

Financial Section

Five-Year Summary (Consolidated)

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

					Millions of yen	Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2004	2003	2007
Net sales:	¥593,455	¥498,428	¥435,539	¥396,983	¥344,842	\$5,027,145
Sales in Japan	340,747	298,623	284,704	278,446	245,199	2,886,465
Sales outside Japan	252,708	199,805	150,835	118,537	99,643	2,140,680
Net income	15,944	10,787	10,585	12,679	17,258	135,059
Total assets	459,088	392,671	342,439	318,689	282,901	3,888,928
Total net assets	224,551	186,838	168,644	159,783	144,437	1,902,171
Capital expenditures	55,690	46,641	42,939	41,355	35,045	471,751
Depreciation and amortization	36,830	32,549	28,518	26,062	23,395	311,986

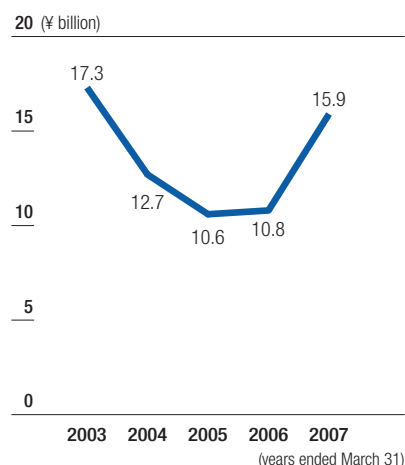
Per share (Note 2):					Yen	U.S. dollars (Note 1)
	2007	2006	2005	2004	2003	2007
Net income						
Basic	¥123.78	¥81.77	¥80.32	¥100.14	¥138.00	\$1.05
Diluted	123.63	81.73	80.28	96.14	131.85	1.05
Cash dividends	26.00	19.00	18.00	16.00	13.00	0.22
Average number of shares (in thousands)	128,808	128,859	129,162	124,183	123,499	—
Equity to assets ratio (%)	44.7	47.6	49.2	50.1	51.1	—
Number of employees	23,925	18,851	17,279	15,483	13,487	—

Notes:

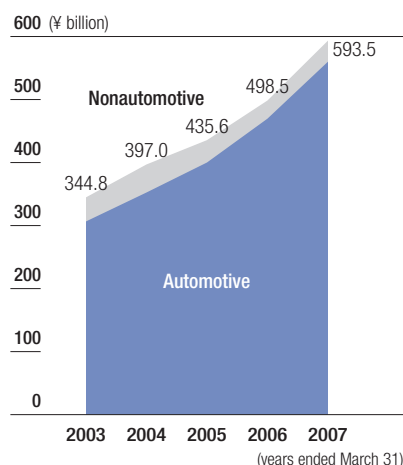
- The U.S. dollar amounts have been prepared, for convenience only, at the rate of ¥118.05 = US\$1, the exchange rate prevailing on March 31, 2007.
- The calculation of per share amounts is based on the average number of shares during the fiscal year.
- The number of consolidated subsidiaries at each fiscal year-end was as follows:

	2007	2006	2005	2004	2003
Consolidated	47	35	35	34	28
Equity method	5	1	1	1	1

Net Income

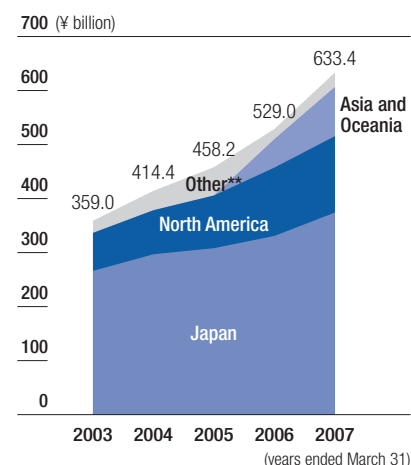


Sales by Business Segment*



*Including intersegment transactions

Sales by Geographical Segment*



*Including intersegment transactions

**Including Asia and Oceania in the figures for 2003 to 2005

Financial Review

As described elsewhere in this annual report, net income rose 47.8% in the fiscal year ended March 31, 2007, to ¥15.9 billion (\$135 million). Net income per share, diluted, increased 51.3%, to ¥123.6 (\$1.05), and the annual cash dividend was ¥26 (\$0.22) per share, compared with ¥19 for the previous fiscal year.

Underlying the rise in net income were increases of 60.4% in operating income, to ¥31.6 billion (\$267 million), and 19.1% in net sales, to ¥593.5 billion (\$5.0 billion). The increase in operating income comprised a 33.8% gain in automotive products, to ¥35.4 billion (\$300 million), and a 43.1% reduction in the operating deficit in nonautomotive products, to ¥3.9 billion (\$33 million). Sales increased 19.2% in automotive products, to ¥560.1 billion (\$4.7 billion), and 15.9% in nonautomotive products, to ¥33.4 billion (\$283 million).

Sales and operating income by segment

By regional segment, operating income increased 91.3% at the parent company and subsidiaries based in Japan, to ¥19.0 billion (\$161 million); declined 1.8% at subsidiaries based in North America, to ¥6.4 billion (\$54 million); and increased 28.7% at subsidiaries based in Asian nations besides Japan and in Oceania, to ¥6.6 billion (\$56 million). The operating deficit in other regions was essentially unchanged, at ¥1.0 billion (\$8 million). Sales, including intersegment transactions, increased 13.1% at the parent company

and subsidiaries based in Japan, to ¥374.2 billion (\$3.2 billion); 11.7% at subsidiaries based in North America, to ¥141.4 billion (\$1.2 billion); 72.7% at subsidiaries based in Asian nations besides Japan and in Oceania, to ¥91.2 billion (\$772 million); and 41.9% at subsidiaries based in other regions, to ¥26.6 billion (\$226 million).

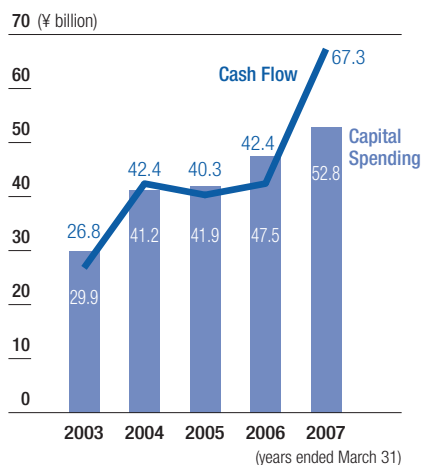
Financial position

The company maintained a strong financial position in the fiscal year under review. Cash and cash equivalents at fiscal year-end increased 89.5% over the previous fiscal year-end, to ¥56.0 billion (\$474 million). Net cash provided by operating activities increased 58.7%, to ¥67.3 billion (\$570 million). The increase in operating cash flow reflected a 54.0% increase in income before income taxes and minority interests, to ¥29.3 billion (\$249 million), and a 13.2% increase in depreciation and amortization, to ¥36.8 billion (\$312 million).

