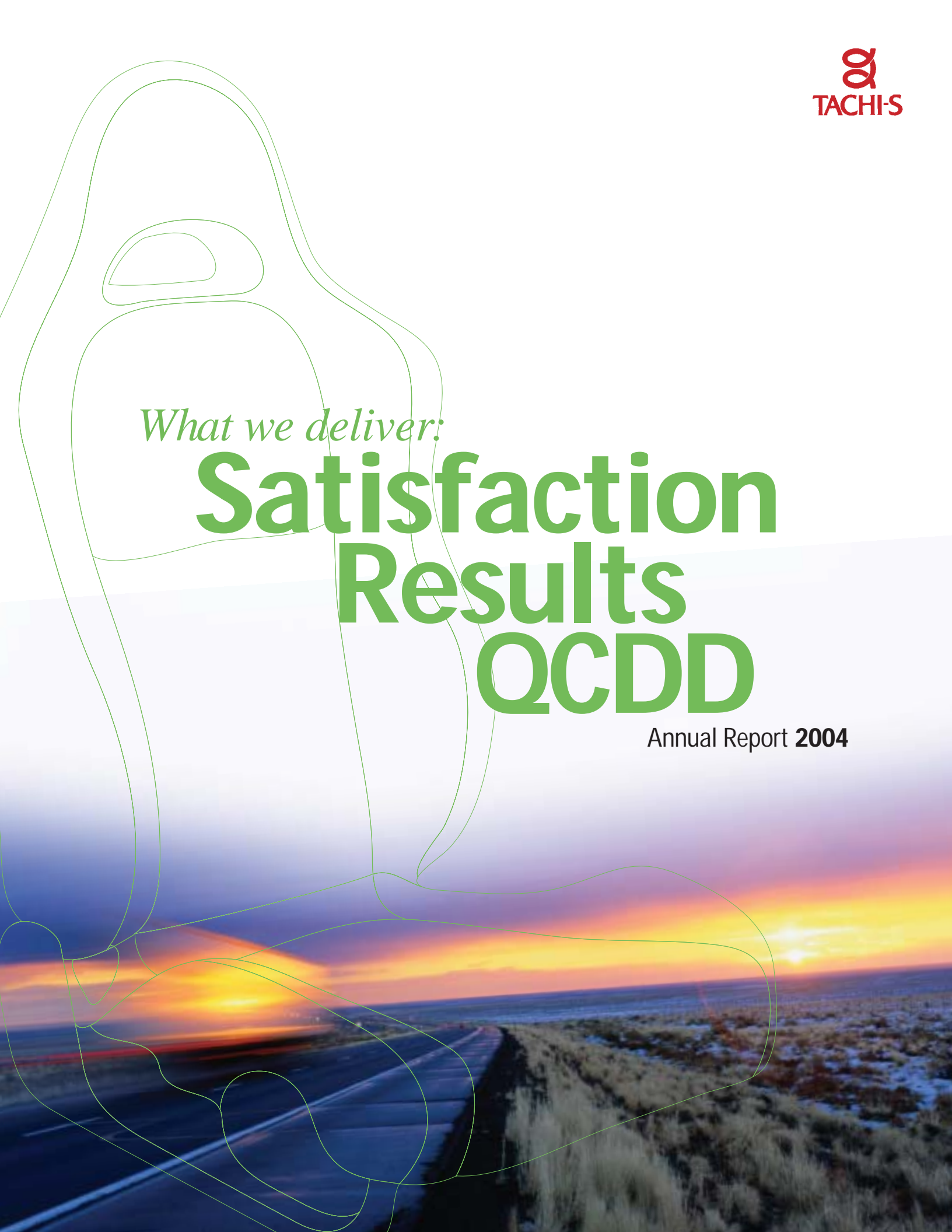


What we deliver:

Satisfaction Results QCDD

Annual Report 2004



Message from the President



Kiyoshi Saito
President

Review

In fiscal 2004, ended March 31, 2004, Tachi-S Co., Ltd., continued with the vigorous implementation of its V50 Plan, a medium-term business plan initiated in fiscal 2003 to improve the Company's earnings structure. We have exerted every effort to ensure that in fiscal 2005, the final year of the V50 Plan, we will conclude the reformation of our earnings structure, which is the plan's fundamental purpose.

Here at the midway point, two years into the implementation of the plan, I am pleased to report that results have been basically in line with the plan's objectives, and fiscal 2004 proved to be the year in which we brought the downward trend in earnings to a complete halt.

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However, business conditions have changed dramatically since the V50 Plan's formulation. One of the most prominent changes has been in the Company's global business strategies. Both the cost of implementing these global strategies and development costs have increased. Being very similar in nature to up-front investments, these costs have become impediments to earnings growth.

Nevertheless, although we have altered the annual operating margin objective for the plan's final year as a means of balancing both earnings reform and our global strategies, we remain committed to attaining the initial objectives of the V50 Plan.

Tachi-S has constantly endeavored to provide stable dividends to its shareholders based on the thorough assessment of such factors as annual net income, progress in business development, and the payout ratio. In line with this policy, for fiscal 2004 we raised our ordinary cash dividend by ¥2, to ¥10 per share. We will also continue to provide our shareholders with solid returns on their investments by paying out commemorative dividends in recognition of significant milestones in the development of our business.

