



Annual Report 2006

Year ended March 31, 2006

Profile

Toyota Boshoku Corporation was established in January 1918 by Sakichi Toyoda and began its operation as Toyoda Boshoku Corporation. Today, it has secured a firm footing as one of the leading medium-sized enterprise of Toyota Motor Group. It initially started business in the textile industry, and has expanded to include the development and manufacture of automobile parts. In an October 2004 merger, it took on the automotive interior business of Araco Corporation and all the operations of Takanichi Co., Ltd., which resulted in its business expansion to encompass all aspects of automotive interior systems. Toyota Boshoku has 20 plants and offices in Japan, and 80 subsidiaries and affiliates in and outside Japan as of the end of March 2006. The number of employees adds up to 6,607 and 21,132 on a consolidated basis. Toyota Boshoku is making great strides in aiming to become a world-leading supplier of interior systems and filters.

Contents

01	Financial Highlights
02	Message to Shareholders and Investors
04	Message from the President
08	Corporate Governance
10	Global Development
14	Technical Development
18	Our Businesses
22	Compliance
23	Social Contributions
24	Environmental Preservation Activities
25	Financial Section
48	Corporate Organization
49	Top Management
50	Corporate Data
54	Stock Information

Cautionary Statement with Respect to Forward-Looking Statements

This Annual Report contains forecasts and expectations that relate to Toyota Boshoku's future plans and strategies and its expected future financial results. These forward-looking statements are not based on actual results from the past. Rather, they are based on assumptions and opinions that have been formed by the company from the information available to it at the time of writing. They also involve risks and uncertainties relating to such matters as economic trends, the severe competition affecting the automobile industry, and changes in global demand and taxation regulations, laws, and systems. Accordingly, the reader should be aware of the possibility that actual results may differ from forecasts.

Financial Highlights

Toyota Boshoku Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen			Millions of U.S. dollars	
	2004	2005	2006	2005 YoY %	2006
	(Note 1)	(Note 2)		Change	(Note 3)
Net sales	¥ 118,554	¥ 456,311	¥ 877,596	92.3%	\$ 7,471
Operating income	5,332	17,867	33,765	89.0%	287
Ordinary income	5,315	19,110	37,839	98.0%	322
Net income	2,839	8,979	21,187	135.9%	180
Shareholders' equity	29,396	109,471	133,279	21.7%	1,135
Common stock	4,933	8,400	8,400	0.0%	72
Total assets	71,434	311,656	396,692	27.3%	3,377
Capital expenditures	6,942	21,306	50,481	136.9%	430
Depreciation and amortization	5,774	14,273	21,344	49.5%	182
R&D expenses	5,570	15,237	24,829	63.0%	211

Per Share

	Yen			U.S. Dollars
Net income (Basic)	¥ 40.95	¥ 68.65	¥ 111.60	\$ 0.95
Net income (Diluted)	40.93	68.56	111.58	0.95
Cash dividends	9.00	12.00	16.00	0.14
Shareholders' equity	439.86	583.31	709.91	6.04

Shareholders' Equity (at the end of each FY)

Shareholders' Equity (at the end of each FY)				Millions of yen	Millions of U.S. dollars
Market capitalization (Note 4)	60,390	493,561	372,329	(24.6)	3,170

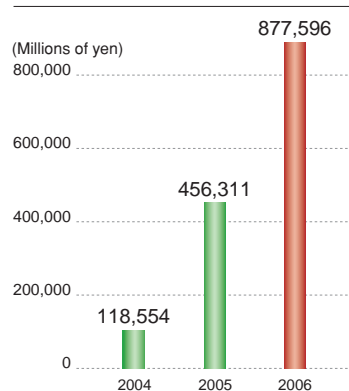
Financial Indicators

Operating income to net sales	4.5 %	3.9 %	3.8 %	
Ordinary income to net sales	4.5 %	4.2 %	4.3 %	
Return on equity (ROE)	10.1 %	12.9 %	17.5 %	

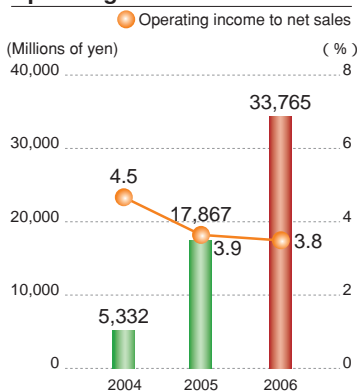
Notes:

- Figures for 2004 are for the former Toyota Boshoku Corporation.
- Figures for the first half of 2005 (from April 1, 2004 to September 30, 2004) are for the former TOYOTA BOSHOKU CORPORATION (pre-merger), and for the second half (from October 1, 2004 to March 31, 2005) for the new TOYOTA BOSHOKU CORPORATION.
- Figures in U.S. Dollars for 2006 were converted at ¥117.47, the exchange rate as of March 31, 2006.
- Market capitalization is calculated by multiplying the number of outstanding shares at the end of the fiscal year by the share price at the end of the period.

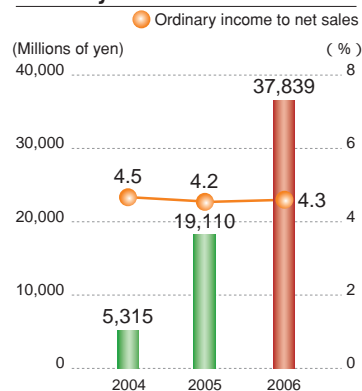
Net Sales



Operating Income / Operating Income to Net Sales



Ordinary Income / Ordinary Income to Net sales





Chairman Junichi Yoshikawa

President Shuhei Toyoda

Message from Chairman and President

I would like to take this opportunity to express my sincere thanks for the consideration and cooperation extended to our firm.

The merger of the Toyota Boshoku Group's constituent companies year before last expanded the scope of our business to include the entire automobile interior except for instrument panels, accelerated advancement of our technology and global development, and enabled us to secure a competitive basis in offering the world new technologies and new products. Our merger and the increase in production thus realized has resulted in consolidated sales of 877.5 billion yen for the current term (April 1 2005-March 31, 2006), an increase of 421.2 billion yen (92.3%) compared with the previous year.

Despite the negative impacts of product price fluctuations, rising market prices, and increased labor costs, the merger and the resulting increase in production and reductions in costs at all group companies worked to boost consolidated ordinary income to 37.8 billion yen, an increase of 18.7 billion yen (98.0%) over the previous year.

Additionally, consolidated net income rose to 21.1 billion yen, an increase of 12.2 billion yen (135.9%) over the previous year. Distributions to shareholders were also up, with midterm cash dividends of 7 yen per share paid in November of last year and year-end cash dividends up to 9 yen per share following a per-share dividend increase of 2.5 yen, thus resulting in cash dividends of 16 yen per share for the year, an increase of 4 yen per share from the previous year.

However, despite underlying trends of recovery in domestic economic conditions and continuing positive conditions in the overall global economy, we do not anticipate seeing any relief from a pattern of long-term higher crude oil prices and other difficult conditions. At the same time, we now face stricter conditions regarding corporate social responsibility, and dealing with environmental problems has become an urgent issue, especially for our company, which conducts production activities on a global scale.

Focusing intently on such conditions both in Japan and overseas, we at the Toyota Boshoku Group will continue to work for the trust of our shareholders, our customers, our employees, and everyone in our local communities while treasuring the spirit of craftsmanship as we aim to become a top-tier global automobile interior systems supplier and filter manufacturer, persistently working to discover and define our customers' latent needs and to expand and develop our business based on our corporate philosophy, "(Toyota Boshoku will) promote corporate growth while fulfilling our responsibilities as a good corporate citizen."

November, 2006

Chairman



President



Message from the President



President Shuhei Toyoda

Approximately two years have passed since Toyota Boshoku Corporation was established with the merger of Toyoda Boshoku Corporation, the automotive interior business of Araco Corporation, and Takanichi Co., Ltd. Thanks to efforts of all involved, the results of the merger and the increase in production have increased consolidated sales for the current term 92.3% beyond those for the previous year. Furthermore, as our outlook clearly indicates yet further increases in the pace of business, we anticipate surpassing 1 trillion yen in sales in FY 2007, a goal set at the time of the merger. However, the time also requires the group to steer our business in new directions while maintaining a clear focus on rapidly advancing global developments. With this in mind, our new President, Dr. Shuhei Toyoda, describes four major topics with which the company is dealing: management policies; results following the merger; the new organization; and corporate social responsibility (CSR).

Management Policies

Please tell us the direction that you, as the new president, hope to point the company's management.

Our skill in manufacturing is based on our fervent ambition to achieve what founder Sakichi Toyoda called "industrial patriotism." This can be expressed as **"contributing to society by furnishing products that are useful to the customer, whenever the customer needs them, and at an affordable price."** A focus on mass production is indispensable in achieving this.

Here is what I think about values of mass-produced goods. Take, for example, the case in which we contrast this vase created by a famous potter and a Yaris, which is mass-produced by Toyota Motor Corporation. The vase is created by a single artisan, whereas building a Yaris truly involves many people in designing, evaluating, and manufacturing, with the product a result of the sweat, effort, knowledge, and passion of each and every individual involved. Furthermore,

mass-production of products provides benefits to great numbers of people. I believe this means that mass-produced goods, unlike works of art, are of different high social value.

The organization is absolutely critical in creating mass-produced goods, and it is important that each division exhibit its capabilities to the fullest and that all divisions remain linked during the manufacture of products. Thus, teamwork is the most important aspect of manufacturing, and it can be said that the matter of how to build teamwork is coming to be a critical issue for us.

As new questions are raised in regard to corporate social responsibility, the issue that we who are involved in manufacturing must sincerely reexamine is that of quality. Sakichi Toyoda said, **"A product should never be sold unless it has been carefully manufactured and has been**

tested thoroughly and satisfactorily." Sakichi established the former Toyoda Boshoku when he introduced to the world the automatic weaving machine he had developed on his own, and where he thoroughly conducted trial operations and evaluations. We are now continuing this great tradition. With the motto "delivering the customer the finest quality products," every individual working for the Toyota Boshoku Group will insist on high-quality workmanship, exhibiting tenacity and responsibility in a sincere effort to make any necessary improvements.

"Quality" involves quality of design and quality in manufacturing. To ensure quality of design, we conduct design reviews at every level while constantly engaging in deliberations on "how to evaluate and implement" designs in consideration of the customer's usage conditions. Our improvement continues while taking every possible measure to incorporate easily manufactured designs that are sure to improve quality.

The most important prerequisite for quality in manufacturing is developing lines with the necessary processing capabilities. We are engrossed in devising ways to create standardized work and completely familiarizing all operating staff with these operations.

The daily painstaking work of developing standard operations also involves continuous improvement. It demands constant consideration of the location and type of problems we encounter and how they can be resolved. This also means that improvement activities help in developing our workers, and as such, I believe we must put all efforts into ensuring that the attitude of improvement must become firmly established in our corporate culture..

In line with another of Sakichi's statements, **"Be ahead of the times through endless creativity, inquisitiveness and pursuit of improvement,"** manufacturing is based on development of both people and technology, with advanced development truly being the lifeline of a company's continuation and development. While it goes without saying that continually offering customers attractive products is a

must, this does not necessarily mean that customers always clearly understand exactly what it is they want. It is precisely because of this fact that it is so important for us to look at a situation from the customer's standpoint, consider just what type of product is needed, and then aggressively develop and present the resulting product.

We have two types of customers. One group includes those actually using our products, and the other comprises the automobile manufacturers who directly purchase our products. We believe it is necessary to focus clearly on both types of customers, putting into practice a system of development that **truly takes into account the needs of the end user while providing automobile manufacturers with new ideas.** While we naturally must be gladdened when auto manufacturers express their satisfaction with the interiors Toyota Boshoku supplies, we must also aspire to have our products gain favor from the end users—that is, the customers directly using our product—with comments such as, "Superb seats, and just look at the interior. Toyota Boshoku, of course."

A man far ahead of his time, Sakichi had a very broad outlook that opened him up to the world. His words **"Open the window. It's a big world out there!"** are a testament to this fact, and his global view continues to thrive within our own corporate DNA. Since our merger, we have seen yet further globalization of the group. With the establishment of new bases overseas, investment in new models of vehicles both in Japan and abroad, switches to new products, and other developments, the speed of expansion has been greater than anticipated. This even extends to the goal we set at the time of the merger, that of surpassing 1 trillion yen in sales by the beginning of the 2010s; we now foresee squarely achieving this goal during FY 2007. Numerous issues will continue to face us as we achieve this rapid growth. Nevertheless, as company president, I only see it as the mission laid before me to boldly tackle a variety of measures and develop the Toyota Boshoku Group into a truly global company.

Results Following the Merger

Two years have passed since the group's merger. Please tell us about the results.

One of the biggest results of the merger is how, all at once, **it became possible for us to develop globally, something each of the companies had been unable to realize individually.** Since there was little duplication or redundancy

in the three original companies' bases, thus allowing the newly formed Toyota Boshoku to gain bases throughout the world with no wasted effort. This has also increased our strength as a company and accelerated our advancement

overseas, putting us in even higher gear. In the approximately two years since the merger took effect, we have been able to develop businesses in Tianjin and Guanzhou in China, France, South Africa, and Russia, and recently we have made moves to expand our business to Canada as well.

Furthermore, exploiting each of the three original companies' specialized fields has enabled us to offer total car interiors, including seats, trim, headliners, carpets, and other components of the passenger compartment, thus allowing us to establish a firm position as an interior systems supplier. In terms of development as well, compared to the days when the three original companies were in competition with each other, we are now able to make great strides in lowering our fixed costs and deploying personnel efficiently. New products developed as a result of the merger include the reclining captain's seat for the Estima as well as the Estima's headliner speaker system, which won Toyota Motor Corporation's "Special Award for Weight Reduction."

Looking ahead, we also plan on assigning personnel more

dynamically by breaking down barriers separating the three original companies' business fields; for example by taking people who had been developing door trim in their respective companies and assigning them to development of headliners, something they had never worked on. We believe this will enable us to generate new ideas unlike any previous concepts and allow us to offer even better products in anticipation of society's needs.

In further regard to our production systems, the merger has also enabled us to set up more flexible and efficient production lines. Rearranging and integrating the capabilities of each of the three original companies' plants have allowed us to rapidly achieve the rationalization and improved efficiencies that had escaped the separate companies, thus giving us vastly greater surety and speed in meeting the needs of our auto manufacturing customers.



Relax Captain Seat

The New Organization

You made major changes to the organization when you assumed the presidency in June. Please tell us what the objectives are in doing this.

I believe that new measures such as we have never taken before are indispensable for the Toyota Boshoku Group to develop even further and aim at becoming a truly global company. In laying the foundation for this, we introduced a new **(1) group system and (2) global regional governance system** in June 2006.

(1) A new form of organization with a structure that transcends all of the group's companies, the group system consists of six groups, starting with the Organization Enhancement Group. In order to utilize the capabilities of all of the companies to the fullest, leadership of these groups will be assumed by myself and by others of vice president or senior management director rank. The Organization Enhancement Group aims to strengthen human resource development and workplace capabilities for all of the group's companies, while the Profit Improvement Group is charged with the task of securing profits for the Toyota Boshoku Group and working on the structural reform of profit by operating together with related divisions. The Overseas Business Group deals with planning and promotion of global development, and the Quality Improvement Group works on linking plants and suppliers in pursuit of straightforward yet sweeping measures

to achieve revolutionary reductions in quality problems for the Toyota Boshoku Group. The Research & Development Group is working to integrate all technological development for the group's interior product, filter and powertrain component, and textile and exterior product businesses, sharing development processes and expertise in total automotive interior development and design. New possibilities are pursued for the filter and powertrain component and textile and exterior product businesses.

The Production Engineering & Production Group was formed to further strengthen the group's production technologies and pre-production and manufacturing technological capabilities, while developing improvement activities with the aim of realizing comprehensive reductions in costs.

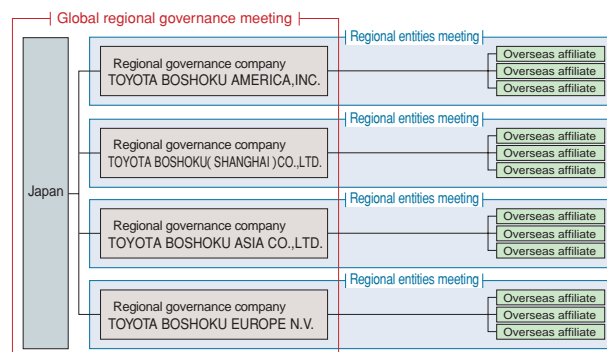
(2) The global regional governance system is a new mechanism introducing the aims of organizing the Toyota Boshoku Group in an organic fashion as it develops around the world and strengthening the mutual links among the group's members.

This system separates the world into four areas—North, Central, and South America, China, Asia/Oceania, and Europe and South Africa—with each region's governance officers



responsible for operations in their respective region and the regional companies in each area acting as a "central axis" for business in their localities. This enables us to take actions affecting all aspects of operations—including productivity, safety, quality, and profitability—at group companies in each

region and reinforce the links between these companies, while simultaneously stimulating a friendly rivalry among them as we aim for yet more robust growth. Moreover, the joint conference system enables us to closely link each regional governance company with all of the group companies in the region to discuss strategies and function as an avenue for activities tying overseas regions with Japan.



Corporate Social Responsibility (CSR)

Please tell us what measures the Toyota Boshoku Group is taking in regard to the environment and society.

With the Toyota Boshoku Group's basic principle stated as "(Toyota Boshoku will) promote corporate growth while fulfilling our responsibilities as a good corporate citizen," we aim to be an enterprise that carefully takes into account considerations of safety, environment, and comfort while consistently providing products that are truly useful to society.

