

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from accounts and records maintained by TOYODA GOSEI Co., Ltd. (the “Company”) and its consolidated subsidiaries in accordance with the accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Relevant notes have been added and certain reclassification of the accounts in the basic financial statements published in Japan have been made to present them in a form more familiar to readers outside Japan. These reclassifications do not affect the values of total assets, shareholders’ equity, net sales, or net income.

The financial statements presented here are expressed in yen. Solely for the convenience of the readers, they have been translated into U.S. dollars at the rate of ¥105.69 = US\$1, the approximate exchange rate on the Tokyo foreign exchange market on March 31, 2004. These translations should not be construed as representations that the yen amounts have been or could be converted into U.S. dollars at the rate used here or at any other rate.

2. Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and its 34 significant subsidiaries (28 for 2003). Subsidiaries not included in the consolidated accounts are excluded from these accounts because they are all small in terms of total assets, net sales, net income, and retained earnings, etc. All significant intercompany transactions and accounts have been eliminated.

If the cost of an investment in a consolidated subsidiary or in an affiliate accounted for by the equity method differs from the underlying net equity, that amount is deferred and amortized on a straight-line basis over five years.

Investment in one affiliate is accounted for by the equity method of accounting. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost, because they are small in terms of net income and retained earnings, etc.

Consolidated subsidiaries as of March 31, 2004:

Consolidated subsidiaries (34 companies)

Domestic consolidated subsidiaries (11 companies):

TG Logistics Co., Ltd.	Toyoda Gosei Kyusyu Co., Ltd.
Hoshin Gosei Co., Ltd.	Ichiei Kogyo Co., Ltd.
Hinode Gomu Kogyo Co., Ltd.	TG Welfare Co., Ltd.
TG Maintenance Co., Ltd.	Togo Jushi Co., Ltd.
TG Opseed Co., Ltd.	Kaiyou Gomu Co., Ltd.
Fuel Total Systems Co., Ltd.	

Overseas consolidated subsidiaries (23 companies):

TG North America Corporation	TG Missouri Corporation
TG Kentucky, LLC	TG Automotive Sealing Kentucky LLC
TG Fluid Systems U.S.A. Corporation	TG California Automotive Sealing Inc.
TG Personnel Services North America, Inc.	TGR Technical Center LLC
Tapex Mexicana S.A. de C.V	Fuel Total Systems California Corporation
TOYODA GOSEI HOLDINGS INC.	WATERVILLE TG INC.
TG Minto Corporation	Toyoda Gosei UK Ltd.
Toyoda Gosei Fluid Systems UK Ltd.	TG Safety Systems Czech, s.r.o.
Fong Yue Co., Ltd.	Toyoda Gosei Asia Co., Ltd.
Toyoda Gosei (Thailand) Co., Ltd.	Toyoda Gosei Rubber (Thailand) Co., Ltd.
Bridgestone TG Australia Pty Ltd.	TG KIRLOSKAR Automotive Private Limited
Tianjin Toyoda Gosei Co., Ltd.	

Affiliate accounted for by the equity method (1 company)

Daicel Safety Systems America, LLC

(2) Inventories

Inventories are stated principally at cost, as determined by the annual average method. Inventories in some consolidated subsidiaries in nations other than Japan are stated at the lower of cost or market.

(3) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed principally by the declining balance method for the Company and domestic subsidiaries and by the straight-line method for foreign subsidiaries.

(4) Foreign currency translation

Accounts of overseas consolidated subsidiaries have been translated into yen as follows:

- Assets and liabilities have been translated at the prevailing year-end rate.
- Shareholders' equity has been translated at the rate prevailing when equity is acquired or when a change in equity occurred.
- Revenue and expense have been translated at the prevailing year-end rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

(5) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

(6) Allowance for doubtful accounts

Allowance for doubtful accounts is established in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(7) Employees' retirement benefit liabilities

Effective as of the year ended March 31, 2001, the Company and its consolidated subsidiaries adopted a new accounting standard for retirement benefits for employees. The Company and its subsidiaries accrue an amount which is considered to be incurred in the period based on the estimated benefit obligations and estimated pension assets at the end of the year.

The Company and some of its domestic subsidiaries obtained exemptions from the Ministry of Health, Labor and Welfare on August 13, 2002, from the future benefit obligations of the substitutional portion of Employees' Pension Fund. Pursuant to transitional measures of Paragraph 47-2 of "Practical Guidelines on Accounting Standards for Retirement Benefits (JICPA's Accounting System Committee Report No.13)," the Company and some of its domestic subsidiaries recognized a gain on the relinquishment of the substitutional portion of the retirement benefit obligations of the welfare pension funds on the date when the exemptions were approved.

