



TOYODA GOSEI



ANNUAL REPORT 2005

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Toyoda Gosei is a core member of the Toyota Group. The company is a global leader in several categories of automotive components. It is also a leader in light-emitting diodes (LEDs). A global manufacturing network supports continuing growth for each of Toyoda Gosei's business units.

The company supplies automakers worldwide with interior and exterior parts; with body sealing products; with functional parts for power train, chassis drive train, and fuel supply systems; and with airbag-equipped steering wheels and other kinds of airbag products. Its LEDs render service in cell phones and in numerous other product applications.

Financial Highlights

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2005, 2004, and 2003

	Millions of yen			Percent change	Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005/2004	2005
Net sales:	¥435,539	¥396,983	¥344,842	+9.7	\$4,055,673
Sales in Japan	284,704	278,446	245,199	+2.2	2,651,121
Sales outside Japan	150,835	118,537	99,643	+27.2	1,404,552
Net income	10,585	12,679	17,258	-16.5	98,567
Total assets	342,439	318,689	282,901	+7.5	3,188,745
Shareholders' equity	168,644	159,783	144,437	+5.5	1,570,392
Capital expenditures	42,939	41,355	35,045	+3.8	399,846
Depreciation and amortization	28,518	26,062	23,395	+9.4	265,560
			Yen	Percent change	U.S. dollars (Note 1)
Per share (Note 2):					
Net income					
Basic	¥80.32	¥100.14	¥138.00	-19.8	\$0.75
Diluted	80.28	96.14	131.85	-16.5	0.75
Cash dividends	18.0	16.00	13.00	+12.5	0.17
Number of employees	17,279	15,483	13,487	+11.6	

Notes:

1. The U.S. dollar amounts have been translated, for convenience only, at the rate of ¥107.39 = US\$1, the exchange rate prevailing on March 31, 2005.
2. The calculation of per share amounts is based on the average number of shares during the fiscal year.

Building on Strengths. Addressing Weakness

Our results in fiscal 2005 (ended March 31, 2005) highlighted fundamental Toyoda Gosei strengths while revealing a glaring weakness that demands attention. Net income declined 16.5%, to ¥10.6 billion (\$99 million), even as net sales climbed 9.7%, to ¥435.5 billion (\$4.1 billion), their highest level ever. Operating income in automotive components increased 44.5%, to ¥19.4 billion (\$180 million), as we posted sales gains in all four business units in that segment. In contrast, we suffered an operating loss of ¥2.2 billion (\$20 million) in our diversified operations—"nonautomotive components"—compared with operating income of ¥10.8 billion in the previous year.

The strong performance by our automotive operations reflects more than the continuing growth in global demand for automobiles. We succeeded in increasing our market share in the six automotive product categories that we have identified as strategic priorities: safety system products (airbags); body sealing products (weatherstrip); fuel tank modules (comprising fuel tanks and peripheral components); instrument panel modules (comprising instrument panels and other interior items); exterior trim; and functional parts (hoses, tubes, caps, boots, and other items for powertrain, steering, and braking systems). We aim to rank among the world's three largest suppliers in all six of those categories by 2010 and to raise our standing further in the categories where we already rank in the top three.

Globalizing profitably

Also encouraging was our mounting sales and profit momentum in markets outside Japan. We have invested heavily in globalizing production in all four automotive business units, and that investment has entailed large start-up costs and an increased burden of depreciation expenses. Our investment, though, is beginning to yield gratifying results. Operating income in our North American operations climbed 63.6% in fiscal 2005, to ¥3.6 billion (\$33 million), on a 20.4% increase in sales, to ¥94.5 billion (\$880 million). At our operations in other regions, operating income climbed 78.0%, to ¥3.4 billion (\$32 million), on a 43.8% increase in sales, to ¥48.6 billion (\$453 million). Note that the figures for sales are net of intersegment transactions and that they consist entirely of business in automotive components.

Note, too, that we continued to globalize our production further in the past fiscal year. We established three automotive production subsidiaries during the year that will manufacture interior and exterior parts in China and in the United States and safety system products in Vietnam. We also established a production subsidiary in China to manufacture plastic cases for cell phones.

Our fiscal performance in Japan, meanwhile, was a composite of strong results in the automotive sector and weak results in diversified operations. Operating income declined 49.0%, to ¥10.3 billion (\$96 million), even as sales rose 2.7%, to ¥292.4 billion (\$2.7 billion).

Reasserting competitiveness in diversified products

The fiscal reversal in diversified operations resulted mainly from a sales and earnings decline in optoelectronic products: LED chips and lamps. Those products accounted for 63.0% of sales in diversified products and present by far the greater challenges and opportunities. Most of our business in LEDs is in the cell phone sector, and in fiscal 2005 we suffered from softening demand in that sector and from the emergence of new competitors in Taiwan and elsewhere, which occasioned a sharp decline in prices.

We have revamped our R&D organization in optoelectronic products with an eye to upgrading our responsiveness to customer needs. We have also strengthened our product line with highly competitive new products. Competitiveness in high-output white LEDs for backlighting in liquid crystal displays (LCDs) is especially crucial to viability in this sector, and we are confident that we have positioned ourselves to compete effectively in that product category.

Business in the General Industry Products business unit consists mainly of plastic cases for cell phones, air filters for homes and offices, and plastic panels for air conditioners. We supply the cell phone cases to a leading Japanese manufacturer of cell phones, and we supply the air filters and air-conditioner panels to a leading manufacturer of room air conditioners. Traditionally, we have outsourced all of the production in this business unit, but we are building our first plant for diversified products, as noted above, in China. We are counting on that plant to help restore our growth momentum in this product niche. Meanwhile, the

impending introduction of a new air filter model promises to stimulate renewed growth in that product category, too.

Eyeing an earnings turnaround

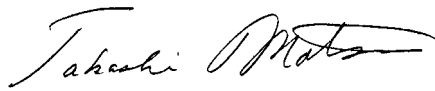
We are cautiously confident of restoring our bottom line to a pattern of growth in fiscal 2006 (ending March 31, 2006). Our projections call for net income to increase 8.6%, to ¥11.5 billion, on a 5.6% increase in net sales, to ¥460.0 billion.

Toyoda Gosei remains a growth company—a company that asserts globally competitive strengths in promising product sectors. Our vision for Toyoda Gosei in 2010 is a blueprint for fulfilling that potential. As noted, we are working to assert industry leadership in selected product sectors. We are doing that by renewing our dedication to the basics of our business: developing and supplying high-value-added products, honing our competitive edge in manufacturing, and deploying production resources optimally around the world. And we shape all our efforts to ensure that we live up to the highest standards of corporate social responsibility. We invite your attention to our continuing progress in fulfilling the exciting promise of this company.

August 2005



Tokio Horigome, Chairman of the Board



Takashi Matsuura, President



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

Toyoda Gosei Globally

Globalizing production supports continuing growth for each of Toyoda Gosei's business units.

North America

A regional management company coordinates Toyoda Gosei's extensive and highly integrated operations in the United States, Canada, and Mexico. Those operations include local research and development for some products, as well as comprehensive manufacturing capabilities.



