

 TOYODA GOSEI CO., LTD.

Global System Supplier

Annual Report 2002

Financial Highlights

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2002, 2001 and 2000

	Millions of yen			Percent change	Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002/2001	2002
Net sales:	¥303,093	¥292,883	¥267,645	+3.5	\$2,275,478
Sales in Japan	216,321	220,058	211,730	-1.7	1,624,036
Sales outside Japan	86,772	72,825	55,915	+19.2	651,442
Net income	4,058	11,762	11,388	-65.5	30,467
Total assets	253,438	235,252	214,926	7.7	1,902,686
Shareholders' equity	132,560	123,961	116,132	6.9	995,198
Capital expenditure	33,501	28,420	20,508	17.9	251,511
Depreciation	21,823	20,831	20,131	4.8	163,839

	Yen			Percent change	U.S. dollars (Note 1)
Per share (Note 2):					
Net income					
Basic	¥32.82	¥95.31	¥97.14	-65.5	\$0.25
Diluted	31.44	90.65	87.88	-65.3	0.24
Cash dividends	11.00	11.00	10.00	0.0	0.08
Number of employees	12,321	10,695	9,463	+15.2	

Notes:

- The U.S. dollar amounts have been prepared, for convenience only, at the rate of ¥133.2 = US\$1, the approximate exchange rate prevailing on March 31, 2002.
- The calculation of per share amounts is based on the average number of shares during the fiscal year.
- The number of consolidated subsidiaries at each fiscal year-end was as follows:

	2002	2001	2000
Consolidated	24	18	9

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Profile

Toyoda Gosei develops, manufactures and markets automotive components, including...

- interior and exterior parts, such as instrument panels and wheel covers
- body sealing products, mainly weatherstrip
- functional parts, such as hoses
- safety system products, mainly airbags

In diversified products, the company is a leading supplier of light-emitting diodes (LEDs) and also supplies a large volume of plastic cases for cellular phones.

As a global system supplier, Toyoda Gosei manufactures automotive products worldwide and offers a growing range of those products as integrated systems. The company serves automakers responsively through a production network that comprises plants in North America, Europe, Asian nations besides Japan, and Australia, as well as in Japan. And Toyoda Gosei continues to raise the value of its product offerings by combining multiple functions and parts in modules and systems.





Tokio Horigome (right), Chairman of the Board, and Takashi Matsuura, President

Net income declined 65.5% in the past fiscal year, to ¥4.1 billion (\$30 million), on a 3.5% increase in net sales, to ¥303.1 billion (\$2.3 billion). The principal reasons for the decline in earnings were downward movement in unit prices for automotive components, startup costs at new operations outside Japan and weak growth in unit shipments of light-emitting diodes (LEDs).

We are determined to fulfill the highest expectations of our shareholders and all our stakeholders. And we are taking concrete measures to improve our earnings structure. Those measures include reducing costs at operations worldwide, attaining profitability quickly at new operations outside Japan and focusing our operations on the most-profitable products.

Lasting growth for Toyota Gosei depends on putting in place a solid, global framework anchored in Japan, North America, Europe and Asian markets besides Japan. And we will continue working aggressively to expand and fortify that framework.

Recovery Ahead

Our programs are progressing steadily, and we expect that earnings will rebound strongly in the fiscal year to March 2003. We project that net income will increase 60.2%, to ¥6.5 billion, on 2.3% growth in net sales, to ¥310.0 billion.

To be sure, economic trends are unclear in our principal markets of Japan, North America and Europe, and currency exchange rates remain volatile. Underlying our projections are (1) expectations of growth in Japanese and U.S. demand for automotive parts, supported by modest economic growth, (2) the completion of a recent round of vigorous investment in overseas operations and the outlook for improved profitability at those operations and (3) confidence of renewed growth in sales of light-emitting diodes.

Allocating Resources Optimally

Our strategy is global in outlook, and we are working relentlessly to increase our global competitiveness in every business unit and in every product category. You will find detailed descriptions of our progress on the following pages. Here, we invite your attention to four important examples of our mounting emphasis on allocating resources optimally.

One, we have expanded our operations in safety systems by acquiring the airbag operations of Toyo Tire and Rubber Co., Ltd., in April 2002. We already held a large share of the Japanese market for airbag systems, and the addition of Toyo's operations increases our share to more than one-third of the market.

Two, we sold our operations in vibration-isolating components to Toyo Tire and Rubber in April 2002. We have developed internationally competitive technology in vibration-absorbing components, and we supplied those components to automakers around the world. However, Toyo enjoyed larger economies of scale in vibration-absorbing components, just as we had attained larger economies of scale in airbags. Each company thus has sharpened its focus on the operation where it possessed the greater comparative advantage.

Three, modular products have become a full-fledged mode of business for our company. We won supply contracts in an increased number of vehicle models from an increased range of automakers for the instrument panel modules that we deliver as a Tier One system supplier. In fuel system products, we established a joint venture in

February 2002 with Toyota Motor Corporation and Horie Metal Co., Ltd., to develop and produce fuel tank modules.

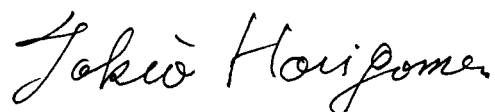
Four, we have broadened the technological and commercial foundations of our main line of diversified business, optoelectronic products. We moved early to fortify our growth prospects by developing diversified products to complement our business in automotive parts. In the 1980s, we pioneered the commercial development of blue LEDs through joint work with Nagoya University and Toyota Central Research and Development Laboratories, Inc. We since have built a large business and large market share in LEDs of various colors for cellular phones, outdoor displays, automotive interior illumination, automotive meters and other applications. During the past fiscal year, we augmented our product line with high-intensity white chip LEDs, which are indispensable in automotive meters. We also developed technology for manufacturing blue semiconductor lasers, which are used in large-volume DVD players and other products.

Bringing Technology to Life

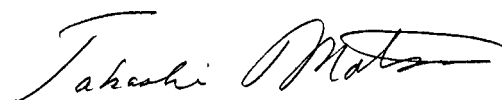
We thus continue working to assert international competitiveness in our chosen product categories. We are doing that through innovative products, including modules and systems, and through a global supply network.

Technology has a huge role to play in every market and every sector in enhancing the quality of life. At Toyoda Gosei, we will help fulfill that role in automotive and nonautomotive applications. We will concentrate resources on our core strengths to propose and provide optimized solutions for important needs.

September 2002



Tokio Horigome, Chairman of the Board



Takashi Matsuura, President

Market Trends and Sales Results

Global Network

● Head Office ● Manufacturing company ● Regional management company



G L O B A L S Y S T E M S U P P L I E R

We are transforming ourselves from a supplier of parts into a provider of integrated solutions for automakers and other customers. Automakers' needs and expectations continue to escalate in regard to the unchanging competitive criteria of quality, cost and delivery.

As automakers' needs become more demanding, technological issues arise that are impossible to address fully through individual components. Addressing safety, environmental and other needs cost-effectively now calls for undertaking long-range development programs and for participating in the earliest stages of vehicle development and identifying ways to combine multiple functions in integrated modules and systems.

Modular and system components are becoming commonplace in the automobile industry. That trend is polarizing the automotive parts industry between manufacturers that possess the ability to develop and supply modular and system components and those that do not.

