



QCDD-Oriented
World-Class Seat System Creator

ANNUAL REPORT 2005

PROFILE

In 2004, to mark the 50th anniversary of its founding, the Tachi-S Group introduced Vision 2010, which proclaims its business philosophy, namely to “supply products that fill its customers around the world with confidence and inspiration while contributing to the betterment of society through the creation of new technologies.” Since our founding, we have made every possible effort to develop and produce superior car seats that consistently win the confidence and satisfaction of our customers. Today, we are one of the top seat system manufacturers in Japan and a favored supplier by many overseas customers. In the years ahead, we will put our technological development capabilities to the test in our ever-continuing quest to delight our customers and meet new challenges.



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Milestones

- 1954** Established Tachikawa Spring Co., Ltd.
- 1961** Spun off the Precision Spring Division to form Tachikawa Hatsujou Co., Ltd.
- 1971** Established Nihon Pullmaflex Co., Ltd. (currently Tachi-S Parts Co., Ltd.)
- 1973** Received capital investment from Nissan Motor Co., Ltd., Mitsubishi Motors Corporation, and Hino Motors, Ltd.
- 1976** Established Kinryo Kogyo Co., Ltd., and Tachikawa Kogyo Co., Ltd., and made equity investment in Fujitaka Kogyo Co., Ltd.
- 1986** Changed Company name to Tachi-S Co., Ltd.
Established Tachi-S Engineering U.S.A. Inc., in Michigan, U.S.A.
Established Technotrim, Inc., in Michigan, U.S.A.
Listed on the Second Section of the Tokyo Stock Exchange
- 1987** Established Setex Inc., in Ohio, U.S.A.
- 1991** Established Industria de Asiento Superior, S.A. de C.V. (INSA), in Mexico
- 1995** Established Shanghai Taiye Seat Co., Ltd., in Shanghai, People's Republic of China
- 1999** Capital tie-up with Fuji Kiko Co., Ltd.
Nissan Motor capital investment withdrawn
- 2000** Established Syntec, Inc., in North Carolina, U.S.A.
- 2001** Established joint venture Xi'an Qintai Seat Co., Ltd., in Xian, Shaanxi Province, People's Republic of China
Established Shanghai Office in Shanghai, People's Republic of China
Established joint venture Zhengzhou Taixin Interia Co., Ltd., in Zhengzhou, People's Republic of China
Entered alliance with Araco Corporation
Established Europe Office in Düsseldorf, Germany
- 2002** Mitsubishi Motors capital investment withdrawn
- 2003** Established Tachi-S Taicang Co., Ltd., in Taicang, Jiangsu Province, People's Republic of China
Listed on the First Section of the Tokyo Stock Exchange
Sold equity in Shanghai Taiye Seat Co., Ltd., to the partner and others
- 2004** Established Fuji Autotech U.S.A. LLC in Kentucky, U.S.A., as a joint venture with Fuji Kiko of USA Corporation
Established a Tachi-S Canada Ltd. in Nova Scotia, Canada.
Established a joint company, SETEX Canada GP in Ontario, Canada
Established Tachi-S Engineering Europe S.A.R.L in Velizy Villacoublay, France
Established a joint company, TACLE Guangzhou Automotive Seat Co., Ltd., in Guangzhou, China
- 2005** Established a joint company, Fuji Autotech Guangzhou Co., Ltd., in Guangzhou, China

Vision 2010—Long-Term Business Objectives for 2010

Achieve world-class QCDD and become a global “seat system creator”

1. Qualitative Objectives:

Achieve world-class QCDD

Q (Quality): Continuously rank among J.D. Power’s top three

C (Cost): Become No. 1 in cost-competitiveness

D (Development): Develop the No. 1 products in the industry and the methods for their manufacture

D (Delivery): Construct a flexible global production system

2. Quantitative Objectives:

Global 5: (a minimum 5% share of the global car seat market)

Consistent annual net sales of ¥250 billion

Consistent annual ROE of at least 10%

Our Strategy

To achieve Vision 2010, management’s global business development strategy, we are creating a system that supports the globalization of our business. Overseas, we will improve our management system by clearly defining overall global Group business management and regional business management. In Japan, we will restructure our business to facilitate a changeover to a higher earnings structure.

Development

High-quality car seats produced by Tachi-S are the result of new mechanisms and processes developed with the aid of advanced technologies. To achieve development capabilities that are truly world-class, we will raise the value-added component of our products and increase their cost-competitiveness.

Strategy: Set Up Development Systems in Each Region

- Establish key development bases (Japan, North America, Europe, China, etc.)

- Introduce more strategic products (i.e., Global Standard Frames) to the world market

- Implement the “50% Up” campaign to increase the number of personnel working in development

Production

Tachi-S is building a production system that integrates every process, from planning to production. In the years ahead, the Company will develop a proprietary production system (standardized production processes and methods, standardized production and quality management, and universal production equipment) that will be deployed around the world to control equipment expenses, flexibly handle production changes, and reduce lead time. This will enable the Company to achieve more cost-competitive production volumes and economies of scale so that it can effectively compete globally.

Strategy: Establish Global Production Bases

- Develop the world’s best manufacturing methods (Champion line) and deploy at our global production bases
- Key components at regional bases and end products to customers

Sales

The number of our business partners is increasing throughout the world. Therefore, we are further improving our operational capabilities at each of our key global bases—from development to production, all the way to marketing and sales.

Strategy: Win Global Business

- Expand business at key bases (Japan, North America, Europe, and China)
- Forge alliances with business partners

Strategic Products

Global Standard Car Seat Frames

The World’s Lightest Weight Car Seats



Safety Performance of the Top Level in the World



Standardize Seats for International Markets

MESSAGE FROM THE MANAGEMENT



Kiyoshi Saito, Chairman and CEO

Kosaku Tarumi, President and COO

Review

The maturing Japanese vehicle market is forcing the domestic vehicle industry to rapidly shift its business focus overseas, and companies are now searching for ways to expand business globally. In response to this change, Tachi-S has mobilized its resources behind the goal of becoming a global player in the car seat industry by 2010. The Company has made a commitment to putting quality first, changed its earnings structure, enhanced its competitive position, developed differentiated products that could become industry standards and new manufacturing methods, and has increased customer orders by taking aggressive sales action. As a result of these activities, net sales climbed 21.4% year on year, to ¥183.7 billion, and net income jumped 60.8%, to ¥4.0 billion. Notably, increased sales from new vehicle orders in Japan and sales at Setex Canada GP, which started operations in October 2004, contributed significantly to higher earnings.

In line with our policy of maintaining stable dividends, Tachi-S raised its ordinary cash dividend by ¥2, to ¥10 per share.

Vision 2010

The Tachi-S Group is moving aggressively forward to make the goals set forth in Vision 2010, its road map for growth and development, a reality. To be a “world-class seat system creator,” our next major goal, means that we must develop comprehensive proposals, including marketing and planning, and consistently win seat orders for the entire cycle of construction, development, and production. To make this vision a reality, we must surmount certain medium- and long-term challenges: namely, achieve world-class QCDD, develop a strategic components business, strengthen our marketing capabilities, train staff, and rebuild our corporate culture.

The Tachi-S Group will implement these tasks as a two-step process in its medium-term business plan, with the first step comprising fiscal 2005 to 2007 and the second step covering fiscal 2008 to 2010.

Regarding issues requiring the Company’s attention, Tachi-S recognizes the pressing need to secure a firm position underpinned by technological strength and cost-competitiveness,

even amid declining automobile production in Japan, more intense cost competition, and ever increasing globalization. Given these circumstances, Tachi-S will place top priority on the following:

1. Attaining a level of quality that places customer satisfaction first
2. Building the foundation for world-class QCDD
3. Steadily implementing its global business plan
4. Improving value added by working with different car models

We will boldly and speedily implement associated tasks related to the above items and make every effort to raise earnings.

