

Summary Report of Consolidated Business Performance
for the Second Quarter of Fiscal Year 2021
(January 1, 2021 – December 31, 2021)

HYOGO, JAPAN – August 10, 2021 - Toyo Tire Corporation (“the Company”; President & CEO: Takashi Shimizu) announces its consolidated business performance for the second quarter of fiscal year 2021 (January 1, 2021 through December 31, 2021) as follows:

Quantitative information concerning the quarterly financial results

(1) Business Results

●Net Sales:	186,392 million yen (an increase of 35,805 million yen, or 23.8% from the same period in FY2020)
●Operating Income:	26,958 million yen (an increase of 19,029 million yen, or 240.0% from the same period in FY2020)
●Ordinary Income:	29,219 million yen (an increase of 24,840 million yen, or 567.2% from the same period in FY2020)
●Profit Attributable to Owners of Parent:	20,673 million yen (an increase of 20,153 million yen from the same period in FY2020)

(2) Results by Business Unit

The Tire Business Unit posted net sales of 166,488 million yen (an increase of 32,057 million yen, or 23.8% from the same period in FY2020) and an operating income of 27,888 million yen (an increase of 18,155 million yen, or 186.5% from the same period in FY2020).

The Automotive Parts Business Unit posted net sales of 19,884 million yen (an increase of 3,755 million yen, or 23.3% from the same period in FY2020) and an operating loss of 938 million yen (an increase of 866 million yen from the same period in FY2020).

(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, the certification was in some cases based on applications lacking technical grounds.

For the second quarter of FY2021, the Company posted an extraordinary loss of 586 million yen as product compensation response—measure expenses (primarily in payroll for the Seismic Isolation Rubber Task Force, etc.).

Depending on how this is handled in the following quarter and beyond, if future costs arise (mainly business compensation and repairs for damages 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. At the present time, however, it is difficult to make a reasonable estimation of the corresponding amount.

(4) Explanation of financial situation

Total assets at the end of the second quarter of the consolidated accounting period were 472,615 million yen, an increase of 27,035 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 220,314 million yen, a decrease of 2,570 million yen compared to the end of the previous consolidated accounting period.

Interest-bearing liabilities were 108,809 million yen, a decrease of 1,768 million yen compared to the end of the previous consolidated accounting period.

Net assets as of the end of the second quarter of the consolidated accounting period were 252,300 million yen, an increase of 29,606 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio increased by 3.7 points compared to the end of the previous consolidated accounting period to 53.3%.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2020	End of current fiscal year June 30, 2021
Assets		
Current Assets		
Cash and deposits	37,650	39,596
Notes and accounts receivable – trade	72,598	71,272
Merchandise and finished goods	40,061	45,655
Work in process	3,030	3,501
Raw materials and supplies	12,690	17,012
Other	15,050	15,649
Allowance for doubtful accounts	(343)	(364)
Total current assets	180,739	192,324
Fixed Assets		
Property, plant and equipment		
Buildings and structures, net	62,309	64,770
Machinery, equipment and vehicles, net	92,574	100,073
Other, net	45,823	50,837
Total property, plant and equipment	200,707	215,681
Intangible Assets		
Other	4,851	5,290
Total intangible assets	4,851	5,290
Investments and other assets		
Investment securities	39,986	47,789
Other	19,398	11,632
Allowance for doubtful accounts	(104)	(103)
Total investments and other assets	59,280	59,318
Total fixed assets	264,839	280,290
Total assets	445,579	472,615

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2020	End of current fiscal year June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	29,666	25,349
Commercial papers	6,000	6,000
Short-term loans payable	16,200	14,324
Accounts payable – other	21,580	16,672
Income taxes payable	1,766	7,449
Provision for product compensation	9,192	9,738
Other	24,236	28,864
Total current liabilities	108,643	108,398
Non-current liabilities		
Bonds payable	—	10,000
Long-term loans payable	86,010	76,165
Net defined benefit liability	5,437	5,833
Provision for product compensation	9,126	5,179
Other provision	100	99
Other	13,567	14,637
Total non-current liabilities	114,242	111,915
Total liabilities	222,885	220,314
Net assets		
Shareholders' equity		
Common stock	55,935	55,935
Capital surplus	54,504	54,394
Retained earnings	90,866	107,521
Treasury stock	(146)	(142)
Total shareholders' equity	201,159	217,708
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,086	25,024
Deferred gains or losses on hedges	3	(2)
Foreign currency translation adjustments	(2,609)	6,062
Remeasurements of defined benefit plans	3,136	3,072
Total accumulated other comprehensive income	19,616	34,156
Non-controlling interests	1,918	435
Total net assets	222,694	252,300
Total liabilities and net assets	445,579	472,615

