

TOYO TIRES
driven to perform

Annual Report 2010

Year Ended March 31, 2010



We serve our customers
with vigorous passion



We engage in technological development and production
with ardent passion

Forward-looking Statements

Plans, strategies, beliefs and other statements concerning future business operations of Toyo Tire & Rubber Co., Ltd. included in this annual report are forward-looking statements based not on historical facts but on management's assumptions and beliefs in light of information currently available. These forward-looking statements include risks, known and unknown, and uncertainties. Actual management achievements and business results may therefore differ significantly from forecasts in this annual report.

We offer new value
with our products



We feel unalloyed delight
in the pursuit of satisfaction with our customers

Unwavering challenge

A company that takes advantage of changes in society
by adapting itself and developing unique technologies to create new values
– this is what we strive to be,
a company desired by people and society.

driven to perform



President and Chief Executive Officer

Kenji Nakakura

Kenji Nakakura

Consolidated Financial Highlight

Years ended March 31

For the Year (¥ million)	Million of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Net sales	¥357,234	¥328,372	¥287,726	\$3,092,498
Operating income (loss)	13,169	(2,965)	8,665	93,132
Net income (loss)	6,138	(10,723)	2,958	31,793
At Year-end (¥ million)				
Total assets	¥333,893	¥304,769	¥293,208	\$3,151,419
Net assets	92,605	71,356	85,024	913,844
Per Share Data (¥)				
	Yen			U.S. dollars
Net income (loss)	¥29.36	¥(48.96)	¥12.14	\$0.13
Dividend	9.00	–	3.00	0.03

Driven to perform.

The brand statement we have set forth expresses our relentless determination to pursue as yet unknown performance with all employees working together.

In order to remain as a company that is desired by people and society for high-performance and high-quality products and services, we will continue our unflinching challenge to maintain sustainable growth in response to rapidly changing economic conditions.

We set a V-shaped recovery of earnings and return to profitability as the objectives for the fiscal year ended March 2010, and we were able to achieve them. However, our efforts would be meaningless if we were complacent with numerical restructuring. We have to become a strong, lean corporate group that can turn a profit even in times of economic difficulty and grow again with powerful acceleration when the economy recovers.

Capturing the unprecedented social changes as an opportunity to become a new TOYO TIRES group by changing the mindset of all employees, we will continue to push ahead even more vigorously with efforts toward further globalization of our business operations.

CONTENTS

06	To Our Shareholders and Investors
12	TOYO TIRES Group at a Glance
14	Review of Operations
18	Corporate Governance and Risk Management System
19	Efforts to CSR
20	Financial Section
20	Management's Discussion and Analysis
24	Consolidated Balance Sheets
26	Consolidated Statements of Operations
27	Consolidated Statements of Changes in Net Assets
28	Consolidated Statements of Cash Flows
29	Notes to Consolidated Financial Statements
48	Independent Auditors' Report
49	Directors, Corporate Auditors and Corporate Officers
49	Corporate Data



Question

Q1

You have achieved a V-shaped recovery in consolidated business performance in the fiscal year ended March 2010. What do you think are the factors behind this?

Although the global recession that had continued since the autumn of 2008 has finally come out of the worst period and the world economy got on a modest recovery track, the business environment surrounding the TOYO TIRES group remained severe. The financial system crisis seen over the past few years has had a great impact on the real economy and brought about a major paradigm shift. The U.S.-style mass consumption model has broken down, and some companies in the automobile industry, a key industry in the United States, were confronted with bankruptcy, prompting even the vast U.S. market to shrink. The year ended March 2010 turned out to be the year that witnessed major changes in all sectors of politics, economy and society around the world.

We believe that we were able to achieve the V-shaped recovery even in an environment of far-reaching changes thanks to all employees of the TOYO TIRES group, who did their best in their respective responsibilities, together with the underlying strength of the TOYO TIRES group manifesting itself.

We have positioned the year ended March 2010 as a year to prepare the ground for a leap forward in 2011 onward. Aiming for an early recovery in business performance, we strove to improve profitability by taking a string of measures, including the building of an optimum production system and personnel structure, continuation and reinforcement of cost-cutting activities, and reduction in interest-bearing debt, and were able to achieve the goals. In particular, the production divisions of the Tire Business and DiverTech and Other Businesses made steady efforts to improve profitability under the difficult conditions of production cutbacks up to the first half. They were therefore able to significantly contribute to the recovery of business performance when production volumes improved in the second half.

As a result, our group achieved a return to profitability in the year ended March 2010, with operating income of ¥8.7 billion and net income of ¥3.0 billion, though net sales decreased from the previous fiscal year to ¥287.7 billion.

Question

Q2

Because approximately 53% of net sales of your group come from regions other than Japan, the significant change of the global economy over the past several years is an important managerial issue. Please describe your group's business by region in the year ended March 2010. Please also tell us your medium- to long-term view of the global economy.

Our group operates in over 200 countries and regions across the world. As consolidated segments, aside from Japan, we have three regions: North America for the United States and Canada, Europe for Germany, Britain, Italy, and other European countries, and Other that mainly covers the Middle East, Oceania, and Southeast Asia.

In the year ended March 2010, domestic sales volumes of original equipment (O.E.) tires and replacement tires increased, but net sales from them decreased from the previous fiscal year due to a shift to affordable products in the product makeup of the replacement tire market. However, we achieved a return to profitability in operating income with a substantial improvement thanks to a drop in raw materials prices and efforts to reduce business expenses, personnel costs, and all other costs across the board.

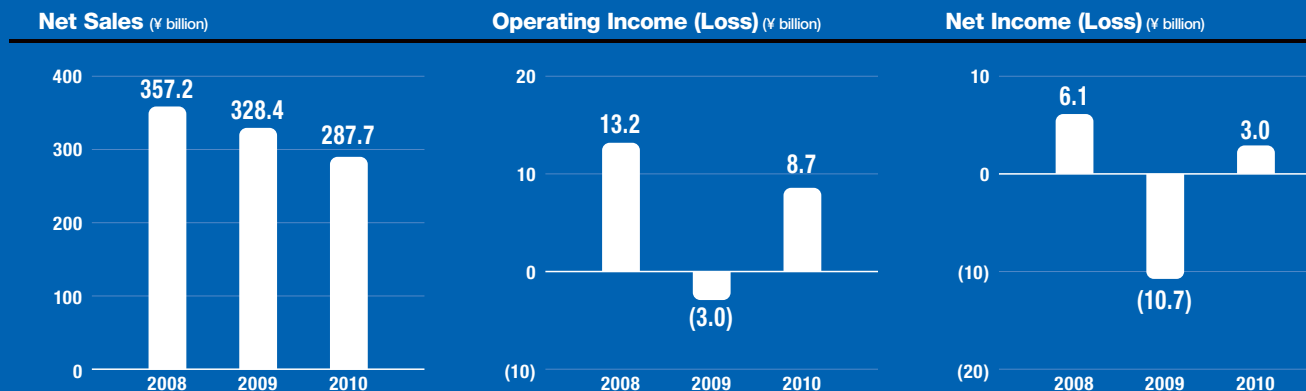
In North America, while sales stayed robust in Canada, a delay of a recovery in demand in the United States into the second half and the U.S. invocation of special safeguard measures against tires manufactured in China from August 2009 had an adverse impact. As a result, overall net sales in North America dropped sharply year on year.

Tire sales remained buoyant in other regions like China, Australia and the Middle East. In the DiverTech and Other Businesses, sales of anti-vibration rubber grew smoothly on the Chinese market. Net sales in the European market, however, decreased substantially from the previous fiscal year as tire sales were sluggish.

The global economic downturn since the autumn of 2008 is coming out of its worst period over time, and we believe global demand for the Tire Business, the main segment of our group's business operations, has now entered a mild recovery phase.

Under these circumstances, the challenge confronting our group is the shortfall of supply capacity relative to demand. We need to raise our production capacity efficiently in response to the recovery phase of global demand. I think it is of particular urgency to review our system for speeding up production in tandem with a review of our sales policy.

Going forward, it is important to expand the sales volume in growing Asian market, especially in China. Therefore, we will make active efforts to develop a medium- to long-term strategy for promoting stronger business operations in the global market.



Q3

Regarding specific points for the challenge confronting the TOYO TIRES group, the expansion of supply capacity to meet demand, could you now describe the status of your North American plant in the United States (TNA: Toyo Tire North America Manufacturing, Inc.), whose production expansion was announced in May 2008, and the new plant construction plan in China, announced in August 2009?

Production sites for our Tire Business include two plants in Japan; the Sendai plant in Iwanuma City, Miyagi Prefecture, which manufactures mainly passenger car tires, and the Kuwana plant in Touin Town, Mie Prefecture, which manufactures mainly tires for passenger cars, light trucks, and trucks and buses. Overseas, we have Toyo Tire North America Manufacturing, Inc. (TNA) in Georgia, the United States.

I pointed to the shortfall of supply capacity relative to demand as the challenge confronting our group. We believe the

recovery trend of global demand for tires is strong, and plan an investment of ¥15.5 billion to boost the production capacity as part of aggressive efforts to strengthen the production system in the year ending March 2011.

Regarding the third-phase capacity expansion plan for TNA (production capacity 2.40 million tires/investment amount of ¥28.0 billion), announced in May 2008, we scaled back the plan in view of slower global demand for tires since the autumn of 2008. Since demand is now picking up, albeit moderately,

we reviewed the optimal global supply structure and capacity, including responses to the U.S. invocation of special safeguard measures against tires manufactured in China, and resumed enhancement of production capacity. The plant building for the third-phase plan at TNA has already been completed. We plan to set up a new production line there under a capital investment program by the year ending March 2011 and increase production capacity of tires for passenger cars and light trucks by about 80%.

We have decided to establish a manufacturing plant in China, judging it essential to have a wholly owned production foothold for a stable supply system in order to make the Chinese market with its growth potential a revenue base following the North American market. The decision also reflects our strong resolve to develop the Chinese market as a market that ranks with North America, the largest overseas market.

In January 2003, we established subsidiary Toyo Tire (Shanghai) Trading Co., Ltd. in Shanghai, and currently sell tires in China through about 100 local distributors and about 2,000 secondary dealers.

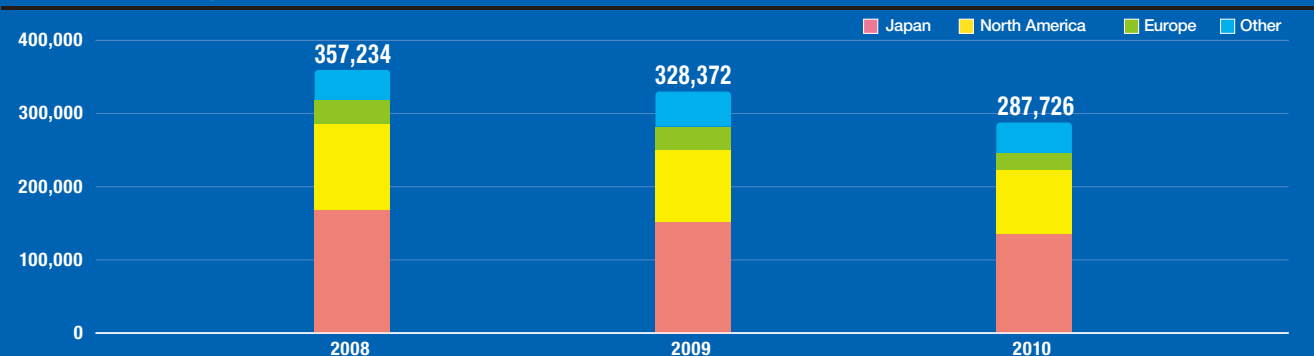
Construction of the new plant in China requires about ¥10.0 billion in capital investment by the year ending March 2012. The Chinese plant is scheduled to start operating by December 2011. Our initial plan calls for annual production of



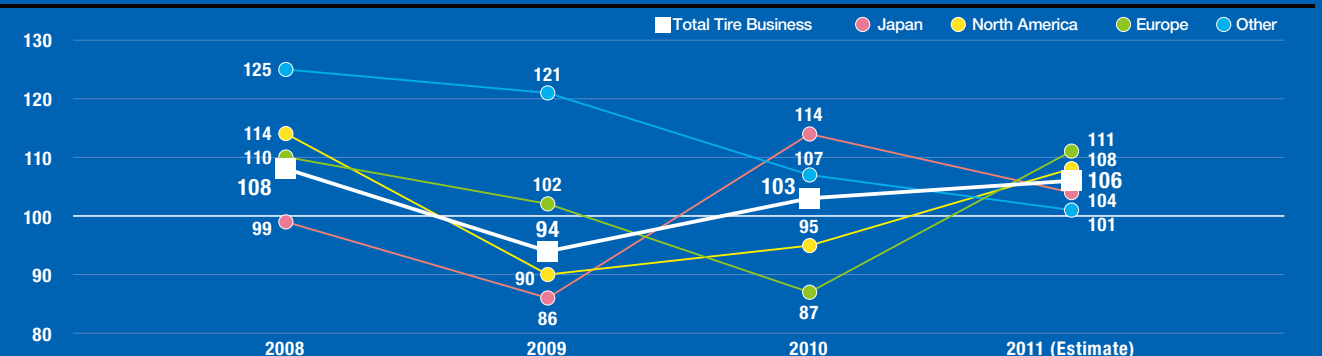
some two million tires for passenger cars and light trucks, and we plan to increase production in accordance with market expansion. Demand for tires is rising rapidly in China in tune with the spread of automobiles. Tires manufactured at the Chinese plant will be sold as replacement tires on the Chinese market for the time being, but we also have our sights set on supplying tires to automakers in China in the future.



Net Sales by Region (¥ million)



Tire Sales Volume by Region (YoY) (%)





Question

Q4

Please tell us about your efforts going forward in your group's mainstay Tire Business and its prospects for the year ending March 31, 2011.

Global tire demand is on a recovery trend. The top priority in the year ending March 2011 is to swiftly enhance our supply structure. More specifically, we plan to steadily reap the fruits of increased production at home and at TNA in the United States and will also promote the project to build a new plant in China without delay. On the sales front, we will promote sales-promotion activities and strengthen the sales bases in emerging economy markets, such as China

and Asian countries, in addition to such priority markets as North America and Europe. We will also reinforce our efforts to develop fuel-efficient tires and broaden our product lineup, playing out our technologies and marketing strategies befitting of an environmentally-advanced enterprise.

As a result of these efforts, we expect to report net sales of ¥227.8 billion and operating income of ¥8.4 billion in the Tire Business for the year ending March 31, 2011.