Corporate Governance

To ensure the legality and ethical integrity of its operations, the Tachi-S Group emphasizes compliance through such measures as proactive information disclosure. It has always based its corporate and Group development activities on sound, shareholder-oriented, economic considerations and the fulfillment of its corporate responsibilities as it works to address environmental issues and contribute to the betterment of society.

In April 2004, its 50th anniversary of its founding, Tachi-S released a compliance declaration along with a code of ethics and established a system of compliance. As part of its risk management system, Tachi-S established an Ethics Committee as well as a Compliance Committee composed primarily of personnel from outside the Company and further introduced a Compliance Office System and an Internal Reporting System. Through such measures, we are doing everything within our power to prevent fraudulent, illegal, unethical, and other prohibited activities.

In addition, we have adopted an audit system composed of four auditors, three of whom are from outside the Company. Also, of our nine Board members, one is from outside the Company.

We are further improving our system of corporate governance through the pursuit of sound and efficient management based on "trust."

Overview

Economic uncertainty and a harsh and unstable business environment are likely to continue. Although there had previously been a balance between domestic and overseas auto production, this is no longer the case, and automakers are expected to establish more broadly based global supply systems.

In light of this, the Tachi-S Group will take steps to improve operating performance by continuing to steadily push its global business on a forward track, build a solid business foundation, take bold and speedy action to achieve its targets, and increase operational efficiency toward the realization of Vision 2010.

As we move ahead with these efforts, we appreciate the continued support of our esteemed shareholders.

June 28, 2005

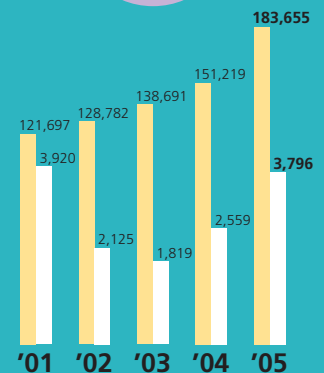


Kiyoshi Saito
Chairman and CEO

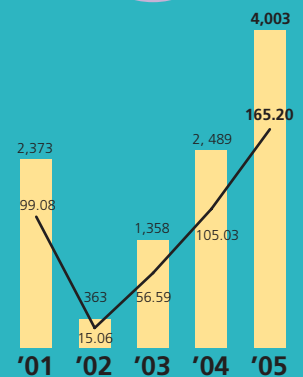


Kosaku Tarumi
President and COO

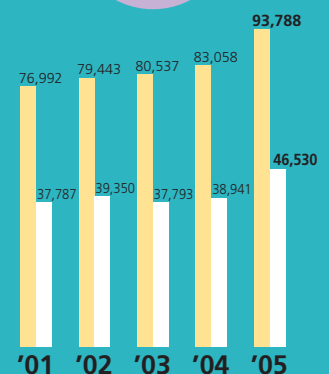
**Net Sales
and Operating Income**
(Millions of yen)



**Net Income and Net
Income per Share
(Primary)**
(Millions of yen, yen)



**Total Assets
and Total Shareholders'
Equity**
(Millions of yen)



ANNUAL REVIEW

The state of the Company's business in fiscal 2005, broken down by geographic segment, is as below.

»»»»Japan

Thanks to firm sales of new contracts and exported vehicles, sales in Japan amounted to ¥114.5 billion, an increase of 9.6% from the previous fiscal year. However, operating income dropped 11.9%, to ¥1.6 billion, as a result of higher spending to start up new vehicle model production as well as rising steel prices and a change in the product mix.

»»»»United States

Brisk sales of automobile seats to Japanese automakers based in the United States and higher production of school bus seats were largely offset by the decline in currency exchange rates caused by the yen's appreciation against the U.S. dollar, leading to only a marginal 1.6% increase in segment sales, to ¥39.6 billion. Changes in the product mix helped limit the negative effects of rising steel prices, driving operating income up 56.3%, to ¥1.1 billion.

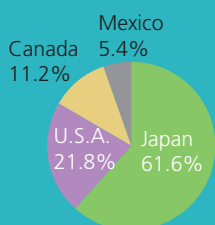
»»»»Mexico

Strong sales of existing vehicle models along with the solid performance of the component division and exchange rate stability boosted segment sales 14.9%, to ¥8.5 billion. There was an operating loss of ¥32 million on the back of planned spending on the development of fiscal 2006's vehicles; however, in fiscal 2004, operating income of ¥86 million was reported.

»»»»Canada

In the consolidated accounting period under review, the Company established Tachi-S Canada Ltd. to manage countrywide operations and Setex Canada GP, an automobile seat manufacturing company. Segment sales and operating income from these operations amounted to ¥21.0 billion and ¥1.2 billion, respectively.

Net Sales by Areas
(%)



Setex Canada GP



New business in Guangzhou

Financial Highlights

Tachi-S Co., Ltd. and consolidated subsidiaries Years ended March 31

Consolidated Financial Highlights

	Millions of yen					Thousands of U.S. dollars (Note)
	2001	2002	2003	2004	2005	2005
FOR THE YEAR						
Net sales	¥121,697	¥128,782	¥138,691	¥151,219	¥183,655	\$1,710,169
Operating income	3,920	2,125	1,819	2,559	3,796	35,348
Net income	2,373	363	1,358	2,489	4,003	37,275
Net income per share: primary (yen)	¥ 99.08	¥ 15.06	¥ 56.59	¥ 105.03	¥ 165.20	\$ 1.538
AT YEAR-END						
Total shareholders' equity.....	¥ 37,787	¥ 39,350	¥ 37,793	¥ 38,941	¥ 46,530	\$ 433,280
Total assets	76,992	79,443	80,537	83,058	93,788	873,340

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥107.39=US\$1, the rate of exchange on March 31, 2005.

Non-Consolidated Financial Highlights (Unaudited)

	Millions of yen					Thousands of U.S. dollars (Note)
	2001	2002	2003	2004	2005	2005
FOR THE YEAR						
Net sales	¥80,494	¥82,623	¥93,853	¥103,696	¥113,819	\$1,059,866
Operating income	1,265	564	1,814	1,841	1,304	12,143
Net income	913	691	568	1,342	1,155	10,755
Net income per share: primary (yen)	¥ 37.91	¥ 28.69	¥ 22.15	¥ 54.27	¥ 45.45	\$ 0.423
AT YEAR-END						
Total shareholders' equity.....	¥27,148	¥27,432	¥27,611	¥ 29,324	¥ 33,827	\$ 314,992
Total assets	53,959	55,687	56,706	62,330	64,795	603,362

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥107.39=US\$1, the rate of exchange on March 31, 2005.

With exceptionally high standards for quality, the Tachi-S Group has made every effort to enhance its competitiveness by revising its earnings structure and developing new manufacturing processes and products that have the potential to set industry standards. As a result of a proactive sales campaign to increase the volume of new orders, consolidated net sales climbed 21.4%, to ¥183.7 billion. Operating income also rose, up 48.3%, to ¥3.8 billion; recurring income was up 54.7%, to ¥6.8 billion; and net income jumped 60.8%, to ¥4.0 billion.

Cash Flows

In fiscal 2005, cash and cash equivalents edged up 2.2%, or ¥344 million, to ¥16.1 billion, reflecting the recording of ¥6.0 billion in cash from operating activities and ¥1.1 billion in net cash provided by financing activities, which, despite the repayment of long-term debt, compensated for net cash used in investing activities of ¥6.8 billion and the acquisition of a new consolidated subsidiary.

