

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

HYOGO, JAPAN – August 7, 2020 - Toyo Tire Corporation (“the Company”; President & CEO: Takashi Shimizu) announces its Consolidated Business Performance for the Second 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:	150,586 million yen (a decrease of 27,971 million yen or 15.7% from the same period of FY2019)
●Operating Income:	7,928 million yen (a decrease of 7,415 million yen or 48.3% from the same period of FY2019)
●Ordinary Income:	4,379 million yen (a decrease of 9,473 million yen or 68.4% from the same period for FY2019)
●Profit Attributable to Owners of Parent:	520 million yen (a decrease of 7,001 million yen or 93.1% from the same period for FY2019)

(2) Results by Business Unit

The Tire Business unit posted net sales of 134,430 million yen (a decrease of 21,203 million yen or 13.6% from the same period of FY2019) and an operating income of 9,733 million yen (a decrease of 6,381 million yen or 39.6% from the same period of FY2019).

The Automotive Parts Business unit posted net sales of 16,129 million yen (a decrease of 6,758 million yen or 29.5% from the same period of FY2019) and an operating loss of 1,805 million yen (a decrease of 1,049 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 second quarter of FY2020, the company posted an extraordinary loss of 1,751 million yen (product compensation response measure expenses of 1,438 million yen and a provision of reserves for product compensation of 313 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 630 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 434,128 million yen, a decrease of 34,618 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 221,936 million yen, a decrease of 22,301 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 123,898 million yen, an increase of 5,353 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 212,192 million yen, a decrease of 12,317 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio increased 1.0 points, compared to the previous consolidated year-end accounting period, to 48.5 %.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2019	End of current fiscal year June 30, 2020
Assets		
Current Assets		
Cash and deposits	25,120	28,057
Notes and accounts receivable – trade	75,445	59,053
Merchandise and finished goods	58,042	50,977
Work in process	3,572	3,444
Raw materials and supplies	14,954	14,557
Other	20,580	16,522
Allowance for doubtful accounts	(444)	(354)
Total current assets	197,271	172,259
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	64,554	63,129
Machinery, equipment and vehicles, net	96,667	95,771
Other, net	45,856	43,348
Total property, plant and equipment	207,079	202,248
Intangible Assets		
Goodwill	1,122	980
Other	5,628	5,526
Total intangible assets	6,750	6,507
Investments and other assets		
Investment securities	44,404	36,263
Other	13,344	16,953
Allowance for doubtful accounts	(104)	(104)
Total investments and other assets	57,644	53,112
Total fixed assets	271,475	261,869
Total assets	468,746	434,128

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2019	End of current fiscal year June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable – trade	34,137	19,129
Short-term loans payable	39,612	35,591
Accounts payable – other	20,169	16,678
Income taxes payable	1,550	1,145
Provision for product compensation	7,947	6,209
Other	26,579	24,317
Total current liabilities	129,998	103,073
Non-current liabilities		
Long-term loans payable	75,902	85,527
Net defined benefit liability	5,840	6,099
Provision for product compensation	16,563	12,225
Other provision	107	99
Other	15,825	14,911
Total non-current liabilities	114,239	118,863
Total liabilities	244,237	221,936
Net assets		
Shareholders' equity		
Common stock	55,935	55,935
Capital surplus	54,499	54,504
Retained earnings	86,110	82,782
Treasury stock	(154)	(144)
Total shareholders' equity	196,391	193,077
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,222	16,480
Deferred gains or losses on hedges	(9)	2
Foreign currency translation adjustments	2,600	(1,312)
Remeasurements of defined benefit plans	2,556	2,443
Total accumulated other comprehensive income	26,370	17,614
Non-controlling interests	1,747	1,500
Total net assets	224,509	212,192
Total liabilities and net assets	468,746	434,128

