

Summary Report of Consolidated Business Performance
for the Third Quarter of Fiscal Year 2018
(January 1, 2018 – September 30, 2018)

HYOGO, JAPAN – November 9, 2018 - TOYO TIRE & RUBBER CO., LTD. (“the Company”; President: Takashi Shimizu) announces its Consolidated Business Performance for the Third Quarter of Fiscal Year 2018 (January 1, 2018 through September 30, 2018) as follows:

Quantitative information about the quarterly financial results

(1) Business Results

●Net Sales:	285,048 million yen (a decrease of 10,194 million yen or 3.5% from the same period for FY2017)
●Operating Income:	30,732 million yen (a decrease of 2,617 million yen or 7.8 % from the same period for FY2017)
●Ordinary Income:	28,662 million yen (a decrease of 662 million yen or 2.3% from the same period for FY2017)
●Profit attributable to owners of parent:	11,264 million yen (a decrease of 420 million yen or 3.6% from the same period for FY2017)

(2) Results by Business Unit

The Tire Business unit posted net sales of 246,801 million yen (an increase of 9,134 million yen or 3.8% from the same period for FY2017) and an operating income of 33,859 million yen (an increase of 479 million yen or 1.4% from the same period for FY2017).

The Automotive Parts Business unit posted net sales of 38,202 million yen (a decrease of 1,732 million yen or 4.3% from the same period for FY2017) and an operating loss of 3,175 million yen (a decrease of 2,107 million yen from the same period for FY2017).

(3) Status of provision of reserves for product warranties and allowance for product repairs pertaining to the company's seismic isolation rubber issue

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

For the third quarter of FY2018, the company posted an extraordinary loss of 12,328 million yen (product compensation response measure expenses of 5,934 million yen and a provision of reserves for product compensation of 6,393 million yen). This was because it became possible to calculate the progress of work, and the company recorded 528 million yen in compensation, etc., and 955 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 quarter and beyond, if

future costs arise (mainly business compensation and repairs for damage such as delayed damage, 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.

(4) Explanation of financial situation

Total assets at the end of the third quarter of the consolidated accounting period were 475,898 million yen, an increase of 2,021 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 310,773 million yen, an increase of 712 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 138,351 million yen, an increase of 18,387 million yen compared to the previous consolidated year-end accounting period.

Net assets as of the end of the third quarter of the consolidated accounting term were 165,124 million yen, an increase of 1,308 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio increased 0.1 points, compared with the previous consolidated year-end accounting period, to 33.7%.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2017	End of current fiscal year September 30, 2018
Assets		
Current Assets		
Cash and deposits	28,268	31,934
Notes and accounts receivable – trade	79,371	79,741
Merchandise and finished goods	54,312	59,397
Work in process	3,012	3,216
Raw materials and supplies	13,067	13,387
Other	26,855	24,252
Allowance for doubtful accounts	(537)	(403)
Total current assets	204,349	211,526
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	57,466	55,678
Machinery, equipment and vehicles, net	100,524	93,784
Other, net	34,006	42,648
Total property, plant and equipment	191,997	192,112
Intangible Assets		
Goodwill	1,557	1,392
Other	5,479	5,025
Total intangible assets	7,037	6,418
Investments and other assets		
Investment securities	56,399	51,587
Other	14,257	14,396
Allowance for doubtful accounts	(164)	(144)
Total investments and other assets	70,492	65,840
Total fixed assets	269,526	264,371
Total assets	473,876	475,898

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2017	End of current fiscal year September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable – trade	62,589	61,572
Commercial papers	2,000	10,000
Short-term loans payable	36,490	39,079
Current portion of bonds	5,000	—
Accounts payable – other	21,067	16,174
Income taxes payable	1,424	2,479
Provision for product compensation	21,000	4,273
Other	22,835	25,581
Total current liabilities	172,407	159,159
Non-current liabilities		
Long-term loans payable	76,130	88,583
Net defined benefit liability	6,702	7,261
Provision for product compensation	42,100	42,874
Other provision	315	286
Other	12,404	12,609
Total non-current liabilities	137,653	151,614
Total liabilities	310,061	310,773
Net assets		
Shareholders' equity		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	63,041	68,591
Treasury stock	(149)	(151)
Total shareholders' equity	121,883	127,431
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,555	24,523
Deferred gains or losses on hedges	(10)	(15)
Foreign currency translation adjustments	7,974	6,933
Remeasurements of defined benefit plans	1,676	1,470
Total accumulated other comprehensive income	37,195	32,911
Non-controlling interests	4,735	4,780
Total net assets	163,815	165,124
Total liabilities and net assets	473,876	475,898

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2017 (From January 1, 2017 to September 30, 2017)	FY2018 (From January 1, 2018 to September 30, 2018)
Net sales	295,243	285,048
Cost of sales	195,208	187,236
Gross profit	100,035	97,812
Selling, general and administrative expenses	66,685	67,079
Operating income	33,349	30,732
Non-operating income		
Interest income	367	307
Dividends income	1,070	1,180
Equity in earnings of affiliates	138	114
Other	833	1,173
Total non-operating income	2,410	2,775
Non-operating expenses		
Interest expenses	1,914	1,991
Foreign exchange losses	842	845
Other	3,678	2,008
Total non-operating expenses	6,435	4,845
Ordinary income	29,324	28,662
Extraordinary income		
Gain on sales of investment securities	220	378
Total extraordinary income	220	378
Extraordinary loss		
Loss on retirement of non-current assets	535	398
Impairment loss	559	—
Loss on product compensation	2,278	5,934
Loss on provision for product compensation	2,108	6,393
Loss on alleged U.S. anti-trust law violation	5,244	—
Total extraordinary loss	10,726	12,726
Profit before income taxes	18,818	16,314
Income taxes	6,288	4,403
Profit	12,530	11,910
Profit attributable to non-controlling interests	845	646
Profit attributable to owners of parent	11,684	11,264

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2017 (From January 1, 2017 to September 30, 2017)	FY2018 (From January 1, 2018 to September 30, 2018)
Profit	12,530	11,910
Other comprehensive income		
Valuation difference on available-for-sale securities	2,950	(3,032)
Deferred gains or losses on hedges	99	(5)
Foreign currency translation adjustment	(238)	(1,204)
Remeasurements of defined benefit plans, net of tax	417	(206)
Share of other comprehensive income of associates accounted for using equity method	28	(75)
Total other comprehensive income	3,257	(4,524)
Comprehensive income	15,787	7,386
(Comprehensive income attributable to)		
Owners of the parent	14,725	6,979
Comprehensive income attributable to non-controlling interests	1,062	406