Financial Section

Five-Year Summary (Consolidated)

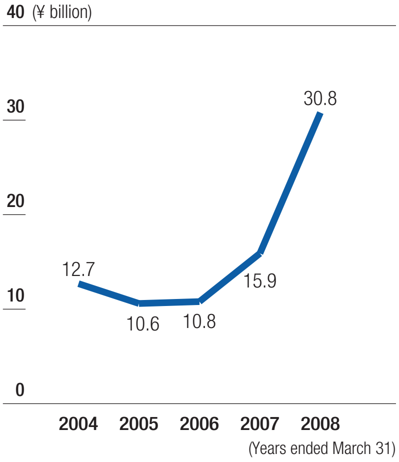
Toyoda Gosei Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31

					Millions of yen	Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	**2008**
Net sales:	**¥662,497**	¥593,455	¥498,428	¥435,539	¥396,983	**$6,612,408**
Sales in Japan	**382,795**	340,747	298,623	284,704	278,446	**3,820,696**
Sales outside Japan	**279,702**	252,708	199,805	150,835	118,537	**2,791,712**
Net income	**30,803**	15,944	10,787	10,585	12,679	**307,443**
Total assets	**476,742**	459,088	392,671	342,439	318,689	**4,758,375**
Total net assets	**253,962**	224,551	186,838	168,644	159,783	**2,534,800**
Capital expenditures	**54,613**	55,690	46,641	42,939	41,355	**545,092**
Depreciation and amortization	**40,309**	36,830	32,549	28,518	26,062	**402,327**
					Yen	U.S. dollars (Note 1)
Per share (Note 2):						
Net income						
Basic	**¥238.61**	¥123.78	¥81.77	¥80.32	¥100.14	**$2.38**
Diluted	**237.97**	123.63	81.73	80.28	96.14	**2.38**
Cash dividends	**46.00**	26.00	19.00	18.00	16.00	**0.46**
Average number of shares (in thousands)	**129,094**	128,808	128,859	129,162	124,183	—
Equity to assets ratio (%)	**48.3**	44.7	47.6	49.2	50.1	—
Number of employees	**27,036**	23,925	18,851	17,279	15,483	—

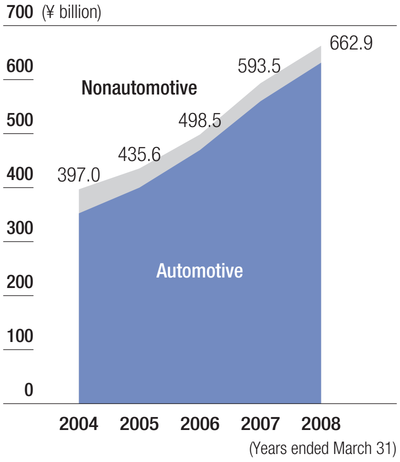
Notes:
1. The U.S. dollar amounts have been prepared, for convenience only, at the rate of ¥100.19 = US$1, the exchange rate prevailing on March 31, 2008.
2. The calculation of per share amounts is based on the average number of shares during the fiscal year.
3. The number of consolidated subsidiaries and affiliates accounted for by the equity method at each fiscal year-end was as follows:

	2008	2007	2006	2005	2004
Consolidated	**46**	47	35	35	34
Equity Method	**6**	5	1	1	1

Net Income

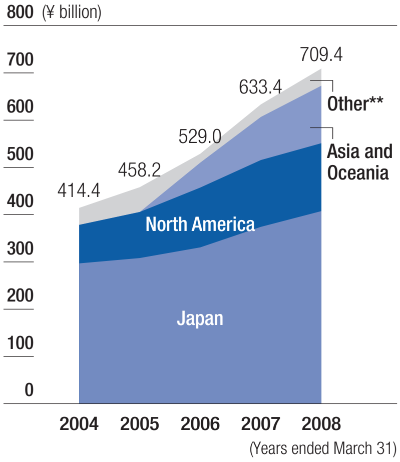


Sales by Business Segment*



*Including intersegment transactions

Sales by Geographical Segment*



* Including intersegment transactions
** Including Asia and Oceania in the figures for 2004 and 2005

Financial Review

Net income rose 93.2% in the fiscal year ended March 31, 2008, to ¥30.8 billion ($307 million). Net income per share, diluted, increased 92.5%, to ¥238.0 ($2.38), and the annual cash dividend was ¥46.0 ($0.46) per share, compared with ¥26.0 for the previous fiscal year. Underlying the rise in net income were increases of 65.2% in operating income, to ¥52.1 billion ($520 million), and 11.6% in net sales, to ¥662.5 billion ($6.6 billion).

Operating income and sales by segment

The increase in operating income comprised a 44.8% gain in automotive parts, to ¥51.3 billion ($512 million), and the reversal of the previous year's operating deficit of ¥3.9 billion in nonautomotive parts with an operating gain of ¥843 million ($8 million). Sales, including intersegment transactions, increased 12.7% in automotive parts, to ¥631.4 billion ($6.3 billion), and declined 5.6% in nonautomotive parts, to ¥31.5 billion ($314 million).

By regional segment, operating income increased 36.2% at the parent company and subsidiaries based in Japan, to ¥25.8 billion ($258 million); increased 32.2% at subsidiaries based in North America, to ¥8.4 billion ($84 million); increased 134.2% at subsidiaries based in Asian nations besides Japan and in Oceania, to ¥15.6 billion ($155 million); and reached ¥1.7 billion ($17 million) in other regions, compared with an operating deficit of ¥1.0 billion in the previous year. Sales, including intersegment transactions, increased 8.9% at the parent company and subsidiaries based in Japan, to ¥407.6 billion ($4.1 billion); 1.6% at subsidiaries based in North America, to ¥143.7 billion ($1.4 billion); 33.5% at subsidiaries based in Asian nations besides Japan and in Oceania, to ¥121.7 billion ($1.2 million); and 36.6% at subsidiaries based in other regions, to ¥36.4 billion ($363 million).

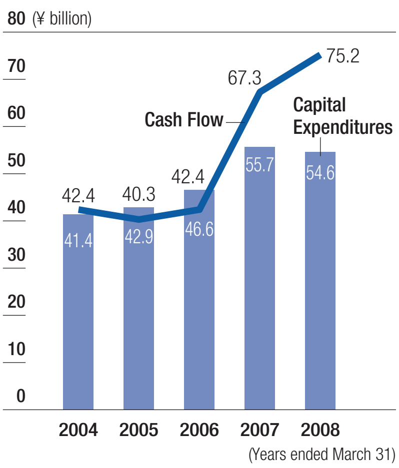
Financial position

The company maintained a strong financial position in the fiscal year under review. Cash and cash equivalents at fiscal year-end totaled ¥53.4 billion ($533 million), compared with ¥56.0 billion at the previous fiscal year-end. Net cash provided by operating activities increased 11.7%, to ¥75.2 billion ($751 million). The increase in operating cash flow reflected a 64.2% increase in income before income taxes and minority interests, to ¥48.2 billion ($481 million), and a 9.4% increase in depreciation and amortization, to ¥40.3 billion ($402 million).

Net cash used in investing activities increased 4.4%, to ¥55.3 billion ($552 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.

