

Summary Report of Consolidated Business Results  
for the First Quarter of Fiscal Year 2016  
(January 1, 2016 –March 31, 2016)

OSAKA, JAPAN – May 13, 2016 - TOYO TIRE & RUBBER CO., LTD. (“the Company”; President: Takashi Shimizu) announces its Consolidated Business Results for the First Quarter of Fiscal Year 2016 (January 1, 2016 through March 31, 2016) as follows:

Qualitative information about the quarter financial results

(1) Business Results

- Net Sales : 95,329 million yen (a decrease of 553 million yen or 0.6% from the same period of for FY2015)
- Operating Income : 11,968 million yen (a decrease of 639 million yen or 5.1% from the same period of for FY2015)
- Ordinary Income : 9,793 million yen (a decrease of 861 million yen or 8.1% from the same period for FY2015)
- Profit attributable to owners of parent : 61 million yen (an increase of 3,124 million yen profit in the same period for FY2015)

Results by Business Units were as follows:

【Tire Business Unit】

The tire business unit posted net sales of 76,186 million yen (an increase of 315 million yen or 0.4% from the same period for FY2015) and operating income of 11,182 million yen (a decrease of 531 million yen or 4.5% 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 as a result of 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)

Unit sales exceeded the performance of the same period last year while net sales remained at the same level on robust sales of the company's Proxes flagship brand ultra-high-performance (UHP) tire series and NanoEnergy fuel-efficient tire series products.

(Replacement Tires: for Overseas Markets)

In North America, where gradual economic recovery continues, unit sales outperformed the same period last year while net sales remained at the same level. In Europe, both unit sales and net sales exceeded those for the same period last year as a result of promotions targeting the entire Russian market. As a result, for the overseas market overall unit sales increased compared to the year ago period while net sales remained

at the same level as a year ago.

**【DiverTech Business Units (Non-Tire Business Units)】**

The DiverTech units posted net sales of 19,125 million yen (a decrease of 723 million yen or 3.6 % from the same period for FY2015) and an operating income of 673 million yen (a decrease of 4 million yen or 0.6% from the same period for FY2015).

(Transportation)

For anti-vibration rubber and seat cushions for automobiles, while the number of automobiles produced in Japan declined due to shutdowns of auto makers and other factors, net sales remained at the same level as a year ago on new orders of automotive seat cushions. 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, despite steady unit sales of materials to the agricultural sector net sales declined year-on-year due to sluggish sales of rigid polyurethane products to insulation material manufacturers. 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 anti-vibration rubber issue

In the prior fiscal year (ended December 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 anti-vibration rubber for construction, in some cases the certification was based on applications lacking technical grounds.

In the financial results for the first quarter 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
1) Loss on product compensation	
For 55 buildings	16
For 99 buildings	-
Charges	1,004
Compensation Cost, etc.	1,013
Sub. Total	2,033
2) Loss on provision for product compensation	
For 55 buildings	5,552
For 99 buildings	107
Charges	999
Compensation Cost, etc.	525
Sub. Total	7,185
3) Total 1)+2)	
For 55 buildings	5,568
For 99 buildings	107
Charges	2,003
Compensation Cost, etc.	1,539
Grand Total	9,218

As indicated in the totals in Table 3) above 1) + 2) , the company posted an extraordinary loss of 9,218 million yen (2,033 million yen for the cost of measures for after-care of products and 7,185 million yen for provision of reserve for product warranties) as a result of posting 5,568 million yen for the cost of repairs and replacement of seismic isolation products for 55 structures; 1,539 million yen for compensations, etc.; and 2,003 million yen for miscellaneous expenses (mainly, 500 million yen in payroll for the seismic isolation rubber task force; 400 million yen for structural recalculation; and 300 million yen for the cost of trial manufacturing of replacement products using the company's own products).

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.

### (3) Qualitative data on consolidated financial position

Total assets for the end of the first quarter of consolidated accounting term were 499,913 million yen, a decrease of 23,023 million yen compared to the end of the prior consolidated accounting period.

Liabilities were 334,736 million yen, a decrease of 12,836 million yen compared to the previous consolidated year-end accounting term. And the interest-bearing liabilities were

169,457 million yen, an increase of 7,421 million yen compared to the previous consolidated year-end accounting terms.

Net assets as of the end of the first quarter of consolidated accounting term were 165,177 million yen, a decrease of 10,187 million yen compared to the previous consolidated year-end accounting term.

As a results, the capital ratio decreased 0.6 % compared with the previous consolidated year-end accounting term, to 32.3 %.

#### (4) Qualitative data on forecasted consolidated results

Due to readjusting anticipation of a stronger yen and posting of 2.033 billion yen for the cost of measures for product after-care and 7.185 billion yen for provision of reserve for product warranties as a first-quarter extraordinary loss, net sales, operating income, ordinary income and profit attributable to owners of parent for the six-month period through the second quarter and full business year are expected to fall short of the previous forecast announced on February 15, 2016.

