UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

AMENDMENT NO. 1 ON
FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 11, 2005

KADANT INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	1-11406	52-1762325
(State or Other Jurisdiction of Incorporation)	(Commission File Number	(IRS Employer Identification No.)

One Acton Place
Acton, Massachusetts 01720
(Address of Principal Executive Offices) (Zip Code)

(978) 776-2000
Registrant's telephone number, including area code

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

KADANT INC.

Introductory Note.

On May 11, 2005, Kadant Inc., a Delaware corporation (the "Company"), completed the acquisition of all of the outstanding stock of The Johnson Corporation, a Michigan corporation ("Johnson"). On May 11, 2005, the Company filed a Current Report on Form 8-K (the "Current Report") to report the closing of the acquisition. The purpose of this Amendment No. 1 to the Current Report is to file the historical financial statements of Johnson and the pro forma financial information required by Item 9.01 of Form 8-K.

The Company hereby amends and restates Item 9.01 of the Current Report to read in its entirety as follows:

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The financial statements required by this item are included as Exhibit 99.4 to this Current Report.

(b) Pro Forma Financial Information

The pro-forma financial information required by this item are included as Exhibit 99.1 to this Current Report.

(c) Exhibits

Exhibit No.	Description of Exhibit
23.1	Consent of Grant Thornton LLP.

99.1	Pro-forma financial information related to the acquisition of Johnson.
* 99.2	Purchase Agreement among the Company, Johnson and the principal shareholders of Johnson identified in the Purchase Agreement.
* 99.3	Press Release dated May 11, 2005 announcing the closing of the Johnson acquisition.
99.4	Financial statements of Johnson.

- ----------------------------------

* Previously filed.

<

>

KADANT INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KADANT INC.

Date: July 26, 2005

By: /s/ Thomas M. O'Brien

Thomas M. O'Brien
Executive Vice President and
Chief Financial Officer

<

>

KADANT INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
23.1	Consent of Grant Thornton LLP.
99.1	Pro-forma financial information related to the acquisition of Johnson.
* 99.2	Purchase Agreement among the Company, Johnson and the principal shareholders of Johnson identified in the Purchase Agreement.
* 99.3	Press Release dated May 11, 2005 announcing the closing of the Johnson acquisition.
99.4	Financial statements of Johnson.

- ----------------------------------

* Previously filed.

>

Exhibit 23.1

Consent of Independent Certified Public Accountants

We consent to the incorporation by reference of our report dated April 15, 2005, with respect to the consolidated financial statements of The Johnson Corporation included in this Form 8-K/A of Kadant Inc.

/s/ Grant Thornton LLP

Chicago, Illinois
July 22, 2005

Exhibit 99.1

KADANT INC.

Unaudited Pro Forma Combined Condensed Financial Information

On May 11, 2005, Kadant Inc. ("Kadant" or the "Company") acquired all of the outstanding stock of The Johnson Corporation ("Johnson") for $101.5 million, subject to a further post-closing adjustment, and $3.1 million of acquisition-related costs. Included in the net assets acquired were $3.8 million of cash and cash equivalents and $3.3 million of short and long-term debt. In addition to the cash consideration, the Company issued a letter of credit to the sellers for $4 million, subject to adjustment, related to certain tax assets of Johnson, the value of which the Company expects to realize. The Purchase Agreement also contains an earn-out provision, based on the achievement of certain revenue targets between the closing date and July 1, 2006, which could increase the purchase price by up to $8 million.

The following unaudited pro-forma condensed combined financial statements illustrate Kadant's acquisition of Johnson using the purchase method of accounting. These statements should be read in conjunction with the historical consolidated financial statements and related notes of Kadant, which are included in the Company's annual report on Form 10-K for the year ended January 1, 2005, and the historical consolidated financial statements and related notes of Johnson, which are included in this Current Report as Exhibit 99.4. The unaudited pro forma condensed combined statements of operations for the years ended January 1, 2005 and January 3, 2004, give effect to the acquisition of Johnson by Kadant as if it had taken place at the beginning of those fiscal years, and are based on the historical statements of operations of Kadant and Johnson for the corresponding periods. The unaudited pro forma condensed combined balance sheet information as of January 1, 2005 and January 3, 2004 gives effect to the acquisition by Kadant of Johnson as if it had taken place at the balance sheet date presented. The purchase accounting adjustments made in connection with the development of the unaudited pro forma condensed combined financial information are preliminary and have been made solely for purposes of developing such unaudited pro forma condensed combined financial information, and will be adjusted upon the final determination of the fair values.

The following table represents the estimated allocation of the purchase price for the Company's acquisition of Johnson over the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. Kadant is still in the process of assembling the information necessary to finalize the allocation of the total purchase price and has obtained a supporting third party valuation for criteria tangible and intangible assets. The allocation of the purchase price may change upon completion of this assessment process.

	Estimated Value at May 11, 2005
Cash and Cash Equivalents	$ 3,814
Short-term Investments	257
Accounts Receivable, net	17,733
Notes Receivable	5,577
Inventory	13,280
Other Current Assets	5,258
Property, Plant, and Equipment, net	18,551
Other Assets	9,346
Acquired Intangibles	34,480
Goodwill	48,371
Total Assets Acquired	$ 156,667
Accounts Payable	$ 6,578
Other Current Liabilities	15,242
Short and Long-Term Debt	3,286
Other Liabilities	21,875
Minority Interest	1,155
Total Liabilities Assumed	$ 48,136
Net Assets	$ 108,531

<

>

KADANT INC.

An additional payment of up to $8 million may be required in the event that certain revenue targets are realized. Any such amounts have been excluded from the purchase price in the table above and will be recorded if and when the revenue targets are met.

The estimated values of current assets, excluding inventory, and current liabilities were based upon their historical costs in the hands of the seller on the date of acquisition due to their short-term nature. Inventory and property, plant and equipment were recorded at estimated fair value based primarily on cost and market approaches. These amounts may be subsequently adjusted when the Company completes its assessment of the property and equipment that will be utilized in the combined operations.

The following are the identifiable intangible assets acquired and the respective periods over which the assets will be amortized on a straight-line basis:

(in thousands)	Amount	Life
Existing technology	$ 7,840	11 years*
Customer relationships	15,700	17 years*
Distribution network	2,400	17 years
Trade name	8,100	Indefinite
Licensing agreement	400	20 years
Non-compete agreement	40	3 years
	$ 34,480	

*approximate weighted average lives

The amount assigned to identifiable intangible assets acquired was based on their respective fair values determined as of the acquisition date by an outside valuation consultant, using income and cost approaches. The excess of the purchase price over the tangible and identifiable intangible assets was recorded as goodwill and amounted to approximately $48.4 million. In accordance with current accounting standards, the goodwill will not be amortized and will be tested for impairment annually in the fourth quarter of our fiscal year, as required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

The unaudited pro forma condensed combined financial statements are presented for comparative purposes only and are not necessarily indicative of what the actual combined financial position and results of operations of Kadant and Johnson would have been as of and for the periods presented, nor does it purport to represent the future combined financial position or results of operations of Kadant and Johnson.

<

>

KADANT INC.