Consolidated Balance Sheets

Tachi-S Co., Ltd. and its consolidated subsidiaries As of March 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2005	2005
ASSETS			
Current assets:			
Cash, time deposits and other cash equivalents (Note 10)	¥15,327	¥16,075	\$149,688
Marketable securities (Notes 4 and 10)	1,528	1,026	9,554
Accounts and notes receivable:			
Trade	22,359	27,178	253,078
Unconsolidated subsidiaries and affiliates	149	74	689
Other	360	459	4,274
	22,868	27,711	258,041
Less: allowance for bad debts	(18)	(59)	(550)
	22,850	27,652	257,491
Inventories (Note 5)	3,593	4,492	41,829
Advance payments	883	403	3,753
Deferred income taxes (Note 9)	761	693	6,453
Other current assets	1,121	763	7,105
Total current assets	46,063	51,104	475,873
Investments and advances:			
Investments in securities (Note 4)	3,648	4,054	37,750
Investments in unconsolidated subsidiaries and affiliates (Note 4)	5,683	9,235	85,995
Deferred income taxes (Note 9)	65	124	1,155
Long-term loans and other investments	1,662	1,164	10,839
	11,058	14,577	135,739
Property, plant and equipment (Notes 6 and 13):			
Land	5,655	5,731	53,366
Buildings and structures	18,461	18,981	176,748
Machinery and equipment	27,862	30,090	280,194
Construction in progress	213	496	4,619
	52,191	55,298	514,927
Less: accumulated depreciation	(26,468)	(29,259)	(272,456)
Net property, plant and equipment	25,723	26,039	242,471
Intangible assets	214	2,068	19,257
Total assets	¥83,058	¥93,788	\$873,340

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2005	2005
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 6).....	¥ 11	¥ —	\$ —
Current maturities of long-term debt (Note 6).....	2,300	—	—
Accounts and notes payable:			
Trade.....	23,576	24,971	232,526
Unconsolidated subsidiaries and affiliates.....	3,687	4,480	41,717
Construction and acquisition of properties.....	895	840	7,822
Other.....	324	302	2,813
	28,482	30,593	284,878
Income taxes payable (Note 9).....	1,035	1,461	13,605
Other current liabilities.....	3,163	4,462	41,549
Total current liabilities.....	34,991	36,516	340,032
Reserve for retirement benefits (Note 7).....	1,153	1,331	12,394
Deferred income taxes (Note 9).....	1,107	738	6,872
Excess of investment cost over equity in net assets of consolidated subsidiaries	106	74	689
Other non-current liabilities	5,314	4,459	41,522
Minority interests in consolidated subsidiaries	1,446	4,140	38,551
Shareholders' equity:			
Common stock:			
Authorized: 77,300,000 shares			
Issued: 26,940,651 shares.....	6,327	8,146	75,854
Additional paid-in capital.....	5,883	7,698	71,683
Retained earnings.....	26,120	29,608	275,705
Net unrealized gain on securities.....	1,489	1,471	13,698
Foreign currency translation adjustments.....	(341)	145	1,350
Treasury stock (Notes 2 (19) and 2 (20)).....	(537)	(538)	(5,010)
Total shareholders' equity.....	38,941	46,530	433,280
Contingent liabilities (Note 8)			
Total liabilities and shareholders' equity	¥83,058	¥93,788	\$873,340

Consolidated Statements of Income and Retained Earnings

Tachi-S Co., Ltd. and its consolidated subsidiaries Years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2004	2005	2005
Net sales (Notes 12 and 14)	¥138,691	¥151,219	¥183,655	\$1,710,169
Operating costs and expenses:				
Cost of sales (Notes 12 and 14)	129,450	140,225	171,181	1,594,013
Selling, general and administrative expenses (Note 12)	7,422	8,435	8,678	80,808
Operating income	1,819	2,559	3,796	35,348
Other income (expenses):				
Interest and dividend income	255	177	199	1,853
Interest expenses	(15)	(56)	(81)	(754)
Stock issue costs	—	—	(34)	(317)
Loss on sale/disposal of property, net	(216)	(440)	(340)	(3,166)
Gain on sales of securities	12	273	22	205
Gain on sales of subsidiaries' investments	—	96	—	—
Evaluation loss on securities	(223)	—	(69)	(643)
Amortization of difference between cost of investment and equity in net assets of consolidated subsidiaries	15	32	32	298
Equity in earnings of unconsolidated subsidiaries and affiliates	1,206	1,660	2,689	25,040
Loss on devaluation of golf memberships	(14)	(3)	(5)	(47)
Reversal of loss on main plant	57	—	—	—
Early retirement benefits	(839)	(133)	—	—
Other, net	45	20	195	1,816
	283	1,626	2,608	24,285
Income before income taxes and minority interests	2,102	4,185	6,404	59,633
Income taxes (Note 9):				
Current	(5)	1,407	1,994	18,568
Deferred	571	4	(371)	(3,455)
	566	1,411	1,623	15,113
Minority interests in net income of consolidated subsidiaries	(178)	(285)	(778)	(7,245)
Net income	1,358	2,489	4,003	37,275
Retained earnings:				
Balance at beginning of year	23,098	24,011	26,120	243,226
Appropriations:				
Cash dividends	(193)	(241)	(265)	(2,468)
Directors' bonuses	(35)	(35)	(35)	(326)
Decrease arising from the adoption of inflation accounting by a consolidated subsidiary in Mexico	(119)	(104)	(215)	(2,002)
Cumulative effect arising from the adoption of impairment accounting by a consolidated subsidiary in China	(98)	—	—	—
Balance at end of year	¥ 24,011	¥ 26,120	¥ 29,608	\$ 275,705
		Yen		U.S. dollars (Note 3)
Net income and dividends per share (Note 2 (17)):				
Net income: primary	¥56.59	¥105.03	¥165.20	\$1.538
Cash dividends	10.00	10.00	10.00	0.093

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Tachi-S Co., Ltd. and consolidated subsidiaries Years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2004	2005	2005
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 2,102	¥ 4,185	¥ 6,404	\$ 59,633
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	3,395	3,787	4,176	38,886
Loss on sale/disposal of properties, net.....	216	440	340	3,166
Loss on devaluation of golf memberships.....	17	3	5	47
Increase (decrease) in allowance for bad debt	(23)	14	38	354
Equity in earnings of affiliates	(1,206)	(1,660)	(2,689)	(25,040)
Amortization of difference between cost of investment and equity in net assets of consolidated subsidiaries.....	(15)	(32)	(32)	(298)
Interest and dividend income	(255)	(177)	(199)	(1,853)
Interest expenses	15	56	81	754
(Increase) decrease in notes and accounts receivable	(3,240)	136	(4,252)	(39,594)
(Increase) decrease in inventories	(1,327)	124	(431)	(4,013)
Increase (decrease) in notes and accounts payable	4,038	(746)	2,638	24,565
Other.....	(2,018)	(864)	720	6,704
Subtotal.....	1,699	5,266	6,799	63,311
Interest and dividend income received.....	885	794	791	7,366
Interest paid.....	(16)	(31)	(25)	(233)
Income taxes paid	(589)	(274)	(1,771)	(16,491)
Income taxes refunded.....	416	148	160	1,490
Net cash provided by operating activities.....	2,395	5,903	5,954	55,443
Cash flows from investing activities:				
Decrease in short-term investments.....	977	8	114	1,062
Proceeds from sale of property, plant and equipment	207	189	17	158
Payments for purchase of property, plant and equipment	(6,259)	(6,445)	(2,744)	(25,552)
Proceeds from sale of investments in securities.....	47	497	31	289
Payments for purchase of investments in securities.....	(534)	(17)	(1,614)	(15,029)
Payments for purchase of investments in new consolidated subsidiaries	—	—	(2,099)	(19,546)
Payments for investments in unconsolidated subsidiaries.....	(381)	—	(223)	(2,076)
Other.....	52	1,159	(270)	(2,515)
Net cash used in investing activities.....	(5,891)	(4,609)	(6,788)	(63,209)
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans, net	(449)	(70)	202	1,881
Repayment of long-term debt	(72)	—	(2,300)	(21,417)
Proceeds from issue of new shares.....	—	—	3,632	33,821
Proceeds from long-term debt	300	—	—	—
Cash dividends paid to minority shareholders.....	(246)	(167)	(188)	(1,751)
Cash dividends paid	(193)	(241)	(265)	(2,468)
Other.....	653	2,928	9	84
Net cash provided by (used in) financing activities	(7)	2,450	1,090	10,150
Effect of exchange rate changes on cash and cash equivalents	(621)	(593)	88	819
Net increase (decrease) in cash and cash equivalents.....	(4,124)	3,151	344	3,203
Cash and cash equivalents at beginning of year.....	16,703	12,579	15,730	146,476
Cash and cash equivalents at end of year (Note 10).....	¥12,579	¥15,730	¥16,074	\$149,679