The projected exchange rate for the consolidated results forecast from the second quarter onward will be 1 US dollar = 105 yen, and 1 euro = 120 yen.

For details, refer to "Announcement regarding Extraordinary Loss and Adjustment of Results Outlook" announced today.

#### (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) In the prior fiscal year (ended December 2015), it was discovered that falsified testing data had been delivered to customers for some industrial anti-vibration rubber components manufactured and sold by Toyo Chemical Industrial Products, Ltd. As a result, any future costs that arise accompanying product replacement may impact the company's consolidated results, but at the present time it is difficult to reasonably estimate the amount.

3) 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 previous fiscal year December 31, 2015	End of current fiscal year March 31, 2016
Assets		
Current Assets		
Cash and deposits	44,510	47,644
Notes and accounts receivable – trade	81,873	74,386
Merchandise and finished goods	56,041	52,831
Work in process	4,335	3,155
Raw materials and supplies	9,955	11,523
Other	30,004	28,714
Allowance for doubtful accounts	(505)	(1,050)
Total current assets	226,214	217,206
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	59,208	57,042
Machinery, equipment and vehicles, net	101,196	98,263
Other, net	50,657	49,051
Total property, plant and equipment	211,062	204,358
Intangible Assets		
Goodwill	2,234	2,193
Other	6,136	6,071
Total intangible assets	8,370	8,265
Investments and other assets		
Investment securities	60,668	54,441
Other	16,797	15,819
Allowance for doubtful accounts	(175)	(177)
Total investments and other assets	77,290	70,084
Total fixed assets	296,723	282,707
Total assets	522,937	499,913

## Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2015	End of current fiscal year March 31, 2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	70,040	61,367
Short-term loans payable	50,353	64,235
Current portion of bonds	10,000	10,000
Accounts payable – other	19,748	14,550
Income taxes payable	4,304	855
Provision for product compensation	33,500	37,000
Other	21,301	18,503
<b>Total current liabilities</b>	<b>209,248</b>	<b>206,512</b>
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	91,204	84,761
Net defined benefit liability	8,565	8,633
Other provision	47	47
Other	28,506	24,780
<b>Total noncurrent liabilities</b>	<b>138,324</b>	<b>128,223</b>
<b>Total liabilities</b>	<b>347,572</b>	<b>334,736</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	71,255	68,141
Treasury stock	(141)	(141)
<b>Total shareholders' equity</b>	<b>130,105</b>	<b>126,991</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	28,070	24,500
Deferred gains or losses on hedges	32	(6)
Foreign currency translation adjustments	11,460	7,754
Remeasurements of defined benefit plans	2,182	2,268
<b>Total accumulated other comprehensive income</b>	<b>41,745</b>	<b>34,517</b>
<b>Non controlling interests</b>	<b>3,513</b>	<b>3,668</b>
<b>Total net assets</b>	<b>175,364</b>	<b>165,177</b>
<b>Total liabilities and net assets</b>	<b>522,937</b>	<b>499,913</b>

## Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2015 (From January 1, 2015 to March 31, 2015)	FY2016 (From January 1, 2016 to March 31, 2016)
Net sales	95,883	95,329
Cost of sales	62,392	61,572
Gross profit	33,490	33,757
Selling, general and administrative expenses	20,882	21,788
Operating income	12,608	11,968
Non-operating income		
Interest income	144	93
Dividends income	268	309
Equity in earnings of affiliates	41	33
Other	221	495
Total non-operating income	676	931
Non-operating expenses		
Interest expenses	714	777
Foreign exchange losses	1,138	1,593
Other	777	735
Total non-operating expenses	2,629	3,106
Ordinary income	10,655	9,793
Extraordinary loss		
Loss on retirement of noncurrent assets	103	157
Loss on product compensation	—	2,033
Loss on provision for product compensation	14,000	7,185
Total extraordinary loss	14,103	9,376
Income (loss) before income taxes	(3,448)	417
Income taxes	(364)	123
Profit (loss)	(3,083)	293
Profit (loss) attributable to non controlling interests	(19)	232
Profit (loss) attributable to owners of parent	(3,063)	61

## Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2015 (From January 1, 2015 to March 31, 2015)	FY2016 (From January 1, 2016 to March 31, 2016)
Profit (loss)	(3, 083)	293
Other comprehensive income		
Valuation difference on available-for-sale securities	5, 535	(3, 569)
Deferred gains or losses on hedges	42	(39)
Foreign currency translation adjustment	(2, 594)	(3, 678)
Remeasurements of defined benefit plans, net of tax	122	86
Share of other comprehensive income of associates accounted for using equity method	8	(103)
Total other comprehensive income	3, 115	(7, 305)
Comprehensive income	31	(7, 011)
(Comprehensive income attributable to)		
Owners of the parent	355	(7, 166)
Comprehensive income attributable to non controlling interests	(323)	154