We at Toyoda Gosei are a system supplier that proposes original solutions to augment the market value of our customers' products. Evidencing our capabilities are the large market shares that we have built in our main products, such as weatherstrip, brake hoses and airbag-equipped steering wheels. We also are a global supplier that supports automakers locally around the world as they globalize production. Our company thus is poised to achieve continuing, profitable growth as a global system supplier.

Interior & Exterior Parts

The Interior and Exterior Parts unit generates more than one-fourth of our net sales. We maximize value in this sector through completely new product concepts, such as modular designs, and through improvements in established products. Sales increased 7.2% in this business unit in the past fiscal year, to ¥84.9 billion (\$637 million).

We manufacture interior and exterior parts at 10 operations in six nations. Automakers rely on those parts to increase the customer appeal of their vehicles. Our interior parts are instrumental in shaping comfort, ergonomics, utility and design. Our exterior parts help define the styling and form of vehicle models.

Especially popular with automakers are our instrument panel modules, which reduce costs while unifying quality and improving design and functionality. We work with makers of peripheral components as a Tier One supply team for instrument panel modules. Together, we participate in the vehicle development process from the early stages. Our



Interior parts

modules are attracting numerous inquiries from around the world, and orders are coming in steadily.

In exterior parts, we assert a competitive edge with original technologies for aesthetic surface finishing and for materials development. Those technologies and other strengths underlie a continuing stream of innovative, value-added products.

We help automakers reduce the environmental impact of their vehicles by contributing to advances in fuel economy and recyclability. We develop weight-saving products, for example, and employ chlorine-free materials. Plastic wheel caps are common in Japan, and we make the world's lightest products in that category.

Management priorities:

- Use our strengths in LED technology to develop business in peripheral product sectors, such as interior lighting and rear combination lamps.
- Develop and promote original interior and exterior products to accommodate the growing role of information technology in automobiles.
- Employ information technology in product development, design and manufacturing to shorten development lead times and reduce costs.
- Increase our cost-competitiveness by globalizing our purchasing of molds, dies and other items.



Three-dimensional rendering for digital prototyping of instrument panel module



Instrument panel module

Body Sealing Products

Our body sealing products are leaders in waterproofing and soundproofing and are global market leaders. Sales rose 13.2% in this sector in the past fiscal year, to ¥60.1 billion (\$452 million). Accompanying our strengths in materials, design, evaluation and manufacturing is expertise in recyclability and other environmental themes. We can design complete door assemblies and propose product ideas to automakers.

Plants make our body sealing products at 12 sites in nine nations. Investments in the past fiscal year will add 2 sites to that total.

In September 2001, we established Automotive Sealing Kentucky, LLC. The new company will complement Toyoda Gosei plants in Canada and California as our third North American source of body sealing products. It is a wholly owned subsidiary of our North American holding company, TG North America Corporation, and it will commence



Cross-section of body sealing products



U.S. production of body sealing parts

production in early 2003.

In August 2001, we strengthened our ties with India's leader in automotive body sealing, BTR WADCO. We acquired 26% of that company from its owner, Metzeler Automotive Profile Systems. India's market for automobiles harbors immense

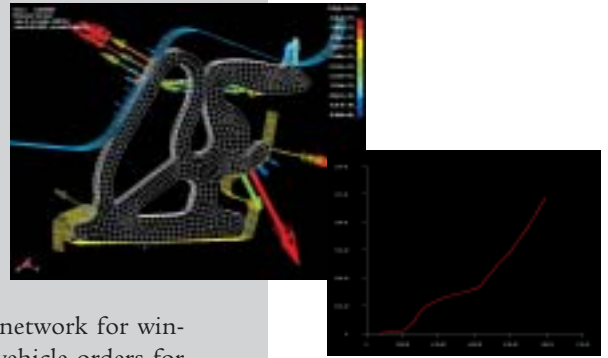
potential for growth, and our investment in BTR WADCO positions us to share in that growth.

Toyoda Gosei UK Ltd., which began operation in South Yorkshire in November 2000,

began full-scale production in the past fiscal year. Our equity holding in the new company is 80%. Toyota Tsusho Corporation, the trading arm of the Toyota Group, holds a 20% stake.

Management priorities:

- Establish a global supply network for winning and fulfilling whole-vehicle orders for our main four entries in body sealing products: door weatherstrip, glass runs, opening trim and outer weatherstrip.
- While maintaining leadership in waterproofing and other basic functions, assert leadership in acoustics and other advanced functionality.



Stress distribution analysis

Functional Parts

The products that we handle in the Functional Parts unit figure crucially in core automotive functions. These products need to provide steady performance under tremendously demanding conditions, and we ensure that performance through rigorous evaluation and analysis. Digital engineering helps us minimize costs even as we pursue continuing advances in quality and reliability. In the past fiscal year, sales in this business unit increased 11.2%, to ¥67.3 billion (\$505 million).



Brake hose routing simulation

Our functional parts span an extensive range of items, including power train parts, such as water hoses, air hoses and engine covers; chassis drive train parts, such as brake hoses, boots for constant velocity joints and piston cups; and fuel supply parts, such as fuel hoses, onboard refueling vapor recovery (ORVR) valves and fuel caps. In our fuel supply parts, we have fulfilled the most rigorous environmental guidelines slated for the industry anywhere in the world: Japan's new regulations, Europe's Euro IV regulations, and California's LEV II regulations.

We manufacture functional parts at 13 sites in six nations. In February 2002, we set up a joint venture with Horie Metal and Toyota Motor Corporation to develop and manufacture plastic fuel tanks and peripheral components. The venture, FTS Co., Ltd., will serve the mounting demand for integrated system products in this category. We own 50% of FTS, Horie holds a 30% stake, and Toyota owns the remainder. The new company has begun development work at our technical center near Nagoya, and it will begin production in August 2002. It also is building a plant in California with an eye to beginning production there by mid-2004.

As described elsewhere in this report, we sold our operations in vibration-isolating parts to Toyo Tire and Rubber in April 2002. That divestiture is a concrete example of our commitment to focusing this business unit and all our business units on products that offer the greatest potential.



Manufacturing brake hoses in the United States



Fuel tank module

Management priorities:

- Strengthen our development capabilities in fuel systems.
- Achieve world leadership in quality and cost-competitiveness with a growing range of power train parts and chassis drive train parts.

- Develop parts for environmental-protection systems and for next-generation vehicles, such as electric vehicles and fuel cell vehicles.

Safety System Products

In safety systems, we develop and manufacture an extensive range of steering wheels and airbags. Each product combination is for protecting vehicle occupants from specified kinds of collision impact. Higher-end vehicles account for a large portion of our sales in this sector, and unit production of higher-end vehicles declined in Japan and other principal markets in the past fiscal year. That was the main reason for a 6.7% sales decline in this sector, to ¥66.1 billion (\$496 million).



Sled test

Safety system products require global development and manufacturing capabilities, and we have been especially active in globalizing our operations in this sector. We accompany advanced technology with local capabilities for product evaluation and analysis in principal markets. As for production, we manufacture safety system products at 10 sites in seven nations.

We entered into a collaboration in regard to integrated airbag-and-seatbelt systems

with Tokai Rika Co., Ltd., in November 2001. That collaboration encompasses joint work in developing, designing, manufacturing and marketing those systems. It signifies another step forward in our efforts to position ourselves as a global system supplier.