PRO-FORMA CONDENSED COMBINED BALANCE SHEET
JANUARY 1, 2005
(Unaudited)

(In thousands)	(A) Historical Kadant	(B) Historical Johnson	Pro Forma Adjustments	Pro Forma Combined Kadant and Johnson
Current Assets:				
Cash and cash equivalents	$ 82,089	$ 13,720	$(41,500) a	$ 54,309
Accounts receivable, net	30,022	14,197	-	44,219
Inventories	27,316	10,056	3,956 b	41,328
Deferred tax asset	6,691	2,179	1,542 c	10,412
Other current assets	16,961	2,207	-	19,168
Assets of discontinued operation	15,650	-	-	15,650
Total Current Assets	178,729	42,359	(36,002)	185,086
Property, Plant, and Equipment, net	17,064	14,495	5,059 b	36,618
Other Assets	15,036	1,099	3,400 a (1,916) a 236 c	17,855
Goodwill and Other Intangibles	74,408	5,127	(5,127) e 45,425 d 34,480 d	154,313
Total Assets	$ 285,237	$ 63,080	$ 45,555	$ 393,872
Current Liabilities:				
Short-term bank debt	$ -	$ 1,669	$ -	$ 1,669
Current maturities of long-term debt	-	1,777	9,000 a	10,777
Accounts payable	21,327	4,498	-	25,825
Accrued payroll and employee benefits	11,261	5,105	-	16,366
Accrued restructuring costs	10,026	-	-	10,026
Other current liabilities	14,887	5,967	1,756 a 2,350 c	24,960
Liabilities of discontinued operation	7,578	-	-	7,578
Total Current Liabilities	65,079	19,016	13,106	97,201
Deferred Income Taxes	4,370	-	15,638 c	20,008
Other Long-Term Liabilities	3,327	4,662	3,400 a (127) f	11,262
Long-Term Debt	-	919	51,000 a	51,919
Minority Interest	-	1,021	-	1,021
Shareholders' Investment	212,461	37,462	(37,462) g	212,461
Total Liabilities and Shareholders' Investment	$ 285,237	$ 63,080	$ 45,555	$ 393,872

(A) As reported in Kadant's annual financial statements for the fiscal year ended January 1, 2005 and January 3, 2004 as filed on Form 10-K with the SEC.
(B) Johnson was a private company with a calendar year end.

<

>

KADANT INC.

PRO-FORMA CONDENSED COMBINED BALANCE SHEET
JANUARY 3, 2004
(Unaudited)

(In thousands)	(A) Historical Kadant	(B) Historical Johnson	Pro Forma Adjustments	Pro Forma Combined Kadant and Johnson
Current Assets:				
Cash and cash equivalents	$ 74,412	$ 7,779	$(41,500) a	$ 40,691
Accounts receivable, net	31,320	17,012	-	48,332
Inventories	27,808	9,576	3,956 b	41,340
Deferred tax asset	6,789	2,780	1,542 c	11,111
Other current assets	13,920	1,621	-	15,541
Assets of discontinued operation	15,278	-	-	15,278
Total Current Assets	169,527	38,768	(36,002)	172,293
Property, Plant, and Equipment, net	18,531	14,663	5,059 b	38,253
Other Assets	10,119	748	3,400 a 236 c	14,503
Goodwill and Other Intangibles	73,536	4,907	(4,907) e 49,132 d 34,480 d	157,148
Total Assets	$ 271,713	$ 59,086	$ 51,398	$ 382,197
Current Liabilities:				
Current maturities of long-term debt	$ 598	$ 1,004	$ 9,000 a	$ 10,602
Accounts payable	23,008	5,500	-	28,508
Accrued payroll and employee benefits	11,036	5,053	-	16,089
Accrued restructuring costs	200	68	-	268
Other current liabilities	16,688	5,887	3,672 a 2,350 c	28,597
Liabilities of discontinued operation	3,062	-	-	3,062
Total Current Liabilities	54,592	17,512	15,022	87,126
Deferred Income Taxes	1,834	-	15,638 c	17,472
Other Long-Term Liabilities	3,178	4,154	3,400 a 381 f	11,113
Long-Term Debt	-	2,640	51,000 a	53,640
Minority Interest	351	737	-	1,088
Shareholder' Investment	211,758	34,043	(34,043) g	211,758
Total Liabilities and Shareholders' Investment	$ 271,713	$ 59,086	$ 51,398	$ 382,197

(A) As reported in Kadant's annual financial statements for the fiscal year ended January 1, 2005 and January 3, 2004 as filed on Form 10-K with the SEC.
(B) Johnson was a private company with a calendar year end.

<

>

KADANT INC.

PRO-FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JANUARY 1, 2005
(Unaudited)

(In thousands)	(A) Historical Kadant	(B) Historical Johnson	Pro Forma Adjustments	Pro Forma Combined Kadant and Johnson
Revenues	$ 194,966	$ 76,092	$ -	$ 271,058
Costs and Operating Expenses:				
Cost of revenue	119,200	34,945	1,081 h (1,572) i	155,226
Selling, general, and administrative expenses	56,334	34,677 n	2,381 j	91,820
Research and development expenses	3,077	-	1,572 i	4,649
Restructuring costs	9,515	-	-	9,515
	188,126	69,622	3,462	261,210
Operating Income	6,840	6,470	(3,462)	9,848
Interest Income	1,468	180	(768) k	880
Interest Expense	(23)	(183)	(2,882) l	(3,088)
Income from Continuing Operations Before Provision for Taxes and Minority Interest	8,285	6,467	(7,112)	7,640
Provision for Income Taxes	2,524	2,868	(2,728) m	2,664
Minority Interest Expense	8	362	-	370
Income from Continuing Operations	5,753	3,237	(4,384)	4,606
Loss from Discontinued Operation, Net of Income Tax Benefit	(5,099)	-	-	(5,099)
Net Income (Loss)	$ 654	$ 3,237	$ (4,384)	$ (493)
Basic Earnings (Loss) per Share:				
Continuing Operations	$ .41			$ .32
Discontinued Operation	(.36)			(.36)
Net Income (Loss)	$ .05			$ (.04)
Diluted Earnings (Loss) per Share:				
Continuing Operations	$ .40			$ .32
Discontinued Operation	(.35)			(.35)
Net Income (Loss)	$ .05			$ (.03)
Weighted Average Shares:				
Basic	14,071			14,071
Diluted	14,398			14,398

(A) As reported in Kadant's annual financial statements for the fiscal year ended January 1, 2005 and January 3, 2004 as filed on Form 10-K with the SEC.
(B) Johnson was a private company with a calendar year end.

<

>

KADANT INC.

PRO-FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JANUARY 3, 2004
(Unaudited)

(In thousands)	(A) Historical Kadant	(B) Historical Johnson	Pro Forma Adjustments	Pro Forma Combined Kadant and Johnson
Revenues	$ 191,507	$ 78,047	$ -	$ 269,554
Costs and Operating Expenses:				
Cost of revenue	116,539	35,865	1,081 h (1,565) i	153,485
Selling, general, and administrative expenses	50,402	35,047 n	2,226 j	86,110
Research and development expenses	4,268	-	1,565 i	5,833
Restructuring costs	(23)	-	-	(23)
	171,186	70,912	3,307	245,405
Operating Income	20,321	7,135	(3,307)	24,149
Interest Income	965	51	(711) k	305
Interest Expense	(49)	(437)	(2,882) l	(3,368)
Income from Continuing Operations Before Provision for Taxes and Minority Interest	21,237	6,749	(6,900)	21,086
Provision for Income Taxes	8,070	1,154	(2,644) m	6,580
Minority Interest Expense	44	33	-	77
Income from Continuing Operations	13,123	5,562	(4,256)	14,429
Loss from Discontinued Operation, Net of Income Tax Benefit	(1,306)	-	-	(1,306)
Net Income	$ 11,817	$ 5,562	$ (4,256)	$ 13,123
Basic Earnings (Loss) per Share:				
Continuing Operations	$ .96			$ 1.05
Discontinued Operation	(.09)			(.09)
Net Income	$ .87			$ .96
Diluted Earnings (Loss) per Share:				
Continuing Operations	$ .94			$ 1.03
Discontinued Operation	(.09)			(.09)
Net Income	$ .85			$ .94
Weighted Average Shares:				
Basic	13,659			13,659
Diluted	13,959			13,959

(A) As reported in Kadant's annual financial statements for the fiscal year ended January 1, 2005 and January 3, 2004 as filed on Form 10-K with the SEC.
(B) Johnson was a private company with a calendar year end.

