

Management's Discussion and Analysis

Business at Toyota Gosei (the "Company") 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 components for cellular phones and for other items. Automotive parts accounted for 88.9% of the Company's net sales in the fiscal year ended on March 31, 2003.

Affiliation

Toyota Motor Corporation owned 41.7% of the Company's equity at March 31, 2003, and business with Toyota accounted for 35.5% of the Company's sales in the fiscal year ended on that date. The Company also conducts business with most of the world's other large automakers.

Income and Expenses

The Company posted a 13.8% increase in net sales in the past fiscal year, to ¥344.8 billion (\$2,869 million). That increase comprised sales gains of 9.3% in automotive parts, to ¥306.6 billion (\$2,551 million), and 69.3% in nonautomotive parts, to ¥38.2 billion (\$318 million), before eliminations for intersegment transactions.

In sales by company location, business volume expanded 16.2% in Japan, to ¥266.1 billion (\$2,214 million). Sales increased 3.3% in North America, to ¥70.3 billion (\$585 million), and increased 46.6% in other regions, to ¥22.6 billion (\$188 million). All of the preceding figures for sales by company location are before eliminations for intersegment transactions.

Cost of sales increased 12.0% in the past fiscal year, to ¥298.7 billion (\$2,485 million), and the gross profit margin rose to 13.4%, from 12.0% in the previous year. The principal reasons for the improvement in gross profitability were unit growth in automotive parts, which reflected unit growth in vehicle production by automakers, and resurgent unit sales of LEDs, supported by a recovery in the telecommunications sector.

Gross profit margin (percent)

FY	2003	2002	2001	2000	1999
	13.4	12.0	15.2	15.3	11.2

Selling, general and administrative expenses declined 1.4%, to ¥25.3 billion (\$211 million), reflecting progress in streamlining operations and in reducing costs. The Company's accounts for the fiscal year under review encompass 28 subsidiaries, compared with 24 and 18 in the two previous years. Employees numbered 13,487 at fiscal year-end, up 9.5% over the previous fiscal year-end.

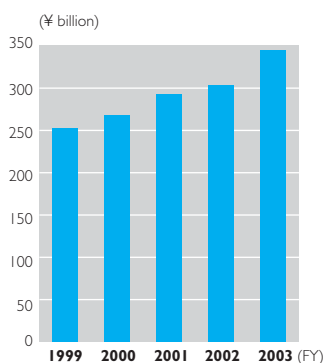
The Company maintains a vigorous commitment to research and development in automotive parts and in diversified products. Expenditures on research and development increased 8.6% in the past fiscal year, to ¥20.2 billion (\$168 million).

Operating income increased 95.6%, to ¥20.8 billion (\$173 million)—its highest level ever—and the operating profit margin rose to 6.0%, from 3.5% in the previous year. The improvement in operating profitability reflects the broadening of gross profit margins in automotive parts and the strong upturn in gross profitability in LEDs.

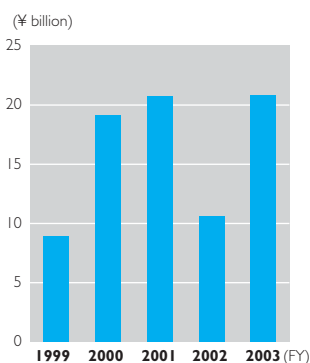
Operating profit margin (percent)

FY	2003	2002	2001	2000	1999
	6.0	3.5	7.0	7.1	3.5

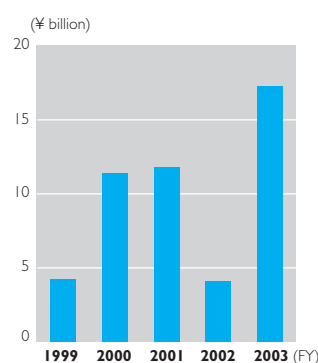
Net Sales



Operating Income



Net Income



Net interest expense totaled ¥357 million (\$3 million), compared with ¥96 million in the previous year. Depreciation expense increased 7.2%, to ¥23.4 billion (\$195 million).

The Company recorded a gain of ¥10.0 billion (\$83 million) on the return of the substitutional portion of its and its subsidiaries' Employees' Pension Funds (see Note 6 of the notes to the consolidated financial statements). Income before income taxes and minority interests increased 251.7%, to ¥29.9 billion (\$249 million), and net income rose 325.3%, to ¥17.3 billion (\$144 million).

Diluted net income per share of common stock rose 319.4%, to ¥131.9 (\$1.10). The Company raised the aggregate annual dividends per share of common stock ¥2 (\$0.02), to ¥13.0 (\$0.11).

Financial Position

The Company maintains a strong financial position, and it continued to strengthen that position in the past fiscal year. Shareholders' equity increased 9.0%, to ¥144.4 billion (\$1,202 million) at fiscal year-end, and the ratio of shareholders' equity to total assets was 51.1%, compared with 52.3% a year earlier.

Interest-bearing debt increased 48.9%, to ¥38.1 billion (\$317 million). That increase occurred as the Company took advantage of favorable market conditions to raise funds for its capital spending program.

Equity to assets ratio (percent)

FY	2003	2002	2001	2000	1999
	51.1	52.3	52.7	54.0	44.6

Net cash provided by operating activities increased 23.9%, to ¥26.8 billion (\$223 million), reflecting the growth

in pretax income. Cash and cash equivalents at fiscal year-end increased 20.1%, to ¥30.9 billion (\$257 million).

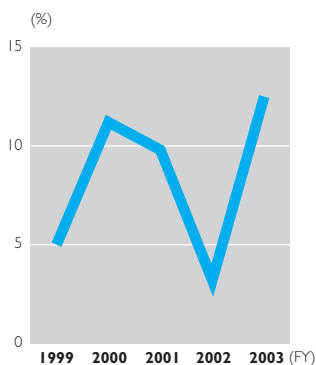
Outlook

Management believes the Company will achieve further sales growth in the fiscal year to March 31, 2004, but they expect earnings to reflect escalating price competition and slowing unit sales growth in some markets. They project that operating income will be basically unchanged on an increase of 7.3% in net sales, to ¥370.0 billion.

Forward-Looking Statements

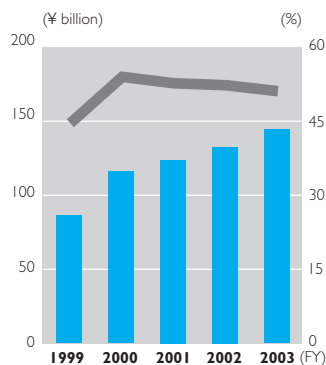
The preceding descriptions of projections and plans are "forward-looking statements," which involve known and unknown risks and uncertainties in regard to such factors as product liability, currency exchange rates, raw material costs, labor-management relations and political stability. Those and other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

Net Return on Equity*



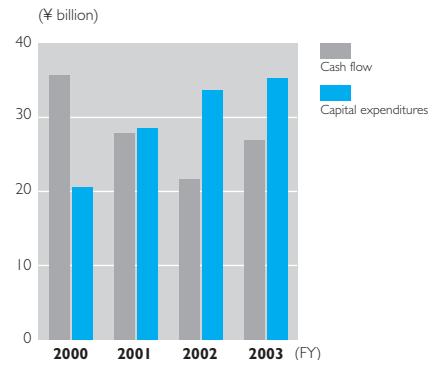
*Net income divided by simple average of shareholders' equity at fiscal year-ends.

Shareholders' Equity and Equity Ratio*



*Ratio of shareholders' equity to total assets

Cash Flow* and Capital Expenditures



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