Purchasing the airbag operations of Toyo Tire and Rubber in April 2002 has increased our share of the Japanese market in this product category to 36%. We accompanied that purchase, as noted elsewhere, with the sale of our vibration-isolating components operations to Toyo (see page 6).

Management priorities:

- Work aggressively to develop and introduce new-concept products.
- Develop advanced airbag systems that adjust the pace of inflation in accordance with the size and weight of the driver and passengers.



Curtain airbag and side airbag



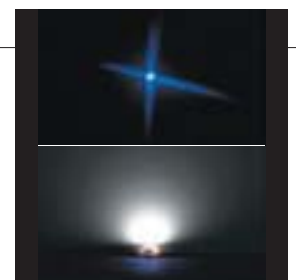
Manufacturing safety systems in Thailand

Optoelectronic Products

Toyoda Gosei has been a world pioneer in developing bright light-emitting diodes (LEDs) that produce blue and green light. Combined with red LEDs, blue and green LEDs completed the RGB spectrum and allowed for generating full-color displays. Today, we supply LEDs in a full color range, including red, green, blue-green, purple and white, as well as blue.

Applications in cellular phones—mainly as backlighting for liquid crystal displays and as illumination for keypads—account for about 50% of our sales in optoelectronics. In the past fiscal year, weak demand in the telecommunications sector was the main reason that sales declined 21.5%, to ¥13.9 billion (\$104 million).

We are working aggressively to improve the performance of our LED products, lower



Blue and white chip LEDs



Research and development work on LED products

costs and fortify our product line. We also are broadening our product range by developing products for new applications.

Geographically,

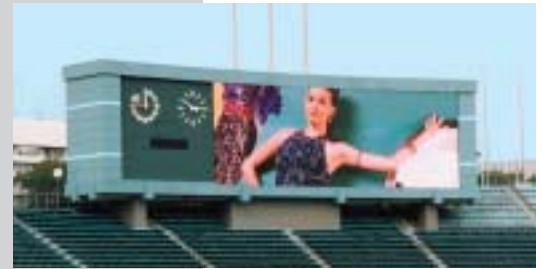
we set up a sales office recently in the United States and are preparing to establish local marketing capabilities in other countries.

Blue LED technology has been the subject of several patent-infringement lawsuits between Toyoda Gosei and Nichia Corporation. However, our two companies have

begun negotiations with an eye to resolving those lawsuits out of court.

Management priorities:

- Achieve higher crystalline quality and purity to support gains in LED performance.
- Address the shift in demand from standardized products to application-specific packaging and other customization.
- Establish market footholds in new product categories, such as blue lasers.
- Put in place a global marketing framework.



Toyoda Gosei LEDs in display at Tokyo National Stadium

General Industry Products

We have diversified into several product sectors in addition to the optoelectronic products described above. Technologies developed originally in connection with automotive components support successful business in modular interior and exterior parts for agricultural machinery, earth-moving equipment and industrial vehicles; in residential building materials and in plastic components for room air conditioners. Completely new technologies drive our business in cases for cellular phones and in a line of products for geriatric and other health-care applications, including chemical toilets and weight-dispersing mattresses.

Diversified business broadens our foundation for sales and earnings, and sales of general industry products increased 15.6% in the past fiscal year, to ¥8.6 billion (\$65 million). Leading that increase were surging shipments of cellular phone cases. Our chief customer for those products has maintained strong growth in cellular phones despite the overall weakening of demand.



Three colorful cellular phones in cases supplied by Toyoda Gosei

Management priorities:

- In our core business in cellular phone cases, upgrade our capabilities for coping with shortening product cycles and support our principal customer in its impending moves into overseas markets.
- Use our strengths in LED technologies to develop business in information technology products.



Front grille for agricultural tractor



Soft pillow made from weight-dispersing materials

Five-Year Summary

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
Years ended March 31

	Millions of yen	Thousands of U.S. dollars (Note 1)				Millions of yen
	2002	2002	2001	2000	1999	1998
Net sales:	¥303,093	\$2,275,478	¥292,883	¥267,645	¥251,936	¥269,903
Sales in Japan	216,321	1,624,036	220,058	211,730	193,167	217,100
Sales outside Japan	86,772	651,442	72,825	55,915	58,769	52,803
Net income	4,058	30,467	11,762	11,388	4,201	2,828
Total assets	253,438	1,902,686	235,252	214,926	193,661	193,979
Shareholders' equity	132,560	995,198	123,961	116,132	86,402	83,265
Capital expenditures	33,501	251,511	28,420	20,508	17,008	—
Depreciation and amortization	21,823	163,839	20,831	20,131	21,201	—

	Yen	U.S. dollars (Note 1)				Yen
Amounts per share (Note 2):						
Net income	¥32.82	\$0.25	¥95.31	¥97.14	¥38.74	¥26.08
Diluted net income	31.44	0.24	90.65	87.88	32.93	22.46
Cash dividends	11.00	0.08	11.00	10.00	9.5	8.5
Average number of						
shares (in thousands)	123,640		123,400	117,236	108,439	108,439
Equity to assets ratio (percent)	52.3		52.7	54.0	44.6	42.9
Number of employees	12,321		10,695	9,463	9,499	9,330

Notes:

- The U.S. dollar amounts have been prepared, for convenience only, at the rate of ¥133.2 = US\$1, the approximate exchange rate prevailing on March 31, 2002.
- The calculation of per share amounts is based on the average number of shares during the fiscal year.
- The number of consolidated subsidiaries at each fiscal year-end was as follows:

	2002	2001	2000	1999	1998
Consolidated	24	18	9	6	6

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Management's Discussion and Analysis

Toyota Gosei's business centers on developing, manufacturing and marketing automotive parts. The company also has built a large volume of business in developing, manufacturing and marketing light-emitting diodes (LEDs) for cellular phones and other applications and in supplying plastic cases for cellular phones. Automotive parts accounted for 92.6% of the company's net sales in the fiscal year ended on March 31, 2002.

Affiliation

Toyota Motor Corporation owned 42.0% of Toyota Gosei's equity at March 31, 2002, and business with Toyota accounted for 38.0% of the company's sales in the fiscal year ended on that date. Toyota Gosei also conducts business with most of the world's other large automakers.

Strengthening ties among affiliated companies is a stated priority at Toyota Motor Corporation. Recent activity by Toyota Gosei in reallocating assets and in undertaking joint work with other Toyota Group companies reflects that priority. Management believes, however, that maintaining and reinforcing ties with Toyota Group companies will not compromise Toyota Gosei's ability to continue developing business with other automakers.

Income and Expenses

Toyota Gosei posted a 3.5% increase in net sales in the past fiscal year, to ¥303.1 billion (\$2,275 million). That increase comprised a sales gain of 4.8% in automotive

parts, to ¥280.6 billion (\$2,106 million), and a sales decline of 10.5% in nonautomotive parts, to ¥22.6 billion (\$169 million).

In sales by company location, business volume was unchanged in Japan, at ¥229.0 billion (\$1,719 million). Sales increased 10.5% in North America, to ¥68.0 billion (\$510 million), and increased 92.1% in other regions, to ¥15.4 billion (\$116 million).

Cost of sales increased 7.4% in the past fiscal year, to ¥266.8 billion (\$2,003 million), and the gross profit margin declined to 12.0%, from 15.2% in the previous year. The principal reason for the deterioration in gross profitability was declining price levels in principal markets for automotive parts. Another reason was weakness in the telecommunications sector, which is the principal market for the company's LEDs.