<

>

KADANT INC.

Notes To Unaudited Pro Forma Condensed Combined Consolidated Financial Statements

Note 1 - Unaudited Pro Forma Condensed Combined Balance Sheets

The unaudited pro forma condensed combined balance sheet information as of January 1, 2005 gives effect to the acquisition by Kadant of Johnson as if it had taken place on January 1, 2005 and is based on the historical balance sheets of Kadant as of January 1, 2005 and Johnson as of December 31, 2004. The unaudited pro forma condensed combined balance sheet information as of January 3, 2004 gives effect to the acquisition by Kadant of Johnson as if it had taken place on January 3, 2004 and is based on the historical balance sheets of Kadant as of January 3, 2004 and Johnson as of December 31, 2003.

(a) Adjustments to reflect the consideration paid for Johnson were as follows:
1. Cash paid to the sellers of $41.5 million and $3.1 million in acquisition-related costs, of which $1.9 million was paid as of January 1, 2005.
2. Additional borrowings of $60 million to fund a portion of the consideration, of which $9 million is short-term. These borrowings were financed under a new term loan and revolving credit facility (the "Credit Agreement") effective as of May 9, 2005 in the aggregate principal amount of up to $85 million, including a $25 million revolver, among Kadant, as Borrower, the Foreign Subsidiary Borrowers from time to time parties thereto, the several banks and other financial institutions or entities from time to time parties thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent.
3. Issuance of a $4 million letter of credit associated with anticipated tax benefits to be realized from Johnson. A payment of 15% is due within 1 year.

(b) Fair market value adjustment to Johnson's inventory and property, plant and equipment.
(c) The associated tax effect of the purchase accounting adjustments.
(d) The purchase price was allocated to Johnson's tangible and intangible assets acquired and liabilities assumed based on their relative fair values.
(e) To eliminate Johnson's historical goodwill and intangibles.
(f) Adjustment to properly reflect Johnson's post-retirement benefit obligation.
(g) To eliminate Johnson's historical equity.

Note 2 - Unaudited Pro Forma Condensed Combined Statements of Operations

The unaudited pro forma condensed combined statements of operations for the years ended January 1, 2005 and January 3, 2004, give effect to the acquisition of Johnson by Kadant as if it had taken place on January 4, 2004 and December 29, 2002, respectively, and is based on the historical statements of operations of Kadant and Johnson for the corresponding periods.

(h) Represents an adjustment to cost of sales associated with the fair value adjustment to inventory based on an estimated level of sales of inventory during the year.
(i) Represents a reclassification adjustment for research and development expenses.
(j) Represents the additional depreciation and amortization expense associated with the fair value adjustments.
(k) Represents a reduction to interest income assuming the cash consideration was paid as of the beginning of the year.
(l) Represents an increase to interest expense to reflect the additional borrowings of $60 million to fund the purchase of Johnson. Interest expense has been calculated based on current interest rates available to Kadant under the Credit Agreement.
(m) Represents the tax effect of the pro forma adjustments.
(n) Johnson's results included the following pre-tax costs for 2004: $3 million paid to its former shareholders, $1.1 million of acquisition-related costs, and $0.2 million of stock option expense. Johnson's results for 2003 included a $2.1 million pre-tax charge related to stock options.

Exhibit 99.4

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
THE JOHNSON CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2004 AND 2003

C O N T E N T S

GRANT THORNTON

Accountants and Business Advisors

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Johnson Corporation

We have audited the consolidated balance sheets of The Johnson Corporation (a Michigan corporation) and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Johnson Corporation and Subsidiaries as of December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

On May 2, 2003, we originally reported on the Company's 2002 financial statements. This report was issued prior to the discovery of matters set forth in note J to the consolidated financial statements, wherein restatements of amounts previously reported as of December 31, 2002, are described.

/s/ Grant Thornton LLP

Chicago, Illinois
April 15, 2005

<

>
The Johnson Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31,

ASSETS	2004	2003
CURRENT ASSETS		
Cash and cash equivalents	$13,719,903	$ 7,779,095
Accounts receivable		
Trade	14,268,817	17,604,503
Other	854,214	612,365
	15,123,031	18,216,868
Less allowance for doubtful receivables	925,992	1,205,302
	14,197,039	17,011,566
Inventories, net	10,056,466	9,576,232
Prepaid insurance and deposits	2,207,170	1,620,912
Deferred income taxes	2,178,809	2,779,904
Total current assets	42,359,387	38,767,709
PROPERTY, PLANT AND EQUIPMENT		
Buildings	12,506,562	11,666,075
Machinery and equipment	20,919,740	20,216,725
Furniture and fixtures	6,544,955	5,950,268
	39,971,257	37,833,068
Less accumulated depreciation	26,208,799	23,857,379
	13,762,458	13,975,689
Land	732,500	687,292
	14,494,958	14,662,981
OTHER ASSETS		
Cash surrender value of life insurance - net of loans of $122,706 at December 31, 2004 and 2003	335,255	361,782
Goodwill	5,127,044	4,907,157
Sundry	135,287	95,751
Deferred income taxes	627,961	290,588
	6,225,547	5,655,278
	$63,079,892	$59,085,968

<

>

The Johnson Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS - CONTINUED
December 31,

LIABILITIES AND STOCKHOLDERS' EQUITY	2004	2003
CURRENT LIABILITIES		
Short-term bank debt	$ 1,668,594	$ -
Current maturities of long-term debt	1,777,354	1,003,925
Accounts payable	4,497,743	5,499,805
Income taxes payable	2,101,753	2,093,058
Profit sharing	891,703	733,367
Salaries, wages and bonuses	4,213,618	4,320,096
Property, payroll and other taxes	1,028,752	1,017,574
Commissions	118,924	265,819
Customer deposits	1,383,112	507,744
Interest and other	1,334,127	2,002,428
Accrued restructuring charges	-	68,459
Total current liabilities	19,015,680	17,512,275
LONG-TERM DEBT - less current maturities	919,000	2,640,374
POST-RETIREMENT BENEFITS LIABILITY	4,661,857	4,153,658
COMMITMENTS AND CONTINGENCIES	-	-
MINORITY INTEREST IN SUBSIDIARIES	1,021,792	736,609
STOCKHOLDER' EQUITY		
Common stock, Class A, voting - authorized, 100,000 shares of $10 par value; issued and outstanding, 36,460 shares at December 31, 2004 and 2003, respectively	364,600	364,600
Common stock, Class B, non-voting - authorized, 1,500,000 shares of $10 par value; issued and outstanding, 543,070 and 542,985 shares at December 31, 2004 and 2003, respectively	5,430,700	5,429,850
Capital contributed in excess of par value of common stock	2,454,748	2,421,801
Retained earnings	24,469,964	22,625,609
Accumulated other comprehensive income	4,741,551	3,201,192
	37,461,563	34,043,052
	$63,079,892	$59,085,968

The accompanying notes are an itegral party of these statements.

