

TOYO TIRES

Consolidated Business Performance for the First Quarter of the Fiscal Year Ending December 31, 2020

12 May, 2020

Toyo Tire Corporation

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ANNIVERSARY

Major Topics

Consolidated Business Results for the First Quarter of the Fiscal Year Ending December 31, 2020 (FY2020)

Consolidated Business Outlook for the Second Quarter and Full year of the Fiscal Year Ending December 31, 2020 (FY2020)

Combatting the Novel Coronavirus Disease (COVID-19)

The forward-looking statements contained in these business outlooks and plans are based on information available at the current time and contain potential risks and uncertainties. Therefore, please keep in mind that actual results may, due to a variety of factors, differ from those expressed in the forward-looking statements.

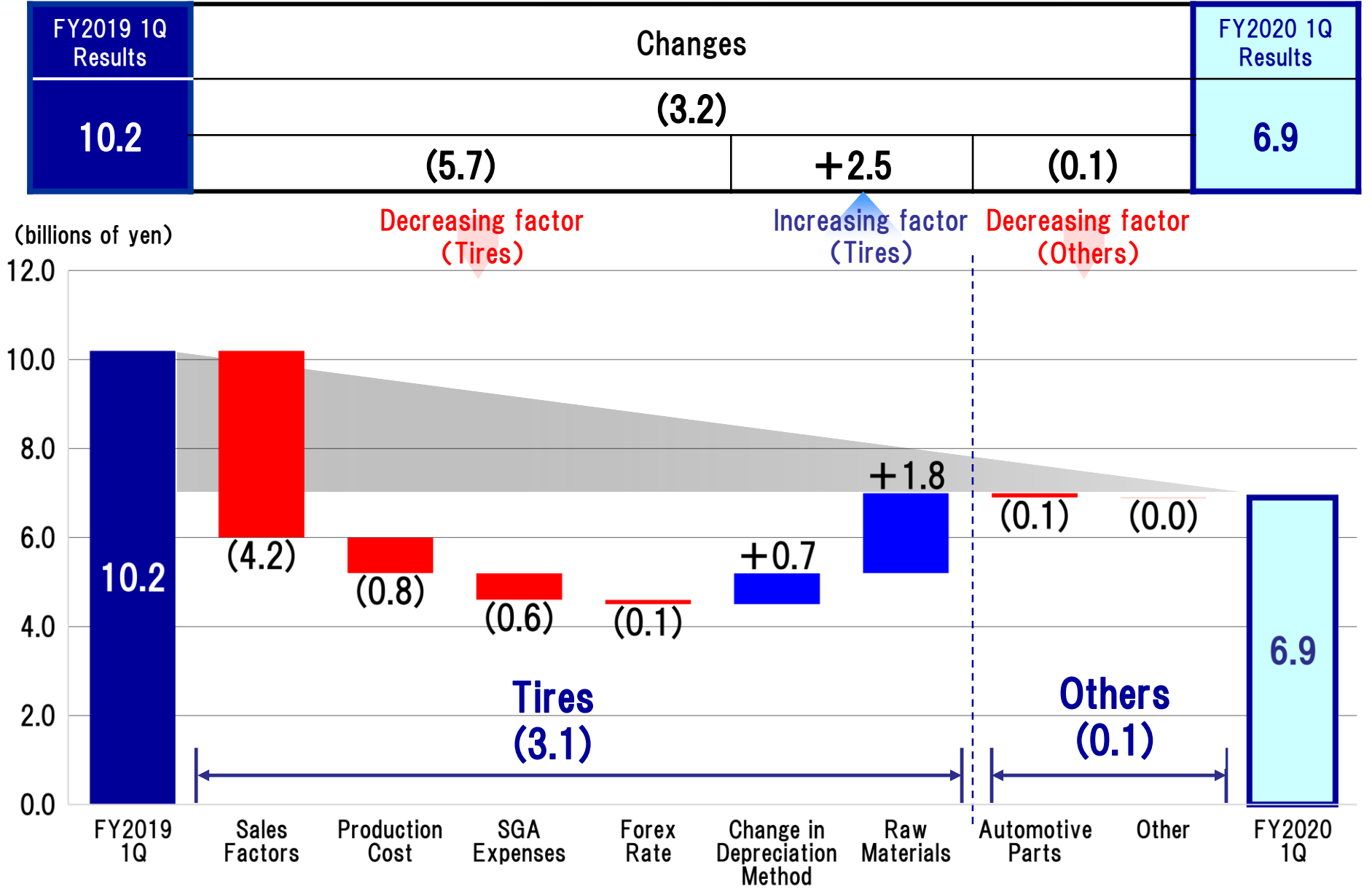
(Unit: millions of yen)	FY2020 1Q Results	FY2019 1Q Results	Year-on-Year Change	Year-on-Year Change %
Net Sales	82,094	90,143	(8,049)	(8.9%)
Operating Income Profit Ratio	6,936 8.4%	10,174 11.3%	(3,238)	(31.8%)
Ordinary Income	3,737	9,406	(5,669)	(60.3%)
Profit Attributable to Owners of Parent	2,141	5,635	(3,494)	(62.0%)