Toyoda Gosei's Texas plant will produce interior and exterior parts for the Toyota Tundra pickup at a site adjacent to the Tundra plant.

Europe

Multiple production sites in central and western Europe support a growing presence for Toyoda Gosei in Europe. The company accompanies European production with pan-European marketing and technical support.



A newly established Austrian joint venture between Toyoda Gosei and the Zumtobel Group will develop and market high-output white LEDs for illumination.

China and Taiwan

Each of Toyoda Gosei's automotive business units is expanding production in China in step with Toyota Motor Corporation's growing operations there. The company's General Industry Products business unit also established a Chinese production subsidiary recently, which will produce cell phone cases.



Tianjin is the site of a Toyoda Gosei plant under construction that will produce cases for cell phones.

Japan

The parent company and core subsidiaries in Japan are the hub of Toyoda Gosei's globalization. Japan-based research and development provide a continuing stream of new products for manufacturing and marketing worldwide. And production engineering teams from Japan oversee smooth start-ups at new manufacturing projects in each region.

Southeast Asia, India, and Australia

Several Toyoda Gosei production subsidiaries in Thailand and in other Southeast Asian nations serve the region's fast-growing automotive industry. Toyoda Gosei also has a production foothold in the promising Indian market and a well-established production subsidiary in Australia.



Toyoda Gosei Asia Co., Ltd., a management company for Southeast Asian operations, completed this new headquarters building in May 2004.



The Body Sealing Products business unit opened its Global Production Center in 2005 to hone the production skills of an international cast of manufacturing personnel.

Interior & Exterior Parts

Leading the sales growth in interior and exterior parts in fiscal 2005 were instrument panel modules. Those modules include instrument panels and peripheral items. Together with exterior molding, they are one of two product categories in this business unit where we aim to rank among the world's three largest suppliers by 2010.

We develop instrument panel modules with automakers for global vehicle models. Our participation includes supplying parts or complete modules, depending on the automakers' production strategies. We are doing R&D on switches and display components with an eye to supplying a broadened range of items for the modules.

New products augment our sales portfolio in exterior parts. Materials development and surface finishing are core strengths, and we present automakers with advances in visual appeal, weight savings, recyclability, and functionality in exterior trim.

Our products in interior and exterior parts are subject to intense price competition. We concentrate on developing high-



Instrument panel module and radiator grille equipped with milliwave radar collision-prevention functionality

Body Sealing Products

Our business in body sealing products consists mainly of glass runs, which provide sealing along the doorframe grooves through which windows slide; opening trim weatherstrip, attached on the vehicle body to provide sealing between the body and the doors; and door weatherstrip, attached on the doors to provide sealing between the doors and the vehicle body. We estimate we are the world's third-largest supplier of these products, and we aim to raise that ranking further by 2010.

The sales expansion in this business unit in fiscal 2005 reflected growth in shipments to Toyota and to other automakers. A highlight was the production start-up for Toyota's new IMV model family in autumn 2004. That family consists of pickup truck, minivan, and utility vehicle models developed mainly for newly industrializing economies and produced exclusively outside Japan. We secured a large share of the IMV body sealing business in the pickup model produced in Thailand. We also secured a large share of the body sealing business in the newly remodeled



Body sealing products: As installed in vehicle (left) and cross-sectional diagram

Sales and Production Network

Fiscal 2005 sales	Up 12.2%, to ¥110.4 billion (\$1.0 billion)
Percentage of net sales	25.4%
Plants	11 in 8 nations (excluding Japanese subsidiaries)

value-added products and on upgrading our production processes. Our measures for raising value added in trim and in other products include (1) asserting strengths in plating and coating and (2) studying ways to incorporate LEDs. We are highly responsive in flexible manufacturing, and we accompany that strategic advantage with continuing cost reductions. Efficiency-raising design innovations include adopting common specifications for clips and materials across multiple product lines. Even more important are our continuing advances in process engineering.

An unprecedented, global deployment of resources is fortifying our competitiveness in interior and exterior parts. We established our 10th and 11th plants in this business unit in fiscal 2005. Toyoda Gosei (Foshan) Auto Parts Co., Ltd., due to begin production in May 2006, will serve vibrant demand in southern China. Toyoda Gosei Texas, LLC, scheduled to inaugurate production in October 2006, is adjacent to a Toyota plant that will start producing Tundra pickup trucks in 2006. It is this business unit's first experiment with "embedded" production on-site at a vehicle plant.

Sales and Production Network

Fiscal 2005 sales	Up 8.0%, to ¥81.3 billion (\$757 million)
Percentage of net sales	18.7%
Plants	14 in 10 nations (excluding Japanese subsidiaries)

Toyota Vitz. That model is an extremely popular small compact in Japan and, as the Yaris, in Europe.

This business unit opened our first Global Production Center in early 2005 in Japan's Shizuoka Prefecture. Global production centers, which our other business units will also open, are for ensuring global uniformity in Toyoda Gosei products. They will provide training for manufacturing personnel from our operations worldwide. Work at the centers will focus on establishing standardized procedures for preparations for mass production and on equipping trainees with skills for supervising those procedures.

A newly developed Toyoda Gosei surface-treatment agent for weatherstrip is environmentally benign. We have traditionally relied on organic solvents for surface treatment, but we are working to reduce our reliance on those solvents to reduce the environmental effect of our manufacturing operations. Our new agent is a water-based silicone emulsion. Unlike the solvents that it replaces, it does not evaporate into the air, so it is easy to keep out of the plant environment. The new surfacing agent is also superior to its predecessors in creating a low-friction surface.

Functional Parts

The name refers to the basic vehicle functions—notably drive, braking, steering—that products in the Functional Parts business unit support. Unit sales gains offset competitive pressure on prices in fiscal 2005, resulting in double-digit sales growth. That growth occurred despite the final phasing out of our business in vibration-absorbing components.

Showcasing our strengths in this business unit are fuel tank modules. Those modules, together with individual functional parts, are one of the two product categories in this unit that are strategic priorities in our 2010 vision—categories where we are aiming to rank among the world's three largest suppliers by 2010. Our world-class offerings in individual functional parts include brake hoses, constant velocity joint boots, and rack-and-pinion boots.

Manufacturers of passenger cars have largely replaced metal fuel tanks with plastic tanks in Europe and in North America, and plastic tanks appear in a growing proportion of the cars produced in Japan. We make plastic fuel tanks at our subsidiary Fuel Total Systems Co., Ltd., which has plants in Japan and, since May 2004, in the United States. We supply fuel tank modules—including valves, caps, hoses, and tubes, as well as the tanks—for a growing range of vehicle models. We also continue to supply the tanks and peripheral components separately.

In fiscal 2005, we unveiled a plastic tank to hold liquid hydrogen fuel for fuel cell vehicles. Our tank offers gas barrier characteristics comparable to those of aluminum. It is extremely light, and its pressure capacity ranks among the highest anywhere.

Safety System Products

Safety system products are another product category where we aim to position Toyota Gosei solidly among the world leaders by 2010. In fiscal 2005, sales growth of 20% strengthened our position in the global market for airbags. Supply contracts for a growing range of airbags in a growing range of vehicles underlie our mounting business momentum in safety system products, our biggest business unit.

