

Consolidated Business Performance for the Second Quarter of the Fiscal Year Ending December 31, 2018

10 Aug, 2018

TOYO TIRE & RUBBER CO., Ltd.

Major Topics

Consolidated Business Results for the Second Quarter of the Fiscal Year Ending December 31, 2018 (FY2018)

Consolidated Business Outlook for the Fiscal Year Ending December 31, 2018 (FY2018)

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

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

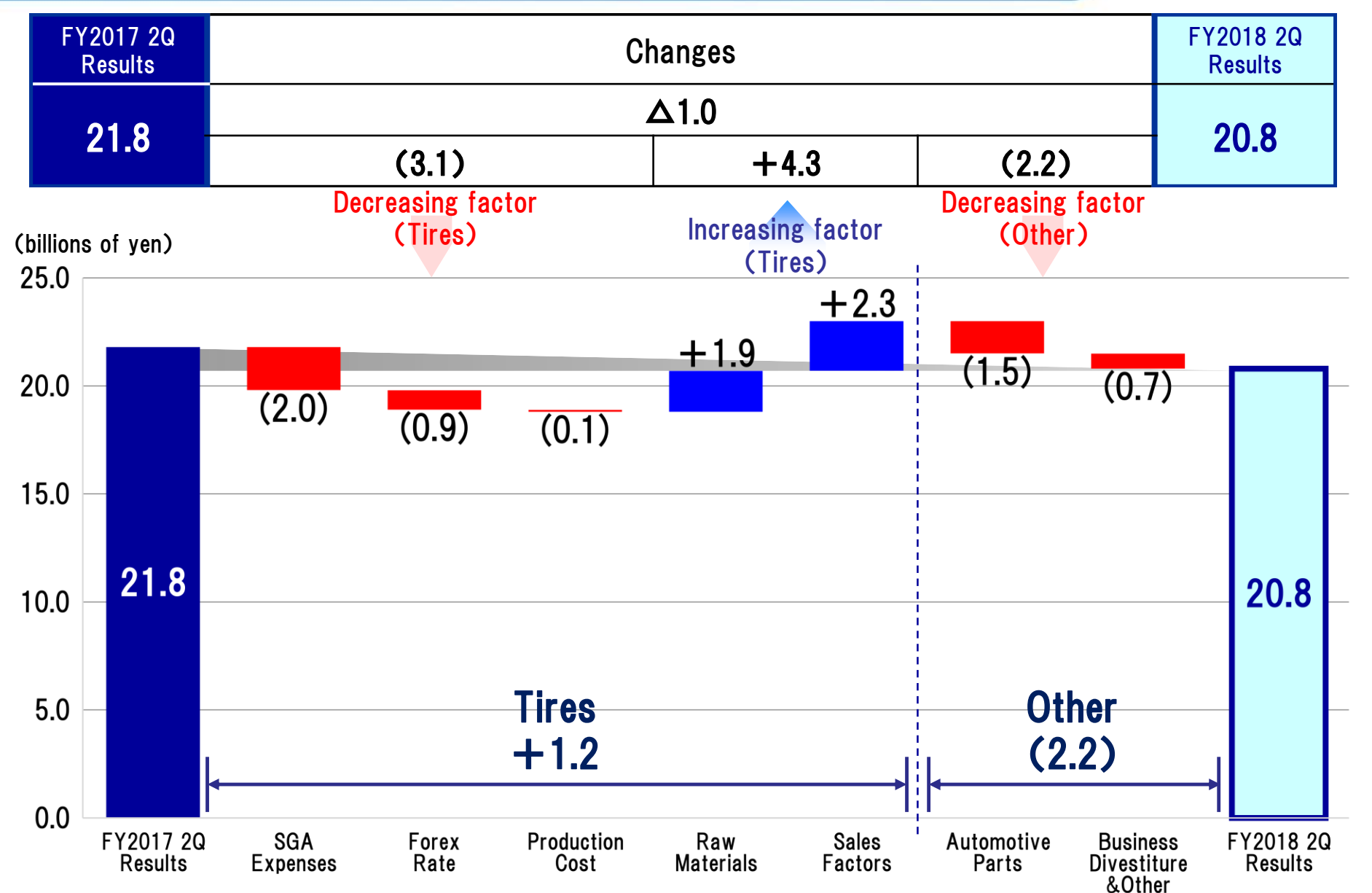
Consolidated Business Results for the Second Quarter of the Fiscal Year Ending December 31, 2018