<

>

The Johnson Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31,

	2004	2003
Sales	$76,037,199	$78,044,776
Commission income	54,779	2,481
Net sales	76,091,978	78,047,257
Cost of goods sold	34,945,175	35,865,376
Gross profit	41,146,803	42,181,881
Operating expenses - selling and administrative	34,677,142	35,046,843
Operating profit	6,469,661	7,135,038
Other income (expenses)		
Interest income	180,200	51,060
Interest expense	(182,710)	(437,106)
	(2,510)	(386,046)
Income before income taxes and minority interest	6,467,151	6,748,992
Income tax expense	2,868,079	1,153,663
Income before minority interest	3,599,072	5,595,329
Minority interest in earnings of foreign subsidiaries	361,677	33,416
NET EARNINGS	$ 3,237,395	$ 5,561,913

The accompanying notes are an integral part of these statements.

<

>

The Johnson Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Two years ended December 31, 2004

	Common stock			
	Class A, voting $10 par	Class B, non-voting $10 par	Capital contributed in excess of common stock	Treasury stock
Balance at January 1, 2003 (Restated)	$373,600	$5,198,300	$ 655,918	$(764,864)
Net earnings for the year	-	-	-	-
Foreign currency translation	-	-	-	-
Total comprehensive income				
Retire 900 shares Class A voting common stock	(9,000)	-	-	53,481
Retire 13,945 shares Class B non-voting common stock	-	(139,450)	-	835,921
Purchase of 300 shares of Class A voting common stock	-	-	-	(17,313)
Purchase of 1,858 shares of Class B non-voting common stock	-	-	-	(107,225)
Issuance with option exercise: 37,100 shares of Class B non-voting common stock	-	371,000	1,765,883	-
Dividends declared Common stock - $1.60 per share, voting and non-voting	-	-	-	-
Balance at December 31, 2003	364,600	5,429,850	2,421,801	-
Net earnings for the year	-	-	-	-
Foreign currency translation	-	-	-	-
Total comprehensive income				
Purchase and retire 665 shares Class B non-voting common stock	-	(6,650)	-	-
Issuance with option exercise: 750 shares of Class B non-voting common stock	-	7,500	32,947	-
Dividends declared Common stock - $1.60 per share, voting and non-voting	-	-	-	-
Balance at December 31, 2004	$364,600	$5,430,700	$ 2,454,748	$ -

The accompanying notes are an integral part of this statement.

<

>
The Johnson Corporation and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDER' EQUITY
Two years ended December 31, 2004 (continued)

	Retained earnings	Accumulated other comprehensive income	Total stockholders' equity
Balance at January 1, 2003 (Restated)	$18,674,880	$ 537	$ 24,675,505
Net earnings for the year	5,561,913	-	5,561,913
Foreign currency translation	-	2,663,521	2,663,521
Total comprehensive income			8,225.434
Retire 900 shares Class A voting common stock	(44,481)	-	-
Retire 13,945 shares Class B non-voting common stock	(696,471)	-	-
Purchase of 300 shares of Class A voting common stock	--	-	(17,313)
Purchase of 1,858 shares of Class B non-voting common stock	--	-	(107,225)
Issuance with option exercise: 37,100 shares of Class B non-voting common stock	--	-	2,136,883
Dividends declared Common stock - $1.60 per share, voting and non-voting	(870,232)	-	(870,232)
Balance at December 31, 2003	22,625,609	3,201,192	34,043,052
Net earnings for the year	3,237,395	-	3,237,395
Foreign currency translation	--	1,540,359	1,540,359
Total comprehensive income			4,777,754
Purchase and retire 665 shares Class B non-voting common stock	(31,726)	-	(38,376)
Issuance with option exercise: 750 shares of Class B non-voting common stock	--	-	40,447
Dividends declared Common stock - $1.60 per share, voting and non-voting	(1,361,314)	-	(1,361,314)
Balance at December 31, 2004	$24,469,964	$ 4,741,551	$ 37,461,563

The accompanying notes are an integral part of this statement.

<

>

The Johnson Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2004	2003
Cash flows from operating activities		
Net earnings	$ 3,237,395	$ 5,561,913
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	2,176,445	2,449,640
Loss on disposal of fixed assets	23,641	13,036
Minority interest in earnings of foreign subsidiaries	361,677	33,416
Deferred income taxes	329,504	(1,288,380)
Post-retirement benefits	508,199	309,343
Bad debt expense	483,321	813,581
Changes in assets and liabilities		
Accounts receivable	2,819,022	(133,743)
Inventories	(477,115)	(344,692)
Prepaid insurance and deposits	(464,658)	(437,414)
Income taxes payable	(107,199)	990,428
Other assets	(12,167)	18,515
Accounts payable	(1,212,612)	(241,461)
Accrued liabilities	(72,428)	3,695,828
Accrued restructuring charge	(68,459)	(737,509)
Net cash provided by operating activities	7,524,566	10,702,501
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,778,255)	(2,034,958)
Proceeds from sale of property, plant and equipment	4,276	127,309
Cash surrender value of life insurance	26,370	(39,535)
Other	(92,395)	(42,772)
Net cash used in investing activities	(1,840,004)	(1,989,956)

<

>

The Johnson Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
Years ended December 31,

	2004	2003
Cash flows from financing activities		
Proceeds from notes payable	$ 1,668,594	$ -
Payments of notes payable	(49,133)	(4,130,490)
Proceeds from long-term debt	1,449,600	966,400
Payments of long-term debt	(2,340,936)	(2,516,086)
Purchase of common stock	(38,376)	(124,538)
Sale of common stock	40,447	2,136,883
Common stock dividends paid	(1,361,314)	(870,232)
Net cash used in financing activities	(631,118)	(4,538,063)
Effect of exchange rate changes on cash	887,364	624,131
Net increase in cash and cash equivalents	5,940,808	4,798,613
Cash and cash equivalents at beginning of year	7,779,095	2,980,482
Cash and cash equivalents at end of year	$13,719,903	$ 7,779,095
Supplemental cash flow information		
Cash payments for		
Interest	$ 272,735	$ 444,760
Taxes	2,992,351	1,716,113

The accompanying notes are an integral part of these statements.

<

>

- ---

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Business

The Johnson Corporation and its subsidiaries (together referred to as the "Company" or "Group") design and manufacture rotary pressure joints, syphon systems and accessory equipment used in heating and cooling systems, sold throughout the United States and abroad. The Company's sales are primarily to the paper processing industry, with the remainder being for various industrial, mechanical and commercial uses. The Group grants unsecured credit to customers in the normal course of business, with the exception of foreign sales, which are secured at the Company's discretion, or as required by local regulations through letters of credit.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries, their locations and the Company's percentage ownerships are as follows:

The Johnson Export Corporation	Three Rivers, MI	100%
Specialty Castings, Inc.	Springport, MI	100
Johnson Investments, Inc.	Three Rivers, MI	100
Johnson Technical Services, Inc.	Three Rivers, MI	100
Johnson Southeast, L.L.C.	New Orleans, LA	60
Johnson Technical Solutions Inc.	Lenoir City, TN	100
Johnson Canada, Inc.	Canada	100
The Johnson Corporation Latin America Holding, Inc.	Three Rivers, MI	100
The Johnson Corporation Holland B.V.	Holland	100
Johnson South East Asia Pty. Ltd.	Australia	90
Johnson China Investments, Inc.	Three Rivers, MI	100
Johnson Northeast, Inc.	Falmouth, ME	100
Johnson Argentina	Argentina	100

In December 2003, the Company decided to close and absorb the operations of Johnson Services Wisconsin into the Company and Johnson Technical Services, Inc. Johnson Services Wisconsin had a net profit of $27,866 at December 31, 2003.

