

Summary Report of Consolidated Business Performance
for the Fiscal Year 2022
(January 1, 2022 – December 31, 2022)

HYOGO, JAPAN – February 14, 2023 - Toyo Tire Corporation (“the Company”; President & CEO: Takashi Shimizu) announces its consolidated business performance for the fiscal year 2022 (January 1, 2022 through December 31, 2022) as follows:

Quantitative information concerning the Full-year financial results

(1) Business Results

- Net Sales: 497,213 million yen (an increase of 103,565 million yen, or 26.3% from the same period in FY2021)
- Operating Income: 44,046 million yen (a decrease of 9,034 million yen, or 17.0% from the same period in FY2021)
- Ordinary Income: 51,035 million yen (a decrease of 4,874 million yen, or 8.7% from the same period in FY2021)
- Profit Attributable to Owners of Parent: 47,956 million yen (an increase of 6,606 million yen, or 16.0% from the same period in FY2021)

(2) Results by Business Unit

The Tire Business Unit posted net sales of 455,796 million yen (an increase of 101,155 million yen, or 28.5% from the same period in FY2021) and an operating income of 46,636 million yen (a decrease of 8,453 million yen, or 15.3% from the same period in FY2021).

The Automotive Parts Business Unit posted net sales of 41,346 million yen (an increase of 2,367 million yen, or 6.1% from the same period in FY2021) and an operating loss of 2,591 million yen (a decrease of 582 million yen from the same period in FY2021).

(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 FY2022, the Company posted an extraordinary loss of 456 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 FY2022 of the consolidated accounting period were 598,889 million yen, an increase of 67,660 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 277,974 million yen, an increase of 26,900 million yen compared to the end of the previous consolidated accounting period.

Interest-bearing liabilities were 135,436 million yen, an increase of 6,652 million yen compared to the end of the previous consolidated accounting period.

Net assets as of the end of the FY2022 of the consolidated accounting period were 320,915 million yen, an increase of 40,759 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio increased by 0.8 points compared to the end of the previous consolidated accounting period to 53.5 %.

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2021	End of current fiscal year December 31, 2022
Assets		
Current assets		
Cash and deposits	55,615	41,601
Notes and accounts receivable – trade	83,292	109,468
Merchandise and finished goods	57,332	78,315
Work in process	3,882	5,091
Raw materials and supplies	19,733	29,477
Other	17,334	25,952
Allowance for doubtful accounts	(356)	(328)
Total current assets	236,833	289,579
Fixed Assets		
Property, plant and equipment		
Buildings and structures	123,701	140,461
Accumulated depreciation	(58,492)	(58,960)
Buildings and structures, net	65,209	81,501
Machinery, equipment and vehicles	354,943	380,917
Accumulated depreciation	(253,042)	(264,069)
Machinery, equipment and vehicles, net	101,901	116,847
Tools, furniture and fixtures	70,664	73,487
Accumulated depreciation	(61,247)	(63,610)
Tools, furniture and fixtures, net	9,416	9,876
Land	19,032	17,972
Lease assets	1,406	1,445
Accumulated depreciation	(869)	(1,001)
Lease assets, net	537	443
Right-of-use assets	6,313	13,256
Accumulated depreciation	(1,809)	(5,273)
Right of use assets, net	4,504	7,983
Construction in progress	26,003	30,426
Total property, plant and equipment	226,606	265,051
Intangible assets		
Software	5,882	8,144
Other	442	384
Total intangible assets	6,325	8,529
Investments and other assets		
Investment securities	49,921	27,204
Long-term loans receivable	150	142
Net defined benefit asset	4,229	1,993
Deferred tax assets	2,510	2,847
Other	4,755	3,643
Allowance for doubtful accounts	(103)	(102)
Total investments and other assets	61,464	35,729
Total fixed assets	294,395	309,310
Total assets	531,229	598,889

Consolidated Balance Sheets

(Unit: Millions of yen)

	End of previous fiscal year December 31, 2021	End of current fiscal year December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	34,004	42,577
Commercial papers	27,000	43,000
Short-term loans payable	13,196	24,780
Accounts payable - other	24,053	31,225
Income taxes payable	6,774	11,816
Provision for directors' bonuses	117	110
Provision for sales returns	306	—
Provision for product compensation	4,460	4,820
Other	25,436	32,716
Total current liabilities	135,350	191,048
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	75,476	51,366
Provision for directors' retirement benefits	9	10
Provision for environmental measures	88	86
Provision for product compensation	4,705	1,380
Provision for loss on litigation	—	1,340
Retirement benefit liability	3,829	3,523
Deferred tax liabilities	16,868	10,478
Other	4,745	8,740
Total non-current liabilities	115,723	86,926
Total liabilities	251,073	277,974
Net assets		
Shareholders' equity		
Common stock	55,935	55,935
Capital surplus	54,330	54,341
Retained earnings	125,119	159,837
Treasury stock	(143)	(132)
Total shareholders' equity	235,242	269,981
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,450	12,743
Deferred gains or losses on hedges	(17)	58
Foreign currency translation adjustments	11,428	32,359
Remeasurements of defined benefit plans	6,850	5,541
Total accumulated other comprehensive income	44,712	50,702
Non-controlling interests	201	231
Total net assets	280,155	320,915
Total liabilities and net assets	531,229	598,889