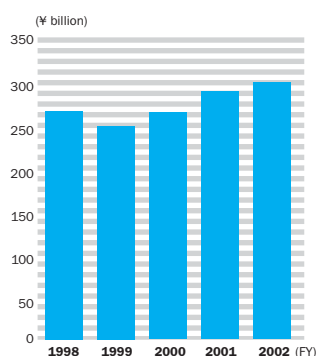
Gross profit margin (percent)

FY	2002	2001	2000	1999	1998
	12.0	15.2	15.3	11.2	9.3

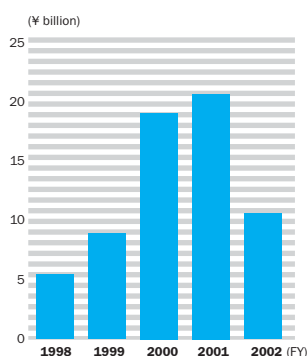
Selling, general and administrative expenses rose 8.3%, to ¥25.7 billion (\$193 million), reflecting the growth in business volume and an expanded scope of consolidation. Toyota Gosei's accounts for the fiscal year under review encompass 24 subsidiaries, compared with 18 and 9 in the two previous years. The number of employees increased 15.2%, to 12,321 at fiscal year-end.

Toyota Gosei maintains a vigorous commitment to research and development in automotive parts and in diversified products. Expenditures on research and development increased 6.1% in the past fiscal year, to ¥18.7 billion (\$141 million).

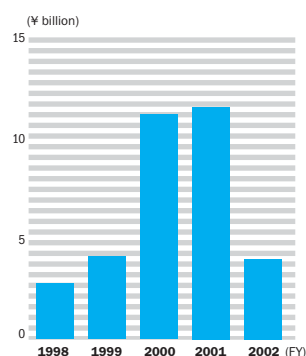
Net Sales



Operating Income



Net Income



Operating income declined 48.6%, to ¥10.6 billion (\$80 million), and the operating profit margin declined to 3.5%, from 7.0% in the previous year. The decline in operating profitability reflects narrowing gross profit margins in automotive parts and a severe deterioration of profitability in LEDs.

Operating profit margin (percent)

FY	2002	2001	2000	1999	1998
	3.5	7.0	7.1	3.5	2.0

Net interest expense totaled ¥96 million (\$722,265), compared with net interest and dividend income of ¥19 million in the previous year. Depreciation expense increased 4.8%, to ¥21.8 billion (\$164 million).

Income before income taxes and minority interests declined 60.2%, to ¥8.5 billion (\$64 million), and net income declined 65.5%, to ¥4.1 billion (\$30 million). Diluted net income per share of common stock declined 65.3%, to ¥31.4 (\$0.24). The company maintained the dividends at ¥11.0 (\$0.08) per share of common stock.

Financial Position

Toyoda Gosei maintains a strong financial position, and it strengthened that position further in the past fiscal year. Shareholders' equity increased 6.9%, to ¥132.6 billion (\$995 million) at fiscal year-end, and the ratio of shareholders' equity to total assets was 52.3%, compared with 52.7% a year earlier.

Equity to Assets Ratio (percent)

FY	2002	2001	2000	1999	1998
	52.3	52.7	54.0	44.6	42.9

Net cash provided by operating activities totaled ¥21.6 billion (\$162 million), down 22.0% from the previous year in reflection of the decline in pretax income. Cash and cash equivalents at fiscal year-end declined 11.9%, to ¥25.7 billion (\$193 million).

Outlook

Management believes that Toyoda Gosei will return to a pattern of growth in sales and earnings in the fiscal year to March 31, 2003. They project that net income will increase 60.2%, to ¥6.5 billion, and that net sales will rise ¥2.3%, to ¥310 billion.

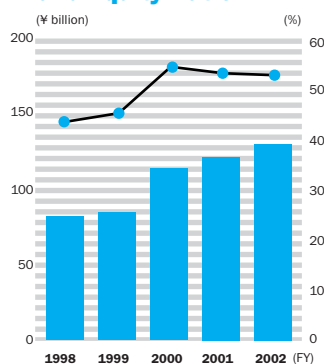
Forward-Looking Statements

The preceding descriptions of projections and plans are "forward-looking statements," which involve known and unknown risks and uncertainties in regard to such factors as product liability, currency exchange rates, raw material costs, labor-management relations and political stability. Those and other variables could cause the company's actual performance and results to differ from management's projections and plans.

Return on Equity

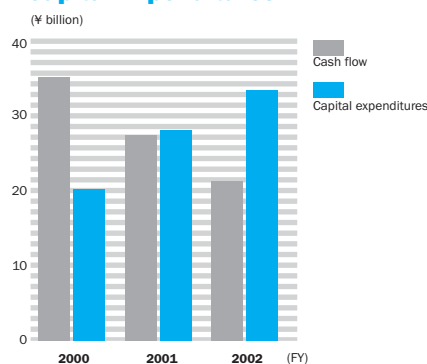


Shareholders' Equity and Equity Ratio*



*Ratio of shareholders' equity to total assets

Cash Flow* and Capital Expenditures



*Cash flows from operating activities; Toyoda Gosei began disclosing cash flows in fiscal 2000.

Consolidated Balance Sheets

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
March 31, 2002 and 2001

Assets

	2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
Current Assets:			
Cash and cash equivalents	¥ 25,715	¥ 29,174	\$ 193,055
Time deposits	553	1,627	4,150
Notes and accounts receivable, trade	58,906	57,958	442,239
Less allowance for doubtful receivables	(157)	(210)	(1,184)
Inventories (Note 3)	19,319	15,482	145,041
Deferred tax assets (Note 7)	2,355	2,090	17,681
Other current assets	3,695	3,223	27,740
Total current assets	110,386	109,344	828,722
Investments and Other Assets:			
Investments in securities (Note 10)	5,677	5,880	42,621
Investments in unconsolidated subsidiaries and affiliates (Note 10)	12,864	9,965	96,574
Deferred tax assets (Note 7)	5,204	6,012	39,073
Other investments and other assets	2,650	1,894	19,895
Total investments and other assets	26,395	23,751	198,163
Property, Plant and Equipment:			
Land	17,626	16,303	132,326
Buildings and structures	73,226	68,453	549,745
Machinery and equipment	250,585	236,572	1,881,270
Construction in progress	5,436	4,150	40,808
Less accumulated depreciation	(230,216)	(223,321)	(1,728,348)
Net property, plant and equipment	116,657	102,157	875,801
Total assets	¥253,438	¥235,252	\$1,902,686

