

August 4, 2006



Financial and Operational Review for the First Quarter of the Fiscal Year Ending March 31,2007(Consolidated)

Okamura Corporation

Listing: Tokyo Stock Exchange, Osaka Securities Exchange

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

Representative: Kazuyoshi Hisamatsu, President and Representative Director

Contact: Kiyoshi Sato, Director and General Manager of Accounting Div.

(TEL: 045-319-3445)

1. Matters concerning the preparation of quarterly financial information

- (i)Adoption of the simplified method in the accounting methods used in the recent consolidated accounting periods :No
- (ii)Change in the accounting methods used in the recent consolidated accounting periods :No
- (iii)Changes in the scope of consolidation and equity method :No

2. Financial and Operational Review for the First Quarter (Apr.1,2006-Jun.30,2006) of FY March 2007 (Apr.1,2006-Mar.31,2007)

(1) Progress in (consolidated) business results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of FY March 2007	51,992	3.8	3,671	27.0	3,984	25.6	2,356	21.8
First quarter of FY March 2006	50,111	4.9	2,890	11.1	3,171	11.7	1,935	21.2
(Reference)FY March 2006	202,266	2.9	9,111	1.5	9,764	3.8	8,307	51.4

	Net income per share	Diluted net income per share
	yen	yen
First quarter of FY March 2007	21.04	—
First quarter of FY March 2006	17.27	—
(Reference)FY March 2006	74.14	—

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

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

Despite concerns surrounding the sharp rise in crude oil and raw material prices, and interest-rate fluctuations, the domestic economy of the first quarter has moved on gradual recovery buoyed by robust results in the corporate sector bringing about an increase in private-sector capital investment and a positive upswing in personal consumption on the back of an improvement in domestic employment condition.

Under such circumstances, the Company promoted new product development and proposal-based sales, made efforts to create and explore new markets by obtaining orders for total solutions, aiming toward future growth in each aspect of our business.

In the Office Furniture segment, the Company aggressively made proposals to improve office productivity for the sales of the mainstay office furniture, securely obtain orders stemming from demand for medium-and small-scale developments across the country. In addition to this, to ensure capturing of the opportunities from the increase capital expenditure due to the improved corporate performances which is remaining strongly, and the demands for the new building construction as well as for redevelopment triggered relocation. While high-end seating category, including *Contessa* and *Baron*, continued to report strong sales, received large-lot orders in overseas and the Company is seeking to expand the distribution channels in markets throughout the world. In the security sector, order of safe deposit systems for financial institutions expanded, sales in this sector developed steadily.

As a result, net sales in this segment increased to ¥30,731 million (Y-o-Y increase of 5.6%).

In the Store Display segment, amid signs of reorganization within the retail sector, the Company tried broadening its customer base, primarily among growing retail categories. Despite these effort, results were impacted by the slowdown in outlet openings by new large stores reflecting intense competition within the retail sector.

As a result, net sales in this segment declined to ¥16,666 million (Y-o-Y decrease of 8.8%).

In the Material Handling Systems and Other segment, results were bolstered by strong corporate results and healthy investment both in Japan and overseas in manufacturing as well as logistics facilities. Against large-scale distribution center of target sectors, the Company has aggressively made effort to expand sales and secure proposal of solutions tailored to the specific needs of each markets. In the field of conveyor systems for clean rooms and other specially controlled environments, order has steadily expand.

As a result, net sales in this segment increased to ¥4,594 million (Y-o-Y increase of 67.8%).

As regards profit and loss, the Company focused on trimming production and distribution costs by improvement of productivity, and strived for further strengthening of the financial standing.

As the result of the aforementioned efforts, the consolidated performance of the period under review was as follows: net sales of ¥51,992 million (Y-o-Y increase of 3.8%), operating income of ¥3,671 million (Y-o-Y increase of 27.0%), ordinary income of ¥3,984 million (Y-o-Y increase of 25.6%), and quarterly net income of ¥2,356 million (Y-o-Y increase of 21.8%).

