

QCD SATISFACTION
WHAT WE MAKE...
RESULTS

Message from the President



Kiyoshi Saito
President

In fiscal 2003, ended March 31, 2003, Tachi-S Co., Ltd., focused on restoring profitability through the implementation of its V50 Plan, a medium-term business plan to improve the Company's earnings structure. The globalization of supply systems, manifested most notably in the Nissan Revival Plan, is forcing manufacturers of automotive parts to cut prices dramatically. Adopted in response to this challenge, our original plan was insufficient to prevent a sharp decline in earnings. Recognizing that success had been limited by both the plan's short duration and the Company's insufficient global reach, Tachi-S decided to establish a medium-term plan to restore earnings and implement fundamental structural reform. Called the V50 Plan, this new plan will be completed in fiscal 2005, the 50th anniversary of the Company's founding.

The V50 Plan comprises five pillars: reducing material costs, increasing the profitability of each project, enhancing technological development, promoting structural reform, and improving global operations. The first three of these represent initiatives to improve earnings. Tachi-S is generating additional earnings opportunities through strategic cost reductions that add value to its products. To boost asset efficiency, we are promoting structural reform, entering business alliances, and improving global operations through better asset distribution.

As a result, in fiscal 2003, consolidated net sales increased 7.7% from the previous fiscal year, to ¥138.7 billion. Operating income amounted to ¥1.8 billion, a 14.4% decrease, owing to increased temporary costs associated with the introduction of new automobile models. Net income surged 274.1%, to ¥1.4 billion. However, due to the

CONTENTS

Message from the President **1** | Profile/Milestones **4** | Annual Review **5**

Financial Highlights **6** | Consolidated Balance Sheets **7** | Consolidated Statements of Income and Retained Earnings **9**

Consolidated Statements of Cash Flows **10** | Notes to the Consolidated Financial Statements **11** | Report of Independent Auditors **20**

Global Network/Domestic Network **21** | Corporate Information/Board of Directors and Principal Officers **22**

implementation of an early retirement benefit scheme to improve our human resource structure and a dramatic decrease in share prices of financial institutions at fiscal year-end, the increase in net income was ¥0.6 billion less than targeted in the V50 Plan.

Faced with a challenging operating environment, Tachi-S improved its non-consolidated ratio of operating income to net sales 1.9 percentage points—surpassing its first-year goal of 1.0 percentage point—to reverse the downturn in earnings and stimulate growth. Moreover, we are taking vigorous steps to increase this ratio from fiscal 2002 levels by 2.0 percentage points in fiscal 2004 and 3.0 percentage points in fiscal 2005.

In addition to the payment of stable annual dividends, Tachi-S is committed to returning profits to shareholders through special dividends based on a thorough assessment of each year's performance. In celebration of our listing on the First Section of the Tokyo Stock Exchange and in anticipation of our 50th anniversary in fiscal 2005, we decided to pay dividends of ¥10 per share in fiscal 2003.

Results and Targets

It is imperative that we adapt quickly to changes in our operating environment. The V50 Plan is a fixed plan designed to improve our earnings structure over a three-year period. The plan's rolling medium-term targets for fiscal 2005—consolidated net sales of ¥140.0 billion, a domestic operating income ratio of 3% or higher, an overseas operating income ratio of 5% or higher, a consolidated ROE of 8%, and consolidated net income of ¥3.5 billion—have been revised to reflect the changes in our operating environment as follows:

1. Consolidated net sales ¥150.0 billion
2. Consolidated net income ¥4.0 billion or more
3. Consolidated ROE 10% or higher
4. Market capitalization ¥20.0 billion or more

Fiscal 2004 is the second of three years covered by the V50 Plan. Although it is still too early to assess our fiscal 2004 performance, the plan has already delivered appreciable results. Thanks to the V50 Plan, we have priced our products more competitively by cutting production costs, and this has stabilized cash flows because profits are higher even when sales remain unchanged. In addition, the plan has accelerated the decision-making process for long-term investment in technological development.

Perhaps our most striking results have been generated by our alliances with Fuji Kiko Co., Ltd., and Araco Corporation. Both alliances have been indispensable to the Tachi-S Group, which, like all automotive component suppliers, is under pressure to accommodate the cost-cutting efforts of automobile manufacturers by developing high-quality, cost-effective products within extremely short time frames. Drawing on the core development and sales capabilities of these two companies to minimize our development load, we are striving to add value to our products by employing new development and production methods.

Message from the President

Mission and Strategies

The Tachi-S Group's corporate mission is to create great value and opportunities for all stakeholders in a timely manner by leveraging its wealth of proprietary technologies. The Company must satisfy consumers, provide automobile manufacturers with a steady supply of high-quality products, and generate earnings that are passed along to shareholders. To this end, Tachi-S attaches the utmost importance to furthering its strong technological capabilities and manufacturing competitively priced automobile seats.

Under these circumstances, we have established the following four goals to improve flexibility in the face of a challenging and shifting market, enhance our competitiveness as a manufacturer of automotive seat systems, secure our position in the industry, and boost business performance.

1. Increasing competitiveness by improving earnings structure
 - Improving corporate structure (operations, organization, human resources, and corporate systems)
 - Implementing cost reforms to reduce materials procurement costs
 - Refining cost projections for each project
 - Developing unique products and production methods under tight deadlines
 - Expanding global operations
2. Manufacturing industry's highest-quality products
3. Promoting environmental action plan
4. Drafting V50 Plan successor management plan (create new corporate vision covering fiscal 2006 through fiscal 2010)

To Our Shareholders and Friends

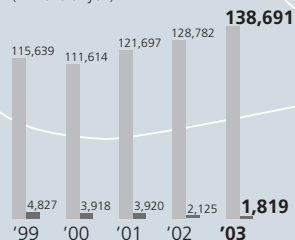
With competition intensifying, Tachi-S is striving to develop the best technological and quality, cost, and delivery (QCD) capabilities in the industry; act quickly and confidently to achieve its goals; and improve its business performance. We hope this annual report will deepen your understanding of and reinforce your support for our business endeavors.