Net cash used in investing activities increased 9.1%, to ¥53.0 billion (\$449 million). The chief targets of capital spending were systems and equipment for raising productivity, plant and equipment for expanding production capacity, and equipment changeovers for manufacturing new products.

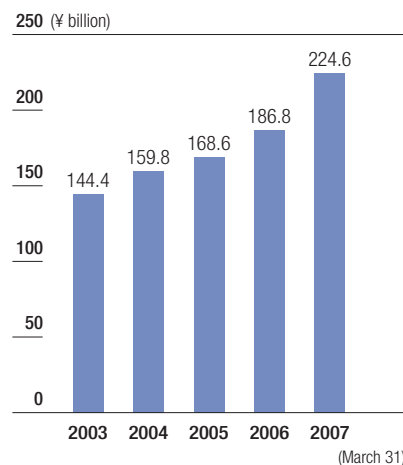
Net cash provided by financing activities increased 88.4%, to ¥9.3 billion (\$79 million). That increase comprised increases in short-term borrowings and in long-term debt.

Cash Flow* and Capital Spending

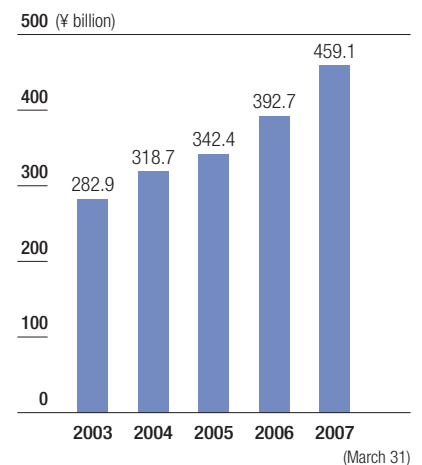


*Net cash provided by operating activities

Total Net Assets



Total Assets



Consolidated Balance Sheets

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
March 31, 2007 and 2006

Assets

	2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007
Current assets:			
Cash and cash equivalents	¥ 55,971	¥ 29,535	\$ 474,129
Time deposits	152	167	1,292
Trade notes and accounts receivable (Note 4)	96,480	88,024	817,280
Less: Allowance for doubtful accounts	(204)	(123)	(1,732)
Inventories (Note 5)	32,624	31,303	276,357
Deferred tax assets (Note 12)	6,689	6,955	56,668
Other current assets	9,373	9,054	79,397
Total current assets	201,085	164,915	1,703,391
Property, plant and equipment:			
Land (Note 13)	21,366	20,128	180,995
Buildings and structures (Note 13)	112,842	96,831	955,881
Machinery and equipment	377,580	335,903	3,198,471
Construction in progress	13,819	11,602	117,065
Less: Accumulated depreciation	(311,608)	(287,928)	(2,639,631)
Net property, plant and equipment	213,999	176,536	1,812,781
Intangible assets:			
Goodwill	—	83	—
Consolidating adjustment account	148	2	1,250
Patent property	369	462	3,129
Software	1,389	1,170	11,763
Other intangible assets	1,984	1,728	16,807
Net property, plant and equipment	3,890	3,445	32,949
Investments and other assets:			
Investments in securities (Note 15)	26,106	23,712	221,147
Investments in unconsolidated subsidiaries and affiliates	2,868	13,825	24,295
Deferred tax assets (Note 12)	3,165	3,432	26,807
Prepaid pension cost (Note 10)	2,205	2,345	18,681
Other investments and other assets	5,770	4,461	48,877
Total investments and other assets	40,114	47,775	339,807
Total assets	¥ 459,088	¥ 392,671	\$ 3,888,928

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets

	2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007
Liabilities			
Current liabilities:			
Short-term borrowings (Note 13)	¥ 32,780	¥ 19,940	\$ 277,681
Current portion of long-term debt (Note 7)	12,775	12,012	108,218
Trade notes and accounts payable (Note 4)	78,050	64,828	661,157
Accrued expenses	24,234	22,376	205,282
Accrued income taxes (Note 12)	6,361	4,758	53,884
Accrued bonuses for directors and corporate auditors	301	—	2,554
Allowance for product warranties	768	744	6,502
Deposits received from employees	4,843	4,912	41,028
Other current liabilities (Note 5)	17,903	11,400	151,653
Total current liabilities	178,015	140,970	1,507,959
Long-term liabilities:			
Long-term debt (Notes 7 and 13)	27,775	22,232	235,280
Allowance for employees' retirement benefits (Note 10)	19,845	18,916	168,108
Allowance for retirement and severance benefits for directors and corporate auditors	1,231	1,726	10,429
Deferred tax liabilities (Note 12)	4,890	4,588	41,425
Other long-term liabilities	2,781	2,077	23,556
Total long-term liabilities	56,522	49,539	478,798
Total liabilities	234,537	190,509	1,986,757
Minority interests in consolidated subsidiaries	—	15,324	—
Net assets			
Shareholders' equity (Notes 8 and 20):			
Common stock			
Authorized—200,000,000 shares			
Issued and outstanding—130,010,011 shares in 2007 and 2006	28,028	28,028	237,423
Capital surplus	29,724	29,724	251,790
Retained earnings	132,123	119,970	1,119,213
Less: Treasury stock	(2,579)	(2,758)	(21,847)
Total shareholders' equity	187,296	174,964	1,586,579
Valuation and translation adjustments:			
Net unrealized gain on available-for-sale securities	10,995	9,687	93,144
Foreign currency translation adjustments	6,740	2,187	57,093
Total valuation and translation adjustments	17,735	11,874	150,237
Subscription right to shares	56	—	479
Minority interests in consolidated subsidiaries	19,464	—	164,876
Total net assets	224,551	186,838	1,902,171
Total liabilities and net assets	¥ 459,088	¥ 392,671	\$ 3,888,928