We supply the entire range of airbags commonly employed in vehicles worldwide, including driver, front-passenger, side, curtain, and knee airbags. We continue to upgrade those airbags with advances, such as dual-stage inflation. And we develop airbags for possible new applications, such as pedestrian protection.

Demand for airbags is growing faster than unit vehicle sales. Regulatory initiatives in every principal market are mandating a steadily broadening scope of airbag protection. We are sharing in the growth in global demand by offering exceedingly high and consistent quality and state-of-the-art functionality.

Indicative of our leadership in product quality was a recent award from Toyota for our airbag subsidiary in the Czech Republic. That recognition was for achieving zero defects in airbags supplied to Toyota vehicle plants in the United Kingdom and Turkey in 2004. The company, just three years old, also earned recognition from Toyota for reliable delivery. In addition, it received an Investor of the Year Award in 2004 from the Czech government. That award was for contributions to local industrial vitality, including a high employee-retention rate.

Sales and Production Network

Fiscal 2005 sales	Up 12.4%, to ¥88.6 billion (\$825 million)
Percentage of net sales	20.3%
Plants	13 in 7 nations (excluding Japanese subsidiaries)

Another highlight pertained to the metal end fittings for brake hoses. Our line of brake hose fittings had ballooned to 90 variations. New breakthroughs will enable us to reduce that number by more than two-thirds. We developed cold-forging technology for simultaneously fabricating metal fittings that we formerly needed to fabricate separately. And we developed design specifications to accommodate the same range of performance requirements with fewer fitting variations.



Clockwise from upper right: brake hoses, noise unreflective duct for air intake, constant-velocity joint boots, and water hose



Clockwise from upper right: fuel tank module, fuel hoses and tubes, fuel caps, fill-limit vent valves, and inlet check valve

Sales and Production Network

Fiscal 2005 sales	Up 19.8%, to ¥116.4 billion (\$1.1 billion)
Percentage of net sales	26.7%
Plants	13 in 11 nations (excluding Japanese subsidiaries)

We established a company in Haiphong, Vietnam, in September 2004 that will begin producing cushions for airbag modules in October 2005. Expansion continued at our airbag operations worldwide, including those in Japan, Thailand, and China. We continued to upgrade our capacity for developing airbag systems in North America and Europe, as well as in Japan.

Sales of side and curtain airbags were especially strong amid overall growth in this product sector. A new contributor to our product portfolio in airbags is a side airbag for thorax and pelvis protection. Demand for that protection is rising especially in large sport-utility vehicles.

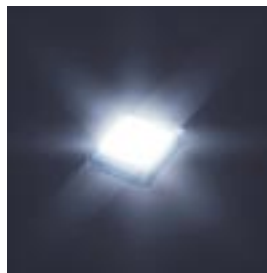
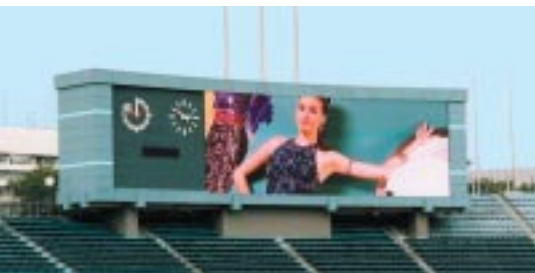


Dual-stage driver- and passenger-side airbags and knee airbags (above) and side airbag and curtain airbag

Optoelectronic Products

The Optoelectronic Products business unit supplies LEDs as chips and as lamp packages. Most of our LEDs are for cell phones, including white backlighting for the phones' LCDs and colored lighting for their keypads. We also supply a growing volume of LEDs for signboard displays and for automotive applications. Our disappointing sales performance in optoelectronic products in fiscal 2005 reflected (1) a sharper-than-expected decline in prices for LEDs in the cell phone sector and (2) a competitive lapse in adapting packages to customer needs.

Toyoda Gosei has pioneered decisive advances in LED technology, including the development of blue LEDs. That pioneering momentum has helped us gain a solid business foundation in this product sector. Two LED categories—high-output LEDs for consumer electronics products and high-output LEDs for automotive applications—are among the sectors where we aim to rank among the world's three largest suppliers by 2010.



Sales and Production Network

Fiscal 2005 sales	Down 27.0%, to ¥22.3 billion (\$208 million)
Percentage of net sales	5.1%
Plants	Four in 3 nations (excluding Japanese subsidiaries)

Organizational changes in this business unit are making us more responsive to demand. We have reallocated responsibilities to strengthen long-range technological development and to speed product development for customer applications.

In another move, we purchased a share of the rights to crucial technology for white LEDs in July 2004. The technology, which we formerly used as a licensee, pertains to generating white light with blue LEDs and yellow phosphor. We bought a share of the applicable patent held by a subsidiary of Austria's Zumtobel Group and two German companies. We subsequently established a joint venture with the Zumtobel Group in June 2005 to develop and market high-output white LEDs for illumination.

In October 2004, we announced a white LED of unexcelled brightness: 1,000 millicandelas. That LED, which combines our blue LED and yellow phosphor technologies, has strengthened our position in backlights for cell phone displays. We unveiled an even-brighter, 1,300 millicandela version in June 2005.

We have installed LED production equipment at a plant in Kyushu that will begin operation in September 2005. We will expand our production capacity there as market trends warrant.

LED signboard (left) and white chip LED

General Industry Products

The General Industry Products business unit is a highly entrepreneurial operation that specializes in planning and developing products and that outsources most production. Its core products are plastic cases for cell phones, air purifiers, and plastic panels for air conditioners, which together account for about 70% of the unit's sales. The sales downturn in fiscal 2005 reflected unit sales declines in cell phone cases and in air purifiers.

We have supplied cell phone cases exclusively in Japan. As cell phone manufacturers concentrate their production increasingly in China, we are moving to establish supply capabilities there, too. The General Industry Products business unit established a company in Tianjin in September 2004 to produce cases for cell phones.

Sales and Production Network

Fiscal 2005 sales	Down 5.6%, to ¥13.1 billion (\$122 million)
Percentage of net sales	3.0%
Plants	One, in China; company outsources most production

That subsidiary is the first in-house production platform for the General Industry Products business unit. Along with strengthening our existing customer relationships, the Chinese production venture has enabled us to develop business with new customers.

Japanese demand for air purifiers is surging as hay fever becomes a national problem. We were between product cycles in this sector in fiscal 2005, which largely accounts for our unit sales decline. A new and greatly fortified air purifier scheduled for launch in September 2005 promises to help rekindle our sales momentum.

A promising new product line is dynamic dampers for absorbing upstairs noise from footsteps in two- and three-story fabricated homes. Sales of those dampers grew rapidly in fiscal 2005. We also continue to supply interior, body sealing, and other components for industrial vehicles and for agricultural and construction equipment.



