

● 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 reclassifications 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 ¥117.47=US\$1, the exchange rate on the Tokyo foreign exchange market on March 31, 2006. 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 (35 for 2005). 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, 2006:

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.
FTS 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.
TG R 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 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 year-ends of certain subsidiaries are different from the fiscal year of the Company. Since the differences are 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 are 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 overseas consolidated subsidiaries 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. As a result, write-downs of inventories as of March 31, 2006 and 2005 were recognized at ¥2,691 million (\$22,906 thousand) and ¥2,456 million, respectively. They were charged to income. (See Note 3. Changes in Accounting Policy 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 overseas 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 product and manufacturing equipment in the LED product sector

Significant renewals and additions are capitalized at cost. Repair and maintenance are charged to income as incurred.

Accumulated depreciation as of March 31, 2006 and 2005 was ¥287,928 million (\$2,451,080 thousand) and ¥264,659 million, respectively.

(4) Intangible assets and amortization

Amortization of intangible assets is computed using the straight-line method. Software costs for internal use are amortized by the straight-line method over their expected useful lives (five years).

A certain U.S. subsidiary, Toyoda Gosei North America, has recorded goodwill under the accounting method prescribed in U.S. Statement of Financial Accounting (SFAS) No. 142, "Goodwill and Other Intangible Assets".

Under SFAS No. 142, goodwill which has an undefined useful life will be tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount.

(5) Impairment of fixed assets

Calculation of the impairment of fixed assets is based on reasonable and supportable assumptions and projections of the grouping of assets and recoverable value, with due consideration of the specific condition of each company. The recoverable amount of assets is calculated based on the net selling price. The change in accounting policy is described in Note 3.

(6) 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 was 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.

(7) 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.

(8) Allowance for doubtful accounts

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

(9) Allowance for employees' retirement benefits

The Company and its consolidated 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.

Unrecognized prior service costs are amortized based on the straight-line method over a period of 10 years beginning at the date of adoption of the plan amendment. Actuarial gains or losses are amortized based on the straight-line method over a period of 10 years starting from the beginning of the subsequent year.

(10) 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 consolidated 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.

(11) 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 consolidated subsidiaries did not have trading securities as of March 31 2006 and 2005. Other securities with readily determinable fair values are stated at fair value based on market price at the end of the year. Unrealized gain and losses are included in "Net unrealized gain on available-for-sales 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 amortized cost. Investments in unconsolidated subsidiaries and affiliates are stated at moving-average cost.

(12) Income taxes

The provision for income taxes is computed based on the pretax 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 it is more likely than not that a tax benefit will not realized.

(13) Net income and cash dividends per share

Basic net income per share of common stock is computed by dividing income

available to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period.

Diluted net income per share of common stock is calculated based on the assumption for the possible dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or result in the insurance of common stock.

As described Note 19, the Company granted the stock option to its directors, key employees and directors of subsidiaries for purchasing its common stock.

Diluted net income per share of common stock for the year ended March 31, 2006 reflects possible dilution of the stock option.

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.

(14) Leases transactions

Finance leases transactions other than those where ownership is considered to be transferred to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.

3. Changes in Accounting Policy and Adoption of New Accounting Standards

(1) For the year ended March 31, 2005

Inventories for criterion and valuation method

The Company has traditionally used the cost method, based on the average method, as its valuation method for inventories. Effective for 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, as compared with the previous accounting method. 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

4. Inventories

Inventories as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Finished goods	¥12,307	¥ 9,872	\$104,769
Raw materials	7,364	5,271	62,689
Work in process	7,284	8,330	62,005
Supplies	4,348	1,990	37,016
Total	¥31,303	¥25,463	\$266,479

(15) 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.

(16) Derivatives

The Company utilizes the interest rate swaps to hedge interest rate exposure of long-term debt.

Hedge effectiveness is not measured because this swap is fulfilled with a certain condition.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

Company Location.

