

# 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 accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting 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 reader, they have been translated into U.S. dollars at the rate of ¥107.39 = US\$1, the exchange rate on the Tokyo foreign exchange market on March 31, 2005. These translations should not be construed as representations that the yen amounts have been or could have been 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 35 significant subsidiaries (34 for 2004). 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. 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, 2005:

#### Consolidated subsidiaries (35 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 (24 companies):

Toyoda Gosei 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 Service North America, Inc.  
TGR Technical Center LLC  
Tapex Mexicana S.A.D.S.C.V  
Toyoda Gosei Texas LLC  
Fuel Total Systems California Corporation  
TOYODA GOSEI HOLDINGS INC.  
WATERVILLE TG INC.  
TG Minto Corporation Inc.  
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

The fiscal years of certain subsidiaries are different from the fiscal year of the Company. Since the difference is not more than three months, the Company uses those subsidiaries' statements for those fiscal years, making adjustments for significant transactions that materially affect the financial position or results of operations.

All significant intercompany transactions, balances and unrealized profits within the Company have been eliminated.

All of the assets and liabilities of the acquired subsidiaries is stated at fair value as of the date of acquisition of control.

**(2) Inventories**

Inventories other than optoelectronics finished goods are stated principally at cost, as determined by the annual average method. Inventories at some consolidated subsidiaries in nations other than Japan are stated at the lower of cost or market. As of the fiscal year ended March 31, 2005, the Company has stated inventories of optoelectronics finished goods at the lower of cost or market, as determined by the annual average method. See Note 3. Changes in Accounting Policies and Adoption of New Accounting Standards.

**(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.

The Company employs an estimated usable life of three years for LED-related items included in machinery and equipment. That is in view of the short life spans characteristic of products and manufacturing equipment in the LED product sector.

**(4) Foreign currency translations**

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 the equity was acquired or when a change in equity occurred.
- Revenue and expenses have been translated at the prevailing year-end rate.

Differences arising from such translations 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) Allowance for employees' retirement benefit**

The Company and its subsidiaries accrue an amount for employees' retirement benefit liabilities which is considered to be incurred in the period based on the estimated projected benefit obligations and estimated pension assets at the end of the year.

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

Allowance for retirement benefits for directors and corporate auditors of the Company and certain domestic subsidiaries is

provided based on the Company's internal rules and is calculated as the estimated amount that would be payable if all directors and corporate auditors were to retire at the balance sheet date. Any amounts payable to directors and corporate auditors upon retirement are subject to approval at the annual shareholders' meeting.

**(9) Investments and marketable securities**

The Company and certain of its consolidated subsidiaries classify securities into four categories by purpose of holding: trading securities, held-to-maturity securities, other securities, and investments in unconsolidated subsidiaries and affiliates. The Company and its subsidiaries did not have trading securities as of March 31, 2005 or 2004. Other securities with readily determinable fair values are stated at fair value based on market price at the end of the year. Unrealized gains and losses are included in Net unrealized gains on available-for-sale securities as a separate component of shareholders' equity. Cost of sales of such securities is determined by the moving-average method. Other securities without readily determinable fair values are stated at cost as determined by the moving-average method. Held-to-maturity securities are stated at cost. Investments in unconsolidated subsidiaries and affiliate are stated at moving-average cost or are accounted for by the equity method.

**(10) Income taxes**

The provision for income taxes is computed based on the pre-tax income included in the consolidated statement of income. The assets and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequences 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 a tax benefit is likely to be realized.

**(11) Net income and cash dividends per share**

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed on the assumption that convertible bonds were converted at the time of issue, unless their conversion would have had an antidilutive effect, and that warrants or stock options were exercised at the beginning of the relevant year or (if later) on their first exercise date and the funds obtained thereby were used to purchase common stock at the average market price during the respective years under the treasury stock method.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

**(12) Lease transactions**

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. Changes in Accounting Policies and Adoption of New Accounting Standards