(Unit: millions of yen)	FY2018 2Q Results	FY2017 2Q Results	Year-on-Year Change	Year-on-Year Change %	Fiscal Year 2018 Second Quarter Initial Forecast	Change versus Initial Forecast for Term
Net Sales	185,738	192,041	(6,302)	(3.3%)	189,000	(3,262)
Operating Income Profit Ratio	20,805 11.2%	21,834 11.4%	(1,028)	(4.7%)	20,600 10.9%	+205
Ordinary Income	19,009	18,695	+314	+1.7%	18,900	+109
Profit Attributable to Owners of Parent	7,068	11,076	(4,008)	(36.2%)	12,400	(5,332)

※Profit Attributable to Owners of Parent: Profit attributable to parent company shareholders

Forex Rate	USD	109 Yen	113 Yen	(4 Yen)
	EUR	132 Yen	121 Yen	+11 Yen

Forex Rate Sensibility 2018	
USD	0.50 Billion Yen/Year
EUR	0.10 Billion Yen/Year



Impact of Seismic Isolation Rubber Measures on Performance in the Second Quarter of the Fiscal Year Ending December 31, 2018

(For Your Reference)

(Unit: millions of yen)	1Q (A)	2Q (B)	Total (A+B)
For 55 buildings (disclosed on March 13, 2015)	—	7,729	7,729
For 99 buildings (disclosed on April 21, 2015)	—	(908)	(908)
Charges	724	2,568	3,293
Compensation costs, etc.	634	94	729
Total	1,359	9,484	10,844

FY2015 Full Year Results	FY2016 Full Year Results	FY2017 Full Year Results
23,063	17,034	608
7,386	35,068	12,281
12,104	10,418	3,156
4,119	4,260	2,590
46,674	66,781	18,637

(Breakdown of Calculation)

1Q of FY2018 (A)

The company posted an extraordinary loss of 1,359 million yen as a result of posting 634 million yen in compensation, etc., and 724 million yen in miscellaneous charges (primarily, in payroll for the seismic isolation rubber task force, etc.).

2Q of FY2018 (B)

The company posted an extraordinary loss of 10,844 million yen (product compensation response measure expenses of 2,312 million yen and a provision of reserves for product compensation of 8,531 million yen). This was because it became possible to calculate the progress of work, and the company recorded 6,820 million yen in cost for repairs and replacement of seismic isolation products, 94 million yen in compensation, etc., and 2,568 million yen in miscellaneous charges.

From the 2Q of FY2018 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.

Consolidated Business Results by Business Segment for the Second Quarter of the Fiscal Year Ending December 31, 2018

● Net Sales

(Unit: millions of yen)	FY2018 2Q Results	FY2017 2Q Results	Year-on-Year Change	Year-on-Year Change %
Tires	160,046	154,066	+5,980	+3.9%
Automotive Parts	25,661	26,370	(709)	(2.7%)
Chemical Industrial Products	—	11,580	(11,580)	—
Other	68	109	(41)	(37.6%)
Adjustments	(37)	(85)	+48	—
Total	185,738	192,041	(6,302)	(3.3%)

● Operating Income

※ Net sales include intersegment internal net sales or transfers

(Unit: millions of yen)	FY2018 2Q Results	FY2017 2Q Results	Year-on-Year Change	Year-on-Year Change %
Tires Profit Ratio	22,669 14.2%	21,461 13.9%	+1,207	+5.6%
Automotive Parts Profit Ratio	(1,901) (7.4%)	(366) (1.4%)	(1,535)	—
Chemical Industrial Products	—	692	(692)	—
Other	51	62	(11)	(17.7%)
Adjustments	(14)	(16)	+1	—
Total	20,805	21,834	(1,028)	(4.7%)

※ Segment profit adjustment amounts include intersegment eliminations

Consolidated Business Results by Geographic Area Segment for the Second Quarter of the Fiscal Year Ending December 31, 2018

● Net Sales

(Unit: millions of yen)	FY2018 2Q Results	FY2017 2Q Results	Year-on-Year Change	Year-on-Year Change %
Japan	54,533	66,297	(11,763)	(17.7%)
North America	92,679	89,383	+3,296	+3.7%
Other	38,525	36,360	+2,164	+6.0%
Eliminations or Corporate	—	—	—	—
Total	185,738	192,041	(6,302)	(3.3%)