Of these issues, problems concerning the environmental are the most critical, and they cannot be solved without society, businesses, and individual consumers thinking sincerely about the future of the earth's environment and reflecting this in their actions. As members of an enterprise involved in the automotive industry, all of our personnel are tackling problems such as global warming and industrial waste head-on as our own issues. Responding to society's needs, we are striving to secure our place as a company that is trusted by society.

Based on this approach, our group is concentrating efforts on the objective of realizing a sustainable society with our **"FY 2010 Environmental Action Plan."**

With the accelerated pace of globalization now occurring and the increased effects on the environment from global-scale industrial activity, we anticipate that the road to achieving this goal will be long and hard. However, we consider realization of the "FY 2010 Environmental Action Plan"—surely, steadily, step by step—as an expected responsibility for a company so

closely related to the automotive industry.

To enable our group to pursue "growth in harmony with the community," we believe it is important to earn society's trust as a virtuous company by practicing corporate activities that are socially equitable and ethical and that give proper consideration to the environment and human rights. In addition, our strenuous efforts are made to improve the confidence of our customers through superior capabilities in developing technology and high-quality craftsmanship in manufacturing.

One specific measure we have implemented is our **"Guiding Principles for Employee Conduct,"** published in 2004 and distributed to all personnel with the intention of completely familiarizing every employee with compliance-related awareness and conduct.

Furthermore, in order to contribute as a global corporation and take the initiative in society's sustainable development, we **inaugurated our "CSR Committee"** in July 2006. It serves for strengthening our corporate governance and compliance systems, corporate contribution and public relations activities, risk management, and other corporate activity.

We at the Toyota Boshoku Group will continue to fulfill our corporate social responsibility based on our fundamental principles and promote activities to further satisfy all of the many varied stakeholders.

Corporate Philosophy

Toyota Boshoku established its Corporate Philosophy in October 2004. In addition to satisfying the needs of society, our customers, our shareholders and our trading partners, we will, in the words of the primary goal of our Corporate Philosophy, “promote corporate growth while fulfilling our responsibilities as a good corporate citizen.” In terms of our relationship with our stakeholders, including shareholders and investors, we will follow the basic objective of building highly transparent management systems that allow for swift reaction to changes in business environments and foster an open stance on the disclosure of information.

Toyota Boshoku's Corporate Philosophy

(Established in October 2004)

Toyota Boshoku will:

Promote corporate growth while fulfilling the following responsibilities as a good corporate citizen.
To This end, it will

1. Maintain ethical values, ensuring our corporate activities are fair and transparent;
2. Supply safe products that do not harm the natural world, and promote corporate activities that protect the global environment;
3. Contribute to society as a member of various local communities.

Develop innovative technologies and products that satisfy customers and respect product standards.

Promote innovative management policies that ensure future corporate growth and the trust of our shareholders.

Respect the individuality of our employees and ensure that the workplace is safe and easy to work in, fulfilling our duty to strive for harmonious labor-management relations.

Promote amicable business relations with our clients, joining with them to increase mutual know-how and ensure mutual long-term growth.

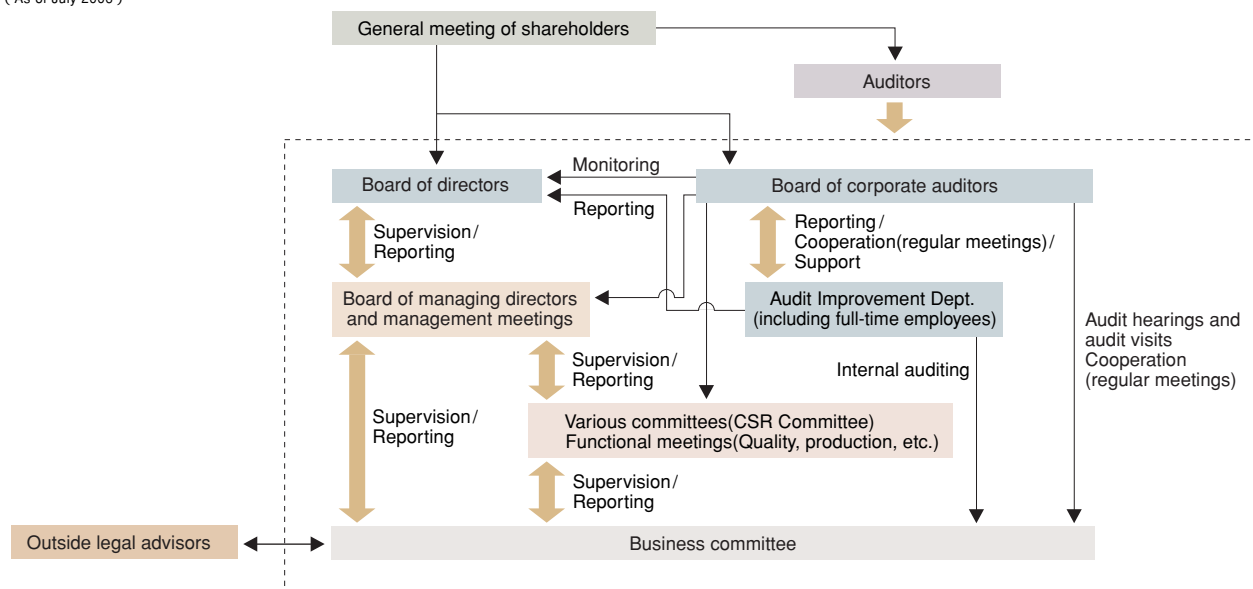
Management Systems

An executive officer system was introduced, separating the roles of management decision-making and execution of operations, with the objective of improving management efficiency and strengthening the supervision functions needed in executing operations. The Board of Directors—management's decision-making body—holds meetings at least once monthly, making decisions on important management issues such as corporate policy, project plans, and plans for capital expenditure, in addition to monitoring the execution of operations.

Under the auditor system, five auditors, including three external auditors attend key company meetings and conduct audit hearings and visiting audits at each committee in accordance with the auditing policies and plans determined by the Board of Corporate Auditors. They monitor the administrative activities of directors and the administration and financial affairs of subsidiaries in Japan and overseas. Furthermore, full-time employees are assigned to the Audit Improvement Dept. to further enhance the auditors' effectiveness.

[Corporate Governance Structure]

(As of July 2006)



Internal Control Systems and Risk Management

Toyota Boshoku holds regular meetings of its Corporate Social Responsibility Committee(CSR Committee), chaired by the President, Dr. Toyoda. These meetings examine the overall activities of the company from both legal and ethical points of view.

Toyota Boshoku also establishes and updates various rules and regulations (such as those governing treatment of confidential information designed to minimize damage from exposure to risk). Based on those regulations, each division carries out its tasks and prepares outcome reports for the Corporate Social Responsibility Committee, the Health and Safety Committee (chaired by the president), or other bodies as required. Where necessary, these committees refer matters to managing director meetings or management meetings, and/or prepare appropriate reports for their information.

Disclosure

Toyota Boshoku believes that, in order to build highly transparent management systems, it is important to have a proactive stance on the disclosure of information.

The company's Corporate Information Disclosure Committee discusses and decides upon the swift disclosure of corporate information at the appropriate time. This committee is chaired by the director of General Affairs and Corporate Communications who holds responsibility for information management, and its membership includes the directors responsible for the Corporate Planning Division, the General Affairs and Corporate Communications Division and the Accounting & Finance Division, as well as the general managers of those divisions.

Toyota Boshoku is also keenly involved in investor relations activities. It organizes meetings to explain its financial results, as well as meetings to outline the company's activities, for individual investors. There is also a substantial amount of information available to investors on our website, and we are keen to maintain close communication with our shareholders and all other stakeholders.

Overseas, regional governance companies are established in North/Central/South America, Asia, China, and Europe. By strengthening their roles, we made organic linkage among our production subsidiaries in each region to increase local autonomy and achieve faster responsiveness on the ground.

In Japan, we are bolstering support for our overseas bases while optimizing domestic production lines and working to further improve product quality as well as enhancing the on-the-job development and training of human resources.



Global Home Office



TOYOTA BOSHOKU AMERICA, INC.



TOYOTA BOSHOKU ASIA CO., LTD.



TOYOTA BOSHOKU (SHANGHAI) CO., LTD.



TOYOTA BOSHOKU EUROPE N.V.

Japan

Domestic sales rose 226 billion yen (71.2%) from the previous year and now stand at 543.5 billion yen. This increase has been caused by the expansion of our operations due to the merger and growth, the increase of Toyota Motor Corporation's domestic production, as well as an expansion in the production of interior products such as seats and door trim due to the increased number of automobile models that require complete interior systems rather than just single components.

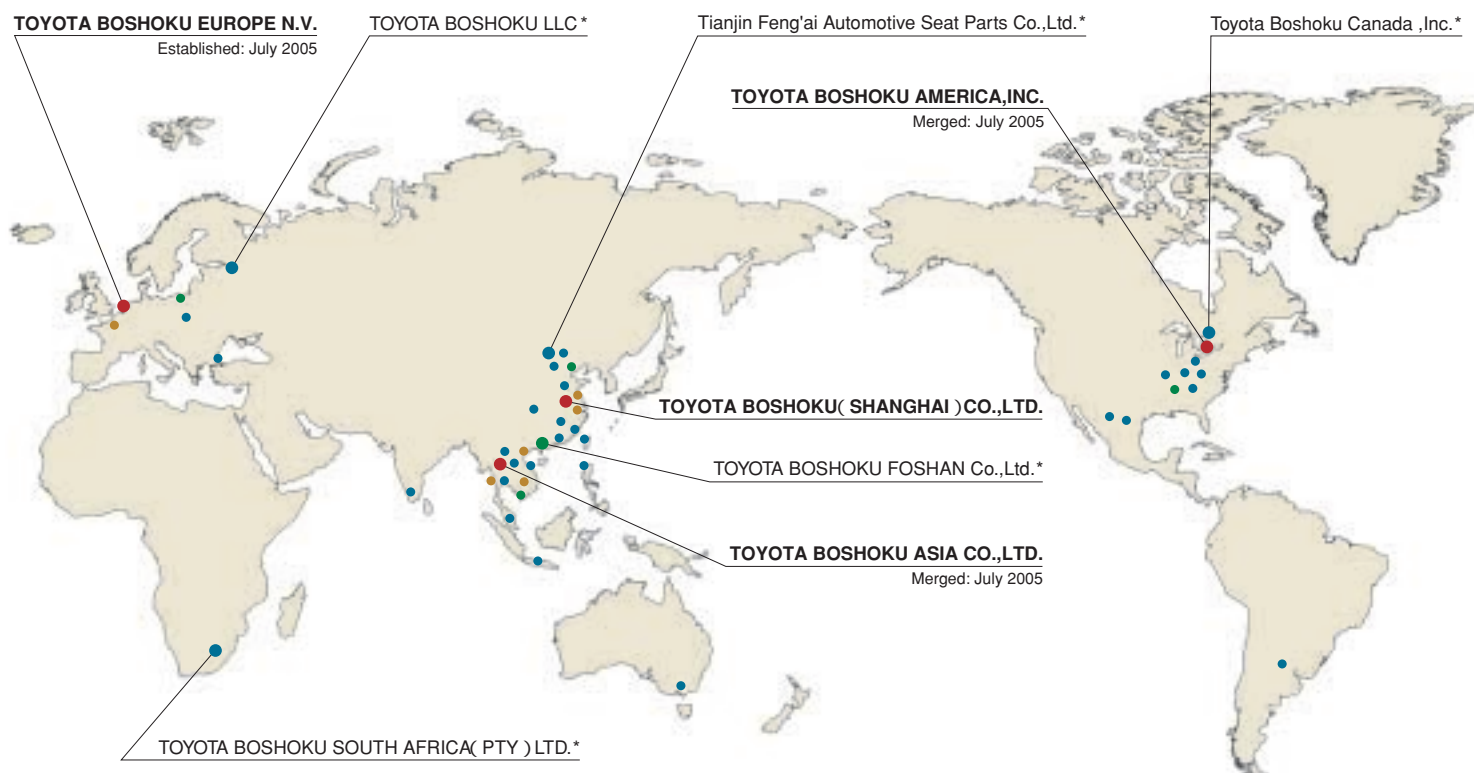
In this year, we took on the task of reconstructing our production lines for optimal flexibility that would enable us to respond to the changing production requirements of the automobile makers. At automaker factories, the assembly of multiple models is combined on a single line in order to minimize setup and other costs. By deploying the same system on our own production lines, we are able to respond flexibly to the changing production volumes of each automobile model.

In addition, when our three pre-merger companies' plants were located in the same area, we reorganized their responsibilities. For example, we have achieved increased efficiencies by concentrating seat production in our Toyohashi-Kita Plant and door trim production in our Toyohashi-Minami Plant. Furthermore, we have reinforced the capacity

of Toyota Boshoku Kyushu to help meet the increased production requirements of Toyota Motor Corporation.

In terms of product quality, we are returning to the spirit of our founders and are pushing to deliver the best ever quality products to our customers. The entire company is devoted to raising quality in all areas; specifically, this means meticulous checks during the development stage, the production of blueprints using simultaneous engineering processes unifying the production engineering division, production division, and suppliers, building assembly lines with processing functionality backed by the latest manufacturing technology, establishing and ensuring compliance with quality-improvement standards, and reconfirming that the proper organizational structures are in place to deal rapidly and properly with any quality issues that might arise.

The strengthening of our human resources training and workplace efficiency has always been an important theme for us. We are establishing an evolving corporate climate with our efforts at developing human resources through job experiences, dealing with environmental changes, and improving its organizational and manufacturing structures. In addition, as part of our response to rapidly accelerating globalization, stronger emphasis will be placed on the local staff training in our overseas operations.



* Established April 2005 or later

Affiliates

	In Japan	Overseas	Total
Consolidated subsidiaries	16	54	70
Equity method affiliates	4	8	12
Total affiliates	20	62	82

Overseas Affiliates

(As of September 30th, 2006)

	Americas	Rest of Asia	China	Other	Total
Regional Administrative, Development and Sales Governance Companies	1	1	1	1	4
Manufacturing Companies (Automotive Interior Components)	21	10	10	5	46
Manufacturing Companies (Filtration and Power Train Components)	2	1	2	1	6
Manufacturing Companies (Textiles and Exterior Components)	0	3	2	1	6
Total	24	15	15	8	62

North/Central/South America (USA, Canada, Mexico and Argentina)

Sales in North/Central/South America rose 124.7 billion yen (124.2%) from the previous year and now stand at 225.1 billion yen. This increase has been caused by the expansion of our operations due to the merger and continuing high demand for interiors for Toyota Motor Corporation's Camry and Avalon models.

In the USA, the offices of the three pre-merger companies were combined in July 2005, and TOYOTA BOSHOKU AMERICA, INC. established as Regional Home Office. The company will serve as the core of manufacturing entity in the North/Central/South American area. We are strengthening the company's functions and concentrating within it such administrative responsibilities as pre-production preparation, sales/procurement, and accounting and financing. Our efforts are required to increase local autonomy, as well as strengthen development capabilities and establish delivery system facilities to allow the company to serve as an interior systems supplier. Meanwhile, we are continuing to make local

adjustments and rationalizations by re-assessing the local procurement, commercial and physical distribution, and production of components such as functional parts, seat frames, and seat covers.

Previously, almost all North American operations consisted of joint ventures, but the current move into Canada is being undertaken as an independent venture by Toyota Boshoku. As a result, our involvement will take responsibility for all aspects of the new Canadian company, including management, sales activities, production organization, and human resources. This will allow us to better attract and develop the superior local talent that will form the basis of management in the future, to give our company deep regional roots and secure the strong regional footing that we require as a global enterprise.

We are also actively pursuing opportunities with other automakers. In Mexico, we have begun production of seats for General Motors' Chevrolet HHR and increased production of hydrocarbon absorption filters for the same company.

Asia (China, Thailand, Vietnam, Philippines, Indonesia, India, etc.)

Sales in Asia rose 53.4 billion yen (224.1%) from the previous year and now stand at 77.2 billion yen. This increase has been caused by the expansion of our operations due to the merger and continuing high demand for interiors for Toyota Motor Corporation's IMV series, and an expansion in the production of interior parts (seats, door trims, etc.) due to the increasing number of automobile models that require complete interior systems rather than just single components. Finally, rapid economic growth in China has fuelled demand for interior parts (seats, door trims, etc.) for Toyota Motor Corporation's Crown and Mark X models.

In China in FY 2005, following on the heels of the expansion of our North American business, we established two new companies, including the Tianjin Feng'ai Automotive Seat Parts Co., Ltd.

We are putting in place organizations that can fully respond to the expected increase in demand as Toyota Motor Corporation moves further into China, strengthening our

local manufacturing capabilities through local parts procurement and other means, and laying the groundwork for us to serve as an interior systems supplier. We have divided the large China territory into the Tianjin, Shanghai, and Guangzhou regions, and are now laying business foundations based on local conditions. In addition, we are pursuing sales opportunities with other automakers in the Shanghai area.

