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

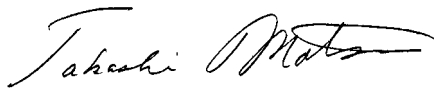
We are cautiously confident of restoring our bottom line to a pattern of growth in fiscal 2006 (ending March 31, 2006). Our projections call for net income to increase 8.6%, to ¥11.5 billion, on a 5.6% increase in net sales, to ¥460.0 billion.

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