※ Net sales include intersegment internal net sales or transfers

● Operating Income

(Unit: millions of yen)	FY2018 2Q Results	FY2017 2Q Results	Year-on-Year Change	Year-on-Year Change %
Japan	14,367	12,704	+1,663	+13.1%
North America	3,932	5,700	(1,768)	(31.0%)
Other	2,715	3,017	(301)	(10.0%)
Eliminations or Corporate	(210)	412	(623)	—
Total	20,805	21,834	(1,028)	(4.7%)

Revised Outline of Consolidated Business Outlook for the Full Fiscal Year Ending December 31, 2018

(Unit: millions of yen)	Revised Full-Year Outlook for FY2018	Full-Year Results for FY2017	Year-on-Year Change	Year-on-Year Change %	Fiscal Year 2018 Full Year Initial Forecast	Change versus Initial Forecast for Term
Net Sales	395,000	404,999	(9,999)	(2.5%)	400,000	(5,000)
Operating Income Profit Ratio	45,000 11.4%	45,308 11.2%	(308)	(0.7%)	47,000 11.8%	(2,000)
Ordinary Income	42,000	40,167	+1,833	+4.6%	44,300	(2,300)
Profit Attributable to Owners of Parent	22,000	15,476	+6,524	+42.2%	29,000	(7,000)

※Profit Attributable to Owners of Parent: Profit attributable to parent company shareholders

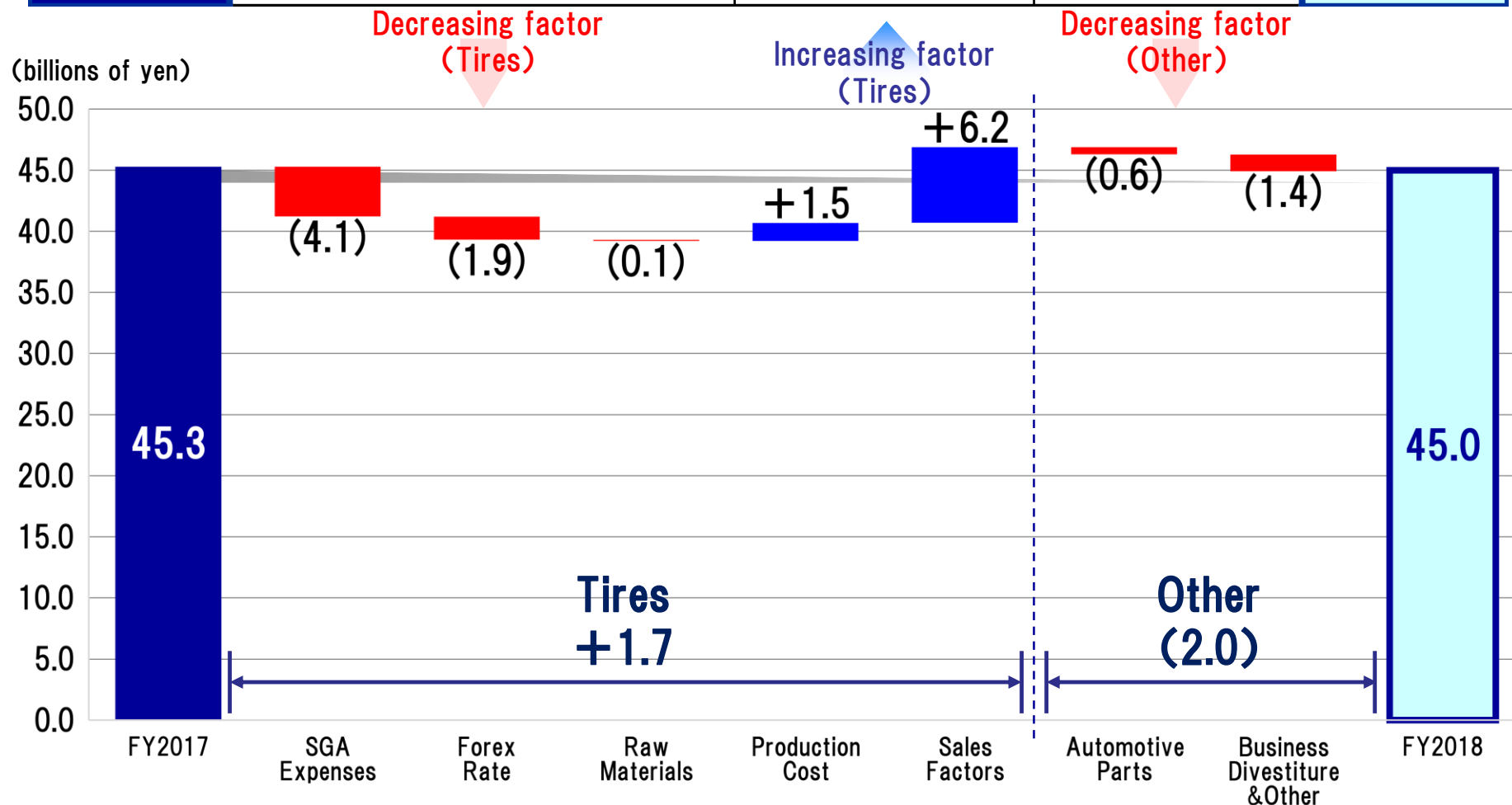
Forex Rate	USD	110 Yen	112 Yen	(2 Yen)
	EUR	131 Yen	126 Yen	+5 Yen