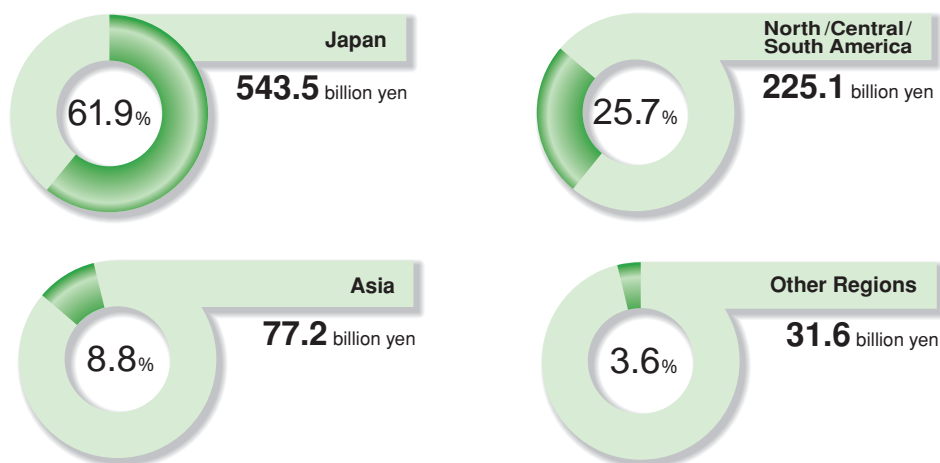
In the Asean region, we are aiming to boost our competitiveness and become the region's number one maker of automobile interior parts by establishing TOYOTA BOSHOKU ASIA CO., LTD. as the regional governance company and strengthening the capabilities of each of the production companies. We are also re-assessing the supply system for interior components with an eye to expanding local procurement, and working on developing the local framework in terms of evaluation and development capabilities. The production of curtain shield air bags has started in Vietnam.

Other Regions (Australia, Turkey, etc.)

Sales in other regions rose 17 billion yen (117.3%) from the previous year and now stand at 31.6 billion yen. This increase has been caused by the expansion of our operations due to the merger, growing demand in Turkey for interiors such as seats and door trims for Toyota Motor Corporation's Corolla series, and an increased production of seats and door trims in Australia for Toyota Motor Corporation's Camry.

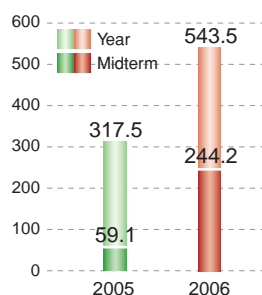
In addition, we have incorporated the Toyota Boshoku European offices and established Regional Home Office TOYOTA BOSHOKU EUROPE N.V. We will develop this company as the core of our European business by boosting its sales and development capabilities. Active approaches will pursue sales opportunities with other local automakers.

Sales by Region (billions of yen)

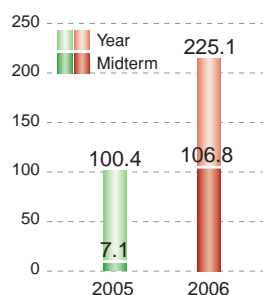


Sales Trends (billions of yen)

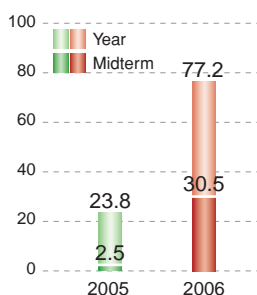
Japan: Sales



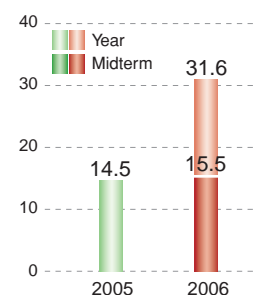
North, Central and South America: Sales



Asia: Sales



Other Regions: Sales



* Figures for latter half of 2005 only.

Technical Development Topics

Developed for Toyota's advanced minivan, the third-generation Estima, our Relax Captain Seat and Headliner Speaker System utilize the latest in technology. A perfect match for the Estima's sleek form, which echoes the beauty of such Japanese tools as katana swords and wood planes, these products provide luxurious hospitality above and beyond customer expectations and superlative performance that will take their breath away.

Our company's new concepts and ideas provide the increased added value that the advanced Estima minivan demands.

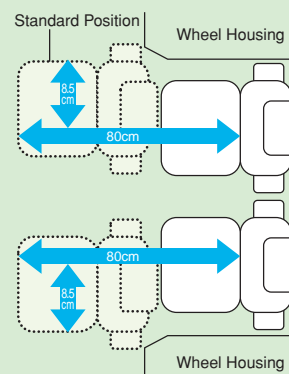
► TOYOTA Estima

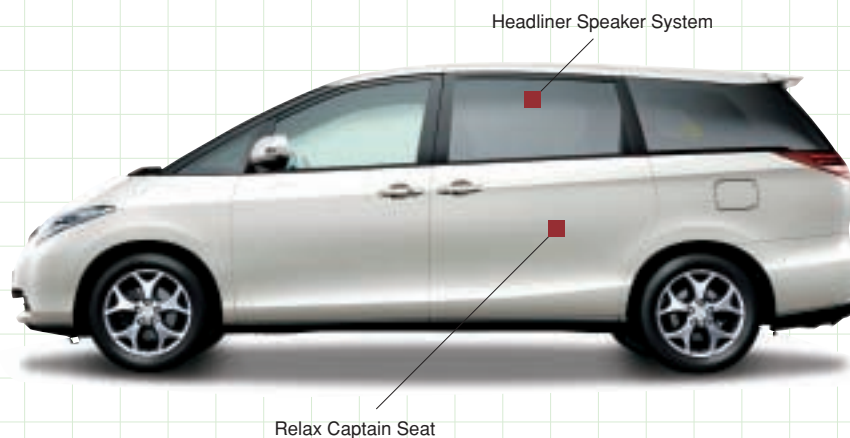


■ Relax Captain Seat, developed in cooperation with AISIN SEIKI Co., Ltd.

The sliding mechanism enables the seats to be maneuvered horizontally and vertically, letting passengers stretch out their legs and enjoy the calming, relaxing space.

We developed the Relax Captain Seat to provide higher-grade comfort and ease. The seat is used as second-row seating in the seven-passenger Estima minivan. Able to slide 8.5 cm further inwards than standard seating, the seat allows for a very generous 80 cm range of forward and backward movement. The addition of a footrest, which can be slid forward and backwards as well as adjusted for angle, allows passengers to stretch out in comfort and provides a level of relaxation and ease that re-invents the very image of automobile seating.

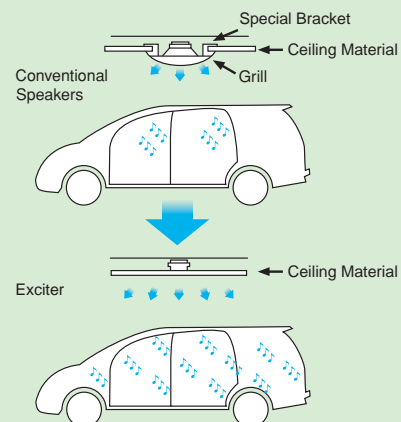




■ **Headliner Speaker System, developed in cooperation with FUJITSU TEN LIMITED**

A new concept that turns the cabin ceiling itself into a speaker, providing a level of sound quality that will make passengers forget they are inside a car.

Beginning with the desire to provide the best possible sound quality inside a passenger vehicle, we developed the unique Headliner Speaker System and mounted it in the Estima minivan. The system is like no other previous speaker system; it is the first in the world to actually vibrate the ceiling material itself to produce sound. The exciters we use in the Headliner Speaker System are far lighter and more compact than exciters used in previous speaker systems. As the diagram to the right shows, these tiny devices can be placed in the ceiling itself to realize broader directivity and, like the concert hall, deliver the same quality of the expansive acoustics to every seat.



Ever since the founding of the company, the pursuit of cutting-edge technology has been one of Toyota Boshoku's most important themes. In cooperation with Toyota Motor Corporation and other suppliers, our research and development staff are actively devoted to the innovation in manufacturing interior systems, filters and powertrains, textile and exterior parts. Our efforts are constantly pushing the technology of these systems forward. Some of this cutting-edge technology were developed for the Lexus brand flagship, the LS.

To create a premium car that sets new standards in luxury, we must view it through the customer's eyes.

► LEXUS LS460



■ **Rear Seat Relaxation System, developed in cooperation with Matsushita Electric Industrial Co., Ltd and Aisin Seiki Co., Ltd.**

Presenting the luxurious mobile environment a flagship vehicle deserves.

We have deployed human engineering technology to provide a relaxed seating posture in the limited space of a vehicle's interior. In addition to the vibration massage function in our former models, the new seat includes eight palm-sized air cushions in the back of the seat that can apply pressure in specific points. The ultra-silent pump unit is mounted in the trunk and the one-piece design where seat and footrest are incorporated together improves appearance. The refined composition is perfectly suited for the luxury vehicle interior. The low-profile design of the footrest enables it to be stowed under the seat when it is not used. Moving parts are built using a linked structure for remarkably smooth operation.

■ **Powered Rear Door Sunshade, developed in cooperation with BOS GmbH&Co. KG and HI-LEX Corporation**

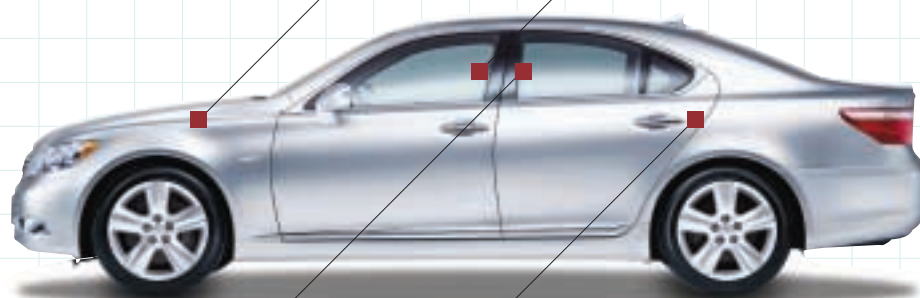
Providing additional added value to door trims

We have gone beyond rear window sunshades of the past by building a powered sunshade right into the rear door. The shade provides rear seat passengers with privacy and protection from the sun's rays.



Advanced Oil Filter and High-performance Air Cleaner

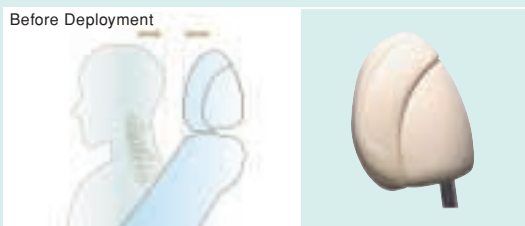
Pre-crash Intelligent Headrest



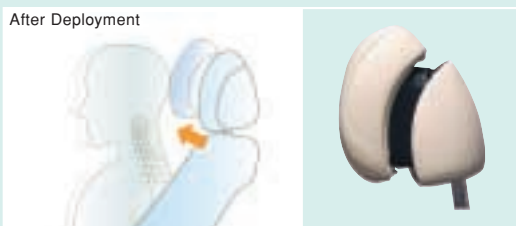
Powered Rear Door Sunshade

Rear Seat Relaxation System

Before Deployment



After Deployment



■ **Pre-crash Intelligent Headrest, developed in cooperation with Aisin Seiki Co., Ltd. and Yazaki Corporation**

The first in the world to develop this safety technology that protects passengers and drivers from accidents from behind

A rearward-facing high-frequency radar senses when following vehicles approach too fast or too close, and an electrical capacitance sensor detects the location of the passenger's head in preparation for a collision. The headrest can then be automatically positioned to best cushion the head and provide maximum protection from whiplash trauma. The high-spec functionality has been concentrated into the same size as a standard-sized headrest. Wiring and mechanics are hidden out of sight inside the unit so as not to interfere with the elegant design of a luxury vehicle interior.

■ **Advanced Oil Filter, developed in cooperation with Denso Corporation**

All the performance of previous models but at a lower cost and reduced weight.

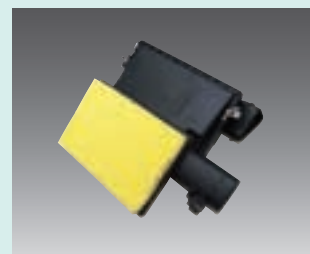
We use plastic for cap parts that used to be made of aluminum. This allows us to reduce costs and decrease weight while maintaining the performance of previous models. We have also achieved increased reliability with additional safety construction. Protection is provided from oil leaks.



■ **High-performance Air Cleaner, developed in cooperation with Denso Corporation**

The development of an all-new air filter

A new high performance air filter is a combination of synthetic textiles and pulp. The air cleaner is more compact, offers less resistance to airflow than previous filter materials, and yet traps dust better than ever before. The result is that the air cleaner is safer (by providing protection for pedestrians) and contributes to increased engine power output.



The effort we put into developing products and technology that anticipate the future is the key to our existence. We contribute to society by offering quality products that are useful to each individual customer at a price they can afford. Based on the keywords health, comfort, and the environment, the Toyota Boshoku Group will continue to pursue advanced development that anticipates the demands of the times.

Interior Components Business

We take on the challenge of reducing costs while creating better products that evolve with the automobile and meet increasingly sophisticated demands.

In our interior parts business, consolidated net sales rose 409.5 billion yen (108.4%) over the previous year, and now stand at 787.1 billion yen. In addition to the effects of the merger and increased production, this is the result of our ability to respond in a timely manner to automaker requirements and the demands of society that grow increasingly complex year by year.

Toyota Boshoku deals in all aspects of vehicle interiors. By creating complete interior space concepts and unifying development, design, procurement and production, we have established ourselves in a unique position as a supplier of interior systems. We do not just assemble single parts and modules. We provide systems that effectively and comprehensively coordinate the seats, door trim, headliner, carpets—everything except instrument panels—to create the interior space of the vehicle. This enables us to provide total comfort, safety, and refinement. With our close links with automakers and suppliers, we can participate in the development of the interior space from the beginning and help raise the overall quality of the product.

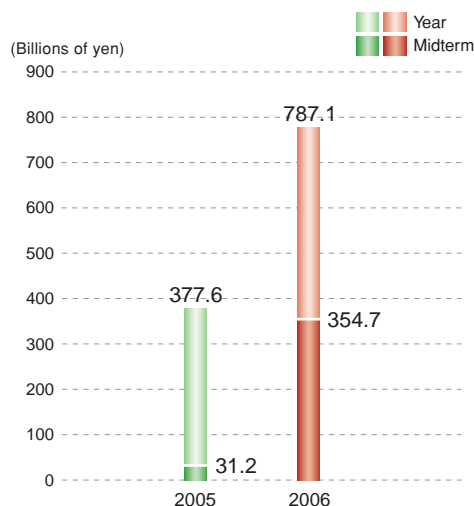
We are looking to increase the use of electrical parts in the interior. By forging links within and without the group to enhance our advanced development, and conducting meticulous research into our competitor's products to gain a deep understanding of their strengths and weaknesses, we are pushing forward the development of advanced interior systems that are more appealing and, therefore, more competitive.

In addition, as a company that provides total interior space

solutions, the Toyota Boshoku Group is currently actively pursuing VI (value innovation) initiatives. We examine each and every component with an eye to the total interior system balance to provide innovative cost reductions. In doing so, we believe we can offer automakers new features and higher value-added products.

As part of our focus on the social environment, we are actively reducing the environmental burden of our products over their entire life cycle, from the procurement of materials and resources, to fabrication, transport and disposal.

Interior Components Business: Sales Trends



Interior System Products



Seats



Door Trims



Floor Carpets



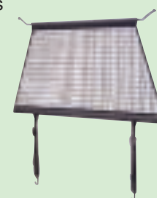
SRS Curtain-shield Airbags



Tonneau Covers



Partition Nets



Dash Silencers



Molded Headliners



Wood Panels *



Strap Belts/Seat Belt Webbing



Other products: Floor Mats *, Package Trays, Airbag Base Fabrics, Luggage Nets

* TOYOTA TSUSHO Branded Product

Filtration and Power Train Components Business

The advancement of cutting-edge filtration technology. Strengthening the development of induction systems.

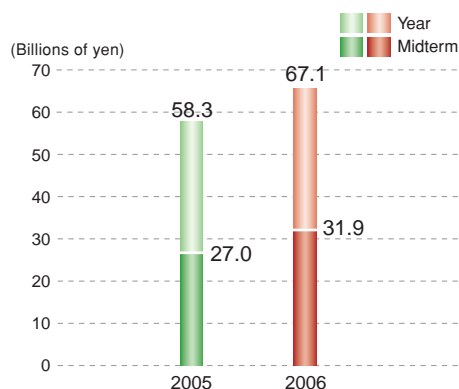
In our filter and powertrain business, sales rose 8.8 billion yen (15.2%) over the previous year, and now stand at 67.1 billion yen, thanks to the increased production of air filters and other causes.

In this business, we leverage the textile technology that is the source business of the Toyota Group and work to improve our world-leading filtration technology. We develop and manufacture world-leading filters that work more efficiently, last longer, and minimize airflow impedance. Our current development and production includes induction systems for engines that are increasingly efficient, compact, and lightweight, oil filters with replaceable elements in which the environmental load has been dramatically reduced, high performance dust and odor filters for vehicle air conditioning systems, and high performance pollen filters.

In the future, we will continue to forge links with the interior parts business to strengthen our systems development capabilities with a focus on engine induction systems, and strive to provide the compact sizing, lighter weights, and increased durability that automobile parts require. Increasing the use of plastics is one important means of reducing weight. This applies, of course, to single parts such as cylinder head covers and intake manifolds, but we are also working to develop smaller, lighter, and better performing systems by uniting single components, air cleaners, and others.

We will continue to strengthen our production and manufacturing technological expertise, forge links with other businesses while seeking new business developments on a global scale, and dedicate ourselves to finding the best methods and systems for our production lines and parts supplying organization.

Filtration and Power Train Components Business: Sales Trends



Air Induction System



Oil Filters*



Air Filters*



Cabin Air Filters*



Automatic Transmission Fluid Filters*



Hydrocarbon Absorption Filters*



(Gasoline vapor absorption filters)

Plastic Intake Manifolds



Air Cleaners*



Plastic Cylinder Head Covers with Built-in Air Cleaners*



ABS Coils



Other products: Cylinder Head Covers, Resonators*, Air Tubes, Engine Covers, Timing Belt Covers, Rotation Sensors, Ignition Coils for Motorcycles*

* DENSO Branded Product

Textiles and Exterior Components Business

Strengthening ties with the interior parts business and advancing development and production technology to create higher added value.

