

Summary Report of Consolidated Business Performance
for Fiscal Year 2018
(January 1, 2018 – December 31, 2018)

HYOGO, JAPAN – February 15, 2019 - Toyo Tire Corporation (“the Company”; President: Takashi Shimizu) announces its Consolidated Business Performance for Fiscal Year 2018 (January 1, 2018 through December 31, 2018) as follows:

Quantitative information about the quarterly financial results

(1) Business Results

●Net Sales:	393,220 million yen (a decrease of 11,779 million yen or 2.9% from the same period for FY2017)
●Operating Income:	42,390 million yen (a decrease of 2,918 million yen or 6.4% from the same period for FY2017)
●Ordinary Income:	38,379 million yen (a decrease of 1,787 million yen or 4.5% from the same period for FY2017)
●Profit attributable to owners of parent:	10,553 million yen (a decrease of 4,923 million yen or 31.8% from the same period for FY2017)

(2) Results by Business Unit

The Tire Business unit posted net sales of 341,694 million yen (an increase of 14,597 million yen or 4.5% from the same period for FY2017) and an operating income of 46,879 million yen (an increase of 832 million yen or 1.8% from the same period for FY2017).

The Automotive Parts Business unit posted net sales of 51,466 million yen (a decrease of 1,684 million yen or 3.2% from the same period for FY2017) and an operating loss of 4,537 million yen (a decrease of 2,297 million yen from the same period for FY2017).

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

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

For the fourth quarter of FY2018, the company posted an extraordinary loss of 17,529 million yen (product compensation response measure expenses of 7,289 million yen and a provision of reserves for product compensation of 10,239 million yen). This was because it became possible to make calculations as the situation progressed, and the company recorded 4,333 million yen in cost for repairs and replacement of seismic isolation products, 258 million yen in compensation, etc., and 609 million yen in miscellaneous charges (primarily, in payroll for the seismic isolation rubber task force, etc.).

Depending on the progress of how this is handled in the following fiscal year and beyond, if future costs arise (mainly business compensation and repairs for damage such as delayed damages, expenses, etc., when repair work expenses are found to additionally exceed the reserve provisions), additional provision of reserves for product warranties may be posted, but at the present time it is difficult to reasonably estimate the amount.

(4) Explanation of financial situation

Total assets at the end of the fourth quarter of the consolidated accounting period were 469,381 million yen, a decrease of 4,494 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 312,130 million yen, an increase of 2,069 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 137,327 million yen, an increase of 17,364 million yen compared to the previous consolidated year-end accounting period.

Net assets as of the end of the fourth quarter of the consolidated accounting period were 157,251 million yen, a decrease of 6,563 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio decreased 1.0 points, compared with the previous consolidated year-end accounting period, to 32.5%.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2017	End of current fiscal year December 31, 2018
Assets		
Current Assets		
Cash and deposits	28,268	31,385
Notes and accounts receivable – trade	79,371	81,593
Merchandise and finished goods	54,312	58,053
Work in process	3,012	2,940
Raw materials and supplies	13,067	13,993
Deferred tax assets	8,952	6,394
Other	17,902	15,220
Allowance for doubtful accounts	(537)	(408)
Total current assets	204,349	209,174
Fixed Assets		
Property, plant and equipment		
Buildings and structures	107,943	104,954
Accumulated depreciation	(50,476)	(50,768)
Buildings and structures, net	57,466	54,185
Machinery, equipment and vehicles	312,612	312,012
Accumulated depreciation	(212,088)	(222,286)
Machinery, equipment and vehicles, net	100,524	89,726
Tools, furniture and fixtures	75,820	74,073
Accumulated depreciation	(66,429)	(65,074)
Tools, furniture and fixtures, net	9,390	8,999
Land	20,009	19,783
Lease assets	972	1,406
Accumulated depreciation	(652)	(678)
Lease assets, net	320	728
Construction in progress	4,285	16,879
Total property, plant and equipment	191,997	190,303
Intangible Assets		
Software	2,920	2,911
Goodwill	1,557	1,317
Other	2,559	2,139
Total intangible assets	7,037	6,368
Investments and other assets		
Investment securities	56,399	47,268
Long-term loans receivable	258	220
Net defined benefit asset	1,058	935
Deferred tax assets	3,163	6,638
Other	9,776	8,577
Allowance for doubtful accounts	(164)	(105)
Total investments and other assets	70,492	63,535
Total fixed assets	269,526	260,207
Total assets	473,876	469,381

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2017	End of current fiscal year December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable – trade	62,589	59,576
Commercial papers	2,000	14,000
Short-term loans payable	36,490	35,137
Current portion of bonds	5,000	—
Accounts payable – other	21,067	22,499
Income taxes payable	1,424	1,257
Provision for directors' bonuses	55	81
Provision for sales returns	242	218
Provision for product compensation	21,000	15,946
Other	22,537	25,779
Total current liabilities	172,407	174,497
Noncurrent liabilities		
Long-term loans payable	76,130	87,459
Provision for directors' retirement benefits	10	11
Provision for environmental measures	305	274
Provision for product compensation	42,100	29,592
Net defined benefit liability	6,702	7,768
Deferred tax liabilities	11,023	10,788
Other	1,381	1,738
Total noncurrent liabilities	137,653	137,632
Total liabilities	310,061	312,130
Net assets		
Shareholders' equity		
Common stock	30,484	30,484
Capital surplus	28,507	28,507
Retained earnings	63,041	67,880
Treasury stock	(149)	(152)
Total shareholders' equity	121,883	126,720
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,555	21,278
Deferred gains or losses on hedges	(10)	9
Foreign currency translation adjustment	7,974	3,848
Remeasurements of defined benefit plans	1,676	883
Total accumulated other comprehensive income	37,195	26,018
Non controlling interests	4,735	4,511
Total net assets	163,815	157,251
Total liabilities and net assets	473,876	469,381