June 2003

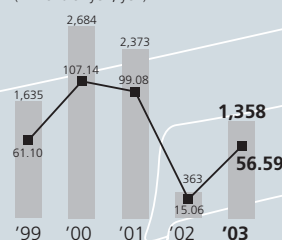


Kiyoshi Saito
President

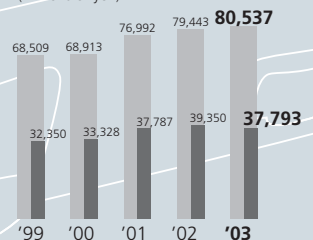
Net Sales & Operating Income
(Millions of yen)



Net Income & Net Income per Share (Primary)
(Millions of yen, yen)



Total Assets & Total Shareholders' Equity
(Millions of yen)



Profile

SATISFACTION

WHAT WE MAKE...

With the help of automobile manufacturers and other intermediaries, the Tachi-S Group provides automobile seats that provide comfort and added functionality to a broad range of drivers and passengers.

Our management principles encourage us to always put customers first, contribute to the public through social work, and build trust among all stakeholders. Based on these principles, Tachi-S strives to use its superior technological and QCD capabilities to position itself as the industry's top seat manufacturer; build trust among stakeholders, including shareholders, employees, customers, and the general public; and create enterprise value in line with shareholder expectations. As a result, we sell our products—recognized for their superior quality, technology, and cost efficiency—to automobile manufacturers, including the top eight companies. Through these companies, our products directly serve a wide range of consumers.

Tachi-S was originally established as Tachikawa Spring Co., Ltd., in 1954. Since then, the Company has expanded its business through the establishment of subsidiaries and the formation of alliances. The Company's name was changed to Tachi-S Co., Ltd., in 1986. The name change coincided with the establishment of our first U.S. subsidiary. In subsequent years, we have expanded our field of operations through the establishment of subsidiaries in Mexico, China, and, in fiscal 2001, Europe.

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, China Established Shanghai Office in Shanghai, China Established joint-venture Zhengzhou Taixin Interia Co., Ltd., in Zhengzhou, 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, China Listed on the First Section of the Tokyo Stock Exchange





Tachi-S Engineering U.S.A. Inc.

In fiscal 2003, in the automotive industry, the number of new vehicles sold in Japan, excluding light-duty vehicles, increased 1.6%, to 4.043 million units. However, reflecting a modest decline in sales of light-duty vehicles, the total number of new vehicles sold increased only 0.7%, to 5.868 million units, when light-duty vehicles are included. On the other hand, thanks to increased vehicle sales in North America, Europe, and Asia, exports grew 12.3% compared with the previous fiscal year. As a result, domestic production rose 5.3%, to 10.320 million units.



Setex Inc.

Japan

Thanks to a steady stream of new contracts and a significant number of model changes, sales amounted to ¥94.3 billion, a 13.6% increase compared with the previous fiscal year. Operating income totaled ¥1.9 billion, an impressive 164.9% increase, owing to stronger sales and the success of initiatives to reform our earnings structure.



Syntec, Inc.

United States

A steady stream of new contracts and a significant number of model changes compensated for a rise in the percentage of economy cars sold during the first half of the year and the negative effects of foreign currency exchange losses due to the strong yen. As a result, sales from our U.S. operations amounted to ¥35.0 billion, a 5.8% increase compared with the previous fiscal year. An operating loss of ¥0.2 billion was recorded, deteriorating ¥1.5 billion from the operating income logged in the previous year, owing to losses in our school bus operations, fierce price competition among new automobile models, and the rise in the percentage of economy cars sold during the first half of the year.



Technotrim, Inc., Ramos Plant

Mexico

Sales from operations in Mexico amounted to ¥9.1 billion, a 27.4% slide from the previous fiscal year, reflecting foreign currency exchange losses due to the strong yen and flat sales due to orders for existing car models. Operating income fell 31.2%, to ¥0.2 billion, due to the fall in sales.

China

Sales jumped 117.4%, to ¥0.3 billion, reflecting the commencement of sewing operations. Operating loss amounted to ¥0.1 billion, as depreciation and other fixed expenses more than offset contributions to income from increased sales.

Forecast

In the automotive industry, although domestic demand for replacement vehicles is expected to grow, exports are forecast to decline. As a result, serious challenges are expected for domestic manufacturers. In the United States, demand for new vehicles will likely weaken, eroding the effectiveness of zero-interest financing and other promotional tools employed by automobile manufacturers to boost sales during the previous fiscal year. Under these circumstances, although our principal customers will continue to demand lower prices, earnings should improve thanks to the introduction of a large number of new car models. In fiscal 2004, the Tachi-S Group will take quick bold steps to reach its goals and improve business performance.



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)
	1999	2000	2001	2002	2003	2003
FOR THE YEAR						
Net sales	¥115,639	¥111,614	¥121,697	¥128,782	¥138,691	\$1,153,835
Operating income	4,827	3,918	3,920	2,125	1,819	15,133
Net income	1,635	2,684	2,373	363	1,358	11,298
Net income per share: primary (yen)	¥ 61.10	¥ 107.14	¥ 99.08	¥ 15.06	¥ 56.59	\$ 0.471
AT YEAR-END						
Total shareholders' equity.....	¥ 32,350	¥ 33,328	¥ 37,787	¥ 39,350	¥ 37,793	\$ 314,418
Total assets	68,509	68,913	76,992	79,443	80,537	670,025

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥120.20=US\$1, the rate of exchange on March 31, 2003.

