TOYO TIRES
driven to perform

Global Growth

Annual Report 2008

Year Ended March 31, 2008

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PROFILE & PHILOSOPHY

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

To survive and prosper in this business climate as a distinctive and value-creating industrial group, TOYO TIRES group launched the new Corporate Philosophy and "Vision '15" long-term management vision, "Vision '15". These set forth the group's goals and objectives between now and future. At the same time, we launched the "Medium-Term Business Plan '08", our new three-year business plan, which is our initial road map for growth to create new value.

Corporate Philosophy (Goal of TOYO TIRES group)

" A Commitment to creating New Value through Innovation in Advanced, Proprietary Technologies "

Brand Statement (Values that the TOYO TIRES group must offer)

driven to perform

Vision '15

Setting forth our goals for 2015 (70th anniversary of foundation)

Medium-Term Business Plan '08

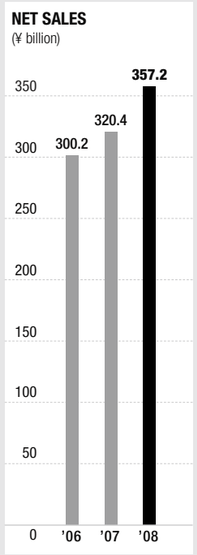
Three-year plan with targets to be achieved by 2010

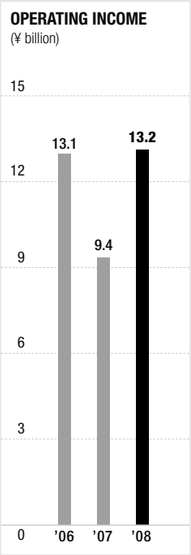
Financial Highlights

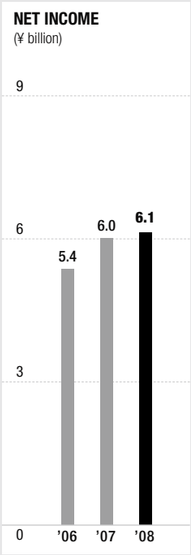
Toyo Tire & Rubber Co., Ltd. and consolidated subsidiaries.
Years ended March 31.

	Millions of yen		Thousands of U.S. dollars
For the Year	2007	**2008**	**2008**
Net sales	¥ 320,427	**¥ 357,234**	**$ 3,565,565**
Tires	218,400	**252,420**	**2,519,413**
DiverTech & Other Businesses	102,027	**104,814**	**1,046,152**
Operating income	9,370	**13,169**	**131,440**
Income before income taxes and minority interests	12,035	**8,309**	**82,932**
Net income	6,015	**6,138**	**61,264**
At Year-End			
Total assets	¥ 335,264	**¥ 333,893**	**$ 3,332,598**
Current assets	142,636	**154,912**	**1,546,182**
Property, plant and equipment	121,889	**119,521**	**1,192,943**
Intangible assets	3,101	**3,467**	**34,605**
Investments and other assets	67,638	**55,993**	**558,868**
Net assets	97,447	**92,605**	**924,293**
	Yen		U.S. dollars
Per Share of Common Stock			
Net income	¥ 28.77	**¥ 29.36**	**$ 0.29**
Cash dividends	9.00	**9.00**	**0.09**

Note: 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 ¥100.19 = U.S.$1.00, prevailing on March 31, 2008.







THE TOYO TIRES GROUP IS IMPLEMENTING POWERFUL NEW INITIATIVES TO ENHANCE ITS VALUE TO HUMANITY AND SOCIETY.

In fiscal 2008, the TOYO TIRES group conducted business operations under a new structure designed to continue the process of reform and accelerate improvement in corporate value.

We are deeply concerned about a problem we discovered last year concerning the fraudulent acquisition of fire-protection qualification for some types of urethane-based heat-resistant building construction materials. We have taken effective steps to prevent any recurrence of such problems, and we will continue our efforts to restore public confidence in the TOYO TIRES group and further enhance our corporate value.

As the first step in this process, we have adopted a new corporate philosophy for the TOYO TIRES group:

"A Commitment to Creating New Value through Innovation in Advanced, Propriety Technologies"

We have also laid down a clearly defined course for the TOYO TIRES group in the form of Vision '15, which is a long-term management vision defining our goals for the TOYO TIRES group at the time of our 70th anniversary in 2015. In this Vision, we aim at sustaining global growth by leveraging differentiation technologies (mainly in tire and anti-vibration rubber businesses), earning public confidence, with each employee fulfilling CSR (Corporate Social Responsibility), and enabling individuals to give full play to their diverse skills.

Our approach to the achievement of these goals is defined in our Medium-Term Business Plan '08, which covers the three years from fiscal 2008 to fiscal 2010. We have chosen "Global Growth" as our corporate slogan for this plan to signal our determination to achieve growth on a global scale and transform our organization at every level into one commensurate with a truly global enterprise.

We have also adopted a new brand statement, "Driven to Perform," for our corporate brand, "TOYO TIRES." These words express our commitment to the continuing reinforcement of our global brand through the new values we are pursuing.

The business conditions that we find ourselves are expected to remain very severe in fiscal 2008 and thereafter. For the TOYO TIRES group, it will be a year of far-reaching change as we implement all of the measures needed to ensure further improvement in our corporate value. It will also be a year of concerted efforts by our entire organization to achieve the goals set down in our Medium-Term Business Plan '08 and move the TOYO TIRES group closer to the realization of Vision '15. We look forward to the continuing support of investors and shareholders.

Kenji Nakakura

President and Chief Executive Officer
Toyo Tire & Rubber Co., Ltd.

Kenji Nakakura

An Interview with the President

We will strive to grow as a truly global enterprise with transparency, technology-oriented management and structural reform to achieve global growth.

Q1 ***How would you assess your achievements under the Medium-Term Business Plan '05 that ended March 2008?***

The Medium-Term Business Plan '05 covered a three-year period starting in fiscal 2005. In fiscal 2007 (year ended March 2008), the final year of the plan, we implemented a number of measures to ensure the realization of our goals, including global business expansion, business restructuring, and company-wide cost reforms.

In the tire business, production volume at our North American tire plant has risen steadily since the start of production in March 2006. This growth in production contributed to sales expansion in the North American market. We also implemented proactive measures affecting our sales activities, including business reorganization and the establishment of regional headquarters in North America and Europe, and the integration of our sales companies in Japan. These initiatives were reflected in sustained growth in tire sales, especially in overseas markets. Though further work is needed in some areas, such as the boosting the profitability of our domestic tire business, we made excellent progress toward the achievement of our goal of reinforcing our global supply/distribution system.

In April 2007, we integrated our chemical & industrial products and automotive parts businesses to form the DiverTech business. This move significantly advanced our efforts to maximize our profitability by completing a business structure based on selection and concentration. We took steps to strengthen and restructure existing business operations, including the integration of sales subsidiaries for chemical & industrial products, the startup of production at our anti-vibration rubber plant in China, and the restructuring of our flexible polyurethane business. We also made good progress with the development of new business, such as Chemical-Mechanical Polishing (CMP).

However, there were several areas in which further efforts will be needed. These include the divesting of underperforming business operations and the development of core activities. There were also delays in the rationalization of our anti-vibration rubber manufacturing operations in North America.

Our goals under the New Total Cost Revolution (N-TCR) program included a 10% reduction in manufacturing costs, the liquidation of assets, an increase in overseas procurement, and the introduction of a new cost control system. During the period covered by the Medium-Term Business Plan '05, this company-wide program yielded cost savings of approximately ¥28 billion. Unfortunately, we achieved only 76% of our most important goal—the 10% reduction in manufacturing costs.

There were many unexpected changes in the external business environment during the three-year period of the Medium-Term Business Plan. In addition to substantial increases in raw material prices, we also faced changing demand trends in the North American tire market. We aimed to offset the impact of these changes by expanding sales volumes, improving sales prices, and rationalizing costs. However, these efforts were not sufficient to absorb the full effects. We achieved net sales of ¥300 billion, which was one of our major numeral target indicators, but we failed to meet the expectations of our stakeholders in terms of other key indicators, including income before income taxes.

RESULTS IN FY2007
(¥ billion)

	Target	Results
Net Sales	300.0	**357.2**
Operating Income	18.5	**13.2**
Income before income taxes	17.5	**9.9**
Asset Turnover Ratio (times)	1 or more	**1.07**
ROA (%)	6.0	**3.0**

Of particular concern is the fact that delays in the structural reform of the DiverTech business prevented us from achieving the anticipated improvement in profitability. We are keenly aware of the need for increased speed in our future business operations.

Q2 ***Please outline your business results for the year ended March 2008.***

The year ended March 2008 was the final year of the Medium-Term Business Plan '05. Favorable overseas tire sales were reflected in record net sales for the third consecutive year, with an 11.5% year-on-year increase to ¥357,233 million. Despite higher raw material prices and an increase in selling, general and administrative expenses resulting from the expansion of sales volumes, operating income increased by 40.5% over the previous year's level to ¥13,168 million, while income before income taxes was 70.9% higher at ¥9,893 million.

Unfortunately we incurred extraordinary losses as a result of problems following our discovery fraudulent acquisition of fire protection qualification for urethane-based heat-resistant building construction materials, including the cost of remedial work on the affected buildings. As a result, our net income was 2% above the previous year's result at ¥6,137 million.

Q3 ***What has been your approach to corporate social responsibility (CSR)?***

In November 2007, an internal investigation revealed that fire-protection qualification for some of our urethane-based heat-resistant building construction materials, which are subject to approval by the Minister of Land, Infrastructure, Transport and Tourism, had been obtained fraudulently. We immediately reported the matter to the Ministry of Land, Infrastructure, Transport and Tourism.

We deeply regret this situation, which caused us to lose the confidence of our customers and other affected parties, and I should like to apologize unreservedly to our stakeholders. We have strengthened our internal control systems to prevent any recurrence of this type of situation. We have also taken steps to ensure the effectiveness of employee education and business and quality audits. As a manufacturing enterprise, we regard product quality and CSR as core management priorities. The entire TOYO TIRES group is committed to continuing efforts to restore public confidence in us.

In May 2008, we adopted the Medium-Term Business Plan '08. This plan, which defines management concepts to be shared by the entire TOYO TIRES group, is the road map for our new start as a company worthy of public confidence. It is also our action plan for the realization of our long-term management vision, Vision '15 through renewed growth under a new corporate philosophy. We will focus our total energies on the improvement of our corporate value through the implementation of this plan.

Q4 ***What are the aims of your Long-Term Management Vision and the new Medium-Term Business Plan?***

We continue to face extremely difficult conditions in both domestic and overseas markets, and we will need to remain alert to change in our business environment. In view of this situation, we decided that we should review our policies with the aim of identifying approaches to take to survive as a group of "distinctive value-creating companies." This review encompassed our corporate philosophy, as well as lessons learned under the previous Medium-Term Business Plan, including the need to raise awareness of CSR. The result was Vision '15, long-term management vision, defining where we want the TOYO TIRES group to be by the time of our 70th anniversary year in 2015. Our entire organization is now working to turn that vision into reality.

As a first step on the path to the realization of Vision '15, we have formulated Medium-Term Business Plan '08, a three-year plan covering the period from fiscal 2008 to fiscal 2010. Our corporate slogan for the plan is "Global Growth." These words symbolize our determination to build enhanced corporate value for all of our stakeholders by achieving growth as a truly global enterprise through a process of change and innovation that will not be confined to our traditional business structure.

Q5 ***What specific strategies and measures will you use to achieve global growth?***

In the tire business, we will build global supply/distribution system. Toyo Tire North America Manufacturing Inc. (TNA) is currently implementing the phase 2 of a capacity expansion program needed to keep pace with demand growth in the North American market. During the period covered by the Medium-Term Business Plan, it will implement the phase 3 of this program. In fiscal 2010, we will commence construction of a new tire factory in Asia to provide the capacity needed to accommodate projected growth in world demand. As a base for exporting to all markets in the world, this new facility will support the future growth of our tire business while also enhancing our cost competitiveness. Our goal is to increase our global supply capacity to 35 million units by fiscal 2010 and to 50 million units by fiscal 2015. We will also establish business infrastructure in Europe, including Iberia, Russia and Eastern Europe, and in China.

We have identified automotive anti-vibration rubber and air springs for railway cars as two of our core product categories for the DiverTech business. We will expand production capacity and enhance profitability at our plants in North America and China and build a global business structure combining these facilities with our operations in Japan.

NEW LONG-TERM MANAGEMENT VISION "VISION '15"

1. Sustaining global growth by leveraging differentiation technologies (mainly in tire and anti-vibration rubber businesses)
2. Earning public confidence, with each employee fulfilling CSR (Corporate Social Responsibility)
3. Enabling individuals to give full play to their diverse skills

TIRE BUSINESS VISION

- Set up a supply system for 50 million tires by 2015)
- Boost sales volume and profitability by deepening relationships with independent dealers
- Employ new engineering methods to establish technologies for differentiated products

DIVERTECH BUSINESS VISION

- Establish global supply system for the anti-vibration rubber business
- Advance anti-vibration rubber technology (achievement of superior silence)

ENVIRONMENT VISION

- Expand "Green Product" lines
- Reduce environmental stress generated in the course of business
- Enhanced social action programs

HUMAN RESOURCES VISION

- Share the Corporate Philosophy
- Recruit, develop and make the best use of diverse human resources to meet requirements for globalization
- Hand down manufacturing knowledge and skills

MEDIUM-TERM BUSINESS PLAN '08

THREE BASIC POLICIES

1. Transparent management
2. Technology-oriented management
3. Structural reform to achieve global growth

FOUR BASIC STRATEGIES

1. Enhance corporate value by accelerating global growth strategies
2. Concentrate management resources on core businesses
3. Change business models to promote structural reform
4. Aim for and promote proprietary differentiation technologies

NUMERICAL TARGETS FOR THE TOYO GROUP
(Billions yen, excepting forex assumptions)

	FY2007 Results	FY2010 Targets (Medium-Term Business Plan '08)
Net Sales	357.2	**410.0**
Operating Income	13.2	**23.5**
Ordinary Income	9.9	**20.8**
ROA	3.0%	**6.0%**
Forex Assumptions	$1 = ¥115 1 Euro = ¥162	**$1 = ¥100** **1 Euro = ¥160**

Our goals for technological development in the tire business include further improvements in our original technologies, including T-mode simulation technology and the e-balance for truck and bus tires. In the DiverTech business, we aim to establish the world's best technology in several key areas, including vibration control technology and eco-friendly welding and coating technologies.

