

Summary Report of Consolidated Business Performance
for the First Quarter of Fiscal Year 2020
(January 1, 2020 – December 31, 2020)

HYOGO, JAPAN – May 12, 2020 - Toyo Tire Corporation (“the Company”; President & CEO: Takashi Shimizu) announces its Consolidated Business Performance for the First Quarter of Fiscal Year 2020 (January 1, 2020 through December 31, 2020) as follows:

Quantitative information about the quarterly financial results

(1) Business Results

●Net Sales:	82,094 million yen (a decrease of 8,049 million yen or 8.9% from the same period of FY2019)
●Operating Income:	6,936 million yen (a decrease of 3,238 million yen or 31.8% from the same period of FY2019)
●Ordinary Income:	3,737 million yen (a decrease of 5,669 million yen or 60.3% from the same period for FY2019)
●Profit Attributable to Owners of Parent:	2,141 million yen (a decrease of 3,494 million yen or 62.0% from the same period for FY2019)

(2) Results by Business Unit

The Tire Business unit posted net sales of 72,297 million yen (a decrease of 6,462 million yen or 8.2% from the same period of FY2019) and an operating income of 7,399 million yen (a decrease of 3,143 million yen or 29.8% from the same period of FY2019).

The Automotive Parts Business unit posted net sales of 9,782 million yen (a decrease of 1,586 million yen or 14.0% from the same period of FY2019) and an operating loss of 474 million yen (a decrease of 382 million yen from the same period of FY2019).

(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 first quarter of FY2020, the company posted an extraordinary loss of 1,056 million yen (product compensation response measure expenses of 691 million yen and a provision of reserves for product compensation of 365 million yen). This was because it became possible to make calculations as the situation progressed, and the company recorded 466 million yen in compensation, etc., and 590 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 446,500 million yen, a decrease of 22,246 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 233,897 million yen, a decrease of 10,340 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 125,039 million yen, an increase of 6,494 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 212,603 million yen, a decrease of 11,905 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio decreased 0.2 points, compared to the previous consolidated year-end accounting period, to 47.3 %.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2019	End of current fiscal year March 31, 2020
Assets		
Current Assets		
Cash and deposits	25,120	24,707
Notes and accounts receivable – trade	75,445	63,760
Merchandise and finished goods	58,042	61,449
Work in process	3,572	3,328
Raw materials and supplies	14,954	15,119
Other	20,580	16,278
Allowance for doubtful accounts	(444)	(404)
Total current assets	197,271	184,239
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	64,554	63,261
Machinery, equipment and vehicles, net	96,667	97,395
Other, net	45,856	42,738
Total property, plant and equipment	207,079	203,396
Intangible Assets		
Goodwill	1,122	1,026
Other	5,628	5,494
Total intangible assets	6,750	6,520
Investments and other assets		
Investment securities	44,404	34,641
Other	13,344	17,806
Allowance for doubtful accounts	(104)	(104)
Total investments and other assets	57,644	52,343
Total fixed assets	271,475	262,260
Total assets	468,746	446,500

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2019	End of current fiscal year March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable – trade	34,137	29,317
Commercial papers	–	3,000
Short-term loans payable	39,612	47,111
Accounts payable – other	20,169	14,800
Income taxes payable	1,550	1,826
Provision for product compensation	7,947	8,429
Other	26,579	23,448
Total current liabilities	129,998	127,933
Non-current liabilities		
Long-term loans payable	75,902	72,077
Net defined benefit liability	5,840	6,019
Provision for product compensation	16,563	12,690
Other provision	107	99
Other	15,825	15,076
Total non-current liabilities	114,239	105,963
Total liabilities	244,237	233,897
Net assets		
Shareholders' equity		
Common stock	55,935	55,935
Capital surplus	54,499	54,499
Retained earnings	86,110	84,403
Treasury stock	(154)	(154)
Total shareholders' equity	196,391	194,684
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,222	15,330
Deferred gains or losses on hedges	(9)	16
Foreign currency translation adjustments	2,600	(1,529)
Remeasurements of defined benefit plans	2,556	2,499
Total accumulated other comprehensive income	26,370	16,316
Non-controlling interests	1,747	1,601
Total net assets	224,509	212,603
Total liabilities and net assets	468,746	446,500

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2019 (From January 1, 2019 to March 31, 2019)	FY2020 (From January 1, 2020 to March 31, 2020)
Net sales	90,143	82,094
Cost of sales	58,453	52,860
Gross profit	31,690	29,233
Selling, general and administrative expenses	21,515	22,297
Operating income	10,174	6,936
Non-operating income		
Interest income	129	116
Dividends income	321	215
Foreign exchange gains	300	—
Equity in earnings of affiliates	—	68
Other	368	613
Total non-operating income	1,119	1,014
Non-operating expenses		
Interest expenses	533	510
Foreign exchange losses	—	2,957
Equity in losses of affiliates	19	—
Stock issuance cost	460	—
Other	873	745
Total non-operating expenses	1,887	4,213
Ordinary income	9,406	3,737
Extraordinary income		
Gain on sales of investment securities	171	1,255
Total extraordinary income	171	1,255
Extraordinary loss		
Loss on retirement of non-current assets	220	114
Impairment loss	224	68
Loss on product compensation	1,218	691
Loss on provision for product compensation	207	365
Total extraordinary loss	1,870	1,239
Profit before income taxes	7,707	3,753
Income taxes	1,790	1,709
Profit	5,917	2,043
Profit (Loss) attributable to non-controlling interests	281	(97)
Profit attributable to owners of parent	5,635	2,141

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2019 (From January 1, 2019 to March 31, 2019)	FY2020 (From January 1, 2020 to March 31, 2020)
Profit	5,917	2,043
Other comprehensive income		
Valuation difference on available-for-sale securities	481	(5,892)
Deferred gains or losses on hedges	(8)	25
Foreign currency translation adjustment	926	(4,142)
Remeasurements of defined benefit plans, net of tax	31	(57)
Share of other comprehensive income of associates accounted for using equity method	22	(35)
Total other comprehensive income	1,453	(10,101)
Comprehensive income	7,370	(8,057)
(Comprehensive income attributable to)		
Owners of the parent	7,033	(7,912)
Comprehensive income attributable to non-controlling interests	337	(145)