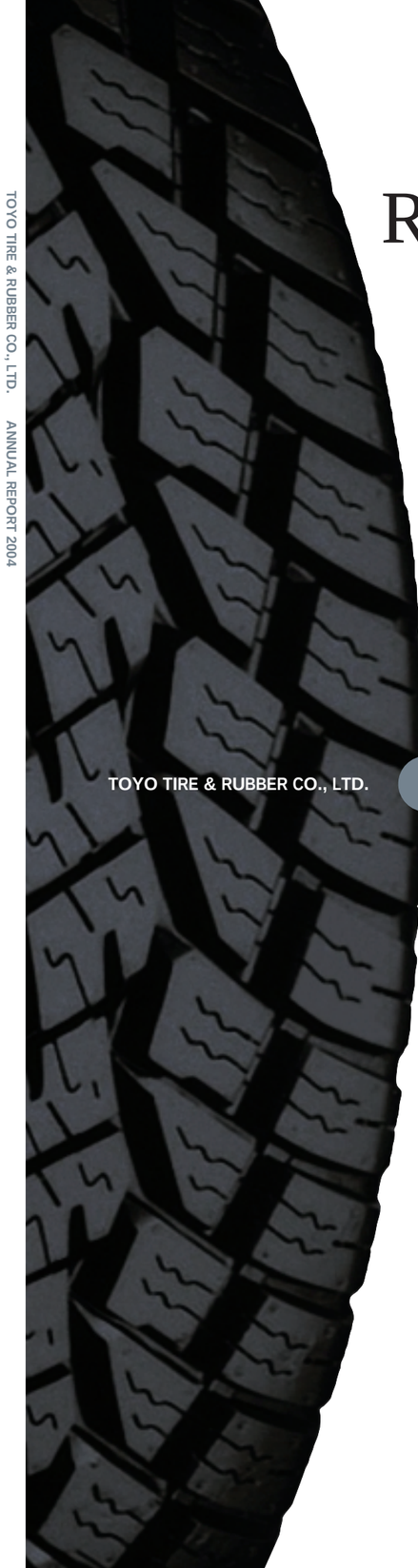
TOYO

17-18, Edobori 1-chome, Nishi-ku, Osaka 550-8661, Japan
Telephone: (06) 6441-8801 Fax: (06) 6445-2225
http://www.toyo-rubber.co.jp

Printed in Japan
Printed on Recycled Paper

041023CDNPⓅ

TOYO TIRE & RUBBER CO., LTD. ANNUAL REPORT 2004



Rolling Up Value

Year Ended March 31, 2004

TOYO TIRE & RUBBER CO., LTD.

Annual Report 2004

TOYO

PROFILE

Toyo Tire & Rubber Co., Ltd. (Toyo) is one of the world's leading manufacturers of rubber and polyurethane products. Founded in 1945, Toyo continues to contribute to society by providing high-quality products and services that are based on the leading technology in the field. Toyo operates on a global scale under the concept of "environment and safety." It has an extensive and strategic range of businesses encompassing tires, and rubber and plastics, including manufacturing of automotive parts, chemical/industrial products, sports-related products and housing-related products. Toyo provides mobility and amenity to meet customer satisfaction—Toyo's top priority. Toyo also is environmentally conscious in its operations, with a commitment to local communities on a global scale.

MANAGEMENT VISION

Tire Technology

Vibration Control Technology

Thermal-insulation Technology

MOBILITY & AMENITY

OUR COMMITMENT TO CREATE VALUE AND TO SERVE CUSTOMERS WITH BETTER, CONTRIBUTE TO SOCIETY BY WORKING MORE AFFORDABLE PRODUCTS

CORE BUSINESSES

Tire Company

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 frontier products, its mission is to provide value to its customers in the form of innovative products and services.

Chemical & Industrial Products Company

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, hoses, and components for office 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.

Automotive Parts Company

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.

Administrative Division Research & Development Division

The basic strategies of the Administrative Division are (1) securing and appropriately distributing resources needed for the execution of business strategies, and (2) evaluating and guiding each in-house company's achievements, including promotion of the TCR30 company-wide cost-reduction activities.

Toyo's most important core competence as a manufacturer is its technology. The 21st Century Management Vision centers on the Group's status as a technology-based enterprise and calls for the achievement of global-level competitiveness through the creation of unique new technologies that are exclusive to the Toyo Group. This goal will be realized through continuous evolution toward an organizational structure that will ensure optimal efficiency in the use of management resources.

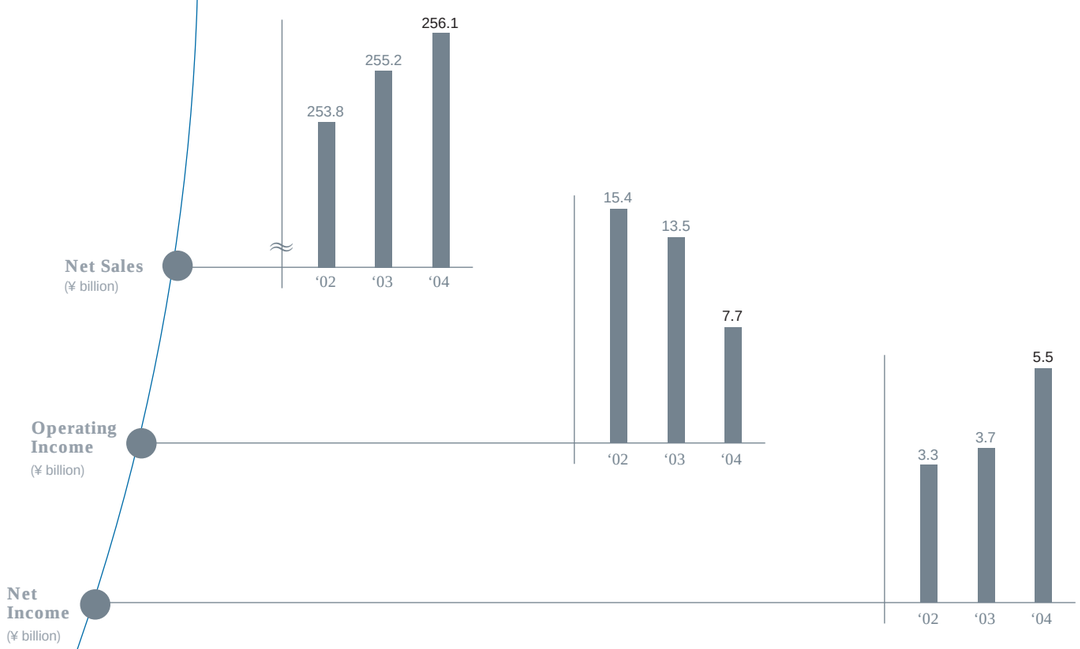
CONTENTS

Financial Highlights 02
To Our Shareholders 03
Focus on Growth 06
Review of Operations 12
Financial Section 21
Overseas Network 44
Management 45
Investor Information 45

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
For the Year			
Net sales	¥256,143	¥255,158	$2,424,678
Tires	162,912	159,237	1,542,143
Chemical & Industrial Products	38,302	39,089	362,571
Automotive Parts	53,267	55,315	504,231
Other Businesses	1,662	1,517	15,733
Operating income	7,679	13,543	72,690
Income before income taxes	8,225	6,938	77,859
Net income	5,520	3,657	52,253
At Year-End			
Total assets	¥284,237	¥259,206	$2,690,619
Current assets	109,061	110,305	1,032,384
Property, plant and equipment	111,479	107,022	1,055,273
Intangible assets	2,978	3,905	28,190
Investments and other assets	60,719	37,974	574,772
Shareholders' equity	73,931	58,314	699,839
Per share of common stock		yen	U.S. dollars
Net income	¥26.24	¥17.33	$0.25
Cash dividends	7.00	7.00	0.07

Notes: 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 ¥105.64 = U.S.$1, prevailing on March 31, 2004.
2. The Company's fiscal year runs from April 1 through March 31 of the following year.
3. The Other Businesses segment principally includes financial services and realty businesses.

FINANCIAL HIGHLIGHTS



21ST CENTURY MANAGEMENT VISION

The 21st Century Management Vision developed by Toyo targets the first 5-10 years of the new century. This Vision reflects Toyo's determination to enhance its value to humanity and society by creating unique, world-class technologies in the core areas of tires, vibration control and thermal insulation, and by using those technologies to enhance environmental comfort. We will continue to work through this Vision to maximize the Group's long-term value to shareholders.

TO OUR SHAREHOLDERS

FOUR YEARS OF SUSTAINED REVENUE GROWTH UNDER CHALLENGING ECONOMIC CONDITIONS

The business operations of Toyo are guided by medium-term business plans, which are formulated and implemented every three years. The current plan, Medium-Term Business Plan 2002, is based on the 21st Century Management Vision. We adopted the motto "Challenge for the Future" for this plan, which calls for the achievement of net sales of ¥270,000 million and ROA of 6.0%, and the reduction of interest-bearing liabilities to ¥85,000 million by fiscal 2004 (the year ending March 2005). Our first priority as we work toward these targets has been the reinforcement of our global competitiveness through cost reductions and the enhancement of our technology resources.

Fiscal 2003 (the year ended March 2004) was the second year of the current medium-term business plan. Overall, we faced difficult conditions, including a sharp rise in the value of the yen, higher raw material prices, and escalating price competition. Toyo responded to these challenges with aggressive management policies, including global business expansion, the improvement of sales and marketing systems, the reinforcement of core business activities, and cost reductions in all areas of corporate operations.

Although sales of chemical and industrial products and automotive parts declined, growth in the tire segment pushed consolidated net sales to ¥256,143 million, a year-on-year increase of 0.4%, marking the fourth consecutive year of rev-

enue growth. Profit was affected by rising raw material prices, exchange rate trends and increased selling, general and administrative expenses. These and other factors caused operating income to decline by 43.3% year-on-year to ¥7,679 million. However, net income was 51.0% higher at ¥5,520 million because of extraordinary gains, including gains on sales of investment securities.

MEDIUM-TERM BUSINESS PLAN 2002—THE FINAL YEAR

There are signs of recovery in the domestic Japanese economy in fiscal 2004 (the year ending March 2005). However, we expect escalating price competition to remain a challenge in Toyo's business environment. Overseas, there is growing uncertainty about the outlook for the world economy, in part because of expanding conflict in the Middle East. Earnings are under pressure from a range of domestic and international factors, including exchange rate instability and rising raw material prices and shipping charges.

Of particular significance is the continuing upward trend in the prices of raw materials, especially natural rubber, and the appreciation of the yen throughout the period covered by Medium-Term Business Plan 2002. These huge fluctuations in the external environment have far exceeded the forecasts on which the plan was based, and they have had a serious negative impact on earnings.

Toyo has significantly reduced this negative impact through dynamic marketing activities in Japan and overseas, and through the cost-cutting efforts centering on the group-wide TCR-30 campaign. Our financial target under the plan was to reduce interest-bearing liabilities to ¥85 billion by the end of the year to March 2005. This has already been achieved, one year ahead of schedule.

Medium-Term Company-Wide Strategy

Challenge for the Future
||
boosting competitive strength at the global level

Basic Strategy

- Building up new-technological resources
- Creating customer value
- Increasing corporate value
- Solidifying revenue foundation and growth
- Promoting management of consolidated cash flow

Primary Objectives

1. Cost reduction
- TCR30 activities
- Developing new technologies and production methods

2. Increasing technological strength
- Reallocation of technological resources
- Reconfiguration of technical organizations

Projection and Actual Results for Medium-term Business Plan 2002 (¥ billion)

	Net Sales	Operating Income	Total Assets	ROA
FY ended March 2003 (Actual results)	255.2	13.5	259.2	5.2%
FY ended March 2004 (Actual results)	256.1	7.7	284.2	2.7%
FY ended March 2005 (Planned)	270.0	18.5	257.0	6.0%

The year ending March 2005 will be the final year of Medium-Term Business Plan 2002. We are working to bring the plan to a successful conclusion by accelerating reforms in the four areas of business structures, technology, operating processes and procurement structures, by strengthening our marketing systems, and by generating synergy benefits through the sharing of knowledge and information among group companies.