Forex Rate Sensibility 2018	
USD	0.50 Billion Yen/Year
EUR	0.10 Billion Yen/Year

Revised Outlook for the Full Fiscal Year Ending December 31, 2018

Factors Contributing to Changes in Operating Income

FY2017 Results	Changes			FY2018 Outlook
45.3	(0.3)			45.0
	(6.1)	+7.7	(2.0)	



Revised Consolidated Business Outlook by Business Segment for the Full Fiscal Year Ending December 31, 2018

● Net Sales

(Unit: millions of yen)	Revised Full-Year Outlook for FY2018	Full-Year Results for FY2017	Year-on-Year Change	Year-on-Year Change %	Fiscal Year 2018 Full Year Initial Forecast	Change versus Initial Forecast for Term
Tires	343,000	327,097	+15,903	+4.9%	348,000	(5,000)
Automotive Parts	51,900	53,150	(1,250)	(2.4%)	51,489	+411
Chemical Industrial Products	—	24,710	(24,710)	—	—	—
Other	100	203	(103)	(50.7%)	511	(411)
Adjustments	0	(161)	+161	—	0	0
Total	395,000	404,999	(9,999)	(2.5%)	400,000	(5,000)

※ Net sales include intersegment internal net sales or transfers

● Operating Income

(Unit: millions of yen)	Revised Full-Year Outlook for FY2018	Full-Year Results for FY2017	Year-on-Year Change	Year-on-Year Change %	Fiscal Year 2018 Full Year Initial Forecast	Change versus Initial Forecast for Term
Tires Profit Ratio	47,700 13.9%	46,047 14.1%	+1,653	+3.6%	47,700 13.7%	0
Automotive Parts Profit Ratio	(2,800) (5.4%)	(2,240) (4.2%)	(560)	—	(700) (1.4%)	(2,100)
Chemical Industrial Products	—	1,389	(1,389)	—	—	—
Other	100	151	(51)	(33.8%)	0	+100
Adjustments	0	(38)	+38	—	0	0
Total	45,000	45,308	(308)	(0.7%)	47,000	(2,000)

※ Segment profit adjustment amounts include intersegment eliminations

Revised Consolidated Business Outlook by Geographic Area Segment for the Full Fiscal Year Ending December 31, 2018

● Net Sales

(Unit: millions of yen)	Revised Full-Year Outlook for FY2018	Full-Year Results for FY2017	Year-on-Year Change	Year-on-Year Change %	Fiscal Year 2018 Full Year Initial Forecast	Change versus Initial Forecast for Term
Japan	122,000	146,562	(24,562)	(16.8%)	121,800	+200
North America	199,300	186,312	+12,987	+7.0%	202,300	(3,000)
Other	73,700	72,125	+1,574	+2.2%	75,900	(2,200)
Eliminations or Corporate	—	—	—	—	—	—
Total	395,000	404,999	(9,999)	(2.5%)	400,000	(5,000)