#### (1) For the year ended March 31, 2005

##### *Change in valuation method for inventories*

The Company has traditionally used the cost method, based on the average method, as its valuation method for inventories. As of the fiscal year ended March 31, 2005, it has adopted the lower-of-cost-or-market method, based on the average method, to account for inventories of optoelectronics finished goods. The Company made this change in order to present its financial position more accurately. Market prices for optoelectronic products have recently been fluctuant, and those fluctuations have resulted in large discrepancies between the book value and market value of product inventories. In addition, management expects that market prices will continue to fluctuate widely in the optoelectronics product sector. As a result of this change, operating income decreased by ¥2,456 million (\$22 million) compared with what it would have been had the former method of accounting for inventories been applied. Descriptions of the effect of this change on the Company's financial results by business segment appear under Business segments and under Geographic segments—by company location.

#### (2) Recent accounting pronouncements in Japan

##### *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." That standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of an impaired asset or group of assets to the recoverable amount to be measured as the higher of the asset's or assets' net selling price and value in use. The standard shall be effective for fiscal years beginning on and after April 1, 2005. However, an earlier adoption is permitted for fiscal years ended between March 31, 2004, and March 31, 2005. The Company has not adopted the standard for the fiscal year ended March 31, 2004, and the Company's fixed assets have not been reviewed for impairment.

### 4. Inventories

Inventories as of March 31, 2005 and 2004, are as follows:

		Millions of yen	Thousands of U.S. dollars
	2005	2004	2005
Finished goods	¥ 9,872	¥ 9,833	\$ 91,921
Raw materials	5,271	5,131	49,084
Work in process	8,330	7,798	77,570
Supplies	1,990	3,549	18,531
Total	¥25,463	¥26,311	\$ 237,106

### 5. Long-Term Debt

(1) Long-term debt as of March 31, 2005 and 2004, is as follows:

		Millions of yen	Thousands of U.S. dollars
	2005	2004	2005
The Company:			
1.10% bonds due 2007	¥10,000	¥10,000	\$ 93,118
0.55% bonds due 2008	10,000	10,000	93,118
Consolidated subsidiaries:			
Loans from banks and others	3,132	3,887	29,163
Less: Current portion of long-term debt	(294)	(1,809)	(2,736)
Total	¥22,838	¥22,078	\$ 212,663

(2) The aggregate annual maturities of long-term debt at March 31, 2005, are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 294	\$ 2,736
2007	1,933	18,001
2008	655	6,098
2009	—	—
2010	250	2,328
Total	¥3,132	\$29,163

## 6. 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 that is to be designated as stated 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 reserve 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 reserve is 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 dividend is applicable. In addition, a semi-annual 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 a company 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 that the company may purchase its own shares by resolution of the board of directors.

## 7. Research and Development

Research and development expenses, which are included in selling, general and administrative expenses and in manufacturing costs, amounted to ¥24,502 million (\$228,164 thousand) and ¥22,673 million for the years ended March 31, 2005 and 2004, respectively.

## 8. 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. In addition, certain overseas subsidiaries maintain noncontributory defined benefit pension plans.

(2) Benefit obligations as of March 31, 2005 and 2004 are as follows:

	2005	2004	2005
	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
(a) Projected benefit obligations	¥(68,306)	¥(59,464)	\$(636,059)
(b) Fair value of plan assets	41,333	36,168	384,886
(c) Subtotal (a) + (b)	(26,973)	(23,296)	(251,173)
(d) Unrecognized actuarial loss	12,576	11,501	117,108
(e) Unrecognized loss in prior service obligations	932	1,038	8,677
(f) Prepaid pension expenses	(700)	—	(6,514)
(g) Amount shown on balance sheets (c) + (d) + (e) + (f)	¥(14,165)	¥(10,757)	\$(131,902)

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

(3) Retirement benefit costs for the years ended March 31, 2005 and 2004, are as follows:

	2005	Millions of yen 2004	Thousands of U.S. dollars 2005
(a) Service cost	¥2,825	¥2,257	\$26,310
(b) Interest cost	1,479	1,239	13,776
(c) Expected return on plan assets	(276)	(9)	(2,574)
(d) Recognized actuarial loss	1,465	1,268	13,640
(e) Amortization of prior service obligations	111	27	1,032
(f) Retirement benefit cost (a) + (b) + (c) + (d) + (e)	¥5,604	¥4,782	\$52,184