Cost reduction will remain a priority. We will expand our existing N-TCR company-wide cost reform into a Global Cost Revolution (GCR) that will target cost saving at overseas plants as well as in Japan.

In May 2008, we agreed to pursue consultation in business alliance and entered into business and capital alliance agreement with Bridgestone Corporation. These alliances are expected to realize synergies which will bring additional corporate values for both of us by effective use of strength and business resources of both companies.

We will implement reforms that will drive our evolution as a truly global enterprise with transparent management systems and the potential for global growth.

Q6 ***To conclude, what are your forecasts for the year ending March 2009?***

TARGET IN FY2008
(¥ billion)

Net Sales	**365.0**
Operating Income	**8.5**
Income before income taxes	**5.8**
Net Income	**2.2**

We predict that the TOYO TIRES group will continue to face challenging business conditions, including escalating competition in global markets, further increases raw material prices and fluctuating exchange rates. However, we also anticipate steady progress under the strategy of the Medium-Term Business Plan '08, and we are predicting net sales of ¥365 billion, operating income of ¥8.5 billion and income before income taxes of ¥2.2 billion in fiscal 2008 (the year to March 2009).

Our basic policy on dividends is to set appropriate dividend payments in terms of maintaining a stable earnings structure from a long-term perspective. We will do our best to meet the expectations of our shareholders, while also taking into account the need to retain income to provide strengthen our financial structure and provide for the future development of our business. On this basis, we plan to pay a dividend of ¥9 per share in the year ending March 2009.

Medium-Term Business Plan '08

Global Growth

LIFTING THE PACE OF OUR GLOBAL STRATEGY FOR THE TIRE SEGMENT

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Tire Business

In the tire business, we made further progress in our global strategy as core business of the group, helping to power group performance to higher levels. The tire business aims to reach the 35-million tire supply and sales level in fiscal 2010.

Medium-Term Issues

Reinforce global supply / distribution systems

→ Increase production capacity at TNA (Phase III) and construct a new plant in Asia

Action Plans

1. **Establish a supply system**
   - TNA Phase III project
   - New plant construction project in Asia
2. **Foster growth and further boost profitability of North American Operations**
   - achieve 5% market share by 2010
3. **Lay the foundations of competitive European operations**
   - Expansion into Russia, Eastern Europe, and Iberia
4. **Reinforce Chinese operations**
5. **Promote ongoing domestic business reform**
6. **Tire manufacturing cost reduction campaign**
   - Promote "GCR" (Global Cost Revolution)

Individual technologies's Activity

Plan '08 (-2010)

Aim for the best technologies in the world

Vision '15 (-2015)

Advanced safety and eco-friendliness

BUILDING GLOBAL SUPPLY STRUCTURES FOR THE DIVERTECH SEGMENT

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DiverTech & Other Businesses

In the DiverTech business, we concentrated multiple management resources on reinforcing the core business, promoting structural reforms aimed achieving consistently high earning power.

Medium-Term Issues

Thorough focus on core businesses

→ Anti-vibration rubber (for automobiles), air springs and rubber molds products

Action Plans

1. **Reorganize domestic anti-vibration rubber business**
   - Reorganize operations with Kuwana Plant as a core
2. **Establish global business structure with anti-vibration rubber as a core**
   - Reinforce earnings structure of North American plant (TAP)
   - Ramp up production capacity at Chinese Plant (TAG)
3. **Reorganize the business**
   - Thorough focus on core businesses
4. **Reinforce product development**
   - Develop original anti-vibration rubber products

Individual technologies's Activity

Plan '08 (-2010)

Aim for the best technologies in the world

Vision '15 (-2015)

Achieve eco-friendliness and superior quietness

CSR INITIATIVES & ACTION ON ENVIRONMENTAL

CORPORATE GOVERNANCE & COMPLIANCE

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Corporate Division

TOYO TIRES worked to further the practice and enhancement of CSR as it tackled business adjustments and the technical improvements to support each business strategy.

Medium-Term Issues

1. Carry our and support globalization
2. Support for "Focus Strategies"
3. Conduct personnel administration to support

Action Plans

1. **Reinforce governance**
2. **Change to an environmentally advanced company**
3. **Promote "GCR" (Global Cost Revolution)**
4. **Further promote procurement innovation**
5. **Switch to next-generation personnel system**
   - Recruit and make the best use of diverse human resources

Individual technologies's Activity

- **World's top-level rubber, high-polymer materials, processing, and evaluation technologies**
- **Pursue eco-friendly research strategies**

OUR GLOBAL STRATEGY FOR ACCELERATING PACE OF THE TIRE BUSINESS

The achievement of our global growth strategy is to build a global supply system for 50 million tires by 2015.

Strengthening Our Business Activities in the North American Market

Toyo Tire North America, Inc.

Sales volumes are expanding steadily in the North American market, which accounts for around 56% of the overseas tire sales of the TOYO TIRES group. In December 2007, we expanded the role of Toyo Tire International, Inc., which is a pure holding company as an umbrella organization in North America. To enhance the corporate value of TOYO TIRE & RUBBER in the North American market, strategic planning and supply chain management were transferred to local control to allow speedy decision-making and efficient administration from a vantage point closer to the market. This strengthening of the umbrella organization has also resulted in name changes for several companies. Toyo Tire International, Inc. now trades as Toyo Tire Holdings of Americas Inc., Toyo Tire (U.S.A.) Corp. as Toyo Tire U.S.A. Corp., Nitto Tire North America, Inc. as Nitto Tire U.S.A. Inc., and Toyo Tire North America, Inc. as Toyo Tire North America Manufacturing Inc.

In May 2007, Toyo Tire North America Manufacturing Inc. (TNA), our North American tire manufacturing unit, commenced the second phase of a capacity expansion at its facilities in Georgia. Under the Medium-Term Business Plan '08, it will implement the third phase of this expansion, the aim of which is to keep pace with strong tire demand in the North American market by increasing annual production capacity by approximately 2.4 million tires by fiscal 2010, and by around 3.2 million tires by fiscal compared with 2008.

Strengthening Our Distribution System in Europe and China

Toyo Tire Italia S.p.A

TOYO TIRES group made a sales subsidiary, Toyo Tire Europe GmbH, a European regional headquarters. We have also established sales companies to carry out marketing and sales promotion activities in the United Kingdom, the Netherlands, and Italy. In June 2008, we also established the Iberia Representative Office in Spain to carry out regionally focused sales promotion activities on the Iberian Peninsula, which is one of the most important markets in Europe. We will now make preparations for the establishment of sales companies in Iberia and France. We will also strengthen our networks in Europe in readiness for the establishment of production operations in the region.

In addition to the development sales companies and other moves to strengthen our sales capabilities in China, we will also work for sales expansion by reinforcing our brand strategy as a supplier of highvalue-added products.

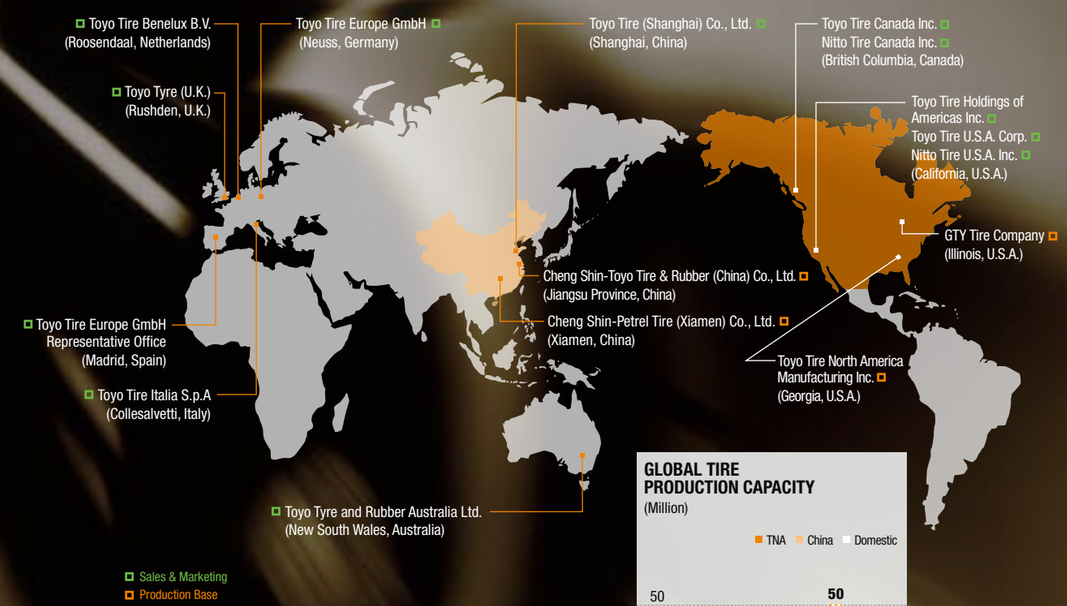
New Tire Factory in Asia

The TOYO TIRES group has decided to build a new tire factory in Asia to meet anticipated growth in world demand. We are currently in the process of selecting a location for this new facility. As a tire export base for the entire world market, including Asia, this factory will play a key role in the further growth of our tire business and the improvement of our cost competitiveness. We will invest approximately ¥2.4 billion in the project, which we aim to complete in fiscal 2010. By fiscal 2011, the new plant will be producing around 4 million tires annually. Most of its products will consist of tires for passenger cars.

Producing 35 Million Tires in Fiscal 2010, 50 Million in Fiscal 2015

These aggressive initiatives will further strengthen our global tire production capacity. We aim to increase our capacity to 35 million tires by fiscal 2010, the final year of the Medium-Term Business Plan '08, and to 50 million tires—the target of our Long-Term Management Vision—by fiscal 2015.

GLOBAL TIRE BUSINESS NETWORK



BUILDING GLOBAL SUPPLY SYSTEMS FOR THE DIVERTECH BUSINESS

Anti-vibration rubber has been identified as a core product category for this business and will be targeted for concentrated investment of management resources.

Benefits of Selection and Focus strategy

We created the DiverTech business in April 2007 by integrating our chemical and industrial products business and automotive parts business. We are now improving our profitability in this area and building an efficient business structure by further selection and focus strategy.

In fiscal 2007, we established a new company, Toyo Soflan Tec Co., Ltd., to strengthen our product development and sales structures for flexible polyurethane. We also made significant progress with our new product development activities, including the expansion of our chemical-mechanical polishing (CMP) business, and the commercial launch of our new seismic isolation system for houses.

Our core product category in the automotive parts business is anti-vibration rubber. Our priorities in this area have been the expansion of sales, the improvement of profitability at our production sites, efficiency optimization, and the development of a global supply system. Further work is still needed in these areas, and we will undertake further structural reform under the Medium-Term Business Plan '08

Our Long-Term Management Vision for the DiverTech Business

We have made anti-vibration rubber the core focus of our Long-Term Management Vision for the DiverTech business, and we are now working to build global supply system specifically for this product category. Another priority is the reinforcement of our technological competitiveness through further advances in anti-vibration rubber technology, especially advances in achievement of superior quietness.

Our efforts to develop a global supply system include the maintenance and expansion of our existing production sites in Japan, North America, China, Taiwan and Australia, as well as the establishment of production operations in Europe, South America and Southwest Asia under strategic alliances. The goal is to build a reliable income structure.

By fiscal 2015, we will increase sales of anti-vibration rubber to 140% of the fiscal 2007 level. We also aim to increase the contribution from overseas sales from 26% in fiscal 2007 to 45% in fiscal 2015.

Business Restructuring at Existing Production Sites

Under the Medium-Term Business Plan '08, we will bring this vision closer to realization by reorganization of our production sites, especially the Kuwana Plant, to improve operating efficiency. We will also target at improving profitability at the North American plant of Toyo Automotive Parts (U.S.A.) Inc., which was one of our priorities under the Medium-Term Business Plan '05. In addition, we will steadily equip our Chinese manufacturing operation, Toyo Automotive Parts (Guangzhou) Co., Ltd. to handle capacity ramp-up. The aim of these measures is to establish a reliable supply structure while also achieving substantial improvements in our profitability.

***DiverTech = [Diversity]+[Technology]**

Intensive Concentration of Resources into Core Businesses

Net sales of the DiverTech business amounted to ¥105 billion in fiscal 2007. Automotive anti-vibration rubber, air springs for railway cars, rubber mold products and rubber seismic isolation products, which are the core product categories, accounted for around 65% of this total, with other business areas contributing about 35%. By 2010, we will change this business structure by concentrating our management resources solely into businesses with the potential for market growth and global business development. While this strategy will reduce sales in this business to ¥73 billion, it will result in improved overall profitability. Our operating income target of ¥3. 2 billion represents a five-fold increase over the fiscal 2007 result. We are committed to total optimization through rapid business restructuring.

GLOBAL NETWORK OF THE DIVERTECH BUSINESS


Toyo Soflan Tech Co., Ltd.


Toyo Automotive Parts (Guangzhou) Co., Ltd.

OUR APPROACH TO CSR INITIATIVES & ACTION ON ENVIRONMENTAL PROBLEMS

The TOYO TIRES group was among the first companies in the industry to establish a dedicated department of the environment. Furthermore, in 1992 we formulated the Toyo Global Environment Charter, which set forth our basic philosophy of environmental management. On the basis of this charter, we have made environmental protection and social contributions integral parts of our business management.

Global Warming Prevention Initiatives —CO_2 Emission Reduction

Reducing CO_2 emissions to counter global warming is an important task for the TOYO TIRES group. We are actively working to achieve our target of reducing total CO_2 emissions by 12% below the fiscal 1990 level by fiscal 2010. Total emission in fiscal 2007 were 3.4% below the previous year's level and 11.4% lower than level in fiscal 1990.

Specific CO_2 Emission Reduction Measures

Since fiscal 2006, we have been converting boilers at the Kuwana Plant to operate on natural gas instead of fuel oil. In fiscal 2006, we also began to operate a natural gas cogeneration system developed with funding from the New Energy and Industrial Technology Development Organization (NEDO). This initiative has reduced CO_2 emissions through reducing fuel consumption, including the use of in-house generators, and waste heat utilization.