*Profit Attributable to Owners of Parent: Profit attributable to parent company shareholders

Forex Rate	USD	109 Yen	110 Yen	(1 Yen)
	EUR	121 Yen	126 Yen	(5 Yen)

Forex Rate Sensibility 2020	
USD	0.55 Billion Yen/Year
EUR	0.10 Billion Yen/Year

Impact of 1 yen fluctuation on operating income



Impact of Seismic Isolation Rubber Measures on Performance in the First Quarter of FY2020

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(For Reference)

(Unit: millions of yen)	1Q (A)	FY2015 Full-Year Results	FY2016 Full-Year Results	FY2017 Full-Year Results	FY2018 Full-Year Results	FY2019 Full-Year Results
For 55 buildings	—	23,063	17,034	608	8,794	—
For 99 buildings	—	7,386	35,068	12,281	2,360	—
Charges	590	12,104	10,418	3,156	4,858	3,365
Compensation costs, etc.	466	4,119	4,260	2,590	1,516	645
Total	1,056	46,674	66,781	18,637	17,529	4,010

*55 buildings : disclosed on March 13, 2015, 99 buildings : disclosed on April 21, 2015

Breakdown of Calculation

1Q of FY2020 (A)	<p>The company did not post seismic isolation product costs or renovation/construction costs for changes to the 55 buildings and 99 buildings.</p> <p>The company posted approx. 500 million yen in compensation costs and approx. 600 million yen in charges (primarily, in payroll for the seismic isolation rubber task force, etc.).</p>
From 2Q of FY2020 onward	<p>As at the present time it is difficult to reasonably estimate the amount, in the event that costs arise in the future, an additional reserve for product warranties may be posted depending upon the progress of measures.</p>

Consolidated Business Results by Business Segment for the First Quarter of FY2020

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● Net Sales

(Unit: millions of yen)	FY2020 1Q Results	FY2019 1Q Results	Year-on-Year Change	Year-on-Year Change %
Tires	72,297	78,759	(6,461)	(8.2%)
Automotive Parts	9,782	11,369	(1,586)	(14.0%)
Other	35	38	(2)	(7.9%)
Adjustments	(21)	(23)	+2	—
Total	82,094	90,143	(8,049)	(8.9%)

* Net sales include intersegment internal net sales or transfers

● Operating Income

(Unit: millions of yen)	FY2020 1Q Results	FY2019 1Q Results	Year-on-Year Change	Year-on-Year Change %
Tires Profit Ratio	7,399 10.2%	10,543 13.4%	(3,143)	(29.8%)
Automotive Parts Profit Ratio	(474) (4.8%)	(382) (3.4%)	(92)	—
Other	22	25	(3)	(12.0%)
Adjustments	(11)	(11)	0	—
Total	6,936	10,174	(3,238)	(31.8%)

* Segment profit adjustment amounts include intersegment eliminations

Consolidated Business Results by Geographic Area Segment for the First Quarter of FY2020