Cell phones and air purifier

Financial Section

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)	2004	2003	2002	Millions of yen 2001
	2005	2005				
Net sales:	¥435,539	\$4,055,673	¥396,983	¥344,842	¥303,093	¥292,883
Sales in Japan	284,704	2,651,121	278,446	245,199	216,321	220,058
Sales outside Japan	150,835	1,404,552	118,537	99,643	86,772	72,825
Net income	10,585	98,567	12,679	17,258	4,058	11,762
Total assets	342,439	3,188,745	318,689	282,901	253,438	235,253
Shareholders' equity	168,644	1,570,392	159,783	144,437	132,560	123,962
Capital expenditures	42,939	399,846	41,355	35,045	33,501	28,420
Depreciation and amortization	28,518	265,560	26,062	23,395	21,823	20,831

	Yen	U.S. dollars (Note 1)				Yen
Per share (Note 2):						
Net income						
Basic	¥80.32	\$0.75	¥100.14	¥138.00	¥32.82	¥95.31
Diluted	80.28	0.75	96.14	131.85	31.44	90.65
Cash dividends	18.00	0.17	16.00	13.00	11.00	11.00
Average number of shares (in thousands)	129,162		124,183	123,499	123,640	123,400
Equity-to-assets ratio (%)	49.2		50.1	51.1	52.3	52.7
Number of employees	17,279		15,483	13,487	12,321	10,695

Notes:

- The U.S. dollar amounts have been prepared, for convenience only, at the rate of ¥107.39 = US\$1, the exchange rate prevailing on March 31, 2005.
- 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:

	2005	2004	2003	2002	2001
Consolidated	35	34	28	24	18
Equity method	1	1	1	—	—

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Management’s Discussion and Analysis

Business at Toyoda Gosei (the “Company”) centers on developing, manufacturing, and marketing automotive parts and light-emitting diodes (LEDs). The Company also develops and supplies cell phone cases, air purifiers, air-conditioner components, and other diversified products.

Affiliation

Toyota Motor Corporation owned 43.2% of the Company’s equity at March 31, 2005, and business with Toyota accounted for 36.6% 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 9.7% increase in net sales in the fiscal year ended March 31, 2005, to ¥435.5 billion (\$4,056 million). That sales volume was the largest ever for the Company. The increase in sales comprised a gain of 13.5% in automotive parts, to ¥400.1 billion (\$3,726 million), and a decline of 20.3% in nonautomotive parts, to ¥35.4 billion (\$330 million). The sales figures for business segments are net of intersegment transactions.

As described elsewhere in this report, the Company’s business in automotive parts spans trim and other interior and exterior parts; weatherstrip and other body sealing products;

functional parts for power train, chassis drive train, and fuel supply systems; and airbag-equipped steering wheels and other kinds of airbags. The Company supplies its principal products in this segment to automakers worldwide, mainly from local plants. It ranks among the world’s leading suppliers in its core product lines, and management is committed to expanding the Company’s market share further in priority product sectors.

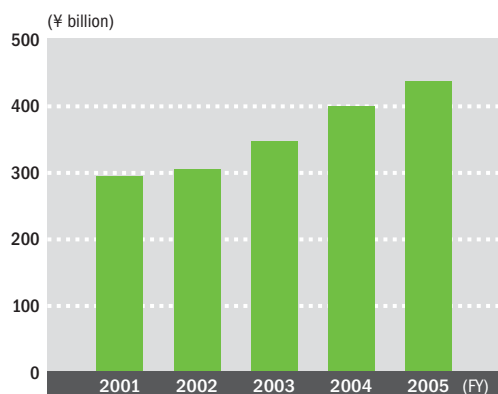
All of the products that the Company supplies for automobiles are subject to intense price competition. Maintaining viable profit margins depends on achieving continual cost reductions and continual increases in economies of scale. The Company has been consistently successful in fulfilling these conditions, and management is confident of achieving continual progress in lowering costs and in expanding sales volume.

Sales by industry segment

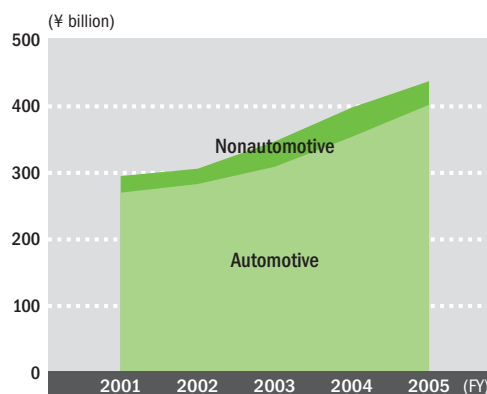
FY	(percent of net sales)	
	2005	2004
Automotive parts	92.0	88.8
Nonautomotive parts	8.0	11.2
	100.0	100.0

LEDs account for most of the Company’s business in nonautomotive parts. The Company has pioneered important advances in LEDs—most notably blue LEDs, the commercialization of which completed the red-green-blue spectrum. It has subsequently developed high-output white LEDs. These and other developments have enabled the Company to secure a large share of the global market for LEDs, especially in cell phones. LEDs, like other electronic components, are subject to sharp fluctuations in demand and to sharp downward trends in prices. Management is confident of maintaining the Company

Net Sales



Sales by Business Segment



in the vanguard of product and production technologies and of coping with escalating price competition.

The Company's other line of business in nonautomotive parts consists of developing and supplying plastic cases for cell phones, air purifiers, and plastic components for air conditioners and for other applications. The Company designs and develops those products on behalf of original equipment manufacturers and produces the components through outsourcing arrangements. This business enables the Company to commercialize its well-established strengths in materials technologies in new markets. The Company is building a Chinese plant to produce cell phone cases—its first plant for producing nonautomotive parts.

In sales by geographic segment (by company location), business grew 2.7% in Japan, to ¥292.4 billion (\$2,723 million), 20.4% in North America, to ¥94.5 billion (\$880 million), and 43.8% in other regions, to ¥48.6 billion (\$453 million). As with the sales figures for business segments, these figures are net of intersegment transactions.

The sales gain in Japan reflected continuing modest growth in the unit production of vehicles, led by export demand. The sales increase in North America reflected continuing growth in unit production by Japanese-owned vehicle plants there and progress by the Company in winning business with non-Japanese automakers. The sales growth in other regions mainly reflected surging demand in Southeast Asia and in China. The Company also recorded sales growth in Europe. The Company's business in LEDs and in other nonautomotive products centers on Japan, though the Company also markets LEDs in Asian nations besides Japan, in North America, and in Europe.

Sales by geographic segment

(by company location; percent of net sales)		
FY	2005	2004
Japan	67.1	71.7
North America	21.7	19.8
Other	11.2	8.5
	100.0	100.0

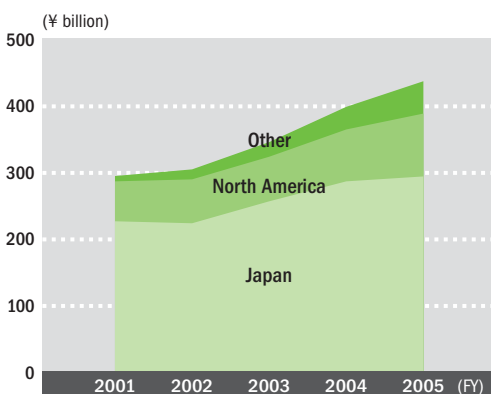
Cost of sales increased 12.1% in the fiscal year under review, to ¥386.9 billion (\$3,603 million), and the gross profit margin declined to 11.2%, from 13.1% in the previous year. The principal reasons for the decline in gross profitability were a sharp decline in market prices for LEDs, escalating price competition in automotive parts, rising prices for raw materials, and start-up expenses at new manufacturing ventures.

