

Summary Report of Consolidated Business Results
for the Second Quarter of Fiscal Year 2018
(January 1, 2018 – June 30, 2018)

HYOGO, JAPAN – Aug 10, 2018 - TOYO TIRE & RUBBER CO., LTD. (“the Company”; President: Takashi Shimizu) announces its Consolidated Business Results for the Second Quarter of Fiscal Year 2018 (January 1, 2018 through Jun 30, 2018) as follows:

Qualitative information about the quarterly financial results

(1) Business Results

●Net Sales:	185,738 million yen (a decrease of 6,302 million yen or 3.3% from the same period for FY2017)
●Operating Income:	20,805 million yen (a decrease of 1,028 million yen or 4.7% from the same period for FY2017)
●Ordinary Income:	19,009 million yen (an increase of 314 million yen or 1.7% from the same period for FY2017)
●Profit attributable to owners of parent:	7,068 million yen (a decrease of 4,008 million yen or 36.2% from the same period for FY2017)

(2) Results by Business Unit

The Tire Business unit posted net sales of 160,046 million yen (an increase of 5,980 million yen or 3.9% from the same period for FY2017) and an operating income of 22,669 million yen (an increase of 1,207 million yen or 5.6% from the same period for FY2017).

The Automotive Parts business unit posted net sales of 25,661 million yen (a decrease of 709 million yen or 2.7% from the same period for FY2017) and an operating loss of (1,901) million yen (a decrease of 1,535 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 second quarter of the fiscal year 2018, the company posted an extraordinary loss of 10,844 million yen (product compensation response measure expenses of 2,312 million yen and a provision of reserves for product compensation of 8,531 million yen). This was because it became possible to calculate the progress of work, and the company recorded 6,820 million yen in cost for repairs and replacement of seismic isolation 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.).

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 second quarter of the consolidated accounting period were 461,178 million yen, a decrease of 12,697 million yen compared to the end of the prior consolidated accounting period.

Liabilities were 300,048 million yen, a decrease of 10,012 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 123,032 million yen, an increase of 3,068 million yen compared to the previous consolidated year-end accounting term.

Net assets as of the end of the second quarter of the consolidated accounting term were 161,129 million yen, a decrease of 2,685 million yen compared to the end of the prior consolidated accounting period.

As a result, the capital ratio increased 0.4 points compared with the previous consolidated year-end accounting term, to 34.0%.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2017	End of current fiscal year June 30, 2018
Assets		
Current Assets		
Cash and deposits	28,268	29,866
Notes and accounts receivable – trade	79,371	69,042
Merchandise and finished goods	54,312	59,255
Work in process	3,012	3,143
Raw materials and supplies	13,067	13,944
Other	26,855	25,286
Allowance for doubtful accounts	(537)	(392)
Total current assets	204,349	200,146
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	57,466	55,667
Machinery, equipment and vehicles, net	100,524	94,210
Other, net	34,006	38,228
Total property, plant and equipment	191,997	188,105
Intangible Assets		
Goodwill	1,557	1,437
Other	5,479	5,157
Total intangible assets	7,037	6,594
Investments and other assets		
Investment securities	56,399	51,456
Other	14,257	15,018
Allowance for doubtful accounts	(164)	(143)
Total investments and other assets	70,492	66,331
Total fixed assets	269,526	261,031
Total assets	473,876	461,178

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2017	End of current fiscal year June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable – trade	62,589	58,436
Commercial papers	2,000	4,000
Short-term loans payable	36,490	29,713
Current portion of bonds	5,000	5,000
Accounts payable – other	21,067	15,142
Income taxes payable	1,424	1,671
Provision for product compensation	21,000	16,282
Other	22,835	23,652
Total current liabilities	172,407	153,899
Non-current liabilities		
Long-term loans payable	76,130	83,602
Net defined benefit liability	6,702	6,969
Provision for product compensation	42,100	42,874
Other provision	315	317
Other	12,404	12,386
Total non-current liabilities	137,653	146,149
Total liabilities	310,061	300,048
Net assets		
Shareholders' equity		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	63,041	66,935
Treasury stock	(149)	(150)
Total shareholders' equity	121,883	125,776
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,555	24,418
Deferred gains or losses on hedges	(10)	(0)
Foreign currency translation adjustments	7,974	4,950
Remeasurements of defined benefit plans	1,676	1,561
Total accumulated other comprehensive income	37,195	30,929
Non-controlling interests	4,735	4,423
Total net assets	163,815	161,129
Total liabilities and net assets	473,876	461,178