Non-Consolidated Financial Highlights (Unaudited)

	Millions of yen					Thousands of U.S. dollars (Note)
	1999	2000	2001	2002	2003	2003
FOR THE YEAR						
Net sales	¥87,978	¥80,649	¥80,494	¥82,623	¥93,853	\$780,807
Operating income	2,218	1,864	1,265	564	1,814	15,097
Net income	1,293	1,097	913	691	568	4,731
Net income per share: primary (yen)	¥ 48.34	¥ 43.56	¥ 37.91	¥ 28.69	¥ 22.15	\$ 0.184
AT YEAR-END						
Total shareholders' equity.....	¥26,524	¥25,649	¥27,148	¥27,432	¥27,611	\$229,715
Total assets	52,304	51,305	53,959	55,687	56,706	471,767

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥120.20=US\$1, the rate of exchange on March 31, 2003.

With exceptionally high standards for quality in place, the Tachi-S Group has made every effort to develop outstanding manufacturing processes and products and initiated a proactive sales program to increase the volume of new orders. As a result, consolidated net sales increased 7.7% compared with the previous fiscal year, to ¥138.7 billion, reflecting steady exports from Japan and favorable sales of new automobile models in the United States.

Thanks to a concerted effort to streamline business processes in Japan, strong exports and sales of new automobile models, and the transfer of the operations of Technotrim from the United States to Mexico, consolidated ordinary income amounted to ¥3.3 billion, a 38.8% increase compared with the previous fiscal year, and consolidated net income totaled ¥1.4 billion, a 274.1% increase.

Cash Flows

In fiscal 2003, cash and cash equivalents decreased ¥4.1 billion, or 24.7%, to ¥12.6 billion, reflecting foreign currency translation adjustments in cash and cash equivalents; the acquisition of tangible fixed assets, especially facilities for newly developed automobile models; and retirement benefit costs following the implementation of an early retirement benefit scheme.

WHAT WE MAKE... RESULTS

Consolidated Balance Sheets

Tachi-S Co., Ltd. and consolidated subsidiaries As of March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2003	2003
ASSETS			
Current assets:			
Cash, time deposits and other cash equivalents (Note 10)	¥16,301	¥12,176	\$101,298
Marketable securities (Notes 4 and 10)	2,871	1,695	14,101
Accounts and notes receivable:			
Trade	21,008	23,311	193,935
Unconsolidated subsidiaries and affiliates	6	58	482
Other	349	259	2,155
	21,363	23,628	196,572
Less: allowance for bad debts	(17)	(17)	(141)
	21,346	23,611	196,431
Inventories (Note 5)	2,993	4,156	34,576
Advance payments	695	824	6,855
Deferred income taxes (Note 9)	892	894	7,438
Other current assets	400	1,255	10,441
Total current assets	45,498	44,611	371,140
Investments and advances:			
Investments in securities (Notes 4 and 6)	3,229	2,757	22,937
Investments in unconsolidated subsidiaries and affiliates (Note 4)	3,824	4,548	37,837
Deferred income taxes (Note 9)	255	89	740
Long-term loans and other investments	1,389	2,327	19,359
Total investments and advances	8,697	9,721	80,873
Property, plant and equipment (Notes 6 and 13):			
Land	5,766	5,704	47,454
Buildings and structures	16,571	15,723	130,807
Machinery and equipment	27,627	29,535	245,715
Construction in progress	1,539	1,047	8,711
	51,503	52,009	432,687
Less: accumulated depreciation	(26,582)	(26,125)	(217,346)
Net property, plant and equipment	24,921	25,884	215,341
Intangibles and deferred charges	327	321	2,671
Total assets	¥79,443	¥80,537	\$670,025

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2003	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 6).....	¥ 471	¥ 24	\$ 199
Current portion of long-term debt (Note 6).....	72	—	—
Accounts and notes payable:			
Trade.....	24,366	25,387	211,206
Unconsolidated subsidiaries and affiliates.....	1,241	4,434	36,888
Construction and acquisition of properties.....	1,370	318	2,646
Other.....	603	587	4,884
	27,580	30,726	255,624
Income taxes payable (Note 9).....	368	88	732
Reserve for loss on closing cost of main plant (Note 2 (12)).....	785	—	—
Other current liabilities.....	4,007	3,993	33,220
Total current liabilities.....	33,283	34,831	289,775
Long-term debt (Note 6).....	2,000	2,300	19,135
Reserve for retirement benefits (Note 7).....	1,908	936	7,787
Deferred income taxes (Note 9).....	537	827	6,880
Excess of investment cost over equity in net assets of consolidated subsidiaries	25	138	1,148
Other non-current liabilities	0	1,912	15,907
Minority interests in consolidated subsidiaries	2,340	1,800	14,975
Shareholders' equity:			
Common stock:			
Authorized: 77,300,000			
Issued: 24,090,651.....	6,327	6,327	52,637
Additional paid-in capital.....	5,883	5,883	48,943
Retained earnings.....	23,098	24,011	199,759
Net unrealized gain on securities.....	692	535	4,451
Foreign currency translation adjustments.....	3,350	1,573	13,087
Treasury stock (Notes 2 (18) and 2 (19)).....	(0)	(536)	(4,459)
Total shareholders' equity.....	39,350	37,793	314,418
Contingent liabilities (Note 8)			
Total liabilities and shareholders' equity.....	¥79,443	¥80,537	\$670,025

