

Summary Report of Consolidated Business Results
for the third quarter of Fiscal Year 2016
(January 1, 2016 – September 30, 2016)

OSAKA, JAPAN – November 11, 2016 - TOYO TIRE & RUBBER CO., LTD. (“the Company”; President: Takashi Shimizu) announces its Consolidated Business Results for the third quarter of Fiscal Year 2016 (January 1, 2016 through September 30, 2016) as follows:

Qualitative information about the quarter financial results

(1) Business Results

- Net Sales : 278,934 million yen (a decrease of 22,020 million yen or 7.3% from the same period of for FY2015)
- Operating Income : 34,938 million yen (a decrease of 12,672 million yen or 26.6% from the same period of for FY2015)
- Ordinary Income : 28,684 million yen (a decrease of 12,942 million yen or 31.1% from the same period for FY2015)
- Profit attributable to owners of parent : 7,587 million yen (11,902 million yen profit from the same period for FY2015)

Results by Business Units were as follows:

【Tire Business Unit】

The tire business unit posted net sales of 221,757 million yen (a decrease of 18,307 million yen or 7.6% from the same period for FY2015) and operating income of 32,187 million yen (a decrease of 11,512 million yen or 26.3% from the same period for FY2015)

(Original Equipment Tires)

In Japan, unit sales and net sales exceeded those of the same period a year ago on robust sales of cars equipped with company products despite a continuing decline in the number of automobiles produced in Japan. Overseas unit sales and net sales also outperformed those of the same period last year due to acquiring new business. As a result, unit sales and net sales for the original equipment tire market as a whole exceeded the performance of the same period a year ago.

(Replacement Tires: for the Japanese Domestic Market)

Although the market in Japan has been sluggish, unit sales and net sales remained at the same level as a year ago on robust sales of the company's Proxes flagship brand ultra-high-performance (UHP) tire series, NanoEnergy fuel-efficient tire series products and Tranpath mini-van tire series products.

(Replacement Tires: for Overseas Markets)

In North America, unit sales increased over the same period last year despite intensified competition on efforts to grow sales by expanding the product line, most notably the release of new Open Country series tires, the company's core SUV tire product, as well as new-category Grappler series Nitto brand SUV tires. In Europe, unit sales exceeded

last year's performance through aggressive establishment and expansion of sales channels. As a result, for the overseas market overall unit sales increased compared to the year ago period, but net sales declined year on year due to a persistently strong yen.

【DiverTech Business Units (Non-Tire Business Units)】

The DiverTech units posted net sales of 57,136 million yen (a decrease of 3,557 million yen or 5.9 % from the same period for FY2015) and an operating income of 2,310 million yen (a decrease of 522 million yen or 18.5% from the same period for FY2015).

(Transportation)

New orders were robust for the automotive seat cushion segment, but due to a decrease in sales of cars equipped with company products and a stronger yen, in the anti-vibration rubber for automobiles segment overall net sales declined compared to the same period a year ago. For air springs and anti-vibration rubber for railway cars, sales were robust for the overseas new car market but sluggish for Japan's repair market, resulting in a year-on-year decline of net sales.

(Thermal Insulation & Waterproof Materials)

In the thermal insulation materials segment, net sales declined year on year due to sluggish sales of rigid polyurethane products to insulation material manufacturers as well as slow large-scale-project sales of materials to the agricultural sector. In the waterproofing materials segment, net sales also declined compared to the same period a year ago due to flat demand for waterproof sheets, a core product. In the waterproofing materials segment, net sales also declined compared to the same period a year ago due to sluggish demand for waterproof sheets, a core product.

(Industrial & Building Materials)

In the industrial & building materials segment, sales of industrial rubberized fabrics increased, but net sales declined year-on-year due in part to significant sales last year of road materials for large-scale projects.

(2) Status of provision of reserve for product warranties and allowance for product reparations pertaining to the company's seismic isolation rubber issue

In the prior fiscal year (ended December 2015), some products shipped by the company did not conform to certification performance standards of the Ministry of Land, Infrastructure, Transport and Tourism, and when applying for ministry certification for seismic isolation rubber for construction, in some cases the certification was based on applications lacking technical grounds.

In the financial results for the first half results, the company posted an extraordinary loss for the cost of measures for product after-care and for provision of reserve for product warranties pertaining to the incidents, the details of which are as follows.

