

Summary Report of Consolidated Business Results
for Fiscal Year 2017
(January 1, 2017 – December 31, 2017)

HYOGO, JAPAN – February 15, 2018 - TOYO TIRE & RUBBER CO., LTD. (“the Company”; President: Takashi Shimizu) announces its Consolidated Business Results for Fiscal Year 2017 (January 1, 2017 through December 31, 2017):

Qualitative information about the quarterly financial results

(1) Business Results

- Net Sales: 404,999 million yen (an increase of 23,364 million yen or 6.1% from the same period for FY2016)
- Operating Income: 45,308 million yen (a decrease of 4,006 million yen or 8.1% from the same period for FY2016)
- Ordinary Income: 40,167 million yen (a decrease of 3,934 million yen or 8.9% from the same period for FY2016)
- Profit attributable to owners of parent: 15,476 million yen (an increase of 27,736 million yen from the same period for FY2016)

(2) Results by Business Unit

The tire business unit posted net sales of 327,097 million yen (an increase of 23,219 million yen or 7.6% from the same period for FY2016) and an operating income of 46,047 million yen (an increase of 642 million yen or 1.4% from the same period for FY2016).

The DiverTech business unit posted net sales of 77,860 million yen (an increase of 356 million yen or 0.5% from the same period for FY2016) and an operating loss of (851) million yen (a decrease of 4,630 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 the 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 fourth quarter of the fiscal year 2017, the company posted an extraordinary loss of 18,637 million yen (product compensation response measure expenses of 4,945 million yen and a provision of reserve for product compensation of 13,691 million yen). This was because it became possible to calculate the progress of work, and the company recorded 11,716 million yen in cost for repairs and replacement of seismic isolation products, 1,200 million yen in compensation, etc., and 1,333 million yen in miscellaneous charges (primarily, expenses related to equipment for replacing seismic rubber, in payroll for the seismic isolation rubber

task force, etc.).

Depending on the progress of how this is handled for the following fiscal year and beyond, 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 fourth quarter of the consolidated accounting period were 473,876 million yen, a decrease of 17,212 million yen compared to the end of the prior consolidated accounting period.

Liabilities were 310,061 million yen, a decrease of 35,405 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 119,963 million yen, a decrease of 12,967 million yen compared to the previous consolidated year-end accounting term.

Net assets as of the end of the fourth quarter of the consolidated accounting term were 163,815 million yen, an increase of 18,193 million yen compared to the end of the prior consolidated accounting period.

As a result, the capital ratio increased 4.8% compared with the previous consolidated year-end accounting term, to 33.6%.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2016	End of current fiscal year December 31, 2017
Assets		
Current Assets		
Cash and deposits	37,772	28,268
Notes and accounts receivable – trade	84,878	79,371
Merchandise and finished goods	50,446	54,312
Work in process	3,153	3,012
Raw materials and supplies	11,979	13,067
Deferred tax assets	14,403	8,952
Other	11,075	17,902
Allowance for doubtful accounts	(492)	(537)
Total current assets	213,216	204,349
Fixed Assets		
Property, plant and equipment		
Buildings and structures	107,244	107,943
Accumulated depreciation	(50,819)	(50,476)
Buildings and structures, net	56,424	57,466
Machinery, equipment and vehicles	314,790	312,612
Accumulated depreciation	(209,234)	(212,088)
Machinery, equipment and vehicles, net	105,555	100,524
Tools, furniture and fixtures	74,171	75,820
Accumulated depreciation	(65,385)	(66,429)
Tools, furniture and fixtures, net	8,786	9,390
Land	20,805	20,009
Lease assets	1,083	972
Accumulated depreciation	(662)	(652)
Lease assets, net	421	320
Construction in progress	10,494	4,285
Total property, plant and equipment	202,487	191,997
Intangible Assets		
Software	2,990	2,920
Goodwill	1,650	1,557
Other	2,615	2,559
Total intangible assets	7,257	7,037
Investments and other assets		
Investment securities	49,007	56,399
Long-term loans receivable	291	258
Net defined benefit asset	428	1,058
Deferred tax assets	5,818	3,163
Other	12,755	9,776
Allowance for doubtful accounts	(173)	(164)
Total investments and other assets	68,127	70,492
Total fixed assets	277,871	269,526
Total assets	491,088	473,876

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2016	End of current fiscal year December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable – trade	66,514	62,589
Commercial papers	—	2,000
Short-term loans payable	53,138	36,490
Current portion of bonds	5,000	5,000
Accounts payable – other	20,058	21,067
Income taxes payable	2,698	1,424
Provision for directors' bonuses	58	55
Provision for sales returns	242	242
Provision for product compensation	33,700	21,000
Other	21,301	22,537
Total current liabilities	202,712	172,407
Noncurrent liabilities		
Bonds payable	5,000	—
Long-term loans payable	69,343	76,130
Provision for directors' retirement benefits	14	10
Provision for environmental measures	35	305
Provision for product compensation	42,200	42,100
Net defined benefit liability	10,045	6,702
Deferred tax liabilities	14,841	11,023
Other	1,273	1,381
Total noncurrent liabilities	142,754	137,653
Total liabilities	345,466	310,061
Net assets		
Shareholders' equity		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	53,279	63,041
Treasury stock	(143)	(149)
Total shareholders' equity	112,128	121,883
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,435	27,555
Deferred gains or losses on hedges	(119)	(10)
Foreign currency translation adjustment	6,843	7,974
Remeasurements of defined benefit plans	290	1,676
Total accumulated other comprehensive income	29,450	37,195
Non controlling interests	4,043	4,735
Total net assets	145,621	163,815
Total liabilities and net assets	491,088	473,876