<

>

- ---

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Principles of Consolidation - Continued

On September 15, 2003, the Company established a joint venture with Fluiten Italia Spa called Johnson-Fluiten Srl. The Company is a 50% partner in the joint venture under which it has acquired the rights to all of Johnson-Fluiten Srl rotary joint activities. Johnson-Fluiten Srl is engaged in the development, manufacture and sale of fluid handling equipment, which finds applications in many industries. Within the Company, Johnson-Fluiten Srl is reported in Holland's consolidated statements.

Effective December 31, 2003, The Johnson Corporation Holland B.V. sold its 60% participation in Desmo Srl (formerly called Johnson Montaggi Srl) to the two minority stockholders of Desmo Srl.

Revenue Recognition

The Company recognizes revenue from product sales when title transfers, the risks and rewards of ownership have been transferred to the customer, the sales price is fixed and determinable and collection of the related receivable is probable, which generally is at the time of shipment. Revenue is recorded net of estimated returns of products, based on management's analysis of historical returns, current economic trends and changes in customer demands. Provisions for returns and other adjustments are provided for in the same period the related sales are recorded based on experience and other relevant factors.

Revenue from service contracts is recognized using the percentage of completion ("POC") method of accounting. In using the POC method, the Company records revenue by reference to the costs incurred to date and the estimated costs remaining to complete the contracts. Provisions for losses on service contracts are recognized during the period in which the loss first becomes apparent. For some of the contracts, the Company bills the customer prior to performing the services. For other contracts, the Company performs services prior to billing the customer. These circumstances result in deferred revenue and unbilled revenue, respectively. At December 31, 2004 and 2003, the Company did not have any material contracts in process.

Foreign Currency Translation

All balance sheet accounts of foreign operations are translated into U.S. dollars at the year-end rate of exchange and statement of income items are translated at the weighted-average exchange rates for the year. The resulting translation adjustments are made directly to a separate component of stockholders' equity. Gains or losses from other foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables, are included in the accompanying consolidated statements of income.

<

>

- --

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash Equivalents

Cash equivalents consist of certificates of deposit, money market funds and bank repurchase agreements with maturities of three months or less at date of purchase. The carrying value of these investments approximates fair market value.

The Company has concentrated $7,046,322 and $5,050,210 of cash and cash equivalents in one financial institution at December 31, 2004 and 2003, respectively. Cash and cash equivalents held by foreign subsidiaries totaled $12,834,573 and $6,832,473 at December 31, 2004 and 2003, respectively.

Trade Receivables

Financial instruments that subject the Company to credit risk consist primarily of trade accounts receivable. The Company performs periodic credit evaluations of its customers' financial condition and, generally, does not require collateral on trade accounts receivable. Accounts receivable are due within 30 days and are stated at amounts due from customers net of allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time receivables are past due, loss history, customers' current ability to pay and general economic and industrial conditions. Credit losses for customers consistently have been within management's expectations.

Changes in the Company's allowance for doubtful accounts are as follows at December 31:

	2004	2003
Beginning balance	$1,205,302	$ 377,349
Bad debt expense	483,321	813,581
Accounts written off	(771,944)	(85,775)
Recoveries and foreign exchange	9,313	100,147
Ending balance	$ 925,992	$1,205,302

Inventories

Inventories are valued at the lower of cost or market. Cost of inventories is determined by the first-in, first-out ("FIFO") and last-in, first-out ("LIFO") methods.

<

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis for financial reporting purposes.

Asset description	Life
Buildings	7 - 30 years
Machinery and equipment	5 - 7 years
Furniture and fixtures	3 - 7 years

Expenditures for new additions and improvements that extend the useful lives of assets are capitalized, while maintenance and repairs are charged to operations as incurred. Gains and losses resulting from sales or retirements are recorded as incurred, at which time related capitalized costs and accumulated depreciation are removed from the accounts.

Goodwill

The excess of purchase price over the fair value of the net assets of acquired businesses ("goodwill") was being amortized on a straight-line basis through December 31, 2001. On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill no longer be amortized, and that goodwill be tested annually for impairment or more frequently if events and circumstances warrant. If impairment exists, the carrying amount of goodwill will be reduced. As a result, effective January 1, 2002, the Company is no longer amortizing goodwill; rather, it performs an annual impairment test. The Company performs its annual impairment test for goodwill as of December 31 of each year. SFAS No. 142 requires the Company to compare the fair value of its reporting units to the carrying amount, including goodwill, on an annual basis to determine if there is potential impairment. The Company has determined it has four reporting units for purposes of this test. Fair value of the reporting units are determined using valuation methods including discounted cash flows, comparable company analysis and recent transaction analysis. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered impaired. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. An impairment test was completed in fiscal years 2004 and 2003 and indicated no impairment of goodwill. The goodwill balances relate to the Company's foreign operations.

- ---

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Company and its domestic subsidiaries file a consolidated Federal income tax return. The provision for income taxes is based on elements of income and expense as reported in the consolidated statement of income. The foreign subsidiaries file separate income tax returns.

The Company provides for income taxes under the asset and liability method (SFAS No. 109). Under this method, deferred income taxes are recognized for the expected future tax consequences of temporary differences between financial statement carrying amounts, and the tax bases of existing assets and liabilities using tax rates expected in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Deferred income tax expenses or benefits are based on the changes in the deferred tax asset or liability accounts.

Restructuring Costs

Restructuring costs are primarily comprised of severance costs and related benefits, costs to eliminate or vacate duplicate facilities and costs to terminate certain contractual commitments.

The Company adopted SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities," on January 1, 2003. SFAS No. 146 superseded Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)," and requires that a liability for a cost associated with an exit plan or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of a company's commitment to an exit plan. SFAS No. 146 eliminates the definition and requirements for recognition of exit costs in EITF Issue No. 94-3, and also establishes that fair value is the objective for initial measurement of the liability. Accordingly, for exit or disposal activities since December 31, 2002, the Company records liabilities as they are incurred as a restructuring charge in the statements of income. Restructuring costs are based on plans that have been committed to by management. Restructuring cost estimates may change as additional information becomes available and as management finalizes execution of the restructuring plan. Changes in estimates to restructuring plans accounted for under SFAS No. 146 are recorded in the Company's statement of income as an adjustment to restructuring charges.

- --

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. When the Company determines that the carrying value of such assets may not be recoverable, it measures recoverability based on the undiscounted cash flows expected to be generated by the related asset or asset group. If the Company determines that a long-lived asset or asset group is not recoverable, it records an impairment loss equal to the difference between the carrying amount of the asset or asset group and fair value of the asset or asset group. The Company generally measures fair value of an asset or asset group based on the projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in its current business model. The Company did not record an impairment provision in any of the years presented in these consolidated financial statements.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates fair value based on their short-term nature. The fair value of long-term debt is estimated based on prevailing market rates of interest on similar debt instruments and on the current rates offered to the Company for debt of the same remaining maturity. The fair value of long-term debt approximates the carrying value of each debt instrument at December 31, 2004 and 2003, since each was issued at a market rate of interest, and such rate is still representative of market interest.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comprehensive Income

Comprehensive income is defined as the change in equity of a business from transactions and other events from non-owner sources. Comprehensive income includes net income and other non-owner changes in equity which bypass the statement of income and are reported as a separate component of equity. For all periods presented, other comprehensive income includes only one component, which is the change in the foreign currency translation reserve.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Research and Development

Research and development costs are expensed as incurred and totaled $1,571,912 and $1,565,374 for the years ended December 31, 2004 and 2003, respectively.