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2002	2001	
Current Liabilities:			
Short-term borrowings	¥ 5,267	¥ 5,997	\$ 39,539
Current portion of long-term debt (Note 4)	113	1,056	850
Trade notes and accounts payable	39,796	41,776	298,765
Accrued expenses	15,259	14,529	114,559
Accrued income taxes	2,861	4,226	21,480
Deposits received from employees	5,113	5,172	38,385
Other current liabilities	5,400	7,226	40,544
Total current liabilities	73,809	79,982	554,122
Long-Term Liabilities:			
Long-term debt (Note 4)	20,178	7,739	151,488
Employees' retirement benefit liability (Note 6)	18,163	16,502	136,361
Deferred tax liabilities (Note 7)	1,011	978	7,588
Other long-term liabilities	2,437	1,392	18,295
Total long-term liabilities	41,789	26,611	313,732
Total liabilities	115,598	106,593	867,854
Minority interests in consolidated subsidiaries	5,280	4,698	39,634
Shareholders' Equity (Notes 5 and 15):			
Common stock			
Authorized—200,000,000 shares; issued and outstanding—123,760,302 shares in 2001 and 123,763,545 shares in 2002	25,136	—	188,706
Capital surplus	26,838	25,134	—
Retained earnings	26,838	26,836	201,486
Net unrealized gain on available-for-sale securities	78,115	75,708	586,450
Foreign currency translation adjustments	3,103	—	23,296
Less treasury common stock	(288)	(3,715)	(2,160)
Less treasury common stock	(344)	(2)	(2,580)
Total shareholders' equity	132,560	123,961	995,198
Total liabilities, minority interests and shareholders' equity	¥253,438	¥235,252	\$1,902,686

Consolidated Statements of Income

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2002 and 2001

	2002	2001	Thousands of U.S. dollars (Note 1)
		Millions of yen	
Net sales (Note 13)	¥303,093	¥292,883	\$2,275,478
Cost of sales	266,798	248,498	2,002,991
Gross profit	36,295	44,385	272,487
Selling, General and Administrative Expenses	25,667	23,690	192,696
Operating income (Note 13)	10,628	20,695	79,791
Other Income (Expenses):			
Interest and dividend income	540	524	4,052
Interest expense	(636)	(505)	(4,774)
Foreign currency gain	323	328	2,426
Loss on disposal or sales of fixed assets, net	(1,028)	(840)	(7,721)
Loss on valuation of investment securities	(2,035)	(214)	(15,281)
Cumulative effect of change in accounting standard for retirement benefits	—	1,071	—
Other, net	710	304	5,333
Income before income taxes and minority interests	8,502	21,363	63,826
Income Taxes:			
Current	5,799	9,257	43,537
Deferred	(1,609)	(139)	(12,084)
Total income taxes	4,190	9,118	31,453
Minority Interests in Consolidated Subsidiaries	254	483	1,906
Net income	¥ 4,058	¥ 11,762	\$ 30,467
		Yen	U.S. dollars (Note 1)
Amounts per Share:			
Net income:			
Basic	¥32.82	¥95.31	¥0.25
Diluted	31.44	90.65	0.24
Dividends	11.00	11.00	0.08

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2002 and 2001

	Millions of yen						
	Number of shares	Common stock	Capital surplus	Retained earnings	Net unrealized gain on available- for-sale securities	Foreign currency transaction adjustments	Treasury common stock
Balance at March 31, 2000	122,912,748	¥24,742	¥26,445	¥64,947			¥ (2)
Net income				11,762			
Dividends paid				(1,356)			
Bonuses to directors and corporate auditors				(144)			
Conversion of convertible bonds (Note 4)	847,554	392	391				
Increase due to addition of consolidated subsidiaries				499			
Foreign currency translation adjustment						¥(3,715)	
Treasury common stock acquired, net							(0)
Balance at March 31, 2001	123,760,302	¥25,134	¥26,836	¥75,708		¥(3,715)	¥ (2)
Net income				4,058			
Dividends paid				(1,360)			
Bonuses to directors and corporate auditors				(166)			
Conversion of convertible bonds (Note 4)	3,243	2	2				
Decrease due to addition of consolidated subsidiaries				(125)			
Foreign currency translation adjustment						3,427	
Net unrealized gain on available-for-sale securities					3,103		
Treasury common stock acquired, net							(342)
Balance at March 31, 2002	123,763,545	¥25,136	¥26,838	¥78,115	¥3,103	¥ (288)	¥(344)

	Thousands of U.S. dollars (Note 1)						
	Number of shares	Common stock	Capital surplus	Retained earnings	Net unrealized gain on available- for-sale securities	Foreign currency transaction adjustments	Treasury common stock
Balance at March 31, 2001	123,760,302	\$188,695	\$201,475	\$568,379		\$(27,887)	\$ (15)
Net income				30,467			
Dividends paid				(10,212)			
Bonuses to directors and corporate auditors				(1,247)			
Conversion of convertible bonds (Note 4)	3,243	11	11				
Decrease due to addition of consolidated subsidiaries				(937)			
Foreign currency translation adjustment						25,727	
Net unrealized gain on available-for-sale securities					23,296		
Treasury common stock acquired, net							(2,565)
Balance at March 31, 2002	123,763,545	\$188,706	\$201,486	\$586,450	\$23,296	\$ (2,160)	\$(2,580)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2002 and 2001

	2002	2001	Thousands of U.S. dollars (Note 1)
	Millions of yen	2001	2002
Cash Flows from Operating Activities:			
Income before income taxes and minority interest	¥ 8,502	¥21,363	\$ 63,826
Adjustments:			
Depreciation and amortization	21,823	20,831	163,839
Allowance for doubtful receivables, net	(13)	1	(99)
(Gain) loss on sales and disposals of property, plant and equipment, net	1,001	850	7,518
Provision for employee retirement benefits	1,516	(93)	11,383
Interest and dividend income	(539)	(524)	(4,052)
Interest expense	636	505	4,774
(Increase) decrease in trade notes and accounts receivable	16	(5,306)	119
(Increase) decrease in inventories	(2,778)	(2,959)	(20,852)
Increase (decrease) in trade notes and accounts payable	(3,106)	5,272	(23,319)
(Increase) decrease in accrued expense	(192)	144	(1,439)
Other, net	1,624	(501)	12,192
Subtotal	28,682	39,439	215,329
Proceeds from interest and dividend income	539	525	4,052
Payment of interest expense	(572)	(513)	(4,297)
Payment of income taxes	(7,037)	(11,728)	(52,833)
Net cash provided by operating activities	21,612	27,723	162,251
Cash Flows from Investing Activities:			
Payment for investment securities	(2,417)	(6,254)	(18,142)
Proceeds from investment securities	1,205	400	9,046
Capital expenditures	(33,594)	(25,177)	(252,210)
Proceeds from sale of property, plant, and equipment	2,277	372	17,094
Proceeds from long-term loan	28	1	208
Other, net	(1,710)	(901)	(12,834)
Net cash provided by (used in) investing activities	(34,211)	(31,559)	(256,838)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings	(2,769)	2,212	(20,791)
Payment of long term debt	(847)	(1,905)	(6,357)
Proceeds from issuance of bond	10,000	—	75,075
Proceeds from long term debt	2,514	80	18,872
Cash dividends paid	(1,559)	(1,526)	(11,701)
Payment for the purchase of treasury common stock	(352)	(326)	(2,643)
Other, net	109	471	816
Net cash provided by (used in) financing activities	7,096	(994)	53,271
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,153	693	8,656
Net Increase (Decrease) in Cash and Cash Equivalents	(4,350)	(4,137)	(32,660)
Cash and Cash Equivalents at Beginning of Period	29,174	30,663	219,026
Increase Due to Addition of Consolidated Subsidiaries	891	2,648	6,689
Cash and Cash Equivalents at End of Period	¥25,715	¥29,174	\$193,055

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

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 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 ¥133.2 = US\$1, the approximate exchange rate on the Tokyo foreign exchange market on March 31, 2002. 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 24 significant subsidiaries (18 for 2001). 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. 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 under the equity method differs from the underlying net equity, that amount is deferred and amortized on a straight-line basis over five years.

