

(Translation of report file with Tokyo Stock exchange on August 10, 2016)

Announcement of extraordinary loss and difference between consolidated forecast and actual results for the fiscal year 2016 ended 31 December, 2016

Osaka, Japan - August 10, 2016 - Toyo Tire & Rubber Co., Ltd. (hereinafter referred to as "the Company"; President: Takashi Shimizu) announced today that an extraordinary loss has arisen as follows in the FY2016 first half results (January 1, 2016 to June 30, 2016). The following announcement provides an overview of the extraordinary loss as well as the difference between consolidated forecast announced on May 13, 2016, and actual results for the fiscal year ended December 2016 announced today.

1. Details of extraordinary Loss

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 light of this matter, the company posted a provision of reserve for product warranties and allowance for product reparations as an extraordinary loss in the FY2016 first half results. 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)
1) Loss on product compensation			
For 55 buildings	16	1,092	1,108
For 99 buildings	-	85	85
Charges	1,004	1,240	2,244
Compensation Cost, etc.	1,013	721	1,734
Sub. Total	2,033	3,139	5,173
2) Loss on provision for product compensation			
For 55 buildings	5,552	1,700	7,253
For 99 buildings	107	2,462	2,570
Charges	999	323	1,323
Compensation Cost, etc.	525	86	612
Sub. Total	7,185	4,574	11,759
3) Total 1)+2)			
For 55 buildings	5,568	2,793	8,361
For 99 buildings	107	2,548	2,655
Charges	2,003	1,564	3,568
Compensation Cost, etc.	1,539	807	2,347
Grand Total	9,218	7,714	16,933

As indicated in 2Q of FY2016 Table 3) above Totals 1)+2), the company posted an extraordinary loss of 16,933 million yen (5,173 million yen for the cost of measures for after-care of products and 11,759 million yen for provision of reserve for product warranties) as a result of posting 2,793 million yen for the cost of repairs and replacement of seismic isolation products for 55 structures; 2,548 million yen for the cost of repairs and replacement of seismic isolation products for 99 structures; 807 million yen for compensations, etc.; and 1,564 million yen for miscellaneous expenses (mainly, 500 million yen in payroll for the seismic isolation rubber task force; 300 million yen for structural recalculation; 200 million yen for costs pertaining to equipment used for replacement of seismic isolation rubber; and 200 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 281 million yen in costs associated with the incident (91 million yen for the cost of measures for after-care of products and 190 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 third quarter onward.

2. Discrepancy between consolidated forecast and actual results for the fiscal year ended December 2016 (January 1, 2016 to June 30, 2016) (Units: Millions of Yen)

	Net sales	Operating income	Ordinary income	Profit (loss) attributable to owners of parent	Earnings per share (yen)
Previous Outlook (A) (Announced on May.13, 2016)	190,000	23,500	19,000	5,500	43.31
Business Results (B)	186,439	26,218	20,925	2,151	16.95
Change (B - A)	(3,561)	2,718	1,925	(3,349)	—
Percentage of change	(1.9%)	11.6%	10.1%	(60.9%)	—
(Reference) First Half of FY2015 (Jan. 1, 2015, to Jun. 30, 2015)	194,402	29,126	26,670	(4,156)	(32.73)

3. Revision to Consolidated financial projections for the full-year of fiscal year ending December 31, 2016. (January 1, 2016 to December 31, 2016) (Units: Millions of Yen)

	Net sales	Operating income	Ordinary income	Profit (loss) attributable to owners of parent	Earnings per share (yen)
Previous outlook (A) (Announced on May 13, 2016)	405,000	52,000	45,500	24,000	188.98
Revision of Outlook (B)	395,000	52,000	45,500	18,000	141.74
Change (B - A)	(10,000)	0	0	(6,000)	—
Percentage of change	(2.5%)	—%	—%	(25.0%)	—
(Reference) Results of FY2015	407,789	63,381	56,814	1,674	13.19

4. Reason for adjustment

For the cumulative six-month period, due to recording an additional extraordinary loss in the second quarter for the cost of measures for after-care of products and provision of reserve for product warranties, net income attributable to parent company shareholders for the quarter underperformed the prior forecast announced May 13, 2016.

For the full-year results forecast, likewise the previously announced projection of current net income attributable to parent company shareholders will be adjusted downward.

The projected exchange rate for the second half will be 1 US dollar = 105 yen, and 1 euro = 115 yen.

(Note) The above forecast has been prepared based on information available as of the day on which this data was released. Actual performance may differ due to a variety of future factors.