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Net sales	381,635	404,999
Cost of sales	245,367	268,017
Gross profit	136,267	136,982
Selling, general and administrative expenses	86,952	91,674
Operating income	49,315	45,308
Non-operating income		
Interest income	395	458
Dividends income	1,540	1,482
Equity in earnings of affiliates	274	186
Rent income	160	163
Other	1,218	1,012
Total non-operating income	3,590	3,303
Non-operating expenses		
Interest expenses	2,952	2,630
Foreign exchange losses	2,402	892
Financing expenses	—	700
Loss from liquidation of receivables	157	179
Other	3,289	4,042
Total non-operating expenses	8,802	8,444
Ordinary income	44,102	40,167
Extraordinary income		
Gain on sales of noncurrent assets	—	2,534
Gain on sales of investment securities	8,234	219
Gain on transfer of business	—	4,267
Total extraordinary income	8,234	7,022
Extraordinary loss		
Loss on retirement of noncurrent assets	605	724
Impairment loss	—	1,050
Loss on product compensation	12,098	4,945
Loss on provision for product compensation	55,097	13,691
Loss on alleged U.S. anti-trust law violation	—	5,244
Total extraordinary loss	67,801	25,657
Profit (loss) before income taxes	(15,463)	21,532
Income taxes - current	4,912	3,535
Income taxes - deferred	(8,692)	1,706
Total income taxes	(3,779)	5,241
Profit (loss)	(11,684)	16,291
Profit attributable to non controlling interests	576	814
Profit (loss) attributable to owners of parent	(12,260)	15,476

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Profit (loss)	(11,684)	16,291
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,634)	5,119
Deferred gains or losses on hedges	(151)	109
Foreign currency translation adjustment	(4,533)	1,252
Remeasurements of defined benefit plans, net of tax	(1,892)	1,385
Share of other comprehensive income of associates accounted for using equity method	(142)	68
Total other comprehensive income	(12,355)	7,935
Comprehensive income	(24,039)	24,226
(Comprehensive income attributable to)		
Owners of the parent	(24,556)	23,222
Comprehensive income attributable to non controlling interests	516	1,004

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Cash flows from operating activities		
Profit (loss) before income taxes	(15,463)	21,532
Depreciation and amortization	24,856	25,538
Increase (decrease) in net defined benefit liability	(643)	(976)
Interest and dividends income	(1,936)	(1,941)
Interest expenses	2,952	2,630
Foreign exchange losses (gains)	(339)	(50)
Equity in (earnings) losses of affiliates	(274)	(186)
Loss (gain) on sales of noncurrent assets	—	(2,534)
Loss (gain) on sales of investment securities	(8,234)	(219)
Loss (gain) on transfer of business	—	(4,267)
Loss on retirement of noncurrent assets	605	724
Impairment loss	—	1,050
Loss on product compensation	12,098	4,945
Loss on provision for product compensation	55,097	13,691
Loss on alleged U.S. anti-trust law violation	—	5,244
Decrease (increase) in notes and accounts receivable-trade	(4,617)	(1,115)
Decrease (increase) in inventories	2,551	(6,836)
Increase (decrease) in notes and accounts payable-trade	(2,245)	1,950
Other, net	2,907	(1,231)
Sub-total	67,313	57,947
Interest and dividends income received	2,133	1,916
Interest expenses paid	(3,235)	(2,759)
Payments of product compensation	(23,704)	(33,250)
Payments of alleged U.S. anti-trust law violation	—	(5,244)
Income taxes paid	(5,542)	(5,191)
Income taxes refund	1,900	12
Net cash provided by (used in) operating activities	38,865	13,430
Cash flows from investing activities		
Additions to property, plant and equipment	(23,765)	(20,888)
Proceeds from sales of property, plant and equipment	184	3,434
Additions to intangible assets	(1,010)	(1,019)
Proceeds from sales of intangible assets	3	5
Additions to investments in securities	(17)	(18)
Proceeds from sales and redemption of investment securities	10,786	222
Proceeds from transfer of business	—	7,615
Other, net	34	15
Net cash provided by (used in) investing activities	(13,785)	(10,633)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(5,182)	913
Increase (decrease) in commercial papers	—	2,000
Proceeds from long-term debt	9,953	22,560
Payments of long-term debt	(20,053)	(28,370)
Payments of redemption of bonds	(10,000)	(5,000)
Cash dividends paid	(5,708)	(5,714)
Dividends paid to non-controlling interests	(137)	(279)
Other, net	(188)	377
Net cash provided by (used in) financing activities	(31,317)	(13,513)
Effect of exchange rate change on cash and cash equivalents	(554)	963
Net Increase (decrease) in cash and cash equivalents	(6,792)	(9,752)
Cash and cash equivalents at beginning of the year	44,431	37,639
Cash and cash equivalents at end of the period	37,639	27,887