(Unit : Millions of yen)

	1Q of FY2016 (A)	2Q of FY2016 (B)	First Half of FY2016 (A+B)	3Q of FY2016 (C)	Nine Months Total (A+B+C)
1) Loss on product compensation					
For 55 buildings	16	1,092	1,108	1,217	2,326
For 99 buildings	—	85	85	173	258
Charges	1,004	1,240	2,244	1,230	3,474
Compensation Cost, etc.	1,013	721	1,734	591	2,326
Sub. Total	2,033	3,139	5,173	3,212	8,385
2) Loss on provision for product compensation					
For 55 buildings	5,552	1,700	7,253	(276)	6,976
For 99 buildings	107	2,462	2,570	1,968	4,539
Charges	999	323	1,323	(80)	1,243
Compensation Cost, etc.	525	86	612	267	879
Sub. Total	7,185	4,574	11,759	1,879	13,639
3) Total; 1) + 2)					
For 55 buildings	5,568	2,793	8,361	940	9,302
For 99 buildings	107	2,548	2,655	2,142	4,798
Charges	2,003	1,564	3,568	1,150	4,718
Compensation Cost, etc.	1,539	807	2,347	858	3,206
Grand Total	9,218	7,714	16,933	5,091	22,025

As indicated in 3Q of FY2016 (C) Table 3) above Totals 1) + 2) , the company posted an extraordinary loss of 22,025 million yen (8,385 million yen for the cost of measures for after-care of products and 13,639 million yen for provision of reserve for product warranties) as a result of posting 940 million yen for the cost of repairs and replacement of seismic isolation products for 55 structures; 2,142 million yen for the cost of repairs and replacement of seismic isolation products for 99 structures; 858 million yen for compensations, etc.; and 1,150 million yen for miscellaneous expenses (mainly, 400 million yen in payroll for the seismic isolation rubber task force; 300 million yen for structural recalculation; 100 million yen for costs pertaining to equipment used for replacement of seismic isolation rubber; and 100 million yen for the cost of trial manufacturing of replacement products using the company's own products). Additionally, in the preceding fiscal term ended December 2015, falsified testing data provided to customers relating to some industrial anti-vibration rubber was discovered, which resulted in recording an extraordinary loss to cover 389 million yen in costs associated with the incident (104 million yen for the cost of measures for after-care of products and 285 million yen for provision of reserve for product warranties).

As it is difficult to reasonably estimate the amount at this point in time, in the event that costs arise in the future (mainly reparations such as compensation for business and delay damages and costs in the event that the amount already in reserve for costs of newly discovered repairs is exceeded), an additional reserve for product warranties may be posted depending upon the progress of measures from the fourth quarter onward.

(3) Qualitative data on consolidated financial position

Total assets for the end of the first half of consolidated accounting term were 452,147 million yen, a decrease of 70,789 million yen compared to the end of the prior consolidated accounting period.

Liabilities were 299,609 million yen, a decrease of 47,963 million yen compared to the previous consolidated year-end accounting term. And the interest-bearing liabilities were 141,706 million yen, a decrease of 20,329 million yen compared to the previous consolidated year-end accounting terms.

Net assets as of the end of the first half of consolidated accounting term were 152,538 million yen, a decrease of 22,826 million yen compared to the previous consolidated year-end accounting term.

As a results, the capital ratio has been 32.9 %.

(4) Qualitative data on forecasted consolidated results

Due to a stronger-than-expected yen and market conditions that are expected to worsen as well an additional extraordinary loss recorded in the third quarter for the cost of measures for after-care of products and provision of reserve for product warranties, the full-year performance forecast will be adjusted downward from the previous forecast announced on August 10, 2016 for net sales, operating income, ordinary income, and profit attributable to owners of parent.

The projected exchange rate for the fourth quarter will be 1 US dollar = 105 yen, and 1 euro = 115 yen. For details, refer to "Announcement regarding Extraordinary Loss and Adjustment of Results Outlook" announced today."

(5) Notes on consolidated financial statements (Note on consolidated balance sheet)

Contingency liabilities

1) The Company had been manufacturing and selling seismic isolation rubber itself and through its subsidiary Toyo Chemical Industrial Products, Ltd. that was certified by Japan's Ministry of Land, Infrastructure, Transport and Tourism. However, it was discovered that some delivered products did not conform to ministry certification performance standards, and on March 12, 2015, the Company voluntarily reported this fact to the ministry. Additionally, several times in the past the Company had received ministry certification for seismic isolation rubber, but it was also discovered that in some cases, the certification was based on applications lacking technical grounds.

With respect to this matter, the company has envisaged every possibility and considered future handling and measures, and as a policy has decided in principal to replace all units of the concerned products with products that conform to the performance standards required in the initial design phase provided there is no objection from the concerned parties including owners, tenants, clients and construction firms.

A provision of reserve for product warranties due to the incident has been posted for the cost of repairs for which the amounts can be reasonably estimated.

Depending upon progress from the next quarter's consolidated accounting period, additional posting of a provision of reserve for product warranties may impact the company's consolidated results, but at the present time it is difficult to reasonably estimate the amount.

