

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

HYOGO, JAPAN – February 14, 2020 - Toyo Tire Corporation (“the Company”; President & CEO: Takashi Shimizu) announces its Consolidated Business Performance for the Fiscal Year 2019 (January 1, 2019 through December 31, 2019) as follows:

Quantitative information about the full-year financial results

(1) Business Results

●Net Sales:	377,457 million yen (a decrease of 15,762 million yen or 4.0% from the same period of FY2018)
●Operating Income:	38,447 million yen (a decrease of 3,942 million yen or 9.3% from the same period of FY2018)
●Ordinary Income:	36,645 million yen (a decrease of 1,734 million yen or 4.5% from the same period for FY2018)
●Profit attributable to owners of parent:	24,482 million yen (an increase of 13,929 million yen or 132.0% from the same period for FY2018)

(2) Results by Business Unit

The Tire Business unit posted net sales of 332,838 million yen (a decrease of 8,855 million yen or 2.6% from the same period of FY2018) and an operating income of 41,393 million yen (a decrease of 5,486 million yen or 11.7% from the same period of FY2018).

The Automotive Parts Business unit posted net sales of 44,551 million yen (a decrease of 985 million yen or 2.2% from the same period of FY2018) and an operating loss of 2,919 million yen (an increase of 1,451 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 fourth quarter of FY2019, the company posted an extraordinary loss of 4,010 million yen (product compensation response measure expenses of 3,897 million yen and a provision of reserves for product compensation of 113 million yen). This was because it became possible to make calculations as the situation progressed, and the company recorded 110 million yen in compensation, etc., and 789 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 468,746 million yen, a decrease of 630 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 244,237 million yen, a decrease of 67,887 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 118,545 million yen, a decrease of 18,782 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 224,509 million yen, an increase of 67,257 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio increased 14.9 points, compared with the previous consolidated year-end accounting period, to 47.5 %.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2018	End of current fiscal year December 31, 2019
Assets		
Current Assets		
Cash and deposits	31,385	25,120
Notes and accounts receivable – trade	81,593	75,445
Merchandise and finished goods	58,053	58,042
Work in process	2,940	3,572
Raw materials and supplies	13,993	14,954
Other	15,220	20,580
Allowance for doubtful accounts	(408)	(444)
Total current assets	202,779	197,271
Fixed Assets		
Property, plant and equipment		
Buildings and structures	104,954	116,717
Accumulated depreciation	(50,768)	(52,162)
Buildings and structures, net	54,185	64,554
Machinery, equipment and vehicles	312,012	326,165
Accumulated depreciation	(222,286)	(229,498)
Machinery, equipment and vehicles, net	89,726	96,667
Tools, furniture and fixtures	74,073	72,597
Accumulated depreciation	(65,074)	(64,339)
Tools, furniture and fixtures, net	8,999	8,257
Land	19,783	19,467
Lease assets	1,406	1,425
Accumulated depreciation	(678)	(637)
Lease assets, net	728	787
Right of use assets	—	5,250
Accumulated depreciation	—	(695)
Right of use assets, net	—	4,555
Construction in progress	16,879	12,788
Total property, plant and equipment	190,303	207,079
Intangible Assets		
Software	2,911	3,741
Goodwill	1,317	1,122
Other	2,139	1,886
Total intangible assets	6,368	6,750
Investments and other assets		
Investment securities	47,268	44,404
Long-term loans receivable	220	197
Net defined benefit asset	935	1,010
Deferred tax assets	13,029	6,290
Other	8,577	5,845
Allowance for doubtful accounts	(105)	(104)
Total investments and other assets	69,926	57,644
Total fixed assets	266,597	271,475
Total assets	469,377	468,746

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2018	End of current fiscal year December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable – trade	59,576	34,137
Commercial papers	14,000	—
Short-term loans payable	35,137	39,612
Accounts payable – other	22,499	20,169
Income taxes payable	1,257	1,550
Provision for directors' bonuses	81	98
Provision for sales returns	218	223
Provision for product compensation	15,946	7,947
Other	25,758	26,256
Total current liabilities	174,476	129,998
Noncurrent liabilities		
Long-term loans payable	87,459	75,902
Provision for directors' retirement benefits	11	6
Provision for environmental measures	274	101
Provision for product compensation	29,592	16,563
Net defined benefit liability	7,768	5,840
Deferred tax liabilities	10,804	12,082
Other	1,738	3,743
Total noncurrent liabilities	137,648	114,239
Total liabilities	312,125	244,237
Net assets		
Shareholders' equity		
Common stock	30,484	55,935
Capital surplus	28,507	54,499
Retained earnings	67,880	86,110
Treasury stock	(152)	(154)
Total shareholders' equity	126,720	196,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,278	21,222
Deferred gains or losses on hedges	9	(9)
Foreign currency translation adjustment	3,848	2,600
Remeasurements of defined benefit plans	883	2,556
Total accumulated other comprehensive income	26,018	26,370
Non controlling interests	4,511	1,747
Total net assets	157,251	224,509
Total liabilities and net assets	469,377	468,746

