

TOYO TIRES

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

9 Nov, 2018

TOYO TIRE & RUBBER CO., Ltd.

Major Topics

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

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

The forward-looking statements contained in these business outlooks 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 Third Quarter of the Fiscal Year Ending December 31, 2018

TOYO TIRES

(Unit: millions of yen)	FY2018 3Q Results	FY2017 3Q Results	Year-on- Year Change	Year-on- Year Change %
Net Sales	285,048	295,243	(10,194)	(3.5%)
Operating Income Profit Ratio	30,732 10.8%	33,349 11.3%	(2,617)	(7.8%)
Ordinary Income	28,662	29,324	(662)	(2.3%)
Profit Attributable to Owners of Parent	11,264	11,684	(420)	(3.6%)

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

Forex Rate	USD	109 Yen	112 Yen	(3 Yen)
	EUR	131 Yen	125 Yen	+6 Yen

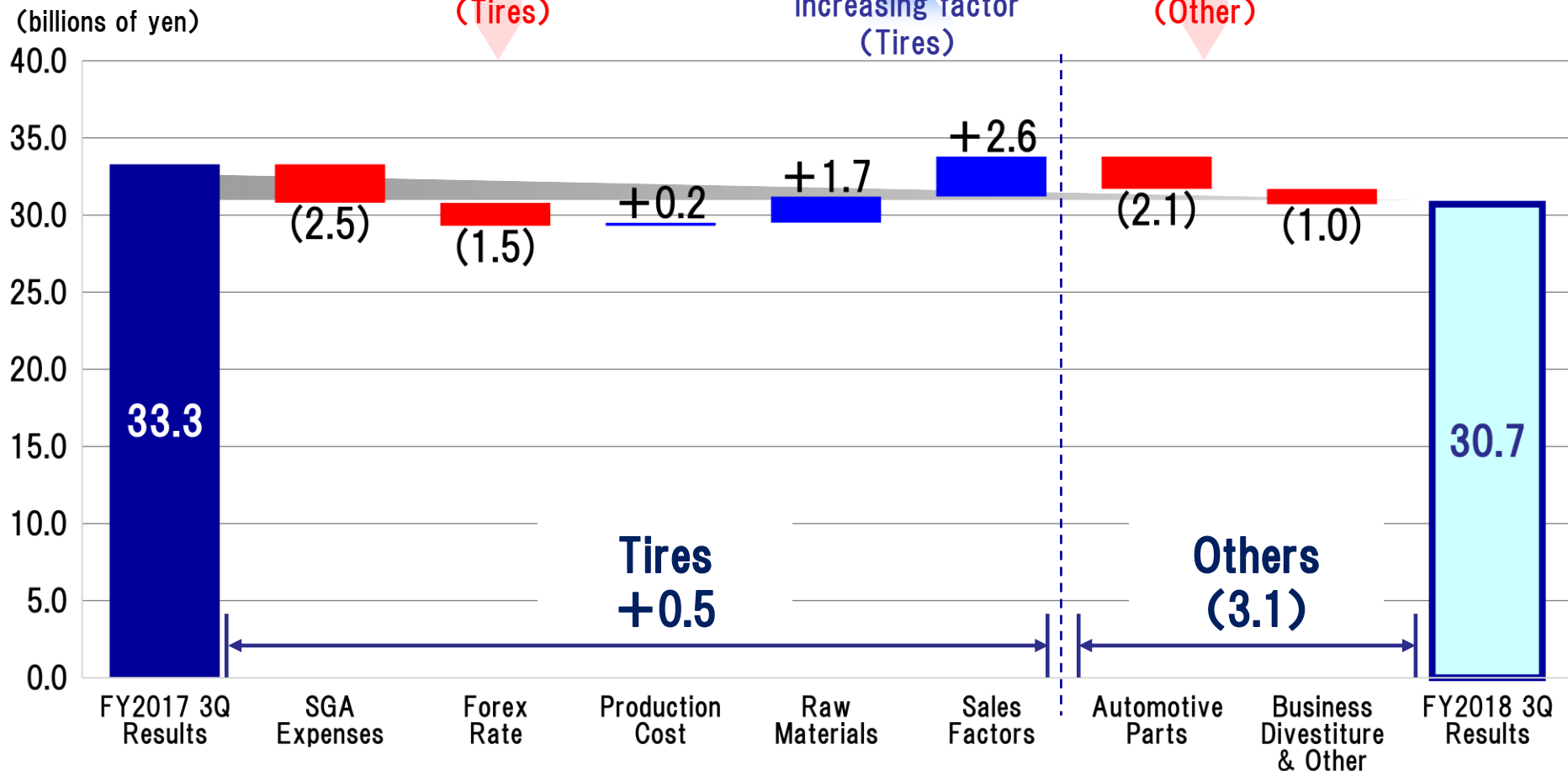
Forex Rate Sensibility 2018	
USD	0.50 Billion Yen/Year
EUR	0.10 Billion Yen/Year

