TOYO TIRES
driven to perform

Annual Report
2016

Mission

Our Mission

To Create Excitement and Surprise with our Products That Exceed Customer Expectations and Enriches Society.

At the core of the Toyo Tires Group's business is the manufacture and sale of automotive tires and other parts. Currently, our products and services are provided in over 100 countries and regions to meet specific yet diverse needs.

On January 1, 2017, we laid out our new philosophy, and have defined these words as our new mission. We will strive hard to bolster the technological, supply, and brand strength that we have steadily accumulated to date to achieve this mission.

Geared Up

CONTENTS

For

Technological Strength

We improved our technological strength and efficiency in terms of tire development through “Nano Balance Technology”—a standalone fundamental technology for material design—by fusing four distinct systems, namely “analysis, analytics, material design, and process” at a nano level, and “T mode”—our tire simulation analytical technology.

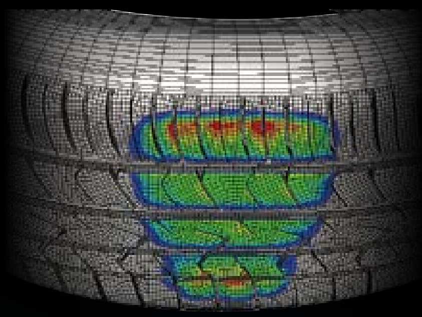
Supply Strength

We have established a supply system that can react quickly and flexibly to individual market’s demands and sales trends.

Tire production sites are being expanded in Japan, the U.S., China, and Malaysia, and the characters (roles) of each production site is being clarified in response to market demands to supply products that optimize our operation and reinforce the portfolio. In the case of the U.S. plant in particular, production capacity has been increased in the fourth term to cope with the increased demand for pickup truck, SUV, and CUV tires, thus becoming our largest tire plant.

Brand Strength

Both “Toyo Tires” and “Nitto” attract widespread acclaim thanks to their combination of performance, quality, and brand character. Toyo Tires enjoys an excellent reputation internationally, especially for its performance and quality. Nitto tires are characterized by their unique tread patterns (on the tire surface) which are popular with real motoring enthusiasts who love to have distinctive or highly tuned vehicles, notably in the North American market.



We Will Keep Striving to Create a Prosperous Society.

At a Glance

Review of Operations

Tire
Sales by Business Segment
79.6%

Operating Income by Business Segment
92.1%

DiverTech
Sales by Business Segment
20.4%

Operating Income by Business Segment
8.0%

Tire Business

Main Products
- Tires for Passenger Cars
- Tires for Trucks and Buses
- Tires for Construction Vehicles

DiverTech Business

Main Products
- Automobile Anti-Vibration Rubber, Seat Cushions, etc.

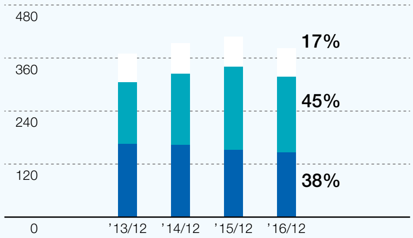
Urethane Seat Cushion

Hydraulic Engine Mount

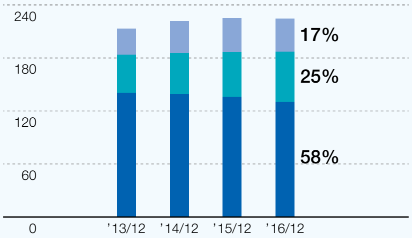
Coupling

Regional Data

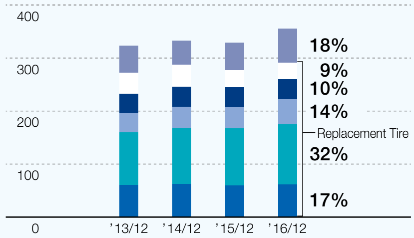
Sales by Geographic Segment



Changes in Tire Production (New Rubber Volumes)

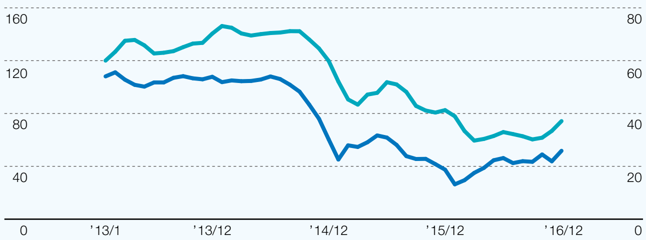


Ratio of Tire Sales Quantity by Geographic Segment



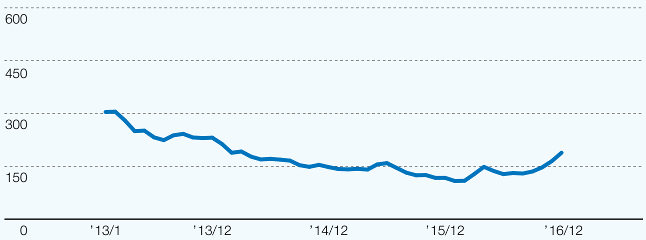
Market Data

Dubai Crude Oil and Domestic Naphtha Prices



Sources: Dubai Crude Oil—Tokyo, Spot Price, FOB
Domestically Produced Naphtha—Custom Clearance Statistics, Ministry of Finance

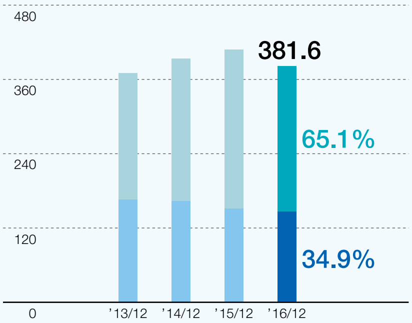
Natural Rubber TSR #20 Prices (SICOM)



Source: Singapore Commodity Exchange Limited (SICOM)

Net Sales

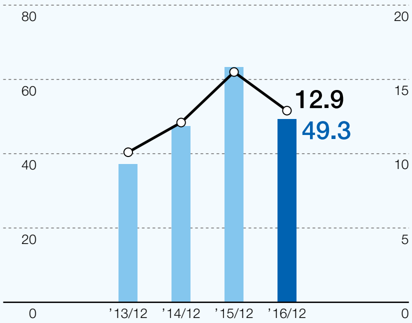
Billions of yen / %



Japan Overseas

Operating Income / Operating Income Margin

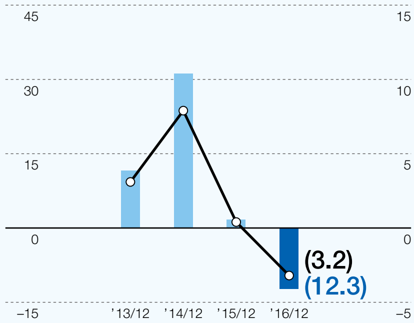
Billions of yen / %



Operating Income
Operating Income Margin (right scale)

Net Income (Loss)* / Net Income (Loss) Margin

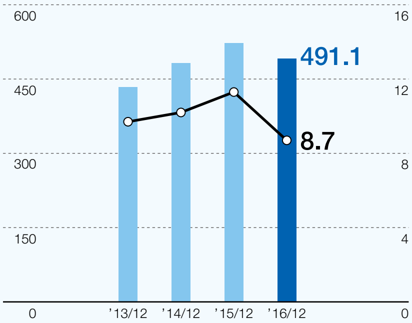
Billions of yen / %



Net Income (Loss)
Net Income (Loss) Margin (right scale)
* Net Income (Loss) = Profit (Loss) Attributable to Owners of Parent

Total Assets / Return on Assets (ROA)

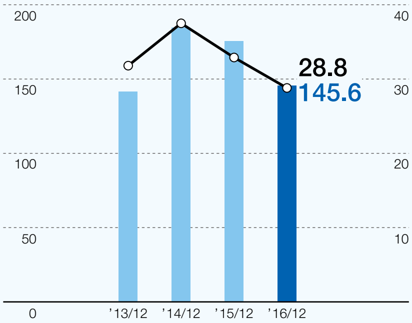
Billions of yen / %



Total Assets
ROA (right scale)

Net Assets / Capital Ratio

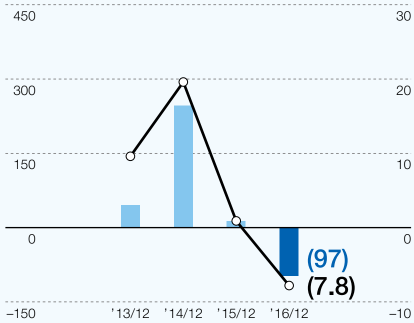
Billions of yen / %



Net Assets
Capital Ratio (right scale)

Net Income (Loss) per Share / Return on Equity (ROE)

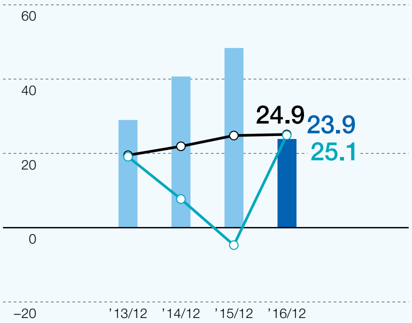
Yen / %



Net Income (Loss) per Share
ROE (right scale)

Capital Expenditure / Depreciation / Free Cash Flow

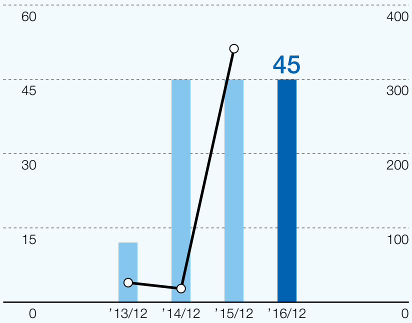
Billions of yen



Capital Expenditure
Depreciation
Free Cash Flow

Cash Dividends per Share*1/ Payout Ratio*2

Yen / %



Cash Dividends per Share
Payout Ratio (right scale)
*1. On the effective date of July 1, 2014, the Company merged two shares of common stock into one share.
*2. Dividend payout ratio is not calculated in fiscal years incurring a net loss.

Financial Fact Book

Please see the *Financial Fact Book* for our financial details.

Takashi Shimizu

Representative Director
and President

Further Advancing

Mid-Term ’17 : New Medium-Term Business Plan

	FY2016 Results	FY2020 Forecast
Net Sales	¥381.6 billion	¥480.0 billion
Operating Income	¥49.3 billion	¥60.0 billion
Operating Income Margin	12.9 %	12.5 %

- Dedicate efforts to strengthen business functions and management foundation to enable sustained growth
- Maintain and expand operating income margin, and aim for solid growth in key target areas

Enhancing Our Strengths, and All Areas of Infrastructure Development for the Next Generation

Dramatic Growth to Profit Structures from Mid-Term ’14

Looking back at the past three years of the “Mid-Term ’14” medium-term business plan, operating income for FY2014 was 47.5 billion yen, with 63.4 billion yen in FY2015 and 49.3 billion yen in FY2016. Also, we were able to continuously achieve the operating income margin target of 11.1% as of the final year of the “Mid-Term ’14” throughout the three years. Given that prior to this we had an earnings structure of about 10 billion yen in operating income and an operating income margin of 3%, we can say that producing a structure from Mid-Term ’14 where we can constantly see operating income about 50 billion yen has been a great source of pride.

Currently, more than 90% of the company’s operating income is derived from the tire business, and the main driving force of this is our North American tire business. Among the various successes, the greatest harvest of our Mid-Term ’14 has truly been from the success of our business strategy in the U.S.

Challenging Decision to Establish a Plant in the U.S. in 2004

We have a history of early business in the U.S., setting up a sales company in the 1960s, and for many years we handled tires for trailers etc., large tires for trucks and buses, and passenger vehicle tires. However, from the early 2000s, we managed to discover through our own market research, that there was a new demand trend forming for large-diameter and pickup and light truck tires, and we decided to boldly enter this market for large-diameter tires.

It was 2004 when our company built our own plant in Georgia. More than ten years have passed, but at the time this was a state-of-the-art facility for the industry. Moreover, we took the challenge of implementing new tire manufacturing methods that had only been recently developed in Japan at the time.

Challenges with a Flourishing Tire Business in North America

The plant that was introduced into U.S. uses a completely new proprietary tire manufacturing technology known as A.T.O.M. (Advanced Tire Operation Module).

Initially, there were problems unique to startup, with a gap between supply and demand, and it was a challenge to generate a profit. Still, we have carefully built a business, through the constant improvement and evolution of our technology, production, marketing and sales, to optimize costs, and to determine what to produce, and how to price it.

Large-diameter tires are said to be difficult to manufacture because of the greater uniformity required, but with the A.T.O.M. method, it is possible to manufacture extremely uniform tires, and we can introduce tires with unique design that rivals cannot match because the tires have sidewalls of a certain thickness.

The technological capabilities of quality, performance and design and marketing to understand and meet the needs of users of pickup trucks, SUVs, and CUVs is beginning to respond to the supply and demand of this growing market.

Aiming for Steady Growth in Priority Areas

Under the Mid-Term ’14, we have been able to catch the tide of world economic change, and by “further enhancing our own strengths”, we have raised our profile, leading to improved corporate value. We have been able to achieve dramatic growth as we have steadily expanded our supply system, such as through additional investments in our core portfolio of North American tire business strategy, expanding indicators such as operating income and operating income margins, or in other words, “the ability to make money from our core business”.

The Company has also announced a new “Mid-Term ’17” medium-term business plan from March 2017, in which we look for solid growth in the 4-year term from 2017 to 2020.

Consolidated earnings targets for fiscal 2020, the final year of the current Mid-Term ’17, are net sales of 480.0 billion yen, an operating income of 60.0 billion yen, and an operating income margin of 12.5%. We will continue to focus on profitability as for key performance indicators, and in order to maintain a high operating income margin we will strive for steady growth in priority targeted fields, while reinforcing our business functions and management foundation.

Leveraging Strengths as a “Forerunner in the U.S.”

As the world experienced the aftermath of the Lehman Brothers Collapse, we witnessed the strong resilience shown in the U.S. market as they quickly recovered.

Sales of new cars are firm in the U.S., and there is particularly strong demand for pickup trucks, SUVs and CUVs, with further growth in the market expected if one also considers strong future demand for replacement tires, and under such conditions, we are further enhancing our structure in the North American market in order to reinforce the strengths of our products and increase sales.

Of course, as we watch the strength of such a market, we can also hear the footsteps of competitors in our ears, but the Company has built a certain position in North America. We have a great deal of assets, including our relationships with our customers, the evolution of our proprietary A.T.O.M. manufacturing method, and our market presence and branding etc. We will look to further enhance the trust, expertise and technical capabilities which we have developed ourselves as a market leader.

Developing an Even More Solid Foundation in North America, Rooted in the Market

We have already located an R&D base next to our U.S. tire manufacturing plant, and in January 2017 we announced that from 2017 we will further enhance and strengthen our product development functions and personnel. We will be able to produce a quick supply of products that are sought by our customers by accurately ascertaining market needs and directly accelerating our product development cycle locally.

Also, in September 2017, we announced our 5th production capacity enhancement plan to maximize the use of space in the premises of our U.S. plant. with the start of construction on a new plant building in February 2018, which is expected to begin production in April 2019, we will further enhance our supply system for our competitive advantage of large-diameter tires for pickup trucks, SUVs and CUVs, in response to customer demand.

By placing roots in the market in this way and improving our business value, we will further reinforce our business base within the North American market.

Embarking on Enhancements in the “Global Hub” of Malaysia

As of 2010, the Company had a production base consisting of two plants in Japan and one in the U.S., but we have since established our own plants in China and Malaysia, and in terms of production bases under the umbrella of M&A, today we have seven plants around the world, and are building our tire supply system.

My idea is to have “a supply base that makes it possible for us to produce various products for the global market”.

When we announced the previously mentioned U.S. plant capacity enhancement, we also announced further capacity enhancements for our Malaysia plant. Construction will begin on a tire production plant next to our current Malaysian plant with the same capacity from August 2018, and production is planned to commence there from October 2019.

Specializing as a Company in Flexible and Optimized Supply to the World

For us, it isn’t simply a matter of building plants just to sell large quantities locally. A supply system that can look at the global market and quickly and flexibly react to the needs and sales trends in each market is another of our strengths. Thus the overall strategy of our company is to optimize supply combinations globally by optimizing the particular characters of each plant.

While observing this policy, we are also improving our supply system, in order to respond to robust demand and to achieve the increased sales targets included in our Mid-Term ’17.

Under our Mid-Term ’17, we are planning to consider new production bases, but rather than new plants serving as production bases for their local markets, we are looking to realize the concept of developing them as global supply bases.

Offering “Surprising Products” through Constant Innovation

Our company has “differentiating technologies”, beginning with our “Nano Balance Technology” basic material design technology, as well as advanced computer simulation technology and detailed measurement and evaluation technologies. We also have “elemental technologies” such as our aggressive design, wet performance improvement and the realization of longer service life.

The culture and history of cars differs depending on the market, as do customer preferences, but the strategic driver of our business is the technology that backs up our products. We have been able to develop high value-added “surprising products” through such constant innovations.

Looking towards a “Once in a Century” Turning Point

As you know, the automobile industry, which developed into a major industry in various countries with the arrival of motorization, is now entering a “once in a century” turning point.

We expect that within the next ten years, the “car landscape” that we see on a daily basis will change completely, and we will enter a completely new mobility life and mobility society.

As the value of the existence of automobiles themselves changes, it is only natural that even tires will be expected to take on previously “unknown roles” that haven’t yet even been imagined. Our company sees this as an opportunity. As we look at this next generation of mobility, we look to position our advanced research and development as important technological strategies, as we design scenarios assuming these changes in society and values, to present a continued strong presence.

Strengthening Technological Foundations for the Next Generation

The focus on realizing next generation mobility in Europe is remarkable, particularly in terms of EV vehicles, and this is also the market with the highest performance requirements in the world.

In order to understand the technologies required for this next stage, and to further polish our technical capabilities to a global level, we will establish an R&D base in Europe, and will continue to enhance our current technical and marketing functions. Then, in order to globally sell and expand the products produced with this evaluated technology, we will establish an evolutionary strategy for developing next generation technologies.

We are also in the process as a tire manufacturer of incorporating IoT and AI into our business to provide new added value. Our company has partially and gradually undertaken a number of initiatives, but we believe that once these are inserted into the various processes of our value chain this will help our company to evolve in an innovative manner. We have advanced our Mid-Term ’17 to build a next generation business model based on the foundation of a viable business.

At the same time, we have already cultivated technical strengths in the field of automotive parts such as engine mounts and suspensions etc. We believe that through enhanced collaboration and the fusion of technical resources and expertise in common with the tire business, including fundamental technical research, materials technologies, processing technologies and vibration suppression technologies etc., we can raise the synergy of our product and business value.

Reinforcing the Fundamentals of our Business Functions and Management Foundation

Finally, I would like to mention the "reinforcement of our business functions and management foundation", which forms the basis of the business plan that I have been talking about.