In our textiles and exterior parts business, consolidated net sales rose 2.9 billion yen (14.4%) over the previous year, and now stand at 23.2 billion yen.

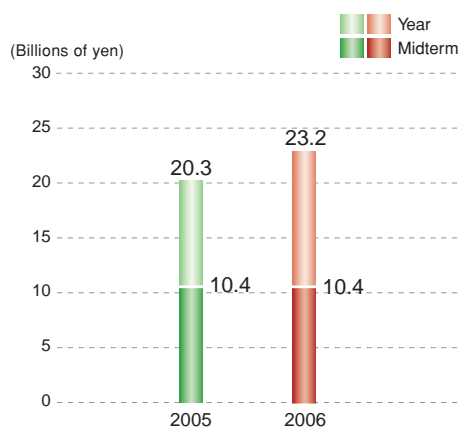
In this business area, we are committed to providing solutions to the needs of the times by building products that offer greater comfort and higher performance. In the field of textiles, we are developing new materials for use as car seat fabrics, vehicle cabin headliner materials, and high performance work uniforms, while committing ourselves to environmentally friendly manufacturing. In our exterior parts business, we produce replacement bumpers that require high levels of safety and fender liners and engine undercovers that are priced competitively and boast excellent rigidity.

We will continue to strengthen ties with the interior parts business and engage in active discussions to provide higher value-added products through the advancement of production and development technology together with the company as a whole.



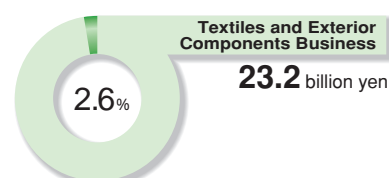
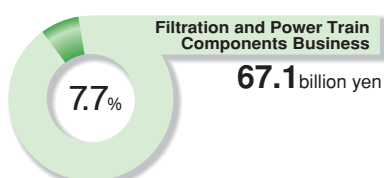
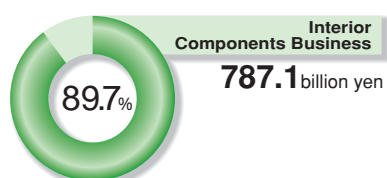
Other products: Aura Moon Valley Series

Textiles and Exterior Components Business: Sales Trends



Data by Business

Sales Share by Business



Toyota Boshoku aims to ensure that all of its employees are thoroughly imbued with an understanding of compliance responsibilities. Apart from being taught a general respect for the law, employees are made to understand the need for corporate activities to be clearly based on high ethical standards. They are also made aware of our Corporate Philosophy and the Guiding Principles for Employee Conduct.

Promoting Compliance

In order to both attain and maintain society's trust in us as a good corporate citizen, Toyota Boshoku believes we must ensure corporate conduct based on high ethical standards and respect for the law. In addition to appropriate judgment and conduct, a sense of self-awareness on the part of each and every employee is indispensable to achieve this goal. The company not only endeavors to raise all employees' awareness regarding compliance in their day-to-day tasks, we pursue this goal even more thoroughly with education and other measures designed for each level and type of work within the company.

"Guiding Principles for Employee Conduct"

The document "Guiding Principles for Employee Conduct" was published and distributed to all employees in November 2004. It clarifies appropriate attitudes and acceptable workplace behaviors.

Outline

1. Work issues

- (1) Dealings with clients
- (2) Dealings with suppliers
- (3) Gifts, entertainment and donations
- (4) How to respond to anti-social organizations
- (5) Our responsibilities in relation to the production of goods
- (6) Consideration of the environment
- (7) Overseas business activities

2. Relations between employees and the company

- (1) Protection of company assets
- (2) Respect for intellectual property rights
- (3) Prohibition of unacceptable personal behavior in the company
- (4) Prohibition of outside employment and cooperation with competitors
- (5) Taking advantage of one's employment position
- (6) Handling confidential information
- (7) Corporate information and insider trading
- (8) Prohibition of illegal and antisocial acts

3. In the workplace

How to build a cheerful workplace

4. As members of society

- (1) A healthy social lifestyle
- (2) Contributing to society
- (3) Corporate information and publicity
- (4) Traffic safety



Establishment of Employee Counseling Office

An "Anything Goes Counseling Office" has been established within the company as a place where employees can report breaches of the law or dishonesty within the company. An external inquiry office has also been set up from which lawyers respond to employees' complaints, to foster an environment conducive to consultations and reporting.






Social Contributions

Social Contribution Activities

Based on the key principle of our Corporate Philosophy, "To promote corporate growth while fulfilling our responsibilities as a good corporate citizen," Toyota Boshoku carries forward a wide variety of social support activities that contribute to local communities and the industry. A particular focus is placed on activities in the important areas of youth development and education and the environment.

The system of activities includes funds and donations made by the company and offering use of the company's facilities to people in local communities, as well as programs and support for employee volunteer activities coordinated independently by our various offices. We also cooperated with disaster relief efforts following Hurricane Katrina in the U.S., the North Pakistan earthquake, landslides in the Philippines, and other disasters occurring in 2005.

Furthermore, the company also makes social contributions through our overseas bases, with examples including donations of desks and chairs to local schools in India, children's craft workshops held in Thailand, assistance in providing sanitary environments to local communities in Mexico, and a variety of other activities designed to match the needs of the particular country or region.

Programs for interaction with children with Down's Syndrome [Social Welfare and Youth Development Activities]	Collecting of Clothing for Disaster Relief [Environmental and International Activities]
 <p>Through boating cruises, barbecues, and other activities, employee and student volunteers have furthered interactions overnight with children who have Down's Syndrome.</p>	 <p>Toyota Boshoku supports collection of used clothing from employees and local citizens and send these articles overseas to countries suffering from a lack of clothing.</p>
The MONO DUKURI NAZE? NAZE? ("Why Do We Make Things?") Project [Youth Development Activities]	Toyota "Hikari no Ie" (Shining Family) Bazaar [Welfare Activities]
 <p>Acting as instructors, employees have participated in programs to communicate the value of and intrinsic interest in creating things to local elementary and junior high school students through activities such as restoring old cars, agriculture, and textile works.</p>	 <p>The company has cooperated in organizing and running this bazaar at local community welfare facilities.</p>
Opening Company Facilities to the Community [Community Activities]	Nagoya Philharmonic Charity Concert [Cultural and Social Welfare Activities]
 <p>Toyota Boshoku has made company-owned gymnasiums and parking lots available for use by local communities free of charge.</p>	 <p>The company has invited users of local community welfare facilities to enjoy concerts performed by the Nagoya Philharmonic Symphony Orchestra.</p>

Sports Clubs' Social Contribution Activities

Track and Field Club Thirteen members of our Track and Field Club have participated as instructors at track and field clinics conducted by the Aichi Athletic Association.	Women's Basketball Club The company has conducted basketball clinics for Kariya City junior high school students.	Boat Club Toyota Boshoku also has been active in holding boating skills classes for local residents.
		

Environmental Preservation Activities

From early on, Toyota Boshoku has taken the stance that the need to resolve environmental problems is a crucial business issue, and has been manufacturing products from materials that reduce environmental impact. Examples include sound dampening materials made from shredder dust derived from junked vehicles, and door trim incorporating carbon-neutral kenaf fiber. We have also introduced various activities, such as cogeneration systems, designed to reduce energy consumption during production.

Promotion of Environmental Protection Activities

With the president as chairman, Toyota Boshoku Environment Committee set up the Product Environment Committee and Production Environment Committee.

In FY 2005, in order to promote even more effective measures for environmental protection, the company built subcommittees and project working groups focused on energy conservation and reducing use of substances that pose a burden to the environment. Based on the "Toyota Boshoku Earth Charter," they work to promote rapid implementation of these activities.

Starting in 2006, the entire Toyota Boshoku Group established the "Toyota Boshoku Group Environmental Conference" to promote environmental measures worldwide, further working to focus attention on environmental activities at the level necessary for each particular issue.

FY 2005 Environmental Measures and FY 2010 Environmental Action Plan

Summary of FY 2005 Activities

As a result of promoting measures to achieve targeted goals for the final year of the mid-term business plan, the company achieved all objectives in the field of development and products. Production and distribution accomplished reductions in per-unit emissions of CO₂ in measure to stop global warming. However, due to an increase in production in excess of initial plans, the company was unable to realize targeted reductions in the absolute amount of emissions. In accordance with the "FY 2010 Environmental Action Plan," efforts involving activities to reduce CO₂ emissions domestically and overseas are to be considered a critical issue.

FY 2010 Environmental Action Plan

Now Toyota Boshoku has completed its "FY 2010 Environmental Action Plan" for dealing with environmental issues in the period from FY 2006 to FY 2010.

The environmental action plan devised for this period focuses on realizing a "sustainable society" and deals with a number of environmental issues considered critical for the future, including issues involved in (1) preventing global warming, (2) reducing the amount of substances that create an environmental burden, (3) recycling resources, and (4) implementing environmental management. The entire Toyota Boshoku Group continues to establish actions to be implemented in development and design, production and distribution, management, and in the group's interactions with the community, setting benchmarks for these areas with the objective of achieving even higher goals.

Objective	Points Addressed by Measures	
(1) Preventing Global Warming	Development and Design	Promoting development of new products and technologies for future exhaust gas regulations, clean energy vehicles, and energy diversification
	Production and Distribution	Reducing global amounts of CO ₂ emitted in the course of production activities
(2) Reducing Amount of Environmentally Burdening Substances	Development and Design	Global abolishment of environmentally burdening substances (four substances)
	Production and Distribution	Strongly promoting reductions in emissions of PRTR-listed substances
(3) Resource Recycling	Development and Design	Further promotion and development of recycling design
	Production and Distribution	Reducing waste products emitted off company premises by improving yield rates and pursuing other measures to control waste sources
(4) Environmental Management	Management	Global development of environmental protection activities
	Links with the Community	Promotion of activities to contribute to the global community

Environmental Management Systems

To support continuous and systematic efforts to promote its environmental protection activities, Toyota Boshoku has been carrying out activities to maintain ISO 14001 environmental management certification, and to continue to improve its internal systems based on that certification. By 2005, 18 plants within Japan⁽¹⁾ and 30 domestic and overseas subsidiaries and other affiliated companies⁽²⁾ have acquired certification.

Notes: Figures as of September 2006: (1) 19 plants and (2) 35 companies.

Report on the Environment and Society

In a follow-up of last year's report, Toyota Boshoku has released its "Report on the Environment and Society 2006." The company will continually publish information regarding environmental matters in the future, including releases announced on the company's website.



Report on the Environment and Society 2006

Financial Section

Contents

10-Year Financial Summary (Net Sales, Operating Income, Net Income, Shareholders' Equity, etc.)	26
• Breakdown of Segments by Business (4 years)	
• Sales by Geographical Segments (4 years)	
Management's Discussion and Analysis of Financial Conditions and Operating Results	28
Consolidated Balance Sheets	32
Consolidated Statements of Income	34
Consolidated Statements of Shareholders' Equity	35
Consolidated Statements of Cash Flows	36
Notes to Financial Statements	37
Report of Independent Auditors	47

10-Year Financial Summary(Net Sales, Operating Income, Net Income, Shareholders' Equity, etc.)

TOYOTA BOSHOKU CORPORATION March 31

	2006	2005	2004	2003
		(Note 1)	(Note 2)	(Note 2)
Net sales	¥877,596	¥456,311	¥118,554	¥107,321
Operating income	33,765	17,867	5,332	5,035
Ordinary income	37,839	19,110	5,315	5,006
Net income	21,187	8,979	2,839	3,002
Shareholders' equity	133,279	109,471	29,396	26,967
Common stock	8,400	8,400	4,933	4,933
Total assets	396,692	311,656	71,434	64,527
Capital expenditures	50,481	21,306	6,942	7,815
Depreciation and amortization	21,344	14,273	5,774	5,872
R&D expenses	24,829	15,237	5,570	4,647
Per Share				
Net income (Basic)	¥111.60	¥68.65	¥40.95	¥43.33
Net income (Diluted) (Note 5)	111.58	68.56	40.93	
Cash dividends	16.00	12.00	9.00	8.00
Shareholders' equity	709.91	583.31	439.86	403.42
Financial Indicators				
Operating income to net sales (%)	3.8	3.9	4.5	4.7
Ordinary income to net sales (%)	4.3	4.2	4.5	4.7
Return on equity (ROE) (%)	17.5	12.9	10.1	11.5
Shareholders' Equity (at the end of each FY)				
Number of shares issued (thousands)	187,666	187,666	67,174	67,174
Share price (yen, U.S.dollars)	1,984	2,630	899	531
Market capitalization (millions of yen, millions of U.S.dollars) (Note 6)	372,329	493,561	60,390	35,670
Number of employees	21,132	18,068	3,494	3,089

Notes:

- Figures for the first half of 2005 (from April 1, 2004 to September 30, 2004) are for the former TOYODA BOSHOKU CORPORATION (pre-merger), and for the second half (from October 1, 2004 to March 31, 2005) for the new TOYOTA BOSHOKU CORPORATION.
- Figures for 2004 and before are for the former TOYODA BOSHOKU CORPORATION, and those for 1999 and before are non-consolidated figures of the former TOYODA BOSHOKU CORPORATION.
- Three plants have been taken over as a result of a merger with Toyota Kakoh Co., Ltd. in October 2000.
- Figures in U.S. Dollars for 2006 were converted at ¥117.47, the exchange rate as of March 31, 2006.
- With regard to the diluted net income-per share of common stock before 2003, dilutive factors did not exist.
- Market capitalization is calculated by multiplying the number of outstanding shares at the end of the fiscal year by the share price at the end of the period.

Breakdown of Segments by Business (4years)

	Millions of yen			Millions of U.S. dollars
	2006	2005	2004	2003
		(Note 1)	(Note 2)	(Note 2)
Interior components	¥787,150	¥377,653	¥55,350	\$6,701
Filtration & power train components	67,163	58,308	48,569	572
Textiles and exterior components	23,283	20,350	14,635	198

Notes:

- Figures for the first half of 2005 (from April 1, 2004 to September 30, 2004) are for the former TOYODA BOSHOKU CORPORATION (pre-merger), and for the second half (from October 1, 2004 to March 31, 2005) for the new TOYOTA BOSHOKU CORPORATION.
- The Company began breaking down segments by business category from 2004.
- Figures in U.S. Dollars for 2006 were converted at ¥117.47, the exchange rate as of March 31, 2006.

Millions of yen						Millions of U.S. dollars
2002	2001	2000	1999	1998	1997	2006
(Note 2)	(Note 2,3)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 4)
¥91,864	¥81,792	¥50,109	¥46,332	¥41,451	¥40,316	\$7,471
4,337	3,980	2,579	1,626	1,141	1,098	287
4,373	3,924	2,552	1,559	1,135	1,015	322
2,508	571	1,375	435	374	396	180
25,415	23,556	18,315	17,402	17,339	17,337	1,135
4,933	4,933	4,558	4,558	4,558	4,558	72
60,270	52,088	38,138	36,720	30,143	29,583	3,377
6,327	6,612	8,562	3,950	4,294	3,817	430
6,016	5,108	4,163	3,489	3,044	2,494	182
3,473	3,075	2,331	1,914	1,691	1,569	211
yen						U.S. dollars
¥37.33	¥9.00	¥23.05	¥7.29	¥6.27	¥6.65	\$0.95
						0.95
7.00	6.50	6.50	5.50	5.50	5.50	0.14
378.36	350.67	306.92	291.62	290.56	290.52	6.04
4.7	4.9	5.1	3.5	2.8	2.7	
4.8	4.8	5.1	3.4	2.7	2.5	
10.2	2.7	7.8	2.5	2.2	2.3	
67,174	67,174	59,674	59,674	59,674	59,674	
671	671	778	310	315	340	\$16.89
45,074	45,074	46,427	18,498	18,797	20,289	\$3,170
2,750	2,135	1,584	1,380	1,307	1,206	

Sales by Geographical Segments (4years)

	Millions of yen				Millions of U.S. dollars
	2006	2005	2004	2003	2006
		(Note 1)	(Note 2,3)	(Note 2,3)	(Note 4)
Japan	¥570,204	¥326,208	¥105,681	¥94,265	\$4,854
North, Central and South America (U.S.A., Canada, Mexico, Argentina)	225,495	100,924	11,957	13,208	1,920
Asia (China, Thailand, Vietnam, Philippines, Indonesia, India)	81,145	25,600	4,841	2,048	691
Others (Australia, Turkey, etc.)	31,714	14,542			270

Notes:

- Figures for the first half of 2005 (from April 1, 2004 to September 30, 2004) are for the former TOYODA BOSHOKU CORPORATION (pre-merger), and for the second half (from October 1, 2004 to March 31, 2005) for the new TOYOTA BOSHOKU CORPORATION.
- Figures for 2003 and 2004 are for the former TOYODA BOSHOKU CORPORATION.
- With regard to the figures for geographical segments (other than Japan), for 2002, 2003 and 2004, relevant figures only exist for the North, Central and South American areas for the U.S.A., and only for Thailand and China for the Asian area. No applicable figures exist for other markets.
- Figures in U.S. Dollars for 2006 were converted at ¥117.47, the exchange rate as of March 31, 2006.

Management's Discussion and Analysis of Financial Conditions and Operating Results

TOYOTA BOSHOKU CORPORATION March 31, 2006 and 2005

Overview

TOYOTA BOSHOKU CORPORATION (the "Company") and its subsidiaries (collectively "Companies") consist of 67 subsidiaries and 13 affiliates accounted for by the equity method in the consolidated fiscal year.

In the fiscal year 2006, automobile industry domestic sales declined however overall domestic production exceeded prior year levels due to increased exports to the USA.