Results for the Third Quarter of the Fiscal Year Ending December 31, 2018

Factors Contributing to Changes in Operating Income



FY2017 3Q Results	Changes			FY2018 3Q Results
33.3	(2.6)			30.7
	(4.0)	+4.5	(3.1)	
	Decreasing factor (Tires) Increasing factor (Tires) Decreasing factor (Other)			



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

TOYO TIRES

(For Your Reference)

(Unit: millions of yen)	1Q (A)	2Q (B)	3Q (C)	Total (A+B+C)	FY2015 Full Year Results	FY2016 Full Year Results	FY2017 Full Year Results
For 55 buildings	—	7,729	—	7,729	23,063	17,034	608
For 99 buildings	—	(908)	—	(908)	7,386	35,068	12,281
Charges	724	2,568	955	4,249	12,104	10,418	3,156
Compensation costs, etc.	634	94	528	1,257	4,119	4,260	2,590
Total	1,359	9,484	1,483	12,328	46,674	66,781	18,637

*55 buildings : disclosed on March 13, 2015, 99 buildings : disclosed on April 21, 2015

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 6,820 million yen in cost of repairs and replacement of seismic isolation rubber products, 94 million yen in compensation, etc., and 2,568 million yen in miscellaneous charges (primarily premiums for insurance related to replacing seismic isolation products, in payroll for the seismic isolation rubber task force, in expenses related to equipment for the replacing seismic isolation rubber, etc.).

3Q of FY2018 (C)

The company posted an extraordinary loss of 1,483 million yen as a result of posting 528 million yen in compensation, etc., and 955 million yen in miscellaneous charges (primarily, in payroll for the seismic isolation rubber task force, etc.).

From the 3Q of FY2018 onward

As at the present time it is difficult to reasonably estimate the amount, 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 Third Quarter of the Fiscal Year Ending December 31, 2018

● Net Sales

(Unit: millions of yen)	FY2018 3Q Results	FY2017 3Q Results	Year-on-Year Change	Year-on-Year Change %
Tires	246,801	237,666	+9,134	+3.8%
Automotive Parts	38,202	39,934	(1,732)	(4.3%)
Chemical Industrial Products	—	17,601	(17,601)	—
Other	100	157	(57)	(36.3%)
Adjustments	(55)	(117)	+62	—
Total	285,048	295,243	(10,194)	(3.5%)

* Net sales include intersegment internal net sales or transfers

● Operating Income

(Unit: millions of yen)	FY2018 3Q Results	FY2017 3Q Results	Year-on-Year Change	Year-on-Year Change %
Tires Profit Ratio	33,859 13.7%	33,380 14.0%	+479	+1.4%
Automotive Parts Profit Ratio	(3,175) (8.3%)	(1,068) (2.7%)	(2,107)	—
Chemical Industrial Products	—	976	(976)	—
Other	72	89	(16)	(19.1%)
Adjustments	(23)	(28)	+4	—
Total	30,732	33,349	(2,617)	(7.8%)

* Segment profit adjustment amounts include intersegment eliminations

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

● Net Sales

(Unit: millions of yen)	FY2018 3Q Results	FY2017 3Q Results	Year-on-Year Change	Year-on-Year Change %
Japan	81,609	100,326	(18,717)	(18.7%)
North America	146,150	139,091	+7,058	+5.1%
Other	57,288	55,825	+1,463	+2.6%
Eliminations or Corporate	—	—	—	—
Total	285,048	295,243	(10,194)	(3.5%)

* Net sales include intersegment internal net sales or transfers

● Operating Income

(Unit: millions of yen)	FY2018 3Q Results	FY2017 3Q Results	Year-on-Year Change	Year-on-Year Change %
Japan	20,279	20,532	(253)	(1.2%)
North America	6,639	8,276	(1,636)	(19.8%)
Other	3,944	4,226	(282)	(6.7%)
Eliminations or Corporate	(130)	313	(444)	—
Total	30,732	33,349	(2,617)	(7.8%)

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 %	Previous Full-Year Outlook for FY2018	Vs. Previous Change Outlook
Net Sales	390,000	404,999	(14,999)	(3.7%)	395,000	(5,000)
Operating Income Profit Ratio	42,000 10.8%	45,308 11.2%	(3,308)	(7.3%)	45,000 11.4%	(3,000)
Ordinary Income	38,700	40,167	(1,467)	(3.7%)	42,000	(3,300)
Profit Attributable to Owners of Parent	18,000	15,476	+2,524	+16.3%	22,000	(4,000)

