

# Consolidated Business Performance for the Third Quarter of the year Ending December 31, 2016

11 November, 2016

TOYO TIRE & RUBBER CO., Ltd.

## Major Topics

Consolidated Business Results for the Third Quarter of the Year Ending December 31, 2016 (FY2016)

Consolidated Business Outlook for the Year Ending December 31, 2016 (FY2016)

The forward-looking statement contained in these business forecasts and plans are based on information available at the current time and may contain potential risks and uncertainties.

Therefore, please keep in mind that actual results may, due to a variety of factors, differ from those expresses in the forward-looking statements.

# Highlights of Consolidated Business Results for the Third Quarter of the year Ending December 31, 2016 (FY2016)

## Consolidated Results

Although raw material prices dropped, due to a stronger yen and responses to changes in market conditions, net sales, operating income and ordinary income fell compared to the same period a year ago. Profit attributable to owners of parent was 7.6 billion yen despite an extraordinary loss of 22.9 billion yen (of which 22.0 billion was related to the seismic isolation rubber issue).

## Tire Business

In the original equipment tire segment, unit sales and net sales exceeded those of the same period a year ago both in Japan and abroad on robust sales of cars equipped with company products. For replacement tires, while unit sales increased over the same period last year, earnings and revenue decreased in Japan, the United States and in Europe.

## DiverTech Business

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, resulting in decreased earnings and revenue.

# Consolidated Business Results for the Third Quarter of FY2016

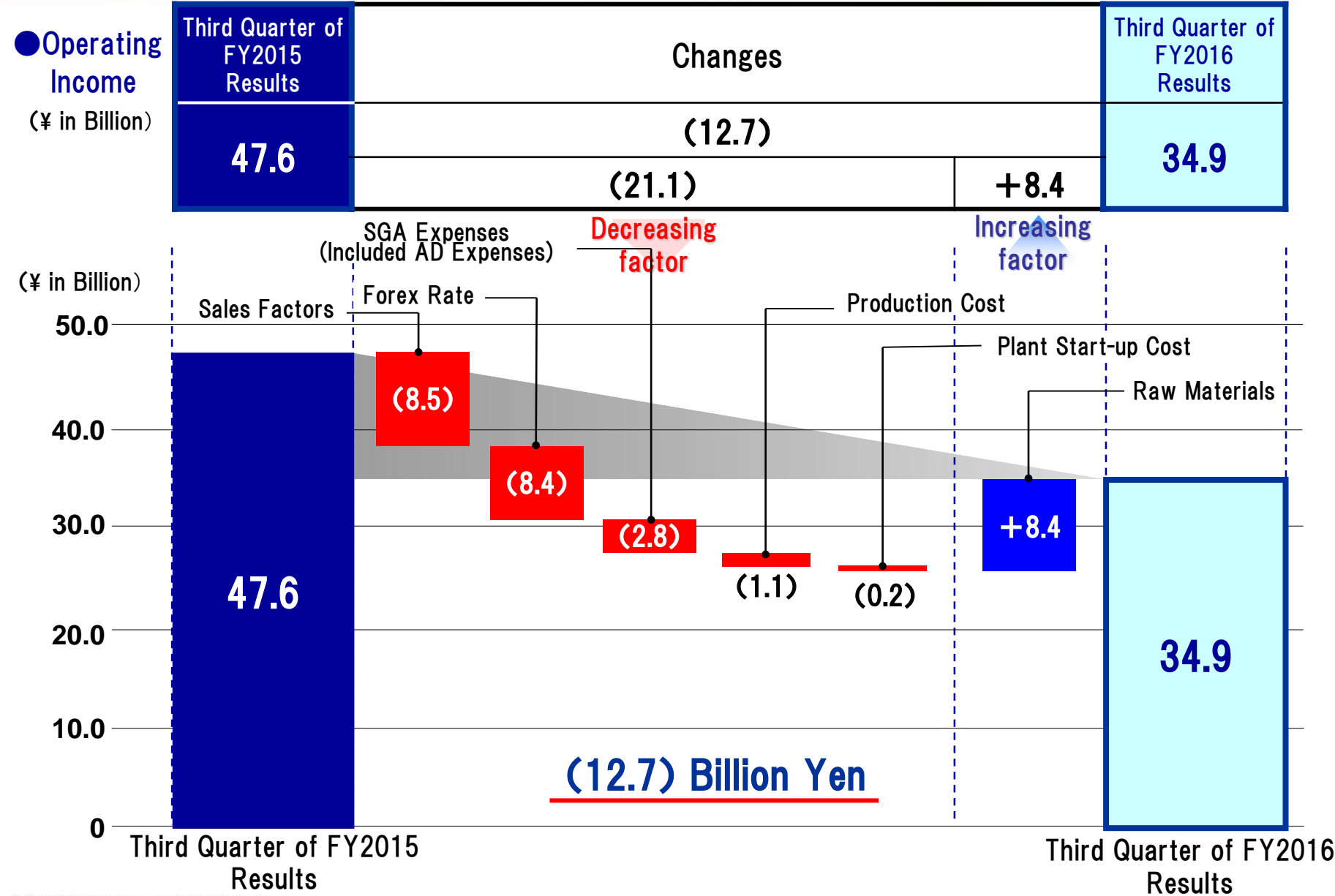
(unit: millions of yen)	Third Quarter of FY2016 Results	Third Quarter of FY2015 Results	Changes Amounts	Changes %
Net Sales	<b>278,934</b>	<b>300,955</b>	<b>(22,020)</b>	(7.3%)
Operating Income Operating Profit	<b>34,938</b> 12.5%	<b>47,611</b> 15.8%	<b>(12,672)</b> (3.3%)	(26.6%)
Ordinary Income	<b>28,684</b>	<b>41,626</b>	<b>(12,942)</b>	(31.1%)
Profit(loss) Attributable to Owners of Parent	<b>7,587</b>	<b>(4,315)</b>	<b>+11,902</b>	—

