TOYO

2005 60TH ANNIVERSARY

GLOBAL CHALLENGE

ANNUAL REPORT 2005

Year Ended March 31, 2005

1995—2004

July 1995 The Tranpath MP minivan tire is launched as a the first product in the Tranpath series. / January 1996 Toyo Tire & Rubber acquires a capital interest in Cheng Shin-Toyo Tire & Rubber (China) Co., Ltd. / September 1999 Toyo Tire & Rubber forms a business partnership with Kinugawa Rubber Industrial Co., Ltd. / April 2000 The East Japan Automotive Parts Technical Center is opened. / December 2000 T-Mode is announced as a new basic design systems for tires. / February 2001 Toyo Automotive Parts (U.S.A.), Inc. is established in Kentucky, U.S.A. / November 2001 The main building at the Toyo Technical Center is completed. / August 2002 Toyo Tire & Rubber acquires a capital interest in Cheng Shin-Petrel Tire (Xiamen) Co., Ltd. (China). / October 2002 A major shopping mall, Diamond City Terrace, is opened on the site of the former Itami Manufacturing Complex. / January 2003 Toyo Tire (Shanghai) Co., Ltd. is established as a joint venture in Shanghai, China / May 2003 Toyo Rubber Chemical & Industrial Products (HK) Limited is established in Hong Kong, China. / June 2004 Toyo Tire North America, Inc. is established in Georgia, U.S.A., as a tire manufacturing base. / September 2004 Toyo Automotive Parts (Guangzhou) Co., Ltd. is established in Guangzhou, China.

1985—1994

April 1986 The Automotive Parts Technical Center is opened. / March 1987 New Pacific Industry Co., Ltd. is established as a joint venture with Cheng Shin Rubber Industry Co., Ltd. In the Republic of China / August 1988 Dynamic Simulation Optimized Contour Theory (DSOC) is announced as a new design theory for truck and bus tires / November 1988 GTY Tire Company is established as a joint venture. / October 1989 The High-Polymer Processing Technology Center is opened at the Fukushima Plant.

1975—1984

February 1979 Toyo Tire & Rubber forms a comprehensive business partnership with Nitto Tire Co., Ltd. / November 1979 Ryoto Tire Co., Ltd. (now the Kuwana Plant) is established.

60TH

1965—1974

March 1965 Tohoku Toyo Rubber Co., Ltd. (now the Sendai Plant) is established. / July 1966 Toyo Tire & Rubber becomes the first Japanese tire manufacturer to establish a U.S. subsidiary (Toyo Tire (U.S.A.) Corp.). / April 1971 The Akashi Plant is opened. / February 1974 Toyo Tire & Rubber acquires a capital interest in Vaculug Australia Ltd. (now Toyo Tyre and Rubber Australia Ltd.) / March 1974 Toyo Tire & Rubber acquires a capital interest in Fukushima Rubber Co., Ltd. / April 1974 The Soflan Technical Center is opened at the Hyogo Plant. / July 1974 T.G.K. Seals Co., Ltd. (now T.G.K. Co., Ltd.) is established.

In 2005, the Toyo Group has marked the 60th anniversary of its foundation. As an enterprise continuously striving to contribute to humanity and society, we are determined to make this year a milestone in our efforts to achieve the goals set down in our 21st Century Management Vision.

60th Anniversary TOYO GROUP

1955—1964

May 1956 Ayabe Toyo Rubber Co., Ltd. is established. / October 1959 Toyo Soflan Co., Ltd. is established. / December 1961 The Central R&D Laboratories (now the Technical Research Center) is opened. / 1963 Car tires are exported to the United States for the first time. / March 1964 Chubu Soflan Kakoh Co., Ltd. (now Chubu Soflan Co., Ltd.) is established. / September 1964 The Hyogo Plant is opened.

1945—1954

August 1945 Toyo Tire & Rubber Co., Ltd. is established. / July 1953 The Itami Manufacturing Complex is opened.

The Toyo Group is determined to enhance its value to humanity and society by continually creating unique, world-class technologies in its core competitive areas of tires, vibration control and thermal insulation.

A Management Vision for the 21st Century

Tire Technology

Thermal insulation Technology

Vibration control Technology

Contents

Mobility&Amenity

Our commitment is to create value and contribute to society by working to serve customers with better, more affordable products.

Profile

Founded in 1945, Toyo Tire & Rubber Co., Ltd. (Toyo) is one of the world's leading manufacturers of products that include automotive tires and parts, as well as of industrial rubber and soft and rigid polyurethane products for automotive and industrial uses. Today, the Toyo Group is active in over 100 countries and regions. Through its unique business model, it maintains market leadership by supplying highly original products and services that meet the changing needs of customers throughout the world. Having earned a global reputation for the quality of its products, the Toyo Group is now working to build a reputation for high executive standards through a high level of management transparency.

Core Businesses

The Tire Company handles a wide spectrum of products, ranging from car tires and studless tires to tires for commercial vehicles, trucks, buses, industrial vehicles and heavy construction machinery. Its activities are broadly divided into sales to motor vehicle manufacturers, sales of replacement tires for the Japanese market, and overseas operations. As a leading supplier of cutting-edge products, its mission is to provide value to its customers with innovative products and services.

Products handled by the Chemical & Industrial Products Company include seismic isolation bearings for buildings, bridge bearings, thermal insulation materials made from rigid polyurethane foam, flexible polyurethane foam, waterproof and sealing sheets, and components for IT equipment. The Company's aim is to provide optimal solutions that meet the needs of society through the creation of superior products in the areas of vibration control, thermal insulation and advanced functional products.

The Automotive Parts Company has gained an excellent reputation with motor vehicle manufacturers as a supplier of quality products, especially anti-vibration rubber parts and seat cushions. The goal of the Automotive Parts Company is to become the world's top manufacturer of vibration control products with the best functions and quality at the lowest possible prices. Its key asset for the attainment of this goal is its extensive knowledge of anti-vibration technology, a core area of technology for Toyo.

The Administrative Division specializes in corporate strategy and management control functions. It is responsible for strengthening the Group's cost-cutting and corporate governance activities. It also promotes corporate social responsibility (CSR) practices.

Financial Highlights

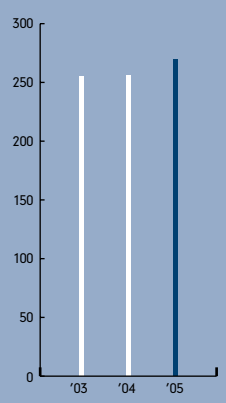
Toyo Tire & Rubber Co.,Ltd. and Consolidated subsidiaries.
Years ended March 31.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
For the Year			
Net sales	¥269,974	¥256,143	$2,513,958
Tires	173,945	162,912	1,619,750
Chemical & Industrial Products	39,898	38,302	371,524
Automotive Parts	54,500	53,267	507,496
Other Businesses	1,631	1,662	15,188
Operating income	12,068	7,679	112,375
Income before income taxes	12,694	8,225	118,205
Net income	7,480	5,520	69,653
At Year-End			
Total assets	¥284,464	¥284,237	$2,648,887
Current assets	113,092	109,061	1,053,096
Property, plant and equipment	116,924	111,479	1,088,779
Intangible assets	2,775	2,978	25,840
Investments and other assets	51,673	60,719	481,172
Shareholders' equity	74,724	73,931	695,819

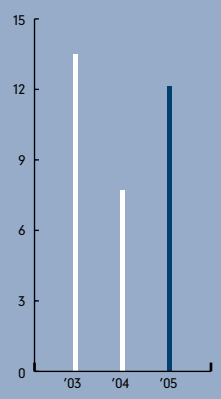
Per Share of Common Stock	Yen		U.S. dollars
Net income	¥35.61	¥26.24	$0.33
Cash dividends	9.00	7.00	0.08

Note: 1. The U.S. dollar amounts above and elsewhere in this annual report represent translations of Japanese yen figures calculated, for convenience only, at the exchange rate of ¥107.39 = U.S.$1, prevailing on March 31, 2005.
2. The Company's fiscal year runs from April 1 through March 31 of the following year.

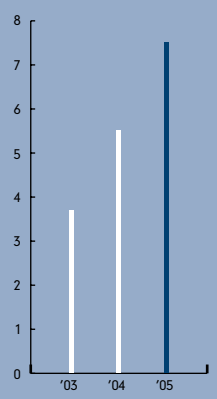
Net Sales (¥ billion)



Operating Income (¥ billion)



Net Income (¥ billion)



An Interview with the President

THE NEW CHALLENGE — SUSTAINABLE GROWTH IN THE 21ST CENTURY

The Medium-Term Business Plan 2002 was the first phase of the Toyo Group's efforts to realize its "21st Century Management Vision." The initial targets set down in that plan were largely achieved when the period covered by the plan ended in the year to March 2005. Since April 2005, the Toyo Group has been implementing the Medium-Term Business Plan 2005, which carries the slogan "Global Challenge."

Q. WOULD YOU BEGIN BY SUMMARIZING YOUR BUSINESS RESULTS FOR THE YEAR ENDED MARCH 2005?

A. The Toyo Group achieved satisfying growth in the year ended March 31, 2005. Our consolidated net sales increased by 5.4% year on year to ¥269,974 million, and our consolidated operating income was 57.2% higher at ¥12,068 million. Net income set a new record for the second consecutive year with a 35.5% year-on-year increase to ¥7,480 million. The year ended March 2005 was also the third and final year of the Medium-Term Business Plan 2002. I am pleased to report that our targets under that plan were largely realized. We achieved these results under harsh business conditions, including rapidly rising raw material costs and escalating price competition. I attribute this success to our efforts to achieve our targets through global business development, to the reinforcement of sales and marketing capabilities, to group-level cost-cutting initiatives and, ultimately, to hard work by every employee.

Q. WHAT BENEFITS HAVE EMERGED FROM THE PREVIOUS MEDIUM-TERM BUSINESS PLAN?

A. The slogan of the Medium-Term Business Plan 2002 was "Challenge for the Future." We identified the improvement of our global competitiveness as a priority for the entire Group. Our efforts to realize this goal were guided by a belief that the Toyo Group must continue to evolve if it is to remain valuable to humanity and society in the 21st century.

In our tire business, we successfully established a solid position for ourselves by increasing the penetration of the Toyo Brand

Results of Medium-Term Business Plan 2002 (¥ billion)

	Targets in 2005		Results in 2005
	Announcement in May, 2002	After Adjustment*	
Net Sales	270.0	262.5	270.0
Ordinary Income	15.5	10.0	12.6
Asset Turnover Ratio (time)	1 or more	1 or more	0.95
Interest-Bearing Liabilities	85.0	85.0	81.5
ROA (%)	6.0	3.8	4.4
Dividend (yen)	5.0	5.0	9.0

*Target figures have been adjusted to reflect exchange rates and changes in accounting policies so that comparisons with actual results for the year ended March 31, 2005 can be based on equivalent conditions.

in niche markets and the replacement tire markets, especially the North American SUV tire market. Our dynamic strategies also included the establishment of a new production base in North America.

In the chemical and industrial products segment, we implemented an aggressive strategy of selection and concentration and worked to build new core business areas. Specific achievements included the restructuring of our polyurethane business and diversification into products for the semiconductor industry.

In the automotive parts segment, we restructured our anti-vibration rubber business and strengthened our overseas business activities, especially in China and North America. As a result of these strategies, we were able to build a foundation for the growth of the automotive parts segment as a core business area for the future.

To support these business activities, we strengthened the group coordination capabilities of our corporate organization. We also worked to strengthen our competitiveness by strengthening our technology development capabilities and implementing the "TCR30" cost-cutting campaign.

Another goal was the reinforcement of our financial fundamentals, including the reduction of interest-bearing debt. We also established a mechanism to assess business performance from the shareholders' perspective by i ntroducing the "TR-VA" indicator, which is a version of the economic-value-added (EVA) indicator designed specifically for the Toyo Group.

Our aims under the Medium-Term Business Plan 2002 were not limited simply to the achievement of numerical targets. We also wanted to link our efforts to group-level restructuring and the creation of a structure to support improved competitiveness, as well as laying the foundations for our new "global challenge" initiatives.

Q. WHAT SPECIFIC INITIATIVES ARE ENCOMPASSED IN THIS NEW "GLOBAL CHALLENGE" CONCEPT?

A. Measures implemented under the Medium-Term Business Plan 2002 brought a wide range of benefits. However, the Toyo Group needs to adapt to new changes in the business environment, and we also need to carry out tasks that could not be completed under the previous medium-term plan. We took these needs into account when we formulated the Medium-Term Business Plan 2005, which we have been implementing since April 2005. The aim of the

Under the Medium-Term Business Plan 2002, we worked to strengthen global competitiveness and promoted advancement of technology and cost reductions, which showed positive results.

Under the slogan "Global Challenge," we will promote global business operations by not only elevating the Tire Company but also the Chemical & Industrial Products Company and the Automotive Parts Company.

plan is to bring the Toyo Group closer to our vision of a globally competitive enterprise.

Management transparency has become an increasingly important requirement for companies today, and corporate social responsibility (CSR) is also seen as an essential aspect of business activities. Companies are judged not only on the quality of their products and services and their ability to generate income, but also on their management quality as businesses. We therefore decided to base Medium-Term Business Plan 2005 on two fundamental policies. First, CSR, risk management, quality management and environmental management are essential management requirements and prerequisites for participation in market competition. Second, to survive fierce competition and be of value to society, we must continually accept new challenges.

These two policies represent a reaffirmation of the basic reasons for our existence as a company, and they are reflected in our choice of "Global Challenge" as the slogan for the Medium-Term Business Plan 2005. We chose this phrase to symbolize not only the continuing and accelerated global development of our business activities, but also the shared commitment of Toyo Group employees in Japan and overseas to accept the challenge of creating a new future. Our basic strategy calls for the expansion of our corporate value through global growth, for the concentration of management resources into core activities with growth and income potential, for the structural reform of our business operations, and for dynamic business expansion through the development of differentiated technologies and basic technologies with the potential to generate business and income.

