

Summary Report of Consolidated Business Results  
for the Full-Year of Fiscal Year 2015  
(January 1, 2015 – December 31, 2015)

OSAKA, JAPAN –February 15, 2016 – Toyo Tire & Rubber Co., Ltd. (“the Company”; President: Takashi Shimizu) announces its Consolidated Business Results for the Full Year of Fiscal Year 2015 (January 1, 2015 through December 31, 2015) as follows:

Qualitative information about the quarter financial result

1. Business Results

●Net Sales	: 407,789 million yen (an increase of 14,007 million yen or 3.6% from the same period of for FY2014)
●Operating Income	: 63,381 million yen (an increase of 15,871 million yen or 33.4% from the same period of for FY2014)
●Ordinary Income	: 56,814 million yen (an increase of 10,270 million yen or 22.1% from the same period for FY2014)
●Net Income	: 1,674 million yen ( a decrease of 29,565 million yen or 94.6% from the same period for FY2014)

Results by Business Units were as follows:

(1) Tire Business Unit

The tire business unit posted net sales of 325,539 million yen (an increase of 13,330 million yen or 4.3% from the same period for FY2014) and operating income of 58,004 million yen (an increase of 12,685 million yen or 28.0% from the same period for FY2014)

(Original Equipment Tires)

In Japan, unit sales and net sales exceeded those of the same period last year on healthy sales of cars equipped with company products despite a decline in the number of automobiles produced in Japan due to the consumption tax increase and tax hike on light cars. Overseas unit sales and net sales also exceeded those of the same period last year as a result of acquiring new business. As a result, unit sales and net sales of original equipment tires overall exceeded the performance of the same period a year ago.

(Replacement Tires: for the Japanese Domestic Market)

The company concentrated on expanding sales through the release of the new Proxes CF2 SUV and Proxes CF2 models in the company's Proxes series global flagship ultra-high-performance (UHP) tire brand, but due to the consumption tax increase and tax hike on light cars as well as sluggish sales of studless tires accompanying a warm winter, both unit sales and net sales declined year on year.

(Replacement Tires: for Overseas Markets)

In North America, unit sales remained unchanged compared with the same period a year ago amid favorable North American automobile sales bolstered by a gentle economic recovery, but thanks to healthy sales of the company's core Open Country A/T II, Nitto

brand Terra Grappler and next-generation Terra Grappler G2 tires in the high-value-added SUV product category, net sales increased over last year. In Europe, unit sales equaled those of the previous year with the introduction of the new Open Country A/T Plus to meet demand for SUVs and 4x4s, but worsening market conditions caused net sales to decline from the same period a year ago.

As a result, for the overseas market overall unit sales declined compared to last year while net sales exceeded the performance of the same period a year ago.

## (2) DiverTech Business Units (Non-Tire Business Units)

The DiverTech units posted net sales of 82,038 million yen (an increase of 529 million yen or 0.7 % from the same period for FY2014) and an operating income of 3,955 million yen (an increase of 1,887 million yen or 91.2% from the same period for FY2014).

### (Transportation)

For domestic sales of anti-vibration rubber and seat cushions for automobiles, due in part to a decline in the number of automobiles produced in Japan caused by a rebound drop following rush demand prior to the consumption tax increase and other factors, sales in Japan declined compared to the same period a year ago, but thanks to steady sales of anti-vibration rubber overseas, overall net sales exceeded the performance of the same period last year. Demand for new railway cars declined in Japan, but net sales of air springs for railway cars remained at the same level as the previous year on robust sales for new railway cars overseas.

### (Thermal Insulation & Waterproof Materials)

In the thermal insulation materials segment, despite robust unit sales of materials to the agricultural sector net sales declined year on year due to sluggish sales of rigid polyurethane products to insulation material manufacturers. In the waterproofing materials segment, while sales in the water shielding sector remained steady, due to sluggish market conditions overall net sales declined compared with the same period last year.