We have adopted specific priority policies for each business segment. In the tire segment we are working to improve our brand image through aggressive marketing campaigns in Japan and overseas, to strengthen our income structure through increased sales of high-added-value products, and to establish mass-production operations based on new production methods. At the same time, we have stepped up our global business development efforts. For example, we are building a production plant in the United States, and we have started to manufacture and sell truck and bus tires in China.

In the chemical and industrial products segment, we will step up actions targeting unprofitable activities, while concentrating management resources into business units with the potential for growth and expansion. The goals for this segment are rationalization, the improvement of business structures, and the expansion of overseas business operations.

In the automotive parts segment, we are building a global supply structure, primarily through the expansion of our anti-vibration rubber business in North America. We are also restructuring production operations in Japan to strengthen our earning power.

Management-related policies include support for powerful cost-reduction activities based on bulk purchasing and global procurement. We will also shift to full-scale implementation of newly formulated performance evaluation indicators designed to improve management quality.

The aim of policies relating to technology development is to strengthen Toyo's reputation for advanced technology. Specific measures include the introduction of total productive maintenance (TPM) at major plants as the foundation for globally competitive production operations. We have also launched a two-company project targeted toward the early development of modular suspensions based on technologies from our tire and automotive parts businesses.

Forecast in FY ended March 2005 by Segment (¥ million)

	Net Sales	Operating Income
Tire	170,600	7,100
Chemical & Industrial Products	39,900	900
Automotive Parts	48,900	700
Other	1,600	600
Total	261,000	9,300

The business environment is changing dramatically. In particular, the trend toward globalization is likely to accelerate beyond all expectations. We see this time of change as a time of opportunity for Toyo. In the year to March 2005 we are committed to the rapid implementation of measures identified in Medium-Term Business Plan 2002, so that we can make the final year of the plan the starting point for a new phase of growth and success.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Toyo recognizes that the continuing survival and growth of its business activities depend not only on reliable income creation, but also on the fulfillment of its corporate social responsibilities (CSR), which we regard as a management priority. At business and production sites in Japan and overseas, we are working actively and from a global perspective to implement environmental initiatives, improve corporate governance, and strengthen compliance systems, strengthen risk management systems and raise employee satisfaction levels. We are also involved in social contribution activities linked to local communities.

These initiatives are helping to create a sound, transparent management structure based on consideration for all stakeholders, including shareholders, customers, employees and local communities. Through these efforts, we are determined to achieve sustainable growth and maximize the corporate value and shareholder value of Toyo.

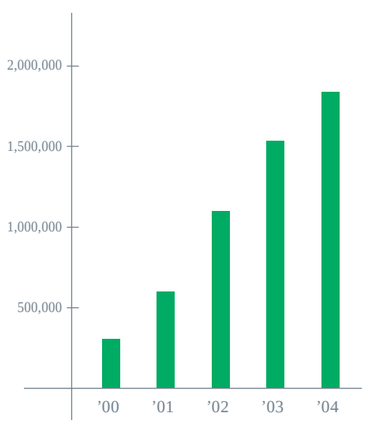
July, 2004

Yoshio Kataoka,
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Establishing a Strong Brand Position in the U.S. Market

Success of Toyo's strategy in the U.S. market is explified by a strong and solid position in the specialized tire segments.

OPEN COUNTRY M/T



Forwarding Volume of SUV Tires in U.S. Market
(Number)

MARKET NEEDS SUCCESSFULLY ANTICIPATED

The United States is the most motorized nation and the largest motor vehicle market in the world. Through its unique marketing strategies, Toyo has been able to establish a solid position for itself in that market.

SUVs and pickup trucks became very popular in the United States during the 1990s, and there was dramatic growth in sales of these types of vehicles. Despite this, the market failed to provide tires designed to meet the specific needs of users. Although this is a niche market compared with the market for passenger car tires, Toyo recognized that there was huge potential for growth and earnings. It has since achieved considerable success through marketing strategies that target the SUV and pickup truck market.

EMPHASIS ON CUSTOMIZATION

The key to this success is customization. By actively developing relationships with leading local dealers and manufacturers of aftermarket tuning kits, Toyo has gained access to detailed knowledge of local markets. Collaboration with local partners has also been a major factor in its product planning. For example, Toyo has worked with rim manufacturers to meet customer demand for low-profile tires to fit large-diameter wheels. At the product development level, Toyo has successfully used its advanced "T-Mode" design technology to create tires with performance characteristics that match the specific requirements of customers. This original technology has also helped to reduce development lead times. Among the advanced products to result from this approach are the PROXES S/T and OPEN COUNTRY A/T and OPEN COUNTRY M/T, which are sold under the "Toyo" brand, and the NT404, the TERRA GRAPPLER A/T and the MUD GRAPPLER M/T, all of which are sold under the "Nitto" brand.

Toyo has used a variety of promotional activities to build its brand profile in the United States, including tie-ups with magazines, and active participation in a variety of race events. The effectiveness of these efforts is apparent from the results of surveys conducted by *Tire Revue*, a major industry magazine in the United States. The "Toyo" brand has received the top quality rating in seven consecutive years, and the top overall rating for three years in a row. "Toyo" brand tires also gained the top ranking in a tire popularity survey conducted by the car and lifestyle web site Overboost.com.

This excellent reputation is reflected in business performance. Over the past five years there has been a six-fold increase in shipments of "Toyo" and "Nitto" brand SUV and light truck tires in the United States. Total sales are now in excess of 1.8 million tires annually.

MUD GRAPPLER M/T

Toyo has earned a high reputation in the U.S. market. In surveys conducted by Tire Revue magazine, Toyo has been ranked number-one for seven years.

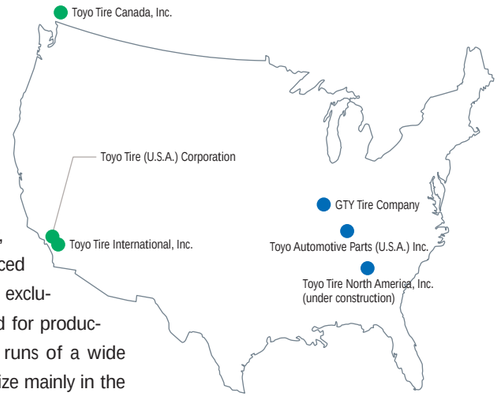
Toyo Tires Rated No.1 in Product Quality

TARGETING FURTHER GROWTH

Toyo is determined to achieve further growth and success in the U.S. market by anticipating market needs in its marketing activities, by establishing new tire production facilities in the United States, and by building an integrated business structure that will combine production, development and sales.

There are plans for the construction of a new tire plant in Bartow County, Georgia. Toyo will invest US$150 million in the new facility, which will commence production in March 2006. It will be an advanced production plant with highly automated production systems based on exclusive Toyo technology. These systems will also reduce the space required for production operations, allowing the plant to manufacture small production runs of a wide range of products. With annual capacity for 2 million tires, it will specialize mainly in the production of passenger car and light truck tires. It will also be an environment-friendly facility in which natural gas and electricity will be the main energy sources.

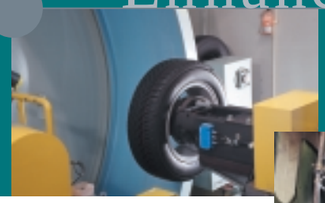
Subsidiaries and Manufacturing Facilities in North America



Manufacturing Facilities
Subsidiary

FOCUS ON GROWTH

Enhancing Business Competence through the Global Market



Toyo is enhancing its tire production capability and also improving manufacturing processes to match its products to global market needs.

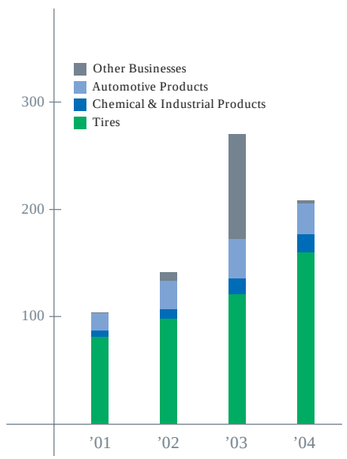
Cheng Shin-Petrel Tire (Xiamen) Co., Ltd. began operation in April 2004.

Air springs manufactured by Toyo are highly regarded by operators of urban railroads and high-speed rail systems in Japan.

GLOBAL EXPANSION OF TIRE PRODUCTION CAPACITY

To keep pace with strong demand for tires in overseas markets, especially North America, Toyo invested ¥10 billion in new facilities at the Sendai and Kuwana Plants in Japan during the summer of 2004. These projects, which will focus mainly on high-performance tires, will increase total capacity in Japan to three million tires. Construction of a new plant in North America is proceeding steadily, and completion is scheduled for early in 2006. This facility will further enhance Toyo's position in the North American market.

Toyo is also strengthening its infrastructure in China. Production capacity is being expanded in stages at a car tire facility in Kunshan, and a new truck and bus tire factory in Amoy became operational in April 2004.



Capital Investment (Tangible) (¥ million)

OVERSEAS EXPANSION OF CHEMICAL AND INDUSTRIAL PRODUCTS BUSINESS

Air springs manufactured by Toyo are highly regarded by operators of urban railroads and high-speed rail systems in Japan. In the current year, air springs were also supplied to fill an order received from the operator of a high-speed rail system in Taiwan. Toyo's growing reputation in this area continues to attract numerous inquiries from overseas, and these products are being actively marketed to subway operators in major overseas cities, including Boston, New York, Paris and Beijing.

Toyo is also working to expand its sales of parts for office automation equipment. In May 2003 it responded to increased production by Japanese-owned manufacturers in China by establishing a Hong Kong-based sales subsidiary, Toyo Rubber Chemical & Industrial Products (HK) Ltd. Further sales growth will be targeted through increased local production and marketing activities.

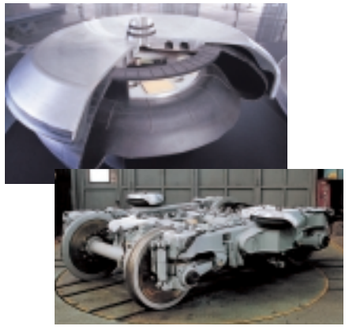
Established in Johor, Malaysia in 1994, Toyo Rubber (Malaysia) Sdn. Bhd. is the hub of Toyo's expanding rubber lining business in Southeast Asia. The business focuses primarily on Singapore and Malaysia. Recently, Toyo won a contract to supply anticorrosive rubber linings to Coral Bay Nickel Corporation for use in a major nickel refinery on the island of Palawan in the Philippines. This order reflects the consistent high-quality standards achieved through the manufacturing system used by Toyo, as well as the long-term durability of the products. Toyo will continue to implement intensive marketing activities targeting major overseas projects.

The anticorrosive rubber-lining project to the Coral Bay Nickel Corporation's nickel refining plant in the Philippines.

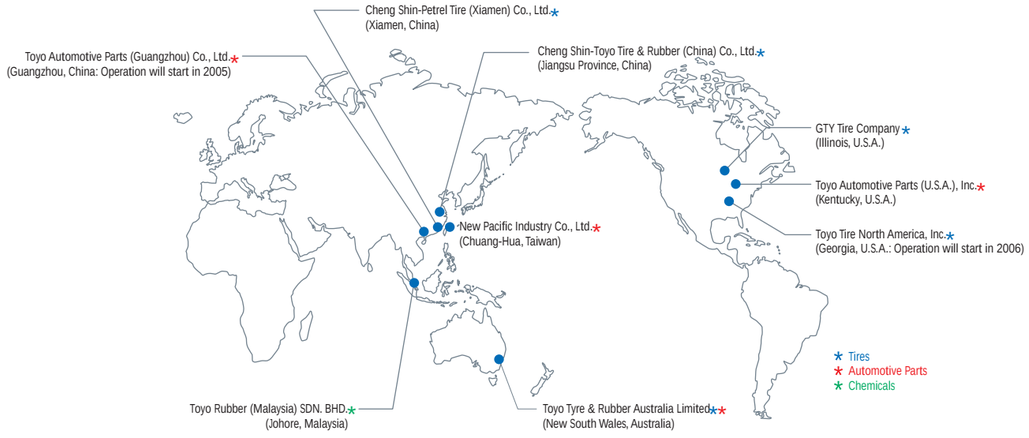
EXPANSION OF ANTI-VIBRATION RUBBER BUSINESS — GLOBAL STRATEGY

Toyo is working to strengthen its anti-vibration rubber business as the core area in the automotive parts category. It has expanded the scale of this business by collaborating with Kinugawa Rubber Industrial Co., Ltd. and acquiring a business operation from Toyoda Gosei Co., Ltd. In addition, production facilities in Japan were enhanced and expanded in January 2004. This work included the construction of a new building at the Kuwana Plant.