Advertising

All advertising costs are expensed as incurred. Advertising expenses were $266,196 and $286,690 in 2004 and 2003, respectively.

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods sold expense in the accompanying consolidated statements of income.

Accounting for Stock-Based Compensation

The Company has a formula-based, stock-based employee compensation plan, which is more fully described in note G. The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plan. Related compensation expense for 2003 and 2004 is based on the changes in the formula value from the grant date to the date a substantial investment is made by the option holder.

	2004	2003
Net income, as reported	$3,237,395	$ 5,561,913
Add stock-based employee compensation cost, net of related tax included in net income, as reported	118,873	1,409,075
Deduct total stock-based employee compensation expense determined using the fair value based method for all awards, net of related taxes	-	(5,503,299)
Pro forma net income	$3,356,268	$ 1,467,689

Recent Accounting Pronouncements

In June 2002, SFAS No. 146 was issued. SFAS No. 146 supersedes EITF Issue No. 94-3. SFAS No. 146 provides guidance on the recognition and measurement of liabilities associated with disposal activities, and was effective as of January 1, 2003. Under SFAS No. 146, companies record the fair value of exit or disposal costs when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Company adopted SFAS No. 146 on January 1, 2003, resulting in no material impact.

>

- --

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements - Continued

On August 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of," and elements of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects on Disposal of a Segment of a Business and Extraordinary, Unusual or Infrequently Occurring Events and Transactions." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of while maintaining many of the provisions relating to impairment testing and valuation. The adoption of SFAS No. 144 did not have material impact on the Company's consolidated financial statements.

In December 2003, the Financial Accounting Standards Board ("FASB") issued a revised Interpretation No. 46 ("FIN 46R"), "Consolidation of Variable Interest Entities," which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and, accordingly, should consolidate the entity. FIN 46R replaces Interpretation No. 46, "Consolidation of Variable Interest Entities," issued in January 2003. FIN 46R applies to interests in variable interest entities ("VIEs") created after December 31, 2003. For VIEs created before January 1, 2004, the interpretation will be applied beginning on January 1, 2005. For any VIEs that must be consolidated under FIN 46R created before January 1, 2004, the assets, liabilities and non-controlling interests of the VIEs initially are measured at their carrying amounts, with any difference between the net amount added to the balance sheet, and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and non-controlling interest of the VIEs. As the Company has no VIEs, it has determined that the adoption of the provisions of FIN 46R will not have a material effect on its balance sheet, statement of income or cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 amends SFAS No. 133 for decisions made: (1) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS No. 133, (2) in connection with other FASB projects dealing with financial instruments, and (3) regarding implementation issues raised in relation to the application of the definition of a derivative, particularly regarding the meaning of an "underlying," and the characteristics of a

<

- ---

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements - Continued

derivative that contain financing components. The statement is generally effective for contracts entered into or modified after June 30, 2003, and is to be applied prospectively. The Company has no derivative instruments and, as such, has determined that the provisions of SFAS No. 149 do not have a material effect on its balance sheet, statement of income or cash flows.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payments" ("SFAS 123(R"). This statement is a revision of FASB Statement No. 123 "Accounting for Stock-Based Compensation." In addition, this statement supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. The revised SFAS No. 123 establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services. It also addresses transactions in which an entity incurs liabilities in exchange for goods and services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The revised SFAS No. 123 focuses primarily on accounting for transactions in which the entity obtains employee services in share-based payment transactions. The statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award at the date of grant. The cost of employee services is recognized over the period during which an employee is required to provide service in exchange for the award. The fair value of employee share options will be estimated using option-pricing models adjusted for the unique characteristics of the instruments. If an equity award is modified after a grant date for the benefit of an employee, incremental compensation cost is required to be recognized.

The revised SFAS No. 123 was originally effective for periods beginning after June 15, 2005. In April 2005, the U.S. Securities and Exchange Commission extended the effective date to fiscal years beginning after June 15, 2005. The cumulative effect of initially applying the statement, if any, will be recognized as of the required effective date. The Company has not yet determined the impact of implementing this statement.

NOTE B - RESTRUCTURING

During 1997, the Company's Board of Directors approved a restructuring plan which resulted in a pretax charge of $6,214,812. This charge primarily represents the costs of terminating the operation of certain manufacturing operations ($1,045,000), the costs associated with the withdrawal from the joint venture in China ($1,000,000), and the cost of terminating certain agency agreements, including legal expenses arising out of litigation associated therewith ($4,169,000). The balance remaining at December 31, 2003, was $68,459, which was used during the first quarter of 2004, as designated by the Company's Board of Directors, to cover the ongoing costs of the terminated agency agreements as provided for 1997.

	2004	2003
Beginning balance	$ 68,459	$ 854,999
Charges	(68,459)	(786,540)
Ending balance	$ -	$ 68,459

NOTE C - INVENTORIES

The inventory cost methods used are as follows at December 31:

	2004	2003
LIFO method	$ 4,706,865	$ 4,497,841
FIFO method	5,349,601	5,078,391
	$10,056,466	$ 9,576,232

Inventory consists of the following at December 31:

	2004	2003
Raw materials	$12,250,890	$10,768,626
Work in process	816,364	822,085
Finished goods	7,350,648	7,573,329
	20,417,902	19,164,040
Reserve for excess and obsolete items	(5,856,328)	(5,320,253)
FIFO inventory	14,561,574	13,843,787
LIFO reserve	(4,505,108)	(4,267,555)
Total	$10,056,466	$ 9,576,232

NOTE C - INVENTORIES - Continued

Inventory would have been $4,505,108 and $4,267,558 higher than reported at December 31, 2004 and 2003, respectively, if the FIFO method of inventory accounting had been used to value all inventories.

NOTE D - DEBT

Short-term bank debt consists of the following:

- The Johnson Corporation Holland B.V. maintains a line of credit with a Dutch bank (ABN). The line of credit permits maximum borrowings of up to 1,250,000 Euro ($1,695,875 based on December 31, 2004 exchange rates). Borrowings are secured by the building/real estate of The Johnson Corporation Holland B.V. There were letters of credit outstanding related to this line of credit totaling 463,798 Euro ($629,235) at December 31, 2004, and 441,768 Euro ($555,700) at December 31, 2003. There were no borrowings on this line for December 31, 2004 and 2003.

- Johnson Canada Inc. maintains a line of credit with a Canadian bank. The line of credit permits maximum borrowings of up to 600,000 Canadian dollars ($500,208) based on December 31, 2004 exchange rates), bearing interest at the prime rate (4.25 % at December 31, 2004) plus .5%. The borrowings are secured by a security agreement representing a first lien on inventories and accounts receivable, and a second lien on equipment. There were no borrowings on this line for December 31, 2004 and 2003.

- The Company maintains a line of credit with an American bank. The line of credit permits borrowings of up to $6,000,000. The borrowings on this line totaled $1,668,594 and $-0- at December 31, 2004 and 2003, respectively.