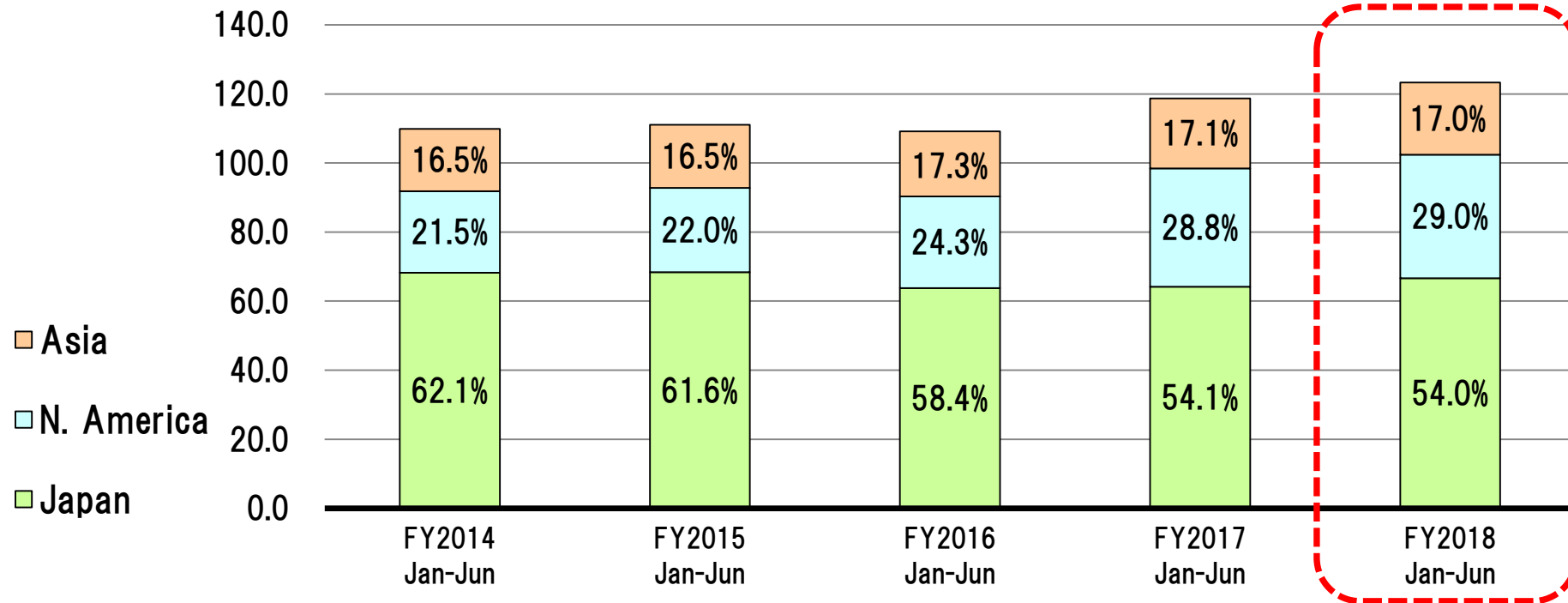
※ Net sales include intersegment internal net sales or transfers

● Operating Income

(Unit: millions of yen)	Revised Full-Year Outlook for FY2018	Full-Year Results for FY2017	Year-on-Year Change	Year-on-Year Change %	Fiscal Year 2018 Full Year Initial Forecast	Change versus Initial Forecast for Term
Japan	32,100	31,920	+180	+0.6%	31,400	+700
North America	9,200	8,652	+548	+6.3%	10,900	(1,700)
Other	4,600	4,888	(288)	(5.9%)	5,300	(700)
Eliminations or Corporate	(900)	(152)	(748)	—	(600)	(300)
Total	45,000	45,308	(308)	(0.7%)	47,000	(2,000)

(For Your Reference) Changes in Tire Production (New Rubber Volume)

(Unit: 1,000 Tons) ※Bar graph values show tire production volume composition ratio by region (%)

