

Summary Report of Consolidated Business Results
for Full-Year of Fiscal Year 2016
(January 1, 2016 – December 31, 2016)

OSAKA, JAPAN – February 15, 2017 - TOYO TIRE & RUBBER CO., LTD. (“the Company”; President: Takashi Shimizu) announces its Consolidated Business Results for the Full Year of Fiscal Year 2016 (January 1, 2016 through December 31, 2016) as follows:

Qualitative information about the quarter financial results

(1) Business Results

●Net Sales	: 381,635 million yen (a decrease of 26,153 million yen or 6.4% from the same period of for FY2015)
●Operating Income	: 49,315 million yen (a decrease of 14,066 million yen or 22.2% from the same period of for FY2015)
●Ordinary Income	: 44,102 million yen (a decrease of 12,711 million yen or 22.4% from the same period for FY2015)
●Loss attributable to owners of parent company	: (12,260) million yen (1,674 million yen profit from the same period for FY2015)

Results by Business Units were as follows:

【Tire Business Segment】

The tire business segment posted net sales of 303,878 million yen (a decrease of 21,660 million yen or 6.7% from the same period for FY2015) and operating income of 45,405 million yen (a decrease of 12,598 million yen or 21.7% from the same period for FY2015)

(Original Equipment Tires)

In Japan, unit sales and net sales exceeded those of the same period a year ago on robust sales of cars equipped with company products despite a continuing decline in the number of automobiles produced in Japan. Overseas unit sales and net sales also outperformed those of the same period last year due to acquiring new business. As a result, unit sales and net sales for the original equipment tire market as a whole exceeded the performance of the same period a year ago.

(Replacement Tires: for the Japanese Domestic Market)

In Japan, amid sluggish sales for the industry as a whole, sales of summer and winter tires were robust on the Company's efforts to expand sales by bolstering its product line, and thus, unit sales outperformed the previous year, but net sales remained at the same level as last year.

(Replacement Tires: for Overseas Markets)

In the overseas market for replacement tires, amid intensifying competition in the U.S., as a result of adding Open Country C/T and Country Q/T lineups to the Open Country series core brand light truck tires under the Toyo brand, as well strong sales of the Open Country A/T II core light truck tire, the new Ridge Grappler large-diameter Nitto brand tire

in the off-road category, a strength of the Company, and the core light truck Terra Grappler G2 tire, unit sales exceeded the prior year's performance. In Europe, unit sales grew through aggressive establishment and expansion of sales channels. Thus, unit sales for the overseas market overall increased compared to the year-ago period, but net sales declined year-on-year due to a strong yen and other factors.

【DiverTech Business Segment (Non-Tire Business Segment)】

The DiverTech segment posted net sales of 77,503 million yen (a decrease of 4,534 million yen or 5.5 % from the same period for FY2015) and an operating income of 3,779 million yen (a decrease of 176 million yen or 4.5% from the same period for FY2015).

(Transportation)

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. For air springs and anti-vibration rubber for railway cars, sales were robust for the overseas new car market but sluggish for Japan's repair market, resulting in a year-on-year decline of net sales.

(Thermal Insulation & Waterproof Materials)

In the thermal insulation materials segment, net sales of rigid polyurethane products to insulation material manufacturers sales declined year-on-year due to sluggish sales. In the waterproofing materials segment, net sales also declined compared to the same period a year ago due to sluggish demand for waterproof sheets, a core product.

(Industrial & Building Materials)

In the industrial & building materials segment, sales of industrial rubberized fabrics increased, but net sales declined year-on-year due in part to significant sales last year of road materials for large-scale projects.

(2) Status of provision of reserve for product warranties and allowance for product reparations pertaining to the company's seismic isolation rubber issue

In the prior fiscal year (ended December 31, 2015), some products shipped by the company did not conform to certification performance standards of the Ministry of Land, Infrastructure, Transport and Tourism, and when applying for ministry certification for seismic isolation rubber for construction, in some cases the certification was based on applications lacking technical grounds.

In the financial results for the first half results, the company posted an extraordinary loss for the cost of measures for product after-care and for provision of reserve for product warranties pertaining to the incidents, the details of which are as follows.