Investments in unconsolidated subsidiaries and affiliates are stated at cost, and the equity method is not applied for the valuation of such investments because they are small in terms of net income and retained earnings.

Consolidated subsidiaries as of March 31, 2002:

24 companies

Domestic consolidated subsidiaries (10 companies):

Hosan Butsuryu Co., Ltd.
Toyoda Gosei Kyusyu Co., Ltd.
Hoshin Gosei Co., Ltd.
Ichiei Kogyo Co., Ltd.
Hinode Gomu Kogyo Co., Ltd.
Meiho Service Co., Ltd.
TG Maintenance Co., Ltd.
Togo Jushi Co., Ltd.
TG Opseed Co., Ltd.
Kaiyo Gomu Co., Ltd.

Overseas consolidated subsidiaries (14 companies):

TG North America Corporation
TG Missouri Corporation
TG Kentucky LLC.
TG Automotive Sealing Kentucky LLC.
TG Fluid systems U.S.A. Corporation
TOYODA GOSEI HOLDINGS INC.
WATERVILLE TG INC.
TG Minto Corporation Inc.
Toyoda Gosei UK Ltd.
Toyoda Gosei Fluid Systems UK Ltd.
Fong Yue Co., Ltd.
Toyoda Gosei (Thailand) Co., Ltd.
Toyoda Gosei Rubber (Thailand) Co., Ltd.
Bridgestone TG Australia Pty Ltd.

(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.

Effective as of the year ended March 31, 2001, the revised accounting standard for foreign currency transactions has been applied. Under this standard, differences arising from currency translations in connection with such transactions have been shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity. Until March 31, 2000, such differences were shown as "Foreign currency translation adjustments" in either assets or liabilities on the balance sheets.

(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) 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. As a result, operating income decreased ¥45 million (\$339 thousand), and income before income taxes and minority interests decreased ¥303 million (\$2,275 thousand).

(7) 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, with net unrealized gain or loss reported in a separate component of stockholders' equity, net of applicable income taxes. Gains and losses on the disposition of investment securities are computed based on the moving average method. That has resulted in a valuation gain of ¥3,103 million (\$23 million) in investment in securities and an increase of ¥2,212 million (\$17 million) in deferred tax liabilities.

(8) Income taxes

Income taxes are principally provided in amounts currently payable for each year. Until the year ended March 31, 1999, deferred income taxes arising from differences between reporting for accounting purposes and for tax

purposes were not required to be accounted for under Japanese accounting principles and therefore were not recorded in the financial statements by the Company and its domestic subsidiaries. (For most overseas subsidiaries, deferred income taxes have been recorded and reflected in their respective financial statements.) However, effective as of the year ended March 31, 2000, tax effect accounting has been adopted. 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.

(9) 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.

(10) Leases

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

(11) 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, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished goods	¥ 6,939	¥ 6,257	\$ 52,096
Raw materials	2,608	2,164	19,582
Work in process	7,887	6,129	59,215
Supplies	1,885	932	14,148
Total	¥19,319	¥15,482	\$145,041

4. Long-Term Debt

(1) Long-term debt as of March 31, 2002 and 2001, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
The Company:			
0.75% convertible bonds due 2004	¥ 5,823	¥5,826	\$ 43,716
1.10% bonds due 2007	10,000	—	75,075
Consolidated subsidiaries:			
Loans from banks and others	4,468	2,969	33,547
Less current portion of long-term debt	(113)	(1,056)	(850)
Total	¥20,178	¥7,739	\$151,488

(2) The aggregate annual maturities of long-term debt at March 31, 2002, are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2003	¥ 113	\$ 850
2004	1,500	11,264
2005	1,817	13,640
2006	128	958
2007	122	920
2008 and thereafter	788	5,915
Total	¥4,468	\$33,547

5. Shareholders' Equity

Under the Japanese Commercial Code, amounts equal to at least 10% of the sum of the cash dividends and other external appropriations paid by the Company and its domestic subsidiaries must be set aside as a legal reserve until it equals 25% of common stock and capital surplus. The legal reserve may be used to reduce a deficit or may be transferred to common stock by taking appropriate corporate action. In consolidation, the legal reserves of the Company and its domestic subsidiaries are accounted for as retained earnings.

The year-end cash dividend is approved at the Ordinary General Meeting of Shareholders of the

Company held after the close of the fiscal year to which the dividend is applicable. In addition, interim cash dividends may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Japanese Commercial Code.

Proceeds from the conversion of convertible bonds have been accounted for in approximately equal amounts as common stock and capital surplus. At least 50% of the proceeds have been accounted for as common stock, in accordance with the provisions of the Japanese Commercial Code.

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.

(2) Benefit obligations as of March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
(a) Benefit obligations	¥(82,812)	¥(78,892)	\$(621,715)
(b) Fair value of projected pension assets	55,844	55,802	419,248
(c) Subtotal (a) + (b)	(26,968)	(23,090)	(202,467)
(d) Unrecognized actuarial difference	8,805	6,588	66,106
(e) Amount shown on balance sheet (c) + (d)	¥(18,163)	¥(16,502)	\$(136,361)

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

2. The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.

(3) Retirement benefit costs for the years ended March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
(a) Service cost	¥2,881	¥2,858	\$21,626
(b) Interest cost	2,103	1,959	15,792
(c) Expected return on plan assets	(28)	(68)	(207)
(d) Recognized actuarial loss	659	—	4,946
(e) Retirement benefit cost (a) + (b) + (c) + (d)	¥5,615	¥4,749	\$42,157

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

2. The figures presented above do not reflect employee contributions to the welfare annuity fund.

(4) The assumptions used for the calculation of retirement benefits for the years ended March 31, 2002 and 2001, are as follows:

	2002	2001
	Period allocation method for estimated retirement benefits	Straight-line method
Discount rate	2.7%	2.7%
Expected return on plan assets	0.05%	0.12%
Period of amortizing actuarial difference	10 years	10 years
Period of amortizing transitional obligation	—	1 year

7. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Employees' retirement benefit liabilities	¥5,674	¥4,687	\$42,599
Depreciation and amortization	1,620	1,273	12,167
Accrued expense for employees' bonuses	1,396	1,144	10,480
Net operating loss carry-forwards for tax purposes	751	50	5,637
Accrued enterprise taxes	227	381	1,705
Others	1,377	1,145	10,339
Subtotal	11,045	8,680	82,927
Less valuation allowance	(1,090)	(366)	(8,183)
Total deferred tax assets	9,955	8,314	74,744
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥2,220	¥ —	\$16,664
Depreciation and amortization	1,048	870	7,865
Others	139	320	1,049
Total deferred tax liabilities	3,407	1,190	25,578
Net deferred tax assets	¥6,548	¥7,124	\$49,166

(2) Reconciliation items for the difference between the Japanese statutory tax rate and the effective income tax rate on pretax income for the year ended March 31, 2002, are as follows:

Japanese statutory tax rate	41.62%
Permanently nondeductible expense	1.57
Tax exempt income	(0.49)
Others	6.58
Effective income tax rate	49.28%

The difference for the year ended March 31, 2001, was not material.