Net sales increased by 421.3 billion yen (92.3%) to 877.6 billion yen.

Ordinary income increased by 18.7 billion yen (98.0%) to 37.8 billion yen from the previous year. Net income increased by 12.2 billion yen (135.9%) to 21.2 billion yen from the previous fiscal year.

Note:

On October 1, 2004, the Company, the former TOYODA BOSHOKU CORPORATION, merged with Araco Corporation's automotive interior division and Takanichi Co., Ltd., on an equal basis to be a world-class automotive interior system supplier and filter manufacturer.

Sales

Net sales increased by 421.3 billion yen (92.3%) to 877.6 billion yen from the previous year due to the merger and production increases. A breakdown of net sales follows:

Sales of interior components such as seats and door trim increased by 409.4 billion yen (108.4%) to 787.1 billion yen from the previous year.

Sales of filtration and power train components increased by 8.9 billion yen (15.2%) to 67.2 billion yen from the previous year due to increased production of air filters and others.

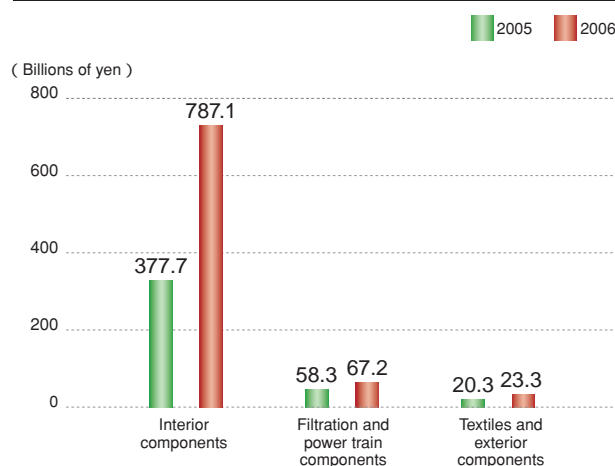
Sales of textiles and exterior components increased by 3.0 billion yen (14.4%) to 23.3 billion yen from the previous year.

Additionally, the merger and global expansion increased the number of overseas subsidiaries, and the ratio of overseas sales to consolidated sales increased from 30.7% to 38.2%.

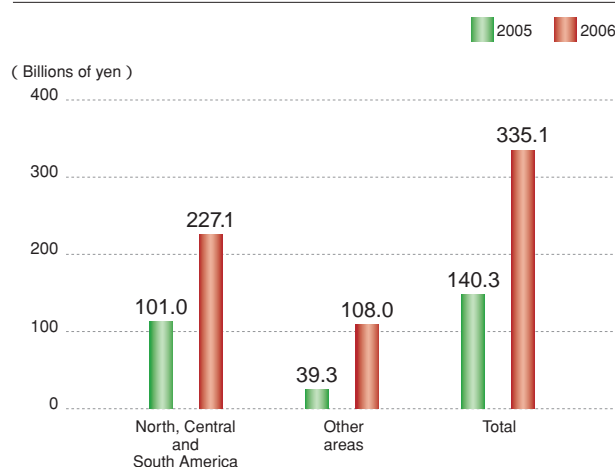
Operating income

While increased labor costs and product price fluctuations in the rising market had a negative impact, the production increase associated with the merger and cost reductions at all group companies raised operating income by 15.9 billion yen (89.0%) to 33.8 billion yen.

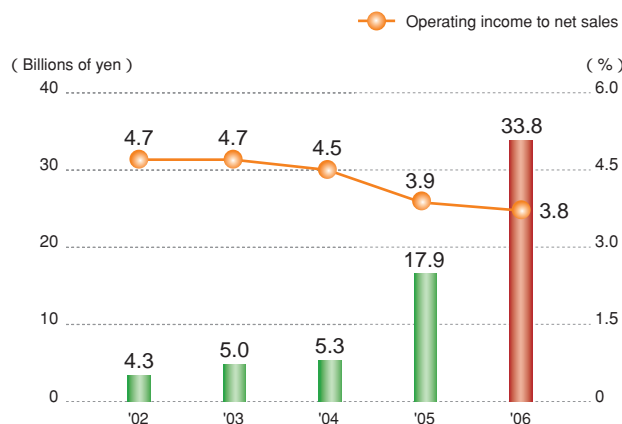
Net sales by product



Overseas net sales



Operating income / Operating income to net sales



Note: Figures from 2002 through 2004 are for the former TOYODA BOSHOKU CORPORATION.

Non-operating income (expenses)

Due to increases in equity in net earnings of affiliated companies and exchange gains, non-operating income rose by 4.7 billion yen (167.8%) to 7.5 billion yen compared with the previous year.

Non-operating expenses rose by 1.9 billion yen (119.5%) compared with the previous year to 3.4 billion yen attributable to increases in interest expenses and loss on disposal of property, plant and equipment.

Income taxes and deferred tax expense

Compared to the previous year, income taxes and deferred tax expense increased by 5.8 billion yen (102.5%) to 11.6 billion yen. The ratio with respect to income before income taxes and minority interest went from 34.0% to 30.5% compared with the previous year.

Minority interest in net income of subsidiaries

Minority interest in net income of subsidiaries went up 3.0 billion yen (144.1%) to 5.1 billion yen attributable to gains in consolidated subsidiaries in North, Central and South America and Asia.

Net income

Net income rose 12.2 billion yen (135.9%) compared to the previous year to 21.2 billion yen.

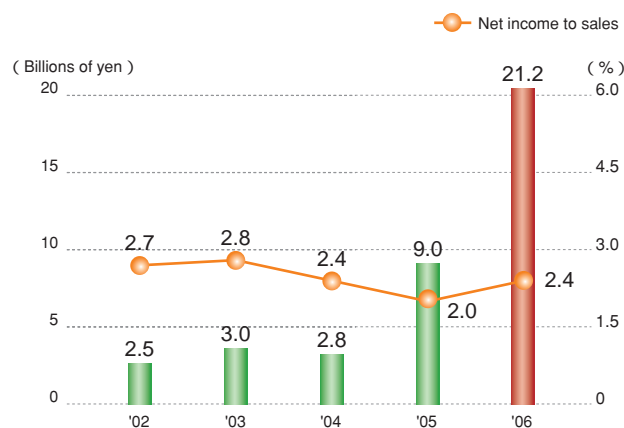
Cash flows

Cash flows for the current consolidated fiscal year was up 44.0 billion yen from operating activities, down 45.4 billion yen from investing activities, up 5.0 billion yen from financing activities and up 3.8 billion yen from conversion gains, etc. As a result, the end of year balance for cash and cash equivalents for the current consolidated fiscal year is 39.3 billion yen, an increase of 7.4 billion yen compared with the previous year.

Financial condition

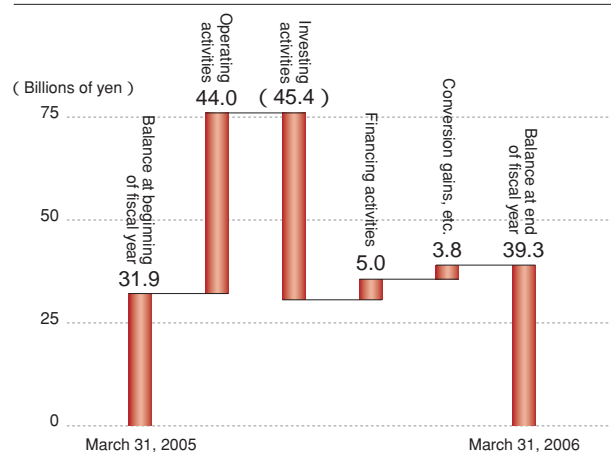
Total assets rose 27.3 % to 396.7 billion yen from the previous year.

Net income / Net income to sales

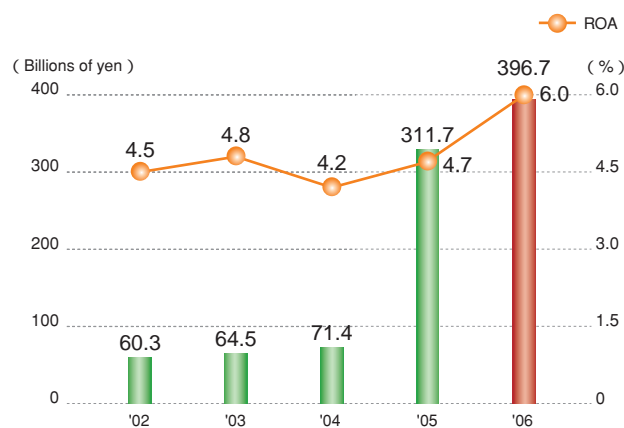


Note: Figures from 2002 through 2004 are for the former TOYODA BOSHOKU CORPORATION.

Cash flows



Total assets / ROA



Note: Figures from 2002 through 2004 are for the former TOYODA BOSHOKU CORPORATION.

Capital expenditures

As a result of our efforts to focus on investments such as streamlining and updating production assets as well as developing new products, our capital investments rose 136.9% from the last consolidated year to 50.5 billion yen. This was mostly in equipment for subsidiaries in China, Turkey, South Africa, etc. as well as for construction projects of the Tool & Die Section building of Sanage Plant, Kariya laboratory building, and a new plant of Toyota Boshoku Kyushu Corporation.

The increase in capital investments caused an increase of 49.5% in the depreciation and amortization compared to the last year to 21.3 billion yen.

Future outlook

Net sales are expected to increase by 8.3% to 950 billion yen from the previous year, ordinary income is expected to decrease by 12.8% to 33 billion yen from the previous year, and net income is expected to decrease by 15.0% to 18 billion yen from the previous year, during the year ending March 31, 2007.

Business risks

In operating results, stock price and financial condition of Companies are exposed to the risks described below. However, this is not a comprehensive list of all risks affecting the Group. There are other risks in addition to those listed below that could influence investors' decisions.

Perspective items are assessed as of date of the submission of the consolidated financial statement of June 29, 2006.

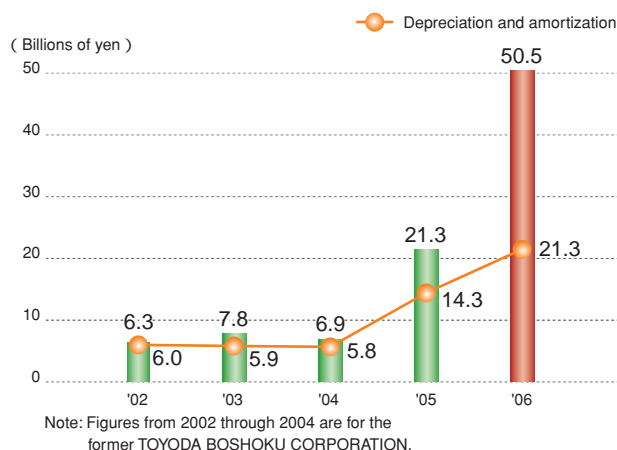
1. Economic conditions

Companies' business includes the manufacture and sale of products and services around the world. Demand for automobile-related products, their major business, can be affected in part by economic conditions in their markets. Accordingly, economic downturns and a decrease in demand for automobiles in their major markets, including Japan, North, Central and South America, Asia, and Europe, may have a negative impact on their operating results and financial condition.

2. Dependence on specific customers

The Company's parent company is Toyota Motor Corporation (TMC). As of the end of the current fiscal year, TMC had 39.4% direct ownership in the Company and 2.1% indirect ownership. Companies sold 38.3% of their products

Capital expenditures / Depreciation and amortization



to TMC during the last fiscal year. TMC's automobile sales may impact on their operating results and financial condition.

3. Potential risks of international activities and overseas operations

Companies' worldwide markets in Japan, North, Central and South America, Asia and Europe, have the following risks due to varying country conditions within those markets:

- (1) Unforeseen changes in laws and regulations
- (2) Unfavorable political or economic factors
- (3) Difficulty in hiring and maintaining personnel
- (4) Unfavorable changes in tax systems
- (5) Social ferment caused by terrorism, war and other factors

4. Fluctuations in foreign exchange rates

Companies' business includes the manufacture and sale of products and services around the world. Foreign currency-denominated items such as sales, expenses, assets and liabilities are translated into Japanese yen when preparing consolidated financial statements. The converted value of these items in yen may be affected by fluctuations in exchange rates, even if local prices are the same. In general, appreciation of the yen against other currencies may have a negative impact on Companies' operating results and financial condition.

5. Price competition

The automobile industry faces severe price competition. Automobile manufacturers have requested more competitive pricing from us in recent years.

While Companies believe their products are competitive in technology, quality and price, there is no guarantee that they

will be able to compete effectively in the future, due to the chance of a rapid expansion in market share caused by the emergence of new competitors and tie-ups between existing competitors in Companies' product markets and their regional markets. The loss of customers due to the pressure exerted on prices and inability to compete effectively may have a negative impact on their operating results and financial condition.

6. Dependence on raw materials and parts suppliers

Companies' production is dependent on several external suppliers for raw materials and parts. They have concluded basic contracts with external suppliers so that a stable supply of raw materials and parts ensures stable production, but supply pressures caused by global product shortages and unforeseen accidents on the part of suppliers could lead to a shortage of raw materials and products. This may lead to production delays and raise unit costs.

7. Ability to develop new products

One of Companies' basic philosophies is to develop innovative technologies and products that satisfy customers and meet high quality standards. In accordance with this philosophy, they anticipate the needs of the sophisticated, diverse market and strive to develop new products that will satisfy their customers. Companies will continue to develop and market new products, but this process is complex and uncertain and carries various risks, including those listed below:

- (1) There is no guarantee that Companies will be able to secure adequate money and resources to invest in new products and technology.
- (2) There is no guarantee that long-term and large investments of resources will result in successful new products and technologies.
- (3) Companies' products could become outdated due to rapid technological advances and changes in market needs.
- (4) Delays in marketing new technologies currently being developed could prevent us from meeting market demand.

8. Intellectual property rights

Companies strive to build up and protect their technology and expertise to differentiate their products from other companies' products, but it is difficult to completely protect intellectual property rights in some regions, and some of those rights can only be partially protected. As a result, there is a possibility that Companies may be unable to prevent a

third party from using their intellectual property to produce similar products. There is also a possibility that they will be unable to prevent other companies from developing similar or superior technology, and/or copying or performing reverse engineering on patents and corporate secrets. Furthermore, there could be a negative impact on Companies' operating results and financial condition in the event that it is determined that their future products and technology impinge on other companies' intellectual property rights.

9. Product defects

One of Companies' basic philosophies is to supply safe products that do not harm the natural world, and promote corporate activities that protect the global environment. Companies continually strive to improve the quality of their products.

Although Companies have product liability indemnity, product deficiencies leading to the award of very large product liability damages could lead to large costs, a damaged reputation and decreased sales and profits, thereby having a negative impact on its operating results and financial condition.

10. Influence of natural disasters and power failures

Companies regularly examine and check their production facilities. Nevertheless, there is no guarantee that they will be able to completely prevent and alleviate the influence of human and natural disasters, such as the breakdown of production facilities, and fires and power failures at production facilities. For example, the majority of their domestic factories are located in the Chubu region. Accordingly, their operating results and financial condition may suffer a negative impact in the event of a large-scale earthquake or other such event that affects operations.

11. Employee retirement benefits

Costs and liabilities for employee retirement benefits are calculated based on actuarial assumptions such as the discount rate, as well as the expected return on pension assets. Differences between actual results and assumptions, as well as changes in those assumptions, could have a significant impact on reported future costs and liabilities.

The aforementioned risks could lead to unforeseen events and impede production and other business activities. Such occurrences may have a negative impact on Companies' operating results and financial condition.

Consolidated Balance Sheets

TOYOTA BOSHOKU CORPORATION March 31, 2006 and 2005

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Assets:			
Current assets			
Cash and cash equivalents	¥ 39,257	¥ 31,881	\$ 334
Short-term investments	560	1,471	5
Trade notes and accounts receivable (Note 18)	133,456	105,428	1,136
Inventories (Note 7)	25,310	17,825	215
Deferred tax assets (Note 15)	5,004	4,750	43
Other current assets	17,353	12,270	148
Less: allowance for doubtful accounts	(303)	(200)	(3)
Total current assets	220,637	173,425	1,878
Property, plant and equipment, at cost (Note 8)			
Land	16,400	15,614	140
Buildings and structures	96,533	86,614	822
Machinery, equipment and vehicles	147,336	124,891	1,254
Tools, furniture and fixtures	69,505	61,370	592
Construction in progress	14,384	2,594	122
Total property, plant and equipment	344,158	291,083	2,930
Less: accumulated depreciation	(198,474)	(177,810)	(1,690)
Net property, plant and equipment	145,684	113,273	1,240
Investments and other assets			
Investments in securities (Notes 5,6)	10,314	7,479	88
Deferred tax assets (Note 15)	11,224	10,740	96
Consolidating adjustment account	50	106	0
Other investments (Note 6)	8,939	6,792	76
Less: allowance for doubtful accounts	(156)	(159)	(1)
Total investments and other assets	30,371	24,958	259
Total assets	¥ 396,692	¥ 311,656	\$ 3,377

The accompanying notes are an integral part of these consolidated financial statements.