Gross profit margin

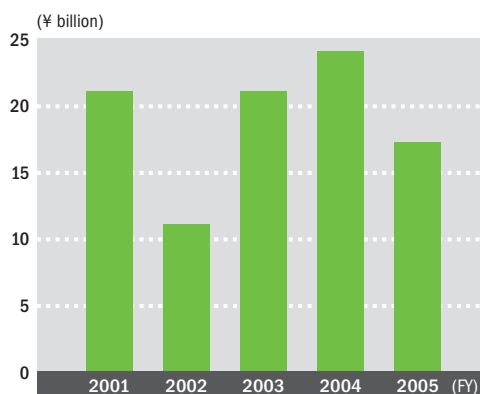
(percent)					
FY	2005	2004	2003	2002	2001
	11.2	13.1	13.4	12.0	15.2

Selling, general and administrative expenses rose 13.6%, to ¥31.4 billion (\$293 million). The rise in selling, general and administrative expenses resulted from the continuing growth in the Company's business and in its production network. The Company's accounts for fiscal 2005 encompass 35 subsidiaries, compared with 34 in fiscal 2004 and 28 in fiscal 2003. Employees numbered 17,279 at fiscal year-end, up 11.6% over the previous fiscal year-end.

Sales by Geographic Segment



Operating Income



Selling, general and administrative expenses

	(percent of net sales)				
FY	2005	2004	2003	2002	2001
	7.2	7.0	7.3	8.5	8.1

Continuing advances in pertinent technologies are the Company's chief means of differentiating its automotive and nonautomotive products advantageously. The Company thus maintains a vigorous commitment to research and development programs. Expenditures on research and development increased 8.1% in the past fiscal year, to ¥24.5 billion (\$228 million).

Research and development expenditures

	(percent of net sales)				
FY	2005	2004	2003	2002	2001
	5.6	5.7	5.9	6.2	6.0

Operating income declined 29.1%, to ¥17.2 billion (\$160 million), and the operating profit margin declined to 3.9%, from 6.1% in the previous year. The decline in operating profitability reflects the decline in gross profitability

Operating profit margin

	(percent)				
FY	2005	2004	2003	2002	2001
	3.9	6.1	6.0	3.5	7.1

Net interest expense remained low in comparison with operating income and in comparison with operating cash flow. It totaled ¥438 million (\$4 million), compared with ¥603 million in the previous year. The following table presents cash flow as a multiple of gross interest payments.

Cash flow interest coverage

	(net cash provided by operating activities divided by interest paid; times)				
FY	2005	2004	2003	2002	2001
	43.2	43.7	34.9	37.8	54.1

Depreciation expense increased 9.4%, to ¥28.5 billion (\$266 million). The increase in depreciation expense reflects the continuing expansion of the Company's global production network.

Income before income taxes and minority interests declined 20.8%, to ¥17.3 billion (\$161 million). That decline reflected the decline in operating profitability. Net income declined 16.5%, to ¥10.6 billion (\$99 million).

Net return on sales

	(percent)				
FY	2005	2004	2003	2002	2001
	2.4	3.2	5.0	1.3	4.0

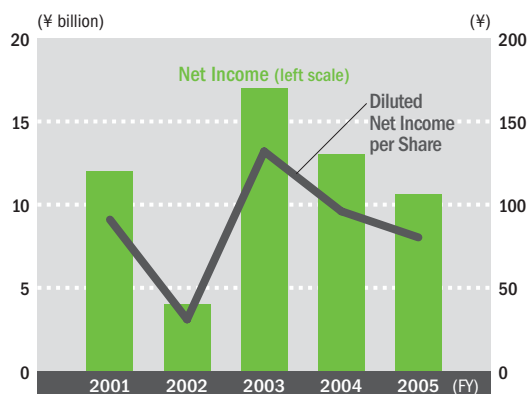
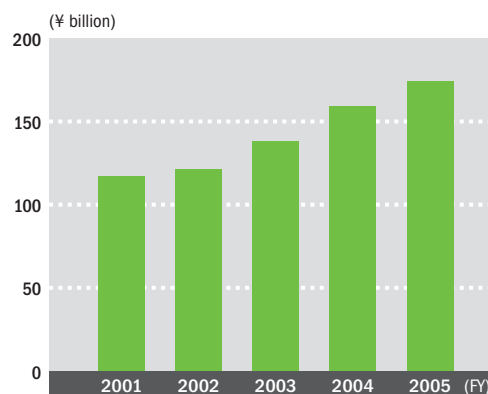
Net return on shareholders' equity

	(percent)				
FY	2005	2004	2003	2002	2001
	6.4	8.3	12.5	3.2	9.8

Net return on total assets

	(percent)				
FY	2005	2004	2003	2002	2001
	3.2	4.2	6.4	1.7	5.2

Diluted net income per share of common stock declined 16.5%, to ¥80.3 (\$0.75). The Company raised the aggregate annual dividends per share of common stock ¥2 (\$0.02), to ¥18.0 (\$0.17).

Net Income and Diluted Net Income per Share**Shareholders' Equity**

Financial Position

The Company maintains a strong financial position, and it continued to strengthen that position in the fiscal year under review. Shareholders' equity increased 5.5%, to ¥168.6 billion (\$1,570 million) at fiscal year-end, and the debt-to-equity ratio was 0.29, compared with 0.27 at the previous year-end. Interest-bearing debt increased to ¥48.4 billion (\$451 million), from ¥43.3 billion at the previous year-end.

Debt-to-equity ratio

FY	(times)				
	2005	2003	2002	2001	2000
	0.29	0.27	0.30	0.23	0.16

Net cash provided by operating activities declined 4.8%, to ¥40.3 billion (\$375 million), reflecting the decline in income before income taxes and minority interests, as adjusted for depreciation and amortization and for other noncash items. Cash and cash equivalents at fiscal year-end declined 18.4%, to ¥29.4 billion (\$274 million).

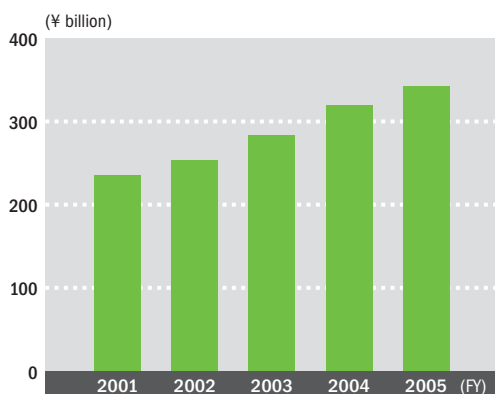
Outlook

Management believes that net income will resume growing in the fiscal year to March 31, 2006, supported by continuing growth in sales volume and by a recovery in profitability in LEDs. They project that net income will increase about 9%, to approximately ¥12 billion, on growth of about 6% in net sales, to approximately ¥460 billion.

