13)	8,981	9,112	77,569
Other income (expenses):			
Interest and dividend income	213	283	2,409
Interest expenses	(449)	(369)	(3,141)
Loss on devaluation of investment securities	(33)	(56)	(477)
Gain on sale of investment securities	237	77	656
Gain on sale of property, plant and equipment	32	-	-
Loss on disposal of property, plant and equipment	(264)	(239)	(2,035)
Impairment losses (Notes 2 and 6)	(18)	-	-
Gain from the transfer of the substitutional portion of the government's Welfare Pension Insurance Scheme	-	3,493	29,735
Gain from termination of the tax-qualified defined benefit plan	-	1,358	11,561
Equity in income of affiliated companies, net	91	143	1,217
Other, net	558	661	5,627
	367	5,351	45,552
Income before income taxes	9,348	14,463	123,121
Income taxes (Note 1(13)):			
Current	4,288	3,568	30,374
Deferred	(510)	2,330	19,835
Income before minority interests	5,570	8,565	72,912
Minority interests in net income of consolidated subsidiaries	84	257	2,188
Net income	¥ 5,486	¥ 8,308	$ 70,724

	Yen		U.S. dollars (Note 1(1))
	2005	2006	2006
Amounts per share of common stock (Note 1(14)):			
Net income	¥ 48.93	¥ 74.14	$ 0.63
Cash dividends applicable to the year	10.00	12.00	0.10

See accompanying notes.

OKAMURA CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED MARCH 31, 2005 AND 2006

	Thousands of shares	Millions of yen					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
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)
Net income	-	-	-	8,308	-	-	-
Adjustments from translation of foreign currency financial statements (Note 1(4))	-	-	-	-	-	57	-
Net increase in unrealized holding gains on securities	-	-	-	-	6,135	-	-
Treasury stock	-	-	-	-	-	-	(54)
Cash dividends paid (¥ 11.25 per share)	-	-	-	(1,263)	-	-	-
Balance at March 31, 2006	112,392	¥ 18,670	¥ 16,760	¥ 32,135	¥ 9,954	¥ (152)	¥ (219)

	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, 2005	$ 158,934	$ 142,675	$ 213,587	$ 32,511	$ (1,779)	$ (1,404)
Net income	-	-	70,724	-	-	-
Adjustments from translation of foreign currency financial statements (Note 1(4))	-	-	-	-	485	-
Net increase in unrealized holding gains on securities	-	-	-	52,226	-	-
Treasury stock	-	-	-	-	-	(460)
Cash dividends paid ($ 0.10 per share)	-	-	(10,752)	-	-	-
Balance at March 31, 2006	$ 158,934	$ 142,675	$ 273,559	$ 84,737	$ (1,294)	$ (1,864)

See accompanying notes.