Liabilities, minority interest in subsidiaries and shareholders' equity	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Current liabilities			
Short-term borrowings (Note 13)	¥ 19,644	¥ 13,240	\$ 167
Current portion of long-term debt (Note 13)	1,891	3,334	16
Trade notes and accounts payable (Note 18)	137,094	104,712	1,167
Accrued expenses	22,381	17,671	191
Income taxes payable	4,616	4,347	39
Allowance for product warranties	2,149	1,881	18
Other current liabilities (Note 15)	11,017	6,123	94
Total current liabilities	198,792	151,308	1,692
Long-term liabilities			
Long-term debt (Note 13)	7,290	2,898	62
Allowances for employee retirement benefits (Note 14)	19,565	18,062	167
Allowances for retirement benefits for directors and corporate auditors	716	523	6
Other long-term liabilities (Note 15)	3,787	4,453	32
Total long-term liabilities	31,358	25,936	267
Total liabilities	230,150	177,244	1,959
Minority interest in subsidiaries	33,263	24,941	283
Commitments and contingent liabilities (Notes 8, 9,11)			
Shareholders' equity			
Common stock, no par value	8,400	8,400	72
Authorized - 500,000,000 shares in 2006 and 2005			
Issued - 187,665,738 shares in 2006 and 2005			
Capital surplus	9,014	9,019	77
Retained earnings	113,243	94,677	964
Net unrealized gain on available-for-sale securities	2,051	1,114	17
Foreign currency translation adjustments	800	(3,413)	7
Less: treasury stock, at cost - 327,568 shares in 2006	(229)	(326)	(2)
470,356 shares in 2005			
Total shareholders' equity	133,279	109,471	1,135
Total liabilities, minority interest in subsidiaries, and shareholders' equity	¥ 396,692	¥ 311,656	\$ 3,377

Consolidated Statements of Income

TOYOTA BOSHOKU CORPORATION
For the years ended March 31, 2006 and 2005

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Net sales (Notes 17, 18)	¥ 877,596	¥ 456,311	\$ 7,471
Cost of sales (Note 10)	810,780	419,810	6,902
Gross profit	66,816	36,501	569
Selling, general and administrative expenses (Note 10)	33,051	18,634	282
Operating income	33,765	17,867	287
Non-operating income			
Interest income	1,098	237	9
Dividends income	67	34	1
Rent income	755	505	6
Equity in net earnings of affiliated companies	2,058	873	18
Exchange gain	1,051	18	9
Other non-operating income	2,438	1,121	21
Total non-operating income	7,467	2,788	64
Non-operating expenses			
Interest expense	944	418	8
Loss on disposal of property, plant and equipment	562	161	5
Depreciation	534	213	5
Other non-operating expenses	1,353	753	11
Total non-operating expenses	3,393	1,545	29
Ordinary income	37,839	19,110	322
Extraordinary losses			
Loss on impairment of property, plant and equipment		658	
Loss on changes in welfare plans		110	
Loss on recomputation of residual values for property, plant and equipment		1,568	
Income before income taxes and minority interest	37,839	16,774	322
Income taxes-current	12,834	6,894	109
Income taxes-deferred	(1,279)	(1,187)	(10)
Less: minority interest in net income of subsidiaries	5,097	2,088	43
Net income	¥ 21,187	¥ 8,979	\$ 180

	Yen		U.S. dollars
	2006	2005	2006
Per share:			
Net income			
Basic	¥ 111.60	¥ 68.65	\$ 0.95
Diluted	111.58	68.56	0.95
Cash dividends	16.00	12.00	0.14

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

TOYOTA BOSHOKU CORPORATION
For the years ended March 31, 2006 and 2005

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Common stock:			
Balance at beginning of year	¥8,400	¥4,933	\$72
Issuance of common stock due to mergers		3,467	
Balance at end of year	8,400	8,400	72
Capital surplus:			
Balance at beginning of year	9,019	2,798	77
Increase in additional paid-in capital due to mergers		6,216	
Gain on disposal of treasury stock		5	
Loss on disposal of treasury stock	5		0
Balance at end of year	9,014	9,019	77
Retained earnings:			
Balance at beginning of year	94,677	21,579	806
Increase in retained earnings due to mergers		64,814	
Increase in retained earnings due to adoption of inflation accounting	187	118	2
Net income	21,187	8,979	180
Cash dividends	2,528	700	22
Bonuses to directors and corporate auditors	272	113	2
Loss on disposal of treasury stock	8		0
Balance at end of year	113,243	94,677	964
Net unrealized gain on available-for-sale securities	2,051	1,114	17
Foreign currency translation adjustments	800	(3,413)	7
Treasury stock at end of year	(229)	(326)	(2)
Total shareholders' equity at end of year	¥133,279	¥109,471	\$1,135

Consolidated Statements of Cash Flows

TOYOTA BOSHOKU CORPORATION
For the years ended March 31, 2006 and 2005

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Cash flows from operating activities			
Income before income taxes and minority interest	¥37,839	¥16,774	\$322
Depreciation and amortization	21,344	14,273	182
Loss on impairment of securities	176	42	1
Increase in allowance for doubtful accounts	89	15	1
Increase in allowance for employee retirement benefits	1,443	716	12
Interest and dividend income	(1,171)	(423)	(10)
Interest expense	944	418	8
Gain on sale of property, plant and equipment	(136)	(121)	(1)
Loss on sale and disposal of property, plant and equipment	599	169	5
Increase in trade notes and accounts receivable	(21,781)	(1,389)	(185)
Increase in inventories	(6,075)	(1,719)	(52)
Increase (decrease) in trade notes and accounts payable	25,846	(12,579)	220
Payment of directors' bonuses	(279)	(113)	(2)
Others, net	(3,467)	1,999	(29)
Sub-total	55,371	18,062	472
Interest and dividend income received	2,273	1,216	19
Interest paid	(891)	(431)	(8)
Income taxes paid	(12,801)	(6,101)	(109)
Net cash provided by operating activities	43,952	12,746	374
Cash flows from investing activities			
Payment for purchase of property, plant and equipment	(46,701)	(18,761)	(398)
Payment for purchase of investments in securities	(1,353)	(25)	(12)
Increase in time deposits	(2,739)	(2,216)	(23)
Decrease in time deposits	3,662	750	31
Others, net	1,688	670	15
Net cash used in investing activities	(45,443)	(19,582)	(387)
Cash flows from financing activities			
Net increase in short-term borrowings	4,893	5,562	42
Repayments of long-term debt	(1,932)	(1,363)	(16)
Cash dividends paid	(2,519)	(700)	(21)
Cash dividends paid to minority shareholders	(2,670)	(1,139)	(23)
Proceeds from issuance of stocks to minority shareholders	2,066	99	18
Others, net	5,210	531	44
Net cash provided by financing activities	5,048	2,990	44
Translation adjustment of cash and cash equivalents	2,147	(339)	18
Net increase(decrease) in cash and cash equivalents	5,704	(4,185)	49
Cash and cash equivalents at beginning of year	31,881	9,106	271
Increase of cash and cash equivalents due to mergers		25,143	
Increase of cash and cash equivalents of newly consolidated subsidiaries	1,672	1,817	14
Cash and cash equivalents at end of year	¥39,257	¥31,881	\$334

Notes to Financial Statements

TOYOTA BOSHOKU CORPORATION
For the years ended March 31, 2006 and 2005

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of TOYOTA BOSHOKU CORPORATION (the "Company") and its subsidiaries (collectively "Companies") have been prepared in accordance with the provisions set forth in the Japanese Commercial Code and Securities and Exchange Law, and in conformity 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.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau of Japan have been reclassified in these accounts for the convenience of readers outside of Japan.

Certain comparative figures have been reclassified to conform to the current year's presentations.

2. Yen and U.S. dollars amounts

Japanese yen amounts are shown in units of one million yen. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, translated into U.S. dollars at the given rate or any other rate. The translations have been made at the rate of 117.47 yen to \$1 U.S., the rate of exchange on March 31, 2006.

3. Merger

On October 1, 2004, the Company, the former TOYODA BOSHOKU CORPORATION, merged with Araco Corporation's automotive interior division and Takanichi Co., Ltd., on an equal basis to be a world-class automotive interior system supplier and filter manufacturer.

4. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements included the accounts of all 67 subsidiaries and 65 subsidiaries in 2006 and 2005, respectively.

For the year ended March 31, 2006, 6 subsidiaries were newly added to the scope of consolidation, and 4 subsidiaries were excluded from the scope of consolidation.

For the year ended March 31, 2005, 53 subsidiaries were newly added to the scope of consolidation due to the merger

with Araco Corporation (automotive interior division) and Takanichi Co., Ltd. on October 1, 2004.

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

For the year ended March 31, 2005, the Company using the subsidiaries' financial statements temporarily closed as of March 31 for the Trim Masters Inc. group, which had a fiscal year-end date of September 30.

For the year ended March 31, 2006, the Trim Masters Inc. group have changed their fiscal year-end date from September 30 to March 31.

(2) Affiliates accounted for by the equity method

Investments in all 13 affiliates are accounted for the equity method for the year ended March 31, 2006 and 2005.

(3) Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash and cash equivalents include cash on hand, demand deposits and short-term investments that mature or become due within three months from the date of acquisition.

(4) Financial instruments

(a) Securities

Companies do not have trading securities that are held for the purpose of generating profits on short-term differences in prices. Held-to-maturity securities are stated at amortized cost with the straight line method. Other securities with readily determinable fair values are stated at fair value based on market prices at the fiscal year end. Net unrealized gain and loss on these securities are included in net unrealized gain on available-for-sale securities as a separate item in the shareholders' equity at a net-of-tax amount. 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.

(b) Derivatives

Derivatives are valued at fair value, if hedge accounting is not appropriate or where there is no hedging designation.

The derivatives designated as hedging instruments by

Companies are principally currency swaps and forward exchange contracts.

Companies have a policy to utilize the above hedging instruments in order to reduce the exposure to the risk of exchange rate fluctuation. Thus, Companies purchase of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

(5) Inventories

Inventories for finished goods, raw materials, work in progress and supplies are mainly stated at cost, determined by the periodic average method.

(6) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed mainly by the declining balance method, at rates based on the useful lives and residual values stipulated in the Corporation Tax Law in Japan. The effective residual values are mainly used for machinery, equipment, and vehicles as well as tools, furniture and fixtures.

During the year ended March 31, 2005, the Company merged with Araco Corporation's automotive interior division and Takanichi Co., Ltd., as a result, the Company and certain domestic subsidiaries changed from the residual values of machinery, equipment and vehicles stipulated in the Corporation Tax Law in Japan to the effective residual values. Accordingly, operating income and ordinary income decreased by ¥246 million, income before income taxes and minority interest decreased by ¥1,814 million and net income decreased by ¥1,286 million for the ended March 31, 2005, as compared with the previous method.

(7) Accounting for impairment of fixed assets

On August 9, 2002, the Business Accounting Council of Japan issued a Statement of Opinion, "The Accounting Standard for Impairment of Fixed Assets," and on October 31, 2003, the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets." These new pronouncements can be applied for the fiscal years from the fiscal year ending on March 31, 2004. The Company and its domestic subsidiaries have adopted the new accounting standard for impairment of fixed assets effective April 1, 2004. As a result of the adoption of this accounting standard, income before income taxes and minority interest decreased by ¥242 million for the ended March 31, 2005, as compared with the previous method.

(8) Finance leases

Where a finance lease does not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its domestic subsidiaries is not capitalized, and the related rental and lease expenses are charged to income as incurred.

(9) Allowance for employee retirement benefits

Companies accrue the amount that is considered to have been incurred in that period, based on the estimated projected benefit obligations and estimated pension assets at the end of year.

Actuarial gains or losses are amortized and charged to income over employees' average remaining service period (15-17 years for 2006, 14-20 years for 2005) starting from the following fiscal year in which they occur.

Past service costs are amortized and charged to income over employees' average remaining service period (15-17 years for 2006, 14-20 years for 2005).

(10) Allowance for retirement benefits for directors and corporate auditors

To provide for the retirement benefits for directors and corporate auditors, the amount which is calculated at fiscal year-end based on internal rule is accrued.

(11) Allowance for doubtful accounts

Allowance for doubtful accounts has been provided for as the aggregate amount of estimated credit loss for doubtful or troubled receivables, and a general allowance for other receivables is calculated on the basis of the historical loss experience for a certain past period.

(12) Allowance for product warranties

Allowance for product warranties has been provided for the amount of estimated claims.

(13) Corporate income taxes, resident taxes and enterprise taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and 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.

(14) Translation of foreign currencies

Receivables, payables and securities denominated in foreign currencies are converted into Japanese yen at the exchange rates at fiscal year end. Transaction in foreign currencies is recorded based on the prevailing exchange rate on the transaction dates and the resulting translation gains or losses are included in income statements. In respect of the financial statement items of overseas subsidiaries, all assets and liability and all income and expense accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year-end. Translation differences after allocating to minority interest for portions attributable to minority interest are reported as foreign currency translation adjustments in a separate component of shareholders' equity in the accompanying consolidated balance sheets.

(15) Appropriation of retained earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year in which a proposed appropriation of retained earnings is approved by the Board of Directors and at the Shareholders' Meeting.

Bonuses paid to directors and corporate auditors are recorded as a part of retained earnings, instead of being charged to income, as permitted by the Japanese accounting standard.

(16) Per share data

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed assuming that stock options were exercised at the beginning of the relevant year or (if later) on their first exercise date, and as if the funds obtained thereby were used to purchase common stock at the average market price during the relevant years under the treasury stock method.

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

5. Marketable securities

Marketable investment securities are classified other than trading, that is to say, available-for-sale securities, and are stated at fair values with unrealized gain and loss excluded from the current earnings and reported as a net amount within the shareholders' equity account until realized.

(a) Companies did not have trading securities as of March 31, 2006 and 2005.

(b) Held-to-maturity securities with a readily determinable fair value as of March 31, 2006 and 2005 were as follows:

Securities with carrying amounts not exceeding acquisition cost

	Millions of yen		
	Carrying amount	Fair market value	Difference
Government bonds as of March 31, 2006	¥5	¥5	¥(0)
Government bonds as of March 31, 2005			

	Millions of U.S. dollars		
	Carrying amount	Fair market value	Difference
Government bonds as of March 31, 2006	\$0	\$0	\$ (0)

(c) Other investment securities with a readily determinable fair value as of March 31, 2006 and 2005 were as follows:

① Securities with carrying amounts exceeding acquisition cost

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks as of March 31, 2006	¥397	¥3,602	¥3,205
Stocks as of March 31, 2005	¥399	¥2,049	¥1,650

	Millions of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Stocks as of March 31, 2006	\$3	\$31	\$28

② Securities with carrying amounts not exceeding acquisition cost

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks as of March 31, 2006	¥30	¥22	¥(8)
Stocks as of March 31, 2005			

	Millions of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Stocks as of March 31, 2006	\$0	\$0	\$ (0)

(d) Other investment securities without a readily determinable fair value as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Unlisted stocks	¥832	¥796	\$7

(e) Redemption schedule of other investment securities and held-to-maturity securities as of March 31, 2006 and 2005 were as follows:

	Millions of yen			
	Due within 1 year	Due after 1 year Due within 5 years	Due after 5 years Due within 10 years	Due after 10 years
Government bonds as of March 31, 2006		¥5		
Government bonds as of March 31, 2005				

	Millions of U.S. dollars			
	Due within 1 year	Due after 1 year Due within 5 years	Due after 5 years Due within 10 years	Due after 10 years
Government bonds as of March 31, 2006		\$0		

6. Investments in affiliates

Investments in affiliates were included in the following accounts:

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Investments in securities	¥5,853	¥4,634	\$50
Other investments	1,434	1,350	12

7. Inventories

Inventories as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Finished products	¥4,418	¥3,557	\$38
Work in progress	6,615	3,909	56
Raw materials and supplies	14,277	10,359	121

8. Assets pledged as collateral

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2006 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Land	¥940	¥1,172	\$8
Buildings and structures	779	0	7
Tools, furniture and fixtures	0	889	0
Total	¥1,719	¥2,061	\$15

(b) Liabilities with collateral pledged

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Guarantee deposits received	¥1,110	¥1,174	\$9

9. Contingent liabilities

Contingent liabilities as of March 31, 2006 and 2005 were as follows. These are all guarantees of bank loans:

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
TBMECA Poland Sp. Zo.o	¥422		\$4
ECO Technology, Inc.	113	124	1
Other		30	
Total	¥535	¥154	\$5

10. R&D expenses

Anticipating the greater sophistication and diversification of customers' needs, the Company is engaged in research and development (R&D) in mutual affiliation with each Technology Section in the Basic Research, New Business, Interior, Filtration and Power Train Components, and Textiles Sections based on the concept of "developing products that will earn the trust and satisfaction of customers." The Company is also actively involved in both internal and external affiliates, and exchanges technology with other companies' technology divisions possessing expertise and unique knowledge, as well as with research institutes engaged in R&D in cutting-edge technology. This system enables the Company to develop new technology and products for the next generation.

Research and Development expenses included in general

and administrative expenses and manufacturing costs for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
R&D expenses	¥24,829	¥15,237	\$211

11. Leases

The finance leases (as lessee), other than those for which ownership of the related goods is considered to have been transferred to the lessee, were as follows:

(a) Equivalent amounts of acquisition cost, accumulated depreciation and end of year balance of the leased properties

	Millions of yen		
	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Leased properties for 2006			
Acquisition cost equivalent	¥99	¥332	¥431
Accumulated depreciation equivalent	49	183	232
Net balance equivalent	¥50	¥149	¥199

	Millions of U.S. dollars		
	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Acquisition cost equivalent	\$1	\$3	\$4
Accumulated depreciation equivalent	0	2	2
Net balance equivalent	\$1	\$1	\$2

	Millions of yen		
	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Leased properties for 2005			
Acquisition cost equivalent	¥121	¥446	¥567
Accumulated depreciation equivalent	39	349	388
Net balance equivalent	¥82	¥97	¥179

Note: Acquisition cost equivalents include the imputed interest expense portion because the percentage which is computed by dividing future minimum base payments by total balance of property plant and equipment at year-end is immaterial.

(b) Future leases payments at the end of the fiscal term

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Due within 1 year	¥85	¥72	\$1
Due after 1 year	114	107	1
Total	¥199	¥179	\$2

Note: Future leases payments include the imputed interest expense portion because the percentage which is computed by dividing future minimum base payments by total balance of property plant and equipment at year-end is immaterial.