Consolidated Statements of Income

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007
Net sales (Note 18)	¥ 593,455	¥ 498,428	\$ 5,027,145
Cost of sales (Note 9)	524,320	446,206	4,441,500
Gross profit	69,135	52,222	585,645
Selling, general and administrative expenses:			
Transfer and packaging cost	2,518	1,821	21,329
Provision for product warranty	600	739	5,083
Salaries and bonuses	12,032	10,711	101,920
Pension benefit	517	799	4,377
Provision for directors' and corporate auditors' bonuses	301	—	2,554
Provision for directors' and corporate auditors' retirement	349	603	2,959
Depreciation expense	1,437	1,401	12,176
Other selling and administrative expenses (Note 9)	19,830	16,472	167,981
Total selling, general and administrative expenses	37,584	32,546	318,379
Operating income (Note 18)	31,551	19,676	267,266
Non-operating income			
Interest income	540	165	4,576
Dividend income	312	365	2,642
Amortization of consolidation adjustment account	7	130	59
Equity in earnings of affiliates	145	123	1,231
Exchange gain	366	1,165	3,097
Other non-operating income	3,468	2,120	29,377
Total non-operating income	4,838	4,068	40,982
Non-operating expenses			
Interest expense	2,361	1,224	19,995
Loss on sales and disposal of property, plant and equipment	1,275	1,073	10,796
Litigation loss	230	587	1,952
Other non-operating expenses	1,176	837	9,965
Total non-operating expenses	5,042	3,721	42,708
Ordinary income	31,347	20,023	265,540
Extraordinary losses			
Loss from prior period adjustment	—	342	—
Impairment loss of long-lived assets (Note 6)	939	—	7,953
Additional retirement payments	—	403	—
Loss on sales of investment securities	889	—	7,530
Loss on impairment of investment securities	132	223	1,116
Other extraordinary losses	38	1	324
Total extraordinary losses	1,998	969	16,923
Income before income taxes and minority interests	29,349	19,054	248,617
Income taxes (Note 12):			
Current	11,852	8,947	100,397
Deferred	(56)	(2,166)	(474)
Total income taxes	11,796	6,781	99,923
Minority interests in income of consolidated subsidiaries	1,609	1,486	13,635
Net income	¥ 15,944	¥ 10,787	\$ 135,059
		Yen	U.S. dollars (Note 1)
Per share (Notes 2 and 20):			
Net income:			
Basic	¥123.78	¥81.77	\$1.05
Diluted	123.63	81.73	1.05
Cash dividends	26.00	19.00	0.22

See accompanying notes to consolidated financial statements.

Consolidated Statements of Change in Net Assets

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	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, 2005	130,010,011	¥28,028	¥29,724	¥111,749	¥5,524	¥(4,214)	¥(2,167)
Net income	—	—	—	10,787	—	—	—
Dividend paid	—	—	—	(2,320)	—	—	—
Bonuses for directors and corporate auditors	—	—	—	(213)	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	6,401	—
Net unrealized gain on available-for-sale securities	—	—	—	—	4,163	—	—
Repurchase of treasury stock	—	—	—	—	—	—	(693)
Disposal of treasury stock	—	—	—	(33)	—	—	102
Balance, March 31, 2006	130,010,011	¥28,028	¥29,724	¥119,970	¥9,687	¥2,187	¥(2,758)

	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance, March 31, 2006	¥28,028	¥29,724	¥119,970	¥(2,758)		¥174,964
Change during accounting period						
Dividend paid	—	—	(2,833)	—		(2,833)
Bonuses for directors and corporate auditors	—	—	(226)	—		(226)
Decrease due to addition of consolidated subsidiaries, net	—	—	(1,181)	—		(1,181)
Increase due to increase in affiliates accounted for under the equity method	—	—	475	—		475
Net income for the period	—	—	15,944	—		15,944
Repurchase of treasury stock	—	—	—	(7)		(7)
Disposal of treasury stock	—	—	(26)	186		160
Change to items other than shareholders' equity during accounting period	—	—	—	—		—
Total change during accounting period	—	—	12,153	179		12,332
Balance, March 31, 2007	¥28,028	¥29,724	¥132,123	¥(2,579)		¥187,296

	Valuation and translation adjustments			Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized gains or losses on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance, March 31, 2006	¥ 9,687	¥2,187	¥11,874	—	¥15,324	¥202,162
Change during accounting period						
Dividend paid	—	—	—	—	—	(2,833)
Bonuses for directors and corporate auditors	—	—	—	—	—	(226)
Decrease due to addition of consolidated subsidiaries, net	—	—	—	—	—	(1,181)
Increase due to increase in affiliates accounted for under the equity method	—	—	—	—	—	475
Net income for the period	—	—	—	—	—	15,944
Repurchase of treasury stock	—	—	—	—	—	(7)
Disposal of treasury stock	—	—	—	—	—	160
Change to items other than shareholders' equity during accounting period	1,308	4,553	5,861	56	4,140	10,057
Total change during accounting period	1,308	4,553	5,861	56	4,140	22,389
Balance, March 31, 2007	¥10,995	¥6,740	¥17,735	¥56	¥19,464	¥224,551

See accompanying notes to consolidated financial statements.

Thousands of U.S. dollars (Note 1)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance, March 31, 2006	\$237,423	\$251,790	\$1,016,270	\$(23,365)	\$1,482,118
Change during accounting period					
Dividend paid	—	—	(24,000)	—	(24,000)
Bonuses for directors and corporate auditors	—	—	(1,913)	—	(1,913)
Decrease due to addition of consolidated subsidiaries, net	—	—	(10,010)	—	(10,010)
Increase due to increase in affiliates accounted for under the equity method	—	—	4,025	—	4,025
Net income for the period	—	—	135,059	—	135,059
Repurchase of treasury stock	—	—	—	(58)	(58)
Disposal of treasury stock	—	—	(218)	1,576	1,358
Change to items other than shareholders' equity during accounting period	—	—	—	—	—
Total change during accounting period	—	—	102,943	1,518	104,461
Balance, March 31, 2007	\$237,423	\$251,790	\$1,119,213	\$(21,847)	\$1,586,579

	Valuation and translation adjustments			Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized gains or losses on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance, March 31, 2006	\$82,061	\$18,525	\$100,586	—	\$129,806	\$1,712,510
Change during accounting period						
Dividend paid	—	—	—	—	—	(24,000)
Bonuses for directors and corporate auditors	—	—	—	—	—	(1,913)
Decrease due to addition of consolidated subsidiaries, net	—	—	—	—	—	(10,010)
Increase due to increase in affiliates accounted for under the equity method	—	—	—	—	—	4,025
Net income for the period	—	—	—	—	—	135,059
Repurchase of treasury stock	—	—	—	—	—	(58)
Disposal of treasury stock	—	—	—	—	—	1,358
Change to items other than shareholders' equity during accounting period	11,083	38,568	49,651	479	35,070	85,200
Total change during accounting period	11,083	38,568	49,651	479	35,070	189,661
Balance, March 31, 2007	\$93,144	\$57,093	\$150,237	\$479	\$164,876	\$1,902,171

