

Summary Report of Consolidated Business Performance
for the Third Quarter of Fiscal Year 2019
(January 1, 2019 – September 30, 2019)

HYOGO, JAPAN – November 8, 2019 - Toyo Tire Corporation (“the Company”; President & CEO: Takashi Shimizu) announces its Consolidated Business Performance for the Third Quarter of Fiscal Year 2019 (January 1, 2019 through September 30, 2019) as follows:

Quantitative information about the quarterly financial results

(1) Business Results

- Net Sales: 277,646 million yen (a decrease of 7,402 million yen or 2.6% from the same period of FY2018)
- Operating Income: 26,466 million yen (a decrease of 4,266 million yen or 13.9% from the same period of FY2018)
- Ordinary Income: 23,593 million yen (a decrease of 5,069 million yen or 17.7% from the same period of FY2018)
- Profit attributable to owners of parent: 14,232 million yen (an increase of 2,968 million yen or 26.4% from the same period of FY2018)

(2) Results by Business Unit

The Tire Business unit posted net sales of 243,846 million yen (a decrease of 2,955 million yen or 1.2% from the same period of FY2018) and an operating income of 28,111 million yen (a decrease of 5,747 million yen or 17.0% from the same period of FY2018).

The Automotive Parts Business unit posted net sales of 33,747 million yen (a decrease of 55 million yen or 0.2% from the same period of FY2018) and an operating loss of 1,616 million yen (a decrease of 1,420 million yen from the same period of 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 Japan's Ministry of Land, Infrastructure, Transport and Tourism. When applying for Ministry certification for seismic isolation rubber for construction, in some cases the certification was based on applications lacking technical grounds.

For the third quarter of FY2019, the company posted an extraordinary loss of 3,110 million yen (product compensation response measure expenses of 2,915 million yen and a provision of reserves for product compensation of 195 million yen). This was because it became possible to make calculations as the situation progressed, and the

company recorded 64 million yen in compensation, etc., and 714 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 second quarter of the consolidated accounting period were 475,440 million yen, an increase of 6,063 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 263,070 million yen, a decrease of 49,055 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 131,128 million yen, a decrease of 4,199 million yen compared to the previous consolidated year-end accounting period.

Net assets as of the end of the second quarter of the consolidated accounting period were 212,370 million yen, an increase of 55,119 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio increased 11.14 points, compared with the previous consolidated year-end accounting period, to 43.68 %.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2018	End of current fiscal year September 30, 2019
Assets		
Current Assets		
Cash and deposits	31,385	31,764
Notes and accounts receivable – trade	81,593	76,310
Merchandise and finished goods	58,053	57,145
Work in process	2,940	3,508
Raw materials and supplies	13,993	14,034
Other	15,220	17,751
Allowance for doubtful accounts	(408)	(542)
Total current assets	202,779	199,972
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	54,185	57,708
Machinery, equipment and vehicles, net	89,726	88,326
Other, net	46,391	55,079
Total property, plant and equipment	190,303	201,114
Intangible Assets		
Goodwill	1,317	1,138
Other	5,051	4,933
Total intangible assets	6,368	6,071
Investments and other assets		
Investment securities	47,268	47,814
Other	22,763	20,572
Allowance for doubtful accounts	(105)	(104)
Total investments and other assets	69,926	68,282
Total fixed assets	266,597	275,468
Total assets	469,377	475,440

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2018	End of current fiscal year September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable – trade	59,576	32,791
Commercial papers	14,000	7,000
Short-term loans payable	35,137	48,754
Accounts payable – other	22,499	17,668
Income taxes payable	1,257	4,528
Provision for product compensation	15,946	11,164
Other	26,059	26,578
Total current liabilities	174,476	148,486
Non-current liabilities		
Long-term loans payable	87,459	74,983
Net defined benefit liability	7,768	8,030
Provision for product compensation	29,592	18,270
Other provision	285	107
Other	12,542	13,192
Total non-current liabilities	137,648	114,583
Total liabilities	312,125	263,070
Net assets		
Shareholders' equity		
Common stock	30,484	55,935
Capital surplus	28,507	53,958
Retained earnings	67,880	75,860
Treasury stock	(152)	(153)
Total shareholders' equity	126,720	185,600
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,278	21,753
Deferred gains or losses on hedges	9	(15)
Foreign currency translation adjustments	3,848	(550)
Remeasurements of defined benefit plans	883	892
Total accumulated other comprehensive income	26,018	22,080
Non-controlling interests	4,511	4,690
Total net assets	157,251	212,370
Total liabilities and net assets	469,377	475,440

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2018 (From January 1, 2018 to September 30, 2018)	FY2019 (From January 1, 2019 to September 30, 2019)
Net sales	285,048	277,646
Cost of sales	187,236	183,620
Gross profit	97,812	94,025
Selling, general and administrative expenses	67,079	67,559
Operating income	30,732	26,466
Non-operating income		
Interest income	307	368
Dividends income	1,180	1,186
Equity in earnings of affiliates	114	94
Other	1,173	1,469
Total non-operating income	2,775	3,118
Non-operating expenses		
Interest expenses	1,991	1,676
Foreign exchange losses	845	1,928
Stock issuance cost	—	460
Other	2,008	1,926
Total non-operating expenses	4,845	5,991
Ordinary income	28,662	23,593
Extraordinary income		
Gain on sales of investment securities	378	633
Gain on sales of shares of subsidiaries and associates	—	28
Total extraordinary income	378	661
Extraordinary loss		
Loss on retirement of non-current assets	398	707
Impairment loss	—	634
Loss on product compensation	5,934	2,915
Loss on provision for product compensation	6,393	195
Total extraordinary loss	12,726	4,451
Profit before income taxes	16,314	19,802
Income taxes	4,403	4,916
Profit	11,910	14,886
Profit attributable to non-controlling interests	646	653
Profit attributable to owners of parent	11,264	14,232

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2018 (From January 1, 2018 to September 30, 2018)	FY2019 (From January 1, 2019 to September 30, 2019)
Profit	11,910	14,886
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,032)	475
Deferred gains or losses on hedges	(5)	(25)
Foreign currency translation adjustment	(1,204)	(4,461)
Remeasurements of defined benefit plans, net of tax	(206)	(25)
Share of other comprehensive income of associates accounted for using equity method	(75)	(62)
Total other comprehensive income	(4,524)	(4,100)
Comprehensive income	7,386	10,786
(Comprehensive income attributable to)		
Owners of the parent	6,979	10,295
Comprehensive income attributable to non-controlling interests	406	490