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Tachi-S Co., Ltd. and consolidated subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting Principles

The accompanying consolidated financial statements have been prepared from the accounts maintained by TACHI-S CO., LTD. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

(2) Significant Shareholder

Fuji Kiko Co., Ltd. owned 2,953 thousand shares of common stock of the Company, which represented 10.96 percent of the shares outstanding, at March 31, 2005. The Company owned 12,979 thousand shares of common stock of its affiliate Fuji Kiko Co., Ltd., which represents 24.6 percent of the shares outstanding, at March 31, 2005.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 13 and 18 majority-owned subsidiaries as at March 31, 2004 and 2005, respectively. The consolidated financial statements include the accounts of the Company and eight subsidiaries for the year ended March 31, 2004. The consolidated financial statements include the accounts of the Company and ten subsidiaries for the year ended March 31, 2005.

The ten subsidiaries which have been consolidated with the Company for the year ended March 31, 2005 are listed below:

	Equity ownership percentage
Tachikawa Kogyo Co., Ltd.	100.0%
Fujitaka Kogyo Co., Ltd.	87.7%
Tachi-S Engineering U.S.A. Incorporated	100.0%
Setex Inc.	51.0%
Syntec, Inc.	100.0%
Tachi-S Canada Ltd.	100.0%
Setex Canada GP.	51.0%
Industria de Asiento Superior, S.A. de C.V.	100.0%
Tachi-S Parts Co., Ltd.	100.0%
Tachikawa Hatsujou Co., Ltd.	77.7%

The Company and its consolidated subsidiaries are hereinafter referred to as the "Companies."

Generally, companies that are more than 50 percent owned fall under the category of subsidiaries, while companies that are 20 percent to 50 percent owned fall under the category of affiliates. In accordance with prevailing accounting practices in Japan, companies that are 40 percent to 50 percent owned may also fall into the category of subsidiaries and companies that are 15 percent to 20 percent owned may also fall into the category of affiliates if the Company substantially controls the management of such companies or has a significant influence over or relationship with them.

The above-shown consolidated subsidiaries (except for Industria de Asiento Superior, S.A. de C.V.) have fiscal years ending on March 31 of each year, the same as that of the Company. Industria de Asiento Superior, S.A. de C.V. has fiscal years ending on December 31 of each year.

The remaining unconsolidated subsidiaries, whose combined assets, net sales, net income and retained earnings which the Company holds are not significant compared with those of the consolidated financial statements of the Companies therefore have been excluded from consolidation.

(2) Elimination of Inter-Company Accounts

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Companies have been entirely eliminated, and the portion attributable to minority interests is charged/credited to "Minority interests in consolidated subsidiaries."

Any difference between the cost of investments in the common stock of consolidated subsidiaries and the underlying equity in net assets of such subsidiaries is deferred and amortized over a five-year period on a straight-line basis.

(3) Investments in Unconsolidated Subsidiaries and Affiliates

The Company had five unconsolidated subsidiaries and five affiliates at March 31, 2004, and eight unconsolidated subsidiaries and seven affiliates at March 31, 2005. The equity method has been applied to the investments in the four affiliates, Technotrim, Inc., Kinryo Kogyo Co., Ltd., Fuji Kiko Co., Ltd., and Fuji Autotech U.S.A. LLC. The equity method has been applied since the year ended March 31, 1997 because the investments in the remaining unconsolidated subsidiaries and affiliates do not have any material effect on consolidated net income in the consolidated financial statements. The investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost or less.

(4) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries)

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Shareholders' equity at the beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average rate during the year. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" in the shareholders' equity account.

(5) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

(6) Inventories

Inventories are valued according to category of inventory and method as follows:

Finished products, work-in-process (mass-production items) and raw materials..... at cost determined principally by the average method

Non-mass-production finished products and work-in-process at cost determined principally by the individual cost method

Supplies at cost determined principally by the last purchase price method

(7) Valuation of Securities

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity account at a net-of-tax amount. Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in net profit or loss for the period.

(8) Property, Plant and Equipment

Depreciation is mainly computed by the declining-balance method at rates based on the estimated useful lives of assets which are prescribed by the Japanese income tax laws. Depreciation of buildings newly acquired after April 1, 1998 has been provided based on the straight-line method in conformity with the Japanese tax laws. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 2 to 12 years for machinery and equipment.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(9) Amortization

Amortization of intangible assets is computed by the straight-line method.

Expenditure relating to computer software developed for internal use is charged to income as incurred, except if it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and amortized using the straight-line method over its estimated useful life, which is in the range of five years.

The Company applies the provisions of the Statement of Financial Accounting Standards No.142, "Goodwill and other intangible assets," to the goodwill acquired by the consolidated subsidiary in Canada.

(10) Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

The Company has not yet applied this new standard nor has determined the effect of applying it on the Company's consolidated financial statements.

(11) Stock Issue Costs

Stock issue costs related to common stock are charged to income as incurred.

(12) Allowance for Bad Debts

The allowance for bad debts is calculated on the basis of the actual bad debt rate for general accounts receivable and the assessed recoverability of individual bad debts.

(13) Reserve for Retirement Benefits

The Company provided a "Reserve for retirement benefits" for employees, directors and statutory auditors.

The Company has an unfunded retirement benefit plan for its employees and a funded employees' pension plan.

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets, except that the unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the year following that in which they arise.

Until the year ended March 31, 2002, the Company had established a tax-qualified pension plan only for the retirement age. Effective from the year ended March 31, 2003, the Company completely shifted to a tax-qualified pension plan. As a result, past service liabilities have occurred. The past service liabilities are amortized on a straight-line basis over the period of 10 years from the year in which they arise.

With respect to directors and statutory auditors, the Company and its domestic subsidiaries provide for lump-sum severance benefits. While the Company and its domestic subsidiaries have no legal obligation, it is a customary practice in Japan to make lump-sum payments to a director or statutory auditor upon retirement following approval by the shareholders at a general meeting. Annual provisions are made in the accounts for the estimated costs of this termination plan, which is not funded.

(14) Accounting for Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local taxes and enterprise taxes.

The Company and its subsidiaries adopted deferred tax accounting. Deferred taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized with respect to temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements. The Company's overseas subsidiaries Tachi-S Engineering U.S.A. Incorporated, Setex Inc. and Syntec, Inc. adopted accounting in accordance with the provisions of the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

(15) Accounting for Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases which do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles generally accepted in Japan.

(16) Inflation Accounting Employed by Industria de Asiento Superior, S.A. de C.V.

One of the consolidated subsidiaries of the Company, Industria de Asiento Superior, S.A. de C.V., which is incorporated in Mexico, has adjusted its financial statements for the effects of inflation in Mexico in conformity with generally accepted accounting principles in Mexico.