* 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

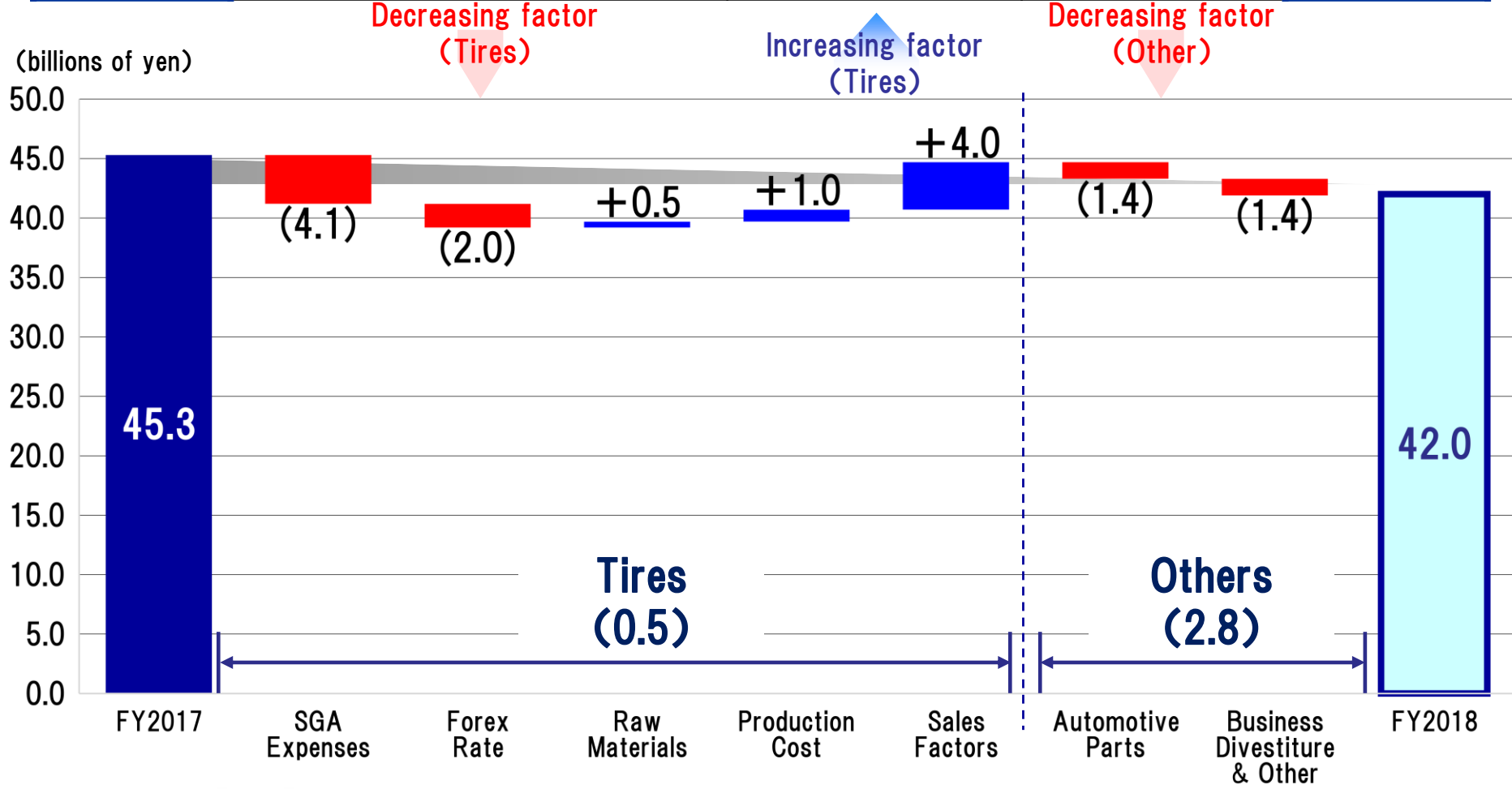
Forex Rate Sensibility 2018	
USD	0.50 Billion Yen/Year
EUR	0.10 Billion Yen/Year

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	(3.3)			42.0
	(6.1)	+5.6	(2.8)	



