(Translation of report file with Tokyo Stock Exchange on February 15, 2019)

Announcement on extraordinary loss and difference between consolidated outlook and actual results in the fiscal year ended December 2018 and difference between non-consolidated results in the fiscal year ended December 2018 and results from the previous period

Hyogo, Japan – February 15, 2019 –Toyo Tire Corporation (President & CEO: Takashi Shimizu) announced today that an extraordinary loss in the closing of accounts for the fiscal year ended December 2018 (January 1, 2018–December 31, 2018). The following announcement provides an overview of the extraordinary loss as well as the difference between consolidated outlook announced on November 9, 2018 and the actual results announced today, and a difference between the non-consolidated results for the fiscal year ended December 2018 and the results for the previous period.

Note

1. Posting of extraordinary loss and related details

In the fiscal year ended December 2015, some products shipped by the company did not conform to performance evaluation criteria certified by the Japan’s Ministry of Land, Infrastructure, Transport and Tourism.

For the fourth quarter of fiscal year 2018, the company posted an extraordinary loss of 17,529 million yen (product compensation response measure expenses of 7,289 million yen and a provision of reserves for product compensation of 10,239 million yen). This was because it became possible to make calculations as the situation progressed, and the company recorded 4,333 million yen in cost for repairs and replacement of seismic isolation products, 258 million yen in compensation, etc., and 609 million yen in miscellaneous charges (primarily, in payroll for the seismic isolation rubber task force, etc.).

Depending on the progress of how this is handled in the following fiscal year and beyond, if future costs arise (mainly business compensation and repairs for damage such as delayed damages, 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.

2. Difference between consolidated outlook and actual results in the fiscal year ended December 2018 (January 1, 2018–December 31, 2018)

(1) Difference between consolidated outlook and actual results

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share (Yen)
Previously outlook (A) (Announced Nov. 9, 2018)	390,000	42,000	38,700	18,000	141.74
Actual result (B)	393,220	42,390	38,379	10,553	83.11
Change (B-A)	3,220	390	(321)	(7,447)	—
Percentage of change	0.8%	0.9%	(0.6%)	(40.8%)	—
(Reference) Results of FY2017	404,999	45,308	40,167	15,476	121.87

(2) Reason for the difference

Primarily, profit attributable to owners of parent fell short of the outlook announced November 9, 2018, because of the extraordinary loss and impairment loss discussed in item 1. above.

3. Difference between non-consolidated results in the fiscal year ended December 2018 (January 1, 2018–December 31, 2018) and results from the previous fiscal year

(1) Difference in the values for non-consolidated results and results of the previous fiscal year

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Current net income	Earnings per share (Yen)
Previous fiscal year (ended December 2017) results (A)	218,678	29,008	29,660	9,680	76.23
Current fiscal year (ended December 2018) results (B)	225,696	26,864	27,283	1,956	15.41
Change (B-A)	7,018	(2,144)	(2,377)	(7,724)	—
Percentage of change	3.2%	(7.4%)	(8.0%)	(79.8%)	—

(2) Reason for the difference

Primarily, current net income fell short of the results for the previous period, because gain on transfer of business and gain on sales of non-current assets in extraordinary income fell short of the results for the previous period, and provision of allowance for doubtful accounts for subsidiaries and associates and impairment loss in extraordinary loss exceeded results for the previous period.