Long-term debt consists of the following at December 31:

	2004	2003
The Johnson Corporation Holland B.V., 4.6% loan payable in 20 quarterly installments of $85,621, due April 2006	$ -	$770,592
The Johnson Corporation Holland B.V., 6.0% capital lease for equipment entered into in 1998, with terms of 60 months, final payment October 22, 2004	-	133,282
Specialty Castings, Inc., 5.13% note payable in 36 monthly installments of $42,761, final payment due July 21, 2005	290,869	774,976
The Johnson Corporation (Wuxi) Technology Co. Ltd., mortgage at 5.85% on machinery equipment, with a payment due date of January 2005	966,400	966,400

NOTE D - DEBT - Continued

	2004	2003
The Johnson Corporation (Wuxi) Technology Co. Ltd., mortgage at 5.58% on machinery equipment, with a payment due date of April 16, 2005	$ 483,200	$ -
Johnson Corporation Latin America S.A., non-interest-bearing notes payable with due dates ranging from December 31, 2002 to December 31, 2006	816,523	859,687
Johnson Corporation Latin America S.A., 7.5% note payable, interest accrued and paid semi-annually, due December 31, 2006	139,000	139,000
Other installment debt	362	362
	2,696,354	3,644,299
Less current maturities	1,777,354	1,003,925
	$ 919,000	$2,640,374

Long-term debt is scheduled to mature during the fiscal years ending December 31 as follows:

Years ending December 31,	
2005	$1,777,354
2006	919,000
Total	$2,696,354

NOTE E - EMPLOYEE BENEFIT PLANS

Profit-Sharing and 401(k) Plan

The Company has established The Johnson Corporation Employees' Profit Sharing Trust and 401(k) Plan for the benefit of the Company, Specialty Castings, Inc., Johnson Technical Services, Inc., Johnson Technical Solutions Inc., The Johnson Export Corporation and Johnson Northeast, Inc. employees. Contributions are at the discretion of the Board of Directors, subject to the terms set forth in the agreement. Under the agreement, any contributions by the Company cannot exceed the maximum amount deductible for Federal income tax purposes. Starting July 1, 2002, employees are able to contribute to the 401(k) plan limited to the maximum amount as set by the Internal Revenue Service.

NOTE E - EMPLOYEE BENEFIT PLANS - Continued

Profit-Sharing and 401(k) Plan - Continued

For plan years beginning on or after July 1, 2002, the Company has decided to make a safe harbor non-elective contribution. With the adoption of this provision, 3% will be allocated as a safe harbor contribution, while the remaining 12% will be allocated to the profit-sharing plan based on contributions at the discretion of the Board of Directors.

The provision for the profit-sharing plan was as follows:

	2004	2003
The Johnson Corporation	$1,320,436	$1,101,446
Specialty Castings, Inc.	113,754	106,120
Johnson Technical Services, Inc.	15,756	16,277
Johnson Technical Solutions Inc.	71,270	60,138
Johnson Northeast, Inc.	31,188	34,583
	$1,552,404	$1,318,564

Post-retirement Benefits

The Company sponsors a post-retirement benefit plan for eligible retired employees. The plan provides healthcare and dental benefits to certain salaried and hourly employees reaching age 55 with 30 years of service, or age 62 with five years of service. During 2004, the Company amended the plan's retiree and spouse cost-sharing provisions.

The following tables reconcile the plan's status to the accrued post-retirement healthcare cost liability and present the assumptions used to determine both the benefit obligations and the net periodic post-retirement costs as reflected at December 31:

	2004	2003
Change in benefit obligation		
Benefit obligation at beginning of year	$ 5,935,829	$ 6,497,107
Service costs	362,561	220,001
Interest costs	420,496	344,613
Amendments	(3,582,776)	(532,272)
Actuarial gain (loss)	1,760,475	(280,291)
Benefits paid	(417,314)	(313,329)
Benefit obligation at end of year	$ 4,479,271	$ 5,935,829

NOTE E - EMPLOYEE BENEFIT PLANS - Continued

	2004	2003
Funded (unfunded) status		
Unfunded status	$(4,479,271)	$(5,935,829)
Unrecognized actuarial gain	3,859,582	2,278,003
Unrecognized prior service cost (income)	(4,042,168)	(495,832)
Net amount recognized	$(4,661,857)	$(4,153,658)
Change in plan assets		
Employer contribution	$ 417,314	$ 313,329
Benefits paid	(417,314)	(313,329)
	$ -	$ -
Assumptions used to determine obligations		
Discount rate	5.75%	6.25%
Current-year trend rate	8.00%	7.45%
Ultimate trend rate	5.00%	5.25%
Year of ultimate trend rate	2011	2007
Census date	January 1, 2004	January 1, 2003
Assumptions used to determine net periodic costs		
Discount rate	6.25%	6.75%
Current-year trend rate	7.45%	8.00%
Ultimate trend rate	5.25%	5.25%
Year of ultimate trend rate	2007	2007
Census date	January 1, 2004	January 1, 2003

Net periodic post-retirement benefit cost for the years ended December 31, 2004 and 2003, included the following components:

	2004	2003
Service cost	$362,561	$220,001
Interest cost	420,496	344,613
Net amortization and deferral	142,456	58,058
Net periodic post-retirement benefit	$925,513	$622,672

>

NOTE E - EMPLOYEE BENEFIT PLANS - Continued

Post-retirement Benefits - Continued

The healthcare trend rate assumption has a significant effect on the amounts reported. If the assumed healthcare trend rate were increased by one percentage point, the accumulated post-retirement benefit obligation would increase by $792,284 and $716,091 for December 31, 2004 and 2003, respectively. The post-retirement benefit cost would increase by $188,481 and $139,603 for December 31, 2004 and 2003, respectively.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2005	$ 180,228
2006	185,185
2007	193,121
2008	198,681
2009	210,830
2010 - 2014	1,252,312

The Company expects to make contributions to the plan of $180,228 during the year ending December 31, 2005.

NOTE F - COMMITMENTS AND CONTINGENCIES

Leases

Non-cancelable operating leases that expire at various dates through 2009 are for equipment and vehicles that the Company will bear all of the property taxes, insurance, normal maintenance and utility expenses incurred.

Future minimum lease payments for non-cancelable operating leases consist of the following at December 31, 2004:

2005	$410,347
2006	219,608
2007	87,516
2008	55,145
2009	38,810
Thereafter	3,321
Total minimum lease payments	$814,747

<

>

NOTE F - COMMITMENTS AND CONTINGENCIES - Continued

Stockholder Agreements

The Company has entered into agreements with officer/stockholders and certain key employees under which, in the event an individual desires to sell, exchange, give or pledge his or her Company stock, or upon the death, retirement or termination of employment of the individual, the Company has the option to reacquire all or a part of his or her stock. The purchase price is to be determined by the agreement and is payable as the parties may determine.

Insurance Coverage

The Company has a plan to provide medical, dental, life, short-term disability, and accidental death and dismemberment insurance benefits for substantially all of its domestic employees. The Company is self-insured for certain health benefits up to $60,000 per occurrence.