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●Net Sales

(Unit: millions of yen)	FY2020 1Q Results	FY2019 1Q Results	Year-on-Year Change	Year-on-Year Change %
Japan	23,908	25,783	(1,875)	(7.3%)
North America	41,685	46,078	(4,392)	(9.5%)
Other	16,500	18,281	(1,781)	(9.7%)
Eliminations or Corporate	—	—	—	—
Total	82,094	90,143	(8,049)	(8.9%)

* Net sales do not include intersegment internal net sales or transfers

●Operating Income

(Unit: millions of yen)	FY2020 1Q Results	FY2019 1Q Results	Year-on-Year Change	Year-on-Year Change %
Japan	5,871	7,114	(1,243)	(17.5%)
North America	1,500	2,485	(985)	(39.6%)
Other	803	1,478	(674)	(45.7%)
Eliminations or Corporate	(1,238)	(904)	(334)	—
Total	6,936	10,174	(3,238)	(31.8%)

As governments around the world impose restrictions on outings and movement of their people in response to the ongoing novel coronavirus pandemic, purchasing behaviors of consumers and economic activities by businesses remain hampered. The Toyo Tire Group is not immune to this state of affairs: we are experiencing a setback in demand as consumer spending showed a sharp downturn in our key sales territories and elsewhere, a curtailment of sales operations due to the restriction on outings and other activities in many countries, and the impact of production adjustments by auto manufacturers, to name but a few.

After the February 14 announcement of our consolidated business results forecasts for the first half and full-year periods of the fiscal year ending December 31, 2020, the impact of the novel coronavirus infection has worsened our business significantly, and an end to the pandemic is not in sight at this point. Given the difficulty of making informed forecasts of our business results, we have decided to withdraw our earlier results forecasts announced on February 14, 2020.

We will announce our revised results forecasts once it becomes possible to determine them for the respective periods.

Updates on the situation in our key markets

As governments restrict outings, declare an emergency, and lockdown cities, economic activities have been severely hampered. Demand has dropped as people drive less due to restrictions on movement and auto manufacturers adjust their production, etc.

The restrictions are being eased in some regions, but we need to be careful in determining the timing of full-scale recovery of demand, etc.

Updates on the tire production bases

- Japan: Sendai Plant closed down for a week in April
- U.S.: Plants closed down from April 1 to May 2. Production resumed on May 3
- China: Plants closed down in early February but production has resumed at this point
- Malaysia: Plants closed down following the government's restrictions on business activities late March, but production has resumed at this point

Commencement of earnings structure reform (since March)

- Revise capex planning (when to invest in capacity ramp-ups will be determined depending on how the pandemic progresses while freezing/reducing non-essential investment plans)
- Draw up a cost reduction plan and implement cost rationalization by taking the current situation into account
- Normalize the inventory level by properly adjusting production
- Maintain supply chain integrity, reduce logistics costs

Financials

- Manage working capital in a timely and appropriate manner by, for example, adjusting inventory to a level that is proper for the times
- Draw up a procurement plan based on a conservative financial plan (worst-case scenario: a 50% drop in net sales) to maintain financial health

Efforts to prevent infection (since February)

- Our responses to the “State of Emergency Declaration” (from April 8 until the end of the extended emergency period)
Closed down the HQ and offices (excluding production bases) and switched to teleworking
- Teleworking in place at overseas bases as well wherever/whenever possible
- Voluntary restraint on non-essential domestic/overseas business trips Etc.