Forex Rate	US\$	<b>111Yen</b>	<b>121Yen</b>	<b>(10Yen)</b>
	€	<b>122Yen</b>	<b>136Yen</b>	<b>(14Yen)</b>

Forex Rate Sensibility 2016	
US\$	0.60 Billion Yen/Year
€	0.08 Billion Yen/Year

# Results for the Third Quarter of FY2016

## Factors contributing to the Changes in Operating Income



# Impact of Seismic Isolation Rubber Measures on Performance in 3Q of FY2016

(For Your Reference)

(unit: millions of yen)	1Q of FY2016 (A)	2Q of FY2016 (B)	3Q of FY2016 (C)	Nine Months Sum Total (A+B+C)	Full Year of FY2015
Loss on provision for product compensation For 55 buildings	5,568	2,793	940	9,302	23,063
Loss on provision for product compensation For 99 buildings	107	2,548	2,142	4,798	7,386
Charges	2,003	1,564	1,150	4,718	12,104
Compensation cost, etc.	1,539	807	858	3,206	4,119
<b>Total</b>	<b>9,218</b>	<b>7,714</b>	<b>5,091</b>	<b>22,025</b>	<b>46,674</b>

## (Breakdown of Calculation)

1Q of FY2016 (A)	Posted 5,568 million yen for the cost of repairs and replacement of seismic isolation products for 55 structures; 1,539 million yen for compensations; 500 million yen in payroll for the seismic isolation rubber task force; 400 million yen for structural recalculation; and 400 million yen for costs of equipment used for replacement of seismic isolation rubber.
2Q of FY2016 (B)	Additionally posted were 2,793 million yen for the cost of repairs and replacement of seismic isolation products for 55 structures; 2,548 million yen for the same costs for 99 structures; 807 million yen for compensations; and 1,564 million yen for miscellaneous expenses.
3Q of FY2016 (C)	Additionally posted were 940 million yen for the cost of repairs and replacement of seismic isolation products for 55 structures; 2,142 million yen for the same costs for 99 structures; 858 million yen for compensations; 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).
From the 4Q of FY2016 onward	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 the second quarter onward.

# Consolidated Business Results by Business Segment for the Third Quarter of the FY2016

## ● Net Sales

(unit: millions of yen)	Third Quarter of FY2016 Results	Third Quarter of FY2015 Results	Changes Amounts	Changes %
Tire	221,757	240,065	(18,307)	(7.6%)
DiverTec	57,136	60,693	(3,557)	(5.9%)
Others	170	337	(166)	(49.6%)
Adjustment	(130)	(142)	+11	—
Total	278,934	300,955	(22,020)	(7.3%)

※ Net sales includes sales or transfers of Inter-segment

## ● Operating Income

(unit: millions of yen)	Third Quarter of FY2016 Results	Third Quarter of FY2015 Results	Changes Amounts	Changes %
Tire Operating Profit	32,187 14.5%	43,700 18.2%	(11,512) (3.7%)	(26.3%)
DiverTec Operating Profit	2,310 4.0%	2,833 4.7%	(522) (0.6%)	(18.5%)
Others	92	166	(74)	(44.6%)
Adjustment	348	911	(563)	—
Total	34,938	47,611	(12,672)	(26.6%)