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

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

(4) The assumptions used for calculation of retirement benefits for the years ended March 31, 2005 and 2004, are as follows:

	2005	2004
Period allocation method for estimated retirement benefits	<b>Straight-line method</b>	Straight-line method
Discount rate	<b>2.0%</b>	2.0%
Expected return on plan assets	<b>0.03%</b>	0.03%
Period of amortizing actuarial difference	<b>10 years</b>	10 years
Period of amortizing prior service obligations	<b>10 years</b>	10 years

## 9. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2005 and 2004, are as follows:

	2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Deferred tax assets:			
Employee's retirement benefits liability	¥ 5,966	¥ 4,073	\$ 55,559
Depreciation and amortization	2,035	1,697	18,948
Accrued expenses for employees' bonuses	2,278	2,334	21,209
Net operating loss carry-forwards for tax purposes	2,665	1,747	24,818
Accrued enterprise taxes	280	547	2,613
Inventories	1,087	-	10,117
Others	3,355	3,097	31,236
Subtotal	17,666	13,495	164,500
Less: valuation allowance	(2,557)	(2,564)	(23,810)
Total deferred tax assets	15,109	10,931	140,690
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥ 3,726	¥ 2,844	\$ 34,698
Depreciation and amortization	3,996	2,531	37,211
Others	501	426	4,661
Total deferred tax liabilities	8,223	5,801	76,570
Net deferred tax assets	¥ 6,886	¥ 5,130	\$ 64,120

(2) Reconciliation differences between the Japanese statutory tax rate and the effective income tax rate on pretax income for the years ended March 31, 2005 and 2004, are as follows:

	2005	2004
Japanese statutory tax rate	40.28%	41.62%
Permanently nondeductible expenses	0.95	0.73
Nontaxable income	(0.80)	(0.55)
Tax credit for R&D expenses and other	(3.13)	-
Others	(2.81)	0.25
Effective income tax rate	34.49%	42.05%

## 10. Pledged Assets

	2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Pledged assets	<b>¥1,919</b>	¥1,464	<b>\$17,865</b>
Secured loans			
Short-term borrowings	<b>901</b>	758	<b>8,392</b>
Long-term debt	<b>278</b>	321	<b>2,584</b>
Total	<b>¥1,179</b>	¥1,079	<b>\$10,976</b>

## 11. Contingent Liabilities

As of March 31, 2005, the Company was responsible as guarantor for loans to other companies as follows:

	2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Daicel Chemical Industries, Ltd.	<b>¥323</b>	¥453	<b>\$3,006</b>
Schlegel Corporation	<b>5</b>	32	<b>52</b>
Total	<b>¥328</b>	¥485	<b>\$3,058</b>

## 12. Marketable Securities

(1) Gross unrealized gains and losses for marketable securities held-to-maturity and available-for-sale as of March 31, 2005 and 2004, are as follows:

(a) As of the year ended March 31, 2005

	Cost	Gross unrealized gains	Gross unrealized losses	Millions of yen Fair value
Available-for-sale securities with fair value:				
Stocks	¥5,375	¥9,636	¥(349)	¥14,662
Bonds	500	11		511
Other	110	0		110
Held-to-maturity securities with fair value:				
Bonds	1,124	22	(0)	1,146
Total	¥7,109	¥9,669	¥(349)	¥16,429

	Cost	Gross unrealized gains	Gross unrealized losses	Thousands of U.S. dollars Fair value
Available-for-sale securities with fair value:				
Stocks	\$50,047	\$89,732	\$(3,246)	\$136,533
Bonds	4,652	104		4,756
Other	1,024	1		1,025
Held-to-maturity securities with fair value:				
Bonds	10,471	208	(0)	10,679
Total	\$66,194	\$90,045	\$(3,246)	\$152,993

(b) As of the year ended March 31, 2004

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

(2) The redemption schedule of securities held to maturity as of March 31, 2005 and 2004, are as follows:

	2005			2004			2005		
	Within 1 year	1 to 5 years	Over 5 years	Within 1 year	1 to 5 years	Over 5 years	Within 1 year	1 to 5 years	Over 5 years
Bonds									
Government bonds	¥ 10	¥170	¥ 59	¥ 10	¥130	¥110	\$ 93	\$1,581	\$ 557
Corporate bonds	800	-	-	-	500	498	7,449	-	-
Others	5	80	510	110	85	-	47	744	4,756
Total	¥815	¥250	¥569	¥120	¥715	¥608	\$7,589	\$2,325	\$5,313

### 13. Derivatives

Foreign consolidated subsidiaries use 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 Finance Division. The consolidated subsidiaries do not hold and have not issued any derivatives for the purpose of speculation. There is no balance of contract amounts as of March 31, 2005.

### 14. Lease Transactions

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

(1) Pro forma information regarding leased property, including acquisition cost equivalents and accumulated depreciation equivalents, which are not reflected in the accompanying consolidated balance sheets under finance leases as of March 31, 2005 and 2004, is as follows:

	2005	2004	2005
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Building			
Acquisition cost equivalents	¥2,895	¥1,144	\$26,959
Accumulated depreciation equivalents	392	267	3,648
Building year-end balance equivalents	2,503	877	23,311
Machinery and vehicles			
Acquisition cost equivalents	5,189	5,272	48,318
Accumulated depreciation equivalents	3,487	3,220	32,471
Machinery and vehicles year-end balance equivalents	1,702	2,052	15,847
Tools and furnishings			
Acquisition cost equivalents	2,935	2,887	27,326
Accumulated depreciation equivalents	1,567	1,450	14,591
Tools and furnishings year-end balance equivalents	1,368	1,437	12,735
Total leased property, net	¥5,573	¥4,366	\$51,893

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

(2) Pro forma information regarding future minimum lease payments as of March 31, 2005 and 2004, is as follows:

	2005	2004	2005
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within 1 year	¥1,346	¥1,385	\$12,536
Due after 1 year	4,234	2,981	39,430
Total	¥5,580	¥4,366	\$51,966

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

(3) Total lease payments for the years ended March 31, 2005 and 2004, are as follows:

2005	2004	2005
Millions of yen	Millions of yen	Thousands of U.S. dollars
¥1,526	1,847	\$14,210

Depreciation expenses, which 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, 2005 and 2004.

## 15. Segment Information

### (1) Business segments

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

A summary of net sales, operating income (loss), assets, depreciation, and capital expenditures by segment of business activities for the years ended March 31, 2005 and 2004, is as follows:

	2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Net sales:			
Automotive parts	¥400,090	¥352,490	\$3,725,582
Non Automobile parts	35,521	44,522	330,765
Elimination of intersegment transactions	(72)	(29)	(674)
Consolidated	¥435,539	¥396,983	\$4,055,673
Operating income (loss):			
Automotive parts	¥ 19,381	¥ 13,409	\$ 180,473
Nonautomotive parts	(2,189)	10,826	(20,384)
Elimination of intersegment transactions	-	-	-
Consolidated	¥ 17,192	¥ 24,235	\$ 160,089
Assets:			
Automotive parts	¥282,547	¥252,805	\$2,631,035
Nonautomotive parts	33,066	31,803	307,911
Corporate or elimination	26,826	34,081	249,799
Consolidated	¥342,439	¥318,689	\$3,188,745
Depreciation and amortization:			
Automotive parts	¥ 24,896	¥ 22,803	\$ 231,834
Nonautomotive parts	3,622	3,259	33,726
Consolidated	¥ 28,518	¥ 26,062	\$ 265,560
Capital expenditures:			
Automotive parts	¥ 35,826	¥ 36,834	\$ 333,604
Nonautomotive parts	7,113	4,521	66,242
Consolidated	¥ 42,939	¥ 41,355	\$ 399,846

1. Corporate assets included in "Corporate or elimination" consist primarily of cash and time deposits and marketable securities.

2. As described in Note 3 (1) Changes in Accounting Policies and Adoption of New Accounting Standards, the Company switched to the lower-of-cost-or-market method, based on the average method, from the cost method, based on the average method, as its valuation criteria and method for inventories of optoelectronics finished goods as of the fiscal year ended March 31, 2005. As a result of this change, operating income in the nonautomotive parts business segment was ¥2,456 million (\$22,868 thousand) lower than it would have been had the former method of accounting for inventories been applied.