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2019 (From January 1, 2019 to June 30, 2019)	FY2020 (From January 1, 2020 to June 30, 2020)
Net sales	178,558	150,586
Cost of sales	118,618	100,789
Gross profit	59,939	49,797
Selling, general and administrative expenses	44,595	41,868
Operating income	15,344	7,928
Non-operating income		
Interest income	242	178
Dividends income	867	790
Equity in earnings of affiliates	72	78
Other	1,209	923
Total non-operating income	2,391	1,970
Non-operating expenses		
Interest expenses	1,118	985
Foreign exchange losses	980	2,921
Stock issuance cost	460	—
Other	1,323	1,613
Total non-operating expenses	3,883	5,520
Ordinary income	13,852	4,379
Extraordinary income		
Gain on sales of investment securities	321	1,265
Total extraordinary income	321	1,265
Extraordinary loss		
Loss on retirement of non-current assets	485	192
Impairment loss	404	187
Loss on product compensation	2,135	1,438
Loss on provision for product compensation	195	313
Loss on COVID-19	—	1,604
Total extraordinary loss	3,221	3,736
Profit before income taxes	10,952	1,908
Income taxes	3,055	1,536
Profit	7,897	371
Profit (Loss) attributable to non-controlling interests	376	(148)
Profit attributable to owners of parent	7,521	520

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2019 (From January 1, 2019 to June 30, 2019)	FY2020 (From January 1, 2020 to June 30, 2020)
Profit	7,897	371
Other comprehensive income		
Valuation difference on available-for-sale securities	54	(4,741)
Deferred gains or losses on hedges	(7)	12
Foreign currency translation adjustment	(3,455)	(3,941)
Remeasurements of defined benefit plans, net of tax	62	(113)
Share of other comprehensive income of associates accounted for using equity method	(23)	(36)
Total other comprehensive income	(3,369)	(8,820)
Comprehensive income	4,527	(8,448)
(Comprehensive income attributable to)		
Owners of the parent	4,188	(8,235)
Comprehensive income attributable to non-controlling interests	339	(213)

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2019 (From January 1, 2019 to June 30, 2019)	FY2020 (From January 1, 2020 to June 30, 2020)
Cash flows from operating activities		
Income before income taxes and minority interests	10,952	1,908
Depreciation and amortization	12,761	10,528
Settlement received	(284)	—
Increase (decrease) in net defined benefit liability	82	154
Interest and dividends income	(1,110)	(968)
Interest expenses	1,118	985
Foreign exchange losses (gains)	434	960
Stock issuance cost	460	—
Equity in (earnings) losses of affiliates	(72)	(78)
Loss (gain) on sales of investment securities	(321)	(1,265)
Loss on retirement of noncurrent assets	485	192
Impairment loss	404	187
Loss on product compensation	2,135	1,438
Loss on provision for product compensation	195	313
Decrease (increase) in notes and accounts receivable-trade	10,735	15,149
Decrease (increase) in inventories	(4,259)	6,031
Increase (decrease) in notes and accounts payable-trade	(15,580)	(13,915)
Other, net	(3,391)	(1,807)
Sub-total	14,747	19,814
Interest and dividends income received	1,253	937
Interest expenses paid	(1,266)	(1,116)
Settlement package received	85	—
Payments of product compensation	(14,414)	(7,500)
Income taxes paid	(4,287)	(1,359)
Income taxes refund	911	585
Net cash provided by (used in) operating activities	(2,971)	11,362
Cash flows from investing activities		
Additions to property, plant and equipment	(19,457)	(11,560)
Proceeds from sales of property, plant and equipment	90	158
Additions to intangible assets	(392)	(620)
Additions to investments in securities	(257)	(7)
Proceeds from sales and redemption of investment securities	413	2,796
Other, net	266	(981)
Net cash provided by (used in) investing activities	(19,337)	(10,214)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(5,794)	(1,770)
Increase (decrease) in commercial papers	(14,000)	—
Proceeds from long-term debt	8,322	16,674
Payments of long-term debt	(9,115)	(8,255)
Cash dividends paid	(3,170)	(3,844)
Dividends paid to non-controlling interests	(312)	(34)
Proceeds from issuance of shares	50,441	—
Other, net	(505)	(119)
Net cash provided by (used in) financing activities	25,864	2,650
Effect of exchange rate change on cash and cash equivalents	(272)	177
Net Increase (decrease) in cash and cash equivalents	3,283	3,975
Cash and cash equivalents at beginning of the year	30,467	24,079
Cash and cash equivalents at end of the period	33,750	28,055