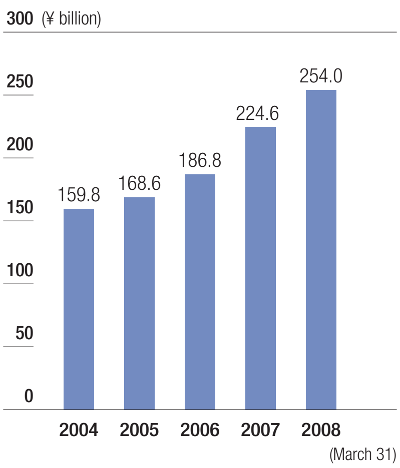
Net cash used in financing activities totaled ¥20.7 billion ($207 million), compared with net cash of ¥9.3 billion provided by financing activities in the previous year. That reversal consisted mainly of a decrease in short-term loans payable.

Cash Flow* and Capital Expenditures

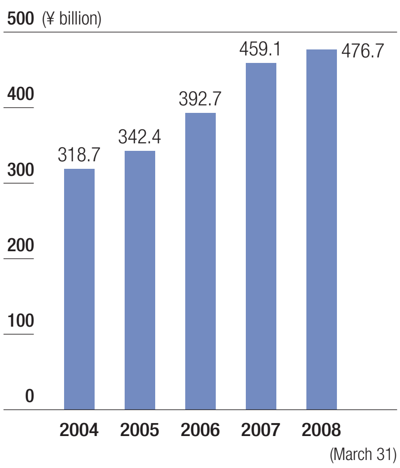


*Net cash provided by operating activities

Total Net Assets



Total Assets



Consolidated Balance Sheets

Toyoda Gosei Co., Ltd. and Its Consolidated Subsidiaries
March 31, 2008 and 2007

Assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current assets:			
Cash and cash equivalents	¥ 53,372	¥ 55,971	$ 532,711
Time deposits	216	152	2,152
Trade notes and accounts receivable (Note 4)	100,323	96,480	1,001,321
Less: Allowance for doubtful accounts	(104)	(204)	(1,038)
Inventories (Note 5)	34,162	32,624	340,973
Deferred tax assets (Note 13)	6,582	6,689	65,695
Other	9,313	9,373	92,955
Total current assets	203,864	201,085	2,034,769
Property, plant and equipment:			
Land (Note 14)	22,746	21,366	227,031
Buildings and structures (Note 14)	123,023	112,842	1,227,892
Machinery and equipment	405,195	377,580	4,044,266
Construction in progress	11,530	13,819	115,083
Less: Accumulated depreciation	(334,475)	(311,608)	(3,338,402)
Net property, plant and equipment	228,019	213,999	2,275,870
Intangible assets:			
Goodwill	108	148	1,083
Patent rights	278	369	2,772
Software	1,536	1,389	15,329
Other	2,105	1,984	21,011
Intangible assets	4,027	3,890	40,195
Investments and other assets:			
Investment securities (Note 16)	19,903	26,106	198,653
Investments in unconsolidated subsidiaries and affiliates	2,708	2,868	27,026
Prepaid pension cost (Note 11)	2,889	2,205	28,838
Deferred tax assets (Note 13)	7,911	3,165	78,962
Other	7,421	5,770	74,062
Total investments and other assets	40,832	40,114	407,541
Total assets	¥476,742	¥459,088	$4,758,375

See accompanying notes to consolidated financial statements.

Liabilities and Net assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Liabilities			
Current liabilities:			
Short-term loans payable (Note 14)	¥ 17,814	¥ 32,780	$ 177,805
Current portion of long-term debt (Note 7)	2,031	12,775	20,276
Trade notes and accounts payable (Note 4)	78,901	78,050	787,518
Accrued expenses	24,892	24,234	248,446
Accrued income taxes (Note 13)	7,835	6,361	78,201
Allowance for directors' and corporate auditors' bonuses	382	301	3,807
Allowance for product warranties	1,495	768	14,920
Deposits received from employees	4,699	4,843	46,901
Other (Note 4)	16,758	17,903	167,258
Total current liabilities	154,807	178,015	1,545,132
Non-current liabilities:			
Long-term debt (Notes 7 and 14)	37,403	27,775	373,316
Allowance for loss on liquidation of subsidiaries and affiliates	2,224	—	22,202
Allowance for employees' retirement benefits (Note 11)	20,629	19,845	205,899
Allowance for directors' and corporate auditors' retirement and severance benefits	1,572	1,231	15,692
Deferred tax liabilities (Note 13)	5,401	4,890	53,904
Other	744	2,781	7,430
Total non-current liabilities	67,973	56,522	678,443
Total liabilities	222,780	234,537	2,223,575
Net assets			
Shareholders' equity (Note 8)**:**			
Common stock			
Authorized—200,000,000 shares Issued and outstanding—130,010,011 shares in 2008 and 2007	28,028	28,028	279,747
Capital surplus	29,813	29,724	297,568
Retained earnings	158,574	132,123	1,582,735
Less: Treasury stock	(1,548)	(2,579)	(15,453)
Total shareholders' equity	214,867	187,296	2,144,597
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	7,317	10,995	73,026
Foreign currency translation adjustments	8,122	6,740	81,068
Total valuation and translation adjustments	15,439	17,735	154,094
Subscription rights to shares	221	56	2,209
Minority interests	23,435	19,464	233,900
Total net assets	253,962	224,551	2,534,800
Total liabilities and net assets	¥476,742	¥459,088	$4,758,375

Consolidated Statements of Income

Toyoda Gosei Co., Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2008	2007	2008
Net sales (Note 19)	**¥662,497**	¥593,455	**$6,612,408**
Cost of sales (Note 9)	**570,251**	524,320	**5,691,701**
Gross profit	**92,246**	69,135	**920,707**
Selling, general and administrative expenses:			
Packing and transportation expenses	**3,237**	2,518	**32,306**
Provision for product warranties	**965**	600	**9,632**
Salaries and allowances	**12,387**	12,032	**123,637**
Retirement benefits	**886**	517	**8,841**
Provision for directors' and corporate auditors' bonuses	**381**	301	**3,807**
Provision for directors' and corporate auditors' retirement and severance benefits	**392**	349	**3,911**
Depreciation expense	**1,454**	1,437	**14,512**
Other (Note 9)	**20,418**	19,830	**203,790**
Total selling, general and administrative expenses	**40,120**	37,584	**400,436**
Operating income (Note 19)	**52,126**	31,551	**520,271**
Non-operating income:			
Interest income	**844**	540	**8,424**
Dividends income	**388**	312	**3,877**
Amortization of negative goodwill	**7**	7	**70**
Equity in earnings of affiliates	**92**	145	**914**
Foreign exchange gains	—	366	—
Other	**3,555**	3,468	**35,484**
Total non-operating income	**4,886**	4,838	**48,769**
Non-operating expenses:			
Interest expenses	**2,213**	2,361	**22,095**
Loss on sales and retirement of non-current assets	**1,471**	1,275	**14,680**
Litigation loss	—	230	—
Foreign exchange losses	**1,514**	—	**15,109**
Other	**1,273**	1,176	**12,704**
Total non-operating expenses	**6,471**	5,042	**64,588**
Ordinary income	**50,541**	31,347	**504,452**
Extraordinary income:			
Reversal of allowance for doubtful accounts	**9**	—	**94**
Total extraordinary income	**9**	—	**94**
Extraordinary loss:			
Loss on sales of investment securities	—	889	—
Loss on valuation of investment securities	**183**	132	**1,824**
Impairment loss of long-lived assets (Note 6)	—	939	—
Loss on liquidation of subsidiaries and affiliates	**2,164**	—	**21,601**
Other	**0**	38	**2**
Total extraordinary losses	**2,347**	1,998	**23,427**
Income before income taxes and minority interests	**48,203**	29,349	**481,119**
Income taxes (Note 13)**:**			
Current	**14,840**	11,852	**148,123**
Deferred	**(1,717)**	(56)	**(17,140)**
Total income taxes	**13,123**	11,796	**130,983**
Minority interests in income	**4,277**	1,609	**42,693**
Net income	**¥ 30,803**	¥ 15,944	**$ 307,443**