Consolidated Statements of Cash Flows

TOYODA GOSEI CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2007	2006
Cash flows from operating activities:		
Income before income taxes and minority interests	¥29,349	¥19,054
Adjustments:		
Depreciation and amortization	36,830	32,549
Amortization of consolidation adjustment account and goodwill	130	(112)
Impairment loss on long-lived assets	939	—
Increase (decrease) in allowance for doubtful accounts, net	81	(1)
Increase (decrease) in allowance for product warranties	24	(135)
Increase in allowance for employees' retirement benefits	929	4,751
(Decrease) increase in allowance for retirement and severance benefits for directors and corporate auditors	(495)	109
Loss on sales and disposal of property, plant and equipment, net	1,133	891
Interest and dividend income	(852)	(530)
Interest expense	2,360	1,224
Exchange gain (loss)	109	(166)
Equity in (earnings) of affiliates	(145)	(124)
Loss on sales and impairment of investment securities	1,020	295
(Increase) in trade notes and accounts receivable	(5,789)	(9,055)
Decrease (increase) in inventories	1,025	(4,471)
(Increase) in other assets	(554)	(1,684)
Increase in trade notes and accounts payable	10,905	8,576
Increase (decrease) in other liabilities	1,482	286
Decrease (increase) in prepaid pension cost	149	(1,520)
Payment of directors' and corporate auditors' bonuses	(227)	(216)
Other, net	357	8
Subtotal	78,760	49,729
Proceeds from interest and dividend income	1,005	575
Payment of interest expense	(2,356)	(1,258)
Payment of income taxes	(10,084)	(6,620)
Net cash provided by operating activities	67,325	42,426
Cash flows from investing activities:		
Payment for investment in securities	(1,374)	(2,506)
Proceeds from investment in securities	173	1,059
Purchases of property, plant and equipment	(52,752)	(47,512)
Proceeds from sales of property, plant and equipment	1,101	1,007
Payment for loan	(12)	—
Proceeds from long-term loan	1	361
Purchases of other assets	(154)	(1,005)
Proceeds from sales of other assets	53	30
Net cash used in investing activities	(52,964)	(48,566)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	6,958	(2,652)
Proceeds from long-term debt	17,003	11,461
Repayment of long-term debt	(12,134)	(582)
Contributions from minority shareholders	894	—
Proceeds from disposal of treasury stock	160	68
Purchases of treasury stock	(6)	(697)
Cash dividends paid	(3,567)	(2,659)
Net cash provided by financing activities	9,308	4,939
Effect of exchange rate changes on cash and cash equivalents	109	1,353
Net increase (decrease) in cash and cash equivalents	23,778	152
Cash and cash equivalents at beginning of year	29,535	29,383
Increase due to addition of consolidated subsidiaries	2,658	—
Cash and cash equivalents at end of year	¥55,971	¥29,535

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 readers, they have been translated into U.S. dollars at the rate of ¥118.05 = US\$1, the exchange rate on the Tokyo foreign exchange market on March 31, 2007. 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 47 significant subsidiaries (35 for 2006). Twelve subsidiaries are newly added to the scope of consolidation. A subsidiary (Taiwan Toyoda Gosei Opto Company Ltd.) not included in the consolidated accounts is excluded from these accounts because it is 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.

Investments in affiliates are accounted for by the equity method. Four investments in affiliates are newly added to the scope of consolidation. Investments in an unconsolidated subsidiary 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, 2007:

Consolidated subsidiaries (47 companies)

Domestic consolidated subsidiaries (11 companies):

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

Overseas consolidated subsidiaries (36 companies):

Toyoda Gosei North America Corporation	TG Minto Corporation Inc.	Toyoda Gosei (Foshan) Rubber Parts Co., Ltd.
TG Missouri Corporation	Toyoda Gosei Asia Co., Ltd.	Toyoda Gosei (Foshan) Auto Parts Co., Ltd.
TG Kentucky LLC	Toyoda Gosei (Thailand) Co., Ltd.	Tianjin Star Light Rubber and Plastic Co., Ltd.
TG Automotive Sealing Kentucky LLC	Toyoda Gosei Rubber (Thailand) Co., Ltd.	Toyoda Gosei Opto-Electronics (Shanghai) Co., Ltd.
TG Fluid Systems U.S.A. Corporation	Toyoda Gosei Haiphong Co., Ltd.	Toyoda Gosei (Shanghai) Co., Ltd.
TG California Automotive Sealing, Inc.	TG KIRLOSKAR Automotive Private Limited	Toyoda Gosei (Tianjin) Precise Plastic Co., Ltd.
TG Personnel Service North America, Inc.	P.T. Toyoda Gosei Safety Systems Indonesia	Toyoda Gosei UK Ltd.
TGR Technical Center LLC	Bridgestone TG Australia Pty Ltd.	TOYODA GOSEI FLUID SYSTEMS UK Ltd.
Tapex Mexicana S.A.D.S.C.V	Fong Yue Co., Ltd.	TG Czech, s, r, o.
Toyoda Gosei Texas LLC	Tianjin Toyoda Gosei Co. Ltd.	Toyoda Gosei Europe N.V.
Fuel Total Systems California Corporation	Toyoda Gosei (Zhangjiagang) Co., Ltd.	Toyoda Gosei South Africa (Pty) Ltd.
TOYODA GOSEI HOLDINGS INC.	Toyoda Gosei (Zhangjiagang) Plastic Parts Co., Ltd.	
WATERVILLE TG INC.		

Affiliates accounted for by the equity method (5 companies):

Daicel Safety Systems America, LLC	Fuzhou Fu-Yue Rubber & Plastic Industrial Co., Ltd.
Metzeler Automotive Profiles India Private. Ltd.	
Tai-yue Rubber Industrial Co., Ltd.	Tecno Art Research Co., Ltd.

The fiscal years of certain subsidiaries are different from the fiscal year of the Company. Since the differences are 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 of optoelectronics finished goods are stated at the lower of cost or market, as determined by the annual average cost.

Inventories at some overseas consolidated subsidiaries are stated at the lower of cost or market.