Q. WHAT ARE YOUR NEW MANAGEMENT TARGETS UNDER THE MEDIUM-TERM BUSINESS PLAN 2005?

A. Our medium-term management targets are consolidated net sales of ¥300 billion, an operating income of ¥18.5 billion and an ordinary income of ¥17.5 billion in the year ending March 2008. We also aim to achieve a total asset turnover ratio of at least 1.0 by investing more efficiently, by undertaking new cost-reduction initiatives and by continuing to reduce our assets.

Other key management indicators are our return on assets (ROA) and the shareholders' equity ratio. We aim to raise these to at least 6% and 30% respectively. We will also target further reductions in our interest-bearing liabilities, which we aim to reduce to ¥75 billion or lower. We will further strengthen our

Targets in 2008 (¥ billion)

Net Sales	300.0
Operating Income	18.5
Ordinary Income	17.5
Asset Turnover Ratio (time)	1 or more
ROA (%)	6.0
Equity Ratio (%)	30 or more
Interest-Bearing Liabilities	less than 75.0

Targets for 2008 by Segment

(¥ billion)

		Tire	Chemical & Industrial Products	Automotive parts	Other
Net Sales	Results In 2005	173.9	39.9	54.5	1.6
	Targets in 2008	225.0	32.0	41.5	1.5
	Increase (decrease) Ratio	Approx. 30%	(Approx. 20%)	(Approx. 25%)	—
Operating Income	Results In 2005	11.1	0.3	0.1	0.5
	Targets in 2008	15.5	1.5	1.0	0.5

financial fundamentals, including the reduction of our debt-equity ratio to 1.0 or lower. We have introduced a new business income indicator called "TR-VA." Our target for this is ¥2.5 billion or higher. The above targets are based on a projected exchange rate of ¥100 to the U.S. dollar and ¥130 to the euro.

Q. FINALLY, WOULD YOU SAY A FEW WORDS ABOUT YOUR VISION FOR THE FUTURE?

A. The year ending March 2006 will be the first year under our new medium-term plan. We will move rapidly and dynamically to implement a variety of initiatives designed to ensure our success against business competition and achieve further improvement in our corporate value. Our approach will be guided by our philosophy that the future is won by those who accept the challenges. Our performance forecasts for the year ending March 2006 are shown in the accompanying table. We are determined to reach these levels, which represent the first milestone on our path to achieving the targets in our Medium-Term Business Plan.

We will also step up our efforts to build a global management structure. We intend to establish group-level corporate governance and intensify our efforts in other areas, including the harmonious coexistence with local communities and initiatives to deal with environmental problems.

This year we will mark the 60th anniversary of Toyo Tire & Rubber. Through business activities spanning these decades, we have gained the trust and support of our customers and shareholders. In the years ahead we must live up to this confidence by demonstrating our continuing determination to be an enterprise of real value to humanity and society and our commitment to continuing growth. We look forward to the continuing support of all stakeholders.

Target for 2006

(¥ billion)

Net Sales	290.0
Ordinary Income	12.0
Net Income	7.0

Yoshio Kataoka

YOSHIO KATAOKA,
PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Medium-Term Business Plan 2005

Setting the Course for Sustainable Growth

Management Slogan

Corporate social responsibility (CSR), risk management, quality management and environmental management are essential management requirements and prerequisites for participation in market competition.

To survive against fierce competition and be of value to society, we must continually accept challenges.

Targets for Key Indicators in 2008

1. Net Sales	¥300.0 billion
2. Operating Income	¥18.5 billion
3. Ordinary Income	¥17.5 billion
4. Asset Turnover Ratio	1 time or more
5. Return on Assets	6.0%

Global Challenge

1. Expansion of our corporate value through global growth
2. Concentration of management resources into core activities with growth and income potential
3. Structural reform of our business operations
4. Development of differentiated technologies and basic technologies with the potential to generate business and income.

Accelerating Global Growth

>> The Toyo Group regards the enhancement of its global corporate value as the key to sustainable growth in the 21st century.

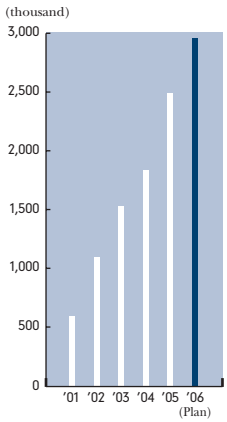
GLOBAL BUSINESS DEVELOPMENT

Since April 2002, the Toyo Group has been working to strengthen its global competitiveness through initiatives set out in the Medium-Term Business Plan 2002. The dynamic globalization strategies adopted by the Toyo Group companies under this plan are now yielding tangible results, including sustained growth in overseas sales. The overseas sales ratio has also risen sharply, from 31.5% in the year ended March 2002 to 38.1% in the year ended March 2005.

TIRE COMPANY — A NEW GLOBAL STRUCTURE

The Tire Company has focused in particular on the United States, the world's largest automobile market. Marketing efforts targeted toward niche markets, such as the expanding and highly profitable markets for SUV and pickup truck tires, have boosted tire sales in these areas from 1.55 million tires in the year ended March 2002 to 2.5 million tires in the year ended March 2005. The growing sales in the U.S. market have required further expansion of our production capacity. The Toyo Tire North America Inc. (TNA) plant, under construction since December 2005, will become fully operational in the summer of 2006 with an annual production capacity of 2 million tires. Moreover, the annual production capacity of our plants in Japan reached 3 million tires in the summer of 2004, and there are plans to add capacity for a further 1.1 million tires in 2005 to meet future demand growth.

■ Forwarding Volume of SUV Tires in U.S. Market

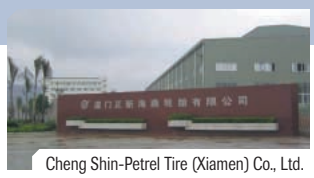


The Toyo Group is also expanding its capacity to meet continuing growth in the Chinese market. Since April 2004, Cheng Shin-Petrel Tire (Xiamen) Co., Ltd. commenced production of radial tires for trucks and buses, and Cheng Shin-Toyo Tire & Rubber (China) Co., Ltd. is currently increasing its production of radial tires for cars.

Future strategies call for further expansion of the Toyo Group's global tire production capacity. The aim is to reach an annual production capacity of 30 million tires by


Toyo Tire Europe GmbH

Opening ceremony of Toyo Tire Europe GmbH


Cheng Shin-Petrel Tire (Xiamen) Co., Ltd.

March, 2008 through the development of a production structure based in Japan, China and the United States.

In January 2005, a new sales company, Toyo Tire Europe GmbH, was established in Neuss, Germany to handle sales throughout the European region. Its mission is to expand the Toyo Group's business in Europe through coordinated marketing and sales activities.

CHEMICAL & INDUSTRIAL PRODUCTS COMPANY AND AUTOMOTIVE PARTS COMPANY — GLOBAL BUSINESS DEVELOPMENT ON TWO FRONTS

The Chemical & Industrial Products Company is working to expand its overseas production of rubber parts for railroad cars. Its strategy emphasizes reinforcing core business areas, such as rigid polyurethane, as well as diversifying the production to target new areas, such as the IT equipment and semiconductor industries. Air springs for railroad cars were delivered to Taiwan's high-speed rail system, and also marketed aggressively to subway operators in major overseas cities. The Toyo Group also participated in overseas projects, including the supply of anticorrosive rubber linings to a large-scale nickel refinery in the Philippines. In the IT sector, Toyo's sales company in Hong Kong worked actively to win orders for supplying office automation equipment parts to Japanese manufacturers with production operations in China.

The Automotive Parts Company further consolidated its position as a global supplier of antivibration rubber parts by expanding the production capacity of its North American plants, commencing manufacturing at a new plant in China and strengthening alliances in Europe. Future plans include expanding overseas production operations in Australia, Taiwan, North America and China to provide enhanced support for the increasingly global activities of automobile manufacturers.

Establishing a tire production facility in North America

The construction of Toyo Tire North America Inc. in Georgia, USA, is under way. This facility will introduce a new production method developed by Toyo, and will be completed in December 2005.

Driving Technological Innovation

>> The Toyo Group continues to strengthen its foundations by developing new technologies and manufacturing methods and by differentiating its technologies and products. Through better products, it also contributes to a more amenable environment.

BUILDING A REPUTATION FOR ADVANCED TECHNOLOGY

The Toyo Group aims to strengthen its global competitiveness by establishing a reputation for superior technology based on its expertise in the fields of tires, vibration and thermal insulation. It aims to realize this vision by developing globally competitive products under its "Technology Navigation Project," and by establishing globally competitive plants under the "Production Navigation Project." These two projects have already yielded significant successes.

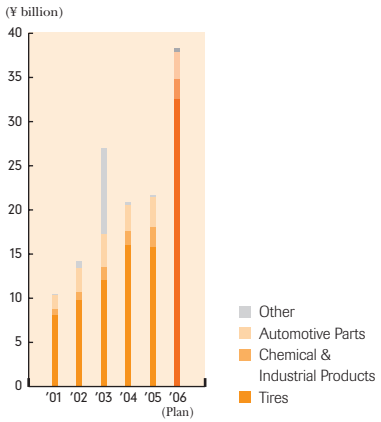
In the tire technology area, Toyo has successfully used its "T-Mode" design analysis method, which simulates how specific vehicles behave with certain tire types, to develop products that precisely match customer needs. This approach has also brought dramatic reductions in development lead times.

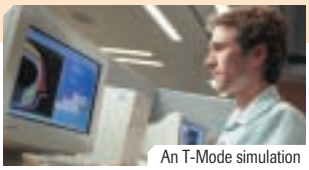
Run-flat tires are an important development theme for Toyo. Having already developed its own run-flat tire technology based on a side-support system, it signed a technology licensing agreement in May 2004 with the French manufacturer Michelin covering the latter's PAX-System run-flat tires, which employ a support ring approach. Toyo is committed to continuing the development, manufacture and sales of run-flat tires.

As for tire manufacturing technology, Toyo has successfully developed a new high-quality tire production system that minimizes space requirements and supports low-volume production of large product ranges. This new system, known as the "A.T.O.M. Method," will be introduced at Toyo's new plant in North America.

In the automotive parts segment, Toyo is focusing on the development of strategic next-generation anti-vibration rubber products. Innovations based on the new technology include active control mounts (ACMs), which provide enhanced passenger comfort by reducing engine and chassis vibration in passenger cars.

■ Capital Expenditure




An T-Mode simulation


A side-support run-flat tire develooped by Toyo Rubber


Seismic isolation rubber bearing

STEADY PROGRESS IN THE THERMAL INSULATION BUSINESS AND NEW ACTIVITIES

The Toyo Group has led the polyurethane industry in taking initiatives to eliminate the use of CFCs in thermal insulation, including the development of non-CFC products and next-generation CFC alternatives. It is also developing recycling technology for soft polyurethane foam, and working to expand sales of environment-friendly and resource-friendly products.

To enable the Group to meet the growing need for sophisticated vibration control technology, including seismic isolation and vibration damping systems, the Toyo Group has installed one of the industry's largest lateral strength testing systems at its Akashi Plant in Japan. The system is used to test and analyze rubber seismic isolation bearings for buildings and rubber bridge bearings.

In addition, the Toyo Group has now started to develop high-added-value modular products that blend technologies from the tire, automotive parts and vibration control segments. It has also begun producing polishing pads used in chemical mechanical polishing systems (CMPs) for semiconductor wafers. It signed a technology license agreement with Rodel Nitta Company, the world's leading manufacturer in this field, and in July 2004 it established Toyo Advanced Technology Inc. to manufacture and sell the products. The new business is expected to make a significant contribution to Toyo's efforts to develop precision technology for cutting and polishing applications.

New company established to manufacture and sell CMP polishing pads

Toyo Advanced Technology has been established at the Hyogo plant. Toyo Rubber sees the semiconductor industry as a growth market and will use its urethane technology to develop its business in this area.

Corporate Policy Guided by Social Responsibility

The Toyo Environmental Protection Fund has provided its first overseas grant. The photograph shows environmental education activities by the Margaret and Luke Pettit Environmental Preserve, Inc., a non-profit organization in the United States.

>> As an enterprise striving to contribute to humanity and society, the Toyo Group regards corporate social responsibility (CSR) as a fundamental management commitment, guiding its efforts to achieve sustainable growth.

BASIC POLICIES ON CSR AND MANAGEMENT

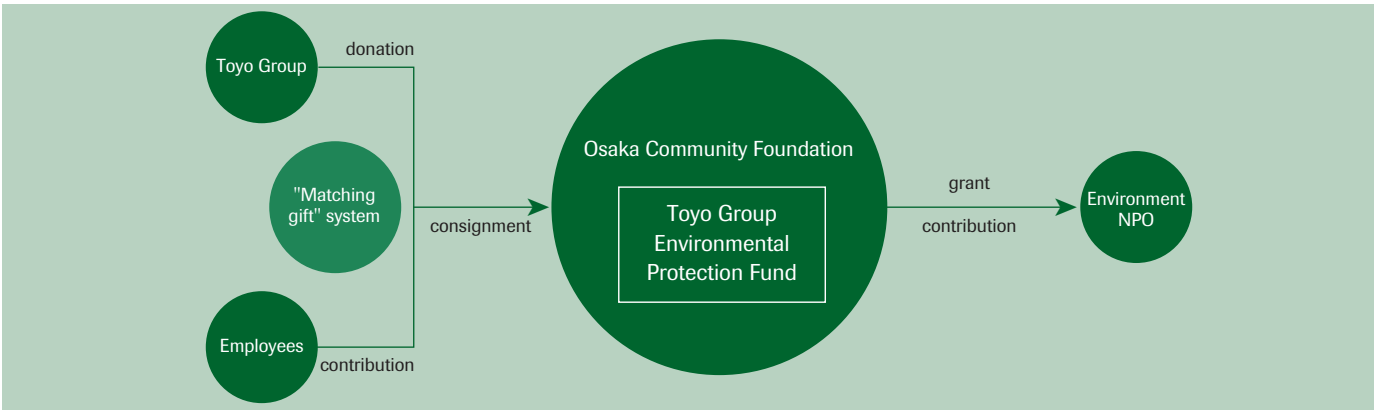
In its Medium-Term Business Plan 2005, the Toyo Group identifies CSR, risk management, quality management and environment management as fundamental corporate management priorities and prerequisites for market competition. The Toyo Group also recognizes that to survive competition and benefit society, it is necessary to continually meet challenges in these areas. The Group also believes that the enterprise's social value depends, to a large extent, on its ability to fulfill its corporate social responsibilities by tackling environmental problems, setting up effective corporate governance and compliance systems, and building a sound organizational structure that takes employee satisfaction into account.