	Yen		U. S. dollars (Note 1)
Per share (Notes 2 and 21)**:**			
Net income:			
Basic	**¥238.61**	¥123.78	**$2.38**
Diluted	**237.97**	123.63	**2.38**
Cash dividends	**46.00**	26.00	**0.46**

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, 2008 and 2007

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, March 31, 2006	¥28,028	¥29,724	¥119,970	¥(2,758)	¥174,964
Change during the 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 addition of 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 the period	—	—	—	—	—
Total change during the period	—	—	12,153	179	12,332
Balance, March 31, 2007	¥28,028	¥29,724	¥132,123	¥(2,579)	¥187,296

	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance, March 31, 2006	¥ 9,687	¥2,187	¥11,874	—	¥15,324	¥202,162
Change during the 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 addition of 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 the period	1,308	4,553	5,861	¥56	4,140	10,057
Total change during the 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

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, March 31, 2007	¥28,028	¥29,724	¥132,123	¥(2,579)	¥187,296
Change during the period					
Dividend paid	—	—	(4,386)	—	(4,386)
Increase due to addition of an affiliate accounted for under the equity method	—	—	34	—	34
Net income for the period	—	—	30,803	—	30,803
Repurchase of treasury stock	—	—	—	(10)	(10)
Disposal of treasury stock	—	89	—	1,041	1,130
Change to items other than shareholders' equity during the period	—	—	—	—	—
Total change during the period	—	89	26,451	1,031	27,571
Balance, March 31, 2008	**¥28,028**	**¥29,813**	**¥158,574**	**¥(1,548)**	**¥214,867**

	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance, March 31, 2007	¥10,995	¥6,740	¥17,735	¥ 56	¥19,464	¥224,551
Change during the period						
Dividend paid	—	—	—	—	—	(4,386)
Increase due to addition of an affiliate accounted for under the equity method	—	—	—	—	—	34
Net income for the period	—	—	—	—	—	30,803
Repurchase of treasury stock	—	—	—	—	—	(10)
Disposal of treasury stock	—	—	—	—	—	1,130
Change to items other than shareholders' equity during the period	(3,678)	1,382	(2,296)	165	3,971	1,840
Total change during the period	(3,678)	1,382	(2,296)	165	3,971	29,411
Balance, March 31, 2008	**¥ 7,317**	**¥8,122**	**¥15,439**	**¥221**	**¥23,435**	**¥253,962**

Thousands of U.S. dollars (Note 1)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, March 31, 2007	$279,747	$296,674	$1,318,725	$(25,742)	$1,869,404
Change during the period					
Dividend paid	—	—	(43,778)	—	(43,778)
Increase due to addition of an affiliate accounted for under the equity method	—	—	345	—	345
Net income for the period	—	—	307,443	—	307,443
Repurchase of treasury stock	—	—	—	(95)	(95)
Disposal of treasury stock	—	894	—	10,384	11,278
Change to items other than shareholders' equity during the period	—	—	—	—	—
Total change during the period	—	894	264,010	10,289	275,193
Balance, March 31, 2008	**$279,747**	**$297,568**	**$1,582,735**	**$(15,453)**	**$2,144,597**

	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance, March 31, 2007	$109,748	$67,271	$177,019	$ 564	$194,267	$2,241,254
Change during the period						
Dividend paid	—	—	—	—	—	(43,778)
Increase due to addition of an affiliate accounted for under the equity method	—	—	—	—	—	345
Net income for the period	—	—	—	—	—	307,443
Repurchase of treasury stock	—	—	—	—	—	(95)
Disposal of treasury stock	—	—	—	—	—	11,278
Change to items other than shareholders' equity during the period	(36,722)	13,797	(22,925)	1,645	39,633	18,353
Total change during the period	(36,722)	13,797	(22,925)	1,645	39,633	293,546
Balance, March 31, 2008	**$ 73,026**	**$81,068**	**$154,094**	**$2,209**	**$233,900**	**$2,534,800**

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, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	**¥48,203**	¥29,349	**$481,119**
Adjustments:			
Depreciation and amortization	**40,309**	36,830	**402,327**
Amortization of goodwill	**39**	130	**390**
Impairment loss	**—**	939	**—**
Increase (decrease) in allowance for doubtful accounts	**(113)**	81	**(1,127)**
Increase in allowance for product warranties	**728**	24	**7,260**
Increase in allowance for loss on liquidation of subsidiaries and affiliates	**2,224**	—	**22,202**
Increase in allowance for employees' retirement benefits	**653**	929	**6,511**
Increase (decrease) in allowance for directors' and corporate auditors' retirement and severance benefits	**341**	(495)	**3,404**
Loss on sales and retirement of property, plant and equipment, net	**1,386**	1,133	**13,832**
Interest and dividend income	**(1,232)**	(852)	**(12,301)**
Interest expenses	**2,213**	2,361	**22,095**
Foreign exchange losses	**1,270**	109	**12,679**
Equity in (earnings) of affiliates	**(92)**	(145)	**(914)**
Loss on sales and valuation of investment securities, net	**165**	1,020	**1,644**
(Increase) in notes and accounts receivable—trade	**(3,552)**	(5,789)	**(35,455)**
Decrease (increase) in inventories	**(897)**	1,025	**(8,951)**
(Increase) in other current assets	**(1,074)**	(554)	**(10,722)**
Increase (decrease) in notes and accounts payable—trade	**(2,131)**	10,904	**(21,273)**
Increase in other current liabilities	**1,260**	1,482	**12,579**
Decrease (increase) in prepaid pension costs	**(521)**	149	**(5,206)**
Payment of directors' and corporate auditors' bonuses	**—**	(227)	**—**
Other, net	**195**	357	**1,949**
Subtotal	**89,374**	78,760	**892,042**
Interest and dividends received	**1,315**	1,005	**13,122**
Interest expenses paid	**(2,213)**	(2,356)	**(22,085)**
Income taxes paid	**(13,247)**	(10,084)	**(132,212)**
Net cash provided by (used in) operating activities	**75,229**	67,325	**750,867**
Net cash provided by (used in) investment activities:			
Purchase of investment securities	**(9)**	(1,374)	**(90)**
Proceeds from sales and redemption of investment securities	**164**	173	**1,641**
Purchase of property, plant and equipment and intangible assets	**(56,119)**	(52,752)	**(560,124)**
Proceeds from sales of property, plant and equipment	**696**	1,101	**6,947**
Payments of long-term loans receivable	**(4)**	(12)	**(45)**
Collection of long-term loans receivable	**7**	1	**75**
Purchases of other assets	**(210)**	(154)	**(2,100)**
Proceeds from sales of other assets	**183**	53	**1,829**
Net cash provided by (used in) investment activities	**(55,292)**	(52,964)	**(551,867)**
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	**(16,458)**	6,958	**(164,264)**
Proceeds from long-term debt	**11,870**	17,003	**118,474**
Repayment of long-term debt	**(12,319)**	(12,134)	**(122,962)**
Proceeds from stock issuance to minority shareholders	**505**	894	**5,041**
Proceeds from disposal of treasury stock	**1,130**	160	**11,278**
Repurchase of treasury stock	**(10)**	(6)	**(95)**
Cash dividends paid	**(4,385)**	(2,833)	**(43,765)**
Cash dividends paid to minority shareholders	**(1,075)**	(734)	**(10,737)**
Net cash provided by (used in) financing activities	**(20,742)**	9,308	**(207,030)**
Effect of exchange rate change on cash and cash equivalents	**(1,794)**	109	**(17,907)**
Net increase (decrease) in cash and cash equivalents	**(2,599)**	23,778	**(25,937)**
Cash and cash equivalents at beginning of year	**55,971**	29,535	**558,648**
Increase in cash and cash equivalents from newly consolidated subsidiaries	**—**	2,658	**—**
Cash and cash equivalents at end of year	**¥53,372**	¥55,971	**$532,711**