Consolidated Statements of Income and Retained Earnings

Tachi-S Co., Ltd. and consolidated subsidiaries Years ended March 31, 2001, 2002 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2002	2003	2003
Net sales (Notes 12 and 14)	¥121,697	¥128,782	¥138,691	\$1,153,835
Operating costs and expenses:				
Cost of sales (Notes 12 and 14)	111,189	119,333	129,450	1,076,955
Selling, general and administrative expenses (Note 12)	6,588	7,324	7,422	61,747
Operating income	3,920	2,125	1,819	15,133
Other income (expenses):				
Interest and dividend income	527	325	255	2,122
Interest expenses	(141)	(96)	(15)	(125)
Effect of inflation accounting	15	6	—	—
Loss on sale/disposal of property, net	(255)	(495)	(216)	(1,797)
Gain on sales of securities	3	371	12	100
Reversal of allowance for bad debts	82	3	—	—
Evaluation loss on securities	—	(135)	(223)	(1,855)
Amortization of difference between cost of investment and equity in net assets of consolidated subsidiaries	17	16	15	125
Equity in earnings (loss) of unconsolidated subsidiaries and affiliates	525	(191)	1,206	10,033
Loss on devaluation of golf memberships	(134)	(9)	(14)	(116)
Loss on closing cost of main plant (Note 2 (12))	(868)	—	—	—
Retirement benefit costs	881	—	—	—
Reversal of loss on closing cost of main plant (Note 2 (12))	—	—	57	474
Early retirement benefits	—	—	(839)	(6,980)
Other, net	319	211	45	374
	971	6	283	2,355
Income before income taxes and minority interests	4,891	2,131	2,102	17,488
Income taxes (Note 9):				
Current	2,409	863	(5)	(41)
Deferred	(636)	338	571	4,750
	1,773	1,201	566	4,709
Minority interests in net income of consolidated subsidiaries	(745)	(567)	(178)	(1,481)
Net income	2,373	363	1,358	11,298
Retained earnings:				
Balance at beginning of year	21,125	23,117	23,098	192,163
Increase due to adoption of income tax accounting by consolidated subsidiary in Mexico	56	—	—	—
Appropriations:				
Cash dividends	(241)	(241)	(193)	(1,606)
Directors' bonuses	(60)	(50)	(35)	(291)
Decrease arising from adoption of inflation accounting by consolidated subsidiary in Mexico	(136)	(91)	(119)	(990)
Cumulative effect arising from adoption of impairment accounting by consolidated subsidiary in China	—	—	(98)	(815)
Balance at end of year	¥ 23,117	¥ 23,098	¥ 24,011	\$ 199,759
		Yen		U.S. dollars (Note 3)
Net income and dividends per share (Note 2 (16)):				
Net income: primary	¥99.08	¥15.06	¥56.59	\$0.471
Net income: fully diluted	94.79	—	—	—
Cash dividends	10.00	8.00	10.00	0.083

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, 2001, 2002 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2002	2003	2003
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 4,891	¥ 2,131	¥ 2,102	\$ 17,488
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	2,655	3,172	3,395	28,244
Loss on sale/disposal of property, net	254	495	216	1,797
Loss on devaluation of golf memberships	134	9	17	141
(Decrease) increase in allowance for bad debts	(80)	3	(23)	(191)
Equity in (earnings) loss of affiliates	(525)	191	(1,206)	(10,033)
Amortization of difference between cost of investment and equity in net assets of consolidated subsidiaries	(17)	(16)	(15)	(125)
Interest and dividend income	(526)	(325)	(255)	(2,121)
Interest expenses	141	96	15	125
(Increase) decrease in notes and accounts receivable	71	1,190	(3,240)	(26,955)
Increase in inventories	(276)	(6)	(1,327)	(11,040)
Increase in notes and accounts payable	1,377	472	4,038	33,594
Other	399	(492)	(2,018)	(16,789)
Subtotal	8,498	6,920	1,699	14,135
Interest and dividend income received	988	997	885	7,363
Interest paid	(145)	(95)	(16)	(133)
Income taxes paid	(2,432)	(1,751)	(589)	(4,901)
Income taxes refunded	—	—	416	3,461
Net cash provided by operating activities	6,909	6,071	2,395	19,925
Cash flows from investing activities:				
Decrease in short-term investments	73	64	977	8,128
Proceeds from sale of property, plant and equipment	385	149	207	1,722
Payments for purchase of property, plant and equipment	(6,262)	(4,356)	(6,259)	(52,071)
Proceeds from sale of investments in securities	29	630	47	391
Payments for purchase of investments in securities	(44)	(315)	(534)	(4,443)
Payments for purchase of investments in affiliates	—	(556)	—	—
Payment for investment in unconsolidated subsidiaries	—	—	(381)	(3,170)
Other	(141)	532	52	433
Net cash used in investing activities	(5,960)	(3,852)	(5,891)	(49,010)
Cash flows from financing activities:				
Decrease in short-term bank loans, net	(72)	(578)	(449)	(3,735)
Repayment of long-term debt	(337)	(1,842)	(72)	(599)
Proceeds from long-term debt	—	2,000	300	2,496
Cash dividends to minority	(562)	(572)	(246)	(2,047)
Cash dividends paid	(241)	(240)	(193)	(1,606)
Other	84	(1)	653	5,433
Net cash used in financing activities	(1,128)	(1,233)	(7)	(58)
Effect of exchange rate changes on cash and cash equivalents	1,028	478	(621)	(5,166)
Net (decrease) increase in cash and cash equivalents	849	1,464	(4,124)	(34,309)
Cash and cash equivalents at beginning of year	14,390	15,239	16,703	138,960
Cash and cash equivalents at end of year (Note 10)	¥15,239	¥16,703	¥12,579	\$104,651

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 consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(2) Significant Shareholder

Fuji Kiko Co., Ltd. owned 2,953 thousand shares of common stock of the Company, which represented 12.25 percent of the shares outstanding, at March 31, 2003. The Company owned 10,962 thousand shares of common stock of its affiliate Fuji Kiko Co., Ltd., which represents 24.7 percent of the shares outstanding, at March 31, 2003.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 11 and 14 majority-owned subsidiaries at March 31, 2002 and 2003, respectively. The consolidated financial statements include the accounts of the Company and nine subsidiaries for the years ended March 31, 2002 and 2003.

The nine subsidiaries which have been consolidated with the Company for the year ended March 31, 2003 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 Incorporated	51.0%
Syntec, Incorporated	100.0%
Industria de Asiento Superior, S.A. de C.V.	100.0%
Tachi-S Parts Co., Ltd.	100.0%
Tachikawa Hatsujou Co., Ltd.	77.7%
Shanghai Taiye Seat Co., Ltd.	50.0%

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 significant influence over or relationships with them.