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 %	Previous Full-Year Outlook for FY2018	Vs. Previous Change Outlook
Tires	339,000	327,097	+11,903	+3.6%	343,000	(4,000)
Automotive Parts	50,900	53,150	(2,250)	(4.2%)	51,900	(1,000)
Chemical Industrial Products	—	24,710	(24,710)	—	—	—
Other	100	203	(103)	(50.7%)	100	0
Adjustments	0	(161)	+161	—	0	0
Total	390,000	404,999	(14,999)	(3.7%)	395,000	(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 %	Previous Full-Year Outlook for FY2018	Vs. Previous Change Outlook
Tires Profit Ratio	45,500 13.4%	46,047 14.1%	(547)	(1.2%)	47,700 13.9%	(2,200)
Automotive Parts Profit Ratio	(3,600) (7.1%)	(2,240) (4.2%)	(1,360)	—	(2,800) (5.4%)	(800)
Chemical Industrial Products	—	1,389	(1,389)	—	—	—
Other	100	151	(51)	(33.8%)	100	0
Adjustments	0	(38)	+38	—	0	0
Total	42,000	45,308	(3,308)	(7.3%)	45,000	(3,000)

* Segment profit adjustment amounts include intersegment eliminations 10

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 %	Previous Full-Year Outlook for FY2018	Vs. Previous Change Outlook
Japan	121,700	146,562	(24,862)	(17.0%)	122,000	(300)
North America	195,500	186,312	+9,187	+4.9%	199,300	(3,800)
Other	72,800	72,125	+674	+0.9%	73,700	(900)
Eliminations or Corporate	—	—	—	—	—	—
Total	390,000	404,999	(14,999)	(3.7%)	395,000	(5,000)

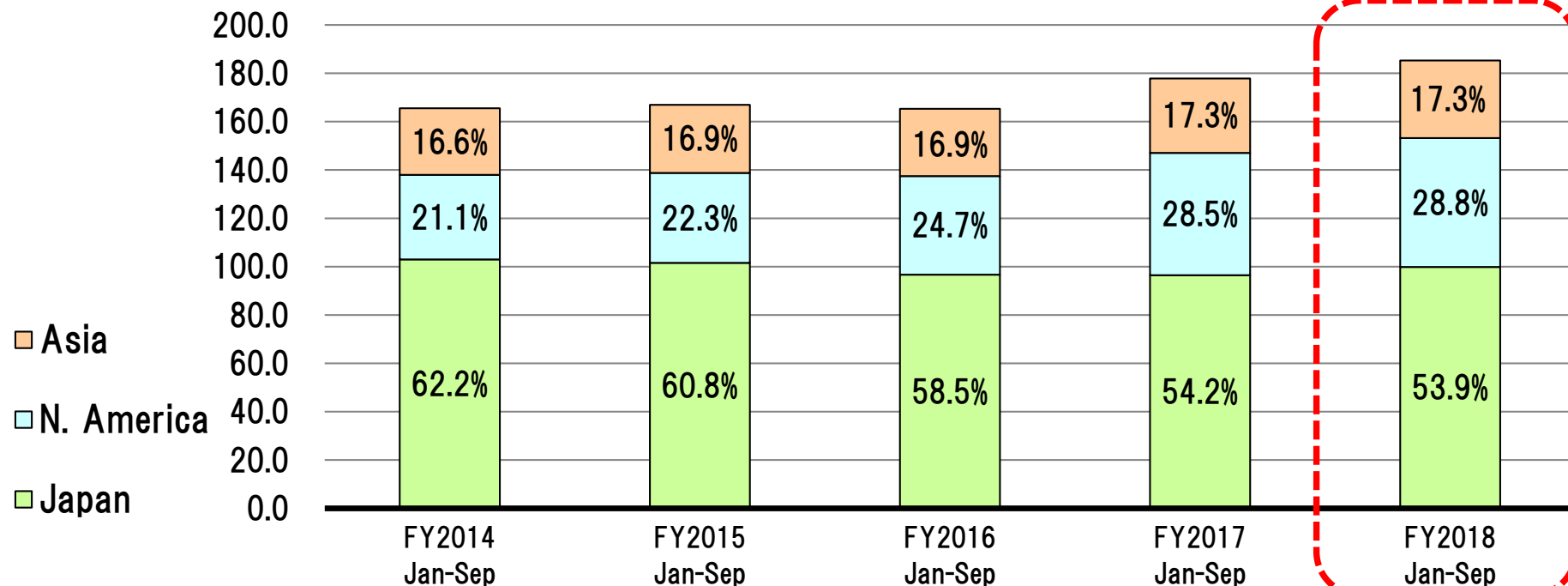
* Net sales do not include intersegment internal net sales or transfers

● 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 %	Previous Full-Year Outlook for FY2018	Vs. Previous Change Outlook
Japan	29,900	31,920	(2,020)	(6.3%)	32,100	(2,200)
North America	8,700	8,652	+48	+0.6%	9,200	(500)
Other	4,100	4,888	(788)	(16.1%)	4,600	(500)
Eliminations or Corporate	(700)	(152)	(548)	—	(900)	+200
Total	42,000	45,308	(3,308)	(7.3%)	45,000	(3,000)