(2) Changes in (consolidated) financial position

	Total Assets	Net Assets	Equity Ratio	Net assets per Share
	Millions of yen	Millions of yen	%	yen
As of Jun.30,2006	181,781	80,926	42.6	722.40
As of Jun.30,2005	169,236	65,348	38.6	583.05
(Reference)As of March 31,2006	185,968	77,148	41.5	688.63

(Note) Conventionally used Shareholders' Equity and Shareholders' Equity per Share were described as Net Assets and Net Assets per Share respectively in column for the period of Jun. 30,2005 and of Mar.31,2006 .Net Assets of Jun.30,2005 and of Mar.31,2006 do not include Minority interest.

[Consolidated cash flow]

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at Term-End
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First quarter of FY March 2007	6,272	(2,039)	152	26,419
First quarter of FY March 2006	3,156	(1,011)	(10)	22,565
(Reference)FY March 2006	8,933	(5,284)	(2,068)	22,028

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

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

Total assets amounted to ¥181,781 million, a decrease of ¥4,187 million from the end of the previous fiscal year. In the current assets, cash and time deposits have increased while notes and accounts receivable have decreased and as the result, a decrease of ¥3,508 million from the end of previous fiscal year. In the fixed assets, a decrease of ¥679 million from the end of previous fiscal year due to the decrease of investment securities.

Liabilities amounted to ¥100,854 million, a decrease of ¥4,473 million from the end of the previous fiscal year, owing to the decrease of note and account payable and allowance for bonus payable.

Net assets was ¥80,926 million (including Minority interest as Net assets from the current first quarter), an increase of ¥285 million from the end of the previous fiscal year due mainly to net income for the current fiscal year which brings the retained earnings high and in the other hand unrealized holding losses on securities was low. Consequently, the equity ratio increased to 42.6%.

With respect to cash flows, cash flows from operating activities increased by ¥6,272 million, totaling the increase due to the net income before income taxes for the quarter term totaling 3,989 million, depreciation and amortization of ¥1,141 million and decrease of ¥6,085 million in notes and accounts receivable, and the decrease due to decrease of ¥2,007 million in notes and accounts payable, allowance for bonus payable of ¥2,186 million and payment of corporation tax of ¥1,177 million.

Net cash used in investing activities was ¥2,039 million, which was mainly comprised of payment for purchase of property, plant and equipment as well as of intangible fixed assets totaling ¥1,747 million.

Net cash used in financial activities was ¥152 million, which was mainly comprised of increase in short-term bank loans of ¥1,150 million and payment of ¥785 million for dividends.

Consequently, consolidated cash and cash equivalents at the end of the current first quarter increased by ¥4,390 million from the end of the previous fiscal year to ¥26,419 million.

3. Forecast of consolidated performance for the fiscal year ending March 2007 (from April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
First half of FY March 2007	99,000	4,800	2,700
FY March 2007	210,000	11,200	6,200

(Reference) Estimated net income per share (fiscal year) : 55.34 yen

[Qualitative information concerning the performance forecast etc.]

As regards the performance forecast for the interim period and full fiscal year, the figures announced on May 12, 2006 were used without changes for net sales, ordinary income and net income.

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

Quarterly Consolidated Balance Sheet

(Millions of yen)

Accounts	Term	First quarter of FY March 2007 (As of Jun.30,2006)		First quarter of FY March 2006 (As of Jun.30,2005)		Increase /Decrease Amount	FY March 2006 (As of March 31, 2006)	
		Amount	Ratio	Amount	Ratio		Amount	Ratio
(Assets)			(%)		(%)			(%)
I .Current assets:								
Cash and time deposits		28,376		24,592		3,784	24,676	
Trade notes and accounts receivable		48,880		49,691		(811)	54,965	
Marketable securities		674		664		10	584	
Inventories		14,574		14,293		280	14,935	
Deferred income taxes		571		436		135	1,647	
Other current assets		2,102		1,935		167	1,948	
Allowance for doubtful debt		(130)		(220)		89	(198)	
Total current assets		95,050	52.3	91,394	54.0	3,656	98,558	53.0
II .Fixed assets:								
1.Tangible fixed assets:								
Buildings and structures		13,595		14,544		(948)	13,794	
Machinery, equipment and vehicles		9,204		8,944		260	9,315	
Land		21,471		21,471		0	21,471	
Construction in progress		982		389		592	101	
Others		2,916		2,718		198	2,894	
Total tangible fixed assets		48,170	26.5	48,068	28.4	102	47,577	25.6
2.Intangible fixed assets:		2,635	1.4	2,355	1.4	280	2,718	1.5
3.Investments and other assets:								
Investment securities		27,739		19,598		8,141	29,832	
Guarantee deposits		4,002		4,143		(141)	4,010	
Deferred income taxes		2,025		2,460		(434)	2,013	
Others		2,273		1,378		894	1,374	
Allowance for doubtful accounts		(116)		(162)		46	(117)	
Total investment and other assets		35,924	19.8	27,418	16.2	8,506	37,114	19.9
Total fixed assets		86,730	47.7	77,841	46.0	8,888	87,409	47.0
Total assets		181,781	100.0	169,236	100.0	12,545	185,968	100.0