(3) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed principally by the declining balance method for the Company and domestic subsidiaries and by the straight-line method for overseas 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 product and manufacturing equipment in the LED product sector.

Significant renewals and additions are capitalized at cost. Repair and maintenance are charged to income as incurred.

Accumulated depreciation as of March 31, 2007 and 2006 was ¥311,608 million (\$2,639,631 thousand) and ¥287,928 million, respectively.

(4) Intangible assets and amortization

Amortization of intangible assets is computed using the straight-line method. Software costs for internal use are amortized by the straight-line method over their expected useful lives (five years).

A certain U.S. subsidiary, Toyoda Gosei North America, has recorded goodwill under the accounting method prescribed in U.S. Statement of Financial Accounting (SFAS) No.142, "Goodwill and Other Intangible Assets."

Under SFAS No.142, goodwill which has an undefined useful life will be tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount.

(5) Impairment of fixed assets

Calculation of the impairment of fixed assets is based on reasonable and supportable assumptions and projection of the grouping of assets and recoverable value, with due consideration for the specific condition of each company. The recoverable amount is the greater of the net selling price and estimated future cash flows.

(6) Foreign currency translation

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

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

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

(7) 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.

(8) Allowance for doubtful accounts

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

(9) Allowance for employees' retirement benefit

The Company and its consolidated 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.

Unrecognized prior service costs are amortized based on the straight-line method over a period of ten years beginning at the date of adoption of the plan amendment. Actuarial gains or losses are amortized based on the straight-line method over a period of ten years starting from the beginning of the subsequent year.

(10) 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 consolidated 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.

(11) Allowance for product warranties

Allowance for product warranties has been provided for at the aggregate amount of the estimated claim incurred in the warranty period based on historical experience.

(12) Accrued bonuses for directors and corporate auditors

The Company and domestic consolidated subsidiaries provide for the accrued cost of bonuses payable to directors and corporate auditors at a amount which is considered to be incurred in the period.

(13) 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, available-for-sale, and investments in unconsolidated subsidiaries and affiliates. The Company and its consolidated subsidiaries did not have trading securities as of March 31, 2007 and 2006. 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 gain 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 amortized cost. Investments in unconsolidated subsidiaries and affiliates are stated at moving-average cost.

(14) Income taxes

The provision for income taxes is computed based on the pretax 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 consequence of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(15) Net income and cash dividends per share

Basic net income per share of common stock is computed by dividing income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period.

Diluted net income per share of common stock is calculated based on the assumption for the possible dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

As described in note 20, the Company granted the stock option to its directors, key employees and directors of subsidiaries for purchasing its common stock.

Diluted net income per share of common stock for the year ended March 31, 2007 reflects possible dilution of the stock option.

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.

(16) Lease transactions

Finance lease transactions other than those where ownership is considered to be transferred to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.

(17) Appropriation of retained earnings

In the accompanying consolidated statements of change in net assets, 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 was made out of retained earnings through an appropriation, instead of being charged to income for the year. As described in "Changes in Accounting Policy and Adoption of New Accounting Standards," bonuses to directors and corporate auditors are recorded on the accrual basis as of this year.

(18) Derivatives

The Company utilizes interest rate swaps to hedge the interest rate exposure of long-term debt. Hedge effectiveness is not measured because the swaps are fulfilled subject to certain conditions. For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

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

(1) For the year ended March 31, 2006

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 applied the standard to the consolidated financial statements effective for fiscal year ended March 31, 2006 for the first time, and the Company's fixed assets have been reviewed for impairment accordingly. As a result of the adoption of this new accounting standard, no impairment loss on fixed assets was recognized for the year ended March 31, 2006.

(2) For the year ended March 31, 2007

Accounting Standard for Directors' Bonuses

On November 29, 2005, the Accounting Standards Board of Japan issued "Accounting Standards for Directors' Bonuses." That standard requires that

bonuses to directors and corporate auditors are recorded on the accrued basis. The Company has applied the standard to the consolidated financial statements effective for the fiscal year ended March 31, 2007. The change has little impact on ordinary income and income before income taxes and minority interests.

Accounting Standard for Presentation of Net Assets in the Balance Sheet

On December 9, 2005, the Accounting Standards Board of Japan issued "Accounting Standards for Presentation of Net Assets in the Balance Sheet" and its implementation guidance, "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet." As a result, minority interests in subsidiaries which were disclosed between liabilities and net assets in the prior year are disclosed as a line item in net assets in the current year. If the previous accounting policy were applied, net assets at March 31, 2007 would be ¥205,031 million.

Accounting Standard for Share-Based Payment

On December 27, 2005, the Accounting Standards Board of Japan issued "Accounting Standards for Share-Based Payment" and its implementation guidance, "Guidance on Accounting Standards for Share-Based Payment." The change has little impact on ordinary income and income before income taxes and minority interests.

4. Trade Notes That Mature on a National Holiday

With respect to trade notes that matured on a year-end date that coincided with a national holiday, the following notes are treated as having been settled at fiscal year-end.

	Millions of yen	Thousands of U.S. dollars
Trade notes and accounts receivable	736	6,238
Trade notes and accounts payable	1,451	12,296
Other current liabilities	34	286

5. Inventories

Inventories as of March 31, 2007 and 2006, are as follows:

	2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Finished goods	¥11,379	¥12,307	\$ 96,391
Raw materials	8,830	7,364	74,796
Work in process	7,877	7,284	66,728
Supplies	4,538	4,348	38,441
Total	¥32,624	¥31,303	\$276,357

6. Long-Lived Assets

(1) Advanced depreciation of fixed assets acquired with government subsidies

The Company has applied advanced depreciation of fixed assets that have been acquired with government subsidies. The advanced depreciation amounts directly deducted from the acquisition cost of property, plant and equipment are ¥34 million (\$284 thousand) for buildings and structures and ¥533 million (\$4,516 thousand) for machinery and equipment for the year ended March 31, 2007, and for the year ended March 31, 2006, ¥34 million for buildings and structures and ¥366 million for machinery and equipment.

(2) Impairment of long-lived assets

The Company and its subsidiary reviewed their long-lived assets relating to unused long-lived assets in Japan and business assets in Australia for impairment. The recoverable amount of unused assets is calculated based on the publicly assessed value, and that of business assets is calculated as the present value of expected future cash flows, discounted at the pretax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset.

As a result, the Company and its subsidiary recognized an impairment loss of ¥938 million (\$7,953 thousand) for the years ended March 31, 2007.