Development of Fuel-Efficient Tires

From the perspective of combating global warming, we have developed fuel-efficient tires to help to reduce CO_2 emissions. We have achieved reduction of CO_2 emission levels dramatically and realize of fuel efficiency* in the tire business of passenger cars, light and heavy trucks and buses by adopting fuel-efficient tire materials technologies "Silica Compound" and "ZEROSYS Compound" based on our new basic design technologies for tires "T-mode" and "e-balance"

Our first fuel-efficient tire was the TOYO TEO, which went on sale in 2002. Since then we have launched the TOYO TEO plus, TRANPATH MP4 and PROXES CT01e. As of June 2008, cumulative sales of fuel-efficient tires had reached 7 million units. Fuel-efficient tires now make up around 50% of total sales of replacement tires for passenger cars. We will continue to pursue this strategy. Future plans calls for the expansion of the product range to include ZEROSYS series fuel-efficient tires for trucks and buses.

* The main tire performance factor that influences the fuel efficiency of motor vehicles is roll resistance. Our fuel-efficient tires have 11–27% less roll resistance than our existing lines.

Reducing Industrial Waste

The TOYO TIRES group is taking steps to minimize the amount of waste disposed of directly in landfills. Our goal is to achieve zero emission status, which we define as the reduction of landfill disposals to 1% or less of total industrial waste. In fiscal 2007, direct landfill disposals totaled 84.6 tons, which is equivalent to 0.36% of total waste. In fiscal 2004 we achieved zero emission status at all of our sites, including both manufacturing and non-manufacturing facilities, and that situation has continued in subsequent years, including fiscal 2007. We will continue our efforts to maintain zero emission status at our facilities in Japan and to reach this level at our overseas sites.

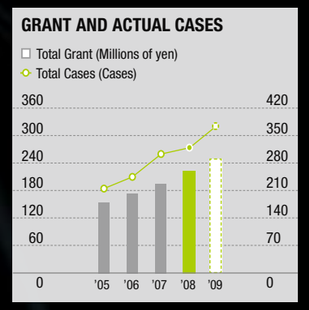
TOYO TIRES group Environmental Protection Fund

In 1992, the TOYO TIRES group established the TOYO TIRES group Environmental Protection Fund within the Osaka Community Foundation. The purpose of the Fund is to contribute to the solution of environmental problem by providing grants to non-profit organizations involved in global environmental protection activities. This establishment of the fund was prompted by a suggestion from an employee, and about 87% of TOYO TIRES group employees contribute to the fund under a matching contribution system by which TOYO TIRES group match the amount of employee contribution.

There has been a sustained rise in employee awareness about environmental matters. In fiscal 2008, the TOYO TIRES group Environmental Protection Fund set a new record by making grants worth ¥31,285,000 to 56 organizations. Since its establishment, the fund has donated a cumulative total of ¥250 million to 406 organizations. The TOYO TIRES group will continue to maintain and expand the activities of the TOYO TIRES group Environmental Protection Fund.

PROMOTION OF ENVIRONMENTAL PROTECTION

GRANT AND ACTUAL CASES



tecology
Tech & Eco

New Symbol for Our Technological and Environmental Activities

We have updated the design of our Tecology logo, which we have been using on some of our products. The word Tecology was created by combining "technology" with "ecology." In the future it will be used to symbolize the TOYO TIRES group's technological and environmental initiatives as a company committed to harmony between technology and the environment. The Tecology concept symbolizes our determination to use our technological expertise as a manufacturer to develop and enhance our line-up of high-quality, environmentally responsible products.

Every year we publish information about the CSR activities of the TOYO TIRES group in our Environmental, Quality and Social Report. The 2008 report is available at the following websites.

http://www.toyo-rubber.co.jp/english/eco/index.html

Environment, Quality, and Social Report 2008

CORPORATE GOVERNANCE & COMPLIANCE

The TOYO TIRES group is active in over 100 countries and regions around the world. In recent years we have accelerated the globalization of our activities by establishing overseas manufacturing operations. To ensure that we fulfill our corporate social responsibilities at the global level, we are also enhancing and strengthening our corporate governance and compliance structures, which are the infrastructure for the management of the TOYO TIRES group.

Overview of Corporate Governance

We are continually improving our management and control structures to support good corporate governance as the basis for sound, efficient management. Our Company's management framework consists of the Board of Executive Officers, which is the highest executive deliberative body with an executive function, the Board of Directors, which supervise the execution of business, and the Board of Auditors, which audits the performance of the Board of Directors and overall business execution.

The eight-member Board of Directors makes decisions on important matters, such as management policies, goals and strategies, and supervises business operations. The Board of Executive Officers has 19 members, of whom seven are also directors. Its task is to support the decision-making activities of the Board of Directors by deliberating on management strategies, policies and other matters affecting the entire TOYO TIRES group. The Board of Auditors consists of four corporate auditors, including three outside corporate auditors. The corporate auditors attend important meetings, including meetings of the Board of Directors and technical committee meetings, in order to audit the performance of business operations.

Compliance and Risk Management Structure

In November 2005, we adopted the Charter of Conduct for the TOYO TIRES group and the Five Commitments. These define our corporate social responsibilities from a global perspective and established basic principles of behavior for all TOYO TIRES group employees. We are continually working to ensure that all members of the TOYO TIRES group are fully informed about these requirements. Our compliance structure consists of the Compliance Committee, which is made up of all corporate officers, and the Compliance Officer.

In April 2008, we further strengthened our internal control systems by establishing the Compliance Center as a coordinating unit for all compliance-related functions. Other elements for our control systems include internal auditing of compliance and other aspects of the operations of business units and group companies, quality audits relating to product standards, and legal compliance measures. In addition we maintain the Hotline and Consultation Center, which allows employees to report concerns directly and obtain advice.

Risk management procedures for the TOYO TIRES group are defined in the Basic Principles of Risk Management. We appoint a Risk Management Officer with responsibility for the coordination of corporate risk management activities to coordinate emergency response measures. Policies on specific risks are determined by committees specializing in such areas as quality assurance, safety & environment, R&D, compliance committees.

Investor Communications

The TOYO TIRES group employs timely and highly transparent methods to provide information to analysts and institutional investors. There are also opportunities for direct dialog with senior management through our continuing program of briefings on quarterly results. We strive to ensure timely disclosure of interim business results, press releases and IR information on our website, and our active IR program also includes the publication of annual reports and other printed materials. In addition, we are continually enhancing and expanding our IR activities targeted toward individual investors, including the publication of shareholder bulletins. Individual investors are also able to participate in various shareholder events. We remain committed to proactive communication with all stakeholders of the TOYO TIRES group.

Report on Investigation of Fraudulent Acquisition of Fire-Protection Qualification for Some Types of Urethane-based Heat-resistant building construction materials.

On November 5, 2007, we published a statement concerning the fraudulent acquisition of fire protection qualification for some types of urethane-based heat-resistant building construction materials. We established a special committee to conduct an internal investigation of this matter. The findings from this internal investigation were subsequently verified by an independent committee. On December 26, 2007, the results of the internal investigation and the report of the independent committee were submitted to the Board of Directors, and decisions were made concerning disciplinary actions against those responsible. On the same date, a report was submitted to the Ministry of Land, Infrastructure, Transport and Tourism, detailing the causes of the problem and steps taken to prevent recurrences.

We attribute the problem to inadequate functioning of our corporate governance systems, and to our failure to ensure that all officers and employees were fully aware of the importance of compliance and corporate social responsibility (CSR). The emergency measures implemented to prevent recurrences were the establishment of an independent Product Quality Audit Office reporting directly to the President (November 4, 2007), the implementation of compliance training for all employees, and provision of special compliance training.

We have also implemented long-term measures as follows;

1. **Reinforcement of internal control systems**
2. **Improvement of employee education**
3. **Implementation of thorough business and quality audits**
4. **Improvement and reinforcement of decision-making processes for new businesses and products, capital investment and financial investment.**
5. **Encouraging employees to use the internal reporting system provided by the Hotline and Consultation Center**
6. **Share and disseminate the values represented by the TOYO TIRES brand.**

We apologize unreservedly to all stakeholders, including our shareholders and customers, for the embarrassment and concern caused by this problem. All officers and employees of the TOYO TIRES group will strive to restore public confidence in the TOYO TIRES group and prevent any recurrence, by making quality and CSR our core management priorities as a manufacturing enterprise.

Tire Business

Expanding tire sales by meeting specific driver needs around the world with enhanced features, selection and quality.

Overview of Activities in Fiscal 2007

Owing to steady performance in the production of automobile cars, the unit sales of original equipment tires in Japan was the same as for the previous year. However, net sales increased substantially compared to the previous year due to increased sales of high value-added products.

A key event in the Japanese market for replacement tires was the launch of the DRB, a stylish, yet sporty street tire that combines sports performance with all-round quality, including superior quietness and ride comfort. In the truck and bus tire category, we further enhanced our line-up of fuel-efficient products by adding new sizes to our ZEROSYS M966 range of fuel-efficient studless tires. We also responded to user demand by introducing new sizes in the DELVEX M134 range of small-truck tires.

We also launched new products on overseas markets. In the North American market, we introduced the PROXES R888 motor sports tire and added new sizes to the VERSADO LX range of luxury car tires. We also responded to the needs of a wide range of users by expanding the range of sizes available in the popular GRAPPLER series of NITTO brand tires. In the European market, we launched the PROXES CF1W, a self-supporting tire that offers both improved safety and ride comfort. Overall demand continued to expand in overseas markets, and these enhancements to our product line-up were reflected in encouraging sales trends.

DRB

PROXES R888

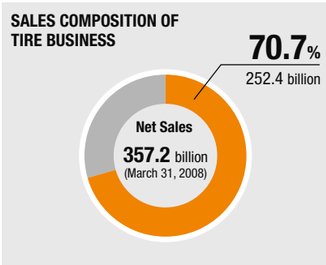
Policies Implemented in Fiscal 2007

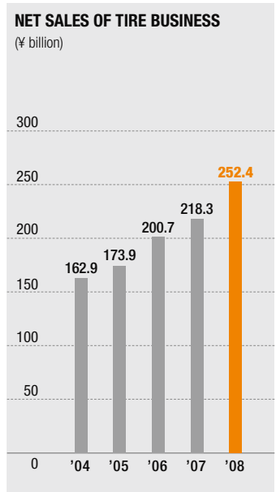
Toyo Tire North America Manufacturing Inc. (TNA), the TOYO TIRES group's first manufacturing operation in the North American market, established a flexible manufacturing system to allow a more fine-tuned response to demand trends. It also achieved improvements in quality and cost competitiveness under the Advanced Tire Operation Module (A.T.O.M.) system.

In Japan, we merged ten tire sales companies in April 2007 to form Toyo Tire Japan Co., Ltd. The aim of this reorganization was to strengthen our sales organization for replacement tires, and improve customer services and operating efficiency. The new company is leading a strengthened integrated marketing push in the domestic market and has already made significant progress in promoting increased awareness of the TOYO TIRES brand.

SEMA Show 2007

D1 Grand Prix Series 2007 in Japan. TEAM TOYO went home with the series championship at season end.





DiverTech & Other Businesses

Raising profitability by concentrating management resources on competitive, high value product areas and streamlining operations.

Overview of Activities in Fiscal 2007

We established the DiverTech business in fiscal 2007 to make optimal use of management resources liberated through the integration of the chemical and industrial products business with the automotive parts business. The purpose of this integration was to boost our profitability, product line-up and manufacturing technologies.

In key product areas, we pursued a strategy of selection and focus in relation to industrial and construction materials and thermal insulation and waterproof materials. This strategy also resulted in our divesting of other product areas, such as seismic isolation bearings for bridges. Delays in project starts resulting from changes to the Building Standard Law were reflected in reduced sales of laminated rubber seismic-isolation systems, rigid polyurethane for thermal insulation, and waterproof materials. As a result, sales were substantially lower year-on-year.

Our main product category in the transportation machinery area is anti-vibration rubber. Buoyant orders in Japan and overseas helped to lift sales above the previous year's level. Sales of air springs and rubber vibration isolation for railway cars were also substantially higher year-on-year, thanks to strong orders.

Policies Implemented in Fiscal 2007

The TOYO TIRES group has been supplying anti-vibration rubber for Japan's Shinkansen (the Bullet Train) network since its operation. Our products including air springs, piled rubber springs and anti-vibration floor rubber were also selected for use in the new N700 Series Shinkansen, which made their debut in July 2007. Those products have made an important contribution to the improvement of comfort, speed and reliability. Other new products developed for railway use include an air spring with concial stopper. These products went on sale in the European market in December 2007.

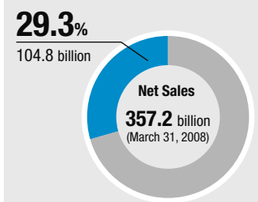
In December 2007, we merged Toyo Chemical Products Sales (Higashi-Nihon) Corporation and Toyo Chemical Products Sales (Nishi-Nihon) Corporation to form Toyo Chemical/Industrial Products Sales Corporation. The new company, which has been operating since April 2007, is working to strengthen marketing capabilities and develop sales infrastructure.

In April 2007, we established Toyo Soflan Tec Co., Ltd., to sell and process flexible polyurethane and development technology. This new structure will accelerate our product development activities in this area and strengthen our sales structure. We also took steps to improve production efficiency and the profitability of our seat cushion business by optimizing manufacturing operations with Toyo Soflan Co., Ltd. as the core company.

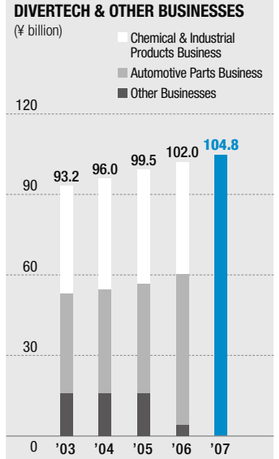
We also continued to build our new business activities. Priorities include the expansion and diversification of our existing chemical-mechanical polishing (CMP) business, and the development of additional advanced functional products, such as seismic isolation systems for houses.

Our core business area in the automotive parts business is anti-vibration rubber. In addition to further expansion and globalization in this area, we also improved profitability at our North American manufacturing unit, Toyo Automotive Parts (U.S.A.), Inc. and operating rates at our manufacturing base in China, Toyo Automotive Parts (Guangzhou) Co., Ltd. We also improved operating efficiency at our Japanese manufacturing site, the Kuwana Plant, and made further progress toward the establishment of a global supply system.