Profitability Improvement: Progress

For the Year	Building an optimum production structure (personnel structure)	Streamlining business (labor cost reduction in back-office divisions)	Cost reduction	Capital investment (year-on-year reduction)	Total tire inventories (year-on-year reduction)	Interest-bearing debt (year-on-year reduction)
2009 (Result)	9,100 persons	Reduced by ¥2.3 billion (from end of March 2009)	Reduced by ¥3.4 billion (from end of March 2009)	¥28.6 billion (+¥9.9 billion)	¥34.3 billion (-¥1.0 billion) (from end of Dec. 2008)	¥138.1 billion (+¥41.8 billion)
2010 (Result)	8,850 persons			¥12.4 billion (-¥16.2 billion)	¥26.2 billion (-¥8.1 billion)	¥109.8 billion (-¥28.3 billion)
2011 (Estimate)	8,750 persons			¥25.4 billion	¥30.0 billion	¥120.0 billion

Revision for production increase
Further reduction through business reform
Prior investment for production increase
Likely to be achieved as scheduled

We will promote lean operations through business reform

Question

Q5

Could you explain your business projections for the year ending March 2011 and your determination toward the final year of the Medium-Term Business Plan '08?

The business environment surrounding the TOYO TIRES group in the year ending March 2011 continues to be full of significant changes and uncertainties, despite emerging signs of a demand recovery in the Tire Business. Growth of emerging markets including China and Asia, unstable raw materials prices, the yen's appreciation, and public concerns about environment and new energy problems – all these present important challenges for management of our group.

In addition, the year ending March 2011 will be the year to cap the Medium-Term Business Plan '08. We will not loosen our hold on structural reform, revolving around the three pillars of management revolution, business revolution and operational revolution, in order to achieve goals under the plan.

In the Tire Business, we will strive to strengthen the sales base in China as part of efforts to increase sales on the priority markets, along with North America and Europe. We will also consider an optimum deployment of production items both at domestic and overseas plants, and seek to establish an appropriate supply structure matching sales.

In the DiverTech and Other Businesses, we will focus our management resources on anti-vibration rubber and air springs as core businesses, and also promote our global strategies by taking further measures for cost reductions and an efficient supply structure.

As a result of the above, we expect our net sales to be ¥300.0 billion, operating income ¥10.4 billion and net income ¥4.0 billion for the year ending March 2011.

The year ending March 2011 is the final year of the

Medium-Term Business Plan '08 and also the year to gear up for the next stage of growth. We believe that all the more because we are in a difficult situation, we must capture this situation as an opportunity to become a new TOYO TIRES group by changing the mindset of all employees. To this end, we will buckle down all areas of development, production and sales expeditiously and continue to push ahead with structural reform more powerfully, redoubling efforts toward further globalization of our business operations.



Major Projects for FY2010

- | | |
|---|---|
| <p>Tire Business</p> <ul style="list-style-type: none"> ● Improve the supply system – Speed-up <ul style="list-style-type: none"> ◆ Increase production at domestic plants ◆ Increase production at North American Plant (the third-phase plan at TNA) ◆ Promote the new manufacturing plant project in China ● Reinforce technologies and marketing strategies – Reinforce eco-friendly products <ul style="list-style-type: none"> ◆ Develop technologies and marketing strategies focusing on fuel-efficient tires (AAA tire, etc.) ● Expand sales and reinforce sales infrastructure in priority and emerging markets ● Respond to higher prices for raw materials ● Promote business alliance with Bridgestone Corporation | <p>DiverTech and Other Businesses</p> <ul style="list-style-type: none"> ● Complete restructuring of anti-vibration rubber business for automobiles ● Further improve profitability in rigid polyurethane business |
|---|---|

Promote structural reform and develop new markets ▶ Accomplish Medium-Term Business Plan '08 to make the next leap forward

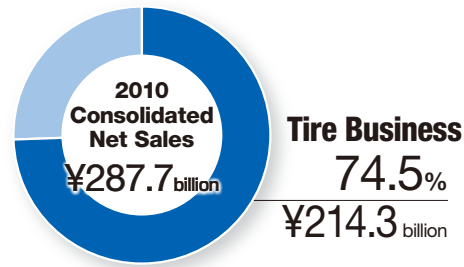
For a Better Understanding of TOYO TIRES Group ...

Since its founding in 1945, the TOYO TIRES group, led by Toyo Tire & Rubber Co., Ltd., has continually pioneered new markets through the development of innovative technologies and products.

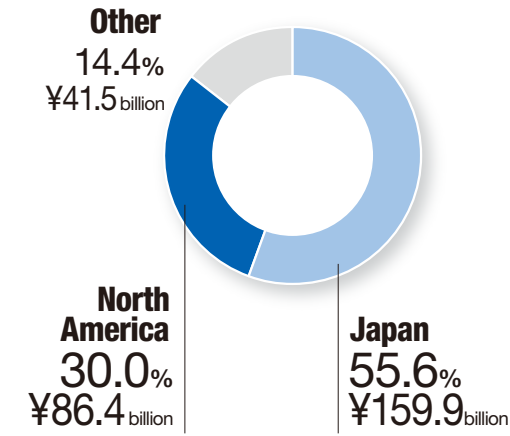
The TOYO TIRES group's business operations consist of Tire Business for the manufacture and sale of automotive tires, our core business, and DiverTech and Other Businesses for the manufacture and sale of industrial rubber, polyurethane products, and automotive anti-vibration rubber.

The Tire Business comprise an overwhelming 74.5% share of the group's net sales, while its overseas operations have now grown to account for 44.4% of total net sales. On this page, we provide a number of data to help readers understand the current status of the Tire Business and its overseas business operations.

Net Sales by Business



Net Sales by Region

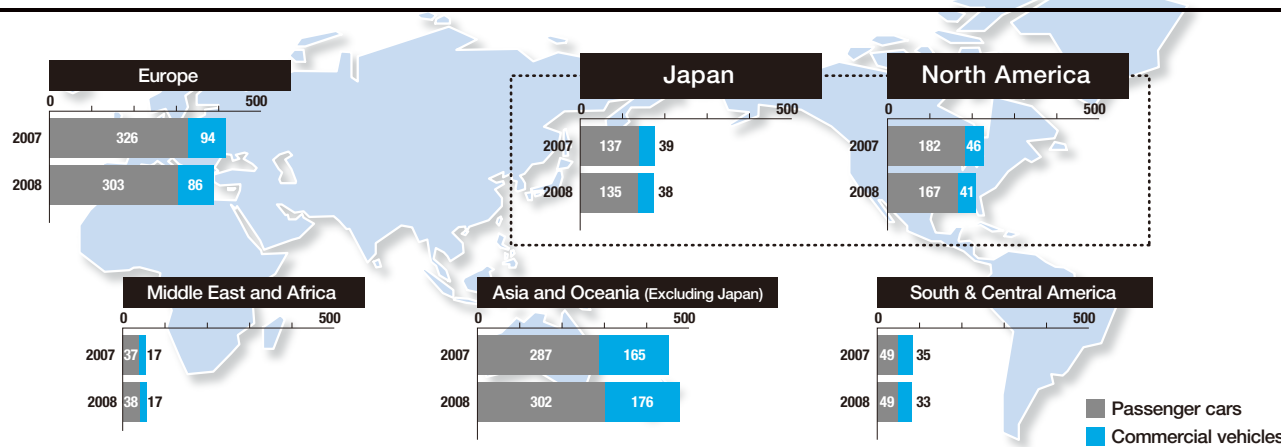


2009 U.S. Tire Market Share

Brand	Country	Company	Passenger Tire	Light Truck Tire	Med/Heavy Truck Tire
Goodyear	US		14.5%	12.0%	20.5%
Michelin	France		8.5%	7.0%	19.5%
Bridgestone	Japan		7.5%	8.0%	18.5%
Firestone	US	Bridgestone	7.5%	6.0%	7.0%
BFGoodrich	US	Michelin	5.0%	9.0%	2.0%
Cooper	US		4.5%	6.0%	—
Hankook	Korea		4.0%	3.0%	3.0%
General	US	Continental	3.5%	3.5%	4.0%
Kumho	Korea		3.0%	2.5%	1.5%
Uniroyal	Belgium	Continental	3.0%	2.5%	—
Falken	Japan	Sumitomo	2.5%	1.0%	—
Toyo Tires	Japan		2.5%	4.0%	4.5%
Yokohama	Japan		2.5%	3.5%	5.0%
Continental	Germany		2.0%	1.0%	3.0%
Dayton	US	Bridgestone	2.0%	1.5%	—
Dunlop	Japan	Sumitomo	2.0%	1.0%	2.0%
Hercules	US		2.0%	1.5%	2.0%
Multi-Mile	US	TBC	2.0%	5.0%	—
Cordovan	US	TBC	1.5%	2.5%	—
Mastercraft	US	Cooper	1.5%	2.0%	—
Pirelli	Italy		1.5%	1.5%	—
Sigma	US	TBC	1.5%	1.0%	—
Kelly	US	Goodyear	1.0%	2.0%	1.0%
Sumitomo	Japan	Sumitomo	1.0%	—	1.0%

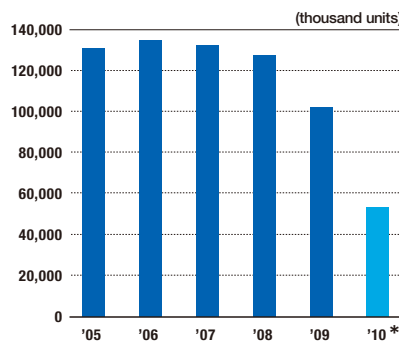
Source: Modern Tire Dealer

Tire Production Worldwide (million tires)

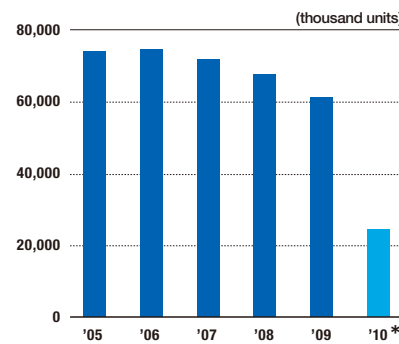


Source: The Japan Automobile Tire Manufacturers Association, Inc. (JATMA)

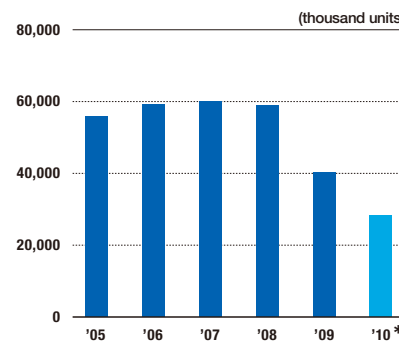
Domestic Tire Sales (Total Demand)



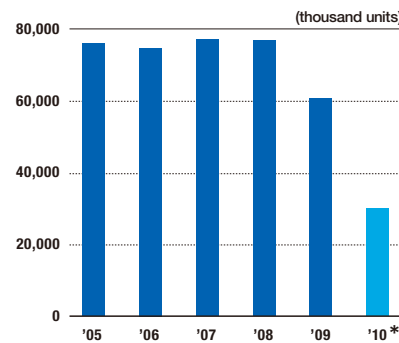
Sales of Replacement Tires for Domestic Sales



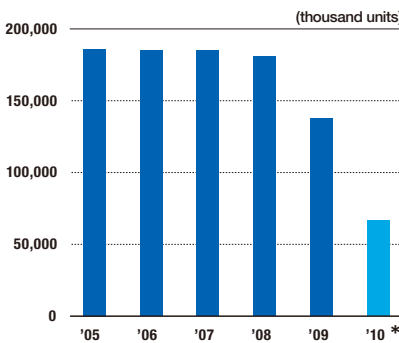
Sales of O.E. Tires for Domestic Sales



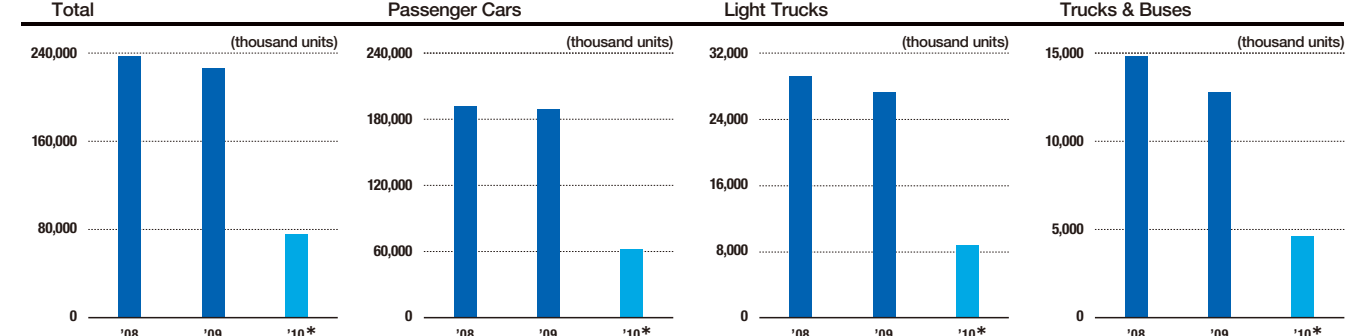
Tire Exports



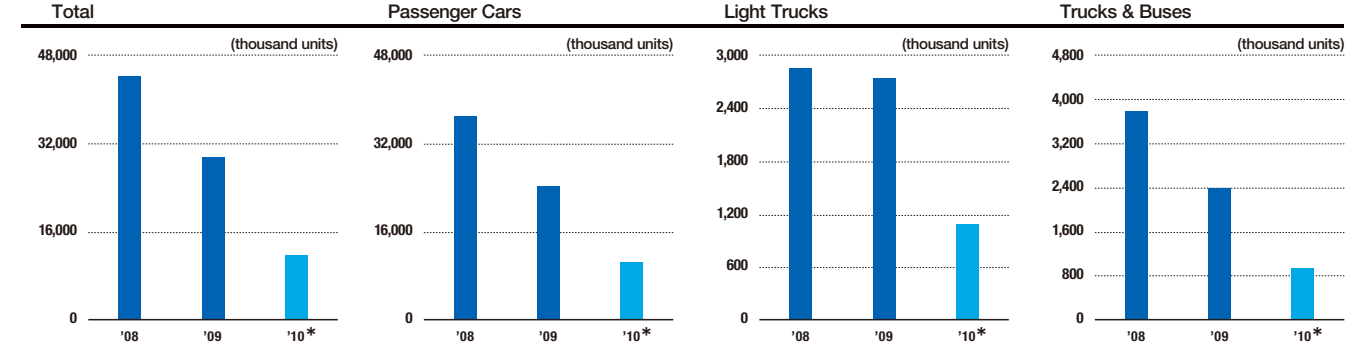
Domestic Tire Production



Shipments of Replacement Tires for U.S. Market

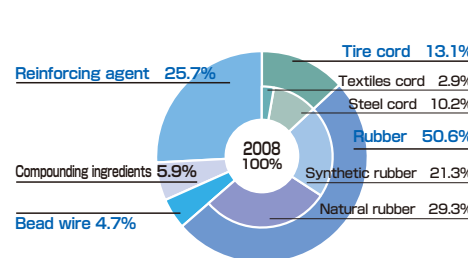


Shipments of O.E. Tires for U.S. Market

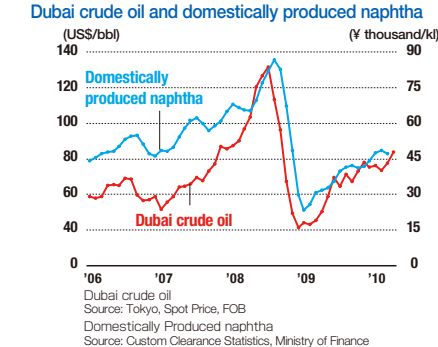


Major Indicators for Raw Materials

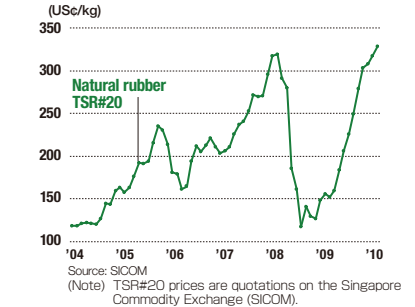
Tire raw material weight composition



Price trends for main raw materials



Natural rubber TSR#20 (SICOM)



Tire Business

In the Tire Business, we manufacture four kinds of tires for passenger cars, light trucks, trucks and buses, and others (off the road and industrial vehicles), and sell these products in over 200 countries and regions.