Overseas, Toyo has steadily consolidated its position as a global supplier in recent years. In July 2002 it established a new production and sales company, Toyo Automotive Parts (U.S.A.) Inc., in Kentucky, in addition to its existing production and sales operations in Australia and Taiwan. While expanding its anti-vibration rubber business in North America, the Toyo Group has also formed a partnership with Woco Michelin AVS in Europe. In the fall of 2005 it will also commence production in China.



Toyo has been building a solid global position in the field of air springs for railroad cars.



FOCUS ON GROWTH

Commitment to Corporate Social Responsibility

Toyo engages in various environmental protection activities alongside local communities and NPOs throughout Japan.

Toyo Environmental and Quality Control Report 2004

The shared management philosophy of Toyo states that good management must combine the creation of stable income with the fulfillment of corporate social responsibility. This philosophy is manifested in positive initiatives to overcome environmental problems, and in continuing efforts to ensure effective corporate governance. As an enterprise dedicated to the needs of both individuals and society, Toyo will continue to create value by contributing to society.

ENVIRONMENTAL ACTIVITIES

Toyo Environmental Protection Fund

In 1992, Toyo established the Toyo Environmental Protection Fund within the Osaka Community Foundation. Toyo has used this fund to provide support for the environmental protection activities of non-profit organizations (NPOs) through its nationwide network of business sites. Toyo employees make voluntary contributions to the Fund, and group companies donate an equal amount under a "matching gift" system. In fiscal 2003 (the year ended March 2004), the Toyo Environmental Protection Fund made grants totaling ¥10,265,000 to 20 organizations, bringing the cumulative total of grants in the 11 years since the Fund's establishment to ¥127 million. In the year ending March 2005, the Fund plans to make grants totaling ¥18,097,000 to 29 organizations.

Toyo is aggressively adopting environment-friendly and energy-saving efforts, such as new cogeneration systems in manufacturing plants that use clean-burning natural gas.

Toyo has introduced an environmental management system and acquired ISO 14001 certification for all domestic manufacturing facilities.

Environmental Initiatives at Individual Business Sites

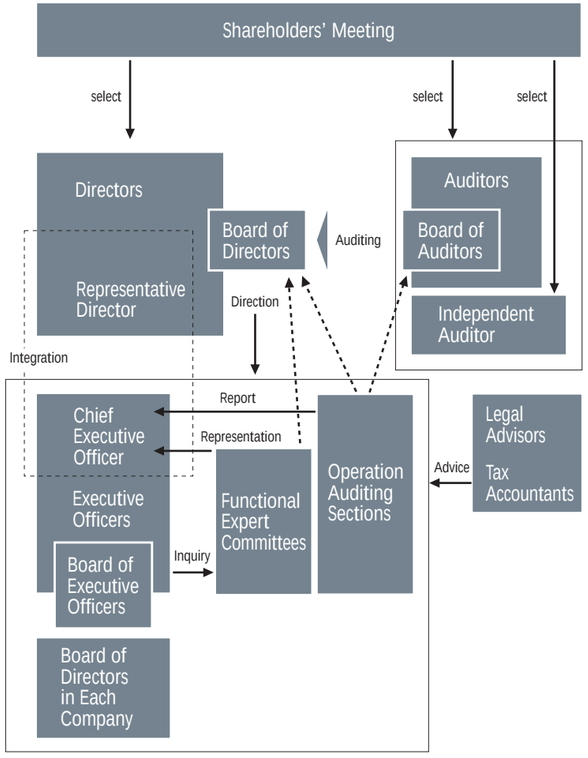
As part of its efforts to prevent global warming, Toyo is actively working to reduce its carbon dioxide emissions. Its target is to cut emissions by 10% relative to the 1990 level by 2010. In 1990, the Sendai Plant became the first tire manufacturing facility in Japan to install a cogeneration system fueled by coal and used tire chips. In 1995, a heavy-oil, diesel-engine-powered cogeneration system was installed at the Kuwana Plant.

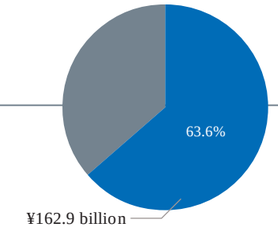
There will be further improvements. In 2005, an environment-friendly natural gas cogeneration system will be installed at the Kuwana Plant to provide an efficient source of energy. This will be followed by the installation of similar systems at the remaining eight plants in Japan.

Strengthening Corporate Governance

Toyo is continually refining its management structures to create a corporate governance environment conducive to sound, efficient management. In the year ended March 2000, it introduced an executive officer system designed to create clearer lines of executive supervision and responsibility. To speed up business management and clarify roles and responsibilities, an "in-house company" system was introduced in the year ended March 2001. These changes have helped management to build a stronger business structure based on accurate assessments of business operations. In April 2004 corporate governance functions and responsibilities were further clarified under a system based on the division of governance into four areas: auditing, supervision, operations and integration. The Company will continue to strengthen its internal governance systems.

Corporate Governance Structure





Net sales of tire segment
Total ¥256.1 billion

In the year ended March 2004, the Tire Company recorded sales of ¥162,912 million, an increase of ¥3,675 million, or 2.3%, over the previous year's result. This is equivalent to 63.6% of corporate net sales. At ¥6,833 million, its operating income was ¥5,709 million, or 45.5%, lower year-on-year.

Tire Company

Overview of Activities in the Year Ended March 2004

In its marketing activities for the replacement tire segment in Japan, the Tire Company focused on profitability rather than volume. Priority was given to the expansion of sales of specialty tires, especially the "TRANPATH MP3" series of third-generation tires designed specifically for minivans. The Tire Company also marketed the "GARIT G30," a new type of studless tire made using a crushed walnut-rubber mixture exclusively developed by Toyo. In overseas markets, we worked to expand sales of high-added-value products. Notable achievements included the launch of the "PROXES CT01" comfort tire. This is the latest product in the highly regarded "PROXES" range of ultra-high-performance tires. In the area of truck and bus tires, the Tire Company continued to respond to a diverse range of user needs. In addition to the launch of the "M133" light truck tire, there were also further additions and improvements to the "ZEROSYS" series of environment-friendly truck and bus tires, which help to save fuel through reduced rolling resistance.

In overseas markets, we expanded the range of sizes available in the "Toyo OPEN COUNTRY A/T," "Toyo OPEN COUNTRY M/T," and "Nitto MUD GRAPPLER M/T" series, which have emerged as the leading brands of tires for sports utility vehicles (SUVs) in the North American market. This approach resulted in sustained sales growth. It was decided to build a new plant in North America as part of a strategy designed to lift Toyo's profile in North America.

In China, production capacity for car tires was increased at the Kunshan Plant. Construction of the new Xiamen Plant, which will produce truck and bus tires, was completed on schedule.

In the European market, we worked to enhance the brand image of Toyo Group products, especially the popular "PROXES S/T" range of tires for sports utility vehicles (SUVs).

TRAMPATH MP3

PROXES CT01

Left: PROXES CT01 trial-running exhibition
Center: Toyo's booth at the SEMA SHOW
Right: Toyo Tire North America, Inc. will start tire production for the U.S. market in 2006.

Looking Ahead

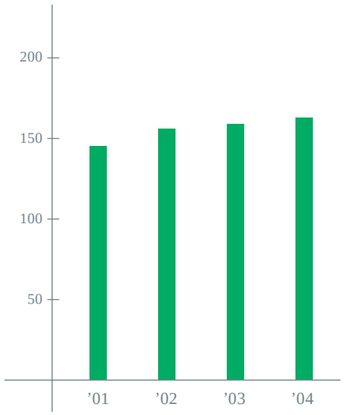
As in fiscal 2003 we will continue to pursue a marketing strategy designed to maximize profitability through an optimal mix of products and activities in fiscal 2004 (the year to March 2005). Priorities will include further growth in sales of the "Tranpath MP3" range. The aim is to enhance the image of this product and build it into the top brand not only for minivans, but also for recreational vehicles (RVs). We will work to enhance the brand image of Toyo Group products by increasing the market penetration of the "PROXES" brand.

In 2006 a new North American plant will be completed as part of an ongoing global supply chain management (SCM) strategy. Future priorities will include the development of systems for the new plant, and supply-demand adjustments and the restructuring of production plans and distribution systems based on strategies for Europe. Efforts to strengthen production operations will focus primarily on the start-up of mass-production using innovative methods to be introduced at the new North American plant. Expansion work at two plants in Japan began in fiscal 2003 and will be completed on schedule in the first half of 2004, taking production capacity up to 3 million tires. This project was initiated in response to strong overseas demand.

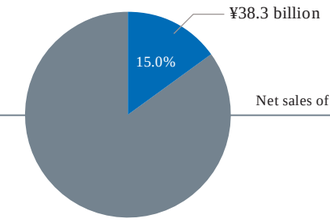
Key technology-related initiatives will include participation in the PAX system and the start of work on the development of PAX-type run-flat tires. Work will also continue on the commercialization of run-flat tires based on the Toyo Group's own side-support system. Overseas market strategies will target profit maximization through further increases in sales of UHP and SUV tires in North America. The powerful reputation of the Toyo brand will play a major role in these efforts.

In the Chinese market, the product line-up will be further expanded and enhanced in step with capacity expansion at the Kunshan Plant, the start of production at the new Xiamen Plant, and the easing of import restrictions. We will collaborate with production plants and sales companies in China on marketing initiatives designed to strengthen the Toyo Tire brand. Activities will include exhibits at the Beijing and Shanghai Motor Shows, and the construction of a new advertising tower.

Strategies for the European market will be restructured to include new activities in Russian and Eastern European markets. Brand penetration will be boosted through development efforts focusing on product differentiation.



Net Sales of Tire Company (¥ billion)



In the year ended March 2004, the sales of the Chemical & Industrial Products Company amounted to ¥38,302 million, a decline of ¥787 million, or 2.0%, from the previous year's level. This total is equivalent to 15.0% of corporate net sales. Operating income totaled ¥156 million, a year-on-year decline of ¥53 million, or 25.4%.

Chemical & Industrial Products Company

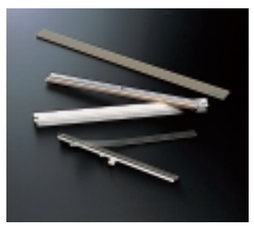
Overview of Activities in the Year Ended March 2004

The Chemical & Industrial Products Company has divided its operations into 16 business units, each subject to in-depth income management. In the year ended March 2004, this system was further strengthened through the appointment of officers with responsibility for each business unit. In addition, production, sales and technology were brought together into a single integrated structure.

Technical and production capabilities were further strengthened through rationalization measures, including the extension of the Toyota Production System (TPS), which was already in use at some production sites, to include other sites and also suppliers. We also worked to improve productivity and reduce reject rates by introducing innovative production methods. Cost savings of around 30% were achieved in some areas.

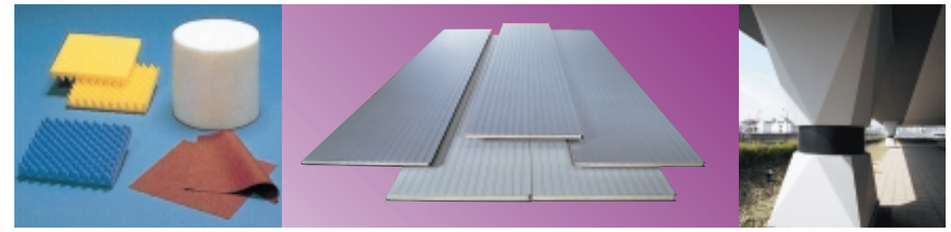
In our core business activities, the operations of Soflan U-Board Co., Ltd. (formerly Nichias U-Board Co., Ltd.), which became a subsidiary through a share acquisition in February 2003, were integrated with existing operations. The resulting restructuring of production sites and expansion of sales channels enhanced the earning potential of the rigid polyurethane foam business. We are highly successful in attracting new customers in the areas of Soflan fluid and housing insulation. This reflects its development of non-CFC products and products based on next-generation CFC alternatives. For example, in March 2003 a joint development initiative with a CFC manufacturer resulted in the development of HFC-245fa, a foaming compound for rigid polyurethane foam. Efforts to strengthen overall sales and marketing systems have brought significant benefits, including increased orders for LNG tank insulation materials based on a new production method.