8. Pledged Assets

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Pledged assets	¥ 860	¥1,686	\$6,460
Secured loans			
Short-term bank loan	615	863	4,617
Long-term debt	420	—	3,154
Total	¥1,035	¥ 863	\$7,771

9. Commitments and Contingent Liabilities

As of March 31, 2002, the Company was responsible as guarantor for loans to other companies as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Daicel Safety Systems America, LLC	¥227	—	\$1,701
Metzeler Automotive India Private Limited	72	—	545
Total	¥299	—	\$2,246

The Company is a defendant in seven patent infringement lawsuits brought by Nichia Corporation (“Nichia”) in regard to light-emitting diodes (LEDs), and it is the plaintiff in four patent infringement lawsuits against Nichia, also in regard to LEDs. In two of the lawsuits brought by Nichia, Tokyo District Court ruled against the Company in August 2000 and November 2000 and ordered the Company to pay ¥204 million in damages. The Company immediately appealed both of those judgments in Tokyo High Court, and its appeals are presently pending. Nichia filed an additional lawsuit against the Company in Tokyo District Court in November 2000 in which it seeks an additional ¥10.5 billion in damages in connection with the August 2000 judgment.

Nichia’s other four lawsuits against the Company seek a total of ¥600 million in damages. In February 2002,

Tokyo District Court dismissed two of those lawsuits, which seek a total of ¥350 million, and Nichia appealed that ruling in Tokyo High Court in March 2002.

In two of the Company’s lawsuits against Nichia, Tokyo High Court issued rulings in March 2001 and October 2001 that reversed decisions by the Japan Patent Office that had voided the Company’s patent claims. Backed by those rulings, the Company filed for an additional ¥15.5 billion in damages in a lawsuit already in litigation in Osaka District Court.

The outcome of the lawsuits under litigation is impossible to predict. Management is confident, however, that the outcome of the lawsuits will not have a significant adverse effect on the Company’s earnings or financial position.

10. Marketable Securities

Gross unrealized gains and losses for marketable securities held to maturity and available for sale as of March 31, 2002, are as follows:

	Millions of yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Stocks	¥4,939	¥5,401	¥(49)	¥10,291
Bonds	759	33	(1)	791
Others	235	14	(1)	248
Total	¥5,933	¥5,448	¥(51)	¥11,330

	Thousands of U.S. dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Stocks	\$37,076	\$40,547	\$(366)	\$77,257
Bonds	5,699	247	(8)	5,938
Others	1,764	107	(11)	1,860
Total	\$44,539	\$40,901	\$(385)	\$85,055

The redemption schedule of marketable securities held to maturity as of March 31, 2002, is as follows:

	Millions of yen						Thousands of U.S. dollars
	Within 1 year	More than 1 year, within 5 years	More than 5 years	Within 1 year	More than 1 year, within 5 years	More than 5 years	
Bonds							
Government bonds	—	¥ 69	¥180	—	\$ 521	\$1,349	
Corporate bonds		510	—		3,829	—	
Others	¥160	25	60	\$1,201	187	450	
Total	¥160	¥604	¥240	\$1,201	\$4,537	\$1,799	

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

accounting 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 amount as of March 31, 2002.

12. Lease Transactions

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, 2002 and 2001, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Buildings:			
Acquisition cost equivalents	¥ 499	¥ 133	\$ 3,748
Accumulated depreciation equivalents	123	43	927
Building year-end balance equivalents	376	90	2,821
Machinery and vehicles:			
Acquisition cost equivalents	6,423	7,483	48,224
Accumulated depreciation equivalents	3,720	3,672	27,927
Machinery and vehicle year-end balance equivalents	2,703	3,811	20,297
Tools and furnishings:			
Acquisition cost equivalents	3,071	3,329	23,059
Accumulated depreciation equivalents	1,562	1,431	11,730
Tool and furnishing year-end balance equivalents	1,509	1,898	11,329
Total leased properties, net	¥4,588	¥5,799	\$34,447

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 at the year-ends is not material.

(2) Future minimum lease payments as of March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Buildings			
Due within 1 year	¥1,500	¥1,781	\$11,262
Due after 1 year	3,088	4,017	23,186
Total	¥4,588	¥5,798	\$34,448

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

(3) Total lease payments for the years ended March 31, 2002 and 2001, are as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥2,046	\$15,362
2001	1,744	—

Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, are computed mainly by the straight-line method, which assumes that the terms of the lease contracts are equal to the useful lives of the items leased and that the residual value of the items at the ends of the lease contracts is zero.

13. Segment Information

(1) Business segments

The Company's primary business activities comprise (1) automotive parts and (2) nonautomotive parts. A summary of net sales and operating income (loss), assets, depreciation and capital expenditures by segment of business activities for the years ended March 31, 2002 and 2001, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales:			
Automotive parts	¥280,550	¥267,705	\$2,106,235
Nonautomotive parts	22,563	25,197	169,396
Elimination of intersegment transactions	(20)	(19)	(153)
Consolidated	¥303,093	¥292,883	\$2,275,478
Operating income (loss):			
Automotive parts	¥ 9,375	¥ 14,427	\$ 70,380
Nonautomotive parts	1,253	6,268	9,411
Elimination of intersegment transactions	—	—	—
Consolidated	¥ 10,628	¥ 20,695	\$ 79,791
Assets:			
Automotive parts	¥244,641	¥221,934	\$1,836,647
Nonautomotive parts	21,367	23,069	160,411
Corporate or elimination	(12,570)	(9,751)	(94,372)
Consolidated	¥253,438	¥235,252	\$1,902,686
Depreciation and amortization:			
Automotive parts	¥ 18,916	¥ 18,212	\$ 142,014
Nonautomotive parts	2,907	2,619	21,825
Consolidated	¥ 21,823	¥ 20,831	\$ 163,839
Capital expenditures:			
Automotive parts	¥ 30,311	¥ 21,889	\$ 227,564
Nonautomotive parts	3,190	6,531	23,947
Consolidated	¥ 33,501	¥ 28,420	\$ 251,511

Corporate assets under corporate or elimination primarily consist of cash and time deposit and marketable securities.

(2) Geographical segments

Information by geographical segment for the years ended March 31, 2002 and 2001, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales:			
Japan	¥229,017	¥229,010	\$1,719,348
North America	67,986	61,534	510,410
Others	15,440	8,037	115,914
Elimination of intersegment transactions	(9,350)	(5,698)	(70,194)
Consolidated	¥303,093	¥292,883	\$2,275,478
Operating income (loss):			
Japan	¥ 8,790	¥ 16,587	\$ 65,994
North America	3,046	4,401	22,866
Others	(1,005)	(283)	(7,548)
Elimination of intersegment transactions	(203)	(10)	(1,521)
Consolidated	¥ 10,628	¥ 20,695	\$ 79,791
Assets:			
Japan	¥200,257	¥188,176	\$1,503,431
North America	48,020	45,582	360,507
Others	17,731	11,245	133,119
Corporate or elimination	(12,570)	(9,751)	(94,371)
Consolidated	¥253,438	¥235,252	\$1,902,686

Corporate assets under corporate or elimination primarily consist of cash and time deposit and marketable securities.

