

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

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

Qualitative information about the quarterly financial results

(1) Business Results

- Net Sales: 295,243 million yen (an increase of 16,308 million yen or 5.8% from the same period for FY2016)
- Operating Income: 33,349 million yen (a decrease of 1,589 million yen or 4.5% from the same period for FY2016)
- Ordinary Income: 29,324 million yen (an increase of 639 million yen or 2.2% from the same period for FY2016)
- Profit attributable to owners of parent: 11,684 million yen (an increase of 4,097 million yen or 54.0% from the same period for FY2016)

(2) Results by Business Unit

The tire business unit posted net sales of 237,666 million yen (an increase of 15,908 million yen or 7.2% from the same period for FY2016) and an operating income of 33,380 million yen (an increase of 1,192 million yen or 3.7% from the same period for FY2016).

The DiverTech business unit posted net sales of 57,535 million yen (an increase of 399 million yen or 0.7% from the same period for FY2016) and an operating loss of (92) million yen (a decrease of 2,402 million yen from the same period for FY2016).

(3) Status of provision of reserves for product warranties and allowance for product repairs 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 Japan's 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.

For the third quarter of the fiscal year, the company posted an extraordinary loss of 4,386 million yen (product compensation response measure expenses of 2,278 million yen and a provision of reserve for product compensation of 2,108 million yen). This was because it became possible to calculate the progress of work, and the company recorded 1,173 million yen in cost of repairs and replacement of seismic isolation products, 529 million yen in compensation, etc., and 827 million yen in miscellaneous charges (mainly in payroll for the seismic isolation rubber task force).

Depending upon progress from next quarter's consolidated accounting period, if future costs arise (mainly business compensation and repairs for damage such as delayed damage, expenses, etc., when 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 situation

Total assets at the end of the third quarter of the consolidated accounting term were 486,047 million yen, a decrease of 5,041 million yen compared to the end of the prior consolidated accounting period.

Liabilities were 330,636 million yen, a decrease of 14,830 million yen compared to the previous consolidated year-end accounting term.

Interest-bearing liabilities were 132,100 million yen, a decrease of 829 million yen compared to the previous consolidated year-end accounting term.

Net assets as of the end of the third quarter of the consolidated accounting term were 155,410 million yen, an increase of 9,789 million yen compared to the end of the prior consolidated accounting period.

As a result, the capital ratio increased 2.2% compared with the previous consolidated year-end accounting term, to 31.0%.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2016	End of current fiscal year September 30, 2017
Assets		
Current Assets		
Cash and deposits	37,772	33,056
Notes and accounts receivable – trade	84,878	80,400
Merchandise and finished goods	50,446	56,547
Work in process	3,153	3,432
Raw materials and supplies	11,979	14,275
Other	25,478	29,158
Allowance for doubtful accounts	(492)	(524)
Total current assets	213,216	216,347
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	56,424	58,279
Machinery, equipment and vehicles, net	105,555	99,604
Other, net	40,507	35,866
Total property, plant and equipment	202,487	193,751
Intangible Assets		
Goodwill	1,650	1,548
Other	5,606	5,000
Total intangible assets	7,257	6,549
Investments and other assets		
Investment securities	49,007	53,261
Other	19,293	16,314
Allowance for doubtful accounts	(173)	(176)
Total investments and other assets	68,127	69,399
Total fixed assets	277,871	269,699
Total assets	491,088	486,047

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2016	End of current fiscal year September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable – trade	66,514	66,555
Short-term loans payable	53,138	50,358
Current portion of bonds	5,000	5,000
Accounts payable – other	20,058	19,928
Income taxes payable	2,698	5,625
Provision for product compensation	33,700	15,600
Other	21,601	22,898
Total current liabilities	202,712	185,967
Non-current liabilities		
Bonds payable	5,000	—
Long-term loans payable	69,343	76,375
Net defined benefit liability	10,045	10,497
Provision for product compensation	42,200	42,200
Other provision	49	38
Other	16,115	15,558
Total non-current liabilities	142,754	144,668
Total liabilities	345,466	330,636
Net assets		
Shareholders' equity		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	53,279	59,249
Treasury stock	(143)	(147)
Total shareholders' equity	112,128	118,093
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,435	25,386
Deferred gains or losses on hedges	(119)	(20)
Foreign currency translation adjustments	6,843	6,416
Remeasurements of defined benefit plans	290	707
Total accumulated other comprehensive income	29,450	32,491
Non-controlling interests	4,043	4,826
Total net assets	145,621	155,410
Total liabilities and net assets	491,088	486,047

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2016 (From January 1, 2016 to September 30, 2016)	FY2017 (From January 1, 2017 to September 30, 2017)
Net sales	278,934	295,243
Cost of sales	179,056	195,208
Gross profit	99,878	100,035
Selling, general and administrative expenses	64,940	66,685
Operating income	34,938	33,349
Non-operating income		
Interest income	304	367
Dividends income	1,105	1,070
Equity in earnings of affiliates	230	138
Other	1,026	833
Total non-operating income	2,666	2,410
Non-operating expenses		
Interest expenses	2,204	1,914
Foreign exchange losses	4,843	842
Financing expenses	—	700
Other	1,872	2,978
Total non-operating expenses	8,920	6,435
Ordinary income	28,684	29,324
Extraordinary income		
Gain on sales of investment securities	6,259	220
Total extraordinary income	6,259	220
Extraordinary loss		
Loss on retirement of non-current assets	441	535
Impairment loss	—	559
Loss on product compensation	8,489	2,278
Loss on provision for product compensation	13,924	2,108
Loss on alleged U.S. anti-trust law violation	—	5,244
Total extraordinary loss	22,855	10,726
Profit before income taxes	12,087	18,818
Income taxes	3,980	6,288
Profit	8,107	12,530
Profit attributable to non-controlling interests	519	845
Profit attributable to owners of parent	7,587	11,684

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2016 (From January 1, 2016 to September 30, 2016)	FY2017 (From January 1, 2017 to September 30, 2017)
Profit	8,107	12,530
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,692)	2,950
Deferred gains or losses on hedges	(29)	99
Foreign currency translation adjustment	(15,290)	(238)
Remeasurements of defined benefit plans, net of tax	113	417
Share of other comprehensive income of associates accounted for using equity method	(331)	28
Total other comprehensive income	(25,230)	3,257
Comprehensive income	(17,123)	15,787
(Comprehensive income attributable to)		
Owners of the parent	(17,170)	14,725
Comprehensive income attributable to non-controlling interests	46	1,062