Under the method, adjustments on account balances for purchase costs, accumulated depreciation of permanent establishments (e.g. fixed assets, investments and deferred charges) and shareholders' equity were made based on the National Consumer Price Index. The purchasing power gain or loss arising from the monetary position for the year is credited or charged to income for the respective year.

(17) Net Income and Dividends per Share

Net income per common share is based upon the weighted average number of common shares outstanding during each year.

Cash dividends per share shown for each year in the consolidated statements of income and retained earnings represent dividends declared as applicable to the respective year.

Effective from the year ended March 31, 2003, the Company adopted the Statement of Financial Accounting Standards No. 2, "Earnings per Share," issued by the Accounting Standards Board of Japan. Prior to adopting the new statement, earnings per share were calculated based on the net income shown on the consolidated statement of income and retained earnings. The earnings per share calculation therefore excluded bonuses to directors and statutory auditors, since under the Japanese Commercial Code, these are recognized as an appropriation of retained earnings, rather than as expenses in the consolidated statement of income and retained earnings. However, the new statement requires that net income should be adjusted by deducting bonuses paid to directors and statutory auditors as well as the payment of dividends to shareholders of preferred stock, to be recognized as an appropriation of retained earnings, from net income shown in the consolidated statement of income and retained earnings, and the calculation of earnings per share be made on that adjusted net income basis.

Earnings per share, basic and diluted, for the year ended March 31, 2002, calculated using the new method, were ¥15.52.

(18) Accounting for Consumption Tax

The Japanese Consumption Tax Law imposes a consumption tax at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). Consumption tax withheld upon sale is not included in the amount of "Net sales" in the accompanying consolidated statements of income and retained earnings but is recorded as a liability. Consumption tax which is paid by the Company and domestic subsidiaries on the purchases of goods and services is not included in costs or expenses in the consolidated statements of income and retained earnings but is offset against the balance withheld, and the net balance is included in "Other current liabilities" in the consolidated balance sheets.

(19) Accounting for Treasury Stock and Reversal of Capital and Legal Reserves

Effective for the year ended March 31, 2003, the Company adopted the Statement of Financial Accounting Standards No. 1, "Accounting for Treasury Stock and Reversal of Capital and Legal Reserves," issued by the Accounting Standards Board of Japan. There was no effect of adopting the new standard on net income for the period.

(20) Treasury Stock

The amount of treasury stock, which is held by the Company and an affiliate which applied the equity method, is 725,859 shares of common stock.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥107.39=US\$1, the rate of exchange on March 31, 2005, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

4. Marketable Securities, Investments in Securities and Investments in Unconsolidated Subsidiaries and Affiliates

(a) Other securities with available market quotations:

	Millions of yen						Thousands of U.S. dollars			
	2004		Unrealized gain (loss)	2005		Unrealized gain (loss)	2005			
	Acquisition cost	Carrying amount		Acquisition cost	Carrying amount		Acquisition cost	Carrying amount	Unrealized gain (loss)	
Securities with unrealized gains:										
Equity securities	¥1,364	¥3,525	¥2,161	¥1,378	¥3,548	¥2,170	\$12,832	\$33,039	\$20,207	
Bonds and debentures:										
Bonds	—	—	—	—	—	—	—	—	—	—
Other	1	1	0	1	1	0	9	9	0	
Other securities	11	14	3	11	14	3	102	130	28	
	¥1,376	¥3,540	¥2,164	¥1,390	¥3,563	¥2,173	\$12,943	\$33,178	\$20,235	
Securities with unrealized losses:										
Equity securities	¥ 115	¥ 82	¥ (33)	¥ 42	¥ 42	¥ —	\$ 391	\$ 391	\$ —	
Bonds and debentures:										
Bonds	—	—	—	201	200	(1)	1,872	1,862	(10)	
Other	—	—	—	250	223	(27)	2,328	2,077	(251)	
Other securities	1,111	1,111	—	1,016	1,016	(0)	9,461	9,461	(0)	
	¥1,226	¥1,193	¥ (33)	¥1,509	¥1,481	¥ (28)	\$14,052	\$13,791	\$ (261)	
Total	¥2,602	¥4,733	¥2,131	¥2,899	¥5,044	¥2,145	\$26,995	\$46,969	\$19,974	

(b) Realized gains and losses on sales of other securities:

	Millions of yen									Thousands of U.S. dollars		
	2003			2004			2005			2005		
	Sales value	Profit on sales	Loss on sales	Sales value	Profit on sales	Loss on sales	Sales value	Profit on sales	Loss on sales	Sales value	Profit on sales	Loss on sales
	¥29	¥14	¥2	¥493	¥273	¥—	¥31	¥22	¥—	\$289	\$205	\$—

(c) Carrying amounts of other securities with no available fair value:

	Millions of yen						Thousands of U.S. dollars				
	2004		2005		2005		2005				
	Carrying amounts		Carrying amounts		Carrying amounts		Carrying amounts				
Other securities:											
Unlisted shares (except over-the-counter stock)		¥ 27				¥27				\$251	
Medium-term government bond fund		406				—				—	

(d) Redemption schedules for maturity of held-to-maturity securities:

	Millions of yen						Thousands of U.S. dollars			
	2004		2005		2005		2005			
	Due within one year	Due after one year, within five years	Due within one year	Due after one year, within five years	Due within one year	Due after one year, within five years	Due within one year	Due after one year, within five years		
Bonds and debentures:										
Government bonds and debentures	¥—	¥—	¥—	¥—	\$ —	\$ —				
Bonds	—	—	—	—	—	—				
Other	10	1	11	—	102	—				
Total	¥10	¥ 1	¥11	¥—	\$102	\$—				

5. Inventories

Inventories at March 31, 2004 and 2005 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Finished products	¥ 880	¥ 974	\$ 9,070
Work-in-process	413	402	3,743
Raw materials and supplies	2,300	3,116	29,016
	¥3,593	¥4,492	\$41,829

6. Short-term and Long-term Debt

The annual average interest rate applicable to short-term debt at March 31, 2005 was 0.01%.

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

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Loans from banks, of which the annual average interest rate is 0.8%:			
Unsecured loans	¥2,300	¥—	\$—
	2,300	—	—
Less: current portion	2,300	—	—
Long-term debt.....	¥ —	¥—	\$—

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations due to the bank.

At March 31, 2004 and 2005, assets pledged as collateral for contingent liabilities or other long-term debt, including the current portion of other long-term debt, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Land	¥ 15	¥ 15	\$ 140
Buildings and structures	3,420	3,159	29,416
	¥3,435	¥3,174	\$29,556

7. Reserve for Retirement Benefits

The Company has unfunded retirement benefit plans for its employees and a funded employees' pension plan.

The reserve for retirement benefits as of March 31, 2004 and 2005 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Projected benefit obligations	¥(6,887)	¥(7,045)	\$(65,602)
Plan assets	4,284	4,481	41,727
	(2,603)	(2,564)	(23,875)
Unrecognized actuarial differences	1,328	1,209	11,258
Past service liabilities.....	479	424	3,948
Reserve for retirement benefits.....	¥ (796)	¥ (931)	\$ (8,669)

Net pension expense related to the retirement benefits for the years ended March 31, 2003, 2004 and 2005 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Service cost	¥439	¥370	¥313	\$2,915
Interest cost	173	121	124	1,155
Expected return on plan assets	(108)	(67)	(79)	(736)
Amortization of unrecognized actuarial differences	109	212	173	1,611
Amortization of past service liabilities	14	55	55	512
Net pension expense	¥627	¥691	¥586	\$5,457

Assumptions used in the calculation of the above information were as follows:

	2004	2005
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Discount rate.....	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Amortization of unrecognized actuarial differences.....	10 years	10 years
Amortization of past service liabilities.....	10 years	10 years

The reserve for retirement benefits in the accompanying consolidated balance sheets at March 31, 2004 and 2005 included provisions related to directors and statutory auditors in the amounts of ¥357 million and ¥400 million (\$3,725 thousand), respectively.