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 differ in certain respects from the application and disclosure requirements of the International Financial Reporting Standards.

Relevant notes have been added and certain reclassifications 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 ¥100.19 = US$1, the exchange rate on the Tokyo foreign exchange market on March 31, 2008. These translations should not be construed as suggesting 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 46 significant subsidiaries (47 for 2007). On January 1, 2008, the Company absorbed Toyoda Gosei Kyusyu Co., Ltd., which was accounted for as a consolidated subsidiary in the year ended March 31, 2007, and that resulted in a decline of one in the number of consolidated subsidiaries. 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, the difference is deferred and amortized on a straight-line basis over five years.

Investments in affiliates that are significant in terms of net income, retained earnings and other financial criteria are accounted for by the equity method. One affiliate is newly added to the scope of consolidation. Investments in affiliates that are insignificant in terms of net income, retained earnings, and other financial criteria are stated at cost.

Consolidated subsidiaries as of March 31, 2008:

Consolidated subsidiaries (46 companies)

Domestic consolidated subsidiaries (10 companies):

TG Logistics 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.	
Hinode Gomu Kogyo Co., Ltd.	TG Opseed Co., Ltd.	

Overseas consolidated subsidiaries (36 companies):

Toyoda Gosei North America Corporation	Waterville TG Inc.	Toyoda Gosei (Zhangjiagang) Plastic Parts Co., Ltd.
TG Missouri Corporation	TG Minto Corporation	Toyoda Gosei (Foshan) Rubber Parts Co., Ltd.
TG Kentucky, LLC	Toyoda Gosei Asia Co., Ltd.	Toyoda Gosei (Foshan) Auto Parts Co., Ltd.
TG Automotive Sealing Kentucky, LLC	Toyoda Gosei (Thailand) Co., Ltd.	Tianjin Star Light Rubber and Plastic Co., Ltd.
TG Fluid Systems USA Corporation	Toyoda Gosei Rubber (Thailand) Co., Ltd.	Toyoda Gosei Opto-Electronics (Shanghai) Co., Ltd.
TG California Automotive Sealing, Inc.	Toyoda Gosei Haiphong Co., Ltd.	Toyoda Gosei (Shanghai) Co., Ltd.
TG Personnel Service North America, Inc.	TG Kirloskar Automotive Pvt. Ltd.	Toyoda Gosei (Thaijin) Precise Plastic Co., Ltd.
TGR Technical Center, LLC	P.T. Toyoda Gosei Safety Systems Indonesia	Toyoda Gosei UK Ltd.
TAPEX Mexicana S.A. DE C.V.	Bridgestone TG Australia (Pty) Ltd.	Toyoda Gosei Fluid Systems UK Ltd.
Toyoda Gosei Texas, LLC	Fong Yue Co., Ltd.	Toyoda Gosei Czech, s,r,o.
Fuel Total Systems California Corporation	Tianjin Toyoda Gosei Co.Ltd.	Toyoda Gosei Europe N.V.
Toyoda Gosei Holdings Inc.	Toyoda Gosei (Zhangjiagang) Co., Ltd.	Toyoda Gosei South Africa (Pty) Ltd.

Affiliates accounted for by the equity method (6 companies)

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

The fiscal years of certain subsidiaries differ 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 are 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 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 its domestic subsidiaries and by the straight-line method for overseas subsidiaries.

The Company has adopted a useful-life assumption of four years for LED-related items included in machinery and equipment as of the year ended March 31, 2008, compared with three years formerly. That is in view of the short life spans characteristic of product and manufacturing equipment in the LED product sector. The effect of this change on the Company's financial results has been negligible.

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

Accumulated depreciation at March 31, 2008 and 2007, was ¥334,475 million ($3,338,402 thousand) and ¥311,608 million, respectively.

In accordance with a revision of Japan's corporate tax law, the Company and its domestic consolidated subsidiaries have changed their method of accounting for the depreciation of the residual value of tangible fixed assets. The change pertains to assets purchased on or before March 31, 2007, whose book value has declined to 5% of the purchase price as depreciated under the tax law guidelines before the revision, and it provides for depreciating that residual value by the straight-line method over five years, starting in the fiscal year after the fiscal year in which the book value has declined to 5% of the purchase price. This change has had the effect of increasing operating income and income before income taxes and minority interests each by ¥1,222 million ($12,194 thousand).

(4) Intangible assets and amortization

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

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

Under SFAS No.142, goodwill that 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 in a manner that would likely 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 projections of the grouping of assets and recoverable value, with due consideration for the specific circumstances at each company. The amount deemed recoverable is the greater of the net selling price and the estimated future cash flows.

(6) Foreign currency translation

The 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 rates.

Differences arising from such translation are shown as foreign currency translation adjustment 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.

(8) Allowance for doubtful accounts

The allowance for doubtful accounts is established in the 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 directors' and corporate auditors' bonuses

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

(10) Allowance for product warranties

The allowance for product warranties has been provided in the aggregate amount of the claims estimated to be incurred in the warranty period based on historical experience.

(11) Allowance for loss on liquidation of subsidiaries and affiliates

The allowance for loss on the liquidation of subsidiaries and affiliates has been provided in the amount of losses expected based on present circumstances.

(12) Allowance for employees' retirement benefit

The Company and its consolidated subsidiaries accrue an amount for employees' retirement benefit liabilities that 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 by 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 by the straight-line method over a period of ten years, starting at the beginning of the subsequent year.