7. Long-Term Debt

(1) Long-term debt as of March 31, 2007 and 2006, is as follows:

	2007	Millions of yen 2006	Thousands of U.S. dollars 2007
The Company:			
1.10% bonds due to 2007 without collateral	—	¥10,000	—
0.55% bonds due to 2008 without collateral	¥10,000	10,000	\$ 84,710
Loans from banks	25,000	10,000	211,775
Less: Current portion of long-term debt	(10,000)	(10,000)	(84,710)
Consolidated subsidiaries:			
Loans from banks and others	5,550	4,244	47,013
Less: Current portion of long-term debt	(2,775)	(2,012)	(23,508)
Total	¥27,775	¥22,232	\$235,280

(2) The aggregate annual maturities of long-term debt at March 31, 2007, are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2008	¥12,775	\$108,218
2009	1,975	16,727
2010	20	169
2011	10,255	86,870
2012	15,187	128,646
2013	338	2,867
Total	¥40,550	\$343,497

8. Shareholders' Equity

Changes in the number of shares of common stock issued and treasury stock have resulted from the following:

	Common stock issued (Thousand)	Treasury stock (Thousand) 2007
Balance at beginning of the year	130,010	1,265
Increase for the year	—	2
Decrease for the year	—	84
Balance at end of the year	130,010	1,183

Effective from October 1, 2001, the Japanese Commercial Code (the "Code") provides that an amount equal to at least 10% of cash dividends and other cash appropriations 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 dividends are applicable. In addition, a semiannual interim dividend may be paid upon resolution by the Board of Directors, subject to limitations imposed by the Code.

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.

9. Research and Development Expenses

Research and development expenses, which are included in selling, general and administrative expenses and manufacturing costs, amounted to ¥24,322 million (\$206,029 thousand) and ¥25,312 million for the years ended March 31, 2007 and 2006, respectively.

10. Retirement Benefits

(1) Outline of retirement benefits plan:

The Company and its domestic consolidated subsidiaries and WATERVILLE TG INC. have welfare annuity fund pension plans, tax-qualified pension plans, and lump-sum severance payment plans as a part of their defined benefit schemes.

In addition, certain overseas subsidiaries maintain noncontributory defined benefit pension plans.

(2) Benefit obligations as of March 31, 2007 and 2006 are as follows:

	2007	Millions of yen 2006	Thousands of U.S. dollars 2007
(a) Projected benefit obligations	¥(71,307)	¥(71,220)	\$(604,039)
(b) Fair value of plan assets	54,197	51,299	459,104
(c) Subtotal (a) + (b)	(17,110)	(19,921)	(144,935)
(d) Unrecognized actuarial loss	2,123	6,298	17,980
(e) Unrecognized due to prior service obligations	(2,653)	(2,948)	(22,472)
(f) Prepaid pension expenses	(2,205)	(2,345)	(18,681)
(g) Amount shown on balance sheet (c) + (d) + (e) + (f)	¥(19,845)	¥(18,916)	\$(168,108)

The consolidated subsidiaries excluding, TG Logistics, have adopted the simplified method in calculating the projected benefit obligations.

(3) Retirement benefit costs for the years ended March 31, 2007 and 2006, are as follows:

	2007	Millions of yen 2006	Thousands of U.S. dollars 2007
(a) Service cost	¥3,135	¥3,093	\$26,560
(b) Interest cost	1,675	1,601	14,185
(c) Expected return on plan assets	(1,479)	(368)	(12,530)
(d) Recognized actuarial loss	632	2,322	5,352
(e) Amortization of prior service obligations	3	(905)	26
(f) Retirement benefit cost (a) + (b) + (c) + (d) + (e)	¥3,966	¥5,743	\$33,593

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

(4) The assumptions used for calculation of retirement benefits for the years ended March 31, 2007 and 2006, are as follows:

	2007	2006
Period allocation method for estimated retirement benefits	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected return on plan assets	2.5%	0.03%
Period of amortizing actuarial difference	10 years	10 years
Period of amortizing prior service obligations	10 years	10 years

11. Stock-Based Compensation

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

As described in "Changes in Accounting Policy and Adoption of New Accounting Standard," the Company has applied the accounting standard

"Accounting Standard for Share-based Payment," and has recorded a charge of ¥56 million (\$479,000).

Information about the outstanding stock options is as follows:

(1) Stock option plan

Year of grant	Number of options granted	Exercise period
2002	201,000	From June 30, 2003 to June 29, 2007
2003	227,000	From June 28, 2004 to June 27, 2008
2004	339,000	From July 1, 2005 to June 30, 2009
2005	387,000	From July 1, 2006 to June 30, 2010
2006	359,000	From July 1, 2007 to June 30, 2011
2007	357,000	From August 1, 2008 to July 31, 2010

(2) Stock option activity for the year

Year of grant	2002	2003	2004	2005	2006	2007
Options outstanding at March 31, 2006	74,000	90,200	339,000	387,000	359,000	—
Granted	—	—	—	—	—	357,000
Exercised	22,000	47,000	7,200	8,000	—	—
Canceled	—	—	—	—	—	—
Options outstanding at March 31, 2007	52,000	43,200	331,800	379,000	359,000	357,000
Options exercisable at March 31, 2007	52,000	43,200	331,800	379,000	—	—
Exercise price	¥2,195 (\$18.59)	¥1,518 (\$12.86)	¥2,760 (\$23.38)	¥2,593 (\$21.97)	¥1,988 (\$16.84)	¥2,410 (\$20.42)
Averaged market price at the exercise day	¥2,865 (\$24.27)	¥2,800 (\$23.72)	¥2,893 (\$24.50)	¥2,777 (\$23.52)	—	—
Fair value per option	—	—	—	—	—	¥475 (\$4.02)

(3) Estimation method of the fair value per option

The fair value per option at the date of grant is estimated using the Black-Scholes option pricing model with the following assumption:

Year of grant	2007
Expected volatility	29%
Expected holding period (year)	3
Dividend	¥22 (\$0.186) per share
Risk-free interest rate	1.04%

12. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 are as follows:

	2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 7,872	¥ 7,702	\$ 66,686
Depreciation and amortization	2,771	2,162	23,471
Accrued expense for employees' bonuses	2,385	2,186	20,201
Net operating loss carry-forwards for tax purposes	3,308	2,485	28,019
Accrued enterprise taxes	469	462	3,973
Inventories	583	1,171	4,940
Others	4,254	4,247	36,041
Subtotal	21,642	20,415	183,331
Less valuation allowance	(3,574)	(2,633)	(30,280)
Total deferred tax assets	18,068	17,782	153,051
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥ 7,415	¥ 6,534	\$ 62,813
Depreciation and amortization	5,047	4,937	42,753
Others	642	512	5,435
Total deferred tax liabilities	13,104	11,983	111,001
Net deferred tax assets	¥ 4,964	¥ 5,799	\$ 42,050

(2) The reconciliation of the difference between the Japanese statutory tax rate and the actual effective income tax rate on pretax income for the year ended March 31, 2006, is as follows:

	2006
Japanese statutory tax rate	40.28%
Permanently nondeductible expenses	0.75
Tax exempt	(0.77)
Tax credit for R&D expenses and other	(2.99)
Others	(1.67)
Actual effective income tax rate	35.60%

For the year ended March 31, 2007, the difference between the Japanese statutory tax rate and the actual effective income tax rate is less than 5% and is thus not presented.