8. Contingent Liabilities

The Companies were contingently liable for guarantees of loans at March 31, 2004 and 2005 as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Loans borrowed by:			
Technotrim, Inc.	¥1,088	¥—	\$ —
Tachi-S Engineering Europe S.A.R.L.	—	9	84
Tachi-S Service Co., Ltd.	5	3	28
Employees.....	4	3	28
	¥1,097	¥15	\$140

9. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2003 and 2004 was 41.9% and the rate as of March 31, 2005 was 40.5%.

At March 31, 2003, 2004 and 2005, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

	2003	2004	2005
Statutory tax rate	41.9%	41.9%	40.5%
Dividend income	10.2	5.1	3.5
Equity in earnings of affiliates	(21.0)	(14.1)	(14.8)
Operating loss carryforwards	2.6	5.1	—
Special deduction of research and development costs.....	—	(3.1)	(1.7)
Adjustment to gain on sale of securities of consolidated subsidiary.....	—	(2.4)	—
Write-down of investment in securities	(10.6)	—	—
Reversal of deferred tax assets	7.0	—	—
Other	(3.2)	1.2	(2.1)
Effective tax rate	26.9%	33.7%	25.4%

At March 31, 2004 and 2005, the significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Deferred tax assets:			
Reserve for retirement benefits.....	¥ 463	¥ 535	\$ 4,982
Accrued expenses	619	597	5,559
Eliminated unrealized profits	57	57	531
Operating loss carryforwards.....	580	720	6,704
Refundable capital tax in Mexico	204	151	1,406
Other	472	622	5,792
Total gross deferred tax assets.....	2,395	2,682	24,974
Less: valuation allowance	(485)	(466)	(4,339)
Total deferred tax assets.....	1,910	2,216	20,635
Set-off: deferred tax liabilities	(1,084)	(1,399)	(13,027)
Net deferred tax assets.....	¥ 826	¥ 817	\$ 7,608
Current	761	693	6,453
Non-current	65	124	1,155
Deferred tax liabilities:			
Tax deductible reserve	¥ (132)	¥ (132)	\$ (1,229)
Undistributed earnings of foreign subsidiaries and affiliates.....	(138)	(339)	(3,157)
Net unrealized gain or loss on securities	(863)	(869)	(8,092)
Depreciation expense	(631)	(401)	(3,734)
Reserve for retirement benefits.....	(163)	(82)	(764)
Other	(264)	(315)	(2,933)
Total gross deferred tax liabilities	(2,191)	(2,138)	(19,909)
Set-off: deferred tax assets	1,084	1,399	13,027
Net deferred tax liabilities	¥(1,107)	¥ (739)	\$ (6,882)
Current	—	(1)	(10)
Non-current	(1,107)	(738)	(6,872)

In assessing the realizability of deferred tax assets, the management of the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is entirely dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which those temporary differences become deductible. Although realization is not assured, management has considered the projected future taxable income in making this assessment. Based on these factors, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances, as of March 31, 2004 and 2005, respectively.

On March 31, 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of ¥100 million, effective April 1, 2004. Under the amended legislation, the enterprise tax will be the sum of three tax components: a) an income-based component, b) a value-added component and c) a capital-based component, although there was only an "income tax based component" before the amendment. Concurrently, the basic tax rate for the "income-based component" has resulted in a reduction from 9.6% to 7.2%. As a result of this amendment, the tax rate to be applied to deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, that are expected to reverse in the year beginning April 1, 2004 or later, decreased from 41.9% to 40.5% as at March 31, 2003. For temporary differences that are expected to reverse in the year ending March 31, 2004, a tax rate of 41.9% has continued to be used at that date. As a result, deferred tax liabilities (net balance after deferred tax assets were deducted) decreased by ¥256 thousand, and net income increased by ¥256 thousand.

10. Supplementary Cash Flow Information

Cash and cash equivalents consisted of:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Cash, time deposits and other cash equivalents	¥12,176	¥15,327	¥16,075	\$149,688
Marketable securities	1,695	1,528	1,026	9,554
	13,871	16,855	17,101	159,242
Time deposits with deposit terms of over three months.....	(3)	(3)	(1)	(9)
Short-term investments with maturity terms of over three months	(1,289)	(1,122)	(1,026)	(9,554)
Cash and cash equivalents at end of year.....	¥12,579	¥15,730	¥16,074	\$149,679

11. Subsequent Event

The following appropriations of the Company's retained earnings with respect to the year ended March 31, 2005 were as proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 28, 2005:

Appropriations	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.0 per share).....	¥134	\$1,248
Bonuses to directors.....	30	279
Transfer to voluntary reserves.....	500	4,656
Total appropriations.....	¥664	\$6,183

On May 23, 2005, upon resolution and approval of the Board of Directors on January 11, 2005, the Company made a stock split in the ratio 1 to 1.3 to the shareholders on record as of March 31, 2005, and common stock increased by 8,082,195 shares.

Given that this stock split was made on April 1, 2003 and 2004, the basic net income per share for the years ended March 31, 2004 and 2005, would have been changed to ¥80.79 (\$0.752) and ¥127.07 (\$1.183), respectively.

12. Segment Information

(1) The Companies operate in one industry segment: the production and sale of automotive seats and seat components.

(2) Geographical Segment Information

Sales of the Companies for the years ended March 31, 2003, 2004 and 2005, classified by geographical segment (divided into sales within Japan and outside Japan), are summarized as follows:

	Millions of yen					Elimination	Consolidated total
	Japan	U.S.A.	Mexico	China	Total		
Net sales to:							
Outside customers.....	¥94,347	¥34,974	¥9,115	¥ 255	¥138,691	¥ —	¥138,691
Inter-segment sales/transfers	1,152	734	799	0	2,685	(2,685)	—
	95,499	35,708	9,914	255	141,376	(2,685)	138,691
Operating expenses	93,622	35,875	9,687	404	139,588	(2,716)	136,872
Operating income (loss).....	¥ 1,877	¥ (167)	¥ 227	¥ (149)	¥ 1,788	¥ 31	¥ 1,819
Assets.....	¥53,864	¥21,148	¥5,551	¥1,263	¥ 81,826	¥(1,289)	¥ 80,537

	Millions of yen						Consolidated total
	2004						
	Japan	U.S.A.	Mexico	China*	Total	Elimination	
Net sales to:							
Outside customers	¥104,521	¥38,985	¥7,377	¥336	¥151,219	¥ —	¥151,219
Inter-segment sales/transfers.....	761	809	1,517	—	3,087	(3,087)	—
	105,282	39,794	8,894	336	154,306	(3,087)	151,219
Operating expenses	103,477	39,105	8,808	429	151,819	(3,159)	148,660
Operating income (loss)	¥ 1,805	¥ 689	¥ 86	¥ (93)	¥ 2,487	¥ 72	¥ 2,559
Assets	¥ 60,260	¥19,045	¥4,199	¥ —	¥ 83,504	¥ (446)	¥ 83,058

* Shanghai Taiye Seat Co., Ltd. is included only for the first half of the fiscal year due to the sale of its equity share.