Vision 2010

In 2004, to mark the 50th anniversary of its founding, the Tachi-S Group introduced Vision 2010, which proclaims its corporate ideology, namely to "supply products that fill its customers around the world with confidence and inspiration while contributing to the betterment of society by creating new technologies." Under this new corporate ideology, the entire Group will unite in exerting every effort toward becoming a world-class "seat systems creator" with outstanding technological abilities and superb "QCDD."

Vision 2010 refers to the following long-term objectives, which are to be attained by fiscal 2010.

1. Qualitative objectives:

Achieving world-class QCDD

Q (Quality): Continuously ranking among J.D. Power's top three

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

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

D (Delivery): Assembling a flexible global production framework

2. Quantitative objectives:

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

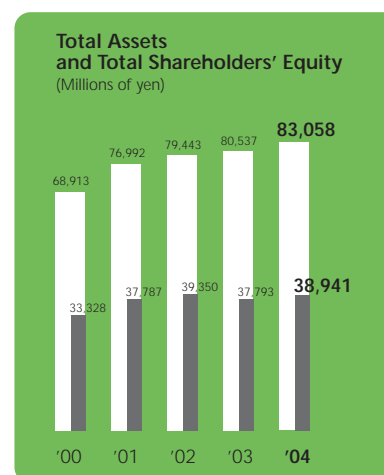
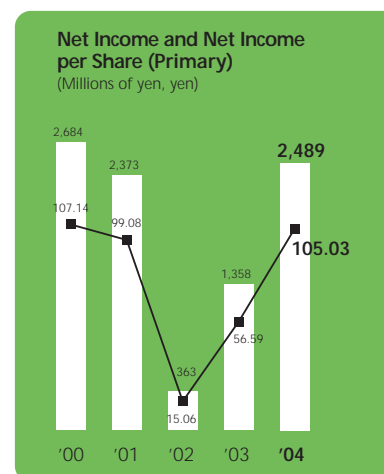
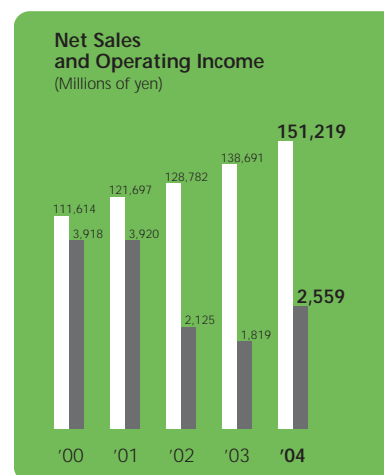
Consistent annual net sales of at least ¥250 billion

Consistent annual ROE of at least 10%

To attain these goals, we aim to go beyond simply supplying seat systems and modules or parts and to become a "seat systems creator." To be a seat systems creator means to develop proposals independently, including marketing and planning, and to provide the product appeal to support these proposals.

Initiatives

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.



Message from the President

Given these circumstances, Tachi-S will place top priority on the following:

1. Enhancing competitiveness through the successful conclusion of earnings structure reform
2. Attaining the industry's top position in terms of product quality
3. Steadily implementing the global business plan
4. Undertaking measures to ensure Vision 2010 accomplishment

We will implement these priorities boldly and swiftly and work to improve earnings so as to conclude the reforms to our earnings structure undertaken in line with the three-year V50 Plan, and attain our next objective of evolving into a world-class seat systems creator.

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 strives to address environmental issues and contribute to the betterment of society.

Also, on the occasion of the 50th anniversary of its founding in April 2004, Tachi-S released a compliance declaration along with a code of ethics and established a compliance framework.

By making reliability the cornerstone of our management policy and pursuing efficiency and integrity, we will continue to augment our corporate governance.

Overview

The Japanese economy is expected to continue to enjoy a gradual recovery on the strength of growth in exports and capital investment, recovery in corporate earnings, and an upturn in the stock market. However, given such lingering concerns as instability in the international political situation, rising materials prices, and volatility in the financial sector, the business environment—both in Japan and overseas—is expected to remain extremely challenging.

In the automotive industry, although economic recovery makes prospects for sales in Japan good, with the absence of special demand for trucks, domestic production is expected to hover at the same level as that for the previous fiscal year. Meanwhile, in the United States, the effect of rising materials prices on manufacturing industries is beginning to cast a shadow over the market, threatening to strain automakers' willingness to offer financial incentives as part of sales promotions as well as their earnings.

Against this backdrop, the Tachi-S Group will maintain its exceptional standards for quality, enhance its competitiveness by reforming its corporate structure, and unite in endeavors to achieve prompt action and further improve earnings.

The Tachi-S Group also realizes that the balance of Japanese automakers' production volumes will eventually shift in favor of overseas production, and, accordingly, as it progresses toward its Vision 2010 goals, it will make global business a pillar of its management strategies as it continues to develop its enterprises.

We look forward to enjoying the further support of our esteemed shareholders.

June 2004



Kiyoshi Saito
President

Profile

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 society through social work, and build trust among all stakeholders. Based on these principles, Tachi-S strives to use its superior technological and QCDD 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, to coincide 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.

What we deliver: Satisfaction



Concept Seat One : "HAPPY"

With its traditional sofa-styled thin backrest and thick cushions, the "retro-future taste" of this item affords an old familiar feeling that soothes the soul. This piece truly provides a relaxing and enjoyable atmosphere.



