

Summary Report of Consolidated Business Performance
for the First Quarter of Fiscal Year 2019
(January 1, 2019 – December 31, 2019)

HYOGO, JAPAN – May 10, 2019 - Toyo Tire Corporation (“the Company”; President & CEO: Takashi Shimizu) announces its Consolidated Business Performance for the First Quarter of Fiscal Year 2019 (January 1, 2019 through March 31, 2019) as follows:

Quantitative information about the quarterly financial results

(1) Business Results

●Net Sales:	90,143 million yen (a decrease of 3,597 million yen or 3.8% from the same period for FY2018)
●Operating Income:	10,174 million yen (a decrease of 421 million yen or 4.0% from the same period for FY2018)
●Ordinary Income:	9,406 million yen (an increase of 885 million yen or 10.4% from the same period for FY2018)
●Profit attributable to owners of parent:	5,635 million yen (a decrease of 1,094 million yen or 16.3% from the same period for FY2018)

(2) Results by Business Unit

The Tire Business unit posted net sales of 78,759 million yen (a decrease of 2,017 million yen or 2.5% from the same period for FY2018) and an operating income of 10,543 million yen (a decrease of 950 million yen or 8.3% from the same period for FY2018).

The Automotive Parts Business unit posted net sales of 11,369 million yen (a decrease of 63 million yen or 0.6% from the same period for FY2018) and an operating loss of 382 million yen (an increase of 529 million yen from the same period for FY2018).

(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 first quarter of FY2019, the company posted an extraordinary loss of 1,425 million yen (product compensation response measure expenses of 1,218 million yen and a provision of reserves for product compensation of 207 million yen). This was because it became possible to make calculations as the situation progressed, and the company recorded 396 million yen in compensation, etc., and 1,028 million yen in miscellaneous charges (primarily, in payroll for the seismic isolation rubber task force, etc.).

Depending on the progress of how this is handled in the following quarter and beyond, if

future costs arise (mainly business compensation and repairs for damage such as delayed 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 first quarter of the consolidated accounting period were 486,961 million yen, an increase of 17,584 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 274,579 million yen, a decrease of 37,546 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 116,339 million yen, a decrease of 20,987 million yen compared to the previous consolidated year-end accounting period.

Net assets as of the end of the first quarter of the consolidated accounting period were 212,382 million yen, an increase of 55,131 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio increased 10.1 points, compared with the previous consolidated year-end accounting period, to 42.6 %.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2018	End of current fiscal year March 31, 2019
Assets		
Current Assets		
Cash and deposits	31,385	47,637
Notes and accounts receivable – trade	81,593	74,808
Merchandise and finished goods	58,053	59,595
Work in process	2,940	3,356
Raw materials and supplies	13,993	14,060
Other	15,220	15,193
Allowance for doubtful accounts	(408)	(385)
Total current assets	202,779	214,266
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	54,185	53,679
Machinery, equipment and vehicles, net	89,726	88,221
Other, net	46,391	56,375
Total property, plant and equipment	190,303	198,277
Intangible Assets		
Goodwill	1,317	1,287
Other	5,051	4,828
Total intangible assets	6,368	6,116
Investments and other assets		
Investment securities	47,268	48,016
Other	22,763	20,391
Allowance for doubtful accounts	(105)	(105)
Total investments and other assets	69,926	68,302
Total fixed assets	266,597	272,695
Total assets	469,377	486,961

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2018	End of current fiscal year March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable – trade	59,576	51,686
Commercial papers	14,000	—
Short-term loans payable	35,137	28,775
Accounts payable – other	22,499	17,146
Income taxes payable	1,257	2,418
Provision for product compensation	15,946	16,038
Other	26,059	26,259
Total current liabilities	174,476	142,325
Non-current liabilities		
Long-term loans payable	87,459	85,092
Net defined benefit liability	7,768	7,753
Provision for product compensation	29,592	25,527
Other provision	285	278
Other	12,542	13,602
Total non-current liabilities	137,648	132,253
Total liabilities	312,125	274,579
Net assets		
Shareholders' equity		
Common stock	30,484	55,935
Capital surplus	28,507	53,958
Retained earnings	67,880	70,341
Treasury stock	(152)	(152)
Total shareholders' equity	126,720	180,082
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,278	21,759
Deferred gains or losses on hedges	9	0
Foreign currency translation adjustments	3,848	4,739
Remeasurements of defined benefit plans	883	950
Total accumulated other comprehensive income	26,018	27,450
Non-controlling interests	4,511	4,849
Total net assets	157,251	212,382
Total liabilities and net assets	469,377	486,961

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2018 (From January 1, 2018 to March 31, 2018)	FY2019 (From January 1, 2019 to March 31, 2019)
Net sales	93,741	90,143
Cost of sales	60,997	58,453
Gross profit	32,743	31,690
Selling, general and administrative expenses	22,147	21,515
Operating income	10,596	10,174
Non-operating income		
Interest income	119	129
Dividends income	326	321
Foreign exchange gains	—	300
Equity in earnings of affiliates	9	—
Other	415	368
Total non-operating income	870	1,119
Non-operating expenses		
Interest expenses	623	533
Foreign exchange losses	1,746	—
Equity in losses of affiliates	—	19
Stock issuance cost	—	460
Other	575	873
Total non-operating expenses	2,945	1,887
Ordinary income	8,521	9,406
Extraordinary income		
Gain on sales of investment securities	163	171
Total extraordinary income	163	171
Extraordinary loss		
Loss on retirement of non-current assets	51	220
Impairment loss	—	224
Loss on product compensation	1,230	1,218
Loss on provision for product compensation	129	207
Total extraordinary loss	1,411	1,870
Profit before income taxes	7,272	7,707
Income taxes	229	1,790
Profit	7,043	5,917
Profit attributable to non-controlling interests	313	281
Profit attributable to owners of parent	6,730	5,635

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2018 (From January 1, 2018 to March 31, 2018)	FY2019 (From January 1, 2019 to March 31, 2019)
Profit	7,043	5,917
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,892)	481
Deferred gains or losses on hedges	12	(8)
Foreign currency translation adjustment	(5,149)	926
Remeasurements of defined benefit plans, net of tax	(57)	31
Share of other comprehensive income of associates accounted for using equity method	(51)	22
Total other comprehensive income	(8,139)	1,453
Comprehensive income	(1,096)	7,370
(Comprehensive income attributable to)		
Owners of the parent	(1,112)	7,033
Comprehensive income attributable to non-controlling interests	16	337