CORPORATE GOVERNANCE

The Toyo Group is building corporate governance structures that ensure optimal efficiency and sound management. In the year ended March 2000, it introduced an executive officer system designed to clearly define executive supervision and management responsibilities. In the year ended March 2001, it further strengthened its management structure by introducing an in-house company system to support rapid management decision-making, clarify roles and responsibilities and ensure correct assessments of business operations. Each of these "companies" has its own executive board working under regulations that clearly define its powers and responsibilities and ensure consistency with the powers of the Board of Directors and the Board of Executive Officers.

In April 2004, governance functions were divided into auditing, supervision, operations and integration. To clarify functions and responsibilities in each of these areas, the classifications used for directors were reduced to two: representative directors and directors, and their roles were limited to supervisory functions. The role of the executive officers, under the leadership of the Chief Executive Officer, was limited to executive functions.

Internal governance functions are also being strengthened. Toyo Tire & Rubber has an auditor system based on a Board of Auditors. Currently there are four auditors, of whom three are external auditors. The auditors attend



important meetings, including the meetings of the Board of Directors, to audit business operations. An Operations Audit Group has been established at the corporate level.

In addition to the Toyo Group itself, each in-house company undergoes regular internal audits of their operations. Their activities are also monitored and, when necessary, advice is provided about ways to improve operations. Furthermore, specialist committee functions have been strengthened and expanded in such areas as quality assurance, the environment, health and safety, disaster prevention, technology and human resources, as part of a continuing drive to achieve further group-wide improvements in the standard of operations.

COMPLIANCE

Toyo has strengthened its compliance systems through measures that include appointing directors with a special responsibility to monitor compliance, and establishing a Compliance Committee made up of all directors. In addition, a code of conduct for all Toyo Group companies currently being compiled with a view to adoption in 2005.

As part of its ongoing efforts to strengthen and enhance risk management systems, Toyo has formulated a basic risk management manual for all group companies. Group-wide inspections are conducted by directors with special risk management responsibilities.

In December 2004, the Fair Trade Commission issued a cease and desist notice to Toyo Tire & Rubber in relation to its bidding for Japan Defense Agency orders for automobile tires. The notice alleged violations of the Antimonopoly Act. Initially, Toyo Tire and Rubber disputed the facts stated in the notice. However, after further consideration of the circumstances, it notified the Fair Trade Commission in March 2005 that it accepted the notice, which then became an official ruling. The Toyo Group takes this ruling very seriously, and the Compliance Committee is now leading efforts to reinforce ethics, educate employees, and improve internal auditing and governance systems.

ENVIRONMENTAL ACTIVITIES

The Toyo Group recognizes the need to integrate environmental protection and quality assurance into its activities in order to fulfill its social responsibilities. This is reflected in its environmental management initiatives. Under the Medium-Term Business Plan 2005, the Toyo Group will step up energy conservation activities, which include expanding the cogeneration capacity of the Kuwana Plant and converting its boilers to operate on natural gas instead of heavy oil. Further group-level initiatives are planned, including the conversion of boilers and cogeneration systems from heavy oil to natural gas use, and the introduction of cogeneration systems.

GLOBAL WARMING PREVENTION AND CO_2 EMISSION REDUCTION

Toyo is actively working to reduce environmental burdens. For example, one of the targets stated in the Medium-Term Business Plan 2005 is a 15,000 ton reduction of CO_2 emissions. After the Kyoto Protocol came into force in February 2005, Toyo decided to raise the CO_2 reduction target for domestic sites from 10% of the 1990 level to 12% by the year ending March 2011.

ZERO EMISSION STATUS ACHIEVED AT 18 FACILITIES IN JAPAN

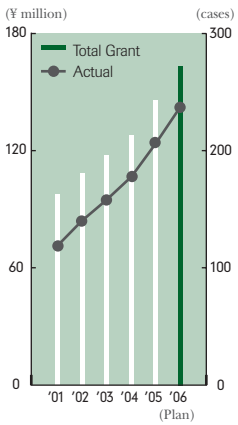
Toyo has been working to achieve zero emission status under a policy that emphasizes the reduction, reuse or recycling of waste. The target date was March 2005, but in fact, zero emission status had been achieved at a total of 18 facilities in Japan by July 2004. These include 13 production facilities on 11 sites, including facilities operated by Toyo Group companies, and five technical and administrative facilities.

TOYO GROUP ENVIRONMENTAL PROTECTION FUND

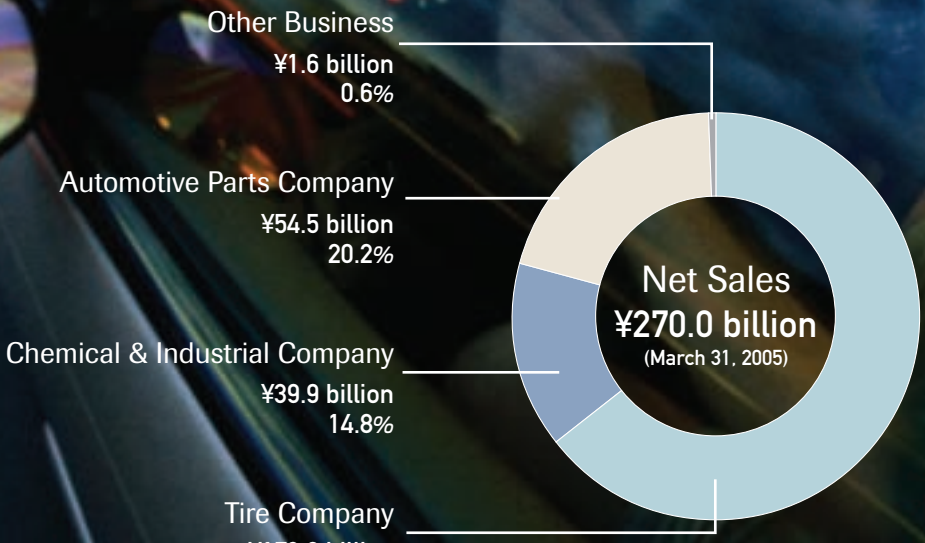
Established in 1992 in response to a suggestion from an employee, the fund's mission is to contribute to the solution of environmental problems by providing grants to non-profit organizations working to protect the environment. Over 80% of the Toyo Group employees contribute to the fund under a "matching gift" system, whereby group companies donate equal amounts.

In the year ended March 2005, the Toyo Group Environmental Protection Fund awarded grants totaling ¥18.09 million to 29 non-profit organizations. This brought the cumulative total of grants given over the 12 years since the fund's establishment to ¥145 million. The year ending March 2006 will be Toyo's 60th anniversary year. To mark this milestone, and to reflect on the increasingly global scope of the Toyo Group's activities, the fund has begun to provide grants to non-profit organizations involved in overseas activities. In the year ending March 31, 2006, the fund plans to award grants totaling ¥17.5 million to 30 organizations.

■ Grant and Actual Cases



Review of Operations
Accelerating Structural Reforms



The Toyo Group has implemented the in-house company system to enable each member of the Group to contribute maximally with its own technology and product development. A new Group management structure brings a uniform overview of the management strategy planning of each business operation, promotion of group-wide technological development, management of cost reductions and promotion of corporate social responsibility (CSR).

Tire Company

TRANPATH Lu

>> Toyo is building a business structure that combines stability with growth and earning potential by creating customer value, and aims for further global business expansion.

THE NEW CHALLENGE OF GLOBAL EXPANSION

Under the Medium-Term Business Plan 2002, the Toyo Group has implemented unique marketing campaigns targeted toward high-margin growth niches, such as SUV and pickup truck tires, in the United States, which is the biggest automobile market in the world. Through these efforts, Toyo has established a strong position in the U.S. market and built an excellent brand image, both in the market and in the media. There has also been major progress toward the development of the Toyo Group's business base in the United States, including the start of construction of a new plant for Toyo Tire North America, Inc. (TNA).

The Toyo Group is also expanding its activities in the rapidly growing Chinese market. In addition to its passenger car tire production facility in Kunshan, Toyo has also built a new production facility for truck and bus tires in Amoy. The new plant has been operational since April 2004.

Within Japan, the Toyo Group has expanded production capacity at its Sendai and Kuwana Plants. By the year ended March 31, 2005, it had established sufficient capacity to produce 3 million high-added value tires annually.

Under the Medium-Term Business Plan 2005, the Tire Company's basic policies are to build a business structure that combines stability with growth potential and earning potential by creating customer value and to aim for further global business expansion.

The first priority will be to establish a global supply structure. This will require the early start-up of production at

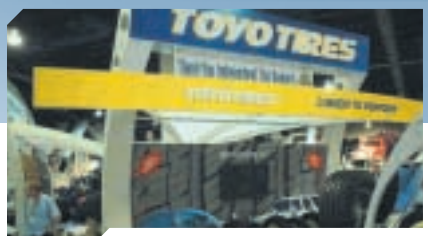
GARIT G30

PROXES CT01

OPEN COUNTRY H/T

PROXES T1R

Branding activities in Europe–SUV world speed record of 308 km/h set in collaboration with Tuner.



Focused marketing activities at the SEMA SHOW

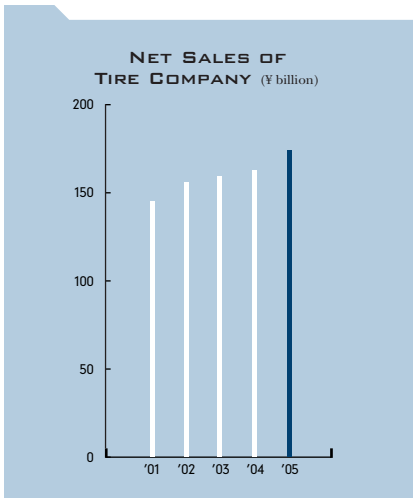
the TNA plant and further expansion of production at plants in Japan and overseas. The aim is to develop supply and distribution systems on a global scale. In the year to March 2006, capacity for 1.1 million tires will be added at the Kuwana Plant. Production will also be increased in China. These measures, combined with a smooth production start-up at the TNA plant, will boost total capacity to 30 million tires by the year ending March 31, 2008.

The second priority is the expansion of overseas business operations. The Toyo Group will further expand its North American operations while strengthening its activities in the European market, which is seen as a new source of earnings. In January 2005, Toyo Tire Europe GmbH was established in Neuss, Germany to handle sales throughout the European region. Structured as a joint venture with Mitsubishi Corporation, its mission is to increase sales in the European market, which continues to grow with the expansion of the EU.

The third priority is the reinforcement of the Toyo Group's integrated sales capabilities for its domestic business. Toyo's strategy for the domestic market calls for the expansion of sales of high added-value products, especially through the reinforcement of its two major brands, "Tranpath" and "Proxes," and through the development of a mix of business formats and products that strengthens earning potential.

The fourth priority is to strengthen the Toyo Group's ability to develop products differentiated by advanced production methods and new technologies. Efforts in this area will focus on the improvement of competitiveness based on product development systems that other companies cannot match. Specific targets include the development of new tire structures based on new production methods, the reduction of development lead times and the reinforcement of technology development capabilities.

Through these strategies, the Toyo Group will work to achieve further growth in its business activities and earnings by engaging in marketing activities that anticipate needs in the tire market, and by integrating manufacturing, development and sales under a unified global business structure linking Japan, the United States, China and Europe.



Chemical & Industrial Products Company

Thermal Insulation Panels

>> Toyo aims, as an enterprise with superior know-how of rubber and polyurethane technologies, to meet the needs of society in the areas of vibration control, thermal insulation and advanced functional products.

EMPHASIS ON SPEED AND INNOVATION

Under the previous medium-term business plan, the Chemical & Industrial Products Company worked to build a strong business structure and a sound income structure through a process of selection and concentration. This focus will continue under the Medium-Term Business Plan 2005. Achievements under the previous plan include strengthening the board business, developing non-CFC products and products based on next-generation CFC alternatives, and reinforcing integrated sales and marketing systems in the area of rigid polyurethane products. The Chemical & Industrial Products Company has enjoyed considerable success in bidding for major projects. For example, it won a contract to carry out thermal insulation work on tanks used for storing liquid natural gas (LNG) at Kansai Electric Power's Sakai LNG Center, using a new PUF process.

Overseas, the Chemical & Industrial Products Company has worked actively in the Chinese market to win orders for office automation equipment parts. It has participated in a number of major overseas projects, including the supply of air springs for railroad cars used on a high-speed rail system in Taiwan. Another notable achievement is an order for anticorrosive rubber linings for a large-scale nickel refinery in the Philippines.

While important progress has been made, the pace of business development has been slower than anticipated,

Polishing pads for CMP

Inspection of polishing pads for CMP

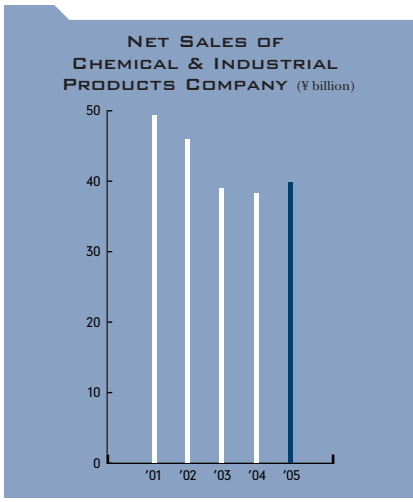
A thermal insulation project using rigid polyurethane foam (PUF) at the Sakai LNG Center.

with the result that further improvement in earnings is needed. Under the Medium-Term Business Plan 2005, the Chemical & Industrial Products Company aims to accelerate the improvement of its earning structure by building on the achievements to date. Its basic policy is to implement rapid, decisive reforms that will allow it to fulfill its mission as an enterprise capable of using rubber and polyurethane technologies to meet the needs of society in the areas of vibration control, thermal insulation and advanced functional products.

First, all business activities will be subjected to a rigorous selection process. Criteria that are used to identify activities with low earning potential will be tightened further, and the business plan will be implemented through a combination of strategies, including business partnerships, M&A, retrenchment and withdrawal. The goal is to increase the pace of income improvement.