SALES COMPOSITION OF DIVERTECH & OTHER BUSINESSES



NET SALES OF DIVERTECH & OTHER BUSINESSES



Body mounts / Engine mount

Corporate Division

In fiscal 2007, which was the final year of Medium-Term Business Plan '05, we implemented the following three new priority measures to achieve our goals for the Corporate Division.

New Total Cost Revolution (N-TCR)

Our first priority was to make further progress on corporate-level cost reduction under the N-TCR. Through this revolution, we worked to achieve cost reduction targets across all areas of production, logistics and sales and administration through manufacturing revolution, procurement revolution, structural revolution and cost management revolution. The goal of our manufacturing revolution initiatives was to achieve our target under the Medium-Term Business Plan '05 of reducing manufacturing costs by 10% through cost-saving measures in each business area. Our procurement revolution efforts included research into all possible methods of reducing raw material costs, including cooperative procurement. We worked to reduce costs and ensure reliability of supply by expanding our global procurement activities.

Structural revolution measures affecting our tire business included the restructuring of our domestic sales systems, and the development of global sales systems. In the DiverTech business, we concentrated management resources into the anti-vibration rubber business, which we have identified as our core product category. We also restructured other operations, including the seat cushion business.

Our cost management revolution efforts centered on the development of cost management systems based on the PDCA cycle. We implemented this approach at our North American tire plant.

Strengthening Global Management Systems

Our second priority was the development of management and control structures suitable for a globalized organization. During the period covered by the Medium-Term Business Plan '05, the TOYO TIRES group made significant progress toward the development of a new globalized structure, including the start of full-scale production operations at TNA, our North American manufacturing base, and the expansion of our network of tire sales companies in Europe. We also built control structures and systems to support our new global organization, including overseas subsidiaries, and established management systems appropriate for a global enterprise. In December 2007, we expanded the role of our regional headquarters in North America to support enhanced efficiency in the operations of our North American affiliated companies. We also strengthened corporate governance. Within Japan, we strengthened and updated our systems to meet requirements under the new Corporation Law and Financial Instruments and Exchange Law.

Strengthening Our Brand

Our third priority was the reinforcement of our brand at the global scale. We decided to integrate our branding and marketing, which have previously been based on separate approaches for different regions and business segments. In October 2007, we adopted "TOYO TIRES" as our integrated corporate brand for all TOYO TIRES group activities in Japan and overseas, and in May 2008 we introduced "Driven to perform" as the brand statement for TOYO TIRES. These changes are expected to enhance our brand recognition.

A New Vision

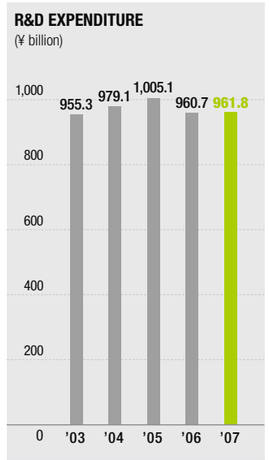
The new corporate philosophy of the TOYO TIRES group is "A Commitment to creating New Value through Innovation in Advanced Proprietary Technologies." Our approach to realization of this philosophy is defined in our long-term management vision, Vision '15, and in our visions for the environment and human resources.

Our environmental vision has three core elements: the expansion of "Green Product" line, the reduction of environmental stress generated in the course of business, and the enhancement of social action programs. This vision is the blueprint for the TOYO TIRES group's evolution as an environmentally advanced company. The Tecology logo that was previously used on some of our products will now be the symbol for our environmental initiatives. It will be used to inform the public about our stance as a company seeking to achieve harmony between technology and the environment.

The aim of our human resource vision is to contribute to the realization of our long-term vision and corporate philosophy from a human resource perspective. It calls for the sharing of our corporate philosophy as the basis for changes to our corporate organization and culture, for the recruitment, development and making the best use of diverse human resources to support our global growth strategies, and for the handing down manufacturing knowledge and skills. We are committed to establishing ourselves as "distinctive value-creating companies" by tapping into our original technology to create new values.

Research and Development Strategy

In the tire business, we aim to develop the best technology in the world through improvements to our original basic technologies, including simulation technology, "T-mode" and the "e-balance" for truck and bus tires. As a pioneer in the area of specialized tires, we will develop products that combine enhanced safety features with superior environmental performance. Our goals for production technology include the continuing evolution of our new Advanced Tire Operation Module (A.T.O.M.), which has already been shown to improve quality, to provide enhanced performance and productivity. We will also develop our low cost engineering methods at our overseas manufacturing facilities.



In the DiverTech business, we will continue to accept the challenge of creating the best technology in the world. Our priorities in this area are the development of eco-conscious vibration control technologies and related basic component technologies. We will also continue to supply new products that provide enhanced safety and comfort. By 2015, some types of electrical and fuel-cell vehicles are likely to be commercially available, and hybrids and high-performance diesel vehicles are also expected to be in common use. We will continue to contribute to the development of these new types of vehicles by achievement of superior quietness based on anti-vibration rubber and enhanced suspension technologies.

The mission of our research and development division is to develop world's top level technologies, including new materials and element technologies in core fields. We will focus in particular on rubber, high-polymer materials and related basic technologies, including processing and evaluation technologies. We pursue eco-friendly research strategies. Our goal is to create new advanced basic technologies through ambitious research projects, and to use those technologies globally under an intellectual property strategy that is linked to our technology strategy.

Business and Capital Alliance with Bridgestone Corporation

In May 2008, Bridgestone Corporation (Bridgestone) and TOYO TIRE & RUBBER CO., LTD. (TOYO TIRES) signed basic agreements on a business and capital alliance.

There have been unprecedented changes in the business environment for the tire and rubber industry over the past few years. Demand structures have become increasingly polarized between high-performance and low-cost products, while the pattern of competition has been transformed by the emergence of new players using low-priced products to seize market share. Profit structures have meanwhile been affected by a global uptrend in raw material prices.

Bridgestone and TOYO TIRES see the business and capital alliance as a way of enhancing their corporate value in this environment by creating new synergies through the effective utilization of their respective management resources and areas of expertise.

The business alliance provides for cooperation in five areas: (1) the development of manufacturing technology, (2) the procurement of raw materials, equipment and facilities, (3) reciprocal production contracting, (4) logistics, and (4) non-tire business activities. Specific details will be determined through consultations on projects in each of these areas.

Bridgestone and TOYO TIRES recognize that consultations under the business alliance must be based on a stable and trusting relationship. For this reason, the two companies also agreed to form a capital alliance. TOYO TIRES will implement a third-party issue of 20 million new ordinary shares (8.72% of total shares issued and outstanding after the issue), and Bridgestone will acquire all of these shares. Bridgestone will implement a third-party allocation of 3.9 million shares currently held as treasury stock (0.48% of total shares issued and outstanding, and TOYO TIRES will acquire these shares.

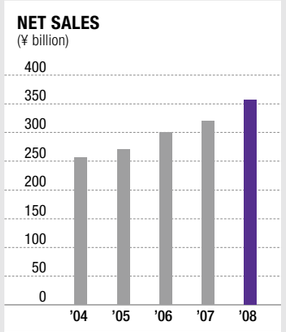
Five-year Summary

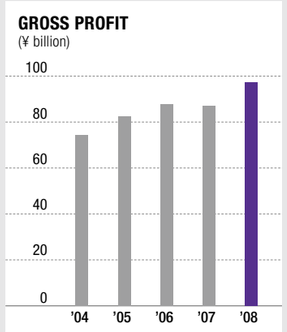
Toyo Tire & Rubber Co., Ltd. and consolidated subsidiaries.
Years ended March 31.

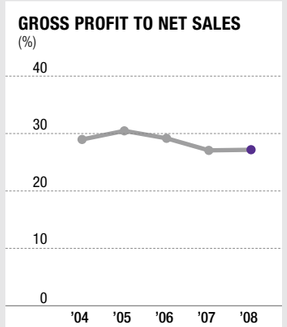
In millions of yen, except per share figures

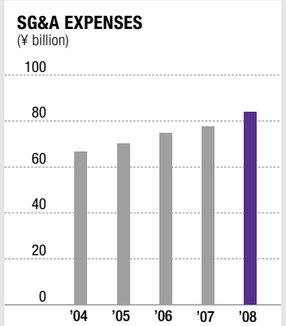
For the years ended March 31:	2004	2005	2006	2007	**2008**
Net sales	¥256,143	¥269,974	¥300,249	¥320,427	**¥357,234**
Tires	162,912	173,945	200,705	218,400	**252,420**
Divertech & Other Businesses	93,231	96,029	99,544	102,027	**104,814**
Percentage of sales					
Tires	63.6%	64.4%	66.9%	68.2%	**70.7%**
Divertech & Other Businesses	36.4%	35.6%	33.1%	31.8%	**29.3%**
Sales by market					
Domestic	182,839	187,828	193,570	184,625	**188,383**
Overseas	73,304	82,146	106,679	135,802	**168,851**
Percentage of sales by market					
Domestic	71.4%	69.6%	64.5%	57.6%	**52.7%**
Overseas	28.6%	30.4%	35.5%	42.4%	**47.3%**
Income before income taxes and minority interests	8,225	12,694	9,818	12,035	**8,309**
Net income	5,520	7,480	5,378	6,015	**6,138**
Capital expenditure	21,233	22,362	33,722	18,610	**20,154**
Per share of common stock					
Net income	¥ 26.24	¥ 35.61	¥ 25.58	¥ 28.77	**¥ 29.36**
Cash dividends	7.00	9.00	9.00	9.00	**9.00**
At the year-end:					
Total assets	¥284,237	¥284,464	¥323,508	¥335,264	**¥333,893**
Total net assets	75,447	76,485	94,055	97,447	**92,605**
Current ratio	101.9%	97.2%	93.8%	91.6%	**89.9%**
Number of employees	6,263	6,377	6,618	7,033	**7,248**

Management's Discussion and Analysis









The TOYO TIRES group

The TOYO TIRES group consists of TOYO TIRE & RUBBER CO., LTD., together with its 51 consolidated subsidiaries and 19 affiliated companies. Our group's main business segments are the manufacture and sale of tires, and the manufacture and sale of industrial and construction materials, transportation equipment and other products, collectively referred to as the "DiverTech" segment. Our group's activities also include the supply and maintenance of facilities and tools relating to these business operations, financing and investment services, and other services.

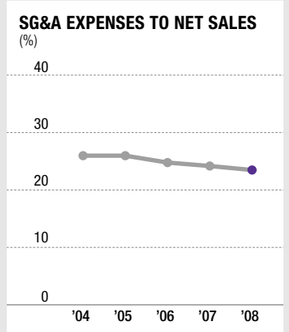
Previously, the TOYO TIRES group activities were divided into four segments: tires, chemical and industrial products, automotive parts, and other activities. In the consolidated accounting period ended March 2008, we adopted a two-segment structure, consisting of the Tires segment and the DiverTech segment, which encompasses chemical and industrial products, automotive parts, and other activities.

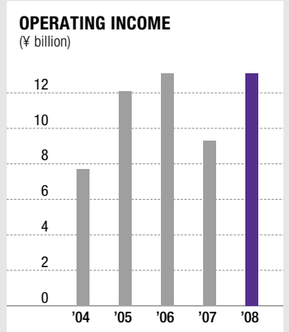
Net Sales

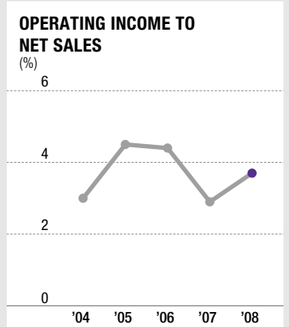
Business conditions remained difficult in the year ended March 31, 2008. In addition to escalating competition, the TOYO TIRES group also faced further rises in the prices of raw materials, including natural rubber and petrochemicals. The period under review was the final year of a three-year medium-term business plan launched in fiscal 2005, and the TOYO TIRES group worked to achieve its goals under that plan by implementing measures that included business restructuring, company-wide cost revolution, and global business expansion. Sustained growth in the output of a North American tire plant opened in March 2006 contributed to the expansion of sales in the North American market. Increased demand in overseas markets was a key factor in the achievement of the group's net sales target of ¥300,000 million. Unfortunately, results for other indicators, including ordinary income, fell short of the targets because of changes in the business environment.

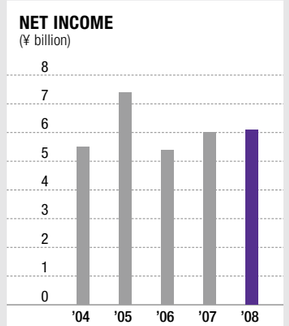
Net sales increased by 11.5% year-on-year to a new record of ¥357,234 million. Tire sales were 15.6% higher at ¥252,420 million, and sales from the DiverTech segment also exceeded the previous year's level with a 2.7% increase to ¥104,814 million.

Conditions in the Japanese market remained difficult. Competition intensified, and the prices of raw materials, especially natural rubber and petrochemicals, continued to rise. Despite these challenges, sales were 2.0% above the previous year's level at ¥188,382, mainly because of increased domestic sales of factory-fitted tires for new vehicles and replacement tires for export markets.









In the North American market, which includes Canada, there was solid growth in sales of light truck tires and other products under both the TOYO TIRES and Nitto brands. Sales increased by 17.9% over the previous year's level to ¥115,761 million.

Sales in other regions were 40.8% higher year-on-year at ¥53,089 million. This growth reflects partial changes to the distribution structure for the European tire business, the conversion of the Italian dealers into a subsidiary, and strong trends in production and sales in both the tire and Divertech segments in Australia and China.

Cost Of Sales and Selling, General and Administrative Expenses

At ¥259,964 million, the cost of sales was 11.3% higher year-on-year. However, the cost of sales ratio was almost unchanged at 72.8%. Selling, general and administrative expenses increased by 8.4% to ¥84,099 million, but the ratio to sales improved by 0.7 points to 23.5%.

Operating Income

Operating income increased by 40.5% to ¥13,168 million, and the operating margin improved from 2.9% in the previous year to 3.7%.

Income Before Income Taxes

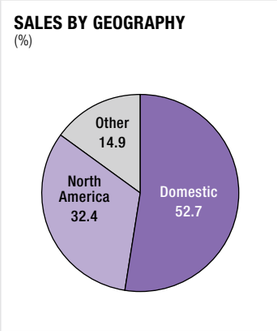
Income before income taxes declined by 31.0% year-on-year to ¥8,308 million. This lower figure was caused mainly by extraordinary losses relating to the cost of remedial work and other measures necessitated by the fraudulent acquisition of fire-protection qualification for some types of urethane-based heat-resistant building construction materials.