(13) Allowance for directors' and corporate auditors' retirement and severance benefits

The allowance for retirement and severance 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 on retirement are subject to approval at the annual shareholders' meeting.

(14) 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 securities, and investments in unconsolidated subsidiaries and affiliates. The Company and its consolidated subsidiaries did not have any trading securities at March 31, 2008 and 2007. Available-for-sale securities that had 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 valuation difference on available-for-sale securities as a separate component of shareholders' equity. Cost of sales in regard to those securities is determined by the moving-average method. Available-for-sale securities that did not have 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.

(15) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 it is more likely than not that a tax benefit will not be realized.

(16) Net income and cash dividends per share

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

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

As described in note 23, the Company has granted stock options to its directors and key employees and to directors of subsidiaries for purchasing its common stock.

Diluted net income per share of common stock for the period reflects the potentially dilutive effects of the exercise of stock options.

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.

(17) 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.

(18) Appropriation of retained earnings

The accompanying consolidated statements of change in net assets reflect the appropriation of retained earnings of consolidated subsidiaries as the amounts approved for each year. In Japan, the payment of bonuses to directors and corporate auditors was formerly made from retained earnings through an appropriation instead of being charged to income for the year. As described in note 3, Changes in Accounting Policy and Adoption of New Accounting Standards, bonuses to directors and corporate auditors are recorded on an accrual basis, beginning in the year ended March 31, 2007.

(19) Hedge accounting

The Company uses interest rate swaps to hedge the interest rate exposure of long-term debt.

Hedge effectiveness is not measured because the swaps fulfill conditions deemed to ensure effectiveness.

As an alternative method approved under Japanese accounting standards for accounting for interest rate swaps, interest rate swaps, if certain hedging criteria are met, are not recognized at their fair values The amounts received or paid for such interest rate swap arrangements are charged or credited to income as earned or incurred.

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

(1) For the year ended March 31, 2007

Accounting standard for directors' bonuses

On November 29, 2005, the Accounting Standards Board of Japan issued the "Accounting Standard for Directors' Bonuses." That standard requires that bonuses to directors and corporate auditors be recorded on an accrual basis. The Company has applied that standard to the consolidated financial statements as of the year ended March 31, 2007. The change has had negligible effect on income before income taxes and minority interests.

Accounting standard for the presentation of net assets in the balance sheet

On December 9, 2005, the Accounting Standards Board of Japan issued the "Accounting Standard for the Presentation of Net Assets in the Balance Sheet" and "Guidance on Accounting Standard for the 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 years to March 31, 2007, are disclosed as a line item in net assets in the year to March 31, 2008. 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 the "Accounting Standard for Share-based Payment" and "Guidance on Accounting Standard for Share-based Payment." The change has had negligible impact on income before income taxes and minority interests.

(2) For the year ended March 31, 2008

Depreciation of tangible fixed assets

In accordance with a revision of the Japanese corporation tax law, the Company and its domestic consolidated subsidiaries have changed their method of accounting for the depreciation of tangible fixed assets as of the year ended March 31, 2008. The change pertains to assets purchased on or after April 1, 2007, and it has had the effect of reducing operating income and income before income taxes and minority interests each by ¥2,537 million ($25,322 thousand).

In connection with the revision of the corporation tax law, the Company has changed its method of accounting for the depreciation of dies included in machinery and equipment to the straight-line method, from the declining balance method. This change is to represent costs and earnings more faithfully, and it has had the effect of increasing operating income and income before income taxes and minority interests each by ¥3,974 million ($39,663 thousand).

4. Trade Notes that Mature on a National Holiday

Trade notes that mature on a national holiday are treated as having been settled at fiscal year-end, as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Trade notes and accounts receivable	—	736	—
Trade notes and accounts payable	—	1,451	—
Other current liabilities	—	34	—

5. Inventories

Inventories at March 31, 2008 and 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished goods	**¥12,684**	¥11,379	**$126,603**
Raw materials	**9,506**	8,830	**94,880**
Work in process	**7,573**	7,877	**75,588**
Supplies	**4,399**	4,538	**43,902**
Total	**¥34,162**	¥32,624	**$340,973**

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 ($335 thousand) for buildings and structures and ¥542 million ($5,413 thousand) for machinery and equipment for the year ended March 31, 2008, and ¥34 million for buildings and structures and ¥533 million for machinery and equipment for the year ended March 31, 2007.

(2) Impairment of long-lived assets

The Company and a subsidiary reviewed unused long-lived assets in Japan and long-lived business assets in Australia in regard to impairment. The recoverable amount of the unused assets is calculated based on the publicly assessed value, and the recoverable amount of the business assets is calculated as the present value of expected future cash flows, discounted at a pre-tax 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 aggregate impairment loss of ¥939 million for the year ended March 31, 2007.

7. Long-Term Debt

(1) Long-term debt at March 31, 2008 and 2007,are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
The Company:			
0.55% bonds due to 2008 without collateral	—	¥10,000	—
1.26% bonds due to 2013 without collateral	**¥10,000**	—	**$ 99,810**
Loans from banks	**25,000**	25,000	**249,526**
Less: Current portion of long-term debt	(—)	(10,000)	(—)
Consolidated subsidiaries:			
Loans from banks and others	**4,434**	5,550	**44,256**
Less: Current portion of long-term debt	**(2,031)**	(2,775)	**(20,276)**
Total	**¥37,403**	¥27,775	**$373,316**

(2) The aggregate annual maturities of long-term debt at March 31, 2008 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31	2008	
2009	**¥ 2,031**	**$ 20,276**
2010	**1,309**	**13,065**
2011	**10,192**	**101,726**
2012	**15,187**	**151,582**
2013	**10,187**	**101,677**
2014 and thereafter	**528**	**5,266**
Total	**¥39,434**	**$393,592**

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)	
	2008	2007	**2008**	2007
Balance at beginning of the year	**130,010**	130,010	**1,183**	1,265
Increase for the year	—	—	**3**	2
Decrease for the year	—	—	**483**	84
Balance at end of the year	**130,010**	130,010	**703**	1,183

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 Japanese Commercial Code.

9. Research and Development Expenses

Research and development expenses, which are included in selling, general and administrative expenses and manufacturing costs, amounted to ¥25,990 million ($259,404 thousand) and ¥24,322 million for the years ended March 31, 2008 and 2007, respectively.

10. Loss on Liquidation of Subsidiaries and Affiliates

In the year ended March 31, 2008, the Company's management decided to liquidate the consolidated subsidiary Toyoda Gosei Fluid Systems UK Ltd. and to transfer its assets to another consolidated subsidiary, Toyoda Gosei Czech, s,r,o. The Company has made a provision of ¥2,164 million ($21,601 thousand) for losses expected to result from the liquidation.

11. 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 subsidiaries maintain defined-contribution pension plans.