Concept Seat Two : "CLASSIC"

The combination of magnesium and real leather brings a genuine high-class touch to an edge-accentuated molding.



Milestones

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

Annual Review

The state of the Company's business in fiscal 2004, broken down by geographic segment, is as below.

Japan

Thanks to firm sales of new contracts and vehicles that have undergone model changes, sales in Japan amounted to ¥104.5 billion, an increase of 10.8% compared with the previous fiscal year. However, operating income slipped 3.9%, to ¥1.8 billion, primarily as a result of changes in the product mix and the increased costs of maintaining high quality. Other factors included up-front development investments in the Company's global growth strategy and temporary costs stemming from the commencement of real estate lease operations.

United States

Reflecting strong sales under existing contracts, as well as sales of vehicles that have undergone model changes, which compensated for the decline in currency exchange values caused by the yen's appreciation, sales in the United States amounted to ¥39.0 billion, an increase of 11.5% compared with the previous fiscal year. Due to this increase in sales as well as a substantial decline in losses on school bus operations, operating income also increased, amounting to ¥0.7 billion, compared with an operating loss in the previous fiscal year of ¥0.2 billion.



Tachi-S Taicang Co., Ltd.



Xi'an Qintai Seat Co., Ltd.



Zhengzhou Taixin Interia Co., Ltd.

What we deliver: **QCDD**

Mexico

Although sales in Mexico dipped approximately 3% on a local currency basis, due to the negative effect of the yen's appreciation on currency exchange values actual sales amounted to ¥7.4 billion, a decrease of 19.1% compared with the previous fiscal year. Owing to the decline in sales as well as changes in the product sales mix, operating income also fell, down 62.2%, to ¥0.1 billion.

China

Although the Company has traditionally included Shanghai Taiye Seat Co., Ltd., in consolidation and listed it in the China geographic segment, that company has been removed from consolidation due to the sale of its equity share during fiscal 2004. However, its earnings for the first half of the fiscal year have been included and are as follows.

Sales amounted to ¥0.3 billion thanks to sewing operations coming up to speed and sales of newly contracted finished seats. However, due to the heavy burden of depreciation and amortization and other fixed costs as well as expenses incurred in the launch of business, an operating loss of ¥0.1 billion was recorded.

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)
	2000	2001	2002	2003	2004	2004
FOR THE YEAR						
Net sales	¥111,614	¥121,697	¥128,782	¥138,691	¥151,219	\$1,430,779
Operating income	3,918	3,920	2,125	1,819	2,559	24,212
Net income	2,684	2,373	363	1,358	2,489	23,550
Net income per share: primary (yen)	¥ 107.14	¥ 99.08	¥ 15.06	¥ 56.59	¥ 105.03	\$ 0.994
AT YEAR-END						
Total shareholders' equity.....	¥ 33,328	¥ 37,787	¥ 39,350	¥ 37,793	¥ 38,941	\$ 368,445
Total assets	68,913	76,992	79,443	80,537	83,058	785,864

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥105.69=US\$1, the rate of exchange on March 31, 2004.

Non-Consolidated Financial Highlights (Unaudited)

	Millions of yen					Thousands of U.S. dollars (Note)
	2000	2001	2002	2003	2004	2004
FOR THE YEAR						
Net sales	¥80,649	¥80,494	¥82,623	¥93,853	¥103,696	\$981,138
Operating income	1,864	1,265	564	1,814	1,841	17,426
Net income	1,097	913	691	568	1,342	12,699
Net income per share: primary (yen)	¥ 43.56	¥ 37.91	¥ 28.69	¥ 22.15	¥ 54.27	\$ 0.513
AT YEAR-END						
Total shareholders' equity.....	¥25,649	¥27,148	¥27,432	¥27,611	¥ 29,324	\$277,459
Total assets	51,305	53,959	55,687	56,706	62,330	589,743

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥105.69=US\$1, the rate of exchange on March 31, 2004.

With exceptionally high standards for quality, the Tachi-S Group has made every effort to enhance its competitiveness by reforming its earnings structure and developing outstanding manufacturing processes and products with the potential to set the industry standard, and it has initiated a pro-active sales program to increase the volume of new orders. As a result, consolidated net sales increased 9.0%, to ¥151.2 billion, reflecting continued strength in existing contract models in the United States and exports from Japan.

Although temporary expenses were incurred in Japan, thanks to the lack of the special factors that emerged in the previous fiscal year as well as a vast improvement in school bus operations and a strong performance in existing contract models overseas, consolidated operating income amounted to ¥2.6 billion, a 40.6% increase compared with the previous fiscal year, and consolidated net income totaled ¥2.5 billion, an 83.3% increase.

Cash Flows

In fiscal 2004, cash and cash equivalents climbed 25.1%, or ¥3.2 billion, to ¥15.7 billion, reflecting the recording of income before income taxes and minority interests of ¥4.2 billion and a credit on construction assistance fund receivables related to the Company's real estate lease business, which compensated for the expenses resulting from capital investment in production and the real estate lease business.