Our tires for passenger cars are marketed globally under the PROXES brand (Toyo Tire's brand for global markets). Our large-caliber, high-inch ultra-high-performance (UHP) tires are widely recognized and have earned a high reputation for quality.

Another global brand, NITTO, with its original design and unique perspective, is also quite popular in the niche market for car enthusiasts who enjoy dressing and tuning up their vehicles. Users value the balanced combination of refined design and excellent quality of NITTO tires.

PROXES T1 Sport



OPEN COUNTRY A/T

NITTO

Overview of the year ended March 2010

Net sales in the Tire Business came to ¥214,292 million, a decrease of ¥27,717 million, or 11.5%, from the previous fiscal year, accounting for 74.5% of total net sales. The business recorded an operating income of ¥6,933 million, against an operating loss of ¥1,396 million in the previous fiscal year.

O.E. tires for domestic sales

Both sales volume and net sales recorded sharp rises over the previous fiscal year, reflecting a recovery trend in automobile production in Japan, aided partly by fuel efficient vehicle tax reductions, and stronger sales of car models mounted with our tires.

Replacement tires for domestic sales

We introduced the environmentally-friendly tire ECO WALKER, which was developed with the "light, easy-rolling and fuel-efficient" tire concept and realized the excellent combination of high energy saving performance and the basic performances of wear-resistance and wet maneuverability. We also met market needs by launching the GARIT G5 studless tire for passenger cars, which enables stable driving on all sorts of winter roads by drawing out the maximum levels of water-absorption and grip with enhanced winter road surface-hugging ability. The introduction of these new products and stronger tire demand due to the higher use of automobiles aided by expressway toll discounts helped boost the sales volume substantially from the previous fiscal year, but net sales decreased year on year as affordable products drew stronger demand in the passenger car tire market.

Replacement tires for overseas sales

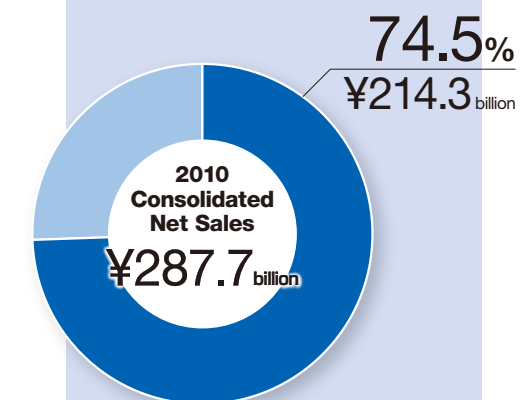
In the North American market, we launched the off-road tire TRAIL GRAPPLER M/T to a favorable market reception. We also introduced the full-blown drag racing tire NT05R, an enhanced version of NT05 put on the market in the previous year. Partially because of invocation of special safeguard measures against tires manufactured in China, however, sales volume decreased year on year and net sales fell sharply short of the previous fiscal year's level.

In Europe, both sales volume and net sales dropped sharply from the previous fiscal year. Sales remained favorable in the Middle East, China, and other regions. However, on the overseas markets as a whole, sales volume decreased year on year and net sales fell sharply short of the previous fiscal year's level.

Outlook for the year ending March 2011

For the year ending March 2011, we expect net sales in the Tire Business of ¥227.8 billion, an increase of ¥13,509 million, or 6.3%, with an operating income of ¥8.4 billion.

Net Sales of Tire Business



Net Sales and Operating Income Margin of Tire Business

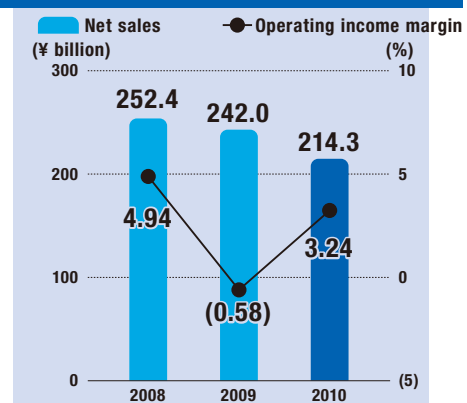


Exhibit in TOKYO AUTO SALON 2010

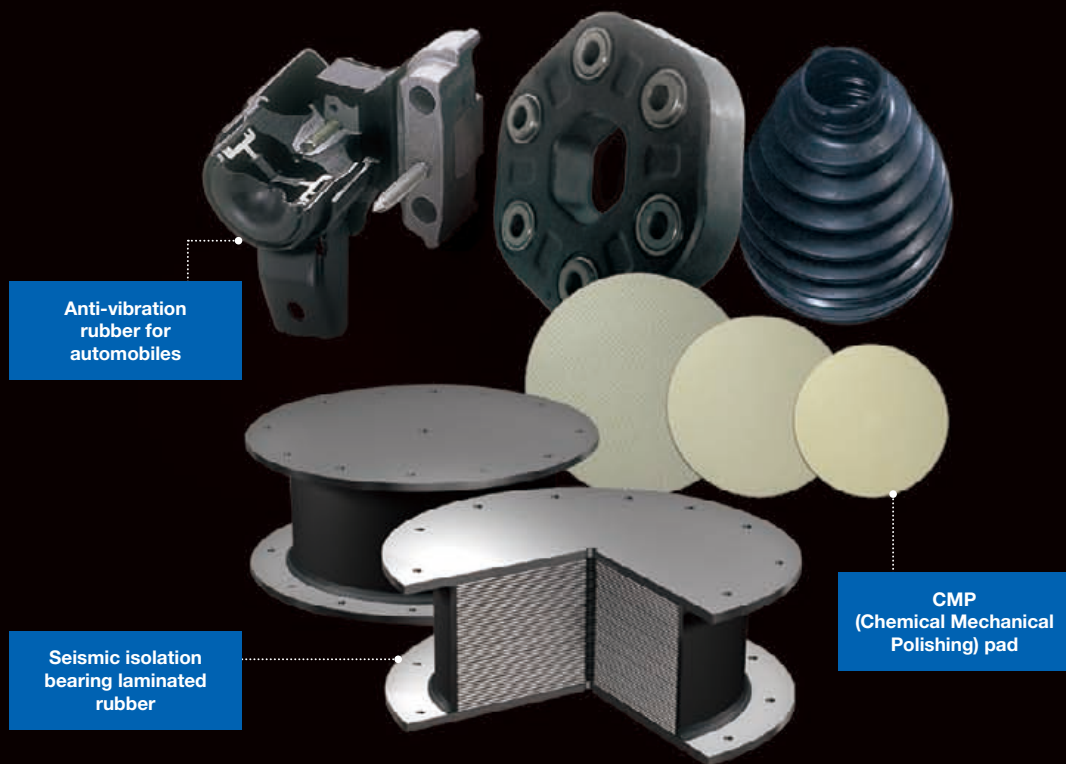


Robby Gordon won the 2009 SCORE Overall Point and Trophy-Truck Championships.



EV Mira Challenge 1000: EV Mira sets a new world record by running over 1,000km without recharge

DiverTech & Other Businesses



In the DiverTech* and Other Businesses, we manufacture and sell industrial and construction materials, transportation equipment, thermal insulation and waterproofing materials, and other materials including parts for office equipment.

Our core product category in these businesses is anti-vibration rubber. We also manufacture various thermal insulation materials, as well as highly sophisticated polishing pads (CMP pads) for use in the production of semiconductors and other advanced electronic devices and precision equipment, and air springs adopted for use on the most advanced N700 series Shinkansen (the Bullet Train) as well as on railway cars in North America, Europe, China, and elsewhere.

In the automotive parts category, we manufacture a variety of anti-vibration rubber products, including engine mounts and suspension bushes, as well as seat cushions. Our products are used in a wide range of vehicles produced by Japanese automakers.

* DiverTech: a term coined by combining "diverse/diversified" and "technology."

Overview of the year ended March 2010

Net sales in the DiverTech and Other Businesses came to ¥73,434 million, a decrease of ¥12,929 million, or 15.0%, from the previous fiscal year, accounting for 25.5% of total net sales. Operating income stood at ¥1,761 million, against an operating loss of ¥1,559 million in the previous fiscal year.

Industrial and construction materials segment

Net sales in industrial materials decreased year on year, as orders for the standard anti-vibration rubber and hose group remained stagnant due in part to a lagging recovery in capital expenditure. Net sales of construction materials dropped substantially from the previous fiscal year, with seismic isolation rubber for buildings affected by the postponement, freezing, and suspension of construction projects.

Transportation equipment segment

Net sales of anti-vibration rubber for automobiles, the mainstay product in the segment, decreased from the previous fiscal year, as automobile production, despite recovering, has yet to show a full-fledged recovery. On the other hand, automobile seat cushions managed to chalk up net sales matching the level of the year before thanks to strong orders for hybrid and other fuel efficient vehicles.

Net sales of air springs and anti-vibration rubber for railway cars increased over the previous fiscal year, supported by robust orders both at home and overseas.

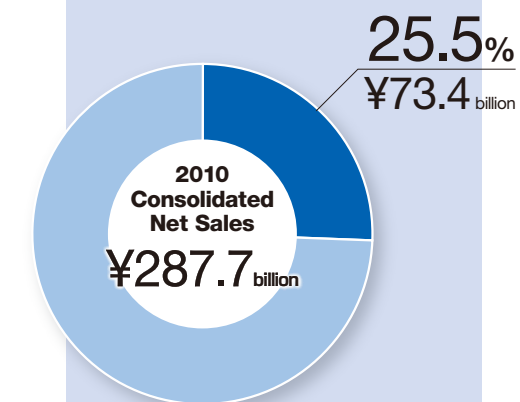
Thermal insulation and waterproof materials segment

Net sales of thermal insulation materials decreased from the previous fiscal year. A slow economic recovery dented new capital expenditure in the farming sheds and livestock barns sector, while reduced construction starts on condominiums began to affect building and general thermal insulation demand in the second half. Net sales of waterproof materials also fell year on year, with aggressive sales promotion activities unable to offset the big impact of the sluggish market.

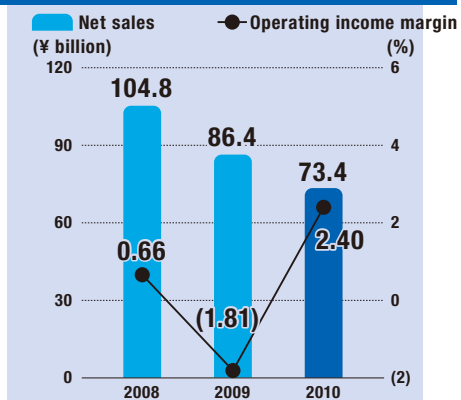
Outlook for the year ending March 2011

Our forecast for the DiverTech and Other Businesses in the year ending March 2011 is ¥72.2 billion in net sales, with operating income of ¥2.0 billion.

Net Sales of DiverTech and Other Businesses



Net Sales and Operating Income Margin of DiverTech and Other Businesses



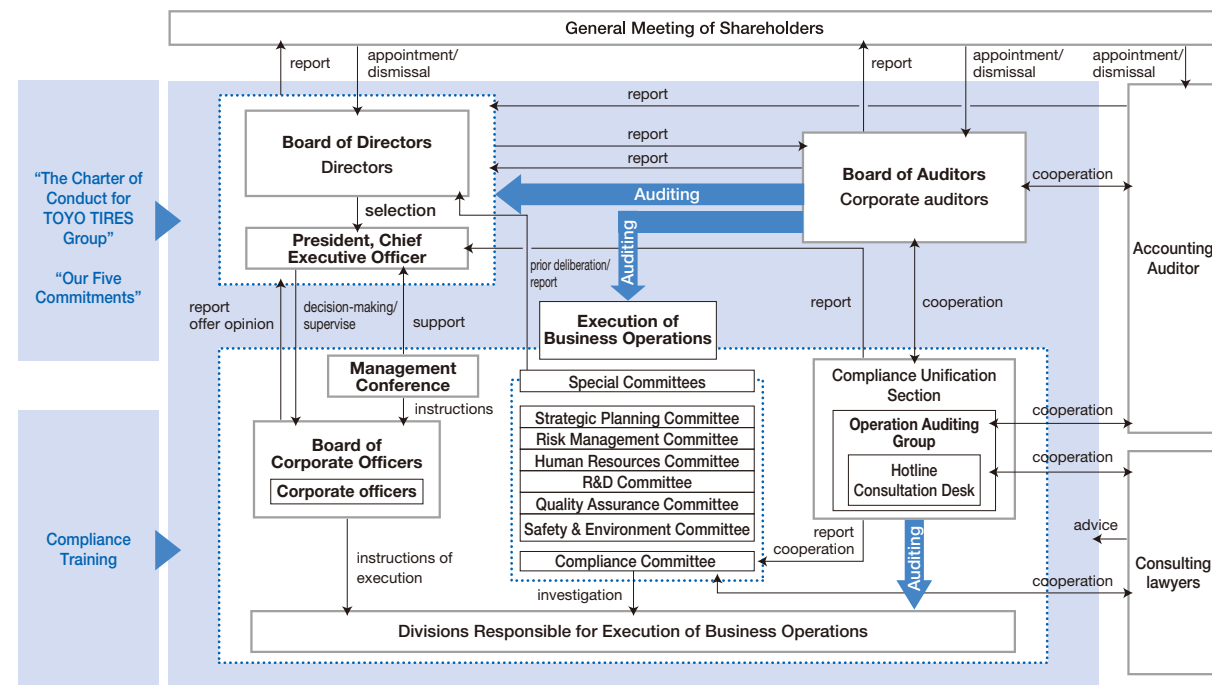
Corporate Governance and Risk Management System

Corporate Governance

The Company's management framework consists of the Board of Corporate Officers, which is responsible for the execution of business operations, the special committees, which act as deliberative bodies for their respective sectors, the Board of Directors, which supervises the execution of business operations, and the Board of Auditors, which supervises and audits the performance of the Board of Directors and overall business execution.