(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 (%)

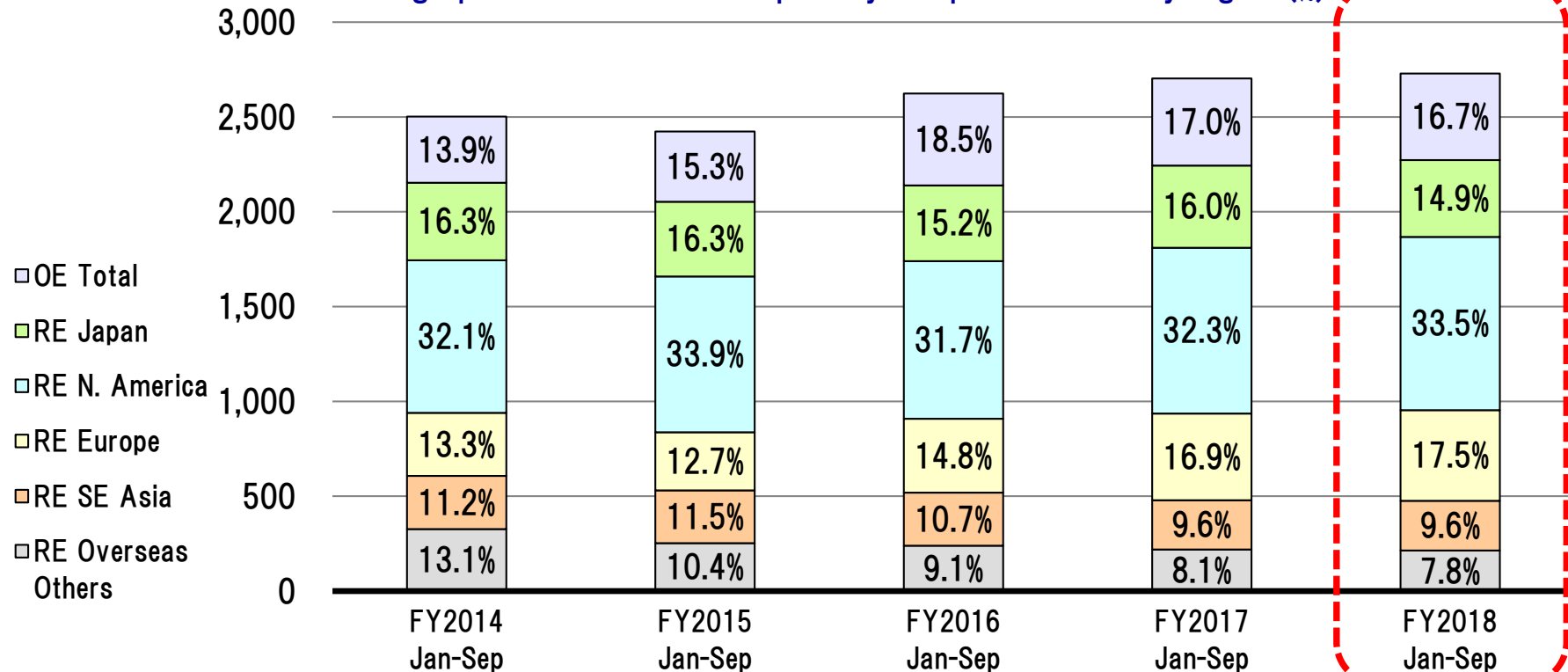


(Unit: 1,000 Tons)	FY2014	FY2015	FY2016	FY2017	FY2018
	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep
Japan	103.0	101.6	96.7	96.5*	99.9
N. America	35.0	37.2	40.8	50.6	53.3
Asia	27.5	28.1	27.9	30.8	32.1
Total	165.5	166.9	165.3	177.8*	185.3

* There is a change from the numerical value that was described in the Consolidated Business Results for the Third Quarter of the Fiscal Year Ending December 31, 2017 (announced on 10 Nov, 2017).