What we deliver: **Results**

Consolidated Balance Sheets

Tachi-S Co., Ltd. and its consolidated subsidiaries As of March 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2004	2004
ASSETS			
Current assets:			
Cash, time deposits and other cash equivalents (Note 10)	¥12,176	¥15,327	\$145,018
Marketable securities (Notes 4 and 10)	1,695	1,528	14,457
Accounts and notes receivable:			
Trade	23,311	22,359	211,552
Unconsolidated subsidiaries and affiliates	58	149	1,410
Other	259	360	3,406
	23,628	22,868	216,368
Less: allowance for bad debts	(17)	(18)	(170)
	23,611	22,850	216,198
Inventories (Note 5)	4,156	3,593	33,996
Advance payments	824	883	8,355
Deferred income taxes (Note 9)	894	761	7,200
Other current assets	1,255	1,121	10,607
Total current assets	44,611	46,063	435,831
Investments and advances:			
Investments in securities (Note 4)	2,757	3,648	34,516
Investments in unconsolidated subsidiaries and affiliates (Note 4)	4,548	5,683	53,771
Deferred income taxes (Note 9)	89	65	615
Long-term loans and other investments	2,327	1,662	15,725
Total investments and advances	9,721	11,058	104,627
Property, plant and equipment (Notes 6 and 13):			
Land	5,704	5,655	53,505
Buildings and structures	15,723	18,461	174,671
Machinery and equipment	29,535	27,862	263,620
Construction in progress	1,047	213	2,015
	52,009	52,191	493,811
Less: accumulated depreciation	(26,125)	(26,468)	(250,430)
Net property, plant and equipment	25,884	25,723	243,381
Intangible assets	321	214	2,025
Total assets	¥80,537	¥83,058	\$785,864

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2004	2004
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 6)	¥ 24	¥ 11	\$ 104
Current maturities of long-term debt (Note 6)	—	2,300	21,762
Accounts and notes payable:			
Trade	25,387	23,576	223,067
Unconsolidated subsidiaries and affiliates	4,434	3,687	34,885
Construction and acquisition of properties	318	895	8,468
Other	587	324	3,066
	30,726	28,482	269,486
Income taxes payable (Note 9)	88	1,035	9,793
Other current liabilities	3,993	3,163	29,927
Total current liabilities	34,831	34,991	331,072
Long-term debt (Note 6)	2,300	—	—
Reserve for retirement benefits (Note 7)	936	1,153	10,909
Deferred income taxes (Note 9)	827	1,107	10,474
Excess of investment cost over equity in net assets of consolidated subsidiaries	138	106	1,003
Other non-current liabilities	1,912	5,314	50,279
Minority interests in consolidated subsidiaries	1,800	1,446	13,682
Shareholders' equity:			
Common stock:			
Authorized: 77,300,000			
Issued: 24,090,651	6,327	6,327	59,864
Additional paid-in capital	5,883	5,883	55,663
Retained earnings	24,011	26,120	247,138
Net unrealized gain on securities	535	1,489	14,088
Foreign currency translation adjustments	1,573	(341)	(3,227)
Treasury stock (Notes 2 (18) and 2 (19))	(536)	(537)	(5,081)
Total shareholders' equity	37,793	38,941	368,445
Contingent liabilities (Note 8)			
Total liabilities and shareholders' equity	¥80,537	¥83,058	\$785,864

Consolidated Statements of Income and Retained Earnings

Tachi-S Co., Ltd. and its consolidated subsidiaries Years ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2003	2004	2004
Net sales (Notes 12 and 14)	¥128,782	¥138,691	¥151,219	\$1,430,779
Operating costs and expenses:				
Cost of sales (Notes 12 and 14)	119,333	129,450	140,225	1,326,758
Selling, general and administrative expenses (Note 12)	7,324	7,422	8,435	79,809
Operating income.....	2,125	1,819	2,559	24,212
Other income (expenses):				
Interest and dividend income	325	255	177	1,675
Interest expenses	(96)	(15)	(56)	(530)
Effect of inflation accounting.....	6	—	—	—
Loss on sale/disposal of property, net.....	(495)	(216)	(440)	(4,163)
Gain on sales of securities.....	371	12	273	2,583
Gain on sales of subsidiaries' investments	—	—	96	908
Reversal of allowance for bad debts.....	3	—	—	—
Evaluation loss on securities.....	(135)	(223)	—	—
Amortization of difference between cost of investment and equity in net assets of consolidated subsidiaries	16	15	32	303
Equity in earnings (loss) of unconsolidated subsidiaries and affiliates.....	(191)	1,206	1,660	15,706
Loss on devaluation of golf memberships	(9)	(14)	(3)	(28)
Reversal of loss on main plant.....	—	57	—	—
Early retirement benefits.....	—	(839)	(133)	(1,258)
Other, net	211	45	20	189
	6	283	1,626	15,385
Income before income taxes and minority interests.....	2,131	2,102	4,185	39,597
Income taxes (Note 9):				
Current	863	(5)	1,407	13,312
Deferred.....	338	571	4	38
	1,201	566	1,411	13,350
Minority interests in net income of consolidated subsidiaries	(567)	(178)	(285)	(2,697)
Net income.....	363	1,358	2,489	23,550
Retained earnings:				
Balance at beginning of year	23,117	23,098	24,011	227,183
Appropriations:				
Cash dividends	(241)	(193)	(241)	(2,280)
Directors' bonuses	(50)	(35)	(35)	(331)
Decrease arising from the adoption of inflation accounting by a consolidated subsidiary in Mexico.....	(91)	(119)	(104)	(984)
Cumulative effect arising from the adoption of impairment accounting by a consolidated subsidiary in China.....	—	(98)	—	—
Balance at end of year	¥ 23,098	¥ 24,011	¥ 26,120	\$ 247,138
		Yen		U.S. dollars (Note 3)
Net income and dividends per share (Note 2 (16)):				
Net income: primary	¥15.06	¥56.59	¥105.03	\$0.994
Cash dividends	8.00	10.00	10.00	0.095