(Unit : Millions of yen)

	1Q of FY2016 (A)	2Q of FY2016 (B)	3Q of FY2016 (C)	4Q of FY2016 (D)	Full Year of FY2016 (A+B+C+D)
1) Loss on product compensation					
For 55 buildings	16	1,092	1,217	847	3,173
For 99 buildings	—	85	173	675	934
Charges	1,004	1,240	1,230	1,610	5,085
Compensation Cost, etc.	1,013	721	591	449	2,775
Sub. Total	2,033	3,139	3,212	3,583	11,969
2) Loss on provision for product compensation					
For 55 buildings	5,552	1,700	(276)	6,883	13,860
For 99 buildings	107	2,462	1,968	29,595	34,134
Charges	999	323	(80)	4,089	5,332
Compensation Cost, etc.	525	86	267	604	1,484
Sub. Total	7,185	4,574	1,879	41,172	54,812
3) Total					
For 55 buildings	5,568	2,793	940	7,731	17,034
For 99 buildings	107	2,548	2,142	30,270	35,068
Charges	2,003	1,564	1,150	5,699	10,418
Compensation Cost, etc.	1,539	807	858	1,054	4,260
Grand Total	9,218	7,714	5,091	44,756	66,781

As indicated in 4Q (D) Table 3) above Totals 1) + 2), with the situation progressing so that further calculations are possible, the Company posted an extraordinary loss of 66.781 billion yen (11.969 billion yen for the cost of measures for after-care of products and 54.812 billion yen for provision of reserve for product warranties) as a result of posting 7.731 billion yen for the cost of repairs and replacement of seismic isolation products for 55 structures; 30.270 billion yen for the cost of repairs and replacement of seismic isolation products for 99 structures; 1.054 billion yen for compensations, etc.; and 5.699 billion yen for miscellaneous expenses (mainly, 2.1 billion yen for structural recalculation; 1.8 billion yen for costs pertaining to equipment used for replacement of seismic isolation rubber; 500 million yen for the cost of trial manufacturing of replacement products using the company's own products; and 500 million yen in payroll for the seismic isolation rubber task force).

Additionally, in the prior fiscal term ended December 2015, falsified testing data provided to customers relating to some industrial anti-vibration rubber was discovered, which resulted in posting an extraordinary loss to cover 413 million yen in costs associated with the incident (127 million yen for the cost of measures for after-care of products and 285 million yen for provision of reserve for product warranties). Together with the seismic isolation rubber issue, this resulted in an extraordinary loss of 67.195 billion yen (12.098 billion yen for the cost of measures for after-care of products and 55.097 billion yen for provision of reserve for product warranties).

As it is difficult to reasonably estimate the amount at this point in time, if costs arise in the future (mainly reparations such as compensation for business and delay damages and costs if the amount already in reserve for costs of newly discovered repairs is exceeded), an additional reserve for product warranties may be posted depending upon the progress of measures from the next period onward.

(3) Qualitative data on consolidated financial position

Total assets for the end of the full year of consolidated accounting term were 491,088 million yen, a decrease of 31,848 million yen compared to the end of the prior consolidated accounting period.

Liabilities were 345,466 million yen, a decrease of 2,106 million yen compared to the previous consolidated year-end accounting term. And the interest-bearing liabilities were 132,930 million yen, a decrease of 29,105 million yen compared to the previous consolidated year-end accounting terms.

Net assets as of the end of the full year of consolidated accounting term were 145,621 million yen, a decrease of 29,742 million yen compared to the previous consolidated year-end accounting term.

As a results, the capital ratio has been 28.8 %.

(4) Outlook for next year

The overseas economy in the coming year is expected to remain uncertain owed to factors including the direction of policies of U.S.'s new administration, Great Britain's exit from the EU, and slowing growth in China and other developing nations. Japan's economy also looks to remain on a gentle recovery.

In this environment, the Company group will implement measures based on its four-year mid-term business plan from FY2017, scheduled to be announced March 10, 2017.

In the tire segment, backed by the increased production capacity of Toyo Tire North America Manufacturing Inc., the company's North American tire production subsidiary, and establishment in 2017 of local R&D center functions there through enhancement and bolstering of product development functions and personnel in its R&D division, the Company will focus on further expanding products and sales of tires for light trucks, which continue to be a driver of sales.

In the DiverTech segment, the Company will implement a foundation for stable earnings by continuing the process of selection and concentration through reassessment of its business, rolling out strategic growth ventures, developing high-value-added products, and expanding sales.

The projected exchange rate will be 1 US dollar = 110 yen, and 1 euro = 115 yen.

