



February 10, 2005

Financial and Operational Review for the First 9 Months of the Fiscal Year Ending March 31, 2005 (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 (Description) Accelerated application of the "Accounting Standards for Impairment of Fixed Assets." : As follows
- (iii) Changes in the scope of consolidation and equity method (Description) Consolidation (new) 2 companies (Sanyo Okamura Corporation and Shanghai Okamura Furniture & Logistic System Co., Ltd.) : As follows

2. Financial and Operational Review for the First 9 Months (Apr. 1, 2004 - Dec. 31, 2004) of FY March 2005 (Apr. 1, 2004 - Mar. 31, 2005)

(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 9 months of FY March 2005	142,127	8.8	5,106	53.8	5,469	53.8	3,198	58.0
First 9 months of FY March 2004	130,636	-	3,320	-	3,555	-	2,023	-
(Reference) FY March 2004	183,044	10.7	6,711	64.0	6,986	68.5	3,971	-

	Net income per share	Diluted net income per share
	Yen	Yen
First 9 months of FY March 2005	28.52	-
First 9 months of FY March 2004	18.04	-
(Reference) FY March 2004	35.41	-

(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.]

In the third quarter under review, despite the steady progress in corporate earnings and capital expenditure, the recovery of the Japanese economy seems to have reached a plateau due mainly to weak performance in some sectors as represented by the slowdown in exports, IT-related manufacturing, and consumer spending.

Under such circumstances, the Company promoted new product development and proposal-based sales and worked to create and open up new markets by obtaining orders for total solutions.

In the office furniture segment, the mainstay office furniture market was favorable as in the previous term due mainly to the continued demand for chain relocation in connection with the redevelopment projects in the Tokyo central areas and demand for office furniture in the local markets has also recovered. Accordingly, the

Company strived to increase orders for total solutions by developing various new product lines suited to the diverse workstyles characteristic of the ubiquitous era and aggressive solutions-based sales.

Moreover, sales of the Contessa of ergonomic mesh chairs have been favorable ever since its launch. Supported by the excellent reputation in overseas markets, the Company has been expanding sales channels in markets throughout the world, exporting to 42 countries.

Meanwhile, sales in the security sector, with utilization of the effect of synergy with office furniture products, developed favorably centering on safe deposit systems and the access control systems.

As a result, net sales in this segment increased to ¥80,830 million (Y-o-Y increase of 11.5%).

In the store display segment, in line with the basic policy of leveraging the Company's competitive advantage as the only manufacturer that offers total solutions encompassing store display panels and refrigerated showcases to create appealing retail environments that take into account the diversification of consumer needs, the Company focused its efforts on winning more orders in connection with new store openings and renovation of existing stores including hundred-yen stores and drugstores as well as the supermarket sector.

Consequently, net sales in this segment for the term reached ¥53,847 million (Y-o-Y increase of 2.3%).

In the material handling systems and others segment, the Company leveraged synergies with other businesses engaging in sales of automated warehouse systems and storage system fixtures for the distribution facilities for customers in the pharmaceuticals, transport, and automotive industries as well as for the rapidly growing Chinese market.

As a result, net sales in this segment for the term amounted to ¥7,449 million (Y-o-Y increase of 35.5%).

As regards profit and loss, the Company focused on trimming production and distribution costs, and strived for improvement in inventory efficiency in response to demand trends and the strengthening of the financial base through measures such as decrease of interest payments by reducing interest-bearing debts.

As the result of the aforementioned efforts, the consolidated performance of the period under review was as follows: net sales of ¥142,127 million (Y-o-Y increase of 8.8%), operating income of ¥5,106 million (Y-o-Y increase of 53.8%), ordinary income of ¥5,469 million (Y-o-Y increase of 53.8%), and quarterly net income of ¥3,198 million (Y-o-Y increase of 58.0%).

It should be noted that the Company acceleratedly adopted the “Accounting Standards for Impairment of Fixed Assets” and its Implementation Guide from the current term. As a result of the adoption of these Standards and Guide, net income before taxes, etc. decreased by ¥18 million.

(2) Changes in (consolidated) financial position

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2004	164,843	61,468	37.3	548.31
As of Dec. 31, 2003	160,573	55,839	34.8	497.88
(Reference) As of March 31, 2004	172,824	59,264	34.3	528.46

[Consolidated cash flow]

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Term-End
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First 9 months of FY March 2005	4,379	(2,331)	(4,829)	20,767
First 9 months of FY March 2004	10,792	(1,767)	(4,597)	24,761
(Reference) FY March 2004	12,460	(3,185)	(6,067)	23,538

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

The financial position of the current 9-month period is as follows:

Total assets amounted to ¥164,843 million, down ¥7,981 million from the end of the previous fiscal year, owing to the decrease of ¥6,866 million in trade receivables, reduction of ¥3,800 million in interest-bearing debt, etc. Shareholders' equity was ¥61,468 million, an increase of ¥2,203 million from the end of the previous fiscal year due mainly to net income for the current fiscal year. Consequently, the equity ratio went up 3.0 percentage points from the end of the previous fiscal year to 37.3%.