	Millions of yen						Thousands of U.S. dollars	
	2005						2005	
	Japan	U.S.A.	Canada	Mexico	Total	Elimination	Consolidated total	Consolidated total
Net sales to:								
Outside customers	¥114,539	¥39,623	¥21,020	¥ 8,473	¥183,655	¥ —	¥183,655	\$1,710,169
Inter-segment sales/transfers.....	1,085	1,289	2	1,643	4,020	(4,020)	—	—
	115,624	40,912	21,022	10,116	187,675	(4,020)	183,655	1,710,169
Operating expenses.....	114,035	39,836	19,859	10,149	183,879	(4,020)	179,859	1,674,821
Operating income (loss).....	¥ 1,589	¥ 1,076	¥ 1,163	¥ (33)	¥ 3,795	¥ 1	¥ 3,796	\$ 35,348
Assets	¥ 62,520	¥18,914	¥ 8,775	¥ 5,185	¥ 95,394	¥(1,606)	¥ 93,788	\$ 873,340

(3) Export Sales Information

	Millions of yen							Thousands of U.S. dollars
	2003	2004	2005				Total	2005
			U.S.A.	Canada	Mexico	Other		
Overseas sales	¥ 44,737	¥ 47,534	¥39,820	¥21,020	¥8,276	¥850	¥ 69,966	\$ 651,513
Consolidated sales	138,691	151,219	—	—	—	—	183,655	1,710,169
Ratio	32.3%	31.4%	21.7%	11.5%	4.5%	0.5%	38.1%	

Other: China, Australia, Thailand, Malaysia, Taiwan, Republic of Korea and others.

13. Lease Transactions

The acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets at March 31, 2004 and 2005, including the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Acquisition cost.....	¥184	¥18	\$168
Accumulated depreciation.....	(156)	(6)	(56)
Net book value.....	¥ 28	¥12	\$112
Depreciation.....	¥ 54	¥15	\$140

Lease rental expenses on finance lease contracts without transfer of ownership for the years ended March 31, 2003, 2004 and 2005 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Lease rental expenses for the year	¥92	¥54	¥15	\$140

Outstanding future lease payments due at March 31, 2004 and 2005, including the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Future lease payments:			
Within one year.....	¥15	¥ 3	\$ 28
Over one year.....	13	9	84
Total	¥28	¥12	\$112

14. Related Party Transactions

The transactions of the Company with its related companies and individuals for the years ended March 31, 2003, 2004 and 2005, other than those with consolidated subsidiaries which are eliminated in the consolidated financial statements and those which are disclosed elsewhere in these statements, are as follows:

Name of related company	Paid-in capital (Millions of yen)	Principal business	Equity ownership percentage by the Company	Description of transactions	Millions of yen				Thousands of U.S. dollars			
					Transactions			Account	Resulting account balances		Transactions 2005	Resulting account balances 2005
					2003	2004	2005		2004	2005		
Technotrim, Inc.	\$ 120 (Thousands of dollars)	Manufacture and sale of automotive components	49.0%	Liability for guarantees	¥1,237	¥1,088	¥ —	¥—	¥ —	¥ —	\$ —	\$ —
Fuji Kiko Co., Ltd.	¥ 5,985	Manufacture and sale of automotive parts	24.6%	Purchase of parts	¥6,700	¥8,179	¥8,138	Accounts payable	¥2,084	¥1,935	¥75,780	¥18,018
				Supply of raw materials	258	267	299	¥—	—	—	2,784	—
				Underwriting of capital increase	402	—	779	—	—	—	7,254	—
Kinryo Kogyo Co., Ltd.	¥ 400	Manufacture and sale of automotive components and parts	25.0%	Purchase of parts	¥ —	¥ —	¥3,065	Accounts payable	¥ —	¥1,203	¥28,541	¥11,202
				Supply of raw materials	—	—	53	¥—	—	—	494	—
				Sales of products	—	—	81	Accounts receivable	—	8	754	7,021
				Other	—	—	5	Other	—	1	47	438

Report of Independent Auditors

Report of Independent Auditors

The Board of Directors and Shareholders of
TACHI-S CO., LTD.

We have audited the accompanying consolidated balance sheets of TACHI-S CO., LTD. and its consolidated subsidiaries as of March 31, 2004 and 2005, and the related consolidated statements of income and retained earnings, and the consolidated statements of cash flows for each of the three years in the period ended March 31, 2005, all expressed in Japanese yen. These consolidated 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 Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TACHI-S CO., LTD. and its consolidated subsidiaries as of March 31, 2004 and 2005, the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan (see Note 1(1)).

As described in Note 11, upon resolution and approval of the Board of Directors on January 11, 2005, the Company made a stock split on May 23, 2005.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 28, 2005

Global Network

Investee Companies

- ① Tachi-S Engineering U.S.A. Inc. (Michigan)
- ② Setex Inc. (Ohio)
- ③ Technotrim, Inc. (Head Office) (Michigan)
- ④ Syntec, Inc. (North Carolina)
- ⑤ Fuji Autotech U.S.A. LLC (Kentucky)
- ⑥ Industria de Asiento Superior, S.A. de C.V., Aguascalientes Plant (Head Office) (Mexico)
- ⑦ Industria de Asiento Superior, S.A. de C.V., Guadalajara Plant (Mexico)
- ⑧ Industria de Asiento Superior, S.A. de C.V., Cuernavaca Plant (Mexico)
- ⑨ Technotrim, Inc., Ramos Plant (Mexico)
- ⑩ Technotrim, Inc., Saltillo Plant (Mexico)

- ⑪ Technotrim, Inc., Monclova Plant (Mexico)
- ⑫ Tachi-S Canada Ltd. (Canada)
- ⑬ Setex Canada GP (Canada)
- ⑭ Tachi-S Engineering Europe S.A.R.L. (France)
- ⑮ Tachi-S Taicang Co., Ltd. (China)
- ⑯ Xi'an Qintai Seat Co., Ltd. (China)
- ⑰ Zhengzhou Taixin Interia Co., Ltd. (China)
- ⑱ TACLE Guangzhou Automotive Seat Co., Ltd. (China)
- ⑲ Fuji Autotech Guangzhou Co., Ltd. (China)

Liaison Offices

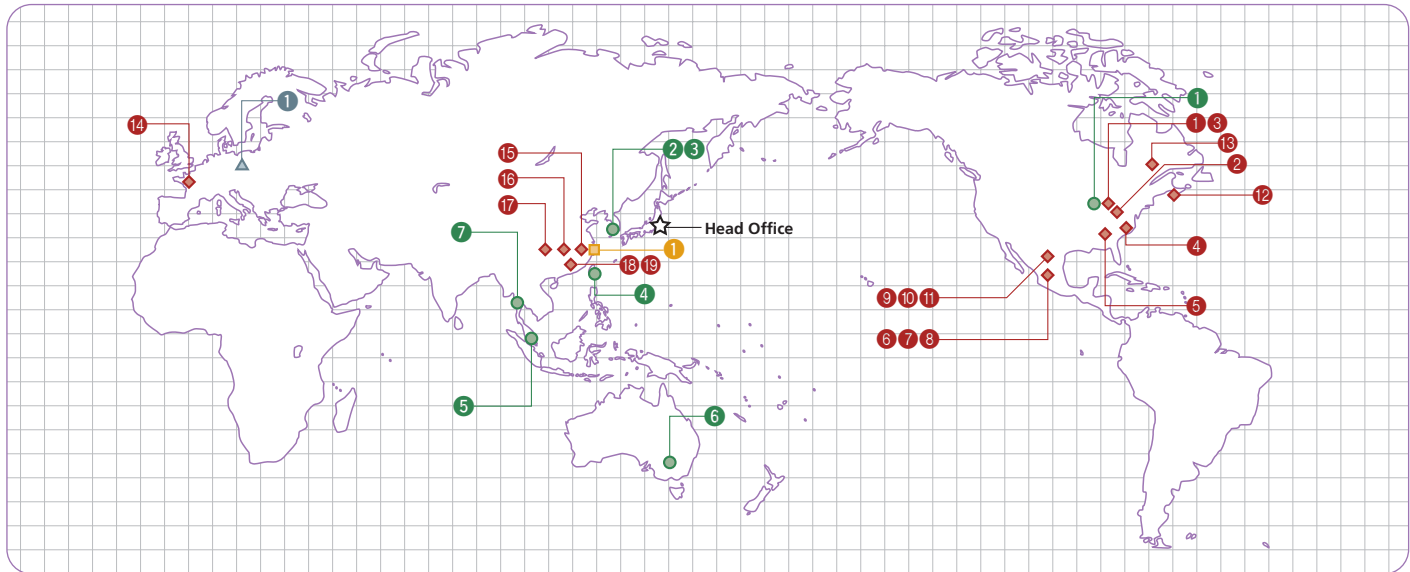
- ① Shanghai Office (China)