Previously, our business had been organized with the segments of the Tire Business and DiverTech Business, and business was carried out vertically, but as of January 2017 we have radically restructured the organization by unifying the functions of "production", "sales" and "technology" by removing this barrier.

In addition, with "compliance" as a prerequisite for corporate activity, and the basic functions of "quality assurance" and "environmental safety" which are so fundamental to manufacturing companies, as well as the cross-coordination of "planning" and "management", we have established core functions which enhance management capabilities.

The aim of this is to share the production and sales know-how and resources which were held at our business headquarters, and to improve the specialized capabilities in each department from the functions of production, sales and technology, bringing these together as a cross-functional and unified team within the company to comprehensively improve our competitiveness.

In fact, this functional organizational concept is modeled on the local operations and way of thinking from when I was President at the North American headquarters, but in the case of this company, I believe that it will be possible with comprehensive balance to demonstrate a unique flavor to our business, making it possible to further enhance our competitiveness and corporate value.

New Philosophy Enacted (January 1, 2017)

Company Philosophy	We will endeavor to continuously improve our products, and create value for everyone who we work with.	
Our Mission	To create excitement and surprise with our products that exceed customer expectations and enriches society.	
Our Vision	Our goal is to be a company that: ✓ Stays one step ahead of the future through constant technological innovation; ✓ Drives entrepreneurial and creative spirit through a progressive culture; and ✓ Shares in the enjoyment felt by everyone involved in our activities.	
Our Fundamental Values: "The TOYO WAY"	Fairness	Be fair and selfless in one's actions to benefit society.
	Pride	Take pride in one's self, work and company, and to persevere.
	Initiative	Show initiative in all matters, and take ownership of one's actions.
	Appreciation	Demonstrate sincere compassion and appreciation for people and society.
	Solidarity	Continuously advance creativity and innovation by working together to mobilize our corporate knowledge and capabilities.

Aligning Vectors, with All of our Hearts

Even if we create the form, we cannot realize change and growth without including the heart.

In January 2017, our company established new philosophy.

This was formulated as the approach and philosophy of conduct necessary to move the business forward by aligning all directors and employees. Also, each of these philosophy is something that I hope all of our employees and directors will cherish and work together on for the future of the Group.

We are beginning to talk about the meaning behind our founding as a manufacturing company, together with these philosophy, as our executives, starting with our directors, taking the lead and speaking with our employees. Together, we will come to understand accurately and become the embodiment of the philosophy behind everything that we do. This is the kind of mindset that I would like all of our employees to have as we build our organization and corporate culture.

At the end of May 2017, the Company moved its head office functions into a new building. This has made it possible for corporate to be close to our technology and R&D. I would like us to take this opportunity to further deepen our communication with one another, and actively work to "open up a new page of our history". With all of our officers and employees unified, we hope to produce excitement and surprise that exceed our customers' expectations and satisfaction as well as to contribute to creating a prosperous society.

We will give our all to achieving the goals in the Mid-Term '17, and hope that you will look forward to their realization.

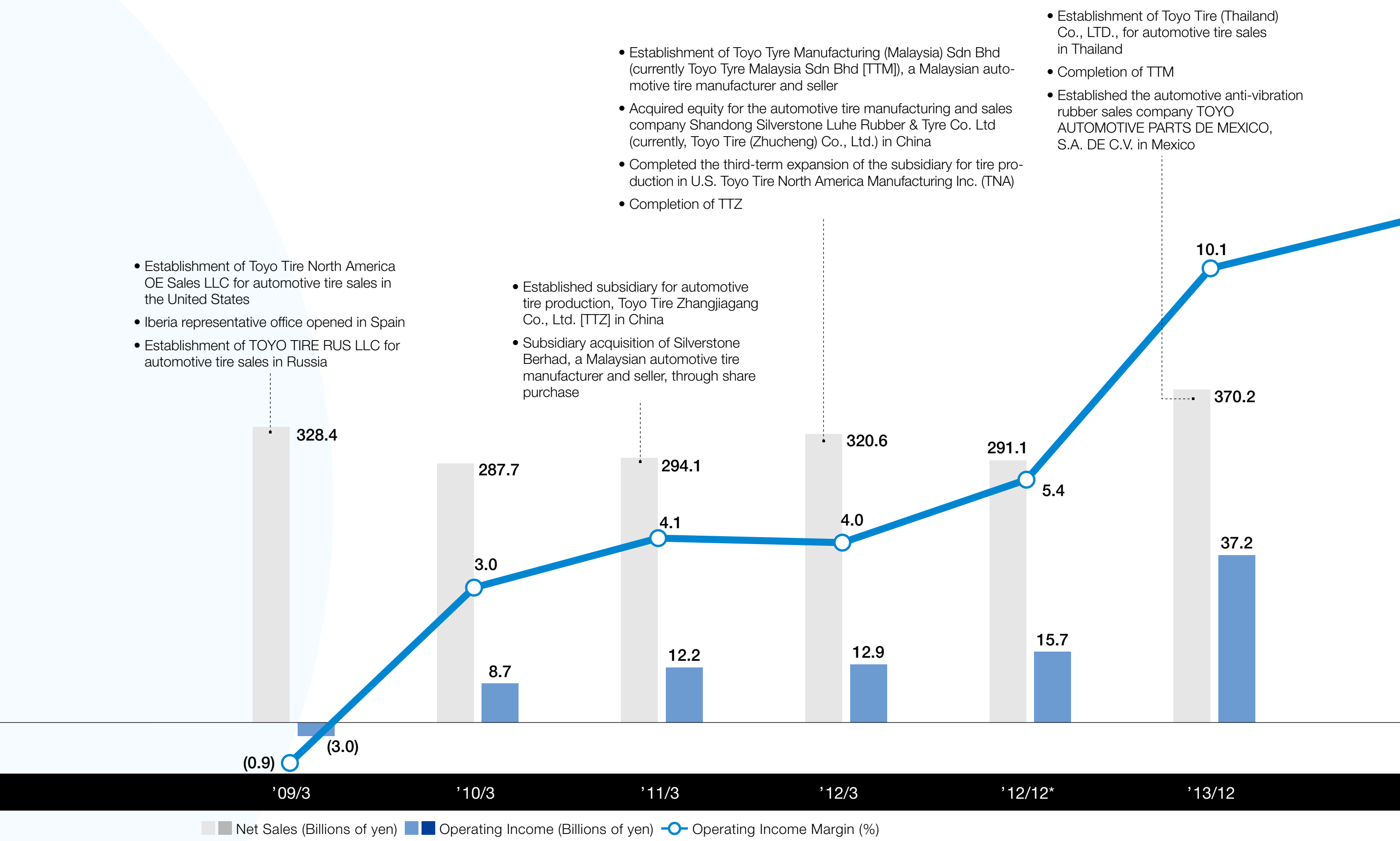
December 2017

Takashi Shimizu,
Representative Director and President

History of the Mid-Term Business Plan

Reliable Implementation of the Growth Strategy

We have been expanding our business by implementing a variety of strategies and investments while retaining a clearly defined mid-term perspective. We aim to achieve steady growth by reinforcing the business function and management foundation that we have developed to achieve sustainable growth while looking towards 2020 and onwards.



Mid-Term '08

Global Growth

Basic strategies

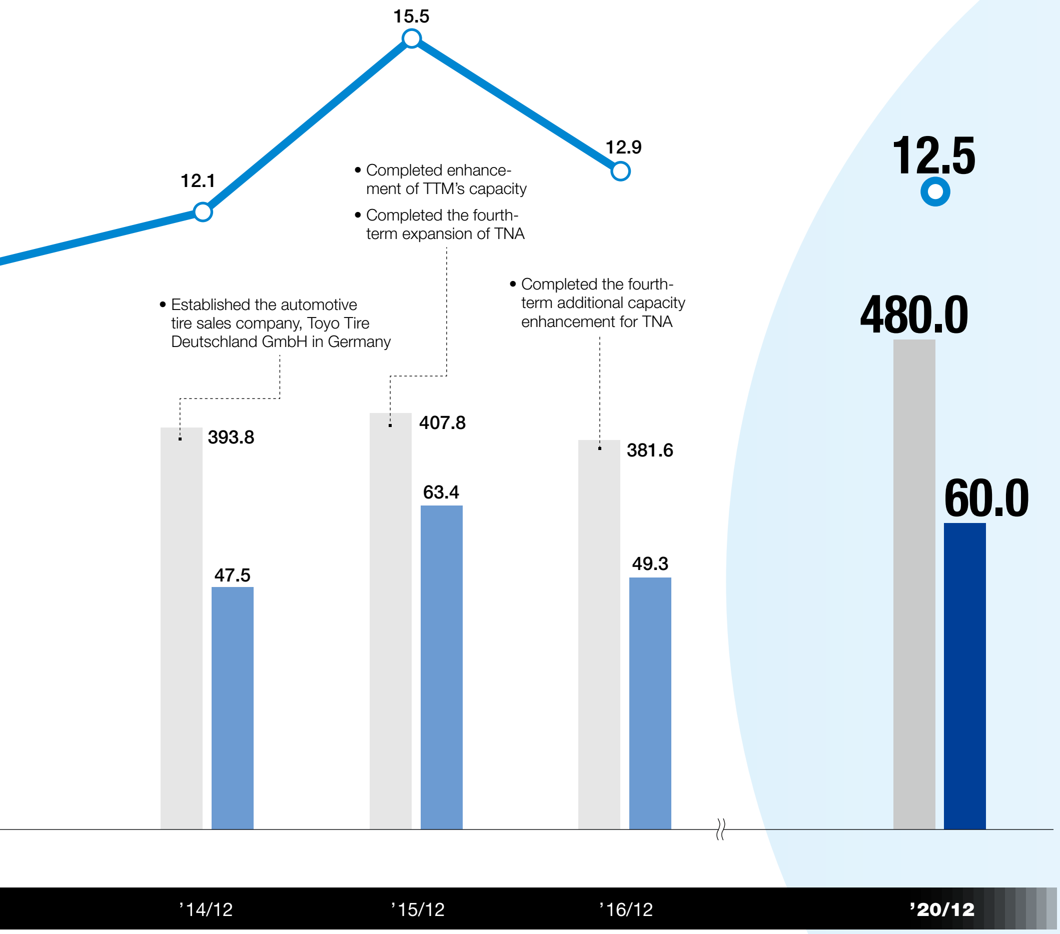
- Enhance corporate value by accelerating global growth strategies
- Concentrate management resources on core businesses
- Change business models to promote structural reform
- Target and promote proprietary differentiated technologies

Mid-Term '11

Charge our Dreams

Basic strategies

- Focus management resources on growing markets and strategic businesses
- Establish business model for increasing profitability
- Create new demand with unique technology
- Continue to implement corporate restructuring



* Accounting period end was changed to December 2012, so a nine-month account settlement is reflected.

Mid-Term '17

Business Policies

Tire Business

Bolster business foundation for maximizing profit

- Fortify structure to bolster product strength and increase sales in the North American market
- Optimize product mix responding to market trends
- Advance development and technological capabilities to help create products that surprise the world
- Improve brand strength and establish efficient supply system

DiverTech Business

Establish position as a global supplier while emphasizing highly functional products

- Advance highly functional products leveraging our superior technology, while also decreasing manufacturing costs
- Establish a global supply structure through a customer-focused strategy
- Acquire new customers through a new organizational structure

Mid-Term '14

GO BEYOND

Business Policies

Tire Business

- Establish firm brand position in SUV/CUV market, where Toyo Tires has strong presence
- Realize differentiated technologies to achieve top-class product competitiveness
- Strengthen product development capabilities for truck and bus tires

DiverTech Business

- Build profit structures to promote business management based on business units
- Fortify businesses with key strengths and build solid foundation in Japan
- Strategically develop overseas markets to improve cost-competitiveness and expand growth foundation

Toyo Tire & Rubber's "IR Information" webpage

See the IR information posted on Toyo Tire & Rubber's website for details on "Mid-Term '17".

Tire Business

Three brands, namely, TOYO TIRES, NITTO, and SILVERSTONE are developed for the tire business. Each has been supplied to the market based on their individual business strategies, and their performance, quality, and brand characteristics are highly valued by their customers.

[FY2016 Results]

Net Sales

¥303.9 billion

6.7% DOWN

Operating Income

¥45.4 billion

21.7% DOWN

Operating Income Margin

14.9%

2.9 POINTS DOWN

Original Equipment Tires

In terms of general tires for new vehicles, both the sales volume and net sales are higher than the previous fiscal year. Sales trends in the Japanese and overseas markets for fiscal 2016 were as follows.

Japanese market

Both the sales volume and net sales exceeded the previous fiscal year thanks to strong sales of the types of vehicles fitted with our products despite weakness in automobile production in Japan.

Overseas market

Both the sales volume and net sales exceeded the previous fiscal year thanks to strong sales of vehicle types that have become more popular.

Replacement Tires: for the Japanese Domestic Market

Sales volume topped the previous fiscal year thanks to strong sales of both summer and winter tires following a strong sales promotion related to the expanded product line despite generally weak sales across the industry as a whole, but turnover remained unchanged from the previous fiscal year.

Replacement Tires: for Overseas Markets

In terms of the overall overseas market, the sales volume was higher than the previous fiscal year, but net sales were lower than the previous fiscal year due to a strong yen on the exchange markets. Sales trends in each of the markets for fiscal 2016 were as follows.

North American market

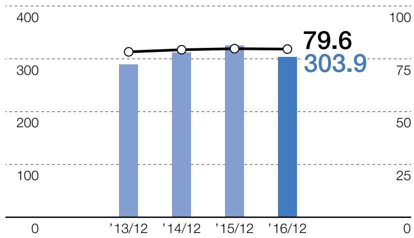
Sales volume built on solid growth as both the “Open Country C/T” and “Open Country Q/T” lines were added to the “Open Country” series, which is a key Toyo Tires brand for light trucks, coupled with strong sales of “Open Country A/T II”–another key tire for light trucks, “Ridge Grappler”–a new product under the Nitto brand whose lineup focuses on the off-road category’s demand for over-sized tires, and “Terra Grappler G2”–a key product for light trucks, while market competition intensified.

European market

Sales volume was built on solid growth by proactively improving and expanding sales channels.

Net Sales / Share of Net Sales

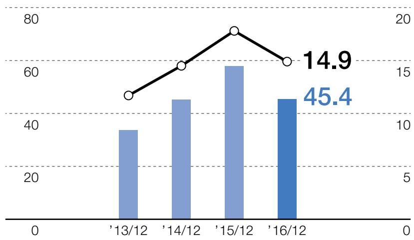
Billions of yen / %



Net Sales
Share of Net Sales (right scale)

Operating Income / Operating Income Margin

Billions of yen / %



Operating Income
Operating Income Margin (right scale)

Note: The above figures include intersegment sales and transfers

Main Products for FY2016

OPEN COUNTRY C/T

OPEN COUNTRY Q/T

RIDGE GRAPPLER

TRANPATH ML

M677

Mid-Term ’17 Business Strategies

Business Policies

Bolster business foundation for maximizing profit

- Fortify structure to bolster product strength and increase sales in the North American market
- Optimize product mix responding to market trends
- Advance development and technological capabilities to help create products that surprise the world
- Improve brand strength and establish efficient supply system

FY2020 Targets

Net Sales

¥400.0 billion

Operating Income

¥56.0 billion

Operating Income Margin

14.0%

◎ Technological Strategy

We will reinforce (advance) our fundamental technology for tire design, which is the foundation on which we aim to enhance our product strength. We will simultaneously strive to reduce rolling resistance and reciprocal performance using our proprietary technology known as “Nano Balance Technology,” a standalone fundamental technology for material design. In addition, we aim to speed up development, reduce costs, and improve the predictability of technological innovations using computer simulation technology, and apply our proprietary technology in multiple directions to develop products.

We also take on the challenge of innovating elemental technology and design technology to commercialize rubber materials. We will speed up the development of differentiated products and react to market needs by simultaneously combining excellent tire performance with aggressive design.

◎ Product Strategy

We will not only apply our fundamental proprietary technology and elemental technology to large-diameter tire designs for tires for pickup trucks, which is one of our strengths, but will also further improve our character and strength, i.e. simultaneously striving for high performance and high quality design. In the same way, we will use these technologies to develop tires for passenger vehicles, trucks, and buses, and thus develop the market.

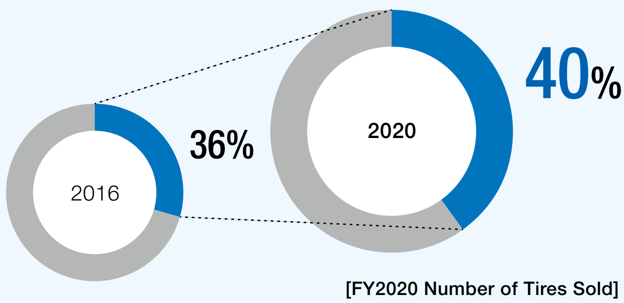
◎ Sales Strategy

We will optimize our product mix by targeting specific markets, so that our strengths can be maximized by matching our resource features to each market’s characteristics and trends around the world.

For the profitable North American market, we will further reinforce our product and sales strength while developing skills in Europe for the European, Middle Eastern, and African markets, and boost sales by aggressively promoting our competitive products.

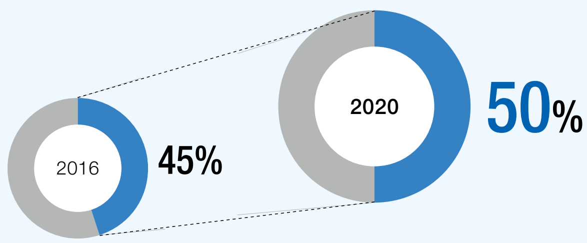
We will also proactively strive to increase sales internationally centered on the North American market with a focus on pickup truck, SUV, and CUV tires–a product category that we dominate. By 2020, we plan to increase the global sales share of tires sold for pickup trucks, SUVs, and CUVs to 40%, which would be a four-point increase compared to 2016. In the same way, we will boost the share of tire sales for those mounted on new vehicles to 50%, an increase of five percentage points over 2016.