### (Industrial & Building Materials)

In the industrial & building materials segment, sales of hoses increased, but due to suspension of sales of anti-vibration rubber for construction, net sales declined compared with the same period a year ago.

## (3) Status of provision of reserve for product warranties and allowance for product reparations pertaining to the company's anti-vibration rubber issue

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 anti-vibration rubber for construction, in some cases the certification was based on applications lacking technical grounds. In light of this matter, the company posted a provision of reserve for product warranties and allowance for product reparations as an extraordinary loss, the details of which are as follows.

(Unit : Million yen)

	1Q of FY2015 (A)	2Q of FY2015 (B)	3Q of FY2015 (C)	4Q of FY2015 (D)	Full Year of FY2015 (A+B+C+D)
1) Loss on provision for product compensation					
For 55 buildings	8,208	13,364	(432)	(2,912)	18,227
For 99 buildings	4,356	400	1,306	703	6,766
Charges	1,436	818	2,700	2,167	7,122
Compensation Cost, etc.	-	416	1,725	(758)	1,383
Sub. Total	14,000	15,000	5,300	(800)	33,500
2) Loss on product compensation					
For 55 buildings	-	40	865	3,930	4,836
For 99 buildings	-	-	17	602	620
Charges	-	1,240	2,117	1,625	4,982
Compensation Cost, etc.	-	105	815	1,814	2,735
Sub. Total	-	1,386	3,814	7,973	13,174
Total					
For 55 buildings	8,208	13,405	432	1,018	23,063
For 99 buildings	4,356	400	1,323	1,306	7,386
Charges	1,436	2,058	4,818	3,792	12,104
Compensation Cost, etc.	-	522	2,540	1,056	4,119
Grand Total	14,000	16,386	9,114	7,173	46,674

In the first quarter of the year ending December 2015, the company posted a 14 billion yen provision of reserve for product warranties as an extraordinary loss estimating the costs of measures based on anticipated replacement of 3,000 units in all 154 structures, including for replacement anti-vibration rubber products, repairs, structural re-calculation, miscellaneous expenses and development of replacement products

In the second quarter, the company posted an additional 16.386 billion yen extraordinary loss (15 billion yen for provision of reserve for product warranties and 1.386 billion yen allowance for product reparations) based on a change of assumed replacement in 55 structures using company products to other companies' products, for a cumulative second-quarter extraordinary loss of 30.386 billion yen.

In the third quarter, the company posted an additional 9.114 billion yen extraordinary loss (5.3 billion yen for provision of reserve for product warranties and 3.814 billion yen allowance for product reparations) having re-estimated the costs of measures, including replacement anti-vibration rubber products, repairs, structural re-calculation, miscellaneous expenses and development of replacement products, based on the same anticipated replacement of 3,000 units in all 154 structures as in the two quarters, as well as costs directly required for repairs, for a cumulative total third quarter extraordinary loss of 39,501 billion yen.

For the fourth quarter, the company posted an additional 7.173 billion yen extraordinary loss ((0.8 billion yen for provision of reserve for product warranties and 7.973 billion yen allowance for product reparations) resulting from factors for which there has been progress that can be calculated (1.5 billion yen for insurance following seismic isolation rubber replacement work,

1.1 billion yen for structural recalculation, and 0.8 billion yen for compensations); 1.2 billion to need using other companies' products in some of the 99 structures; 1.0 billion yen for the cost of repairs and replacement of seismic isolation products for 55 structures; 0.4 billion yen in payroll for the seismic isolation rubber task force; 0.2 billion yen for the cost of trial manufacturing of replacement products using the company's own products; for a cumulative fourth quarter extraordinary loss of 46.674 billion yen.

As it is difficult to reasonably estimate the amount at this point in time, in the event that costs arise in the future, an additional reserve for product warranties may be posted depending upon the progress of measures from FY2016 onward.

