

Summary Report of Consolidated Business Results  
for the Second Quarter of Fiscal Year 2017  
(January 1, 2017 – June 30, 2017)

HYOGO, JAPAN – August 10, 2017 - TOYO TIRE & RUBBER CO., LTD. (“the Company”; President: Takashi Shimizu) announces its Consolidated Business Results for the Second Quarter of Fiscal Year 2017 (January 1, 2017 through June 30, 2017) as follows:

Qualitative information about the quarterly financial results

(1) Business Results

●Net Sales:	192,041 million yen (an increase of 5,601 million yen or 3.0% from the same period for FY2016)
●Operating Income:	21,834 million yen (a decrease of 4,384 million yen or 16.7% from the same period for FY2016)
●Ordinary Income:	18,695 million yen (a decrease of 2,230 million yen or 10.7% from the same period for FY2016)
●Profit attributable to owners of parent:	11,076 million yen (an increase of 8,924 million yen or 414.7% from the same period for FY2016)

(2) Results by Business Unit

The tire business unit posted net sales of 154,066 million yen (an increase of 5,386 million yen or 3.6% from the same period for FY2016) and an operating income of 21,461 million yen (a decrease of 2,890 million yen or 11.9% from the same period for FY2016).

The DiverTech business unit posted net sales of 37,951 million yen (an increase of 224 million yen or 0.6% from the same period for FY2016) and an operating income of 325 million yen (a decrease of 1,105 million yen or 77.2% from the same period for FY2016).

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

In the 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. 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 second quarter, as circumstances have progressed and the amounts can be reasonably estimated, the Company posted an extraordinary loss of 1,855 million yen (1,493 million yen for the cost of measures for after-sales care of products and 361 million yen as provision of reserves for product warranties) as a result of posting 415 million yen for compensation, etc. The Company also paid 521 million yen in miscellaneous expenses (mainly in payroll for the seismic isolation rubber task force).

Depending upon progress from next quarter's consolidated accounting period, if future costs that arise (mainly business compensation and reparations for damage such as delayed damage, expenses, etc.; when the amount of repair work expenses are found to additionally exceed the reserve provisions), additional provision of reserves for product warranties may be posted, but at the present time, it is difficult to reasonably estimate the amount.

#### (4) Explanation of financial condition

Total assets at the end of the second quarter of the consolidated accounting term were 466,641 million yen, a decrease of 24,447 million yen compared to the end of the prior consolidated accounting period.

Liabilities were 314,066 million yen, a decrease of 314 million yen compared to the previous consolidated year-end accounting term.

Interest-bearing liabilities were 127,213 million yen, a decrease of 5,717 million yen compared to the previous consolidated year-end accounting term.

Net assets as of the end of the second quarter of the consolidated accounting term were 152,574 million yen, an increase of 6,952 million yen compared to the end of the prior consolidated accounting period.

As a result, the capital ratio increased 3.0% compared with the previous consolidated year-end accounting term, to 31.8%.

## Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2016	End of current fiscal year June 30, 2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and deposits	37,772	24,711
Notes and accounts receivable – trade	84,878	72,527
Merchandise and finished goods	50,446	56,460
Work in process	3,153	3,447
Raw materials and supplies	11,979	14,378
Other	25,478	27,548
Allowance for doubtful accounts	(492)	(508)
<b>Total current assets</b>	<b>213,216</b>	<b>198,565</b>
<b>Fixed Assets</b>		
Property, plant and equipment		
Buildings and structures, net	56,424	58,158
Machinery, equipment and vehicles, net	105,555	100,422
Other, net	40,507	35,971
<b>Total property, plant and equipment</b>	<b>202,487</b>	<b>194,552</b>
<b>Intangible Assets</b>		
Goodwill	1,650	1,563
Other	5,606	5,105
<b>Total intangible assets</b>	<b>7,257</b>	<b>6,669</b>
<b>Investments and other assets</b>		
Investment securities	49,007	49,412
Other	19,293	17,624
Allowance for doubtful accounts	(173)	(183)
<b>Total investments and other assets</b>	<b>68,127</b>	<b>66,853</b>
<b>Total fixed assets</b>	<b>277,871</b>	<b>268,075</b>
<b>Total assets</b>	<b>491,088</b>	<b>466,641</b>

## Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2016	End of current fiscal year June 30, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	66,514	58,669
Short-term loans payable	53,138	55,813
Current portion of bonds	5,000	5,000
Accounts payable – other	20,058	13,500
Income taxes payable	2,698	4,822
Provision for product compensation	33,700	20,600
Other	21,601	21,968
<b>Total current liabilities</b>	<b>202,712</b>	<b>180,373</b>
<b>Non-current liabilities</b>		
Bonds payable	5,000	5,000
Long-term loans payable	69,343	61,008
Net defined benefit liability	10,045	10,337
Provision for product compensation	42,200	42,200
Other provision	49	37
Other	16,115	15,109
<b>Total non-current liabilities</b>	<b>142,754</b>	<b>133,692</b>
<b>Total liabilities</b>	<b>345,466</b>	<b>314,066</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	53,279	61,181
Treasury stock	(143)	(146)
<b>Total shareholders' equity</b>	<b>112,128</b>	<b>120,027</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	22,435	22,739
Deferred gains or losses on hedges	(119)	(13)
Foreign currency translation adjustments	6,843	4,749
Remeasurements of defined benefit plans	290	731
<b>Total accumulated other comprehensive income</b>	<b>29,450</b>	<b>28,206</b>
<b>Non-controlling interests</b>	<b>4,043</b>	<b>4,341</b>
<b>Total net assets</b>	<b>145,621</b>	<b>152,574</b>
<b>Total liabilities and net assets</b>	<b>491,088</b>	<b>466,641</b>

## Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2016 (From January 1, 2016 to June 30, 2016)	FY2017 (From January 1, 2017 to June 30, 2017)
Net sales	186,439	192,041
Cost of sales	117,183	126,247
Gross profit	69,255	65,793
Selling, general and administrative expenses	43,037	43,959
Operating income	26,218	21,834
Non-operating income		
Interest income	208	261
Dividends income	821	787
Equity in earnings of affiliates	148	120
Other	774	602
Total non-operating income	1,952	1,771
Non-operating expenses		
Interest expenses	1,521	1,299
Foreign exchange losses	4,260	943
Financing expenses	—	700
Other	1,462	1,967
Total non-operating expenses	7,245	4,910
Ordinary income	20,925	18,695
Extraordinary income		
Gain on sales of investment securities	614	220
Total extraordinary income	614	220
Extraordinary loss		
Loss on retirement of non-current assets	351	345
Loss on product compensation	5,265	1,493
Loss on provision for product compensation	11,949	361
Total extraordinary loss	17,566	2,201
Profit before income taxes	3,973	16,714
Income taxes	1,536	5,101
Profit	2,436	11,612
Profit attributable to non-controlling interests	284	535
Profit attributable to owners of parent	2,151	11,076

## Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2016 (From January 1, 2016 to June 30, 2016)	FY2017 (From January 1, 2017 to June 30, 2017)
Profit	2,436	11,612
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,120)	303
Deferred gains or losses on hedges	73	105
Foreign currency translation adjustment	(13,077)	(2,042)
Remeasurements of defined benefit plans, net of tax	99	441
Share of other comprehensive income of associates accounted for using equity method	(311)	(10)
Total other comprehensive income	(22,335)	(1,202)
Comprehensive income	(19,898)	10,409
(Comprehensive income attributable to)		
Owners of the parent	(19,763)	9,832
Comprehensive income attributable to non-controlling interests	(135)	577

## Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2016 (From January 1, 2016 to June 30, 2016)	FY2017 (From January 1, 2017 to June 30, 2017)
Cash flows from operating activities		
Profit before income taxes	3,973	16,714
Depreciation and amortization	12,474	12,602
Increase (decrease) in net defined benefit liability	73	284
Interest and dividends income	(1,029)	(1,049)
Interest expenses	1,521	1,299
Foreign exchange losses (gains)	(955)	(167)
Equity in (earnings) losses of affiliates	(148)	(120)
Loss on retirement of noncurrent assets	351	345
Loss on product compensation	5,265	1,493
Loss on provision for product compensation	11,949	361
Decrease (increase) in notes and accounts receivable-trade	9,374	11,434
Decrease (increase) in inventories	(3,378)	(9,932)
Increase (decrease) in notes and accounts payable-trade	(13,894)	(7,349)
Other, net	1,534	(1,172)
Sub-total	27,112	24,744
Interest and dividends income received	1,069	1,043
Interest expenses paid	(1,682)	(1,201)
Payments of product compensation	(12,067)	(17,576)
Income taxes paid	(4,136)	(3,016)
Income taxes refund	2,023	12
Net cash provided by (used in) operating activities	12,318	4,006
Cash flows from investing activities		
Additions to property, plant and equipment	(12,926)	(11,261)
Proceeds from sales of property, plant and equipment	35	210
Additions to intangible assets	(221)	(167)
Proceeds from sales of intangible assets	—	4
Additions to investments in securities	(7)	(7)
Proceeds from sales and redemption of investment securities	798	221
Other, net	(5)	(14)
Net cash provided by (used in) investing activities	(12,327)	(11,014)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	4,931	8,438
Proceeds from long-term debt	4,028	200
Payments of long-term debt	(10,449)	(11,210)
Cash dividends paid	(3,170)	(3,171)
Dividends paid to non-controlling interests	(137)	(279)
Other, net	(91)	(89)
Net cash provided by (used in) financing activities	(4,889)	(6,112)
Effect of exchange rate change on cash and cash equivalents	(2,099)	(226)
Net Increase (decrease) in cash and cash equivalents	(6,997)	(13,347)
Cash and cash equivalents at beginning of the year	44,431	37,639
Cash and cash equivalents at end of the period	37,434	24,292