(c) Actual leases payments and depreciation expenses equivalent

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Actual leases payments	¥92	¥100	\$1
Depreciation expenses equivalent	92	100	1

(d) Calculation method for the depreciation equivalent

A straight-line depreciation method is applied, setting the lease term as the useful life of the asset and assuming a zero residual value.

(e) Operating lease transactions

Future leases payments

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Due within 1 year	¥184		\$2
Due after 1 year	612		5
Total	¥796		\$7

12. Derivatives

Derivative transactions are executed and controlled based on Companies' internal rule and Companies is hedging foreign currency risks.

Due to the fact that counterparties to Companies represent major financial institutions which have high creditworthiness, Companies believe that the overall credit risk related to its financial instruments is insignificant.

Companies' derivatives activities are reported periodically to a director responsible for accounting according to Companies' internal rule.

Derivatives as of March 31, 2006 and 2005 were as follows:

	Instruments	Millions of yen			
		Contract of amount		Fair value	Valuation loss
		Total	Over 1 year		
2006	Cross- currency swaps	¥4,970	¥4,970	¥(124)	¥(124)
2005					

	Instruments	Millions of U.S. dollars			
		Contract of amount		Fair value	Valuation loss
		Total	Over 1 year		
2006	Cross- currency swaps	\$43	\$43	\$(1)	\$(1)

13. Borrowings

Borrowings as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars	Interest rate(%)	Repayment date
	2006	2005	2006		
Short-term borrowings	¥19,644	¥13,240	\$167	4.45	
Current portion of long-term debt	1,891	3,334	16	2.84	
Long-term debt	7,290	2,898	62	1.96	2007 - 2013
Total	¥28,825	¥19,472	\$245		

The interest rate is the weighted average of the interest rate and outstanding loans as of the end of the fiscal years.

Annual maturities of long-term debt as of March 31, 2006 are as follows:

Year ending March 31	Millions of yen	Millions of U.S. dollars
2008	¥1,382	\$12
2009	427	4
2010	252	2
2011	180	1
2012 and thereafter	5,049	43
Total	¥7,290	\$62

14. Allowance for employee retirement benefits

(a) Overview of the retirement benefit system adopted by the Company

The Company and its domestic subsidiaries maintain a tax qualified pension plan and a lump-sum retirement benefit plan as its defined benefit plan. Certain foreign subsidiaries maintain defined contribution pension plans.

During the year ended March 31, 2005, the Company merged with Araco Corporation (automotive interior division) and Takanichi Co., Ltd. and has succeeded the retirement benefit plans of each company.

(b) Projected benefit obligations

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Projected benefit obligation	¥49,031	¥46,456	\$417
Fair value of pension plan assets at end of year	(22,731)	(18,620)	(193)
Subtotal	26,300	27,836	224
Unrecognized actuarial loss	(5,161)	(8,065)	(44)
Unrecognized past service cost	(1,678)	(1,772)	(14)
Prepaid pension cost	104	63	1
Liability recognized on the consolidated balance sheets	¥19,565	¥18,062	\$167

Certain subsidiaries use the simplified method to calculate projected benefit obligations.

(c) Component of net periodic retirement benefit expenses

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Service cost	¥2,946	¥1,631	\$25
Interest cost	915	529	8
Expected return on pension plan assets	(371)	(216)	(3)
Recognized actuarial loss	577	441	4
Amortization of past service cost	94	10	1
Net periodic retirement benefit expenses	¥4,161	¥2,395	\$35

The retirement benefit expenses of subsidiaries for which the simplified method was used were included in service cost.

(d) Basis of calculation for projected benefits obligation

	2006	2005
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected return on pension plan assets	2.0%	1.5%-3.0%
Amortization period of unrecognized actuarial gain or loss	15-17 years	14-20 years*
Amortization period of past service cost	15-17 years	14-20 years*

*15-17 years subsequent to the business combination

15. Deferred Income Taxes

(a) Summary of the components of deferred income taxes

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Accrued bonus	¥2,617	¥2,525	\$22
Accrued expenses	773	770	7
Enterprise taxes payable	406	354	3
Depreciation	3,472	3,021	30
Allowance for employee retirement benefits	7,677	7,030	65
Allowance for retirement benefits for directors and corporate auditors	293	204	2
Net operating loss carryforward	1,660	3,201	14
Loss on impairment of securities	275	340	2
Others	4,037	3,738	36
Deferred tax assets subtotal	21,210	21,183	181
Valuation allowance	(2,324)	(3,928)	(20)
Total deferred tax assets	18,886	17,255	161
Special depreciation of acquired assets	657	719	6
Unrealized gain on available-for-sale securities	1,155	536	10
Special depreciation reserve	1,231	779	10
Others	672	658	6
Deferred tax liabilities	3,715	2,692	32
Net deferred tax assets	¥15,171	¥14,563	\$129

Net deferred tax assets are included in the consolidated balance sheet as of March 31, 2006 and 2005 as follows:

	Millions of yen		Millions of U.S. dollars
	2006	2005	2006
Current assets – deferred tax assets	¥5,004	¥4,750	\$43
Investments and other assets – deferred tax assets	11,224	10,740	96
Current liabilities – other current liabilities	251	31	2
Long-term liabilities – other long-term liabilities	806	896	8

(b) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate

	2006	2005
Statutory income tax rate	39.9%	39.9%
(Adjustment)		
Dividends received	5.1	4.6
Tax benefits on operating loss carry forwards of subsidiaries	0.3	2.3
Tax credit of R&D expenses	(7.3)	(5.3)
Difference of tax rates on foreign subsidiaries	(6.0)	(5.2)
Equity earnings of affiliates	(2.1)	(2.1)
Others	0.6	(0.2)
Effective income tax rate	30.5%	34.0%

16. Significant non-funded transaction

During the year ended March 31, 2005, the breakdown of the assets and liabilities taken over by the Company upon the merger of the Araco Corporation (automotive interior division) and Takanichi Co., Ltd., as well as their subsidiaries, is shown below. Capital and capital surplus increased by ¥3,467 million and ¥6,216 million, respectively, as a result of the merger.

	Millions of yen
	2005
Current assets	¥168,127
Fixed assets	120,770
Total assets	288,897
Current liabilities	155,588
Long-term liabilities	50,358
Total liabilities	¥205,946

The assets and liabilities of companies whose status changed from equity-method affiliates to consolidated subsidiaries are as shown below:

	Millions of yen
	2005
Current assets	¥1,913
Fixed assets	1,039
Total assets	2,952
Current liabilities	¥295

17. Segment information

(a) Business Segments

Companies business is primarily the manufacture and sale of automotive parts. Since automotive parts make up over 90% of total sales, operating income and assets in all segments, information of business segment is not presented.

(b) Geographical Segments

			Millions of yen		Millions of U.S. dollars
			2006	2005	2006
Sales	Japan	Customers	¥543,534	¥317,507	\$4,627
		Inter-segment	26,670	8,701	227
		Total	570,204	326,208	4,854
	North, Central and South America	Customers	225,197	100,426	1,917
		Inter-segment	298	498	3
		Total	225,495	100,924	1,920
	Asia	Customers	77,263	23,835	658
		Inter-segment	3,882	1,765	33
		Total	81,145	25,600	691
	Others	Customers	31,602	14,542	269
		Inter-segment	112	0	1
		Total	31,714	14,542	270
	Eliminations		(30,962)	(10,963)	(264)
Consolidated			¥877,596	¥456,311	\$7,471
Operating costs and expenses	Japan		¥554,777	¥314,970	\$4,723
	North, Central and South America		213,602	97,507	1,818
	Asia		76,123	24,130	648
	Others		29,997	12,746	255
	Eliminations		(30,668)	(10,909)	(260)
	Consolidated		¥843,831	¥438,444	\$7,184
Operating income	Japan		¥15,427	¥11,237	\$131
	North, Central and South America		11,892	3,416	101
	Asia		5,023	1,469	43
	Others		1,718	1,799	15
	Eliminations		(295)	(54)	(3)
	Consolidated		¥33,765	¥17,867	\$ 287
Assets	Japan		¥243,450	¥213,180	\$2,072
	North, Central and South America		81,603	66,518	695
	Asia		69,395	39,036	591
	Others		22,873	12,811	195
	Eliminations		(20,629)	(19,889)	(176)
	Consolidated		¥396,692	¥311,656	\$3,377

Notes:

1. Classification of countries and regions is based on geographical proximity.
2. Primary countries and regions belonging to classifications other than Japan are: North, Central and South America: United States, Canada, Mexico, Argentina; Asia: China, Thailand, Vietnam, the Philippines, Indonesia, India; Others: Australia, Turkey.
3. Corporate assets included in eliminations consist primarily of cash and deposits, securities and investments in securities.
4. During the year ended March 31, 2005, the Company merged with Araco Corporation (automotive interior division) and Takanich Co., Ltd.
5. At March 31, 2005, new accounting standard for impairment of fixed assets has been adopted. As a result, assets in Japan decreased by ¥242 million at March 31, 2005, as compared with the previous method.

(c) Overseas sales by destination

		Millions of yen		Millions of U.S. dollars
		2006	2005	2006
Overseas sales	North, Central and South America	¥227,107	¥101,006	\$1,933
	Others	108,002	39,293	919
	Total	¥335,109	¥140,299	\$2,852
Total sales	North, Central and South America			
	Others			
	Total	¥877,596	¥456,311	\$7,471
Ratio of overseas sales to total sales (%)	North, Central and South America	25.9%	22.1%	25.9%
	Others	12.3%	8.6%	12.3%
	Total	38.2%	30.7%	38.2%

Notes:

1. Classification of countries and regions is based on geographical proximity.
2. Primary countries and regions belonging to classifications other than Japan are: North, Central and South America: United States, Canada, Mexico, Argentina; Others: China, Thailand, Australia, Turkey.
3. Overseas sales are attributed to region based on location of customers, excluding customers in Japan.
4. During the year ended March 31, 2005, the Company merged with Araco Corporation (automotive interior division) and Takanich Co., Ltd.

18. Related party transactions

The Company had transactions with Toyota Motor Corporation, which directly and indirectly owns 41.5% equity interest of the Company as of March 31, 2006, during the years ended March 31, 2006 and 2005. The transactions between the companies for the years ended or as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
For the year	2006	2005	2006
Sale of automotive parts	¥336,248	¥182,547	\$2,862
Purchase of parts	71,752	38,870	611

	Millions of yen		Millions of U.S. dollars
At year-end:	2006	2005	2006
Accounts receivable	¥45,038	¥43,655	\$383
Accounts payable	13,333	13,955	113

19. Stock-based compensation

In June 2006, the Ordinary General Shareholders Meeting of the Company approved “share acquisition rights” which earmark 340,000 shares of common stock to be further distributed among the Company’s directors and employees. The purpose of this was to raise motivation and incentives to improve the business performance.

The exercise price shall be set at an amount equivalent to the average closing price of the common stock in normal trades on the Tokyo Stock Exchange during the month prior to the month in which the share acquisition rights were issued multiplied by 1.05. Fractions of less than one yen shall be rounded up. However, if this amount is lower than the closing price on the day the share acquisition rights were issued, the price shall be set as the closing price on the day the share acquisition rights were issued.

Share acquisition rights may be exercised during the period from August 1, 2008 to July 31, 2012.

The status of share acquisition rights already issued outstanding is shown below:

Date of issuance decision	June 26, 2002	June 27, 2003	June 24, 2004	June 22, 2006
Number of share acquisition rights	11	163	1,560	Up to 3,400
Classes of stocks available for share acquisition rights	Common stock	Common stock	Common stock	Common stock
Number of shares available for share acquisition rights	11,000	163,000	156,000	Up to 340,000
Exercise price for share acquisition rights	¥697/per share	¥595/per share	¥2,021/per share	
Exercise period for share acquisition rights	July 1, 2004 – June 30, 2009	July 1, 2005 – June 30, 2010	July 1, 2006 – June 30, 2011	August 1, 2008 – June 31, 2012

Note: The exercise price for share acquisition rights that has been decided to issue on June 22, 2006 will be determined on August 1, 2006 using Black Scholes Model.

20. Subsequent Event

On June 22, 2006, the following appropriations of retained earnings were approved at an annual general meeting of shareholders of the Company:

	Millions of yen	Millions of U.S. dollars
Cash dividends	¥1,686	\$14
Bonuses to directors and corporate auditors	190	2

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

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3-20-12, Meieki, Nakamura-ku
Nagoya, 450-8565 Japan
Telephone: 011-52-551-3001
Facsimile: 011-52-551-3005

Report of Independent Auditors

To the Board of Directors and Shareholders of
TOYOTA BOSHOKU CORPORATION

We have audited the accompanying consolidated balance sheets of TOYOTA BOSHOKU CORPORATION and its subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOYOTA BOSHOKU CORPORATION and its subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 4(7), effective for the year ended March 31, 2005, TOYOTA BOSHOKU CORPORATION and its domestic subsidiaries have adopted the new accounting standard for impairment of fixed assets.

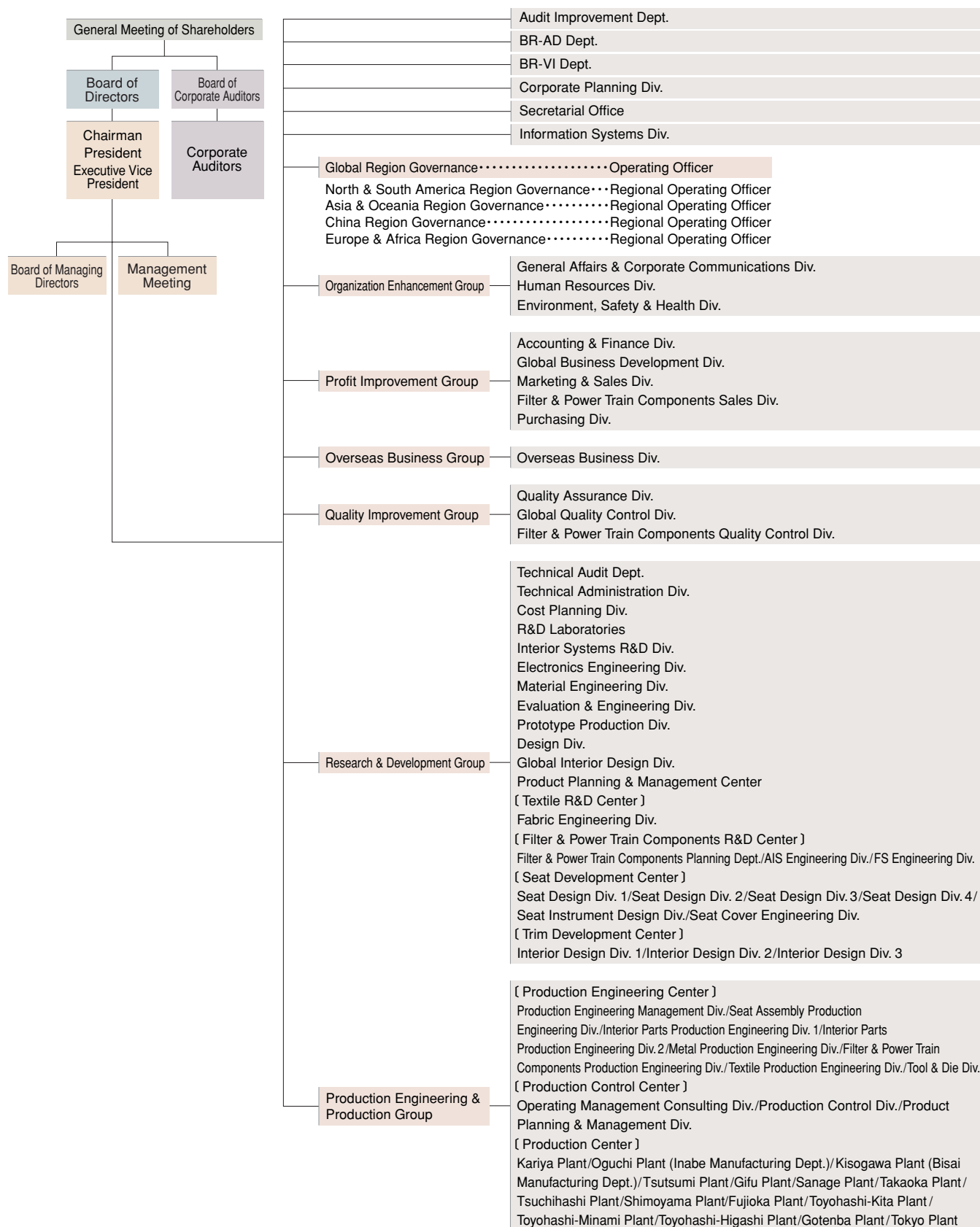
The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Nagoya, Japan
June 22, 2006

Corporate Organization

(As of June 22, 2006)



Top Management

(As of June 22, 2006)



Chairman Junichi Yoshikawa



President Shuhei Toyoda

Directors and Auditors

Chairman

Junichi Yoshikawa

President

Shuhei Toyoda

Executive Vice President

Yoshihiko Doi

Senior Managing Directors

Mitsuyuki Noguchi
Noriyuki Yokouchi
Hiroyoshi Ono
Ritsuo Torii

Managing Directors

Norikazu Fujikawa
Yasushi Nakagawa
Tsuyoshi Kuriyamoto
Hideo Kawakubo
Kazutami Shibata

Directors (with Managing Director Status)

Tadashi Naito
Kunihiko Kiyohara

Directors

Kazuo Okamoto
Oyuki Ogawa

Standing Corporate Auditors

Kiyoshi Imaizumi
Kuniyuki Kitayama

Corporate Auditors

Tadashi Ishikawa
Hiromu Okabe
Akio Toyoda

Managing Officers and Officers

Managing Officers

Kunihiko Terasaka
Toshimitsu Watanabe
Nobuyuki Kobayashi
Fumitaka Ito
Koji Iida
Akira Furusawa
Koichi Terasaka
Yasunobu Hara
Masaki Katsuragi
Katashi Sakai