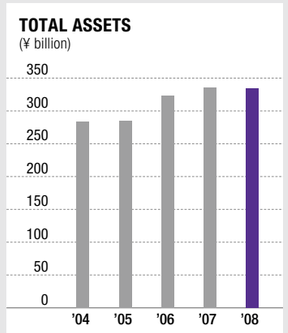
Income Taxes

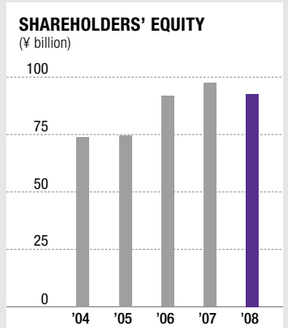
The TOYO TIRES group applies tax-effect accounting based on the asset and liability method. Details of deferred tax assets and deferred tax liabilities under this system are provided in the notes to the Financial Statements. Total income tax amounted to ¥2,285 million, a reduction of ¥1,108 million from the previous year's level.

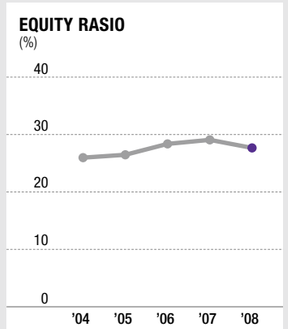
Net Income

Net income amounted to ¥6,137 million, a year-on-year increase of 2.0%. Return on equity improved from 6.2% to 6.6%.









Tires Segment

Net sales from the tire segment increased by 15.6% year-on-year to ¥252,419 million, or 70.7% of total net sales. Operating income was 52.6% higher at ¥12,472 million.

DiverTech & Other Businesses Segment

Net sales from this segment increased by 2.7% year-on-year to ¥104,814 million, or 29.3% of total net sales. Operating income was 44.9% lower at ¥690 million.

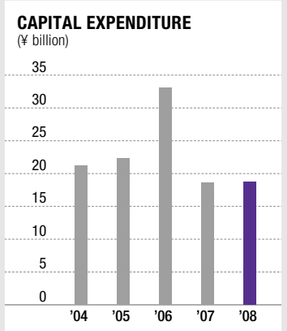
Financial Position

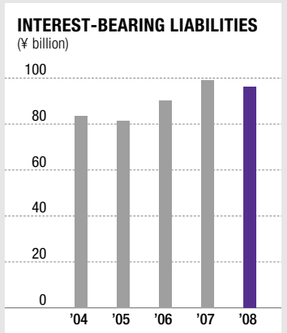
Total assets amounted to ¥333,892 million as of March 31, 2008, a reduction of ¥1,371 million from the position at the end of the previous fiscal year. The main changes affecting total assets were a ¥14,086 million increase in notes and accounts receivable, and a ¥14,956 million reduction in investment securities, resulting from a decline in share prices and other factors. ROA reached 3.0%, compared with 1.7% in the previous year. This was attributable both to the reduction of total assets, and also to a ¥4,104 million increase in ordinary income. Data for individual asset items show that current assets increased by 8.6% year-on-year to ¥154,912 million, while fixed assets declined by 7.1% to ¥178,980 million.

Current liabilities were 10.7% higher at ¥172,290 million. This increase resulted mainly from a ¥9,937 million increase in notes and accounts payable, and a ¥2,818 million increase in short-term borrowings. Fixed liabilities were 16.0% lower at ¥68,998 million. The balance of bonds issued was reduced by ¥5,000 million to ¥18,000 million, and long-term borrowings by ¥2,666 million to ¥26,464 million. Deferred tax liabilities amounted to ¥9,685 million, a reduction of ¥4,710 million compared with the position at the end of March 2007. As a result of these changes, total liabilities increased by 1.5% from the position at the end of the previous fiscal year to ¥241,288 million.

Interest-bearing liabilities were reduced by ¥2,848 million from the level at the end of the previous fiscal year. The total as of March 31, 2008 was ¥96,265 million.

An analysis of the shareholders' equity position shows that there was a ¥4,307 million increase in the earned surplus compared with the position at the end of the previous fiscal year, but that net unrealized gains on negotiable securities were ¥9,208 million lower at ¥13,294 million. As a result, total net assets were reduced by ¥4,842 million from the level at the end of the previous fiscal year to ¥92,604 million, and the shareholders' equity ratio reached 27.7%.





Cash Flows

Despite some negative factors, including an increase in accounts receivable, cash flows provided by operating activities were 37.0% higher year-on-year at ¥14,494 million. Contributing factors included increases in depreciation, net income before income taxes, and notes and accounts payable. Despite income from sales of tangible fixed assets, cash flows used for investing activities increased by 49.0% to ¥16,037 million because of factors that included expenditure on the acquisition of fixed assets through capital investment. As a result of these changes, free cash flows were negative by ¥1,543 million.

There were increases in long-term and short-term debt. However, there were also repayments of long-term debt, as well as bond redemptions and dividend payments. As a result, cash used for financing activities amounted to ¥4,530 million, compared with ¥5,799 million provided in the previous fiscal year.

These changes in cash flows, together with increases in exchange gains an other items, were reflected in cash and cash equivalents, which amounted ¥10,733 million as of March 31, 2008. This figure is ¥5,613 million lower than the position as of March 31, 2007.

Consolidated Balance Sheets

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
ASSETS			
Current assets:			
Cash and time deposits	**¥ 10,738**	¥ 16,351	**$ 107,176**
Notes and accounts receivable:			
Trade	**68,176**	54,089	**680,467**
Other	**21,788**	20,808	**217,467**
Allowance for doubtful receivables	**(683)**	(528)	**(6,817)**
	89,281	74,369	**891,117**
Inventories (Note 5)	**46,096**	45,803	**460,086**
Deferred tax assets (Note 11)	**5,151**	2,746	**51,412**
Other current assets	**3,646**	3,367	**36,391**
Total current assets	**154,912**	142,636	**1,546,182**
Property, plant and equipment (Note 8):			
Land	**21,869**	21,867	**218,275**
Buildings and structures	**71,858**	72,236	**717,217**
Machinery and equipment	**238,717**	231,626	**2,382,643**
Construction in progress	**3,920**	2,879	**39,126**
	336,364	328,608	**3,357,261**
Accumulated depreciation	**(216,843)**	(206,719)	**(2,164,318)**
Total property, plant and equipment	**119,521**	121,889	**1,192,943**
Intangible assets	**3,467**	3,101	**34,605**
Investments and other assets:			
Investment in securities (Notes 6 and 8)	**34,538**	49,519	**344,725**
Investments in unconsolidated subsidiaries and affiliates	**13,932**	12,118	**139,056**
Long-term loans receivable	**892**	918	**8,903**
Deferred tax assets (Note 11)	**2,627**	2,343	**26,220**
Other assets	**4,495**	3,191	**44,865**
Allowance for doubtful receivables	**(491)**	(451)	**(4,901)**
Total investments and other assets	**55,993**	67,638	**558,868**
Total assets	**¥ 333,893**	¥ 335,264	**$ 3,332,598**

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 9)	**¥ 35,315**	¥ 30,101	**$ 352,480**
Current portion of long-term debt (Notes 8 and 9)	**14,486**	16,883	**144,585**
Notes and accounts payable:			
Trade	**82,474**	72,537	**823,176**
Other	**21,615**	25,137	**215,740**
	104,089	97,674	**1,038,916**
Accrued expenses	**7,325**	5,875	**73,111**
Income and enterprise taxes payable	**1,482**	507	**14,792**
Customers' deposits	**2,355**	2,651	**23,505**
Provision for product compensation	**3,263**	—	**32,568**
Other current liabilities	**3,975**	2,001	**39,676**
Total current liabilities	**172,290**	155,692	**1,719,633**
Long-term liabilities:			
Long-term debt due after one year (Notes 8 and 9)	**44,464**	52,130	**443,797**
Severance and retirement benefits (Note 10)	**13,714**	14,527	**136,880**
Provision for environmental remediation	**505**	873	**5,040**
Deferred tax liabilities (Note 11)	**9,685**	14,395	**96,666**
Other long-term liabilities	**630**	200	**6,289**
Total long-term liabilities	**68,998**	82,125	**688,672**
Contingent liabilities (Note 13)			
Net assets (Note 14):			
Shareholders' equity			
Common stock			
Authorized - 400,000,000 shares			
Issued - 209,284,712 shares	**23,975**	23,975	**239,295**
Capital surplus	**21,998**	21,998	**219,563**
Retained earnings	**30,953**	26,645	**308,943**
Treasury stock, at cost			
2007 - 233,355 shares			
2008 - 273,170 shares	**(100)**	(77)	**(998)**
	76,826	72,541	**766,803**
Accumlated gains (losses) from revaluation and translation adjustments			
Net unrealized holding gains on securities	**13,294**	22,713	**132,688**
Unrealized gains (losses) on hedging derivatives	**56**	(19)	**559**
Other comprehensive loss	**(26)**	(10)	**(260)**
Foreign currency translation adjustments	**151**	68	**1,507**
	13,475	22,752	**134,494**
Minority interests in consolidated subsidiaries	**2,304**	2,154	**22,996**
Total net assets	**92,605**	97,447	**924,293**
Total liabilities and net assets	**¥ 333,893**	¥ 335,264	**$ 3,332,598**

Consolidated Statements of Income

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Net sales	**¥ 357,234**	¥ 320,427	**$ 3,565,565**
Cost of sales	**259,965**	233,471	**2,594,720**
Gross profit	**97,269**	86,956	**970,845**
Selling, general and administrative expenses	**84,100**	77,586	**839,405**
Operating income	**13,169**	9,370	**131,440**
Other income (expenses):			
Interest and dividend income	**971**	812	**9,692**
Interest expense	**(3,195)**	(2,640)	**(31,889)**
Gain on sale of investment securities	**994**	223	**9,921**
Gain (loss) on disposal of property, plant and equipment	**2,143**	(644)	**21,389**
Loss on cancellation of leases	**(208)**	(443)	**(2,076)**
Gain on sale of a business	**—**	9,202	**—**
Loss on impairment of fixed assets (Note 15)	**(152)**	(606)	**(1,517)**
Equity in net income of unconsolidated subsidiaries and affiliates	**1,715**	431	**17,117**
Foreign exchange loss	**(1,705)**	(938)	**(17,018)**
Loss related to lawsuits	**—**	(395)	**—**
Loss on after-care of products	**—**	(317)	**—**
Loss on provision for environmental remediation	**—**	(886)	**—**
Loss on product compensation	**(772)**	—	**(7,705)**
Loss on provision for product compensation	**(3,263)**	—	**(32,568)**
Other net	**(1,388)**	(1,134)	**(13,854)**
Income before income taxes and minority interests	**8,309**	12,035	**82,932**
Income taxes (Note 11):			
Current	**3,395**	335	**33,886**
Deferred	**(1,109)**	5,633	**(11,070)**
	2,286	5,968	**22,816**
Minority interests in net loss (income) of consolidated subsidiaries	**115**	(52)	**1,148**
Net income	**¥ 6,138**	¥ 6,015	**$ 61,264**

	yen		U.S. dollars (Note 1)
	2008	2007	**2008**
Net income per share	**¥ 29.36**	¥ 28.77	**$ 0.29**
Dividends per share	**9.00**	9.00	**0.09**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

Millions of yen

	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Unrealized losses on hedging derivatives	Other comprehen-sive loss	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Shareholders' equity at March 31, 2006	209,285	¥23,975	¥21,997	¥22,542	¥ (57)	¥24,311	¥—	¥(48)	¥(905)	¥ —	¥91,815
Adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006										2,240	2,240
Net assets at April 1 2006	209,285	23,975	21,997	22,542	(57)	24,311	—	(48)	(905)	2,240	94,055
Cash dividends	—	—	—	(1,882)	—	—	—	—	—	—	(1,882)
Bonuses to directors and statutory auditors	—	—	—	(30)	—	—	—	—	—	—	(30)
Net income	—	—	—	6,015	—	—	—	—	—	—	6,015
Purchases of treasury stock	—	—	—	—	(21)	—	—	—	—	—	(21)
Disposal of treasury stock	—	—	1	—	1	—	—	—	—	—	2
Increase resulting from increase in consolidated subsidiary	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	(1,598)	(19)	38	973	(86)	(692)
Balance at March 31, 2007	209,285	23,975	21,998	26,645	(77)	22,713	(19)	(10)	68	2,154	97,447
Cash dividends	—	—	—	(1,881)	—	—	—	—	—	—	(1,881)
Net income	—	—	—	6,138	—	—	—	—	—	—	6,138
Purchases of treasury stock	—	—	—	—	(24)	—	—	—	—	—	(24)
Disposal of treasury stock	—	—	0	—	1	—	—	—	—	—	1
Increase resulting from increase in consolidated subsidiary	—	—	—	51	—	—	—	—	—	—	51
Net changes in items other than shareholders' equity	—	—	—	—	—	(9,419)	75	(16)	83	150	(9,127)
Balance at March 31, 2008	209,285	¥23,975	¥21,998	¥30,953	¥(100)	¥13,294	¥56	¥(26)	¥ 151	¥2,304	¥92,605

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Unrealized losses on hedging derivatives	Other comprehen-sive loss	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2007	$239,295	$219,563	$265,945	$(768)	$226,699	$(190)	$(100)	$ 679	$21,499	$972,622
Cash dividends	—	—	(18,775)	—	—	—	—	—	—	(18,775)
Net income	—	—	61,264	—	—	—	—	—	—	61,264
Purchases of treasury stock	—	—	—	(240)	—	—	—	—	—	(240)
Disposal of treasury stock	—	0	—	10	—	—	—	—	—	10
Increase resulting from increase in consolidated subsidiary	—	—	509	—	—	—	—	—	—	509
Net changes in items other than shareholders' equity	—	—	—	—	(94,011)	749	(160)	828	1,497	(91,097)
Balance at March 31, 2008	$239,295	$219,563	$308,943	$(998)	$132,688	$559	$(260)	$1,507	$22,996	$924,293