(2) Benefit obligation at March 31, 2008 and 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
(a) Projected benefit obligations	**¥(75,105)**	¥(71,307)	**$(749,629)**
(b) Fair value of plan assets	**50,144**	54,197	**500,488**
(c) Subtotal (a) + (b)	**(24,961)**	(17,110)	**(249,141)**
(d) Unrecognized actuarial loss	**9,572**	2,123	**95,545**
(e) Unrecognized due to prior service obligations	**(2,351)**	(2,653)	**(23,465)**
(f) Prepaid pension cost	**(2,889)**	(2,205)	**(28,838)**
(g) Amount shown on balance sheet (c) + (d) + (e) + (f)	**¥(20,629)**	¥(19,845)	**$(205,899)**

The Company's domestic consolidated subsidiaries, except TG Logistics, have adopted the simplified method in calculating the projected benefit obligations.

(3) Retirement benefit costs for the years ended March 31, 2008 and 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
(a) Service cost	**¥ 3,218**	¥ 3,135	**$ 32,116**
(b) Interest cost	**1,757**	1,675	**17,538**
(c) Expected return on plan assets	**(1,712)**	(1,479)	**(17,085)**
(d) Recognized actuarial loss	**716**	632	**7,150**
(e) Amortization of prior service obligations	**(231)**	3	**(2,307)**
(f) Employers' contributions to defined-contribution pension plans	**833**	—	**8,316**
(g) Retirement benefit cost (a) + (b) + (c) + (d) + (e) + (f)	**¥ 4,581**	¥ 3,966	**$ 45,728**

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

(4) The assumptions and method used in calculating retirement benefits for the years ended March 31, 2008 and 2007, are as follows:

	2008	2007
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%**	2.5%
Period of amortizing actuarial gain or loss	**10 years**	10 years
Period of amortizing prior service obligations	**10 years**	10 years

12. Stock-Based Compensation

The Company adopted a stock option plan in June 2001. As described in note 3, the Company has applied the "Accounting Standard for Share-Based Payment," and, accordingly, it has recorded charges of ¥165 million ($1,645 thousand) and ¥57 million for the years ended March 31, 2008 and 2007, respectively.

Information regarding outstanding stock options at March 31, 2008, is as follows:

(1) Stock option plan

Year of grant	Number of options granted	Exercise period
2002	201,000	June 30, 2003, to June 29, 2007
2003	227,000	June 28, 2004, to June 27, 2008
2004	339,000	July 1, 2005, to June 30, 2009
2005	387,000	July 1, 2006, to June 30, 2010
2006	359,000	July 1, 2007, to June 30, 2011
2007	357,000	August 1, 2008, to July 31, 2010
2008	401,000	August 1, 2009, to July 31, 2011

(2) Stock option activity

Year of grant	2002	2003	2004	2005	2006	2007	**2008**
Options outstanding at March 31, 2007	52,000	43,200	331,800	379,000	359,000	357,000	—
Granted	—	—	—	—	—	—	**401,000**
Exercised	23,400	9,100	99,700	153,400	197,100	—	—
Canceled	28,600	27,000	113,800	93,400	56,000	8,000	**12,000**
Options outstanding at March 31, 2008	—	7,100	118,300	132,200	105,900	349,000	**389,000**
Options exercisable at March 31, 2008	—	7,100	118,300	132,200	105,900	—	—
Exercise price	¥2,195 ($21.91)	¥1,518 ($15.15)	¥2,760 ($27.55)	¥2,593 ($25.88)	¥1,988 ($19.84)	¥2,410 ($24.05)	**¥3,794** **($37.87)**
Averaged market price at the exercised day	¥3,153 ($31.47)	¥3,538 ($35.31)	¥3,607 ($36.00)	¥3,532 ($35.25)	¥3,692 ($36.85)	—	—
Fair value per option	—	—	—	—	—	¥475 ($4.74)	**¥634** **($6.33)**

(3) Estimation method for 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 assumptions:

Year of grant	**2008**	2007
Expected volatility	**27%**	29%
Expected holding period	**3 years**	3 years
Dividend	**¥32 ($0.319) per share**	¥22 per share
Risk free interest rate	**1.19%**	1.04%

13. Income Taxes

(1) The significant components of deferred tax assets and liabilities at March 31, 2008 and 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Allowance for employees' retirement benefits	**¥ 8,089**	¥ 7,872	**$ 80,737**
Depreciation and amortization	**3,189**	2,771	**31,833**
Accrued expense for employees' bonuses	**2,821**	2,385	**28,156**
Net operating loss carry-forwards for tax purposes	**2,352**	3,308	**23,470**
Accrued enterprise taxes	**609**	469	**6,082**
Inventories	**222**	583	**2,216**
Loss on liquidation of subsidiaries and affiliates	**872**	—	**8,701**
Others	**4,615**	4,254	**46,064**
Subtotal	**22,769**	21,642	**227,259**
Less valuation allowance	**(2,598)**	(3,574)	**(25,937)**
Total deferred tax assets	**20,171**	18,068	**201,322**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**¥ 4,934**	¥ 7,415	**$ 49,247**
Depreciation and amortization	**5,172**	5,047	**51,619**
Others	**973**	642	**9,709**
Total deferred tax liabilities	**11,079**	13,104	**110,575**
Net deferred tax assets	**¥ 9,092**	¥ 4,964	**$ 90,747**

(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, 2008, is as follows:

	2008
Japanese statutory tax rate	40.28%
Differences in tax rates among consolidated subsidiaries	(6.46)
Tax incentives granted at the establishment of overseas subsidiaries	(4.02)
Foreign tax credit	(2.10)
Valuation allowance	(1.38)
Dividends received from foreign subsidiaries	3.96
Others	(3.06)
Actual effective income tax rate	27.22%

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.

14. Assets pledged as collateral

Assets pledged as collateral and secured liabilities at March 31, 2008 and 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Pledged assets:			
Buildings and structures	**¥ 551**	¥ 558	**$ 5,502**
Land	**945**	933	**9,425**
Total	**1,496**	1,491	**14,927**
Secured liabilities:			
Short-term borrowings	**1,018**	829	**10,161**
Long-term debt	**929**	437	**9,269**
Total	**¥1,947**	¥1,266	**$19,430**

15. Contingent Liabilities

The Company's contingent liabilities at March 31, 2008 and 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Daicel Chemical Industries, Ltd	¥95	¥193	$947
Schlegel Corporation	—	27	—
Total	¥95	¥220	$947

16. Marketable Securities

(1) Gross unrealized gains and losses for marketable available-for-sale securities at March 31, 2008 and 2007, are as follows:

(a) March 31, 2008

				Millions of yen
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities with fair value:				
Stocks	¥4,405	¥12,274	¥(0)	¥16,679
Bonds	570	9	—	579
Other	110	0	—	110
Total	¥5,085	¥12,283	¥(0)	¥17,368

				Thousand of U.S. dollars
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities with fair value:				
Stocks	$43,971	$122,500	$(1)	$166,470
Bonds	5,685	98	—	5,783
Other	1,098	1	—	1,099
Total	$50,754	$122,599	$(1)	$173,352

(b) March 31, 2007

				Millions of yen
	Cost	Gross unrealized gains	Gross unrealized losses	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
Total	¥5,232	¥18,428	¥(1)	¥23,659

(2) The redemption schedule of securities with contractual maturities for available-for-sale securities at March 31, 2008, is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Within 1 year	Over 1 year and Within 5 year	Over 5 years	Within 1 year	Over 1 year and within 5 years	Over 5 years
Bonds:						
Government bonds	—	¥ 30	—	—	$ 299	—
Corporate bonds	—	500	—	—	4,991	—
Others	¥40	—	—	$399	—	—
Total	¥40	¥530	—	$399	$5,290	—

17. 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.

