

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

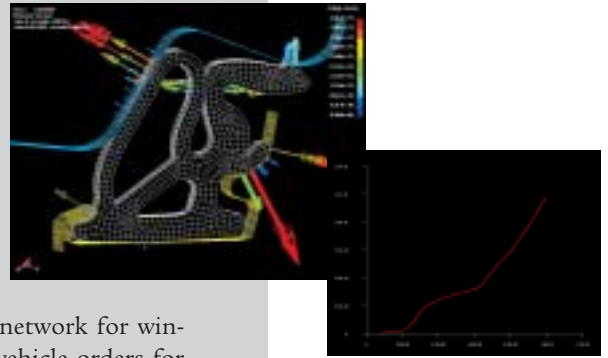
potential for growth, and our investment in BTR WADCO positions us to share in that growth.

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:

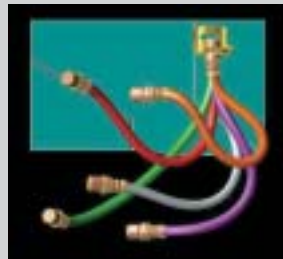
- Establish a global supply network for winning and fulfilling whole-vehicle orders for our main four entries in body sealing products: door weatherstrip, glass runs, opening trim and outer weatherstrip.
- While maintaining leadership in waterproofing and other basic functions, assert leadership in acoustics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



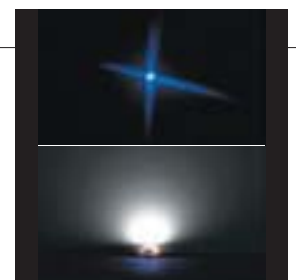
Manufacturing safety systems in Thailand

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,

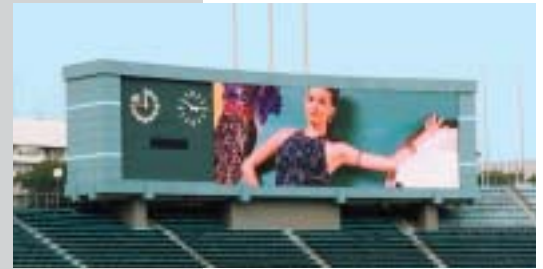
we set up a sales office recently in the United States and are preparing to establish local marketing capabilities in other countries.

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