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 8,309**	¥12,035	**$ 82,932**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**18,937**	17,882	**189,011**
Loss on impairment of fixed assets	**152**	606	**1,517**
Equity in net income of unconsolidated subsidiaries and affiliates	**(1,715)**	(431)	**(17,117)**
Foreign exchange loss	**826**	1,124	**8,244**
Increase (decrease) in accrued retirement benefits for employees	**(804)**	(1,649)	**(8,025)**
Increase in provision for product compensation	**3,263**	—	**32,568**
Interest and dividend income	**(971)**	(812)	**(9,692)**
Interest expense	**3,195**	2,640	**31,889**
Gain (loss) on disposal of property, plant and equipment	**(2,143)**	644	**(21,389)**
Gain on sale of investment securities	**(994)**	(223)	**(9,921)**
Gain on sale of a business	**—**	(9,202)	**—**
Decrease (increase) in notes and accounts receivable	**(13,259)**	(5,309)	**(132,339)**
Decrease (increase) in deposits paid in assignment of receivables	**(2,371)**	(999)	**(23,665)**
Decrease (increase) decrease in inventories	**(446)**	(10,281)	**(4,452)**
Decrease (increase) in notes and accounts payable	**9,985**	2,700	**99,661**
Other, net	**(3,462)**	7,036	**(34,552)**
Interest and dividends received	**1,301**	784	**12,985**
Interest paid	**(3,292)**	(2,758)	**(32,858)**
Income taxes paid	**(2,016)**	(3,207)	**(20,122)**
Net cash provided by operating activities	**14,495**	10,580	**144,675**
Cash flows from investing activities:			
Additions to property, plant and equipment	**(18,462)**	(29,307)	**(184,270)**
Additions to intangible assets	**(1,345)**	(527)	**(13,424)**
Proceeds from sales of property, plant and equipment	**5,037**	5,493	**50,274**
Proceeds from sales of intangible assets	**46**	132	**459**
Proceeds from sales and redemption of investment securities	**1,232**	275	**12,297**
Proceeds from sale and leaseback transaction	**—**	10,317	**—**
Additions to investments in securities	**(1,319)**	(239)	**(13,165)**
Additions to investments in unconsolidated affiliates	**(275)**	(298)	**(2,745)**
Additions to acquisition of consolidated subsidiaries	**—**	(1,068)	**—**
Proceeds from sales of consolidated subsidiaries	**—**	4,556	**—**
Purchase of minority shareholders' equities	**—**	(244)	**—**
Other, net	**(951)**	148	**(9,492)**
Net cash used in investing activities	**(16,037)**	(10,762)	**(160,066)**
Cash flows from financial activities:			
Proceeds from long-term debt	**7,362**	4,452	**73,480**
Payments of long-term debt	**(12,329)**	(12,190)	**(123,056)**
Payments of amortization of a corporate bond	**(5,000)**	—	**(49,905)**
Net increase in commercial paper	**2,000**	—	**19,962**
Net increase in short-term bank loans	**5,254**	15,494	**52,440**
Dividends paid	**(1,881)**	(1,886)	**(18,774)**
Dividends paid to minority shareholders	**(19)**	(52)	**(190)**
Other, net	**83**	(19)	**829**
Net cash provided by (used in) financing activities	**(4,530)**	5,799	**(45,214)**
Effect of foreign exchange on cash and cash equivalents	**388**	(968)	**3,873**
Net increase (decrease) in cash and cash equivalents	**(5,684)**	4,649	**(56,732)**
Cash and cash equivalents at beginning of the year	**16,346**	11,697	**163,150**
Cash and cash equivalents of newly consolidated subsidiaries	**71**	—	**708**
Cash and cash equivalents at end of the year (Note 4)	**¥10,733**	¥16,346	**$107,126**

See the accompanying notes to the 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 Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements from 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 disclosure 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 Financial Instruments 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. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. $1.00. The 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

Consolidation and investments in affiliates

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

The consolidated financial statements include the accounts of the Company and its 36 (45 in the year ended March 31, 2007) significant majority owned subsidiaries. The main factor in the decrease in the number of consolidated subsidiaries was a sales company merger. All significant intercompany transactions and accounts have been eliminated in consolidation. Investments in 7 (6 in the year ended March 31, 2007) affiliates are accounted for by the equity method.

Significant differences between the cost of investments in consolidated subsidiaries and the equity in the net assets at the date of acquisition are, 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 subsidiary.

Of the Company's subsidiaries, 18 (16 in the year ended March 31, 2007) are consolidated using a fiscal period ending December 31. Significant transactions occurring from January 1 to March 31, the Company's fiscal year-end, are adjusted for in the consolidated financial statements.

Cash and cash equivalents

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.

Allowance for doubtful receivables

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

Inventories

With respect to the Company and its domestic consolidated subsidiaries, inventories 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. Except for buildings, depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed principally by the declining balance method at rates based on the estimated useful life of the asset. 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 life of the asset.

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.

The estimated useful lives of assets range as follows;

Buildings and structures ····· 3 - 50 years
Machinery and equipment ····· 2 - 17 years

(Accounting change)
In accordance with the revised Corporation Tax Law and its regulations, for tangible fixed assets acquired on or after April 1, 2007, the Company and its domestic consolidated subsidiaries changed the method of depreciation to that provided by the revised Corporation Tax Law.

As a result of this change, in the year ended March 31, 2008, operating income and income before income taxes and minority interests decreased by ¥319 million ($3,184 thousand) and ¥320 million ($3,194 thousand), respectively.

The effects of this change on business segment information are described in Note 16.

(Additional information)
In accordance with the revised Corporation Tax Law and its regulations, the Company and its domestic consolidated subsidiaries changed the depreciation method for tangible fixed assets acquired until March 31, 2007. Under the new method, these assets are depreciated fully to their memorandum values (¥1) by the strait-line method over 5 years.

As a result of this change, in the year ended March 31, 2008, operating income and income before income taxes and minority interests decreased by ¥1,124 million ($11,219 thousand) and ¥1,146 million ($11,438 thousand), respectively.

The effects of this change on business segment information are described in Note 16.

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 arising from the consolidation process is amortized on a straight-line basis over five years, except minor goodwill which is expensed as incurred for domestic subsidiaries. Impairment accounting under International Financial Reporting Standards is applied for the goodwill in European subsidiaries.

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 net assets. Realized gains and losses on the sale of such securities are computed using moving average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, or 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, the 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 the 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 the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized. However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the foreign currency receivables or payables are translated at the contracted rate. Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

Provision for product compensation
The provision for product compensation is based on estimated expenses for product deficiency at the end of fiscal year. As background, in 1992, the Company's industrial products division submitted to Japan's regulatory authorities the test results of sample construction materials that differed from those that were sold to commercial building contractors. The test samples contained ingredients that enhanced the heat and fire resistant capacity of these materials. In this manner, industrial products division subsequently obtained government type approval for several models of the construction materials. The Company has now determined that these materials were incapable of meeting government code.

Provision for environmental remediation
The provision for environmental remediation is estimated and recorded to provide for potential future costs such as costs related to the removal and disposal of asbestos and PCB waste.

Severance and retirement benefits
1) Employees
The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded noncontributory 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 plan assets at the end of the year. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service years (mainly 15 years) commencing with the following period.

(Additional information)
Effective from the year ended March 31, 2008, the Company's domestic consolidated subsidiaries, Toyo Tire Japan Co., Ltd, changed the method used to calculate severance and retirement benefits from a simplified method to a non-simplified method, because the number of employee increased to over 300 as a result of a merger. Because of this change, ¥258 million ($2,575 thousand) was included in other expenses at the beginning of the period. As a result of this change, in the year ended March 31, 2008, operating income and income before income taxes and minority interests decreased by ¥8 million ($ 80 thousand) and ¥266 million ($2,655 thousand), respectively.

The effects of this change on business segment information are described in Note 16.

2) Directors and statutory auditors
In accordance with their internal rules, some consolidated subsidiaries have included at their fiscal year-end amounts that will be necessary for the payment of retirement benefits to directors and statutory auditors. Included in the liability for severance and retirement benefits at March 31, 2008 and 2007 were ¥56 million ($559 thousand) and ¥104 million, respectively.

The Company decided to terminate its retirement benefit plan for directors and statutory auditors at the annual shareholders' meeting held on June 29, 2006, and the shareholders approved a resolution to make lump-sum payments of their accumulated retirement benefits to the directors and statutory auditors. As a result, the Company has reversed the full amount of accrued retirement benefits for directors and statutory auditors for the year ended March 31, 2007, and the aggregate amount of the outstanding lump-sum payments to the directors and statutory auditors has been included in "other long-term liabilities" at March 31, 2007.

Research and development
Research and development expenses are charged to income as incurred. Such expenses for the years ended March 31, 2008 and 2007 were ¥9,619 million ($96,008 thousand) and ¥9,608 million, respectively.

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

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.

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

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 was not disclosed for there were no dilutive common stock equivalents.

Dividends per share
The declaration of dividends and the appropriation of unappropriated retained earnings are approved at the annual shareholders' meeting 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.

Translation of foreign currencies
1) Translation of Foreign Currencies
Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

2) Translation of Foreign Currency Statements (accounts of overseas subsidiaries and affiliates)
Balance sheet accounts of consolidated overseas subsidiaries and affiliates are translated into Japanese yen at year-end rates, except for net assets accounts, which are translated at historical rates. Revenue and expense accounts of consolidated overseas subsidiaries and affiliates are translated at the average exchange rate for the year, except for transactions with the Company which are translated at the rates used by the Company.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation. These changes had no impact on previously reported results of operations or net assets.

3. Accounting Changes

Effective from the year ended March 31, 2008, royalty ordinarily included in "Other income" was reclassified into "Net sales" and "Cost of sales", respectively. This change was made to provide a more appropriate presentation or classification of income and cost since the current increase in income arises from the main business activities of the Company and its consolidated subsidiaries.

The effect of this change was to increase net sales by ¥480 million (US$4,791 thousand) and operating income by ¥422 million (US$4,412 thousand). There was no effect on income before income taxes and minority interests.

The effects of this change on business segment information are described in Note 16.

4. 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, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Cash and time deposits	**¥10,738**	¥16,351	**$107,176**
Less time deposits with maturities exceeding three months	**(5)**	(5)	**(50)**
Cash and cash equivalents	**¥10,733**	¥16,346	**$107,126**

5. Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Finished goods	**¥35,480**	¥35,787	**$354,127**
Work-in-process	**2,977**	2,482	**29,714**
Raw materials and supplies	**7,639**	7,534	**76,245**
	¥46,096	¥45,803	**$460,086**

6. Securities

1) The following tables summarize acquisition costs and book values (fair values) of securities with available fair values as of March 31, 2008 and 2007:

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Acquisition cost:			
Equity securities	**¥ 9,617**	¥10,445	**$ 95,988**
Bonds	**—**	—	**—**
Other	**78**	78	**779**
	¥ 9,695	¥10,523	**$ 96,767**
Book value:			
Equity securities	**¥32,396**	¥48,679	**$323,346**
Bonds	**—**	—	**—**
Other	**107**	147	**1,068**
	¥32,503	¥48,826	**$324,414**
Difference:			
Equity securities	**¥22,779**	¥38,234	**$227,358**
Bonds	**—**	—	**—**
Other	**29**	69	**289**
	¥22,808	¥38,303	**$227,647**

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Acquisition cost:			
Equity securities	**¥1,925**	¥ 252	**$19,213**
Book value:			
Equity securities	**1,520**	215	**15,171**
Difference:			
Equity securities	**(405)**	(37)	**(4,042)**

2) The following table summarizes book values of securities with no available fair values as of March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Available-for-sale securities:			
Non-listed equity securities	**¥524**	¥510	**$5,230**

3) Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2008 and 2007 were to mature as follows:

(a) 2008:

	Millions of yen			Thousands of U.S. dollars
	Within one year	Over one year but within five years	Total	Total
Bonds	¥ —	¥ —	¥ —	$ —
Other	9	68	77	769
	¥ 9	¥ 68	¥ 77	$769

(b) 2007:

	Millions of yen		
	Within one year	Over one year but within five years	Total
Bonds	¥ —	¥ —	¥ —
Other	—	106	106
	¥ —	¥106	¥106

4) Total sales of available-for-sale securities in the year ended March 31, 2008 amounted to ¥1,232 million ($12,297 thousand), and the related gains amounted to ¥994 million ($9,921 thousand).

Total sales of available-for-sale securities in the year ended March 31, 2007 amounted to ¥274 million, and the related gains amounted to ¥223 million.

7. Derivative Financial Instruments and Hedging Transactions

The Company uses derivative transactions to manage the future risk 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 the future risk of fluctuations in interest rates. The Company uses forward foreign currency and currency option contracts to avoid the future risk 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 the hedging derivative financial instruments used by the Company and the corresponding items hedged:

Hedging instruments:

Forward foreign currency and currency option contracts
Interest rate swap and interest rate option contracts

Hedged items:

Foreign currency receivables and payables
Interest on loans payable and bonds

The Company hedges the future risk 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 change in cash flows from hedging instruments and the corresponding hedged items.

In addition to the future risk of interest rate changes and foreign currency exchange rate changes, derivative transactions are subject to credit risk which arises from the nonfulfillment of a contract by the contract partner. Since the Companies execute derivative transactions using only counterparties of high credit rating, the Company believes there is almost no such credit risk.

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

Outstanding derivative transactions at March 31, 2008 and 2007 were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2008				2007				**2008**			
	Contracted amount	[Portion which exceeds one year]	Fair value	Recognized gain (loss)	Contracted amount	[Portion which exceeds one year]	Fair value	Recognized gain (loss)	Contracted amount	[Portion which exceeds one year]	Fair value	Recognized gain (loss)
Receive floation, pay fixed	**2,283**	**2,283**	**(95)**	**(95)**	—	—	—	—	**22,787**	**22,787**	**(948)**	**(948)**
Total	**2,283**	**2,283**	**(95)**	**(95)**	—	—	—	—	**22,787**	**22,787**	**(948)**	**(948)**

1. The fair value of swap contracts is based on the prices obtained from the financial institutions.
2. The above table does not include derivative transactions for which hedge accounting has been applied.

8. Pledged Assets

At March 31, 2008, the following assets were pledged as collateral for long-term debt of ¥7,086 million ($70,726 thousand).