(2) For the year ended March 31, 2006

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 applied the standard to the consolidated financial statements effective for fiscal year ended March 31, 2006 for the first time, and the Company's fixed assets have been reviewed for impairment accordingly. As a result of the adoption of this new accounting standard, no impairment

5. Long-Term Debt

(1) Long-term debt as of March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
The Company:			
1.10% bonds due to 2007 without collateral	¥10,000	¥10,000	\$ 85,128
0.55% bonds due to 2008 without collateral	10,000	10,000	85,128
Loans from banks	10,000	—	85,128
Less: Current portion of long-term debt	(10,000)	—	(85,128)
Consolidated subsidiaries:			
Loans from banks and others	4,244	3,132	36,129
Less: Current portion of long-term debt	(2,012)	(294)	(17,131)
Total	¥22,232	¥22,838	\$189,254

(2) The aggregate annual maturities of long-term debt at March 31, 2006 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥12,012	\$102,259
2008	11,363	96,728
2009	594	5,057
2010	20	170
2011	10,255	87,299
Total	¥34,244	\$291,513

6. Shareholders' Equity

Effective from October 1, 2001, the Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of cash dividends and other cash appropriations 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. The legal reserve is included in retained earnings in the consolidated financial statements.

Dividends are approved by the shareholders at the Ordinary General Meeting

7. Research and Development Expenses

Research and development expenses, which are included in selling, general and administrative expenses and manufacturing costs, amounted

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 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.

¥25,312 million (\$215,478 thousand), and ¥24,502 million for the years ended March 31, 2006 and 2005, respectively.

8. Retirement Benefits

(1) Outline of retirement benefits plan:

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

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

(2) Benefit obligations as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
(a) Projected benefit obligations	¥(71,220)	¥(68,306)	\$(606,280)
(b) Fair value of plan assets	51,299	41,333	436,697
(c) Subtotal (a)+(b)	(19,921)	(26,973)	(169,583)
(d) Unrecognized actuarial loss	6,298	12,576	53,612
(e) Unrecognized prior service obligations	(2,948)	932	(25,100)
(f) Prepaid pension expenses	(2,345)	(700)	(19,960)
(g) Amount shown on balance sheet (c)+(d)+(e)+(f)	¥(18,916)	¥(14,165)	\$(161,031)

1. The consolidated subsidiaries, excluding TG Logistics, have adopted the simplified method for calculating the projected benefit obligations.

(3) Retirement benefit cost for the years ended March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
(a) Service cost	¥3,093	¥2,825	\$26,337
(b) Interest cost	1,601	1,479	13,631
(c) Expected return on plan assets	(368)	(276)	(3,135)
(d) Recognized actuarial loss	2,322	1,465	19,764
(e) Amortization of prior service obligations	(905)	111	(7,706)
(f) Retirement benefit cost (a)+(b)+(c)+(d)+(e)	¥5,743	¥5,604	\$48,891

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

(4) The assumptions used for the calculation of retirement benefits for the years ended March 31, 2006 and 2005 are as follows:

	2006	2005
Period allocation method for estimated retirement benefits	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected return on plan assets	0.03%	0.03%
Period of amortizing actuarial difference	10 years	10 years
Period of amortizing prior service obligations	10 years	10 years

9. Income Taxes:

(1) The significant components of deferred tax assets and liabilities as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 7,702	¥ 5,966	\$ 65,563
Depreciation and amortization	2,162	2,035	18,407
Accrued expense for employees' bonuses	2,186	2,278	18,610
Net operating loss carry-forwards for tax purposes	2,485	2,665	21,157
Accrued enterprise taxes	462	280	3,936
Inventories	1,171	1,087	9,973
Others	4,247	3,355	36,148
Sub-total	20,415	17,666	173,794
Less valuation allowance	(2,633)	(2,557)	(22,410)
Total deferred tax assets	¥17,782	¥15,109	\$151,384
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥ 6,534	¥ 3,726	\$ 55,624
Depreciation and amortization	4,937	3,996	42,027
Others	512	501	4,359
Total deferred tax liabilities	11,983	8,223	102,010
Net deferred tax assets	¥ 5,799	¥ 6,886	\$ 49,374

(2) The reconciliation of the differences between the Japanese statutory tax rate and the actual effective income tax rate on pretax income for the years ended March 31, 2006 and 2005 is as follows:

	2006	2005
Japanese statutory tax rate	40.28%	40.28%
Permanently nondeductible expenses	0.75	0.95
Tax exempt income	(0.77)	(0.80)
Tax credit for R&D expenses and other	(2.99)	(3.13)
Others	(1.67)	(2.81)
Actual effective income tax rate	35.60%	34.49%

10. Assets Pledged as Collateral

Assets pledged as collateral and secured liabilities as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Pledged assets:			
Building and structures	¥ 488	¥ 682	\$ 4,152
Land	1,172	1,237	9,981
Total	¥1,660	¥1,919	\$14,133
Secured liabilities:			
Short-term borrowings	¥ 940	¥ 901	\$ 8,000
Long-term debt	357	278	3,043
Total	¥1,297	¥1,179	\$11,043