(For Your Reference) Tire Sales Quantity Composition Ratio by Region

(Unit:10,000 Tires) * Bar graph values show sales quantity composition ratio by region (%)



Sales Quantity Composition Ratio(%)	FY2014	FY2015	FY2016	FY2017	FY2018
	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep
RE Total	86.1%	84.7%	81.5%	83.0%	83.3%
Of which RE Overseas	69.7%	68.5%	66.3%	67.0%	68.4%
Of which RE Japan	16.3%	16.2%	15.2%	16.0%	14.9%
OE Total	13.9%	15.3%	18.5%	17.0%	16.7%

(For Your Reference)
 Year-on-Year Change in Tire Sales Quantity by Region

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

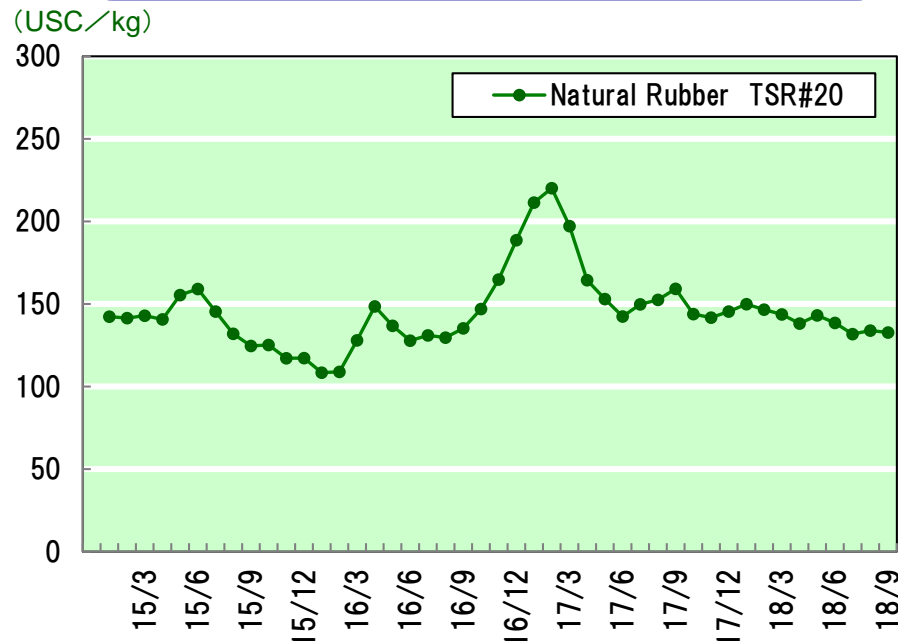
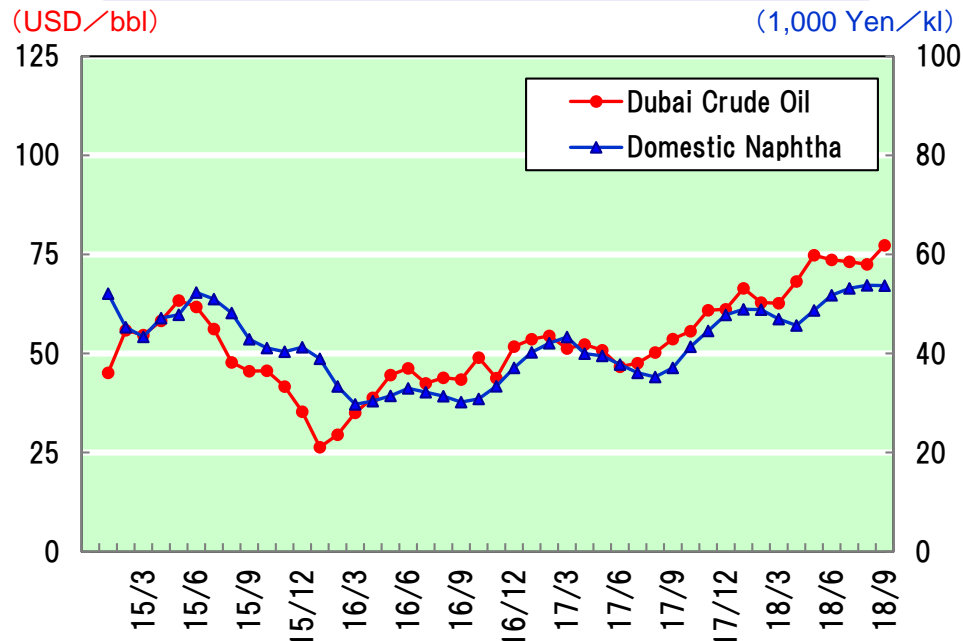
(Unit: %)	FY2014	FY2015	FY2016	FY2017	FY2018
	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep
OE Total	89	106	131	95	99
RE Japan	105	96	101	108	94
RE Overseas	108	95	105	104	103
Of which N. America	107	102	101	105	104
Of which Europe	116	92	127	118	105
Of which SE Asia	103	100	101	93	101
Grand Total	105	97	108	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)