	Millions of yen	Thousands of U.S. dollars
Investment securities	**¥ 9,477**	**$ 94,590**
Property, plant and equipment - net of accumulated depreciation	**25,305**	**252,570**
	¥34,782	**$347,160**

9. Short-term Bank Loans and Long-term Debt

Short-term bank loans at March 31, 2008 and 2007 consisted of short-term notes, generally for 365 days, bearing interest at the average rate of 3.5 percent and 4.2 percent, respectively. In the past, these loans have been renewed as required.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Loans principally from banks and insurance companies at the weighted average interest rate of 2.2 % at March 31, 2008 and 1.9% at March 31, 2007 were as follows:			
Secured	**¥ 7,086**	¥ 8,964	**$ 70,726**
Unsecured	**28,864**	32,049	**288,093**
0.74 % bonds, due in 2008	**5,000**	5,000	**49,905**
0.41 % bonds, due in 2010	**3,000**	3,000	**29,943**
1.63 % bonds, due in 2010	**5,000**	5,000	**49,905**
0.83 % bonds, due in 2008	**—**	5,000	**—**
0.99 % bonds, due in 2009	**5,000**	5,000	**49,905**
1.21 % bonds, due in 2012	**5,000**	5,000	**49,905**
	58,950	69,013	**588,382**
Less amounts due within one year	**14,486**	16,883	**144,585**
	¥44,464	¥52,130	**$ 443,797**

Annual maturities of long-term debt at March 31, 2008 were as follows:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars
2009	**¥14,486**	**$144,585**
2010	**10,552**	**105,320**
2011	**18,869**	**188,332**
2012	**1,448**	**14,453**
2013 and thereafter	**13,595**	**135,692**
	¥58,950	**$588,382**

10. Severance and Retirement Benefits

The liability for severance and retirement benefits included in the consolidated balance sheets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Employees' retirement benefits			
Projected benefit obligation	**¥ 33,809**	¥ 35,888	**$ 337,449**
Unrecognized actuarial differences	**(1,787)**	4,021	**(17,836)**
Less fair value of pension assets	**(19,590)**	(25,486)	**(195,528)**
Less unrecognized net transition obligation	**18**	—	**180**
Prepaid pension cost	**1,208**	—	**12,056**
Directors' and statutory auditors' retirement benefits	**56**	104	**559**
Liability for severance and retirement benefits	**¥ 13,714**	¥ 14,527	**$ 136,880**

Severance and retirement benefits, except for directors' and statutory auditors' benefits, for the years ended March 31, 2008 and 2007, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Service costs – benefits earned during the year	**¥1,791**	¥1,695	**$17,876**
Interest cost on projected benefit obligation	**480**	461	**4,791**
Expected return on plan assets	**(92)**	(76)	**(918)**
Amortization of actuarial differences	**(132)**	79	**(1,317)**
Other	**311**	—	**3,103**
Severance and retirement benefit expenses	**¥2,358**	¥2,159	**$23,535**

The discount rate and the rate of expected return on plan assets used by the Company for the year ended March 31, 2008 were 2.0 percent and 1.0 percent, respectively (1.6 percent and 1.0 percent for the year ended March 31, 2007).

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated total number of service years. Actuarial losses are recognized in the income statement using the straight-line method mainly over fifteen years.

The following is included in "Other":

(1) As explained in Note 2, the Company's domestic consolidated subsidiary, Toyo Tire Japan Co., Ltd changed the method used to calculate severance and retirement benefits. Difference of this change ¥258 million ($2,575 thousand) was included in the other expenses at the beginning of this period.

(2) The Company's domestic consolidated subsidiary, Toyo Chemical / Industrial Products Sales Corporation, allocated ¥53 million ($528 thousand) due to additional premium of withdrawal from employees' pension fund.

11. Income Taxes

The Company and its domestic subsidiaries are subject to corporate, inhabitants and enterprise taxes which, in the aggregate, result in a statutory rate of approximately 40.6 percent for both 2008 and 2007.

Significant components of deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Current deferred tax assets			
Unrealized profits	**¥ 1,758**	¥ 2,360	**$ 17,547**
Accrued bonuses	**1,617**	1,155	**16,139**
Enterprise tax	**120**	(14)	**1,198**
Accrued expenses	**437**	235	**4,362**
Loss carryforwards	**401**	120	**4,002**
Excess allowance for doubtful receivables	**199**	90	**1,986**
Provision for product compensation	**1,326**	—	**13,235**
Other	**952**	958	**9,502**
Valuation allowance	**(1,554)**	(2,142)	**(15,511)**
Total current deferred tax assets	**5,256**	2,762	**52,460**
Offset of deferred tax liabilities	**(105)**	(16)	**(1,048)**
Net current deferred tax assets	**¥ 5,151**	¥ 2,746	**$ 51,412**
Current deferred tax liabilities			
Adjustment of allowance for doubtful receivables	**¥ (15)**	¥ (16)	**$ (150)**
Other	**(94)**	(1)	**(938)**
Total current deferred tax liabilities	**(109)**	(17)	**(1,088)**
Offset of deferred tax assets	**105**	16	**1,048**
Net current deferred tax liabilities	**¥ (4)**	¥ (1)	**$ (40)**

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Noncurrent deferred tax assets			
Excess of severance and retirement benefits	**¥ 4,891**	¥ 5,379	**$ 48,817**
Unrealized profits	**1,556**	1,868	**15,531**
Loss on write-down of investment securities	**322**	218	**3,214**
Loss by having set up the employee retirement benefit trust	**566**	566	**5,649**
Loss carryforwards	**1,845**	1,584	**18,415**
Loss on write-down of golf club memberships	**127**	142	**1,268**
Excess allowance for doubtful receivables	**60**	55	**599**
Loss on impairment of fixed assets	**368**	385	**3,673**
Addition of provision for environmental remediation	**188**	526	**1,876**
Other	**682**	527	**6,807**
Valuation allowance	**(3,120)**	(2,525)	**(31,141)**
Total noncurrent deferred tax assets	**7,485**	8,725	**74,708**
Offset to deferred tax liabilities	**(4,858)**	(6,382)	**(48,488)**
Net noncurrent deferred tax assets	**¥ 2,627**	¥ 2,343	**$ 26,220**
Noncurrent deferred tax liabilities			
Net unrealized gains on securities	**¥ (8,857)**	¥(15,290)	**$ (88,402)**
Reserves of the Special Taxation Measures Law	**(4,171)**	(2,913)	**(41,630)**
Other	**(1,515)**	(2,574)	**(15,121)**
Total noncurrent deferred tax liabilities	**(14,543)**	(20,777)	**(145,154)**
Offset of deferred tax assets	**4,858**	6,382	**48,487**
Net noncurrent deferred tax liabilities	**¥ (9,685)**	¥(14,395)	**$ (96,666)**

Significant items in the reconciliation of the statutory tax rate to the effective rate were as follows:

	2008	2007
Statutory tax rate	**40.6%**	40.6%
Undistributed profit of foreign subsidiaries	**0.2%**	6.5%
Elimination of intercompany dividends	**4.5%**	1.9%
Permanently nondeductible expenses	**2.4%**	1.7%
Valuation allowance	**— %**	9.1%
Permanently nontaxable income	**(2.2)%**	— %
Foreign tax credit	**(1.8)%**	(1.4)%
Equity in net income of unconsolidated subsidiaries and affiliates	**(8.4)%**	(1.4)%
Other	**(7.8)%**	(7.4)%
Effective tax rate	**27.5%**	49.6%

12. Leases

1) Finance leases, as lessee

Information for noncapitalized finance leases at March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Original lease obligations, including finance charges, for machinery, equipment and other	**¥6,463**	¥7,550	**$64,508**
Payments made	**3,173**	3,249	**31,670**
Balance remaining	**¥3,290**	¥4,301	**$32,838**

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Future minimum payments			
Payments due within one year	**¥1,007**	¥1,166	**$10,051**
Payments due after one year	**2,283**	3,135	**22,787**
	¥3,290	¥4,301	**$32,838**

Rental expenses under noncapitalized finance leases for the years ended March 31, 2008 and 2007 were ¥1,167 million ($11,647 thousand) and ¥1,351 million, respectively.

2) Operating leases, as lessee

Lease obligations under operating leases at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Future minimum payments			
Payments due within one year	**¥ 1,935**	¥ 1,884	**$ 19,314**
Payments due after one year	**15,543**	16,677	**155,135**
	¥17,478	¥18,561	**$174,449**

13. Contingent Liabilities

Contingent liabilities at March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
Loan guarantees:		
Chensin-Petrel Tire (Xiamen) Co., Ltd., an equity method affiliate	**¥2,405**	**$24,004**
Others	**189**	**1,887**
	¥2,594	**$25,891**

14. Net Assets

The Japanese Corporate Law ("the Law") became effective on May 1, 2006 and replaced the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or greater than 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 27, 2008, the shareholders approved cash dividends amounting to ¥1,882 ($18,784 thousand). These appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the shareholders.

15. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries recognized impairment losses for the following groups of assets in the year ended March 31, 2008.

United States

Use	Type of asset	Location	Amount (Millions of yen)	Thousands of U.S. dollars
Machinery for automotive parts	Machinery and Equipment, etc	Kentucky, United States	**¥152**	**$1,517**

In accordance with SFAS NO. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the group of assets above was reviewed for impairment as the result of an impairment test based on the SFAS.

Because operating activities have been continuously negative in the Automotive-Parts business in the United States, the United States subsidiary reduced the book value of the fixed assets such as machinery and equipment to recoverable amounts. The breakdown of impairment losses was Machinery and Equipment ¥93 million ($928 thousand), Building and Structures ¥45 million ($449 thousand), Tools and Fixtures ¥2 million ($20 thousand), and Construction in Progress ¥12 million ($120 thousand).

The Company and its consolidated subsidiaries recognized impairment losses for the following groups of assets in the year ended March 31, 2007.

Domestic

Use	Type of asset	Location	Amount (Millions of yen)
Idle assets	Land	Kato, Hyogo Pref. and Tokai, Aichi Pref. etc	**¥81**
Estimated sales assets	Land, building and structures	Gyoda, Saitama Pref.	**90**
Total			**¥171**

(Circumstance)
In light of a significant decrease in the value of the land and buildings for which there are no current plans for future use, the Company and its consolidated subsidiaries recognized impairment losses and reduced the book values of these fixed assets.

(Grouping method)
For the purpose of identifying fixed assets that are impaired, the Company and its consolidated subsidiaries considered each industry segment, individual assets designated for disposal, and individual idle property for which there was no planned use as independent cash generating units.

(Calculation method for recoverable amounts, etc.)
Recoverable amounts are net realizable values determined in accordance with real estate valuation standards.

Australia

Use	Type of asset	Location	Amount (Millions of yen)
Estimated sales assets	Land, buildings, machinery and equipment, etc.	New South Wales, Australia	**¥435**

The group of assets above was reviewed for impairment in accordance with IAS NO. 36, Impairment of Assets.

As a result, impairment losses were mainly recognized on land, buildings and machinery, and the Australia subsidiary reduced its book value of fixed assets such as land, buildings, machinery to recoverable amounts.

16. Business Segment Information

1) Industry segment information

Effective April 1, 2007, the Companies changed their business segmentation. Chemical products, Automotive parts and Other businesses were combined into Divertech & Other Businesses.

The Tires segment includes the manufacture and sale of a range of auto, bus and other vehicle and equipment tires.

The Divertech & Other Businesses includes the manufacture and sale of rubber vibration isolators, waterproof sheets, automobile cushion seats, financial services, realty businesses and other products.

Accordingly, industry segment information for the years ended March 31, 2007 has been reclassified.

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Net sales			
Tires			
Customers	**¥252,420**	¥218,400	**$2,519,413**
Intersegment	**76**	132	**759**
Total	**252,496**	218,532	**2,520,172**
Divertech & Other Businesses			
Customers	**104,814**	102,027	**1,046,152**
Intersegment	**200**	227	**1,996**
Total	**105,014**	102,254	**1,048,148**
Eliminations	**(276)**	(359)	**(2,755)**
Consolidated net sales	**357,234**	320,427	**3,565,565**
Operating expenses			
Tires	**240,023**	210,363	**2,395,678**
Divertech & Other Businesses	**104,323**	101,000	**1,041,252**
Eliminations	**(281)**	(306)	**(2,805)**
Consolidated operating expenses	**344,065**	311,057	**3,434,125**
Operating income			
Tires	**12,473**	8,169	**124,493**
Divertech & Other Businesses	**691**	1,254	**6,897**
Consolidating adjustments	**5**	(53)	**50**
Consolidated operating income	**¥ 13,169**	¥ 9,370	**$ 131,440**
Assets			
Tires	**¥214,310**	¥215,089	**$2,139,036**
Divertech & Other Businesses	**86,211**	75,423	**860,475**
Consolidating adjustments and corporate (See Note (a))	**33,372**	44,752	**333,087**
Consolidated assets	**¥333,893**	¥335,264	**$3,332,598**
Depreciation and amortization			
Tires	**¥ 14,208**	¥ 13,781	**$ 141,811**
Divertech & Other Businesses	**4,734**	4,109	**47,250**
Eliminations	**(5)**	(8)	**(50)**
Consolidated depreciation and amortization	**¥ 18,937**	¥ 17,882	**$ 189,011**
Loss on impairment of fixed assets			
Tires	**¥ —**	¥ 154	**$ —**
Divertech & Other Businesses	**152**	435	**1,517**
Consolidating adjustments and corporate (See Note (b))	**—**	17	**—**
Consolidated loss on impairment of fixed assets	**¥ 152**	¥ 606	**$ 1,517**
Capital expenditure			
Tires	**¥ 14,764**	¥ 13,116	**$ 147,360**
Divertech & Other Businesses	**5,390**	5,494	**53,798**
Eliminations	**—**	—	**—**
Consolidated capital expenditure	**¥ 20,154**	¥ 18,610	**$ 201,158**

Note (a) Corporate assets of ¥38,428 million ($383,551 thousand) and ¥48,934 million at March 31, 2008 and 2007, respectively, comprised mainly cash and cash equivalents and investment securities.

Note (b) As explained in Note 2, for tangible fixed assets acquired on or after April 1, 2007, the Company and its domestic consolidated subsidiaries changed to the depreciation method based on the revised Corporation Tax Law. The effect of this change for the year ended March 31,2008 was to increase operating expenses in "Tire" and "Divertech and Other Business" by ¥219 million ($2,186 thousand) and ¥100 million ($998 thousand), respectively, and to decrease operating income on each segment by the same amount, respectively, compared with what they would have been without the change.