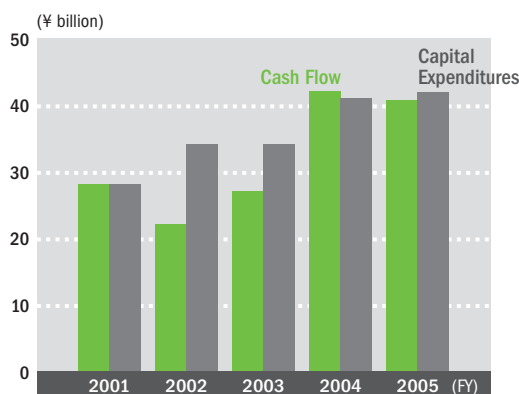
Forward-Looking Statements

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.

Total Assets



Cash Flow and Capital Expenditures



Consolidated Balance Sheets

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
March 31, 2005 and 2004

Assets

	2005	2004	Thousands of U.S. dollars (Note 1)
		Millions of yen	2005
Current Assets:			
Cash and cash equivalents	¥ 29,383	¥ 35,996	\$ 273,614
Time deposits	238	176	2,218
Trade notes and accounts receivables	76,736	75,017	714,552
Less: Allowance for doubtful accounts	(123)	(73)	(1,149)
Inventories (Note 4)	25,463	26,311	237,106
Deferred tax assets (Note 9)	6,018	4,694	56,037
Other current assets	9,151	6,024	85,218
Total current assets	146,866	148,145	1,367,596
Investments and Other Assets:			
Investments in securities (Note 12)	16,704	14,387	155,542
Investments in unconsolidated subsidiaries and affiliates	11,432	4,274	106,454
Deferred tax assets (Note 9)	4,312	3,024	40,152
Other investments and other assets	6,731	5,685	62,682
Total investments and other assets	39,179	27,370	364,830
Property, Plant and Equipment:			
Land	19,304	19,192	179,752
Buildings and structures	90,948	84,294	846,898
Machinery and equipment	305,049	281,434	2,840,567
Construction in progress	5,752	7,447	53,566
Less: Accumulated depreciation	(264,659)	(249,193)	(2,464,464)
Net property, plant and equipment	156,394	143,174	1,456,319
Total assets	¥ 342,439	¥318,689	\$3,188,745

See accompanying notes to consolidated financial statements

Liabilities, Minority Interests and Shareholders' Equity

	2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current Liabilities:			
Short-term borrowings	¥ 20,173	¥ 14,378	\$ 187,848
Current portion of long-term debt (Note 5)	294	1,809	2,736
Trade notes and accounts payable	56,324	50,030	524,485
Accrued expenses	19,904	19,063	185,344
Accrued income taxes	2,867	5,919	26,701
Deposits received from employees	5,157	5,125	48,020
Other current liabilities	11,663	11,239	108,601
Total current liabilities	116,382	107,563	1,083,735
Long-Term Liabilities:			
Long-term debt (Note 5)	22,838	22,078	212,663
Allowance for employees' retirement benefits (Note 8)	14,165	10,757	131,902
Allowance for retirement and severance benefits for directors and corporate auditors	1,617	1,255	15,056
Deferred tax liabilities (Note 9)	3,444	2,588	32,069
Other long-term liabilities	2,280	2,370	21,232
Total long-term liabilities	44,344	39,048	412,922
Total liabilities	160,726	146,611	1,496,657
Minority interests in consolidated subsidiaries	13,069	12,295	121,696
Shareholders' Equity (Notes 6 and 17):			
Common stock			
Authorized—200,000,000 shares			
Issued and outstanding—130,010,011 shares in 2004 and 2005	28,028	28,028	260,991
Capital surplus	29,724	29,778	276,783
Retained earnings	111,749	103,679	1,040,587
Net unrealized gain on available-for-sale securities	5,524	4,217	51,443
Foreign currency translation adjustments	(4,214)	(4,410)	(39,240)
Less: treasury stock (Note 18)	(2,167)	(1,509)	(20,172)
Total shareholders' equity	168,644	159,783	1,570,392
Total liabilities, minority interests and shareholders' equity	¥ 342,439	¥318,689	\$3,188,745

Consolidated Statements of Income

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Net sales (Note 15)	¥435,539	¥396,983	\$4,055,673
Cost of Sales (Note 7)	386,907	345,078	3,602,820
Gross profit	48,632	51,905	452,853
Selling, General and Administrative Expenses (Note 7)	31,440	27,670	292,764
Operating income (Note 15)	17,192	24,235	160,089
Other Income (Expenses):			
Interest and dividend Income	552	366	5,142
Interest expense	(990)	(969)	(9,217)
Foreign exchange gains (losses)	160	(1,565)	1,493
(Loss) on sales of property, plant and equipment	(963)	(688)	(8,969)
Equity in earnings of affiliates	163	101	1,517
Loss on impairment of investment securities	(61)	(19)	(569)
Provision for retirement and severance benefits for directors and corporate auditors	—	(709)	—
Other, net	1,256	1,102	11,692
Income before income taxes and minority interests	17,309	21,854	161,178
Income Taxes:			
Current	8,632	10,854	80,381
Deferred	(2,662)	(1,665)	(24,790)
Total income taxes	5,970	9,189	55,591
Minority Interests in Income (Loss) of Consolidated Subsidiaries	754	(14)	7,020
Net Income	¥ 10,585	¥ 12,679	\$ 98,567
Per Share (Note 2):			
Net income		Yen	U.S. dollars (Note 1)
Basic	¥80.32	¥100.14	\$0.75
Diluted	80.28	96.14	0.75
Cash dividends	18.00	16.00	0.17

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, 2005 and 2004

	Millions of yen						
	Number of shares	Common stock	Capital surplus	Retained earnings	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, March 31, 2003	124,158,137	¥25,318	¥27,020	¥93,729	¥1,770	¥(2,811)	¥(589)
Net income				12,679			
Dividends paid				(1,732)			
Bonuses to directors and corporate auditors				(237)			
Conversion of convertible bonds	5,851,874	2,710	2,704				
Decrease due to addition of consolidated subsidiaries, net				(760)			
Foreign currency translation adjustments						(1,599)	
Net unrealized gain on available-for-sale securities					2,447		
Treasury stock acquired							(920)
Treasury stock disposed			54				
Balance, March 31 2004	130,010,011	¥28,028	¥29,778	¥103,679	¥4,217	¥(4,410)	¥(1,509)
Net income				10,585			
Dividends paid				(2,261)			
Bonuses to directors and corporate auditors				(242)			
Foreign currency translation adjustments						196	
Net unrealized gain on available-for-sale securities					1,307		
Treasury stock acquired							(658)
Treasury stock disposed			(54)	(12)			
Balance, March 31 2005	130,010,011	¥28,028	¥29,724	¥111,749	¥5,524	¥(4,214)	¥(2,167)