#### (4) Outlook for the Forthcoming Term

As for the outlook for 2016, while a gentle economic recovery is anticipated for North America, Europe and Japan, with the speed of economic growth declining in China and other emerging nations the environment surrounding the company group is expected to remain uncertain. Within this business environment, the Company will continue to promote its new three-year "2014 Mid-term Business Plan" growth strategy initiated in FY2014.

In the tire segment, backed by expanded production capacity at Toyo Tire North America Manufacturing Inc., Toyo's North American tire production subsidiary, the company will focus on further increasing sales of tires for light trucks and SUVs, which continue to sell well. Furthermore, the company will utilize its Malaysian tire production base, which expanded supply capacity last year, to increase exports to countries taking advantage of free trade agreements in the growing Southeast Asian region while continuing to increase sales in North America, Europe, Russia and other key markets.

In the DiverTech Business segment, as part of reevaluating its business the company will build a foundation for deploying strategic growth businesses and generating stable revenue by selecting and concentrating on automotive parts, polyurethane, components for railway cars and other profitable businesses in which it has technological advantages.

Outline of Consolidated Business Outlook for the Year Ended December 31, 2016 (FY2016) will be as follows,

Net Sales	:	420 Billion Yen
Operating Income	:	55 Billion Yen
Ordinary Income	:	51 Billion Yen
Net Income	:	30 Billion Yen

The projected exchange rate will be 1 US dollar = 115 yen, and 1 euro = 125 yen.

## 2. Qualitative data on consolidated financial position

Total assets for the end of the full year of consolidated FY2015 were 522,937 million yen, an increase of 40,971 million yen compared to the end of the prior consolidated accounting period. Liabilities were 347,572 million yen, an increase of 50,245 million yen compared to the previous consolidated year-end. And the interest-bearing liabilities were 162,035 million yen, an increase of 30,255 million yen compared to the previous consolidated year-end accounting terms.

Net assets as of the end of the third quarters consolidated accounting term were 175,364 million yen, a decrease of 9,273 million yen compared to the previous consolidated year-end accounting term.

As a result, the capital ratio decreased 4.6 % compared with the previous consolidated year-end accounting term, to 32.9 %.

## 3 Basic Policy on Profit Allocation and Dividends for the Current and Forthcoming

The Company's basic policy on profit allocation is to return an appropriate dividend based on a stable earnings structure with a view toward the long term upon securing internal reserves in order to fortify the company's financial strength and growth. Based on the aforementioned basic policy and full-year results, the company plans to pay a dividend of 45 yen per share for the current term. For the forthcoming term, based on the business results forecast for the period ending December 2015, the Company expects to pay a dividend of total 45 yen per share (interim; 20 yen per share, year-end; 25 yen per share)

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

#### Contingency liabilities

On March 12, 2015, the Company voluntarily reported to the Ministry of Land, Infrastructure, Transport and Tourism, that some of the Company's seismic isolation rubber products did not conform with the required performance standards. Subsequently, the Company found additional instances where product standards were not met. The Company plans to replace or repair the products as necessary to meet product performance standards. The Company has provisioned for future potential costs and compensation associated with this matter. It is possible that the Company's consolidated business results may be impacted by future additional reserves.

On October 14, 2015, the Company announced that test data involving anti-vibration rubber components for general industrial use had been falsified. The financial impact to the Company is difficult to assess at this time.

The company also paid compensation to customers of automotive anti-vibration rubber parts and CV joint boots for its role in fixing prices, which amounts have been posted as an extraordinary loss. Civil class action lawsuits have been brought against the company and its subsidiaries in the U.S. and Canada, which may impact the Company's consolidated results. It is difficult to reasonably estimate that cost at this time.