(Millions of yen)

Accounts	Term	First quarter of FY March 2007 (As of Jun.30,2006)		First quarter of FY March 2006 (As of Jun.30,2005)		Increase /Decrease	FY March 2006 (As of March 31, 2006)	
		Amount	Ratio	Amount	Ratio		Amount	Ratio
			(%)		(%)			(%)
(Liabilities)								
I .Current liabilities:								
Trade notes and accounts payable		48,452		46,574		1,877	50,490	
Short-term bank loans		11,050		12,700		(1,650)	9,900	
Long-term debts due within one year		1,670		3,940		(2,270)	1,670	
Bonds redeemed within one year		5,000		—		5,000	5,000	
Income taxes payable		858		541		316	1,578	
Consumption taxes payable		608		530		78	339	
Allowance for bonus payable		522		507		15	2,709	
Others		2,637		2,455		181	2,578	
Total current liabilities		70,799	39.0	67,250	39.8	3,549	74,267	39.9
II .Long-term liabilities:								
Bonds		5,000		10,000		(5,000)	5,000	
Long-term loans payable		7,480		4,049		3,430	7,670	
Deferred tax liabilities		5,514		234		5,280	6,504	
Severance and employee retirement benefits		9,506		16,526		(7,019)	9,321	
Reserve for directors' retirement benefits		14		545		(531)	544	
Consolidated adjustment account		112		184		(72)	130	
Other liabilities		2,426		1,817		608	1,889	
Total long-term liabilities		30,055	16.5	33,358	19.7	(3,303)	31,060	16.7
Total liabilities		100,854	55.5	100,609	59.5	245	105,327	56.6
Minority interests		—		3,278	1.9	—	3,492	1.9
(Shareholders' equity)								
I .Capital stock		—	—	18,670	11.0	—	18,670	10.0
II .Capital surplus		—	—	16,759	9.9	—	16,759	9.0
III .Retained earnings		—	—	26,323	15.6	—	32,135	17.3
IV .Unrealized holding gains (losses) on securities		—	—	3,956	2.3	—	9,953	5.4
V .Foreign currency translation adjustment		—	—	(193)	(0.1)	—	(152)	(0.1)
VI .Treasury stock, at cost		—	—	(169)	(0.1)	—	(218)	(0.1)
Total shareholders' equity		—	—	65,348	38.6	—	77,148	41.5
Total liabilities, minority interests and shareholders' equity		—	—	169,236	100.0	—	185,968	100.0
(Net assets)								
I .Owners' equity								
Capital stock		18,670	10.3	—	—	—	—	—
Capital surplus		16,759	9.2	—	—	—	—	—
Retained earnings		33,692	18.5	—	—	—	—	—
Treasury stock, at cost		(225)	(0.1)	—	—	—	—	—
Total owners' equity		68,897	37.9	—	—	—	—	—
II .Net unrealized gain and translation adjustments								
Unrealized holding gains (losses) on securities		8,649	4.8	—	—	—	—	—
Foreign currency translation adjustment		(118)	(0.1)	—	—	—	—	—
Total Net unrealized gain and translation adjustments		8,530	4.7	—	—	—	—	—
III .Minority interests		3,498	1.9	—	—	—	—	—
Total net assets		80,926	44.5	—	—	—	—	—
Total liabilities and net assets		181,781	100.0	—	—	—	—	—

Quarterly Consolidated Income Statement

(Millions of yen)