(5) Notes on consolidated financial statements (Note on consolidated balance sheet)

Contingency liabilities

- 1) The Company had been manufacturing and selling seismic isolation rubber itself and through its subsidiary Toyo Chemical Industrial Products, Ltd. that was certified by Japan's Ministry of Land, Infrastructure, Transport and Tourism. However, it was

discovered that some delivered products did not conform to ministry certification performance standards, and on March 12, 2015, the Company voluntarily reported this fact to the ministry. Additionally, several times in the past the Company had received ministry certification for seismic isolation rubber, but it was also discovered that in some cases, the certification was based on applications lacking technical grounds.

With respect to this matter, the company has envisaged every possibility and considered future handling and measures, and as a policy has decided in principal to replace all units of the concerned products with products that conform to the performance standards required in the initial design phase provided there is no objection from the concerned parties including owners, tenants, clients and construction firms.

A provision of reserve for product warranties due to the incident has been posted for the cost of repairs for which the amounts can be reasonably estimated. Depending upon progress from the next quarter's consolidated accounting period, additional posting of a provision of reserve for product warranties may impact the company's consolidated results, but at the present time it is difficult to reasonably estimate the amount.

2) On November 26, 2013 (U.S. time), the company agreed with the U.S. Department of Justice to pay a fine of 120 million USD for breach of U.S. antitrust law pertaining to sales of automotive anti-vibration rubber parts and joint boots, and on February 6, 2014 (U.S. time), the company received and complied with the judgement of the court order to pay this amount.

Class action concerning this matter has been brought against the company and its subsidiaries in the U.S. and Canada, which may impact the company's consolidated results, but at this stage it is difficult to make a reasonable estimate of any such result.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of current fiscal year December 31, 2015	End of current fiscal year December 31, 2016
Assets		
Current Assets		
Cash and deposits	44,510	37,772
Notes and accounts receivable – trade	81,873	84,878
Merchandise and finished goods	56,041	50,446
Work in process	4,335	3,153
Raw materials and supplies	9,955	11,979
Deferred tax assets	16,538	14,403
Other	13,465	11,075
Allowance for doubtful accounts	(505)	(492)
Total current assets	226,214	213,216
Fixed Assets		
Property, plant and equipment		
Buildings and structures	107,773	107,244
Accumulated depreciation	(48,565)	(50,819)
Buildings and structures, net	59,208	56,424
Machinery, equipment and vehicles	301,376	314,790
Accumulated depreciation	(200,180)	(209,234)
Machinery, equipment and vehicles, net	101,196	105,555
Tools, furniture and fixtures	71,770	74,171
Accumulated depreciation	(62,787)	(65,385)
Tools, furniture and fixtures, net	8,982	8,786
Land	20,978	20,805
Lease assets	1,078	1,083
Accumulated depreciation	(630)	(662)
Lease assets, net	448	421
Construction in progress	20,248	10,494
Total property, plant and equipment	211,062	202,487
Intangible Assets		
Software	3,086	2,990
Goodwill	2,234	1,650
Other	3,049	2,615
Total intangible assets	8,370	7,257
Investments and other assets		
Investment securities	60,668	49,007
Long-term loans receivable	323	291
Net defined benefit asset	1,060	428
Deferred tax assets	2,553	5,818
Other	12,859	12,755
Allowance for doubtful accounts	(175)	(173)
Total investments and other assets	77,290	68,127
Total fixed assets	296,723	277,871
Total assets	522,937	491,088

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of current fiscal year December 31, 2015	End of current fiscal year December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable – trade	70,040	66,514
Short-term loans payable	50,353	53,138
Current portion of bonds	10,000	5,000
Accounts payable – other	19,748	20,058
Income taxes payable	4,304	2,698
Provision for directors' bonuses	30	58
Provision for sales returns	181	242
Provision for product compensation	33,500	33,700
Other	21,090	21,301
Total current liabilities	209,248	202,712
Noncurrent liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	91,204	69,343
Provision for directors' retirement benefits	10	14
Provision for environmental measures	37	35
Provision for product compensation	—	42,200
Net defined benefit liability	8,565	10,045
Deferred tax liabilities	27,190	14,841
Other	1,316	1,273
Total noncurrent liabilities	138,324	142,754
Total liabilities	347,572	345,466
Net assets		
Shareholders' equity		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	71,255	53,279
Treasury stock	141	143
Total shareholders' equity	130,105	112,128
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,070	22,435
Deferred gains or losses on hedges	32	119
Foreign currency translation adjustment	11,460	6,843
Remeasurements of defined benefit plans	2,182	290
Total accumulated other comprehensive income	41,745	29,450
Non controlling interests	3,513	4,043
Total net assets	175,364	145,621
Total liabilities and net assets	522,937	491,088