The seven-member Board of Directors makes decisions

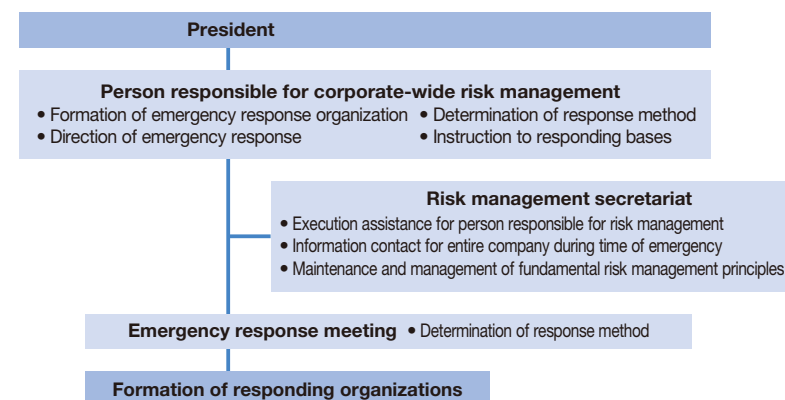
on important matters, such as management policies, goals and strategies, and supervises business operations. The TOYO TIRES group employs an auditor system. The corporate auditors attend important meetings, including meetings of the Board of Directors and special committee meetings, in order to audit the performance of business operations. The TOYO TIRES group is also reinforcing and renewing internal control systems based on the Companies Act and the Financial Instruments and Exchange Act.



Risk Management System

The TOYO TIRES group has been striving to reinforce and improve the risk management system by appointing the director in charge of supervising risk management as the person responsible for corporate-wide risk management and establishing the Risk Management Committee under the fundamental risk management principles. We have also established a number of special committees and consultative bodies to deliberate on and respond to individual risks.

Emergency (company-wide emergency situation) response system



Efforts to CSR

Environmental Communication

Publication of the CSR Report

The TOYO TIRES group began issuing Environmental Reports in the year ended March 2001. The title of the report was changed to Environmental and Quality Report in the year ended March 2005, and to the Environmental, Quality and Social Report in the year ended March 2006, and the content was expanded to cover the group's efforts related to quality and society as well as the environment.

In light of the report's evolution over the years, for the 10th such report we have changed the title to "CSR (Corporate Social Responsibility) Report." Going forward, we will continue incorporating the opinions of our readers to further enhance the content of our reports.



2000 - 2009 CSR Report

Web page for information on the group's efforts on the environment, quality, and society

We also provide information about our efforts on the environment, quality, and society on our web site. You can download our past environmental reports and view announcements about our environment- and quality-related initiatives, information about the TOYO TIRES Group Environmental Protection Fund, and other environmental news.

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

TOYO TIRES Group Environmental Protection Fund

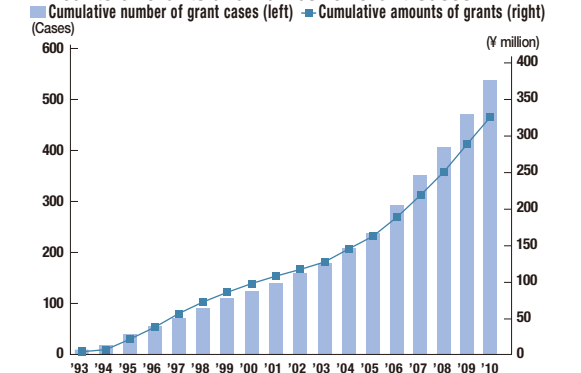
Employees and the Company cooperate for the Fund

With the goal of aiding nonprofit organizations that conduct global environmental protection activities, the TOYO TIRES group has adopted a matching gift system in which we donate amounts equal to the contributions of our employees and companies. To do this, we established the Toyo Environmental Protection Fund within the Osaka Community Foundation in 1992, and have been making donations since 1993.

In 2005, the participation rate of our employees was over 80%, and we renamed this fund the TOYO TIRES Group Environmental Protection Fund in recognition of the involvement of our group as a whole.

In the year ended March 2010, the number of organizations aided was 69, and the total grant amount reached ¥38.41 million, both the highest since the Fund's establishment. We will continue to seek to expand the Fund and extend its use in Japan and abroad.

Amounts of Grants and Number of Grant Cases



In the 18 years since the Fund's establishment, grants have been distributed to a total of 541 organizations for a cumulative amount of about ¥325 million. (As of April 2010)



NPO "Tanzawa Nature Conservation Association" (Kanagawa Prefecture; grants provided in FY1995 and FY2009)



NPO "Seitai Koubou" (Tokyo); Explaining about turtles to children



"Environmental Network Ibaraki" (Osaka Prefecture); A class on "local production, local consumption": tasting of locally produced food



NPO "NALC Tanba" (Hyogo Prefecture); Reclaiming abandoned land, clearing brush and vines



NPO "Churaumi Shinkokai" (Okinawa Prefecture); Planting coral seedlings

Management's Discussion & Analysis

Business Environment

The business environment surrounding the TOYO TIRES group in the year ended March 2010 remained severe. Although the global recession that has continued since the autumn of 2008 has come out of the worst period thanks in part to economy-boosting measures by various countries and the world economy is on a modest recovery track, restraint in capital expenditure and sluggish personal consumption continued.

Under such conditions, our group, aiming for an early recovery in business performance, strove to improve profitability by taking a string of measures, including the building of an optimum production system and personnel structure, continuation and strengthening of cost-cutting activities, and reduction in interest-bearing debt.

As a result, net sales for the group in the year under review came to ¥287,726 million, a decrease of ¥40,646 million from the previous fiscal year. With cost of sales dropping ¥40,521 million to ¥212,666 million and selling, general and administrative expenses also falling ¥11,755 million to ¥66,395 million, the operating balance improved substantially to operating income of ¥8,665 million, a rebound of ¥11,630 million from the previous term's operating loss.

Income before income taxes and minority interests also recovered to ¥7,965 million, a marked improvement of ¥18,364 million from the previous fiscal year's loss. Consequently, net income came to ¥2,958 million, a recovery of ¥13,681 million year on year.

Segment Information by Business

Net sales in the Tire Business decreased by ¥27,717 million from the previous fiscal year to ¥214,292 million, accounting for 74.5% of total net sales. However, operating income of the business substantially improved to ¥6,933 million, up ¥8,329 million from the previous fiscal year's loss.

In O.E. tires for domestic sales, both sales volume and net sales marked substantial increases over the previous fiscal year, reflecting a recovery trend in automobile production in Japan, aided partly by fuel efficient vehicle tax reductions, and solid sales of car models mounted with our tires.

In replacement tires for domestic sales, sales volume considerably increased year on year, because of the introduction of new passenger car tires for summer and winter seasons and stronger tire demand due to the higher use of automobiles aided by expressway toll discounts, though demand for tires for trucks and buses had yet to recover, reflecting the difficult business climate in the transportation sector. However, net sales decreased from the previous fiscal year as affordable products drew stronger demand in the passenger car tire market.

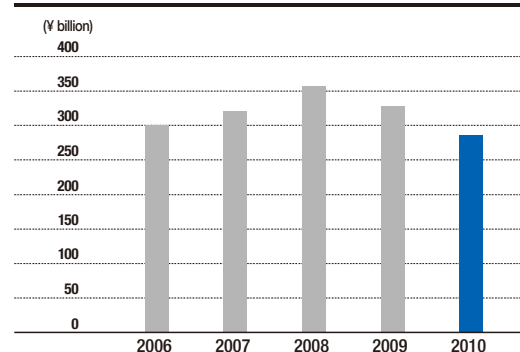
In replacement tires for overseas sales, overall sales volume decreased year on year and net sales fell sharply short of the previous fiscal year's level. Despite a recovery trend of the global economy, the impact of sluggish demand in the first half lingered on and the U.S. invocation of special safeguard measures against tires manufactured in China came as an added damper in the second half.

Net sales in the DiverTech and Other Businesses came to ¥73,434 million, a decrease of ¥12,929 million from the previous fiscal year, accounting for 25.5% of total net sales. Operating income stood at ¥1,761 million, an improvement of ¥3,320 million over the previous term's operating loss.

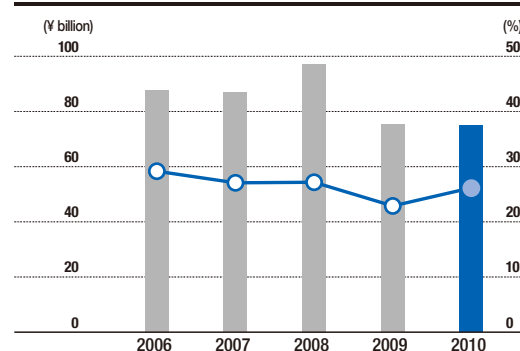
In the transportation equipment segment, net sales of anti-vibration rubber for automobiles, the mainstay product, decreased from the previous fiscal year, as automobile production, despite recovering, has yet to show a full-fledged recovery.

Sales of automobile seat cushions were almost the same level of the year

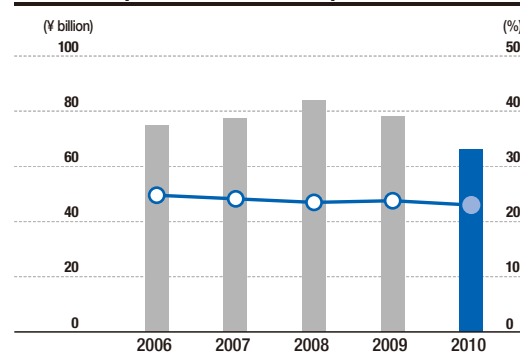
Net Sales



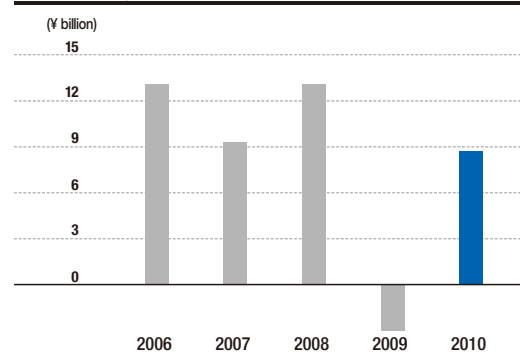
Gross Profit and Gross Profit to Net Sales



SG&A Expenses and SG&A Expenses to Net Sales



Operating Income



before thanks to strong orders for hybrid and other fuel efficient vehicles.

Net sales of air springs and anti-vibration rubber for railway cars increased over the previous fiscal year on the strength of robust orders both at home and overseas.

In the industrial and construction materials segment, net sales decreased from the previous fiscal year, as orders for the standard anti-vibration rubber and hose group remained stagnant due to a lagging recovery in capital expenditure, and sales of seismic isolation rubber for buildings were affected by the postponement, freezing, and suspension of construction projects.

Net sales of the thermal insulation and waterproof materials segment dropped year on year under the major impact of the sluggish market, as a slow economic recovery dented capital expenditure in the farming sheds and livestock barns sector and the influence of reduced construction starts on condominiums began to emerge in the second half.

Segment Information by Geography

Net sales in Japan decreased ¥20,779 million year on year to ¥159,909 million, but operating income improved to ¥4,465 million, a substantial improvement of ¥14,188 million from the previous fiscal year's operating loss.

As explained in "Segment Information by Business", though sales volumes of both O.E. tires and replacement tires increased over the previous year, net sales decreased year on year, due in part to the shift to affordable products in the product mix in the replacement tire market. However, operating income improved considerably, thanks to drops in raw materials prices as well as efforts to reduce all types of costs, including expenses and personnel costs.

Net sales in North America came to ¥86,359 million, a decrease of ¥12,196 million from the previous fiscal year, but operating income rose ¥926 million to ¥2,961 million. While sales stayed robust in Canada, overall net sales in North America dropped sharply year on year, as a recovery in demand in the United States was delayed into the second half and the U.S. invocation of special safeguard measures against tires manufactured in China also damped sales. Operating income increased, however.

Net sales in Other fell ¥7,670 million from the previous fiscal year to ¥41,459 million, and operating income also dropped ¥85 million to ¥1,688 million. Sales volumes of tires remained robust in China, Australia, and the Middle East, and anti-vibration rubber posted a smooth increase in sales in China in the DiverTech and Other Businesses. However, net sales incurred a sharp decrease year on year due in part to sluggish tire sales in the European market.

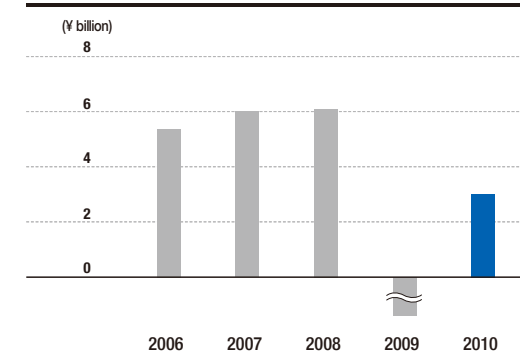
Financial Position

Total assets stood at ¥293,208 million as of March 31, 2010, a drop of ¥11,561 million from a year before, due mainly to a decrease in inventories, including products.

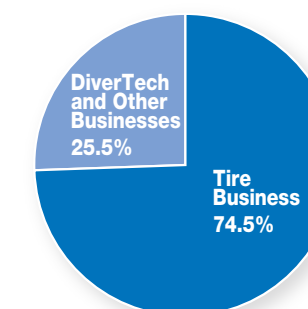
Total liabilities also fell ¥25,229 million from a year earlier to ¥208,184 million, mainly because of decreases in short-term bank loans and corporate bonds.

Net assets stood at ¥85,024 million as of March 31, 2010, an increase of ¥13,668 million over a year earlier. The expansion resulted mainly from increases in common stock and capital surplus due to the conversion into common shares of bonds with subscription warrants, as well as an increase in retained earnings due to the recording of net income, etc., and increases in net unrealized holding gains on securities and foreign currency translation adjustments. As a result, the capital ratio rose 5.3 points year on year to 28.2%.

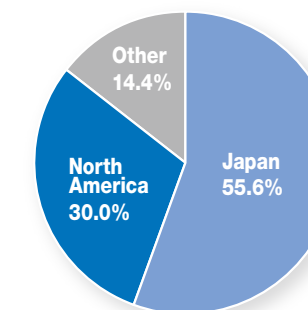
Net Income



Sales by Business



Sales by Geography



Capital Expenditure

Capital expenditure in the year under review amounted to ¥13,215 million.

Capital expenditure in the Tire Business came to ¥10,843 million, centering on rationalization and quality enhancement investment, as well as capacity expansion investment in a North American tire-manufacturing plant, while capital expenditure in the DiverTech and Other Businesses totaled ¥2,372 million, mostly for rationalization and quality enhancement.

Interest-Bearing Debt

Interest-bearing debt came to ¥109,820 million, with the proceeds from long-term debt more than offset by a reduction in short-term bank loans and payments of long-term debt.

Cash Flows

Cash flows from operating activities amounted to an inflow of ¥36,839 million, with diminishing factors such as an increase in notes and accounts receivable more than offset by increasing factors, including a decrease in inventories and an increase in accounts payable.