Composition Ratio of Pickup Truck/SUV/CUV Tire Sales among Global Tire Sales



[FY2020 Number of Tires Sold]
Up 39% over FY2016 results

Composition Ratio of Pickup Truck/SUV/CUV OEM Tire Sales among Global OEM Tire Sales

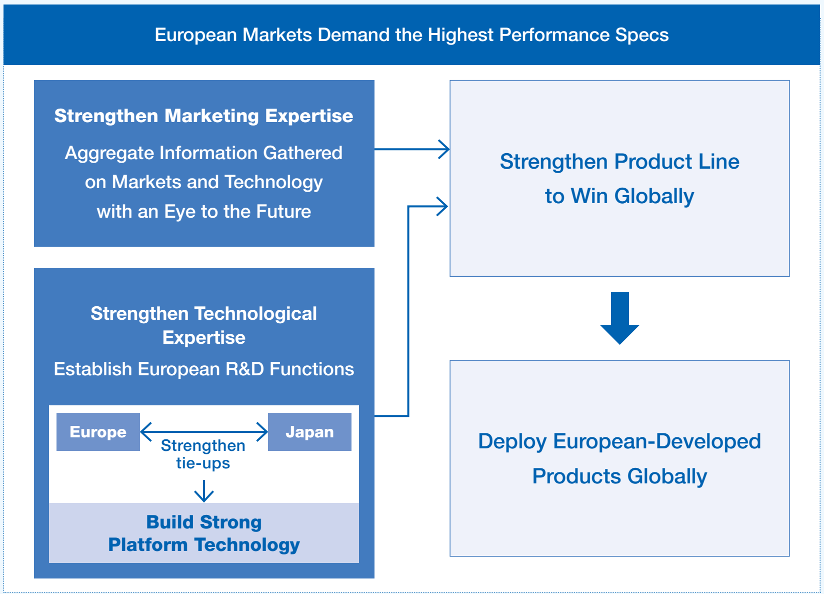


◎ Market Strategy

*Details of our strategy for the North American market, which is our most important single market, are explained in “Close Up” on pages 21–22.

We intend to remain globally competitive and believe that a technological base needs to be established in Europe, where the performance demanded of tires is the highest in the world in terms of regular driving and wet performance. In order to achieve this, we will establish an R&D function in Europe, reinforce the technological and marketing functions in Europe primarily for products launched globally, and further boost our product strength. Thereafter, we aim to further enhance our corporate value by selling and launching the products developed using highly reputable European technologies in the North American, Asian, Chinese, Middle Eastern, and African markets.

Strengthening our Technological Foundation and Pursuing Global Development in Europe



◎ Supply Strategy

Our proprietary Advanced Tire Operation Module (A.T.O.M.) method that has been adopted by the U.S. plant since 2005 has been improved and launched to sites worldwide, and we produce over 40% of our tires around the world using the A.T.O.M. method at our supply sites.

A supply system that can quickly and flexibly react to the needs and sales trends in each market is another one of our strengths. We will establish a production and supply system that optimizes our global logistics infrastructure and supply combination while clarifying each plant’s roles (characters); for example, reinforcing products with added value by renewing facilities in Japan, and strengthening cost competitiveness for general-purpose products in Malaysia. Furthermore, we will discuss how best to optimize the combination of production and supply, which are our strengths, in terms of establishing new supply sites by looking at growth toward 2020 and onwards.

Optimize Operations and Strengthen Portfolio

- **Clearly define the features of each plant**
- **Optimize our supply chain management**
- **New production bases to ensure sustainable growth beyond 2020**

Japan	Strengthen production of high-value-added products
North America	Flexible supply responding to market trends
Malaysia	Strengthen cost competitiveness of commodity products
China	Production focused on local strengths

+

New production bases

Close Up

Further Reinforcement to Secure a Firm Footing in the North American Market

We have been strengthening ourselves further to gain a firm footing in the category of tires for pickup trucks, SUVs, and CUVs in the North American market, which is our most important market. In order to do so, we will step up our competitiveness in North America by reinforcing the R&D function within TNA and quickly react to local needs.

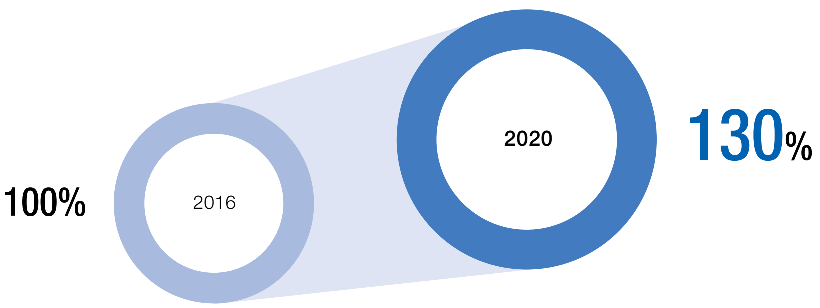
Increased Demand for Tires in the Pickup Truck/SUV/CUV Categories

In the U.S., new vehicle sales have been strong and demand has shifted to pickup trucks, SUVs, and CUVs, and sustainable market expansion can be expected when we consider demand not only for tires on new vehicles, but also those to be replaced.

Such a trend in the U.S. market represents a win-win situation for us, as tires for pickup trucks, SUVs, and CUVs are our strength. Under such circumstances, we aim to gain six percent market share by 2020 by exercising our potential, and lay the foundations to climb from seventh* to fifth rank in terms of North American sales ranking.

* Source: *Modern Tire Dealer* January 2017

Sales of Pickup Truck/SUV/CUV Tires in North America



U.S. Tire Manufacturing Subsidiary
Toyo Tire North America Manufacturing Inc. (TNA)

TNA (Georgia, U.S.) started operations in December 2005 as the North American manufacturing site of the Toyo Tire & Rubber Group. High quality tires manufactured under the A.T.O.M. method are adopted not only for the after-market in North America, but also for tires mounted on new vehicles sold by car manufacturers. Superior value that exceeds customer expectations expects is added through these tires.

TNA boosted its production capacity four times from 2007 to 2016. Production capacity has increased in stages from the original capacity of two million tires (on a passenger vehicles basis) to 11.5 million tires today. As regards to results, over 30 million tires have been manufactured in total as of January 2016, up from the one million in the initial fiscal year. It has become the largest tire manufacturing plant in our group. The number of employees has also increased from 350 when operations started to 1,500 as of the end of 2016, thus also contributing to employment opportunities.

TNA received a prize as "Automotive Supplier of the Year" at the Georgia Automotive Awards 2016, established in fiscal 2016 by the Department of Commerce in the State of Georgia, to honor its achievement of "contributing to fostering and sustaining the growth of the automotive industry, and its positive effect on the

Establishment as Local R&D Base

We aim to enhance the functionality of the R&D department of the U.S. tire manufacturing subsidiary, Toyo Tire North America Manufacturing Inc. (TNA), within 2017 to secure a firm footing in North America.

We have been developing products through cooperation between the R&D division of TNA and the “Tire Technical Center (Itami City, Hyogo Prefecture),” which is the parent site for technical development of tires in Japan. They have consistently been supplying high quality tires to the market using “A.T.O.M.”– our latest highly automated proprietary tire manufacturing method.

As a recent functional enhancement, personnel will be newly allocated for each development stage up until commercialization, including product planning and product design, within TNA, so that market needs are directly and carefully understood, with accurate and timely product development conducted locally. Also, the number of personnel in the R&D department will be increased by half compared to the current number, and facilities to measure and evaluate the static and dynamic features of tires will be newly installed to promote local product evaluation and quick feedback for development.

We will establish a local R&D system by enhancing these functions, and realize swift product development that closely meets the customers’ needs, both for tires to be mounted on new vehicles and those to be supplied commercially.

As for the supply system, the fourth-term enhancement of TNA capacity was completed at the end of 2016, and a system that can flexibly supply uniform and well-balanced products with added value as per the market’s needs has been established using A.T.O.M.

We will speed up the business through collaboration between Marketing, R&D, Production and Sales, and supply tires with added value in terms of quality and performance in a timely manner to further enhance our competitiveness in the North American market.

Enhanced Functionality by Reinforcing the Marketing and R&D System

Marketing Functions
Collect precise market information and analyze

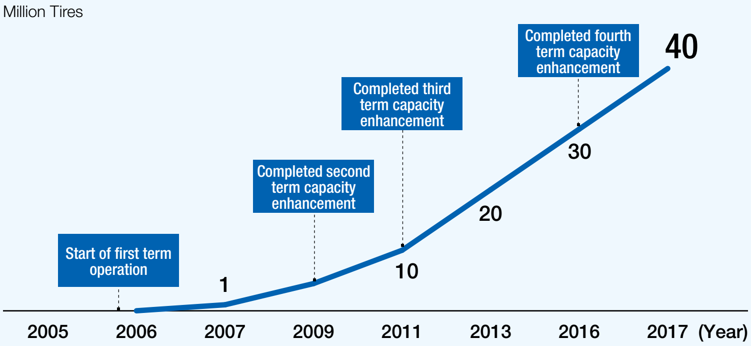
Technology / R&D Functions
Quickly develop and propose more advanced products

Production / Sales Functions
Supply high-quality, high-function, high-value-added tires in a timely fashion

A.T.O.M. at TNA

entire state’s economy through its strong growth with future prospects” amongst automotive OEMs.

Total Number of Tires Manufactured by TNA (Actual Number)



Toyo Tire North America Manufacturing Inc. (TNA)

DiverTech Business

Regarding the DiverTech Business, we are putting great effort into establishing our position as a global supplier while focusing on enhanced functionality products using the superiority of our rubber and material blending technology and vibration control technology.

[FY2016 Results]

Net Sales

¥77.5 billion

5.5 % DOWN

Operating Income

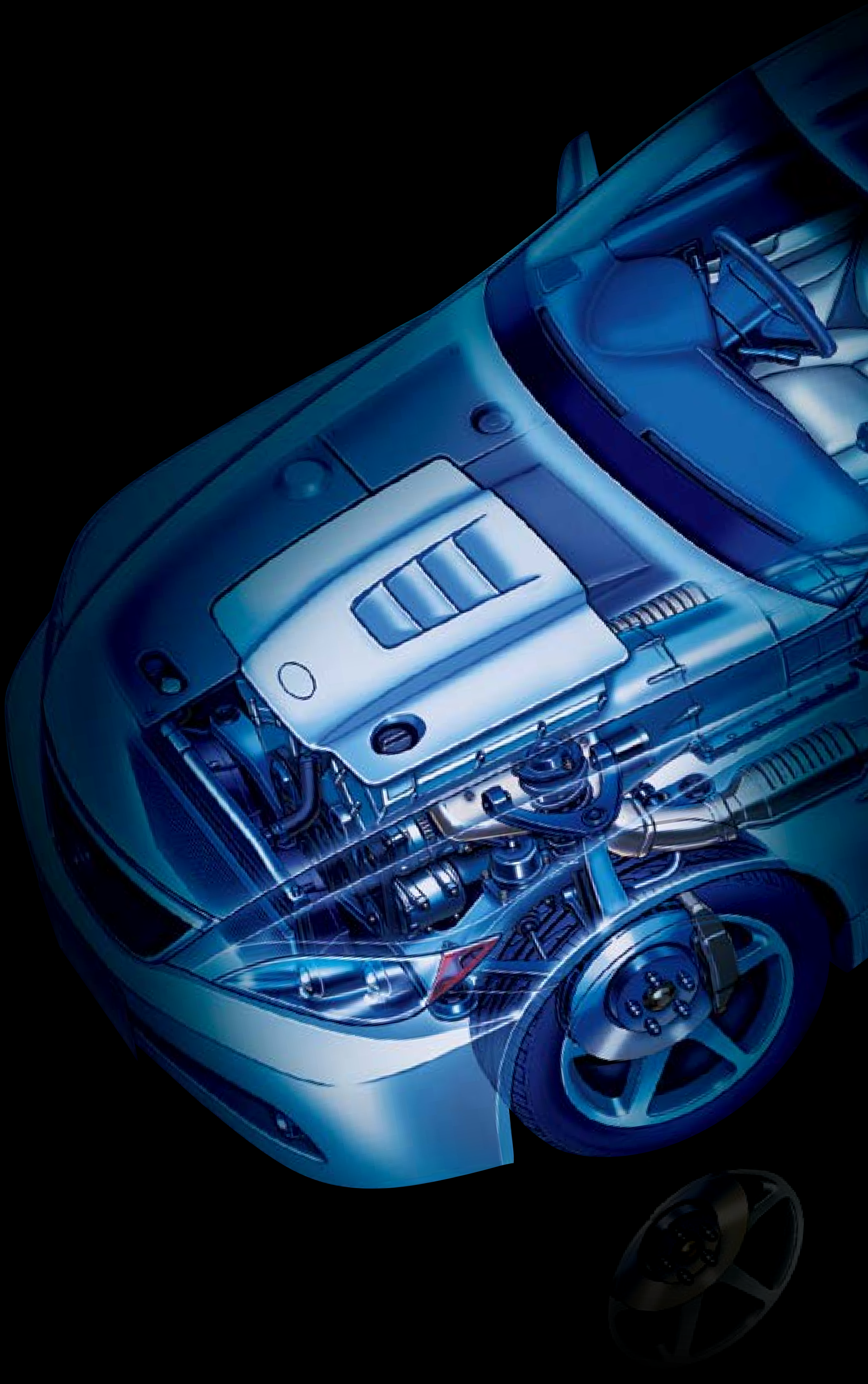
¥3.8 billion

4.5 % DOWN

Operating Income Margin

4.9%

0.1 POINT UP



Transportation

Although we have received many new orders for automobile seat cushions, the overall net sales of anti-vibration rubber for automobiles declined year on year due to reduced sales of the types of vehicles on which our products are mounted coupled with the strong yen on the currency exchanges mid-year.

Despite strong sales of air suspensions and anti-vibration rubber for railway carriages and for the new domestic and overseas vehicle market, sales for the domestic repair market were subdued, so turnover was less than the previous fiscal year.

Thermal Insulation & Waterproof Materials

Net sales in the thermal insulation materials area was less than the previous fiscal year because bulk sales, in terms of materials for farm sheds/livestock barns, were down.

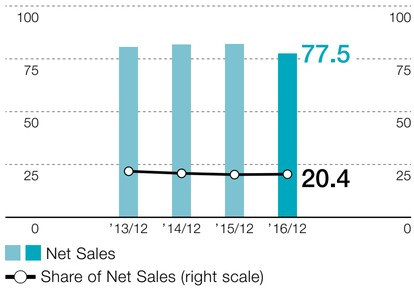
Net sales for waterproof materials was lower than the previous fiscal year, partially due to low demand for rubberized waterproof sheeting, which is a key product.

Industrial & Building Materials

As for the industrial & building materials area, sales of standard anti-vibration rubber were strong, but orders for road materials received for public projects were poor, so turnover was lower than the previous fiscal year.

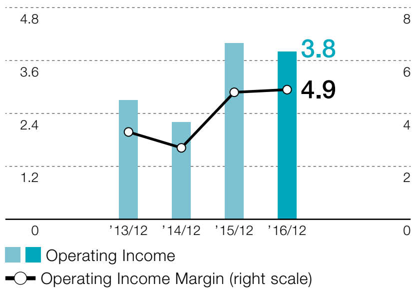
Net Sales / Share of Net Sales

Billions of yen / %



Operating Income / Operating Income Margin

Billions of yen / %



Note: The above figures include intersegment sales and transfers

Mid-Term '17 Business Strategies

Business Policies

Establish position as a global supplier while emphasizing highly functional products

- Advance highly functional products leveraging our superior technology, while also decreasing manufacturing costs
- Establish a global supply structure through a customer-focused strategy
- Acquire new customers through a new organizational structure

FY2020 Targets

Net Sales

¥80.0 billion

Operating Income

¥4.0 billion

Operating Income Margin

5.0%

◎ Basic Strategy

Regarding the DiverTech business, we will submit comprehensive proposals for automakers as well as aim for synergy with the tire business. We will also focus our resources on global growth in concert with business developments of car manufacturers.

◎ Technological Strategy

As for technologies, we aim to establish a new system of cooperation to ensure business growth centered on mobility.

We will improve the technological development strength for the automotive components business by cooperating and reinforcing our technical resources in the Tire Technical Development Department, Fundamental Technology Research Department, and Automotive Components Technical Development Department under a new Technology Management Organization.

We will also react to diverse needs through "open innovation" by taking into consideration joint research with universities and joint development with related parts manufacturers, etc.

◎ Automotive Parts Business

Regarding the automotive parts business, we strive to establish a position as a global supplier through close contact with car manufacturers. We mainly aim to enhance the global supply system to facilitate overseas expansion by Japanese car manufacturers. We also aim to further bolster our cost competitiveness by reinforcing the manufacturing infrastructure, such as "in-house production," "process improvements," "global procurement," and "optimization of manufacturing plants."

Corporate Governance

Corporate Governance System

We have a Board of Directors which functions as the decision-making and supervisory organization, an Executive Committee which comprises the decision-makers in terms of implementation, Special Committees that are deliberative and consultative organizations each field, and an Audit & Supervisory Board, which fulfills the auditing function regarding the execution of duties by the Boards of Directors. Each of these functions can be fully exercised under our system.

The Board of Directors is comprised of six directors (two of whom are outside directors), and supervises the decision-making process and operational execution status of the directors regarding important issues of management policy, goals, and strategies, etc.

The Executive Committee is comprised of 11 corporate officer who are in charge of the management department, etc. (senior corporate officers or corporate officers, four of whom concurrently serve as directors), and deliberate and decide on important matters as the decision-makers for any implementation. Matters to be discussed by the Board of Directors amongst those discussed by the Executive Committee are brought up for discussion to the Board of Directors.