※ Amount of adjustment of segment profit includes intersegment eliminations

# Consolidated Business Results by Geographic Area Segment for the Third Quarter of the FY2016

## ● Net Sales

(unit: millions of yen)	Third Quarter of FY2016 Results	Third Quarter of FY2015 Results	Changes Amounts	Changes %
Japan	102,020	105,689	(3,669)	(3.5%)
North America	128,193	144,234	(16,041)	(11.1%)
Others	48,721	51,031	(2,310)	(4.5%)
Elimination & Corporate	—	—	—	—
Total	278,934	300,955	(22,020)	(7.3%)

## ● Operating Income

※ Net sales does not include sales or transfers of Inter-segment

(unit: millions of yen)	Third Quarter of FY2016 Results	Third Quarter of FY2015 Results	Changes Amounts	Changes %
Japan	22,248	40,330	(18,082)	(44.8%)
North America	5,569	6,418	(848)	(13.2%)
Others	4,576	1,765	+2,810	+159.3%
Elimination & Corporate	2,543	(903)	+3,447	—
Total	34,938	47,611	(12,672)	(26.6%)



# Revised Outline of Consolidated Business Outlook for the Year Ending December 31, 2016

(unit: millions of yen)	Revised Outlook for Full Year of FY2016	Previous Outlook for Full Year of FY2016 (10 Aug. 2016)	Changes Amounts	Changes %	Results of Full Year of FY2015	Changes Amounts
Net Sales	<b>380,000</b>	<b>395,000</b>	<b>(15,000)</b>	(3.8%)	<b>407,789</b>	<b>(27,789)</b>
Operating Income Operating Profit	<b>44,000</b> 11.6%	<b>52,000</b> 13.2%	<b>(8,000)</b> (1.6%)	(15.4%)	<b>63,381</b> 15.5%	<b>(19,381)</b> (3.9%)
Ordinary Income	<b>38,000</b>	<b>45,500</b>	<b>(7,500)</b>	(16.5%)	<b>56,814</b>	<b>(18,814)</b>
Profit(loss) Attributable to Owners of Parent	<b>12,000</b>	<b>18,000</b>	<b>(6,000)</b>	(33.3%)	<b>1,674</b>	<b>+10,326</b>

Forex Rate	US\$	<b>109Yen</b>	<b>109Yen</b>	<b>(0Yen)</b>
	€	<b>121Yen</b>	<b>121Yen</b>	<b>(0Yen)</b>

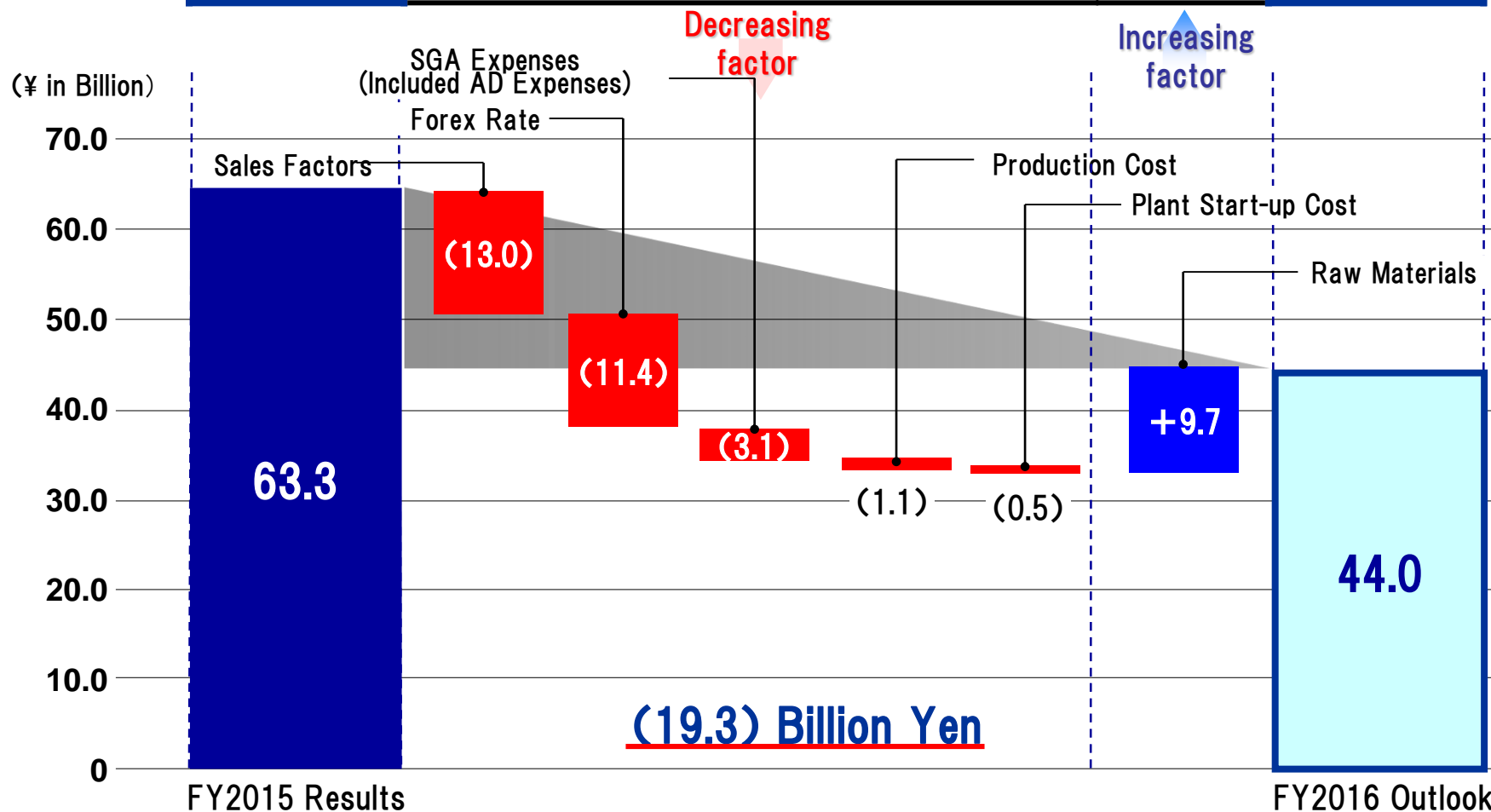
Forex Rate Sensibility 2016	
US\$	0.60 Billion Yen/Year
€	0.08 Billion Yen/Year

