

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

HYOGO, JAPAN – November 13, 2020 - Toyo Tire Corporation (“the Company”; President & CEO: Takashi Shimizu) announces its Consolidated Business Performance for the Third 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:	246,823 million yen (a decrease of 30,822 million yen or 11.1% from the same period of FY2019)
●Operating Income:	22,046 million yen (a decrease of 4,419 million yen or 16.7% from the same period of FY2019)
●Ordinary Income:	17,271 million yen (a decrease of 6,321 million yen or 26.8% from the same period for FY2019)
●Profit Attributable to Owners of Parent:	9,991 million yen (a decrease of 4,240 million yen or 29.8% from the same period for FY2019)

(2) Results by Business Unit

The Tire Business unit posted net sales of 220,690 million yen (a decrease of 23,155 million yen or 9.5% from the same period of FY2019) and an operating income of 24,026 million yen (a decrease of 4,084 million yen or 14.5% from the same period of FY2019).

The Automotive Parts Business unit posted net sales of 26,097 million yen (a decrease of 7,650 million yen or 22.7% from the same period of FY2019) and an operating loss of 1,980 million yen.

(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 FY2020, the company posted an extraordinary loss of 2,244 million yen (product compensation response measure expenses of 1,983 million yen and a provision of reserves for product compensation of 261 million yen). This was because it became possible to make calculations as the situation progressed, and the company recorded 66 million yen in compensation, etc., and 428 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 third quarter of the consolidated accounting period were 445,201 million yen, a decrease of 23,545 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 226,479 million yen, a decrease of 17,758 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 121,182 million yen, an increase of 2,637 million yen compared to the previous consolidated year-end accounting period.

Net assets as of the end of the third quarter of the consolidated accounting period were 218,721 million yen, a decrease of 5,787 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio increased 1.2 points, compared to the previous consolidated year-end accounting period, to 48.7 %.

Revisions to the full-year consolidated results forecasts for the fiscal year ending December 31, 2020 (January 1, 2020 to December 31, 2020)

The overall economic outlook remains uncertain due to the lingering impact of the spread of COVID-19. However, with the resumption of economic activities, we are witnessing an earlier-than-expected recovery, though things vary somewhat among different markets. Given this situation, we have revised our full-year consolidated results forecasts for the fiscal year ending December 31, 2020, which were previously announced on August 7, 2020.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit (loss) attributable to owners of parent
Previous forecasts (A) (announced on August 7, 2020)	330,000	30,000	25,400	14,000
Revised forecasts (B)	340,000	34,000	29,200	17,800
Change (B-A)	10,000	4,000	3,800	3,800
Percentage of change	3.0%	13.3%	15.0%	27.1%

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2019	End of current fiscal year September 30, 2020
Assets		
Current Assets		
Cash and deposits	25,120	34,138
Notes and accounts receivable – trade	75,445	73,022
Merchandise and finished goods	58,042	43,224
Work in process	3,572	3,202
Raw materials and supplies	14,954	12,269
Other	20,580	13,770
Allowance for doubtful accounts	(444)	(360)
Total current assets	197,271	179,267
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	64,554	62,604
Machinery, equipment and vehicles, net	96,667	94,412
Other, net	45,856	45,583
Total property, plant and equipment	207,079	202,601
Intangible Assets		
Goodwill	1,122	946
Other	5,628	5,622
Total intangible assets	6,750	6,568
Investments and other assets		
Investment securities	44,404	37,209
Other	13,344	19,658
Allowance for doubtful accounts	(104)	(104)
Total investments and other assets	57,644	56,763
Total fixed assets	271,475	265,933
Total assets	468,746	445,201

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2019	End of current fiscal year September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable – trade	34,137	24,189
Commercial papers	–	12,500
Short-term loans payable	39,612	16,772
Accounts payable – other	20,169	19,524
Income taxes payable	1,550	3,148
Provision for product compensation	7,947	6,130
Other	26,579	23,555
Total current liabilities	129,998	105,820
Non-current liabilities		
Long-term loans payable	75,902	89,263
Net defined benefit liability	5,840	6,224
Provision for product compensation	16,563	10,359
Other provision	107	100
Other	15,825	14,711
Total non-current liabilities	114,239	120,659
Total liabilities	244,237	226,479
Net assets		
Shareholders' equity		
Common stock	55,935	55,935
Capital surplus	54,499	54,504
Retained earnings	86,110	89,175
Treasury stock	(154)	(145)
Total shareholders' equity	196,391	199,469
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,222	17,140
Deferred gains or losses on hedges	(9)	7
Foreign currency translation adjustments	2,600	(2,063)
Remeasurements of defined benefit plans	2,556	2,436
Total accumulated other comprehensive income	26,370	17,521
Non-controlling interests	1,747	1,730
Total net assets	224,509	218,721
Total liabilities and net assets	468,746	445,201

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2019 (From January 1, 2019 to September 30, 2019)	FY2020 (From January 1, 2020 to September 30, 2020)
Net sales	277,646	246,823
Cost of sales	183,620	161,139
Gross profit	94,025	85,683
Selling, general and administrative expenses	67,559	63,637
Operating income	26,466	22,046
Non-operating income		
Interest income	368	245
Dividends income	1,186	853
Equity in earnings of affiliates	94	56
Other	1,469	1,348
Total non-operating income	3,118	2,503
Non-operating expenses		
Interest expenses	1,676	1,411
Foreign exchange losses	1,928	3,490
Stock issuance cost	460	—
Other	1,926	2,376
Total non-operating expenses	5,991	7,278
Ordinary income	23,593	17,271
Extraordinary income		
Gain on sales of investment securities	633	1,265
Gain on sales of shares of subsidiaries and associates	28	—
Total extraordinary income	661	1,265
Extraordinary loss		
Loss on retirement of non-current assets	707	295
Impairment loss	634	270
Loss on product compensation	2,915	1,983
Loss on provision for product compensation	195	261
Loss on COVID-19	—	1,589
Total extraordinary loss	4,451	4,399
Profit before income taxes	19,802	14,137
Income taxes	4,916	4,099
Profit	14,886	10,038
Profit attributable to non-controlling interests	653	46
Profit attributable to owners of parent	14,232	9,991

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2019 (From January 1, 2019 to September 30, 2019)	FY2020 (From January 1, 2020 to September 30, 2020)
Profit	14, 886	10, 038
Other comprehensive income		
Valuation difference on available-for-sale securities	475	(4, 081)
Deferred gains or losses on hedges	(25)	16
Foreign currency translation adjustment	(4, 461)	(4, 659)
Remeasurements of defined benefit plans, net of tax	(25)	(120)
Share of other comprehensive income of associates accounted for using equity method	(62)	(11)
Total other comprehensive income	(4, 100)	(8, 855)
Comprehensive income	10, 786	1, 182
(Comprehensive income attributable to)		
Owners of the parent	10, 295	1, 142
Comprehensive income attributable to non-controlling interests	490	40