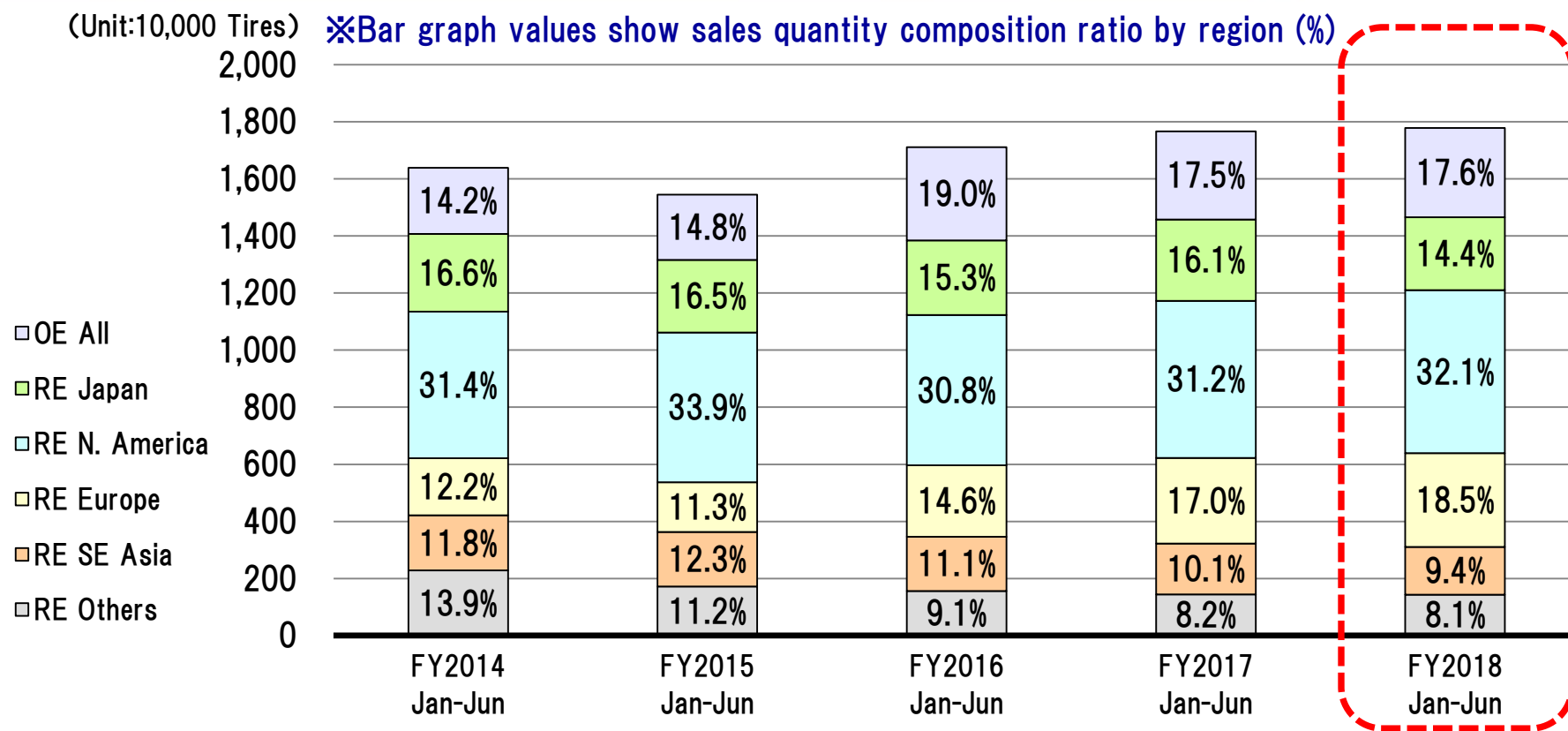


(Unit: 1,000 Tons)	FY2014	FY2015	FY2016	FY2017	FY2018
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
Japan	68.2	68.4	63.8	64.2*	66.6
N. America	23.6	24.4	26.5	34.2	35.8
Asia	18.1	18.3	18.9	20.3	20.9
Total	109.9	111.1	109.2	118.7*	123.3

*There is change from the numerical value which described in the Consolidated Business Results for the Second Quarter of the Fiscal Year Ending December 31, 2017 (announced on 10 Aug, 2017).

(For Your Reference)

Tire Sales Quantity Composition Ratio by Region



Sales Quantity Composition Ratio(%)	FY2014	FY2015	FY2016	FY2017	FY2018
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
RE Total	85.8%	85.2%	81.0%	82.5%	82.4%
Of which RE Overseas	69.2%	68.7%	65.7%	66.4%	68.1%
Of which RE Japan	16.6%	16.5%	15.3%	16.1%	14.4%
OE Total	14.2%	14.8%	19.1%	17.5%	17.6%