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, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2003	2004	2004
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 2,131	¥ 2,102	¥ 4,185	\$ 39,597
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	3,172	3,395	3,787	35,831
Loss on sale/disposal of properties, net	495	216	440	4,163
Loss on devaluation of golf memberships	9	17	3	28
Increase (decrease) in allowance for bad debt	3	(23)	14	132
Equity in loss (earnings) of affiliates	191	(1,206)	(1,660)	(15,706)
Amortization of difference between cost of investment and equity in net assets of consolidated subsidiaries	(16)	(15)	(32)	(303)
Interest and dividend income	(325)	(255)	(177)	(1,675)
Interest expenses	96	15	56	530
Decrease (increase) in notes and accounts receivable	1,190	(3,240)	136	1,287
Decrease (increase) in inventories	(6)	(1,327)	124	1,173
Increase (decrease) in notes and accounts payable	472	4,038	(746)	(7,058)
Other	(492)	(2,018)	(864)	(8,174)
Subtotal	6,920	1,699	5,266	49,825
Interest and dividend income received	997	885	794	7,512
Interest paid	(95)	(16)	(31)	(293)
Income taxes paid	(1,751)	(589)	(274)	(2,592)
Income taxes refunded	—	416	148	1,400
Net cash provided by operating activities	6,071	2,395	5,903	55,852
Cash flows from investing activities:				
Decrease in short-term investments	64	977	8	76
Proceeds from sale of property, plant and equipment	149	207	189	1,788
Payments for purchase of property, plant and equipment	(4,356)	(6,259)	(6,445)	(60,980)
Proceeds from sale of investments in securities	630	47	497	4,702
Payments for purchase of investments in securities	(315)	(534)	(17)	(161)
Payments for purchase of investments in affiliates	(556)	—	—	—
Payments for investment in unconsolidated subsidiaries	—	(381)	—	—
Other	532	52	1,159	10,966
Net cash used in investing activities	(3,852)	(5,891)	(4,609)	(43,609)
Cash flows from financing activities:				
Decrease in short-term bank loans, net	(578)	(449)	(70)	(662)
Repayment of long-term debt	(1,842)	(72)	—	—
Proceeds from long-term debt	2,000	300	—	—
Cash dividends to minority	(572)	(246)	(167)	(1,580)
Cash dividends paid	(240)	(193)	(241)	(2,280)
Other	(1)	653	2,928	27,703
Net cash provided by (used in) financing activities	(1,233)	(7)	2,450	23,181
Effect of exchange rate changes on cash and cash equivalents	478	(621)	(593)	(5,611)
Net increase (decrease) in cash and cash equivalents	1,464	(4,124)	3,151	29,813
Cash and cash equivalents at beginning of year	15,239	16,703	12,579	119,018
Cash and cash equivalents at end of year (Note 10)	¥16,703	¥12,579	¥15,730	\$148,831

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 12.25 percent of the interests outstanding, at March 31, 2004. The Company owned 10,962 thousand shares of common stock of its affiliate Fuji Kiko Co., Ltd., which represents 24.7 percent of the interests outstanding, at March 31, 2004.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 14 and 13 majority-owned subsidiaries as at March 31, 2003 and 2004, respectively. The consolidated financial statements include the accounts of the Company and nine subsidiaries for the year ended March 31, 2003. The consolidated financial statements include the accounts of the Company and eight subsidiaries for the year ended March 31, 2004.

The eight subsidiaries which have been consolidated with the Company for the year ended March 31, 2004 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%

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 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, 2003 and 2004. 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 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.

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 adopting 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) 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) 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.

(12) 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.

(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 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 Incorporated and Syntec Incorporated, adopted accounting 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 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 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.

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 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 stocks 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.

(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 which is held by the Company and an affiliate to which the equity method is applied is 725,000 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 ¥105.69=US\$1, the rate of exchange on March 31, 2004, 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		
	2003			2004			2004		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with unrealized gains:									
Equity securities	¥1,024	¥2,130	¥1,106	¥1,364	¥3,525	¥2,161	\$12,906	\$33,352	\$20,446
Bonds and debentures:									
Bonds	—	—	—	—	—	—	—	—	—
Other	27	36	9	1	1	0	10	10	—
Other securities	—	—	—	11	14	3	104	132	28
	¥1,051	¥2,166	¥1,115	¥1,376	¥3,540	¥2,164	\$13,020	\$33,494	\$20,474
Securities with unrealized losses:									
Equity securities	¥ 542	¥ 468	¥ (74)	¥ 115	¥ 82	¥ (33)	\$ 1,088	\$ 776	\$ (312)
Bonds and debentures:									
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Other securities	1,255	1,251	(4)	1,111	1,111	—	10,512	10,512	—
	¥1,797	¥1,719	¥ (78)	¥1,226	¥1,193	¥ (33)	\$11,600	\$11,288	\$ (312)
Total	¥2,848	¥3,885	¥1,037	¥2,602	¥4,733	¥2,131	\$24,620	\$44,782	\$20,162