OKAMURA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2005 AND 2006

	Millions of yen		Thousands of U.S. dollars (Note 1(1))
	2005	2006	2006
Cash flows from operating activities:			
Income before income taxes	¥ 9,348	¥ 14,463	$ 123,121
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	4,485	4,885	41,585
Loss on devaluation of investment securities	33	56	477
Gain on sale of investment securities	(237)	(77)	(656)
Gain on sale of property, plant and equipment	(32)	-	-
Loss on disposal of property, plant and equipment	264	230	1,958
Interest and dividends income	(213)	(283)	(2,409)
Interest expenses	449	369	3,141
Decrease (Increase) in notes and accounts receivable-trade	(1,391)	1,114	9,483
Increase in inventories	(1,954)	(1,156)	(9,841)
Increase in notes and accounts payable-trade	2,789	1,083	9,220
Gain from the transfer of the substitutional portion of the government's Welfare Pension Insurance Scheme	-	(3,493)	(29,735)
Gain from termination of the tax-qualified defined benefit plan	-	(1,358)	(11,561)
Increase (Decrease) in employees' severance and retirement benefits	409	(1,934)	(16,464)
Other, net	541	(586)	(4,988)
Subtotal	14,491	13,313	113,331
Interest and dividends received	225	322	2,741
Interest expenses paid	(461)	(348)	(2,963)
Income taxes paid	(7,246)	(4,353)	(37,056)
Income taxes refunded	1	-	-
Net cash provided by operating activities	7,010	8,934	76,053
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(3,858)	(3,934)	(33,490)
Proceeds from sale of property, plant and equipment	94	60	511
Payments for purchase of investment securities	(88)	(485)	(4,129)
Proceeds from sale of investment securities	483	415	3,533
Payments for purchase of new consolidated subsidiaries (Note 3(2))	-	(74)	(630)
Proceeds from purchase of additional investments in new conslidated subsidiaries (Note 3(2))	62	-	-
Other, net	(562)	(1,266)	(10,777)
Net cash used in investing activities	(3,869)	(5,284)	(44,982)
Cash flows from financing activities:			
Proceeds from long-term debt	2,000	10,200	86,831
Repayments of long-term debt	(10,210)	(3,940)	(33,540)
Increase (Decrease) in short-term bank loans	3,010	(7,000)	(59,590)
Cash dividends paid	(998)	(1,278)	(10,879)
Other, net	(51)	(50)	(426)
Net cash used in financing activities	(6,249)	(2,068)	(17,604)
Effect of exchange rate changes on cash and cash equivalents	(4)	21	179
Net increase (decrease) in cash and cash equivalents	(3,112)	1,603	13,646
Cash and cash equivalents at beginning of year	23,538	20,426	173,883
Cash and cash equivalents at end of year (Note 3(1))	¥ 20,426	¥ 22,029	$ 187,529

See accompanying notes.

OKAMURA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2006

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, 2006, which was ¥ 117.47 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 eleven subsidiaries in 2005 and twelve subsidiaries in 2006. 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, control of 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 a consolidated subsidiary.

On May 31, 2005, the Company purchased all equity shares of SEEDER Co., Ltd., which is a consolidated subsidiary. For the purpose of preparing the consolidated financial statements, control of this subsidiary was deemed to have been acquired as at April 1, 2005.

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.

Amortization of goodwill purchased is computed by the straight-line method over 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.

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.

In connection with the enactment of the Defined Benefit Corporate Pension Law, the Company and certain consolidated domestic subsidiaries obtained approvals from the Minister of Health, Labor and Welfare ("MHLW"). on August 27, 2004, for exemption from the benefits related to future employee services under the substitutional portion and, on October 1, 2005, for separation of the retirement benefit obligation of the substitutional portion which related to past employee services and for transfer of the obligation and the related plan assets to the government. On March 17, 2006, the transfer of the plan assets attributable to the substitutional portion to the government was completed. As a result, gain from the transfer of the substitutional portion of the government's Welfare Pension Insurance Scheme amounting to ¥ 3,493 million ($ 29,735 thousand) was recognized in the year ended March 31, 2006.

On March 20, 2006, the Company and major consolidated domestic subsidiaries restructured their tax-qualified defined-benefit pension plan to a new defined-contribution pension plan and a new unfunded lump-sum benefit plan altered from the old one. As a result of this transfer, gain from termination of the tax-qualified defined-benefit plan of ¥ 1,358 million ($ 11,561 thousand) was recognized in the consolidated statement of income for the year ended March 31, 2006.

The Company and major consolidated domestic 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.