Note (c) Additionally, the Company and its domestic consolidated subsidiaries changed the depreciation method for tangible fixed assets acquired until March 31, 2007. The effect of this change for the year ended March 31,2008 was to increase operating expenses in "Tire" and "Divertech and Other Business" by ¥868 million ($8,664 thousand) and ¥256 million ($2,555 thousand), respectively, and to decrease operating income in each segment by the same amount, respectively, compared with what they would have been without the change.

Note (d) As explained in Note 3, the Company changed its accounting policy for royalty. The effect of this change for the year ended March 31,2008 was to increase net sales in "Tire" and "Divertech and Other Business" by ¥448 million ($4,472 thousand) and ¥32 million ($319 thousand), respectively, to increase operating income in "Tire" by ¥448 million ($4,472 thousand), but to decrease operating income in the "Divertech and Other Business" by ¥26 million ($260 thousand), compared with what they would have been without the change.

Note (e) As explained in Note 2, the Company's domestic consolidated subsidiaries, Toyo Tire Japan Co., Ltd changed the method used to calculate the amount of severance and retirement benefits from a simplified method to a non-simplified method. The effect of this change for the year ended March 31, 2008 was to decrease operating income in "Tire" by ¥8 million ($80 thousand), compared with what they would have been without the change.

2) Geographic segment information

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Net sales			
Domestic operations			
Customers	**¥188,383**	¥184,625	**$1,880,258**
Intersegment	**90,682**	84,738	**905,100**
Total	**279,065**	269,363	**2,785,358**
North America operations			
Customers	**115,762**	98,113	**1,155,424**
Intersegment	**8**	—	**80**
Total	**115,770**	98,113	**1,155,504**
Other operations			
Customers	**53,089**	37,689	**529,883**
Intersegment	**41**	39	**409**
Total	**53,130**	37,728	**530,292**
Eliminations	**(90,731)**	(84,777)	**(905,589)**
Consolidated net sales	**357,234**	320,427	**3,565,565**
Operating expenses			
Domestic operations	**273,042**	261,439	**2,725,242**
North America operations	**110,656**	97,776	**1,104,462**
Other operations	**51,642**	37,959	**515,440**
Eliminations	**(91,275)**	(86,117)	**(911,019)**
Consolidated operating expenses	**344,065**	311,057	**3,434,125**
Operating income			
Domestic operations	**6,023**	7,924	**60,116**
North America operations	**5,113**	337	**51,033**
Other operations	**1,488**	(231)	**14,852**
Consolidating adjustments and corporate	**545**	1,340	**5,439**
Consolidated operating income	**¥ 13,169**	¥ 9,370	**$ 131,440**
Assets			
Domestic	**¥223,001**	¥214,933	**$2,225,781**
North America operations	**66,563**	57,789	**664,368**
Other operations	**32,577**	26,188	**325,152**
Consolidating adjustments and corporate (See Note (b))	**11,752**	36,354	**117,297**
Consolidated assets	**¥333,893**	¥335,264	**$3,332,598**

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

Note (b) Corporate assets of ¥38,428 million ($383,551 thousand) and ¥48,934 million at March 31, 2008 and 2007, respectively, comprised mainly cash and cash equivalents and investment securities.

Note (c) As explained in Note 2, for tangible fixed assets acquired on or after April 1, 2007, the Company and its domestic consolidated subsidiaries changed to the depreciation method based on the revised Corporation Tax Law. The effect of this change for the year ended March 31, 2008 was to increase operating expenses in "Domestic operations" by ¥319 million ($3,184 thousand) and to decrease operating income by the same amount, compared with what they would have been without the change.

Note (d) Additionally, the Company and its domestic consolidated subsidiaries changed the depreciation method for tangible fixed assets acquired until March 31, 2007. The effect of this change for the year ended March 31, 2008 was to increase operating expenses in "Domestic operations" by ¥1,124 million ($11,219 thousand) and to decrease operating income by the same amount, compared with what they would have been without the change.

Note (e) As explained in Note 3, the Company changed its accounting policy for royalty. The effect of this change for the year ended March 31, 2008 was to increase net sales in "Domestic operations" by ¥480 million ($4,791 thousand) and to increase operating income by ¥422 million ($4,212 thousand), compared with what they would have been without the change.

Note (f) As explained in Note 2, the Company's domestic consolidated subsidiaries, Toyo Tire Japan Co., Ltd changed the method used to calculate the amount of severance and retirement benefits from simplified method to non-simplified method. The effect of this change for the year ended March 31, 2008 was to decrease operating income in "Domestic operations" by ¥8 million ($80 thousand), compared with what they would have been without the change.

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
	2008	2007	**2008**
Net sales			
North America	**¥115,766**	¥ 98,113	**$1,155,464**
Other	**73,684**	53,633	**735,443**
Total	**¥189,450**	¥151,746	**$1,890,907**
Consolidated net sales	**¥357,234**	¥320,427	**$3,565,565**
Percentage of consolidated net sales	**53.0%**	47.4%	**53.0%**

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

17. Subsequent Events

On May 16, 2008, the Board of Directors of the Company resolved to pursue consultation in business alliances and entered into business and capital allliance agreement with Bridgestone Corporation, and resolved an issuance of new shares by allocating all shares to Bridgestone Corporation. The resolution was as follows:

1. Conclusion of Business and Capital Alliance Agreement

(1) Date of the agreement May 16, 2008

(2) Alliance Agreement

[Business Alliances]

Actual contents of business alliances between Bridgestone and the Company will be discussed, and expected to be scheduled to provide outline of the contents of business alliances by autumn this year.

① Production-technology Development
② Procurement of Raw Materials, Other Materials and Equipments
③ Cross Production between Bridgestone and the Company
④ Logistics
⑤ Business Other than Tires

[Capital Alliance]

In order for Bridgestone and the Company to discuss and pursue business alliances under stable relationship with mutual trust, the two companies decided to establish a capital alliance.

The Company will issue new ordinary shares of 20 million stocks (8.72% of the issued stocks including this issue) and allocate all shares to Bridgestone Corporation and Bridgestone will take all. On the other hand, Bridgestone will allocate 3.9 million of its treasury stocks (0.48% of issued stocks) to The Company and The Company will take all.

(3) Objective of Business and Capital Alliances

In recent years, the tire and the rubber industry is confronting with unprecedented changes in the business environment such as structural changes in demand due to bipolarization of market into high performance products and general-purpose products, structural changes in competition due to emerging power with low-priced products, and structural change in earnings due to steep rise of raw material cost.

Under such environment, by effective use of strengths and business resources of Bridgestone and the Company, these alliances are expected to create synergy-effect which will bring additional corporate values for both Bridgestone and the Company.

2. Allocation of new shares to a third party

(1) Number of issuing new shares	:	20,000,000 Ordinary shares
(2) Issue price	:	¥401 Per share
(3) Total issue price	:	¥8,020 million
(4) Capitalized surplus	:	¥200.5 Per share
(5) Due date of payment	:	October 16, 2008
(6) Allocation and number of shares	:	Bridgestone Corporation, 20,000,000 shares

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. ("the Company") and its consolidated subsidiaries as of March 31, 2008 and 2007 and the related consolidated statements of income, changes in net assets 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 its consolidated subsidiaries as of March 31, 2008 and 2007 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

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

(1) As discussed in Note 16 to the consolidated financial statements, effective April 1, 2007, Toyo Tire & Rubber Co., Ltd. and its consolidated subsidiaries changed its business segmentation.
(2) As discussed in Note 17 to the consolidated financial statements, on May 16, 2008, the Board of Directors of the Company resolved to pursue consultation in business alliances and entered into a business and capital altiance agreement with Bridgestone Corporation, and resolved an issuance of new shares by allocating all shares to Bridgestone Corporation.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included translations of yen amounts into U.S. dollar amounts and, in our opinion, the translations were made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 27, 2008

KPMG AZSA & Co.

CORPORATE DATA

Worldwide Network

NORTH AMERICA

Toyo Tire Holdings of Americas Inc.
5900-A Katella Avenue. Suite200, Cypress, CA 90630, U.S.A.
Telephone: 562-431-6502.

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

Nitto Tire U.S.A. Inc.
6021 Katella Avenue, Suite 250, Cypress, CA 90630, U.S.A.
Telephone: 714-252-0007 Fax:714- 252-0008
http://www.nittotire.com/

Toyo Tire Mexico LLC
860 Kuhn Drive Suite 106, Chula Vista, CA 91914 U.S.A.
Telephone: 619-691-1077 Fax: 619-691-1078

Toyo Tire North America Manufacturing Inc.
3660 Highway 411 N.E., White, GA 30184, U.S.A.
Telephone: 678-721-7200 Fax: 770-382-6199
http://www.toyotires.us/

NT Mexico S.R.L. de C.V.
860 Kuhn Drive Suite 106, Chula Vista, CA 91914 U.S.A.
Telephone: 619-691-1077 Fax: 619-691-1078

Toyo Tire Canada Inc.
7791 Nelson Road, #120, Richmond, B.C. V6W 1G3, Canada
Telephone: 604-304-1941 Fax: 604-304-1943
http://www.toyocanada.com/
Distribution Centers: Vancouver, Toronto, Montreal

Nitto Tire Canada Inc.
7791Nelson Road, Unit #120, Richmond, B.C. V6W 1G3, CANADA
Telephone: 604-304-1970 Fax: 604-304-1971

EUROPE

Toyo Tire Europe GmbH
Hellersbergstrasse 10a, 41460 Neuss, Germany
Telephone: +49 (0) 2131-7753-0 Fax: +49 (0) 2131-7753-226
http://www.toyo.de/ http://www.toyotire-europe.com/

Toyo Tyre (U.K.) LTD
Toyo House, Shipton Way, Rushden, Northants, NN10 6GL, UNITED KINGDOM
Telephone: +44 (0) 1933-411144 Fax: +44 (0) 1933-410945
http://www.toyo.co.uk/

Toyo Tire Benelux B.V.
Kooldreef 2-6, 4703 Re Roosendaal, Netherlands
Telephone: +31 (0) 165-556475 Fax: +31 (0) 165-555829
http://www.toyotire-benelux.com/

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http://www.toyo.it/

Toyo Liaison Office
(Europe Liaison Office)
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Telephone: +49 (0) 2131-7753-610 Fax: +49 (0) 2131-7753-226

Toyo Tire Europe GmbH
Iberia Representative Office
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28003 Madrid, Spain
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OCEANIA

Toyo Tyre & Rubber Australia Limited
6-14 Cosgrove Road, Enfield, N.S.W. 2136, Australia
Telephone: 02-9742-2200 Fax: 02-9742-2255
http://www.toyo.com.au
Branch offices: Sydney, Newcastle, Brisbane, Townsville, Melbourne, Perth, Adelaide
Factories: Minto, Enfield

CHINA

Toyo Tire (Shanghai) Co.,Ltd.
Room B, 23Floor, Majesty Building 138 Pu-Dong Avenue, Shanghai, 200120 China
Telephone: 021-5882-0880 Fax: 021-5887-8846
http://www.toyo-tire.com.cn

Cheng Shin-Toyo Tire & Rubber (China) Co.,Ltd.
(Production base, Joint venture)
Kunshan Economical and Technical Development Zone, Kunshan City, Jiangsu Province, China
Telephone: 0520-7673888 Fax: 0520-7672342

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

Toyo Automotive Parts (Guangzhou) Co., Ltd.
(Consolidated subsidiary)
No.10, St.2, Hefeng Erzong Lu, Yonghe Economic Zone, GETDD, Guangzhou, China
Telephone: 020-82986828 Fax: 020-82986838

Toyo Rubber Chemical & Industrial Products (HK) Ltd.
(Consolidated subsidiary)
Room 301, 3rd Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, HongKong
Telephone: 852-2850-8990 Fax: 852-2850-7151

SOUTH EAST ASIA

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

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

Management

BOARD OF DIRECTORS

Kenji Nakakura*
Yasuo Onodera*
Kazuo Nagai
Yutaka Ebuchi
Kenji Takada
Takuya Kakuno
Susumu Nishihata
Yoshio Kataoka

* Representative Director

CORPORATE AUDITORS

Kazuo Fujita
Kazunari Maeda
Yasutaka Hosoi
Shuji Tsuyuki

EXECUTIVE OFFICERS

Kenji Nakakura*
President and Chief Executive Officer
Chief Technology Officer

Yasuo Onodera*
Senior Managing Executive Officer
Chief Financial Officer

Kazuo Nagai*
Senior Managing Executive Officer
Tire Business

Shozo Kibata
Senior Managing Executive Officer
President, Toyo Tire Holdings of Americas, Inc.

Yutaka Ebuchi*
Managing Executive Officer
Replacement Tire Sales

Kenji Takada*
Managing Executive Officer
Tire Manufacturing

Takafumi Ichikawa
Managing Executive Officer
DiverTech Business

Mitsuaki Hashiyama
Managing Executive Officer
DiverTech Technology

Masaharu Yoshimoto
Managing Executive Officer
President, Toyo Tire U.S.A. Corp.

Masanori Kan
Managing Executive Officer
Corporate Purchasing

Takuya Kakuno*
Tire Overseas Sales

Susumu Nishihata*
Tire Technology

Hiroshi Shibata
Assistant to DiverTech Business

Atsushi Tasaka
Quality, Safety & Environment

Hidehiko Takahashi
President, Toyo Tire Japan Co., Ltd.

Akira Nobuki
Planning

Mitsuru Hitotsuyanagi
Production Engineering

James L. Hawk
President, Toyo Tire North America Manufacturing Inc.

*Concurrent with directorial position

(As of June 27,2008)

Corporate Data

HEAD OFFICE:
1-17-18, Edobori, 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 47 sales offices in Japan and 29 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 16 plants in Japan and 11 plants overseas.

CONSOLIDATED SUBSIDIARIES:
Toyo Tire & Rubber Co., Ltd. has a total of 36 consolidated subsidiaries, 18 in Japan and 18 overseas.

ESTABLISHMENT:
August 1, 1945

COMMON STOCK LISTING:
May 1945
Tokyo, Osaka, Nagoya

PAID-IN CAPITAL:
¥23,975 million

NUMBER OF SHAREHOLDERS:
13,039

NUMBER OF EMPLOYEES:
7,248

TRANSFER AGENT:
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo
100-8212, 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

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