13. Assets Pledged as Collateral

Assets pledged as collateral and secured liabilities as of March 31, 2007 and 2006, are as follows:

	2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Pledged assets			
Building and structures	¥ 558	¥ 488	\$ 4,724
Land	933	1,172	7,905
Total	1,491	1,660	12,629
Secured liabilities			
Short-term borrowings	829	940	7,026
Long-term debt	437	357	3,699
Total	¥1,266	¥1,297	\$10,725

14. Contingent Liabilities

As of March 31, 2007, the Company was responsible as guarantor for loans to other companies as follows:

	2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Daicel Chemical Industries, Ltd.	¥193	¥272	\$1,633
Schlegel Corporation	27	12	228
Total	¥220	¥284	\$1,861

15. Marketable Securities

(1) Gross unrealized gains and losses for marketable held-to-maturity and available-for-sale securities as of March 31, 2007 and 2006, are as follows:

(a) As of the year ended March 31, 2007

	Cost	Gross unrealized gains	Gross unrealized losses	Millions of yen Fair value
Available-for-sale securities with fair value:				
Stocks	¥4,412	¥18,424	—	¥22,836
Bonds	710	4	¥(1)	713
Other	110	0	—	110
Held-to-maturity securities with fair value:				
Bonds	—	—	—	—
Total	¥5,232	¥18,428	¥(1)	¥23,659

	Cost	Gross unrealized gains	Gross unrealized losses	Thousand of U.S. dollars Fair value
Available-for-sale securities with fair value:				
Stocks	\$37,378	\$156,065	—	\$193,443
Bonds	6,009	38	\$(11)	6,036
Other	932	1	—	933
Held-to-maturity securities with fair value:				
Bonds	—	—	—	—
Total	\$44,319	\$156,104	\$(11)	\$200,412

(b) As of the year ended March 31, 2006

	Cost	Gross unrealized gains	Gross unrealized losses	Millions of yen Fair value
Available-for-sale securities with fair value:				
Stocks	¥5,375	¥16,738	¥(471)	¥21,642
Bonds	500	—	(8)	492
Other	110	0	—	110
Held-to-maturity securities with fair value:				
Bonds	309	15	—	324
Total	¥6,294	¥16,753	¥(479)	¥22,568

(2) The redemption schedule of securities held-to-maturity as of March 31, 2007, is as follows:

	Millions of yen			Thousand of U.S. dollars		
	Within 1 year	Over 1 year and within 5 years	Over 5 years	Within 1 year	Over 1 year and within 5 years	Over 5 years
Bonds						
Government bonds	¥120	¥30	—	\$1,017	\$254	—
Corporate bonds	—	—	¥500	—	—	\$4,235
Others	20	40	—	169	339	—
Total	¥140	¥70	¥500	\$1,186	\$593	\$4,235

16. Derivatives

The Company uses interest rate swap contracts to hedge interest rate risk associated with interest rate fluctuations and certain overseas 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 fair value of the Group's derivative contracts at March 31, 2007, is as follows

	Millions of yen			Thousands of U.S. dollars		
	Contract amounts	Fair value	Profit or loss from valuation	Contract amounts	Fair value	Profit or loss from valuation
Forward exchange contracts						
Selling contracts—						
JP¥	¥ 800	¥ 796	¥ (4)	\$ 6,777	\$ 6,741	\$ (36)
US\$	488	475	(13)	4,137	4,024	(113)
Total	¥1,288	¥1,271	¥(17)	\$10,914	\$10,765	\$(149)

17. Lease Transactions

Finance leases that do not transfer ownership of leased property to leases 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, 2007 and 2006, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Buildings:			
Acquisition cost equivalents	¥3,200	¥2,877	\$27,109
Accumulated depreciation equivalents	877	502	7,427
Buildings year-end balance equivalents	2,323	2,375	19,682
Machinery and vehicles:			
Acquisition cost equivalents	2,892	4,048	24,494
Accumulated depreciation equivalents	1,700	2,719	14,397
Machinery and vehicles year-end balance equivalents	1,192	1,329	10,097
Tools and furnishings:			
Acquisition cost equivalents	2,419	2,302	20,490
Accumulated depreciation equivalents	1,378	1,288	11,673
Tools and furnishings year-end balance equivalents	1,041	1,014	8,817
Total leased property, net	¥4,556	¥4,718	\$38,596

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

(2) Pro forma information regarding future minimum lease payments as of March 31, 2007 and 2006, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within 1 year	¥1,156	¥1,108	\$ 9,793
Due after 1 year	3,402	3,610	28,819
Total	¥4,558	¥4,718	\$38,612

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-end is not material.

(3) Total lease payments for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
	¥1,349	¥1,422	\$11,427

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, 2007 and 2006.