We also plan to aggressively concentrate management resources into core areas in which the Toyo Group has both a competitive advantage in the market and can look forward to continuing growth. Particular priority will be given to the development of business activities, including overseas operations, based on advanced functional products, such as IT products and polyurethane semiconductor polishing pads.

By fast-tracking these strategies, the Chemical & Industrial Products Company aims to compensate for slower-than-expected progress in the implementation of its selection and-concentration strategy under the Medium-Term Business Plan 2002 and to build a high-income business structure.



Automotive Parts Company

Hydraulic Upper Mount

>> Toyo aims to become a high-income enterprise by shifting its focus from selection and concentration to strategic business development.

EVOLUTION AS A GLOBAL SUPPLIER

The Automotive Parts Company has strengthened the activities in its core area of anti-vibration rubber. Within Japan, it has expanded the scale of its operations by collaborating with Kinugawa Rubber Industrial Co., Ltd. and acquiring a business operation from Toyoda Gosei Co., Ltd. It has also built a new production facility at the Kuwana Plant as part of efforts to improve and strengthen its production systems.

Overseas, Toyo has steadily consolidated its position as a global supplier. It has expanded its anti-vibration rubber business in North America and pursued an alliance strategy in Europe. In addition to its existing overseas production facilities in Australia, Taiwan and North America, it has established a fourth, Toyo Automotive Parts (Guangzhou) Co., Ltd., in China.

The basic policy of the Automotive Parts Company under the Medium-Term Business Plan 2005 is to become a high-income enterprise by shifting its focus from selection and concentration to strategic business development. It has adopted the following action plans.

The Automotive Parts Company will work to expand the anti-vibration rubber business, which is seen as a core business area. While steadily consolidating its international supply structure, Toyo will strengthen its earning potential

Hydraulic engine mount

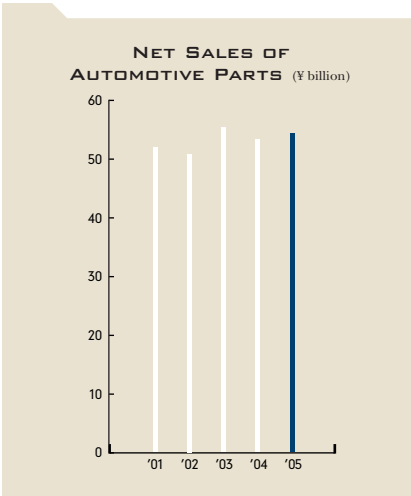
Polyurethane seats for automobiles

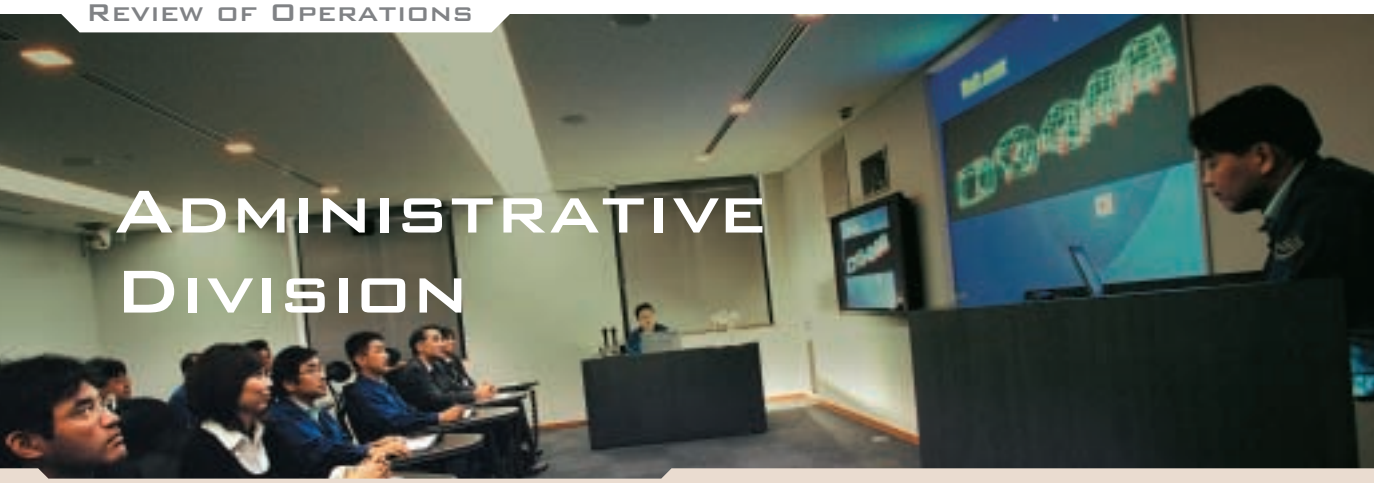
Toyo Automotive Parts (Guangzhou) Co., Ltd. will begin operation in the fall of 2005

by shifting to advanced functional products in the Japanese market and by reducing tool procurement costs. Priorities for overseas activities include the improvement of earnings from production facilities in North America and the start-up of production at a new plant in China, which is scheduled to become operational in the fall of 2005, leading to the rapid establishment of a global business structure. The Automotive Parts Company will also strengthen its alliances in Europe and consolidate its position as a global supplier to improve its ability to meet the needs of an increasingly globalized automobile manufacturing industry.

The Automotive Parts Company will also work to develop new products that reflect changes in the automobile market, including the increased use of intelligent systems in vehicles and performance improvements made possible by advances in automotive technology.

Furthermore, the seat cushion business will be restructured. Rising raw material costs have eroded profit margins in this area. The Automotive Parts Company will work to improve earnings by passing on these increased costs through higher selling prices and by restructuring its business operations.





Administrative Division

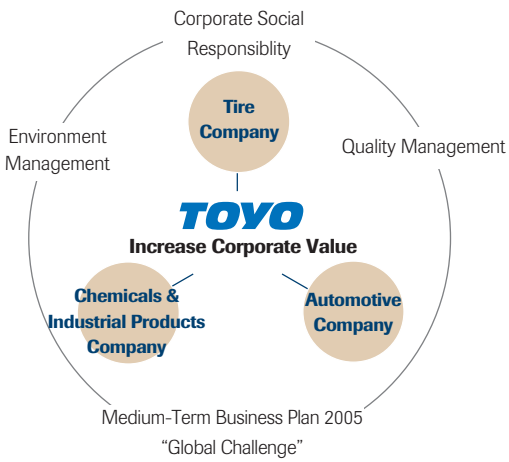
>> While maintaining a strong commitment to ongoing management reform and leadership, Toyo is establishing optimal group management and administrative structures to support the expansion of corporate value.

MAXIMIZING CORPORATE VALUE

Under the Medium-Term Business Plan 2002, the Toyo Group sought to enhance its corporate value by evolving into a "small parent company" structure specializing in corporate operations relating to strategy and business administration. Other targets included the reinforcement of the Toyo Group's technology base, the reduction of costs and the improvement of financial fundamentals. The Toyo Group also established business assessment mechanisms based on shareholder perspectives. The Medium-Term Business Plan 2005 calls for strong leadership toward the achievement of targets and for further adaptation to business globalization.

The Toyo Group's corporate-level strategy under the Medium-Term Business Plan 2005 is to maintain a strong commitment to ongoing management reform and leadership. It also seeks to establish optimal group management and administrative structures to support the expansion of corporate value. A third aim is to foster a corporate culture that emphasizes strong commitment, readiness to meet the challenges of reform and the ability to act promptly and effectively. The following action plans will be implemented within this basic strategy:

First, corporate cost structures will be reformed. The Toyo Group made significant progress with cost-cutting efforts under the Medium-Term Business Plan 2002. There is a need for continuing efforts to reduce costs because of challenging business conditions,



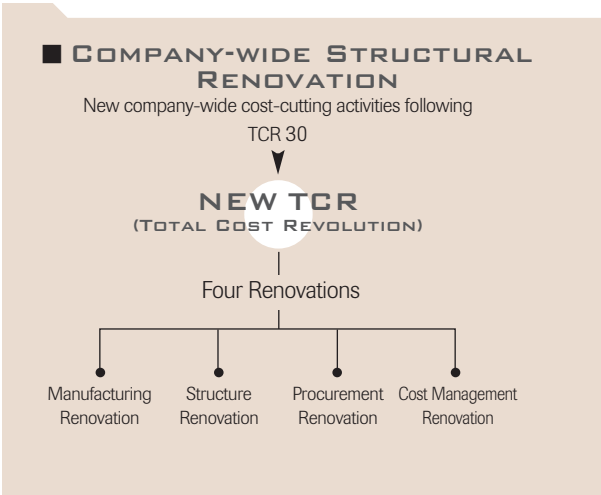
especially rising raw material prices and exchange rate instability. The Toyo Group also needs to achieve income that is commensurate with its level of investment, and to improve the earnings of its less profitable business activities. The year ending March 2006 will be used as a period of intensive group-level cost structure reform.

Second, there will be further evolution of the in-house company system, which was first introduced in 2000 to create a structure based on independent profit units. The system will be further enhanced to allow each company to manage its operations flexibly according to its business environment.

Third, human resource systems will be adapted to reflect the new corporate structure. A variety of reforms will be implemented to create an enterprise in which employees can feel pride as they work to achieve the "global challenge" set down in the Medium-Term Business Plan 2005. The resulting systems will encourage and support employees to take up this challenge, and they will also ensure recognition for achievements.

Fourth, the Toyo Group will promote corporate social responsibility (CSR) on a global scale. The Toyo Group is expanding its activities globally and sees CSR initiatives as a prerequisite for global market participation. It will implement effective governance, compliance and risk management systems covering its operations in Japan and overseas, while expanding its initiatives in the areas of environmental protection and contribution to regional communities.

The role of the corporate operations is to provide leadership for continuing efforts to maximize corporate value and achieve sustainable growth.



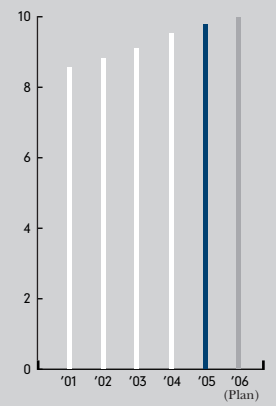
Research & Development Division

The research and development activities of the Toyo Group are aimed toward improving the quality of the human and natural environments through activities centering on its three core areas of tires, vibration control and thermal insulation. The Group's technology development organization consists of the Technical Research Center, which conducts basic research; the Toyo Technical Center, which develops tire technology; the Tire Testing Course and Winter Tire Testing Course, which assess and test tires; the Soflan Technical Center, which develops polyurethane technology; the Automotive Parts Technical Center and Automotive Parts Technical Center East Japan, which develop automotive parts technology; and the High-Polymer Processing Technology Center, which specializes in the development and processing of advanced functional films and sheets.

The group-level R&D strategy is established by the Technology Council, which was established to facilitate technology development efforts in each business area. Positioned as the corporate R&D organization, it functions as a platform for basic technical R&D involving all in-house companies. It also facilitates the development of differentiated technology by individual in-house companies and helps to turn new technology into products and manufacturing systems.

Under the Medium-Term Business Plan 2005, the basic research and development strategy is to target research and development activities toward products and technologies that anticipate future needs. The medium-term priorities are reinforcing the Toyo Group's ability to create new seed technologies, continuing the exploration of basic technologies, developing human resources with first-class technical capabilities and reinforcing the Toyo Group's intellectual property resources. This will be achieved through action plans designed to create new businesses by exploring research themes linked to advanced new industries. The action plans will also strengthen the Toyo Group's technology resources so that it can maintain world-class capabilities at all times. Finally, they will be used to develop technologies that can be used to differentiate existing major products, link intellectual property strategies to business and technology strategies and build human resource development and information-gathering systems that recognize the need to overcome fierce global competition.

R&D Expenditure (¥ billion)



Meeting the Challenge of World-Class Technology

Tire Company	Chemical & Industrial Products Company	Automotive Parts Company
●Expanded implementation of new production technology (A.T.O.M. method) ●Accelerated development of new technology (e.g. run-flat tires)	●Development of vibration control and thermal insulation products (Super thermal insulation) (Introduction of functional rubber products)	●Reinforcement of manufacturing infrastructure ●Advanced champion products (High-performance engine mounts) (Functional anti-vibration rubber)

Developing Differentiated Technologies

Safety | Durability | Comfort | Quietness | Energy conservation | IT

Strengthening core technologies/ Corporate R&D
●Creating next-generation technology and the hit products of tomorrow
(Material nanostructure optimization technology)
(Process analysis technology)

●Development of technology for new businesses
●Advanced technology partnerships

Strengthening intellectual property
●Adapting to new technology
●Adapting to new production methods

Financial Section

Five-year Summary

Toyo Tire & Rubber Co.,Ltd. and Consolidated subsidiaries.

In Millions of yen except per share figures

	2001	2002	2003	2004	2005
For the fiscal year ended March 31:					
Net sales	¥ 247,281	¥ 253,811	¥ 255,158	¥ 256,143	¥ 269,974
Tires	145,488	156,080	159,237	162,912	173,945
Chemical & Industrial Products	49,414	46,049	39,089	38,302	39,898
Automotive Parts	51,848	50,864	55,315	53,267	54,500
Other Businesses	531	818	1,517	1,662	1,631
Percentage of sales					
Tires	58.8%	61.5%	62.4%	63.6%	64.4%
Chemical & Industrial Products	20.0%	18.2%	15.3%	15.0%	14.8%
Automotive Parts	21.0%	20.0%	21.7%	20.8%	20.2%
Other Businesses	0.2%	0.3%	0.6%	0.6%	0.6%
Sales by market					
Domestic	194,722	190,381	184,003	182,839	187,828
Overseas	52,559	63,430	71,155	73,304	82,146
Percentage of sales by market					
Domestic	78.7%	75.0%	72.1%	71.4%	69.6%
Overseas	21.3%	25.0%	27.9%	28.6%	30.4%
Income before income taxes	6,303	5,446	6,938	8,225	12,694
Net income	4,060	3,261	3,657	5,520	7,480
Capital expenditure	10,555	15,729	27,615	21,233	22,362
Per share of common stock (Yen)					
Net income	¥ 19.40	¥ 15.58	¥ 17.33	¥ 26.24	¥ 35.61
Cash dividends	5.00	5.00	7.00	7.00	9.00
At the year end:					
Total assets	¥ 264,627	¥ 256,410	¥ 259,206	¥ 284,237	¥ 284,464
Shareholders' equity	56,947	58,637	58,314	73,931	74,724
Current ratio	79.7%	83.5%	86.6%	101.9%	97.2%
Number of employees	6,673	6,320	6,280	6,263	6,377

Management's Discussion and Analysis

OVERVIEW OF ACTIVITIES

The Toyo Group consists of Toyo Tire & Rubber Co., Ltd., its 42 consolidated subsidiaries and seven equity method affiliated companies. It competes globally with high-quality and innovative products grouped under the categories of tires, chemical and industrial products and automotive parts. Activities in the tire segment include manufacture and sale of tires, tubes and aluminum wheels. In the area of chemical and industrial products, the Toyo Group manufactures and sells industrial rubber and synthetic resin products. The automotive parts business encompasses the manufacture and sale of all automotive parts except tires, especially anti-vibration rubber parts and seat cushions. Other activities include the supply and maintenance of facilities and tools for these business areas, and services, especially financing and investment.