(3) Overseas sales

Information by customer location for the years ended March 31, 2002 and 2001, is as follows:

	2002		2001		U.S. dollars	
	Millions of yen	%	Millions of yen	%	Thousands of U.S. dollars	%
Japan	¥216,321	71.4%	¥220,058	75.1%	\$1,624,036	71.4%
North America	66,756	22.0%	60,045	20.5%	501,182	22.0%
Others	20,016	6.6%	12,780	4.4%	150,260	6.6%
Net Sales	¥303,093	100.0%	¥292,883	100.0%	\$2,275,478	100.0%

14. Related Party Transactions

During the years ended March 31, 2002 and 2001, the Company and its subsidiaries had operational transactions with Toyota Motor Corporation (“TMC”), a 42.0% shareholder of the Company. A summary of the significant transactions with TMC for the years ended March 31, 2002 and 2001, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
For the year:			
Sales of finished goods	¥115,224	¥121,432	\$865,045
Purchase of raw material	12,670	13,882	95,125
At year-end:			
Accounts receivable	¥ 14,251	¥ 15,363	\$106,987
Accounts payable	1,249	1,475	9,380

15. Subsequent Event

On June 26, 2002, the shareholders of the Company authorized the payment of year-end cash dividends to shareholders of record as of March 31, 2002, of ¥5.5 (\$0.041) per share, or a total of ¥680 million (\$5,102 thousand), and bonuses to directors and corporate auditors of ¥123 million (\$924 thousand).

Cash dividends for the year thus totaled ¥11 (\$0.082) per share, including a semiannual dividend of ¥5.5 (\$0.041).

The introduction for the first time of an incentive plan involving the granting of stock options was approved at the Ordinary General Meeting of Shareholders in June 2001. Consequently, options on a total of 250,000 shares, the maximum allowable, were granted at a predetermined exercise price to all directors and certain employees.

The purpose of this plan is to further sharpen the motivation of senior management in enhancing shareholder value. The grant price is the higher of the closing price on the Tokyo Stock Exchange on the date of the 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. Subsequent to that initial period, the option must be exercised or waived within the next four years. To finance this plan, the Company purchased 201,000 shares of common stock as treasury stock in fiscal 2001 at a total price of approximately ¥342 million.

In June 2002, the Ordinary General Meeting of Shareholders approved a warrant, which earmarks a

maximum of 300,000 shares of common stock to be further distributed among directors and certain employees.

Based on a decision by the Board of Directors on January 22, 2002, the Company concluded a contract with Toyo Tire and Rubber Co., Ltd. (Toyo), on February 5, 2002, that provided for the purchase by the Company of Toyo's airbag operations effective April 1, 2002, and for the sale by the Company of its vibration isolating parts operations to Toyo, also effective April 1, 2002. Below is a summary of the purchase and the divestiture.

(1) Purchase of airbag operations

- a. The Company acquired from Toyo the tangible and intangible fixed assets employed in Toyo's airbag operations as of March 31, 2002. The purchase price for those assets was ¥941 million (\$7,065 thousand).
- b. The Company made a payment of ¥417 million (\$3,131 thousand) to Toyo for the marketing rights associated with airbag products.

(2) Divestiture of vibration isolating parts operations

- a. The Company transferred to Toyo the tangible and intangible fixed assets employed in its vibration isolating parts operations as of March 31, 2002. The purchase price for those assets was ¥811 million (\$6,089 thousand). The book value of the assets was ¥611 million (\$4,587 thousand).
- b. The Company received a payment of ¥389 million (\$2,920 thousand) from Toyo for the marketing rights associated with vibration isolating parts.

Independent Auditors' Report

To the Board of Directors of
Toyoda Gosei Co., Ltd.

We have audited the consolidated balance sheets of Toyoda Gosei Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Toyoda Gosei Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, effective for the year ended March 31, 2001, Toyoda Gosei Co., Ltd. and its consolidated subsidiaries have adopted new accounting standards for financial instruments and employees' retirement benefits and foreign currency transactions. As described in Note 2, effective for the year ended March 31, 2002, Toyoda Gosei Co., Ltd. and its consolidated subsidiaries have adopted the new accounting standard for available-for-sale securities with fair values.

The U.S. dollar amounts in the consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for the convenience of readers outside Japan. Our audits also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Nagoya, Japan
June 26, 2002


Midori Audit Corporation

Management

Board of Directors

Chairman of the Board

Tokio Horigome

President

Takashi Matsuura

Executive Vice President

Yutaka Tanaka

Senior Managing Directors

Yuzo Saito

Keiichi Ito

Takamasa Suzuki

Managing Directors

Shunichi Natsume

Hideaki Aoki

Masayuki Yamamoto

Yoshiki Kotani

Masatoshi Kamon

Tsuneji Obara

Kuniaki Osaka

Directors

Atsunori Murata

Shigeo Asano

Takao Nakajima

Takayasu Hiramatsu

Tadashi Ishikawa

Masato Ueno

Koichi Ota

Muneo Furutani

Nobutaka Ito

Board of Corporate Auditors

Shoji Natsume

Shinji Otsuka

Iwao Isomura

Kuniyoshi Takeuchi

(as of June 26, 2002)

Investor Information

Corporate Data

Head Office

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Aichi Prefecture 452-8564, Japan
Phone: +81 -52-400-1055 Fax: +81 -52-409-7491
Web site: www.toyoda-gosei.com

Established

1949

Employees

12,321

Certified Public Accountants

Midori Audit Corporation

Consolidated Subsidiaries

24 companies

Share Handling

Number of Shareholders

12,163

Shareholders' Equity

¥132,560 million (\$995,198 thousand)

Shares

Authorized: 200,000,000

Issued and outstanding: 123,760,302

Transfer Agent

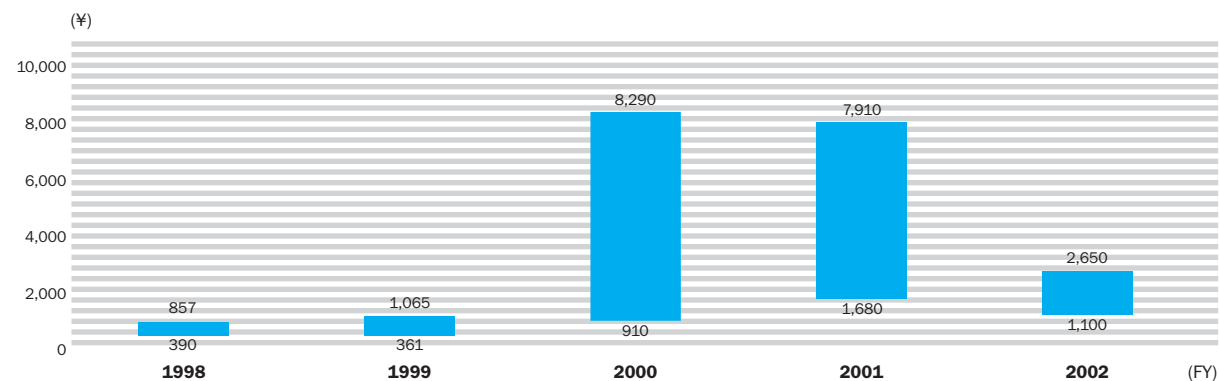
UFJ Trust Bank Ltd.

Common Stock Traded

Tokyo and Nagoya

(as of March 31, 2002)

Share Price Range





1, Nagahata, Ochiai, Haruhi-cho, Nishikasugai-gun,

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