18. 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 amortization and capital expenditures by segment of business activities for the years ended March 31, 2007 and 2006 is as follows:

	2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Net sales:			
Automotive parts	¥ 560,114	¥469,743	\$4,744,719
Nonautomotive parts	33,360	28,772	282,592
Elimination of intersegment transactions	(19)	(87)	(166)
Consolidated	¥ 593,455	¥498,428	\$5,027,145
Operating income (loss):			
Automotive parts	¥ 35,420	¥ 26,474	\$ 300,045
Nonautomotive parts	(3,869)	(6,798)	(32,779)
Elimination of intersegment transactions	—	—	—
Consolidated	¥ 31,551	¥ 19,676	\$ 267,266
Assets:			
Automotive parts	¥ 377,063	¥326,672	\$3,194,095
Nonautomotive parts	29,764	32,424	252,130
Corporate or elimination	52,261	33,575	442,703
Consolidated	¥ 459,088	¥392,671	\$3,888,928
Depreciation and amortization:			
Automotive parts	¥ 33,779	¥ 28,699	\$ 286,137
Nonautomotive parts	3,051	3,850	25,849
Consolidated	¥ 36,830	¥ 32,549	\$ 311,986
Capital expenditures:			
Automotive parts	¥ 52,719	¥ 44,263	\$ 446,582
Nonautomotive parts	2,971	2,378	25,169
Consolidated	¥ 55,690	¥ 46,641	\$ 471,751

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

(2) Geographical segments

Information by geographic area for the years ended March 31, 2007 and 2006 is as follows:

	2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Net sales:			
Japan	¥ 374,192	¥330,842	\$3,169,773
North America	141,404	126,589	1,197,835
Asia and Oceania	91,184	52,796	772,417
Others	26,627	18,760	225,554
Elimination of intersegment transactions	(39,952)	(30,559)	(338,434)
Consolidated	¥ 593,455	¥498,428	\$5,027,145
Operating income (loss):			
Japan	¥ 18,976	¥ 9,921	\$ 160,740
North America	6,367	6,486	53,938
Asia and Oceania	6,649	5,168	56,323
Others	(1,001)	(1,037)	(8,481)
Elimination of intersegment transactions	560	(862)	4,746
Consolidated	¥ 31,551	¥ 19,676	\$ 267,266
Assets:			
Japan	¥ 229,290	¥232,712	\$1,942,313
North America	87,672	82,439	742,668
Asia and Oceania	74,042	34,664	627,212
Others	24,648	18,721	208,790
Corporate or elimination	43,436	24,135	367,945
Consolidated	¥ 459,088	¥392,671	\$3,888,928

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

(3) Overseas sales

Information by overseas sales for the years ended March 31, 2007 and 2006 is as follows:

	2007		Millions of yen		Thousands of U.S. dollars	
			2006		2007	
Japan	¥340,747	57.4%	¥298,623	59.9%	\$2,886,465	57.4%
North America	138,601	23.4%	122,655	24.6%	1,174,084	23.4%
Asia and Oceania	87,223	14.7%	58,119	11.7%	738,862	14.7%
Others	26,884	4.5%	19,031	3.8%	227,734	4.5%
Net sales	¥593,455	100.0%	¥498,428	100.0%	\$5,027,145	100.0%

19. Related Party Transactions

During the years ended March 31, 2007 and 2006, 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, 2007. A summary of the significant transactions with TMC for the years ended or as of March 31, 2007 and 2006 is as follows:

	2007		Millions of yen		Thousands of U.S. dollars	
			2006		2007	
For the year:						
Sales of finished goods	¥194,596		¥165,616		\$1,648,418	
Purchase of raw materials	16,551		15,978		140,203	
At the year-end:						
Trade accounts receivable	¥ 25,527		¥ 22,569		\$ 216,242	
Trade accounts payable	1,512		1,606		12,812	

20. Net Income per Share (EPS)

The basis of calculation for basic net income per share and diluted net income per share is as follows:

	2007		Millions of yen		Thousands of U.S. dollars	
			2006		2007	
Basic net income per share:						
Net income	¥ 15,944		¥ 10,787		\$135,059	
Net income not attributable to common shareholders (Bonuses for directors and corporate auditors that are paid through appropriation)	—		251		—	
Net income attributable to common shareholders	15,944		10,536		135,059	
Weighted-average number of shares (thousand)	128,808		128,858		—	
Basic net income per share (exact yen amounts)	¥ 123.78		¥ 81.77		\$ 1.05	
Diluted net income per share diluted:						
Weighted-average number of shares for diluted computation (thousand)	159		56		—	
Diluted net income per share (exact yen amounts)	¥ 123.63		¥ 81.73		\$ 1.05	

21. Subsequent Event

Appropriation of Retained Earnings

On June 26, 2007, the shareholders of the Company authorized the payment of year-end cash dividends to shareholders of record as of March 31, 2007, of ¥14.0 (\$0.118) per share, or a total of ¥1,804 million (\$15,278 thousand). Cash dividends for the year thus totaled ¥26 (\$0.220) per share, including a semi-annual dividend of ¥12.0 (\$0.102).

22. Other

Stock Option Plan

The Company has introduced the 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 2007, the Ordinary General Meeting of Shareholders approved a stock acquisition right, which earmarks a maximum of 500,000 shares of common stock to be further distributed among directors and key employees and directors of subsidiaries.

Independent Auditors' Report



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Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheet of TOYODA GOSEI CO., LTD. “the Company” and its subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets 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 audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

July 31, 2007

Management

Board of Directors

Chairman of the Board

Akio Matsubara

President

Takashi Matsuura

Executive Vice Presidents

Hajime Wakayama

Takamasa Suzuki

Tsuneji Obara

Senior Managing Directors

Kuniaki Osaka

Muneo Furutani

Managing Directors

Takayasu Hiramatsu

Koichi Ota

Nobutaka Ito

Tsugio Kadowaki

Takasuke Haruki

Toshinari Tanaka

Hiromi Ikehata

Yuichi Shibui

Noboru Kato

Directors

Kuniyasu Ito

Nobuyuki Shimizu

Yoshiaki Takei

Nobuo Fujiwara

Masayoshi Ichikawa

Yukio Kawakita

Masahide Sugimoto

Akiyoshi Nagano

Board of Corporate Auditors

Hiroyuki Ioku

Shinji Otsuka

Ikuo Okada

Kazuo Okamoto

Tsuchio Hosoi

(as of June 26, 2007)

Corporate Governance

The board of directors meets monthly and at other times as appropriate. It deliberates and decides important matters in regard to management and legal issues.

The five corporate auditors include two who are from outside the company. An auditing department conducts internal audits of all operations in accordance with an auditing plan adopted by management at the beginning of each year. The department reports its findings to management through the executive responsible for internal auditing, and management reviews the findings and issues instructions for remedial measures if and as deemed necessary.

In addition to legally required procedures and organizational units, Toyoda Gosei has established several committees and measures to strengthen oversight of such matters as environmental protection and ethical compliance.

Investor Information

Share Handling

Number of Shareholders

27,483

Total Net Assets

¥224.6 billion (\$1.9 billion)

Shares

Authorized: 200,000,000

Issued and outstanding: 130,010,011

Transfer Agent

UFJ Trust Bank Ltd.

Common Stock Traded

Tokyo and Nagoya

Certified Public Accountants

PricewaterhouseCoopers Arata

Website

www.toyoda-gosei.com/

Share Price Range