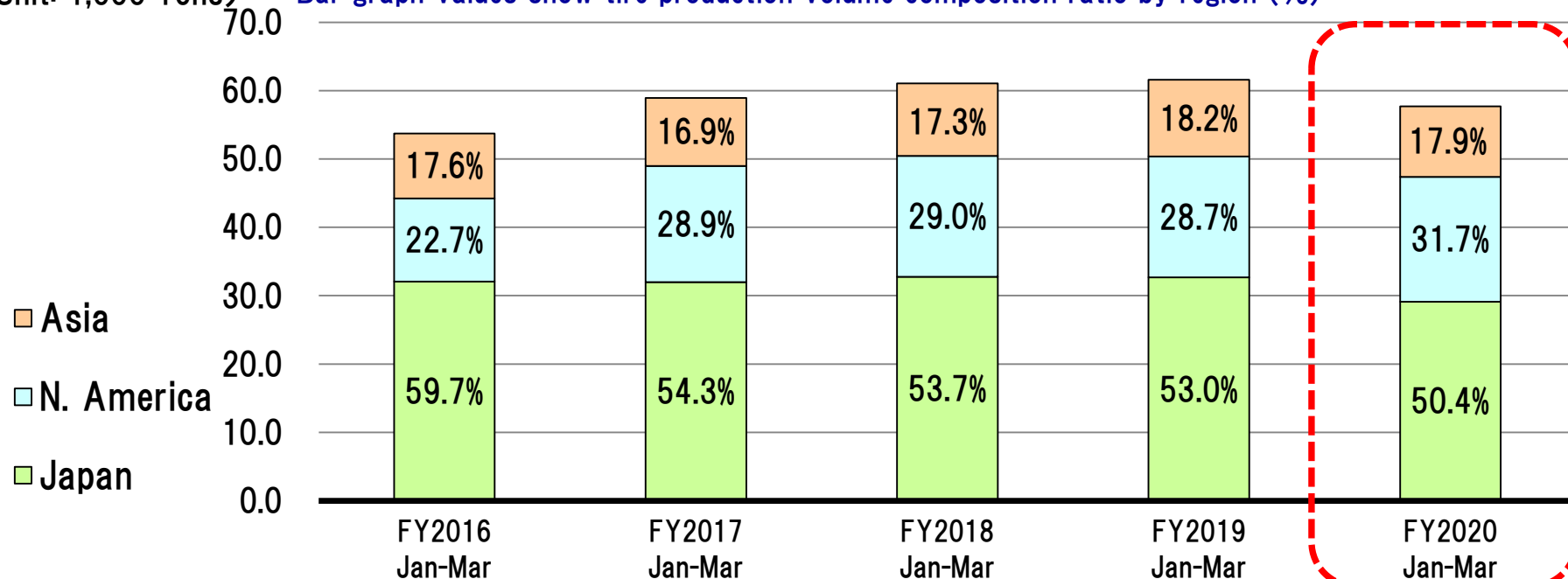
Efforts to maintain employment for new recruits

- Recruit new graduates (to join the company in 2021) in the numbers originally planned and proactively introduce online company information sessions and job interviews

(For Reference)
Changes in Tire Production (New Rubber Volume)

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(Unit: 1,000 Tons) * Bar graph values show tire production volume composition ratio by region (%)



(Unit: 1,000 Tons)	FY2016	FY2017	FY2018	FY2019	FY2020
	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar
Japan	32.0	32.0*	32.8	32.7	29.1
N. America	12.2	17.0	17.7	17.7	18.3
Asia	9.5	9.9	10.6	11.2	10.3
Total	53.7	58.9*	61.1	61.6	57.7

*There is change from the numerical value which was described in the Consolidated Business Performance for the Fiscal Year Ending December 31, 2017 (announced on 12 May, 2017).

(For Reference)
Year-on-Year Change in Tire Sales Quantity by Region

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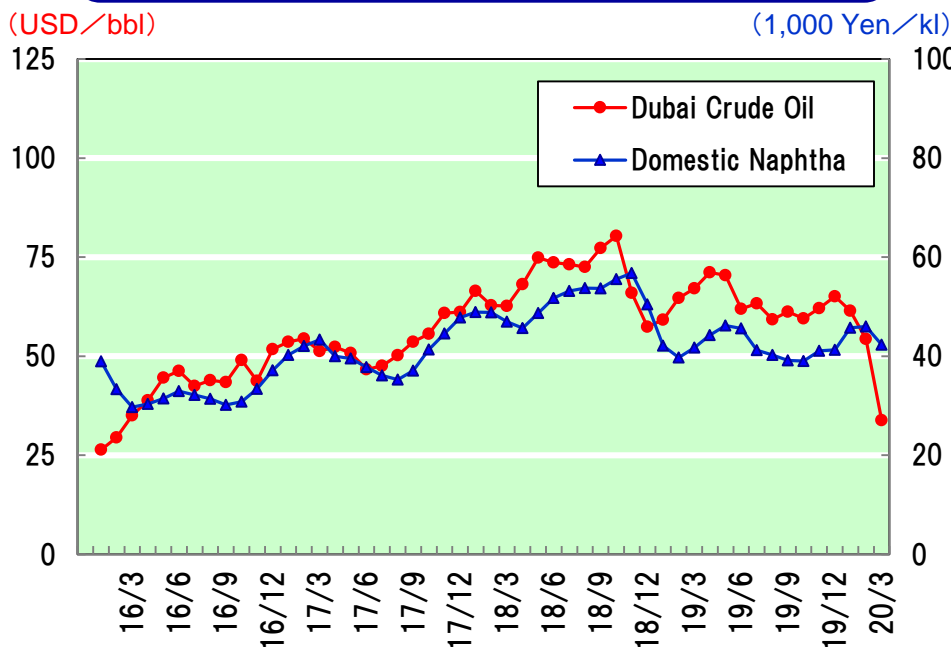
* Year-on-Year when the same period of the previous year = 100