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Net sales	393,220	377,457
Cost of sales	259,050	246,635
Gross profit	134,169	130,822
Selling, general and administrative expenses	91,779	92,374
Operating income	42,390	38,447
Non-operating income		
Interest income	415	494
Dividends income	1,616	1,622
Equity in earnings of affiliates	194	161
Rent income	265	413
Other	1,293	1,619
Total non-operating income	3,785	4,311
Non-operating expenses		
Interest expenses	2,600	2,261
Foreign exchange losses	2,079	583
Loss from liquidation of receivables	300	54
Stock issuance cost	—	460
Other	2,815	2,753
Total non-operating expenses	7,796	6,113
Ordinary income	38,379	36,645
Extraordinary income		
Gain on sales of investment securities	378	3,494
Gain on sales of shares of subsidiaries and associates	—	28
Total extraordinary income	378	3,523
Extraordinary loss		
Loss on retirement of noncurrent assets	578	932
Impairment loss	3,583	1,169
Loss on product compensation	7,289	3,897
Loss on provision for product compensation	10,239	113
Total extraordinary loss	21,691	6,113
Income before income taxes	17,067	34,055
Income taxes - current	3,809	1,437
Income taxes - deferred	2,084	7,471
Total income taxes	5,894	8,909
Net income	11,173	25,146
Profit attributable to non controlling interests	619	663
Profit attributable to owners of parent	10,553	24,482

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Profit	11,173	25,146
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,277)	(55)
Deferred gains or losses on hedges	20	(18)
Foreign currency translation adjustment	(4,492)	(1,261)
Remeasurements of defined benefit plans, net of tax	(757)	1,638
Share of other comprehensive income of associates accounted for using equity method	(152)	2
Total other comprehensive income	(11,660)	305
Comprehensive income	(487)	25,451
(Comprehensive income attributable to)		
Owners of the parent	(624)	24,835
Comprehensive income attributable to non controlling interests	137	616

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2018 (From January 1, 2018 to December 31, 2018)	FY2019 (From January 1, 2019 to December 31, 2019)
Cash flows from operating activities		
Income before income taxes and minority interests	17,067	34,055
Depreciation and amortization	25,795	25,162
Settlement received	—	(284)
Increase (decrease) in net defined benefit liability	1,064	167
Interest and dividends income	(2,032)	(2,117)
Interest expenses	2,600	2,261
Foreign exchange losses (gains)	623	(97)
Stock issuance cost	—	460
Equity in (earnings) losses of affiliates	(194)	(161)
Loss (gain) on sales of investment securities	(378)	(3,494)
Loss on retirement of noncurrent assets	578	932
Impairment loss	3,583	1,169
Loss on product compensation	7,289	3,897
Loss on provision for product compensation	10,239	113
Decrease (increase) in notes and accounts receivable-trade	(4,165)	5,583
Decrease (increase) in inventories	(7,221)	(2,151)
Increase (decrease) in notes and accounts payable-trade	(774)	(25,365)
Other, net	3,191	2,560
Sub-total	57,267	42,692
Interest and dividends income received	2,167	2,246
Interest expenses paid	(2,746)	(2,327)
Settlement package received	—	284
Payments of product compensation	(34,362)	(25,078)
Income taxes paid	(4,363)	(7,695)
Income taxes refund	1,101	1,107
Net cash provided by (used in) operating activities	19,063	11,229
Cash flows from investing activities		
Additions to property, plant and equipment	(27,360)	(43,145)
Proceeds from sales of property, plant and equipment	181	534
Additions to intangible assets	(1,251)	(1,849)
Proceeds from sales of intangible assets	1	—
Additions to investments in securities	(269)	(270)
Proceeds from sales and redemption of investment securities	794	6,582
Other, net	(524)	(121)
Net cash provided by (used in) investing activities	(28,428)	(38,271)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(5,049)	(9,576)
Increase (decrease) in commercial papers	12,000	(14,000)
Proceeds from long-term debt	31,068	21,564
Payments of long-term debt	(13,931)	(17,446)
Payments of redemption of bonds	(5,000)	—
Cash dividends paid	(5,714)	(6,248)
Dividends paid to non-controlling interests	(361)	(312)
Payments from changes in investments in capital of subsidiaries that do not result in change in scope of consolidation	—	(518)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,008)
Proceeds from issuance of shares	—	50,441
Other, net	(182)	(1,162)
Net cash provided by (used in) financing activities	12,829	20,732
Effect of exchange rate change on cash and cash equivalents	(884)	(78)
Net Increase (decrease) in cash and cash equivalents	2,580	(6,387)
Cash and cash equivalents at beginning of the year	27,887	30,467
Cash and cash equivalents at end of the period	30,467	24,079