(For Your Reference) Year-on-Year Change in Number of Tires Sold by Region

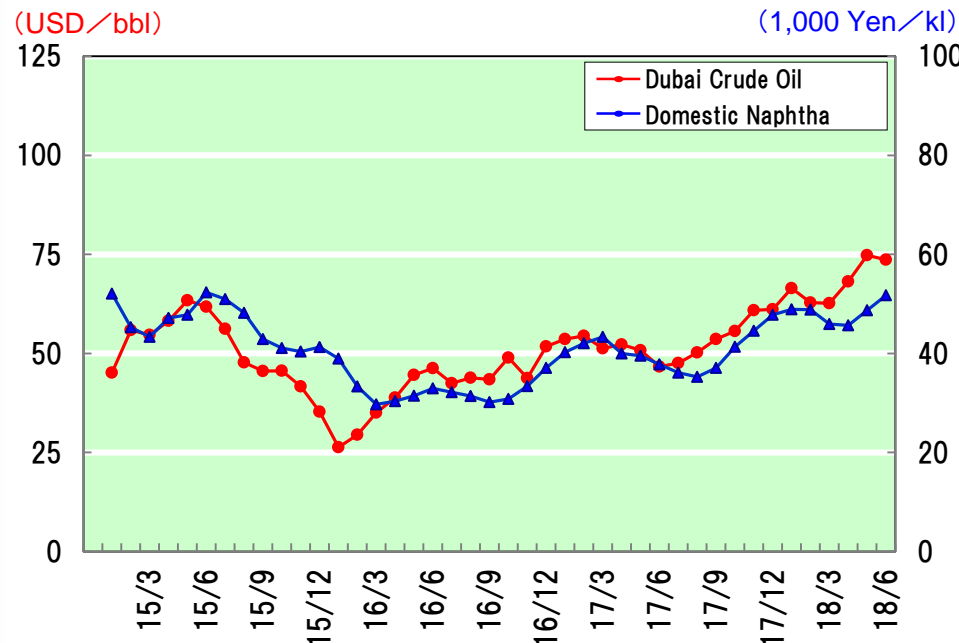
※Year-on-Year when the same period previous year = 100

(Unit: %)	FY2014	FY2015	FY2016	FY2017	FY2018
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
OE Total	88	99	143	95	101
RE Japan	107	94	103	109	90
RE Overseas Total	110	94	106	105	103
Of which N. America	107	102	100	105	104
Of which Europe	117	88	143	120	110
Of which SE Asia	104	99	100	93	94
Grand Total	106	94	111	103	101

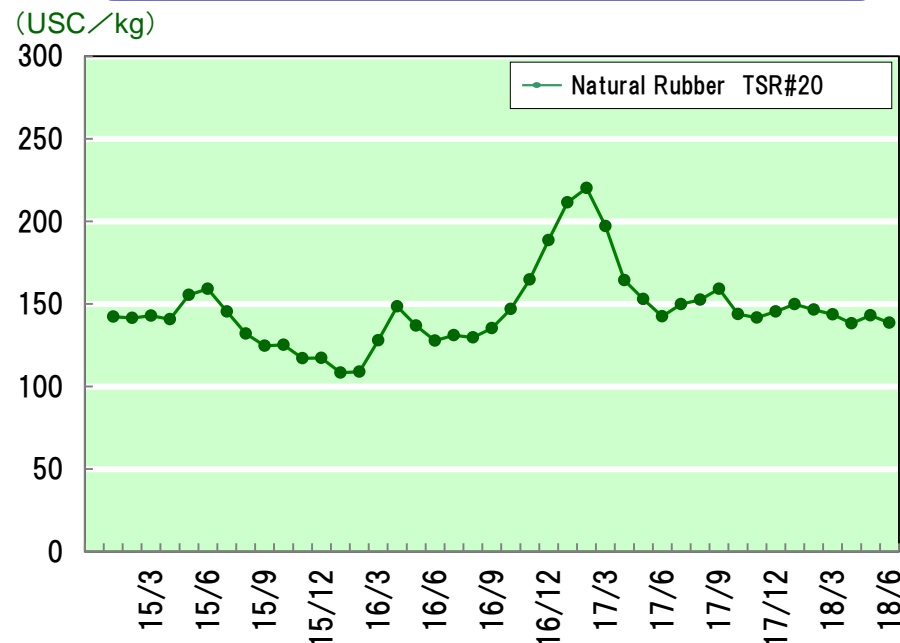
(For Your Reference) Price Changes in Major Raw Materials

◆Market Price Trends

Change in Dubai Crude Oil and Domestic Naphtha Prices



Change in Natural Rubber TSR #20 Prices (SICOM)