The above-shown consolidated subsidiaries (except for Industria de Asiento Superior, S.A. de C.V. and Shanghai Taiye Seat Co., Ltd.) 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. and Shanghai Taiye Seat Co., Ltd. have fiscal years ending on December 31 of each year.

The remaining unconsolidated subsidiaries, whose combined assets, net sales and net income 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 as 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 two unconsolidated subsidiaries and five affiliates at March 31, 2002, and five unconsolidated subsidiaries and five affiliates at March 31, 2003. The equity method has been applied to the investments in the three affiliates, Technotrim, Incorporated, Kinryo Kogyo Co., Ltd. and Fuji Kiko Co., Ltd. The equity method has been applied since the year ended March 31, 1997 because the investments in the unconsolidated subsidiaries do not have any material effect on consolidated net income in the consolidated financial statements. Investments in the remaining unconsolidated subsidiaries are carried at cost or less.

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

Assets and liabilities of 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 the category of inventories by the following methods:

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

Held-to-maturity debt securities that the Companies intend to hold to maturity are stated at cost after accounting for premiums or discounts on acquisition, which is amortized over the period to maturity. 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 held-to-maturity debt securities, 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 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 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.

Effective from the year ended March 31, 2003, because of an amendment to accounting standards in China, consolidated subsidiary Shanghai Taiye Seat Co., Ltd. adopted the new accounting standards for the impairment of long-lived assets.

As a result of adopting the new standards, property, plant and equipment at March 31, 2003 decreased by ¥195 million, minority interests in consolidated subsidiaries and retained earnings decreased by ¥97 million compared with those amounts that would have been recognized under the old standards. The cumulative effect arising from the adoption of impairment accounting by a consolidated subsidiary in China for the year ended March 31, 2003 increased by ¥97 million, and retained earnings at March 31, 2003 were reduced by ¥97 million.

(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.

(10) 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.

(11) 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 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.

(12) Reserve for Loss on Closing Cost of Main Plant

The reserve for loss on closing cost of main plant has been provided at the amount which the Company expects to suffer in the future, because the decision to close has already been made.

(13) 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 domestic 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 bases 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 Incorporated and Syntec, Incorporated adopted accounting methods in accordance with the provisions of the Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes."

(14) 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 that 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 and practices generally accepted in Japan.

(15) 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.

(16) 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, appropriately adjusted for subsequent free distributions of common shares for the stock split effect, and is computed to reflect the dilutive effect on net income of potential issues of new shares of common stock upon the conversion of convertible debt securities and exercise of warrants outstanding, including related reductions in interest expenses. For the year ended March 31, 2002, diluted net income per share is not computed due to no existing convertible debt securities or warrants as of March 31, 2002.

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 Standard 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 statements 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 statements 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 stocks to be recognized as an appropriation of retained earnings, from net income shown in the consolidated statements 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, amounted to ¥15.52.

(17) Accounting for Consumption Tax

The Japanese Consumption Tax Law imposes a consumption tax at the flat rate of five percent 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.

(18) 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 Standard 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.

(19) Treasury Stock

The amount of treasury stock held by the Company and an equity method affiliate was 725,000 of common shares.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.20=US\$1, the rate of exchange on March 31, 2003, 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) Held-to-maturity debt securities with available market quotation:

	Millions of yen						Thousands of U.S. dollars		
	2002			2003			2003		
	Carrying amounts	Market value	Unrealized gain	Carrying amounts	Market value	Unrealized gain (loss)	Carrying amounts	Market value	Unrealized gain (loss)
Securities with unrealized gain:									
Government bonds and debentures.....	¥435	¥436	¥ 1	¥—	¥—	¥—	\$—	\$—	\$—
Securities with unrealized loss:									
Government bonds and debentures.....	554	549	(5)	—	—	—	—	—	—
Total.....	¥989	¥985	¥(4)	¥—	¥—	¥—	\$—	\$—	\$—

(b) Other securities with available market quotation:

	Millions of yen						Thousands of U.S. dollars		
	2002			2003			2003		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with unrealized gain:									
Equity securities	¥1,199	¥2,662	¥1,463	¥1,024	¥2,130	¥1,106	\$ 8,519	\$17,720	\$9,201
Bonds and debentures:									
Bonds	101	101	0	—	—	—	—	—	—
Other.....	27	36	9	27	36	9	225	300	75
Other securities.....	—	—	—	—	—	—	—	—	—
	¥1,327	¥2,799	¥1,472	¥1,051	¥2,166	¥1,115	\$ 8,744	\$18,020	\$9,276
Securities with unrealized loss:									
Equity securities	¥ 471	¥ 352	¥ (119)	¥ 542	¥ 468	¥ (74)	\$ 4,509	\$ 3,893	\$ (616)
Bonds and debentures:									
Bonds	—	—	—	—	—	—	—	—	—
Other.....	—	—	—	—	—	—	—	—	—
Other securities.....	1,376	1,376	—	1,255	1,251	(4)	10,441	10,408	(33)
	¥1,847	¥1,728	¥ (119)	¥1,797	¥1,719	¥ (78)	\$14,950	\$14,301	\$ (649)
Total.....	¥3,174	¥4,527	¥1,353	¥2,848	¥3,885	¥1,037	\$23,694	\$32,321	\$8,627

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

	Millions of yen						Thousands of U.S. dollars					
	2001			2002			2003					
	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	¥4	¥—	¥630	¥371	¥—	¥29	¥14	¥2	\$241	\$116	\$16

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

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
	Carrying amounts	Carrying amounts	Carrying amounts
Other securities:			
Unlisted shares (except over-the-counter stock)	¥168	¥151	\$1,256
Medium-term government bond fund	406	406	3,378

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

	Millions of yen				Thousands of U.S. dollars	
	2002		2003		2003	
	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.....	¥ 983	¥—	¥—	¥—	\$ —	\$—
Bonds.....	100	—	—	—	—	—
Other.....	10	36	45	1	374	8
Total.....	¥1,093	¥36	¥45	¥ 1	\$374	\$ 8

5. Inventories

Inventories at March 31, 2002 and 2003 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Finished products.....	¥ 971	¥ 883	\$ 7,346
Work-in-process.....	553	522	4,343
Raw materials and supplies.....	1,469	2,751	22,887
	¥2,993	¥4,156	\$34,576

6. Short-term Bank Loans and Long-term Debt

The annual average interest rate applicable to short-term bank loans at March 31, 2003 was 0.5%.