Cash flows from investing activities came to an outflow of ¥3,294 million. Among main factors were an outflow from the additions to property, plant and equipment in conjunction with capital expenditure and an inflow from the sales of equity investments in unconsolidated affiliates.

Cash flows from financial activities amounted to an outflow of ¥23,287 million, with a reduction in short-term bank loans and payments of long-term debt exceeding the proceeds from long-term debt.

Combining increases and decreases in cash flows described above with an increase in foreign exchange translation difference, cash and cash equivalents stood at ¥30,577 million at the end of the year under review, an increase of ¥11,762 million over a year earlier.

Dividend

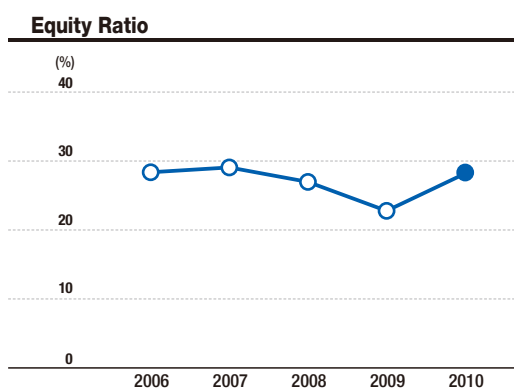
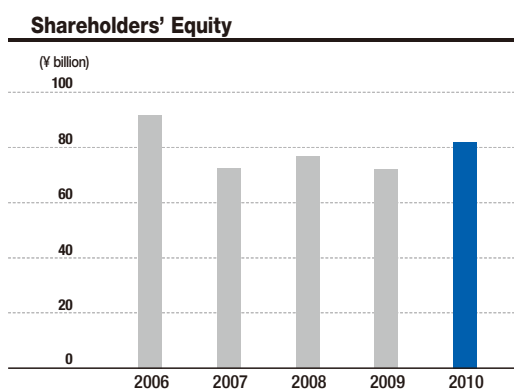
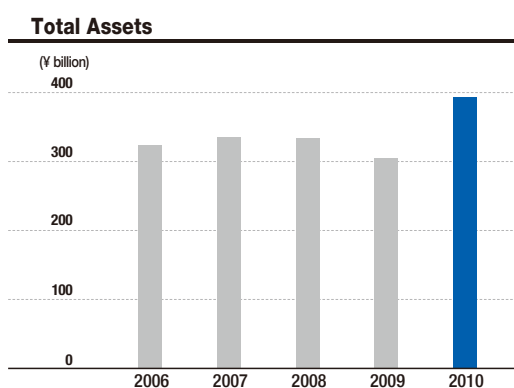
The Company, while holding fast to the basic policy of paying out appropriate dividends based on the stable earnings structure from a long-term perspective, intends to decide on profit allocation taking into account the need to strengthen the management foundation and replenish internal reserves in preparation for business expansion in the future.

Given the above-mentioned basic policy and the full-year earnings results, the Company plans to pay out a dividend of ¥3.0 per share for the year ended March 2010.

Projections for the Year Ending March 2011

Regarding the business projections for the year ending March 2011, the final year of the three-year Medium-Term Business Plan '08 that was initiated in the year ended March 2009, we intend to strive toward structural reform, centering on the three pillars of management revolution, business revolution and operational revolution, in order to achieve goals under the plan.

In the Tire Business, we will strive to strengthen the sales base in China as part of efforts to increase sales on the priority markets, along with North America and Europe. We will also strive to expand production by proceeding with plans for the



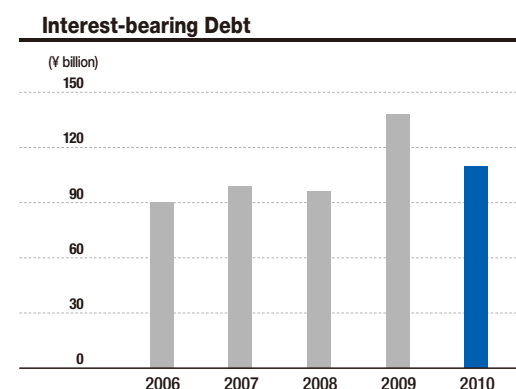
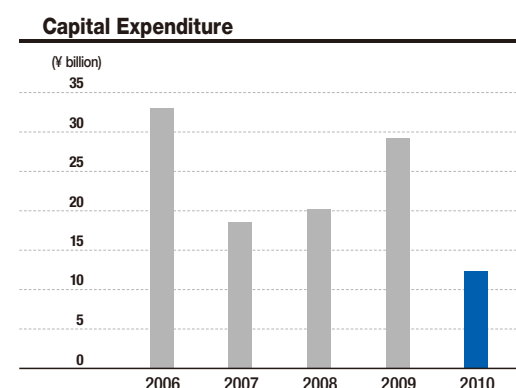
third-phase capacity expansion at the North American tire plant and for construction of a tire plant in China. We will also seek to establish an appropriate supply structure geared to sales by considering an optimum deployment of production items at domestic plants and overseas plants.

In the DiverTech and Other Businesses, we will focus our management resources on anti-vibration rubber and air springs as core businesses, and also promote our global strategies by taking further measures for cost reductions and an efficient supply structure. We will also solidify the domestic base for the polyurethane business and push forward with the global strategy.

Our consolidated earnings forecasts for the year ending March 2011 are as follows:

Net sales	¥ 300.0 billion	(up 4.3% over the previous year)
Operating income	¥ 10.4 billion	(up 20.0% over the previous year)
Net income	¥ 4.0 billion	(up 35.3% over the previous year)

These forecasts are based on an assumed exchange rate forecast of ¥90.0 to the U.S. dollar and ¥120.0 to the euro.



Consolidated Balance Sheets

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current assets:			
Cash and time deposits	¥ 30,580	¥ 18,819	\$ 328,676
Notes and accounts receivable:			
Trade	60,043	49,735	645,346
Other	3,580	5,774	38,478
Allowance for doubtful receivables	(293)	(371)	(3,149)
	63,330	55,138	680,675
Inventories (Note 5)	35,879	49,233	385,630
Deferred tax assets (Note 12)	3,261	9,386	35,049
Other current assets	2,816	4,182	30,267
Total current assets	135,866	136,758	1,460,297
Property, plant and equipment (Note 9):			
Land	21,510	21,497	231,191
Buildings and structures	76,519	68,496	822,431
Machinery and equipment	244,138	242,449	2,624,011
Construction in progress	2,877	6,455	30,922
	345,044	338,897	3,708,555
Accumulated depreciation	(232,953)	(221,709)	(2,503,794)
Lease assets	1,850	1,739	19,884
Accumulated depreciation	(640)	(309)	(6,878)
Total property, plant and equipment	113,301	118,618	1,217,767
Intangible assets	2,545	2,841	27,353
Investments and other assets:			
Investment in securities (Notes 7 and 9)	31,781	27,454	341,584
Investments in unconsolidated subsidiaries and affiliates	3,147	11,689	33,824
Long-term loans receivable	628	733	6,750
Deferred tax assets (Note 12)	2,598	2,796	27,923
Other assets	3,889	4,428	41,800
Allowance for doubtful receivables	(547)	(548)	(5,879)
Total investments and other assets	41,496	46,552	446,002
Total assets	¥ 293,208	¥ 304,769	\$ 3,151,419

See the accompanying notes to the consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current liabilities:			
Short-term bank loans (Note 10)	¥ 26,251	¥ 57,073	\$ 282,147
Current portion of long-term debt (Notes 9 and 10)	17,719	11,878	190,445
Notes and accounts payable:			
Trade	52,699	48,458	566,412
Other	11,971	12,029	128,665
	64,670	60,487	695,077
Accrued expenses	8,785	7,693	94,422
Income and enterprise taxes payable	1,201	1,099	12,908
Customers' deposits	1,566	2,229	16,831
Provision for product compensation	497	870	5,342
Other current liabilities	2,861	1,595	30,751
Total current liabilities	123,550	142,924	1,327,923
Long-term liabilities:			
Long-term debt due after one year (Notes 9 and 10)	64,561	67,682	693,906
Severance and retirement benefits (Note 11)	13,035	14,162	140,101
Provision for environmental remediation	130	227	1,397
Deferred tax liabilities (Note 12)	5,645	7,003	60,673
Other long-term liabilities	1,263	1,415	13,575
Total long-term liabilities	84,634	90,489	909,652
Contingent liabilities (Note 14)			
Net assets (Note 15):			
Shareholders' equity			
Common stock			
Authorized - 400,000,000 shares			
Issued - 254,358,146 shares	30,485	27,985	327,655
Capital surplus	28,507	26,007	306,395
Retained earnings	21,248	18,237	228,375
Treasury stock, at cost			
2009 - 284,724 shares			
2010 - 297,935 shares	(103)	(101)	(1,107)
	80,137	72,128	861,318
Revaluation and translation adjustments			
Net unrealized holding gains on securities	7,747	4,519	83,265
Unrealized gains (losses) on hedging derivatives	(54)	(236)	(580)
Foreign currency translation adjustments	(5,050)	(6,726)	(54,278)
	2,643	(2,443)	28,407
Minority interests	2,244	1,671	24,119
Total net assets	85,024	71,356	913,844
Total liabilities and net assets	¥ 293,208	¥ 304,769	\$ 3,151,419

Consolidated Statements of Operations

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales	¥ 287,726	¥ 328,372	\$ 3,092,498
Cost of sales	212,666	253,187	2,285,748
Gross profit	75,060	75,185	806,750
Selling, general and administrative expenses	66,395	78,150	713,618
Operating income (loss)	8,665	(2,965)	93,132
Other income (expenses):			
Interest and dividend income	651	969	6,997
Interest expense	(2,368)	(3,238)	(25,452)
Gain on sale of investment securities	125	670	1,344
Gain (loss) on sale and disposal of property, plant and equipment	(489)	(984)	(5,256)
Gain on transfer of business	-	601	-
Loss on valuation of investment securities	(166)	(625)	(1,784)
Loss on impairment of fixed assets (Note 16)	-	(299)	-
Loss on valuation of inventories	-	(1,002)	-
Equity in net income of unconsolidated subsidiaries and affiliates	1,997	887	21,464
Foreign exchange gain	642	-	6,900
Foreign exchange loss	-	(1,343)	-
Structure improvement expenses	(484)	-	(5,202)
Loss on litigation	-	(137)	-
Retirement benefit expenses	-	(1,238)	-
Loss on liquidation of business	-	(636)	-
Loss on provision for product compensation	-	(570)	-
Other net	(608)	(489)	(6,535)
Income (loss) before income taxes and minority interests	7,965	(10,399)	85,608
Income taxes (Note 12):			
Current	1,324	1,403	14,230
Deferred	3,236	(1,340)	34,781
	4,560	63	49,011
Minority interests in net loss (income) of consolidated subsidiaries	(447)	(261)	(4,804)
Net income (loss)	¥ 2,958	¥ (10,723)	\$ 31,793

	Yen		U.S. dollars (Note 1)
	2010	2009	2010
Net income (loss) per share	¥ 12.14	¥ (48.96)	\$ 0.13
Diluted net income per share	11.94	-	0.13
Dividends per share	3.00	-	0.03

Note: Diluted net income per share was not presented for year ended March 31, 2009 since there were no dilutive shares to be issued.
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, 2010 and 2009

	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 gains (losses) on hedging derivatives	Other comprehensive loss	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	209,285	23,975	21,998	30,953	(100)	13,294	56	(26)	151	2,304	92,605
Issuance of new shares	20,000	4,010	4,010	-	-	-	-	-	-	-	8,020
Cash dividends	-	-	-	(1,881)	-	-	-	-	-	-	(1,881)
Net income (loss)	-	-	-	(10,723)	-	-	-	-	-	-	(10,723)
Purchases of treasury stock	-	-	-	-	(9)	-	-	-	-	-	(9)
Disposal of treasury stock	-	-	(1)	(1)	8	-	-	-	-	-	6
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	-	(111)	-	-	-	-	-	-	(111)
Net changes in items other than shareholders' equity	-	-	-	-	-	(8,775)	(292)	26	(6,877)	(633)	(16,551)
Balance at March 31, 2009	229,285	27,985	26,007	18,237	(101)	4,519	(236)	-	(6,726)	1,671	71,356
Issuance of new shares - exercise of subscription rights to shares	25,073	2,500	2,500	-	-	-	-	-	-	-	5,000
Cash dividends	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	-	-	-	2,958	-	-	-	-	-	-	2,958
Purchases of treasury stock	-	-	-	-	(2)	-	-	-	-	-	(2)
Disposal of treasury stock	-	-	-	(0)	0	-	-	-	-	-	0
Increase by merger	-	-	-	78	-	-	-	-	-	-	78
Change in scope of consolidation	-	-	-	(25)	-	-	-	-	-	-	(25)
Net changes in items other than shareholders' equity	-	-	-	-	-	3,228	182	-	1,676	573	5,659
Balance at March 31, 2010	254,358	30,485	28,507	21,248	(103)	7,747	(54)	-	(5,050)	2,244	85,024

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Unrealized gains (losses) on hedging derivatives	Other comprehensive loss	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	\$ 300,785	\$ 279,525	\$ 196,012	\$ (1,086)	\$ 48,571	\$ (2,537)	\$ -	\$ (72,291)	\$ 17,960	\$ 766,939
Issuance of new shares - exercise of subscription rights to shares	26,870	26,870	-	-	-	-	-	-	-	53,740
Cash dividends	-	-	-	-	-	-	-	-	-	-
Net income (loss)	-	-	31,793	-	-	-	-	-	-	31,793
Purchases of treasury stock	-	-	-	(21)	-	-	-	-	-	(21)
Disposal of treasury stock	-	-	(0)	0	-	-	-	-	-	0
Increase by merger	-	-	839	-	-	-	-	-	-	839
Change in scope of consolidation	-	-	(269)	-	-	-	-	-	-	(269)
Net changes in items other than shareholders' equity	-	-	-	-	34,694	1,957	-	18,013	6,159	60,823
Balance at March 31, 2010	\$ 327,655	\$ 306,395	\$ 228,375	\$ (1,107)	\$ 83,265	\$ (580)	\$ -	\$ (54,278)	\$ 24,119	\$ 913,844

