

Summary Report of Consolidated Business  
Results for the Third Quarter of Fiscal Year 2015  
(January 1, 2015 – September 30, 2015)

OSAKA, JAPAN –November 9, 2015 - TOYO TIRE & RUBBER CO., LTD. (“the Company”; President: Takuji Yamamoto) announces its Consolidated Business Results for the Third Quarter of Fiscal Year 2015 (January 1, 2015 through September 30, 2015) as follows:

Qualitative information about the quarter financial result

1. Business Results

- Net Sales : 300,955 million yen (an increase of 13,680 million yen or 4.8% from the same period of for FY2014)
- Operating Income : 47,611 million yen (an increase of 13,600 million yen or 40.0% from the same period of for FY2014)
- Ordinary Income : 41,626 million yen (an increase of 8,851 million yen or 27.0% from the same period for FY2014)
- Net Loss : 4,315 million yen ( 23,510 million yen profit in the same period for FY2014)

Results by Business Units were as follows: (1) Tire Business Unit

The tire business unit posted net sales of 240,065 million yen (an increase of 13,192 million yen or 5.8% from the same period for FY2014) and operating income of 43,700 million yen (an increase of 11,956 million yen or 37.7% from the same period for FY2014)

(Original Equipment Tires)

While domestic sales were sluggish due to a decline in the number of automobiles produced in Japan caused by the sudden drop in demand following the consumption tax increase, overseas sales expanded steadily from new customer business. As a result, unit sales and net sales are ahead of the same period last year.

(Replacement Tires: for the Japanese Domestic Market)

Due to the consumption tax increase and other factors, both unit sales and net sales declined compared with the same period last year.

(Replacement Tires: for Overseas Markets)

In North America, unit sales remain unchanged compared with the same period a year

ago, but as a result of healthy sales in the high-value-added SUV product category, net sales increased. In Europe, unit sales and net sales declined from the same period last year due to a weakening economy. Net sales for the overseas markets as a whole increased due to results in North America.

## (2) DiverTech Business Units (Non-Tire Business Units)

The DiverTech units posted net sales of 60,693 million yen (an increase of 339 million yen or 0.6 % from the same period for FY2014) and an operating income of 2,833 million yen (an increase of 1,359 million yen or 92.3% from the same period for FY2014).

### (Transportation)

Domestic sales of anti-vibration rubber and seat cushions for automobiles were sluggish due to a decline in automobile production following the consumption tax increase. However, as a result of solid anti-vibration rubber sales overseas, net sales for this segment are ahead of the same period last year.

Net sales of air springs for railway cars increased compared to the same period last year as a result of robust sales to the maintenance and repair market in Japan.

### (Thermal Insulation & Waterproof Materials)

In the thermal insulation materials segment, net sales declined year on year due to sluggish sales of rigid polyurethane products to insulation material manufacturers while unit sales of materials to the agricultural sector has shown healthy growth. In the waterproofing materials segment, net sales declined compared with the same period last year.

### (Industrial & Building Materials)

In the industrial & building materials segment, sales of hoses increased, but due to the suspension of sales of building anti-vibration rubber, net sales declined compared with the same period a year ago.

## (3) Status of provisioning of reserves for product warranties and compensation pertaining to the building anti-vibration rubber matter

Some products shipped by the company did not conform to certification performance standards of the Ministry of Land, Infrastructure, Transport and Tourism. To address this, the company posted a reserve to cover future product warranties and compensation, which resulted in an extraordinary loss, the details of which are as follows.

(Unit : Million yen)

	1Q of FY2015 (A)	2Q of FY2015 (B)	First Half of FY2015 (A + B)	3Q of FY2015 (C)	Nine Months Sum Total (A + B + C)
Loss on provision for product compensation	14,000	15,000	29,000	5,300	34,300
Loss on product Compensation	—	1,386	1,386	3,814	5,201
Total	14,000	16,386	30,386	9,114	39,501

In the first quarter of 2015, the company posted a 14 billion yen reserve to cover the cost of replacing 3,000 units in all 154 structures.

For the second quarter, the company posted an additional 16.386 billion yen extraordinary loss to cover the cost of replacing products in an additional 55 structures, for a cumulative second-quarter extraordinary loss of 30.386 billion yen.

For the third quarter, the company posted an additional 9.114 billion yen extraordinary loss, having re-estimated the forecasted costs of the remedial measures, for a cumulative total third quarter extraordinary loss of 39,051 billion yen.

As it is difficult to reasonably estimate the total cost of the remediation amount at this time, it is possible that additional reserves may be necessary in the future.