	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 translation adjustments	Treasury stock
Balance, March 31, 2004	130,010,011	\$260,991	\$277,290	\$965,443	\$39,268	\$(41,064)	\$(14,049)
Net income				98,567			
Dividends paid				(21,052)			
Bonuses to directors and corporate auditors				(2,258)			
Foreign currency translation adjustments						1,824	
Net unrealized gain on available-for-sale securities					12,175		
Treasury stock acquired							(6,123)
Treasury stock disposed			(507)	(113)			
Balance, March 31, 2005	130,010,011	\$260,991	\$276,783	\$1,040,587	\$51,443	\$(39,240)	\$(20,172)

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, 2005, and 2004

	2005	2004	Thousands of U.S. dollars (Note 1) 2005
		Millions of yen	
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥17,309	¥21,854	\$161,178
Adjustments:			
Depreciation and amortization	28,518	26,062	265,560
(Decrease) increase in allowance for doubtful accounts	41	(0)	384
Increase in allowance for employees' retirement benefits	3,408	1,612	31,735
Increase in allowance for retirement and severance benefits for directors and corporate auditors	361	1,093	3,368
Loss on sales and disposals of property, plant and equipment, net	802	608	7,466
Interest and dividend income	(552)	(366)	(5,142)
Interest expense	990	969	9,217
Equity in (earnings) of affiliates	(163)	(101)	(1,517)
(Increase) in trade notes and accounts receivables	(1,837)	(5,919)	(17,109)
(Increase) decrease in inventories	1,020	(4,632)	9,496
Increase in trade notes and accounts payable	7,070	9,476	65,834
Other, net	(4,893)	3,903	(45,564)
Subtotal	52,074	54,559	484,906
Proceeds from interest and dividend income	536	351	4,992
Payment of interest expense	(933)	(969)	(8,693)
Payment of income taxes	(11,353)	(11,575)	(105,716)
Net cash provided by operating activities	40,324	42,366	375,489
Cash Flows from Investing Activities:			
Payment for investment securities	(8,087)	(2,802)	(75,306)
Proceeds from investment securities	13	10	120
Purchases of property, plant and equipment	(41,949)	(41,227)	(390,623)
Proceeds from sales of property, plant and equipment	1,233	724	11,484
Proceeds from long-term loan	113	34	1,061
Other, net	(14)	2	(135)
Net cash (used in) investing activities	(48,691)	(43,259)	(453,399)
Cash Flows from Financing Activities:			
Increase in short-term borrowings	5,504	6,179	51,260
Proceeds from long term debt	1,298	100	12,087
Repayment of long-term debt	(2,126)	(998)	(19,800)
Contributions from minority shareholders	407	2,501	3,788
Proceeds from disposal of treasury stock	175	242	1,631
Purchases of treasury stock	(903)	(1,110)	(8,412)
Cash dividends paid	(2,559)	(1,977)	(23,825)
Other, net	-	(45)	-
Net cash provided by financing activities	1,796	4,892	16,729
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(42)	(1,525)	(394)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,613)	2,474	(61,575)
Cash and Cash Equivalents at Beginning of Year	35,996	30,891	335,189
Increase Due to Addition of Consolidated Subsidiaries	-	2,631	-
Cash and Cash Equivalents at End of Year	¥29,383	¥35,996	\$273,614

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from accounts and records maintained by TOYODA GOSEI CO., LTD., (the "Company") and its consolidated subsidiaries in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Relevant notes have been added and certain reclassification of the accounts in the basic financial statements published in Japan have been made to present them in a form more familiar to readers outside Japan. These reclassifications do not affect

the values of total assets, shareholders' equity, net sales, or net income.

The financial statements presented here are expressed in yen. Solely for the convenience of the reader, they have been translated into U.S. dollars at the rate of ¥107.39 = US\$1, the exchange rate on the Tokyo foreign exchange market on March 31, 2005. These translations should not be construed as representations that the yen amounts have been or could have been converted into U.S. dollars at the rate used here or at any other rate.

2. Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and its 35 significant subsidiaries (34 for 2004). Subsidiaries not included in the consolidated accounts are excluded from these accounts because they are all small in terms of total assets, net sales, net income, and retained earnings, etc. All significant intercompany transactions and accounts have been eliminated.

If the cost of an investment in a consolidated subsidiary or in an affiliate accounted for by the equity method differs from the underlying net equity, that amount is deferred and amortized on a straight-line basis over five years.

Investment in one affiliate is accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost because they are small in terms of net income and retained earnings, etc.

Consolidated subsidiaries as of March 31, 2005:

Consolidated subsidiaries (35 companies)

• Domestic consolidated subsidiaries (11 companies):

TG Logistics Co., Ltd.
Toyoda Gosei Kyusyu Co., Ltd.
Hoshin Gosei Co., Ltd.
Ichiei Kogyo Co., Ltd.
Hinode Gomu Kogyo Co., Ltd.
TG Welfare Co., Ltd.
TG Maintenance Co., Ltd.
Togo Jushi Co., Ltd.
TG Opseed Co., Ltd.
Kaiyou Gomu Co., Ltd.
Fuel Total Systems Co., Ltd.

• Overseas consolidated subsidiaries (24 companies):

Toyoda Gosei North America Corporation
TG Missouri Corporation

TG Kentucky LLC
TG Automotive Sealing Kentucky LLC
TG Fluid Systems U.S.A. Corporation
TG California Automotive Sealing Inc.
TG Personnel Service North America, Inc.
TGR Technical Center LLC
Tapex Mexicana S.A.D.S.C.V
Toyoda Gosei Texas LLC
Fuel Total Systems California Corporation
TOYODA GOSEI HOLDINGS INC.
WATERVILLE TG INC.
TG Minto Corporation Inc.
Toyoda Gosei UK Ltd.
Toyoda Gosei Fluid Systems UK Ltd.
TG Safety Systems Czech, s.r.o.
Fong Yue Co., Ltd.
Toyoda Gosei Asia Co., Ltd.
Toyoda Gosei (Thailand) Co., Ltd.
Toyoda Gosei Rubber (Thailand) Co., Ltd.
Bridgestone TG Australia Pty Ltd.
TG KIRLOSKAR Automotive Private Limited
Tianjin Toyoda Gosei Co. Ltd.

• Affiliate accounted for by the equity method (1 company) Daicel Safety Systems America, LLC

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

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

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

(2) Inventories

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

(3) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed principally by the declining balance method for the Company and domestic subsidiaries and by the straight-line method for foreign subsidiaries.

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

(4) Foreign currency translations

Accounts of overseas consolidated subsidiaries have been translated into yen as follows:

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

Differences arising from such translations are shown as Foreign currency translation adjustments in a separate component of shareholders' equity.

(5) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

(6) Allowance for doubtful accounts

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

(7) Allowance for employees' retirement benefit

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

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

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

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

(9) Investments and marketable securities

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

(10) Income taxes

The provision for income taxes is computed based on the pre-tax income included in the consolidated statement of income. The assets and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when a tax benefit is likely to be realized.