NOTE G - STOCK-BASED COMPENSATION

The Company has issued certain non-qualified stock options under the terms of its employee stock option agreement. The agreement provides for the fair value to be set by the formula in the agreement. The options vest immediately upon grant. The employee may resell the options or shares received upon exercise to the Company at the formula value. In addition, if the employee resells the share to the Company, they have the option to repurchase them at any point in the future at the price originally paid by the Company. The terms of the plan result in no substantial investment of the employee being at risk while holding the option or upon exercising the shares. Compensation expense has been recorded for any changes in the formula value from the grant date through the date a substantial investment is made with a corresponding accrued liability. Compensation expense was $191,730 and $2,126,846 for 2004 and 2003, respectively.

The pro forma information regarding net income is required under SFAS No. 123, and has been determined as if the Company had accounted for its stock options granted under the fair value method of that statement. The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for the years ended December 31, 2003 and 2004: risk-free interest rate of 4.24% and $4.27%, respectively; dividend yield of -0-%; volatility of -0-% and expected life of 10 years.

<

>

NOTE G - STOCK-BASED COMPENSATION - Continued

The table below summaries all option activity during the years ended December 31, 2004 and 2003:

	Options	Weighted-average exercise price
Outstanding at December 31, 2002	40,950	$ 53.93
Granted	96,000	57.71
Exercised	(37,100)	57.60
Cancelled	-	-
Outstanding at December 31, 2003	99,850	56.20
Granted	-	-
Exercised	(750)	53.93
Cancelled	-	
Outstanding at December 31, 2004	99,100	$56.22

Options granted in 2002 had an exercise price of $53.93 and expire in November 2012. Options granted in 2003 had an exercise price of $57.71 and expire in December 2012. No options were granted in 2004.

The following table summarizes information about stock options outstanding at December 31, 2004:

Exercise price	Number outstanding	Remaining contractual life
$53.93	39,100	7.9 years
57.71	60,000	8 years

<

>

NOTE H - INCOME TAXES

Income (loss) before income taxes and minority interest consists of the following at December 31:

	2004	2003
Domestic	$ (469,946)	$ 934,109
Non-U.S.	6,937,097	5,814,883
Total	$6,467,151	$6,748,992

Income tax expense consists of the following:

	2004	2003
Current provision		
Federal	$ 564,993	$1,008,341
State	146,477	63,642
Foreign	1,827,105	1,370,060
Total current	2,538,575	2,442,043
Deferred provision (benefit)		
Federal	46,807	(757,934)
State	5,507	(89,169)
Foreign	277,190	(441,277)
	329,504	(1,288,380)
Total provisions	$2,868,079	$1,153,663

The effective income tax rate on pretax earnings (loss) differed from the U.S. Federal statutory rate for the following reasons in December 31:

	2004	2003
U.S. Federal statutory rate	34.0%	34.0%
Foreign repatriation, net of tax credits not previously benefited	3.3	-
Foreign sub-part F income	6.8	4.3
Foreign rate differentials	3.6	(2.9)
Restoration of deferred tax assets which previously had a 100% valuation allowance	-	(8.6)
Research and experimentation credits utilized in 2003	-	(3.3)
Foreign tax holiday	(6.3)	(5.7)
Other, including foreign exchange	2.9	(0.7)
Effective tax rate	44.3%	17.1%

<

>

NOTE H - INCOME TAXES - Continued

Significant components of deferred income taxes are as follows at December 31:

	2004	2003
Current deferred tax assets (liabilities)		
Inventory valuations	$ 1,176,986	$ 1,345,921
Compensation and other expenses deducted on a paid basis for tax purposes	878,445	870,897
Restructuring charge	-	26,014
Foreign net operating loss carryforward	-	274,680
Other	123,378	262,392
	2,178,809	2,779,904
Valuation allowance	-	-
Net current deferred tax assets	2,178,809	2,779,904
Non-current deferred tax (liabilities) assets		
Property, plant and equipment	(1,307,576)	(1,387,426)
Post-retirement benefits	1,771,506	1,578,390
Foreign net operating loss carryforward	729,548	256,225
Other	164,031	99,624
	1,357,509	546,813
Valuation allowance	(729,548)	(256,225)
Net non-current deferred tax assets	627,961	290,588
Total deferred tax assets	$ 2,806,770	$ 3,070,492

The gross deferred tax assets as of December 31, 2004 and 2003, were $4,843,894 and $4,714,143, respectively. The gross deferred tax liabilities as of December 31, 2004 and 2003, were $1,307,576 and $1,387,426, respectively.

The Company has net operating loss carryforwards of approximately $1,917,000 and $1,434,000 at December 31, 2004 and 2003, respectively. The Company has provided a valuation allowance against certain of the carryforwards due to the uncertainty of ultimate recoverability.

<

>

NOTE I - GEOGRAPHIC SEGMENT INFORMATION

The Company's chief operating decision maker is its President and CEO. While the President and CEO is apprised of a variety of financial metrics and information, the Company is principally managed on a geographic basis in terms of revenue and segment profit performance. The Company's four geographic business segments are: North America, Europe, Asia and South America.

Revenues are defined as revenues generated from unaffiliated customers and are based on the country in which billing originates. The segment profit reported for the geographic segments is computed by subtracting costs of goods sold and operating expenses by the geographic segment from segment net revenue. Accounting policies for each of the reportable segments are the same as those used on a consolidated basis.

The following table presents certain geographic segment information by major geographic region as follows for 2004 and 2003:

2004	Net revenues	Operating profit	Total Assets	Long-lived assets	Capital expenditures	Depreciation
North America	$ 37,226,750	$ 410,956	$22,337,208	$ 7,834,527	$ 523,430	$ 1,310,882
Europe	28,381,068	4,349,387	24,838,273	3,174,777	237,633	386,400
South America	3,846,429	453,354	5,328,763	510,620	45,329	109,349
Asia	6,637,731	1,255,964	10,575,648	2,975,034	971,863	369,814
Total	$ 76,091,978	$6,469,661	$63,079,892	$ 14,494,958	$ 1,778,255	$ 2,176,445
2003						
North America	$ 34,713,377	$1,617,239	$22,751,908	$ 8,617,219	$ 716,041	$ 1,502,745
Europe	34,462,759	4,052,635	23,854,230	3,082,465	642,376	571,522
South America	3,029,161	185,005	4,566,369	584,782	314,613	77,071
Asia	5,841,960	1,280,159	7,913,461	2,378,515	361,928	298,302
Total	$ 78,047,257	$7,135,038	$59,085,968	$ 14,662,981	$ 2,034,958	$ 2,449,640

No single customer accounted for 10% or more of the consolidated revenues of the Company in 2004 or 2003.

<

>

NOTE J - RESTATEMENTS

The accompanying consolidated financial statements have been restated as of December 31, 2002, due to the improper evaluation of the Company's allowance for excess and obsolete ("E&O") inventory and the improper amortization of goodwill. In addition, a restatement has been made to recognize income tax on certain foreign earnings previously omitted from the Company's tax provision. The effects of the restatement on retained earnings as of December 31, 2002, are as follows:

	Retained earnings
Balance at December 31, 2002, as previously reported	$21,371,933
Adjustments	
Record additional E&O reserve, net of tax	(2,688,882)
Reverse improper goodwill amortization, net of tax	142,966
Record tax on previously unrecognized foreign income	(151,137)
Balance at December 31, 2002, as restated	$18,674,880

NOTE K - SUBSEQUENT EVENT

On April 7, 2005, the Company entered into a definitive agreement to be acquired by Kadant, Inc. for approximately $102 million in cash, subject to post-closing adjustments. The completion of the sale is subject to certain closing conditions, including regulatory approval, the approval of the Company's stockholders, and Kadant securing financing. The sale is expected to close in the second quarter of 2005.