(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). For the year ended March 31, 2005, enterprise taxes based on "amount of added value" and "amount of capital" amounting to ¥ 248 million 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 early 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 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, 2005 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Cash	¥ 23,095	¥ 24,676	$ 210,062
Less: Time deposits with maturities exceeding three months	(3,283)	(3,231)	(27,505)
Add: Short-term highly liquid investments with maturities of not exceeding three months	614	584	4,972
Cash and cash equivalents	¥ 20,426	¥ 22,029	$ 187,529

(2) The following tables summarize significant non-fund transactions for the years ended March 31, 2005 and 2006:

(a) Major breakdown of assets and liabilities of companies that are newly included in the consolidated financial statements for the years ended March 31, 2005 and 2006 due to the acquisition of shares

(i) Acquisition of shares of SANYO OKAMURA CORPORATION's for the year ended March 31, 2005

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, interests before the acquisition of additional shares, the acquisition cost, cash and cash equivalents held by SANYO OKAMURA CORPORATION, and net cash and cash equivalents received from the acquisition of the additional shares of SANYO OKAMURA CORPORATION:

	Millions of yen
	2005
Current assets	¥ 959
Non-current assets	514
Consolidation differences	4
Current liabilities	(577)
Long-term liabilities	(33)
Minority interests	(223)
Interests before the acquisition of additional shares of SANYO OKAMURA CORPORATION	(363)
Acquisition cost of SANYO OKAMURA CORPORATION's shares	281
Cash and cash equivalents held by SANYO OKAMURA CORPORATION	(343)
Net cash and cash equivalents received from the acquisition of SANYO OKAMURA CORPORATION's additional shares	¥ 62

(ii) Acquisition of shares of SEEDER Co., Ltd.'s for the year ended March 31, 2006

The following table summarizes the breakdown of SEEDER Co., Ltd.'s assets and liabilities when it was initially consolidated following the acquisition of all of the shares, the acquisition cost, cash and cash equivalents held by SEEDER Co., Ltd., and net cash and cash equivalents paid for the acquisition of the shares of SEEDER Co., Ltd.:

	Millions of yen	Thousands of U.S. dollars
	2006	2006
Current assets	¥ 532	$ 4,529
Non-current assets	42	358
Consolidation differences	24	204
Current liabilities	(397)	(3,380)
Long-term liabilities	(20)	(170)
Acquisition cost of SEEDER Co., Ltd. 's shares	181	1,541
Cash and cash equivalents held by SEEDER Co., Ltd.	(107)	(911)
Net cash and cash equivalents paid for the acquisition of the SEEDER Co., Ltd.'s shares	¥ (74)	$ (630)

4. Inventories

Inventories at March 31, 2005 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Finished products	¥ 10,926	¥ 12,000	$ 102,154
Work-in-process	931	1,008	8,581
Raw materials and supplies	1,821	1,927	16,404
	¥ 13,678	¥ 14,935	$ 127,139

5. Securities

(1) The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2005 and 2006:

Available-for-sale securities:

Securities with book values exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Acquisition cost			
Equity securities	¥ 8,075	¥ 9,722	$ 82,761
Bonds	150	150	1,277
Others	204	-	-
Total	8,429	9,872	84,038
Book value			
Equity securities	14,756	26,574	226,219
Bonds	160	156	1,328
Others	272	-	-
Total	15,188	26,730	227,547
Difference			
Equity securities	6,681	16,852	143,458
Bonds	10	6	51
Others	68	-	-
Total	¥ 6,759	¥ 16,858	$ 143,509

Other securities

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Acquisition cost			
Equity securities	¥ 2,079	¥ 766	$ 6,521
Others	120	49	417
Total	2,199	815	6,938
Book value			
Equity securities	1,768	697	5,934
Others	112	47	400
Total	1,880	744	6,334
Difference			
Equity securities	(311)	(69)	(587)
Others	(8)	(2)	(17)
Total	¥ (319)	¥ (71)	$ (604)

(2) The following table summarizes book values of securities with no available fair values as of March 31, 2005 and 2006:

Available-for-sale securities:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Book value			
Money market fund	¥ 513	¥ 483	$ 4,112
Medium-term government bond funds	101	101	860
Preference shares	1,000	1,000	8,513
Non-listed equity securities	308	313	2,664
Total	¥ 1,922	¥ 1,897	$ 16,149

(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, 2005 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Total sales amounts of available-for-sale securities sold	¥ 483	¥ 415	$ 3,533
Amounts of the related gains	237	83	707
Amounts of the related losses	0	6	51

(4) Available-for-sale securities with maturities at March 31, 2006 are bonds amounting to ¥ 150 million ($ 1,277 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)
Unused	Land	Shima County, Mie	¥ 16
Unused	Land	Kikuchi City, Kumamoto	¥ 2
Total			¥ 18

(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.