(8) Allowance for retirement and severance benefits for directors and corporate auditors

Until the year ended March 31, 2003, the Company charged retirement benefits for directors and corporate auditors to income as incurred. Effective as of the year ended March 31, 2004, the Company has changed its method of accounting for retirement benefits for directors and corporate auditors to provide for the accrued cost of retirement benefits payable to directors and corporate auditors at an amount equivalent to 100% of such benefits the Company would be required to pay under the directors' retirement benefit rule. As a result of this change, operating income decreased by ¥397 million (\$3,758 thousand) and income before income taxes and minority interests decreased by ¥1,100 million (\$10,410 thousand).

(9) Investments and marketable securities

Effective as of the year ended March 31, 2001, the Company and its consolidated subsidiaries adopted a new accounting standard for financial instruments. Under this standard, debt securities for which the Company and its consolidated subsidiaries have both positive intent and the ability to hold to maturity are classified as held-to-maturity securities and are stated at amortized cost. Marketable and non-marketable securities, other than those classified as trading or held-to-maturity securities, are classified as available-for-sale securities and are stated at moving average cost.

Effective as of the year ended March 31, 2002, marketable securities classified as available-for-sale securities are carried at fair value, and net unrealized gain or loss is reported in a separate component of shareholders' equity, net of applicable income taxes. Gains and losses on the disposition of investment securities are computed based on the moving average method.

(10) Income taxes

Effective as of the year ended March 31, 2000, the Company has adopted tax effect accounting. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The assets and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequence of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will be realized.

(11) Net income and cash dividends per share

Net income and cash dividends per share of common stock are computed based on the average number of shares outstanding during the year. Cash dividends per share are the amounts applicable to the respective periods. Diluted net income per share of common stock reflects the potential dilution as a result of issuance of shares upon conversion of the Company's convertible bonds and exercise of stock options.

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted a new accounting standard for the computation of earnings per share. The principal change to the former standard is that the amounts not attributable to common shareholders are deducted from net income to compute basic net income per share and diluted net income per share.

(12) Leases

Finance lease transactions other than those where ownership is considered to be transferred to the lessee are accounted for as operating leases.

(13) Appropriation of retained earnings

In the accompanying consolidated statements of shareholders' equity, the approved amount during the relevant fiscal year is reflected for the appropriation of retained earnings of consolidated subsidiaries. In Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings through an appropriation, instead of being charged to income for the year.

3. Inventories

Inventories as of March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished goods	¥ 9,833	¥ 6,274	\$ 93,035
Raw materials	5,131	3,474	48,551
Work in process	7,798	7,486	73,779
Supplies	3,549	4,350	33,579
Total	¥26,311	¥21,584	\$248,944

4. Long-Term Debt

(1) Long-term debt as of March 31, 2004 and 2003, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
The Company:			
0.75% convertible bonds due 2004	¥ -	¥ 5,458	\$ -
1.10% bonds due 2007	10,000	10,000	94,616
0.55% bonds due 2008	10,000	10,000	94,616
Less: Current portion of convertible bonds	(-)	(5,458)	(-)
Consolidated Subsidiaries:			
Loans from banks and others	3,887	4,568	36,773
Less: Current portion of long-term debt	(1,809)	(542)	(17,114)
Total	¥22,078	¥24,026	\$208,891

(2) The aggregate annual maturities of long-term debt at March 31, 2004, are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,		
2005	¥1,809	\$17,114
2006	954	9,025
2007	809	7,660
2008	32	304
2009	282	2,670
Total	¥3,886	\$36,773

5. Shareholders' Equity

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares is required to be designated as common stock. The portion which is to be designated as common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock are to be credited to capital surplus.

Effective from October 1, 2001, the Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be set aside as legal retained earnings until the total amount of capital surplus and legal retained earnings equals 25% of common stock.

The legal reserve may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or shareholders of the Company. On the condition that the total amount of capital surplus and legal retained earnings remains in excess of 25% of common stock, the excess portion is available for distributions and certain other purposes by the resolution of shareholders at the Ordinary General Meeting of Shareholders. Legal retained earnings are included in retained earnings in the consolidated financial statements.

Dividends are approved by the shareholders at the Ordinary General Meeting of Shareholders held subsequent to the fiscal year to which the dividends are applicable. In addition, a semiannual interim dividend may be paid upon resolution by the Board of Directors, subject to limitations imposed by the Code. Effective from October 1, 2001, the Code allows companies to repurchase treasury stock by resolution of the shareholders and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, capital surplus or retained earnings to be reduced in the case where such reduction was resolved at the Ordinary General Meeting of Shareholders.