In the year ended March 2005, the Toyo Group recorded net sales of ¥269,974 million, a year-on-year increase of 5.4%. Sales were higher in all segments, with year-on-year gains of 6.8% in the tire segment, 4.2% in the chemical and industrial products segment and 2.3% in the automotive parts segment.

Overseas sales increased by 11.2% year on year, to ¥102,745 million, and the contribution to total net sales by 2.0 points, to 38.1%. Sales in North America, including Canada, were 22.7% higher, at ¥66,339 million, and the contribution to total overseas sales rose by 3.5 points, to 24.6%. Sales in other regions, including Europe, Near East, Oceania and Southeast Asia, were 4.9% below the previous year's level, at ¥36,406 million, while the contribution to total net sales declined by 1.4 points to 13.5%.

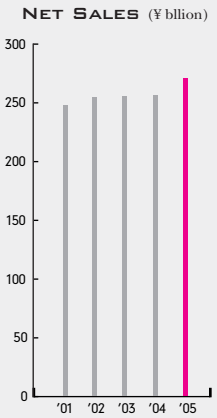
In terms of regional segments, sales in Japan increased by 2.7% year-on-year to ¥187,828 million, while the total for North America was 22.7% higher at ¥66,340 million. However, sales in other regions, including Europe and Oceania, were 17.8% below the previous year's level at ¥15,806 million.

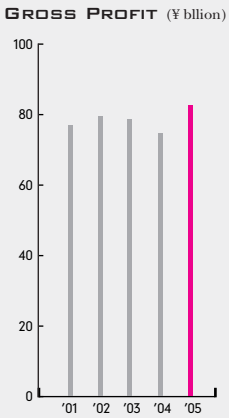
COST OF SALES, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

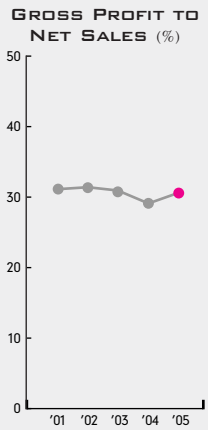
The cost of sales increased by 3.2% year-on-year, to ¥187,584 million, but the cost of sales ratio improved by 1.5 points, to 69.5%. Selling, general and administrative expenses were 5.6% higher, at ¥70,322 million, but the ratio to sales remained unchanged at 26.0%.

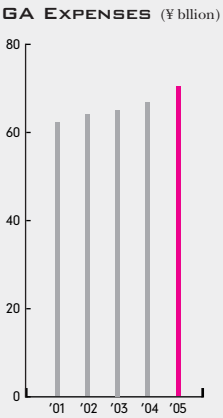
OPERATING INCOME

Operating income for the year ended March 31, 2005 was ¥12,068 million, a 57.2% increase over the previous year's result. As a result of this improvement in earnings, the operating margin rose to 4.5%, from 3.0% for the previous year.









OTHER INCOME AND EXPENSES

Other income and expenses for the year ended March 31, 2005 amounted to a net gain of ¥626 million, a year-on-year increase of 14.7%. Key factors affecting this figure include an improvement in financial income and expenses, higher income from sales of fixed assets, and reduced exchange gains. Exchange gains totaled ¥306 million, down from ¥1,687 million in the previous year.

INCOME BEFORE INCOME TAXES

Income before income taxes increased by 54.3%, to ¥12,694 million in the year ended March 2005.

INCOME TAXES

The Toyo Group uses tax-effect accounting based on the asset and liability method. Details of deferred tax assets and deferred tax liabilities under this system are shown in the notes to the Financial Statements. Total income tax in the year ended March 2005 amounted to ¥5,052 million, a year-on-year increase of ¥2,553 million.

NET INCOME

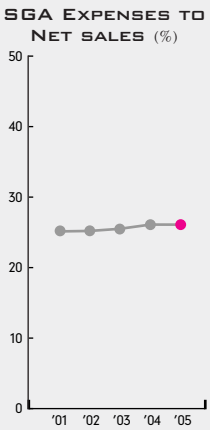
Net income after taxes for the year under review reached a new record of ¥7,480 million, a year-on-year increase of 35.5%. This higher net income figure was reflected in an increase in the rate of return on shareholders' equity, from 7.5% in the previous fiscal year, to 10.0%.

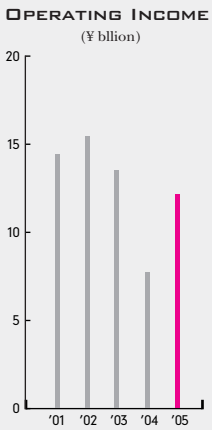
SEGMENT TRENDS

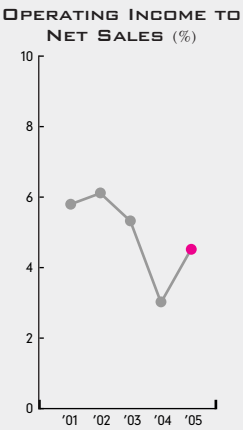
The tire segment contributed 64.4% of consolidated net sales, the chemical and industrial products segment 14.8%, the automotive parts segment 20.2%, and other activities 0.6%. The contributions of each segment to operating income were 92.0%, 2.3%, 1.2% and 4.5% respectively.

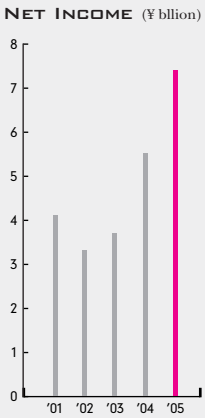
TIRES

Consolidated net sales in this segment increased by 6.8% year on year to ¥173,945 million. Operating income was 62.4% higher, at ¥11,098 million, and the operating margin improved from 4.2% to 6.4%. Original equipment tire sales exceeded the previous year's level in terms of both volume and value because of a rise in domestic automobile production and an increased share of production for Toyo Group tires. Domestic sales of replacement tires in Japan declined in both volume and value terms, despite efforts to expand sales of high added-value products through measures to









enhance the product mix, including introduction of new products and the addition of new size variations. This outcome resulted in part from the late arrival of the snow season. In overseas markets, there was sustained volume growth in sales of high added-value items, especially of in the North American market. Despite the impact of currency exchange-rate movements, sales were substantially above the previous year's level. These factors were reflected in a dramatic year-on-year rise in sales in this segment, and this growth in revenues led to a major improvement in operating income.

CHEMICAL AND INDUSTRIAL PRODUCTS

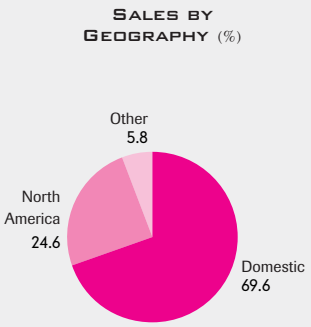
Consolidated net sales in this segment were 4.2% higher year on year, at ¥39,898 million. Operating income increased by 77.6% to ¥277 million, while the operating margin improved from 0.4% to 0.7%. An analysis of trends in key product categories shows that in the area of polyurethane materials, sales of rigid polyurethane products exceeded the previous year's level because of new orders for polyurethane undiluted solution and thermal insulation board for housing use, and orders for thermal insulation work on liquid natural gas (LNG) tanks. Despite a decline in sales of rubber bridge bearings because of a downturn in public works projects, sales of rubber materials increased year on year, reflecting strong demand for anti-vibration rubber parts for railroad cars, air springs, waterproof sheets, and parts for office automation equipment. These factors were reflected in year-on-year growth in both sales and operating income in this segment.

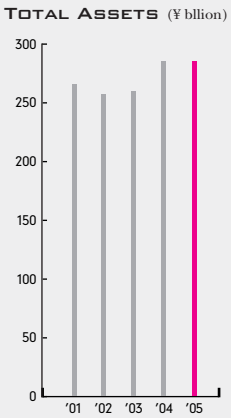
AUTOMOTIVE PARTS

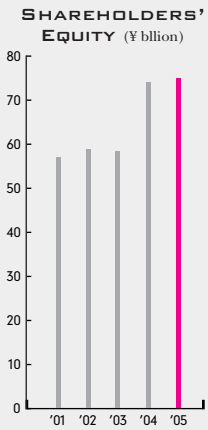
Consolidated net sales in this segment increased by 2.3% year on year, to ¥54,500 million, and operating income by 5.8%, to ¥146 million. The operating margin was slightly higher at 0.3%. Trends in major product categories included a year-on-year increase in sales of anti-vibration rubber products, reflecting the contributions from increased domestic automobile production and the start of full-scale production at a production subsidiary in North America. Sales of seat cushions were also higher because of an increase in the number of models fitted with Toyo Group products. There were declines in sales of some items, such as airbags produced under contract, as well as air springs and bumpers. However, sales were higher overall, and operating income also exceeded the previous year's figure.

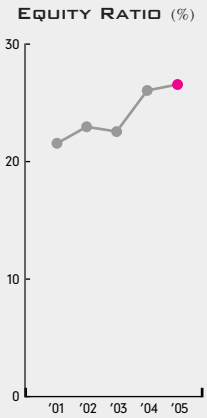
FINANCIAL POSITION

Total assets as of March 2005 amounted to ¥284,464 million, a year-on-year increase of ¥227 million. Current assets increased by 3.7%, to ¥113,092 million, while fixed assets declined by 2.2%, to ¥171,372 million. The main changes in the asset position were an ¥8,952 million reduction in investment securities, a ¥5,445 increase in property, plant and equipment, and a ¥3,671 million increase in inventory assets.









Total liabilities were reduced by 0.4% year on year, to ¥207,979 million. Current liabilities were 8.7% higher, at ¥116,342 million. Short-term debt, including current portion of long-term debt increased by ¥5,111 million, to ¥22,344 million. Fixed liabilities declined by 10.0%, to ¥91,637 million. Long-term debt due after one year was reduced by ¥6,583 million, to ¥59,170 million. Deferred tax liabilities declined by ¥4,416 million, to ¥4,683 million as of March 2005.

Retained earnings increased by ¥5,985 million from the position as of March 2004 to ¥19,078 million. Based on the market valuation of securities held, unrealized gains on other securities were ¥4,859 million lower at ¥13,550 million. As a result, total shareholders' equity increased by 1.1% year-on-year to ¥74,724 million, while the shareholders' equity ratio rose by 0.3% to 26.3%.

CASH FLOWS

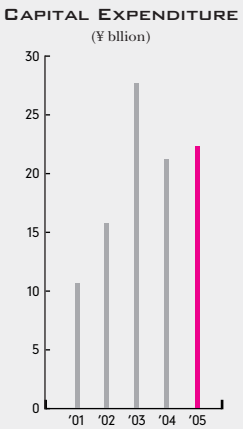
The Toyo Group regards the expansion of cash flows from operating activities and continuing investment in new growth areas as key priorities in terms of improving its corporate value.

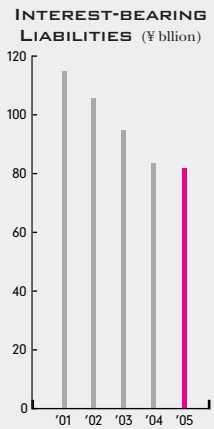
In the year ended March 31, 2005, cash flows from operating activities declined by 18.4% year-on-year to ¥23,519 million. This decline occurred despite positive factors, including net income before taxes of ¥12,694 million, depreciation and amortization of ¥15,831 million, and a ¥3,799 million increase in notes and accounts payable. Reasons for the lower figure include tax payments of ¥5,381 million and a ¥3,812 million increase in inventories.

Cash used for investing activities declined by 13.4% to ¥18,211 million. Factors contributing to higher cash flows from investment included higher revenues from sales of investment securities and bond redemptions, while factors contributing to the reduction of cash flows included expenditure on fixed asset acquisition as a result of capital investment. Capital investment during the year ended March 2005 amounted to ¥22,362 million. This total breaks down into ¥16,228 million for the tire segment, ¥2,332 million for the chemical and industrial products segment, ¥3,440 million for the automotive parts segment and ¥362 million for other business activities. Free cash flows were positive by ¥5,308 million.

Despite the procurement of finance through long-term borrowing and bond issuance, cash flows used in financing activities were 70.1% lower year-on-year at ¥3,542 million. This reflects the repayment of short-term and long-term debt, the reduction of commercial paper, and the payment of dividends.

These cash flow changes, together with a reduction in currency conversion differentials resulting from the appreciation of the yen against the dollar, caused cash and cash equivalents to increase by ¥2,055 million year on year, to ¥9,805 million as of March 31, 2005.