# Revised Outlook of the FY2016 (Year-on-year performance)

## Factors contributing to the Changes in Operating Income

● Operating Income  
(¥ in Billion)

FY2015 Results	Changes		Revised Outlook FY2016
63.3	(19.3)		44.0
	(29.1)	+9.7	



# Revised Consolidated Business Outlook by Business Segment for The FY2016

## ● Net Sales

(unit: millions of yen)	Revised Outlook of FY2016	Previous Outlook of FY2016 (10 Aug. 2016)	Changes Amounts	Changes %	Results of FY2015	Changes %
Tire	302,800	317,743	(14,943)	(4.7%)	325,539	(7.0%)
DiverTec	77,100	77,191	(91)	(0.1%)	82,038	(6.0%)
Others	100	66	+34	+52.4%	401	(75.1%)
Adjustment	0	0	0	—	(189)	—
Total	380,000	395,000	(15,000)	(3.8%)	407,789	(6.8%)

## ● Operating Income

※ Net sales includes sales or transfers of Inter-segment

(unit: millions of yen)	Revised Outlook of FY2016	Previous Outlook of FY2016 (10 Aug. 2016)	Changes Amounts	Changes %	Results of FY2015	Changes %
Tire Operating Profit	40,700 13.4%	48,908 15.4%	(8,208) (2.0%)	(16.8%)	58,004 17.8%	(29.8%)
DiverTec Operating Profit	3,100 4.0%	2,750 3.6%	+350 +0.5%	+12.7%	3,955 4.8%	(21.6%)
Others	200	342	(142)	(41.5%)	176	+13.6%
Adjustment	0	0	0	—	1,244	—
Total	44,000	52,000	(8,000)	(15.4%)	63,381	(30.6%)

# Revised Consolidated Business Outlook by Geographic Area Segment for the FY2016

## ●Net Sales

(unit: millions of yen)	Revised Outlook of FY2016	Previous Outlook of FY2016 (10 Aug. 2016)	Changes Amounts	Changes %	Results of FY2015	Changes %
Japan	143,500	144,152	(652)	(0.5%)	151,644	(5.4%)
North America	170,000	183,285	(13,285)	(7.2%)	188,816	(10.0%)
Others	66,500	67,563	(1,063)	(1.6%)	67,328	(1.2%)
Elimination & Corporate	—	—	—	—	—	—
Total	380,000	395,000	(15,000)	(3.8%)	407,789	(6.8%)