With respect to cash flows, cash flows from operating activities increased by ¥4,379 million due mainly to the net income before income taxes totaling ¥5,396 million, depreciation and amortization of ¥3,210 million, decrease of ¥7,122 million in trade receivables, and payments of corporation tax of ¥6,984 million.

Net cash used in investing activities was ¥2,331 million, which was mainly comprised of payments of ¥2,865 million for investments in machinery and equipment and upgrade of information systems.

Net cash used in financing activities was ¥4,829 million, which was mainly comprised of the reduction of ¥3,800 million in interest-bearing debts and payment of ¥982 million for dividends.

Consequently, consolidated cash and cash equivalents at the end of the current third quarter decreased by ¥2,771 million from the end of the previous fiscal year to ¥20,767 million.

The balance of bank loans and bonds at the end of the current third quarter also decreased by ¥3,800 million from the end of the previous fiscal year to ¥31,380 million.

3. Forecast of consolidated performance for the fiscal year ending March 2005 (from April 1, 2004 to March 31, 2005)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
FY March 2005	198,000	10,000	5,800

(Reference) Estimated net income per share (fiscal year): 51.73 yen

[Qualitative information concerning the performance forecast etc.]

As regards the performance forecast for the full fiscal year, the figures announced on October 20, 2004 were used without changes for net sales, ordinary income and net income because the performance of the current third quarter was almost the same as planned values.

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

Quarterly Consolidated Balance Sheet

(Millions of yen)

Accounts	Term	First 9 months of FY March 2005 (As of Dec. 31, 2004)		First 9 months of FY March 2004 (As of Dec. 31, 2003)		Increase /Decrease Amount	FY March 2004 (As of March 31, 2004)	
		Amount	Ratio	Amount	Ratio		Amount	Ratio
(Assets)			(%)		(%)			(%)
I. Current assets:		88,255	53.5	86,313	53.7	1,942	95,750	55.4
Cash and time deposits		23,696		27,573		(3,877)	26,458	
Trade notes and accounts receivable		47,239		43,665		3,574	54,105	
Marketable securities		464		222		241	222	
Inventories		13,971		12,525		1,446	11,573	
Deferred income taxes		745		783		(38)	1,767	
Other current assets		2,467		1,855		612	1,913	
Allowance for doubtful accounts		(329)		(312)		(16)	(291)	
II. Fixed assets:		76,587	46.5	74,260	46.3	2,327	77,074	44.6
1. Tangible fixed assets:		48,205	29.3	48,032	29.9	173	48,474	28.0
Buildings and structures		15,066		16,027		(961)	15,854	
Machinery, equipment and vehicles		8,982		7,952		1,030	8,547	
Land		21,495		21,542		(46)	21,543	
Construction in progress		110		177		(67)	67	
Others		2,550		2,333		217	2,462	
2. Intangible fixed assets:		1,700	1.0	1,562	1.0	137	1,557	0.9
3. Investments and other assets:		26,682	16.2	24,665	15.4	2,016	27,041	15.7
Investment securities		18,962		16,782		2,180	19,120	
Guarantee deposits		4,102		4,291		(188)	4,248	
Deferred income taxes		2,396		2,263		132	2,361	
Others		1,440		1,506		(65)	1,485	
Allowance for doubtful accounts		(221)		(179)		(41)	(174)	
Total assets		164,843	100.0	160,573	100.0	4,270	172,824	100.0

(Millions of yen)