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2021 (From January 1, 2021 to December 31, 2021)	FY2022 (From January 1, 2022 to December 31, 2022)
Net sales	393,647	497,213
Cost of sales	232,606	299,237
Gross profit	161,041	197,976
Selling, general and administrative expenses	107,960	153,930
Operating income	53,080	44,046
Non-operating income		
Interest income	356	523
Dividends income	1,372	1,084
Foreign exchange gains	5,090	7,736
Equity in earnings of affiliates	167	199
Other	1,705	1,741
Total non-operating income	8,691	11,286
Non-operating expenses		
Interest expenses	1,458	1,278
Other	4,405	3,018
Total non-operating expenses	5,863	4,297
Ordinary income	55,909	51,035
Extraordinary income		
Gain on sale of non-current assets	4,280	299
Gain on sales of investment securities	358	18,252
Gain on sales of shares of subsidiaries and associates	—	32
Total extraordinary income	4,639	18,583
Extraordinary loss		
Loss on retirement of non-current assets	487	395
Loss on sales of investment securities	92	7
Impairment loss	1,136	736
Loss on product compensation	1,083	456
Provision for loss on litigation	—	1,340
Loss on COVID19	385	58
Total extraordinary losses	3,185	2,994
Profit before income taxes	57,362	66,624
Income taxes - current	10,605	20,452
Income taxes - deferred	5,292	(1,783)
Total income taxes	15,897	18,668
Profit	41,465	47,956
Profit attributable to non-controlling interests	114	0
Profit attributable to owners of parent	41,350	47,956

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2021 (From January 1, 2021 to December 31, 2021)	FY2022 (From January 1, 2022 to December 31, 2022)
Profit	41,465	47,956
Other comprehensive income		
Valuation difference on available-for-sale securities	7,363	(13,706)
Deferred gains or losses on hedges	(20)	75
Foreign currency translation adjustment	13,898	20,912
Remeasurements of defined benefit plans, net of tax	3,714	(1,309)
Share of other comprehensive income of associates accounted for using equity method	231	48
Total other comprehensive income	25,187	6,020
Comprehensive income	66,652	53,977
(Comprehensive income attributable to)		
Owners of the parent	66,445	53,946
Comprehensive income attributable to non-controlling interests	206	30

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
	FY2021 (From January 1, 2021 to December 31, 2021)	FY2022 (From January 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Income before income taxes and minority interests	57,362	66,624
Depreciation and amortization	21,468	26,748
Increase (decrease) in retirement benefit liability	477	(390)
Decrease (increase) in retirement benefit asset	68	4,476
Interest and dividends income	(1,729)	(1,608)
Interest expenses	1,458	1,278
Foreign exchange losses (gains)	(2,654)	(4,438)
Equity in (earnings) losses of affiliates	(167)	(199)
Loss (gain) on sales of noncurrent assets	(4,280)	(299)
Loss (gain) on sales of investment securities	(265)	(18,245)
Loss (gain) on sale of shares of subsidiaries and associates	—	(32)
Loss on retirement of non-current assets	487	395
Impairment loss	1,136	736
Loss on product compensation	1,083	456
Provision for loss on litigation	—	1,340
Decrease (increase) in notes and accounts receivable-trade	(5,808)	(17,887)
Decrease (increase) in inventories	(20,271)	(23,794)
Increase (decrease) in notes and accounts payable-trade	3,568	7,573
Other, net	(2,385)	(9,172)
Sub-total	49,549	33,563
Interest and dividends income received	1,706	1,528
Interest expenses paid	(2,050)	(1,292)
Payments of product compensation	(9,419)	(3,086)
Income taxes paid	(5,859)	(16,067)
Income taxes refund	539	527
Net cash provided by (used in) operating activities	34,465	15,172
Cash flows from investing activities		
Additions to property, plant and equipment	(36,312)	(43,030)
Proceeds from sales of property, plant and equipment	524	6,135
Additions to intangible assets	(2,410)	(3,360)
Additions to investments in securities	(20)	(16)
Proceeds from sales and redemption of investment securities	1,138	21,623
Proceeds from sale of shares of subsidiaries and associates	—	86
Other, net	(457)	1,849
Net cash provided by (used in) investing activities	(37,538)	(16,712)
Cash flows from financing activities		
Net increase (decrease) in short-term bank loans	(1,742)	7,159
Increase (decrease) in commercial papers	21,000	16,000
Proceeds from long-term debt	4,500	10,400
Payments of long-term debt	(18,082)	(32,562)
Proceeds from issuance of bonds	10,000	—
Cash dividends paid	(6,922)	(13,228)
Dividends paid to non-controlling interests	(24)	—
Payments from changes in investments in capital of subsidiaries that do not result in change in scope of consolidation	(2,146)	—
Proceeds from sale and leaseback transactions	6,128	—
Other, net	(1,013)	(4,001)
Net cash provided by (used in) financing activities	11,697	(16,231)
Effect of exchange rate change on cash and cash equivalents	3,765	5,779
Net Increase (decrease) in cash and cash equivalents	12,390	(11,992)
Cash and cash equivalents at beginning of the year	36,303	53,592
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	4,898	—
Cash and cash equivalents at end of the period	53,592	41,600