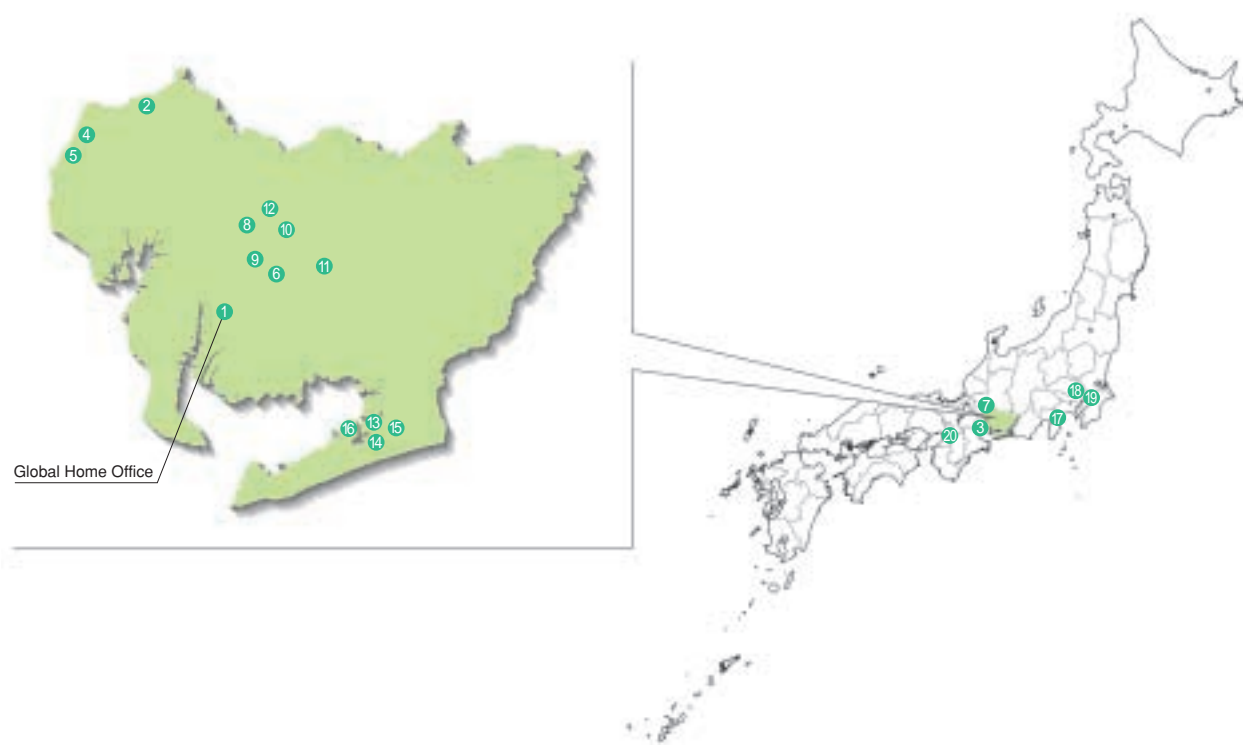
Officers

Hidemi Itatani
Ikuo Sengoku
Masafumi Suzuki
Hiroshi Ueda
Toru Miyata
Takumi Shimizu
Sunao Yamamoto
Yasuhiko Sugie
Nobuyuki Ozeki
Makoto Ooshima

Yoshihiro Yamada
Takamichi Taki
Yoshihiko Nishioka

Corporate Data

(As of the End of September 2006)

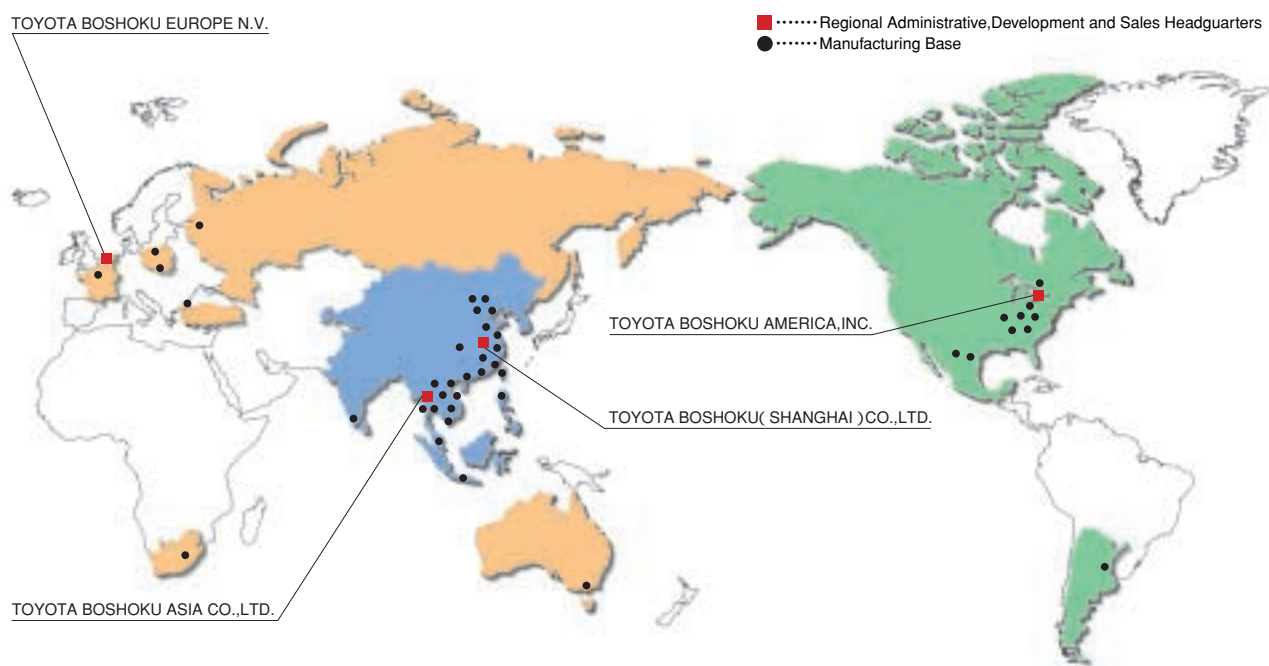


Plants and Offices in Japan

Base	Products	Base	Products
Global Home Office		Tsuchihashi Plant	Seats
Kariya Plant	Air filters, oil filters, cabin air filters, revolving sensors, ABS coils and other products	Shimoyama Plant	Seat covers
Oguchi Plant	Molded headliners, seat fabric, silencers, blended yarn, airbag base fabric, fender liners and other products.	Fujioka Plant	Door trims
Inabe Plant	Interior components	Toyohashi-Kita Plant	Seats
Kisogawa Plant	Floor carpets and pillar garnish	Toyohashi-Minami Plant	Door trims
Bisai Plant	Floor mats and strap belts	Toyohashi-Higashi Plant	Floor carpets, wood panels and products/materials made from recycled carpets
Tsutsumi Plant	Floor carpets and other interior components	Tahara Plant	Interior components
Gifu Plant	Bumpers	Gotenba Plant	Seats and door trims
Sanage Plant	Seats, door trims and other interior components	Tokyo Plant	Door trims
Takaoka Plant	Seats and door trims	Tokyo Marketing Office	
		Osaka Marketing Office	

Worldwide Affiliates(Japan X by chronological order of establishment)

Subsidiaries			
Famic Co., Ltd.	Manufacture and marketing of seat covers and other interior components	TB High-Tech Corporation	Manufacture and marketing of dies and machine tools
Green Kasei Co., Ltd.	Manufacture and marketing of tree-planting equipment, disaster prevention equipment and gardening supplies	TB Create Staff Corporation	Subcontracting work for various projects, and general labor dispatch service
KYOEI ARACO Co., Ltd.	Manufacture and marketing of seats and seat covers	TB Engineering Corporation	Dispatching of design technicians and subcontracting technical development
Aiho Corporation	Food service and sale of sundry goods	TB Iwate Corporation	Manufacture of auto components
Toyota Boshoku Kyushu Corporation	Manufacture and marketing of seats, door trims and other interior components	Toyota Boshoku Shiga Corporation	Manufacture and marketing of auto filters, power train components and interior and exterior components
TB Transport Co., Ltd.	Transport service	Affiliated Companies	
AR Service Co., Ltd.	Factory shop, travel agency, other general services	NARUCO CORPORATION	Manufacture and marketing of auto components
TB Service Corporation	Transport and cargo-handling services	Co-Werk Co., Ltd.	Manufacture and marketing of auto interior components
Takatech Co., Ltd.	Manufacture and marketing of machinery and equipment for auto seats, door trims and other interior components	High Need Industry Co., Ltd.	Manufacture of auto interior and exterior materials
Technical Links Design Co., Ltd.	Product design, visual design, etc.	TOYOTA BODY SEIKO CO., LTD.	Manufacture and marketing of auto components



Worldwide affiliates(outside Japan)

Europe	Company	Established	Item produced or function
Belgium	TOYOTA BOSHOKU EUROPE N.V.	July 2005	Research on European motor vehicles, and manufacture and marketing of interior components
France	TOYOTA BOSHOKU FRANCE S.A.S.	January 2005	Manufacture and marketing of bumpers
Poland	TBMECA Poland Sp. Zo.o.	October 2003	Manufacture and marketing of cylinder head covers, intake manifolds, air filters, oil filters, and other power train components
Russia	TOYOTA BOSHOKU LLC	April 2006	Manufacture and marketing of seats
Slovakia	TRIM LEADER, a.s.	October 2000	Manufacture and marketing of seat covers
Middle East	Company	Established	Item produced or function
India	TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED	July 1998	Manufacture and marketing of seats, interior components and molded products
Turkey	TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S.	October 1997	Manufacture and marketing of seats and interior components
Africa	Company	Established	Item produced or function
South Africa	TOYOTA BOSHOKU SOUTH AFRICA(PTY)LTD.	July 2005	Manufacture and marketing of seats, door trims and other interior components

Corporate Data

(As of the End of September 2006)

Worldwide Affiliates(Outside Japan)

■.....Regional Administrative, Development and Sales Headquarters ●.....Manufacturing Base

Asia	Company	Established	Item Produced or function
China	TOYOTA BOSHOKU(SHANGHAI)CO.,LTD.	March 2002	Development and design of seats and interior components
	SHANGHAI TOYOTA BOSHOKU AUTOMOTIVE PARTS CO.,LTD.	September 2001	Manufacture and marketing of seat belt webbing, strap belts and luggage nets
	CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS Co., Ltd.	March 1999	Manufacture and marketing of seats and interior components
	Feng'ai(Guangzhou) Automotive Seat Parts Co.,Ltd.	September 2004	Manufacture and marketing of metal components for automotive seats
	Guangzhou Intex Auto Parts Co.,Ltd.	September 2004	Manufacture and marketing of seats, door trims and molded headliners
	KUNSHAN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO.,LTD.	March 1995	Manufacture and marketing of seats and interior components
	Ningbo ARACO CO.,Ltd.	May 2002	Manufacture and marketing of seat covers
	TOYODABO(NINGBO)CO.,LTD.	July 2004	Manufacture and marketing of seat fabric
	Tianjin Feng'ai Automotive Seat Parts Co.,Ltd.	November 2005	Manufacture and marketing of metal components for automotive seats
	Tianjin Intex Auto Parts Co.,Ltd.	April 2003	Manufacture and marketing of seats and interior components
	Tianjin Kahou Automobile Decoration Co.,Ltd.	October 1995	Manufacture and marketing of seats, interior components and molded products
	TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO.,LTD.	June 2004	Manufacture and marketing of air filters, oil filters and cabin air filters
Indonesia	TOYOTA BOSHOKU FOSHAN Co.,Ltd.	April 2005	Manufacture and marketing of oil filters
	P.T.ABADI BARINDO AUTOTECH	March 1988	Manufacture and marketing of seats and interior components
Malaysia	TOYOTA BOSHOKU UMW SDN.BHD.	August 2003	Manufacture, cutting, sewing and marketing of automotive seats and interior components
Philippines	TOYOTA BOSHOKU PHILIPPINES CORPORATION	March 1996	Manufacture and marketing of seats and interior components
Taiwan	SHIN SAN SHING CO.,LTD.	April 1987	Manufacture and marketing of seats and interior components
Thailand	TOYOTA BOSHOKU ASIA CO.,LTD.	June 2001	Supply of seats and interior component systems, and marketing of air filters and oil filters
	ARST(Thailand)Co.,Ltd	September 2002	Manufacture and marketing of seats and interior components
	SK AUTO INTERIOR CO.,LTD.	January 1995	Manufacture of floor asphalt sheeting and other auto products
	STB TEXTILES INDUSTRY CO.,LTD.	March 1995	Manufacture and marketing of seat fabric, air cleaners and curtain-shield airbags
	THAI AUTOMOTIVE SEATING & INTERIOR CO.,LTD.	August 1997	Manufacture and marketing of seats and door trims
	THAI SEAT BELT Co.,LTD.	May 1994	Manufacture and marketing of automobile seat belt assemblies and seat belt webbing
	TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND)CO.,LTD.	March 2002	Manufacture and marketing of oil filters and other filters, and molded headliners
Vietnam	TOYOTA BOSHOKU HANOI Co.,LTD.	August 1996	Manufacture and marketing of seats and interior components
	TOYOTA BOSHOKU HAIPHONG CO.,LTD.	September 2004	Manufacture and marketing of curtain-shield air bags

Oceania	Company	Established	Item Produced or function
Australia	TOYOTA BOSHOKU AUSTRALIA PTY.LTD.	October 2002	Manufacture and marketing of seats and interior components
North America			
USA	TOYOTA BOSHOKU AMERICA,INC.	May 2001	Development, design and marketing of interior components
	ARJ MANUFACTURING, L.L.C.	June 2001	Manufacture and marketing of seats and interior components
	ECO TECHNOLOGY, INC.	November 2001	Manufacture and marketing of soundproofing materials made from recycled materials
	TBDN TENNESSEE COMPANY	September 1989	Manufacture and marketing of air cleaners, cabin air filters and fuel filters
	TOTAL INTERIOR SYSTEMS-AMERICA, LLC	November 2000	Manufacture and marketing of seats and door trims
	TOYODABO MANUFACTURING KENTUCKY LLC.	April 2003	Manufacture and marketing of molded headliners
	TRIM MASTERS INC.	October 1987	Manufacture and marketing of seats and interior components
	Toyota Boshoku Canada ,Inc.	July 2006	Manufacture and marketing of seats and interior components
Mexico	Araco de Mexico, S.A. de C.V.	October 2003	Manufacture and marketing of seats
	Toyota Boshoku Monterrey, S.A. de C.V.	February 2002	Processing of seat covers on commission for Total Interior Systems-America (TISA)
South America			
Argentina	Master Trim de Argentina S.R.L.	July 2003	Manufacture and marketing of seats and interior components



TBDN TENNESSEE COMPANY



TOTAL INTERIOR SYSTEMS-AMERICA, LLC



TOYODABO MANUFACTURING KENTUCKY LLC.



TRIM MASTERS INC.



TOYOTA BOSHOKU TÜRKİYE OTOMOTİV SANAYİ VE TİCARET A.Ş.



TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED



P.T.ABADI BARINDO AUTOTECH



SHIN SAN SHING CO.,LTD.



STB TEXTILES INDUSTRY CO.,LTD.



THAI AUTOMOTIVE SEATING & INTERIOR CO.,LTD.



TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND)CO.,LTD.



Tianjin Intex Auto Parts Co.,Ltd.

Stock Information

(As of March 31, 2006)

Corporate Data

Established:	May 1950
Capital:	8.4 billion yen
Number of employees:	Consolidated:21,132 Non-consolidated:6,607
Global Home Office	1-1 Toyoda-cho, Kariya-shi, Aichi, Japan
URL	http://www.toyota-boshoku.co.jp/

Contact for Investors

Global Home Office (General Affairs & Corporate Communications Division.) 1-1 Toyoda-cho, Kariya-shi, Aichi, Japan 448-8651 Phone: +81-566-23-6611 Fax: +81-566-26-0400

History



Founded by Sakichi Toyoda

January	1918	Toyoda Boshoku Corporation was founded.
November	1943	Merged with Toyota Motor Co., Ltd. (Now Toyota Motor Corporation)
May	1950	Became independent from Toyota Motor Co., Ltd. (Now Toyota Motor Corporation) as the Minsei Spinning Co., Ltd.
August	1967	Changed name to Toyoda Boshoku Corporation
October	2000	Merged with Toyota Kakoh Co., Ltd.
October	2004	Merged with Araco Corporation's automotive interior division and with Takanichi Co., Ltd. Changed name to Toyota Boshoku Corporation

Stock Breakdown

Common stock Authorized:500 000 000 shares
Issued:187 665 738 shares

Stock listing Tokyo/Nagoya

Securities code No. 3116

Trading unit 100 stocks

Number of shareholders 32,596

Shareholders



Major Shareholders (top ten)

Shareholder	Number of shares	Shareholder	Number of shares
Toyota Motor Corporation	73,873,995	Japan Trustee Services Bank, Ltd.	4,367,800
Towa Real Estate Co., Ltd	18,346,209	Toyota Auto Body Co., Ltd.	4,016,000
Denso Corporation	10,192,100	Toyota Tsusho Corporation	3,930,100
Toyota Industries Corporation	7,756,062	The Master Trust Bank of Japan, Ltd.	2,316,200
NHK Spring Co., Ltd.	7,220,525	Toyota Boshoku Employees' Shareholding Society	1,567,819

Common Stock Price on the Tokyo Stock Exchange