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 7,965	¥ (10,399)	\$ 85,608
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:			
Depreciation and amortization	18,840	20,093	202,494
Loss on impairment of fixed assets	-	299	-
Equity in net income of unconsolidated subsidiaries and affiliates	(1,997)	(887)	(21,464)
Foreign exchange gain	(805)	(13)	(8,652)
Increase (decrease) in accrued retirement benefits for employees	(1,194)	603	(12,833)
Increase in provision for product compensation	(373)	(2,393)	(4,009)
Interest and dividend income	(651)	(969)	(6,997)
Interest expense	2,368	3,238	25,451
Gain (loss) on sale and disposal of property, plant and equipment	489	984	5,256
Loss (gain) on transfer of business	-	(601)	-
Loss (gain) on valuation of investment securities	166	625	1,784
Gain (loss) on sale of investment securities	(1,223)	(670)	(13,145)
Gain (loss) on sale of investments in a subsidiary	198	-	2,128
Gain (loss) on sale of investments in unconsolidated affiliates	900	-	9,673
Decrease (increase) in notes and accounts receivable	(9,222)	10,855	(99,119)
Decrease (increase) in deposits paid in assignment of receivables	-	10,465	-
Decrease (increase) in inventories	14,398	(9,813)	154,751
Decrease (increase) in notes and accounts payable	3,079	(26,978)	33,093
Other, net	5,831	(2,739)	62,672
Interest and dividends received	2,370	1,383	25,473
Interest paid	(2,694)	(3,001)	(28,955)
Income taxes paid	(1,606)	(3,247)	(17,261)
Net cash provided by (used in) operating activities	36,839	(13,165)	395,948
Cash flows from investing activities:			
Additions to property, plant and equipment	(13,759)	(27,751)	(147,883)
Additions to intangible assets	(711)	(602)	(7,642)
Proceeds from sales of property, plant and equipment	282	1,360	3,031
Proceeds from sales of intangible assets	2	0	21
Proceeds from sales and redemption of investment securities	2,461	944	26,451
Proceeds from withdrawal of investment securities	-	1,274	-
Proceeds from transfer of business	-	600	-
Additions to investments in securities	(215)	(8,647)	(2,311)
Proceeds from sale of unconsolidated affiliates	8,584	-	92,261
Additions to investments in unconsolidated affiliates	-	(614)	-
Additions to sale of unconsolidated affiliates	(9)	-	(97)
Other, net	71	(141)	765
Net cash used in investing activities	(3,294)	(33,577)	(35,404)
Cash flows from financial activities:			
Proceeds from long-term debt	15,854	27,932	170,400
Payments of long-term debt	(7,205)	(9,429)	(77,440)
Payments of amortization of a corporate bond	(5,000)	(5,000)	(53,740)
Net increase in commercial paper	-	(2,000)	-
Net increase in short-term bank loans	(31,519)	28,696	(338,768)
Proceeds from issuance of bonds	-	9,950	-
Proceeds from issuance of bonds with subscription warrant	4,991	-	53,644
Proceeds from issuance of common stock	-	7,962	-
Dividends paid	-	(1,881)	-
Dividends paid to minority shareholders	(42)	(49)	(451)
Other, net	(366)	(285)	(3,935)
Net cash provided by (used in) financing activities	(23,287)	55,896	(250,290)
Effect of foreign exchange on cash and cash equivalents	1,504	(1,072)	16,165
Net increase (decrease) in cash and cash equivalents	11,762	8,082	126,419
Cash and cash equivalents at beginning of the year	18,815	10,733	202,225
Cash and cash equivalents at end of the year (Note 4)	¥ 30,577	¥ 18,815	\$ 328,644

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 of Toyo Tire & Rubber Co., Ltd. (the "Company") and its consolidated subsidiaries 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.

Prior to the year ended March 31, 2010, the accounts of the consolidated overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 3(1), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2010 were prepared in accordance with either International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles, with adjustments for the specified six items as applicable. The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of 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. Certain 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 translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 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 for by the equity method.

The consolidated financial statements include the accounts of the Company and its 34 significant majority owned subsidiaries (37 in the year ended March 31, 2009). The main factor in the decrease in the number of consolidated subsidiaries was the liquidation of companies. All significant intercompany transactions and accounts have been eliminated in consolidation. Investments in 6 affiliates (8 in the year ended March 31, 2009) 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, 19 (20 in the year ended March 31, 2009) 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

Prior to April 1, 2008, inventories of the Company and its consolidated domestic subsidiaries (the "Domestic Companies") were principally stated at cost determined by the weighted average method. As discussed in Note 3(2), effective April 1, 2008, the Domestic Companies adopted a new accounting standard for measurement of inventories and stated the inventories at principally the lower of weighted average cost or net realizable value.

Inventories of consolidated overseas subsidiaries are principally stated at the lower of weighted average cost or market.

Property, plant and equipment (except lease assets)

Property, plant and equipment are stated at cost. Buildings and certain tools and equipment acquired by the Domestic Companies before April 1, 2007 are depreciated by the straight line method. The remaining assets acquired by the Domestic Companies before April 1, 2007 are depreciated principally by the declining balance method at rates based on the useful life of the asset determined in accordance with the Corporation Tax Code of Japan. Depreciation of assets acquired by the Domestic Companies after March 31, 2007 is computed by the straight line method under the amended tax code for buildings and certain tools and equipment and by the declining balance method under the amended tax code for the remaining assets. Consolidated overseas subsidiaries compute depreciation principally by the straight line method over

the estimated useful life of the asset. 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

(Additional information)

Effective from the year ended March 31, 2009, the Domestic Companies changed the useful lives of certain machinery based on a reassessment of the useful economic lives in light of a change in the Corporation Tax Code of Japan. As a result of this change, in the year ended March 31, 2009, operating loss and loss before income taxes and minority interests were ¥733 million and ¥733 million more, respectively, than they would have been without the change. The effects of this change on segment information are described in Note 16.

Software costs (except lease assets)

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

Lease assets

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the estimated useful life of the respective assets or the lease term.

The Domestic Companies account for finance leases that commenced prior to April 1, 2008 and that do not transfer the ownership of the leased property to the lessee as operating leases, with disclosures of certain "as if capitalized" information. As discussed in Note 3(3), the Domestic Companies adopted a new accounting standard and capitalize finance leases which commence after March 31, 2008, except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

Goodwill

Goodwill is amortized on a straight line basis over five years, except minor goodwill which is expensed as incurred for the consolidated domestic 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 gain or loss 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 the 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, the 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 gain or loss 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 gain or loss resulting from changes in the fair value of a derivative financial instrument until the related loss or gain on the hedged item is 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 deficiencies 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, the 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 the 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 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 income and expenses using the straight line method over a period that is within the average of the estimated remaining service years of employees (mainly 15 years) commencing with the following period. Past service liabilities are amortized in expenses using the straight line method over a period that is within the average of the estimated remaining service years of employees (15 years).

2) Directors and statutory auditors

In accordance with their internal rules, certain 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, 2010 and 2009 were ¥57 million (\$613 thousand) and ¥54 million, respectively.

Research and development

Research and development expenses are charged to income as incurred. Such expenses for the years ended March 31, 2010 and 2009 were ¥8,316 million (\$89,381 thousand) and ¥8,763 million, respectively.

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.

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 because 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

(1). Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements", ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income are accounted for in accordance with Japanese GAAP, unless the impact is not material.

- (a) Goodwill not subject to amortization
- (b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss

- (c) Capitalized expenditures for research and development activities
- (d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
- (e) Retrospective treatment of changes in accounting policies
- (f) Accounting for net income attributable to minority interests

As a result of adopting PITF No. 18, effective April 1, 2008, in the year ended March 31, 2009, operating loss and loss before income taxes and minority interests were ¥165 million more, respectively, than they would have been without the adoption. The effects on segment information are described in Note 17.

(2). Change of the valuation standards and method for inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Company and consolidated domestic subsidiaries previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses. Replacement cost may be used in lieu of the net realizable value if appropriate. As a result of the adoption of ASBJ Statement No. 9, in the year ended March 31, 2009, operating loss and loss before income taxes and minority interests were ¥433 million and ¥1,454 million more, respectively, than they would have been without the adoption. The effects of this change on segment information are described in Note 17.

The Company and its consolidated domestic subsidiaries changed the method used to evaluate raw materials and supplies from the moving average method to the weighted average method in order to avoid the impact on the inventory valuation caused by temporary fluctuations and to make periodic accounting of profit and loss more accurate. The effects on profit and loss and segment information given by this change have been minor.

(3). New accounting standards for lease transactions as lessee

Prior to the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries accounted for finance leases which did not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

On March 30, 2007, the Accounting Standards Board of Japan issued Statement No. 13, "Accounting Standard for Lease Transactions", and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance leases transactions be treated as capital leases.

Effective from the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information. The effects of adopting the new standards on profit and loss and segment information have been minor.

(4). Change of the method for calculating severance and retirement benefits

Effective from the year ended March 31, 2009, certain consolidated domestic subsidiaries changed the method used to calculate severance and retirement benefits from the simplified method to the principal method in order to make periodic accounting of profit and loss more accurate and improve finances. The difference arising from this change at the beginning of the period was included in other expenses as "Retirement benefit expenses" amounting to ¥1,165 million. As a result of this change, in the year ended March 31, 2009, operating loss and loss before income taxes and minority interests were ¥130 million and ¥1,295 million more, respectively, than they would have been without the change. The effects of this change on business segment information are described in Note 17.

(5). Adoption of the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)"

Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No. 19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined taking into consideration fluctuations in the yield of long-term government and gilt-edged bonds over a certain period. This change had no material impact on the consolidated financial statements for the year ended March 31, 2010.

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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and time deposits	¥ 30,580	¥ 18,819	\$ 328,676
Less time deposits with maturities exceeding three months	(3)	(4)	(32)
Cash and cash equivalents	¥ 30,577	¥ 18,815	\$ 328,644

Significant noncash transactions for the year ended March 31, 2010 were follows:

	Millions of yen		Thousands of U.S. dollars
	2010		2010
Issuance of new stock by execution of stock acquisition rights:			
Credited to common stock	¥ 2,500		\$ 26,870
Credited to capital surplus		2,500	26,870
Decrease in convertible bonds due 2010	¥ 5,000		\$ 53,740

There were no significant noncash transactions for the year ended March 31, 2009.

5. Inventories

(1) Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished goods	¥ 26,951	¥ 38,131	\$ 289,671
Work-in-process	2,283	2,785	24,538
Raw materials and supplies	6,645	8,317	71,421
	¥ 35,879	¥ 49,233	\$ 385,630

(2) The write-down of book values for inventories held for sale in the ordinary course of business due to decreased profitability for the years ended March 31, 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cost of sales	¥ 264	¥ 432	\$ 2,837
Loss on valuation of inventories	-	1,002	-
	¥ 264	¥ 1,434	\$ 2,837

6. Financial Instruments

1. Status of financial instruments

(1) Policies for using financial instruments

The Toyo Group primarily engages in the manufacture and sale of automotive tires, industrial and construction materials, transportation equipment and others and procures the capital required under plans of investment in plant and equipment primarily from bank loans and bond issues. On occasion, the Toyo Group manages surplus capital using financial instruments that carry little or no risk and procures the short-term working capital from bank loans. The Toyo Group uses derivatives to mitigate the risks that are described below and, as a matter of policy, does not use derivatives for speculative transactions.

(2) Details of financial instruments used and the exposures to risk and how they arise

Notes and accounts receivable expose the Toyo Group to customer credit risk. In addition, receivables denominated in foreign currencies which arise as the result of global business deployment expose the Toyo Group to the risk of exchange rate fluctuations. In principle, the Toyo Group hedges the risks with forward foreign exchange contracts to the net position of deducted notes and accounts payable denominated in foreign currencies. Investment in securities is primarily investment in counterparties for business or capital alliances and exposes the Toyo Group to the risk of changes in market prices.

Almost all notes and accounts payable are due within one year. The Toyo Group procures the capital required under its investment in plant and equipment generally through bank loans and bond issues with maturities not exceeding six years and incurs lease liabilities for lease transactions. Although exposure to the risk of interest rate fluctuations may arise, the Toyo Group hedges the risk with derivatives transactions (interest rate swaps).

The Toyo Group uses derivatives transactions including forward foreign exchange contracts, to hedge the risk of exchange rate fluctuations associated with receivables denominated in foreign currencies and interest rate swaps to hedge the risk of interest rate fluctuations associated with loans. 'Derivatives and hedge accounting' in 'Significant accounting policies' presented earlier explains hedge accounting issues including methods, hedging policies, hedged items and recognition of gain or loss on hedged positions.

(3) Policies and processes for managing the risk

1) Credit risk management (counterparty risk)

The Company monitors counterparty financial status and manages amounts and settlement dates by counterparty under internal procedures for receivables. The Company works to quickly identify and mitigate payment risk that may result from situations that may arise, including the deterioration of the financial condition of the counterparties.

Consolidated subsidiaries of the Toyo Group are subject to the same risk management rules.

In using derivatives transactions, the Company mitigates counterparty risk by conducting transactions with highly creditworthy financial institutions.

The maximum credit risk as of March 31, 2010 is presented on the balance sheet as the carrying value of financial assets exposed to credit risk.

2) Market risk management (risk of exchange rate and interest rate fluctuations)

For receivables denominated in foreign currencies, the Company uses principally forward foreign exchange contracts to hedge the risk of exchange rate fluctuations on a currency-by-currency basis evaluated monthly. In addition, the Company uses interest rate swaps to mitigate the risk of interest rate fluctuations associated with loans.

For investment in securities, the Toyo Group periodically examines the fair value of the securities and the financial condition of the issuing entity.

For derivatives transactions, the Financial Department handles the transactions, books them and makes reconciliations in accordance with the basic policy approved by the Board of Directors on the basis of established internal control procedures for financial risk. In addition, the Financial Department reports the actual monthly amounts to finance officers and the Board of Directors.

3) Management of liquidity risk associated with capital procurement (payment default risk)

The Company manages liquidity risk for the Company by creating and updating a capital deployment plan based on reports from each division.

(4) Supplemental information on fair values

The contractual amounts of the derivatives transactions discussed in 'Fair value of financial instruments' below are not an indicator of the market risk associated with derivatives transactions.

2. Fair values of financial instruments

Information about the amounts for financial instruments presented in the consolidated balance sheets, their fair values and any differences as of March 31, 2010 is as follows. Items whose fair market value is considered to be very difficult to assess are not presented in the tables given below.

Note 1. Marketable securities, derivatives transactions and methods for estimating fair value of financial instruments

Asset

Cash and time deposits

Because cash and time deposits are highly liquid, their fair value is similar to their book value. Consequently, the fair value of cash and time deposits is based on book value.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amounts presented in the consolidated balance sheets	¥ 30,580	-	\$ 328,676
Fair value	30,580	-	328,676
Differences	-	-	-

Notes and accounts receivable - trade

Because notes and accounts receivable - trade are highly liquid, their fair value is similar to their book value. Consequently, the fair value of notes and accounts receivable - trade is based on book value.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amounts presented in the consolidated balance sheets	¥ 60,043	-	\$ 645,346
Fair value	60,043	-	645,346
Differences	-	-	-

Investment securities

The fair value of shares, etc. is based on prices established on exchanges. In addition, 'Note to securities' provides information on marketable securities by the intent for which they are held.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amounts presented in the consolidated balance sheets	¥ 31,074	-	\$ 333,985
Fair value	31,074	-	333,985
Differences	-	-	-

Liabilities

Notes and accounts payable - trade

Because notes and accounts payable - trade are highly liquid, their fair value is similar to their book value. Consequently, the fair value of notes and accounts payable - trade is based on book value.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amounts presented in the consolidated balance sheets	¥ 52,699	-	\$ 566,412
Fair value	52,699	-	566,412
Differences	-	-	-

Short-term bank loans

Because short-term bank loans are highly liquid, their fair value is similar to their book value. Consequently, the fair value of short-term bank loans is based on book value.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amounts presented in the consolidated balance sheets	¥ 26,251	-	\$ 282,147
Fair value	26,251	-	282,147
Differences	-	-	-

Bonds payable (including current portion of bonds)

The fair value of bonds payable is based on the price provided by BLOOMBERG L.P.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amounts presented in the consolidated balance sheets	¥ 23,000	-	\$ 247,206
Fair value	23,121	-	248,505
Differences	121	-	1,301

Long-term bank loans (including current portion of long - term bank loans)

Fair value of these long-term bank loan is estimated as the discounted present value of the total principal and interest using the assumed interest rates for equivalent new loans. Interest rate swaps subject to special treatment are used for long-term, floating-rate loans. Principal and interest of the loans in which these interest rate swaps are embedded are discounted using a reasonable estimate of the interest rate on the loan at the time of issue.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amounts presented in the consolidated balance sheets	¥ 59,280	-	\$ 637,145
Fair value	60,282	-	647,915
Differences	1,002	-	10,770

Derivatives transactions

Fair value of these derivatives transactions is stated at the price presented by counterparty financial institutions. Derivatives transactions using interest rate swap contracts that meet specified conditions and receivables denominated in foreign currencies that meet specified conditions are treated with hedge items. The fair value of these derivatives transactions is included in the applicable accounts payable items and stated accordingly. Net asset or liability which results from derivatives transactions, except for these, show the net. As a result, if this account balance is a debt, it is indicated by parenthesis ().