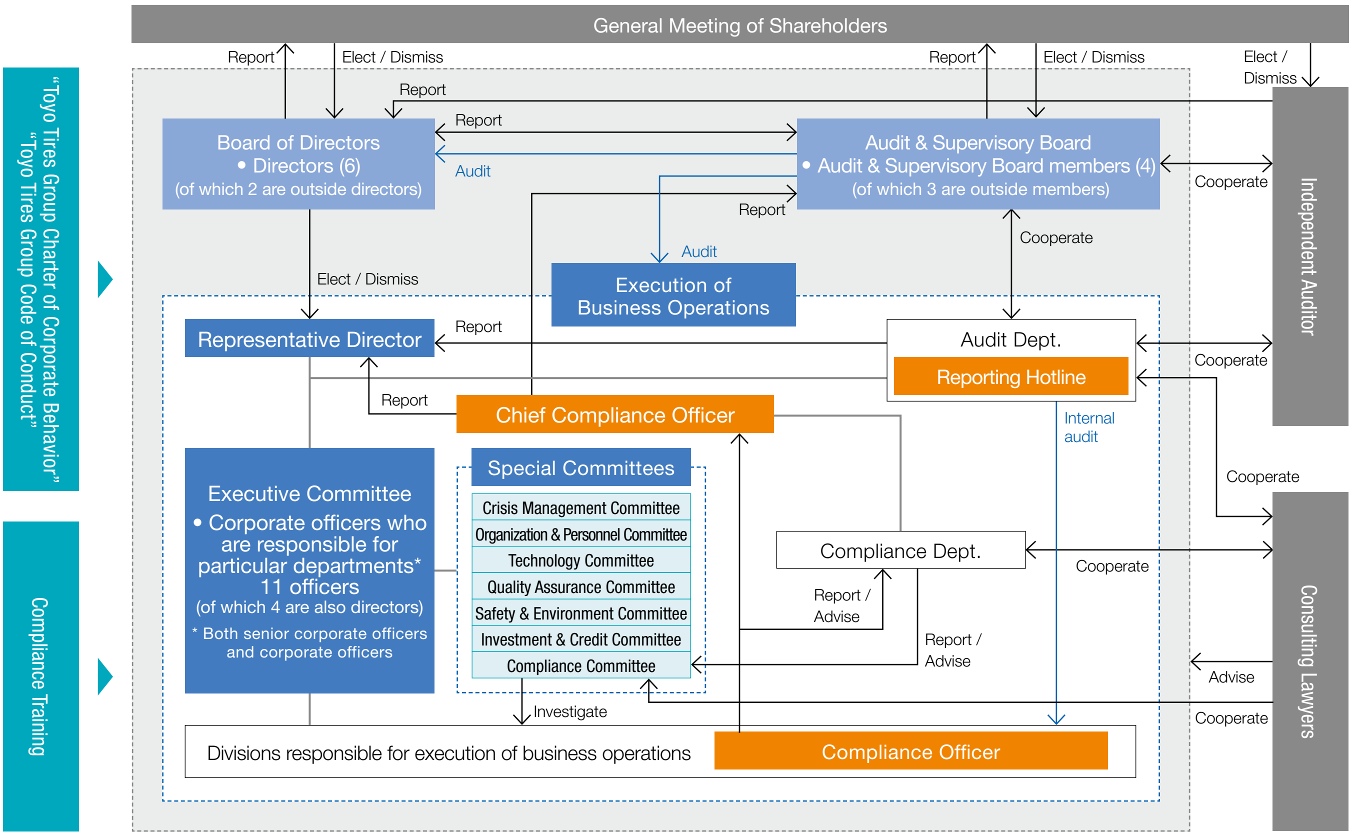
The Special Committees are the Compliance Committee, Crisis Management Committee, Organization & Personnel Committee, Technology Committee, Quality Assurance Committee, Safety & Environment Committee, and Investment & Credit Committee. Each special committee draws up its own plans, analyzes the results, and establishes improvement measures for important activities that need to be discussed and reacted to throughout the organization as subordinate organizations to the Executive Committee, and direct each of the operational departments to implement the drafted and compiled plans, and report progress to the Executive Committee.

The Audit & Supervisory Board is comprised of four auditors including three outside auditors, and reports and deliberates on, then resolves any important matters related to their audit. The Audit & Supervisory Board members participate in important meetings, such as Board of Directors' meetings and Executive Committee meetings, bring up pertinent issues, confirm that directors carry out their tasks appropriately, and aim to improve the effectiveness of the audit.

Outside directors and outside auditors fulfill their expected supervisory and oversight functions from an external perspective by making proposals from an objective and neutral stance.

We constantly strive to reinforce our group's governance in cooperation with the Group companies worldwide so as to expand our business and react to global developments. (Above numbers of people are all as of June 30, 2017.)

Diagram of the Corporate Governance System (As of June 30, 2017)



(The numbers of Directors, Corporate Officers, and Audit & Supervisory Board members are as of June 30, 2017.)

Directors, Audit & Supervisory Board Members, and Corporate Officers (As of June 30, 2017)

Director	Director	Director	Representative Director	Director	Director
Atsushi Takeda*1	Tamotsu Sakuramoto	Tetsuo Tatara	Takashi Shimizu	Yasushi Takagi	Ken Morita*1

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Members

Akio Hirano

Masao Nakahara*2

Sachio Yamamoto*2

Audit & Supervisory Board Member

Terumichi Saeki*2

Corporate Officers

President

Takashi Shimizu*3

Senior Corporate Officers

Tetsuo Tatara*3

Yasushi Takagi*3

Tamotsu Sakuramoto*3

Tomoshige Mizutani

Masaji Ishino

Shinji Tanabe

Masayuki Kanai

Michihiro Kawada

Corporate Officers

Kenichi Ueda

Toshihiko Honbo

Masao Takiwaki

Tadashi Ogawa

Hidefumi Uematsu

Iori Suzuki

Yukio Shinozaki

Tatsuo Mitsuhata

Hideaki Takahashi

Yoji Imura

*1. Outside Director
*2. Outside Audit & Supervisory Board Member
*3. Concurrent with Directorial Position

Compliance

Compliance Promotion System

We established a Compliance Committee as one of the Special Committees as the party to deliberate and consider how to promote compliance throughout the group. We introduced the compliance officer system in fiscal 2015, and aim to promote compliance mainly under the leadership of the Chief Compliance Officer (CCO), supported by Compliance Officers (CO) and Compliance Leaders (CL). The CCO has the right to investigate, instruct or order (including stoppage of operation and shipping), and submit proposals regarding compliance for the Group as a whole, while each CO has those rights within its group's managerial department. A system whereby the CCO can report to/consult with an external specialist organization has been prepared in the event that any compliance-related issues arise. The CLs promote various activities in each workplace to support the CO, and if a CL becomes aware or identifies any compliance-related issue, they must react in accordance with the case details as well as report the issue to their superior and CO.

From fiscal 2017, the number of COs has been increased, and a system that enables detailed promotion statuses of the departments handled to be understood, and to issue appropriate instructions, has been prepared. Training for CLs has also been held, and these activities have become more intense, such as holding discussions at work on compliance, mainly led by the newly trained CLs.

Reinforcement of Compliance Training and Education

Compliance education is provided with a focus on case studies and group discussions in training sessions held per hierarchy from freshmen to managerial positions to improve everyone's awareness and the sensibilities required for each hierarchy.

Effective education is provided using methods appropriate for each work site, such as adding compliance as a theme for small group activities implemented under the theme of safety and quality.

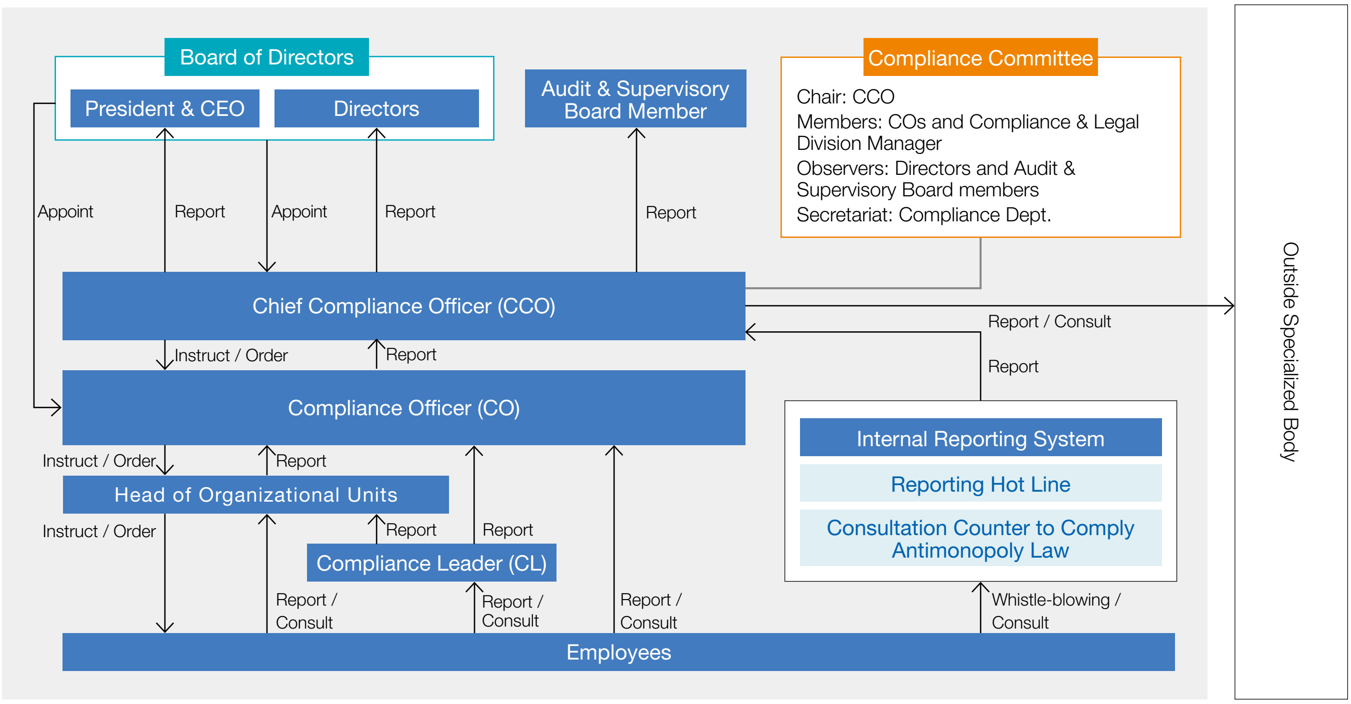
In addition, an e-learning program has been prepared in multiple languages, and provided to Group companies worldwide in order to bolster Group employees' awareness of the need for compliance.

Measures for Compliance Reinforcement Month

Each November has been defined as "compliance reinforcement month" since 2008, and various awareness-boosting activities have been held throughout the Group. In fiscal 2016, communication activities were prioritized; for example, the top management visited business sites to hold discussions with employees, and a series of surveys into compliance awareness have been conducted since fiscal 2014.

Compliance Promotion System Diagram

* The Compliance Dept. provides support at all stages so that the system property and effectively functions.



The awareness survey was conducted on all group employees in Japan and overseas expatriate personnel. We analyze the employees' awareness and evaluation of routine compliance measures and the reinforcement month activities, and discuss the results to determine the optimum future measures.

Principal measures conducted for the compliance reinforcement month in fiscal 2016

- Discussions with top management who visited each business site, and sending compliance messages to employees
- Implementation of survey regarding compliance awareness
- Compliance lecture presented by an in-house lawyer (head office), and distribution of the details by DVD to each worksite
- Creation of compliance slogan by Group employees, and displayed as a poster
- Reading the Code of Conduct handbook together and submission of a written agreement

Operation of a Whistleblower System

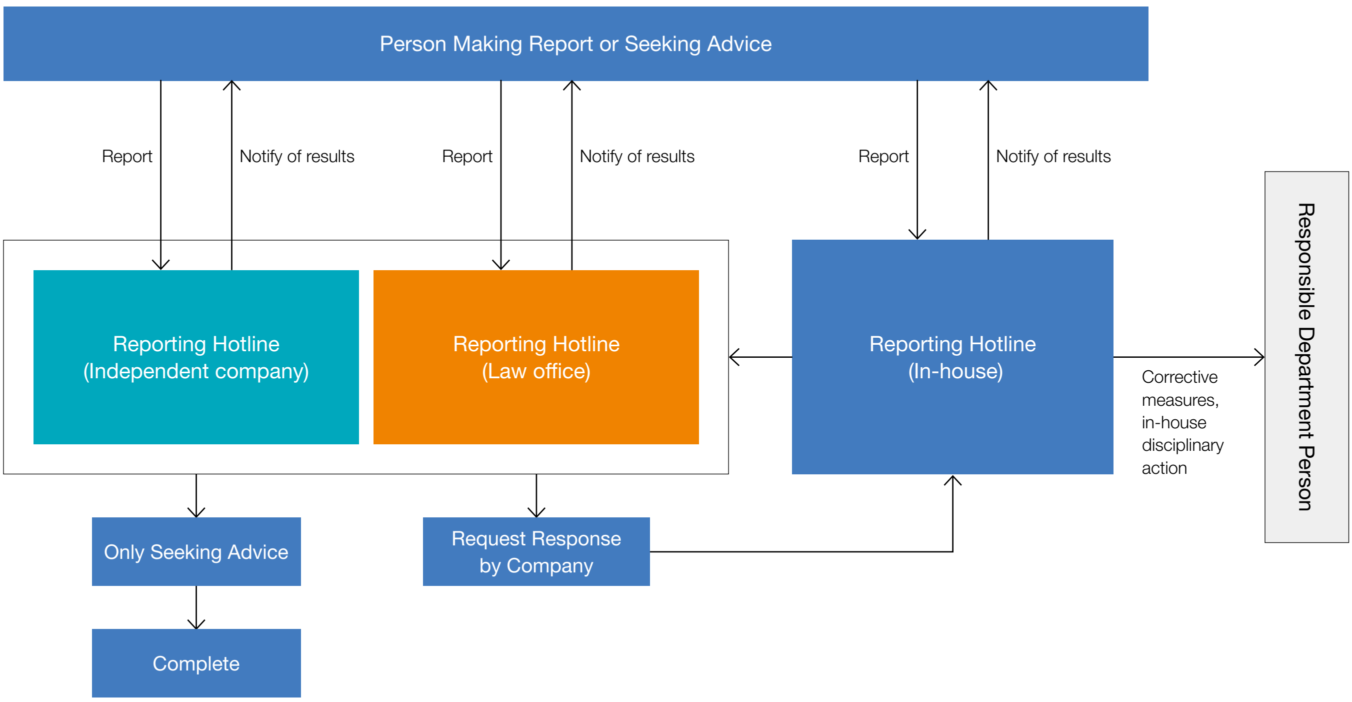
A whistleblower system has been in place since fiscal 2006. Under the compliance officer system that has been adopted since fiscal 2015, if employees become aware of or identify a compliance issue, it must be reported to their superior, the compliance leader, or compliance officer, but if making such a report is impossible, the whistleblower system can be used instead. We strive both to prevent or discover any compliance violations at an early stage through these two systems. A "hotline consultation contact" point that has been established internally and externally for reporting can be used not only by employees, but also customers, and anonymous reports are also accepted. Use of the "hotline consultation contact" has recently been increasing thanks to promotion by distributing notecards and putting up posters, etc., with all reported cases handled appropriately.

Reinforcement of Risk Management System

In our Group, the directors in charge of risk management (directors in charge of the corporate department) control the risk management system in accordance with the "Risk Management Rules." The directors in charge of risk management allocate a responsible person for risk management per critical event that is assumed could seriously affect our Group, create a "Risk Management Manual," and have prepared countermeasures for times of peace or emergency. In the event of an emergency, under this system, the person responsible for risk management calls an emergency meeting, which in turn determines the optimal response to resolve the problem depending on the effect of the situation on our Group and its stakeholders.

The drafting of measures to counter any risks and managerial issues are deliberated at "Crisis Management Committee" meetings called by the director in charge of risk management, to ensure that the risk management system is sustainably reinforced.

Internal Reporting Flow



Environmental and Social Contribution

The Toyo Tires Group has been tackling CSR management under the CSR Policy (basic policy and priorities) as determined in May 2014.

The basic CSR policy of our Group is "We are all "Connected" as contact points with society, and are the individuals that implement CSR," and clearly conveys our sense of value that CSR is underpinned by our "responsibility," "trust," and "intergrity."

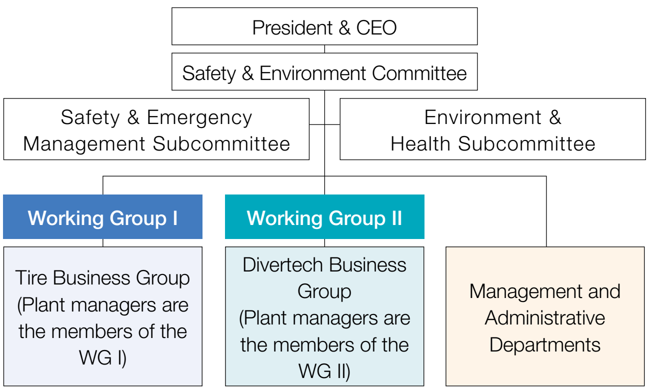
Environmental

Environment management system

Our Group has been promoting environment management while going through the PDCA cycle centered on a branch organization established per business segment by annually determining the policies and priorities at the "Environment and health section meeting" of the "Environment & Health Subcommittee."

Based on the fiscal 2016 policy, with regard to "I: Improve environmental compliance;" local confirmation of the waste disposal status, which was a priority measure, was completed as per the start-of-year plan. With regard to "II: Promote environmental load reduction;" promotion of saving energy, reducting in CO_2 emission intensity and waste, and maintaining and improving the recycling rate were focused on. With regard to "III: Promote preservation of life's diversity;" we continue to support local forestry as a habitat for flora and fauna in the peripheral areas around our plants.

Environmental Management System



"Environment & Health Subcommittee" Fiscal 2016 Policy

- I Improve environmental compliance
- II Promote environmental load reduction
- III Promote preservation of life's diversity
- IV Others (Response to revision of Industrial Safety and Health Act)

Reduction in CO_2 emissions and CO_2 intensity

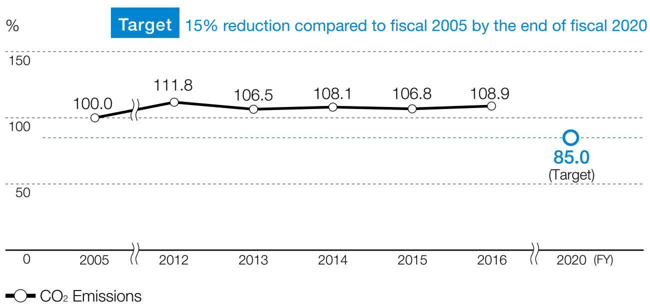
Statuses of Scopes 1 and 2*

The Toyo Tires Group has responded by setting a goal to reduce CO_2 emission intensity "by 15% as compared to fiscal 2005 by the end of fiscal 2020" for Scopes 1 and 2* at domestic production sites since fiscal 2013.

The result for fiscal 2016 was a 2.1% increase over the previous fiscal year. In Japan, the rate tends to increase compared to fiscal 2005 due to the deteriorating energy efficiency for some existing facilities. We decided to install equipment to shift our thermal energy source at the Sendai plant, which is a key manufacturing center in Japan from coal/heavy oil to natural gas, and started construction in fiscal 2017. That equipment will come on-line in steps from fiscal 2018 with the aim of reducing CO_2 emissions and improve energy efficiency. It is expected to reduce CO_2 emission intensity by 15% compared to fiscal 2005 by the end of 2020.

* Scope 1: Direct emissions from corporate activity (e.g.: Use of fuel at the plant)
Scope 2: Indirect emissions through use of energy (e.g.: Use of electricity purchased)

Results and Goal for Reduction of CO_2 Emission Intensity (Scopes 1 and 2) (Japan)



Notes:1 CO_2 emissions are calculated using the thermal power consumption rate method in compliance with "Calculation and report manual for greenhouse gas emissions" of the Ministry of the Environment and Ministry of Economy, Trade and Industry for the rubber industry issued by the Japan Rubber Manufacturers Association (JRMA).

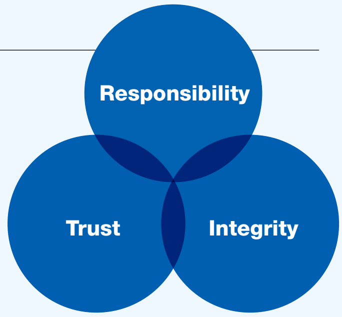
Notes:2 Fiscal 2005 actual emission factor at the receiving end is used for the CO_2 emissions coefficient for electricity, and the total value of the new rubber volume and amount converted to new rubber volume of our production site is used as the denominator for specific consumption.