11. Contingent Liabilities

As of March 31, 2006, the Company was responsible as guarantor for loans to other companies as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Daicel Chemical Industries, Ltd.	¥272	¥323	\$2,318
Schlegel Corporation	12	5	99
Total	¥284	¥328	\$2,417

12. Marketable Securities

(1) Gross unrealized gains and losses for marketable held-to-maturity and available-for-sale securities as of March 31, 2006 and 2005 are as follows:

(a) As of the year ended March 31, 2006

	Millions of yen			Fair value
	Cost	Gross unrealized gains	Gross unrealized losses	
Available-for-sale securities with fair value:				
Stocks	¥5,375	¥16,738	¥(471)	¥21,642
Bonds	500	—	(8)	492
Other	110	0	—	110
Held-to-maturity securities with fair value:				
Bonds	309	15	—	324
Total	¥6,294	¥16,753	¥(479)	¥22,568

	Thousands of U.S. dollars			Fair value
	Cost	Gross unrealized gains	Gross unrealized losses	
Available-for-sale securities with fair value:				
Stocks	\$45,753	\$142,492	\$(4,006)	\$184,239
Bonds	4,253	—	(68)	4,185
Other	936	0	—	936
Held-to-maturity securities with fair value:				
Bonds	2,634	125	—	2,759
Total	\$53,576	\$142,617	\$(4,074)	\$192,119

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

	Millions of yen			Fair value
	Cost	Gross unrealized gains	Gross unrealized losses	
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

(2) The redemption schedule of securities held-to-maturity as of March 31, 2006, is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Within 1 year	Over 1 year and within 5 years	Over 5 years	Within 1 year	Over 1 year and within 5 years	Over 5 years
Bonds						
Government bonds	—	¥210	¥ 20	—	\$1,788	\$ 170
Corporate bonds	—	—	500	—	—	4,256
Others	¥20	60	—	\$170	511	
Total	¥20	¥270	¥520	\$170	\$2,299	\$4,426

13. Derivatives

The Company uses interest rate swap contracts to hedge interest rate risk associated with interest rate fluctuations and certain overseas 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 Company and its 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, 2006.

14. Lease Transactions

Finance leases, that do not transfer ownership of leased property to 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, 2006 and 2005, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Buildings:			
Acquisition cost equivalents	¥2,877	¥2,895	\$24,490
Accumulated depreciation equivalents	502	392	4,276
Buildings year-end balance equivalents	2,375	2,503	20,214
Machinery and vehicles:			
Acquisition cost equivalents	4,048	5,189	34,463
Accumulated depreciation equivalents	2,719	3,487	23,147
Machinery and vehicles year-end balance equivalents	1,329	1,702	11,316
Tools and furnishings:			
Acquisition cost equivalents	2,302	2,935	19,596
Accumulated depreciation equivalents	1,288	1,567	10,964
Tools and furnishings year-end balance equivalents	1,014	1,368	8,632
Total leased property, net	¥4,718	¥5,573	\$40,162

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, 2006 and 2005, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within 1 year	¥1,108	¥1,346	\$ 9,436
Due after 1 year	3,610	4,234	30,726
Total	¥4,718	¥5,580	\$40,162

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, 2006 and 2005, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
	¥1,422	¥1,526	\$12,104

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 2006 and 2005.

15. Segment Information

(1) Business segments

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

A summary of net sales, operating income (loss), assets, depreciation and amortization and capital expenditures by segment of business activities for the years ended March 31, 2006 and 2005 is as follows:

		Millions of yen		Thousands of U.S. dollars
		2006	2005	2006
Net sales	Automotive parts	¥469,743	¥400,090	\$3,998,830
	Non-Automotive parts	28,772	35,521	244,932
	Elimination of intersegment transactions	(87)	(72)	(741)
	Consolidated	¥498,428	¥435,539	\$4,243,021
Operating income (loss)	Automotive parts	¥26,474	¥19,381	\$225,366
	Non-Automotive parts	(6,798)	(2,189)	(57,868)
	Elimination of intersegment transactions	—	—	—
	Consolidated	¥19,676	¥17,192	\$167,498
Assets	Automotive parts	¥326,672	¥282,547	\$2,780,900
	Non-Automotive parts	32,424	33,066	276,023
	Corporate or Elimination	33,575	26,826	285,814
	Consolidated	¥392,671	¥342,439	\$3,342,737
Depreciation and amortization	Automotive parts	¥28,699	¥24,896	\$244,309
	Non-Automotive parts	3,850	3,622	32,777
	Consolidated	¥32,549	¥28,518	\$277,086
Capital expenditures	Automotive parts	¥44,263	¥35,826	\$376,805
	Non-Automotive parts	2,378	7,113	20,241
	Consolidated	¥46,641	¥42,939	\$397,046

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 Policy and Adoption of New Accounting standards, the Company changed 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 products as of the fiscal year ended March 31, 2005.