Overseas, global marketing successes included an order for air springs for use on Taiwan's high-speed rail system. In China, we intensified our efforts to win orders for office equipment parts from Japanese-owned manufacturers. We also participated in a number of major overseas projects, including an order for the installation of anticorrosion rubber linings at a large-scale nickel refinery on the island of Palawan in the Philippines.



Cleaning blades for copy machines

A production line for rigid polyurethane thermal insulation panels



Left: Flexible polyurethane foam products using "SOFLAN E Foam"
Center: Thermal insulation panels
Right: Seismic isolation rubber bearing

Looking Ahead

Selection and concentration were identified as priority themes for the Chemical & Industrial Products Company in the Medium-Term Business Plan 2002. As the final year of the plan, fiscal 2004 (the year to March 2005) will be a time for ensuring that goals are met. We will actively use a variety of approaches, including business restructuring, collaboration and M&A, to develop and strengthen its core business operations.

The entire Toyo Group is working to overcome environmental problems. As a leader in the urethane industry, we will continue to take the initiative in CFC countermeasures. Measures to strengthen marketing systems will focus on the use of non-CFC and next-generation CFC alternatives to attract new customers and expand sales to existing users.

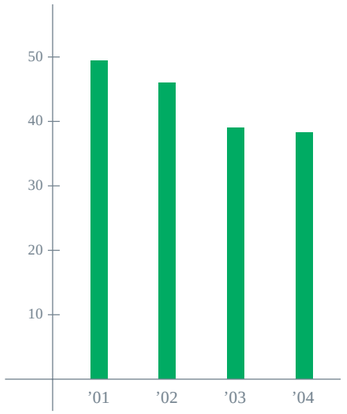
Market demand for environment-friendly products is growing, and we aim to expand sales by responding to needs in this area. Key products include "SOFLAN E Foam," which is based on a newly developed recycling technology for flexible polyurethane foam.

We will continue to focus on the development of overseas business activities. Air springs manufactured by Toyo are highly regarded in Japan and overseas, and this reputation will continue to provide the impetus for determined marketing efforts.

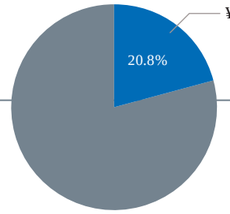
Production of office equipment parts in China will be expanded. We aim to increase the scale of this business segment, and our Hong Kong-based sales company is seeking orders and building business relationships with new customers.

The year ended March 2004 brought significant improvements in technology development capabilities and production flexibility. These achievements will form the basis for further improvements, including major reductions in lead times through the implementation of the Toyota Production System (TPS) at all sites. We will also continue to target cost reductions through the development of new production methods.

The Chemical & Industrial Products Company also sees potential for growth in the area of products for the semiconductor industry. In July 2004 it established Toyo Advanced Technology Incorporated to manufacture and sell polishing pads used in chemical mechanical polishing systems (CMPs) for semiconductor wafers. Production will commence at the Hyogo Plant in the second half of fiscal 2004. The products will be marketed in Asia. This high-growth, high-income business is expected to make a substantial contribution to earnings in the future. It will also help Toyo to develop precision cutting and polishing technology as the basis for business activities in other growth areas.



Net Sales of Chemical & Industrial Products Company (¥ billion)



In the year ended March 2004, the Automotive Parts Company recorded sales of ¥53,267 million, a year-on-year decline of ¥2,048 million, or 3.7%. This is equivalent to 20.8% of corporate net sales. At ¥138 million, operating income was ¥565 million, or 80.4%, below the previous year's level.

Automotive Parts Company

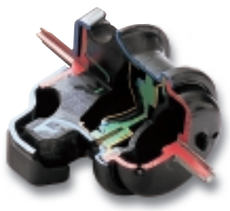
Overview of Activities in the Year Ended March 2004

In the core area of anti-vibration rubber products, the Automotive Parts Company continued to target growth through global expansion of its business operations. Particular priority was given to the expansion of production capacity and the improvement of productivity to keep pace with a sharp increase in orders received by the North American production operation, Toyo Automotive Parts (U.S.A.) Inc. In Europe, we worked successfully to attract orders through Toyo's alliance with a European manufacturer of anti-vibration rubber products.

There were also important developments within Japan. A new building was completed at the Kuwana Plant in January 2004, allowing us to increase its production capacity and expand the scale of its activities by acquiring the anti-vibration rubber business of Toyota Gosei Co. and integrating rubber mixing processes. Overseas procurement of molds continued to expand. In addition to South Korea, we also began to source molds from China, as well as local procurement in North America.

Quality-related initiatives included further enhancements to quality assurance systems to give added confidence to motor vehicle manufacturers. Toyo's reputation for quality was further enhanced when it received quality awards from the Toyota Motor Corporation in both fiscal 2002 and fiscal 2003. These efforts to strengthen production systems, reduce costs and maintain consistently high quality standards have helped us to strengthen our income base in the area of anti-vibration rubber products.

We are restructuring the seat cushion business with the aim of integrating production, sales and technology. Measures to improve profitability in the year under review included product mix changes and other modifications to bring production operations at three production sites into line with product trends. Production operations were integrated and streamlined, and some facilities were scrapped and replaced.



Hydraulic engine mounts

Flexible couplings

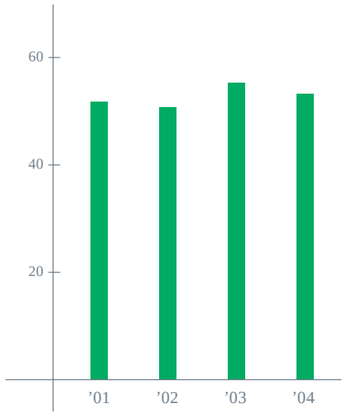
Left: Hydraulic upper supports
Center: Polyurethane seats for automobiles
Right: Toyo Automotive Parts (USA) Inc.

Looking Ahead

The Automotive Parts Company's global strategy for the anti-vibration rubber business calls for efforts to attract increased orders in North America. This will be combined with further improvement of the income base through rationalization measures, leading to the early achievement of positive income performance. Another focus will be the development of production operations in China, where motor vehicle use is expanding rapidly. Toyo aims to establish a production site and commence production in the fall of 2005. These measures are seen as the best way to build an even stronger position as a global supplier. We will also build solid support among motor vehicle manufacturers through the continuing enhancement of quality assurance systems at the global level.

With the acquisition of business operations from Toyoda Gosei Co. completed on schedule, the focus for the anti-vibration rubber business in Japan will be the improvement of productivity and the minimization of fixed costs. Cost reductions will be pursued through continuing efforts to expand the range of mold types procured overseas and develop new suppliers. We will also use our accumulated knowledge of mold manufacturing technology to optimize procurement activities. Research and development activities will center on the development of next-generation strategic products, such as active control mounts (ACMs) based on new technology. Another R&D focus will be the modularization of anti-vibration rubber products with tires.

Profitability improvement will remain a priority for the seat cushion business. We will work to reduce costs while improving quality and productivity through the use of new production lines, the deployment of low-cost production methods, and the introduction of the Toyota Production System (TPS).



Net Sales of Automotive Parts (¥ billion)

Administrative Division

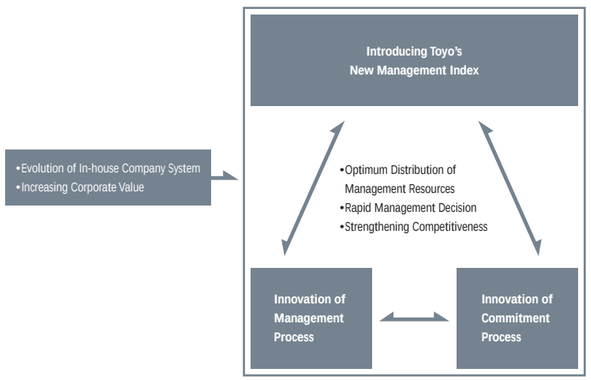
Overview

The Toyo Group aims to evolve its corporate administrative organization into a "small headquarters" specializing in corporate strategic functions focused on the maximization of corporate value, and on management and administrative functions. Its basic strategic roles will be to secure and allocate the management resources needed to implement management strategies, and the provision of evaluation and guidance in relation to company performance. Other responsibilities will include promotion of the "TCR30" campaign to reduce corporate costs, support for corporate social responsibility (CSR) activities, and the development and reinforcement of corporate governance systems. Future efforts will focus on the enhancement of corporate-level potential in such areas as human resources and IT.

Initiatives in Fiscal 2003

In April 2003, Toyo's corporate administrative organization was restructured into three specialized units. The Corporate Strategy Planning Department proposes strategies for the entire Toyo Group, while the Management Control Center provides active support for in-house companies. The third unit is the Business Center, which is a team of experts specializing in practical aspects of business operations. Another important change was the formulation and trial implementation of a new business performance assessment system. Known as "TRVA" (Toyo Rubber Version EVA®), the system is designed to align management approaches more closely with shareholder perspectives. Initiatives to improve the Toyo Group's financial structure resulted in a significant reduction in interest-bearing debt. This was achieved through the use of a financial subsidiary within the Toyo Group to provide asset liquidation services and integrated management of funds.

TRVA(Toyo Rubber Version EVA®)

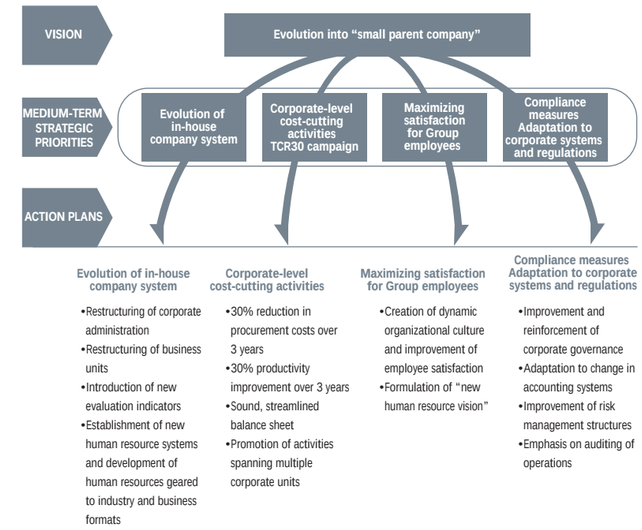


In fiscal 2003, efforts to reduce total group-level costs through "TCR30" activities resulted in savings of approximately ¥2 billion in procurement costs alone. Specific procurement restructuring measures included the introduction of a reverse auction system by the newly established Purchasing Coordination Division, and the use of an in-house electronic procurement system.

There was significant progress on the reinforcement of corporate governance systems. Changes to existing structures included the clarification of the roles of directors and executive officers, and the restructuring of the Management Council system. Risk management systems were also strengthened through group-level initiatives under the new Basic Risk Management Framework. There were numerous industrial accidents in Japan during fiscal 2003, and for that reason particular emphasis was placed on accident prevention, including the implementation of comprehensive emergency inspections.

Fiscal 2003 saw the start-up of the Marketing Navigation Project, which involves all in-house companies. Activities included studies concerning sales and marketing reforms.

Basic Strategies for Corporate Administration



Looking Ahead

Group-wide efforts to reduce costs will continue under the TCR30 campaign. The range of items covered by centralized buying operations will be further expanded, and a global procurement structure will be developed to offset the impact of exchange rate fluctuations. In May 2004, Toyo began to use a new electronic order management system provided by Rubber Network Japan K.K. This system is expected to bring major improvements in the efficiency of raw material ordering operations.

A fully operational TRVA system and the continuing evolution of the in-house company structure will bring further improvements in management quality, including optimized allocation of management resources on a company-by-company basis, faster management decision-making, and enhanced competitiveness in the medium-term and long-term perspective. To provide stronger group-level policy management, the scope of management and accounting systems will be expanded from company units to business units.

Toyo will continue to build its CSR systems through determined efforts to enhance corporate governance and strengthen compliance systems. An issue of particular public concern at present is the protection of individual privacy. Toyo is determined to fulfill its obligations in this area by strengthening system audit procedures, and by implementing comprehensive IT security measures, including the monitoring of Internet-based information flows, to avoid potential risks.