Impairment losses of fixed assets were not recognized in the year ended March 31, 2006.

7. Derivative financial instruments and hedging transactions

The Company utilizes interest rate swap agreements in order to fix floating interest rate thereon, 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, and forward foreign exchange agreements in order to fix floating rate of exchange for receipt of foreign currency receivable 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. Forward foreign exchange contracts are hardly 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 ("interest rate swap contracts") and the hedged items, the future receivables denominated in foreign currencies are recorded using the contracted forward rate because of forward foreign exchange contracts executed to hedge a future receivables denominated in a foreign currency.

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
Forward foreign exchange contracts	Foreign currency trade receivables

The following tables summarize market value information as of March 31, 2005 and 2006 of derivative transactions for which hedge accounting has not been applied:

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: (Millions of yen)

	Type	2006		
		Contracted Amount	Market value	Recognized gains
Items not traded on exchanges	Currency option	¥ 390	¥ 2	¥ 2
Total		¥ 390	¥ 2	¥ 2

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

	Type	2006		
		Contracted Amount	Market value	Recognized gains
Items not traded on exchanges	Currency option	$ 3,320	$ 17	$ 17
Total		$ 3,320	$ 17	$ 17

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, 2005 and 2006 were ¥ 484 million and ¥ 378 million ($ 3,218 thousand), respectively. Future lease payments as of March 31, 2006, exclusive of interest, under such leases were ¥ 460 million ($ 3,916 thousand), including ¥ 173 million ($ 1,473 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 0.69% and 0.66% at March 31, 2005 and 2006, respectively.

Long-term debt at March 31, 2005 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Long-term bank loans principally 0.71%-2.38%, due through 2012	¥ 8,080	¥ 9,340	$ 79,509
2.06% unsecured bonds due in 2007	5,000	5,000	42,564
0.61% unsecured bonds due in 2010	-	5,000	42,564
	13,080	19,340	164,637
Less amount due within one year	3,940	6,670	56,780
	¥ 9,140	¥ 12,670	$ 107,857

Property, plant and equipment at cost less accumulated depreciation of ¥ 10,435 million ($ 88,831 thousand) was pledged as collateral for short-term bank loans at March 31, 2006.

The aggregate annual maturities of long-term debt at March 31, 2006 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 6,670	$ 56,780
2008	3,410	29,029
2009	2,500	21,282
2010	5,660	48,182
2011	650	5,533
2012	450	3,831
	¥ 19,340	$ 164,637

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, 2005 and 2006 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Projected benefit obligation	¥ 52,952	¥ 18,057	$ 153,716
Unrecognized prior service costs	6,583	3,344	28,467
Unrecognized actuarial differences	(12,328)	(2,349)	(19,997)
Less fair value of pension assets	(31,121)	(9,731)	(82,838)
Liability for severance and retirement benefits	¥ 16,086	¥ 9,321	$ 79,348
Prepaid pension expenses	-	(821)	(6,989)
	¥ 16,086	¥ 10,142	$ 86,337