Derivative contracts are executed and controlled by the Financial Division in accordance with internal policy, and the results are reported to the director responsible for accounting and, if necessary, to the Board of Directors.

The fair value of the Group's derivative contracts at March 31, 2008 and 2007, is as follows:

(a) March 31, 2008

	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—						
Yen	¥ 200	¥ 190	¥ (10)	$ 1,996	$ 1,893	$ (103)
Euros	8,000	7,676	(324)	79,845	76,612	(3,233)
Total	¥8,200	¥7,866	¥(334)	$81,841	$78,505	$(3,336)

(b) March 31, 2007

	Millions of yen		
	Contract amounts	Fair value	Profit or loss from valuation
Forward exchange contracts:			
Selling contracts—			
Yen	¥ 800	¥ 796	¥ (4)
U.S. dollars	488	475	(13)
Total	¥1,288	¥1,271	¥(17)

18. Lease Transactions

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

(1) Pro forma information regarding leased property, including acquisition cost equivalents and accumulated depreciation equivalents, that are not reflected in the accompanying consolidated balance sheets under finance leases at March 31, 2008 and 2007, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Buildings:			
Acquisition cost equivalents	**¥3,506**	¥3,200	**$34,997**
Accumulated depreciation equivalents	**1,307**	877	**13,046**
Buildings year-end balance equivalents	**2,199**	2,323	**21,951**
Machinery and vehicles:			
Acquisition cost equivalents	**2,151**	2,892	**21,465**
Accumulated depreciation equivalents	**924**	1,700	**9,221**
Machinery and vehicles year-end balance equivalents	**1,227**	1,192	**12,244**
Tools and furnishings:			
Acquisition cost equivalents	**2,692**	2,419	**26,874**
Accumulated depreciation equivalents	**1,567**	1,378	**15,643**
Tools and furnishings year-end balance equivalents	**1,125**	1,041	**11,231**
Total leased property, net	**¥4,551**	¥4,556	**$45,426**

The acquisition cost equivalents include the imputed interest expense portion because the percentage computed by dividing future minimum lease payments by the total balance of property, plant and equipment at the year-ends is negligible.

(2) Pro forma information regarding future minimum lease payments at March 31, 2008 and 2007, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Due within 1 year	**¥1,094**	¥1,156	**$10,923**
Due after 1 year	**3,457**	3,402	**34,503**
Total	**¥4,551**	¥4,558	**$45,426**

The future minimum lease payments under finance leases include the imputed interest expense portion because the percentage computed by dividing future minimum lease payments by the total balance of property, plant and equipment at the year-ends is negligible.

(3) Total lease payments and pro forma information about depreciation expenses for the years ended March 31, 2008 and 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Lease payments	**¥1,182**	¥1,349	**$11,728**
Depreciation expenses	**1,181**	1,335	**11,783**

The above depreciation expenses, which are not reflected in the accompanying consolidated statements of income are computed by the straight-line method, which assumes zero residual value and leasing terms equal to the useful lives of the items leased.

19. Segment Information

(1) Business segments

The Company's primary business activities are automotive parts and nonautomotive parts.

A summary of net sales, operating income (loss), assets, depreciation and amortization, and capital expenditures by business segment for the years ended March 31, 2008 and 2007, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net sales:			
Automotive parts	**¥631,384**	¥560,114	**$6,301,869**
Nonautomotive parts	**31,479**	33,360	**314,195**
Elimination of intersegment transactions	**(366)**	(19)	**(3,656)**
Consolidated	**¥662,497**	¥593,455	**$6,612,408**
Operating income (loss):			
Automotive parts	**¥ 51,286**	¥ 35,420	**$ 511,884**
Nonautomotive parts	**843**	(3,869)	**8,412**
Elimination of intersegment transactions	**(3)**	(—)	**(25)**
Consolidated	**¥ 52,126**	¥ 31,551	**$ 520,271**
Assets:			
Automotive parts	**¥397,264**	¥377,063	**$3,965,103**
Nonautomotive parts	**29,832**	29,764	**297,753**
Corporate or elimination	**49,646**	52,261	**495,519**
Consolidated	**¥476,742**	¥459,088	**$4,758,375**
Depreciation and amortization:			
Automotive parts	**¥ 37,257**	¥ 33,779	**$ 371,860**
Nonautomotive parts	**3,052**	3,051	**30,467**
Consolidated	**¥ 40,309**	¥ 36,830	**$ 402,327**
Capital expenditures:			
Automotive parts	**¥ 50,792**	¥ 52,719	**$ 506,957**
Nonautomotive parts	**3,821**	2,971	**38,135**
Consolidated	**¥ 54,613**	¥ 55,690	**$ 545,092**

Corporate assets included as corporate or elimination primarily consist of cash and time deposits and marketable securities.

As described in note 3, Changes in Accounting Policy and Adoption of New Accounting Standards, the Company and its domestic consolidated subsidiaries have changed their method of accounting for the depreciation of tangible fixed assets as of the fiscal year ended March 31, 2008. This change pertains to assets purchased on or after April 1, 2007, and is in accordance with a revision of Japan's corporate tax code. It has had the effect of increasing operating expenses by ¥2,243 million ($22,387 thousand) and of reducing operating income by an identical amount in the automotive parts segment and of increasing operating expenses by ¥294 million ($2,935 thousand) and of reducing operating income by an identical amount in the nonautomotive parts segment.

As described in note 2(3), the Company has changed its method of accounting for the depreciation of tools and dies included in machinery and equipment to the straight-line method, from the declining balance method. This change has had the effect of reducing operating expenses by ¥3,918 million ($39,106 thousand) and of increasing operating income by an identical amount in the automotive parts segment and of reducing operating expenses by ¥56 million ($557 thousand) and of increasing operating income by an identical amount in the nonautomotive parts segment.

As also described elsewhere in note 2(3), the Company and its domestic subsidiaries have changed their method of accounting for the depreciation of the residual value of tangible fixed assets. This change is in accordance with a revision of Japan's corporate tax code and pertains to assets purchased on or before March 31, 2007, whose book value has declined to 5% of the purchase price as depreciated under the tax code guidelines before the revision. It provides for depreciating that residual value by the straight-line method over five years, starting in the fiscal year after the fiscal year in which the book value has declined to 5% of the purchase price. This change has had the effect of increasing operating expenses by ¥1,101 million ($10,985 thousand) and of reducing operating income by an identical amount in the automotive parts segment and of increasing operating expenses by ¥121 million ($1,209 thousand) and of reducing operating income by an identical amount in the nonautomotive parts segment.