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2020 (From January 1, 2020 to June 30, 2020)	FY2021 (From January 1, 2021 to June 30, 2021)
Net sales	150,586	186,392
Cost of sales	100,789	111,739
Gross profit	49,797	74,653
Selling, general and administrative expenses	41,868	47,694
Operating income	7,928	26,958
Non-operating income		
Interest income	178	129
Dividends income	790	692
Foreign exchange gains	—	3,187
Equity in earnings of affiliates	78	104
Other	923	872
Total non-operating income	1,970	4,986
Non-operating expenses		
Interest expenses	985	706
Foreign exchange losses	2,921	—
Other	1,613	2,018
Total non-operating expenses	5,520	2,725
Ordinary income	4,379	29,219
Extraordinary income		
Gain on sales of investment securities	1,265	333
Total extraordinary income	1,265	333
Extraordinary loss		
Loss on retirement of non-current assets	192	219
Loss on sales of investment securities	—	92
Impairment loss	187	230
Loss on product compensation	1,438	586
Loss on provision for product compensation	313	—
Loss on COVID-19	1,604	380
Total extraordinary loss	3,736	1,510
Profit before income taxes	1,908	28,042
Income taxes	1,536	7,223
Profit	371	20,818
Profit (Loss) attributable to non-controlling interests	(148)	145
Profit attributable to owners of parent	520	20,673

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2020 (From January 1, 2020 to June 30, 2020)	FY2021 (From January 1, 2021 to June 30, 2021)
Profit	371	20,818
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,741)	5,937
Deferred gains or losses on hedges	12	(6)
Foreign currency translation adjustment	(3,941)	8,644
Remeasurements of defined benefit plans, net of tax	(113)	(64)
Share of other comprehensive income of associates accounted for using equity method	(36)	133
Total other comprehensive income	(8,820)	14,644
Comprehensive income	(8,448)	35,463
(Comprehensive income attributable to)		
Owners of the parent	(8,235)	35,212
Comprehensive income attributable to non-controlling interests	(213)	251

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2020 (From January 1, 2020 to June 30, 2020)	FY2021 (From January 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Income before income taxes and minority interests	1,908	28,042
Depreciation and amortization	10,528	10,732
Increase (decrease) in net defined benefit liability	154	269
Interest and dividends income	(968)	(821)
Interest expenses	985	706
Foreign exchange losses (gains)	960	(1,547)
Equity in (earnings) losses of affiliates	(78)	(104)
Loss (gain) on sales of investment securities	(1,265)	(240)
Loss on retirement of noncurrent assets	192	219
Impairment loss	187	230
Loss on product compensation	1,438	586
Loss on provision for product compensation	313	—
Decrease (increase) in notes and accounts receivable-trade	15,149	4,672
Decrease (increase) in inventories	6,031	(7,689)
Increase (decrease) in notes and accounts payable-trade	(13,915)	(5,382)
Other, net	(1,807)	3,138
Sub-total	19,814	32,813
Interest and dividends income received	937	870
Interest expenses paid	(1,116)	(1,010)
Payments of product compensation	(7,500)	(3,758)
Income taxes paid	(1,359)	(4,507)
Income taxes refund	585	349
Net cash provided by (used in) operating activities	11,362	24,756
Cash flows from investing activities		
Additions to property, plant and equipment	(11,560)	(21,079)
Proceeds from sales of property, plant and equipment	158	229
Additions to intangible assets	(620)	(927)
Additions to investments in securities	(7)	(9)
Proceeds from sales and redemption of investment securities	2,796	1,096
Other, net	(981)	(216)
Net cash provided by (used in) investing activities	(10,214)	(20,906)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(1,770)	(1,467)
Proceeds from long-term debt	16,674	—
Payments of long-term debt	(8,255)	(11,607)
Proceeds from issuance of bonds	—	10,000
Cash dividends paid	(3,844)	(3,845)
Dividends paid to non-controlling interests	(34)	(24)
Payments from changes in investments in capital of subsidiaries that do not result in change in scope of consolidation	—	(1,870)
Other, net	(119)	(447)
Net cash provided by (used in) financing activities	2,650	(9,261)
Effect of exchange rate change on cash and cash equivalents	177	2,109
Net Increase (decrease) in cash and cash equivalents	3,975	(3,301)
Cash and cash equivalents at beginning of the year	24,079	36,303
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	4,898
Cash and cash equivalents at end of the period	28,055	37,900