(Unit: %)	FY2016	FY2017	FY2018	FY2019	FY2020
	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar
OE Total	153	92	100	112	82
RE Japan	103	105	94	105	98
RE Overseas	108	110	98	95	95
Of which N. America	106	108	96	100	88
Of which Europe	136	120	107	92	100
Of which SE Asia	94	106	86	89	103
Total	114	105	98	100	93

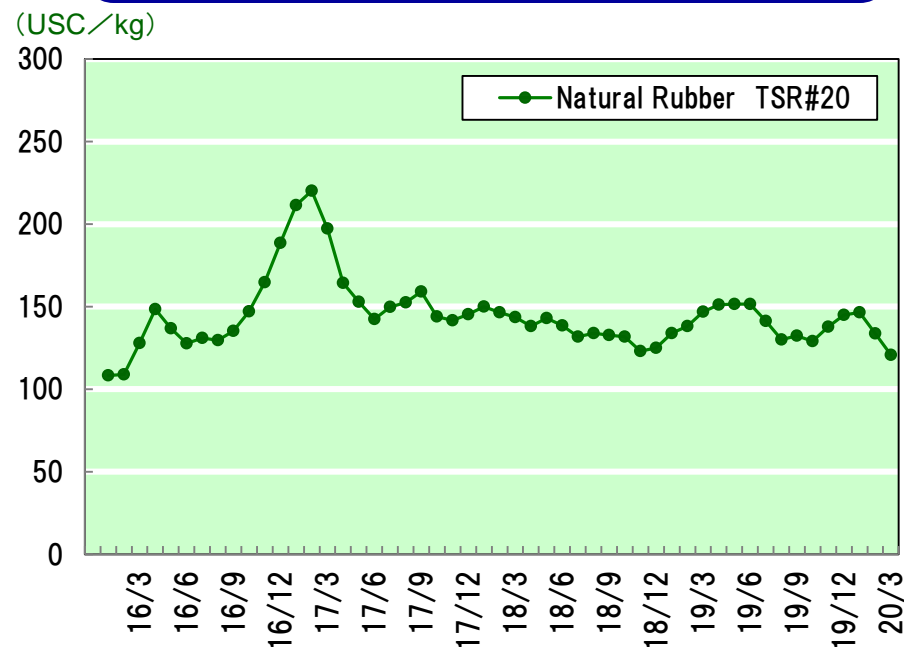
(For Reference) Price Changes in Major Raw Materials

◆Market Price Trends

Change in Dubai Crude Oil and Domestic Naphtha Prices



Change in Natural Rubber TSR #20 Prices (SICOM)