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

	Millions of yen						Thousands of U.S. dollars					
	2002			2003			2004					
	Sales value	Profit on sales	Loss on sales	Sales value	Profit on sales	Loss on sales	Sales value	Profit on sales	Loss on sales			
	¥630	¥371	¥—	¥29	¥14	¥2	¥493	¥273	¥—	\$4,665	\$2,583	\$—

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

	Millions of yen						Thousands of U.S. dollars				
	2003			2004			2004				
	Carrying amounts			Carrying amounts			Carrying amounts				
Other securities:											
Unlisted shares (except over-the-counter stock)							¥151	¥ 27		\$ 255	
Medium-term government bond fund							406	406		3,841	

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

	Millions of yen				Thousands of U.S. dollars	
	2003		2004		2004	
	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	45	1	10	1	95	9
Total	¥45	¥ 1	¥10	¥ 1	\$95	\$ 9

5. Inventories

Inventories at March 31, 2003 and 2004 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Finished products	¥ 883	¥ 880	\$ 8,326
Work-in-process	522	413	3,908
Raw materials and supplies.....	2,751	2,300	21,762
	¥4,156	¥3,593	\$33,996

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

The annual average interest rate applicable to short-term bank loans at March 31, 2004 was 0.2%.

Long-term debt at March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Loans from banks, of which the annual average interest rate is 0.8%:			
Unsecured loans.....	¥2,300	¥2,300	\$21,762
	2,300	2,300	21,762
Less: current portion.....	—	2,300	21,762
Long-term debt.....	¥2,300	¥ —	\$ —

Aggregate annual maturities of long-term debt subsequent to March 31, 2004 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥2,300	\$21,762

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, 2003 and 2004, 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
	2003	2004	2004
Land	¥1,073	¥ 15	\$ 142
Buildings and structures	2,151	3,420	32,359
Machinery and equipment.....	8	—	—
	¥3,232	¥3,435	\$32,501

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, 2003 and 2004 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Projected benefit obligations	¥(6,892)	¥(6,887)	\$(65,162)
Plan assets	3,840	4,284	40,534
	(3,052)	(2,603)	(24,628)
Unrecognized actuarial differences	1,932	1,328	12,565
Past service liabilities.....	534	479	4,532
Reserve for retirement benefits.....	¥ (586)	¥ (796)	\$ (7,531)

Net pension expense related to the retirement benefits for the years ended March 31, 2002, 2003 and 2004 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Service cost	¥423	¥439	¥370	\$3,501
Interest cost	183	173	121	1,145
Expected return on plan assets	(117)	(108)	(67)	(634)
Amortization of unrecognized actuarial differences	80	109	212	2,006
Amortization of past service liabilities	—	14	55	520
Net pension expense	¥569	¥627	¥691	\$6,538

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

	2003	2004
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	3.0%	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, 2003 and 2004 included provisions related to directors and statutory auditors in the amounts of ¥351 million and ¥357 million (\$3,378 thousand), respectively.

8. Contingent Liabilities

The Companies were contingently liable for guarantees of loans at March 31, 2003 and 2004 as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Loans borrowed by:			
Technotrim, Incorporated	¥1,237	¥1,088	\$10,294
Tachi-S Service Co., Ltd.	—	5	47
Employees	5	4	38
	¥1,242	¥1,097	\$10,379

9. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2002, 2003 and 2004 was 41.9%.

At March 31, 2002, 2003 and 2004, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

	2002	2003	2004
Statutory tax rate	41.9%	41.9%	41.9%
Dividend income	7.4	10.2	5.1
Equity in (earnings) loss of affiliates	3.6	(21.0)	(14.1)
Operating loss carryforwards	2.7	2.6	5.1
Special deduction of research and development costs	—	—	(3.1)
Adjustment to gain on sale of security of consolidated subsidiary	—	—	(2.4)
Write-down of investment in securities	—	(10.6)	—
Reversal of deferred tax assets	—	7.0	—
Other	0.8	(3.2)	1.2
Effective tax rate	56.4%	26.9%	33.7%

At March 31, 2003 and 2004, the significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Deferred tax assets:			
Reserve for retirement benefits.....	¥ 374	¥ 463	\$ 4,381
Accrued expenses	420	619	5,857
Eliminated unrealized profits	86	57	539
Operating loss carryforwards.....	1,154	580	5,488
Refundable capital tax in Mexico	311	204	1,930
Other	397	472	4,466
Total gross deferred tax assets.....	2,742	2,395	22,661
Less: valuation allowance	(748)	(485)	(4,589)
Total deferred tax assets.....	1,994	1,910	18,072
Set-off: deferred tax liabilities.....	(1,011)	(1,084)	(10,256)
Net deferred tax assets.....	¥ 983	¥ 826	\$ 7,816
Deferred tax liabilities:			
Tax deductible reserve.....	¥ (133)	¥ (132)	\$ (1,249)
Undistributed earnings of foreign subsidiaries and affiliates.....	(86)	(138)	(1,306)
Net unrealized gain or loss on securities	(417)	(863)	(8,165)
Depreciation expense	(535)	(631)	(5,970)
Reserve for retirement benefits.....	(289)	(163)	(1,542)
Other	(378)	(264)	(2,498)
Total gross deferred tax liabilities	(1,838)	(2,191)	(20,730)
Set-off: deferred tax assets.....	1,011	(1,084)	(10,256)
Net deferred tax liabilities	¥ (827)	¥(1,107)	\$ (10,474)

