

Announcement on Extraordinary Loss and Difference Between Consolidated Financial Forecasts and Results for the Fiscal Year Ended December 31, 2020 and Difference Between Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 and Non-Consolidated Financial Results for the Previous Period

Hyogo, Japan—February 15, 2021—Toyo Tire Corporation (President & CEO: Takashi Shimizu) announced today that it expects to post an extraordinary loss for the fiscal year ended December 31, 2020 (January 1, 2020 - December 31, 2020; FY2020) as follows. Please also be advised that there will be differences between the consolidated financial forecasts for FY2020, which were announced on November 13, 2020, and the financial results for the same period, which were announced today, and between the non-consolidated financial results for FY2020 and the non-consolidated financial results for the fiscal year ended December 31, 2019 (FY2019).

1. Posting of extraordinary loss and related details

(1) Impairment loss and loss on closure of plant and liquidation of subsidiaries and affiliates, and loss on valuation of stocks of subsidiaries and affiliates

At the Board of Directors meeting held on February 15, 2021, the company resolved that it would close of plant and liquidate one of its wholly-owned subsidiaries, Silverstone Berhad. Accordingly, the company posted an extraordinary loss of 6,270 million yen, which includes impairment loss of 5,110 million yen and loss on closure of plant and liquidation of subsidiaries and affiliates of 1,159 million yen, in the consolidated financial results for FY2020.

The company also posted a loss on valuation of stocks of subsidiaries and affiliates of 7,198 million yen in the non-consolidated financial results for FY2020. Please note that this does not impact its consolidated financial results as the loss has been eliminated in consolidation.

(2) Loss on product compensation and loss on provision for product compensation

In the fiscal year ended December 31, 2015, it was found that some products shipped by the company did not conform to the performance evaluation criteria set by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) of Japan.

As the situation subsequently progressed and detailed calculations became possible, the company posted 2,266 million yen for the cost of replacement seismic isolation rubber products and repair work, 809 million yen for compensation, etc., and 1,858 million yen for miscellaneous charges (primarily, in insurance premiums related to replacement of seismic isolation rubber products, payroll for the seismic isolation rubber task force, etc.), for the fourth quarter of FY2020. As a result, the company posted a total extraordinary loss of 7,178 million yen, including 2,942 million yen for loss on product compensation and 4,235 million yen for loss on provision for product compensation.

Depending on how the remediation process progresses in the following year and beyond, if any cost should arise in the future (damage payments such as compensation for business and delinquent charges, or expenses incurred when the cost for additional repair work exceeds the current amount of the provision) for which reasonable estimation would be difficult at this point, an additional provision for product compensation may be posted.

2. Differences between the consolidated financial forecasts for FY2020 and consolidated financial results for the same period

(1) Differences between the consolidated financial forecasts and the consolidated financial results (Million yen)

	Net sales	Operating income	Ordinary income	Profit (loss) attributable to owners of parent	Earnings per share (yen)
Previous forecasts (A) (announced November 13, 2020)	340,000	34,000	29,200	17,800	115.63
Results (B)	343,764	36,328	30,887	11,682	75.89
Change (B-A)	3,764	2,328	1,687	(6,118)	—
Percentage of change	1.1%	6.8%	5.8%	(34.4%)	—
Reference : FY2019	377,457	38,447	36,645	24,482	161.41

(2) Reasons for the differences

These differences are primarily attributable to the failure to meet the earlier forecast for profit (loss) attributable to owners of parent announced on November 13, 2020 because of the posing of an extraordinary loss as described in 1. above.

3. Differences between the non-consolidated financial results for FY2020 and non-consolidated financial results for FY2019

(1) Differences between the non-consolidated financial results for FY2020 and the non-consolidated financial results for FY2019 (Million yen)

	Net sales	Operating income	Ordinary income	Profit (loss) attributable to owners of parent	Earnings per share (yen)
FY2019 results (A)	215,417	24,614	27,299	12,950	85.38
FY2020 results (B)	184,998	20,289	18,374	2,204	14.32
Change (B-A)	(30,419)	(4,325)	(8,925)	(10,746)	—
Percentage of change	(14.1%)	(17.6%)	(32.7%)	(83.0%)	—

(2) Reasons for the differences

Net sales, operating income, ordinary income, and net income all registered a year-on-year decline due to sluggish consumer spending and corporate activities on the back of the government's requests for voluntary cooperation to stay home in response to the spread of COVID-19, as well as the posting of an extraordinary loss described in 1. above.