Basic Policy

The Toyo Tires Group seeks to remain a company admired by individuals and society, each member keenly aware of their "connection" with society.

The core values of CSR: "responsibility," "trust," and "integrity."

We, each one of us, act with integrity, fulfill our corporate responsibilities, and win our stakeholders' trust.



Human Resources

Implementation of human rights education in response to globalization

Our Group's globalization has recently accelerated, and scenarios that require understanding of diversity have increased both at work and with clients. In order to react to this business environment, education and training is provided for managers and overseas expatriates to foster skills to react from a broad perspective while correctly understanding each regions' history, culture, and customs, while respecting the human rights of everyone involved in our business.

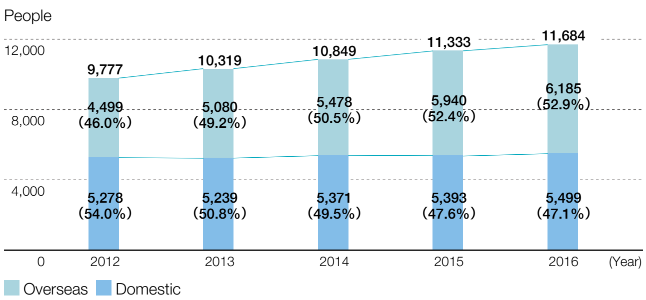
We also focus on personnel development to ensure communication while always respecting the other party, regardless of whether within or outside the company, and within or outside Japan, by learning about the human rights of minorities during the training for each hierarchy.

Employment status

We strive to retain personnel in a variety of ways, such as new graduates, mid-career, and re-employment of retired people to cope with global business development and advancement of required skills. We also proactively hire oversea personnel by participating in explanatory meetings provided for overseas students. In particular, when recruiting new graduates, we set a benchmark of 30% as the recruitment ratio for women, oversea personnel, and returning students.

We promote a work environment where diverse employees can participate actively regardless of nationality and gender, etc. by conducting recruitment and treatment fairly.

Number of Employees and Ratio per Region (Consolidated)*



* The graph shows the numbers at the end of December each year.

CSR Procurement

In recent years, fulfilling our corporate social responsibility is strongly demanded throughout the supply chain. Our Group aims to jointly grow and develop by tackling human rights, labor, and environmental issues, etc. in cooperation with our clients in a sincere and sound manner.

Participation in SNR-i*

The steady procurement of natural rubber is the most important issue for rubber-related manufacturers. The International Rubber Study Group, which is comprised of natural and synthetic rubber producing and consuming countries, aims to promote measures to achieve sustainable natural rubber procurement with three factors–namely economy, environment, and society (SNR-i)–in harmony. Our Group also agrees with its stated purpose, and voluntarily declared our participation in this activity in June 2016. We reinforced our CSR measures throughout the supply chain in cooperation with our clients, which includes conducting a survey of the natural rubber producing plants we have already approved regarding the measures, which includes supporting forest sustainability, water management, and respecting human and labor rights, out of the areas tackled by SNR-i. We will continue to contribute to the sustainable development of the natural rubber industry in cooperation with industry organizations and administrative agencies of the related countries.

* SNR-i: Sustainable Natural Rubber Initiatives

Five Criteria of SNR-i

1. Support improvement of productivity
2. Enhance natural rubber quality
3. Support forest sustainability
4. Water management
5. Respect human and labor rights

CSR Report

Please see the *CSR Report* for details of our measures for ESG.

Consolidated Balance Sheets

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
December 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
ASSETS			
Current assets:			
Cash and time deposits (Note 10)	**¥ 37,773**	¥ 44,510	**$ 324,260**
Notes and accounts receivable:			
Trade (Notes 8 and 10)	**84,878**	81,873	**728,629**
Other	**5,251**	5,009	**45,077**
Inventories (Note 9)	**65,580**	70,332	**562,967**
Deferred tax assets (Note 16)	**14,403**	16,539	**123,642**
Other current assets	**5,825**	8,458	**50,003**
Allowance for doubtful receivables	**(493)**	(506)	**(4,232)**
Total current assets	**213,217**	226,215	**1,830,346**
Property, plant and equipment (Note 13)**:**			
Land	**20,806**	20,978	**178,608**
Buildings and structures	**107,244**	107,774	**920,628**
Machinery and equipment	**388,962**	373,147	**3,339,016**
Construction in progress	**10,494**	20,248	**90,085**
Lease assets	**1,084**	1,079	**9,306**
	528,590	523,226	**4,537,643**
Accumulated depreciation	**(326,103)**	(312,163)	**(2,799,408)**
Total property, plant and equipment	**202,487**	211,063	**1,738,235**
Intangible assets			
Goodwill	**1,650**	2,234	**14,164**
Other assets	**5,607**	6,136	**48,133**
Total intangible assets	**7,257**	8,370	**62,297**
Investments and other assets:			
Investment in securities (Notes 10 and 11)	**48,116**	59,681	**413,048**
Investments in unconsolidated subsidiaries and affiliates	**2,180**	2,299	**18,714**
Long-term loans receivable	**292**	324	**2,507**
Net defined benefit asset (Note 15)	**429**	1,061	**3,683**
Deferred tax assets (Note 16)	**5,818**	2,553	**49,944**
Other assets	**11,466**	11,548	**98,429**
Allowance for doubtful receivables	**(173)**	(176)	**(1,485)**
Total investments and other assets	**68,128**	77,290	**584,840**
Total assets	**¥ 491,089**	¥ 522,938	**$ 4,215,718**

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Notes 10 and 14)	**¥ 23,225**	¥ 28,698	**$ 199,373**
Current portion of long-term debt (Notes 10 and 14)	**34,914**	31,655	**299,717**
Notes and accounts payable:			
Trade (Notes 8 and 10)	**66,515**	70,041	**570,993**
Other	**21,007**	20,801	**180,333**
	87,522	90,842	**751,326**
Accrued expenses	**11,927**	11,932	**102,386**
Income and enterprise taxes payable	**2,699**	4,304	**23,169**
Customers' deposits	**3,996**	3,846	**34,303**
Provision for directors' bonuses	**58**	30	**498**
Provision for sales returns	**242**	181	**2,077**
Provision for product compensation	**33,700**	33,500	**289,295**
Other current liabilities	**4,429**	4,261	**38,022**
Total current liabilities	**202,712**	209,249	**1,740,166**
Long-term liabilities:			
Long-term debt due after one year (Notes 10 and 14)	**74,344**	101,204	**638,201**
Provision for directors' retirement benefits	**14**	10	**120**
Provision for environmental remediation	**36**	37	**309**
Provision for product compensation	**42,200**	—	**362,263**
Net defined benefit liability (Note 15)	**10,046**	8,566	**86,239**
Deferred tax liabilities (Note 16)	**14,841**	27,190	**127,401**
Other long-term liabilities	**1,274**	1,317	**10,937**
Total long-term liabilities	**142,755**	138,324	**1,225,470**
Contingent liabilities (Note 18)			
Net assets (Note 19)**:**			
Shareholders' equity			
Common stock			
Authorized - 400,000,000 shares			
Issued - 127,179,073 shares	**30,485**	30,485	**261,696**
Capital surplus	**28,507**	28,507	**244,717**
Retained earnings	**53,279**	71,255	**457,370**
Treasury stock, at cost			
2015 - 181,390 shares			
2016 - 182,497 shares	**(143)**	(141)	**(1,228)**
	112,128	130,106	**962,555**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	**22,436**	28,071	**192,600**
Deferred gains or losses on hedges	**(120)**	32	**(1,030)**
Foreign currency translation adjustments	**6,843**	11,460	**58,743**
Remeasurements of defined benefit plans (Note 15)	**291**	2,183	**2,498**
	29,450	41,746	**252,811**
Non-controlling interests	**4,044**	3,513	**34,716**
Total net assets	**145,622**	175,365	**1,250,082**
Total liabilities and net assets	**¥491,089**	¥522,938	**$4,215,718**

Consolidated Statements of Operations

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales (Note 21)	**¥381,636**	¥407,789	**$3,276,127**
Cost of sales (Note 9)	**245,368**	254,288	**2,106,344**
Gross profit	**136,268**	153,501	**1,169,783**
Selling, general and administrative expenses	**86,953**	90,120	**746,442**
Operating income (Note 21)	**49,315**	63,381	**423,341**
Other income (expenses):			
Interest income	**396**	452	**3,399**
Dividend income	**1,541**	1,566	**13,229**
Equity in earnings of affiliates	**274**	357	**2,352**
Rent income	**161**	175	**1,382**
Interest expense	**(2,952)**	(3,122)	**(25,341)**
Foreign exchange losses	**(2,403)**	(3,826)	**(20,628)**
Loss from liquidation of receivables	**(158)**	(173)	**(1,356)**
Gain on sales of investment securities	**8,235**	—	**70,693**
Loss on retirement of noncurrent assets	**(606)**	(662)	**(5,202)**
Loss on product compensation	**(12,098)**	(13,175)	**(103,854)**
Loss on provision for product compensation	**(55,097)**	(33,500)	**(472,976)**
Loss on alleged U.S. antitrust law violation	**—**	(4,209)	**—**
Other net	**(2,072)**	(1,996)	**(17,789)**
Profit (loss) before income taxes	**(15,464)**	5,268	**(132,750)**
Income taxes (Note 16)**:**			
Current	**4,913**	12,037	**42,175**
Deferred	**(8,693)**	(8,681)	**(74,625)**
	(3,780)	3,356	**(32,450)**
Profit (loss)	**(11,684)**	1,912	**(100,300)**
Loss (profit) attributable to non-controlling interests	**(576)**	(237)	**(4,945)**
Profit (loss) attributable to owners of parent	**¥ (12,260)**	¥ 1,675	**$ (105,245)**

	Yen		U.S. dollars (Note 1)
	2016	2015	2016
Net income per share	**¥(96.54)**	¥13.19	**$(0.83)**
Diluted net income per share	**—**	—	**—**
Dividends per share	**45.00**	45.00	**0.39**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Profit (loss)	**¥(11,684)**	¥ 1,912	**$(100,300)**
Other comprehensive income			
Valuation difference on available-for-sale securities	**(5,635)**	2,698	**(48,373)**
Deferred gains and losses on hedges	**(152)**	62	**(1,305)**
Foreign currency translation adjustments	**(4,534)**	(6,989)	**(38,922)**
Remeasurements of defined benefit plans, net of tax	**(1,892)**	211	**(16,242)**
Share of other comprehensive income of associates accounted for using equity method	**(143)**	(57)	**(1,228)**
Total other comprehensive income (Note 6)	**(12,356)**	(4,075)	**(106,070)**
Comprehensive income	**¥(24,040)**	¥(2,163)	**$(206,370)**
Comprehensive income attributable to			
Owners of the parent	**¥(24,556)**	¥(1,906)	**$(210,799)**
Comprehensive income attributable to non-controlling interests	**516**	(257)	**4,429**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2016 and 2015

Millions of yen

	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at December 31, 2015	127,179	¥30,485	¥28,507	¥76,389	¥(131)	¥25,373	¥ (30)	¥18,012	¥ 1,972	¥4,062	¥184,639
Cumulative effects of changes in accounting policies				1,446							1,446
Restated balance		30,485	28,507	77,835	(131)	25,373	(30)	18,012	1,972	4,062	186,085
Cash dividends		—	—	(8,255)	—	—	—	—	—	—	(8,255)
Net income		—	—	1,675	—	—	—	—	—	—	1,675
Purchases of treasury stock		—	—	—	(10)	—	—	—	—	—	(10)
Disposal of treasury stock		—	0	—	0	—	—	—		—	0
Net changes in items other than shareholders' equity		—	—	—	—	2,698	62	(6,552)	211	(549)	(4,130)
Balance at beginning of year	127,179	30,485	28,507	71,255	(141)	28,071	32	11,460	2,183	3,513	175,365
Cash dividends		**—**	**—**	**(5,716)**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,716)**
Net income		**—**	**—**	**(12,260)**	**—**	**—**	**—**	**—**	**—**	**—**	**(12,260)**
Purchases of treasury stock		**—**	**—**	**—**	**(2)**	**—**	**—**	**—**	**—**	**—**	**(2)**
Disposal of treasury stock		**—**	**0**	**—**	**0**	**—**	**—**	**—**		**—**	**0**
Net changes in items other than shareholders' equity		**—**	**—**	**—**	**—**	**(5,635)**	**(152)**	**(4,617)**	**(1,892)**	**531**	**(11,765)**
Balance at December 31, 2016	**127,179**	**¥30,485**	**¥28,507**	**¥ 53,279**	**¥(143)**	**¥22,436**	**¥(120)**	**¥ 6,843**	**¥ 291**	**¥4,044**	**¥145,622**

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at beginning of year	$261,696	$244,717	$611,683	$(1,210)	$240,973	$ 275	$ 98,377	$ 18,740	$30,157	$1,505,408
Cash dividends	**—**	**—**	**(49,068)**	**—**	**—**	**—**	**—**	**—**	**—**	**(49,068)**
Net income	**—**	**—**	**(105,245)**	**—**	**—**	**—**	**—**	**—**	**—**	**(105,245)**
Purchases of treasury stock	**—**	**—**	**—**	**(18)**	**—**	**—**	**—**	**—**	**—**	**(18)**
Disposal of treasury stock	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**0**
Net changes in items other than shareholders' equity	**—**	**—**	**—**	**—**	**(48,373)**	**(1,305)**	**(39,634)**	**(16,242)**	**4,559**	**(100,995)**
Balance at December 31, 2016	**$261,696**	**$244,717**	**$457,370**	**$(1,228)**	**$192,600**	**$(1,030)**	**$ 58,743**	**$ 2,498**	**$34,716**	**$1,250,082**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities:			
Profit (loss) before income taxes	¥(15,464)	¥ 5,268	$(132,750)
Depreciation and amortization	24,857	24,829	213,383
Increase (decrease) in net defined benefit liability	(643)	(1,949)	(5,520)
Interest and dividend income	(1,936)	(2,018)	(16,619)
Interest expense	2,952	3,122	25,341
Foreign exchange losses (gains)	(340)	(693)	(2,919)
Equity in (earnings) losses of affiliates	(274)	(357)	(2,352)
Loss (gain) on sales of investment securities	(8,235)	—	(70,693)
Loss on retirement of noncurrent assets	606	662	5,202
Loss on product compensation	12,098	13,175	103,854
Loss on provision for product compensation	55,097	33,500	472,976
Loss on alleged U.S. antitrust law violation	—	4,209	—
Decrease (increase) in notes and accounts receivable–trade	(4,618)	7,143	(39,643)
Decrease (increase) in inventories	2,551	(7,575)	21,899
Decrease (increase) in notes and accounts payable–trade	(2,246)	391	(19,281)
Other, net	2,908	1,027	24,966
Subtotal	67,313	80,734	577,844
Interest and dividends income received	2,133	2,021	18,311
Interest expense paid	(3,235)	(3,573)	(27,771)
Payment of product compensation	(23,705)	(13,912)	(203,494)
Payment of alleged U.S. antitrust law violation	—	(4,209)	—
Income taxes paid	(5,542)	(19,756)	(47,575)
Income taxes refunded	1,901	—	16,319
Net cash provided by operating activities	38,865	41,305	333,634
Cash flows from investing activities:			
Purchase of property, plant and equipment	(23,766)	(45,110)	(204,018)
Proceeds from sales of property, plant and equipment	184	139	1,580
Purchase of intangible assets	(1,010)	(1,118)	(8,670)
Proceeds from sales of intangible assets	4	4	34
Purchase of investment securities	(18)	(218)	(155)
Proceeds from sales and redemption of investment securities	10,787	211	92,600
Other, net	34	82	293
Net cash used in investing activities	(13,785)	(46,010)	(118,336)
Cash flows from financial activities:			
Net increase (decrease) in short-term bank loans	(5,183)	17,657	(44,493)
Payments for installment payables–property and equipment	—	(4,323)	—
Proceeds from long-term debt	9,954	44,277	85,449
Repayment of long-term debt	(20,054)	(29,290)	(172,152)
Redemption of bonds	(10,000)	—	(85,844)
Cash dividends paid	(5,708)	(8,244)	(49,000)
Dividends paid to non-controlling interests	(138)	(370)	(1,185)
Other, net	(189)	(655)	(1,622)
Net cash provided by (used in) financing activities	(31,318)	19,052	(268,847)
Effect of exchange rate on cash and cash equivalents	(555)	(2,311)	(4,765)
Net increase (decrease) in cash and cash equivalents	(6,793)	12,036	(58,314)
Cash and cash equivalents at beginning of period	44,432	32,396	381,423
Cash and cash equivalents at end of period (Note 7)	¥ 37,639	¥ 44,432	$ 323,109

See the accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Toyo Tire & Rubber Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Toyo Tire & Rubber Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The financial statements of the Company's consolidated overseas subsidiaries for consolidation purposes have been prepared in conformity with IFRS or generally accepted accounting principles in the United States of America ("U.S. GAAP") and partially reflect the adjustments which are necessary to conform with Japanese GAAP. The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2016, which was ¥116.49 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of Toyo Tire & Rubber Co., Ltd. (the "Company") and significant subsidiaries (together, the "Companies") over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method.

The consolidated financial statements include the accounts of the Company and its 49 significant majority owned subsidiaries (49 in 2015). The factors effecting an increase or decrease in the number of consolidated subsidiaries were respectively due to the establishment of new companies and/or the sale of all equity interest in others. All significant intercompany transactions and accounts have been eliminated in consolidation. Investments in 3 affiliates (3 in 2015) were accounted for by the equity method.

Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful receivables

Allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based upon the actual rate of historical bad debts. For certain doubtful receivables, the uncollectable amount has been individually estimated.

Inventories

Inventories are stated principally at the lower of weighted average cost or net realizable value.

Property, plant and equipment (except lease assets)

Property, plant and equipment are stated at cost. Depreciation of buildings and certain tools and equipment of the consolidated domestic subsidiaries are computed by the straight-line method over the estimated useful life of the asset. The declining balance method is applied to the remaining assets (However, for structures acquired on or after April 1, 2016, the straight-line method is applied.). Consolidated overseas subsidiaries compute deprecation principally by the straight-line method over the estimated useful life of the asset.

Expenditures for maintenance and repairs, including minor replacements and betterments, are charged to income as incurred.

Software costs (except lease assets)

Software costs are included in intangible assets and depreciated by the straight-line method over the estimated useful life of 5 years.

Lease assets

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the lease term.

The consolidated domestic subsidiaries account for finance leases that commenced prior to April 1, 2008 and that do not transfer the ownership of the leased property to the lessee as operating leases, with disclosures of certain "as if capitalized" information. The consolidated domestic subsidiaries have adopted a new accounting standard for finance leases which commence after March 31, 2008 and are capitalized, except for certain immaterial or short-term finance leases accounted for as operating leases.