Long-term debt at March 31, 2002 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Loans from banks, of which the annual average interest rate is 0.8%:			
Secured loans.....	¥ 70	¥ —	\$ —
Unsecured loans.....	2,002	2,300	19,135
	2,072	2,300	19,135
Less: current portion.....	(72)	—	—
Long-term debt.....	¥2,000	¥2,300	\$19,135

Aggregate annual maturities of long-term debt subsequent to March 31, 2003 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005.....	¥2,300	\$19,135
	¥2,300	\$19,135

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, 2002 and 2003, assets pledged as collateral for short-term bank loans, long-term debt, including the current portion of long-term debt, and contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Land.....	¥1,200	¥1,073	\$ 8,927
Buildings and structures.....	2,343	2,151	17,895
Machinery and equipment.....	15	8	67
Investments in securities.....	1,501	—	—
	¥5,059	¥3,232	\$26,889

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, 2002 and 2003 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Projected benefit obligations	¥(6,692)	¥(6,892)	\$(57,338)
Plan assets	4,065	3,840	31,947
	(2,627)	(3,052)	(25,391)
Unrecognized actuarial differences	1,019	1,932	16,073
Past service liabilities.....	—	534	4,443
Reserve for retirement benefits.....	¥(1,608)	¥ (586)	\$ (4,875)

Net pension expense related to the retirement benefits for the year ended March 31, 2001, 2002 and 2003 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Service cost	¥ 413	¥423	¥439	\$3,652
Interest cost	209	183	173	1,439
Expected return on plan assets	(132)	(117)	(108)	(898)
Amortization of transition amount	(880)	—	—	—
Amortization of unrecognized actuarial differences	—	80	109	907
Amortization of past service liabilities	—	—	14	116
Net pension expense	¥(390)	¥569	¥627	\$5,216

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

	2002	2003
Method of attributing the projected benefits to periods of service	straight-line basis	straight-line basis
Discount rate	3.0%	2.0%
Expected rate of return on plan assets	3.0%	3.0%
Amortization of unrecognized actuarial differences.....	10 years	10 years
Amortization of past service liabilities.....	—	10 years

The reserve for retirement benefits in the accompanying consolidated balance sheets at March 31, 2002 and 2003 included provisions related to directors and statutory auditors in the amounts of ¥300 million and ¥351 million (\$2,920 thousand), respectively.

8. Contingent Liabilities

The Companies were contingently liable for guarantees of loans at March 31, 2002 and 2003 as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Loans borrowed by:			
Technotrim, Incorporated.....	¥1,506	¥1,237	\$10,291
Employees.....	6	5	42
	¥1,512	¥1,242	\$10,333

Shanghai Taiye Seat Co., Ltd., which is a consolidated subsidiary, will probably pay the value-added tax and customs duties in relation to imported machinery and equipment, as the imported machinery and equipment have not fulfilled the requisition for getting the exemption of such tax and duties. The maximum amount is ¥409 million (\$3,403 thousand).

9. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2002 and 2003 was 41.9%.

At March 31, 2002 and 2003, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

	2002	2003
Statutory tax rate	41.9%	41.9%
Dividend income.....	7.4	10.2
Equity in (earnings) loss of affiliates	3.6	(21.0)
Operating loss carryforwards	2.7	2.6
Write-down of investment in securities	—	(10.6)
Reversal of deferred tax assets	—	7.0
Other	0.8	(3.2)
Effective tax rate	56.4%	26.9%

At March 31, 2002 and 2003, the significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Deferred tax assets:			
Reserve for retirement benefits.....	¥ 356	¥ 374	\$ 3,112
Reserve for loss on closing cost of main plant.....	329	—	—
Accrued expenses.....	431	420	3,494
Eliminated unrealized profits.....	99	86	715
Operating loss carryforwards.....	501	1,154	9,601
Refundable capital tax in Mexico.....	241	311	2,587
Other.....	372	397	3,303
Total gross deferred tax assets.....	2,329	2,742	22,812
Less: valuation allowance.....	(494)	(748)	(6,223)
Total deferred tax assets.....	1,835	1,994	16,589
Set-off: deferred tax liabilities.....	(688)	(1,011)	(8,411)
Net deferred tax assets.....	¥1,147	¥ 983	\$ 8,178
Deferred tax liabilities:			
Tax deductible reserve.....	¥ (136)	¥ (133)	\$ (1,107)
Undistributed earnings of foreign subsidiaries and affiliates.....	(72)	(86)	(715)
Net unrealized gain or loss on securities.....	(567)	(417)	(3,469)
Depreciation expense.....	—	(535)	(4,451)
Reserve for retirement benefits.....	—	(289)	(2,404)
Other.....	(450)	(378)	(3,145)
Total gross deferred tax liabilities.....	(1,225)	(1,838)	(15,291)
Set-off: deferred tax assets.....	688	1,011	8,411
Net deferred tax liabilities.....	¥ (537)	¥ (827)	\$ (6,880)

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, 2002 and 2003, 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
	2002	2003	2003
Cash, time deposits and other cash equivalents.....	¥16,301	¥ 12,176	\$101,298
Marketable securities.....	2,871	1,695	14,101
	19,172	13,871	115,399
Time deposits with deposit terms of over three months.....	(4)	(3)	(25)
Short-term investments with maturity terms of over three months.....	(2,465)	(1,289)	(10,723)
Cash and cash equivalents at end of year.....	¥16,703	¥ 12,579	\$104,651