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Net sales	407,789	381,635
Cost of sales	254,288	245,367
Gross profit	153,500	136,267
Selling, general and administrative expenses	90,119	86,952
Operating income	63,381	49,315
Non-operating income		
Interest income	452	395
Dividends income	1,565	1,540
Equity in earnings of affiliates	356	274
Rent income	174	160
Other	1,092	1,218
Total non-operating income	3,641	3,590
Non-operating expenses		
Interest expenses	3,121	2,952
Foreign exchange losses	3,825	2,402
Loss from liquidation of receivables	172	157
Other	3,087	3,289
Total non-operating expenses	10,208	8,802
Ordinary income	56,814	44,102
Extraordinary income		
Gain on sales of investment securities	—	8,234
Total extraordinary income	—	8,234
Extraordinary loss		
Loss on retirement of noncurrent assets	662	605
Loss on product compensation	13,174	12,098
Loss on provision for product compensation	33,500	55,097
Loss on alleged U.S. anti-trust law violation	4,209	—
Total extraordinary loss	51,546	67,801
Profit (loss) before income taxes	5,267	15,463
Income taxes - current	12,036	4,912
Income taxes - deferred	8,680	8,692
Total income taxes	3,355	3,779
Profit (loss)	1,911	11,684
Profit attributable to non controlling interests	237	576
Profit (loss) attributable to owners of parent	1,674	12,260

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Profit (loss)	1,911	(11,684)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,697	(5,634)
Deferred gains or losses on hedges	62	(151)
Foreign currency translation adjustment	(6,988)	(4,533)
Remeasurements of defined benefit plans, net of tax	211	(1,892)
Share of other comprehensive income of associates accounted for using equity method	(57)	(142)
Total other comprehensive income	(4,074)	(12,355)
Comprehensive income	(2,162)	(24,039)
(Comprehensive income attributable to)		
Owners of the parent	(1,905)	(24,556)
Comprehensive income attributable to non controlling interests	(256)	516

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2015 (From January 1, 2015 to December 31, 2015)	FY2016 (From January 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Profit (loss) before income taxes	5,267	(15,463)
Depreciation and amortization	24,828	24,856
Increase (decrease) in net defined benefit liability	(1,949)	(643)
Interest and dividends income	(2,017)	(1,936)
Interest expenses	3,121	2,952
Foreign exchange losses (gains)	(692)	(339)
Equity in (earnings) losses of affiliates	(356)	(274)
Loss (gain) on sales of investment securities	—	(8,234)
Loss on retirement of noncurrent assets	662	605
Loss on product compensation	13,174	12,098
Loss on provision for product compensation	33,500	55,097
Loss on alleged U.S. anti-trust law violation	4,209	—
Decrease (increase) in notes and accounts receivable-trade	7,143	(4,617)
Decrease (increase) in inventories	(7,574)	2,551
Increase (decrease) in notes and accounts payable-trade	390	(2,245)
Other, net	1,026	2,907
Sub-total	80,733	67,313
Interest and dividends income received	2,021	2,133
Interest expenses paid	(3,572)	(3,235)
Payments of product compensation	(13,911)	(23,704)
Payments of alleged U.S. anti-trust law violation	(4,209)	—
Income taxes paid	(19,755)	(5,542)
Income taxes refund	—	1,900
Net cash provided by (used in) operating activities	41,305	38,865
Cash flows from investing activities		
Additions to property, plant and equipment	(45,110)	(23,765)
Proceeds from sales of property, plant and equipment	139	184
Additions to intangible assets	(1,118)	(1,010)
Proceeds from sales of intangible assets	4	3
Additions to investments in securities	(218)	(17)
Proceeds from sales and redemption of investment securities	211	10,786
Other, net	82	34
Net cash provided by (used in) investing activities	(46,009)	(13,785)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	17,657	(5,182)
Payments for installment payables-property and equipment	(4,322)	—
Proceeds from long-term debt	44,277	9,953
Payments of long-term debt	(29,290)	(20,053)
Payments of redemption of bonds	—	(10,000)
Cash dividends paid	(8,244)	(5,708)
Dividends paid to non-controlling interests	(369)	(137)
Other, net	(656)	(188)
Net cash provided by (used in) financing activities	19,051	(31,317)
Effect of exchange rate change on cash and cash equivalents	(2,311)	(554)
Net Increase (decrease) in cash and cash equivalents	12,036	(6,792)
Cash and cash equivalents at beginning of the year	32,395	44,431
Cash and cash equivalents at end of the period	44,431	37,639