Consolidated Balance Sheets

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
March 31, 2005 and 2004

ASSETS	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current assets:			
Cash and time deposits	¥ 9,809	¥ 7,754	$ 91,340
Marketable securities (Note 4)	5	68	47
Notes and accounts receivable:			
Trade	48,492	58,201	451,551
Unconsolidated subsidiaries and affiliates	3,205	3,684	29,845
Other	16,425	8,034	152,947
Allowance for doubtful receivables	(733)	(1,138)	(6,826)
	67,389	68,781	627,517
Inventories (Note 6)	30,095	26,424	280,240
Deferred tax assets (Note 10)	4,184	4,111	38,961
Other current assets	1,610	1,923	14,991
Total current assets	113,092	109,061	1,053,096
Property, plant and equipment (Note 8) :			
Land	22,937	23,070	213,586
Buildings and structures	69,847	68,279	650,405
Machinery and equipment	210,244	199,443	1,957,761
Construction in progress	5,092	2,385	47,416
	308,120	293,177	2,869,168
Accumulated depreciation	(191,196)	(181,698)	(1,780,389)
Total property, plant and equipment	116,924	111,479	1,088,779
Intangible assets	2,775	2,978	25,840
Investments and other assets:			
Investment securities (Notes 4 and 8)	33,925	42,877	315,905
Investments in unconsolidated subsidiaries and affiliates	9,440	8,974	87,904
Long-term loans receivable	1,169	1,255	10,886
Deferred tax assets (Note 10)	2,491	2,752	23,196
Other assets	5,359	5,651	49,902
Allowance for doubtful receivables	(711)	(790)	(6,621)
Total investments and other assets	51,673	60,719	481,172
Total assets	¥ 284,464	¥ 284,237	$ 2,648,887

See accompanying notes to consolidated financial statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Short-term bank loans (Note 7)	¥ 5,472	¥ 7,075	$ 50,954
Commercial paper	—	500	—
Current portion of long-term debt (Notes 7 and 8)	16,872	10,158	157,110
Notes and accounts payable:			
Trade	62,041	58,269	577,717
Unconsolidated subsidiaries and affiliates	1,639	1,474	15,262
Other	17,829	15,805	166,021
	81,509	75,548	759,000
Accrued expenses	5,514	7,409	51,346
Income and enterprise taxes payable	3,721	2,974	34,649
Customers' deposits	1,982	2,061	18,456
Deferred tax liabilities (Note 10)	55	12	512
Other current liabilities	1,217	1,263	11,333
Total current liabilities	116,342	107,000	1,083,360
Long-term liabilities:			
Long-term debt due after one year (Notes 7 and 8)	59,170	65,753	550,982
Long-term deposits (Note 8)	9,500	9,500	88,463
Severance and retirement benefits (Note 9)	17,311	16,420	161,198
Deferred tax liabilities (Note 10)	4,683	9,099	43,607
Other long-term liabilities	973	1,018	9,060
Total long-term liabilities	91,637	101,790	853,310
Contingent liabilities (Note 12)			
Minority interests in consolidated subsidiaries	1,761	1,516	16,398
Shareholders' equity (Note 13):			
Common stock			
Authorized-400,000,000 shares			
Issued-209,284,712 shares	23,975	23,975	223,252
Capital surplus	21,997	21,997	204,833
Retained earnings	19,078	13,093	177,651
Net unrealized holding gains on securities	13,550	18,409	126,176
Other comprehensive loss	(72)	—	(671)
Foreign currency translation adjustments	(3,765)	(3,517)	(35,059)
Treasury stock, at cost			
2004-120,135 shares		(26)	
2005-160,643 shares	(39)		(363)
Total shareholders' equity	74,724	73,931	695,819
Total liabilities, minority interests and shareholders' equity	¥ 284,464	¥ 284,237	$ 2,648,887

Consolidated Statements of Income

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Net sales	¥ 269,974	¥ 256,143	$ 2,513,958
Cost of sales	187,584	181,844	1,746,755
Gross profit	82,390	74,299	767,203
Selling, general and administrative expenses	70,322	66,620	654,828
Operating income	12,068	7,679	112,375
Other income (expenses) :			
Interest and dividend income	469	429	4,367
Interest expense	(1,258)	(1,486)	(11,714)
Gain (loss) on disposal of property, plant and equipment	156	(735)	1,453
Gain on sale of investment securities	2,082	2,206	19,387
Loss on write-down of investment securities	—	(69)	—
Loss on cessation of unprofitable operations	—	(369)	—
Equity in net income of unconsolidated subsidiaries and affiliates	885	808	8,241
Foreign exchange gain	306	1,687	2,849
Amortization of net transition obligation (Note 9)	(2,148)	(2,150)	(20,002)
Other net	134	225	1,249
Income before income taxes	12,694	8,225	118,205
Income taxes (Note 10) :			
Current	5,833	4,787	54,316
Deferred	(781)	(2,288)	(7,273)
	5,052	2,499	47,043
Minority interests in income	(162)	(206)	(1,509)
Net income	¥ 7,480	¥ 5,520	$ 69,653

	Yen		U.S. dollars (Note 1)
	2005	2004	2005
Net income per share	¥ 35.61	¥ 26.24	$ 0.33
Dividends per share	9.00	7.00	0.08

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen							
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Other comprehensive loss	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	209,285	¥ 23,975	¥ 21,997	¥ 8,920	¥ 5,308	—	¥ (1,867)	¥ (19)
Net income	—	—	—	5,520	—	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	(1,650)	—
Increase in net unrealized holding gains on securities	—	—	—	—	13,101	—	—	—
Increase resulting from increase in equity method affiliates	—	—	—	147	—	—	—	—
Cash dividends	—	—	—	(1,464)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(30)	—	—	—	—
Treasury stock	—	—	—	—	—	—	—	(7)
Balance at March 31, 2004	209,285	23,975	21,997	13,093	18,409	—	(3,517)	(26)
Net income	—	—	—	7,480	—	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	(248)	—
Decrease in net unrealized holding gains on securities	—	—	—	—	(4,859)	—	—	—
Increase in other comprehensive loss	—	—	—	—	—	(72)	—	
Cash dividends	—	—	—	(1,464)	—	—		—
Bonuses to directors and corporate auditors	—	—	—	(31)	—	—	—	—
Treasury stock	—	—	—	—	—	—	—	(13)
Balance at March 31, 2005	209,285	¥ 23,975	¥ 21,997	¥ 19,078	¥ 13,550	(72)	¥ (3,765)	¥ (39)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Other comprehensive loss	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	$223,252	$204,833	$121,920	$171,422	—	$(32,750)	$ (242)
Net income	—	—	69,653	—	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	(2,309)	—
Decrease in net unrealized holding gains on securities	—	—	—	(45,246)	—	—	—
Increase in other comprehensive loss	—	—	—	—	(671)	—	—
Cash dividends	—	—	(13,633)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	(289)	—	—	—	—
Treasury stock	—	—	—	—	—	—	(121)
Balance at March 31, 2005	$223,252	$204,833	$177,651	$126,176	(671)	$(35,059)	$ (363)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Cash flows from operating activities:			
Income before income taxes	¥ 12,694	¥ 8,225	$ 118,205
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	15,831	15,400	147,416
Equity in net income of unconsolidated subsidiaries and affiliates	(885)	(808)	(8,241)
Foreign exchange loss (gain)	(282)	50	(2,626)
Amortization of net transition obligation	2,148	2,150	20,002
Interest and dividend income	(469)	(429)	(4,367)
Interest expense	1,258	1,486	11,714
Loss (gain) on disposal of property, plant and equipment	(156)	735	(1,453)
Loss on cessation of unprofitable operations	—	369	—
Gain on sale of investment securities	(2,082)	(2,206)	(19,387)
Loss on write-down of investment securities	—	69	—
(Increase) decrease in notes and accounts receivable	11,314	(48)	105,354
Increase in deposits paid in assignment of receivables	(9,102)	—	(84,756)
Increase in inventories	(3,812)	(4,584)	(35,497)
Increase in notes and accounts payable	3,799	11,724	35,376
Other, net	(684)	703	(6,370)
Interest and dividends received	649	593	6,043
Interest paid	(1,321)	(1,477)	(12,301)
Income taxes paid	(5,381)	(3,130)	(50,107)
Net cash provided by operating activities	23,519	28,822	219,005
Cash flows used in investing activities:			
Additions to property, plant and equipment	(21,944)	(26,102)	(204,339)
Additions to intangible assets	(692)	(430)	(6,444)
Proceeds from sales and redemption of investment securities	3,139	3,154	29,230
Proceeds from sales of property, plant and equipment	1,412	311	13,148
Investments in securities	(219)	(645)	(2,039)
Additions to investments in unconsolidated affiliates	—	(355)	—
Proceeds from long-term customers' deposits	—	2,700	—
Other, net	93	345	866
Net cash used in investing activities	(18,211)	(21,022)	(169,578)
Cash flows provided by financing activities:			
Proceeds from long-term debt	10,355	30,150	96,424
Payments of long-term debt	(10,209)	(23,366)	(95,065)
Proceeds from (repayments of) commercial paper	(500)	500	(4,656)
Decrease in short-term bank loans	(1,653)	(17,599)	(15,392)
Dividends paid	(1,464)	(1,464)	(13,633)
Dividends paid to minority shareholders	(58)	(41)	(540)
Other, net	(13)	(7)	(121)
Net cash used in financing activities	(3,542)	(11,827)	(32,983)
Effect of foreign exchange on cash and cash equivalents	289	(72)	2,692
(Increase) decrease in cash and cash equivalents	2,055	(4,099)	19,136
Cash and cash equivalents at beginning of the year	7,750	11,849	72,167
Cash and cash equivalents at end of the year (Note 14)	¥ 9,805	¥ 7,750	$ 91,303

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of Toyo Tire & Rubber Co., Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Impairment of fixed assets

The Company and consolidated domestic subsidiaries did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption. The Company does not believe that adoption of this standard will have a material impact on its financial statements.

2. Summary of significant accounting policies

Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies (together the "Companies"), over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in affiliates, over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted by the equity method.

The consolidated financial statements include the accounts of the Company and its 42 (39 in 2004) significant majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation. Investments in 7 (7 in 2004) affiliates are accounted for by the equity method.

Significant differences between the cost of investments in consolidated subsidiaries and the equity in their net assets at dates of acquisition is, with minor exceptions, amortized over five years.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Thirteen of the Company's subsidiaries are consolidated using a fiscal period ending December 31. Significant transactions occurring during the January 1 to March 31 period are adjusted in these consolidated financial statements.

Allowance for doubtful receivables

Allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based upon the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectable amount has been individually estimated.

Inventories

With respect to the Company and its domestic consolidated subsidiaries, materials are principally stated at the lower of cost or market value. Cost is determined principally by the moving-average method. Finished products, work in process and supplies are stated at average cost. With respect to foreign consolidated subsidiaries, inventories are stated principally at the lower of first-in, first-out cost or market value.

Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment, except for buildings, of the

Company and its domestic consolidated subsidiaries is computed principally by the declining balance method at rates based on the estimated useful lives of the assets in accordance with the Corporation Tax Law of Japan. Depreciation of property, plant and equipment of foreign consolidated subsidiaries is computed principally by the straight-line method at rates based on the estimated useful lives of the assets.

Depreciation of certain tools and equipment of the Company and its productive consolidated subsidiaries is computed by the straight-line method.

Depreciation of buildings of the Company and its consolidated subsidiaries is computed by the straight-line method.

Expenditures for maintenance and repairs, including minor replacements and betterments, are charged to income as incurred.

Software costs

Software costs are included in intangible assets and depreciated by the straight-line method over the estimated useful life of five years.

Goodwill

Goodwill is charged to income as incurred.

Securities

The Company classifies securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Securities with no available fair market value are stated at moving-average cost. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using book values prior to adoption of the new accounting standard.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the foreign currency receivables or payables are translated at the contracted rate.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

Research and development

Research and development expenses are charged to income as incurred. Such expenses for the years ended March 31, 2004 and 2005 were ¥9,553 million and ¥9,791 million ($91,172 thousand), respectively.

Note issue expenses

Note issue expenses are deferred and amortized over a three-year period.

Severance and retirement benefits

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contrib-

utory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the year.

The net transition obligation, arising from the adoption of a new accounting standard, is being recognized in expenses in equal amounts primarily over five years commencing with the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service lives (mainly 15 years) commencing with the following period.

With respect to the retirement benefits for directors and corporate auditors, the liability for lump-sum payments is stated at the amount which would be required if they retired as of the balance sheet date. Included in the liability for severance and retirement benefits at March 31, 2004 and 2005 are ¥284 million and ¥182 million ($1,695 thousand), respectively, for directors and statutory auditors of the Companies.

Income taxes

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 of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Translation of foreign currencies

1) Translation of Foreign Currencies
   Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.
2) Translation of Foreign Currency Statements (Accounts of overseas subsidiaries and affiliates)
   Balance sheet accounts of consolidated overseas subsidiaries and affiliates are translated into Japanese yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates. Revenue and expense accounts of consolidated overseas subsidiaries and affiliates are translated at the average exchange rate for the year except for transactions with the Company, which are translated at the rates used by the Company.

Leases

Except for leases with covenants transferring ownership of the properties to lessees, the Company and its domestic consolidated subsidiaries do not capitalize finance leases.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2005 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Net income per share

Computations of basic net income per share of common stock are based on the weighted average number of shares outstanding during each financial period.

Diluted net income per share is not disclosed for there were no dilutive common stock equivalents.

Dividends per share

In accordance with the Commercial Code of Japan, the declaration of dividends and the appropriation of unappropriated retained earnings are approved at the general meeting of shareholders held after the end of the fiscal year. Therefore, cash dividends per share shown in the consolidated statements of income reflect the final dividends approved after the end of the relevant fiscal year.

3. Accounting changes

Effective April 1, 2004, the Company changed its accounting policy for translating revenue and expense accounts of consolidated overseas subsidiaries into Japanese yen from at the year-end rate to at the average exchange rate for the year. This change was made to represent the actual conditions of the accrual of revenue and expense accounts with the increase in importance of consolidated overseas subsidiaries. The effect of this change was to increase sales to customers by ¥1,381 million, and to decrease income before income taxes by ¥4 million.

The effects of this change on business segment information are described in Note 15.