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2017 (From January 1, 2017 to June 30, 2017)	FY2018 (From January 1, 2018 to June 30, 2018)
Net sales	192,041	185,738
Cost of sales	126,247	120,276
Gross profit	65,793	65,461
Selling, general and administrative expenses	43,959	44,656
Operating income	21,834	20,805
Non-operating income		
Interest income	261	215
Dividends income	787	860
Equity in earnings of affiliates	120	58
Other	602	849
Total non-operating income	1,771	1,983
Non-operating expenses		
Interest expenses	1,299	1,318
Foreign exchange losses	943	1,373
Other	2,667	1,085
Total non-operating expenses	4,910	3,778
Ordinary income	18,695	19,009
Extraordinary income		
Gain on sales of investment securities	220	288
Total extraordinary income	220	288
Extraordinary loss		
Loss on retirement of non-current assets	345	206
Loss on product compensation	1,493	2,312
Loss on provision for product compensation	361	8,531
Total extraordinary loss	2,201	11,050
Profit before income taxes	16,714	8,247
Income taxes	5,101	780
Profit	11,612	7,466
Profit attributable to non-controlling interests	535	397
Profit attributable to owners of parent	11,076	7,068

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2017 (From January 1, 2017 to June 30, 2017)	FY2018 (From January 1, 2018 to June 30, 2018)
Profit	11,612	7,466
Other comprehensive income		
Valuation difference on available-for-sale securities	303	(3,137)
Deferred gains or losses on hedges	105	10
Foreign currency translation adjustment	(2,042)	(3,294)
Remeasurements of defined benefit plans, net of tax	441	(115)
Share of other comprehensive income of associates accounted for using equity method	(10)	(77)
Total other comprehensive income	(1,202)	(6,614)
Comprehensive income	10,409	851
(Comprehensive income attributable to)		
Owners of the parent	9,832	802
Comprehensive income attributable to non-controlling interests	577	49

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2017 (From January 1, 2017 to June 30, 2017)	FY2018 (From January 1, 2018 to June 30, 2018)
Cash flows from operating activities		
Profit before income taxes	16,714	8,247
Depreciation and amortization	12,602	12,636
Increase (decrease) in net defined benefit liability	284	114
Interest and dividends income	(1,049)	(1,075)
Interest expenses	1,299	1,318
Foreign exchange losses (gains)	(167)	19
Equity in (earnings) losses of affiliates	(120)	(58)
Loss on retirement of noncurrent assets	345	206
Loss on product compensation	1,493	2,312
Loss on provision for product compensation	361	8,531
Decrease (increase) in notes and accounts receivable-trade	11,434	8,672
Decrease (increase) in inventories	(9,932)	(7,805)
Increase (decrease) in notes and accounts payable-trade	(7,349)	(2,528)
Other, net	(1,172)	(1,073)
Sub-total	24,744	29,516
Interest and dividends income received	1,043	1,069
Interest expenses paid	(1,201)	(1,336)
Payments of product compensation	(17,576)	(14,630)
Payments of alleged U.S. anti-trust law violation	—	(129)
Income taxes paid	(3,016)	(3,211)
Income taxes refund	12	1,104
Net cash provided by (used in) operating activities	4,006	12,382
Cash flows from investing activities		
Additions to property, plant and equipment	(11,261)	(11,345)
Proceeds from sales of property, plant and equipment	210	49
Additions to intangible assets	(167)	(433)
Proceeds from sales of intangible assets	4	0
Additions to investments in securities	(7)	(7)
Proceeds from sales and redemption of investment securities	221	666
Other, net	(14)	114
Net cash provided by (used in) investing activities	(11,014)	(10,955)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	8,438	(7,035)
Increase (decrease) in commercial papers	—	2,000
Proceeds from long-term debt	200	15,647
Payments of long-term debt	(11,210)	(6,241)
Cash dividends paid	(3,171)	(3,170)
Dividends paid to non-controlling interests	(279)	(361)
Other, net	(89)	(89)
Net cash provided by (used in) financing activities	(6,112)	748
Effect of exchange rate change on cash and cash equivalents	(226)	(450)
Net Increase (decrease) in cash and cash equivalents	(13,347)	1,724
Cash and cash equivalents at beginning of the year	37,639	27,887
Cash and cash equivalents at end of the period	24,292	29,611