11. Subsequent Event

The following appropriations of the Company's retained earnings with respect to the year ended March 31, 2003 were as proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 26, 2003:

	Millions of yen	Thousands of U.S. dollars
Appropriations		
Cash dividends (¥6.0 per share).....	¥145	\$1,206
Bonuses to directors.....	35	291
Transfer to voluntary reserves.....	503	4,185
Total appropriations.....	¥683	\$5,682

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, 2001, 2002 and 2003, classified by geographical segment (divided into sales within Japan and outside Japan), are summarized as follows:

	Millions of yen						Consolidated total
	2001						
	Japan	U.S.A.	Mexico	China	Total	Elimination	
Net sales to:							
Outside customers.....	¥80,623	¥30,367	¥10,507	¥ 200	¥121,697	¥ —	¥121,697
Inter-segment sales/transfers.....	1,767	577	—	—	2,344	(2,344)	—
	82,390	30,944	10,507	200	124,041	(2,344)	121,697
Operating expenses.....	81,003	28,733	10,007	371	120,114	(2,337)	117,777
Operating income (loss).....	¥ 1,387	¥ 2,211	¥ 500	¥ (171)	¥ 3,927	¥ (7)	¥ 3,920
Assets.....	¥52,222	¥17,948	¥ 5,576	¥1,597	¥ 77,343	¥ (351)	¥ 76,992

	Millions of yen						Consolidated total
	2002						
	Japan	U.S.A.	Mexico	China	Total	Elimination	
Net sales to:							
Outside customers.....	¥83,065	¥33,050	¥12,549	¥ 118	¥128,782	¥ —	¥128,782
Inter-segment sales/transfers.....	1,336	542	—	—	1,878	(1,878)	—
	84,401	33,592	12,549	118	130,660	(1,878)	128,782
Operating expenses.....	83,692	32,261	12,218	400	128,571	(1,914)	126,657
Operating income (loss).....	¥ 709	¥ 1,331	¥ 331	¥ (282)	¥ 2,089	¥ 36	¥ 2,125
Assets.....	¥53,289	¥18,725	¥ 6,270	¥1,754	¥ 80,038	¥ (595)	¥ 79,443

	Millions of yen						Thousands of U.S. dollars	
	2003						Consolidated total	Consolidated total
	Japan	U.S.A.	Mexico	China	Total	Elimination		
Net sales to:								
Outside customers.....	¥94,347	¥34,974	¥9,115	¥ 255	¥138,691	¥ —	¥138,691	\$1,153,835
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	1,153,835
Operating expenses.....	93,622	35,875	9,687	404	139,588	(2,716)	136,872	1,138,702
Operating income (loss).....	¥ 1,877	¥ (167)	¥ 227	¥ (149)	¥ 1,788	¥ 31	¥ 1,819	\$ 15,133
Assets.....	¥53,864	¥21,148	¥5,551	¥1,263	¥ 81,826	¥(1,289)	¥ 80,537	\$ 670,025

(3) Export Sales Information

	Millions of yen						Thousands of U.S. dollars
	2001	2002	2003			Total	2003
			U.S.A.	Mexico	Other		Total
Overseas sales	¥ 41,331	¥ 45,913	¥34,974	¥9,115	¥648	¥ 44,737	\$ 372,188
Consolidated sales.....	121,697	128,782	—	—	—	138,691	1,153,835
Ratio	34.0%	35.7%	25.2%	6.6%	0.5%	32.3%	

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

13. Lease Transactions

The acquisition cost, accumulated depreciation, net book value and depreciation expense of leased assets at March 31, 2002 and 2003, including the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Acquisition cost.....	¥ 572	¥427	\$3,552
Accumulated depreciation.....	(415)	(345)	(2,870)
Net book value.....	¥ 157	¥ 82	\$ 682
Depreciation.....	¥ 158	¥ 92	\$ 765

Lease rental expenses on finance lease contracts without transfer of ownership for the years ended March 31, 2001, 2002 and 2003 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Lease rental expenses for the year	¥259	¥158	¥92	\$765

Outstanding future lease payments due at March 31, 2002 and 2003, including the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Future lease payments:			
Within one year.....	¥ 91	¥54	\$449
Over one year.....	66	28	233
Total	¥157	¥82	\$682

14. Related Party Transactions

The transactions of the Company with its related companies and individuals for the years ended March 31, 2001, 2002 and 2003, 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	Principal business	Equity ownership percentage by the Company	Description of transactions	Millions of yen			Account	Thousands of U.S. dollars					
					Transactions				Resulting account balances		Transactions		Resulting account balances	
					2001	2002	2003		2002	2003	2003	2003		
Technotrim, Incorporated	\$ 120 (Thousands of dollars)	Manufacture and sale of automotive components	49.0%	Liabilities for guarantee	¥1,401	¥1,506	¥1,237	—	¥ —	¥ —	\$10,291	\$ —		
Fuji Kiko Co., Ltd.	¥ 4,383 (Millions of yen)	Manufacture of automotive components	24.7%	Purchase of parts	¥1,751	¥3,251	¥6,700	Accounts payable	¥1,185	¥2,465	\$55,740	\$20,507		
				Supply of raw materials	—	—	258		—	—	2,146	—		
				Underwriting at capital income	—	—	402		—	—	3,344	—		
				Loan of money	500	—	—							

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, 2002 and 2003, 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, 2003, 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, procedures and practices generally accepted and applied 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, 2002 and 2003, the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles and practices generally accepted in Japan (see Note 1(1)).

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.