Research & Development Division

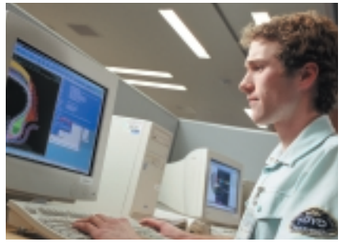
In the year ended March 2004, Toyo invested ¥9,553 million in research and development activities relating to tires, chemical and industrial products and automotive parts. This total includes the cost of design work, materials, processing and facilities.

Research and development activities in the tire segment focused on the development of improved car tires to reflect the characteristics of the major markets in Japan, Europe and North America, and the development of truck and bus tires with enhanced economic and performance characteristics. Another goal was the development of next-generation tires, especially run-flat tires.

A priority in the area of chemical and industrial products was the reduction of development lead times for anti-vibration rubber products. Toyo's R&D organization also continued to develop new manufacturing methods to reduce costs and improve quality. The R&D goal in the area of rigid polyurethane foam was the establishment of a next-generation foaming technology, while in the soft polyurethane area Toyo continued to focus on the expansion of its range of nursing care products, and on the development of recycled products.

In the automotive parts segment, Toyo collaborated with a European manufacturer of anti-vibration rubber on the development of anti-vibration rubber products for the next generation of Japanese, European and American strategic cars. Toyo also expanded its efforts to develop next-generation automotive products, including the installation of improved assessment equipment for chassis and engine mounting systems. Basic development work on seat cushion pads with enhanced passenger comfort characteristics was completed, and the development team began to consider approaches to commercial development.

Toyo is building an international reputation as a technology-based enterprise. In fiscal 2002 it established a Technology Council and launched a "Technology Navigation Project" to formulate long-term strategies for the development of core technologies. In fiscal 2003, this initiative was linked to practical manufacturing technology with the establishment of the "Production Navigation Project," the aim of which is to improve the Group's strengths in the area of production technology. In fiscal 2004, the results of these two group-wide projects provided the foundation stones for the implementation of specific measures by individual in-house companies. At the same time, Toyo will consolidate the global competitiveness of its production bases by introducing total product maintenance (TPM) systems. Another focus will be the creation of high added-value products through the development of modules that combine anti-vibration technologies developed for the tire and automotive parts segments. The goal of these initiatives is to enhance the technological capabilities over a 10-year time frame.



TECHNOLOGY DEVELOPMENT ORGANIZATION

Technical Research Center
(OSAKA PREFECTURE)

Toyo Technical Center
(HYOGO PREFECTURE)

Automotive Parts Technical Center
(AICHI PREFECTURE)

Automotive Parts Technical Center East Japan
(CHIBA PREFECTURE)

Soflan Technical Center
(HYOGO PLANT, HYOGO PREFECTURE)

High-Polymer Processing Technology Center
(FUKUSHIMA PLANT, FUKUSHIMA PREFECTURE)

Tire Testing Course
(MIYAZAKI PREFECTURE)

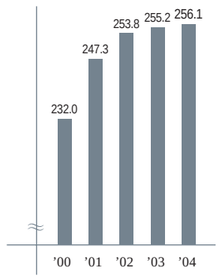
Winter Tire Testing Course
(HOKKAIDO)

Five-year Summary

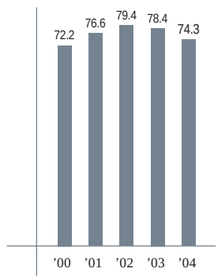
In millions of yen except per share figures

For the fiscal year ended March 31:	2000	2001	2002	2003	2004
Net sales	¥232,023	¥247,281	¥253,811	¥255,158	¥256,143
Tires	139,773	145,488	156,080	159,237	162,912
Rubber & Plastics	91,456	—	—	—	—
Chemical & Industrial Products	—	49,414	46,049	39,089	38,302
Automotive Parts	—	51,848	50,864	55,315	53,267
Other Businesses	794	531	818	1,517	1,662
Percentage of sales					
Tires	60.2%	58.8%	61.5%	62.4%	63.6%
Rubber & Plastics	39.4%	—	—	—	—
Chemical & Industrial Products	—	20.0%	18.2%	15.3%	15.0%
Automotive Parts	—	21.0%	20.0%	21.7%	20.8%
Other Businesses	0.4%	0.2%	0.3%	0.6%	0.6%
Sales by market					
Domestic	190,132	194,722	190,381	184,003	182,839
Overseas	41,891	52,559	63,430	71,155	73,304
Percentage of sales by market					
Domestic	81.9%	78.7%	75.0%	72.1%	71.4%
Overseas	18.1%	21.3%	25.0%	27.9%	28.6%
Income before income taxes	3,647	6,303	5,446	6,938	8,225
Net income	3,088	4,060	3,261	3,657	5,520
Capital expenditure	10,815	10,555	15,729	27,615	21,233
Per share of common stock					
Net income	¥ 14.76	¥ 19.40	¥ 15.58	¥ 17.33	¥ 26.24
Cash dividends	—	5.00	5.00	7.00	7.00
At the year end:					
Total assets	¥250,199	¥264,627	¥256,410	¥259,206	¥284,237
Shareholders' equity	45,918	56,947	58,637	58,314	73,931
Current ratio	87.7%	79.7%	83.5%	86.6%	101.9%
Number of employees	6,828	6,673	6,320	6,280	6,263

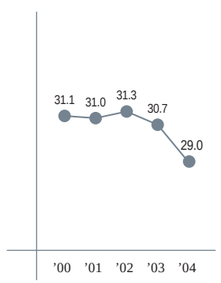
Note: 1. Since April 2000, we changed our segment designation from three industry segments to four industry segments.



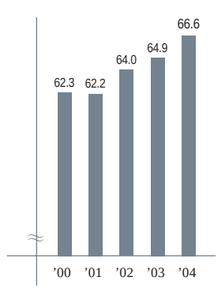
Net Sales (¥ billion)



Gross Profit (¥ billion)



Gross Profit to Net Sales (%)



SGA Expenses (¥ billion)

Overview of Operations

The Toyo Group consists of Toyo Tire & Rubber Co., Ltd., together with 39 consolidated subsidiaries and seven affiliated companies that are accounted for using the equity method. These companies are involved in four business segments. In the tire segment, the Toyo Group manufactures and sells a variety of tires, inner tubes, aluminum wheels and related products. In the chemical and industrial products segment, the Group manufactures and sells industrial rubber products and synthetic resin products. Activities in the automotive parts segment center on production and sales of non-tire-related automobile parts, such as rubber anti-vibration products and seat cushions. There is also the other activities segment, which includes the supply, maintenance, financing and operation of facilities and tools for the Toyo Group's business segments, and the provision other services.

Net Sales

The consolidated net sales of the Toyo Group in fiscal 2003 (the year ended March 31, 2004) increased by 0.4% year-on-year to ¥256,143 million. In the tire segment, the Toyo Group recorded 2.3% year-on-year sales growth driven by strong overseas sales. However, sales of chemical and industrial products and automotive parts fell short of the previous fiscal year's result. Overseas sales increased by 4.0% to ¥92,361 million, and the contribution of overseas sales to total sales was 1.3 points higher at 36.1%. Regionally, sales in North America, including Canada, were 1.3% higher at ¥54,086 million, and the contribution to total sales increased by 0.2 points to 21.1%. Sales in other regions, including Europe, Near East Oceania and Southeast Asia, were 8.1% higher at ¥38,275 million, while the sales contribution increased by 1.0 point to 14.9%.

Regional sales statistics show that sales in Japan were 0.6% below the previous fiscal year's level at ¥182,839 million. North American sales increased by 1.3% to ¥54,085 million, and sales in other regions, including Europe and Southeast Asia, by 8.3% to ¥19,218 million.

Cost of Sales, Selling, General and Administrative Expenses

The cost of sales increased by 2.9% year-on-year to ¥181,844 million in the year ended March 2004. The cost of sales ratio was 1.7 points higher at 71.0%. Reasons for this trend included increases in the cost of raw materials. Selling, general and administrative expenses were 2.7% higher at ¥66,620 million, mainly because of increases in production transportation and packaging costs, wages and allowances, and depreciation. The ratio of selling, general and administrative expenses to sales rose by 0.6 points to 26.0%.

Operating Income

Operating income amounted to ¥7,679 million, a year-on-year decline of 43.3%. As a result, the operating margin was 2.3% lower at 3.0%.

Other Income and Expenses

Other income and expenses amounted to a net gain of ¥546 million in the year ended March 2004, compared with the previous fiscal year's net loss of ¥6,605 million. The main reasons for this improvement were exchange gains, gains on sales of investment securities, and the reduction of unrealized losses on investment securities. Exchange gains amounted to ¥1,687 million, compared with exchange losses of ¥1,317 million in the previous fiscal year. Gains on sales of investment securities rose from ¥65 million in the previous fiscal year to ¥2,206 million in the year ended March 2004. There were ¥69 million of unrealized losses on investment securities, compared with ¥2,022 million in the previous fiscal year.

Income before Income Taxes

Income before income taxes increased by 18.6% to ¥8,225 million in the year ended March 2004.

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 expense in the year ended March 2004 amounted to ¥2,499 million, a year-on-year reduction of ¥605 million.

Net Income

Net income after taxes for the year ended March 2004 amounted to an all-time high of ¥5,520 million, an increase of 50.9% over the previous fiscal year's result. This was also reflected in the rate of return on shareholders' equity, which rose from 6.3% in the previous fiscal year to 7.5%.

Segment Trends

The tire segment accounted for 63.6% of consolidated net sales, the chemical and industrial products segment for 15.0%, the automotive parts segment for 20.8%, and other activities for 0.6%. The segment contributions to operating income were 89.0%, 2.0%, 1.8% and 7.2% respectively.

Tires

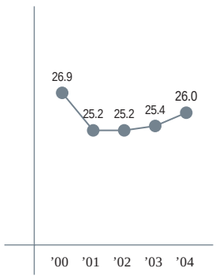
Consolidated net sales in this segment amounted to ¥162,912 million, an increase of 2.3% from the previous fiscal year's level. Operating income was 45.5% lower at ¥6,833 million, and the operating margin declined from 7.9% to 4.2%.

Original equipment tire sales were below the previous fiscal year's level in both volume and value terms, mainly because of reduced production of models fitted with Toyo Group tires. Demand for replacement tire sales in Japan peaked out, and sales volumes remained at the previous fiscal year's level. However, the value of sales was higher because of improvements in the sales mix, especially through the introduction of new products and the expansion of sales of high-added-value products. There was sustained volume growth in sales in overseas markets, especially North America. Despite the impact of exchange rate trends, sales increased year-on-year in value terms. Though total sales in the tire segment increased year-on-year, operating income in this segment was below the previous fiscal year's level because of higher raw material costs, the exchange rate factor, and increases in shipping costs.

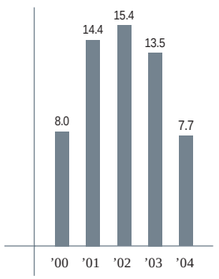
Chemical and Industrial Products

Consolidated net sales in this segment amounted to ¥38,302 million, a decline of 2.0% compared with the previous fiscal year's result. Operating income was also lower, falling by 25.4% to ¥156 million, and the operating margin declined from 0.5% to 0.4%.