4. Securities

1) The following tables summarize acquisition costs, book values (fair values) of securities with available fair values as of March 31, 2005 and 2004:

Available-for-sale securities with available fair values exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Acquisition cost:			
Equity securities	¥ 10,347	¥ 11,138	$ 96,350
Bonds	5	15	47
Other	78	128	726
	10,430	11,281	97,123
Book value:			
Equity securities	33,160	42,131	308,781
Bonds	5	15	47
Other	100	158	931
	33,265	42,304	309,759
Difference:			
Equity securities	22,813	30,993	212,431
Bonds	—	—	—
Other	22	30	205
	¥ 22,835	¥ 31,023	$ 212,636

Available-for-sale securities with available fair values not exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Acquisition cost:			
Equity securities	¥ 86	¥ 65	$ 801
Book value:			
Equity securities	80	56	745
Difference:			
Equity securities	(6)	(9)	(56)

2) The following table summarizes book values of securities with no available fair values as of March 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Available-for-sale securities:			
Non-listed equity securities	¥ 582	¥ 585	$ 5,447

3) Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2005 and 2004 mature as follows:

(a) 2005:

	Millions of yen				Thousands of U.S. dollars
	Within one year	Over one year but within five years	Over five years but within ten years	Total	Total
Bonds	¥ 5	¥ —	¥ —	¥ 5	$ 47
Other	—	71	—	71	661
	¥ 5	¥ 71	¥ —	¥ 76	$ 708

(b) 2004:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Total
Bonds	¥ 10	¥ 5	¥ —	¥ 15
Other	58	8	63	129
	¥ 68	¥ 13	¥ 63	¥ 144

4) Total sales of available-for-sale securities in the year ended March 31, 2005 amounted to ¥3,072 million ($28,606 thousand) and the related gains amounted to ¥2,082 million ($19,387 thousand) , respectively.

Total sales of available-for-sale securities in the year ended March 31, 2004 amounted to ¥3,129 million and the related gains and losses amounted to ¥2,236 million and ¥30 million , respectively.

5. Derivative financial instruments and hedging transactions

The Company uses derivative transactions to manage effectively future risks of fluctuations in interest rates and foreign currency exchange rates. The Company uses interest rate swap and interest rate option contracts with respect to interest rates to mitigate interest on loans payable and avoid future risks of fluctuations in interest rates.

The Company uses forward foreign currency and currency option contracts to avoid future risks of fluctuations in foreign exchange rates with respect to foreign currency receivables and payables. The Company does not use such transactions for the purposes of speculation or short-term dealing.

The following summarizes hedging derivative financial instruments used by the Company and items hedged:

Hedging instruments:	Hedged items:
Forward foreign currency and currency option contracts	Foreign currency receivables and payables
Interest rate swap and interest rate option contracts	Interest on loans payable and bonds

The Company hedges future risks of fluctuations in foreign currency exchange rates and interest rates mainly based on internal management regulations.

The Company evaluates hedge effectiveness for the whole hedge term by comparing the cumulative changes in fair value or the cumulative changes in cash flows from hedging instruments and hedged items and the corresponding changes in the hedging derivative instruments.

The derivative transactions are subject to future risks of interest rate changes and foreign currency exchange rate changes, and credit risks which arise from nonfulfillment of contracts by the collapse of the contract partner of the derivative transactions. Since the Companies execute derivative transactions using only counter parties of high credit rating, the Company believes there is almost no credit risk.

The derivative transactions are executed in accordance with internal management regulations and reported to the Board of Directors.

6. Inventories

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished goods	¥ 22,928	¥ 20,177	$ 213,502
Work in process	2,221	2,185	20,682
Raw materials and supplies	4,946	4,062	46,056
	¥ 30,095	¥ 26,424	$ 280,240

7. Short-term bank loans and long-term debt

Short-term bank loans at March 31, 2005 and 2004 consisted of short-term notes, generally for 365 days, bearing interest at average rates 1.3 percent and 1.7 percent, respectively. In the past, these loans have been renewed regularly from time to time as required.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Loans, principally from banks and insurance companies, weighted average rate of 1.4% at March 31, 2005 and 1.3% at March 31, 2004.			
Secured	¥ 19,342	¥ 24,424	$ 180,110
Unsecured	33,700	33,487	313,810
0.74 % bonds, due 2008	5,000	5,000	46,559
0.41 % bonds, due 2010	3,000	3,000	27,936
1.63 % bonds, due 2010	5,000	5,000	46,559
0.83 % bonds, due 2008	5,000	5,000	46,559
0.99 % bonds, due 2009	5,000	—	46,559
	76,042	75,911	708,092
Less amounts due within one year	16,872	10,158	157,110
	¥ 59,170	¥ 65,753	$ 550,982

Annual maturities of long-term debt at March 31, 2005 are as follows:

Years ended March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 16,872	$ 157,110
2007	12,555	116,910
2008	20,553	191,387
2009	12,314	114,666
2010 and thereafter	13,748	128,019
	¥ 76,042	$ 708,092

8. Pledged assets

At March 31, 2005, the following assets were pledged as collateral for long-term debt of ¥19,342 million ($180,110 thousand) and long-term deposits of ¥9,500 million ($88,463 thousand).

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥ 8,407	$ 78,285
Property, plant and equipment - net of accumulated depreciation	31,945	297,467
	¥ 40,352	$ 375,752

9. Severance and retirement benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2005 and 2004 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Employees' retirement benefits			
Projected benefit obligation	¥ 36,363	¥ 36,710	$ 338,607
Unrecognized actuarial differences	(4,827)	(5,346)	(44,948)
Less fair value of pension assets	(14,407)	(13,078)	(134,156)
Less unrecognized net transition obligation	—	(2,150)	—
Directors' and corporate auditors' retirement benefits	182	284	1,695
Liability for severance and retirement benefits	¥ 17,311	¥ 16,420	$ 161,198

Included in the consolidated statements of income for the years ended March 31, 2005 and 2004 are severance and retirement benefit expenses, except for directors' and corporate auditors' benefits, comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service costs - benefits earned during the year	¥ 1,717	¥ 1,755	$ 15,988
Interest cost on projected benefit obligation	520	562	4,842
Expected return on plan assets	(40)	(24)	(372)
Amortization of net transition obligation	2,148	2,150	20,002
Amortization of actuarial differences	479	668	4,460
Severance and retirement benefit expenses	¥ 4,824	¥ 5,111	$ 44,920

The discount rate and the rate of expected return on plan assets used by the Company are 1.6 percent (1.7 percent in 2004) and 1.0 percent, respectively. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial losses are recognized in the income statement using the straight-line method mainly over fifteen years.

10. Income taxes

The Company and its domestic subsidiaries are subject to corporate, inhabitants and enterprise taxes which, in the aggregate, normally would result in a statutory rate of approximately 40.6 percent in 2005 and 42.0 percent in 2004.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2004.

Information for 2005 is not shown because the difference between the statutory tax rate and the Company's effective tax rate is less than 5%.

	2004
Statutory tax rate	42.0 %
Expenses not deductible for tax purposes	2.6
Inhabitant tax	1.1
Exclusion of dividends received from taxable income	(0.5)
Equity in net income of unconsolidated subsidiaries and affiliates	(4.0)
Valuation allowance	(5.8)
Unrealized profits of fixed assets	(0.6)
Elimination of dividends received from overseas affiliates	2.9
Deduction for foreign taxes	(2.9)
Deduction for research and development expenses	(4.2)
Other	(0.2)
Effective tax rate	30.4 %

Significant components of deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Current deferred tax assets			
Unrealized profits	¥ 1,769	¥ 1,662	$ 16,473
Accrued bonuses	1,101	1,119	10,253
Enterprise tax	315	361	2,933
Accrued expenses	250	315	2,328
Excess of allowance for doubtful receivables	171	326	1,591
Other	656	378	6,109
Offset to deferred tax liabilities	(39)	(41)	(363)
Total current deferred tax assets	4,223	4,120	39,324
Valuation allowance	(39)	(9)	(363)
Net current deferred tax assets	4,184	4,111	38,961
Current deferred tax liabilities			
Adjustment of allowance for doubtful receivables	(23)	(38)	(214)
Other	(71)	(15)	(661)
Offset to deferred tax assets	39	41	363
Total current deferred tax liabilities	(55)	(12)	(512)
Net current deferred tax assets	¥ 4,129	¥ 4,099	$ 38,449

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Non-current deferred tax assets			
Excess of severance and retirement benefits	¥ 6,383	¥ 5,405	$ 59,438
Unrealized profits	2,017	2,156	18,782
Loss on write-down of investment securities	250	245	2,328
Loss by having set up the employee retirement benefit trust	566	566	5,271
Losses carry forward	267	294	2,486
Loss on write-down of golf club memberships	167	216	1,555
Excess of allowance for doubtful receivables	109	162	1,015
Other	838	591	7,803
Offset to deferred tax liabilities	(7,241)	(6,065)	(67,427)
Total non-current deferred tax assets	3,356	3,570	31,251
Valuation allowance	(865)	(818)	(8,055)
Net non-current deferred tax assets	2,491	2,752	23,196
Non-current deferred tax liabilities			
Net unrealized gains on securities	(9,024)	(12,354)	(84,030)
Reserves of the Special Taxation Measures Law	(2,163)	(2,223)	(20,141)
Other	(737)	(587)	(6,863)
Offset to deferred tax assets	7,241	6,065	67,427
Total non-current deferred tax liabilities	(4,683)	(9,099)	(43,607)
Net non-current deferred tax (liabilities)	¥ (2,192)	¥ (6,347)	$ (20,411)

11. Leases

1) Finance leases

Information for non-capitalized finance leases at March 31, 2005 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Original lease obligations (including finance charges) for machinery, equipment and other	¥ 4,989	¥ 3,840	$ 46,457
Future minimum payments			
Payments due within one year	¥ 923	¥ 664	$ 8,595
Payments due after one year	2,424	1,413	22,572
	¥ 3,347	¥ 2,077	$ 31,167

Rental expenses under such non-capitalized finance leases for the years ended March 31, 2005 and 2004 were ¥ 835 million ($7,775 thousand) and ¥ 832 million, respectively.

2) Operating leases

(a) As lessee

Lease obligations under operating leases at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Future minimum payments			
Payments due within one year	¥ 170	¥ 62	$ 1,583
Payments due after one year	2,683	60	24,984
	¥ 2,853	¥ 122	$ 26,567

(b) As lessor

Lease receivables under operating leases at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Future minimum payments to be received			
Payments to be received due within one year	¥ 1,185	¥ 1,185	$ 11,035
Payments to be received due after one year	19,560	20,745	182,140
	¥ 20,745	¥ 21,930	$ 193,175

12. Contingent liabilities

Contingent liabilities at March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Loan guarantees:		
Chensin-Toyo Tire & Rubber (China) Co., Ltd., an equity method affiliate	¥ 268	$ 2,496
Chensin-Petrel Tire (Xiamen) Co., Ltd., an equity method affiliate	1,074	10,001
Others	260	2,421
	¥ 1,602	$ 14,918

	Millions of yen	Thousands of U.S. dollars
Obligation to repurchase factored trade receivables	¥ 2,188	$ 20,374

13. Shareholders' equity

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

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid - in capital equals 25% of common stock. The legal earnings reserve and additional paid - in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid - in capital remains being equal to or exceeding 25% of common stock, they are available for dividends by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

14. Cash flow statements

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash and time deposits	¥ 9,809	¥ 7,754	$ 91,340
Less:Time deposits with maturities exceeding three months	(4)	(4)	(37)
Cash and cash equivalents	¥ 9,805	¥ 7,750	$ 91,303

15. Business segment information

1) Industry segment information

The Companies' businesses are divided into the Tires segment, the Chemical & Industrial Products segment, the Automotive Parts segment and the Other Businesses segment. The Tires segment manufactures and sells a range of auto, bus and other vehicle and equipment tires. The Chemical & Industrial Products segment manufactures and sells rubber vibration isolators, waterproof sheets and other products. The Automotive Products segment manufactures and sells rubber vibration isolators,

automobile cushion seats, and other products. The Other Businesses segment principally includes financial services and realty businesses.

Industry segment information for the years ended March 31 was as follows :

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Net sales			
Tires			
Customers	¥ 173,945	¥ 162,912	$ 1,619,750
Intersegment	84	85	783
Total	174,029	162,997	1,620,533
Chemical & Industrial Products			
Customers	39,898	38,302	371,524
Intersegment	23	36	215
Total	39,921	38,338	371,739
Automotive Parts			
Customers	54,500	53,267	507,496
Intersegment	—	—	—
Total	54,500	53,267	507,496
Other Businesses			
Customers	1,631	1,662	15,188
Intersegment	476	783	4,432
Total	2,107	2,445	19,620
Eliminations	(583)	(904)	(5,430)
Consolidated net sales	269,974	256,143	2,513,958
Operating expenses			
Tires	162,931	156,163	1,517,190
Chemical & Industrial Products	39,644	38,183	369,159
Automotive Parts	54,354	53,129	506,137
Other Businesses	1,629	1,978	15,169
Eliminations	(652)	(989)	(6,071)
Consolidated operating expenses	257,906	248,464	2,401,583
Operating income			
Tires	11,098	6,833	103,343
Chemical & Industrial Products	277	156	2,579
Automotive Parts	146	138	1,360
Other Businesses	478	467	4,451
Consolidating adjustments	69	85	642
Consolidated operating income	¥ 12,068	¥ 7,679	$ 112,375
Assets			
Tires	¥ 179,566	¥ 179,520	$ 1,672,092
Chemical & Industrial Products	31,020	31,333	288,854
Automotive Parts	32,251	32,097	300,317
Other Businesses	30,701	29,907	285,883
Consolidating adjustments and corporate (See Note (a))	10,926	11,380	101,741
Consolidated assets	¥ 284,464	¥ 284,237	$ 2,648,887
Depreciation and amortization			
Tires	¥ 12,031	¥ 11,437	$ 112,031
Chemical & Industrial Products	1,296	1,247	12,068
Automotive Parts	1,999	2,208	18,614
Other Businesses	511	511	4,758
Eliminations	(6)	(3)	(55)
Consolidated depreciation and amortization	¥ 15,831	¥ 15,400	$ 147,416
Capital expenditure			
Tires	¥ 16,228	¥ 16,153	$ 151,113
Chemical & Industrial Products	2,332	1,674	21,715
Automotive Parts	3,440	2,917	32,033
Other Businesses	362	489	3,371
Eliminations	—	—	—
Consolidated capital expenditure	¥ 22,362	¥ 21,233	$ 208,232

Note (a) : Corporate assets of ¥28,522 million ($265,593 thousand) and ¥29,791 million at March 31, 2005 and 2004, respectively, are comprised mainly of cash and cash equivalents and investment securities.