Accounts	Term	First 9 months of FY March 2005 (As of Dec. 31, 2004)		First 9 months of FY March 2004 (As of Dec. 31, 2003)		Increase /Decrease Amount	FY March 2004 (As of March 31, 2004)	
		Amount	Ratio	Amount	Ratio		Amount	Ratio
(Liabilities)								
I. Current liabilities:								
		70,746	42.9	67,604	42.1	3,141	80,560	46.6
	Trade notes and accounts payable	45,470		40,979		4,490	45,881	
	Short-term bank loans	14,630		14,990		(360)	13,890	
	Long-term debts due within one year	1,020		1,100		(80)	1,200	
	Bonds redeemed within one year	5,000		4,000		1,000	9,000	
	Income taxes payable	65		1,963		(1,898)	4,941	
	Consumption taxes payable	377		422		(44)	607	
	Deferred tax liabilities	0		-		0	-	
	Allowance for bonus payable	1,402		1,054		347	2,510	
	Others	2,779		3,094		(314)	2,529	
II. Long-term liabilities:								
		29,420	17.9	34,187	21.3	(4,767)	30,039	17.4
	Bonds	5,000		10,000		(5,000)	5,000	
	Long-term loans payable	5,730		6,555		(825)	6,090	
	Deferred tax liabilities	424		82		341	757	
	Severance and employee retirement benefits	15,744		15,040		704	15,645	
	Reserve for directors' retirement benefits	502		471		30	489	
	Consolidated adjustment account	246		327		(81)	308	
	Other liabilities	1,773		1,710		63	1,749	
Total liabilities		100,166	60.8	101,792	63.4	(1,625)	110,600	64.0
Minority interests		3,208	1.9	2,941	1.8	266	2,960	1.7
(Shareholders' equity)								
I. Capital stock								
		18,670	11.3	18,670	11.6	-	18,670	10.8
II. Capital surplus								
		16,759	10.2	16,759	10.5	-	16,759	9.7
III. Retained earnings								
		22,801	13.8	18,637	11.6	4,164	20,586	11.9
IV. Unrealized holding gains (losses) on securities								
		3,575	2.2	2,056	1.3	1,519	3,551	2.1
V. Foreign currency translation adjustment								
		(194)	(0.1)	(177)	(0.1)	(16)	(190)	(0.1)
VI. Treasury stock, at cost								
		(145)	(0.1)	(107)	(0.1)	(37)	(112)	(0.1)
Total shareholders' equity		61,468	37.3	55,839	34.8	5,628	59,264	34.3
Total liabilities, minority interests and shareholders' equity		164,843	100.0	160,573	100.0	4,270	172,824	100.0

Quarterly Consolidated Income Statement

(Millions of yen)

Accounts	Term	First 9 months of FY March 2005 (From April 1, 2004 to Dec. 31, 2004)		First 9 months of FY March 2004 (From April 1, 2003 to Dec. 31, 2003)		Increase /Decrease Amount	FY March 2004 (From Apr. 1, 2003 to Mar. 31, 2004)	
		Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)
I. Net sales		142,127	100.0	130,636	100.0	11,490	183,044	100.0
II. Cost of sales		99,520	70.0	91,971	70.4	7,549	127,023	69.4
Gross profit		42,606	30.0	38,665	29.6	3,941	56,020	30.6
III. Selling, general and administrative expenses		37,500	26.4	35,344	27.1	2,155	49,308	26.9
Operating income		5,106	3.6	3,320	2.5	1,786	6,711	3.7
IV. Other income:		865	0.6	867	0.7	(1)	1,150	0.6
Interest and dividends income		206		181		25	185	
Amortization of consolidated adjustment account		57		57		(0)	77	
Equity in earnings of affiliated companies		111		16		94	75	
Others		490		612		(121)	812	
V. Other expenses:		503	0.3	632	0.5	(128)	874	0.5
Interest expenses		346		417		(70)	550	
Others		156		215		(58)	324	
Ordinary income		5,469	3.9	3,555	2.7	1,913	6,986	3.8
VI. Extraordinary income:		154	0.1	688	0.5	(534)	828	0.5
Gain on sale of property, plant and equipment		-		0		(0)	-	
Gain on sale of investment securities		154		602		(448)	752	
Reversal of allowance for doubtful accounts		-		85		(85)	76	
VII. Extraordinary losses:		226	0.2	341	0.2	(114)	393	0.2
Loss on disposal of property, plant and equipment		191		95		96	141	
Loss on devaluation of investment securities		-		17		(17)	17	
Loss on sale of investment securities		-		210		(210)	217	
Evaluation losses of golf memberships		16		16		(0)	16	
Impairment loss		18		-		18	-	
Others		-		0		(0)	0	
Income before income taxes for the interim term (fiscal year)		5,396	3.8	3,903	3.0	1,493	7,421	4.1
Income taxes		1,541	1.1	2,351	1.8	(809)	5,336	2.9
Adjustments on income taxes		637	0.4	(425)	(0.3)	1,063	(1,859)	(1.0)
Minority interests in earnings		19	0.0	(46)	(0.0)	65	(27)	(0.0)
Minority interests								
Net income for the interim term (fiscal year)		3,198	2.3	2,023	1.5	1,174	3,971	2.2

Quarterly Consolidated Cash Flow Statement

(Millions of yen)