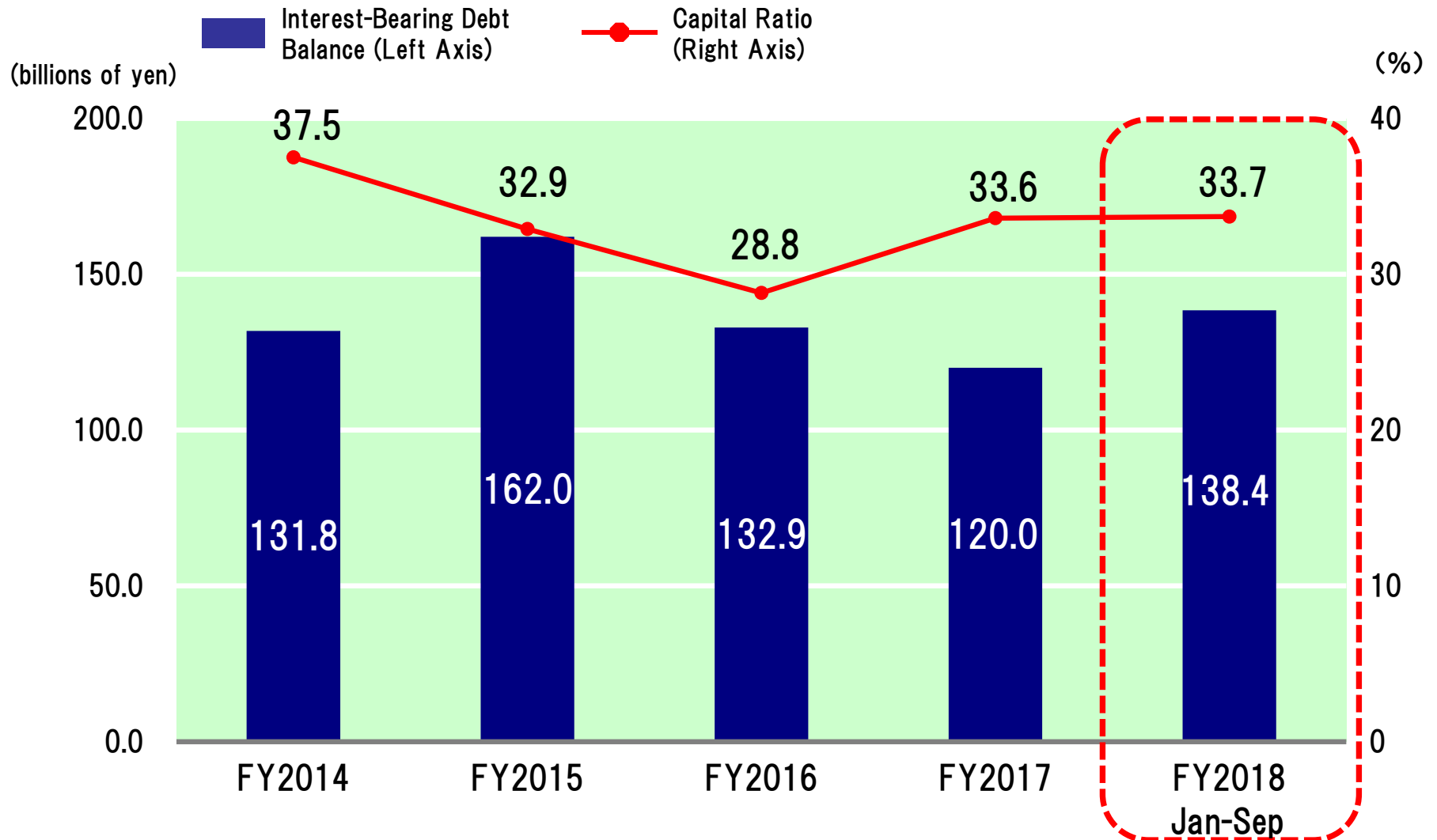
(Unit: billions of yen)

Raw Material	FY2014	FY2015	FY2016	FY2017	FY2018 Jan-Sep
Natural Rubber	+6.9	+7.5	+2.5	(7.5)	+2.9
Petroleum Products	(0.9)	+9.9	+6.4	(7.7)	(0.5)
Other Raw Materials	(0.4)	+0.4	+1.1	+1.3	(0.7)
Goods Purchased	+0.7	0	0	0	—
Total	+6.3	+17.8	+10.0	(13.9)	+1.7

* Until FY2017, impact on all businesses is indicated. For FY2018 Jan-Sep, impact on the Tire Business is indicated.

"Valuation difference of inventory assets" is included in and indicated as "Other Raw Materials" until FY2017. It is included and indicated in each raw material for FY2018 Jan-Sep.