## ●Operating Income

※ Net sales does not include sales or transfers of Inter-segment

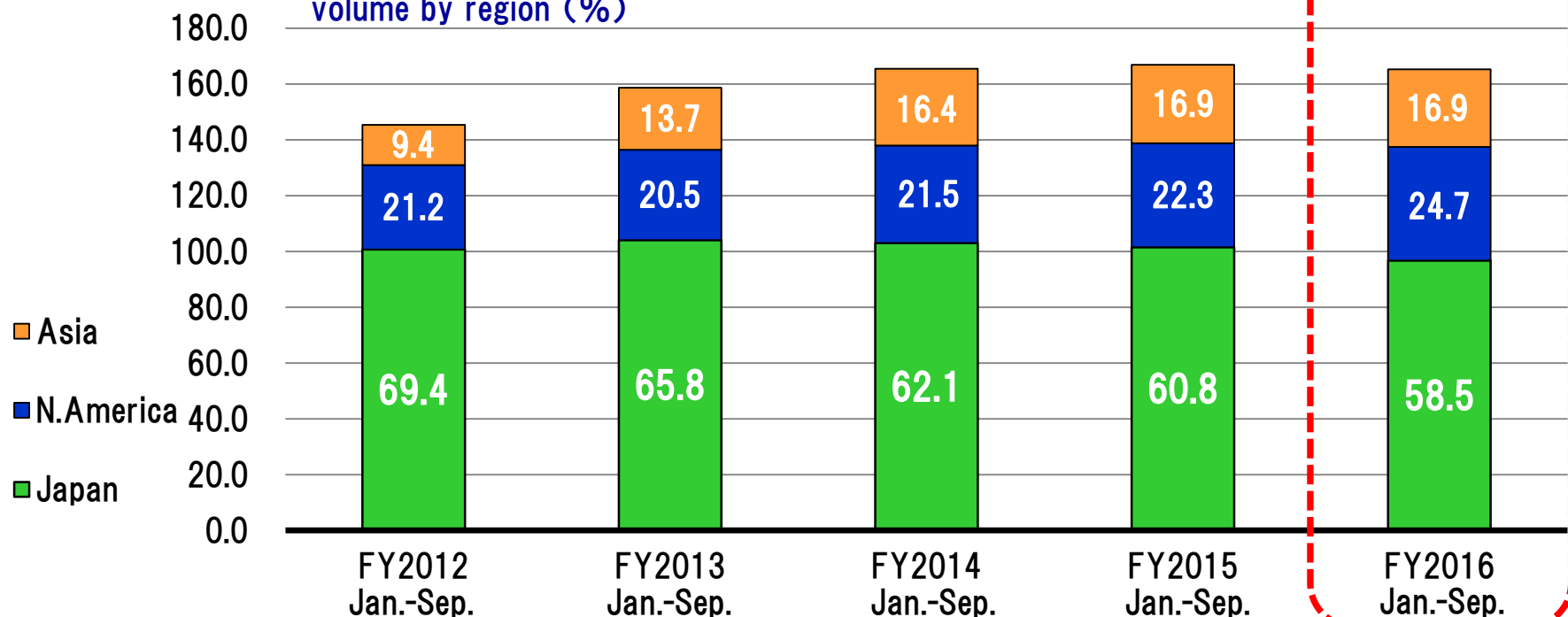
(unit: millions of yen)	Revised Outlook of FY2016	Previous Outlook of FY2016 (10 Aug. 2016)	Changes Amounts	Changes %	Results of FY2015	Changes %
Japan	31,100	36,542	(5,442)	(14.9%)	54,131	(42.5%)
North America	5,600	9,362	(3,762)	(40.2%)	6,978	(19.7%)
Others	6,200	4,686	+1,514	+32.3%	2,972	+108.6%
Elimination & Corporate	1,100	1,410	(310)	(22.0%)	(701)	—
Total	44,000	52,000	(8,000)	(15.4%)	63,381	(30.6%)

# (For Your Reference)

## Changes in the Tire Production (New Rubber Volumes)

Unit:1,000 Ton

※Bar graph indicating the percentage of the ratio of tire production volume by region (%)