### (2) Geographic segments—by company location

Information by geographic area for the years ended March 31, 2005 and 2004, is as follows:

	2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Net sales:			
Japan	¥308,178	¥296,884	\$2,869,711
North America	97,510	81,473	908,003
Others	52,481	36,025	488,693
Elimination of intersegment transactions	(22,630)	(17,399)	(210,734)
Consolidated	¥435,539	¥396,983	\$4,055,673
Operating income:			
Japan	¥ 10,312	¥ 20,229	\$ 96,023
North America	3,595	2,198	33,476
Others	3,391	1,904	31,574
Elimination of intersegment transactions	(106)	(96)	(984)
Consolidated	¥ 17,192	¥ 24,235	\$ 160,089
Assets:			
Japan	¥210,790	¥233,190	\$1,962,844
North America	69,961	61,051	651,469
Others	41,508	35,590	386,522
Corporate or elimination	20,180	(11,142)	187,910
Consolidated	¥342,439	¥318,689	\$3,188,745

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

2. As described in Note 3 (1) Changes in Accounting Policies and Adoption of New Accounting Standards, the Company switched to the lower-of-cost-or-market method, based on the average method, from the cost method, based on the average method, as its valuation criteria and method for inventories of optoelectronics finished goods as of the fiscal year ended March 31, 2005. As a result of this change, operating income in the Japan segment was ¥2,456 million (\$22,868 thousand) lower than it would have been had the former method of accounting for inventories been applied.

### (3) Sales by customer location

Information by overseas sales for the years ended March 31, 2005 and 2004, is as follows:

	2005		Millions of yen		Thousands of U.S. dollars	
			2004		2005	
Japan	<b>¥284,704</b>	<b>65.4%</b>	278,446	70.1%	<b>\$2,651,121</b>	<b>65.4%</b>
North America	<b>94,397</b>	<b>21.7%</b>	79,086	19.9%	<b>879,006</b>	<b>21.7%</b>
Others	<b>56,438</b>	<b>12.9%</b>	39,451	10.0%	<b>525,546</b>	<b>12.9%</b>
Net Sales	<b>¥435,539</b>	<b>100.0%</b>	396,983	100.0%	<b>\$4,055,673</b>	<b>100.0%</b>

## 16. Related Party Transactions

During the years ended March 31, 2005 and 2004, the Company and its consolidated subsidiaries had operational transactions with Toyota Motor Corporation ("TMC"), a 43.2% shareholder of the Company as of March 31, 2005. A summary of the significant transactions with TMC for the years ended or as at March 31, 2005 and 2004, is as follows:

	2005		Millions of yen		Thousands of U.S. dollars	
			2004		2005	
For the year:						
Sales of finished goods	<b>¥151,149</b>		¥138,952		<b>\$1,407,478</b>	
Purchases of raw materials	<b>15,163</b>		16,001		<b>141,200</b>	
At year-end:						
Trade accounts receivable	<b>¥ 20,191</b>		¥18,393		<b>\$ 188,012</b>	
Trade accounts payable	<b>1,551</b>		1,678		<b>14,441</b>	

## 17. Subsequent Event

### *Appropriation of retained earnings*

On June 24, 2005, the shareholders of the Company authorized the payment of year-end cash dividends to shareholders of record as of March 31, 2005, of ¥9.0 (\$0.084) per share, or a total of ¥1,161 million (\$10,816thousand), and bonuses to

directors and corporate auditors of ¥179 million (\$1,672 thousand).

Cash dividends for the year thus totaled ¥18 (\$0.167) per share, including a semiannual dividend of ¥9.0 (\$0.084).

## 18. Others

### (1) Stock option plan

The Company introduced a stock option plan for the first time from 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 2005, 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 key employees and directors of subsidiaries.

### (2) Purchase of treasury stock

The Company is authorized to repurchase its common stock up to the lower of 450,000 shares or an aggregate amount of ¥1,500 million (\$13,968 thousand).