Accounts	First quarter of FY March 2007 (From Apr.1,2006 to Jun.30,2006)		First quarter of FY March 2006 (From Apr.1,2005 to Jun.30,2005)		Increase /Decrease Amount	FY March 2006 (From Apr.1,2005 to Mar.31,2006)	
	Amount	Ratio	Amount	Ratio		Amount	Ratio
		(%)		(%)			(%)
I. Net sales	51,992	100.0	50,111	100.0	1,881	202,266	100.0
II. Cost of sales	35,422	68.1	34,336	68.5	1,085	139,642	69
Gross profit	16,570	31.9	15,774	31.5	795	62,624	31.0
III. Selling, general and administrative expenses	12,898	24.8	12,884	25.7	14	53,512	26.5
Operating income	3,671	7.1	2,890	5.8	781	9,111	4.5
IV. Other income:	464	0.9	453	0.9	11	1,215	0.6
Interest and dividends income	213		188		24	282	
Amortization of consolidated adjustment account	18		18		—	72	
Equity in earnings of affiliated companies	78		21		56	143	
Others	155		224		(69)	717	
V. Other expenses:	151	0.3	172	0.4	(20)	562	0.3
Interest expenses	97		90		6	369	
Others	54		81		(27)	192	
Ordinary income	3,984	7.7	3,171	6.3	813	9,764	4.8
VI. Extraordinary income:	69	0.1	151	0.3	(82)	5,054	2.5
Gain on sales of investment securities	—		—		—	82	
Reversal of allowance for doubtful accounts	69		151		(82)	120	
Gain from the transfer of the substitutional portion of the government's Welfare Pension Insurance Scheme	—		—		—	3,493	
Gain from termination of the tax-qualified defined benefit plan	—		—		—	1,357	
VII. Extraordinary losses:	64	0.1	106	0.2	(41)	355	0.1
Loss on disposal of property, plant and equipment	59		98		(38)	238	
Loss on devaluation of investment securities	—		—		—	5	
Impairment loss	5		8		(3)	55	
Evaluation losses of golf memberships	—		0		0	11	
Other losses	—		—		—	43	
Income before income taxes for the quarter term(fiscal year)	3,989	7.7	3,216	6.4	773	14,463	7.2
Income taxes	641	1.2	295	0.6	345	3,568	1.8
Adjustments on income taxes	968	1.9	941	1.8	27	2,330	1.2
Minority interests in earnings	22	0.1	43	0.1	(21)	256	0.1
Net income for the quarter term (fiscal year)	2,356	4.5	1,935	3.9	421	8,307	4.1

Quarterly Consolidated Statement of Change in Net Assets

(Millions of yen)

	Owners' equity					Net unrealized gain and translation adjustments			Minority Interests	Net assets (Total)
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Net unrealized gains on for-sale securities	Foreign currency translation adjustments	Total		
Balance at the end of prior period (March 31, 2006)	18,670	16,759	32,135	(218)	67,346	9,953	(152)	9,801	3,492	80,641
Changes of items during the period										
Dividends			(785)		(785)					(785)
Directors' bonus			(14)		(14)					(14)
Net income			2,356		2,356					2,356
Acquisition of treasury stock				(7)	(7)					(7)
Changes of items other items during the period(Net)					—	(1,303)	33	(1,270)	5	(1,264)
Changes of items during the period (Total)	—	—	1,557	(7)	1,550	(1,303)	33	(1,270)	5	285
Balance at the end of current period (June 30, 2006)	18,670	16,759	33,692	(225)	68,897	8,649	(118)	8,530	3,498	80,926

Quarterly Consolidated Cash Flow Statement

(Millions of yen)