2) In the prior fiscal year (ended December 2015), it was discovered that falsified testing data had been delivered to customers for some industrial anti-vibration rubber components manufactured and sold by Toyo Chemical Industrial Products, Ltd. As a result, any future costs that arise accompanying product replacement may impact the company's consolidated results, but at the present time it is difficult to reasonably estimate the amount.

3) On November 26, 2013 (U.S. time), the company agreed with the U.S. Department of Justice to pay a fine of 120 million USD for breach of U.S. antitrust law pertaining to sales of automotive anti-vibration rubber parts and joint boots, and on February 6, 2014 (U.S. time), the company received and complied with the judgement of the court order to pay this amount.

Class action concerning this matter has been brought against the company and its subsidiaries in the U.S. and Canada, which may impact the company's consolidated results, but at this stage it is difficult to make a reasonable estimate of any such result.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2015	End of current fiscal year September 30, 2016
Assets		
Current Assets		
Cash and deposits	44,510	36,908
Notes and accounts receivable – trade	81,873	71,154
Merchandise and finished goods	56,041	48,593
Work in process	4,335	2,980
Raw materials and supplies	9,955	10,715
Other	30,004	27,053
Allowance for doubtful accounts	(505)	(408)
Total current assets	226,214	196,996
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	59,208	52,595
Machinery, equipment and vehicles, net	101,196	92,709
Other, net	50,657	42,666
Total property, plant and equipment	211,062	187,971
Intangible Assets		
Goodwill	2,234	1,800
Other	6,136	5,422
Total intangible assets	8,370	7,222
Investments and other assets		
Investment securities	60,668	44,728
Other	16,797	15,412
Allowance for doubtful accounts	(175)	(184)
Total investments and other assets	77,290	59,956
Total fixed assets	296,723	255,150
Total assets	522,937	452,147

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2015	End of current fiscal year September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable – trade	70,040	56,065
Short-term loans payable	50,353	58,329
Current portion of bonds	10,000	5,000
Accounts payable – other	19,748	14,119
Income taxes payable	4,304	2,076
Provision for product compensation	33,500	37,700
Other	21,301	19,059
Total current liabilities	209,248	192,349
Noncurrent liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	91,204	72,939
Net defined benefit liability	8,565	8,697
Other provision	47	47
Other	28,506	20,574
Total noncurrent liabilities	138,324	107,259
Total liabilities	347,572	299,609
Net assets		
Shareholders' equity		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	71,255	73,127
Treasury stock	(141)	(142)
Total shareholders' equity	130,105	131,976
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,070	18,377
Deferred gains or losses on hedges	32	3
Foreign currency translation adjustments	11,460	(3,688)
Remeasurements of defined benefit plans	2,182	2,296
Total accumulated other comprehensive income	41,745	16,988
Non controlling interests	3,513	3,573
Total net assets	175,364	152,538
Total liabilities and net assets	522,937	452,147

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2015 (From January 1, 2015 to September 30, 2015)	FY2016 (From January 1, 2016 to September 30, 2016)
Net sales	300,955	278,934
Cost of sales	188,065	179,056
Gross profit	112,889	99,878
Selling, general and administrative expenses	65,278	64,940
Operating income	47,611	34,938
Non-operating income		
Interest income	352	304
Dividends income	1,090	1,105
Equity in earnings of affiliates	224	230
Other	817	1,026
Total non-operating income	2,485	2,666
Non-operating expenses		
Interest expenses	2,338	2,204
Foreign exchange losses	3,599	4,843
Other	2,531	1,872
Total non-operating expenses	8,469	8,920
Ordinary income	41,626	28,684
Extraordinary income		
Gain on sales of investment securities	—	6,259
Total extraordinary income	—	6,259
Extraordinary loss		
Loss on retirement of noncurrent assets	412	441
Loss on product compensation	5,201	8,489
Loss on provision for product compensation	34,300	13,924
Loss on alleged U.S. anti-trust law violation	4,209	—
Total extraordinary loss	44,123	22,855
Profit (loss) before income taxes	(2,496)	12,087
Income taxes	1,583	3,980
Profit (loss)	(4,080)	8,107
Profit attributable to non controlling interests	235	519
Profit (loss) attributable to owners of parent	(4,315)	7,587

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2015 (From January 1, 2015 to September 30, 2015)	FY2016 (From January 1, 2016 to September 30, 2016)
Profit (loss)	(4, 080)	8, 107
Other comprehensive income		
Valuation difference on available-for-sale securities	832	(9, 692)
Deferred gains or losses on hedges	38	(29)
Foreign currency translation adjustment	(7, 799)	(15, 290)
Remeasurements of defined benefit plans, net of tax	174	113
Share of other comprehensive income of associates accounted for using equity method	(49)	(331)
Total other comprehensive income	(6, 804)	(25, 230)
Comprehensive income	(10, 884)	(17, 123)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(10, 642)	(17, 170)
Comprehensive income attributable to non controlling interests	(241)	46