## Consolidated Balance Sheets

(Unit: Millions of yen)

	End of current fiscal year December 31, 2014	End of current fiscal year December 31, 2015
<b>Assets</b>		
Current Assets		
Cash and deposits	32,403	44,510
Notes and accounts receivable – trade	91,239	81,873
Merchandise and finished goods	49,362	56,041
Work in process	3,358	4,335
Raw materials and supplies	12,681	9,955
Deferred tax assets	7,503	16,538
Other	10,167	13,465
Allowance for doubtful accounts	(165)	(505)
Total current assets	206,550	226,214
Fixed Assets		
Property, plant and equipment		
Buildings and structures	101,674	107,773
Accumulated depreciation	(46,165)	(48,565)
Buildings and structures, net	55,509	59,208
Machinery, equipment and vehicles	280,907	301,376
Accumulated depreciation	(193,035)	(200,180)
Machinery, equipment and vehicles, net	87,871	101,196
Tools, furniture and fixtures	70,619	71,770
Accumulated depreciation	(61,754)	(62,787)
Tools, furniture and fixtures, net	8,864	8,982
Land	21,046	20,978
Lease assets	1,179	1,078
Accumulated depreciation	(775)	(630)
Lease assets, net	404	448
Construction in progress	22,047	20,248
Total property, plant and equipment	195,744	211,062
Intangible Assets		
Software	2,637	3,086
Goodwill	2,924	2,234
Other	3,891	3,049
Total intangible assets	9,453	8,370
Investments and other assets		
Investment securities	58,562	60,668
Long-term loans receivable	381	323
Net defined benefit asset	—	1,060
Deferred tax assets	3,161	2,553
Other	8,322	12,859
Allowance for doubtful accounts	(212)	(175)
Total investments and other assets	70,217	77,290
Total fixed assets	275,415	296,723
Total assets	481,966	522,937

## Consolidated Balance Sheets

(Unit: Millions of yen)

	End of current fiscal year December 31, 2014	End of current fiscal year December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable – trade	72,035	70,040
Short-term loans payable	39,884	50,353
Current portion of bonds	—	10,000
Accounts payable – other	20,675	19,748
Income taxes payable	10,578	4,304
Provision for directors' bonuses	79	30
Provision for sales returns	266	181
Provision for product compensation	—	33,500
Other	23,339	21,090
Total current liabilities	166,861	209,248
Noncurrent liabilities		
Bonds payable	20,000	10,000
Long-term loans payable	71,527	91,204
Provision for directors' retirement benefits	10	10
Provision for environmental measures	48	37
Net defined benefit liability	9,829	8,565
Deferred tax liabilities	27,686	27,190
Other	1,363	1,316
Total noncurrent liabilities	130,466	138,324
Total liabilities	297,327	347,572
Net assets		
Shareholders' equity		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	76,389	71,255
Treasury stock	(130)	(141)
Total shareholders' equity	135,249	130,105
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,372	28,070
Deferred gains or losses on hedges	(29)	32
Foreign currency translation adjustment	18,011	11,460
Remeasurements of defined benefit plans	1,971	2,182
Total accumulated other comprehensive income	45,326	41,745
Minority interests	4,062	3,513
Total net assets	184,638	175,364
Total liabilities and net assets	481,966	522,937

# Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2014 (From January 1, 2014 to December 31, 2014)	FY2015 (From January 1, 2015 to December 31, 2015)
Net sales	393,782	407,789
Cost of sales	260,870	254,288
Gross profit	132,911	153,500
Selling, general and administrative expenses	85,401	90,119
Operating income	47,510	63,381
Non-operating income		
Interest income	388	452
Dividends income	1,237	1,565
Foreign exchange gains	1,944	—
Equity in earnings of affiliates	345	356
Rent income	173	174
Other	1,044	1,092
Total non-operating income	5,132	3,641
Non-operating expenses		
Interest expenses	2,899	3,121
Foreign exchange losses	—	3,825
Loss from liquidation of receivables	138	172
Other	3,061	3,087
Total non-operating expenses	6,098	10,208
Ordinary income	46,543	56,814
Extraordinary income		
Gain on sales of noncurrent assets	4,663	—
Total extraordinary income	4,663	—
Extraordinary loss		
Loss on retirement of noncurrent assets	538	662
Loss on product compensation	—	13,174
Loss on provision for product compensation	—	33,500
Loss on alleged U.S. anti-trust law violation	—	4,209
Total extraordinary loss	538	51,546
Income before income taxes	50,668	5,267
Income taxes - current	16,462	12,036
Income taxes - deferred	2,273	(8,680)
Total income taxes	18,736	3,355
Income before minority interests	31,932	1,911
Minority interests in income	692	237
Net income	31,240	1,674



## Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2014 (From January 1, 2014 to December 31, 2014)	FY2015 (From January 1, 2015 to December 31, 2015)
Income before minority interests	31,932	1,911
Other comprehensive income		
Valuation difference on available-for-sale securities	3,142	2,697
Deferred gains or losses on hedges	76	62
Foreign currency translation adjustment	9,343	(6,988)
Remeasurements of defined benefit plans, net of tax	—	211
Share of other comprehensive income of associates accounted for using equity method	182	(57)
Total other comprehensive income	12,745	(4,074)
Comprehensive income	44,677	(2,162)
(Comprehensive income attributable to)		
Owners of the parent	43,963	(1,905)
Minority interests	714	(256)

## Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2014 (From January 1, 2014 to December 31, 2014)	FY2015 (From January 1, 2015 to December 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	50,668	5,267
Depreciation and amortization	21,858	24,828
Increase (decrease) in provision for retirement benefits	(13,231)	—
Increase (decrease) in net defined benefit liability	9,333	(1,949)
Increase (decrease) in provision for product compensation	—	33,500
Interest and dividends income	(1,625)	(2,017)
Interest expenses	2,899	3,121
Foreign exchange losses (gains)	(65)	(692)
Equity in (earnings) losses of affiliates	(345)	(356)
Loss on retirement of noncurrent assets	538	662
Loss (gain) on sales of noncurrent assets	(4,663)	—
Loss on product compensation	—	13,174
Loss on alleged U.S. anti-trust law violation	—	4,209
Decrease (increase) in notes and accounts receivable-trade	(5,087)	7,143
Decrease (increase) in inventories	(3,262)	(7,574)
Increase (decrease) in notes and accounts payable-trade	2,905	390
Other, net	8,097	1,026
Sub-total	68,018	80,733
Interest and dividends income received	1,599	2,021
Interest expenses paid	(3,193)	(3,572)
Payments of product compensation	—	(13,911)
Payments of alleged U.S. anti-trust law violation	(12,272)	(4,209)
Income taxes paid	(16,362)	(19,755)
Net cash provided by (used in) operating activities	37,789	41,305
Cash flows from investing activities		
Additions to property, plant and equipment	(35,277)	(45,110)
Proceeds from sales of property, plant and equipment	6,379	139
Additions to intangible assets	(1,391)	(1,118)
Proceeds from sales of intangible assets	—	4
Additions to investments in securities	(265)	(218)
Proceeds from sales and redemption of investment securities	3	211
Payments for additions to investments in subsidiaries resulting in change in scope of consolidation	93	—
Other, net	335	82
Net cash provided by (used in) investing activities	(30,122)	(46,009)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(2,535)	17,657
Payments for installment payables-property and equipment	(1,406)	(4,322)
Proceeds from long-term debt	15,356	44,277
Payments of long-term debt	(12,495)	(29,290)
Payments of redemption of bonds	(8,000)	—
Cash dividends paid	(3,044)	(8,244)
Dividends paid to minority shareholders	(244)	(369)
Other, net	(309)	(656)
Net cash provided by (used in) financing activities	(12,680)	19,051
Effect of exchange rate change on cash and cash equivalents	1,057	(2,311)
Net Increase (decrease) in cash and cash equivalents	(3,956)	12,036
Cash and cash equivalents at beginning of the year	36,352	32,395
Cash and cash equivalents at end of the period	32,395	44,431