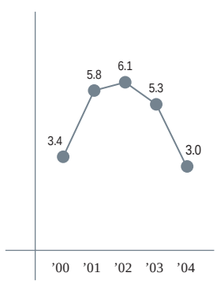
In the area of urethane products, the Toyo Group was able to increase its market



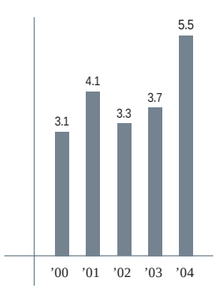
SGA Expenses to Net sales (%)



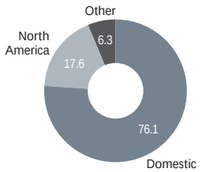
Operating Income (¥ billion)



Operating Income to Net Sales (%)

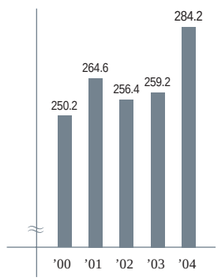


Net Income (¥ billion)

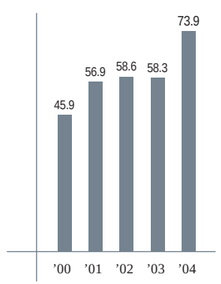


Net Sales before Elimination
¥306,791

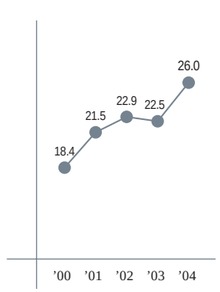
Sales by Geography (%)



Total Assets (¥ billion)



Shareholders' Equity (¥ billion)



Equity Ratio (%)

share by turning Soflan U-Board Co., Ltd. into a subsidiary. In addition, the introduction of a new installation method brought increased orders for insulation work on liquid natural gas (LNG) tanks, with the result that sales of rigid urethane showed a substantial year-on-year rise. Product categories showing particularly strong sales growth in the area of industrial rubber products included rubber anti-vibration parts and air springs for motor vehicles, and measurement membranes for use in gas meters. However, a reduction in public works activity and escalating price competition caused substantial year-on-year declines in sales of products used in construction and civil engineering projects, such as rubber bearings for bridges, and waterproof sheets. Despite efforts to develop and market high-added-value products, sales of sports-related products fell below the previous fiscal year's level because of stagnant consumer spending. As a result of these trends, there were year-on-year declines in both net sales and operating income in this segment.

Automotive Parts Segment

Consolidated net sales in the automotive parts segment were 3.7% below the previous fiscal year's level at ¥53,267 million. Operating income was 80.4% lower at ¥138 million, and the operating margin declined from 1.3% to 0.3%.

An analysis of trends in major product categories shows that sales of anti-vibration rubber products were higher year-on-year, reflecting the contribution from production in North America. Sales of air springs also expanded, reflecting an increase in the number of trucks produced, and in the percentage of vehicles fitted with these products. Sales of airbags produced under contract were substantially lower year-on-year, reflecting the transfer of production to Toyoda Gosei Co., Ltd. These factors resulted in a decline in total net sales in this segment. Operating income was also lower because of start-up costs at a new anti-vibration rubber plant in North America, and because of continual pressure from customers to reduce prices.

Financial Position

The Toyo Group has made the reduction of interest-bearing liabilities a priority. In the fiscal year ended March 31, 2004, interest-bearing liabilities were reduced by ¥11,081 million to a year-end balance of ¥83,486 million through the repayment of short-term and long-term loans. This brought the total reduction since the end of March 1999 to ¥53,873 million.

Total assets as of March 2004 amounted to ¥284,237 million, an increase of ¥25,031 million. This resulted mainly from a ¥4,457 million increase in property, plant and equipment due to capital investment and other factors, and a ¥21,697 million increase in investment securities, in part because of the valuation of securities at market prices. This increase in total assets, combined with a ¥2,885 million decline in ordinary income, caused ROA to fall from 4.7% to 3.2%.

Current assets declined by 1.1% year-on-year to ¥109,061 million. Fixed assets increased by 17.6% to ¥175,176 million, mainly because of a ¥21,697 million increase in investment securities due to higher share prices, and a ¥4,457 million increase in property, plant and equipment.

Current liabilities were reduced by 16.0% to ¥107,000 million. The year-end balance of short-term debt fell from ¥45,941 million at the end of the previous fiscal year to ¥17,733 million.

Long-term liabilities increased by 40.9% to ¥101,790 million. During the period under review, the 14th, 15th, 16th and 17th issues of unsecured bonds brought the balance of outstanding bond issues to ¥18,000 million as of March 31, 2004. Deferred tax liabilities increased from ¥170 million at the end of the previous fiscal year to ¥9,099 million as of March 31, 2004. Reasons for the higher figure included an increase in unrealized gains on investment securities. Total current and long-term liabilities increased by 4.6% to ¥208,790 million.

Retained earnings increased by ¥4,173 million compared with the position at the end of the previous fiscal year to ¥13,093 million. Net unrealized gains on other securities increased by ¥13,101 million to ¥18,409 million due to the valuation of shares held at market prices. Foreign currency translation adjustments were ¥1,650 million lower than in the previous fiscal year because of the trend toward a higher yen and lower dollar. These factors were reflected in total shareholders' equity of ¥73,931 million, a year-on-year increase of 26.8%. The shareholders' equity ratio rose by 3.5% to 26.0%.

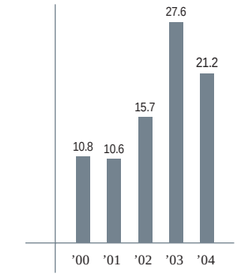
Cash Flows

The Toyo Group's priorities in terms of improving its corporate value are to maximize cash flows from operating activities and maintain investment in new growth areas. In the year ended March 31, 2004, cash flows from operating activities increased by 26.2% to ¥28,822 million. Factors contributing to this increase included income before income taxes of ¥8,225 million, depreciation of ¥15,400 million, and an ¥11,724 million increase in notes and accounts payable. Negative factors included tax payments of ¥3,130 million, and a ¥4,584 million increase in inventory assets.

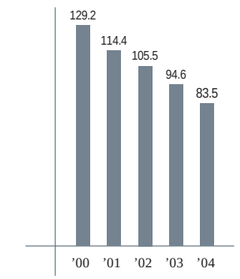
Proceeds from long-term customer deposits, and proceeds on sales or redemptions of investment securities were offset by payments for the acquisition of property, plant and equipment as a result of capital investment. As a result, cash flows used for investing activities increased by 35.9% to ¥21,022 million. Total capital investment in the year ended March 2004 amounted to ¥21,233 million, including ¥16,153 for the tire segment, ¥1,674 million for the chemical and industrial products segment, ¥2,917 million for the automotive parts segment, and ¥489 million for other business activities.

Cash flows used in financing activities were reduced by 0.2% to ¥11,827 million, despite increased procurement of funds through commercial paper, long-term loans and bond issues. Reasons for the lower figure include reduced short-term borrowing, the repayment of long-term loans, the redemption of bonds, and dividend payments.

These cash flow movements, combined with lower foreign exchange effects due to the higher value of the yen and lower value of the dollar, caused cash and cash equivalents to decline by ¥4,099 million to ¥7,750 million at the end of the fiscal year.



Capital Expenditure (¥ billion)



Interest-bearing Liabilities (¥ billion)

Consolidated Balance Sheets

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
March 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2004	2003	2004
Current assets:			
Cash and time deposits	¥ 7,754	¥ 11,854	$ 73,400
Marketable securities (Note 4)	68	28	644
Notes and accounts receivable:			
Trade	58,201	59,924	550,937
Unconsolidated subsidiaries and affiliates	3,684	3,482	34,873
Other	8,034	8,012	76,051
Allowance for doubtful receivables	(1,138)	(666)	(10,772)
	68,781	70,752	651,089
Inventories (Note 6)	26,424	22,566	250,133
Deferred tax assets (Note 10)	4,111	3,200	38,915
Other current assets	1,923	1,905	18,203
Total current assets	109,061	110,305	1,032,384
Property, plant and equipment (Note 8):			
Land	23,070	23,445	218,383
Buildings and structures	68,279	66,209	646,336
Machinery and equipment	199,443	188,506	1,887,950
Construction in progress	2,385	3,716	22,577
	293,177	281,876	2,775,246
Accumulated depreciation	(181,698)	(174,854)	(1,719,973)
Total property, plant and equipment	111,479	107,022	1,055,273
Intangible assets	2,978	3,905	28,190
Investments and other assets:			
Investment securities (Notes 4 and 8)	42,877	21,180	405,878
Investments in unconsolidated subsidiaries and affiliates	8,974	8,788	84,949
Long-term loans receivable	1,255	1,424	11,880
Deferred tax assets (Note 10)	2,752	1,480	26,051
Other assets	5,651	6,118	53,492
Allowance for doubtful receivables	(790)	(1,016)	(7,478)
Total investments and other assets	60,719	37,974	574,772
Total assets	¥284,237	¥259,206	$2,690,619

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	2004	2003	2004
Current liabilities:			
Short-term bank loans (Note 7)	¥ 7,075	¥ 25,378	$ 66,973
Commercial paper	500	—	4,733
Current portion of long-term debt (Notes 7 and 8)	10,158	20,563	96,157
Notes and accounts payable:			
Trade	58,269	48,081	551,581
Unconsolidated subsidiaries and affiliates	1,474	1,190	13,953
Other	15,805	22,153	149,612
	75,548	71,424	715,146
Accrued expenses	7,409	5,607	70,134
Income and enterprise taxes payable	2,974	1,395	28,152
Customers' deposits	2,061	2,476	19,510
Deferred tax liabilities (Note 10)	12	—	114
Other current liabilities	1,263	520	11,955
Total current liabilities	107,000	127,363	1,012,874
Long-term liabilities:			
Long-term debt due after one year (Notes 7 and 8)	65,753	48,626	622,425
Long-term deposits (Note 8)	9,500	6,800	89,928
Severance and retirement benefits (Note 9)	16,420	15,567	155,434
Deferred tax liabilities (Note 10)	9,099	170	86,132
Other long-term liabilities	1,018	1,060	9,636
Total long-term liabilities	101,790	72,223	963,555
Contingent liabilities (Note 12)			
Minority interests in consolidated subsidiaries	1,516	1,306	14,351
Shareholders' equity (Note 13):			
Common stock			
Authorized-400,000,000 shares			
Issued-209,284,712 shares	23,975	23,975	226,950
Capital surplus	21,997	21,997	208,226
Retained earnings	13,093	8,920	123,940
Net unrealized holding gains on securities	18,409	5,308	174,261
Foreign currency translation adjustments	(3,517)	(1,867)	(33,292)
Treasury stock, at cost			
2003-91,474 shares		(19)	
2004-120,135 shares	(26)		(246)
Total shareholders' equity	73,931	58,314	699,839
Total liabilities, minority interests and shareholders' equity	¥284,237	¥259,206	$2,690,619

Consolidated Statements of Income

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Net sales	¥256,143	¥255,158	$2,424,678
Cost of sales	181,844	176,741	1,721,356
Gross profit	74,299	78,417	703,322
Selling, general and administrative expenses	66,620	64,874	630,632
Operating income	7,679	13,543	72,690
Other income (expenses):			
Interest and dividend income	429	358	4,061
Interest expense	(1,486)	(1,505)	(14,067)
Loss on disposal of property, plant and equipment	(735)	(945)	(6,958)
Gain on sale of investment securities	2,206	65	20,882
Amortization of goodwill	—	(389)	—
Gain on sale of a business	—	741	—
Loss on write-down of investment securities	(69)	(2,022)	(653)
Loss on cessation of unprofitable operations	(369)	(133)	(3,493)
Equity in net income of unconsolidated subsidiaries and affiliates	808	811	7,649
Foreign exchange gain (loss)	1,687	(1,317)	15,969
Amortization of net transition obligation (Note 9)	(2,150)	(2,154)	(20,352)
Other net	225	(115)	2,131
Income before income taxes	8,225	6,938	77,859
Income taxes (Note 10):			
Current	4,787	3,403	45,314
Deferred	(2,288)	(299)	(21,658)
	2,499	3,104	23,656
Minority interests in income	(206)	(177)	(1,950)
Net income	¥ 5,520	¥ 3,657	$ 52,253

		yen	U.S. dollars (Note 1)
	2004	2003	2004
Net income per share	¥ 26.24	¥ 17.33	$ 0.25
Dividends per share	7.00	7.00	0.07

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003 and 2004

		Millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	209,285	¥23,975	¥21,997	¥ 6,307	¥ 6,885	¥ (525)	¥ (2)
Net income	—	—	—	3,657	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	(1,342)	—
Decrease in net unrealized holding gains on securities	—	—	—	—	(1,577)	—	—
Increase resulting from the merger of a consolidated subsidiary with a non-consolidated subsidiary	—	—	—	5	—	—	—
Increase resulting from the merger between consolidated subsidiaries	—	—	—	42	—	—	—
Cash dividends	—	—	—	(1,046)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(30)	—	—	—
Decrease resulting from the merger of a consolidated subsidiary with a non-consolidated subsidiary	—	—	—	(5)	—	—	—
Decrease resulting from the sale of stocks in a consolidated subsidiary	—	—	—	(10)	—	—	—
Treasury stock	—	—	—	—	—	—	(17)
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)