Effective from September 25, 2003, the Code allows a company to repurchase its own shares by resolution of the Board of Directors if its articles of incorporation provide for such repurchasing based on such resolutions.

6. Retirement Benefits

(1) Outline of retirement benefits plan:

The Company and its domestic consolidated subsidiaries have welfare annuity fund pension plans, tax-qualified pension plans and lump-sum severance payment plans as a part of their defined benefit scheme.

The Company and some of its domestic subsidiaries obtained exemptions from the Ministry of Health, Labor and Welfare on January 1, 2004, from the past benefit obligations of the substitutional portion of the Employees' Pension Fund.

(2) Benefit obligations as of March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
(a) Benefit obligations	¥(59,464)	¥(50,841)	\$ (562,627)
(b) Fair value of projected pension assets	36,168	29,946	342,209
(c) Subtotal (a) + (b)	(23,296)	(20,895)	(220,418)
(d) Unrecognized actuarial difference	11,501	11,750	108,816
(e) Unrecognized loss in prior service obligations	1,038	—	9,824
(f) Amount shown on balance sheet (c) + (d) + (e)	¥(10,757)	¥ (9,145)	\$ (101,778)

The consolidated subsidiaries have adopted the simplified method in calculating the projected benefit obligations.

(3) Retirement benefit costs for the years ended March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
(a) Service cost	¥2,257	¥ 2,416	\$21,354
(b) Interest cost	1,239	1,582	11,722
(c) Expected return on plan assets	(9)	(12)	(83)
(d) Recognized actuarial loss	1,268	680	11,995
(e) Amortization of prior service obligations	27	—	252
(f) Gain on return of substitutional portion of Employees' Pension Fund	—	(10,004)	—
(g) Retirement benefit cost (a) + (b) + (c) + (d) + (e) + (f)	¥4,782	¥ (5,338)	\$45,240

1. Retirement expenses of subsidiaries, which adopted the simplified method, are included in (a) Service cost.

2. The above table does not include the amounts related to the contribution of employees to the Employees' Pension Fund.

(4) The assumptions used for the calculation of retirement benefits for the years ended March 31, 2004 and 2003, are as follows:

	2004	2003
Period allocation method for estimated retirement benefit	Straight-line method	Straight-line method
Discount rate	2.0%	2.5%
Expected return on plan assets	0.03%	0.05%
Period of amortizing actuarial difference	10 years	10 years
Period of amortizing prior service obligations	10 years	—

7. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Employees' retirement benefits liability	¥4,073	¥2,433	\$ 38,540
Depreciation and amortization	1,697	1,603	16,057
Accrued expense for employees' bonuses	2,334	2,002	22,087
Net operating loss carry-forwards for tax purposes	1,747	1,111	16,532
Accrued enterprise taxes	547	531	5,178
Others	3,097	1,642	29,301
Subtotal	13,495	9,322	127,695
Less valuation allowance	(2,564)	(1,173)	(24,264)
Total deferred tax assets	10,931	8,149	103,431
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥2,844	¥1,194	\$ 26,912
Depreciation and amortization	2,531	1,457	23,951
Others	426	337	4,030
Total deferred tax liabilities	5,801	2,988	54,893
Net deferred tax assets	¥5,130	¥5,161	\$ 48,538

(2) Reconciliation items of difference between the Japanese statutory tax rate and the effective income tax rate on pretax income for the years ended March 31, 2004 and 2003, are as follows:

	2004	2003
Japanese statutory tax rate	41.62%	41.62%
Permanently nondeductible expense	0.73	0.49
Tax-exempt income	(0.55)	(0.11)
Reclassification of deferred tax assets by the change of tax rate	0.76	0.41
Others	(0.51)	(1.07)
Effective income tax rate	42.05%	41.34%

8. Pledged Assets

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Pledged assets	¥1,464	¥1,476	\$13,847
Secured loans			
Short-term bank loans	758	385	7,175
Long-term debt	321	307	3,034
Total	¥1,079	¥ 692	\$10,209

9. Contingent Liabilities

As of March 31, 2004, the Company was responsible as guarantor for loans to other companies as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Daicel Safety Systems America, LLC	¥453	¥409	\$4,287
Metzeler Automotive India Private Limited	32	62	301
Total	¥485	¥471	\$4,588

10. Marketable Securities

(1) Gross unrealized gains and losses for marketable securities held to maturity and available for sale as of March 31, 2004, are as follows:

	Millions of yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale security with fair value:				
Stocks	¥4,685	¥7,162	¥(49)	¥11,798
Bonds	500		(1)	499
Held-to-maturity security with fair value:				
Bonds	834	32	(0)	866
Total	¥6,019	¥7,194	¥(50)	¥13,163

	Thousands of U.S. dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale security with fair value:				
Stocks	\$44,328	\$67,768	\$(469)	\$111,627
Bonds	4,728		(14)	4,714
Held-to-maturity security with fair value:				
Bonds	7,891	306	(1)	8,196
Total	\$56,947	\$68,074	\$(484)	\$124,537

(2) The redemption schedule of marketable securities held to maturity as of March 31, 2004, is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Within 1 year	Over 1 year, within 5 years	Over 5 years	Within 1 year	Over 1 year, within 5 years	Over 5 years
Bonds						
Government bonds	¥ 10	¥130	¥110	\$ 90	\$1,228	\$1,038
Corporate bonds	—	500	498	—	4,731	4,714
Others	110	85	—	1,041	803	—
Total	¥ 120	¥715	¥608	\$1,131	\$6,762	\$5,752

11. Derivatives

Foreign consolidated subsidiaries have foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

The basic policies for derivatives are approved by the Board of Directors and executed and controlled by the Financial Department. The consolidated subsidiaries do not hold or have not issued any derivatives for the purpose of speculation. There is no balance of contract amount as of March 31, 2004.

12. Leases

Finance leases that do not transfer ownership of leased properties to lessees are treated as operating leases.

(1) A summary of property held under finance leases, including acquisition cost and accumulated depreciation, as of March 31, 2004 and 2003, is as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Building			2004
Acquisition cost equivalents	¥1,144	¥ 614	\$10,824
Accumulated depreciation equivalents	267	233	2,528
Building year-end balance equivalents	877	381	8,296
Machinery and vehicles			
Acquisition cost equivalents	5,272	7,842	49,879
Accumulated depreciation equivalents	3,220	4,858	30,468
Machinery and vehicles year-end balance equivalents	2,052	2,984	19,411
Tools and furnishings			
Acquisition cost equivalents	2,887	2,691	27,318
Accumulated depreciation equivalents	1,450	1,610	13,717
Tools and furnishings year-end balance equivalents	1,437	1,081	13,601
Total leased properties, net	¥4,366	¥4,446	\$41,308

Acquisition cost equivalents include the imputed interest expense portion because the percentage which is computed by dividing future minimum lease payments by total balance of property, plant and equipment, etc., at year-ends is not material.

(2) The future minimum lease payments as of March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Due within 1 year	¥1,385	¥1,607	\$13,105
Due after 1 year	2,981	2,839	28,203
Total	¥4,366	¥4,446	\$41,308

Future minimum lease payments under finance leases include the imputed interest expense portion because the percentage which is computed by dividing future minimum lease payments by total balance of property, plant and equipment, etc., at year-ends is not material.

(3) Total lease payments for the years ended March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
	¥1,847	1,768	\$17,476

Depreciation expenses that are not reflected in the accompanying consolidated statements of income are computed mainly by the straight-line method, which assumes zero residual value and leasing terms equal to the useful lives of the items leased, and are equivalent to the total lease payments given above for the years ended March 31, 2004 and 2003.

13. Segment Information

(1) Business segments

The Company's primary business activities are (1) automotive parts (2) nonautomotive parts.

A summary of net sales, operating income (loss), assets, depreciation and capital expenditure by segment of business activities for the years ended March 31, 2004 and 2003, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales:			
Automotive parts	¥352,490	¥306,640	\$3,335,128
Nonautomotive parts	44,522	38,206	421,258
Elimination of intersegment transactions	(29)	(4)	(276)
Consolidated	¥396,983	¥344,842	\$3,756,110
Operating income (loss):			
Automotive parts	¥ 13,409	¥ 12,350	\$ 126,871
Nonautomotive parts	10,826	8,440	102,434
Elimination of intersegment transactions	—	—	—
Consolidated	¥ 24,235	¥ 20,790	\$ 229,305
Assets:			
Automotive parts	¥252,805	¥270,292	\$2,391,944
Nonautomotive parts	31,803	28,578	300,913
Corporate or elimination	34,081	(15,969)	322,460
Consolidated	¥318,689	¥282,901	\$3,015,317
Depreciation:			
Automotive parts	¥ 22,803	¥ 20,938	\$ 215,758
Nonautomotive parts	3,259	2,457	30,833
Consolidated	¥ 26,062	¥ 23,395	\$ 246,591
Capital expenditures:			
Automotive parts	¥ 36,834	¥ 31,947	\$ 348,510
Nonautomotive parts	4,521	3,098	42,774
Consolidated	¥ 41,355	¥ 35,045	\$ 391,284

1. Corporate assets under the corporate or elimination column primarily consist of cash and time deposits and marketable securities.