Goodwill

Goodwill is amortized by the straight-line method over the period it is expected to have an effect, except minor goodwill which is expensed as incurred for the consolidated subsidiaries.

Securities

Securities classified as available-for-sale securities are stated at fair market value with unrealized gains and losses, net of applicable taxes, recorded as a component of net assets. Securities with no fair market value are stated at cost. If securities decline in value significantly and the decline is not considered recoverable, the value of the securities is reduced to net realizable value and the reduction in the value of the securities charged to income. The cost of securities sold is determined based on the average cost of all the shares of securities held at the time of sales.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, when forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the foreign currency receivables or payables are translated at the contracted rate. Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

Amortization of deferred assets
All business bond issuance expenses are expensed when a payment is made.

Provision for directors' bonuses
The provision for directors' bonuses is estimated and recorded to provide for directors' bonuses based on the estimated amount of payment.

Provision for sales returns
Provision for sales returns is calculated for losses incurred on the return of snow tires sold during the fiscal year but returned after the balance sheet date. The provision is based on an estimate using the historical rate of such returns.

Provision for environmental remediation
The provision for environmental remediation is estimated and recorded to provide for potential future costs such as costs related to the removal and disposal of PCB waste.

Provision for product compensation
The provision for product compensation is estimated and recorded to provide for potential future costs of repair work and other measures.

Severance and retirement benefits
1) Employees
In determining retirement benefit obligations, the estimated amount of retirement benefits is attributed to periods on the benefit formula basis. Past service costs are amortized in expenses using the straight-line method over a period that is within the average of the estimated remaining service years of employees (mainly 15 years).

Actuarial gains and losses are recognized in income and expenses using the straight-line method over a period that is within the average of the estimated remaining service years of employees (mainly 15 years) commencing with the following period.

2) Directors and statutory auditors
In accordance with their internal rules, certain consolidated subsidiaries have included at their fiscal year-end amounts that will be necessary for the payment of retirement benefits to directors and statutory auditors. The amounts included in the liability for severance and retirement benefits at December 31, 2016 and 2015 were ¥14 million ($120 thousand) and ¥10 million, respectively.

Research and development expenses
Research and development expenses are charged to income as incurred. Such expenses for the years ended December 31, 2016 and 2015 were ¥10,474 million ($89,913 thousand) and ¥10,199 million, respectively.

Income taxes
The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Net income per share
Computations of basic net income per share of common stock are based on the weighted average number of shares outstanding during each financial period.

Diluted net income per share was not disclosed because there were no dilutive common stock equivalents.

Dividends per share
Declarations of dividends and appropriations of unappropriated retained earnings are approved at the annual shareholders' meeting held after the end of the fiscal year. Therefore, cash dividends per share shown in the consolidated statements of operations reflect the final dividends approved after the end of the relevant fiscal year.

Translation of foreign currencies
Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

Balance sheet accounts of consolidated overseas subsidiaries and affiliates are translated into Japanese yen at year-end rates, except for net assets accounts, which are translated at historical rates. Revenue and expense accounts of consolidated overseas subsidiaries and affiliates are translated at average exchange rates for the year, except for transactions with the Company which are translated at the rates used by the Company.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation. These changes had no impact on previously reported results of operations or net assets.

3. Accounting Changes

Year ended December 31, 2016
1) Effective from the year ended December 31, 2016, the Company and its consolidated domestic subsidiaries have applied new accounting standards that include "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013). Under the new standards, any difference arising from changes in the Company's ownership interests in subsidiaries which continue to be controlled by the Company are recorded as capital surplus, and acquisition related costs are recognized as expenses in the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after January 1, 2016, any adjustments arising on the finalization of the tentative acquisition cost allocation are reflected in the consolidated financial statements in the fiscal year in which the business combination occurs. In addition, minority interests are now represented as non-controlling interests, and the presentation thereof in the Consolidated Statement of Operations has been changed.

The Company has applied the Accounting Standard for Business Combinations in accordance with the transitional measures provided in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4(4) of the Accounting Standard for Business Divestitures from January 1, 2016.

These changes have had no impact on the consolidated financial statements.

2) Along with the revision of the Corporate Tax Law, "Practical treatment concerning the change in depreciation method related to the tax system revision in 2016" (Practical response report No. 32, issued on June 17, 2016) was applied from the year ended December 31, 2016 and the depreciation method for structures acquired on or after April 1, 2016 has been changed from the declining balance method to the straight-line method. The impact on consolidated financial statements for the current consolidated fiscal year, including the impact on segment information, has been minor.

Year ended December 31, 2015

Effective from the year ended December 31, 2015, the Company and its consolidated domestic subsidiaries have applied Article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015) and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefits to periods from the straight-line method to a benefit formula basis and for determining the discount rates to a single-weighted average discount rate which reflects the estimated payment periods of retirement benefits and the amounts by the respective estimated payment periods.

In accordance with Article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the fiscal year ended December 31, 2015. As a result of the application, the net defined benefit asset increased by ¥688 million, the net defined benefit liability decreased by ¥1,447 million and retained earnings increased by ¥2,135 million at the beginning of the current fiscal year.

4. Unadopted Standard and Guidance

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Implementation Guidance No. 26, March 28, 2016).

(1) Summary

With regards to the treatment of the recoverability of deferred tax assets, a necessary review was conducted on the following treatments following the mechanisms of the Japanese Institute of Certified Public Accountants (JICPA) Auditing Standards Committee Report No. 66, "Audit Treatment for Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories as follows:

(i) Treatment of companies that do not fulfill any of the requirements for classification from Category 1 to Category 5
(ii) Requirements for classification as Category 2 and Category 3
(iii) Treatment of temporary differences in future temporary differences that cannot be scheduled for companies applicable to Category 2
(iv) Treatment concerning the reasonable estimable period of temporary differences in future pre-adjusted taxable income for companies applicable to Category 3
(v) Treatment in cases in which a company fulfilling the requirements of Category 4 is also applicable to Category 2 or Category 3

(2) Effective dates

Effective from the beginning of the fiscal year ending December 31, 2017

(3) Effect of the application of the accounting standard

These changes have had no impact on the consolidated financial statements.

5. Change in Accounting Estimate

The Company made a change in the accounting estimate for provision for product compensation during the fiscal year ended December 31, 2016 with further information become available. At first, limited to repair and replacement activities for the compensation, the Company became able to restart production for certain seismic isolation rubber products (used mainly for the 99 structures described in Note 18) after obtaining confirmation from a third-party organization that the product conformed to all the ministry certification performance standards for which the Company had been previously certified by Japan's Ministry of Land, Infrastructure, Transport and Tourism. Given this progress, the Company was able to conduct further discussions with the concerned parties, including owners, tenants and construction firms, which contributed to more detailed internal assessments for the reserve calculation. As the result of the change, loss before income tax increased by ¥33,423 million ($286,917 thousand) for the fiscal year ended December 31, 2016.

6. Comprehensive Income

For the years ended December 31, 2016 and 2015
Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Valuation difference on available-for-sale securities			
Increase during the year	¥ (871)	¥ 2,038	$ (7,477)
Reclassification adjustments	(8,235)	(2)	(70,693)
Subtotal, before tax	(9,106)	2,036	(78,170)
Tax (expense) or benefit	3,471	662	29,797
Subtotal, net of tax	(5,635)	2,698	(48,373)
Deferred gains and losses on hedges			
Increase (decrease) during the year	(220)	94	(1,889)
Subtotal, before tax	(220)	94	(1,889)
Tax (expense) or benefit	68	(32)	584
Subtotal, net of tax	(152)	62	(1,305)
Foreign currency translation adjustments			
Increase (decrease) during the year	(4,534)	(6,989)	(38,922)
Subtotal	(4,534)	(6,989)	(38,922)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	(2,917)	33	(25,040)
Reclassification adjustments	100	148	858
Subtotal, before tax	(2,817)	181	(24,182)
Tax (expense) or benefit	925	30	7,941
Subtotal, net of tax	(1,892)	211	(16,242)
Share of other comprehensive income of affiliates accounted for using equity method			
Increase (decrease) during the year	(143)	(57)	(1,228)
Subtotal	(143)	(57)	(1,228)
Total other comprehensive income	¥(12,356)	¥(4,075)	$(106,070)

7. Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheets at December 31, 2016 and 2015 were reconciled as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits	¥37,773	¥44,510	$324,260
Less time deposits with maturities exceeding three months	(134)	(78)	(1,151)
Cash and cash equivalents	¥37,639	¥44,432	$323,109

8. Effect of Year-end Date on Financial Statements

If the year-end date is a bank holiday, the Companies account for notes receivable and payable maturing on this date in their financial statements as if they had been settled on the year-end date. Those notes outstanding at December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Notes receivable	¥287	¥454	$2,469
Notes payable	259	364	2,223

9. Inventories

(1) Inventories at December 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Finished goods	¥50,447	¥56,041	$433,059
Work-in-process	3,153	4,336	27,067
Raw materials and supplies	11,980	9,955	102,841
	¥65,580	¥70,332	$562,967

(2) The write-down of book values for inventories held for sale in the ordinary course of business due to decreased profitability for the years ended December 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cost of sales	¥49	¥(871)	$(421)
	¥49	¥(871)	$(421)

10. Financial Instruments

A. Status of financial instruments

(1) Policies for using financial instruments

The Toyo Group engages primarily in the manufacture and sale of automotive tires, industrial and construction materials, transportation equipment and others and procures the capital required under plans of investment in plant and equipment primarily from bank loans and bond issues. The Toyo Group manages surplus capital using financial instruments that carry little or no risk and procures short-term working capital from bank loans. The Toyo Group uses derivatives to mitigate the risks that are described below and, as a matter of policy, does not use derivatives for speculative transactions.

(2) Financial instruments and exposures to risk

Notes and accounts receivable expose the Toyo Group to customer credit risk. In addition, receivables denominated in foreign currencies, which arise as the result of doing business globally, expose the Toyo Group to the risk of exchange rate fluctuations. In principle, the Toyo Group hedges the risks with forward foreign exchange contracts to the net position of deducted notes and accounts payable denominated in foreign currencies. Investments in securities consist primarily of investments in companies with whom the Toyo Group does business or has capital alliances and expose the Toyo Group to the risk of changes in market prices.

Almost all notes and accounts payable are due within one year. The Toyo Group procures the capital required for its investment in plant and equipment generally through bank loans and bond issues and incurs lease liabilities for lease transactions. Although exposure to the risk of interest rate fluctuations may arise, the Toyo Group hedges the risk with derivatives transactions (interest rate swaps).

The Toyo Group uses derivatives transactions, including forward foreign exchange contracts, to hedge the risk of exchange rate fluctuations associated with receivables denominated in foreign currencies and interest rate swaps to hedge the risk of interest rate fluctuations associated with loans.

(3) Policies and processes for managing risk

a) Credit risk management (counterparty risk)

The Company monitors the financial status of counterparties and manages amounts and settlement dates under internal procedures for receivables. The Company works to quickly identify and mitigate payment risk that may result from situations such as the deterioration of the financial condition of a counterparty. Consolidated subsidiaries are subject to the same risk management rules.

In using derivatives transactions, the Company mitigates counterparty risk by conducting transactions with highly creditworthy financial institutions. The maximum credit risk as of December 31, 2016 is presented on the balance sheet as the carrying value of financial assets exposed to credit risk.

b) Managing market risk (risk of exchange rate and interest rate fluctuations)

For receivables denominated in foreign currencies, the Company uses principally forward foreign exchange contracts to hedge the risk of exchange rate fluctuations on a currency-by-currency basis evaluated monthly. In addition, the Company uses interest rate swaps to mitigate the risk of interest rate fluctuations associated with loans.

For investments in securities, the Toyo Group periodically examines the fair value of the securities and the financial condition of the issuing entity.

For derivative transactions, the Financial Department handles the transactions, books them and makes reconciliations in accordance with the basic policies approved by the Board of Directors pursuant to established internal control procedures for financial risk. In addition, the Financial Department reports the monthly amounts to finance officers and the Board of Directors.

c) Management of liquidity risk associated with capital procurement (payment default risk)
The Company manages liquidity risk by creating and updating a capital deployment plan based on reports from each division.

(4) Supplemental information on fair values
The contractual amounts of the derivative transactions discussed in Note 12, "Derivative Financial Instruments and Hedging Transactions," do not reflect the market risk associated with the derivatives transactions themselves.

B. Fair values of financial instruments

The fair value of financial instruments, amounts presented in the consolidated balance sheets and any differences as of December 31, 2016 and 2015 are set forth in the tables below. Items whose fair market value was considered to be very difficult to assess are not presented in the tables.

(1) Marketable securities, derivatives transactions and methods for estimating the fair value of financial instruments

Assets

Cash and time deposits

Because cash and time deposits are highly liquid, the fair value is similar to the book value. Consequently, the fair value of cash and time deposits is based on book value.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts presented in the consolidated balance sheets	¥37,773	¥44,510	$324,260
Fair value	37,773	44,510	324,260
Differences	¥ —	¥ —	$ —

Notes and accounts receivable—trade

Because notes and accounts receivable—trade are highly liquid, the fair value is similar to the book value. Consequently, the fair value of notes and accounts receivable—trade is based on book value.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts presented in the consolidated balance sheets	¥84,878	¥81,873	$728,629
Fair value	84,878	81,873	728,629
Differences	¥ —	¥ —	$ —

Investment securities

The fair value of shares, etc., is based on prices established on exchanges. In addition, Note 11, "Securities," provides information on marketable securities by the intent for which they are held.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts presented in the consolidated balance sheets	¥47,607	¥59,173	$408,679
Fair value	47,607	59,173	408,679
Differences	¥ —	¥ —	$ —

Liabilities

Notes and accounts payable—trade

Because notes and accounts payable—trade are highly liquid, the fair value is similar to the book value. Consequently, the fair value of notes and accounts payable—trade is based on book value.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts presented in the consolidated balance sheets	¥66,515	¥70,041	$570,993
Fair value	66,515	70,041	570,993
Differences	¥ —	¥ —	$ —

Short-term bank loans

Because short-term bank loans are highly liquid, the fair value is similar to the book value. Consequently, the fair value of short-term bank loans is based on book value.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts presented in the consolidated balance sheets	¥23,225	¥28,698	$199,373
Fair value	23,225	28,698	199,373
Differences	¥ —	¥ —	$ —

Bonds payable (including the current portion)

The fair value of bonds payable is based on the price provided by counterparty financial institutions.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts presented in the consolidated balance sheets	¥10,000	¥20,000	$85,844
Fair value	9,983	19,920	85,698
Differences	¥ (17)	¥ (80)	$ (146)

Long-term bank loans (including the current portion)

The fair value of long-term bank loans is estimated as the discounted present value of the total principal and interest using the assumed interest rates for equivalent new loans. Interest rate swaps subject to special treatment are used for long-term, floating-rate loans. Principal and interest of the loans in which these interest rate swaps are embedded are discounted using an estimate of the interest rate on the loan at the time of issue.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts presented in the consolidated balance sheets	¥99,258	¥112,859	$852,074
Fair value	99,297	112,636	852,408
Differences	¥ 39	¥ (223)	$ 334

Derivatives transactions

The fair value of derivatives transactions is stated at the price presented by the counterparty financial institution. Derivatives transactions using interest rate swap contracts that meet specified conditions and receivables denominated in foreign currencies that meet specified conditions are treated with hedged items. The fair value of these derivatives transactions is included in the applicable items and stated accordingly. Net asset or liability which results from derivatives transactions except for these show the net amount.

If the account balance is a debt, it is indicated by parenthesis ( ).

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Amounts presented in the consolidated balance sheets	¥3,903	¥4,358	$33,505
Fair value	3,903	4,358	33,505
Differences	¥ —	¥ —	$ —

(2) Financial instruments for which determining fair value is difficult

Financial instruments for which fair value is considered difficult to determine are shown below. These financial instruments do not have a fair market value, and the fair value was considered difficult to determine because future cash flows could not be estimated. For these reasons, these financial instruments are not included among investment securities above.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Non-listed equity securities	¥1,400	¥1,495	$12,018

(3) The redemption schedule for receivables after the close of the fiscal year

(Notes and accounts receivable—trade)	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Within 1 year	¥84,878	¥81,873	$728,629
From 1 year to 5 years	—	—	—
From 5 years to 10 years	—	—	—
Over 10 years	—	—	—

(4) The redemption schedule for bonds payable, long-term bank loans and lease obligations after the close of the fiscal year

	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Within 1 year			
Bonds payable	¥ 5,000	¥10,000	$ 42,922
Long-term bank loans	29,914	21,655	256,795
Lease obligations	187	196	1,605
	35,101	¥31,851	301,322
From 1 year to 2 years			
Bonds payable	¥ 5,000	¥ 5,000	$ 42,922
Long-term bank loans	14,603	29,681	125,358
Lease obligations	118	123	1,012
	19,721	¥34,804	169,294
From 2 years to 3 years			
Bonds payable	¥ —	¥ 5,000	$ —
Long-term bank loans	14,554	13,187	124,938
Lease obligations	82	87	704
	14,636	¥18,274	125,642
From 3 years to 4 years			
Bonds payable	¥ —	¥ —	$ —
Long-term bank loans	28,677	12,531	246,176
Lease obligations	31	54	266
	28,708	¥12,585	246,442
From 4 years to 5 years			
Bonds payable	¥ —	¥ —	$ —
Long-term bank loans	7,459	27,010	64,031
Lease obligations	19	10	163
	7,478	¥27,020	64,194
Over 5 years			
Bonds payable	¥ —	¥ —	$ —
Long-term bank loans	4,050	8,795	34,767
Lease obligations	12	9	103
	4,062	¥ 8,804	34,870

11. Securities

A. The following tables summarize acquisition costs and book values (fair values) of securities with available fair values as of December 31, 2016 and 2015:

Available-for-sale securities with available fair values exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Acquisition cost:			
Equity securities	**¥15,109**	¥17,500	**$129,702**
Bonds	**—**	—	**—**
Other	**—**	—	**—**
	¥15,109	¥17,500	**$129,702**
Book value:			
Equity securities	**¥47,410**	¥58,872	**$406,988**
Bonds	**—**	—	**—**
Other	**—**	—	**—**
	¥47,410	¥58,872	**$406,988**
Difference:			
Equity securities	**¥32,301**	¥41,372	**$277,286**
Bonds	**—**	—	**—**
Other	**—**	—	**—**
	¥32,301	¥41,372	**$277,286**

Available-for-sale securities with available fair values not exceeding acquisition costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Acquisition cost:			
Equity securities	**¥211**	¥323	**$1,811**
Bonds	**—**	—	**—**
Other	**—**	—	**—**
	¥211	¥323	**$1,811**
Book value:			
Equity securities	**¥198**	¥302	**$1,700**
Bonds	**—**	—	**—**
Other	**—**	—	**—**
	¥198	¥302	**$1,700**
Difference:			
Equity securities	**¥ (13)**	¥ (21)	**$ (112)**
Bonds	**—**	—	**—**
Other	**—**	—	**—**
	¥ (13)	¥ (21)	**$ (112)**

B. Total sales of available-for-sale securities for the years ended December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Amount of sales			
Equity securities	**¥10,787**	¥203	**$92,600**
Bonds	**—**	—	**—**
Other	**—**	—	**—**
	¥10,787	¥203	**$92,600**
Total gain on sales			
Equity securities	**¥ 8,235**	¥ 2	**$70,693**
Bonds	**—**	—	**—**
Other	**—**	—	**—**
	¥ 8,235	¥ 2	**$70,693**
Total loss on sales			
Equity securities	**¥ 0**	¥ —	**$ 0**
Bonds	**—**	—	**—**
Other	**—**	—	**—**
	¥ 0	¥ —	**$ 0**

12. Derivative Financial Instruments and Hedging Transactions

Year ended December 31, 2016

A. Derivative transactions for which hedge accounting does not apply
(1) Currency related

Millions of yen

Classification	Type	Contract amount	Portion over 1 year	Fair value	Recognized gain (loss)
Non-market transaction	Receivable floating interest rate Payable fixed rate swaps	13,629	11,707	4,076	97

Thousands of U.S. dollars

Classification	Type	Contract amount	Portion over 1 year	Fair value	Recognized gain (loss)
Non-market transaction	Receivable floating interest rate Payable fixed rate swaps	116,997	100,498	34,990	833

Note: Fair values were based on prices provided by relevant financial institutions.