(11) Net income and cash dividends per share

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

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

(12) Lease transactions

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

(13) Appropriation of retained earnings

In the accompanying consolidated statements of shareholders' equity, the approved amount during the relevant fiscal year is

reflected for the appropriation of retained earnings of consolidated subsidiaries. In Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings

through an appropriation instead of being charged to income for the year.

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

(1) For the year ended March 31, 2005

Change in valuation method for inventories

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

(2) Recent accounting pronouncements in Japan

Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." That standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of an impaired asset or group of assets to the recoverable amount to be measured as the higher of the asset's or assets' net selling price and value in use. The standard shall be effective for fiscal years beginning on and after April 1, 2005. However, an earlier adoption is permitted for fiscal years ended between March 31, 2004, and March 31, 2005. The Company has not adopted the standard for the fiscal year ended March 31, 2004, and the Company's fixed assets have not been reviewed for impairment.

4. Inventories

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

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

5. Long-Term Debt

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

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

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

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

6. Shareholders' Equity

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares is required to be designated as common stock. The portion that is to be designated as stated common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock are to be credited to capital surplus.

Effective from October 1, 2001, the Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be set aside as legal reserve until the total amount of capital surplus and legal retained earnings equals 25% of common stock.

The legal reserve may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or shareholders of the Company. On the condition that the total amount of capital surplus and legal retained earnings remains in excess of 25% of common stock, the excess portion is available for distributions and certain other purposes by the resolution of shareholders at the Ordinary General Meeting of Shareholders. Legal reserve is included in retained earnings in the consolidated financial statements.

Dividends are approved by the shareholders at the Ordinary General Meeting of Shareholders held subsequent to the fiscal year to which the dividend is applicable. In addition, a semi-annual interim dividend may be paid upon resolution by the Board of Directors, subject to limitations imposed by the Code.

Effective from October 1, 2001, the Code allows a company to repurchase treasury stock by resolution of the shareholders and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, capital surplus, or retained earnings to be reduced in the case where such reduction was resolved at the Ordinary General Meeting of Shareholders.

Effective from September 25, 2003, the Code allows a company to repurchase its own shares by resolution of the Board of Directors if its articles of incorporation provide that the company may purchase its own shares by resolution of the board of directors.

7. Research and Development

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

8. Retirement Benefits

(1) Outline of retirement benefits plan

The Company and its domestic consolidated subsidiaries have welfare annuity fund pension plans, tax-qualified pension plans, and lump-sum severance payment plans as a part of their defined benefit scheme. In addition, certain overseas subsidiaries maintain noncontributory defined benefit pension plans.

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

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

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

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

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

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

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

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

	2005	2004
Period allocation method for estimated retirement benefits	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, 2005 and 2004, are as follows:

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

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

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

10. Pledged Assets

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

11. Contingent Liabilities

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

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

12. Marketable Securities

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

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

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

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

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

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

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

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

13. Derivatives

Foreign consolidated subsidiaries use foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

The basic policies for derivatives are approved by the Board

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

14. Lease Transactions

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

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

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

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

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

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

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

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

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

Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, are computed mainly by the straight-line method, which assumes zero residual value and leasing terms equal to the useful lives of the items leased, and are equivalent to the total lease payments given above for the years ended March 31, 2005 and 2004.

15. Segment Information

(1) Business segments

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

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

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

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

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

(2) Geographic segments—by company location

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

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

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

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

(3) Sales by customer location

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

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

16. Related Party Transactions

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

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

17. Subsequent Event

Appropriation of retained earnings

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

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

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

18. Others

(1) Stock option plan

The Company introduced a stock option plan for the first time from June 2001.

The purpose of this plan is to further sharpen the motivation of directors, key employees and directors of subsidiaries in enhancing shareholder value. The grant price is the higher of the closing price on the Tokyo Stock Exchange on the date of grant and 1.05 times the average closing price in the full calendar month prior to the month of the grant date.

Recipients may not exercise the option within the first two years.


In June 2005, the Ordinary General Meeting of Shareholders approved a warrant that earmarks a maximum of 450,000 shares of common stock to be further distributed among directors and key employees and directors of subsidiaries.

(2) Purchase of treasury stock

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

Independent Auditors' Report

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

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Nagoya, 450-8565 Japan
Telephone 81-52-551-3001
Facsimile 81-52-551-3005

Report of Independent Auditors

To the Board of Directors and Shareholders of
TOYODA GOSEI CO., LTD.

We have audited the accompanying consolidated balance sheets of TOYODA GOSEI CO., LTD. and its consolidated subsidiaries as of March 31, 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOYODA GOSEI CO., LTD. and its consolidated subsidiaries as of March 31, 2005, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 3, effective for the year ended March 31, 2005, TOYODA GOSEI CO., LTD. changed its accounting policy for valuation method of inventories.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.



ChuoAoyama PricewaterhouseCoopers
Nagoya, Japan
June 24, 2005

Management

Board of Directors

Chairman of the Board

Tokio Horigome

Vice Chairman

Akio Matsubara

President

Takashi Matsuura

Executive Vice Presidents

Yuzo Saito

Takamasa Suzuki

Senior Managing Directors

Shunichi Natsume

Tsuneji Obara

Kuniaki Osaka

Managing Directors

Takayasu Hiramatsu

Masato Ueno

Koichi Ota

Muneeo Furutani

Nobutaka Ito

Directors

Yoshiki Kotani

Tsugio Kadowaki

Takasuke Haruki

Toshinari Tanaka

Kuniyasu Ito

Nobuyuki Shimizu

Yoshiaki Takei

Hiromi Ikehata

Nobuo Fujiwara

Masayoshi Ichikawa

Board of Corporate Auditors

Shoji Natsume

Shinji Otsuka

Terukazu Inoue

Kazuo Okamoto

(as of June 24, 2005)

Investor Information

Corporate Data

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Web site: www.toyoda-gosei.com

Established

1949

Employees

17,279

Certified Public Accountants

ChuoAoyama PricewaterhouseCoopers

Consolidated Subsidiaries

35 companies

Share Handling

Number of Shareholders

27,483

Shareholders' Equity

¥168,644 million (\$1,570,392 thousand)

Shares

Authorized: 200,000,000

Issued and outstanding: 130,010,011

Transfer Agent

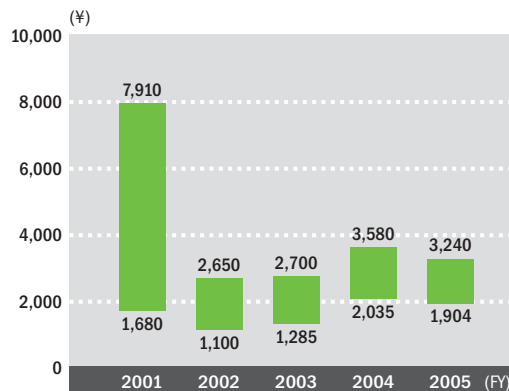
UFJ Trust Bank Ltd.

Common Stock Traded

Tokyo and Nagoya

(as of March 31, 2005)

Share Price Range



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