Chuo Aoyama Audit Corporation
Tokyo, Japan
June 26, 2003

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 Technotrim, Inc., Maysville Plant (Kentucky)
- ⑥ Hyperion Seating Corporation (Tennessee)
- ⑦ Industria de Asiento Superior, S.A. de C.V., Aguascalientes Plant (Head Office) (Mexico)
- ⑧ Industria de Asiento Superior, S.A. de C.V., Guadalajara Plant (Mexico)
- ⑨ Industria de Asiento Superior, S.A. de C.V., Cuernavaca Plant (Mexico)
- ⑩ Technotrim, Inc., Ramos Plant (Mexico)

- ⑪ Technotrim, Inc., Saltillo Plant (Mexico)
- ⑫ Technotrim, Inc., Monclova Plant (Mexico)
- ⑬ Shanghai Taiye Seat Co., Ltd. (China)
- ⑭ Xi'an Qintai Seat Co., Ltd. (China)
- ⑮ Zhengzhou Taixin Interia Co., Ltd. (China)

Liaison Offices

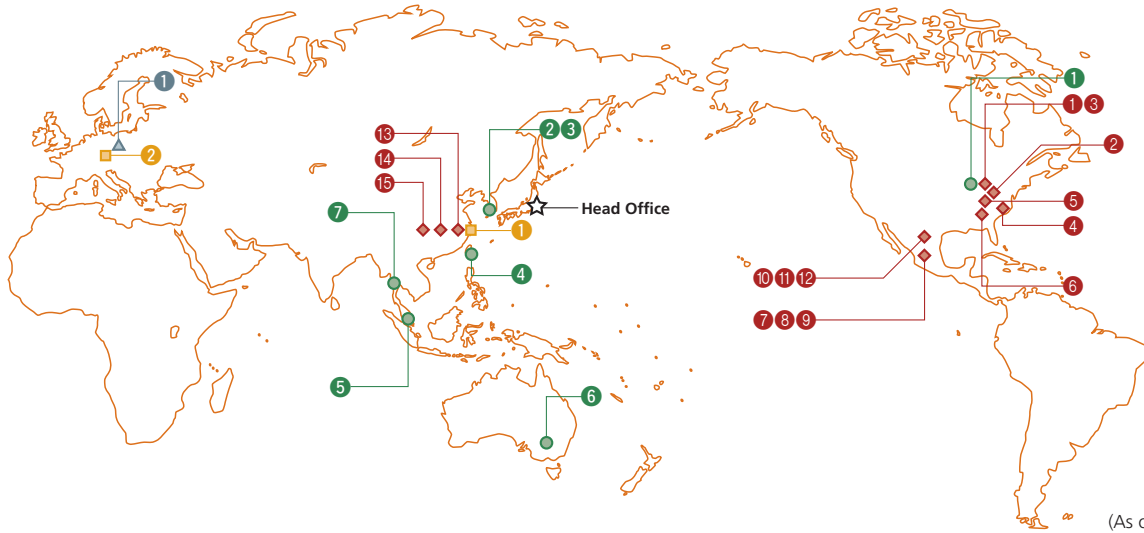
- ① Shanghai Office (China)
- ② Europe Office (Germany)

Technology Licensees

- ① Johnson Controls, Inc. (Michigan)
- ② Koryo Co., Ltd. (Republic of Korea)
- ③ Hyundai Motor Co., Ltd. (Republic of Korea)
- ④ Tsuang Hine Corp., Ltd. (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, 2003)

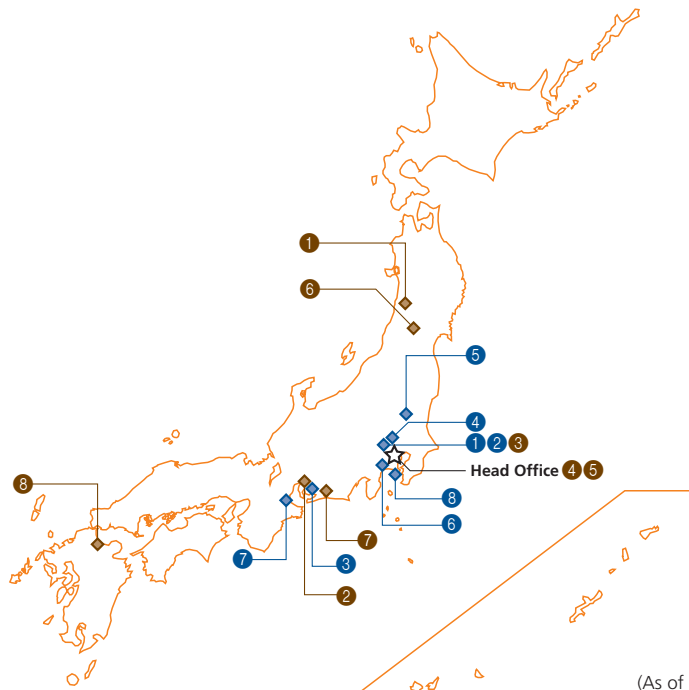
Domestic Network

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, 2003)

Corporate Information

Head Office

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

Date of Establishment

April 7, 1954

Paid-in Capital

¥6,327,531,916
(As of March 31, 2003)

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, 2003)

Board of Directors and Principal Officers

DIRECTORS

Representative Director and President

Kiyoshi Saito

Representative Director

Kosaku Tarumi

Directors

Masataka Takahashi
Tohru Segawa
Seigo Sakamoto
Hiroyuki Shiratori
Yoshimasa Hara
Teisuke Horio

EXECUTIVE OFFICERS

Chief Operating Officer

Kiyoshi Saito

Executive Vice Presidents

Kosaku Tarumi
Masataka Takahashi
Seigo Sakamoto
Hiroyuki Shiratori
Yoshimasa Hara

Senior Executive Officers

Takeo Kimura
Yasukuni Nishiyoshi
Mitsuya Koike
Zenichi Fukushima

Executive Officers

Hitoshi Kondo
Kazuakira Namiki
Mamoru Kawasaki
Toshimitsu Kimura
Noriyoshi Kujime
Yuzuru Fukuda

CORPORATE AUDITORS

Tadao Koizumi
Tomokazu Sugiyama
Hiroyuki Kawai
Michiyoshi Tsuboi

(As of March 31, 2003)

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, without limitation, general economic conditions, currency exchange rates, sudden technological change, and customer preference.



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