(2) Interest rate related
None

B. Derivative transactions for which hedge accounting applies
(1) Currency related

Millions of yen

Hedge accounting method	Type of transaction	Hedged item	Contract amount	Portion over 1 year	Fair value
Deferred hedges	Forward foreign exchange contracts	Accounts receivable—trade			
	Selling: USD		2,445	—	(165)
	Selling: EUR		240	—	(5)
	Selling: CAD		81	—	(5)
	Selling: AUD		86	—	3
Gain (loss) resulting from forward foreign exchange contracts is allocated over the applicable period	Forward foreign exchange contracts	Accounts receivable—trade			
	Selling: USD		648	—	(Note 2)
	Selling: EUR		175	—	(Note 2)
	Selling: CAD		160	—	(Note 2)
	Selling: AUD		84	—	(Note 2)

Thousands of U.S. dollars

Hedge accounting method	Type of transaction	Hedged item	Contract amount	Portion over 1 year	Fair value
Deferred hedges	Forward foreign exchange contracts	Accounts receivable—trade			
	Selling: USD		20,989	—	(1,416)
	Selling: EUR		2,060	—	(43)
	Selling: CAD		695	—	(43)
	Selling: AUD		738	—	26
Gain (loss) resulting from forward foreign exchange contracts is allocated over the applicable period	Forward foreign exchange contracts	Accounts receivable—trade			
	Selling: USD		5,563	—	(Note 2)
	Selling: EUR		1,502	—	(Note 2)
	Selling: CAD		1,374	—	(Note 2)
	Selling: AUD		721	—	(Note 2)

Notes: 1. Fair values were based on prices provided by relevant financial institutions.
2. The fair value of gain or loss resulting from foreign exchange contracts embedded in receivables subject to hedging is included in the fair value of corresponding receivable.

(2) Interest rate related

Millions of yen

Hedge accounting method	Type of transaction	Hedged item	Contract amount	Portion over 1 year	Fair value
Special treatment of interest rate swaps	Receivable floating interest rate Payable fixed rate swaps	Long-term loans payable	23,680	15,500	(Note)

Thousands of U.S. dollars

Hedge accounting method	Type of transaction	Hedged item	Contract amount	Portion over 1 year	Fair value
Special treatment of interest rate swaps	Receivable floating interest rate Payable fixed rate swaps	Long-term loans payable	203,279	133,059	(Note)

Note: The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loans.

Year ended December 31, 2015

A. Derivative transactions for which hedge accounting does not apply
(1) Currency related

Millions of yen

Classification	Type	Contract amount	Portion over 1 year	Fair value	Recognized gain (loss)
Non-market transaction	Currency Swap Contracts	16,101	14,112	4,310	3,209

Note: Fair values were based on prices provided by relevant financial institutions.

(2) Interest rate related
None

B. Derivative transactions for which hedge accounting applies
(1) Currency related

Millions of yen

Hedge accounting method	Type of transaction	Hedged item	Contract amount	Portion over 1 year	Fair value
Deferred hedges	Forward foreign exchange contracts	Accounts receivable—trade			
	Selling: USD		3,357	—	45
	Selling: EUR		266	—	3
	Selling: CAD		131	—	0
	Selling: AUD		88	—	1
Gain (loss) resulting from forward foreign exchange contracts is allocated over the applicable period	Forward foreign exchange contracts	Accounts receivable—trade			
	Selling: USD		1,572	—	(Note 2)
	Selling: EUR		267	—	(Note 2)
	Selling: CAD		269	—	(Note 2)
	Selling: AUD		176	—	(Note 2)

Notes: 1. Fair values were based on prices provided by relevant financial institutions.
2. The fair value of gain or loss resulting from foreign exchange contracts embedded in receivables subject to hedging is included in the fair value of the corresponding receivable.

(2) Interest rate related

Millions of yen

Hedge accounting method	Type of transaction	Hedged item	Contract amount	Portion over 1 year	Fair value
Special treatment of interest rate swaps	Currency swap contracts	Long-term loans payable	26,820	23,540	(Note)

Note: The fair value of interest rate swaps subject to special treatment embedded in long-term loans subject to hedging is included in the fair value of the corresponding long-term loans.

13. Pledged Assets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Property, plant and equipment–net of accumulated depreciation	¥17,691	¥17,905	$151,867
	¥17,691	¥17,905	$151,867

There is no obligation corresponding to the assets above.

14. Short-term Bank Loans and Long-term Debt

Short-term bank loans of ¥23,225 million ($199,373 thousand) and ¥28,698 million at December 31, 2016 and 2015, respectively, bore interest at the average rate of 0.6% and 0.8%, respectively.

Long-term debt at December 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans principally from banks and insurance companies at the weighted average interest rate of 2.5% at December 31, 2016 and 2.7% at December 31, 2015 were as follows:			
Unsecured	¥ 99,258	¥112,859	$ 852,074
1.36% bonds, due in 2016	—	5,000	—
0.77% bonds, due in 2016	—	5,000	—
0.73% bonds, due in 2017	5,000	5,000	42,922
1.18% bonds, due in 2018	5,000	5,000	42,922
	109,258	132,859	937,918
Less amounts due within one year	(34,914)	(31,655)	(299,717)
	¥ 74,344	¥101,204	$ 638,201

Annual maturities of long-term debt at December 31, 2016 were as follows:

Years ended December 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 34,914	$299,717
2018	19,603	168,281
2019	14,554	124,938
2020	28,677	246,176
2021 and thereafter	11,510	98,806
	¥109,258	$937,918

Long-term loans include syndicated loan agreements with financial covenants. The covenants consist of the following:

1) On December 31 and June 30 of each year, the amount of total shareholders' equity in the consolidated balance sheets should be more than 75% of the amount from the previous periods, and more than ¥1,014 million ($8,705 thousand) on a consolidated basis.
2) Ordinary income recorded in the consolidated statement of operations should not be negative for two consecutive fiscal years.

15. Severance and Retirement Benefits

1. Summary of adopted retirement benefit plans

The Companies have funded or unfunded defined benefit pension plans and funded or unfunded defined contribution pension plans to provide retirement and severance benefits to substantially all employees. Under the defined benefit pension plans (all funded type), employees are entitled to lump-sum payments or pension payments based on their earnings and the length of service at retirement or termination of employment. Under lump-sum pension plans (some of these plans are funded by pension trusts), employees are entitled to lump-sum payments based on their earnings and the length of service at retirement or termination of employment. In addition, certain subsidiaries use the simplified method to determine pension benefit obligations.

2. Defined benefit plans, including plans applying the simplified method

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at January 1	**¥31,525**	¥33,864	**$270,624**
Cumulative effect of changes in accounting policies	**—**	(2,136)	**—**
Restated balance	**31,525**	31,728	**270,624**
Service cost	**1,730**	1,672	**14,851**
Interest cost	**290**	342	**2,489**
Actuarial loss (gain)	**1,615**	497	**13,864**
Benefits paid	**(2,463)**	(2,714)	**(21,143)**
Other	**(736)**	(2,714)	**(6,318)**
Balance at December 31	**¥31,961**	¥31,525	**$274,367**

(2) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at January 1	**¥24,020**	¥24,035	**$206,198**
Expected return on plan assets	**89**	87	**764**
Actuarial loss (gain)	**(1,304)**	529	**(11,194)**
Contributions paid by the employer	**588**	568	**5,047**
Benefits paid	**(1,049)**	(1,199)	**(9,005)**
Balance at December 31	**¥22,344**	¥24,020	**$191,810**

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligation	**¥ 26,943**	¥ 26,177	**$ 231,290**
Plan assets	**(22,344)**	(24,020)	**(191,810)**
	4,599	2,157	**39,480**
Unfunded retirement benefit obligations	**5,018**	5,348	**43,076**
Total net liability (asset) for retirement benefits	**9,617**	7,505	**82,556**
Net defined benefit liability	**10,046**	8,566	**86,239**
Net defined benefit asset	**(429)**	(1,061)	**(3,683)**
Total net liability (asset) for retirement benefits	**¥ 9,617**	¥ 7,505	**$ 82,556**

(4) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥1,730	¥1,672	$14,851
Interest cost	290	342	2,489
Expected return on plan assets	(89)	(87)	(764)
Net actuarial loss amortization	101	149	867
Past service costs amortization	(1)	(1)	(9)
Other	(778)	(1)	(6,678)
Total retirement benefit costs	¥1,253	¥2,075	$10,756

(5) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service costs	¥ (0)	¥ (1)	$ (0)
Actuarial gains and losses	(2,817)	182	(24,183)
Total balance	¥(2,817)	¥181	(24,183)

(6) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service costs that are yet to be recognized	¥ 9	¥ 9	$ 77
Actuarial gains and losses that are yet to be recognized	412	3,229	3,537
Total balance	¥421	¥3,238	$3,614

(7) Plan assets

1. Plan assets comprise:

	2016	2015
Equity securities	70%	73%
Life insurance accounts	12%	13%
Bonds	12%	10%
Other	6%	4%
Total	100%	100%

Notes: 1. The pension trust set up for lump-sum plans held 62% of total plan assets at both 64% at December 31, 2016 and 2015.
2. Life insurance accounts consist of investments in life insurance general accounts and special accounts. General accounts are guaranteed for the amount of principal and interest while special accounts are not guaranteed for their investment return.

2. Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets are considered in determining long-term expected rates of return.

(8) Actuarial assumptions

The principal actuarial assumptions

		2016	2015
Discount rate	Mainly	0.5%	1.0%
Long-term expected rate of return	Mainly	1.0%	1.0%

3. Defined contribution plan

Contributions to the plan for the consolidated subsidiaries were ¥905 million ($7,769 thousand) and ¥629 million at December 31, 2016 and 2015, respectively.

16. Income Taxes

1. Significant components of deferred tax assets and liabilities:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets			
Accrued bonuses	¥ 778	¥ 849	$ 6,679
Accrued expenses	1,503	963	12,902
Valuation of inventories	1,304	976	11,194
Unrealized profits	3,415	4,782	29,316
Loss on impairment of fixed assets	192	192	1,648
Net defined benefit liability	2,906	2,350	24,946
Loss on set up of employee retirement benefit trust	1,307	1,265	11,220
Provision for product compensation	23,288	11,052	199,914
Loss carryforwards	9,324	8,353	80,041
Other	4,335	5,410	37,213
Subtotal deferred tax assets	48,352	36,192	415,073
Valuation allowance	(10,745)	(11,137)	(92,240)
Total deferred tax assets	¥ 37,607	¥ 25,055	$ 322,833
Deferred tax liabilities			
Unrealized loss	¥ (84)	¥ (38)	$ (721)
Accelerated depreciation of foreign consolidated subsidiaries	(16,904)	(15,743)	(145,111)
Net unrealized gains on securities	(9,855)	(13,283)	(84,600)
Undistributed profit of subsidiaries	(1,400)	(1,566)	(12,018)
Other	(4,013)	(2,523)	(34,448)
Total deferred tax liabilities	(32,256)	(33,153)	(276,898)
Net deferred tax assets (liabilities)	¥ 5,351	¥ (8,098)	$ 45,935

2. Significant items in the reconciliation of the statutory tax rate and the effective rate were as follows:

	2016	2015
Statutory tax rate	—%	35.6%
Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates	—%	25.4%
Amortization of goodwill	—%	1.9%
Equity in net income of unconsolidated subsidiaries and affiliates	—%	(2.4)%
Difference in statutory tax rates of subsidiaries	—%	(2.7)%
Permanently nontaxable income	—%	(6.6)%
Tax credits for experiment and research expenses	—%	(16.0)%
Valuation allowance	—%	17.4%
Other	—%	11.1%
Effective tax rate	—%	63.7%

Note: The reconciliation for the year ended December 31, 2016 is omitted as a loss before income taxes was recorded.

Year ended December 31, 2016

(Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates)

On March 29, 2016 and on November 18, 2016, amendments to Japanese tax regulations were enacted into law. Based on these amendments, the statutory income tax rate utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from January 1, 2017 to December 31, 2018 and on or after January 1, 2019 were changed from 32.3% used as of December 31, 2015 to 30.8% and 30.6%, respectively.

These changes decreased net deferred tax assets by ¥871 million ($7,477 thousand) and increased deferred income tax expense by ¥1,408 million ($12,087 thousand), valuation difference on available-for-sale securities by ¥522 million ($4,481 thousand) and remeasurements of defined benefit plans by ¥17 miillion ($146 thousand).

17. Leases

(1) Finance leases, as lessee
Information at December 31, 2016 and 2015 for finance leases which did not transfer ownership of the leased property to the lessee and which were commenced prior to April 1, 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Original lease obligations, including finance charges, for machinery, equipment and buildings	**¥608**	¥622	**$5,219**
Payments made	**349**	322	**2,996**
Balance remaining	**¥259**	¥300	**$2,223**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Future minimum payments			
Payments due within one year	**¥ 31**	¥ 32	**$ 266**
Payments due after one year	**228**	268	**1,957**
	¥259	¥300	**$2,223**

Rental expenses under non-capitalized finance leases for the years ended December 31, 2016 and 2015 were ¥31 million ($266 thousand) and ¥32 million, respectively.

(2) Operating leases, as lessee
Lease obligations under operating leases at December 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Future minimum payments			
Payments due within one year	**¥ 813**	¥ 748	**$ 6,979**
Payments due after one year	**3,995**	1,172	**34,295**
	¥4,808	¥1,920	**$41,274**

18. Contingent Liabilities

Contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
1) Loan guarantees:			
TOYO RETREAD CO., LTD., an equity method affiliate	**¥41**	¥52	**$352**

2) 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 (2,052 units in 55 structures) 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 principle 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.

Furthermore, on April 21, 2015, it was discovered that in addition to the cases reported in March 2015, there were additional buildings to which non-conforming seismic isolation rubber was shipped (855 units in 99 structures, including 177 units in 9 structures in which it has not been determined if they are conforming with ministry performance standards), and that in addition to the buildings for which ministry certification was already revoked in March 2015, among 17 other certifications there may have been other applications lacking technical grounds. For these newly discovered non-conforming buildings as well, the Company will evaluate the structural safety and promptly contact the building owners, residents and other concerned parties and replace or repair the products as necessary so that they fulfill the originally required performance standards.

A provision for product compensation due to the incident has been posted for the repair cost and other measures for which the amounts can be reasonably estimated.

For the structures for which cost of repair works and other measures are already known (55 buildings announced on March 13, 2015, 1,496 units in 38 structures and 99 buildings announced on April 21, 2015, 207 units in 17 structures), after receipt of an estimation, etc., a specific reserve is provided for each structure. For the remaining structures, reserve is provided based on the Company's internal assessment for the cost of repair work and other measures for each structure. As the nature of the cost of repair works is highly unique for each structure, there is a possibility that the cost of repair work and other measures to be discovered in the future may exceed the provided reserve amount particularly in the event the preconditions of the reserve calculation are changed. In addition, it is difficult to make reasonable estimate for certain costs to be incurred for business compensation or compensations for delayed damages at this point in time.

Therefore, depending upon the progress status, the Company's consolidated business results for future fiscal years may be impacted by posting additional reserves.

3) Falsification of data was discovered on rubber products for certain industry (valve seats named as seat ring) that had been manufactured and sold through the Company or its subsidiary Toyo Chemical Industrial Products, Ltd. Depending upon the progress, the Company's consolidated business results for the future fiscal years may be impacted by recording the related expense, but it is difficult to make a reasonable estimate at this point in time.

4) On November 26, 2013 (U.S. time), the Company agreed with the U.S. Department of Justice to pay a fine of $120 million for the breach of U.S. antitrust laws pertaining to the sale of automotive anti-vibration rubber parts and joint boots, and paid this penalty in response to the judgment from the court on February 6, 2014. 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 impact.

19. Net Assets

Under the Japanese Corporate Law and regulations ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or greater than 25% of common stock, they are available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on March 30, 2017, the shareholders approved cash dividends amounting to ¥3,175 million ($27,256 thousand). These appropriations had not been accrued in the consolidated financial statements as of December 31, 2016. Such appropriations are recognized in the period in which they are approved by the shareholders.

20. Related Party Transactions

A description is omitted because there were no material related party transactions to disclose.

21. Segment Information

(1) General information about reportable segments
The Company's reportable segments are the units for which separate financial information is available and which are periodically reviewed by the Board of Directors for the purpose of allocating of management resources and evaluating business performance.

The Company has two divisions corresponding to the operational headquarters of the Tires business and the Divertech business. Each division formulates comprehensive strategies for both domestic and overseas markets and develops business activities.

Therefore, the Company identifies "Tires" and "Divertech" as reportable segments.

The Tires segment includes the manufacture and sale of tires for a range of autos, buses and other vehicles and equipment.

The Divertech segment includes the manufacture and sale of rubber vibration isolators, waterproof sheets, automotive cushion seats and other products.

(2) Measuring reportable segment income or loss, segment assets and other material items
The accounting policies for reportable business segments are generally the same as those described in "Significant Accounting Policies" in the preparation of consolidated financial statements. Internal sales and transfers between segments are based mainly on prices for third-party transactions.

Figures for reportable segment income are based on operating income.