Term	First 9 months of FY March 2005 (From April 1, 2004 to Dec. 31, 2004)	First 9 months of FY March 2004 (From April 1, 2003 to Dec. 31, 2003)	FY March 2004 (From April 1, 2003 to March 31, 2004)
Accounts			
I. Cash flows from operating activities			
Income before income taxes for the quarter term (fiscal year)	5,396	3,903	7,421
Depreciation expense	3,210	3,244	4,486
Loss on disposal of property, plant and equipment	191	95	141
Equity in earnings of affiliated companies	(111)	(16)	(75)
Amortization of consolidated adjustment account	(57)	-	(77)
Increase/decrease in allowance for doubtful accounts	83	(379)	(405)
Allowance for bonuses payable	(1,125)	(820)	635
Increase/decrease in allowance for employee retirement benefits	66	826	1,430
Increase/decrease in allowance for directors' retirement benefits	12	(9)	8
Interest and dividends income	(206)	(181)	(185)
Interest expense	346	417	550
Gain/loss on sale of property, plant and equipment	-	(0)	-
Gain/loss on sale of investment securities	(154)	(391)	(534)
Loss on devaluation of investment securities	-	17	17
Increase/decrease in notes and accounts receivable	7,122	4,481	(5,959)
Increase/decrease in inventories	(2,240)	(837)	108
Increase/decrease in notes and accounts payable	(970)	729	5,655
Others	(108)	1,031	770
Sub-total	11,456	12,108	13,988
Interest and dividends received	209	190	201
Interest expenses paid	(302)	(362)	(579)
Income taxes paid/ refund	(6,984)	(1,143)	(1,150)
Net Cash provided by operating activities	4,379	10,792	12,460
II. Cash flows from investing activities			
Term deposits paid	(4,456)	(3,306)	(4,094)
Term deposits withdrawn	4,406	2,045	2,726
Payment for purchase of property, plant and equipment	(2,473)	(2,362)	(3,934)
Proceeds from sale of property, plant and equipment	34	67	2
Payment for purchase of intangible fixed assets	(391)	(365)	(480)
Payment for purchase of investment securities	(71)	(318)	(320)
Proceeds from sale of investment securities	270	1,754	2,151
Increase due to the acquisition of subsidiaries' stocks accompanied by changes in the scope of consolidation	41	-	-
Others	309	717	763
Net cash used in investing activities	(2,331)	(1,767)	(3,185)
III. Cash flows from financing activities			
Increase/decrease in short-term bank loans	740	150	(950)
Proceeds from long-term debt	200	1,000	1,000
Repayments of long-term debt	(740)	(1,504)	(1,869)
Redemption of bonds	(4,000)	(3,000)	(3,000)
Purchase of treasury stock	(30)	(9)	(14)
Purchase of treasury stock of consolidated subsidiaries	-	(648)	(648)
Cash dividends paid by the Company	(982)	(561)	(561)
Cash dividends paid to minority shareholders	(16)	(24)	(24)
Net cash used in financing activities	(4,829)	(4,597)	(6,067)
IV. Effect on exchange rate changes on cash and cash equivalents	10	(7)	(10)
V. Increase (Decrease) in cash and cash equivalents	(2,771)	4,419	3,196
VI. Cash and cash equivalents at beginning of year	23,538	20,341	20,341
VII. Cash and cash equivalents at term end	20,767	24,761	23,538

Segment information

Segment information by business type

First 9 months (from April 1, 2004 to December 31, 2004) of FY March 2005

(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	80,830	53,847	7,449	142,127	-	142,127
2) Internal sales or transfers between segments	-	-	-	-	(-)	-
Total	80,830	53,847	7,449	142,127	(-)	142,127
Operating expenses	78,180	51,534	7,305	137,020	(-)	137,020
Operating income (loss)	2,649	2,313	144	5,106	(-)	5,106

First 9 months (from April 1, 2003 to December 31, 2003) of FY March 2004

(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	72,496	52,641	5,499	130,636	-	130,636
2) Internal sales or transfers between segments	-	-	-	-	(-)	-
Total	72,496	52,641	5,499	130,636	(-)	130,636
Operating expenses	72,484	49,314	5,517	127,316	(-)	127,316
Operating income (loss)	12	3,326	(18)	3,320	(-)	3,320

Previous Consolidated Fiscal Year (from April 1, 2003 to March 31, 2004)

(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	108,872	66,647	7,523	183,044	-	183,044
2) Internal sales or transfers between segments	-	-	-	-	(-)	-
Total	108,872	66,647	7,523	183,044	(-)	183,044
Operating expenses	105,635	63,087	7,610	176,332	(-)	176,332
Operating income (loss)	3,237	3,560	(86)	6,711	(-)	6,711

(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