Term	First quarter of FY March 2007 (From Apr.1,2006 to Jun.30,2006)	First quarter of FY March 2006 (From Apr.1,2005 to Jun.30,2005)	FY March 2006 (From Apr.1,2005 to Mar.31,2006)
Accounts			
I. Cash flows from operating activities			
Income before income taxes for the quarter term (fiscal year)	3,989	3,216	14,463
Depreciation expense	1,141	1,095	4,885
Loss on disposal of property, plant and equipment	59	98	230
Equity in earnings of affiliated companies	(78)	(21)	(143)
Amortization of consolidated adjustment accounts	(18)	(18)	(72)
Increase/decrease in allowance for doubtful accounts	(69)	(151)	(218)
Allowance for bonuses payable	(2,186)	(2,347)	(145)
Increase/decrease in allowance for employee retirement benefits	185	419	(1,934)
Gain from the transfer of the substitutional portion of the government's Welfare Pension Insurance Scheme	—	—	(3,493)
Gain from termination of the tax-qualified defined benefit plan	—	—	(1,357)
Increase/decrease in allowance for directors' retirement benefits	(530)	26	25
Interest and dividends income	(213)	(188)	(282)
Interest expense	97	90	369
Gain/loss on sale of investment securities	—	—	(77)
Loss on devaluation of investment securities	5	8	55
Increase/decrease in notes and accounts receivable	6,085	6,387	1,113
Increase/decrease in inventories	360	(514)	(1,155)
Increase/decrease in notes and accounts payable	(2,007)	(2,866)	1,082
Others	491	(279)	(31)
Sub-total	7,312	4,953	13,313
Interest and dividends received	210	187	322
Interest expenses paid	(74)	(55)	(348)
Income taxes paid	(1,177)	(1,929)	(4,353)
Net Cash provided by operating activities	6,272	3,156	8,933
II. Cash flows from investing activities			
Term deposits paid	(1,761)	(1,221)	(5,085)
Term deposits withdrawn	2,361	1,812	5,136
Payment for purchase of property, plant and equipment	(1,675)	(861)	(3,934)
Proceeds from sale of property, plant and equipment	4	3	59
Payment for purchase of intangible fixed assets	(71)	(583)	(1,392)
Payment for purchase of investment securities	(5)	(79)	(484)
Proceeds from sale of investment securities	—	27	415
Payment for the acquisition of subsidiaries' stocks accompanied by changes in the scope of consolidation	—	(74)	(74)
Others	(891)	(34)	75
Net Cash used in investing activities	(2,039)	(1,011)	(5,284)
III. Cash flows from financing activities			
Increase/decrease in short-term bank loans	1,150	(4,200)	(7,000)
Proceeds from long-term debt	—	59	5,200
Repayments of long-term debt	(190)	(150)	(3,940)
Issuance of bonds	—	5,000	5,000
Purchase of treasury stock	(6)	(3)	(50)
Cash dividends paid by the Company	(785)	(701)	(1,262)
Cash dividends paid to minority shareholders	(16)	(16)	(16)
Net Cash used in financing activities	152	(10)	(2,068)
IV. Effect on exchange rate changes on cash and cash equivalents	6	4	21
V. Increase in cash and cash equivalents	4,390	2,138	1,602
VI. Cash and cash equivalents at beginning of year	22,028	20,426	20,426
VII. Cash and cash equivalents at term end	26,419	22,565	22,028

Segment information

Segment information by business type

First Quarter (from April 1,2006 to June 30,2006) of FY March 2007 (from Apr. 1,2006-Mar. 31,2007)

(Millions of yen)

Accounts \ Segment	Segment			Total	Unallocated and Eliminations	Consolidated
	Office Furniture	Store Displays	Material Handling Systems and Others			
I .Net sales and operating income (loss)						
Net sales						
1)Net sales to external customers	30,731	16,666	4,594	51,992	—	51,992
2)Internal sales or transfers between segments	—	—	—	—	(—)	—
Total	30,731	16,666	4,594	51,992	(—)	51,992
Operating expenses	28,148	16,143	4,028	48,320	(—)	48,320
Operating income	2,583	522	565	3,671	(—)	3,671

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

(Millions of yen)

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

Previous Consolidated Fiscal Year (from April 1,2005 to March 31,2006)

(Millions of yen)

Accounts \ Segment	Segment			Total	Unallocated and Eliminations	Consolidated
	Office Furniture	Store Displays	Material Handling Systems and Others			
I .Net sales and operating income (loss)						
Net sales						
1)Net sales to external customers	122,228	66,836	13,201	202,266	—	202,266
2)Internal sales or transfers between segments	—	—	—	—	(—)	—
Total	122,228	66,836	13,201	202,266	(—)	202,266
Operating expenses	114,961	65,957	12,235	193,154	(—)	193,154
Operating income	7,267	879	965	9,111	(—)	9,111

(Note)

1. Business segmentation method

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

2. Classification of main products by business segment

Business segment	Main Products
Office Furniture	Office furniture, Cultural and educational facilities, Partitions, Medical and research facilities, Security systems, SOHO-related products
Store Displays	Showcases for stores, Refrigerated showcases, Counters for stores
Material Handling Systems and Others	Racks and stackers for factories and warehouses, Automated material handling systems, Torque converters for industrial and construction equipment, Real estate leasing, Insurance