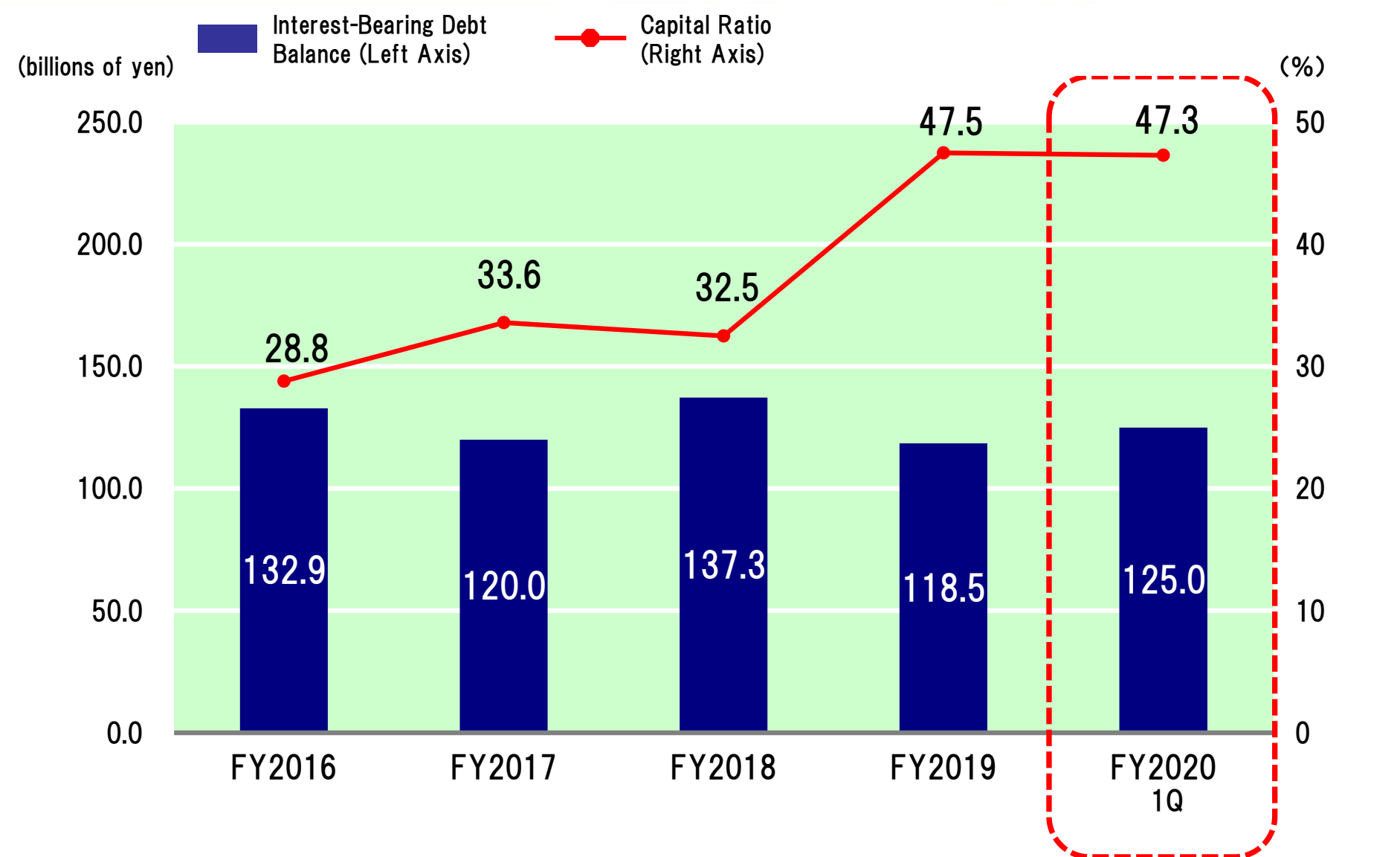
◆Price Changes & Impact by Raw Material (Operating Income Basis)

(Unit: billions of yen)

Raw Material	FY2016	FY2017	FY2018	FY2019	FY2020 Jan-Mar
Natural Rubber	+2.5	(7.5)	+3.8	+0.3	(0)
Petroleum Products	+6.4	(7.7)	(2.9)	+2.1	+1.3
Other Raw Materials	+1.1	+1.3	(0.8)	+1.0	+0.6
Total	+10.0	(13.9)	+0.1	+3.4	+1.8

* Until FY2017, impact on all businesses is indicated. For FY2018 onward, impact on the Tire Business is indicated.

© Toyo Tire * "Valuation difference of inventory assets" is included in and indicated as "Other Raw Materials" until FY2017. It is included and indicated in each raw material for FY2018 onward.



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