Included in the consolidated statements of income for the years ended March 31, 2005 and 2006 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Service costs – benefits earned during the year	¥ 1,741	¥ 1,490	$ 12,684
Interest cost on projected benefit obligation	1,336	1,037	8,828
Expected return on plan assets	(720)	(655)	(5,576)
Amortization of prior service costs	(355)	(412)	(3,507)
Amortization of actuarial differences	1,098	717	6,104
Contributions to defined-contribution pension plan	-	28	238
Severance and retirement benefit expenses	¥ 3,100	¥ 2,205	$ 18,771
Gain from the transfer of the substitutional portion of the government's Welfare Pension Insurance Scheme	-	(3,493)	(29,735)
Gain from termination of the tax-qualified defined benefit plan	-	(1,358)	(11,561)
Total	¥ 3,100	¥ (2,646)	$ (22,525)

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are 2.5% in 2005, 2.0% and 2.5%, respectively, in 2006. 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 14 or 15 years. Actuarial gains and losses are recognized in income statements using the straight-line method over 15 years in 2005, and 14 or 15 years in 2006 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 40.7%.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for consolidated financial statement purposes for the years ended March 31, 2005 and 2006:

	2005	2006
Statutory tax rate	40.7 %	40.7 %
Non-taxable dividend income	(0.5)	(0.4)
Non-deductible expenses	2.1	1.6
Per capita inhabitant tax	1.1	0.7
Special tax credit for experimental and research expenses, others	(0.9)	(0.6)
Tax loss carry-forward	(1.1)	(0.0)
Other	(1.0)	(1.2)
Effective tax rate	40.4 %	40.8 %

Significant components of the deferred income taxes as of March 31, 2005 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Deferred income taxes (current assets):			
Excess bonuses accrued	¥ 1,151	¥ 1,094	$ 9,313
Accrued social insurance premiums	118	119	1,013
Accrued enterprise taxes	190	152	1,294
Valuation loss of finished products	78	110	936
Other	219	335	2,852
Sub-total deferred income taxes (current assets)	1,756	1,810	15,408
Valuation allowance	(96)	(163)	(1,387)
Total deferred income taxes (current assets)	¥ 1,660	¥ 1,647	$ 14,021
Deferred income taxes (long-term liabilities):			
Deferred gains on fixed assets	¥ (3,779)	¥ (3,702)	$ (31,515)
Net unrealized holding gains on securities	(2,621)	(6,833)	(58,168)
Total deferred tax liabilities	(6,400)	(10,535)	(89,683)
Offset against deferred tax assets	6,032	4,030	34,307
Net deferred income taxes (long-term liabilities)	¥ (368)	¥ (6,505)	$ (55,376)
Deferred income taxes (non-current assets):			
Retirement benefits	¥ 7,149	¥ 4,727	$ 40,240
Unrealized gross profits from sales of property, plant and equipment	744	744	6,334
Excess bad debt expenses	66	18	153
Other	563	555	4,725
Sub-total deferred income taxes (non-current assets)	8,522	6,044	51,452
Valuation allowance	(84)	(-)	(-)
Total deferred income taxes (non-current assets)	8,438	6,044	51,452
Offset against deferred tax liabilities	(6,032)	(4,030)	(34,307)
Net deferred income taxes (non-current assets)	¥ 2,406	¥ 2,014	$ 17,145

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 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, 2006 included amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 29, 2006 as described in Note 15.

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 until the next general meeting of the shareholders held on June 29, 2005.