As a result of this change, operating income in the Non-Automotive Parts business segment decreased by ¥2,456 million (\$22,868 thousand), as compared with the previous accounting method.

(2) Geographical segments

Information by geographic area for the years ended March 31, 2006 and 2005 is as follows:

		Millions of yen		Thousands of U.S. dollars
		2006	2005	2006
Net sales:	Japan	¥330,842	¥308,178	\$2,816,396
	North America	126,589	97,510	1,077,627
	Others	71,482	52,481	608,513
	Elimination of intersegment transactions	(30,485)	(22,630)	(259,515)
	Consolidated	¥498,428	¥435,539	\$4,243,021
Operating Income (loss)	Japan	¥9,921	¥10,312	\$84,453
	North America	6,485	3,595	55,210
	Others	4,132	3,391	35,173
	Elimination of intersegment transactions	(862)	(106)	(7,338)
	Consolidated	¥19,676	¥17,192	\$167,498
Assets	Japan	¥232,712	¥210,790	\$1,981,033
	North America	82,439	69,961	701,793
	Others	53,382	41,508	454,431
	Corporate or Elimination	24,138	20,180	205,480
	Consolidated	¥392,671	¥342,439	\$3,342,737

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 Policy and Adoption of New Accounting standards, the Company changed 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 products as of the fiscal year ended March 31, 2005.

As a result of this change, operating income in the Non-Automotive Parts business segment decreased by ¥2,456 million (\$22,868 thousand), as compared with the previous accounting method.

(3) Overseas sales

Information by overseas sales for the years ended March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Japan	¥298,623	¥284,704	\$2,542,123
	59.9%	65.4%	59.9%
North America	122,655	94,397	1,044,138
	24.6%	21.7%	24.6%
Others	77,150	56,438	656,760
	15.5%	12.9%	15.5%
Net sales	¥498,428	¥435,539	\$4,243,021

16. Related Party Transactions

During the years ended March 31, 2006 and 2005, the Company and its consolidated subsidiaries had operational transactions with Toyota Motor Corporation ("TMC"), a 43.1% shareholders of the Company as of March

31, 2006. A summary of the significant transactions with TMC for the years ended or as of March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
For the year:			
Sales of finished goods	¥165,616	¥151,149	\$1,409,861
Purchase of raw materials	15,978	15,163	136,020
At the year-end:			
Trade accounts receivable	22,569	20,191	192,127
Trade accounts payable	1,606	1,551	13,672

17. Net Income per Share (EPS)

The bases of calculation for net basic income per share and diluted net income per share are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Basic net income per share:			
Net income	¥10,787	¥10,585	\$91,833
Net income not attributable to common shareholders (Bonuses for directors and corporate auditors that are paid through appropriation)	251	210	2,139
Net income attributable to common shareholders	10,536	10,374	89,694
Weighted-average number of shares (thousand)	128,859	129,162	—
Basic net income per share (exact yen amounts)	¥ 81.77	¥ 80.32	\$ 0.70
Diluted net income per share:			
Weighted-average number of shares for diluted computation (thousand)	¥ 56	¥ 64	—
Diluted net income per share (exact yen amounts)	¥ 81.73	¥ 80.28	\$ 0.70

18. Subsequent Event

Appropriation of Retained Earnings

On June 27, 2006, the shareholders of the Company authorized the payment of year-end cash dividends to shareholders of record as of March 31, 2006, of ¥10.0 (\$0.085) per share, or a total of ¥1,287 million

(\$10,960 thousand), and bonuses to directors and corporate auditors of ¥218 million (\$1,858 thousand).

Cash dividends for the year thus totaled ¥19 (\$0.16) per share, including a semiannual dividend of ¥9.0 (\$0.077).

19. Other

Stock option plan

The Company has introduced the 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 2006, the Ordinary General Meeting of Shareholders approved a stock acquisition rights, which earmarks a maximum of 500,000 shares of common stock to be further distributed among directors and key employees and directors of subsidiaries.