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



Purpose of the Alliance: Strengthening business and management foundations for future growth

Business Alliance	Elevate the current collaborative relationship to create a framework for broader alliance that involves the entirety of our respective organizations, reinforce our cooperation and collaborative structure, and enhance our corporate value
Reinforcement of sales capabilities	Establish joint task forces in each region, and leverage the MC group’s global network to “develop sales channels,” “enhance marketing capabilities,” “reinforce logistics” and “reinforce other operations,” etc.
Enhancement of technological capabilities	Leverage the network of the MC group and jointly promote with outside parties a range of collaborative initiatives, such as procurement of raw materials, “Research on Next-generation Materials,” “Advanced Development of Production Technologies,” and “Application of Advanced Technologies like AI/IoT,” and work on building a new business model.
Reinforcing resources	To enhance sales and marketing capabilities globally, and to strengthen our management foundation over the medium to long term, we will receive MC’s marketing and corporate personnel into our organization.
Capital Alliance	Increase capital by issuing new shares to MC through the Third-party Allotment
Issue of new shares (Ordinary shares 26,931,956 shares)	Shareholding ratio of MC will increase from 3.05%→20.00% Pay-in period: January 15, 2019 - June 28, 2019 Total proceeds: Estimated net proceeds Approx. JPY 50.4 Billion
Dispatch of Director	Propose the appointment of one director candidate designated by MC
Accept the dispatch of director according to shareholding ratio	As part of the business alliance, we intend to propose the appointment to the Toyo Tire Board of Directors, one director designated by MC, who we believe to be qualified, at the next regularly scheduled general meeting of the shareholders.

Increased production capacity at TNA (Phase 5 1st stage) (Announced on September 2017)

February 2018 Construction of new plant building (annual production capacity of 2.4 million tires)

January 2019 Start the installation of production equipment (annual production capacity of 1.2 million tires)

April 2019 Planned start of production

Investment amount: Approx. JPY 14 Billion

Increased production capacity at TTM (Phase 2 1st stage) (Announced on September 2017)

August 2018 Construction of new plant building (annual production capacity of 4.8 million tires)

July 2019 Start the installation of production equipment (annual production capacity of 2.4 million tires)

October 2019 Planned start of production

Investment amount: Approx. JPY 21 Billion

Set up a new production base (Announced in March 2017)

In order to meet the global demand for tires, in the period of “Mid-term '17” business plan, we’ll examine the possibility of establishing a tire production plant, which will become the 8th production base

Strengthen truck and bus tire

Focus on developing a superior truck/bus tire incorporating differentiating technologies.

Strengthen our presence and establish a position as a manufacturer of tires with technological advantages.

Increased production capacity at TNA (Phase 5 2nd stage)

December 2018 Start the order placement of production equipment

January 2020 Start the installation of production equipment (annual production capacity of 1.2 million tires)

Sequentially start the production (installation of equipment will be completed in July 2020) Planned

Estimated amount: Approx. JPY 6 Billion

Increased production capacity at TTM (Phase 2 2nd stage)

April 2019 Start the order placement of production equipment

September 2020 Start the installation of production equipment (annual production capacity of 2.4 million tires)

Sequentially start the production (installation of equipment will be completed in June 2021) Planned

Estimated amount: Approx. JPY 10 Billion

Construction of a new production base

At the beginning of operation, we expect the plant to have an annual production capacity of about 4 million tires

Cash outflow plan: January 2020 - April 2023

Estimated amount: Approx. JPY 33 Billion

Expansion of truck and bus tire production facilities

January 2019 Start the order placement of production equipment

January 2020 Start the installation of production equipment (annual production capacity of 200,000 tires)

Sequentially start the production (installation of equipment will be completed in December 2020) Planned

Estimated amount: Approx. JPY 7 Billion

Focus on management issues to survive and remain viable in the dynamically changing environment

Dynamically changing business environment

- Historic turning point in the auto industry (occurrence of cross-industry cooperation)
- Declining profitability of the entire tire industry (rise of emerging power)
- Competitors: Going for mergers and making aggressive investments for future

Business issues faced by our company

◆ High dependence on North American tire business/
Expansion of presence in other markets

◆ Making available the next-generation technology resources for securing future growth

◆ Further reinforcement of our management foundation and improving resistance to changes in the environment

Key points for growth

“Achieving global competitiveness” with high profitability

“Developing a solid foundation for business activities” with dynamic collaborative initiatives with outside parties to hold the ground against competition

“Strengthening our management foundation” that can withstand changes from the global perspective

Things that can be achieved through the Alliance

[Reinforcement of sales capabilities]
Leveraging global network and strengthening collaboration

[Enhancement of technological capabilities]
Promoting and leveraging collaborative initiatives with outside parties and strengthening the base of various technologies

[Reinforcing resources]
Receiving marketing/corporate personnel and strengthening our foundation

TOYO TIRES