(3) Reportable segment income or loss, segment assets and other material items

For the year ended December 31, 2016

Millions of yen

	Reportable Segments						
	Tires	Divertech	Subtotal	Other (Note 1)	Total	Adjustments (Note 2) (Note 3)	Amount reported on consolidated financial statements
Net sales							
Sales to outside customers	**¥303,875**	**¥77,489**	**¥381,364**	**¥ 272**	**¥381,636**	**¥ —**	**¥381,636**
Intersegment sales and transfers	**4**	**14**	**18**	**154**	**172**	**(172)**	**—**
Total	**303,879**	**77,503**	**381,382**	**426**	**381,808**	**(172)**	**381,636**
Segment income (Operating income)	**45,405**	**3,779**	**49,184**	**180**	**49,364**	**(49)**	**49,315**
Segment assets	**344,306**	**57,389**	**401,695**	**35,410**	**437,105**	**53,984**	**491,089**
Other items							
Depreciation and amortization	**21,520**	**2,545**	**24,065**	**792**	**24,857**	**(0)**	**24,857**
Increase in property, plant and equipment and intangible assets	**19,934**	**3,205**	**23,139**	**792**	**23,931**	**—**	**23,931**

For the year ended December 31, 2015

Millions of yen

	Reportable Segments						
	Tires	Divertech	Subtotal	Other (Note 1)	Total	Adjustments (Note 2) (Note 3)	Amount reported on consolidated financial statements
Net sales							
Sales to outside customers	¥325,537	¥82,030	¥407,567	¥ 222	¥407,789	¥ —	¥407,789
Intersegment sales and transfers	2	8	10	180	190	(190)	—
Total	325,539	82,038	407,577	402	407,979	(190)	407,789
Segment income (Operating income)	58,004	3,956	61,960	177	62,137	1,244	63,381
Segment assets	356,535	55,448	411,983	40,088	452,071	70,867	522,938
Other items							
Depreciation and amortization	21,295	2,687	23,982	847	24,829	(0)	24,829
Increase in property, plant and equipment and intangible assets	41,642	3,486	45,128	3,210	48,338	—	48,338

For the year ended December 31, 2016

Thousands of U.S. dollars

	Reportable Segments: Tires	Reportable Segments: Divertech	Reportable Segments: Subtotal	Other (Note 1)	Total	Adjustments (Note 2) (Note 3)	Amount reported on consolidated financial statements
Net sales							
Sales to outside customers	$2,608,593	$665,199	$3,273,792	$ 2,335	$3,276,127	$ —	$3,276,127
Intersegment sales and transfers	35	120	155	1,322	1,477	(1,477)	—
Total	2,608,628	665,319	3,273,947	3,657	3,277,604	(1,477)	3,276,127
Segment income (Operating income)	389,776	32,441	422,216	1,544	423,762	(421)	423,341
Segment assets	2,955,670	492,652	3,448,322	303,975	3,752,296	463,422	4,215,718
Other items							
Depreciation and amortization	184,737	21,847	206,584	6,799	213,383	(0)	213,383
Increase in property, plant and equipment and intangible assets	171,122	27,513	198,635	6,799	205,434	—	205,434

Notes: 1. "Other" is not included in reportable segments. It includes finance loans, purchasing credits to domestic affiliates, real estate businesses and other.
2. "Adjustments" in segment income of ¥(49) million (US$(421) thousand) and ¥1,244 million at December 31, 2016 and 2015, respectively, comprised the elimination of intersegment transactions.
3. "Adjustments" in segment assets of ¥63,704 million (US$546,862 thousand) and ¥81,078 million at December 31, 2016 and 2015, respectively, comprised mainly cash and cash equivalents and investment securities of the Company.

Relative information

For the year ended December 31, 2016

Information about products and services

This was omitted because the same information was disclosed in the Segment Information.

Information about geographic areas

Net sales

Millions of yen

Japan	North America: United States	North America: Other	Other	Total
¥133,001	¥53,458	¥12,738	¥82,439	¥381,636

Note: Net sales are classified into countries and regions based on customer location.

Property, plant and equipment

Millions of yen

Japan	North America: United States	North America: Other	Other: Malaysia	Other: Other	Total
¥73,930	¥87,165	¥74	¥23,964	¥17,354	¥202,487

Information about major customers

This was omitted because there were no outside customers the sales to which comprised over 10% of net sales.

For the year ended December 31, 2015

Information about products and services

This was omitted because the same information was disclosed in Segment Information.

Information about geographic areas

Net sales

Millions of yen

Japan	North America: United States	North America: Other	Other	Total
¥134,333	¥169,439	¥19,761	¥84,256	¥407,789

Note: Net sales are classified into countries and regions based on customer location.

Property, plant and equipment

Millions of yen

Japan	North America: United States	North America: Other	Other: Malaysia	Other: Other	Total
¥75,317	¥88,176	¥110	¥27,206	¥20,254	¥211,063

Information about major customers

This was omitted because there were no outside customers the sales to which comprised over 10% of net sales.

For the year ended December 31, 2016

Net sales

Millions of yen

Japan	North America		Other	Total
	United States	Other		
$1,141,737	**$1,317,349**	**$109,348**	**$707,692**	**$3,276,127**

Note: Net sales are classified into countries and regions based on customer location.

Property, plant and equipment

Millions of yen

Japan	North America		Other		Total
	United States	Other	Malaysia	Other	
$634,647	**$748,262**	**$635**	**$205,717**	**$148,974**	**$1,738,235**

Information on impairment loss on noncurrent assets by reportable segment

Nothing to be noted.

Information on amortization of goodwill and unamortized balance by reportable segment
For the year ended December 31, 2016

Millions of yen

	Reportable Segments					
	Tires	Divertech	Subtotal	Other	Eliminations and corporate assets	Total
Amortization of goodwill	**¥ 407**	**¥—**	**¥ 407**	**¥—**	**¥—**	**¥ 407**
Balance at end of period	**1,650**	**—**	**1,650**	**—**	**—**	**1,650**

For the year ended December 31, 2015

Millions of yen

	Reportable Segments					
	Tires	Divertech	Subtotal	Other	Eliminations and corporate assets	Total
Amortization of goodwill	¥ 278	¥—	¥ 278	¥—	¥—	¥ 278
Balance at end of period	2,234	—	2,234	—	—	2,234

For the year ended December 31, 2016

Thousands of U.S. dollars

	Reportable Segments					
	Tires	Divertech	Subtotal	Other	Eliminations and corporate assets	Total
Amortization of goodwill	**$ 3,494**	**$—**	**$ 3,494**	**$—**	**$—**	**$ 3,494**
Balance at end of period	**14,164**	**—**	**14,164**	**—**	**—**	**14,164**

Information on negative goodwill by reportable segment

Nothing to be noted.

22. Subsequent Events

Reduction of additional paid-in capital and legal earnings reserve

Toyo Tire & Rubber Co., Ltd. (“the Company”) had resolved at its meeting of the Board of Directors held on February 15, 2017 to submit a proposal on the reduction of additional paid-in capital and legal earnings reserve to the 101st annual shareholders' meeting held on March 30, 2017 where the proposal was approved as described below.

1. Purpose of reduction of additional paid-in capital and legal earnings reserve

The Company's basic policy is to pay appropriate dividends based on a stable earnings structure from a long-term perspective. Based on this policy, while striving to supplement the available amount required for distribution as shareholder dividends, the Company will reduce additional paid-in capital and legal earnings reserve under the provisions of Article 448 Paragraph 1 of the Companies Act and transfer them to other capital surplus and retained earnings brought forward to boost the flexibility and mobility of future capital policies.

2. Overview of reduction of additional paid-in capital and legal earnings reserve

(1) Reduced additional paid-in capital and legal earnings reserve
A reduction of ¥20,885,843,918 ($179,293 thousand) of ¥28,507,000,916 ($244,716 thousand) in additional paid-in capital to ¥7,621,156,998 ($65,423 thousand).
A reduction of ¥2,568,864,180 ($22,052 thousand) of ¥2,568,864,180 ($22,052 thousand) (entire amount) in legal earnings reserve to ¥0 ($0 thousand).

(2) Method of reduction of additional paid-in capital and legal earnings reserve
Transfer of entire reduced additional paid-in capital amount to other capital surplus and entire reduced legal earnings reserve amount to retained earnings brought forward.

3. Schedule of reduction of additional paid-in capital and legal earnings reserve

(1) Board of Directors resolution date: February 15, 2017
(2) Creditor objection statement notice: February 21, 2017
(3) Creditor objection statement final deadline: March 21, 2017
(4) Annual shareholders' meeting resolution date: March 30, 2017
(5) Effective date: March 30, 2017

Independent Auditor's Report

To the Board of Directors of Toyo Tire & Rubber Co., Ltd.:

We have audited the accompanying consolidated financial statements of Toyo Tire & Rubber Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at December 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attentions to;

1) Note 5 "Change in Accounting Estimates" to the consolidated financial statements which describes that the Company has made changes in accounting estimates for a provision for product compensation during the current fiscal year.
2) Note 18 "Contingent Liabilities" to the consolidated financial statements, specifically point number 2 of the note, which describes the fact that some seismic isolation rubber that the Company and its subsidiary had been manufacturing and selling did not conform to ministry certification performance standards. Based on the incident, a provision for product compensation was posted for an amount that can be reasonably estimated for the cost of repair work and other measures. Depending upon the progress status, the Company's consolidated business results for future fiscal years may be impacted by posting additional reserves.
3) Note 22 "Subsequent Events" to the consolidated financial statements which describes that at a meeting of the Board of Directors held on February 15, 2017, the Company had resolved to submit a proposal on the reduction of additional paid-in capital and legal earnings reserve to the 101st annual shareholders' meeting held on March 30, 2017 where the proposal was approved.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

March 30, 2017
Osaka, Japan

Domestic Facilities

(As of June 30, 2017)

Headquarters (Hyogo)
Tokyo Branch (Tokyo)
Nagoya Office (Aichi)
Hiroshima Office (Hiroshima)
Sendai Plant (Miyagi)
Kuwana Plant (Mie)
Hyogo Manufacturing Complex, Akashi Plant (Hyogo)
Hyogo Manufacturing Complex, Hyogo Plant (Hyogo)

Corporate Technology Center (Hyogo)
Tire Technical Center (Hyogo)
Automotive Parts Technical Center (Aichi)
Miyazaki Tire Test Course (Miyazaki)
Saroma Tire Test Course (Hokkaido)

Consolidated Subsidiaries

(As of June 30, 2017)

○ **Tire Business** ◇ **DiverTech and Other Businesses**

Japan

- ○◇ Fukushima Rubber Co., Ltd.
- ◇ Toyo Soflan Co., Ltd.
- ◇ Ayabe Toyo Rubber Co., Ltd.
- ○ Toyo Tires Logistics Co., Ltd.
- ◇ Soflan Wiz Co., Ltd.
- ○ Toyo Tire Japan Co., Ltd.
- ○ Nitto Japan Co., Ltd.
- ◇ Toyo Chemical Industrial Products Co., Ltd.
- ◇ Showa Estate Co., Ltd.
- ○ Orient Koki Co., Ltd.
- ◇ F.T.G Co., Ltd.
- ○ Sendai Service Co., Ltd.
- ○ Kuwana Service Co., Ltd.
- ◇ F.C.C. Co., Ltd.

North America

- ○ Toyo Tire Holdings of Americas Inc. (U.S.A.)
- ○ Toyo Tire U.S.A. Corp. (U.S.A.)
- ○ Nitto Tire U.S.A. Inc. (U.S.A.)
- ○◇ Toyo Tire North America OE Sales LLC (U.S.A.)
- ○ Toyo Tire North America Manufacturing Inc. (U.S.A.)
- ○ Toyo Tire Mexico LLC (U.S.A.)
- ◇ Toyo Automotive Parts (USA), Inc. (U.S.A.)
- ◇ TMM (USA), Inc. (U.S.A.)
- ○ Toyo Tire Canada Inc. (Canada)
- ○ Nitto Tire Canada Inc. (Canada)
- ○ NT Mexico S. de R.L. de C.V. (Mexico)
- ◇ TOYO AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. (Mexico)

Europe

- ○ Toyo Tire Europe GmbH (Germany)
- ○ Toyo Tire Deutschland GmbH (Germany)
- ○ Toyo Tyre (UK) Ltd. (U.K.)
- ○ Toyo Tire Benelux B.V. (Netherlands)
- ○ Toyo Tire Italia S.p.A. (Italy)
- ○ TOYO TIRE RUS LLC (Russia)

Oceania

- ○◇ Toyo Tyre and Rubber Australia Ltd. (Australia)

Asia

- ○ Silverstone Berhad (Malaysia)
- ○ Silverstone Marketing Sdn Bhd (Malaysia)
- ○ Silverstone Polymer Industries Sdn Bhd (Malaysia)
- ○ Toyo Tyre Malaysia Sdn Bhd (Malaysia)
- ○ TOYO TYRE SALES AND MARKETING MALAYSIA SDN. BHD. (Malaysia)
- ◇ TOYO RUBBER CHEMICAL PRODUCTS (THAILAND) LIMITED (Thailand)
- ○ Toyo Tire (Thailand) Co., LTD. (Thailand)
- ◇ TOYO SOFLAN WIZ (THAILAND) CO., LTD. (Thailand)
- ○ Toyo Tire (Shanghai) Co., Ltd. (China)
- ○ Toyo Tire Zhangjiagang Co., Ltd. (China)
- ○ Toyo Tire (Zhucheng) Co., Ltd. (China)
- ◇ Toyo Automotive Parts (Guangzhou) Co., Ltd. (China)
- ◇ Toyo Rubber Chemical & Industrial Products (HK) Ltd. (China)
- ◇ Wuxi Toyo-Meifeng Rubber Products Co., Ltd. (China)

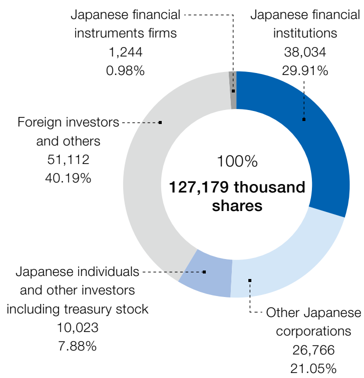
Stock Information

(As of June 30, 2017)

Common Stock:	Authorized 400,000,000 shares Issued 127,179,073 shares
Number of Shareholders:	9,789
Average Number of Shares Held per Shareholder:	12,992
Shareholder Register Administrator and Transfer Account Management Institution for Special Account:	Mitsubishi UFJ Trust and Banking Corporation
Independent Auditors:	KPMG AZSA LLC
Fiscal Year:	January 1–December 31
Annual General Meeting of Shareholders:	March

Breakdown by Shareholder Type

Thousand shares



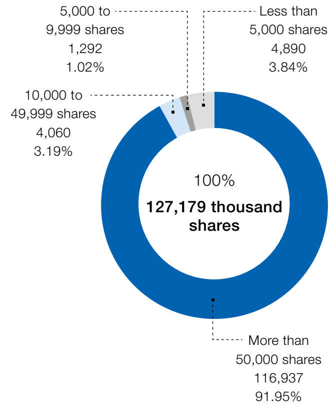
Major Shareholders

Shareholders	Number of holding shares (Thousand)	Percentage of share* ownership (%)
BRIDGESTONE CORPORATION	10,000	7.87
Japan Trustee Services Bank, Ltd. (Trust account)	9,105	7.16
The Master Trust Bank of Japan, Ltd. (Trust account)	7,480	5.89
TOYOTA MOTOR CORPORATION	4,774	3.75
Mitsubishi Corporation	3,890	3.06
ORBIS SICAV	3,531	2.78
GOLDMAN SACHS INTERNATIONAL	3,493	2.75
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,823	2.22
JP MORGAN CHASE BANK 380634	2,792	2.19
STATE STREET BANK AND TRUST COMPANY	2,215	1.74

* Percentage of share ownership is calculated excluding treasury stock (184,132 shares).

Breakdown by Number of Holding Shares

Thousand shares

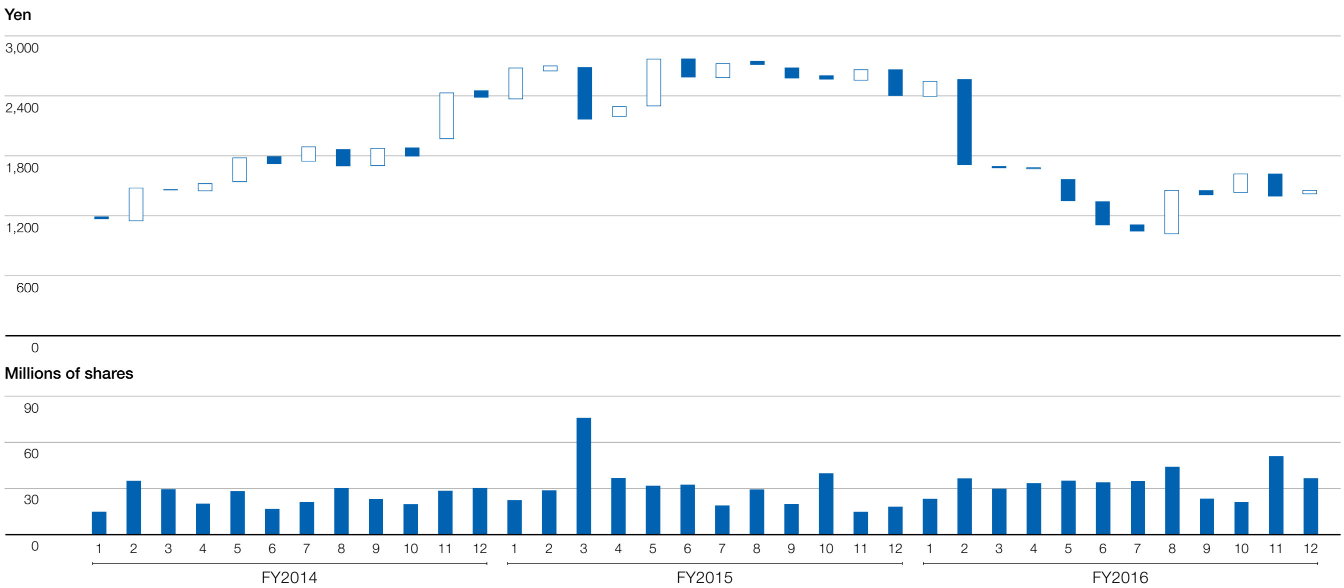


Rating Information

As of the date of this report's publication

Rating institution	Rating assigned	Rating	Announced
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	BBB+	July 5, 2017

Stock Price Range and Trading Volume (Tokyo Stock Exchange)*



* Share price and trading data reflect a one-for-two reverse split of the Company's common stock effected on July 1, 2014.

TOYO TIRES

driven to perform

Corporate Data

(As of June 30, 2017)

Company Name:	Toyo Tire & Rubber Co., Ltd.
Website:	http://www.toyo-rubber.co.jp/english/
Founded:	August 1, 1945
Paid-in Capital:	¥30,484,627,991
Number of Employees:	13,093 (Consolidated, Including Temporary Employees)
Number of Consolidated Subsidiaries:	48 (Japan, 15; Overseas, 33)
Number of Subsidiaries and Affiliates Accounted for by the Equity Method:	3

TOYO TIRE & RUBBER CO., LTD.

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http://www.toyo-rubber.co.jp/english/

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