(2) Geographical Segments

Information by geographic area (by company location) for the years ended March 31, 2008 and 2007, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net Sales:			
Japan	**¥407,621**	¥374,192	**$4,068,478**
North America	**143,664**	141,404	**1,433,923**
Asia and Oceania	**121,703**	91,184	**1,214,721**
Others	**36,373**	26,627	**363,038**
Elimination of intersegment transactions	**(46,864)**	(39,952)	**(467,752)**
Consolidated	**¥662,497**	¥593,455	**$6,612,408**
Operating income (loss):			
Japan	**¥ 25,837**	¥ 18,976	**$ 257,881**
North America	**8,415**	6,367	**83,988**
Asia and Oceania	**15,572**	6,649	**155,430**
Others	**1,684**	(1,001)	**16,805**
Elimination of intersegment transactions	**618**	560	**6,167**
Consolidated	**¥ 52,126**	¥ 31,551	**$ 520,271**
Assets:			
Japan	**¥241,638**	¥229,290	**$2,411,796**
North America	**87,171**	87,672	**870,056**
Asia and Oceania	**83,830**	74,042	**836,710**
Others	**22,541**	24,648	**224,977**
Corporate or elimination	**41,562**	43,436	**414,836**
Consolidated	**¥476,742**	¥459,088	**$4,758,375**

Corporate assets included as corporate or elimination primarily consist of cash and time deposits and marketable securities.

As described in note 3, Changes in Accounting Policy and Adoption of New Accounting Standards, the Company and its domestic consolidated subsidiaries have changed their method of accounting for the depreciation of tangible fixed assets as of the fiscal year ended March 31, 2008. This change pertains to assets purchased on or after April 1, 2007, and is in accordance with a revision of Japan's corporate tax code. It has had the effect of increasing operating expenses by ¥2,537 million ($25,322 thousand) and of reducing operating income by an identical amount in the Japan segment.

As described in note 2(3), the Company has changed its method of accounting for the depreciation of tools and dies included in machinery and equipment to the straight-line method, from the declining balance method. This change has had the effect of reducing operating expenses by ¥3,974 million ($39,663 thousand) and of increasing operating income by an identical amount in the Japan segment.

As also described in note 2(3), the Company and its domestic subsidiaries have changed their method of accounting for the depreciation of the residual value of tangible fixed assets. This change is in accordance with a revision of Japan's corporate tax code and pertains to assets purchased on or before March 31, 2007, whose book value has declined to 5% of the purchase price as depreciated under the tax code guidelines before the revision. It provides for depreciating that residual value by the straight-line method over five years, starting in the fiscal year after the fiscal year in which the book value has declined to 5% of the purchase price. This change has had the effect of increasing operating expenses by ¥1,222 million ($12,194 thousand) and of reducing operating income by an identical amount in the Japan segment.

(3) Sales by customer location

Information regarding sales by customer location in the years ended March 31, 2008 and 2007, is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Japan	**¥382,795**	**57.8%**	¥340,747	57.4%	**$3,820,696**	**57.8%**
North America	**141,991**	**21.4%**	138,601	23.4%	**1,417,220**	**21.4%**
Asia and Oceania	**100,772**	**15.2%**	87,223	14.7%	**1,005,802**	**15.2%**
Others	**36,939**	**5.6%**	26,884	4.5%	**368,690**	**5.6%**
Net sales	**¥662,497**		¥593,455		**$6,612,408**	

20. Related Party Transactions

During the years ended March 31, 2008 and 2007, the Company and its consolidated subsidiaries had operational transactions with Toyota Motor Corporation ("TMC"), a 43.0% shareholder of the Company at March 31, 2008. A summary of the significant transactions with TMC in the years ended at March 31, 2008 and 2007, and at the year-end dates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
For the year:			
Sales of finished goods	**¥217,263**	¥194,596	**$2,168,512**
Purchase of raw materials	**15,517**	16,551	**154,872**
At the year-end:			
Trade accounts receivable	**¥ 27,395**	¥ 25,527	**$ 273,432**
Trade accounts payable	**1,377**	1,512	**13,745**

21. Net income per share (EPS)

The basis of the calculation of basic net income per share and diluted net income per share for the years ended March 31, 2008 and 2007, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Basic net income per share:			
Net income	**¥ 30,803**	¥ 15,944	**$307,443**
Net income not attributable to common shareholders	**—**	—	**—**
Net income attributable to common shareholders	**30,803**	15,944	**307,443**
Weighted-average number of shares (thousand)	**129,094**	128,808	**—**
Basic net income per share (exact yen amounts)	**¥ 238.61**	¥ 123.78	**$ 2.38**
Diluted net income per share:			
Weighted-average number of shares for diluted computation (thousand)	**343**	159	**—**
Diluted net income per share (exact yen amounts)	**¥ 237.97**	¥ 123.63	**$ 2.38**

22. Subsequent Event

Merger of a consolidated subsidiary
FTS Co., Ltd., a consolidated subsidiary that manufactures and markets plastic fuel tanks, agreed on April 1, 2008, to merge with Horie Metal Co., Ltd., and entered into a merger contract on June 5, 2008, that provides for the merger to take place on October 1, 2008. Under the merger agreement, FTS Co., Ltd., would dissolve, and FTS Co., Ltd., and its subsidiary, Fuel Total Systems California Corporation, which manufactures and markets plastic fuel tanks in the United States, would be removed from the Company's scope of consolidation. The merger counterpart, Horie Metal, would change its name to FTS Co., Ltd., after the merger and would become an affiliate of the Company accounted for by the equity method.

Appropriation of retained earnings
On June 25, 2008, the shareholders of the Company authorized the payment of year-end cash dividends to shareholders of record as of March 31, 2008, of ¥26.0 ($0.259) per share, or a total of ¥3,362 million ($33,556 thousand). Cash dividends for the year thus totaled ¥46 ($0.459) per share, including a semiannual dividend of ¥20.0 ($0.200).

23. Other

Stock option plan
The Company introduced a stock option plan in June 2001.The purpose of this plan is to further sharpen the motivation of directors and key employees and of 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 the 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 2008, the Ordinary General Meeting of Shareholders approved stock acquisition rights that provide for a maximum of 500,000 shares of common stock to be further distributed among directors and key employees and directors of subsidiaries.

Management

Board of Directors

Chairman of the Board
Akio Matsubara

Vice Chairman of the Board
Takashi Matsuura

President
Hajime Wakayama

Executive Vice President
Tsuneji Obara
Muneo Furutani

Senior Managing Director
Kuniaki Osaka
Takayasu Hiramatsu
Yuichi Shibui

Managing Director
Koichi Ota
Nobutaka Ito
Tsugio Kadowaki
Takasuke Haruki
Hiromi Ikehata
Noboru Kato
Kuniyasu Ito
Nobuyuki Shimizu
Yoshiaki Takei

Director
Nobuo Fujiwara
Masayoshi Ichikawa
Yukio Kawakita
Kazumi Otake
Kyoji Ikki
Kanji Kumazawa
Atsushi Sumida

Board of Corporate Auditors

Hiroyuki Ioku
Ikuo Okada
Yasushi Matsui
Kazuo Okamoto
Tsuchio Hosoi

(As of June 25, 2008)

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
8,961

Total Net Assets
¥254.0 billion ($2.5 billion)

Shares
Authorized: 200,000,000
Issued and outstanding: 130,010,011

Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation

Common Stock Traded
Tokyo and Nagoya

Certified Public Accountants
PricewaterhouseCoopers Aarata

Website
www.toyoda-gosei.com/

Share Price Range