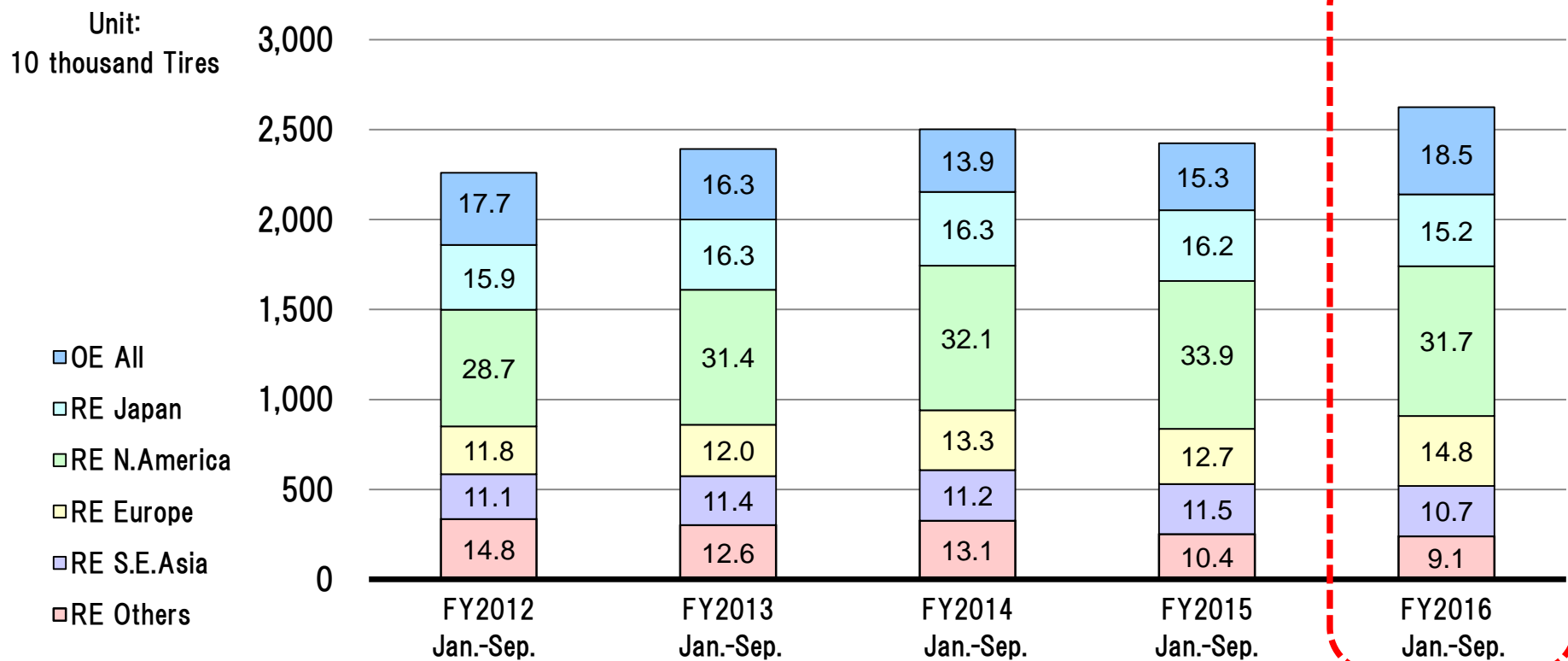
(unit:1,000 ton)	FY2012	FY2013	FY2014	FY2015
	Jan.-Sep.	Jan.-Sep.	Jan.-Sep.	Jan.-Sep.
Japan	100.7	104.1	103.0	101.6
N. America	30.3	32.4	35.0	37.2
Asia	14.4	22.2	27.5	28.1
<b>Total</b>	<b>145.4</b>	<b>158.7</b>	<b>165.5</b>	<b>166.9</b>

FY2016
Jan.-Sep.
96.7
40.8
27.9
<b>165.3</b>

# (For Your Reference)

## Ratio of Tire Sales Quantity by Geographic Area Segment

※ Numerical values for the Bar is the ratio of tire sold by region (%)



The ratio of tire sold by region (%)	FY2012	FY2013	FY2014	FY2015
	Jan.-Sep.	Jan.-Sep.	Jan.-Sep.	Jan.-Sep.
OE Total	17.7%	16.3%	13.9%	15.3%
RE Japan	15.9%	16.3%	16.3%	16.2%
RE Overseas	66.3%	67.3%	69.7%	68.5%
RE Total	82.3%	83.7%	86.1%	84.7%