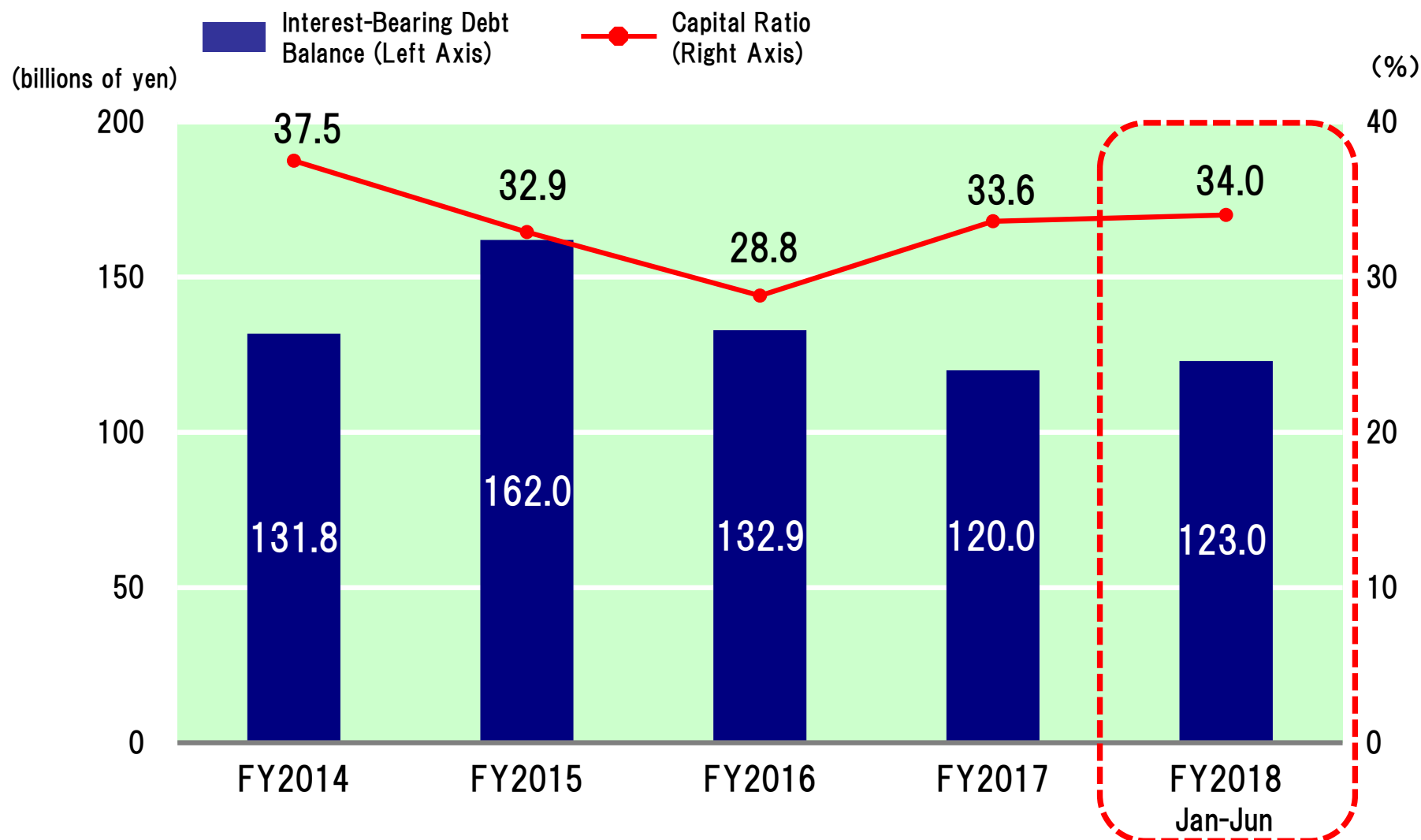
◆Price Changes & Impact by Raw Material (Operating Income Basis)

(Unit: billions of yen)

Raw Material	FY2014	FY2015	FY2016	FY2017	FY2018 Jan-Jun
Natural Rubber	+6.9	+7.5	+2.5	(7.5)	+1.8
Petroleum Products	(0.9)	+9.9	+6.4	(7.7)	+0.6
Other Raw Materials*	(0.4)	+0.4	+1.1	+1.3	Δ0.7
Goods Purchased	+0.7	0	0	0	0
Total	+6.3	+17.8	+10.0	(13.9)	+1.8

*Since FY2018, financial impact by raw material includes "variance of the estimate of inventory assets".

(For Your Reference) Changes in Interest-Bearing Debt Balance and Capital Ratio



TOYO TIRES
driven to perform