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, 2003 and 2004, 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	2004	2004
Cash, time deposits and other cash equivalents	¥16,301	¥12,176	¥15,327	\$145,018
Marketable securities	2,871	1,695	1,528	14,457
	19,172	13,871	16,855	159,475
Time deposits with deposit terms of over three months.....	(4)	(3)	(3)	(28)
Short-term investments with maturity terms of over three months	(2,465)	(1,289)	(1,122)	(10,616)
Cash and cash equivalents at end of year.....	¥16,703	¥12,579	¥15,730	\$148,831

11. Subsequent Event

The following appropriations of the Company's retained earnings with respect to the year ended March 31, 2004 were as proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 28, 2004:

Appropriations	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥6.0 per share).....	¥145	\$1,372
Bonuses to directors.....	35	331
Transfer to voluntary reserves.....	500	4,731
Total appropriations.....	¥680	\$6,434

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, 2002, 2003 and 2004, classified by geographical segment (divided into sales within Japan and outside Japan), are summarized as follows:

	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						Consolidated total
	2003						
	Japan	U.S.A.	Mexico	China	Total	Elimination	
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						Thousands of U.S. dollars	
	2004						Consolidated total	Consolidated total
	Japan	U.S.A.	Mexico	China*	Total	Elimination		
Net sales to:								
Outside customers.....	¥104,521	¥38,985	¥7,377	¥336	¥151,219	¥ —	¥151,219	\$1,430,779
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	1,430,779
Operating expenses.....	103,477	39,105	8,808	429	151,819	(3,159)	148,660	1,406,567
Operating income (loss).....	¥ 1,805	¥ 689	¥ 86	¥ (93)	¥ 2,487	¥ 72	¥ 2,559	\$ 24,212
Assets.....	¥ 60,260	¥19,045	¥4,199	¥ —	¥ 83,504	¥ (446)	¥ 83,058	\$ 785,864

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

(3) Export Sales Information

	Millions of yen						Thousands of U.S. dollars
	2002	2003	2004			Total	2004
			U.S.A.	Mexico	Other		Total
Overseas sales	¥ 45,913	¥ 44,737	¥38,985	¥7,377	¥1,172	¥ 47,534	\$ 449,749
Consolidated sales.....	128,782	138,691	—	—	—	151,219	1,430,779
Ratio	35.7%	32.3%	25.8%	4.9%	0.7%	31.4%	31.4%

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, 2003 and 2004, including the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Acquisition cost.....	¥427	¥184	\$1,741
Accumulated depreciation.....	(345)	(156)	(1,476)
Net book value.....	¥ 82	¥ 28	\$ 265
Depreciation.....	¥ 92	¥ 54	\$ 511

Lease rental expenses on finance lease contracts without transfer of ownership for the years ended March 31, 2002, 2003 and 2004 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Lease rental expenses for the year	¥158	¥92	¥54	\$511

Outstanding future lease payments due at March 31, 2003 and 2004, including the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Future lease payments:			
Within one year.....	¥54	¥15	\$142
Over one year.....	28	13	123
Total	¥82	¥28	\$265

14. Related Party Transactions

The transactions of the Company with its related companies and individuals for the years ended March 31, 2002, 2003 and 2004, 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			Account name	Thousands of U.S. dollars			
					Transactions				Resulting account balances		Transactions	Resulting account balances
					2002	2003	2004		2003	2004	2004	2004
Technotrim Incorporated	\$ 120 (Thousands of dollars)	Manufacture and sale of automotive components	49.0%	Liability for guarantees	¥1,506	¥1,237	¥1,088	—	¥ —	¥ —	\$10,294	\$ —
Fuji Kiko Co., Ltd.	¥ 4,383	Manufacture of automotive parts	24.7%	Purchase of parts	¥3,251	¥6,700	¥8,179	Accounts payable	¥2,465	¥2,084	¥77,387	¥19,718
				Supply of raw materials	—	258	267	Accounts receivable	—	—	2,526	—
				Underwriting of capital increase	—	402	—	—	—	—	—	—

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, 2003 and 2004, 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, 2004, 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, 2003 and 2004, the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles 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.

ChuoAoyama PricewaterhouseCoopers
ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 28, 2004

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., Marysville Plant (Kentucky)
- ⑥ Fuji Autotech U.S.A. LLC (Kentucky)
- 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 Tachi-S Taicang Co., Ltd. (China)
- ⑭ Xi'an Quintai Seat Co., Ltd. (China)
- ⑮ Zhengzhou Taixin Interia Co., Ltd. (China)