FY2016
Jan.-Sep.
18.5%
15.2%
66.3%
81.5%

# (For Your Reference) Number of Tires sold by region compared to the previous year

Progress compared to previous year whereby prior year =100

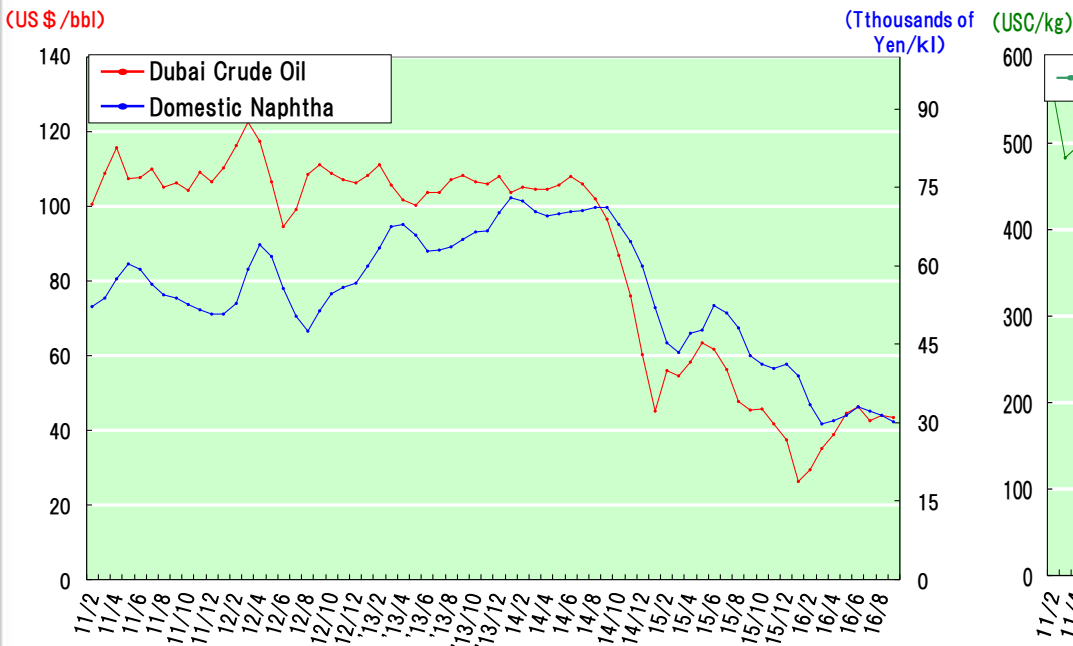
(Unit: %)	FY2012	FY2013	FY2014	FY2015
	Jan.-Sep.	Jan.-Sep.	Jan.-Sep.	Jan.-Sep.
OE Total	145	98	89	106
RE Japan	91	109	105	96
RE Overseas Total	100	107	108	95
RE N. America	92	116	107	102
RE Europe	102	108	116	92
RE S.E. Asia	101	109	103	100
Grand Total	104	106	105	97

FY2016
Jan.-Sep.
131
101
105
101
127
101
108

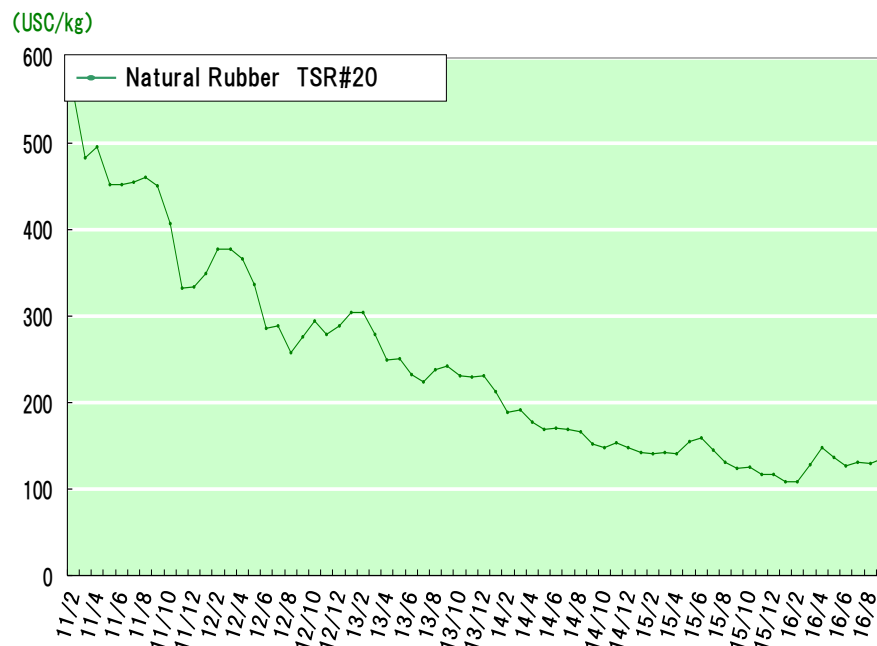
# (For Your Reference) Changes in Primary Material Prices

## ◆ Market Price Trends

Change in Dubai Oil and Domestic Naphtha Prices



Change in Natural Rubber TSR #20 Prices (SICOM)