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	$226,950	$208,226	$ 84,438	$ 50,246	$(17,673)	$(180)
Net income	—	—	52,253	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	(15,619)	—
Increase in net unrealized holding gains on securities	—	—	—	124,015	—	—
Increase resulting from increase in equity method affiliates	—	—	1,391	—	—	—
Cash dividends	—	—	(13,858)	—	—	—
Bonuses to directors and corporate auditors	—	—	(284)	—	—	—
Treasury stock	—	—	—	—	—	(66)
Balance at March 31, 2004	$226,950	$208,226	$123,940	$174,261	$(33,292)	$(246)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Income before income taxes	¥ 8,225	¥ 6,938	$ 77,859
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	15,400	13,964	145,778
Amortization of goodwill	—	389	—
Equity in net income of unconsolidated subsidiaries and affiliates	(808)	(811)	(7,649)
Foreign exchange loss	50	438	473
Amortization of net transition obligation	2,150	2,154	20,352
Interest and dividend income	(429)	(358)	(4,061)
Interest expense	1,486	1,505	14,067
Loss on disposal of property, plant and equipment	735	945	6,958
Loss on cessation of unprofitable operations	369	—	3,493
Gain on sale of investment securities	(2,206)	(65)	(20,882)
Loss on write-down of investment securities	69	2,022	653
Gain on sale of a business	—	(741)	—
(Increase) decrease in notes and accounts receivable	(48)	2,010	(454)
Increase in inventories	(4,584)	(434)	(43,393)
Increase (decrease) in notes and accounts payable	11,724	(61)	110,981
Other, net	703	92	6,654
Interest and dividends received	593	358	5,613
Interest paid	(1,477)	(1,346)	(13,981)
Income taxes paid	(3,130)	(4,153)	(29,629)
Net cash provided by operating activities	28,822	22,846	272,832
Cash flows used in investing activities:			
Additions to property, plant and equipment	(26,102)	(20,249)	(247,084)
Additions to intangible assets	(430)	(429)	(4,070)
Proceeds from sales of investment securities	3,154	341	29,856
Proceeds from sales of property, plant and equipment	311	791	2,940
Investments in securities	(645)	(141)	(6,106)
Additions to investments in unconsolidated affiliates	(355)	(1,109)	(3,360)
Proceeds from long-term customers' deposits	2,700	6,800	25,559
Additions to long-term prepaid expenses	—	(1,381)	—
Additions to receipt of operations	—	(1,208)	—
Proceeds from sale of operations	—	1,361	—
Other, net	345	(249)	3,268
Net cash used in investing activities	(21,022)	(15,473)	(198,997)
Cash flows provided by financing activities:			
Proceeds from long-term debt	30,150	27,850	285,403
Payments of long-term debt	(23,366)	(13,917)	(221,185)
Proceeds from (repayments of) commercial paper	500	(4,000)	4,733
Decrease in short-term bank loans	(17,599)	(20,681)	(166,594)
Dividends paid	(1,464)	(1,046)	(13,858)
Dividends paid to minority shareholders	(41)	(38)	(388)
Other, net	(7)	(17)	(67)
Net cash used in financing activities	(11,827)	(11,849)	(111,956)
Effect of foreign exchange on cash and cash equivalents	(72)	(360)	(681)
Decrease in cash and cash equivalents	(4,099)	(4,836)	(38,802)
Cash and cash equivalents at beginning of the year	11,849	16,664	112,164
Cash and cash equivalents resulting from the merger of consolidated subsidiaries with non-consolidated subsidiaries	—	21	—
Cash and cash equivalents at end of the year (Note 14)	¥ 7,750	¥ 11,849	$ 73,362

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, 2004, which was ¥105.64 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.

2. Summary of significant accounting policies

Impairment of fixed assets

In the year ended March 31, 2004, 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 and consolidated domestic subsidiaries have begun their analysis of possible impairment of fixed assets. The Company and consolidated domestic subsidiaries cannot currently estimate the effect of adoption of the new standard, because they have yet completed its analysis.

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 39 (40 in 2003) significant majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation. Investments in 7 (6 in 2003) 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.

Six 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 uncollectible 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, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
   (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract
2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

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, 2003 and 2004 were ¥9,117 million and ¥9,553 million ($90,430 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-contributory 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.

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 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, 2003 and 2004 are ¥297 million and ¥284 million ($2,688 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 sheets 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. Income statements of consolidated overseas subsidiaries and affiliates are translated at the year-end rate 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 2004 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, 2002, the Company adopted the declining balance method of depreciation for the tire production equipment of the Kuwana Plant. Formerly, the straight-line method had been used. This change was made to correspond to the increased use of equipment accompanying the increase of demand for inch-up high-performance tires and to recover invested capital at an earlier stage. This change was made to improve the Company's financial structure and correspond to the depreciation method of other equipment. The effect of this change was to increase depreciation expenses by ¥931 million, and to decrease income before income taxes by ¥865 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, 2003 and 2004:

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

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Acquisition cost:			
Equity securities	¥11,138	¥7,486	$105,434
Bonds	15	10	142
Other	128	—	1,211
	11,281	7,496	106,787
Book value:			
Equity securities	42,131	17,184	398,817
Bonds	15	10	142
Other	158	—	1,495
	42,304	17,194	400,454
Difference:			
Equity securities	30,993	9,698	293,383
Bonds	—	—	—
Other	30	—	284
	¥31,023	¥9,698	$293,667

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

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Acquisition cost:			
Equity securities	¥65	¥4,008	$615
Bonds	—	13	—
Other	—	128	—
	65	4,149	615
Book value:			
Equity securities	56	3,275	530
Bonds	—	13	—
Other	—	106	—
	56	3,394	530
Difference:			
Equity securities	(9)	(733)	(85)
Bonds	—	—	—
Other	—	(22)	—
	¥ (9)	¥ (755)	$ (85)

2) The following table summarizes book values of securities with no available fair values as of March 31, 2003 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Available-for-sale securities:			
Non-listed equity securities	¥585	¥600	$5,538
Non-listed domestic bonds	—	20	—
	¥585	¥620	$5,538

3) Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2003 and 2004 mature as follows:

(a) 2004:

	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	¥10	¥ 5	¥—	¥ 15	$ 142
Others	58	8	63	129	1,221
	¥68	¥13	¥63	¥144	$1,363

(a) 2003:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Total
Bonds	¥28	¥15	¥—	¥ 43
Others	—	40	48	88
	¥28	¥55	¥48	¥131

4) Total sales of available-for-sale securities in the year ended March 31, 2004 amounted to ¥3,129 million ($29,619 thousand) and the related gains and losses amounted to ¥2,236 million ($21,166 thousand) and ¥30 million ($284 thousand), respectively.

Total sales of available-for-sale securities in the year ended March 31, 2003 amounted to ¥218 million and the related gains and losses amounted to ¥89 million and ¥24 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, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished goods	¥20,177	¥17,499	$190,998
Work in process	2,185	2,013	20,684
Raw materials and supplies	4,062	3,054	38,451
	¥26,424	¥22,566	$250,133

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

Short-term bank loans at March 31, 2003 and 2004 consisted of short-term notes, generally for 365 days, bearing interest at average rates of 1.1 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, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Secured:			
Loans, principally from banks and insurance companies, 0.83 % to 2.30 %, maturing serially through 2009	¥24,424	¥27,618	$231,200
Unsecured:			
Loans, principally from banks 1.030 % to 2.535%, maturing serially through 2032	33,487	30,571	316,991
0.74 % bonds, due 2008	5,000	—	47,331
0.41 % bonds, due 2010	3,000	—	28,398
1.63 % bonds, due 2010	5,000	—	47,331
0.83 % bonds, due 2008	5,000	—	47,331
2.80 % bonds, due 2003	—	5,000	—
2.17% bonds, due 2003	—	3,000	—
2.11% bonds, due 2003	—	2,000	—
Bonds offered through private placement, due 2003	—	1,000	—
	75,911	69,189	718,582
Less amounts due within one year	10,158	20,563	96,157
	¥65,753	¥ 48,626	$622,425

Annual maturities of long-term debt at March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
2005	¥10,158	$ 96,157
2006	16,350	154,771
2007	11,224	106,248
2008	17,807	168,563
2009 and thereafter	20,372	192,843
	¥75,911	$718,582

8. Pledged assets

At March 31, 2004, the following assets were pledged as collateral for long-term debt of ¥24,424 million ($231,200 thousand) and long-term deposits of ¥9,500 million ($89,928 thousand).

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥ 9,764	$ 92,427
Property, plant and equipment—net of accumulated depreciation	31,390	297,141
	¥41,154	$389,568

9. Severance and retirement benefits

At March 31, 2004, the following assets were pledged as collateral for long-term debt of ¥24,424 million ($231,200 thousand) and long-term deposits of ¥9,500 million ($89,928 thousand).

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Employees' retirement benefits			
Projected benefit obligation	¥ 36,710	¥37,191	$ 347,501
Unrecognized actuarial differences	(5,346)	(9,020)	(50,606)
Less fair value of pension assets	(13,078)	(8,574)	(123,798)
Less unrecognized net transition obligation	(2,150)	(4,327)	(20,351)
Directors' and corporate auditors' retirement benefits	284	297	2,688
Liability for severance and retirement benefits	¥16,420	¥15,567	$ 155,434

Included in the consolidated statements of income for the years ended March 31, 2003 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
	2004	2003	2004
Service costs—benefits earned during the year	¥1,755	¥1,910	$16,613
Interest cost on projected benefit obligation	562	627	5,320
Expected return on plan assets	(24)	(21)	(227)
Amortization of net transition obligation	2,150	2,154	20,352
Amortization of actuarial differences	668	443	6,323
Severance and retirement benefit expenses	¥5,111	¥5,113	$48,381

The discount rate and the rate of expected return on plan assets used by the Company are 1.7 percent (1.8 percent in 2003) 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 42.0 percent in 2003 and 2004. The following table summarizes the significant differences between the statutory tax rate for financial statement purposes for the years ended March 31, 2003 and 2004:

	2003	2004
Statutory tax rate	42.0%	42.0%
Expenses not deductible for tax purposes	3.5	2.6
Inhabitant tax	1.3	1.1
Exclusion of dividends received from taxable income	(0.7)	(0.5)
Equity in net income of unconsolidated subsidiaries and affiliates	(4.9)	(4.0)
Valuation allowance	4.2	(5.8)
Unrealized profits of fixed assets	(2.9)	(0.6)
Elimination of dividends received from overseas affiliates	2.4	2.9
Deduction for foreign taxes	(2.3)	(2.9)
Deduction for research and development expenses	(0.6)	(4.2)
Other	2.7	(0.2)
Effective tax rate	44.7%	30.4%

Significant components of deferred tax assets and liabilities as of March 31, 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Current deferred tax assets			
Unrealized profits	¥1,662	¥1,516	$15,733
Accrued bonuses	1,119	922	10,592
Enterprise tax	361	160	3,417
Accrued expenses	315	367	2,982
Excess of allowance for doubtful receivables	326	252	3,086
Other	378	416	3,578
Offset to deferred tax liabilities	(41)	(32)	(388)
Total current deferred tax assets	4,120	3,601	39,000
Valuation allowance	(9)	(401)	(85)
Net current deferred tax assets	4,111	3,200	38,915
Current deferred tax liabilities			
Adjustment of allowance for doubtful receivables	(38)	(32)	(360)
Other	(15)	—	(142)
Offset to deferred tax assets	41	32	388
Total current deferred tax liabilities	(12)	—	(114)
Net current deferred tax assets	¥ 4,099	¥ 3,200	$38,801

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Non-current deferred tax assets			
Excess of severance and retirement benefits	¥ 5,405	¥ 4,634	$ 51,164
Unrealized profits	2,156	1,808	20,409
Loss on write-down of investment securities	245	217	2,319
Loss by having set up the employee retirement benefit trust	566	566	5,358
Losses carryforward	294	212	2,783
Loss on write-down of golf club memberships	216	237	2,045
Excess of allowance for doubtful receivables	162	87	1,534
Other	591	620	5,594
Offset to deferred tax liabilities	(6,065)	(6,000)	(57,412)
Total non-current deferred tax assets	3,570	2,381	33,794
Valuation allowance	(818)	(901)	(7,743)
Net non-current deferred tax assets	2,752	1,480	26,051
Non-current deferred tax liabilities			
Net unrealized gains on securities	(12,354)	(3,653)	(116,944)
Reserves of the Special Taxation Measures Law	(2,223)	(2,249)	(21,043)
Other	(587)	(268)	(5,557)
Offset to deferred tax assets	6,065	6,000	57,412
Total non-current deferred tax liabilities	(9,099)	(170)	(86,132)
Net non-current deferred tax assets (liabilities)	¥ (6,347)	¥ 1,310	$ (60,081)

11. Leases

1) Finance leases

Information for non-capitalized finance leases at March 31, 2003 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Original lease obligations (including finance charges) for machinery, equipment and other	¥3,840	¥4,566	$4,566
Future minimum payments			
Payments due within one year	¥ 664	¥ 976	$ 976
Payments due after one year	1,413	1,206	1,206
	¥2,077	¥2,182	$2,182

Rental expenses under such non-capitalized finance leases for the years ended March 31, 2003 and 2004 were ¥822 million and ¥832 million ($7,876 thousand), respectively.