Liaison Offices

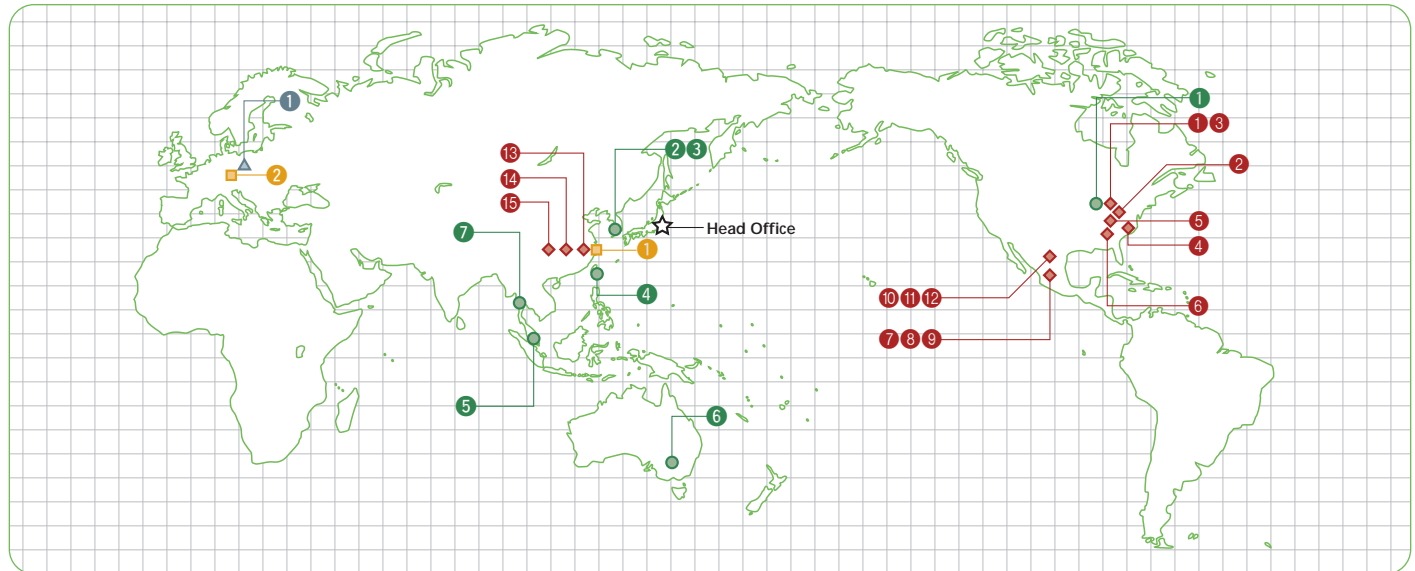
- ① Shanghai Office (China)
- ② Europe Office (Germany)

Technology Licensees

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

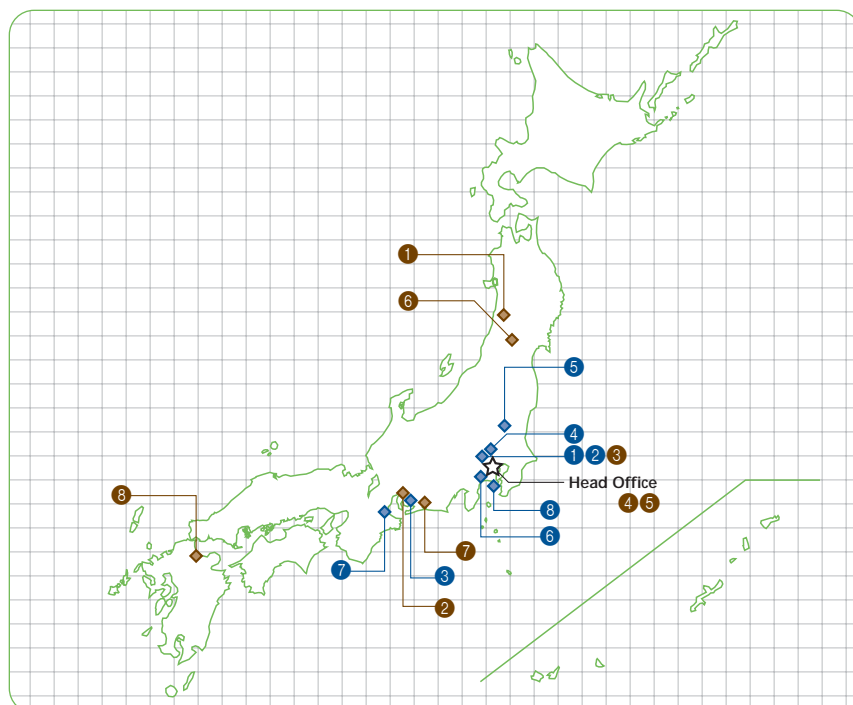
Technology Licensor

- ① Istringhausen GmbH & Co. KG (Germany)



(As of March 31, 2004)

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, 2004)

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, 2004)

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, 2004)

Board of Directors and Principal Officers

DIRECTORS

Representative Director and President

Kiyoshi Saito

Representative Director

Kosaku Tarumi

Directors

Masataka Takahashi

Seigo Sakamoto

Hiroyuki Shiratori

Mitsuya Koike

Hitoshi Kondo

Teisuke Horio

EXECUTIVE OFFICERS

Chief Operating Officer

Kiyoshi Saito

Executive Vice Presidents

Kosaku Tarumi

Masataka Takahashi

Seigo Sakamoto

Hiroyuki Shiratori

Senior Executive Officers

Mitsuya Koike

Hitoshi Kondo

Zenichi Fukushima

Executive Officers

Kazuakira Namiki

Mamoru Kawasaki

Toshimitsu Kimura

Noriyoshi Kujime

Yuzuru Fukuda

Yuji Taguchi

Koji Asahina

Yutaka Yajima

Kazuyoshi Matsushita

Hideo Kobayashi

Yoshiyuki Nogami

CORPORATE AUDITORS

Tadao Koizumi

Hiroyuki Kawai

Michiyoshi Tsuboi

Takuya Miyashita

(As of March 31, 2004)

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>**