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amounts presented in the consolidated balance sheets	¥ (227)	-	\$ (2,440)
Fair value	(227)	-	(2,440)
Differences	-	-	-

Note 2. Financial instruments for which determining fair value is difficult

Financial instruments whose fair value is considered to be very difficult to obtain are shown below. These financial instruments do not have a fair market value, and it is considered very difficult to determine because their future cash flows cannot be estimated. For these reasons, these financial instruments are not included among investment securities above.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Non-listed equity securities	¥ 3,044	-	\$ 32,717

Note 3. The redemption schedule for receivables and marketable securities with maturity dates after the close of the fiscal year

(Notes and accounts receivable - trade)	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Within 1 year	¥ 60,043	-	\$ 645,346
From 1 year to 5 years	-	-	-
From 5 years to 10 years	-	-	-
Over 10 years	-	-	-

Note 4. The redemption schedule for bonds payable and long-term loans payable after the close of the fiscal year

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Within 1 year			
Bonds payable	¥ 8,000	-	\$ 85,985
Long-term bankloans	9,719	-	104,460
Lease obligations	341	-	3,665
	¥ 18,060	-	\$ 194,110
From 1 year to 2 years			
Bonds payable	¥ 10,000	-	\$ 107,481
Long-term bankloans	6,598	-	70,916
Lease obligations	331	-	3,557
	¥ 16,929	-	\$ 181,954
From 2 years to 3 years			
Bonds payable	¥ 5,000	-	\$ 53,740
Long-term bankloans	14,937	-	160,544
Lease obligations	258	-	2,773
	¥ 20,195	-	\$ 217,057
From 3 years to 4 years			
Bonds payable	¥ -	-	\$ -
Long-term bankloans	12,095	-	129,998
Lease obligations	219	-	2,354
	¥ 12,314	-	\$ 132,352
From 4 years to 5 years			
Bonds payable	¥ -	-	\$ -
Long-term bankloans	5,296	-	56,922
Lease obligations	138	-	1,483
	¥ 5,434	-	\$ 58,405
Over 5 years			
Bonds payable	¥ -	-	\$ -
Long-term bankloans	10,697	-	114,972
Lease obligations	2	-	22
	¥ 10,699	-	\$ 114,994

(Additional Information)

Effective from the fiscal year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008).

7. Securities

1) The following tables summarize acquisition costs and book values (fair values) of securities with available fair values as of March 31, 2010 and 2009:

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Acquisition cost:			
Equity securities	¥ 8,290	¥ 9,340	\$ 89,101
Bonds	-	-	-
Other	-	-	-
	¥ 8,290	¥ 9,340	\$ 89,101
Book value:			
Equity securities	¥ 23,355	¥ 19,933	\$ 251,021
Bonds	-	-	-
Other	-	-	-
	¥ 23,355	¥ 19,933	\$ 251,021
Difference:			
Equity securities	¥ 15,065	¥ 10,594	\$ 161,920
Bonds	-	-	-
Other	-	-	-
	¥ 15,065	¥ 10,594	\$ 161,920

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Acquisition cost:			
Equity securities	¥ 9,733	¥ 9,934	\$ 104,611
Bonds	-	-	-
Other	-	71	-
	¥ 9,733	¥ 10,005	\$ 104,611
Book value:			
Equity securities	¥ 7,720	¥ 6,969	\$ 82,975
Bonds	-	-	-
Other	-	63	-
	¥ 7,720	¥ 7,032	\$ 82,975
Difference:			
Equity securities	¥ (2,014)	¥ (2,965)	\$ (21,647)
Bonds	-	-	-
Other	-	(8)	-
	¥ (2,014)	¥ (2,973)	\$ (21,647)

2) The following table summarizes book values of securities for which determining fair value as of March 31, 2010 and 2009 is difficult.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Available-for-sale securities:			
Non-listed equity securities	¥ 3,044	¥ 533	\$ 32,717

3) Total sales of available-for-sale securities for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amount of sales			
Equity securities	¥ 2,390	¥ 939	\$ 25,688
Bonds	-	-	-
Other	22	-	236
	¥ 2,412	¥ 939	\$ 25,924
Total gain on sales			\$
Equity securities	¥ 1,220	¥ 670	13,113
Bonds	-	-	-
Other	3	-	32
	¥ 1,223	¥ 670	\$ 13,145
Total loss on sales			\$
Equity securities	¥ -	¥ -	-
Bonds	-	-	-
Other	-	-	-
	¥ -	¥ -	\$ -

4) Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2010 and 2009 were to mature as follows:

(a) 2010:
There were no available-for-sale securities with maturities or held-to-maturity debt securities.

(b) 2009:

	Millions of yen		
	Within one year	Over one year but within five years	Total
Bonds	¥ -	¥ -	¥ -
Other	45	-	45
	¥ 45	¥ -	¥ 45

5) Impairment of marketable securities
The Company recognized impairment for equity securities totaling ¥166 million (\$1,784 thousand) in the year ended March 31, 2010 (¥625 million in the year ended March 31, 2009). The Company recognizes impairment in the value of investments in securities when fair value or market price has fallen 50 percent below acquisition cost as of the balance sheet date.

8. Derivative Financial Instruments and Hedging Transactions

Year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

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 based mainly 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.

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

Outstanding derivative transactions at March 31, 2009 were as follows:

	Millions of yen			
	Contracted amount	Portion which exceeds one year	Fair value	Recognized gain (loss)
Receive floating, pay fixed	¥ 1,821	¥ 1,821	¥ (228)	¥ (228)
Total	¥ 1,821	¥ 1,821	¥ (228)	¥ (228)

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

Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

1. Derivatives transactions for which hedge accounting does not apply

(1) Currency related
None

(2) Interest rate related

	Type	Millions of yen			
		Contact amount	Portion over 1 year	Fair value	Recognized gain (loss)
Non-market transaction	Receivable floating interest rate / Payable fixed rate swaps	¥ 1,842	¥ 1,842	¥ (173)	¥ 31

	Type	Thousands of U.S. dollars			
		Contact amount	Portion over 1 year	Fair value	Recognized gain (loss)
Non-market transaction	Receivable floating interest rate / Payable fixed rate swaps	\$ 19,798	\$ 19,798	\$ (1,859)	\$ 333

Note: The valuation of fair values for those contracts was based on prices disclosed by relevant financial institutions.

2. Derivatives transactions for which hedge accounting applies

(1) Currency related

Hedge accounting method	Type of transaction	Hedge item	Millions of yen		
			Contract amount	Portion over 1 year	Fair value
Basic treatment	Forward foreign exchange contracts				
	Selling: USD	Accounts receivable	¥ 2,797	-	¥ (39)
	Selling: EUR	- trade	727	-	39
	Selling: CAD		2,420	-	(43)
	Selling: AUD		1,161	-	(12)
Gain (loss) resulting from forward foreign exchange contracts is allocated over the applicable period	Forward foreign exchange contracts				
	Selling: USD	Accounts receivable	¥ 687	-	(See margin note 2.)
	Selling: EUR	- trade	330	-	(See margin note 2.)
	Selling: CAD		357	-	(See margin note 2.)
	Selling: AUD		210	-	(See margin note 2.)

Thousands of U.S. dollars					
Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over 1 year	Fair value
Basic treatment	Forward foreign exchange contracts				
	Selling: USD	Accounts receivable	\$ 30,062	-	\$ (419)
	Selling: EUR	- trade	7,814	-	419
	Selling: CAD		26,010	-	(462)
	Selling: AUD		12,479	-	(129)
Gain (loss) resulting from forward foreign exchange contracts is allocated over the applicable period	Forward foreign exchange contracts			-	
	Selling: USD		\$ 7,384	-	(See margin note 2.)
	Selling: EUR	Accounts receivable - trade	3,547	-	(See margin note 2.)
	Selling: CAD		3,837	-	(See margin note 2.)
	Selling: AUD		2,257	-	(See margin note 2.)

Notes: 1. The valuation of fair values for those contracts was based on prices disclosed by relevant financial institutions.
2. The fair value of gain or loss resulting from foreign exchange contracts embedded in receivable subject to hedging is included in the fair value of corresponding receivable.

(2) Interest rate related

Millions of yen					
Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over 1 year	Fair value
Special treatment of interest rate swaps	Receivable floating interest rate / Payable fixed rate swaps	Long-term loans payable	¥ 21,027	¥ 20,227	(See margin note.)

Thousands of U.S. dollars					
Hedge accounting method	Type of transaction	Hedge item	Contract amount	Portion over 1 year	Fair value
Special treatment of interest rate swaps	Receivable floating interest rate / Payable fixed rate swaps	Long-term loans payable	\$ 226,000	\$ 217,401	(See margin note.)

Note: The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loans.

9. Pledged Assets

At March 31, 2010, the following assets were pledged as collateral for long-term debt of ¥7,149 million (\$76,838 thousand).

	Millions of yen	Thousands of U.S. dollars
Investment in securities	¥ 6,587	\$ 70,798
Property, plant and equipment - net of accumulated depreciation	23,708	254,815
	¥ 30,295	\$ 325,613

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

Short-term bank loans at March 31, 2010 and 2009 consisted of short-term notes, generally for 365 days, bearing interest at the average rate of 1.1% and 1.8%, respectively. In the past, these loans have been renewed as required.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

Long-term loans include syndicate loan agreements with financial covenants concluded at June 24, 2008 and July 28, 2008. The covenants consist of the following:

1) On March 31 and September 30 of each year, the amount of total net assets in the consolidated and non consolidated balance sheets should be more than both 75% of the level at previous periods, ¥713 million (US\$7,663 thousand) on the consolidated basis and ¥650 million (US\$6,986 thousand) on the nonconsolidated basis.

2) Ordinary income recorded in the consolidated and nonconsolidated statements of income should not be negative for two consecutive fiscal years.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans principally from banks and insurance companies at the weighted average interest rate of 2.4 % at March 31, 2010 and 2.3% at March 31, 2009 were as follows:			
Secured	¥ 7,149	¥ 5,927	\$ 76,838
Unsecured	52,131	45,633	560,308
0.41% bonds, due in 2010	3,000	3,000	32,244
1.63% bonds, due in 2010	5,000	5,000	53,740
0.99% bonds, due in 2009	-	5,000	-
1.21% bonds, due in 2012	5,000	5,000	53,740
1.88% bonds, due in 2011	10,000	10,000	107,481
	82,280	79,560	884,351
Less amounts due within one year	17,719	11,878	190,445
	¥ 64,561	¥ 67,682	\$ 693,906

Annual maturities of long-term debt at March 31, 2010 were as follows:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 17,719	\$ 190,445
2012	16,598	178,396
2013	19,937	214,284
2014	12,095	129,998
2015 and thereafter	15,931	171,228
	¥ 82,280	\$ 884,351

11. Severance and Retirement Benefits

The liability for severance and retirement benefits included in the consolidated balance sheets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Employees' retirement benefits			
Projected benefit obligation	¥ 31,514	¥ 33,513	\$ 338,714
Unrecognized actuarial differences	(4,869)	(7,538)	(52,332)
Less fair value of pension assets	(14,545)	(13,004)	(156,331)
Less unrecognized past service liabilities	16	17	172
Prepaid pension cost	862	1,120	9,265
Directors' and statutory auditors' retirement benefits	57	54	613
Liability for severance and retirement benefits	¥ 13,035	¥ 14,162	\$ 140,101

Severance and retirement benefits, except for directors' and statutory auditors' benefits, for the years ended March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service costs – benefits earned during the year	¥ 1,499	¥ 1,594	\$ 16,111
Interest cost on projected benefit obligation	652	676	7,008
Expected return on plan assets	(66)	(86)	(709)
Amortization of actuarial differences	653	243	7,018
Amortization of past service liabilities	(1)	(1)	(11)
Other	-	1,239	-
Severance and retirement benefit expenses	¥ 2,737	¥ 3,665	\$ 29,417

The discount rate and the rate of expected return on plan assets used by the Company for the year ended March 31, 2010 were 2.0% and 1.0%, respectively (2.0% and 1.0% for the year ended March 31, 2009).

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 differences are recognized in the income statement using the straight-line method mainly over fifteen years. Past service liabilities are recognized in the income statement using the straight-line method over fifteen years.

The following is included in "Other":

As explained in Note 3(4), in the year ended March 31, 2009, the difference arising from the change in the method for calculating severance and retirement benefits by certain consolidated domestic subsidiaries at the beginning of the period amounted to ¥1,165 million.

12. Income Taxes

The Company and its domestic subsidiaries are subject to corporate, inhabitants and enterprise taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for both 2010 and 2009.

Significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current deferred tax assets			
Unrealized profits	¥ 1,030	¥ 551	\$ 11,071
Accrued bonuses	1,485	1,261	15,961
Accrued expenses	531	367	5,707
Loss carryforwards	117	6,334	1,258
Provision for product compensation	202	354	2,171
Other	1,297	1,679	13,939
Valuation allowance	(1,391)	(1,142)	(14,951)
Total current deferred tax assets	3,271	9,404	35,156
Offset of deferred tax liabilities	(10)	(18)	(107)
Net current deferred tax assets	3,261	9,386	35,049
Current deferred tax liabilities			
Adjustment of allowance for doubtful receivables	¥ (10)	¥ (16)	\$ (107)
Other	(18)	(2)	(193)
Total current deferred tax liabilities	(28)	(18)	(300)
Offset of deferred tax assets	10	18	107
Net current deferred tax liabilities	¥ (18)	¥ -	\$ (193)

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Noncurrent deferred tax assets			
Excess severance and retirement benefits	¥ 4,811	¥ 5,185	\$ 51,709
Unrealized profits	1,359	1,576	14,607
Loss on write-down of investment securities	185	323	1,988
Loss on set up of employee retirement benefit trust	566	566	6,083
Loss carryforwards	3,725	2,585	40,037
Loss on write-down of golf club memberships	123	131	1,322
Loss on impairment of fixed assets	159	216	1,709
Other	3,025	1,456	32,513
Valuation allowance	(8,553)	(7,361)	(91,929)
Total noncurrent deferred tax assets	5,400	4,677	58,039
Offset of deferred tax liabilities	(2,802)	(1,881)	(30,116)
Net noncurrent deferred tax assets	¥ 2,598	¥ 2,796	\$ 27,923
Noncurrent deferred tax liabilities			
Net unrealized gains on securities	¥ (5,307)	¥ (3,102)	\$ (57,040)
Other	(3,140)	(5,782)	(33,749)
Total noncurrent deferred tax liabilities	(8,447)	(8,884)	(90,789)
Offset of deferred tax assets	2,802	1,881	30,116
Net noncurrent deferred tax liabilities	¥ (5,645)	¥ (7,003)	\$ (60,673)

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

	2010
Statutory tax rate	40.6 %
Valuation allowance	2.8 %
Undistributed profit of foreign subsidiaries	(3.7) %
Equity in net income of unconsolidated subsidiaries and affiliates	(10.2) %
Adjustment on sale of investments in subsidiaries and affiliated companies	23.8 %
Difference in statutory tax rates of subsidiaries	(2.9) %
Other	6.9 %
Effective tax rate	57.3 %

Note. No reconciliation for the year ended March 31, 2009 was presented because there was a loss before income taxes.

13. Leases

1) Finance leases, as lessee

Information at March 31, 2010 and 2009 for finance leases which do not transfer ownership of the leased property to the lessee and which were commenced prior to April 1, 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Original lease obligations, including finance charges, for machinery, equipment and other	¥ 2,281	¥ 3,575	\$ 24,516
Payments made	1,419	2,252	15,252
Balance remaining	¥ 862	¥ 1,323	\$ 9,264
	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Future minimum payments			
Payments due within one year	¥ 275	¥ 473	\$ 2,956
Payments due after one year	587	850	6,309
Total	¥ 862	¥ 1,323	\$ 9,265

Rental expenses under noncapitalized finance leases for the years ended March 31, 2010 and 2009 were ¥470 million (\$5,052 thousand) and ¥788 million, respectively.

2) Operating leases, as lessee

Lease obligations under operating leases at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2010	2009	2010	
Future minimum payments				
Payments due within one year	¥ 1,514	¥ 1,766	\$	16,273
Payments due after one year	8,787	11,483		94,443
	¥ 10,301	¥ 13,249	\$	110,716

14. Contingent Liabilities

Contingent liabilities at March 31, 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2010	2009	2010	
Loan guarantees:				
TOYO SOFLANTEC CO.,LTD., an equity method affiliate	¥ 159		\$	1,709
TOYO RETREAD CO.,LTD., an equity method affiliate	143			1,537
	¥ 302		\$	3,246

15. 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 29, 2010, the shareholders approved cash dividends amounting to ¥762 million (\$8,190 thousand). These appropriations have not been accrued in the Consolidated Financial Statements as of March 31, 2010. Such appropriations are recognized in the period in which they are approved by the shareholders.

16. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries did not recognize any impairment losses in the year ended March 31, 2010.

The Company and its consolidated subsidiaries recognized impairment losses for the following groups of assets in the year ended March 31, 2009.

<United States>

Use	Type of asset	Location	Amount	
			Millions of yen	
Machinery for automotive parts	Machinery and equipment, etc.	Kentucky, United States	¥	299

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 a 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 fixed assets such as machinery and equipment to recoverable amounts.

17. Segment Information

1) Business segment information

The Companies' businesses are divided into the Tires segment and the Divertech & Other Businesses segment.

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.

Business segment information for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2010	2009	2010	
Net sales				
Tires				
Customers	¥ 214,292	¥ 242,009	\$	2,303,224
Intersegment	16	46		172
Total	214,308	242,055		2,303,396
Divertech & Other Businesses				
Customers	73,434	86,363		789,273
Intersegment	178	193		1,914
Total	73,612	86,556		791,187
Eliminations	(194)	(239)		(2,085)
Consolidated net sales	287,726	328,372		3,092,498
Operating expenses				
Tires	207,375	243,451		2,228,880
Divertech & Other Businesses	71,851	88,115		772,259
Eliminations	(165)	(229)		(1,773)
Consolidated operating expenses	279,061	331,337		2,999,366
Operating income				
Tires	6,933	(1,396)		74,516
Divertech & Other Businesses	1,761	(1,559)		18,927
Consolidating adjustments	(29)	(10)		(311)
Consolidated operating income	¥ 8,665	¥ (2,965)	\$	93,132
Assets				
Tires	¥ 172,979	¥ 188,865	\$	1,859,190
Divertech & Other Businesses	65,886	77,848		708,147
Consolidating adjustments and corporate (See Note (a))	54,343	38,056		584,082
Consolidated assets	¥ 293,208	¥ 304,769	\$	3,151,419
Depreciation and amortization				
Tires	¥ 14,590	¥ 15,146	\$	156,814
Divertech & Other Businesses	4,250	4,951		45,679
Eliminations	(0)	(4)		(1)
Consolidated depreciation and amortization	¥ 18,840	¥ 20,093	\$	202,492
Loss on impairment of fixed assets				
Tires	¥ -	¥ -	\$	-
Divertech & Other Businesses	-	299		-
Consolidating adjustments and corporate	-	-		-
Consolidated loss on impairment of fixed assets	¥ -	¥ 299	\$	-
Capital expenditure				
Tires	¥ 10,843	¥ 23,956	\$	116,541
Divertech & Other Businesses	2,372	5,266		25,495
Eliminations	-	-		-
Consolidated capital expenditure	¥ 13,215	¥ 29,222	\$	142,036

Note (a) Corporate assets of ¥57,086 million (\$613,564 thousand) and ¥42,615 million at March 31, 2010 and 2009, respectively, comprised mainly cash and cash equivalents and investment securities.

Note (b) As discussed in Note 3(2), the Domestic companies adopted the new accounting standard for inventories in the year ended March 31, 2009. The effect of this change for the year ended March 31, 2009 was to increase operating expenses in "Tire" and "Divertech and Other Businesses" by ¥296 million and ¥137 million, respectively, and to increase operating loss in each segment by the same amount, respectively, compared to the amounts that would have been reported without the change.

Note (c) As discussed in Note 3(1), the Company adopted PITF No. 18 in the year ended March 31, 2009. The effect of this change for the year ended March 31, 2009 was to increase operating expenses in "Tire" by ¥165 million and to increase operating loss by the same amount, compared to the amounts that would have been reported without the change.

Note (d) As discussed in Note 2, the Domestic companies changed the useful lives of certain machinery based on the reassessment of the useful lives in light of the change in the Corporation Tax Code of Japan. The effect of this change for the year ended March 31, 2009 was to increase operating expenses in "Tire" and "Divertech and Other Businesses" by ¥607 million and ¥126 million, respectively, and to increase operating loss on each segment by the same amount, respectively, compared to the amounts that would have been reported without the change.

Note (e) As discussed in Note 3(4), certain consolidated domestic subsidiaries changed the method used to calculate the amount of severance and retirement benefits from the simplified method to the principal method. The effect of this change for the year ended March 31, 2009 was to increase operating loss in "Divertech and Other Businesses" by ¥130 million compared to the amount that would have been reported without the change.

2) Geographic segment information

Geographic segment information for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net sales			
Domestic operations			
Customers	¥ 159,909	¥ 180,688	\$ 1,718,712
Intersegment	60,787	71,416	653,343
Total	220,696	252,104	2,372,055
North America operations			
Customers	86,359	98,555	928,192
Intersegment	-	-	-
Total	86,359	98,555	928,192
Other operations			
Customers	41,459	49,129	445,604
Intersegment	11	26	118
Total	41,470	49,155	445,722
Eliminations	(60,799)	(71,442)	(653,471)
Consolidated net sales	287,726	328,372	3,092,498
Operating expenses			
Domestic operations	216,231	261,827	2,324,065
North America operations	83,398	96,520	896,367
Other operations	39,782	47,382	427,580
Eliminations	(60,350)	(74,392)	(648,646)
Consolidated operating expenses	279,061	331,337	2,999,366
Operating income			
Domestic operations	4,465	(9,723)	47,990
North America operations	2,961	2,035	31,825
Other operations	1,688	1,773	18,143
Eliminations	(449)	2,950	(4,826)
Consolidated operating expenses	¥ 8,665	¥ (2,965)	\$ 93,132
Assets			
Domestic operations	¥ 189,464	¥ 208,485	\$ 2,036,371
North America operations	61,506	62,053	661,071
Other operations	22,612	21,505	243,035
Eliminations	19,626	12,726	210,942
Consolidated operating expenses	¥ 293,208	¥ 304,769	\$ 3,151,419

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 ¥57,086 million (\$613,564 thousand) and ¥42,615 million at March 31, 2010 and 2009, respectively, comprised mainly cash and cash equivalents and investment securities.

Note (c) As discussed in Note 3(2), the Domestic companies adopted the new accounting standard for inventories in the year ended March 31, 2009. The effect of this change for the year ended March 31, 2009 was to increase operating expenses in "Domestic operations" by ¥433 million and to increase operating loss by the same amount, compared to the amounts that would have been reported without the change.

Note (d) As discussed in Note 3(1), the Company adopted PITF No. 18 in the year ended March 31, 2009. The effect of this change for the year ended March 31, 2009 was to increase operating expenses in "North America operations" and "Other operations" by ¥12 million and ¥153 million, respectively, and to decrease operating income on each segment by the same amount compared to the amounts that would have been reported without the change.

Note (e) As discussed in Note 2, the Domestic companies changed the useful lives of certain machinery based on the reassessment of the useful lives in light of the change in the Corporation Tax Code of Japan. The effect of this change for the year ended March 31, 2009 was to increase operating expenses in "Domestic operations" by ¥733 million and to increase operating loss by the same amount compared to the amounts that would have been reported without the change.

Note (f) As discussed in Note 3(4), certain consolidated domestic subsidiaries changed the method used to calculate the amount of severance and retirement benefits from the simplified method to the principal method. The effect of this change for the year ended March 31, 2009 was to increase operating loss in "Domestic operations" by ¥130 million compared to the amount that would have been reported 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, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net sales			
North America	¥ 86,359	¥ 98,555	\$ 928,192
Europe	22,768	31,122	244,712
Other	42,109	48,202	452,590
Total	¥ 151,236	¥ 177,879	\$ 1,625,494
Consolidated net sales	¥ 287,726	¥ 328,372	\$ 3,092,498
Percentage of consolidated net sales	52.6%	54.2%	52.6%

Note (a) The main countries or areas included in North America, Europe and Other were as follows:

North America: United States of America and Canada
Europe: Germany, United Kingdom, Italy and other
Other: Near East, Oceania, Southeast Asia and other

18. Related Party Transactions

For the year ended March 31, 2010

1. Transactions with related party

A description is omitted because there were no material related party transactions.

2. Notes relating to the parent company and major affiliate

Summarized financial information of major affiliate CHENG SHIN-TOYO TIRE & RUBBER (CHINA) CO., LTD. (CSTC) was a major affiliate of the Company until the Company sold all shares to CSTC for the year ended March 31, 2010. Summarized CSTC's financial information for the period CSTC had been related party is shown below.

	Millions of yen		Thousands of U.S. dollars
	2010	2010	2010
Total current assets	¥ 15,118		\$ 162,489
Total fixed assets	42,018		451,612
Total current liabilities	21,556		231,685
Total long-term liabilities	6,063		65,166
Total net assets	29,517		317,251
Sales	23,608		253,740
Income before income taxes and minority interests	5,466		58,749
Net income	4,666		50,150

For the year ended March 31, 2009

A description is omitted because there were no material related party transactions.

<Additional Information>

Effective from the year ended March 31, 2009, the Company adopted "Accounting Standard for Related Party Disclosures" (ASBJ Statement No.11 of October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 of October 17, 2006). As a result of this adoption, Directors of the Company are not in the scope of the disclosure of related party.

19. Subsequent events

NONE

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, 2010 and 2009, and the related consolidated statements of operations, 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 financial position of the Company and its consolidated subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

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

- (1) As discussed in Note 3(2) to the consolidated financial statements, effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted new accounting standards for inventories.
- (2) As discussed in Note 3(4) to the consolidated financial statements, certain consolidated subsidiaries changed the method used to calculate the amount of severance and retirement benefits from a simplified method to a non-simplified method in the year ended March 31, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 29, 2010

Directors, Corporate Auditors and Corporate Officers (As of June 29, 2010)

■ Directors and Corporate Auditors

Representative Director and President

Kenji Nakakura

Representative Director

Yasuo Onodera

Directors

Kenji Takada
Takuya Kakuno
Susumu Nishihata
Takafumi Ichikawa
Akira Nobuki

Corporate Auditors (standing)

Kazuo Fujita
Kazunari Maeda
Yasutaka Hosoi

Corporate Auditors

Shuji Tsuyuki

■ Executive Emeritus

Yoshio Kataoka
Junji Tsumura

■ Corporate Officers

President

Kenji Nakakura*

Executive Corporate Officers

Yasuo Onodera*
Kenji Takada*

Senior Corporate Officers

Takuya Kakuno*
Susumu Nishihata*
Takafumi Ichikawa*
Akira Nobuki*
Hiroshi Shibata
Mitsuru Hitotsuyanagi

Corporate Officers

Hidehiko Takahashi
James L. Hawk
Tetsuya Kuze
Kouichi Ono
Sadao Ichihara
Hidenori Fukutomi
Kenkichi Matsumoto
Takuji Yamamoto
Kazuyuki Ito
Michihiro Kawada

* Concurrent with directorial position

■ Corporate Data (As of March 31, 2010)

Head Office	1-17-18 Edobori, Nishi-ku, Osaka 550-8661, Japan Phone: +81-6-6441-8801 Fax: +81-6-6445-2225
Consolidated Subsidiaries Establishment	34 (Japan: 15 Overseas: 19) August 1, 1945
Common Stock Listings	Osaka (May 1949) Tokyo (May 1955) Nagoya (September 1961)
Paid-in Capital	¥30,484 million
Number of Shareholders	13,853
Number of Shares Outstanding	254,358,146 shares
Number of Employees	Consolidated: 6,862 Non-consolidated: 3,122
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan
Independent Auditors	KPMG AZSA & Co.
Website	http://www.toyo-rubber.co.jp/english/

TOYO TIRES

driven to perform

TOYO TIRE & RUBBER CO., LTD.

Planning Division, Corporate Planning Dept., Corporate Communications Section

1-17-18, Edobori, Nishi-ku, Osaka 550-8661, Japan
Phone: +81-6-6441-8803 Fax: +81-6-6446-1925
<http://www.toyo-rubber.co.jp/>

The names of products, services and other items in this brochure are trademarks or Japanese registered trademarks of Toyo Tire & Rubber Co., Ltd.