## 2. Qualitative data on consolidated financial position

Total assets for the end of the third quarter consolidated accounting term were 509,115 million yen, an increase of 27,149 million yen compared to the end of the prior consolidated accounting period. Liabilities were 342,548 million yen, an increase of 45,220 million yen compared to the previous consolidated year-end accounting term. And the interest-bearing liabilities were 167,982 million yen, an increase of 36,202 million yen compared to the previous consolidated year-end accounting terms.

Net assets as of the end of the third quarter consolidated accounting term were 166,567 million yen, a decrease of 18,071 million yen compared to the previous consolidated year-end accounting term.

As a result, the capital ratio decreased 5.5 % compared with the previous consolidated year-end accounting term, to 32.0 %.

### 3. Qualitative data on forecasted consolidated results

For the full-year results forecast, as a result of better-than-expected market conditions and lower-than-expected raw material costs, the previously announced forecast (August 10, 2015) for operating income and ordinary income will be revised upward. However, due to additional posting of extraordinary losses in the third quarter, the previously announced forecast for current net income will be revised downward.

The projected exchange rate for the fourth quarter is 1 US dollar = 118 yen, and 1 euro = 130 yen. For details, please refer to “Announcement regarding Extraordinary Loss and Adjustment of Results Outlook” announced today.

### 4. Notes on consolidated financial statements (Note on consolidated balance sheet)

#### Contingent Liabilities

On March 12, 2015, the Company voluntarily reported to the Ministry of Land, Infrastructure, Transport and Tourism, that some of the Company’s seismic isolation rubber products did not conform with the required performance standards. Subsequently, the Company found additional instances where product standards were not met. The Company plans to replace or repair the products as necessary to meet product performance standards. The Company has provisioned for future potential costs and compensation associated with this matter. It is possible that the Company’s consolidated business results may be impacted by future additional reserves.

On October 14, 2015, the Company announced that test data involving anti-vibration rubber components for general industrial use had been falsified. The financial impact to the Company is difficult to assess at this time.

The company also paid compensation to customers of automotive anti-vibration rubber parts and CV joint boots for its role in fixing prices, which amounts have been posted as an extraordinary loss. Civil class action lawsuits have been brought against the company and its subsidiaries in the U.S. and Canada, which may impact the Company's consolidated results. It is difficult to reasonably estimate that cost at this time.

## Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2014	End of current fiscal year June 30, 2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and deposits	32,403	32,381
Notes and accounts receivable – trade	91,239	77,260
Merchandise and finished goods	49,362	56,788
Work in process	3,358	3,446
Raw materials and supplies	12,681	13,248
Other	17,670	20,357
Allowance for doubtful accounts	(165)	(253)
<b>Total current assets</b>	<b>206,550</b>	<b>203,229</b>
<b>Fixed Assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	55,509	62,489
Machinery, equipment and vehicles, net	87,871	91,748
Other, net	52,363	56,372
<b>Total property, plant and equipment</b>	<b>195,744</b>	<b>210,610</b>
<b>Intangible Assets</b>		
Goodwill	2,924	2,653
Other	6,528	6,274
<b>Total intangible assets</b>	<b>9,453</b>	<b>8,928</b>
<b>Investments and other assets</b>		
Investment securities	58,562	66,271
Other	11,866	14,024
Allowance for doubtful accounts	(212)	(178)
<b>Total investments and other assets</b>	<b>70,217</b>	<b>80,117</b>
<b>Total fixed assets</b>	<b>275,415</b>	<b>299,656</b>
<b>Total assets</b>	<b>481,966</b>	<b>502,886</b>

## Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2014	End of current fiscal year June 30, 2015
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	72,035	67,362
Short-term loans payable	39,884	50,005
Income taxes payable	10,578	695
Accounts payable – other	20,675	17,331
Provision for product compensation	—	29,000
Other	23,685	22,935
<b>Total current liabilities</b>	<b>166,861</b>	<b>187,330</b>
<b>Noncurrent liabilities</b>		
Bonds payable	20,000	20,000
Long-term loans payable	71,527	75,349
Net defined benefit liability	9,829	8,218
Other provision	59	55
Other	29,049	30,448
<b>Total noncurrent liabilities</b>	<b>130,466</b>	<b>134,073</b>
<b>Total liabilities</b>	<b>297,327</b>	<b>321,403</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	76,389	67,963
Treasury stock	(130)	(136)
<b>Total shareholders' equity</b>	<b>135,249</b>	<b>126,818</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	25,372	31,810
Deferred gains or losses on hedges	(29)	(4)
Foreign currency translation adjustments	18,011	17,232
Remeasurements of defined benefit plans	1,971	2,120
<b>Total accumulated other comprehensive income</b>	<b>45,326</b>	<b>51,159</b>
<b>Minority interests</b>	<b>4,062</b>	<b>3,504</b>
<b>Total net assets</b>	<b>184,638</b>	<b>181,482</b>
<b>Total liabilities and net assets</b>	<b>481,966</b>	<b>502,886</b>

## Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2014 (From January 1, 2014 to June 30, 2014)	FY2015 (From January 1, 2015 to June 30, 2015)
Net sales	187,322	194,402
Cost of sales	124,890	122,797
Gross profit	62,431	71,604
Selling, general and administrative expenses	40,928	42,477
Operating income	21,502	29,126
Non-operating income		
Interest income	214	240
Dividends income	647	846
Equity in earnings of affiliates	176	115
Other	577	463
Total non-operating income	1,615	1,666
Non-operating expenses		
Interest expenses	1,383	1,566
Foreign exchange losses	1,146	902
Other	1,068	1,654
Total non-operating expenses	3,598	4,123
Ordinary income	19,518	26,670
Extraordinary income		
Gain on sales of noncurrent assets	4,654	—
Total extraordinary income	4,654	—
Extraordinary loss		
Loss on retirement of noncurrent assets	300	257
Loss on product compensation	—	1,386
Loss on provision for product compensation	—	29,000
Total extraordinary loss	300	30,644
Income (loss) before income taxes	23,872	(3,973)
Income taxes	8,373	202
Income (loss) before minority interests	15,499	(4,176)
Minority interests in income (loss)	229	(19)
Net income (loss)	15,269	(4,156)

## Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2014 (From January 1, 2014 to June 30, 2014)	FY2015 (From January 1, 2015 to June 30, 2015)
Income (loss) before minority interests	15,499	(4,176)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,987)	6,438
Deferred gains or losses on hedges	107	25
Foreign currency translation adjustment	(2,768)	(1,000)
Remeasurements of defined benefit plans, net of tax	—	149
Share of other comprehensive income of associates accounted for using equity method	(87)	52
Total other comprehensive income	(4,737)	5,664
Comprehensive income	10,761	1,487
(Comprehensive income attributable to)		
Owners of the parent	10,623	1,676
Minority interests	138	(188)



## Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2014 (From January 1, 2014 to June 30, 2014)	FY2015 (From January 1, 2015 to June 30, 2015)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	23,872	(3,973)
Depreciation and amortization	10,519	12,156
Increase (decrease) in provision for retirement benefits	(3)	—
Increase (decrease) in net defined benefit liability	—	(2,156)
Increase (decrease) in provision for product compensation	—	29,000
Interest and dividends income	(861)	(1,087)
Interest expenses	1,383	1,566
Foreign exchange losses (gains)	181	(8)
Equity in (earnings) losses of affiliates	(176)	(115)
Loss on retirement of noncurrent assets	300	257
Loss (gain) on sales of noncurrent assets	(4,654)	—
Decrease (increase) in notes and accounts receivable-trade	6,865	13,638
Decrease (increase) in inventories	(5,270)	(8,051)
Increase (decrease) in notes and accounts payable-trade	103	(4,482)
Other, net	3,325	(650)
Sub-total	35,583	36,091
Interest and dividends income received	1,013	1,402
Interest expenses paid	(1,246)	(1,779)
Payments of alleged U.S. anti-trust law violation	(12,272)	—
Income taxes paid	(10,815)	(11,705)
Net cash provided by (used in) operating activities	12,263	24,009
Cash flows from investing activities		
Additions to property, plant and equipment	(15,281)	(27,195)
Proceeds from sales of property, plant and equipment	6,051	84
Additions to intangible assets	(768)	(373)
Additions to investments in securities	(255)	(206)
Proceeds from sales and redemption of investment securities	3	—
Other, net	(19)	23
Net cash provided by (used in) investing activities	(10,270)	(27,666)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(5,446)	14,333
Payments for installment payables-property and equipment	(1,064)	(3,789)
Proceeds from long-term debt	12,091	12,013
Payments of long-term debt	(6,149)	(12,117)
Cash dividends paid	(3,039)	(5,704)
Dividends paid to minority shareholders	(244)	(369)
Other, net	(191)	(115)
Net cash provided by (used in) financing activities	(4,045)	4,250
Effect of exchange rate change on cash and cash equivalents	(760)	(640)
Net Increase (decrease) in cash and cash equivalents	(2,813)	(47)
Cash and cash equivalents at beginning of the year	36,352	32,395
Cash and cash equivalents at end of the period	33,538	32,348