2) Operating leases

(a) As lessee

Lease obligations under operating leases at March 31, 2003 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Future minimum payments			
Payments due within one year	¥ 62	¥ 81	$ 587
Payments due after one year	60	105	568
	¥122	¥186	$1,155

(b) As lessor

Lease receivables under operating leases at March 31, 2003 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Future minimum payments to be received			
Payments to be received due within one year	¥ 1,185	¥ 1,185	$ 11,217
Payments to be received due after one year	20,745	21,931	196,375
	¥21,930	¥23,116	$207,592

12. Contingent liabilities

Contingent liabilities at March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
Loan guarantees:		
Chensin-Toyo Tire & Rubber (China) Co., Ltd., an equity method affiliate	¥ 528	$ 4,998
Chensin-Petrel Tire (Xiamen) Co., Ltd., an equity method affiliate	317	3,001
Others	215	2,035
	¥1,060	$10,034

	Millions of yen	Thousands of U.S. dollars
Obligation to repurchase factored trade receivables	¥1,553	$14,701

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 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, 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash and time deposits	¥7,754	¥11,854	$73,400
Less: Time deposits with maturities exceeding three months	(4)	(5)	(38)
Cash and cash equivalents	¥7,750	¥11,849	$73,362

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
	2004	2003	2004
Net sales			
Tires			
Customers	¥162,912	¥159,237	$1,542,143
Intersegment	85	21	805
Total	162,997	159,258	1,542,948
Chemical & Industrial Products			
Customers	38,302	39,089	362,571
Intersegment	36	28	341
Total	38,338	39,117	362,912
Automotive Parts			
Customers	53,267	55,315	504,231
Intersegment	—	—	—
Total	53,267	55,315	504,231
Other Businesses			
Customers	1,662	1,517	15,732
Intersegment	783	1,269	7,412
Total	2,445	2,786	23,144
Eliminations	(904)	(1,318)	(8,557)
Consolidated net sales	256,143	255,158	2,424,678
Operating expenses			
Tires	156,163	146,716	1,478,256
Chemical & Industrial Products	38,183	38,908	361,445
Automotive Parts	53,129	54,612	502,925
Other Businesses	1,978	2,751	18,724
Eliminations	(989)	(1,372)	(9,362)
Consolidated operating expenses	248,464	241,615	2,351,988
Operating income			
Tires	6,833	12,542	64,682
Chemical & Industrial Products	156	209	1,477
Automotive Parts	138	703	1,306
Other Businesses	467	35	4,421
Consolidating adjustments	85	54	804
Consolidated operating income	¥ 7,679	¥13,543	$72,690
Assets			
Tires	¥179,520	¥156,448	$1,699,356
Chemical & Industrial Products	31,333	28,787	296,602
Automotive Parts	32,097	30,101	303,834
Other Businesses	29,907	30,934	283,103
Consolidating adjustments and corporate (See Note (a))	11,380	12,936	107,724
Consolidated assets	¥284,237	¥259,206	$2,690,619
Depreciation and amortization			
Tires	¥ 11,437	¥ 10,184	$ 108,264
Chemical & Industrial Products	1,247	1,511	11,804
Automotive Parts	2,208	2,394	20,901
Other Businesses	511	267	4,837
Eliminations	(3)	(3)	(28)
Consolidated depreciation and amortization	¥ 15,400	¥ 14,353	$ 145,778
Capital expenditure			
Tires	¥ 16,153	¥ 12,048	$ 152,906
Chemical & Industrial Products	1,674	1,475	15,846
Automotive Parts	2,917	4,299	27,613
Other Businesses	489	9,796	4,629
Eliminations	—	(3)	—
Consolidated capital expenditure	¥ 21,233	¥ 27,615	$ 200,994

Note (a): Corporate assets of ¥23,041 million and ¥29,791 million ($282,005 thousand) at March 31, 2003 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 depreciation method for the tire production equipment of the Kuwana Plant. The effect of this change for the year ended March 31, 2003 was to increase the operating expense of the Tires segment by ¥865 million, and to decrease operating income in the same amount.

2) Geographic segment information

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales			
Domestic operations			
Customers	¥182,839	¥184,003	$1,730,774
Intersegment	50,539	44,257	478,408
Total	233,378	228,260	2,209,182
North America operations			
Customers	54,085	53,410	511,975
Intersegment	—	1	—
Total	54,085	53,411	511,975
Other operations			
Customers	19,218	17,745	181,920
Intersegment	110	5	1,041
Total	19,328	17,750	182,961
Eliminations	(50,648)	(44,263)	(479,440)
Consolidated net sales	256,143	255,158	2,424,678
Operating expenses			
Domestic operations	224,537	217,702	2,125,492
North America operations	55,897	51,636	529,127
Other operations	18,567	16,696	175,757
Eliminations	(50,537)	(44,419)	(478,388)
Consolidated operating expenses	248,464	241,615	2,351,988
Operating income			
Domestic operations	8,841	10,558	83,690
North America operations	(1,811)	1,775	(17,143)
Other operations	761	1,054	7,203
Consolidating adjustments and corporate	(112)	156	(1,060)
Consolidated operating income	¥ 7,679	¥ 13,543	$ 72,690
Assets			
Domestic	¥213,601	¥205,643	$2,021,971
North America operations	28,921	26,349	273,769
Other operations	11,086	10,259	104,941
Consolidating adjustments and corporate (See Note (a))	30,629	16,955	289,938
Consolidated assets	¥284,237	¥259,206	$2,690,619

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): As explained in Note 3, the Company changed its depreciation method for the tire production equipment of the Kuwana Plant. The effect of this change for the year ended March 31, 2003 was to increase domestic operating expenses by ¥865 million, and to decrease operating income in the same amount.

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
	2004	2003	2004
Net sales			
North America sales	¥ 54,086	¥ 53,410	$ 511,984
Other sales	38,275	35,397	362,316
Total	¥ 92,361	¥ 88,807	$ 874,300
Consolidated net sales	¥256,143	¥255,158	$2,424,678
Percentage of consolidated net sales	36.1%	34.8%	36.1%

Note: 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

16. Subsequent events

1) On June 1, 2004, the Company issued the 18th unsecured bonds in order to raise funds for capital expenditures based on the approval by the Board of Directors of the Company on March 30, 2004.
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	0.99%
4. Date of issue	June 1, 2004
5. Maturity	June 1, 2009

2) 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: 96,000m² (including 40,000m² 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

Appropriation of earnings

The annual shareholders' meeting of the Company, which was held on June 29, 2004, resolved the following year-end appropriation of non-consolidated retained earnings:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥7.00 = US$ 0.07 per share)	¥1,464	$13,858
Bonuses to directors and corporate auditors	¥ 30	$ 284

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, 2003 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, 2003 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.
As discussed in Note 16 to the consolidated financial statements, the Board of Directors of the Company on March 30, 2004, approved the issue of the 18th unsecured bonds. Also, based on the approval by the extraordinary meeting of the Board of Directors of the Company on June 4, 2004, the Company established a subsidiary company for the production of tires in North America on June 10, 2004. Also, as discussed in Note 3 to the consolidated financial statements, effective April 1, 2002, Toyo Tire & Rubber Co., Ltd. changed its method of depreciation for the tire production equipment of the Kuwana Plant.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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, 2004

Overseas Network

NORTH AMERICA

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

Toyo Tire International, Inc.
(Consolidated subsidiary)
6261 Katella Ave. Suite2B, Cypress, California 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.
303H Street, Suite 438
Chula Vista, CA 91910 U.S.A.
Telephone: 0619-691-1077 Fax: 0619-691-1078

EUROPE

Toyo Reifen GmbH
(Consolidated subsidiary)
Werftstr 47 40549 Düsseldorf, Germany
Telephone: 0211-5690911 Fax: 0211-5690942
http://www.toyo.de/

Toyo Tyre (U.K.)
(A branch of Toyo Reifen GmbH)
Toyo House, Shipton Way, Rushden, Northants, NN10 6 GL U.K.
Telephone: 01933-411144 Fax: 01933-410945
http://www.toyo.co.uk/

Liaison Representative in Europe
Werftstr 47,40549 Düsseldorf, Germany
Telephone: 0211-5690911
Fax: 0211-5690942

Toyo International Finance B.V.
(Financing base)
Foppingadreef 221102BS, Amsterdam Zuidoost, The Netherlands
Telephone: 0165-556475
Fax: 0165-555829

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

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, JalanKeluli 3, Kawasan Perindustrian Pasir Gudang,
81700 Pasir Gudang, Johor Darul Takzim, Malaysia
Telephone: 07-2528000 Fax: 07-2518816

Management

BOARD OF DIRECTORS

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

Yusaku Yoshioka*
Executive Vice President

Ryuichi Nomura
President, Chemical and Industrial Products Company

Hirokazu Kitagawa
President, Automotive Parts Company

Toru Matsuo
Executive Vice President, Tire Company

Masahiro Ushio
Executive Vice President, Automotive Parts Company

Kazuo Nagai
Tire Planning

Yasuo Onodera
Corporate Strategy Planning

Kenji Nakakura
Tire Technology

** Representative Director*

CORPORATE OFFICERS

Yoshio Kataoka
President and Chief Executive Officer
President, Tire Company

Yusaku Yoshioka
Executive Vice President

Ryuichi Nomura
Executive Corporate Officer
Technology & Manufacturing
President, Chemical and Industrial Products Company

Hirokazu Kitagawa
Senior Corporate Officer
President, Automotive Parts Company

Toru Matsuo
Senior Corporate Officer
Executive Vice President, Tire Company

Shozo Kibata
Senior Corporate Officer
President, Toyo Tire (U.S.A.) Corporation

Masahiro Ushio
Executive Vice President, Automotive Parts Company
Automotive Parts Technical Manufacturing Div.

Kazuo Nagai
Tire Planning

Yasuo Onodera
Corporate Strategy Planning

Kenji Nakakura
Tire Technology

Hiroshi Takino
Corporate Quality Assurance
Environmental Protection

Kusuo Ogawa
Personnel & General Affairs
Management Control Center

kenji Takada
Tire Manufacturing

Yukio Komai
Vice President, Chemical and Industrial Products Company

Yutaka Ebuchi
Replacement Tire Sales Div.

Mitsuaki Hashiyama
Corporate R&D Div.

Hiroshi Shibata
Chemical and Industrial Products Sales Div.

CORPORATE AUDITORS

Takamichi Nagahara
Hideki Komagata
Kazunari Maeda
Shuji Tsuyuki

As of June 29, 2004

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 54 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 23 plants in Japan and 8 plants overseas.

CONSOLIDATED SUBSIDIARIES:
Toyo Tire & Rubber Co.,Ltd. has a total of 39 consolidated subsidiaries, 29 in Japan and 10 overseas.

ESTABLISHMENT:
August 1, 1945

COMMON STOCK LISTING:
May 1949
Tokyo, Osaka, Nagoya

PAID-IN CAPITAL:
¥23,975 million

NUMBER OF SHAREHOLDERS:
20,559

COMMON STOCK:
Authorized 400,000,000 shares
Issued 209,284,712 shares

NUMBER OF EMPLOYEES:
6,263

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