## ◆ Price Changes & Impact by Primary Raw Material (Ordinary Income Basis)

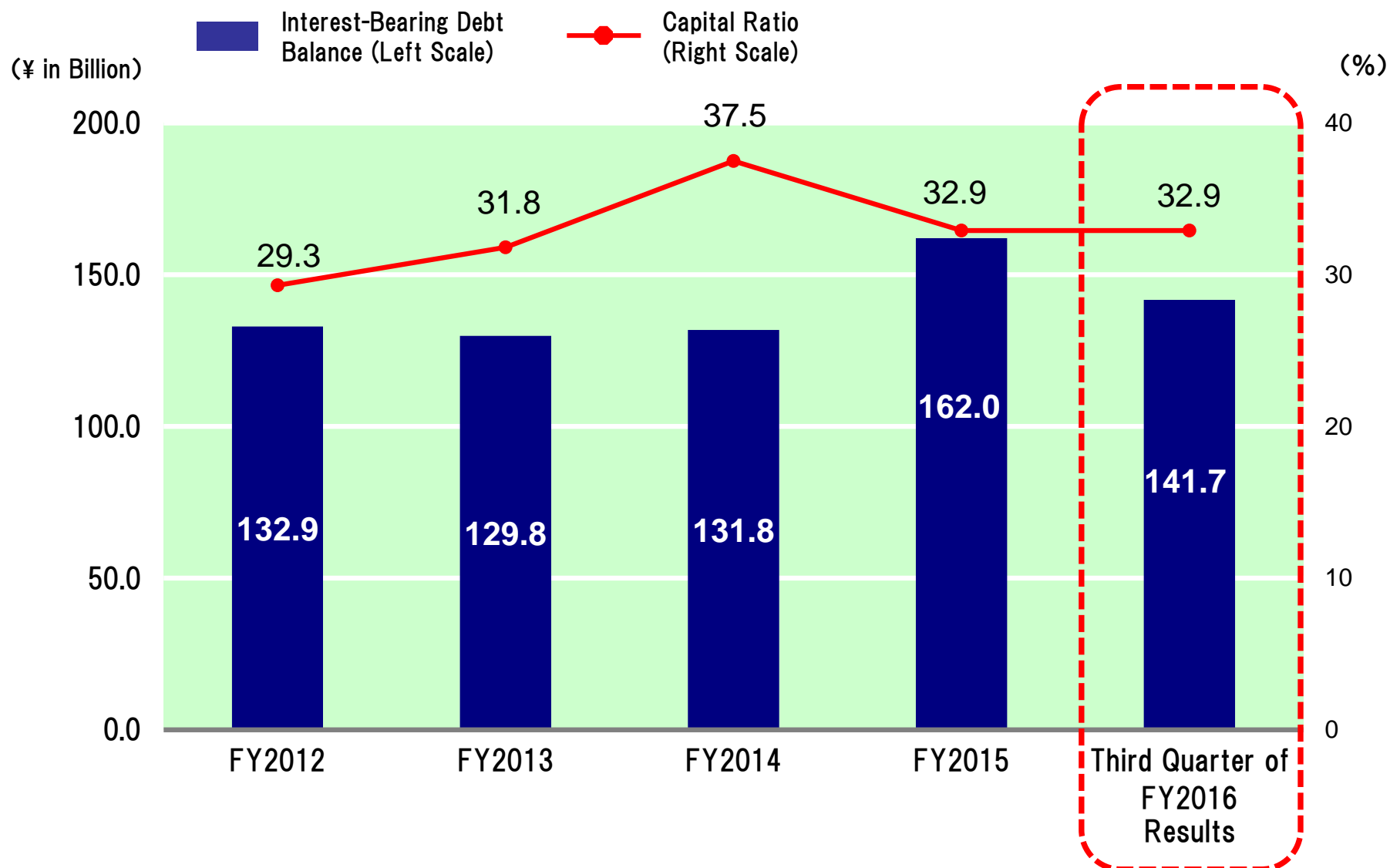
Raw Material	FY2012	FY2013	FY2014	FY2015
Natural Rubber	+8.4	+7.0	+6.9	+7.5
Product of petroleum (naphtha)	+0.4	+1.8	(0.9)	+9.9
Other Raw Materials*	(1.8)	+3.2	(0.4)	+0.4
Goods Purchased	(0.0)	(0.0)	+0.7	0.0
Total	+7.0	+12.0	+6.3	+17.8

(¥ in Billion)

FY2016 Jan.-Sep.
+2.8
+5.3
+0.4
0.0
+8.4



# Changes in Interest-Bearing Debt Balance and Capital Ratio



New tire products for SUVs & pickup trucks were rolled out to the North American markets.

**TOYO TIRES**



**OPEN COUNTRY C/T**

Release August



**OPEN COUNTRY Q/T**

Release August

**NITTO**



**RIDGE GRAPPLER™**

Release July

The introduction of “OPEN COUNTRY” into the Japanese market.

For SUV/CUV type Light Cars

**OPEN COUNTRY R/T**

Release October



***TOYO TIRES***  
*driven to perform*