2. Effective as of the year ended March 31, 2004, allowance for retirement and severance benefits for directors and corporate auditors has been recorded. Consequently, operating costs and expenses increased by ¥349 million (\$3,305 thousand) for the automotive parts segment and ¥48 million (\$453 thousand) for the nonautomotive parts segment, and operating income for each segment decreased by the same amount.

(2) Geographic segments—by company location

Information by geographic area for the years ended March 31, 2004 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales:			
Japan	¥296,884	¥266,091	\$2,809,005
North America	81,473	70,260	770,871
Others	36,025	22,640	340,854
Elimination of intersegment transactions	(17,399)	(14,149)	(164,620)
Consolidated	¥396,983	¥344,842	\$3,756,110
Operating income (loss):			
Japan	¥ 20,229	¥ 16,720	\$ 191,398
North America	2,198	4,745	20,799
Others	1,904	(378)	18,016
Elimination of intersegment transactions	(96)	(297)	(908)
Consolidated	¥ 24,235	¥ 20,790	\$ 229,305
Assets:			
Japan	¥233,190	¥218,160	\$2,206,362
North America	61,051	54,783	577,637
Others	35,590	25,927	336,743
Corporate or elimination	(11,142)	(15,969)	(105,425)
Consolidated	¥318,689	¥282,901	\$3,015,317

1. Corporate assets under the corporate or elimination column primarily consist of cash and time deposits and marketable securities.

2. Effective as of the year ended March 31, 2004, allowance for retirement and severance benefits for directors and corporate auditors has been recorded. Consequently, operating costs and expenses of the Japan segment increased by ¥397 million (\$3,758 thousand) and operating income of the Japan segment decreased by the same amount.

(3) Sales by customer location

Information for sales by customer location for the years ended March 31, 2004 and 2003, is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2004		2003		2004	
Japan	¥278,446	70.1%	¥245,199	71.1%	\$2,634,554	70.1%
North America	79,086	19.9%	69,318	20.1%	748,285	19.9%
Others	39,451	10.0%	30,325	8.8%	373,271	10.0%
Net sales	¥396,983		¥344,842		\$3,756,110	

14. Related Party Transactions

During the years ended March 31, 2004 and 2003, the Company and its subsidiaries had operational transactions with Toyota Motor Corporation (“TMC”), a 43.5% shareholder of the Company. A summary of the significant transactions with TMC for the years ended, or as at March 31, 2004 and 2003, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
For the year:			
Sales of finished goods	¥138,952	¥122,471	\$1,314,714
Purchase of raw material	16,001	15,481	151,397
At the year-end:			
Accounts receivable	¥18,393	¥15,628	\$174,024
Accounts payable	1,678	1,484	15,872

15. Subsequent Events

(1) Appropriation of retained earnings

On June 24, 2004, the shareholders of the Company authorized the payment of year-end cash dividends to shareholders of record as of March 31, 2004, of ¥8.5 (\$0.080) per share, or a total of ¥1,099 million (\$10,402 thousand), and bonuses to directors and corporate auditors of ¥211 million (\$1,998 thousand).

Cash dividends for the year thus totaled ¥16 (\$0.151) per share, including a semiannual dividend of ¥7.5 (\$0.071).

(2) Stock option plan

The Company introduced a stock option plan for the first time in June 2001. The purpose of this plan is to further sharpen the motivation of directors, key employees, and directors of subsidiaries in enhancing shareholder value. The grant price is the higher of the closing price on the Tokyo Stock Exchange on the date of grant and 1.05 times the average closing price in the full calendar month prior to the month of the grant date.

Recipients may not exercise the option within the first two years.

In June 2003, the Ordinary General Meeting of Shareholders approved a warrant that earmarks a maximum of 450,000 shares of common stock to be further distributed among directors and certain employees.

In fiscal 2003, the Company purchased 419,100 shares of common stock (¥1,099 million) as treasury stock.

In June 2004, the Ordinary General Meeting of Shareholders approved a warrant that earmarks a maximum of 500,000 shares of common stock to be further distributed among directors, key employees, and directors of subsidiaries.

(3) Purchase of treasury stock

The Company is authorized to repurchase up to 500,000 shares of the Company’s common stock (aggregate amount of ¥2,300 million (\$21,762 thousand)).