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)
Net sales	404,999	393,220
Cost of sales	268,017	259,050
Gross profit	136,982	134,169
Selling, general and administrative expenses	91,674	91,779
Operating income	45,308	42,390
Non-operating income		
Interest income	458	415
Dividends income	1,482	1,616
Equity in earnings of affiliates	186	194
Rent income	163	265
Other	1,012	1,293
Total non-operating income	3,303	3,785
Non-operating expenses		
Interest expenses	2,630	2,600
Foreign exchange losses	892	2,079
Loss from liquidation of receivables	179	300
Other	4,742	2,815
Total non-operating expenses	8,444	7,796
Ordinary income	40,167	38,379
Extraordinary income		
Gain on sales of noncurrent assets	2,534	—
Gain on sales of investment securities	219	378
Gain on transfer of business	4,267	—
Total extraordinary income	7,022	378
Extraordinary loss		
Loss on retirement of noncurrent assets	724	578
Impairment loss	1,050	3,583
Loss on product compensation	4,945	7,289
Loss on provision for product compensation	13,691	10,239
Loss on alleged U.S. anti-trust law violation	5,244	—
Total extraordinary loss	25,657	21,691
Income before income taxes	21,532	17,067
Income taxes - current	3,535	3,809
Income taxes - deferred	1,706	2,084
Total income taxes	5,241	5,894
Net income	16,291	11,173
Profit attributable to non controlling interests	814	619
Profit attributable to owners of parent	15,476	10,553

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)
Profit	16,291	11,173
Other comprehensive income		
Valuation difference on available-for-sale securities	5,119	(6,277)
Deferred gains or losses on hedges	109	20
Foreign currency translation adjustment	1,252	(4,492)
Remeasurements of defined benefit plans, net of tax	1,385	(757)
Share of other comprehensive income of associates accounted for using equity method	68	(152)
Total other comprehensive income	7,935	(11,660)
Comprehensive income	24,226	(487)
(Comprehensive income attributable to)		
Owners of the parent	23,222	(624)
Comprehensive income attributable to non controlling interests	1,004	137

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Profit before income taxes	21,532	17,067
Depreciation and amortization	25,538	25,795
Increase (decrease) in net defined benefit liability	(976)	418
Interest and dividends income	(1,941)	(2,032)
Interest expenses	2,630	2,600
Foreign exchange losses (gains)	(50)	623
Equity in (earnings) losses of affiliates	(186)	(194)
Loss (gain) on sales of noncurrent assets	(2,534)	—
Loss (gain) on sales of investment securities	(219)	(378)
Loss (gain) on transfer of business	(4,267)	—
Loss on retirement of noncurrent assets	724	578
Impairment loss	1,050	3,583
Loss on product compensation	4,945	7,289
Loss on provision for product compensation	13,691	10,239
Loss on alleged U.S. anti-trust law violation	5,244	—
Decrease (increase) in notes and accounts receivable-trade	(1,115)	(4,165)
Decrease (increase) in inventories	(6,836)	(7,221)
Increase (decrease) in notes and accounts payable-trade	1,950	(774)
Other, net	(1,231)	3,838
Sub-total	57,947	57,267
Interest and dividends income received	1,916	2,167
Interest expenses paid	(2,759)	(2,746)
Payments related to product compensation	(33,250)	(34,362)
Payments of alleged U.S. anti-trust law violation	(5,244)	—
Income taxes paid	(5,191)	(4,363)
Income taxes refund	12	1,101
Net cash provided by (used in) operating activities	13,430	19,063
Cash flows from investing activities		
Additions to property, plant and equipment	(20,888)	(27,360)
Proceeds from sales of property, plant and equipment	3,434	181
Additions to intangible assets	(1,019)	(1,251)
Proceeds from sales of intangible assets	5	1
Additions to investments in securities	(18)	(269)
Proceeds from sales and redemption of investment securities	222	794
Proceeds from transfer of business	7,615	120
Other, net	15	(644)
Net cash provided by (used in) investing activities	(10,633)	(28,428)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	913	(5,049)
Increase (decrease) in commercial papers	2,000	12,000
Proceeds from long-term debt	22,560	31,068
Payments of long-term debt	(28,370)	(13,931)
Payments of redemption of bonds	(5,000)	(5,000)
Cash dividends paid	(5,714)	(5,714)
Dividends paid to non-controlling interests	(279)	(361)
Other, net	377	(182)
Net cash provided by (used in) financing activities	(13,513)	12,829
Effect of exchange rate change on cash and cash equivalents	963	(884)
Net Increase (decrease) in cash and cash equivalents	(9,752)	2,580
Cash and cash equivalents at beginning of the year	37,639	27,887
Cash and cash equivalents at end of the period	27,887	30,467