Technology Licensees

- ① Johnson Controls, Inc. (Michigan)
- ② Koryo Co., Ltd. (Republic of Korea)
- ③ Hyundai Motor Co., Ltd. (Republic of Korea)
- ④ GSK Corporation (Taiwan)
- ⑤ Auto Parts Manufacturers Co., Sdn. Bhd. (Malaysia)
- ⑥ Henderson's Industries Pty. Ltd. (Australia)
- ⑦ Summit Auto Seats Industry Co., Ltd. (Thailand)

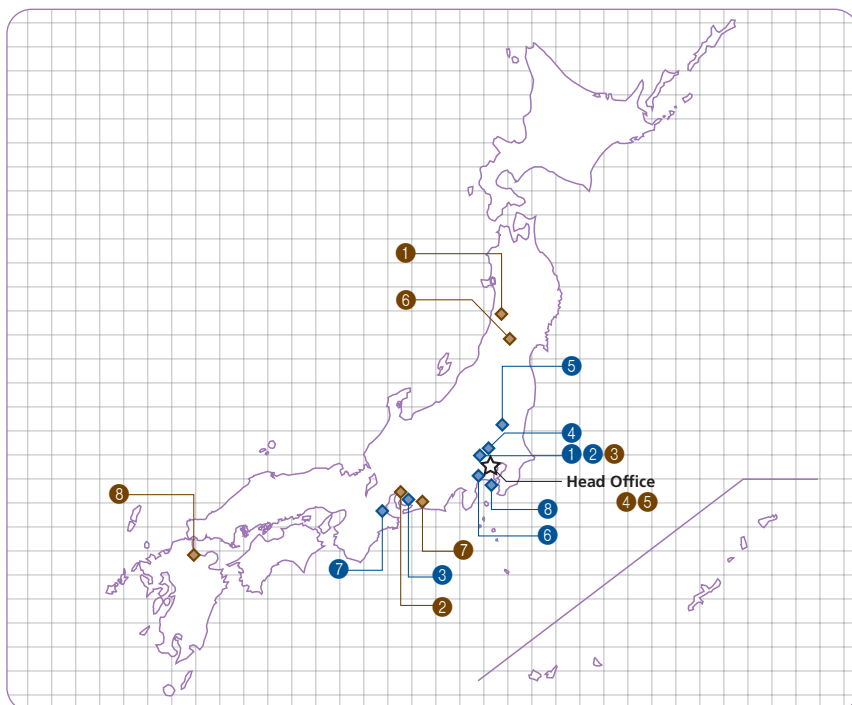
Technology Licensor

- ① Isringhausen GmbH & Co. KG (Germany)



(As of March 31, 2005)

Domestic Network



Offices and Plants

- ① Technical Center
- ② Ome Plant
- ③ Technical Center Aichi and Aichi Plant
- ④ Musashi Plant
- ⑤ Tochigi Plant
- ⑥ Hiratsuka Plant
- ⑦ Suzuka Plant
- ⑧ Oppama Plant

Subsidiaries and Affiliates

- ① Tachikawa Kogyo Co., Ltd.
- ② Fujitaka Kogyo Co., Ltd.
- ③ Tachi-S Parts Co., Ltd.
- ④ Tachi-S Service Co., Ltd.
- ⑤ Tachikawa Hatsujou Co., Ltd.
- ⑥ Tachikawa Hatsujou Yamagata Co., Ltd.
- ⑦ Fuji Kiko Co., Ltd.
- ⑧ Kinryo Kogyo Co., Ltd.

(As of March 31, 2005)

Corporate Information

Head Office

3-3-7, Matsubara-cho, Akishima,
Tokyo 196-8611

Date of Establishment

April 7, 1954

Paid-in Capital

¥8,145,831,916
(As of March 31, 2005)

Stock Exchange Listing

Tokyo Stock Exchange, First Section

Transfer Agent

The Chuo Mitsui Trust
and Banking Co., Ltd.

Domestic Offices and Plants

Technical Center

1-7-8, Suehiro-cho, Ome,
Tokyo 198-0025

Ome Plant

1-2, Suehiro-cho, Ome,
Tokyo 198-0025

Technical Center Aichi and Aichi Plant

125-2, Yanagihara, Toei-cho, Anjo,
Aichi 446-0007

Musashi Plant

108-13, Sayamagahara, Iruma,
Saitama 358-0032

Tochigi Plant

262-26, Oaza-shiba, Kokubunji-cho,
Shimotsuga-gun, Tochigi 329-0412

Hiratsuka Plant

1-3, Nagatoro, Hiratsuka,
Kanagawa 254-0021

Suzuka Plant

3600-10, Kamata, Misono-cho,
Suzuka, Mie 510-0261

Oppama Plant

5-2931, Uragou-cho, Yokosuka,
Kanagawa 237-0062

Domestic Subsidiaries and Affiliates

Tachikawa Kogyo Co., Ltd.

Hiraga-gun, Akita

Fujitaka Kogyo Co., Ltd.

Nagoya, Aichi

Tachi-S Parts Co., Ltd.

Ome, Tokyo

Tachi-S Service Co., Ltd.

Akishima, Tokyo

Tachikawa Hatsujou Co., Ltd.

Akishima, Tokyo

Tachikawa Hatsujou

Yamagata Co., Ltd.

Sagae, Yamagata

Fuji Kiko Co., Ltd.

Kosai, Shizuoka

Kinryo Kogyo Co., Ltd.

Miyako-gun, Fukuoka

(As of March 31, 2005)

Board of Directors and Principal Officers

DIRECTORS

Representative Director and Chairman

Kiyoshi Saito

Representative Director and President

Kosaku Tarumi

Representative Director

Mitsuya Koike

Directors

Hitoshi Kondo
Hiroshi Taguchi
Mamoru Kawasaki
Kazuyoshi Matsushita
Hiroyuki Miki
Kyoichi Kudo

EXECUTIVE OFFICERS

Chief Executive Officer

Kiyoshi Saito

Chief Operating Officer

Kosaku Tarumi

Executive Vice President

Mitsuya Koike

Senior Executive Officers

Hitoshi Kondo
Hiroshi Taguchi
Mamoru Kawasaki
Kazuyoshi Matsushita
Hiroyuki Miki
Kazuakira Namiki
Toshimitsu Kimura
Hideo Kobayashi
Yoshiyuki Nogami

Executive Officers

Noriyoshi Kujime
Yuzuru Fukuda
Koji Asahina
Yutaka Yajima
Kiyoji Kawamura
Takashi Nakamura
Noriyasu Itsuki

CORPORATE AUDITORS

Tadao Koizumi
Hiroyuki Kawai
Michiyoshi Tsuboi
Takuya Miyashita

(As of June 28, 2005)

Cautionary Information with Respect to Forward-Looking Statements

Statements contained in this report regarding the plans, strategies, and beliefs of the Tachi-S Group that are not historical fact constitute forward-looking statements about future operational results. As such, they are based on the judgements of Tachi-S's management made in consideration of currently available data. Actions based solely on these statements should be avoided. Potential risk factors that could cause actual results to differ materially from those anticipated include, but are not limited to, general economic conditions, currency exchange rates, sudden technological change, and customer preference.



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URL: **<http://www.tachi-s.co.jp>**