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
	2005	2006	2006
Sales:			
Office Furniture	¥ 118,041	¥ 122,229	$ 1,040,513
Store Displays	68,595	66,836	568,962
Material Handling System and Others	9,891	13,201	112,377
Consolidated	¥ 196,527	¥ 202,266	$ 1,721,852
Operating expenses:			
Office Furniture	¥ 111,731	¥ 114,962	$ 978,650
Store Displays	66,021	65,957	561,479
Material Handling System and Others	9,794	12,235	104,154
Consolidated	¥ 187,546	¥ 193,154	$ 1,644,283
Operating income:			
Office Furniture	¥ 6,310	¥ 7,267	$ 61,863
Store Displays	2,574	879	7,483
Material Handling System and Others	97	966	8,223
Consolidated	¥ 8,981	¥ 9,112	$ 77,569
Identifiable assets:			
Office Furniture	¥ 84,478	¥ 85,466	$ 727,556
Store Displays	40,503	38,440	327,232
Material Handling System and Others	7,563	10,058	85,622
	132,544	133,964	1,140,410
Corporate assets	41,079	52,005	442,709
Consolidated	¥ 173,623	¥ 185,969	$ 1,583,119
Depreciation:			
Office Furniture	¥ 3,092	¥ 3,406	$ 28,995
Store Displays	1,147	1,147	9,764
Material Handling System and Others	246	332	2,826
Consolidated	¥ 4,485	¥ 4,885	$ 41,585
Capital expenditures:			
Office Furniture	¥ 3,152	¥ 3,734	$ 31,787
Store Displays	1,218	849	7,227
Material Handling System and Others	278	672	5,721
	4,648	5,255	44,735
Corporate	-	2	17
Consolidated	¥ 4,648	¥ 5,257	$ 44,752

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, 2005 and 2006, and assets of overseas consolidated subsidiaries were less than 10% of the consolidated assets at March 31, 2005 and 2006.

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, 2005 and 2006.

14. Balances and transactions with related party

As of March 31, 2005 and 2006, the balance of the accounts receivable-trade from Mitsubishi Corporation (the Company's director, Masayuki Takashima in 2005 and Mutsumi Kotsuka in 2006, respectively, was the representative director), was ¥ 3,693 million and ¥ 4,586 million ($ 39,040 thousand), respectively. The Company's consolidated net sales to Mitsubishi Corporation amounted to ¥ 18,661 million and ¥ 20,918 million ($ 178,071 thousand), respectively, for the years ended March 31, 2005 and 2006. The selling price was determined at the same general business terms.

15. Subsequent event

At the annual general meeting held on June 29, 2006, the Company's shareholders approved the appropriations of retained earnings at March 31, 2006 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥ 7.00 ($ 0.060) per share	¥ 785	$ 6,683

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, 2005 and 2006, 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, 2005 and 2006, 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, 2006 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, 2006

KPMG AZSA & Co.

Corporate Profile (As of March 31, 2006)

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

Tokyo Office
Kokusai Shin-Akasaka Bldg. West
6-1-20, Akasaka, Minato-ku,
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: 3,700

Subsidiaries (As of May 31, 2006)
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, 2006)

Number of Shares of Common Stock

Authorized: 400,000,000
Issued: 112,391,530

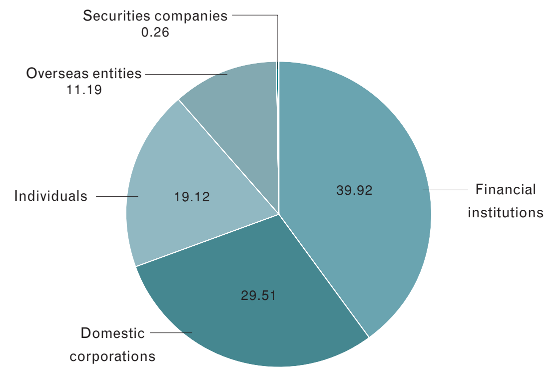
Number of Shareholders

5,619

Major Shareholders

	(Thousands of shares)	(%)
Mitsubishi Corporation	9,163	8.15
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,161	5.48
Mitsui Sumitomo Insurance Co., Ltd.	5,895	5.25
Meiji Yasuda Life Insurance Company	5,496	4.89
Japan Trustee Services Bank, Ltd. (Trust Account)	5,480	4.88
Nippon Steel Corporation	5,313	4.73
Okamura Group Employees Stock Ownership Plan	5,175	4.60
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,805	4.28
The Bank of Yokohama, Ltd.	4,076	3.63
Okamura Group Suppliers and Sub-contractors Stock Ownership Plan	3,600	3.20

Distribution of Stock by Shareholder Type (%)



Stock Price (Yen)