Note (b) : As explained in Note 3, the Company changed its accounting policy for translating revenue and expense accounts of consolidated overseas subsidiaries into Japanese yen. The effect of this change for the year ended March 31, 2005 was to increase sales to customers and operating income of the Tires segment by ¥1,272 million ($11,845 thousand) and ¥26 million ($242 thousand), respectively , and to decrease operating income of the Automotive Parts segment by ¥32 million ($298 thousand). The effects of this change on other segments were minor.

2) Geographic segment information

Geographic segment information for the years ended March 31 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Net sales			
Domestic operations			
Customers	¥ 187,828	¥ 182,839	$ 1,749,027
Intersegment	60,011	50,539	558,814
Total	247,839	233,378	2,307,841
North America operations			
Customers	66,340	54,085	617,748
Intersegment	—	—	—
Total	66,340	54,085	617,748
Other operations			
Customers	15,806	19,218	147,183
Intersegment	154	110	1,434
Total	15,960	19,328	148,617
Eliminations	(60,165)	(50,648)	(560,248)
Consolidated net sales	269,974	256,143	2,513,958
Operating expenses			
Domestic operations	237,300	224,537	2,209,703
North America operations	65,201	55,897	607,142
Other operations	15,423	18,567	143,617
Eliminations	(60,018)	(50,537)	(558,879)
Consolidated operating expenses	257,906	248,464	2,401,583
Operating income			
Domestic operations	10,539	8,841	98,138
North America operations	1,139	(1,811)	10,606
Other operations	537	761	5,000
Consolidating adjustments and corporate	(147)	(112)	(1,369)
Consolidated operating income	¥ 12,068	¥ 7,679	$ 112,375
Assets			
Domestic	¥ 208,782	¥ 213,601	$ 1,944,147
North America operations	33,611	28,921	312,981
Other operations	12,920	11,086	120,309
Consolidating adjustments and corporate (See Note (b))	29,151	30,629	271,450
Consolidated assets	¥ 284,464	¥ 284,237	$ 2,648,887

Note (a) : The main countries or areas included in North America and Other were as follows:
North America: United States of America and Canada
Other: Europe, Oceania and other

Note (b) : Corporate assets of ¥28,522 million ($265,593 thousand) and ¥29,791 million at March 31, 2005 and 2004, respectively, are comprised mainly of cash and cash equivalents and investment securities.

Note (c) : As explained in Note 3, the Company changed its accounting policy for translating revenue and expense accounts of consolidated overseas subsidiaries into Japanese yen. The effect of this change for the year ended March 31, 2005 was to increase sales to customers and operating income of the North America by ¥1,887 million ($17,571 thousand) and ¥29 million ($270 thousand), respectively , and to decrease sales to customers and operating income of the other segment by ¥506 million ($4,712 thousand) and ¥34 million ($317 thousand), respectively.

3) Overseas sales information

Overseas sales information, which includes the export net sales of the Company and domestic subsidiaries and the net sales of its overseas subsidiaries, for the years ended March 31 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Net sales			
North America	¥ 66,339	¥ 54,086	$ 617,739
Other	36,406	38,275	339,007
Total	¥ 102,745	¥ 92,361	$ 956,746
Consolidated net sales	¥ 269,974	¥ 256,143	$ 2,513,958
Percentage of consolidated net sales	38.1%	36.1%	38.1%

Note (a) : The main countries or areas included in North America and Other were as follows:
North America: United States of America and Canada
Other: Europe, Near East, Oceania, Southeast Asia and other

Note (b) : As explained in Note 3, the Company changed its accounting policy for translating revenue and expense accounts of consolidated overseas subsidiaries into Japanese yen. The effect of this change for the year ended March 31, 2005 was to increase sales of the North America by ¥1,887 million ($17,571 thousand) and to decrease sales of the other segment by ¥506 million ($4,712 thousand).

16. Subsequent events

1) On June 1, 2005, the Company issued the 19th unsecured bonds in order to raise funds for capital expenditures based on the approval by the Board of Directors of the Company on April 28, 2005.

The main provisions are as follows:

1. Total issue amount	¥5,000 million
2. Issue price	¥100 per face value of ¥100
3. Rate of interest	1.21%
4. Date of issue	June 1, 2005
5. Maturity	June 1, 2012

2) Appropriation of earnings

The annual shareholders' meeting of the Company, which was held on June 29, 2005, resolved the following year-end appropriation of non-consolidated retained earnings:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥9.00 = US$ 0.08 per share)	¥ 1,882	$ 17,525
Bonuses to directors and corporate auditors	¥ 32	$ 298

3) The Company established a new subsidiary company for the production of tires in North America based on the approval by the extraordinary meeting of the Board of Directors of the Company on June 4, 2004.

As outlined below, the new company plans to commence production towards the end of the fiscal year which ends on March 31, 2006.

Outline of the new company

Name: Toyo Tire North America, Inc.
Location: Bartow County, Georgia, U.S.A.
Registration of establishment: June 10, 2004
Ownership: Wholly-owned subsidiary of Toyo Tire International, Inc., which is a wholly-owned U.S. subsidiary of the Company
President: Shozo Kibata(Corporate Officer of the Company and President of Toyo Tire (USA) corp)
Initial Capitalization: US$50,000,000(plan)

Outline of the factory

Location: Bartow County, Georgia, U.S.A.
Total site area: 150 acres
Total floor area: 96,000m^2 (including 40,000 m^2 warehouse site)
Initial Investment: US$150,000,000(plan)
Production capacity: 2,000,000 tires/year (passenger car and light truck tires)
Number of employees: 350

Independent Auditors' Report

To the Board of Directors of
Toyo Tire & Rubber Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Toyo Tire & Rubber Co., Ltd.and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Toyo Tire & Rubber Co., Ltd.and subsidiaries as of March 31, 2005 and 2004, 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.

Without qualifying our opinion, we draw attention to the following.

(1) As discussed in Note 3 to the consolidated financial statements, effective April 1, 2004, Toyo Tire & Rubber Co., Ltd. changed its accounting policy for translating revenue and expense accounts of consolidated overseas subsidiaries into Japanese yen.

(2) As discussed in Note 16 to the consolidated financial statements, the Board of Directors of Toyo Tire & Rubber Co., Ltd. on April 28, 2005, approved the issue of the 19th unsecured bonds.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 29, 2005

Overseas Network

NORTH AMERICA

Toyo Tire (U.S.A.) Corporation
(Consolidated subsidiary)
6261 Katella Avenue, Suite2B, Cypress, CA 90630, U.S.A.
Telephone: 714-236-2080 Fax:714-229-6199
http://www.toyo.com/
Distribution Centers: California, Texas, Illinois,Georgia, Pennsylvania

Toyo North America, Inc
(Consolidated subsidiary)
3630 Highway 411, NE White, GA 30184, U.S.A.
http://www.toyotires.us/

Nitto Tire North America Incorporated
6261 Katella Ave Suite 2B, Cypress, CA 90630, U.S.A.
Telephone: 714-236-1863
http://www.nittotire.com/

Toyo Tire International, Inc.
(Consolidated subsidiary)
6261 Katella Ave. Suite2B, Cypress, CA 90630, U.S.A.
Telephone: 714-236-2080 Fax: 714-229-6199

GTY Tire Company
(Production base, Joint venture)
Mt.Vernon Plant, P.O.Box 1029, Hishway 142
South Mt.Vernon, IL62864-1029, U.S.A.
Telephone: 618-246-2263 Fax: 618-246-2493

Toyo Automotive Parts (U.S.A.), Inc.
(Consolidated subsidiary)
512 Page Drive, Franklin, Kentucky 42134, U.S.A.
Telephone: 270-598-4100 Fax: 270-586-4846

Toyo Tire Canada Inc.
(Consolidated subsidiary)
1645 Cliveden Avenue, Annacis Island, Delta, B.C.,
V3M 6V5, Canada
Telephone: 604-540-1331 Fax: 604-540-8610
http://www.toyocanada.com/
Distribution Centers: Delta, Mississauga, Montreal

NT Mexico S. de R.L. de C.V.
(Consolidated subsidiary)
303H Street, Suite 438, Chula Vista, CA 91910 U.S.A.
Telephone: 0619-691-1077 Fax: 0619-691-1078

EUROPE

Toyo Tire Europe GmbH
(Consolidated subsidiary)
Hellersbergstrasse 10a, 41460 Neuss, Germany
Telephone: 2131-7753-0 Fax: 2131-7753-226
http://www.toyotire-europe.com/

Toyo Tyre (U.K.) LTD
(Consolidated subsidiary)
Toyo House, Shipton Way, Express Park, Rushden, Northants,
NN10 6GL, UNITED KINGDOM
Telephone: 01933-411144 Fax: 01933-410945
http://www.toyo.co.uk/

Toyo Tire Benelux B.V.
(Consolidated subsidiary)
Kooldreef 2-6,4703 Re Roosendaal, Netherlands
Telephone: 0165-556475 Fax: 0165-555829
http://www.toyobanden.nl

OCEANIA

Toyo Tyre & Rubber Australia Limited
(Consolidated subsidiary)
6-14 Cosgrove Road, Enfield, N.S.W. 2136, Australia
Telephone: 02-9642-0177 Fax: 02-9742-5519
http://www.toyo.com.au
Branch offices: Sydney, Newcastle, Brisbane,Townsville,
Melbourne, Perth, Adelaide
Factories: Moorebank, Enfield, Sunshine

CHINA

Toyo Tire (Shanghai) Co.,Ltd.
(Consolidated subsidiary)
Room B, 23Floor, Majesty Building 138 Pu-Dong Avenue,
Shanghai, China
Telephone: 021-58820880 Fax: 021-58878846
http://www.toyo-tire.com.cn

Cheng Shin-Toyo Tire & Rubber (China) Co.,Ltd.
(Production base, Joint venture)
Kunshan Economical and Technical Development Zone, Kunshan
City, Jiangsu Province, China
Telephone: 0520-7673888

Cheng Shin-Petrel Tire (Xiamen) Co.,Ltd.
(Production base, Joint venture)
Haicang Xinyang Industrial District, Xiamen,China
Telephone: 592-6537357 Fax: 592-6537356

Toyo Automotive Parts (Guangzhou) Co., Ltd.
(Consolidated subsidiary)
Yonghe Economic Zone, Guangzhou Economic and Technological
Development Zone, Guangzhou, China

SOUTH EAST ASIA

New Pacific Industry Co., Ltd.
(Production base, Joint venture)
44, Sec.1, Chung-Shan Road, Chung-Chuang
Village, Hua-Tan, Chang-Hua, Taiwan, R.O.C.
Telephone: 04-7869711 Fax:04-7863284

Toyo Rubber (Malaysia) Sdn. Bhd.
(Consolidated subsidiary)
Plo 557, Jalan Keluli 3, Kawasan Perindustrian Pasir Gudang,
81700 Pasir Gudang, Johor Darul Takzim, Malaysia
Telephone: 07-2528000 Fax: 07-2518816

Management

BOARD OF DIRECTORS

Yoshio Kataoka*

Toru Matsuo*

Ryuichi Nomura

Kazuo Nagai

Yutaka Ebuchi

Masahiro Ushio

Yasuo Onodera

Kenji Nakakura

* Representative Director

EXECUTIVE OFFICER

Yoshio Kataoka*
President and Chief Executive Officer
President, Tire Company

Toru Matsuo*
Senior Managing Executive Officer
Chief Financial Officer

Ryuichi Nomura
Senior Managing Executive Officer
Chief Technology Officer

Kazuo Nagai
Managing Executive Officer
Vice President, Tire Company

Yutaka Ebuchi
Managing Executive Officer
Replacement Tire Sales

Hirokazu Kitagawa
Managing Executive Officer
OE tire and Automotive Parts Sales

Shozo Kibata
Managing Executive Officer
President, Toyo Tire North America Inc

Masahiro Ushio
President, Automotive Parts Company

Yasuo Onodera
Corporate Strategy Planning

Kenji Nakakura
Tire Planning

Hiroshi Takino
Quality Assurance

Kusuo Ogawa
Personnel & General Affairs

Kenji Takada
Tire Manufacturing

Yukio Komai
President, Chemical & Industrial Products Company

Mitsuaki Hashiyama
Corporate R&D Div.

Hiroshi Shibata
Vice President, Chemical & Industrial Products Company

Takuya Kakuno
Tire Overseas Sales

CORPORATE AUDITORS

Takamichi Nagahara

Hideki Komagata

Kazunari Maeda

Shuji Tsuyuki

As of June 29, 2005

Investor Information

HEAD OFFICE:
17-18, Edobori 1-chome, Nishi-ku,
Osaka 550-8661, Japan
Telephone: (06)6441-8801
Fax: (06)6445-2225

FACILITIES:
Sales Offices:
The Company, its consolidated subsidiaries, and its affiliates, consolidated and unconsolidated, have 53 sales offices in Japan and 27 sales offices overseas.

Research Institutions:
The Company has 8 research institutions in Japan.

Manufacturing Plants:
The Company, its consolidated subsidiaries, and its affiliates, consolidated and unconsolidated, operate 24 plants in Japan and 10 plants overseas.

CONSOLIDATED SUBSIDIARIES:
Toyo Tire & Rubber Co.,Ltd. has a total of 42 consolidated subsidiaries, 29 in Japan and 13 overseas.

ESTABLISHMENT:
August 1, 1945

COMMON STOCK LISTING:
May 1945
Tokyo, Osaka, Nagoya

PAID-IN CAPITAL:
¥23,975 million

NUMBER OF SHAREHOLDERS:
17,622

NUMBER OF EMPLOYEES:
6,377

TRANSFER AGENT:
UFJ Trust Bank Limited
4-3, Marunouchi1-chome, Chiyoda-ku,
Tokyo, Japan

INDEPENDENT AUDITORS:
KPMG AZSA & Co.

ANNUAL MEETING:
The annual meeting of shareholders of the Company is normally held in June of each year in Osaka, Japan.

HOME PAGE ADDRESS:
http://www.toyo-rubber.co.jp

TOYO TIRE & RUBBER CO., LTD.

17-18, Edobori 1-chome, Nishi-ku, Osaka 550-8661, Japan
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